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SUGGESTED MODIFICATIONS IN PUBLIC LAW 480

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Through almost a decade of operation Public Law 480 has not changed many of the fundamental questions asked at its beginning. How can prices for U. S. farm exports be made competitive in world markets without substantial subsidy from the Federal treasury? What are the most efficient and humanitarian adjustments which can be made in American agriculture so that the general economy and the agricultural sector might "live with" the seemingly persistent excess capacity? Are these programs which subsidize exports to be supply-reducing or demand-expanding in nature? Will the old methods of modest acreage restrictions, trade policy, domestic disposal and foreign loans and grants be sufficient to maintain economically and socially desirable prices in U. S. agriculture without substantial stock accumulations?

I certainly am not going to try to answer these questions here, but instead, shall present a number of suggested modifications which are categorized into three groups with respect to substance, operation, and attitudes.

MODIFICATIONS IN PROGRAM SUBSTANCE

One of the most provocative statements in the original PL 480 legislation was Section 101a which directed that the President should take reasonable precautions to safeguard usual marketings of the United States and assure that sales would not unduly disrupt world prices of agricultural commodities. In a 1958 amendment, competing nations, private traders and other interests succeeded in inserting a clause "to protect normal patterns of commercial trade with friendly countries."

Certainly this type of specification is difficult of definition as well as of enforcement. "Normal" used here means about the same as it does in any other economic context: An opening for any interpretation which a committee might place on it. In this case it is the Secretary of Agriculture through an Interagency Committee who is charged with making interpretations and decisions relative to the program: Consultation also takes place with the FAO Subcommittee on Surplus Disposal under FAO principles and guidelines. Appropriate assurances are obtained from participating governments that usual U. S. marketings will not be displaced. Also, supposedly, sales under Title I have been made at prices comparable to those prevailing in the market for export sales for dollars. Factors weighing in the decisions made include historical commercial trade, stocks, production, consumption, and import requirements.

Modification 1:

We should not be overly concerned that PL 480 disposals disturb some commercial trade of the U. S. and friendly allies. Indeed, there is some doubt that unless commercial imports are displaced in the receiving country, or unless surplus commodities are accompanied by free, convertible currency, the PL 480 shipments will not realize their maximum efficiency.

It is evident that this recommendation is somewhat counter to accepted principles of the FAO. Also, it would be political heresy for this suggestion to stem from an official United States position. However, no less of a world trade authority than Sir John Crawford has made the same recommendation.^{1/} The displacement criteria at best are fuzzy or unidentifiable in the minds of those who sit in judgement and make the decisions. I have tried on two occasions in the Foreign Agricultural Service Offices to get the displacement criteria principles spelled out.

The crucial gist of this modification lies in the fact that unless commercial imports are replaced by PL 480 or similar shipments, rationing or inflation may ensue, or scarce foreign exchange must somehow be allocated, which means it must be controlled. As Crawford says, "If--the maximum long-term benefit is to accrue to a country normally importing--commercially, it is necessary to replace commercial imports--not merely to avoid the necessity for increasing commercial imports."^{2/}

Another suggested change is closely tied to the first. In working up deals with most importing countries the Department of Agriculture has stuck closely to some definition of "additionality" with respect to the total package. That is, when a Title I--Sales-for-local-Currency--negotiation is worked out, the sales must be in addition to normal imports. What is the concept of normal imports for a country that has had little commercial activity?

Modification 2:

We should broaden the concept of eligibility of PL 480 recipients from the narrow sense of additionality set forth under the original policy guidelines so as to embrace a concept of the use of agricultural commodities as a tool of economic development. The principal way in which this can be done is to more fully integrate the sales, donation, and other programs with U. S. economic assistance programs abroad.

The amount of substitution for commercial purchases and the amount of addition to total purchases is difficult to determine, particularly when it is necessary to assume a slower rate of development in the absence of the PL 480 shipments. Evidence suggests that U. S. commercial sales have been reduced and in some cases sales of friendly countries have been displaced, but total U. S. shipment sales abroad are probably larger than they would have been in the absence of the PL 480 program.

Another suggested modification in the program relates to the nutritional angle. Title I sales do not contribute significantly to those groups with little purchasing power. Its contribution to improved diets is due mainly to an increase in available supplies of food in food-deficit countries. Title II and Title III donation programs are more effective in providing additional food to urban groups whose diet is poor. Because of internal distribution problems, only rarely do these programs provide more food to rural people with deficient diets.

