advantages. First, it increases the pressure on Northern countries to reduce their trade barriers. Failure to reduce their tariffs simply perpetuates LDC's competitive advantage. School, and for similar reasons, it reduces the ability of LDC's to perpetuate the preferential margin.

If preferences are integrated into a system of staged MFN reductions in this manner, no major recasting of the existing trade system would be required (although GATT rules would have to be amended). Furthermore, it even offers some prospect of mutual advantage. Countries that seek liberal trade can then look upon preferences as a way station toward that goal. Countries that seek to help LDC's can harness free trade efforts to their wagon.

On the other hand, a system of this kind is likely to meet opposition on several counts: from countries that are not interested in general tariff reductions, from LDC's seeking perpetual preference, and particularly from LDC's that are still at very early stages of development. The latter group might fear that progressive MFN reductions would in fact leave them with no significant preference margin by the time they were ready to export manufactured products.

No system of preference administration can avoid the problems raised by the fact that some people will be hurt more than others and some helped more than others. But the remedy for this does not lie along the lines sought by France and the LDC's. It requires instead adjustment assistance for Northern firms that suffer damage and shifts in the distribution of foreign aid for those LDC's that fail to benefit.

THE EFFECTS OF PREFERENCES

The attack and defense of preferences seems to become more intense as our ignorance of its effects becomes more apparent. Instead of responding by trying to clarify the facts about trade, development, and industrialization, policymakers all too often seem to take ideological refuge in one or another version of whatever theory happens to be congenial.

Unfortunately, we know rather little about the effects of preferences. Sometimes, when other incentives or prerequisites were present, they have apparently had a marked effect on trade (Puerto Rico). In other cases, the results have not been striking.

Commonwealth Preference.—Only one preferential system, that of the British Commonwealth, has been studied in detail.[11] The studies review the effects of preferences from the time they were introduced (1932) until 1962. During that period, United Kingdom imports from the Commonwealth increased relatively by nearly one-third, accounting for 30 percent of all British imports by value before preferences were introduced and rising to an average of 40 percent during the period 1960–64. During the early postwar period this increase was even more marked, but both GATT tariff cuts and the easing of the dollar shortage have had their effects. In the period 1959–65, for example, Commonwealth imports fell from 44 percent to 36 percent of the United Kingdom import total.

The preference is highest for manufactures, averaging about 20 percent, ad valorem, in 1962, compared with an average of 11.8 percent

[11] Political and Economic Planning, "Commonwealth Preference in the United Kingdom," London, 1961: R. W. Green, "Commonwealth Preference," Board of Trade Journal, June 11, 1965, pp. iv–xix, and Dec. 31, 1965, pp. 1551–58.