ECONOMIC AND POLITICAL IMPACTS OF POST-WAR FOREIGN ASSISTANCE ON AMERICAN AGRICULTURE

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James A. Rock

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JAMES A. ROCK

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Major professor

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ECONOMIC AND POLITICAL IMPACTS OF POST-WAR FOREIGN ASSISTANCE ON AMERICAN AGRICULTURE

By

James A. Rock

AN ABSTRACT

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THESIS

James Anthony Rock

The impacts of the assistance programs for the war-torn countries following the Second World War are important both economically and politically. The setting of the international situation required the United States to bring its full economic and political power to bear. The devastation wrought by the war offered a fertile breeding ground for the advancement of world Communism. To stem this tide it was found that relief was inadequate and that an almost complete reconstruction of Europe and some of the Far Eastern countries was needed. This process can be followed through the procession of attempts to relieve the situation starting with the attempts at international cooperation in relief through the security programs of the present time.

These programs have played a very important role in the United States economy as well as in the recipient countries. The major questions posed in this thesis deal with the effects within the United States, specifically on American agriculture. It is doubtful that the American economy could have continued in the post-war period at such high levels without the help of the aid programs or some alternative measure to keep demand high so as to absorb the product of the enlarged capacity of the war period. This however, is not the only consideration in evaluating the programs. Through the post-war period the questions relating to consistency of American domestic and trade policies and their relation to United States objectives become a major consideration.

To completely evaluate the American position it is necessary to historically examine the roots of American policy prevailing at the inception of the post-war relief and reconstruction programs. Not that this brings out the inconsistencies in policy but it helps in the understanding of the

course of action that was followed. It allows one to study the two elements in American policy - the liberal and protectionistic - and to understand the reason for the inability to predict accurately exactly which element will prevail in any one policy measure.

Finally it must be said that the real problem in any evaluation is how to statistically organize the relevant data. It will be shown that to undertake this task is virtually impossible. Hence even though one can present a suitable analytical picture, it is really questionable whether it would be fruitful to actually undertake its ultimate solution. What is done in this paper is to present such an analytical picture with its background and possible implications, economically and politically, for the American agricultural sector. However there are aspects of the approach taken here that are relevant and vitally important. Many factors cannot be statistically evaluated and must be studied from another viewpoint. In the fields of foreign aid and international cooperation the political aspects become a prime factor. Whether international cooperation can become effective depends upon the goals and objectives of the nations in question. The operation of foreign aid, where it pertains to the countries objectives, also become dependent upon political manipulations. The answers to these problems lie in an historical study of the trends in world organization and domestic political philosophy. This is the writer's position in arriving at the conclusions of this study.

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The author wishes to express his sincere thanks to Professor Lawrence Witt, under whose inspiration, and constant supervision this thesis was undertaken. His great interest in the problem that was chosen resulted in a considerable addition to my education. His broad knowledge and many insights opened many avenues of knowledge hitherto unknown or overlooked by the writer. Completing this Thesis while at another school has been possible only through the closest cooperation of Dr. Witt, to whom this is dedicated.

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CHAPTER ONE

INTRODUCTION

The question of international trade and its implications for American agriculture has been and is now much debated. The obvious inconsistencies in the attempts to reconcile the prevailing domestic policies in agriculture and the desired goals sought by our foreign trade policies are becoming more difficult with every passing moment.

Following World War II the United States moved into the position of being one pole in a bi-polar power struggle. In doing so she found herself in the position of leader of the "free world." This move also brought to a climax the interaction of our foreign trade policies with prevailing domestic policies. Much uncertainly stemmed from our actions to "contain" the Soviet sector of the world and still maintain the American economy at its highest level. The necessity of a reconciliation of domestic and foreign policies became more real as the policy of containment moved into high gear with initiation of the Truman Doctrine and the European Recovery Program.

A major area of such conflict was between the domestic price policies and foreign trade policies in agriculture. Questions concerning agricultural policies arose following the war; in attempts to rebuild and strengthen the free world, these questions were sidetracked as the post-war aid programs were initiated. Because a primary concern in the world following the war was a shortage of food, these aid programs were concerned to a great extent with food supplies. Hence, because of their origin in, or strong support

from the United States, the agricultural sector of the American economy played a major role in the rehabilitation following the war.

These post-war aid programs, then, will be the major consideration of this work. Their effect on the American agricultural system was just as important as the aid itself in relieving world pressures. However, contained in these programs and their effect on American agriculture are the perennial questions of conflict between policies which are directed at different objectives, yet overlap in their operations. Many of these present problems have their root in the inter-war period when the world economy suffered a major depression, especially during the decade of the 1930's. During this period, with the downward pressures of the business cycle, countries raised their trade barriers and enacted domestic legislation to attempt internal stabilization with little regard to effects on world trade. This continued the trend toward centralization of government and control of trade by government policies. The war itself saw an almost complete control of trade by governments, with the consequence of an international as well as domestic allocation of resources and products, among producers and users respectively, by various rationing and priority schemes. The domestic price and production policies used during the pre-war period to stabilize incomes were adapted to encourage greater production to meet wartime needs by offering an assured price and market for producers goods. The clash between domestic and foreign policy would not necessarily occur then, because the price support mechanism was largely sidetracked in determining efficient uses, the primary purpose being the obtainment of necessary supplies to fight a war.

With the ending of the war and the domestic pressure to shift to peacetime pursuits, the nation found itself with a set of domestic policies intended for the high production needed to supply a large war machine. In order to shift it would have been necessary to reorient the domestic policies to be consistent with post war conditions, international goals and the United Nations and subsidiary organizations which were in large part nurtured and fed by American funds and desires. However, such was not to be the case. Within the war-ravaged nations great food shortages prevailed, arising from inabilities of these countries to produce domestic supplies in sufficient quantities to fill their demand. Coupled with this was a realization of a change in Soviet policies toward the non-Soviet world, from one of war-time cooperation to antagonism, leading to the Cold War and "containment."

To meet the situation the United Nations Relief and Rehabilitation Administration (UNRRA) tried relief on an international basis. For many reasons (which will be covered later) the United States desired to shift to a bi-lateral relief system. Although these aid programs were founded and put forward on a high moral plane, the programs became in time a part of the overall containment policy. The early portion of the aid programs was designed to foster rehabilitation through the giving of large quantities of food, tools and technical assistance in rebuilding industrial capacities. As the programs progressed and the tempo of security operations and containment increased, the production within the countries was lifted to prewar levels and the supplies shipped tended to become military items. With the de-emphasis of foodstuffs the problems accruing from inconsistencies began to appear. With foreign production increasing, disposal of farm products through these aid channels was curtailed.

Restating a previous statement, one sees that these aid programs then, in their effect on American agriculture, were just as important as the relief they gave to world food pressures and war-torn industries. The aid programs will be approached specifically from the agricultural viewpoint. Because many basic policy questions have their root in the inter-war period it will first be necessary to survey this period in order to determine the position of American agriculture in the world markets, taking account of any trends, changes or policies that the aid programs might have accelerated, retarded or held constant in the post-war period.

A discussion of the aid programs themselves, with the position taken by the agricultural pressure groups in constructing the framework of the program, will indicate the desired role of the agricultural economy in foreign aid. In comparing this desired role with the actual role played by agriculture, one will find what the pressure group considers as a problem and desires to change it.

Further consideration of operation and effect of the programs on prices and production and the interaction of the programs will indicate the conflicting issues. For example, the desire to rebuild war-torn countries was basic to all aid, yet the United States maintained her maze of trade restrictions and domestic high prices by government measures. This hindered complete reconstruction on a competitive basis and was in opposition to the initial premise.

To consider the future need for aid, one must consider the type of aid and the need for aid. This raises problems of uncertainty in planning. Even in light of this uncertainty, there is a grave necessity for coordination of policies in the domestic and foreign sector of policy planning, these two in

many instances being almost inseparable. The basic question in policy formulation is attempting to follow coordinated lines of thought. This brings into consideration the policies put forward by political expediency versus those put forward by insight into the problems and evolving necessary actions to meet those problems.

CHAPTER TWO

THE INTERWAR PERIOD: A BACKGROUND

The interwar period, 1919 through 1940, can be divided into two distinct segments. First, the period from 1919 through 1929 was a decade of relatively stable to gradually rising prices, and might be considered as an era of prosperity and expanding world economy. An exception, however, is that agricultural prices were generally weak and low relative to other sectors.

> "Thus in the twenties the major philosophy behind the economic policy of the leading countries was dominated by the idea of eliminating the effects of disturbance and interruption caused by the Great War and to restore the long era of prewar progress and peace."[1]

By 1924 the goal was beginning to be realized and the level of foreign trade reached 102 percent of 1913, rising steadily to 130 percent in 1929, with nearly full employment in the United States and Germany.[2] This desire to return to "normal times" during the twenties led to a deterioration of the international economy as countries began to restrict trade in attempts to maintain employment levels. Because of the complexity of the problems, processes and policies during the decade of the twenties, only a rough indication of the major ones will be given here.

During the war period (1914-1918) American agriculture as well as industry expanded productive capacity manyfold. The armies and countries which could not produce because of war devastation offered an insatiable market for the goods. Following the war, the nationalistic drive of countries

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1 Brandt, Karl, The Reconstruction of WorldAgriculture, W. W. Norton & Company, Inc., New York, 1945, P. 50.

2 Ibid, P. 51.

to foster the growth of their own production plants, in an effort to produce self-sufficient economies, led to a decline in demand for exports, with a subsequent fall in price as the war ravaged countries recovered. This situation of overproduction is aptly illustrated by Henry Wallace when he said:

> "...It is a tribute to our great resources and our technical productive ability that our fields and factories from 1914 to 1930 were able to send to the outside world 25 billion dollars more in goods than we received. It is a reflection on our leadership that not until 1933 have we done any effective thinking as to the steps the United States may have to take because it is simultaneously a great exporting nation and a great creditor nation.
>
> We went into the World War owing other nations 200 million dollars annually on interest account, and came out with other nations owing us 500 million dollars annually. Moreover, the production of our farms and factories was enormously stimulated during the war.
>
> Our financial and political leaders tided over the situation, or glossed it over, by maintaining a false market for our surpluses abroad. To do so, we loaned an average of more than 500 million dollars a year to foreign countries. While this false foreign market for American exports was being maintained Congress, amid general consent, twice raised tariffs. Schedules were raised in 1922 and again in 1930.
>
> From 1926 on it became increasingly plain that modern technique applied to agriculture and to production of other raw materials was heaping up a world-wide oversupply. World overproduction played an important part in the ever-descending spiral which began in 1930."[3]

This overproduction during the prosperity of the twenties led farmers in all parts of the world to turn to their governments for aid to remedy the deteriorating situation. With the precipitation of the great crash in the autumn of 1929, a long chain of events was climaxed, breaking down almost entirely the capital structure of the international economy. This carries us into the second segment of the interwar period.

The early years of the thirties saw a continued decline in the business cycle as the financial collapses continued and government actions tightened

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[3] Wallace, Henry A., America Must Choose, Foreign Policy Association, New York, 1934, pp. 5-6.

restrictions, attempting to keep out the depression or isolate its effects to as few industries as possible.

To present a picture, however, of each nation trying to clean its own house is not entirely true. The entire world economy, or events of each nation were so closely intertwined that whatever one nation did had vital effect on several or all of the other nations.[4] When the different segments turned to their governments for assistance the trend toward centralization and trade control was pushed forward. With governments in many cases threatened with political disaster due to continued declines in employment, some of the prominant remedial actions were along the line of tariffs, exchange controls and various quantitative restrictions. The action taken by many countries, including the United States, in going off the gold standard allowed their currencies to depreciate. This meant stiffer competition for domestic producers, since the depreciation lessened the effect of the protective tariffs and led to a tightening of import regulations, which resulted in retaliation in many instances.[5] The departure of Great Britain from her free trade stand in 1932 by placing extensive tariffs on non-Empire imports, had the over-all effect of concentrating trade within the Empire and further restricting world trade. The introduction of the Hawley-Smoot tariff into American trade policy gave the distinction to the United States of being simultaneously the world's primary creditor nation and at the same time having the highest tariffs.[6] The servicing of international

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4 Brandt, op. cit., P. 77.

