earnings. Dr. Raul Prebisch, economist with the Economic Commission for Latin America, and Hans Singer, economist with the U.N., have developed this argument. More recently, as Director General of the UNCTAD Conference in Geneva, Dr. Prebisch has generalized these issues to all developing nations vis-a-vis the developed nations. The issues are sensitive and involve a wide range of economic and political relations between these two groups.

These views have been discussed by Harry G. Johnson [16] as follows:

"The alleged tendency, however, is not consistent with the empirical evidence. It is necessary in this connection to distinguish between two frequently confused but analytically distinct propositions: that there is a longrun tendency for the terms of trade between manufactures and primary products to turn against producers of the latter, and that there is a longrun tendency for the terms of trade between developed countries to turn against the latter."

Dr. Johnson cites a study by Robert Lipsey as evidence that the first proposition is not true, and that the second proposition is confirmed by one set of evidence and denied by two others, thus suggesting that a particular case but not a general case can be made.

Lipsey examines U.S. data and reviews previous studies,[17] concluding:

"Comparisons with exports of U.S. manufactures strongly contradict the belief in declining relative primary product prices; comparisons with manufactures imported into the United States mildly confirm it. On the whole, there seem to be more instances of primary products relatively gaining in price than losing. The scatter around these relationships among totals is large, and supports Kindleberger's view that the primary versus manufactured product distinction is not a particularly useful one for the analysis of changes in terms of trade."

In testing the second proposition Lipsey examines data for the United Kingdom (the basis for most of Prebisch's empirical evidence), the United States, and Kindleberger's data on continental industrial Europe. The proposition is supported by United Kingdom data but denied by the other two.

Moreover, when price fluctuations exist the selection of the base period can be crucial to the conclusions reached. Prebisch examines 1950 to 1961 price trends, thus starting with the Korean induced peak and ending with the post-Suez slump. The choice of 1950 is a U.N. statistical standard, not a Prebisch selection however.

FAO data, cited earlier, gives some support to the first proposition, but mainly suggests that the differences among commodities are far more important than the general trend. The data in Table 8 indicate a difficult trend situation for a nation exporting coffee or cocoa, but a favorable trend for nations exporting meat or dairy products.

A recent study by Goolsby in the Economic Research Service, USDA, examines prices and export earnings for Temperate and Tropical Zones commodities. This classification is only partially a developed versus developing nation comparison; cotton, for example, is excluded from either classification. Goolsby develops price trends for 11 commodities in each classification with a 10-year (1954–63) and

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[16] "Economic Policies Toward Less Developed Countries," the Brookings Institution, Washington, D.C., 1967, p. 269.

[17] Robert E. Lipsey, "Price and Quantity Trends in the Foreign Trade of the United States," National Bureau of Economic Research, Princeton University Press, 1963, p. 23.