Wheat and cotton predominate in all these programs, thus limiting nutritional benefits. The more serious dietary deficiencies are in animal-type protein.

^{1/} "World Agriculture: Some Coming Issues in Trade and Development Policies," USDA World Food Forum, May 15-17, 1962.

^{2/} Ibid., p. 15.

Calorie intake and plant protein components of diets have been improved, but the balance with other protein has deteriorated.^{3/}

Modification 3:

We should take seriously the improvement of diets in underdeveloped countries by structuring our PL 480 program to meet nutritional needs; particularly we should consider changing the product mix of the likely surpluses toward more animal proteins, especially dried milk.

More is being done on this in a general way than during the first five years. The objectives of the World Food Program of the FAO incorporated the idea of better nutrition. There are some definite technical difficulties in going strongly to the area of animal protein. Also the costs of producing, shipping, and distributing animal protein would be a major consideration. Certainly it is a large order for the American farmer to go very far in this direction, but it should be tried. Perhaps a program to evaluate vegetable protein needs could be tried in relation to the overall U. S. financial authority.

A fourth area for change in the nature of the PL 480 program relates to barter activities. In the original Act, the Commodity Credit Corporation was authorized to make surplus commodities available to any Federal Agency for use in making payment for commodities not produced in the United States, and to barter or exchange surpluses for other materials as authorized by law.

Certainly the use of the term "barter" leads to confusion. It does not describe the operation of the program. The vast majority of the bartered commodities have been sold in markets with strong economies and strong currencies. Over three-fourths of the business has been conducted with ten industrial countries.^{4/} Barter is no doubt a substitute for commercial trade.

Modification 4:

It is proposed that the barter program be abolished after giving one year advanced notice, say as of January 1, 1964.

The barter program, though altered by the President in September 1962, on recommendation from the Executive Stockpile Committee, is nothing but a cut-rate dollar sales program which adversely affects commercial transactions and which is linked by agreement to add to our nonfarm surpluses. It worsens our balance-of-payments position by forcing us to buy commodities for which we have no use, without increasing our commercial exports.^{5/}

As already pointed out, nearly all shipments have gone to our present commercial markets, or to markets of friendly competitors. Abuses were particularly

^{3/} See George Allen "Economics, Politics, and Agricultural Surpluses," a paper presented to the Agricultural Economics Society of England, December 15-17, 1962, for a good discussion of the nutritional aspects of Food for Peace.

^{4/} Menzie, E. L., L. W. Witt, C. K. Eicher, and J. S. Hillman, Policy for United States Agricultural Export Surplus Disposal, Arizona Agricultural Experiment Station Technical Bulletin 150, p. 46, August 1962.

^{5/} Witt, Lawrence, "Policies to Expand the Demand for Farm Products," a paper presented at the Agricultural Policy Institute, Raleigh, N. C., November 29, 1961.

bad in the mid-fifties. Volume was reduced drastically during the period of July - December 1962 while a study of the program was in progress. It would now be appropriate to abolish the entire program.

A fifth and final suggested basic change in PL 480 relates to the dedication of the program to meet long-term objectives, particularly those of economic development in the developing regions of the world, and to the elimination of hunger to the extent possible. This approach would also call for international coordination of U. S. activities with those of the FAO and other countries acting independently.

The emergence of many new nations in Asia and Africa and the desire to help them achieve economic viability through deliberations of the OECD's Development Assistance Committee have already prodded the U. S. to action; but, at the same time there has been a great international effort in mobilizing financial and other capital resources. Certainly, as a prerequisite to substantial economic growth, large food deficiencies must be corrected. This is quite apart from any humanitarianism. Pilot projects have been conducted by FAO. Surplus food provided on a bilateral basis (U. S. the supplier) has been used in economic development, but there appears to be advantages in international action to achieve better integration of food aid, technical assistance and capital aid.

Modification 5:

The United States should accelerate its program of food assistance to support economic and community development and link this accelerated program closely to national long range economic development plans and to the multilateral contribution available from that of FAO and other agencies.

Congress in 1960 began authorizing grants of CCC Commodities for use in assisting economic development in developing countries. As of December 1962, about \$200 million were authorized and were programmed under Title II to support a wide range of activities in 16 countries. A large Tunisian program was followed by projects in Morocco, Brazil, Ecuador, India and others. Where possible and feasible this should continue.