5 Enke, Stephen and Salera, Virgil, International Economics, Prentice-Hall, Inc., New York, 1947, pp. 61-62.

6 Ibid., pp. 61-65.

investment followed the same sharp decline after 1930, and in 1932 ceased almost entirely, with widespread default on war and post-war loans in Europe and Latin America. Stabilization loans had recuperative effect so long as the conditions elsewhere remained favorable, but the bulk of the loans were undesirable for in order that borrowing countries avoid default and make payment would have wrecked the individual economies. The loans which led to disaster were unilaterally governmental, or the borrower was a government and the lenders were private investors.[7] By middle to late 1932 the depression dipped to its lowest point. Beginning with the year 1933 the planned economy came into its full light with the rise of political tyranny, barter trade, rearmament, appeasement and economic girding for war.[8] The situation of world trade is well pictured by Figure 1.

Conferences abounded during the years 1929-1933, starting with the League Conferences to abolish tariffs and other restrictions, through the World Monetary and Economic Conference at London, which marked the end of the League of Nations as an instrument for international cooperation. A primary factor during the interwar years was the lack of agreement by the entities within the world economy on a system of clearing and balancing the international payments.[9] However, despite the obstacles to world trade, it gradually started upward during 1934 with the assistance of the inauguration of the Trade Agreements Act and the gradual strenghthening of internal economies. Although it is impossible to distinguish statistically

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7 Salter, Sir Arthur, Essays in International Finance, No. 12 - Foreign Investment, Princeton University, 1951, pp. 24-26.

8 Brandt, op. cit., p. 85.

9 Condliffe, J. B., The Commerce of Nations, W. W. Norton Company, Inc., New York, 1950, p. 465.

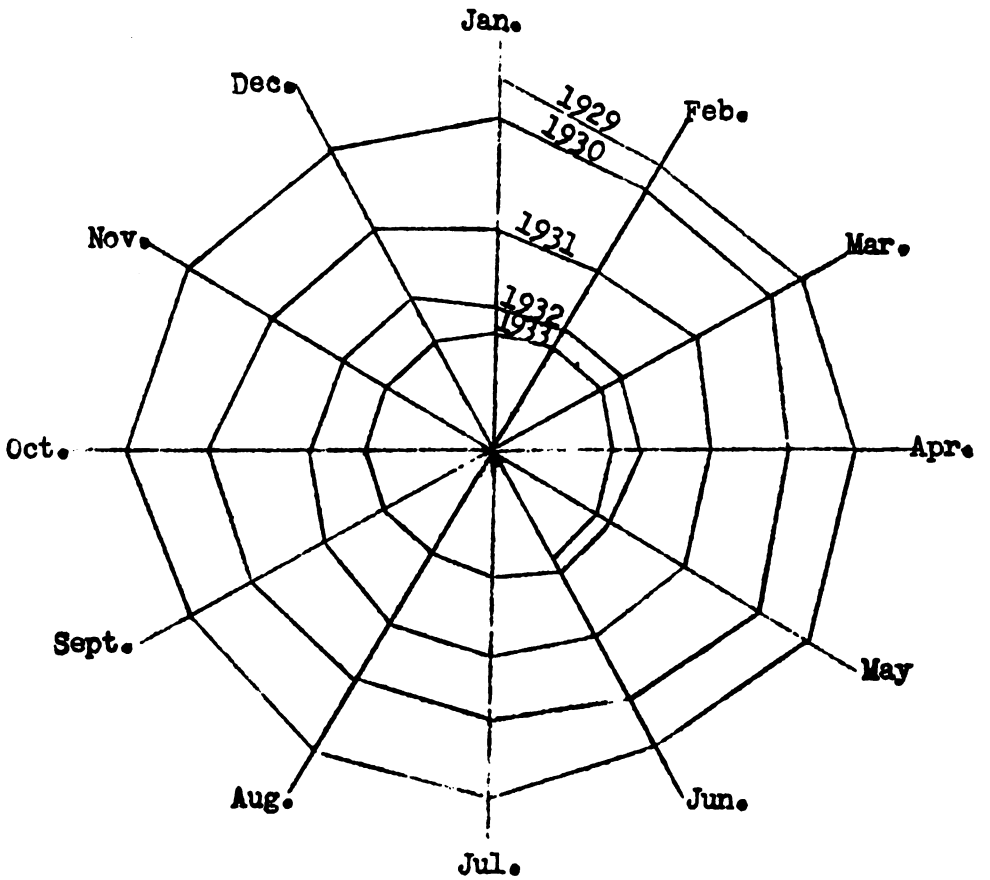

FIGURE 1. The Contracting Spiral of World Trade
Reading clockwise, this chart indicates how, from 1929 into 1933, the value of world trade in each month was less than that in the same month of the year preceding.

SOURCE: Condliffe, J. B.; The Commerce of Nations; W. W. Norton and Company, Inc.; New York; 1950; p. 495.

between changes due to the concessions in the Agreements and those changes resulting from other causes, it may be assumed that the tariff reductions must have operated to make both imports and exports larger during 1937-38.[10] After 1935 it also became increasingly evident that the economic controls used by the German government were being utilized to increase her military strength.[11] This led to rearmament programs in other countries and increased trade as governments stockpiled for war. The entire period from 1932 to 1939 may, in reality, be considered as years of readjustment rather than expansion, (with economic recovery accomplished in the face of increasing political tension).[12]

The question we must consider, then, is the effect of this period on American agriculture or the situation of the foreign markets with respect to agricultural commodities. The disintegration of the free market system of the international economy was expected to bring about violent disruptions in American agriculture because "in no other country was agriculture more completely linked to the market economy."[13] A large portion of agriculture depended, and still does depend, on export markets for outlets of a very significant fraction of the total production, with wheat, rice, cotton, tobacco and smaller quantities of other commodities moving into

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10 Operation of the Trade Agreements Program: June 1934 to April 1948, part 1, Summary, United States Tariff Commission, Washington D. C. 1948, pp. 51-52. See also Witt, Lawrence W., Agriculture, Trade and Reciprocal Trade Agreements, Technical Bulletin 220, Michigan Agricultural Experiment Station, East Lansing, Michigan, 1950, p. 5 ff.

11 Enke and Salera, op. cit., p. 66.

12 Brandt, op. cit. p. 108.

13 Ibid., p. 92.

these channels.[14] The following table (Table I.) lists the commodities comprising the bulk of the income from agricultural exports. One sees that with the depression there was a drop in shipments of almost 50 to 60 percent in some commodities (Table I.). In dollars the drop was far greater, going from almost 5 billion dollars in 1929 to 1.4 billion dollars in 1932.[15] The gross income of agriculture dropped from 10.5 billion dollars in 1929 to 4.3 billion dollars in 1932.[16] However, despite this drop in income, agricultural production did not decline significantly (Table I.); this lowered prices even further because of the large excesses in supply. With the loss of the export channels and the great fall in prices, the agricultural sector as well as the industrial sector turned to the government for help. The two important outcomes of this move were the Agricultural Adjustment Act of 1933 (AAA), whose basic ideas were to have lasting effect, and the National Recovery Act which dealt, to a large extent, with the non-agricultural sector of the economy. The AAA, plus economic forces due to the great drought, brought domestic markets under control and slowly restored farm income through the increasing use of public subsidies to offset the loss of foreign export markets. The program in itself was based primarily on attempts to remedy domestic difficulties by internal actions with little

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14 Witt, Lawrence W., "Our Agricultural and Trade Policies", Journal of Farm Economics, Vol. XXXII, No. 2, May, 1950, p. 163.

15 United States Farm Products in Foreign Trade, Statistical Bulletin No. 112, United States Department of Agriculture, Washington D. C., 1953, p. 7.

16 Brandt, op. cit., p. 90.

TABLE I

United States Agricultural Production with Exports, in Quantity and as a Percent of Production, by 5 Year Averages for the Period 1925

Commodities	1925-1929			1930-1934			1935-1939			1940-1944		
	Prod.	Exports	Per.	Prod.	Exports	Per.	Prod.	Exports	Per.	Prod.	Exports	Per.
Cotton (1,000 bales)	15,268	5,593	36.6	13,343	1,414	10.6	13,149	5,774	43.9	11,957	1,858	15.5
Eggs, Processed (1,000 lbs.)	292	(a)	(b)	2,285	(a)	(b)	125,039	(a)	(b)	1,382,158	142,800	10.3
Fruits, Dried (1,000 lbs.)	1,003,750	426,351	42.5	973,021	418,007	42.9	1,068,873	399,785	37.4	962,528	302,524	31.4
Lard (1,000 lbs.)	1,408,427	747,854	53.1	1,435,352	553,553	38.6	1,058,283	164,899	15.6	1,978,181	568,112	28.7
Milk, Processed (1,000 lbs.)	1,617,300	118,200	7.3	1,825,773	61,500	3.4	2,486,615	36,440	.9	3,992,065	617,600	15.5
(c) Rice, Milled (1,000 lbs.)	1,826,300	503,500	27.6	1,870,800	310,000	16.5	2,433,600	226,053	9.3	2,738,200	418,866	15.3
Soybean Oil (1,000 lbs.)	14,503	4,528	31.2	44,318	3,154	7.1	458,376	6,468	1.4	1,394,216	35,187	2.5
Tobacco (1,000 lbs.)	1,356,496	541,948	39.9	1,597,946	454,130	28.4	1,460,021	420,795	28.8	1,425,561	315,929	22.2
Wheat (1,000 bu.)	822,905	170,077	20.7	732,527	73,403	10.0	758,629	60,324	7.9	925,984	40,712	43.9

(a) less than 500,000.

(b) If Exports are only given as "less than 500,000" then the percent is indeterminate unless one chooses to assume same arbitrary number.

(c) Figures for 1925-1929 and 1930-1934 are on a rough basis. The periods 1935-1939 and 1940-1944 are on a milled basis.

Sources: Dairy Statistics - Dairy Statistics and Related Series; Statistical Bulletin No. 134; U.S.D.A., Washington D.C. October 1953.
Soybean and Lard Statistics - Animal and Vegetable Fats and Oils; Department of Commerce, Bureau of the Census, Annual Report; Facts for the Industry, Series M 17-1.
Other Commodities - Agricultural Statistics, 1953. United States Farm Products in Foreign Trade; Statistical Bulletin No. 112, U.S.D.A. - F A S; Washington D. C.; 1953.

regard to international repercussions. As the policy progressed it gradually moved into a permanent program, giving, inmany ways, a planned agricultural economy as Congress granted to the farmer a guarantee of price parity subject to certain controls on production and/or marketing.

