INCREASING THE FOREIGN DEMAND FOR FARM PRODUCTS

Lawrence Witt

Surplus production has grown to some eight percent of total agricultural production, and threatens to increase still more. While the surplus has been growing, we have turned in desperation from one device to another in an effort to match production and consumption at acceptable prices. After the efforts of the twenties in strengthening the competitive process of reaching an equilibrium had failed, more direct methods were used. Efforts were made to control supply, then to expand domestic demand, each with a variety of techniques. Even as these programs floundered, the war and post-war experience demonstrated that a strong export market (even though dependent on dollar gifts and loans), would strengthen agricultural prices and reduce stockpiles. Hence it was both logical and with a sense of frustration that a massive export program came into being in 1954.

This program puts substantial emphasis on sales for local currency, but also includes barter, loans, gift provisions. The export program combines two values close to hearts of most farmers (and many agricultural economists). These are that the farmer's product should be used usefully, not destroyed, and that there should be no hungry people in the world while there is surplus food available. The program is made more appealing by its buoyant influence upon farm prices and its success in reducing stockpiles below what they might have been. The ignorance of the foreign exchange mechanism, of the real worth of foreign currency to the United States (especially when deposited in the other country's central bank), and the nebulous link with economic development all help to confuse the issue. The impression is left that the large quantities of wheat, cotton, tobacco, etc, shipped abroad must somehow do some good.

As we discuss this topic, I should like to have you think of it in a broader context -- as a part of a broad international challenge appropriate to agricultural economists and social scientists at Iowa State and other agricultural colleges and universities. Despite five years of a program costing the economy over one billion dollars per year, there is no solid research dealing with this program. Is this because it is a foreign rather than a domestic program? Have we failed to see the full importance of this program to the national economy?

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Moreover, with regard to the mass of world problems which involve farm people -- tenure problems, development problems, instabilities of world commodity prices, and a variety of other agricultural and economic problems -- agricultural economists have had little to say. A few have been drawn into action programs overseas; still they have not written much about the problems spread out before them and of which they are so much a part. Clearly we have been seriously ethnocentric in our United States—based research and other activities, leaving to others the formulation of the proper interrelations of domestic and foreign policy.

Furthermore, we tend to reject involvement in value formation -- in partially specifying important values for society or at least strongly arguing for a set of values. No one should know better than we the amount of subsidy which has been involved in our education and training. Why should not our trained minds contribute more fully in posing and resolving the value conflicts of the society which has made these investments? To continue to ignore value issues, particularly in the international field where the vast majority of the people are unable to even articulate the relevant values, is morally irresponsible and a complete dereliction of duty -- as well as physically suicidal. Look over the bulletins and articles of any experiment station and the articles in the Journal based upon real research. How much has been contributed to an understanding of the interrelations between foreign and domestic policy? Multiply this by 50, and the result is still unsatisfactory.

The General Situation. All this is really an introduction to an apology for the inability to provide precise answers to the problem posed by the title. Almost the only reports that can be drawn upon are either a generalized policy statement based upon the values implicitly assumed in classical economics, or a description of what has been done in carrying out the Congressional mandate. On the one hand, the tensions created by deviating from traditional trading patterns lead some economists and political scientists to a thorough damnation of the program. On the other hand, the easing of the surplus burden, and its consequent presumed effect on the price and income position of American farmers is lauded as a material accomplishment. My view is that the truth lies somewhere in between. I should like to make a tentative approach, largely by showing the complications of the program and possible differential impact.

First, what is the general export situation? During the past four and a half years we have shipped or contracted to ship about $7 billion worth of farm products under special programs. Current farm export levels are close to $4 billion per year. Some 30 to 40 percent of this total represents directly subsidized exports, with an additional amount, perhaps 20 to 30 percent being sold for dollars at special prices. The remainder are commercial exports for dollars. Most of the special exports have been under Public Law 480 -- The Agricultural Trade Development and Assistance Act -- but
additional quantities have gone under Section 402 of the I.C.A. program, under the International Wheat Agreement, special dollar loans, and under legally reduced prices of the CCC program. Not all of the P. L. 480 are sales for local currency; significant amounts have gone as grants and donations, or have been bartered for strategic materials. Wheat, cotton, and fats and oils (soybean oil), are major commodities. Tables 1 and 2 provide some total figures.

