(3) A system of international compensation for countries whose export earnings lag over a period of several years because of market factors beyond their policy control (e.g., Brazil from 1959 to 1963). This would be in addition to existing IMF loan facilities for countries facing short-term balance-of-payments problems that have arisen from commodity price fluctuations.

The excessive emphasis that the poor countries have placed on high prices reflects in part ignorance of the limitations of this technique; in part, the related belief that economic justice requires a fair price for exports; and, perhaps most important, pessimism about the likelihood of trade liberalization by the rich countries. But their confidence seems misplaced; the experience of the past five years makes it increasingly clear that no panacea will emerge. Each of the four elements—price objectives, higher productivity, trade liberalization, and balance-of-payments compensation—should play a part in a long-run adjustment effort for the nearly two billion people whose livelihoods now depend on commodity production. As long as the economic welfare of most people depends on markets for food and raw materials, the commodity problem will remain in the center stage of the world's political economy.

NOTES

1. The commodity marketing boards in West African countries were designed to operate in such a manner, and during the era of high commodity prices following the Korean War actually amassed considerable reserves. The combination of declining prices and pressures to spend reserves, stimulated by postindependence developmental goals, has largely succeeded in eliminating the income-stabilizing functions of the marketing boards.

2. *Export Fluctuations, Growth and Policy* (Harvard University Press; to be published this year).

3. Exporting governments can profit from higher prices even under elastic demand, if the labor and capital released from commodity production can be effectively used in other economic activities. But the mobility of labor and capital in poor countries is often quite limited.

4. John Pincus, *Trade, Aid, and Development*, New York, McGraw-Hill, 1967.

FOOD AID

Mr. McASHAN (continuing). American farmers can produce food as efficiently as any part of the world, due to their mechanization, cultural practices, sound infrastructure and marketing organizations, particularly if our farmers are not prevented from doing so by acreage restrictions or other controls.

In a shortly to become hungry world our ability to provide food aid will give us a strong negotiating tool to persuade the recipient nations to follow sound development programs of their own, and to take the lead among other developed countries who should share this burden proportionately with us.

Food for aid must be bought from our farmers by our Government, and partially processed in American plants, thus providing a measure of stabilization here at home with less market disturbance than recent price support programs.

PAYMENTS UNION

Just as the United States financed trade balances for and between European nations in the early days of the Marshall plan, and with very small financing loss to us in doing so, we can now provide backing for a payment union or clearing pool with the LAFTA countries or other free trade areas.