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A.E.A.

UNIVERSITY OF NOTTINGHAM

School of Agriculture
Department of Agricultural Economics



Eighth Heath Memorial Lecture

**AGRICULTURE
AND
INTERNATIONAL TRADE**

by

SIR ERIC ROLL

Delivered on 21st May, 1962

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Sutton Bonington

Loughborough

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THE HEATH MEMORIAL LECTURE

WILLIAM EDWARD HEATH was born in Leicestershire in 1906 of a large farming family. All the family have been associated with agriculture and some are now farming in Canada and New Zealand.

He was a student at the Midland Agricultural College and graduated as a B.Sc. of the University of London. (The Midland Agricultural College is now the School of Agriculture of the University of Nottingham).

He started work at the Agricultural Economics Department at Sutton Bonington and then moved to the Farm Economics Branch at the Department of Agriculture for Scotland, in due course becoming Head of that Department. During this period he was responsible for an economic survey of marginal Scotland.

In 1947 he was appointed Reader in Agricultural Economics at the University of Nottingham. He played an active part in the School of Agriculture and later was Vice-Dean of the Faculty of Agriculture and Horticulture. In 1951 he was selected to visit the United States of America to study research and teaching methods.

He was particularly interested in all the international aspects of agricultural economics and devoted a good deal of time to lecturing and writing articles on the subject of food and people. He was an active member of the International Conference of Agricultural Economists and of the Agricultural Economics Society.

Although handicapped from his youth by an attack of infantile paralysis, he refused to bow to this handicap and shared in full in the whole life of the University. It was a shock to many when he died suddenly in 1951 at the age of 45.

The Heath Memorial Lecture was established in his memory, largely through the initiative and generosity of past and present students (The Old Kingstonian Association) and of the farmers who appreciated his work in the East Midlands province.

THE LECTURER, 1962.

SIR ERIC ROLL is a distinguished civil servant who, at the time of delivering this lecture, was carrying great responsibility in the Brussels negotiations for Britain's entry into the European Economic Community, being Deputy Leader of the negotiating team.

His early career was in the academic world. After graduating in the University of Birmingham in 1928 his reputation in the field of economics grew rapidly and from 1935 to 1946 he held the post of Professor of Economics and Commerce in the University College of Hull.

During World War II he had leave of absence from this post and served as a member of the British Food Mission to North America. He was also a member of the Combined Food Board in Washington.

After the war Eric Roll remained in the Civil Service and after a period with the Central Economic Planning Staff at the Treasury he became Deputy Head of the United Kingdom Delegation to O.E.E.C. in Paris and Chairman of the Organisation's Economic Committee. He was also Deputy U.K. Representative to N.A.T.O. He became prominent in international discussions on food and agricultural problems and from 1957 to 1959 was Executive Director of the International Sugar Council. In 1958 he was Chairman of the United Nations Sugar Conference.

Outside the field of international negotiation Sir Eric Roll is best known for his "History of Economic Thought" which was published in 1954 and soon became a standard textbook.

AGRICULTURE AND INTERNATIONAL TRADE

1. Introduction.

I am much honoured by your invitation to give the Heath Memorial Lecture this year and to join so distinguished a list of lecturers. I am bound to say at once that I am awed by their eminence in the field of agriculture and agricultural economics, in both of which such knowledge as I have has been acquired along the administrative route. The only basic equipment I can bring to my task lies in the field of general economics. Moreover, those who have preceded me have been able to lecture on their subject without any inhibition; indeed, it was their job to speak freely. Either because of their academic position, or because they were known to be associated with particular interests, it was possible for them to express their points of view with clarity and directness. My position is rather different. When Professor Britton invited me to give the lecture this year I had to point out to him the restraints under which I, as a public servant, would be in regard to matters with which I am concerned, or with which I have been concerned, in the course of official business. Thus, not for me the fearless path of pure reason or the open espousal of sectional interest.

I am nevertheless delighted to make this brief return to a University audience and to be enjoying at least some of the latitude appropriate in an academic environment. I hope, however, that you will understand it if I walk somewhat warily around those parts of the field which, however interesting they might be, are full of land mines since they are the object of current Governmental activities. I would like, therefore, to take refuge in the now time-honoured phrase of the cinema that any resemblance between what I am saying and current preoccupations, whether in Whitehall or in Brussels, is purely "coincidental".