In the aggregate, aside from military equipment, this program has become the largest transfer of "wealth" between the United States and other countries since the Marshall Plan -- and the program is far from over. In fact its very place in your program suggests that it is being considered as a more or less permanent alternative to efforts to stuff more food down the throats of domestic consumers. Why do we have this program? What is it intended to accomplish? Two serious questions immediately arise. Who decides where, how much, and for how long such an export program is desirable? Secondly, suppose foreign countries were to say, "We want no more wheat, cotton, or soybeans, but we will accept great quantities of tobacco, feed grains, and dairy products under these special provisions." Would and should agriculture adjust its commodity mix to these needs, or are we so concerned with preserving traditional patterns, values, and institutions that such measures cannot be considered?

Goals of the Program. It is necessary to inquire more specifically into the goals of the program, and the extent to which they have been accomplished. To do either of these is far from a simple task. Values are not given; they must be untangled, related, reviewed and compromised. Moreover, this must be done not only relative to United States values, but also interrelated with the values of each of the other countries affected. It is accurate and all too easy to say "We know not what we do". We do not have a clear statement of the national purposes of the program, less so than when it began. Certainly we do not know the impacts upon other countries, except in a superficial and fragmentary fashion. Perhaps it will be mutually beneficial to think together this afternoon about these programs. Take first the United States' objectives.

The early and clear objective is the disposal of supplies of farm products overseas -- supplies which have accumulated or are likely to accumulate at prevailing prices and production levels. To some this is the sole objective of the program, and all other considerations are incidental. It appears, however, that a somewhat contrary view should be held and that several other objectives are becoming more significant.

Time and again the values of the American society have shone forth clearly in an organized effort of giving -- the relief program under Herbert Hoover after the first World War, help for the Japanese earthquake victims, U.N.R.R.A., the Marshall Plan, U.N.I.C.E.F., the CARE packages and
Table 1. Exports of U. S. Farm Products Under Public Law 480 with Comparisons

<table>
<thead>
<tr>
<th>Program</th>
<th>1956-57</th>
<th>1957-58</th>
<th>Total 1954-58</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>--------</td>
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<td>---------------</td>
</tr>
<tr>
<td>Public Law 480</td>
<td>--------</td>
<td>---------</td>
<td>---------------</td>
</tr>
<tr>
<td>Foreign currency sales</td>
<td>902</td>
<td>650</td>
<td>2,065</td>
</tr>
<tr>
<td>Grants and donations</td>
<td>250</td>
<td>267</td>
<td>1,001</td>
</tr>
<tr>
<td>Barter</td>
<td>401</td>
<td>99</td>
<td>924</td>
</tr>
<tr>
<td>Other exports</td>
<td>3,171</td>
<td>2,984</td>
<td>11,371</td>
</tr>
<tr>
<td>Total exports</td>
<td>4,724</td>
<td>4,000</td>
<td>15,361</td>
</tr>
</tbody>
</table>


Table 2. Commodity Composition of all P. L. 480 Agreements signed through June 30, 1958

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Export Market Value</th>
<th>Estimated CCC Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat and wheat flour (bu.)</td>
<td>1,028.0</td>
<td>1,732.1</td>
</tr>
<tr>
<td>Feed grains (bu.)</td>
<td>192.8</td>
<td>335.6</td>
</tr>
<tr>
<td>Rice (Cwt.)</td>
<td>181.8</td>
<td>288.8</td>
</tr>
<tr>
<td>Cotton (bale)</td>
<td>509.9</td>
<td>681.4</td>
</tr>
<tr>
<td>Cotton linters (bale)</td>
<td>.3</td>
<td>.3</td>
</tr>
<tr>
<td>Meat products (lb.)</td>
<td>39.2</td>
<td>39.2</td>
</tr>
<tr>
<td>Tobacco (lb.)</td>
<td>142.3</td>
<td>142.3</td>
</tr>
<tr>
<td>Dairy products (lb.)</td>
<td>43.8</td>
<td>74.2</td>
</tr>
<tr>
<td>Fats and oils (lb.)</td>
<td>384.7</td>
<td>391.0</td>
</tr>
<tr>
<td>Poultry (lb.)</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Dry edible beans (cwt.)</td>
<td>.4</td>
<td>.4</td>
</tr>
<tr>
<td>Fruits and vegetables (lb.)</td>
<td>15.2</td>
<td>15.2</td>
</tr>
<tr>
<td>Seeds (cwt.)</td>
<td>.4</td>
<td>.4</td>
</tr>
<tr>
<td>Total</td>
<td>2,540.5</td>
<td>3,702.6</td>
</tr>
<tr>
<td>Ocean transportation</td>
<td>301.8</td>
<td>301.8</td>
</tr>
<tr>
<td>Total, including ocean trans</td>
<td>2,842.3</td>
<td>4,004.4</td>
</tr>
</tbody>
</table>

