1933 to 1939, as was sugar intermittently from 1931 to 1961. Negotiations for an international cocoa agreement have been proceeding without success since 1958. Bananas, produced exclusively in the tropics, are probably ruled out because of competition with other fruits, both imported and domestic.

MORE FROM THE LAGGARDS

I have indicated elsewhere [4] that establishment of effective price-fixing agreements for these products, excluding tin, might have succeeded in raising underdeveloped countries' export earnings by \$450–\$900 million in 1961. The United States would currently pay about 35% to 40% of this total, and the other major industrial nations the following percent shares: United Kingdom, 11–12; France, 7–8; Japan, 6–9; Germany, 8–10. These percentages are based on estimates of each country's elasticity of demand for each of these products at monopoly price levels.

If these monopoly prices were in effect, the upshot would be to increase the relative share of western foreign aid now paid by some of the laggard donors—U.K., Japan, and Germany—and decrease the shares of the major donors, United States and France. United States and France now provide respectively about 60% and 17% of western foreign aid. If their aid through commodity pricing were respectively 35–40% and 7–8% of total western costs under a system of commodity agreements, then their relative share of total official aid would be reduced.

But the most important point to note from these figures is not their effects on the distribution of foreign-aid costs, but their total amount: \$450–\$900 million in 1961, rising to more than \$1 billion by 1970, and nearly \$2 billion by 1975. This compares with 1965 capital flows from rich to poor countries of about \$9 billion, and poor countries' total merchandise exports of \$36 billion. By 1970, capital flows may not have changed substantially from 1961 levels, while export values will have risen to about \$45 billion if current trends are followed.

The effects of monopoly pricing on export earnings would therefore be modest, but far from insignificant. This after all is what we would expect. The price of coffee (and the earnings of coffee exporters) has risen about 20% since the International Coffee Agreement was negotiated in 1962. Meanwhile, the world price of sugar has fallen to record low levels since the breakup of the Sugar Agreement in 1961, with disastrous effects on those exporters who depend heavily on world market sales. There is obviously a relation between prices of these products and exporters' foreign exchange earnings.

FIVE INGREDIENTS

But signing agreements is no guarantee of high prices, high export earnings, or favorable effects on economic development. For the agreements to work effectively as agents of development goals, several conditions are required, in addition to inelastic long-run demand:

(1) Effective provisions for control over supply (not only export control, because when supply builds up, the pressures for breakup of the agreement become strong).

(2) Effective capacity on the part of existing governments to channel the increased earnings into economic development, rather than into higher profits for plantation owners.

(3) Less generally recognized, a market organization in which one or two producing countries dominate world supply, so that they are willing to practice restraint in the face of the inevitable supply control violations by smaller producers.

(4) A large number of producing countries, in order to assure a fairly wide distribution of gains from higher prices.

(5) Agreement to limit domestic production in those importing countries that can or do produce the commodity.

Let us take a look at existing and proposed commodity agreements in light of these criteria. First of all, it should be noted that the impetus behind most of them was the desire to stem price erosion rather than to achieve some maximum long-run level of earnings for producers. However, in terms of development goals, the issues listed above are nonetheless predominant.

Footnotes at end of article, p. 184.