Revival of the export markets was necessarily slow, impeded as it was by the primarily domestic nature of the farm policy coupled with the planned economies of Europe. The weakest part of the adjustment program was found to be that dealing with these export markets. As greater reliance was placed on "publicly manipulated and protected domestic markets" farmers backed the industrialists in maintaining high tariffs which kept out industrial goods that could have been used to pay for American agricultural exports.[16]

The decade of the thirties was, then, disastrous for agriculture. The breakdown of the international economy led to the more rapid undertaking of centralized planning and government controls as the world moved into a new war. The world saw the growth of a great jungle of trade restrictions ranging from tariffs to complete government monopolies over trade. The concept of parity was brought into American agriculture as farmers demanded and received government support of prices to offset the fluctuations due to adverse market conditions. Further, the great interest of agricultural pressure groups during this period is reflected in the export subsidies gained for wheat and cotton and at the same time the import quotas and tariff placed on wheat and cotton entering the United States. The thirties might be considered as a period of adjustment as countries began to see, and, in many cases, forcibly

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[16] Brandt, op. cit., p. 95.

accept shifts in terms of trade arising out of World War I and its aftermath. By 1939 the domestic programs were again in trouble. The accumulation of stocks, larger than anything experienced previously, caused people to become concerned over the ability of the programs to adjust the agricultural economy. For example, even though the price of corn was controlled by means of acreage allotments, farmers actually increased production by recombining resources. The hybrid varieties were now accepted and the application of fertilizer was increased to maintain and even accelerate production on the same or fewer less total acres planted. As a consequence, the number of hogs coming to market could not be controlled and the price of pork fell, causing surplus problems. Realistically, only a great upsurge in the demand for farm products or another world war could save the administration's programs.

The Wartime Period and Its Aftermath

With the invasion of Poland in 1939 by Germany, and subsequent step-up in rearmament, the slack in demand was taken up as countries stockpiled food and war materials. The programs were now rationalized on the grounds that they provided the needed materials for the effective prosecution of war. Later, inferences were dropped by some officials to the effect that the situation had been foreseen and supplies accumulated with this in mind.[17] As the war progressed and the countries fighting the Axis powers became more dependent upon the United States for food and war supplies, the United States moved closer and closer to abandoning the economic isolation built

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[17] This statement is taken from a discussion with Dr. Lawrence Witt concerning these programs.

up during the decade of the thirties.[18] As the dollar resources of these countries became lower and the sentiment toward the Axis changed in the United States, It became more evident that something must be done to aid Britain and her Allies. The Lend-Lease Act of 1941 was enacted to fulfill this purpose. This program was conceived by the administration as a means of contributing to the conflict through measures short of war. It consisted of a sharing of war materials and other goods without any concern of the possibilities of repayment. The net amount of lend-lease aid amounted to a little over 40 billion dollars from March 1941 to August 1945. Of this total a little over 6 billion dollars worth of agricultural products were funneled into lend-lease shipments. The Army Civilian Supply program, which began in 1942 for occupied countries, is not available as a separate group, so is not included in total agricultural exports during the wartime period. A further problem presents itself when one considers the dispersal of these goods and money within the foreign countries. Goods and money to be used by American troops was often times used for emergency purposes to feed and clothe civilians. These are generally not counted as exports because of their initial purpose, for use by American troops. Much food, clothing and equipment was given to the foreign countries after the war and is only partially reflected in surplus property settlements and so on. The evaluation of wartime statistics remains a problem.

During the war period, the function of the price support program was somewhat shifted. Instead of simply supporting agricultural prices at 52-63 percent of parity to offset adverse market conditions, it was increased to 90 percent under the Steagal Amendment and used to offer a guaranteed

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[18] Condliffe, op. cit., p. 531.

market to producers and to encourage capacity production. The government then stepped in and bought the heavy supplies for use in the war effort. Further, the government moved toward greater centralization since they now functioned to allocate resources as well as products by various priority and rationing measures. The lend-lease program, coupled with the support program and government buying, raised agricultural production and income to its highest peak.

Including as it did a larger area of the world in the actual war theater, and involving a consequently greater disruption of trade, World War II had a more pronounced effect on internationally traded commodities than did World War I. The war stopped a large part of the international trading of basic agricultural products. As a result of the war, many of the low cost areas that had a comparative advantage in production of certain commodities were forced to cut output while deficit areas which are frequently high cost areas were attempting to expand their output.[19]

Since the largest portion of the war was being fought on the continent of Europe, the food production in Europe was expected to decrease. The probable situation in the post-war period with respect to the demands for agricultural commodities can be illustrated by White and Denhardt:

> "Practically all commodities will be in great demand in the period immediately following the cessation of hostilities. This extraordinary demand for food and fibers for purposes of relief and rehabilitation will temporarily outweigh and conceal the operation of longer time supply and demand influences. After a period of time, however, basic disequilibria between supply and demand will become apparent

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19 White, Bennett S., Jr. and Denhardt, Edith T., "Chronic Surpluses of Agricultural Commodities in the Post-War Period", Journal of Farm Economics, Vol. XXV, November 1943, pp. 751-752.

> for many important agricultural commodities. In some cases bad situations which prevailed before the war will reappear, perhaps in an aggravated form, and as a result of the war new maladjustments will have been produced...It is not to be expected that post-war surplus problems will automatically solve themselves."[20]

With this background for perspective, it will be possible to move into the questions concerning the need for aid which arose out of the devastation created by World War II.

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[20] Ibid., pp. 752-753.

CHAPTER THREE

WAR AND EARLY POST-WAR RELIEF PROGRAMS AND WORLD CONDITIONS IN THE POST-WAR PERIOD

Europe

The impact of the war in terms of physical destruction of the resources in all of the sectors of the European economies was recognized because it was visible and could be measured. However, the invisible "devastation" was less obvious and more difficult to assess. This invisible "devastation" manifested itself in deterioration, rather than destruction, of capital and man-power, and in economic dislocations.[21] In the industrial and transport sectors, this deterioration was the result of both obsolescence and the exploitation by the Axis during the war, without adequate maintenance and replacement.[22] Also, there was deterioration of agricultural capital and soil fertility and the productive capacity of the people was greatly impaired due to undernourishment during the war, with a further loss of technical skills.[23] This was all accompanied by serious economic dislocations such as monetary disorders and disruption of normal relationships that prevailed between urban and rural populations.

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21 Economic Report: Salient Features of the World Economic Situation, 1945-47; United Nations; Department of Economic Affairs; Lake Success, New York, 1948, p. 123.

22 Ibid, p. 123

23 Loc. cit.

The results of this devastation and destruction were a reduction in the immediate post-war production potential to levels far below that which one would assume simply by viewing the physical destruction. In combining this visible and invisible devastation and destruction, one finds that the European countries had the job of simultaneously rebuilding the destroyed or obsolete productive facilities and reintegrating many interrelated and complex economic dislocations.

In determining the need for aid there must be some factor or group of factors which will allow some measurement or indication of the actual impoverished conditions of the European nations. One is the reduction in the standard of living of the European population which can be inferred from the decline in the national incomes between 1938 and 1946. The Economic Report of the United Nations for 1945-47 indicates that:[24]

> "According to the best available estimates, the real national income of Poland and Austria in 1946 was fifty-one percent of the pre-war level ...Finland, Greece, Hungary, Italy and Yugoslavia...about sixty percent; Czechoslovakia about seventy-five percent; France, Netherlands and Bulgaria between eighty and ninety percent...Scandinavian countries (other than Finland) and Switzerland were approximately at pre-war level or above, and Belgium and the United Kingdom were somewhat below...Further, the pattern of consumption has been adversely affected by the shortages of basic necessities."

With the major consideration of this work being the effect of the post-war aid upon American agriculture, the situation with respect to food supplies in Europe becomes a focal point. The early post-war period found food supplies sixty percent, or less, of pre-war levels in most of the European countries,

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[24] Ibid, p. 124.

with certain foodstuffs normally available for import from outside of Europe also substantially below pre-war levels.[25] Again, these general shortages were accompanied by shortages of shipping space and foreign exchange shortages. As a consequence of the reduced internal supply coupled with the failure of imports to fill the gap, there was a serious decline in per capita consumption during 1945-46. This drastic decline in food consumption is reflected in Table II which illustrates daily per capita calorie intake. Although this represents a part of the story concerning food problems it does not give the whole situation. The reduction in food supplies was borne largely in reduced consumption levels in the non-farm population. As supplies became shorter, the agricultural segment tended to retain greater portions of their production for their own needs. This, therefore, forced the non-farm population to rely on imported foodstuffs, and with these also in short supply, there was a wide discrepancy between the two segments. An idea of this discrepancy may be seen from the following example:[26]

> "An average intake of 2,000 calories for the population as a whole, in a country in which the self-suppliers are one-third of the total population, represents an intake of 2,600 to 2,800 calories for self-suppliers and an intake of only about 1,600 to 1,700 calories for non-self-suppliers."

The decreased production of food may not, however, have its root cause in low production in agriculture. The case may arise where industrial production is decreased substantially so as to result in a decline in agriculture production. In the final analysis the supply of food depends upon the ability

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25 Ibid, p. 153

26 Loc. cit.

TABLE II

Estimate of Calorie Value of Daily Food Intake Per-Capita for Total Population in European Countries, Pre-war, 1945/1946 and 1946/1947.

	Pre-war	1945/1946[a]	1946/1947
	Calories		
Group I			
Belgium	2,900	2,200	2,400
France	3,000	2,300	2,600
Netherlands	2,900	2,300	2,600
Switzerland	3,000	—	2,900
United Kingdom	3,000	2,800	2,900
Group II			
Denmark	3,200	2,900	3,100
Finland	3,000	2,300	2,600
Norway	3,100	2,500	2,600
Sweden	3,100	2,800	2,800
Group III			
Greece	2,450	2,100	2,200
Italy	2,700	1,850	2,000
Group IV			
Germany	3,000	1,600	1,800
Group V			
Austria	2,900	1,700	2,000
Czechoslovakia	2,700	2,000	2,500
Poland	2,600	2,100	2,100
Roumania	2,800	—	2,400
Yugoslavia	2,700	2,300	2,100

— Not available

a March 1946, approximately

Source: Economic Report: Salient Features of the World Economic Situation - 1945/47; United Nations Department of Economic Affairs; Lake Success, New York; 1948; p. 154.

of the cities to offer goods in exchange for the food. During a war period, industries are devoted to war production. Consequently, at the end of the war when the cities are not producing goods to exchange for food, there is a breakdown of this farm-city exchange mechanism. This is a principal cause of "city famine" so characteristic following a war.[27]

The situation in Europe following the war seems to have been a combination of both low farm production and a destruction of the industrial sector of the various economies. The lack of improved seed, fertilizers and equipment coupled with several years of adverse weather conditions left a net result of drastic declines in post-war agricultural output. The inability of the industrial sector to supply these needs, stopped any rapid increases possible in production.

With the Soviet Armies occupying Eastern Europe, the area which formerly had been a surplus producing center and had supplied a large share of Western Europe's food needs, was now cut off. Primarily the Soviet sector operated as a whole throughout its sphere. Added to this was the fact that there was little to trade for across this border. With the initiation of the Iron Curtain the problem was further complicated. With the bulk of the population living in Western Europe, the non-Soviet sector, the loss of this Eastern agricultural area added to the situation. The previous relationship between these two areas was that the Eastern portion offered a ready market for the Western European manufacturers in exchange for food produced in Eastern Europe.

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27 Boulding, Kenneth E; The Economics of Peace; Prentice-Hall, Inc; New York, 1946, pp. 13-14.

The Far East

The war in the Far East, as in Europe, wrought great physical devastation and dislocation of internal and external economic structures. At the beginning of the Second World War, Asia and the lower continent, as a whole, had not yet reached any high degree of economic advancement. Consequently the majority of the people were living at a bare subsistence level. Combining the devastation and destruction wrought by the war with this low living standard, and coupling these with the internal unrest directed against existing regimes in the post-war period, any rapid reconstruction in the region was greatly hindered. The most serious factor retarding economic revival throughout the region was the inability of existing agricultural production to relieve food shortages.[28] Further, shortages of foreign exchange, especially dollars, hindered imports of such essential supplies as productive equipment and food.