Source: Ibid, p. 4
and similar programs. The legislation for P. R. 480 (and Section 402 of I.C.A.) clearly provides that food may be given under emergency conditions, without waiting for special legislation (as was necessary earlier in providing a gift of wheat to India). Beyond this there is an element of humanitarism in the sale of local currency which justifies such special export programs as an effort to match "underfed people" with excess supplies. If there had been no P. L. 480 program, there still would have been donations, possibly more than in this category now.

A third objective has come into greater prominence as the program began to operate. It is partly implied by the title "Trade Development and Assistance Act", and is more than a rationalization. This is the desire to use the surplus farm products as an instrument of economic development. As efforts to develop new large markets for farm products got underway, it was logical to look carefully at the low income, high population areas of the world. In today's international arena, development is a key symbol for these areas; hence the U.S.D.A. must be concerned with development. Moreover, the competition and politico-economic relations with other exporting areas are such that the program is more defensible if many of the products are channeled into new, non-commercial markets.

There are a number of other possible accomplishments which appear to be congruous with the American value system. These will become clearer by looking at individual programs. Among these goals are political stability, greater internal competition, and support of anti-communist efforts through strengthening the military forces.

The Individual Programs. In turning now to individual countries, it should be stressed that these suggestions are little more than tentative hypotheses -- hypotheses which suggest the complexity of the effects and the necessity for more careful studies of the program impacts.

Pakistan: The program in Pakistan comes close to being built in as an integral part of the nation's resources. A number of observers question whether it would be possible to stop the program. (About $186 million at market value was shipped or programed through June, 1958). The rupee cost of the imported wheat is higher than the price paid local producers. Since the price charged to consumers is intermediate, losses on imported wheat are offset by government profits on locally produced wheat. Internal farm prices, however, are being increased slowly.

Internally it appears that the government has been more influenced by the political pressures of the refugees, migrants and squatters in the principal cities than by the agricultural groups. Thus, an adequate supply of low cost food becomes an important element in lessening political instability, while the nation tries to stimulate local production and marketings by non-price means. A major share of the rupees accumulated have been allocated to the
support of the Pakistani military build-up as a member of the Baghdad Pact. Some of this military effort does have economic development significance, both in the training of soldiers to handle machines, and in the improvement of communication. The quantitative importance of this aspect of the program is not clear.

**Japan:** In the case of Japan it appears that the Ministry of Agriculture is a major local supporter of P. L. 480 agreements. (Some $150 million of commodities are involved.) Most of the accumulated yen are used for agricultural development, or for U. S. Government expenditures which save dollars (such as housing for military dependents). The ministry of Agriculture appears to be able to induce the Ministry of Finance to permit the use of some of these funds outside the regular government budget. In this way irrigation and drainage programs are implemented which were planned for a later date. Thus, despite a decrease in dollar earnings, the program has contributed to development, and to an earlier reduction in food imports. On the other hand, there appears to be a change in dietary patterns from sweet potatoes to rice, and from rice to wheat, which has the reverse effect. Much of this is due to the rising levels of living within Japan, and not solely to the availability of P. L. 480 commodities -- which really do not bulk large in the total Japanese trade.

**The Philippines:** For the Philippines (with a small program involving some $15 million) it is necessary to enter into more speculation. General monetary and exchange problems make it clear that a limited amount of exchange would have been allocated to cotton. Many observers suggest that only a few textile manufacturers would have received allocations for the importation of cotton. Consequently the majority would have been squeezed out of the textile industry, with substantial profits possible for the successful applicants. With P. L. 480 cotton entering the country, there was cotton for everyone, enabling the industry to remain competitive. Hence, those textile manufacturers less close to the government become internal supporters of the program.

**Indonesia:** In this country, the local currency (from a $100 million program) has been accumulated. However, in an effort to control inflation, the Indonesian government has directed that almost none of the funds be spent. Thus, it becomes necessary to look at the general monetary and fiscal program, and identify the marginal reductions in expenditures had special import programs not been available -- admittedly a difficult problem. The foreign exchange crisis and/or the local food problem probably would have been more severe. More should be said, but I am unable to do so.