The subject I have chosen is, of course, a very large one; and I propose, therefore, to pick out some of the major features to concentrate on. One selection which I will make for the sake of compression is to deal with food-stuffs only and to leave out agricultural raw materials such as cotton, which raise somewhat different problems. Finally, you will, of course, understand that my treatment of the problems with which I shall be dealing will be that of an administrator rather than that of a pure economist.

2. Some Basic Economic Considerations.

May I, however, begin by recalling certain basic economic considerations. Up to the period of classical political economy, land had occupied a very special position in thinking about economic matters. Indeed, the immediate forerunners of the classical economists, the physiocrats, built the whole of their theory round land, which they regarded as the ultimate source of all wealth. It was not until the time of Ricardo that the great emancipation from all the fetters of pre-classical thought, physiocratic or mercantilist, finally took place. The remnants of pre-scientific thought were discarded, and the broad general principles of economics made their appearance.

Among these general scientific laws of classical political economy the doctrine of comparative costs and, with it, the belief in the wealth-creating effects of the international division of labour acquired a central and highly important place. It became one of the most solidly based and widely accepted parts of the general body of economic doctrine. From the extreme liberal, on the one hand, to Marx on the other - though I must at once point out that he had quite special reasons for wanting "wage-goods" to be low - the principle of free trade, including free trade in foodstuffs, was accepted as part of that regime in economic matters most likely to contribute to the optimum use of resources, and, therefore, to the highest development of material wealth.

I do not wish to suggest that this principle was immediately accepted. It took some time to assert itself even in its home, England. It was not until the abolition of the Corn Laws under Peel that England finally broke with the protectionist traditions and installed a free trade regime which remained virtually intact until the great depression of the 30's. On the Continent, progress was perhaps even slower. Free trade in food - like other blessings of classical political economy - was not so readily accepted as it had been in England and, if world trade in food expanded during the 19th century and in the first few decades of the 20th century, this was more often in spite of remaining restraints rather than because of their removal. Even after the liberalising influences of the second quarter of the 19th century, free trade was, by the middle of that century, still European rather than world-wide.

3. The Development of International Trade in Food.

It was not until the second half of the 19th century that an amazing upsurge took place and trade in general and in foodstuffs in particular became world-wide. This development was both accompanied by, and, in part at least, reinforced by the opening up of great areas of cultivation such as the United States Mid-West, the Canadian West, Argentina and Australia. Taking 1913 as 100, the quantum of exports of food and of all other exports, according to the very interesting studies of Mr. Lamartine Yates, developed as follows:-

	1876	1929
Food exports	33	136
All exports	30	135

The causes for these tremendous increases, apart from technological development and the opening up of new areas of production, to which I just referred, as well as to the gradual spread of more liberal policies, are to be found in the rapid fall throughout that period of the death-rate, resulting in a rising population as well as in rising real incomes. This produced a marked shift in diets to fats, sugar, animal products, fruit and tropical beverages. At the same time, technical advances, for example in the field of refrigeration, made transport from distant lands easier. European settlers in the temperate zones were responsible for large-scale increases in agricultural production in those areas, while European and, later, North American capital, through plantations cultivated by native labour, greatly expanded production of tropical products in the tropical areas of the world.

This great upsurge of world trade in foodstuffs masked the extent to which special and protectionist policies in regard to agriculture continued to exist and, therefore, diminished the attention given to the special problems which were latent.

The trend to which I refer was not an uninterrupted one, wars being the most important causes of a temporary halt in the trend. Taking, for example, the quantum of exports as 100 in 1913, we find that in the 40 years to 1913 world food exports trebled, while in the 40 years after 1913 they rose by only 54%. The momentum was getting less all the time. In the 20's and 30's food exports ran at about one-third above the 1913 figure, while in the 50's they ran at about only 15% above 1937. Food prices also have lagged, possibly due to a more rapid lowering of costs in the field of agriculture in recent decades as a result of intensified technological progress. Taking 1913 as the base year, we find the following position of the price of food compared with all exports:-

