products of interest to the South from the tariff-cutting procedure; (2) even if those gains were forthcoming and large, infant-industry and equity grounds conspire to warrant further concessions to the South; (3) the income transfer involved in making price concessions to the South is small but is more acceptable politically to donor and recipient than the equivalent foreign aid subsidy; (4) many LDC's have gone as far as—and often farther than—they should in import substitution, so that any device to encourage export-promotion is desirable; (5) the South wants preferences, and the North's costs would be negligible, whether or not the alleged gains materialize.

The arguments against preferences are: (1) they tend to promote and perpetuate economic inefficiency—even the valid infant-industry and scale-economy arguments are grounds for subsidy rather than preference; (2) rather than improving North-South relations, preferential systems would exacerbate them for a variety of reasons—they inevitably discriminate in effect against some LDC's and some Atlantic countries, they would create an automatic obstacle toward further efforts to liberalize world trade (because reduction of tariffs also reduces the preference margin), and they would, if successful, create a type of economic dependence on northern concessions that is inconsistent with the South's struggle for independence; (3) preferential systems are strikingly complicated to administer in any event, and impossible to manage without inequity to some parties; (4) preferences are likely to bring with them the reverse of the effects intended, because the introduction of preferences gives Northern producer interests a chance to legislate restrictive "safeguards," that would be impossible under a nondiscriminatory tariff policy (known technically as "most-favored-nation" or MFN system); (5) the gains from preferential systems would be small, because tariffs, even effective tariffs, are generally low now in light of the South's cost disadvantage, and would be still lower after GATT negotiations are completed; (6) preferences are an inferior way to give aid and lead to an inequitable distribution of aid costs.

It must be obvious by now that the differences in assumptions, goals, and estimates of the fact are so great that there can be no final answer. I favor extension of preferences to the South, whether or not on a worldwide basis, providing they are temporary with fixed expiration dates (preferably set by reduction of MFN tariffs to the preferential rate), or, failing that, are limited by quota or other device. My reasons for supporting preferences are based on the beliefs that the North should do more than it now is to help improve Southern living standards, and that preferences will make some contribution in that direction. They would create both administrative problems and incentives to inefficiency but would also provide positive incentives to domestic and foreign investment that could make a big difference to the rate of economic and social development of some countries. The stress on efficiency overlooks material issues: (a) short-run efficiency and long-run growth are not necessarily achieved by the same methods; (b) there may be a conflict between efficiency and equity; (c) preference-induced increases in Northern investment abroad will strengthen the Southern lobby in the North, and may therefore be a risk worth taking, at least for those who generally support Southern claims. In practice, the best way to reconcile the conflicts between the gains and