**India:** The largest single program is in India (attaining $425 million of farm products). It appears that the imports went largely to feed the major port cities of Bombay, Madras, and Calcutta. Shipments from the interior to these areas were blocked to avoid cross shipments, but probably also with some
impacts on the internal price structure. It appears that prices are lower than they would have been with no program -- however, a series of donations is probably the real alternative. It appears that the large income elasticity for food and semi-subsistence level of production may have held greater food supplies in the villages in recent years -- thus contributing to urban shortages. Both price policies and the distribution of income between sectors appear to have affected in consequence.

Under the agreements, a major part of the rupee balances were allotted to economic development. These funds were deposited in the central bank. There is reason to believe that the Indian Government, with sophistication, issued other currency to support its development program. It avoided the use of P. L. 480 currency accounts, and in this way was able to support local programs without having to clear programs with U. S. officials. Again the identification of this extra program is an exceedingly difficult task.

**Brazil:** Wheat is a major part of the program in Brazil ($180 million of agricultural products are involved). Part of the United States' supplies replaced wheat normally purchased from Argentina, but not available because of production and price policies there. While the funds presumably were used for economic development, there are indications that the first agreement was an exceedingly loose document. Brazilian authorities appear to have had great discretion in the use of the funds, and have added substantial fuel to the already roaring inflationary fire. In effect they spent the local currency twice.

**Canada:** Finally we turn to Canada, where many people feel that the United States' program has cut in on Canada's wheat export prospects. Mr. C. D. Howe, Minister of Trade and Commerce in 1955 stated:

"I think there is no doubt that by their (U.S.) disposal policies they have displaced our products in certain markets. What we can do about it, I do not know. The policies of the United States are their policies and are not ours. We follow our own policies. As I say, we protest where we think a protest is warranted, and we have protested in connection with certain recent transactions."

In a recent document published jointly by the National Planning Association and the Private Planning Association of Canada, the statement is made. 1/

"Canadian protests have gone much further than simply criticizing the disposal of surplus wheat. They also have been concerned with the particular methods of disposal -- for example, the barter program which has been used to tie the disposal of wheat to the acquisition of minerals for U. S. stockpiles."

One newspaper article reported: "The cards are stacked against us in our economic poker game with the United States. It now has become clear that the only reason we may be able to sell more wheat in the world market is because we will soon be selling a lot less lead and zinc. This tie-up between lead and zinc and wheat is an intriguing one and the strings attached to it all lead back of Washington -- Washington has been stockpiling lead and zinc, taking a lot of the minerals in exchange for surplus wheat. This buoyed up the world market and kept prices relatively stable. With United States suddenly cutting off this heavy buying for the stockpiles, the bottom fell out of the market..."

One Canadian official commented... this week: "We haven't had a chance in this thing. The only reason we were able to sell our lead and zinc was because we couldn't sell our wheat. Now, the only reason we may be able to sell more wheat is because we can't sell our lead and zinc."

At the G.A.T.T. meeting on November 21, 1957, the Canadian view included the following statement:

"The Canadian delegate pointed out that his delegation did not object to genuine United States aid programs and the extension of help to needy countries; indeed, within the limits of its capabilities Canada had also extended aid of this kind. Further, in more general terms his delegation had no objection to United States disposal programs which had the effect of increasing consumption of the commodity in question by the amount of the disposal. The main objection was that, by a variety of techniques such as export subsidization, sales for local currencies, barter deals and tied-sales, the United States was promoting exports of wheat and flour with such determination and in such volume that it caused great damage to Canada's normal commercial marketing of these products. This was evidenced in export statistics from the United States and Canada in 1955-56 and 1956-57; while United States exports rose from 347 to 547 million bushels, in the same period Canada's exports fell from 309 to 261 million bushels."2/

The Canadians themselves by these figures say that total North American wheat exports have expanded by some 150 million bushels. However, an additional 50 million of exports are a non-pareto transfer of Canadian exports to American exports. Their objections center on the barter phase of the program.

2/ Ibid, p. 4
Putting More Emphasis on Development. A little over 20 years ago Fred Waugh led a seminar on this campus in which he outlined the basic idea of the "stamp plan". One of the questions on which he was probed repeatedly was "Why not preserve consumer sovereignty by giving the low-income families cash and letting them buy food directly?" The answer was along this line. "You cannot get many dollars for such a program from Congress. However, you can do a lot to bring about a better income distribution, if you tie it to an agricultural surplus program. This blending of values makes it more acceptable politically."