	1929	1953
Food exports	113	225
All exports	125	259

These figures, both of volume and of prices, mirror, I think, the cycle of wars and depressions. The former have always given a powerful stimulus to greater production, to more intensive efforts to achieve efficiency as well as self-sufficiency in food production. The Napoleonic Wars were, as everyone knows, an important watershed in this respect, exemplified particularly by the tremendous increase of sugar production on the Continent and the consequent difficulties created for tropical countries. It is interesting to observe the rhythm of world sugar production during the present century and how closely correlated that is with the cycle of war and post-war, as the following figures show:-

	Percentage of Total World Production	
	beet	cane
1901/02	54	45
1913/14	49	51
1919/20	29	71
1938/39	37	63
1945/46	28	72
1953/54	40	60

The strategic argument in favour of self sufficiency in food production has always been powerful. In Britain it has asserted itself particularly during the Second World War, leading to considerable increases in food production, so that today almost two-thirds of all the "temperate" foodstuffs consumed in Britain are home-produced.

4. The Present Position.

What is the present position? Most countries exhibit, I think, a similar pattern. First of all, there has been a relative decline in the importance of agricultural production in the economy as a whole, which shows itself particularly in a diminution in the percentage of the population engaged in

agriculture and in the percentage of the gross national product contributed by agriculture. Of course, this movement has been more rapid in some countries than in others, but the trend is, I believe, the same in all the advanced countries of the world. At the same time, there has been rapid, and, indeed, rapidly increasing technical progress, so that the absolute increases in output have been enough, and often more than enough, to meet the increasing demand of a rising and more opulent population. We have also witnessed recurrent Government action, primarily for social reasons to delay the adjustment which would otherwise have taken place, by means which certainly very often and perhaps inevitably have led to restrictions on international trade and to recurrent surplus problems.

Perhaps I should interpolate here that what I have just said requires some qualification in that a distinction has to be drawn between the products of the temperate zone and those of tropical areas. In the former, the development of the last few decades has shown a combination of international and domestic aspects, whereas, as far as the tropical products are concerned, recent events have been wholly related to international trade. There has been no decline in the relative importance of tropical agriculture in the countries concerned. The move away from monoculture, or reliance on a few crops is very difficult and the rigidities of supply are very great. The latter aspect is particularly powerful in those tropical tree products which have a long production cycle. Coffee is an extreme example of this feature.

5. Why is Agriculture Protected?

It is an interesting study to explain why the attempts to insulate agriculture, or at any rate to protect it from the effects of the cold winds of economic change, should have been so persistent and so widespread. Some of the reasons are obvious: they lie in the technical, as well as in the social conditions of agricultural production. Agriculture is tied to the soil. The mobility of capital is low and that of labour low or often completely non-existent. But on top of these technical reasons there can be found what one modern economist, Professor Boulding, has called an "agricultural fundamentalism", reaching back to biblical history, which helps to account for the unique position of the agricultural way of life in many societies. This agricultural fundamentalism has its political expression also; that is to say, the strength of the rural influence in the political life of a country is often not in proportion to the numerical or economic significance of those engaged in agriculture. Some of us, for example, will have noticed that in the United Kingdom there is, regardless of party, a strong and persistent influence of the "rural vote" which cannot be measured at all by the 4 per cent or so of the working population which is engaged in agriculture or by the roughly similar percentage which is the agricultural contribution to the gross national product.

It is not easy to find a single unifying explanation for the peculiar position which the agricultural sector has always occupied in the economy; for example the degree of subsidisation of agriculture is by no means related to the importance of agriculture in the economy. Indeed, it is very tempting to see a converse relation. I have already drawn attention to the position in this country. On the other hand, you find in some countries in which agriculture is predominant, as in Denmark or New Zealand, that there is no, or

hardly any subsidisation, while at the same time the agricultural community is highly prosperous. This is a fascinating subject for study, but I think it would take us too far afield tonight to go much further into it. My own feeling is that the explanation and evaluation of this agricultural phenomenon must be eclectic. In Europe, notably, national and military history have played an important part, as I have already indicated when I mentioned sugar. In the old German Empire agricultural protection was undoubtedly undertaken both as a political counter-balance to what was then the heavy industry of Austria as well as to provide a readily available supply of manpower which was equated with military strength. A Europe free from war might well have developed differently in regard to the balance of agriculture and the urban economy. Another striking contrast is offered by the Soviet Union, which has shown persistently recurring examples of the systematic exploitation of the rural areas by the urban population without the least concern for "agricultural fundamentalism".