In this region agriculture accounts for almost three-fourths of the gainfully employed people. The consumption pattern is one of a population living at a subsistence level. According to the Economic Report of the United Nations for 1945-47:[29]

> "Of the foodstuffs consumed, by far the largest share is comprised of plant foods; hence the diet is mainly vegetarian, lacking fats, proteins and vitamins... . There is serious shortage of staple food grains in large parts of Asia. Rice is the most important cereal in the diet of the people. Two-thirds of the Asian inhabitants are estimated to be rice-eating and one-sixth predominantly wheat-eating. ...The population growth adds to the pressure on the scarce material resources, particularly in those areas that were subjected to the Japanese occupation during the war.....In certain parts of India, Malaya and China, food consumption per head has shrunk to less than eighty percent of what it

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28 Economic Report - United Nations; op. cit.; p. 69.

29 Ibid, pp. 69-70.

> was before the war; in other parts of China, in Korea, the Philippines, and Java it varies between eighty and ninety percent of the pre-war standard. ...Urban rations in India presently allow for only seventy-five percent of pre-war consumption".

Further, the situation as prevailed in Europe, of the lack of draught power, fertilizers, transportation facilities and disintegration of economic organization, practically paralyzed production in many instances. The rampant inflation in certain areas also discouraged production beyond immediate needs of the farmer.

Programs Instituted to Meet World Needs

Beginning with the North African campaign, the United States undertook to supply the populations of the liberated areas. These programs are referred to as the Army-Civilian Supply or Civilian Supply Programs, and later as Government and Relief in Occupied Areas (GARIOA). In 1943 the world saw attempts to give relief to the war stricken areas by international cooperation through the United Nations Relief and Rehabilitation Administration (UNRRA). With the failure of UNRRA in the field of relief, the United States undertook the job of relief on a uni-lateral basis. The programs began with the initiation of the Truman Doctrine giving aid to Greece and Turkey. As the situation in Europe worsened, Congress passed the Interim Aid Bill in the fall of 1947 to give emergency relief until a broader program could be worked out. In the spring of 1948 Congress passed the Foreign Assistance Act of 1948 which set up the Economic Cooperation Administration (ECA). This was to deal primarily with Europe but was later to include missions to China and Japan. As world tensions mounted the foreign aid programs were merged into the Mutual Security Administration (MSA) program with increased emphasis

on military aid. With this general introduction to the consideration of the programs undertaken in the field of foreign assistance, each of these programs will be considered separately.

Civilian Supply Program

From the liberation of North Africa to the end of the war in the Far East, the United States was faced with the problem of supplying the populations of the liberated and occupied territories. The objectives of the Civilian Supply Programs can be taken from those set forth with the initiation of the programs in North Africa:[30]

1.) to prevent unrest which might endanger allied lines of communication;

2.) to maintain local labor for supplying the allied armies and keep up production to minimize the shipment of supplies from the United States and Great Britain and;

3.) to restore in general the economic life of the people.

The initial Civilian Supply Programs were to be administered by the Army until civilian agencies were prepared for the task. This divided relief into two periods - "one of military administration of relief during which the disease-and-unrest formula fixed the limits of civilian assistance, another in which assistance was on the broader basis appropriate to longer-range relief and rehabilitation."[31] However, because of jurisdictional controversies between government agencies and overconfidence in 1944 for an early end to the war, which led to reduction in food procurement, removal of rationing controls and a shortening of supplies for the Army and liberated countries, the division

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30 Brown, William Adams and Opie, Redvers; American Foreign Assistance; The Brookings Institution, Washington D. C.; 1953, p. 72.

31 Ibid, p. 74.

between the two periods became blurred.[32] This led to a food crisis in 1945. However, attempts to review existing food supplies and focus direction in relief feeding did not materialize. Finally the President issued a directive laying down two basic principles;[33]

> "that the Army should not assume responsibility for civilian supplies unless required to do so by military necessity; and that the appropriate agencies of the government should grant the necessary priorities to meet the minimum needs of the liberated areas."

Up to the end of the war in Europe the amount of assistance given by the armed forces in Europe and the Mediterranean Area was about $800 million, and $100 million in Philippines.[34] During the transition period following the war, United States assistance continued to move through the Civilian Supply Program. In 1946 there was $294 million requested for relief supplies to combat disease and unrest, but the magnitude of the problem was not realized and it was soon found that this amount was insufficient. The Congress responded by appropriating $725 million and set up a separate program of Government and Relief in Occupied Areas (GARIOA) to administer the funds in fiscal 1947. This was followed by appropriations of over $1 billion for fiscal 1948 to the same program.[35] The commodities were shipped abroad for distribution through the Civilian Supply Programs, which was in large part food and clothing.

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32 Ibid, pp. 73-74.

33 Ibid, p. 74.

34 Ibid, pp. 74-75.

35 Ibid, paraphrased from pp. 108-109.

United Nations Relief and Rehabilitation Administration

The United Nations Relief and Rehabilitation Administration (UNRRA) had its origin in a speech by Winston Churchill. However, not until November 1943 did the four major powers sign the agreement that created UNRRA. The United States played a major part in organizing UNRRA which included the proposed plan for financing the organization by member nations. This meant that each member (except those that had been occupied by the enemy) contribute one percent of its national income for the year ending June 30, 1943, of which 10 percent could be expended outside the contributing country. With the United States contributing $1,350 million, the largest share, the principles on which UNRRA operated became of great interest to American assistance policy:[36]

1.) UNRRA was intended to help people help themselves

2.) if foreign exchange was lacking, a government did not have to burden itself with an exchange problem to get relief, if the exchange were for the relief;

3.) there was to be no distinction as to race, creed or political belief with respect to the distribution of relief;

4.) operations within enemy territories had to be approved by the Council and have the consent of the military command in the area; and

5.) the money received from the sale of UNRRA goods was to go for further relief and the individual governments were to have the responsibility of distributing the relief supplies in accord with the principles of UNRRA.

This was all a rather radical departure from traditional American policy because it was an approach that had previously been rejected by the United States - international control of relief on a multilateral approach. However,

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36 Ibid, p. 77.

because the United States contributed the largest share, over 70 percent of the subscriptions, the shift in American relief sentiment in 1946, from multilateral to bi-lateral agreements, sealed the doom of UNRRA. This changed position was supported by the State Department on the following grounds:[37]

1.) that UNRRA's distribution of supplies had been influenced by political considerations,

2.) that except in a few countries the pressing need for relief had passed, and

3.) that other international agencies, viz., the International Monetary Fund and the International Bank, could take care of rehabilitation needs.

Therefore, all of the UNRRA programs were brought to a close - by midsummer 1947 in Europe and by the end of 1947 in the Far East - with the total amount of UNRRA shipped commodities at nearly $3 billion, of which:[38]

1.) over $1.2 billion was for food,

2.) over $400 million for textiles and footwear,

3.) nearly $20 million for medical and sanitation supplies,

4.) about $700 million for industrial rehabilitation, and

5.) about $300 million for agricultural rehabilitation.

The Truman Doctrine

On March 12, 1947 in a speech before Congress, President Truman urged the extension of aid to Greece and Turkey. In Greece the Communist-backed armed minorities were causing political chaos and preventing economic recov-

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37 The United States in World Affairs; Council on Foreign Relations, Harper and Brothers, New York and London, 1947, p. 337.

38 Brown, op. cit., p. 111.

ery and stability. In Turkey, modernization was necessary to "maintain its national integrity," in the words of the President. This policy was proposed as the policy to be followed by the United States because it was "to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressure..."[39] The appropriation asked by the President was $400 million in the period ending June 30, 1948.

Although the act was criticized heavily as being an intervention into the internal affairs of other nations as supporting reactionary governments, the act was signed on May 22, 1947. The emphasis was placed upon economic assistance rather than military assistance in the hope that by some means Russia would still cooperate in maintaining peace. The $400 million requested by the President was authorized, to be used at the request of Greece and Turkey. It was to be used for the purchase of goods and services, to provide technicians and other trained persons, and military advisers in limited numbers. Economic recovery in Greece was small; the area of planting increased to 85 percent of pre-war but industrial production dropped from 75 percentto 70 percent of the 1939 level.[40] In the nine months, between the passing of the bill and the passing of the Economic Cooperation Act in April of 1948 which took over the operation of the Greek-Turkish bill, that the program was in operation, $337 million of the $400 million was spent. The program was in operation at the time of consolidation and funds contin-

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39 Ibid, p. 124.

40 Ibid, p. 130.

ued under ECA. About 59 percent of the approximately $268 million in Greece aid and all of the $69 million in Turkey were used for strengthening military establishments.[41] Rebuilding the military establishment in these countries did, however, play an important part in rebuilding the economic structures. By rebuilding transportation systems, shipping ports and airfields for military uses, there was also a joint effect of strengthening the overall economic structure. As the program progressed, it was recognized that to further economic reconstruction, the internal struggles must be resolved; consequently, the importance of the military aid portion increased, in the case of Greece, it was already 100 percent for military items.

Interim Aid and the Economic Cooperation Administration

With the re-evaluation and reformulation of assistance policy, the emphasis had shifted to economic reconstruction to put an end to further needs for relief. The first move in this direction was the Truman Doctrine discussed above. As the situation in Europe worsened, the need for a broad general program of reconstruction became more apparent. Secretary of State Marshall gave the outlines of this program at his Harvard address on June 5, 1947. The program was to be a joint one, agreed to by a number, if not all, of the European countries, with the role of this country consisting of friendly aid in drafting such a program of reconstruction, and support of it so far as it is practical to do so.[42] Before a complete study of the situation could be made and a program drafted to cope with the broad general needs of Europe,

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41 Ibid, p. 130; see also U. S. President, Third Report to Congress on Assistance to Greece and Turkey, for the period ended March 31, 1948 for a more complete discussion.

42 New York Times; "Marshall's Address", June 6, 1947, p. 3.

the need for emergency aid arose in France, Italy and Austria. In France the gold and dollar reserves were exhausted. Italy was forced to stop all dollar expenditures except for coal, petroleum and cereals in June 1947, with France taking similar action two months later. Austria was in a similar position. The President asked for $597 million for emergency short-time aid for food, fuel and fertilizer needs up to March 30, 1948. The authorization act for interim aid was signed on December 17, 1947. Emergency aid of $522 million was provided for France, Italy and Austria and of $18 million for China, with an additional appropriation in March 1948 of $55 million, bringing the total to $597 million.[43]

With the passage of the Interim Aid Program to prevent utter collaspe of the European economy, Congress went to work to develop an overall program to assist reconstruction of the entire European economic structure. In December 1947 the administration submitted its proposed bill requesting that Congress authorize $17 billion for a four and one-quarter year program to begin April 1, 1948. The administration desired to have a flexible system so the program administrators could maintain sufficient U. S. control over expenditures. It took a realistic view of loans as being misleading and unwise..."when the past and present situation of a country or its future prospects give little possibility of repayment."[44] Through bi-lateral agreements with the United States, the participating countries were to pledge themselves to increase production, establish monetary stability, reduce trade barriers

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[43] Brown, op. cit., p. 140.

[44] United States in World Affairs, Council on Foreign Relations, Harper and Brothers, London and New York, 1948, chapter 14, pp. 483-486.

and agree to help in the accumulation of materials in short supply in the United States. These latter materials were raw materials for government stockpiling and were generally obtained from the colonies of the European countries, with some coming from the countries themselves.

The final act passed in April 1948 provided for the four and one-quarter year program and set the terminal date as June 30, 1952. Any financial commitment for four years was opposed and appropriations were to be made on a yearly basis with the stipulation that Congress could terminate the program at an earlier date if the purposes were not fulfilled. A total of $5.3 billion was appropriated under the Act for the first 15 months of the program.