Along with the projects themselves should go research and evaluation work to assess the effect of these programs on food consumption, costs of distribution of food products and the contribution that agricultural commodities may make in developing the receiving countries. Some evaluation is needed to appraise the possible use of increased supplies of surplus food in situations where Titles I and II are not appropriate. Costs and benefit analyses are needed to evaluate the increased use of agricultural commodities as a tool of economic development.^{6/}

MODIFICATION IN OPERATIONS

The operational aspects of PL 480 and allied programs have changed considerably during its first decade. At one time it was not difficult to comprehend the

^{6/} For some thoughts on this topic see "Contribution of Public Law 480 to International Economic Aid and Development" by F. D. Barlow Jr. and Susan A. Libbins, Foreign Agricultural Trade of the United States, February 1963.

major points. Unless, however, one keeps abreast of a constantly changing program such as this, there can be pitfalls in his suggestions. I shall attempt some anyway!

One thing that "hits a person in the face" with respect to programming surpluses when he tries to find out about eligibility of recipients and decisions surrounding a PL 480 deal is the lack of written and publicly available facts, and bases on which such deals are made. To be sure, minutes are kept of Inter-agency Committee Meetings, but this is not sufficient. Each case is considered as unique and deals are set in an arena of nebulous bargaining. It would appear that some criteria could be developed in order to give the negotiations a more formal setting.

Modification 6:

A set of principles should be drawn up embodying as nearly as possible all the circumstances which will govern decisions in PL 480 negotiations. These principles should be published and should be passed on to foreign countries and international bodies such as FAO.

It may be argued that our participation in the Consultative Subcommittee of the FAO Committee on Commodity Problems, which meets regularly in Washington, is sufficient for international information. The FAS, in fact, maintains that it does consult in advance with third countries likely to be affected.

Such a modification may even go so far as to screen most surplus deals with some international group such as FAO and OECD. This would have the distinct advantage of internationalizing the deals rather than setting them up on a bilateral basis. The deals may even get international sanction, and protests reduced. The complaint most often given by members of the Consultative Subcommittee is that the U. S. representative doesn't notify them sufficiently in advance of a proposed deal.

Let us switch to another field of operations. There has been a need for more efficient coordination of all special export program activities for sometime. There may be some need for a more centralized authority if the export programs and economic assistance (through exports) programs are to continue for any length of time.

Let me quote from the last report of the Food for Peace Director:

The Department of Agriculture is responsible for determining the commodities which are available for programming and the commodities and countries to be included in agreements after advising with other Government agencies. It is also responsible for coordinating the development of agreements, for implementing the sales provisions of signed agreements, and for other aspects of the program not specifically delegated to other agencies. The Director of Food for Peace supervises and coordinates all food for peace programs. The Department of State is responsible for negotiating agreements and for foreign policy determinations. The Agency for International Development reviews the programs for conformity to the aid programs of the United States and administers economic development loans and grants. The Bureau of the Budget makes allocations and apportionments of foreign currencies to the extent to which the Director of the Bureau of the Budget deems necessary. The Treasury Department is responsible for

the purchase, custody, deposit, transfer, and sale of the currencies received. In addition there are other departments and agencies which are concerned with the development of Title I programs and the uses of the foreign currencies that accrue.^{7/}

Such a vast bureaucracy has been built up around these programs until it is essential that the most efficient operation be realized. I can testify from personal experience that effectuation of a better organization and management would not only assist in coordination, but might reduce costs in program implementation.

Modification 7:

It would seem plausible to set as a target the overall combination of all special export programs into an arrangement where policy coordination and economy would be the principal achievements.

Here I am really sticking my head into a meat grinder! All the friends I have in USDA, State and AID will forever criticize me for oversimplification. Nor am I going to say more here about this proposal.

As a third and final suggestion on operations let us turn to our own experiment station complex. Section 104K of PL 480 provides for programs and projects of scientific cooperation between the United States and other countries, with the stipulation that funds for such work must be specifically appropriated by Congress. These monies are available for use by CSESS, but neither the leadership of the Experiment Station's Division nor the Directors have pushed in this area.

