But the great expansion in its exports had its basis in the growth of foreign countries' commercial import of agricultural products.

"(4) Full use of the resources of U.S. agriculture will require further expansion of its exports. This will also be in the interest of our Nation; and it will be helpful in improving the U.S. balance of payments.

"(5) The future prospects for the agricultural exports depend largely on our foreign trade policy. In view of the frequent calls from some sectors of the U.S. economy, and also from some agricultural sectors, for more protection, American agriculture must not forget that the spiralling protectionism in the period after World War I, which culminated in the "beggar my neighbor" policies of the Depression, played a decisive role in the decline of the agricultural exports during the late Twenties and early Thirties and in the collapse of agricultural prices which resulted, and which brought distress to many thousands of farmers in all parts of the United States. Government price supports and other governmental measures, under such conditions, could not do more than mitigate the distress."

These observations by Dr. Zaglitz have greater relevance today than when they were written—only a few months ago. Our international balance of payments has worsened. Protectionism in the form of higher tariffs and import quotas is once again being vociferously sought by many segments of the American economy, and there are signs that such policies could rapidly spread to many countries that are important markets for American goods, particularly agricultural commodities.

The Kennedy Round of GATT negotiations failed to make any significant progress toward freer world trade for agriculture. Indeed, in one respect, the results of those negotiations are, in fact, a step backwards in trade liberalization for one of the largest U.S. farm commodities—wheat. I make specific reference to the proposed International Grains Arrangement, which would be an internally self-balanced commodity treaty.

For some 17 years world trade in wheat was in part influenced by the now expired International Wheat Agreement. That agreement sought quite rationally, at least during its early years, to stabilize short-run international wheat prices around the long-run world wheat price equilibrium. Its fault was that, of among the more than 50 member countries, the entire burden of carrying world wheat stocks was left to North America. This inordinate burden of world wheat price stabilization, falling heavily upon the United States, was the one principal reason why the International Wheat Agreement fell from favor.

Now we have proposed a new wheat agreement called the International Grains Arrangement, which sharply departs from the price stabilization objectives of the old International Wheat Agreement. The proposed IGA would raise the minimum world trading price for wheat by 23 cents a bushel from the previous IWA level. Many professional agricultural economists calculate the long-run world wheat price equilibrium as not rising at all, but rather slowly falling, based upon rapid increases achieved in farm productivity in the form of higher yields in response to fertilizers and new hybrid dwarfed wheat varieties. Clearly, the proposed IGA seeks to raise and hold world wheat prices above their long-run levels based upon the dynamics of world supply and demand. Secretary of Agriculture Orville L. Freeman himself, in his remarks before this committee on February 14, observed, "World trade is still an absolute necessity to a healthy U.S. agricultural plant, and world trade and world prices cannot be established by fiat."

Indeed, "The Annual Report of the Council of Economic Advisors," which is an important part of the *Economic Report of the President*, being studied by this committee, states on page 193, "Primary producers sometimes attempt through commodity agreements to raise prices above the long-term equilibrium level. They rarely succeed. Maintenance of a price above long-run cost requires restrictions on supply; the necessary export quotas are extremely hard to negotiate and to enforce."

So we have before us an almost unbelievable anomaly. This government, in struggling with a very serious balance of payments problem, is considering a tax rebate incentive program on exports; while at the same time proposing an international wheat treaty that would require us to raise our export wheat prices, perhaps, if necessary, by the use of an export tax on wheat. We can only lose our export markets by this type of inconsistency.

It is my personal judgment that any consideration, much less enactment, of export tax rebates and import border taxes is ill-advised. The proposed IGA is even more ill-advised.