

mally subject to substantial price fluctuation from year to year, and as a result their balances of trade and of payments are for the time being distorted. But when such distortions occur, the provision of "supplementary financing," as by the IMF and the World Bank, appears to be least disruptive of market principles.

And in that connection I would like to mention for the record an article by Dr. John A. Pincus entitled, "Commodity Agreements, Bonanza or Illusion?" printed in the *Columbia University Journal of World Business*, January-February 1967. I would like it made a part of this record.

Chairman Boggs. Without objection, it is so ordered.

(The article follows:)

COMMODITY AGREEMENTS: BONANZA OR ILLUSION?

By JOHN A. PINCUS

Kwame Nkrumah loiters in Guinea, a solitary redeemer, savoring memories of former potency and dreaming of power as yet untasted. A protesting Sukarno slides inexorably down a pole greased by his cabinet ministers. Middle Eastern sheiks command without deftness a power that their fathers, in mud-walled isolation, could never aspire to, even in the most paranoid of reveries.

These vagaries, which help to shape the world's political destinies, all reflect in part the fluctuations of world markets for commodities—the foodstuffs and raw materials that enter world trade. Nkrumah suffered politically from the consequences of falling prices for cocoa; Sukarno from declining rubber prices and reductions in export volume for tin and rubber; while the Middle East rides a petroleum boom.

Each of these examples deals with underdeveloped countries. This is no accident, because only in the poor countries of the world is commodity production—farming, forestry, and mining—the principal source of income. Many of the rich nations, such as the United States, Canada, Australia, and the Scandinavian countries, are major producers and exporters of commodities. In fact, the rich countries export half of the world's primary commodities, but only a small part of their population is employed in commodity production, and only a small part of government revenues stem from commodity taxes. Even Australia, Canada, and New Zealand, which export mostly commodities, today produce much more manufactured goods than commodities.

No wonder therefore that the pressure for world commodity controls comes largely from poor countries allegedly seeking to stabilize, but really to increase, their export earnings. Commodity export earnings account for a large part of their total production, with most of the people living and working as farmers. Exports of commodities (or in some cases capital inflows) are the prime source for financing the capital imports that they need now in order to become rich later. Furthermore, when commodity exports are booming, export taxes and import duties offer the governments a ready source of revenue to finance the ambitions of a Sukarno or a Nkrumah, as well as the less flamboyant goals of an Eduardo Frei in Chile, or a Kenneth Kaunda in Zambia.

PLEA FOR INTERNATIONAL RESCUE

Most poor countries seek rapid economic growth, which inevitably generates inflationary pressures and the demand for imports. Increases in commodity export earnings are therefore seen as a key to development without excessive inflation. Large-scale export of manufactured products still seems remote, and accounts now for only one-tenth of underdeveloped countries' exports. Finally, the governments of most poor countries take it as an article of faith that the terms of trade of commodity exporting countries are in a long-term decline that can only be overcome by conscious international action. Otherwise, in their view, as expressed in the resolutions of the United Nations Conference on Trade And Development (UNCTAD), the normal operation of world trade will tend to make the rich nations richer and the poor nations poorer.

This pressure for higher commodity prices has generally been resisted by the industrial importing countries, despite their own widespread use of farm