It would appear that those Land-Grant universities which have programs abroad would be in excellent position to apply for Section 104K funds for research activity or as a corollary to their operations. Thus far, agencies of the USDA have received over \$12 million for agricultural research in 19 difference countries.

Modification 8:

It is suggested that the Administration of CSESS actively pursue immediately the idea of asking for appropriations for the experiment stations which would qualify for money under Section 104K and which want to participate in this program.

In 1959 I suggested to the Director at Arizona and through him to Dr. Shaw that the Land-Grant institutions could qualify for 104K funds. Also, I suggested that these schools could inform their cooperators abroad that a potential source of research support exists therein. Of course, such research must be in the interest of the U. S. but this has never been a large obstacle in the broad sense.

We have a strong argument here. The University in the United States would be able to use these funds in the improved training which some of the countries vitally need. If we can develop procedures whereby a dollar grant or dollar budget for one mature professional person abroad can be converted into a dollar and a local currency grant for the same man and, say, two of his Masters or PhD candidates doing the research for their theses, we can get more research and we can train two young men for important positions in their country.

^{7/} Seventeenth Semiannual Report on Activities carried on under Public Law 480, 83rd Congress, p. 5.

MODIFICATIONS IN ATTITUDES AND ACTIONS

Probably no other program, except our own general domestic agricultural situation, has been so disdainfully discussed by the uninformed as the special export programs. Our attitude in the early years was apologetic for the surpluses; our policy in earlier years also reflected apology. Our program mechanics and logistics suffered due to the resulting indecision and uncertainty.

Try as we may, it is difficult to eradicate the notions that PL 480 is not primarily surplus disposal and that the American farmer the principal beneficiary. Why? Because, to a large degree in earlier years this was true. However, some change is now taking place and the program is considered more of a basic element in our total foreign aid program.

A current analysis of the politics of PL 480 to be published at Arizona shows that this program is an integral part of government assistance to agriculture to raise U. S. farm incomes.^{8/} As a consequence, almost all debate and discussion concerning the disposal program, at one time or another, has focused upon production adjustment and control. This issue has been often more hotly debated than the actual disposal operation and its results. Essentially PL 480 has been regarded as part and parcel of the entire government price support-subsidy-disposal program even though since 1960 a greater effort has been made to use excess agricultural productive capacity. It is generally concluded that farmers were the major beneficiaries of disposal legislation. Most legislators are unaware that the farmer has been aided only insofar as the disposal operations have reduced stockpiles. (In other words, this eases pressure for a reduction in support prices and permits subsequent increased production.)

Modification 9:

Further emphasis should be given to changing the role of United States agricultural abundance. Action thus far through the 1960 Congressional authorization is not enough. U. S. agricultural production must be used to promote security, to encourage economic stability, to stimulate economic development, and to assist in achieving foreign policy goals.

Senator Humphrey said several years ago that our reserves of food and fiber and our ability to produce such commodities in abundance are resources to be prized; to be used boldly and imaginatively, and not to be dribbled away. Certainly we should not apologize for abundance and be shamed about go great an advantage.^{9/} In fact, Professor Allen has shown rather emphatically that when set against the background of domestic politics, PL 480 stands up well to its critics^{10/}

^{8/} Crouch, Robert, Some Aspects of the Politics of Agricultural Export Surplus Disposal Through Public Law 480, MS Thesis, Department of Agricultural Economics, University of Arizona, 1963.

^{9/} Humphrey, Hubert H., "Food and Fiber as a Force for Freedom," Committee on Agriculture and Forestry, 85th Congress, 2nd Session, April 21, 1958.

^{10/} See George Allen, "Economics, Politics, and Agricultural Surpluses," a paper presented to the Agricultural Economics Society of England, December 15-17, 1962.

In the past two years, PL 480 has had a better press from economists, and this has been due in no small part to papers given by Ezekiel^{11/} and Crawford^{12/} as well as the new look in the program itself.

Now I should like to make a final suggestion, somewhat allied to No. 9. It will be presented with little comment.

Modification 10:

The export programs of the U.S. should be considered a long-term program, a permanent commitment of this country to assist economic development in underdeveloped countries, to help reduce food deficits, and to help support the FAO freedom-from-hunger campaign.

It is encouraging to note that the precedent which was established by our food-for-peace program has been accepted. It was incorporated in the OECD proposals on a multilateral basis. In the last six months of 1962 a \$100 million World Food Program was established by the UN and FAO. Others are concerned with fighting hunger. Is it too altruistic to believe in working toward such a goal?