With regard to the countries participating in the program, it was possible for most European anti-Communist countries who wished to participate, to enter the program. However, invitations were extended to Poland, Czechoslovakia and even the U.S.S.R. At this point it would be appropriate to enter into a discussion of the Committee of European Economic Cooperation (CEEC), later the Organization for European Economic Cooperation (OEEC). This will hereafter be referred to as the OEEC. In July 1947 the representatives of 14 European countries, the Territory of Trieste and the Bi-Zone of Germany met in Paris to form the organization and attempt a cooperative solution to the chronic economic disorders and dislocations. This meeting took place as a result of Secretary Marshall's offer and the program that arose from it was one of broad self-help pledged by the participating countries. This was created as a permanent body two weeks after the establishment of the Economic Cooperation Administration (ECA). The structure of the

OEEC developed in response to the tasks assigned to it. The OEEC was the focal point and was expected to bear the major burden of planning and administering intra-European government programs. Its most important actions were initiating supply programs, facilitating the flow of trade, and devising and executing recovery measures. The ECA country missions occupied a key position since the job of recovery was based upon recovery in each individual country.

In the use of ECA funds to procure supplies, the Congress took steps to safeguard American interests. The Administration was to funnel procurement authorizations of commodities in short supply in the United States into offshore sources of supply and to encourage the use of surplus commodities. In the case of surplus agricultural commodities, the procurement was restricted to the United States. The Act required that 25 percent of the wheat shipped must be in the form of flour milled in this country. Also, it required that 50 percent of all commodities shipped had to be carried in American ships. The Secretary of Agriculture could make payments to any agency which would help to pay the costs for "getting rid" of these surpluses. Further, the Secretary could make payments in amount not to exceed 50 percent of the sale price of these commodities. In the procurement of specific commodities, such as dried fruits, egg products, dairy products, wheat, cotton and tobacco, the Secretary of Agriculture was a powerful figure.[45]

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[45] This paragraph was largely paraphrased from Public Law 472; 80th Congress, Chapter 169; Second Session; S. 2202; Title I; Sec. 112.

Table III shows the ERP funds from April 1948 through June 1951.

TABLE III: ERP Funds, April 1948-June 1951
(In Millions of Dollars)

Period	Administration Requests	Authorizations	Amounts Made Available
April 1948-June 1949	6,800	6,450	6,220
July 1949-June 1950	4,280	4,280	4,060
July 1950-June 1951	3,100	2,700	2,254
Total (39 months)	14,180	13,430	12,534

Source: Brown, William Adams and Opie, Redvers; American Foreign Assistance, Brookings Institution; Washington D. C., 1953, p. 175.

The ERP was actually in operation only until June 30, 1951 when American security interests demanded the creation of a single coordinated program. This single program was enacted in June 1951 under the title of the Mutual Security Act of 1951. With its enactment, the ERP and other aid programs were merged into it and emphasis was shifted to the military aspects of aid in order to strengthen the non-Soviet world and further the security interests of the United States.

Mutual Security Administration and Other Military Assistance

The military aid of the United States following the war, and up until 1949, was not coordinated under a single program. Following the initiation of the European Recovery Program, the United States took the lead in forming a North Atlantic defense arrangement. Besides acknowledging the inadequacy of the United Nations to meet the existing situation, this action added strain to

world resources which led to competition, between rearmament and economic recovery, for use of resources. Although the initial emphasis was on economic recovery, the rapidly changing course of world events brought military security to a high level of importance, forcing a reassessment of military and economic policy. To ensure military security for the European countries being strengthened by American economic aid, the United States based its approach to the problem "on the mutualality of the defense efforts of all free nations."[46] Out of efforts to coordinate military support and mutual defense arose the North Atlantic Treaty Organization and the Mutual Defense Assistance Act of 1949. As the threat of Communist agression increased, the newly repaired economic structure of Europe was found to be inadequate for bearing the new burdens of military expansion. Therefore, "whether the economic underpinning of rearmament was to be provided by 'economic aid' of 'defense support' was merely a question of terminology."[47] This meant that material assistance from the United States was essential if the bulwarks against Communism were to be built with the speed required by American security interests. The Mutual Defense Assistance Program, Technical Assistance Program and the Economic Cooperation Administration were finally all resolved to be mutually supporting aspects of a single effort to strengthen the non-Soviet world against Communist agression. Therefore, coordinating all of these programs into a single foreign assistance effort became the central

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[46] Brown, op. cit., p. 439.

[47] Ibid, p. 505.

aim of Congress and the Administration for the fiscal year of 1952. Recommendations received from studies in the field of foreign assistance, advised a continuation of economic aid with extensive shipments of military supplies. The economic aid would be on a scale adequate enough to facilitate expansion of European defense production. With mutual security considered a new purpose, it was also believed a new program should be developed. However, the unfinished work of the European Recovery Program in certain countries, it was felt, should be completed. In the main, European rearmament was to be achieved by European production following the initial push from the United States. It was also felt that the security of the United States required assistance be given to the Near East, Africa and the Far East to prevent further Communist advances. The existing administrative structure was considered to be adequate for carrying out this new program.[48]

For the fiscal year 1952 there was $5,006 million appropriated for foreign aid. Of this total amount $1,915 million, or 38 percent, went for military assistance and $3,091 million, or 62 percent, went for economic and technical assistance. Since about nine tenths of all foreign aid being furnished in the autumn of 1952 was provided under the Mutual Security Program, it seemed probable that military assistance would rise in the fiscal year of 1953 to over 60 percent of the total.[49]

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[48] Ibid, p. 507.

[49] Ibid, p. 535.

Summary

This paper is essentially considering the foreign aid of the United States from mid-1945 to the present time. Gross foreign assistance for the transition period, mid-1945 to April 1948, exclusive of Interim Aid and the Greek-Turkish Program, which really belong to the reconstruction period, amounted to $14.5 billion. With the reevaluation of American assistance policy, and the recognition that relief was not enough, a reconstruction of the entire European economic structure was the only solution. With the initiation of the Truman Doctrine and aid to Greece and Turkey, emphasis was shifted from relief to the objectives of reconstruction and recovery. The problem of European recovery was no longer treated as being dependent primarily upon recovery in Great Britain. This led to the development of a four year program, the European Recovery Program. Because the major emphasis of the program dealt with Europe does not mean that other areas of the world were excluded, as missions to China and Japan were added. Taking fiscal years 1948 to 1950, net foreign assistance totaled $15.6 billion. As the world situation changed and security interests of America became of primary importance, the foreign assistance programs shifted emphasis from economic recovery to considerations of security and rearmament.

This phase of foreign assistance began with the Mutual Security Act of 1951. With its enactment, all foreign assistance efforts were merged under its lead in order to coordinate security measures. Military assistance had begun to increase in importance from 1950 onward, but it was not until the Mutual Security Act of 1952 was passed, and authorized over $4.2 billion for military assistance and about $1.8 billion for economic and technical assistance, that military aid became predominant. Even though military aspects increased in importance, the reality of the fact that defense was dependent

upon sound economic strength did not change.

CHAPTER FOUR

FARM ORGANIZATION OPINION AND PRESSURE GROUP ACTIVITIES IN THE FORMULATION OF FOREIGN ASSISTANCE

The critical food situation in the post-war period made agriculture a powerful force in solving the disorders wrought by the war. As indicated earlier, the food supplies sent as relief did not solve the problem of the breakdown of the farm-city exchange mechanism. These supplies simply offered a partial solution in relieving the "city famines". The solution was found to lie in a program that would help to rebuild the entire European economic structure. Just how important American agriculture was in the determination of foreign assistance policy and the effect of the final programs upon agriculture in the United States, can only be found in an examination of the role agriculture played. Before moving into the actual operation and effect of the post-war aid programs in American agriculture, it will facilitate the understanding of agriculture's role by studying the operation of the agricultural pressure groups.

The expressed attitudes of the various pressure groups are given in the form of broad general resolutions. These express the general stand to be taken with respect to any broad field such as foreign aid, mutual security, taxation, etc. The testimony of the group leaders before Congressional Committees would then give the specific applications of the general resolutions. From this testimony arises the stand taken by each group on a specific policy, the general resolutions becoming the backdrop against which this

testimony falls. Generally these specific applications are congruent with respect to the more general statements or the specific stand can be rationalized to fall within its framework. Each of these groups have individual conferences with congressmen, the President and other levels of administration. Statements of policy and arguments about what is possible or desirable take on specific forms and evolve into subsequent published testimony and laws. Much of the influences of a pressure group occurs in this process, yet the reverse also happens, namely that the political leaders may be able to modify or change some of the attitudes of the pressure group leaders. It is not possible to delve into these in detail in this paper.

For purposes of this paper each of the major farm pressure groups will be considered individually as they operated in the field of post-war foreign aid. The groups to be considered are the American Farm Bureau Federation, The National Grange, The National Farmers Union and the Department of Agriculture. Except for small changes, dealing with individual commodities, the attitude of each group remained basically the same for each post-war aid measure.

In comparison to the magnitude of the European Recovery Program, the programs instituted prior to the ERP were much smaller and had less impact on the American economy. Also the previous programs were merged into the ERP in order to focus direction in aid and reconstruction. Therefore the main consideration will be given to the ERP. However, where changes did occur they will be noted. It can be said that, generally the American Farm Bureau and The National Grange supported the aid policy of the United States following the war. The Farmers Union, however, supported the aid policy so

long as financial and other aid were placed under the direction of the United Nations agencies for distribution. In other words, they did not support any aid on a unilateral basis from the United States.

The American Farm Bureau Federation

The Farm Bureau is important in its effect on policy measures because of its large organization which represents over a million and a quarter farm families in the United States and Puerto Rico. The Farm Bureau has generally favored and supported international cooperation and active participation of the United States in the International Trade Organization and the Reciprocal Trade Agreements. However, as has been the case with all individual segments of the economy, it has also favored retention of escape clauses when individual commodities become adversely effected.

The Farm Bureau has in general supported the Administration's post-war foreign aid policy. Therefore as emphasis shifted from international attempts at relief to unilateral relief from the United States, to recovery and reconstruction and finally to mutual security and military assistance; so did the policy stands of the Farm Bureau shift. It should be emphasized that Administration policy shifted first with interest group support following.

The resolution adopted by the Farm Bureau in December 1947 offers the framework within which the Farm Bureau was to support European Recovery. The resolution is in part, as follows:[50]

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50 Resolutions Adopted at 29th Annual Convention of the American Farm Bureau Federation; December 18, 1947; pp. 2-3.

"We favor cooperation, within our productive and financial ability, in the European Recovery Program. Foreign aid programs should be based upon the principle of helping the people of the various nations help themselves. No program of help is good unless it will lessen the need for aid in the future... .

"Expenditures for relief should be considered as part of the cost of war and handled as such. The expenditures for capital goods, however, should be considered as loans and means provided for repayment. We favor a policy which will encourage the making of private loans and investments abroad... .

"We favor the establishment of a bipartisan commission appointed by the President and confirmed by the Senate, to administer the long-time aid program, which will be closely coordinated with the Department of State, the Department of Agriculture, and other interested government agencies. In the formation of the commission, agriculture should be given adequate representation.

"We should make certain that the aid is used for the purpose intended. The individual recipients of any aid should be informed that this aid came from the United States and was produced by free people working under a system of private enterprise."

Within this framework Allan B. Kline, President of the Farm Bureau, gave his testimony before the Senate and House Committees on foreign policy.[51] The testimony may be considered as a reiteration of this resolution but also, as an expansion of it, with respect to specific applications to the measures in question. The following paragraphs are paraphrased and condensed from Mr. Kline's testimony before the Foreign Affairs Committee of the House of Representatives:[52]

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51 Mr. Kline's testimony was the same before both Committees.