There is an analogy with the special export programs even in the discussions in 1954 as the original Act was passed. Congress will appropriate a certain amount of dollars and authorize loan funds which contribute directly to economic development. It appears to be willing, at least in the short run, to appropriate additional money to a program which blends two objectives or values -- namely, surplus disposal and aid to poorly fed people.

Certainly in these programs Congress is limiting the area of decision available to other countries, in the same way as the "stamp plan" limited consumer decisions.

In its present form, it is clear that the P. L. 480 has no chance of being hailed as another monument in the tradition of Lend Lease and the Marshall Plan. It is necessary to search for new dynamic and thrilling ideas appropriate to the leadership role the United States should be playing. Just as reconstruction was the major goal in Europe after the war, so economic development is the major goal in the countries receiving much of the surplus food. An appealing and dynamic program could be developed if economic development were blended in as a major goal -- rather than as something to be edged into sideways. Famine relief would then be a subsidiary but legitimate part of a program which focused on the twin goals of economic development and surplus disposal. What would such a program look like?

1. It would be a long time program which would make food and fiber available to countries with development programs requiring such supplies. This would permit a country to restructure its economy without the necessity to look at its domestic food supplies crop year by crop year. Once the United States had committed itself to a five or 10-year program of agricultural exports, these amounts would become full-fledged claimants to our production in the same way as the domestic consumer.

2. Realistic long time development programs in other countries would be needed which contemplated training, investment, population transfers, public and private facilities, etc., as necessary parts of the program. Some countries will need help in
formulating such a program. Imported farm products could offset some of the short term production declines that follow in some countries, or offset inflationary pressures as people in other countries increased food consumption. Training programs for farm people probably would involve increased consumption by those participating, and some decrease in production on the farms they left.

3. Dollar loans and grants would be needed in association with farm products. It appears that in many of the countries the range of likely projects would require that 40 to 60 percent of the extra needs be in food and fiber, but some non-farm commodities would be required. (Road building with a low state of the arts would depend heavily on food and fiber.)

4. A number of projects, particularly strategic in economic development, might not be given proper cognizance unless the United States was willing to provide additional farm products and dollar supplies contingent upon the inclusion of such programs.

5. The United States would by itself or with other nations absorb the risk of flood or drought disaster, through world or United States reserves earmarked for this purpose.

6. Presumably as individual countries define their programs and compare local needs with local production, the gaps will add up to a total combination of commodities which is different from the commodity mix now in surplus. Adjustments will be needed in U. S. domestic policies to induce the requisite flow of production. Exports might decline somewhat, particularly while the development programs were being formulated.

7. It will desirable to induce other developed countries to participate in the program -- in an international transfer of resources -- so as to utilize the wheat surplus of Canada, the coffee surplus of Brazil and Latin America, and the industrial talents of Western Europe in this effort. The degree of multilateral effort certainly should be increased.

8. Considerable study is needed as to the amount and type of investment, both physical and human, that is needed to enable a particular economy to take off on a self-sustaining cycle of economic growth. Every effort should be made to insure that this level of effort is attained and maintained. Agricultural
export programs should be fully integrated with development programs. To do so in our "sectorist" government is difficult. Interested, sympathetic, and competent non-government efforts are clearly needed.

Final Statement. There are a number of positive elements in the present program. Additional ones could be incorporated into the operations. Unfortunately, many of the positive elements are slipping away because the program is viewed as temporary. Others slip away because we are not giving sufficient attention to the requisites of sustained economic growth, and as economists we do not know enough about how to engineer development. Much of the difficulty derives from the emphasis on United States derived values, and insufficient attention to how our values and those of other countries might be blended and compromised so as to attain a larger value satisfaction.

With this, I turn once more to the role which agricultural economists should play. With their training in economics, their knowledge of agriculture, and their familiarity with quantitative methods, agricultural economists have much to contribute to an understanding of economic growth. In the domestic scene we find ourselves concerned with aggregate responses -- supply curves, market adjustments, national control programs, etc. Yet, we hesitate to move one step further and inquire into similar relationships overseas. Some of the puzzling relationships might be clarified if we had the benefit of the perspective of another economy.