DISCUSSION: FOREIGN TRADE POLICY

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Each of the preceding papers has dealt with some phase of U. S. agricultural exports; Postweiler with an aspect of the dollar sales of wheat, Hillman with those transactions dealing with other than dollar sales. At this point, the similarity between the two papers ends.

Postweiler places the concept of "a subsidy windfall" under a microscope and methodically examines several phases of this concept. He examines the possibility that the "subsidy windfall" could arise from the script issued under the P.I.K. (payment in kind) program. He concludes that, with one possible unexplored exception, the return should be identical to those under a direct cash subsidy program. He then demonstrates that this "subsidy windfall" is made possible by speculations that are essentially a function of movements in the subsidy rate which in turn depends upon movements of U. S. spot and world wheat prices.

I found this portion of the paper rigorous and enlightening. I was less impressed with the evidence that he cites to substantiate his contention that the subsidy does, in fact, exist.

USDA Miscellaneous Publication No. 905 contains estimates of the farm price of wheat, the export subsidy and other variables for wheat that would have existed during the period 1956-61 had each of four programs been in operation. Since one of the programs is the current program we have in effect a comparison of what

^{11/} Ezekiel, Mordecai, "Impact and Implications of Foreign Surplus Disposal in Developed Economies and Foreign Competitors--the International Perspective," Journal of Farm Economics, December 1960.

^{12/} "World Agriculture: Some Coming Issues in Trade and Development Policies," USDA World Food Forum, May 15-17, 1962.

actually occurred with an estimate of what would have occurred had three other programs been in operation. I know of no way of placing confidence limits on estimates resulting from this type of analysis. Yet, Postweiler's evidence rests on the fact that the computed increase in the estimated cost of the export subsidy for the present program over the type of program that was in operation previously amounts to 3.8¢ per bushel while the estimated increase in farm price amounted to only 3¢ per bushel. In other words, had the estimated farm price per bushel been \$1.83 8/10 per bushel instead of \$1.83, the evidence of the subsidy would have disappeared. This is a difference of less than one-half of one per cent.

In examining the same data, I was impressed with the fact that the 3¢ per bushel increase in farm price applied to the entire 1,101 million bushels of wheat purchased in the U. S. Approximately one-half of this is sold in the foreign market covered by the average 3.8¢ per bushel subsidy. The other half is sold in the domestic market which, according to the report, is unaffected by the type of export program in operation. The grain trade thus pays a 3¢ premium on 1,101 million bushels at the farm level in order to capture 3.8¢ premium on 550 million bushels. The loss to that segment of the grain trade operating in the domestic market more than offsets the gain to that segment of the trade dealing in the foreign market. Insofar as firms operating in the domestic market are distinct from firms operating in the foreign market the benefit to the foreign firms is at the expense of the firms operating in the domestic market.

Postweiler makes the point that the P.I.K. program has benefited the large integrated grain firms to the detriment of the small unspecialized port base firms. I would contend that the largest detrimental effects would fall on that segment of the grain trade not engaged in the export business.

Hillman, drawing on his experience as a participant in one of the U. S. international programs and as a research worker studying international problems, presents 10 suggested modification in the PL 480 programs. These recommendations, with a possible exception of modification 1 and 10, are consistent with each other and consistent with a hierarchy of values which I shall postulate. By specifying these values it should be possible to identify the basis on which certain of his recommendations would be rejected by some individuals.

The justification for Modification 6 states "Such a modification may even go so far as to screen most surplus deals with some international group. This would have the distinct advantage of internationalizing the deals rather than setting them up on a bilateral basis." I see a potential conflict here between efficiency and control. If we grant that internationalizing the deals would increase the efficiency with which the program is carried out some would still prefer to negotiate on a bilateral basis rather than increase the size of the group involved in the decision-making process.

A similar potential conflict, but between centralization and efficiency appears in Modification 7. In introducing the issue he states "There may be some need for a more centralized authority if the export programs and economic assistance (through exports) programs are to continue for any length of time." Modification 7 then states "It would seem plausible to set as a target the overall combination of all special export programs into an arrangement where policy coordination and economy would be the principle achievements." Those who value a decentralization of powers and functions may be unwilling to sacrifice a preferred form of organization for the anticipated gains in efficiency.