52 United States Foreign Policy for a Post-War Recovery Program: Hearings before the Committee on Foreign Affairs; The House of Representatives, 80th Congress, Second Session, Part 1, pp. 940-960.

"It is recognized that the program will cause some temporary hardships upon this Nation, but is also realized that food shipments alone cannot solve the problem. The problem can be solved only by shipment of machinery to produce needed goods and services and stabalized currencies which will re-establish the deteriorated production-exchange mechanism."

"It is recognized that the Department of State is responsible for our foreign relations. However, it must be realized that the impacts of this aid program on the domestic economy are not necessarily within the jurisdiction of the Department of State. This fact then gives rise to the need of a commission to be established to administer the program. Because food is one of the major items in the program, it is felt that a person familiar with agriculture should be on the commission."

"It is apparent that American agriculture will need foreign markets. Before the war, Western Europe produced only about two-thirds of their food needs and the United Kingdom less than one-third. Adjusting our expanded wartime productive volume to peacetime demands will be easier if we have foreign markets. The strain on our economy can be lessened if products in excess supply are utilized, thus lessening pressures on other commodities."

"The program must, however, be European. Our job is to initiate the program and allow it to be a self-help program. We cannot begin to feed Europe."

During the question-and-answer session, Mr. Kline supported and expanded his statement. In general, he supported his contention that such a program would not mean a controlled economy in the United States. Also, such a program was necessary because of the breakdown of the exchange of food for manufacturers between Eastern and Western Europe.

It is not necessary to further express the feeling of the Farm Bureau as to the importance of American agriculture in rehabilitating Europe or the importance of a rehabilitated Europe to American agriculture. The support of the Administration's program is manifest throughout the testimony, within however, adequate safeguards for the domestic economy of the United States. With each succeeding year of the program this support was continued. In 1948, greater cooperation with the FAO (Food and Agricultural Or-

ganization of the United Nations) to establish effective extension services was advised. The use of surpluses was advised to the extent that they could be utilized, but the program should not be used for dumping. In 1949, it was urged that counterpart funds be established and used to promote recovery projects. The use of surpluses was again advised, to the extent they could be used.

With the increased tempo of the Cold War and the shifting emphasis to military aid, the policy stand of the Farm Bureau began to shift. Military security was found to be necessary for further progression of the economy and of recovery. Therefore, mutual security became congruent with economic recovery. By 1950 it was felt that for a suitable environment to prevail the combined military strength of the free nations must be adequate. The Farm Bureau urged the establishment of a single independent agency to administer all United States aid programs. This general framework offered the support of the Farm Bureau to the establishment of the Mutual Security Agency. In 1951 as the Korean War progressed further support was given to MSA and resolutions were established to advise greater use of recipient countries' resources rather than relying upon American resources.

The desired use of counterpart funds was shifted to include not only recovery projects but also to cover the commensurate cost of goods received, cover necessary local expenses of American personnel, for stockpiling strategic materials for the United States, and to cover United States commitments to other friendly nations from their existing productive capacity, if adequate. If not adequate, then the money was to be used to make loans with-

in that country to create such capacity. Production of defense needs was encouraged in order to save dollars and minimize demands upon American resources. The United States was also to formulate a set of prerequisites for further aid, these being to attack those things which breed discontent, to promote agricultural and industrial production, stabilize currencies and balance budgets, reduce trade barriers and increase trade and prohibit re-export of American aid materials to unfriendly nations. Disagreement with the division of funds between military and economic ends crept into the picture.

The Farm Bureau felt that a greater emphasis should be given to economic ends as opposed to military ends than was given in the Mutual Security Act of 1951. In 1952 support was continued but it was felt that the prime effort of Mutual Security should be to develop a free world economy by emphasizing trade and not aid. No United States produced military items should be sent to those who could produce them themselves. In 1953 the Farm Bureau began to shift their stand once again. It was felt that funds for mutual security should be divided into three distinct groups for military aid, economic assistance and technical assistance. This way it would be possible to expand or contract any one of these without disrupting the others. They believed that with the change in political control and the drive to cut expenditures and balance the budget, this was feasible. Unnecessary funds could be cut out without cutting funds of either of the other two groups. Military aid was to be directed to help the Allies build their own defenses. Economic aid should be replaced by trade and greater emphasis given to developing "underdeveloped areas". Technical assistance should offer a better program for training native personnel.

So the policy shifted as national sentiment shifted and political power changed hands. Other than minor disagreements on small issues, the policy of general non-partisan support continued.

The National Grange

The general trends in policy positions of the Grange are very close to those just described for the Farm Bureau with respect to foreign aid policy. The support of the Marshall Plan was given in the resolution adopted at their National Meeting in 1947. It reads in part as follows:[53]

> "We endorse the principles of the Marshall plan upon the following conditions:
>
> 1. That aid to a needy country be given only when the recipient shows willingness to help himself.
> 2. That standards of performance in terms of production be set up and that the price of aid be the reasonable attainment of these goals.
> 3. That a loan and relief administration be set up to administer the direct relief under strict supervision to insure maximum benefits.
> 4. That the limitations of our resources and our own needs be considered in granting aid."

These four general statements offer the framework for support of the ERP. The above conditions also offer support to the administration for their shift in policy from an international relief program to unilateral relief programs.

The statement of Mr. J. T. Sanders of the Grange before the House Foreign Affairs Committee was an expansion and explanation of this stand with-

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[53] Hearings before the Committee on Foreign Affairs of the House of Representatives; op. cit.; Part 2, pp. 1,379-1,380.

in the framework of the above resolution. The testimony of Mr. Sanders is very similar in context, as were the resolutions, to that of Mr. Kline of the Farm Bureau. However, there is also one large divergency between them. Whereas Mr. Kline only indicated briefly the rebuilding of trade between Eastern and Western Europe; Mr. Sanders went quite deeply into this line of reasoning as an alternative for a rehabilitated Europe. It was felt that if this trade were increased the communist hold over Eastern European countries would be weakened rather than the reverse. If this were not possible then the increased production of manufacturers in Western Europe could be used to trade for the agricultural products to be obtained elsewhere in the world. The testimony presented did not stress as heavily the expansion of the world economy through a general increase in mutually beneficial trade and lowering of trade barriers as did that of the Farm Bureau. This appears to be rather indicative of the traditionally tighter trade policy of the Grange with respect to American Imports.[54]

In making a general summary statement of the Grange's position with respect to ERP, it can be said that they supported the administration's policy. They saw the program as primarily European and the success of such an undertaking resting in the cooperative effort of the sixteen European nations making up the OEEC. The part to be taken by the United States in such a program, the administration of the program, and the importance of the program to the United States are very similar to those described above under the Farm Bureau. The only divergence comes on the question of trade, with the Grange

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[54] For a more complete picture of the actual testimony of Mr. Sanders, see the Hearings, op. cit., pp. 1,379-1,391.

remaining more vague and isolationist on the subject.

The National Farmers Union

In turning to the other major farm organization, the Farmers Union, we encounter an almost completely opposing viewpoint on the subject of foreign aid. Where the Farm Bureau and the Grange shifted support from internation relief to unilateral relief and reconstruction, the Farmers Union remained internationalist. That is to say, they continued to insist that such undertakings should be fostered and fed through the United Nations agencies. They supported the idea that relief was not enough and that some program of reconstruction was needed and must be undertaken, but it should be done through the United Nations. The Farmers Union people considered the failure of UNRRA to cope with the problem, and the small amount of work done by other agencies as FAO and ITO, as a result of the lack of support on the part of the United States and other member nations.

Throughout the post-war period the Farmers Union has supported the contention that the United Nations is, in present times, the best way to keep peace. The only way in which the agencies of the United Nations could work effectively is through the acceptance of United Nations principles by large and small nations alike. The United Nations cannot function to its fullest benefit if dominated by a minority of the Great Powers.

Opposition to the shift in American foreign aid policy occurred in 1947 when the Greek-Turkish aid program was proposed by President Truman. The

Farmers Union opposed this program on three grounds:[55]

> "... That the kind of assistance proposed by the President simply will not work, that American funds should not be used to support military power of any foreign government, and that the bypassing of the United Nations by its most powerful member inevitably delivers a damaging blow to the United Nations."

This was followed in September 1947 by a similar statement advocating that financial and other aid be placed under the direction of the United Nations, and that the World Bank and the Monetary Fund be converted to agencies for the general welfare rather than profit making organizations. European rehabilitation is for the general welfare and not a profitable operation in the dollar sense.[56] This stand was supported by all of the State Farmers Unions. They considered the abandonment of UNRRA as reckless and the unilateral aid proposals as piecemeal and condemned such action. However, if the Marshall Plan were put forward on a self-help basis and the program were to be executed through United Nations agencies the program would be supported. This, however, was not to be the case.

As work progressed, with the compilation of data needed to formulate the plan, and the OEEC prepared itself to work unilaterally with the United States; the Interim Aid Bill for France, Italy and Austria was passed. The Farmers Union, however, did not relent in its opposition to aid on a unilateral basis. The Farmers Union gave strong backing to H.R. 4840 which came nearest to their beliefs. It was to work in close conjunction with the United Nations. The

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55 European Recovery Program: Hearings before the Committee on Foreign Relations; United States Senate; 80th Congress, Second Session; Part 2; p. 927.

56 Ibid, p. 927.

two main bills, H.R. 4579 and S. 2202 were opposed, even though both were combined into S. 2202 which finally became the Foreign Assistance Act of 1948 and established the ECA. The drawbacks were many including the lack of enough agricultural help in the measures, the inadequacy of the $6.8 billion request for the first 15 months and the slowness with which aid should be provided.

However, some support for this type of aid did come forth. They did support the idea of information services to identify aid from the United States. The objectives of reconstruction rather than relief were supported as was the philosophy of assisting suffering people wherever and whenever they could be helped.

The Department of Agriculture

Although the Department of Agriculture is a part of the Executive branch of the Government it may be considered a pressure group for the furtherance of agriculture. It may also be considered as an interested group serving some functions of a pressure group representing the agricultural point of view. The role of agriculture in such a program as European Recovery would hinge heavily on the Department of Agricultures' efforts along such lines. We have seen in the preceding discussions that farm organizations consider agriculture an integral part of any recovery effort both in the United States and in Europe.

It will be remembered that the crucial problem to be attacked was that of food. In his testimony before the Senate Foreign Relations Committee,

Secretary of Agriculture Clinton P. Anderson said:[57]

> "One of the chief focal points of any European recovery program must, unquestionably, be food... Western Europe at best is dependent upon the outside world for much of its food. Before the war - specifically, in the years 1934 through 1938 - the area as a whole produced only two-thirds of its total food. The rest was imported... Another factor affecting the world food situation and Europe's sources of supply is the decline in food production in the Far East. Before the war, the Far East was annually a net exporter of six and one-half millions of tons... This food shortage in Western Europe and other parts of the world has thrown a terrific burden on the United States. From 1934 to 1938 we exported only 4.6 percent of all grain moving in world trade. Last year, with almost exactly the same amount of grain, we exported 52.4 percent."

This gives a broad view of the importance of American agriculture, with respect to food production in the post-war period. Table IV offers an indication of food requirements necessary to carry out the program. It presents both CEEC estimates and the United States estimates. One can see that the estimates of the CEEC, according to American reasoning, were too large in relation to the amounts that could be supplied from world supplies in food grains, livestock feed, and fats and oils. Turning to Table V one can find the expected position of the United States with respect to supplying these needs. The two tables are largely self explanatory with no lengthy discussion needed.

These exports were destined to play an important part in relieving, for a short time, conflicts between domestic price policies and foreign and tariff policies. As the Secretary testified:[58]

> "Our farmers are now producing a third more food and fiber than they were before the war. They have revolutionized farm production and the

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57 Hearings; United States Senate; op. cit.; part 1; pp. 304 and 307.