6. The Methods and Consequences of Agricultural Protection.

Whatever may be the scientific explanation for the place which agriculture occupies, there is very little doubt about the arguments by which agricultural protectionism has over the centuries been justified. These have been, broadly speaking, in three classes: social, strategic, or economic (related in recent years in particular to the balance of payments). I do not propose to analyse these arguments or to say how valid they are. This I must leave to the professional economist. As an administrator, I can only ascertain the facts of the situation, examine their consequences and see what means are available for solving, or mitigating, the problems to which they give rise.

The first and most important consequence to which the concern for the welfare of agriculture gives rise is that of the restriction of international trade. The biblical saying about the camel and the rich man and the eye of the needle can very often be adapted to the ease with which agricultural produce can move across national boundaries. There are many commodities that I can think of, but will refrain from mentioning here, which it is almost impossible to import into one country from another. I hasten to add, still using a biblical saying, that I think we can none of us afford to throw stones. All countries sin in this respect, though some sin more than others.

From an economic point of view the methods adopted are relatively secondary. The important thing is that the object and result are generally similar, namely to achieve a higher level of domestic agricultural output than would otherwise be the case, thus interfering with the results of the international division of labour, which the text book would stipulate.

From a political and administrative point of view, however, the methods can be of considerable importance. It is now generally appreciated that while both in Britain, and in most Continental countries, notably the countries of the European Economic Community, agriculture is supported by the State, the methods that have been in force to this end for many years are basically very different. Broadly speaking, in the countries of the European Economic Community such support as the State has wished to give to agriculture has taken the form of managing the market, either by means of direct intervention or by means of control of imports through tariffs, levies and

quotas, or by a combination of these measures, so as to raise the return which the farmer gets to whatever is considered the adequate level. In Great Britain, on the other hand, the system in operation since the immediate post-war period has, broadly speaking, been one in which the market return is allowed to find its own level, interventions whether at the frontier or internally being virtually absent, while the desired income of the farmer has been achieved by giving him a direct supplement in the form of subsidies, the so-called deficiency payments. Having stated this fundamental difference, I think it is only right to add that there are, nevertheless, some similarities between Britain and the countries of the Community. For example, direct subsidies are not entirely absent on the Continent, especially in Germany, while the British system is not exclusively one of deficiency payments, (for example, milk).

It is very difficult to say which combination of methods produces a higher degree of protection. Indeed, measuring the level of protection itself is an almost impossible task as the recurrent attempts to do so, for example in the framework of the G.A.T.T., have shown. One advantage that is sometimes claimed for the British system is that it is one which makes the cost of supporting agriculture plain and obvious to every member of the electorate. An educated electorate in a democratic system, it is argued, would rather take the cost of supporting a particular section of the community on the taxes so as to be able to see exactly what it is spending and to have a direct control over it. I would not venture to pronounce on whether there is really a substantial difference, from this broad political point of view, in the two systems, one which supports agriculture by placing the cost squarely on the consumer or one which does so by making the taxpayer foot the bill. I think it can be argued that such difference as there may be between these two approaches is becoming less and will progressively disappear as society becomes more affluent, on the ground that it could be said that there is a tendency in more affluent societies for the supposed advantages, from the point of view of equity, of direct taxation as compared with indirect taxation, to fade away.

By the same token, the advantage that is sometimes claimed for one's own economy from having something like the British system is, at best, not easy to measure. It might even be doubted whether it exists at all. This advantage is said to consist in the fact that the availability of cheap food produces a better competitive position in regard to industrial costs. It is also said that it provides a better yardstick for measuring the true economic cost of agricultural support because it allows for the continued existence of a "free" world market price.

As I have already said, the first of these two arguments must assume a different significance according to the degree of development and affluence of the society which we are considering. Similarly, the more direct effect of low food prices may be no indication whatever of the significance, in terms of industrial costs, not only because there is a compensating additional burden of taxation to be taken into account, but also because the unit price of a particular article of food (as the unit cost of any other consumption item) is not an indication of the significance which this occupies in the family budget, the level of wages, the level of earnings, the level of labour costs,

and all the other items that enter into industrial costs of production. I am sure I need not belabour this particular point to an audience of economists.

