ures for stabilizing exchange earnings directly by means of compensatory loans or grants; and (2) measures for stabilizing the price of, or demand for, individual commodities by means of international commodity agreements. Dissatisfaction with the operation of international commodity agreements and the difficulties attending the negotiation of effective agreements for individual commodities, such as coffee, tin, rubber, and cocoa, have resulted in increased consideration being given to exchange insurance or compensatory schemes. However, before discussing compensatory agreements we shall deal briefly with existing and proposed international commodity agreements and other arrangements concerned with specific primary commodities.

*1. Existing agreements*

There are four major intergovernmental agreements in existence today: the International Coffee Agreement, the International Sugar Agreement, the International Wheat Agreement, and the International Tin Agreement. There are also, many study groups and conferences on individual commodity problems. In addition, there are a number of private cartels in primary commodity trade, such as De-Beers in diamonds.

A significant characteristic in the tin agreement is its buffer stock. When the price goes above an agreed level, the manager of the stock is authorized to sell; when it goes below an agreed level, he is authorized to buy. Thus, the buffer stock is designed to limit price movements between those levels. The agreement has been in operation since 1956 and has worked reasonably well. Some would argue that the reason for its generally satisfactory performance has been the restraint exercised by tin producers. The agreement contains export quota provisions which have been adhered to by the members.

At one point, in September 1958, the tin buffer stock broke down, because the manager was no longer able to buy tin. He ran out of funds. The Soviet Union, not a member of the agreement, was making large sales of tin. The dip was only temporary and the Soviet Union has subsequently agreed to participate in the tin agreement. The price recovery, however, must be attributed to a tightening of the quotas and European restrictions on imports of Soviet tin. More recently the price of tin has risen through the ceiling and the manager has run out of tin. The U.S. Government, although not a member of the agreement, sold tin from its stockpile to restrain the price increase. However, the United States was severely criticized for this action by some members of the tin agreement. Such criticism would seem to indicate that members are more interested in maintaining high prices than in stabilization.

The sugar agreement has had only limited success in avoiding wide price swings. Following its initiation in 1953 the price fluctuated above and below the agreement price until late 1956 when the price rose sharply and all quotas were removed. Even so, the price rise continued. When the agreement was renegotiated, the sugar council was empowered to buy and sell stocks to limit price changes. In mid-1961 sugar prices were again low, but the council could take no effective action. The United States nominally belongs to the sugar agrement, but in fact its sugar imports are determined under the Sugar Act which provides for country import quotas.