The final points concern what Dahl and Lindblom have termed "appropriate inclusion." In introducing the concept they state:^{1/}

...In setting forth goals to serve as criteria for appraising different political-economic techniques, we have so far deliberately begged one vital question. We have advocated the goal of freedom for ourselves "and others," but we have not defined what "others" we had in mind... Who are these others? The whole human race? People who agree with us? American members of Western "democracies"?

...For however loudly the super-patriots may insist on the territorial nation-state as an almost divinely approved design for inclusion and exclusion, it seems clear that exclusion-inclusion on the basis of the territorial nation-state, or any other basis, is entirely a pragmatic question.

Modification 10 states, "The export programs of the U. S. should be considered a long-term program, a permanent commitment of this country to help support the FAO freedom-from-hunger campaign." The appropriate inclusion is much broader than the territorial nation-state. We can expect a dissenting voice from the super-patriots on this issue.

Hillman has anticipated some disagreements and has identified the sources of disagreement in the paper. I have made an attempt to further specify some issues on which further disagreement can be anticipated. But the fact that many will disagree with some of the 10 modifications suggested does not destroy the value of this paper. On the contrary the amount of disagreement, with the discussion that results when we attempt to resolve controversial issues, may be the best measure of the value of the paper.

DISCUSSION: FOREIGN TRADE POLICY

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These two papers are significantly different to warrant separate consideration. I will comment first on the Postweiler paper and the Hillman paper second.

The paper by R. A. Postweiler, "Some Policy Implications of the Wheat Export Program":

This paper is primarily a demonstration of hypothetical relationships of the various elements of selected subsidy export proposals. It serves to call attention to operational problems primarily and only remotely to policy implications.

The first portion of the paper levies an attack upon an appraisal of alternative export programs as reported in "Analysis of Grain Export Programs," Miscellaneous Publication No. 905 of the USDA.

^{1/} Dahl and Lindblom, Politics, Economics and Welfare, Harper and Brothers, pp. 51-52, 1954.

The windfall profits proported to be gained by the exporters under the PIK program would amount to less than $\frac{1}{2}$ cent per bushel or about 4 per cent of the dollar invested. This may be excess profits but with the data given such an assertion cannot be proven except by assumptions.

An important factor has been unduly neglected. The speaker was quick to use the "grain reports" estimate for an increase in subsidy payment of \$21 million (\$16.6 of which would go to farmers) but set aside as irrelevant a \$42 million gain to the Government by reducing their costs of handling, storing and transporting the smaller quantity that moves through their hands. In addition, a \$3.4 million savings in administrative costs with the PIK program were ignored. Therefore, the total savings of \$45.4 million minus the additional subsidy cost of \$4.4 million results in a net savings of \$41 million through the PIK program over the pre-PIK program ($7\frac{1}{2}$ cents per busel).

The USDA report clearly explains that this savings results from increased efficiency in grain handling by the private exporters over that of the CCC and this claim was backed by evidence of facilities available to the private trade that permitted the economy.

The account of how script might be managed to show equality or disequality of returns to exporters for the cash subsidy program compared with the PIK is primarily a demonstration of the variables involved but arrives at no solution. Equalities or disequalities were the function of various assumptions selected which may or may not have any relationship to actual conditions. No empirical data were introduced. Nor were any policy implications alluded to.

The next demonstration of discounts and premiums for negotiable script resulting from assumed changing relationships between fobbing costs and subsidy allowances, serves to demonstrate workings in the market but policy implications were neglected. This exercise proposed a high level of competition among exporters as premiums and discounts on script reflect fobbing margins. The changes in the flow of nonscript grain in response to changes in the ratio between the subsidy payments and redemption prices also suggest a high level of competition. This is not consistent with the previous assertion of excess windfall profits accruing to exporters.

The discussion of speculative possibilities is a demonstration of the workings of long and short transactions. There is no fundamental difference between this example for exporters than for elevator operators, millers, or speculators in any position. Unfortunately carrying charges were ignored for this example. Carrying charges would have an impact on the magnitude of the speculative gains.

With future price prediction less than perfect, it is essential to introduce the inverse situation of the demonstration which inferred speculative profits accruing to the Government and holders of grain and equal losses to the exporters. Speculative gains are not necessarily "subsidy windfalls." Nor are such gains necessarily associated with any specific export program.