Secondly, we should stress the importance of value formulation as a vital contribution of our work. We cannot expect the general population to urge upon Congress the importance and validity of certain values which Americans have respecting other peoples, unless we, ourselves, as professional social scientists give a part of our effort to the study of values in the interrelationships of foreign and domestic policy. If you believe, as I do, that the lack of a positive foreign policy is a major criticism of America's world position, then the creation and advocating of such a program is fundamental. Against the alternative of thermonuclear war, or even the threat of it, any economic development effort is small change. Surely when the history of the 1960's is written (assuming there is someone to write it), it should not be said that the trained minds stood aside when these human values should have been discussed.
DISCUSSION OF THE WITT PAPER

Erik Thorbecke

I am in general agreement with the tone of the paper. More specifically I endorse strongly the following two recommendations made by Dr. Witt:

1. The need for research on the quantitative impact of surplus disposal programs on the U.S. as well as on the world economy. The F.A.O. has made pilot studies of the effects of these programs on the economic development and growth of India. This type of research should be pushed much further before any long-run policy decision is arrived at in Washington with respect to these various agricultural disposal schemes;

2. Tying the objective of surplus disposal to the objective of economic development - if this is the best feasible alternative from a political standpoint - subject to a certain number of qualifications which are incorporated in some of the subsequent points of this discussion.

Many of the advantages of the recent surplus disposal programs under P.L. 480 and other acts were brought out clearly by Dr. Witt. While recognizing that any program will have to be a compromise between economic desirability and political feasibility I would, nevertheless, like to point out some of the possible disadvantages of the present surplus disposal programs from the standpoint of the best possible allocation of resources in the world, as a whole.

First, it has become customary to compare the so-called "trade-creating" effects to the "trade-diverting" effects of any shifts in trade flows in order to determine whether or not an improvement in world-wide economic welfare had taken place. Any shift in the source of supply from a low cost producer to a high cost producer represents trade diversion and worsens the allocation of resources in the world whereas any shift in the source of supply in the opposite direction improves the allocation of resources in the world. Title I of P.L. 480 requires that reasonable precautions shall be taken to safeguard usual marketings of the U.S. and to assure that foreign currency sales under this Act will not unduly disrupt world prices of agricultural commodities and will not lead to undue impairment of the traditional competitive positions of friendly foreign countries.

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To the extent that the U. S. government subsidized programs infringe upon the commercial demand which had been previously satisfied by other agricultural producers, trade diversion occurs. It is true that according to P. L. 480, recipient countries are asked to absorb only additional amounts of surplus commodities over and above what they normally import. If this rule were vigorously followed, trade disruption would not take place, but trade diversion could still occur whenever imports of surplus commodities displaced competitive agricultural commodities produced locally. It is, of course, extremely difficult to determine whether the increase in the demand for U. S. surplus commodities abroad is caused by a substitution in the source of supply or by "additional demand."

Second, as long as the U. S. government refuses to commit itself to a long run continuation of surplus disposal programs there exists a risk that the economics of the importing countries could become so dependent on U. S. surpluses that a sudden decision to abandon these programs would lead to serious distortions in the latter countries' economies. It would appear from Dr. Witt's comments that Pakistan offers a good example of an economy which would be seriously damaged in the event U. S. surplus commodities were no longer available under the present terms.

Third, the objective of economic development, as such, would be best served if the developing countries received U. S. aid with no strings attached. This would make it possible for these countries to buy not only the kind of commodities they need most but also to purchase them in the cheapest markets. It seems likely that many underdeveloped areas would buy a number of capital goods in Western Europe, rather than in the U. S., in view of the greater affinity which exists between the resource structures (labor-intensive) of these two groups of countries. This phenomenon would tend to increase the flow of dollars to Western Europe, which would in turn alleviate Europe's dollar shortage with the U. S. Unconditional aid by the U. S. would, thus, help restore a system of multilateral trade which would indirectly benefit the latter since either the amount of U. S. aid to Europe could be reduced, or Western Europe, with a larger supply of dollars from the lesser developed areas, could import more from the U. S., thereby stimulating American export industries.

It would be unreasonable to expect Congress to formulate policies which would be based on purely economic factors; however, the advantages which can be gained from a policy which is politically acceptable (such as linking surplus disposals to economic development) should always be weighed against the purely economic disadvantages of politically expedient policies.

In conclusion I can only reiterate Dr. Witt's recommendation for more empirical research dealing with the overall effects here and abroad of surplus disposal programs.