in the trade chain, and consumers. The price signals are set in false position for all of them. Although an excess supply exists, everybody can act only according to the price which indicates shortage, namely by consuming less, by substituting other commodities. The processors and the speculative trade reduce stock carrying because the government keeps the excess stocks at public expense.

7. In other words: without any intent to do so, the government has socialized stock carrying.

8. As a further result, the most effective commodity price and supply stabilizing institution, the commodity exchange with its trading in future delivery contracts, is made idle.

However, even those are by no means all the side effects. The Treasury has to pay for moving the commodity into and out of storage and for storing it, as well as for losses when the surplus is disposed of. Thus, there are innumerable secondary beneficiaries of stockpiling excess output, such as railroads, truckers, labor union members, and many others. All these receivers of windfalls acquire a vested interest in maintaining farm price supports. Much worse is the fact that the market in farm real estate discounts the subsidy-earning value of the acreage allotment. Hence, price stabilization of farm products boosts the value of farm land; in due time higher land prices and rents on leased land increase the costs of farming and force more intensive use. This is another unintentional side effect.

### Marketing Quotas Assigned

When the excess production begins to bleed the Treasury too badly, the next step is to tighten the cartel by efforts to control the supply in the market. In addition to the acreage allotment the government imposes on all farms a marketing quota, which is established by subdividing a national quota prorated in accordance with individual acreage allotments. This national quota is fixed by a precarious government estimate of how large the domestic consumption and the net export may be one year later. Since the marketing quota tends to be smaller than the output, it immediately poses the problem of a black market and the necessity of suppressing it by heavy penalties. Output that exceeds the marketing quota can be stored, converted, or consumed by the farmer, but it cannot be marketed legally. Even in countries with a customarily law-abiding farm population, the temptation to profit by disposing of such illegal supply by barter or other black deals is strong, and actual enforcement is difficult.



The cartel price-fixing for agricultural commodities also unintentionally subsidizes increased production of the same commodity in other countries. Price-fixing thus creates effective competition abroad. Since it is politically unpopular and difficult to lower the guaranteed price level even when costs of production are declining, stabilization by political decision is practically identical with "stabilizing upward."

Finally, the greatest ordeal for the government agency responsible for operating the cartel is the obligation to dispose of the accumulated excess stocks so as not to undermine the fixed price. Such disposal would be simple if it were done by destroying the supply. Grain could be burned or dumped in the ocean, although even this costs money. But powerful social, moral, and political taboos prevent this solution for any major nonperishable food commodity. Only in the case of coffee in Brazil was destruction used as a market-corrective action. Therefore, the government must seek to release the excess of staple food commodities in foreign countries as gifts, on credit, or with lowered prices. Except for the gifts, this amounts to dumping, and has a deleterious impact upon producers in the recipient country, and secondarily on the exporting country's foreign markets and on its foreign economic relations.

### A Commodity in Quarantine Still Affects the Market

It is a psychological fact that a commodity kept off the market by a government, in quarantine, so to say, is still a powerful factor influencing both the price and the actions of all parties in the market. Grain "in jail" is still grain, because if it is not destroyed it will in due time appear as market supply.

National commodity markets are a remarkably effective system of communicating vessels in which millions of interested consumers, retailers, wholesalers, speculators, and farmers keep the flow going. The idea of inserting into the market, via detours, major quantities of supply, under perfect quarantine or segregated from the ordinary supply, belongs in the realm of fiction. Only private charity distribution can minimize the impact on the market. Even the ably administrated food stamp plan of the late thirties in the United States proved that free food did not cause additional consumption of food, but actually subsidized consumption of other goods and services. To change the determined consumer's preference in his family budget decisions takes far more than free distribution of