Again, as far as having the yardstick of a free world price is concerned, the extent to which agriculture is subsidised, both directly and indirectly, domestically as well as directly for the purposes of export, the effect of differential freight rates and all the other means for "distorting competition", are factors which do not make it easy to claim that world prices are necessarily indicators of economic cost.

From the point of view of the countries that export food it may be argued that free access to an importing country, even though that country supports its own agriculture by means of Exchequer payments, is an important advantage and makes direct subsidies preferable to any other system of agricultural support. This view is sometimes expressed by saying that the Chancellor of the Exchequer is the exporting countries' best ally. There are, however, at least some off-setting disadvantages. As I have already said, in times in which price formation in a free world market is apt to be distorted by export subsidies, by dumping, by artificial freight rates, etc., free access will often be regarded by the primary producing countries as a mixed blessing, since it does not provide a guarantee against unduly depressed prices and consequent low returns to the producers.

I have made these points not in order to make a case for or against one system or another, but rather to show that from the point of view - perhaps the somewhat cynical point of view - of an administrator, the different forms of agricultural protection cannot be painted in black and white.

7. The Position of the Farmer.

But what about the farmer? Is there a distinct advantage for him of one system as against another? I suppose an ideal system for the farmer might be the one that existed in Britain during, and immediately after the War, namely that of fixed prices at which the whole of his annual output was purchased. Of course, this system operated in a period of shortage when all, and literally all, that the farmer could produce was wanted by the community and was bought, allocated and rationed by the Government; when, moreover, the whole of the economy was carefully regulated so that the prices which were negotiated for the output of the "national farm" were carefully geared into the pattern of prices and incomes determined by the overall economic strategy of the War.

I remember still vividly from my own experience the doubts and uncertainties, sometimes the resistance, of our own farmers when the system of fixed prices and bulk Government purchase had to give way at the end of the War to the freer system that we now have of deficiency payments and "standard prices", i.e. prices which are not necessarily attained for every unit of output by every farmer. But now that the farming community has become used to this system it sees clearly its advantages, and equally clearly the disadvantages of any alternative system. Some farmers at least see also some of the difficulties to which the present system gives rise, notably the high margin of uncertainty of what the total cost to the Exchequer will turn out to be and the unwelcome attention of the taxpayer when that cost rises too much. There are also sometimes actual difficulties of disposal of what is

produced, which the system by itself cannot overcome. I suppose a mixed system, providing assurance against all possible contingencies, would be ideal as far as the producer is concerned. To some extent a mixture does now exist or, perhaps I should say, has been forced upon us, by the exigencies of an expanding farm output. In Britain we have tried through a Barley Working Party, to guide (I am glad to say usually successfully) the market rather than to leave it entirely to itself; and we know that in the case of butter, the disorganisation of the market has forced us to have recourse to a system of quantitative restriction of imports. Nor is this kind of development confined to Britain. On the Continent, too, no one single system has been found to cope with all contingencies; and new features have had to be added from time to time. It is perhaps worth emphasising again what I said a few moments ago, that our system is not a single uniform one. We have different arrangements for milk, eggs and potatoes, for example, from those which obtain for cereals or fatstock, which show the method of deficiency payments probably in its purest form. For pigs, again, the flexible guarantee system introduced not long ago is an attempt to introduce some element of long-term planning of production of a quantitative character into an otherwise free price system, supplemented by deficiency payments.

8. The Future.

Can we discern any clear tendencies for the future? Or, better still, can we establish certain guide lines for the future development of agricultural protection, taking it as a basic fact of the situation that in all countries there will be continued agricultural support and that, whatever the pure economist may say, the politician and the administrator will have to wrestle with the problem of how best to organise it. To make the question more precise, is there any means of so adapting the method of agricultural support as to avoid aggravating the problems of international trade, better still, so as to alleviate them, while at the same time absorbing the technical progress which we may be sure will continue, and even accelerate? If this task can be accomplished, this would clearly mark a tremendous advance from the point of view of bettering international economic relations, and, beyond that, avoiding political frictions at a time when the consolidation of the Western world must be an over-riding objective.