58 Ibid, p. 315

TABLE IV

Comparison of Total Import Requirements[1] for Participating Countries, Excluding Colonies, for Major Food Items from all Sources as Stated in CEEC Report With United States Estimates of Availabilities, by Fiscal Years 1947-1948 Through 1950-1951

(1,000 metric tons)

Commodity	1947-48		1948-49		1949-50		1950-51	
	CEEC estimates	United States estimates	CEEC estimates	United States estimates	CEEC estimates	United States estimates	CEEC estimates	United States estimates
Bread Grains[2]	21,960	16,120	17,988	14,270	17,129	15,050	16,276	14,325
Coarse Grains[2]	7,995	3,390	9,349	5,700	10,569	7,750	11,153	8,500
All Grains[2]	29,955	19,510	27,337	19,970	27,698	22,800	27,429	22,825
Rice	295	56	352	140	441	220	562	303
Fats and Oils (including butter)	2,532	2,160	2,968	2,464	3,404	2,790	3,448	2,966
Oilcake and Meal	3,507	2,364	4,417	2,750	4,940	3,055	5,471	3,350
Sugar	2,164	2,497	3,053	3,056	3,205	2,972	3,339	3,082
Meat (including horsemeat)	2,425	1,883	2,603	1,933	2,746	2,018	2,995	2,071
Cheese	271	241	279	249	280	255	282	260
Processed Milk	269	345	240	346	245	315	256	309
Eggs	335	315	346	209	323	242	332	289
Fresh Fruit	2,291	2,475	2,811	2,818	3,161	3,184	3,408	3,461
Tobacco	237	278	247	328	258	343-	257	344
Cotton	(3)	1,065	(3)	1,317	(3)	1,382	(3)	1,457

1 Includes Trade Between Participating Countries.
2 CEEC estimates corrected for revisions made by countries in mid-October 1947.
3 CEEC estimates not available.

CEEC: Committee of European Economic Cooperation.

SOURCE: Hearings before the Committee on Foreign Relations, United States Senate, 80th Congress, January 1948, Part I, p. 308.

Table V. - Estimated food and agricultural exports from the United States under European recovery program

Commodity	Unit	1934 - 38[1]			1946 - 47[1]			1947 - 48[1]			1948 - 49[1]			1949 - 50[1]			1950 - 51[1]			1951 - 52[1]		
		Total United States exports		Exports to ERP countries[2]	Total United States exports		Exports to ERP countries[2]	Total United States exports		Exports to ERP countries[2]	Total United States exports		Exports to ERP countries[2]	Total United States exports		Exports to ERP countries[2]	Total United States exports		Exports to ERP countries[2]	Total United States exports		Exports to ERP countries[2]
		Amount	Percent of Production	Amount	Amount	Percent of Production	Amount	Amount	Percent of Production	Amount	Amount	Percent of Production	Amount	Amount	Percent of Production	Amount	Amount	Percent of Production	Amount	Amount	Percent of Production	Amount
Bread Grains	1000 metric tons	1,583	7.7	860	10,940	34.3	6,443	12,054	32.4	8,250	8,070	27.4	5,470	8,000	27.1	5,190	6,700	23.5	4,175	6,700	23.5	4,175
Do	Million bushels	58		32	402		237	(3) 450		(3) 305	300		205	300		195	250		155	250		155
Coarse Grains	1000 metric tons	979	1.3	654	4,202	3.7	2,426	1,600	1.9	825	2,200	2.1	1,100	2,200	2.1	1,600	2,200	2.1	1,775	2,200	2.1	1,775
Do	Million bushels	44		29	189		109	(3) 70		(3) 35	100		45	100		70	100		80	100		80
Total Grains	1000 metric tons	2,562	2.7	1,514	15,142	10.5	8,869	13,654	11.1	9,075	10,270	7.7	6,570	10,200	7.6	6,790	8,900	6.7	5,950	8,900	6.7	5,950
Do	Million bushels	102		61	591		346	(2) 520		(3) 340	400		250	400		265	350		235	350		235
Fats and Oils	Do	(4) 440	(4) 5.4	(4) 219	708	7.5	284	900	9.1	450	645	6.6	322	711	7.3	353	773	7.9	390	705	7.2	390
Meat[5]	Do	(6) 216	(6) 1.2	(7) 87	499	2.0	235	150	.6	(8)	75	(9) .3	0	100	(9) .5	50	150	(9) .7	100	200	.9	150
Horse Meat[10]	Do	2	20.0	2	89	46.0	34	100	67	100	50	50	50	50	50	50	50	50	50	50	50	50
Eggs (Shell equivalent)	1000 metric tons	(11) 1	(11) .1	(8)	227	7.4	160	210	6.8	180	70	2.4	40	50	1.7	20	50	1.8	20	50	1.8	20
Cheese[12]	Million pounds	1.3	2.0		152	12.6	142	210	17.5	200	210	17.5	200	140	11.7	130	135	11.2	125	130	10.9	120
Processed milk[12, 13]	Do	38.0	1.4	1.5	970	23.1	570	1,100	25.8	625	1,100	25.8	625	910	21.3	410	890	20.9	390	830	19.4	330
Fresh Fruit	1000 short tons	590.6	4.6	342.0	655.0	3.9	(14) 210.0	460	2.8	90	700	4.2	366	750	4.5	403	925	5.3	579	925	5.4	579
Dried Fruit	Do	191.6	36.0	142.0	129.3	28.0	87.8	(15) 220	35.3	(15) 180	140	28	121	120	24	114	100	19	80	100	19	91
Pulses	1000 long tons	6.4	1.0		189.0	20.0	90.0	214	19	145	250	25	150	175	19	105	150	17	105	125	15	105
Tobacco[16]	Million pounds	(17) 420	(17) 32.8	(17) 293	(18) 663	(18) 32.6	(18) 520	475	25	401	520	28.7	439	540	22.8	454	535	31.7	445	535	31.7	448
Cotton	1000 bales	5,296	35.1	3,273	9,640	42.1	1,898	2,500	21.4	1,150	3,500	29.9	2,400	3,500	29.2	2,396	3,750	31.2	2,514	3,750	31.2	2,633
Timber[19]	Billion board feet	(20) 7.72	(20) 9.0	(20) .54	(18) .64	(18) 1.0	(18) .27	(21) 1.5	(21) 2	(21) .72	1.3	2	.78	1.2	2	.73	1.1	2	.66	1	2	.51
Nitrogen[22]	1000 metric tons	(23)	(23)	(23)	61.0	10.1	26.3	55.6	8.8	23.2	(23)	(23)	23	(15) 55.6	(15) 8.8	23	(24)	(24)	(24)	(24)	(24)	(24)

SOURCE: Hearings before the Committee on Foreign Relations, United States Senate, 80th Congress, 2nd Session, Part 1, pp. 310-311.

1. Fiscal year basis.
2. Exports to European recovery program countries exclude dependent overseas territories.
3. Based on current estimates of total export availability from United States of 520,000,000 bushels of grain.
4. 1937-41 average.
5. Dressed carcass weight plus edible offal.
6. Total exports; 1935 - 39 average.
7. Product weight only, 1938 only.
8. Negligible.
9. Computed on basis of meat production, including edible offal, in neighborhood of 22,000,000,000 pounds per year.
10. Production will depend on quantity of horsemeat required for export.
11. 1934 - 38 are calender years.
12. Estimated max. availability of supplies for export 1947-48 & 1951-52.
13. Includes canned milk and dried milk.
14. Preliminary.
15. Estimated.
16. Percent of prod. converted from farmsales weight to export weight equiv.
17. Average 1935 - 39.
18. Calender year 1936.
19. All timber products (except fuel wood) converted into bdft. equiv., of actual wood volume.
20. Calender year 1937.
21. Estimated calender year 1947.
22. Includes commercial production.
23. Not available.
24. No exports of commercial nitrogen after 1948-49 to European recovery program countries planned.

> revolution is here to stay. Our farmers are not going to give up their new machines or their high yielding varieties, their improved insecticides or their methods of cultivation. We are going to have an abundance of agricultural production, and we shall continue to need outlets for some of our most important farm commodities... there has been general agreement that for many years to come we will need sizable export markets... for cotton, wheat, tobacco, lard, rice, and certain fruits and vegetables."

The program was to serve other purposes also. As Table V indicates, the amounts of the various commodities exported to Europe would gradually be decreased as the production of Europe was revived and emphasis shifted to filling out other portions of the capital structure. The program would undoubtedly maintain a strain on our grain areas, but it would allow also for farmers to shift gradually to another production pattern as food was de-emphasized. This idea in support of the program was also presented by the Secretary who said:[59]

> "The program is also feasible from the standpoint of our own agriculture. Not only can agriculture do its part but in the long-run it should benefit from doing so... . It will delay our return to more desirable land-use practices and make a more intensive conservation program."
>
> "But after the first year or two, as this program puts less and less emphasis on cereals, it will fit in with our needed production shifts. And as I have just pointed out, in this country, this program would aid either directly or indirectly, our farmers."

Summary

Although the majority of American agricultural representatives favored the unilateral form of aid, those who dissented did favor the basic philos-

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[59] Ibid, p. 315.

ophy of reconstruction as opposed to relief. This discussion has been an attempt to congeal the ideas of the farm organizations put forward on the problem of post-war relief and reconstruction. The discussion concerning the three major farm groups and the Department of Agriculture have presented these views of such relief and reconstruction measures, with the theme tending toward its importance to the American farmer. The major basis of support was found to be in that a rehabilitated Europe was necessary if the United States was to continue its high production level. Although much self-interest concerning individual commodities was present, there was the ever-presence of the interweaving of humanitarian ideals.

With this background we shall now move on to a consideration of the operation and effect of these programs upon American agriculture. However, in summarizing this section it would do well to give some conception of the situation prevailing at the time, indicating the reason for such a policy stand.

With the close of the war, the feeling toward an international attempt to maintain the future peace and relieve the present suffering, was very high. Unfortunately, the lack of trained personnel led to an inadequate relief distribution mechanism. Coupling this with the refusal of many countries to allow UNRRA observers to check relief distribution, the United States, who was the largest single supplier of UNRRA, changed her policy to one of unilateral aid.

The re-evaluation of American policy leading to this policy shift evolved the idea that reconstruction of the wartorn countries was necessary, that relief was not enough to meet the needs. From this one can deduce that in order

for the United States to retain its high production it was necessary to rebuild her largest single market, Europe. The Farmers Union felt it could be done through the United Nations. The Farm Bureau and the Grange continued support of the Administration. As the Cold War increased in tempo this unilateral basis of aid became, not only a humanitarian undertaking to relieve suffering, but also one of political expediency. Not only did we rebuild nations friendly toward America but we also postponed necessary revisions in domestic farm price policy. As the emphasis shifted from economic aid to military aid the two farm groups continued support because it became necessary, in the eyes of the Administration and Congress, to protect these revived economies with military strength. To have refused support of these programs could have forced domestic price policy revisions as Commodity Credit stocks increased to the point that they became over-burdening due to the loss of foreign outlets during the war.

CHAPTER FIVE

ECA - MSA; THEIR IMPLICATIONS AND EFFECTS

Before entering into the main body of the discussion it should be pointed out that the greatest emphasis will be placed upon the ECA - MSA programs. As previously indicated, the funds moving into the Civilian Supply Programs are difficult to determine and data often times totally impossible to obtain. Because the ECA, and later MSA, drew together under one agency nearly all of the aid programs, the primary implications and effects of post-war foreign assistance will start with ECA at its initiation in April 1948 and then treat previous programs in the body of the text.

