quotas and thus freeze the geographical location of production, or administer shifts in location. The board of an ICA must try to achieve principles of equity and justice for all signatory parties to the multigovernment cartel. Originally, commodity agreements included exporting countries only and thus represented producer interests exclusively. They led to defensive policies by importing countries and their effect was nullified. Naturally, the enthusiasm of producers diminished as consumers won equal representation on ICA boards. Yet, without importing governments, such cartels are doomed.

Today, all such agreements include major importing as well as exporting countries. This demands far more wisdom than the fairest and ablest board possesses. Suppose one exporter earns 80 per cent of foreign exchange from the commodity, another 20 per cent. When quota restrictions are necessary to raise the price, will the exports from both countries be cut by the same percentage? If not, what principle shall determine the degree of discrimination and the number of years it shall last? If drastic changes in costs of production or handling or transportation of the regulated commodity occur, which apply to one or more countries but not to all, shall all nevertheless receive the same price? If the commodity comprises a range of qualities, with lower grades produced at disproportionately lower costs, shall quotas treat all the same? Such questions indicate that ICA's are bound to end up with all kinds of soft political compromises on the main points of control over supply, and even of price arrangements.

Subsidizing the Competition

As soon as there is a serious contingency of substitution for the commodity by other natural, processed, or synthetic products, ICA price stabilization begins to sound the death knell for the original commodity. I indicated earlier that in many cases price supports operate, via detours of economic processes, to the long-run detriment of the cartelized producers. To prove my point that ICA's may become deadly poison I have only to mention the cases of rubber, wool, linseed oil, or tungnut oil.

Natural rubber was one of the commodities on which price stabilization ideas were tested in a world-wide experiment under Dutch and British management. The attempted producer-exporter cartel was mainly instrumental in pushing rubber plantations into other tropical areas, in stimulating experiments with other latex-yielding crops, and in boosting synthetic production of plastomers with large government subsidies in industrial countries. To kill the remaining industrial use of linseed oil, tungnut oil, or soybean oil, one need only fix the prices internationally.

Five ICA's are at present in existence: on wheat, sugar, coffee, olive oil, and tin. Only four, excluding olive oil, are important. The one for wheat is proclaimed by its supporters the outstanding success. It can be proved beyond discussion that the ICA's for wheat, sugar, and coffee amount to no more than sanctimonious declarations of good intentions. They have neither stabilized the incomes of the exporting countries nor avoided the whole range of unintentional distortions of world trade that do far more harm than good. Insofar as the wheat agreement has given some semblance of stabilizing price – though not income – it was due to the fact that the governments of the United States and Canada shouldered the burden of carrying the gigantic excess stocks. But both governments have had to enter into a multitude of noncommercial disposal arrangements that violate the principles of truly competitive international trade.

There is one little defect in all plans for administering economic progress at specified growth rates, which the econometricians usually fail to mention: no genius, no power in this world, has the ability to forecast the future supply, the demand, or the price for any commodity, or to predict the performance of one or of many national economies one, three, or five years from now. The most fabulous computers have not changed this situation one bit. We now know much faster and more accurately what has happened up to today. But as to the future, we get the wrong guesstimates also much faster, and with more scientistic trimming.

Restrictive compulsory cartel policies that raise prices to benefit high cost producers and artificially throttle output and supply to maintain such arbitrarily fixed prices, belong in the tool chest of the static society and its dirigism. Such policies are technically possible, but they are the antithesis of what the dynamic economy of an open and free humane society requires.

I expect much sound development in those primary material exporting countries that succeed in taming the monster inflation and, relying on their producers' ability to compete, pave the way for sound private investment of foreign capital, as the transfer of funds from government to government diminishes. ◈