goods, the more so the poorer and prouder he is.

The cartel operation produces still other undesirable side effects. In many instances, particularly for industrial raw material products in agriculture such as cotton, jute, hemp, and sisal, the raised fixed price gives the greatest incentive to producers of substitutes. This exerts pressure on consumption of the original product, say cotton, at the expense of the farmer, whose marketing quota will be cut if national consumption shrinks.

The industrial temperate zone countries, which make a virtue out of the backwash of domestic political necessity and subsidize exports of agricultural raw materials such as cotton, thereby slide to the next necessity of granting more subsidies. Manufacturers of cotton textiles, who have to compete in the foreign market as well as in the domestic one, now need a subsidy to restore equal raw material costs. And so there are three recipients of subsidies: the farmer; the exporter of the farm product; and the manufacturer who uses the raw material.

However, I have not nearly exhausted the appalling record of unforeseen and unwanted distortions of economic processes caused by government intervention that attempts to remedy instability of commodity prices. Subsidized surplus disposal by gifts diverted to other countries can assist private charity that reaches the destitute, the sick, and helpless widows and orphans. But it cannot cure the causes of poverty. Only increased productivity on farms, in craftshops, in factories, and in the wholesale and retail trade can do that. It is here that the disposal of surpluses from abroad does its greatest harm. The majority of people in underdeveloped countries are small farmers who earn their cash income by selling farm commodities. Dumping such commodities in their market may be a boon to some of their customers in the cities, but the farmers resent it, and it diminishes the incentive for them to produce more.

One Control Leads to Others

I have yet to give the reasons why I believe that, whatever action may be taken to mitigate the impact of unstable commodity prices on the balance of payments of developing countries, the International Commodity Agreement method is not only inadequate and dubious but outright harmful to the best interests of the developing countries and to world trade in general. Basically, the sobering experience of sovereign governments of advanced nations with this enigmatic cartel policy in their national markets applies also

to the immeasurably more difficult situation in the international commodity market.

The worst feature of all market intervention with price fixing is that, while dealing with one commodity or a few closely related commodities, this inevitably changes the relations between the price of the regulated commodity and the prices of all other commodities and services. The insertion of one rigid price into a range of flexible prices for some 160 or 170 agricultural products is like a boy who knows nothing about the meaning or the effects of the different positions turning switches at the control board of an automated factory. The far-reaching adjustments that farmers and all other affected parties must make to the accidental price relationships caused by fixing the price of one commodity are unpredictable. Therefore, such isolated treatment of the price mechanism for one country contributes more uncertainty tomorrow than there was instability prior to price fixing. The case for all such trouble-multiplying cures rests on the assertion that the adjustment of supply and demand under the rule of flexible prices does not function – an assertion that contradicts all evidence and economic experience.

The intent of stabilization is realized so long as the stabilization is upward. When, however, larger stocks have been accumulated and their disposal is unavoidable, the same consequences arise as in the case of price supports in domestic markets. Necessity commands that besides regular commercial sales, concessional sales be undertaken, or part of the supply be given away. This procedure leads to serious disorganization and corrosion of markets. The United States, with $6 billion worth of agricultural exports, disposes of over 30 per cent in the form of concessional deals. This is not done on principle. Far from it. It is simply the accumulated backwash of an ill-chosen method of social income support.

Enforcement of ICA regulations is even more difficult than is enforcement in single countries. When one begins to speak of "policing the markets of coffee beans," I wonder how one dares suggest the feasibility of such control in vast areas where the United Nations is faced with the problem of preventing the murder of rural people by armed bands.

Problems of the Board

Aside from the dubious state of effective government administration, a serious question is whether competing countries can possibly agree on export or production