Perhaps the problem can be looked at under three separate headings. The first is that of the problem posed for all of us in Europe by the creation of the European Economic Community and, in particular, by its common agricultural policy, and by the prospect of the enlargement of that Community through the accession of the United Kingdom and of other European countries. The second aspect is that of the wider, perhaps I might say world-wide, problem of agricultural trade, and the third is the problem of tropical agriculture.

On the first of these, in many ways perhaps the most pressing and the most interesting, I am unfortunately in a position in which I am able to say the least. What I can do is to point to the fact that opinions differ very widely on what effects the gradual approximation of the United Kingdom system to that of the common agricultural policy - which is what would be involved in our membership - would have. For example, one distinguished economist, Professor Meade, who has taken at best a doubtful view of the consequence of our membership in the European Economic Community, has

said in an article that "...unification of United Kingdom agricultural arrangements with the agricultural arrangements of the Six would involve a wholly undesirable increase in the amount of protection afforded to the British farmer. This danger is especially real for those who, like myself, would like on the contrary to see a substantial reduction in the degree of protection given to the United Kingdom farmers".

Here is a liberal economist speaking, and his fears contrast strangely with those which one hears from some, though probably not all, of the representatives of the farming community who, on the contrary, fear that the degree of protection available to them under the Continental system will be less, or at least less certain and in a less satisfactory form than the one that they have enjoyed hitherto. You will forgive me if I don't go any further into this particular argument, but rather turn to another aspect of it which is this. As a highly industrialised country with vital interests in the ability to export our industrial products, while at the same time committed to continuing to maintain a healthy agriculture, we have in recent years had a most difficult and delicate balancing act to perform. We have had to strike a balance between the needs of our own farmers and the needs imposed by our world-wide trade interests, in which must be included more particularly those of our fellow members of the Commonwealth, many of whom are especially interested in their continuing market in Britain for the same sort of foodstuffs that our own farmers produce. This problem is, of course, not peculiar to us. It is one which faces many industrialised countries of the world and many of the countries in Europe who would be our partners in an enlarged European Economic Community. They, too, in varying degrees, perhaps most notably Germany, have had to achieve this balance. They have done so by different means, and it may be argued that the system we have had in the last nine or ten years in Britain provides a simpler mechanism for achieving a balance of the kind I have described. Relatively free imports, relatively low or non-existent tariffs for the bulk of our agricultural imports other than horticulture, and a virtually automatic means of supplementing farmer's returns through the system of guarantees which we have with its annual reviews and so on, provides, so it may be thought, a smooth mechanism for reconciling the interests of our home producers with those of our overseas trade partners.

I think myself that this is much too simple a view. In the first place, as I have already said before, our system is not as uniform as the description of it devised for the purpose of simplifying the exposition. In the second place, the interests that have to be reconciled are often so varied that a highly complicated, not to say agonising, appraisal is usually involved in trying to achieve the right balance.

It is, of course, true that a switch to a different system of support, such as that provided by the common agricultural policy, while not altering in any way the basic need to achieve a balance of interests, would present us with new problems of methods and mechanics, and this is something which the great supplying countries and particularly our fellow members in the Commonwealth are bound to view with a measure of doubt and uncertainty.

Again, this is a point on which I cannot elaborate. I must leave it at what has been said publicly by those who can speak for the Government on

these matters. What I would rather wish to emphasise to an audience of fellow economists is the simple point that the problem of this reconciliation between the needs of trade and the needs of domestic agriculture is with us already, would still be with us in the new circumstances created by an enlarged Community, and is continually getting more difficult. I think it is not overstepping the bounds of propriety to say that any objective observer must have realised already that this problem will become increasingly difficult to solve, whether we become members of the European Economic Community or not, and that it can by no means be clear that the solution would be more easily achieved in the one hypothesis than in the other. From a broad, long-term, economic point of view, this is a problem that requires a wider international solution if it is to be a durable one.

One may, of course, hope that on the positive side one could count upon increases in consumption following upon rising standards of living; but can that in itself cope with the problem? We all know Adam Smith's remark about the limited capacity of the human stomach, although perhaps since the days of Adam Smith we have learned something of the wider limits set for the capacity of the human palate and of the possibilities, through improved presentation, to find increasing outlets for food. But I would certainly not dissent from those who doubt whether such possibilities will be enough to provide solutions to the problems I have described.