The title of the paper under discussion suggests that there are some policy implications of the wheat export program. I would like to list some of these policies and suggest the need, always present, for a choice among alternative policies.

1. A policy of reliance upon market prices to perform some or all of the pricing functions may be in conflict with a policy of administered prices.
2. A policy of maximum use of the private trade and their facilities is in conflict with a policy of expanded use of government facilities. Considerations include efficiency criteria, protection of the private sector, maximum public control and others.
3. The policy of domestic supply control versus optimum demand expansion is basic to export programs.
4. The goal of optimizing certain domestic economic attainments may be in conflict with goals to gain a maximum international economic position.
5. Exports managed to maximize economic development in selected foreign countries may be in conflict with policies to use exports to gain position in the national defense struggle.
6. Exports managed to yield humanitarian and welfare attainments may be in conflict with policies designed to bring greatest economic developments or greatest national defense.

The paper by Jimmye S. Hillman, "Suggested Modifications in Public Law 480":

Hillman's paper is stimulating and interesting because it ventures to the battlefield of the action part of policy. His 10 modifications were selected with a complete awareness of pitfalls open to those attempting to recommend changes.

Modification 1 and 2, relating to the fear of replacing commercial trade and the concept of additionality may be less of a worry than suggested. The longer the program is in effect the more evidence there is that commercial trade is expanded rather than contracted as a result of PL 480 deals.

India bought \$11 million more in 1961 than 1960 through the commercial trade--also dollar sales have not been hurt in Israel, South Korea, Egypt, or Peru. Countries become better dollar currency customers as their economy strengthens and PL 480 shipments have contributed to stronger economies. Japan, Spain and Italy, once Title I customers, now are doing an expanded business in the commercial trade.^{1/}

The nutritional theme as a demand expansion motivation has many advocates and it has other advocates for humanitarian reasons. With 1/3 of the world's population supplied seriously poor diets and another 1/3 with diets that could be improved with a change in types of food supplied it seems unnecessary to further debate the urgency for the incorporation of nutritional criteria in our transactions with poor diet countries. Even though the nutritional theme has many followers there is little evidence that it has had much weight in action programs.

Recent news releases on the 24 million bu. barter grain shipment to Austria that can't be found seems to be sufficient evidence to support Hillman's proposal to abolish the barter program.

^{1/} The Farm Index, USDA, ERS, June 1963.

^{2/} The Barter Export Program, F.A.S., USDA, October 1961.

However, an October 1961 report by a task force comprised of trade people concluded that, "...barter is an effective method of moving U. S. agricultural products into export markets while at the same time accomplishing other national objectives of the U. S."^{2/} They did call attention to the cumbersome system of completing barter contracts but "if," and this is a big "if," administrative problems can be smoothed out and if barter can be limited for those products we do need, then the abolition of this phase of PL 480 may not be necessary. It does come closer to normal international trade deals than Title I deals and therefore may have more durability over time. It is granted that stockpiling of unneeded products received on barter exchanges just shifts the location and type of our surplus problem.

Operational problems are easier to criticize than the basic philosophy underlying the program. The goal of a national programming of surpluses might best be obtained by systematizing the procedures for transactions. But a danger is present in the proposal that surplus deals be further screened by all groups wherein an impact might fall. Transactions might be slowed down and reduced as a result of a top-heavy administration, and this is already a serious complaint about the existing procedure.

The dilemma is associated with the need for expediting transactions with a minimum of delay, and on the other hand the need for more careful attention to benefit appraisals, coordination of agencies, implications to the economic and political aspects of each deal. The latter calls for more clearing offices, or checking stations or levels of approval, while the former calls for a streamlining--the need for policy clarification is evident.

Professional consulting firms are obtaining contracts for research studies abroad but employing experiment station personnel as their technicians--this complicates staffing problems but also suggests that experiment stations need to take a more active part in negotiating contracts and conducting research abroad on a continued basis.

The number of foreign students seeking advanced degrees in this country will undoubtedly increase. Not only is there a need for more widespread information on the procedures for obtaining funds to finance their stay here but there is a need for making Title I monies available to finance their thesis research in their home country where the benefits of the research study will accrue to their home land as well as to the students.

^{2/} The Barter Export Program, F.A.S., USDA, October 1961.