

and because certain desired connotations of modernity attach to industrialization and a declining dependence on agriculture, import substitution (manufacturing) has become a major element of policy. Hence, behind the specific problems, discussed below, lie this need to increase the volume of exchange earnings (the preferred position), and to use the exchange earned for high priority imports.

AGRICULTURAL SELF-SUFFICIENCY EFFORTS

The agricultural leadership in many developing nations, especially in Latin America, often have a background of experience with large-scale agriculture. Their farm management decisions often place substantial emphasis on holding cash expenditures down, to make the farm nearly self-sufficient, even when additional purchased inputs would increase production by several times their costs. The concept of specialization and comparative advantage is not applied to individual firms to the extent that is applicable. Price instability, variation in Government policy, institutional rigidities, and fear of war or depression induced input shortages, provide a general economic setting hindering the full application of comparative advantage among farms. Moreover, the inflationary pressures common to many developing nations, and consequent rising costs and uncertain supplies of inputs, also reinforce the drift into self-sufficiency.

The same approach carries into national policies for agriculture, reinforced by the desire to save foreign exchange. Thus, import substitution policies also operate within the agricultural sector. Not infrequently, more enthusiasm attaches to production policies and research developments which will make production possible or larger for a new farm commodity than to programs which increase the production and efficiency of a present major export product.

In the short term, foreign exchange may be saved (though usually less than anticipated), and nationalistic pride is swelled. But, for the longer run, scarce scientific manpower has been diverted and spread too thinly, while production efficiency and comparative advantage has lagged in the important export products.

These approaches to agricultural policy reduce the degree of specialization and extent of comparative advantage. A wider range of products are produced for domestic use than would be provided with specialization and exchange. And exports of the product with greatest advantage often are not pressed as far as recent economic conditions warrant because secondary products are stimulated in efforts to diversify.

INTERNATIONAL COMMODITY AGREEMENTS

The agricultural price experience of many export countries since 1925 has been interpreted as a signal to avoid one crop economies, to intervene in the international marketplace where possible in order to raise prices, and to seek means beyond price of products and volume of export which assure a stable or preferably a rising volume of foreign exchange earnings. International Commodity Agreements have been sought as a commodity-oriented program with beneficial price imports. The merits of the twin problems of price and earnings instability and chronic deterioration in the terms of trade were reviewed in chapter III. But whatever the merits of these debates, producers of certain