How are patterns of trade to be adjusted in a way that minimises harmful consequences? I think myself that this can only be done by a recognition of the mutual responsibilities of the countries involved, including the European Economic Community, and the Commonwealth countries, and by a readiness, through wider international arrangements and agreements, to stabilise prices, allow production and consumption patterns, as well as patterns of trade, to be continuously adjusted to changes of technology of agriculture in a manner least harmful to the interests of the individual countries concerned.

I have no great illusions about the complete efficacy of world-wide agreements which are really attempts to manage agricultural markets on a wider international basis. I am not sure that they will necessarily achieve what the unaided classical price mechanism (were it realistic to expect that it would ever function perfectly), or that half-hearted price mechanism which has operated in spite of national policies designed to frustrate it, has failed to achieve, namely, to balance supply and demand. In short, I have little doubt that we shall be faced, even with the best devised and managed international schemes, with the alternative of either seeing price stabilisation frustrated or surpluses emerging which cannot be disposed of in the normal commercial way. It is likely, therefore, that no international commodity agreement will be wholly satisfactory unless it also includes some provisions for dealing with any surpluses that may emerge.

9. The Problem of Surpluses.

In this connection, I would merely wish to draw your attention to three problems that arise, and which are usually overlooked, in often well-meant statements about the need to find new surplus disposal methods. First of all, there is the question of how these surpluses are to be financed. Clearly, a fair distribution is essential, both as far as the donors and the recipients

are concerned. In the second place, if these surpluses are to be disposed of in a non-commercial way to help, for example, the developing countries, it is important to be clear first as to the form in which the surpluses are to be made available, and secondly, as to the effect they will have on the economy of the donor country. Disposal in kind of food surpluses must be carefully integrated with other forms of aid to developing countries, both from their point of view and from the point of view of the donors. What can be said with certainty, I believe, is that it would do neither the donor nor the recipient much good if the system of surplus disposal was such as to result in the deliberate and continuous creation of surpluses, however much that may be regarded as an easy way of solving the problem of adjusting agricultural production to a new situation, both in the donor and in the recipient country.

Lastly, a word about tropical products, for which I have now left myself very little time. I would, however, like to stress that this problem has rather special features different from those that apply to temperate food-stuffs. Generally, these are products on which the economy of certain developing countries is highly dependent. Also, very often, if not always, they are produced in countries which have a special relationship, for historical reasons, with some advanced industrial country; and even where that relationship has ceased to be a political one, certain economic features such as preferences or special price arrangements continue to exist. Ideally, one could argue that the best thing to do for developing countries who are dependent for their income on one or two or, at any rate, very few tropical products, is to free the trade in these products entirely. I think one can discern that there is a trend to this effect in the world; and this is one which any economist must welcome. At the same time, one has to recognise that the pace of this advance will have to take account of the needs of some countries which will continue to require some kind of preferential treatment and which cannot be immediately exposed to the full force of competition from all other producers.

There are other means which must be employed for helping these countries. One is to expand consumption by appropriate price and fiscal policies, notably by the reduction or the abolition of revenue duties, for example, on tropical beverages. The other is by means of price stabilisation schemes, for example, for sugar, cocoa, and coffee, for all of which schemes either exist or are in prospect, even though some of them, notably the Sugar Agreement, are not fully effective at the moment.

10. Conclusion.

I fear that I have done little more than to present you with a vast array of problems which I have tried to group in some sort of order without, however, being able to indicate very clearly what the solutions might be. For the economist to devise solutions may not be too difficult. I remember my own lack of inhibition in this regard some 25 years or so ago. But for the politician and the administrator the problem is different. They are constantly exposed to many and conflicting pressures which bring home to them that they are dealing with real problems of real people, whose real livelihood has to be safe-guarded, and who, in a democracy, have the means of making it abundantly clear when they feel that their interests are threatened! What the statesman, therefore, must strive for and what the adminis-

trator can help him to achieve, is a continuous compromise between conflicting interests. I am persuaded by my own experience that this is possible even in this very difficult field, provided that the appetites of those directly concerned are not excessive. It is for the economist to seek the truth and to pronounce it fearlessly as he sees it. The aim of the statesman, though less exalted, is not an ignoble one; the prize to be won is that of strengthening rather than of weakening the bonds that unite the comity of nations.