The position that American agriculture was to assume in the program of reconstruction in Europe can be found in the final writing of the Foreign Assistance Act of 1948, and amendments. The funds that subsequently were channeled into procurement of food and agricultural commodities is also indicative of agriculture's share in foreign aid. The Act provided that:[60]

> "...in order to conserve by-product feeds for maintenance of American agriculture, not less than 25 percent of the aggregate wheat and wheat in the form of flour being sent to Europe was to be processed in this country. Further it provided that when the Secretary of Agriculture declared a commodity to be in excess of domestic requirements, the Administrator shall authorize the procurement of any such surplus agricultural commodity only within the United States. Also, the Secretary could make payments, to any agency, which would help pay costs of disposing of these surpluses. The Secretary could make payments in amounts not to exceed 50 percent of the sale price of the commodity. Due respect was, however, to be given to the availability of these commodities in the respective recipient countries, and the amount of the excess available for shipment."

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60 This has been paraphrased from - Public Law 472, 80th Congress, Chapter 169, 2nd Session, S. 2202, Title I, Sec. 112, Subsec. d.

Legally the Secretary of Agriculture possessed a great deal of power with respect to the authorization of commodity procurements. It was within the Secretary's power to relieve any pressures upon the CCC without touching domestic supports. This will be taken up at a later stage with the consideration of inconsistencies between domestic and trade policies. Although the Act itself gave great potential power to agriculture, it did not provide the actual funds that were to be used in procurement of agricultural commodities.

From the initiation of the ERP on April 3, 1948 until May 31, 1953 the total amount of the procurement authorizations was $14,985.5 million for Europe and the Far East. The total commodity authorization was $12,888.4 million. Of this amount $5,996.5 million was channeled into the procurement of food and agricultural commodities. This was 46.5 percent of the total commodity authorizations. For this same period the American economy received a total of $8,995.3 million in commodity authorizations or 60 percent of the total authorizations and 62 percent of the total commodity authorizations.[61] Funds used to purchase American agricultural commodities totaled $4,816.5 million, which is 80.3 percent of the total authorization for food and agricultural commodities or 53.5 percent of all commodity funds entering the United States.

To consider the period prior to, during and after the enactment of the European Recovery Program, Table VI has been constructed. During this

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61 This difference between the total and the commodity authorizations represents funds used for technical services; ocean freight of which well over 50 percent went to American shipping as provided in the Act, and other lesser items.

period a variety of programs were in operation; such as GARIOA, the British Loan, Greek-Turkish Aid, Philippine Rehabilitation, and other lesser programs. Each in itself was not adequate to remedy the war-torn disorders; however, the total aid did amount to about $15 billion. With about $3.8 billion devoted to the purchase of farm products, this meant about 27 percent of the funds going to American farmers. For the three years 1945-47 inclusive, these aid program funds represented a yearly average of 39 percent of the value of all agricultural exports on a commercial basis. The actual figures can be seen in Table VI.

TABLE VI: Value of United States Agricultural Exports - Commercial and Aid Programs. (Figures in Billions)

YEAR	AGRICULTURAL EXPORTS	AMOUNTS	MAJOR KINDS	PERCENTAGE UNDER AID PROGRAMS
1945-46	$2.8	$1.4	Lend-Lease UNRRA	50
1946-47	3.6	.8	UNRRA, GARIOA	22
1947-48	3.5	1.6	Interim Aid GARIOA	46
1948-49	3.8	2.3	ECA, GARIOA	60
1949-50	3.2	2.0	ECA	62
1950-51	3.4	1.2	ECA	35
1951-52	4.0	.7	ECA, MSA	17
1952-53	2.9	.4	MSA	12

Source: Witt, Lawrence W., "Considerations in Evaluating the Effects of Foreign Aid Programs on Trade in Farm Products", Journal of Farm Farm Economics, December 1954.

During this interim period, 1945-48, agricultural products, in the aggregate,

became more important than under Lend-Lease. However, the complexities of the administrative structure of aid in this period makes a quantitative estimate difficult.[62] In programs such as UNRRA and Interim Aid, 40 percent or more of the expenditures were for food, plus some cotton and tobacco, fuel and fertilizers.[63] During the period of European recovery the initial importance of agricultural products diminished as depleted European stocks were replenished and emphasis shifted to industrial and military end-use commodities. During the first year of the program over 50 percent of the expenditures were for food and agricultural products. The food, feed and fertilizer shipments declined to about 20 percent during the fiscal year 1950-51 with increases in cotton and tobacco making up only part of the decline in other farm products.[64] As emphasis shifted more to military aid and the form of aid was divided into Military, Economic and Technical Assistance, the expenditures for food represented only about 10 percent of the combination of all three forms of aid.

To obtain a more conclusive idea of the importance of the programs to American agriculture we can draw a comparison between Table VI and Table VII. With exports averaging about 11 percent of cash farm receipts, and with 38 percent of this coming from the aid programs, it can be seen that the aid programs were of as great an importance to American agriculture as the commodities were to those who needed them.

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62 Witt, Journal of Farm Economics, December 1954. op. cit.

63 Ibid.

64 Ibid.

TABLE VII: United States Agricultural Exports and Total Cash Farm Income, 1946-53

PERIOD	EXPORTS AS A PERCENTAGE OF CASH FARM RECEIPTS
1946	12.9
1947	13.1
1948	11.5
1949	12.8
1950	10.0
1951	12.2
1952	10.5
1953	9.1

Source: Taken in part from Johnson, D. Gale, Agricultural Price Policy and International Trade, Essays in International Finance, No. 19, Princeton University, June 1954, p. 2.

Pressures to Buy in the United States

During the war the pressure to favor certain exports held little consideration due to a ready market for almost all commodities both through lend-lease and the American Army needs. The situation following the war, discussed previously, also placed heavy demands upon American agriculture. However, the feed, fertilizer and exchange of current technical information speeded the recovery in foreign agriculture so that by 1949 European Agricultural production was at pre-war levels and by 1953 was 20 percent above pre-war or about equal on a per-capita basis.[65] When the ERP was undertaken

[65] Ibid.

in April of 1948, supplies of many goods and services were quite short in the United States. Domestic production and emplyment were high. The fear of pushing the inflationary pressures, through the operation of the aid programs, was a major concern. This attitude was reflected during the first year of the program in the policy of ECA, which encouraged purchases from sources outside of the United States in meeting requests for many commodities.

In late 1949 there was a mild recession in some sectors of the economy; industrial production had declined 16 percent and non-agricultural employment was down by two million. There was no longer the same necessity to safeguard the United States supplies. Rather, the emphasis was placed upon the use of surplus commodity stocks, wherever needed or even if not strongly needed to meet foreign aid requirements. Against this background the ERP in contributing to the financing of exports, incidentally had a stabilizing effect on the American economy.[66]

Coupling this situation in the United States with the recovery in Europe, pressure began to mount for increasing export outlets--imports to the United States--through the aid programs. When countries did not have goods to export to the United States there was little pressure. However when products were made available and other countries tried to earn dollars the pressure increased. When the Foreign Assistance Act was passed, creating ECA, some protectionistic devices were added by unilateral decision such as the 25 percent milling requirement, forcing the administrator to use declared surpluses and that 50 percent of all shipments were to be

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66 This has been paraphrased from: Seventh Report to Congress of the ECA; For the Quarter Ended December 31, 1949; May 18, 1950; Washington, D.C.; Chapter IV; p. 58.

made in American ships. The real pressure did not come until the second and third years of the program. Provisions concerning increases in agricultural products were almost enacted when $1.5 billion was to be set aside during the second years' appropriations exclusively for procurement of these products. This was eliminated on the floor of the Senate at the plea of the Administrator for a flexible budget and a desire to maintain the basic humanitarian goals of the program. When this was supported by other groups the effort to require that 15 percent of the corn must be shipped as grits and flour was defeated, while the 25 percent milling requirement was cut in half in the second authorization and eliminated in the third.[67] The history of ECA legislation allows the conclusion to be drawn that by and large the direct efforts to increase exports via the programs were defeated.

When the program was divided under the three titles - Mutual Security, Technical Assistance, and Economic Assistance - the opportunity for farm product exports declined. Great efforts are now being made to increase exports of farm products under Section 550 of MSA, Wheat for Pakistan and the Agricultural Trade Development and Assistance Acts of 1954.[68] Also the use of Section 32 funds permit the CCC to dispose of accumulated surpluses. In considering the "Buy American" conception, which is becoming more evident, we may cite the following:[69]

> "The 'Buy American' principle is strongly in evidence along with security conceptions which prefer to maintain production in this

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67 Witt, op. cit., Journal of Farm Economics, December 1954. See also Brown and Opie, op. cit.; pp. 167-170.

68 Ibid.

69 Ibid.

> country. In effect this means that we are operating as if we had a comparative advantage in the production of military items relative to farm products and other commodities. Greater offshore procurement of military items would provide foreign purchasers with more freedom of action in buying the American products they considered more advantageous. The evidence is that contracts are placed in the United States even at 30 to 50 percent higher costs."

The result of all of this has been an increasing belief in a two price system and a retention of domestic policy out of line with necessary foreign policy.

We now turn to a consideration of the effect of these programs upon American agricultural prices, production and surpluses.

Effect Upon Agricultural Prices, Production and Surpluses

Undeniably these aid programs had effects which were both desirable and undesirable, depending of course upon the philosophy of the person considering these effects. However, it is not the author's intention to argue these effects with relation to the underlying politico-economic philosophies. The approach is general and will lack any statistical computations of elasticities and the effects of the assistance funds upon these elasticities. Although there has been very little real analysis of these programs in terms of statistical evaluations, such an evaluation would require very complex calculations to numerically evaluate the intricate interrelationships involved as these programs developed and operated.

During the war period, 1941-1945, the demands upon American agricultural production, by the Allied armies and many of the countries themselves, caused a great expansion in productive capacity both in terms of acres planted and total output. This expansion occurred in almost every commodity as well as in the export of the commodities. This fact of the observed

expansion during the war period, in fact, the first several years of the period, leads one to investigate the relevant supply elasticities in determining the effects of increased returns to farmers. This must then be coupled with the demand effects arising from increased spending as well as the effects of increased supplies of farm products. The demand considerations will be discussed at a later point. During most of the war period, prices were bouyant and ready markets were available for absorbing the increased supplies of farm products. However, with the termination of lend-lease the relevant demand schedule also changed. As a result of the large production, prices were again being forced down and stocks were beginning to accumulate under the support programs. Although there was a realization of the need for food in foreign economies, the acute dollar shortage limited the purchases of American food supplies. With the failure at international cooperation in relief, coupled with the shift in Soviet policy, the Cold War swung into high gear. It now became apparent that there had to be a reorientation of American foreign policy. The policy reorientation led to the enactment of the system of bi-lateral and unilateral assistance programs in the attempt to "contain" the Soviet advancement into the non-communist world.

Combining this policy reorientation with the increased tempo of the Cold War, prices became bouyant once again, as internal demands increased and production remained at a high level the assistance programs again opened the foreign markets. Production remained at a high level. The favorable effect upon the expectations of producers encouraged further expansion of output and further improvements in technology, although this latter point cannot be attributed solely to the aid programs. In the light of bouyant

prices and higher expectations it is appropriate to look at the production or supply side of the question.

The Supply Side

The question to be asked is this; what will happen on the supply side as a result of this increased expenditure on farm products? This is essentially the same question that arises in considering the effects of a support program where it is asked; who or what factors gain from the increase in returns due to the increase in price, and what are the effects of these gains? Considering this question, look at the individual factor supplies to the producer. At a first glance one might say that the increased return would be attributed to the land with the result of an increase in land values. However, this is not the case unless all other factors have an infinite supply elasticity. If there is any elasticity at all to the supply functions, the above will not be the case (If the elasticity is less than infinity but greater than one). In this case the increased return will be dissipated by an increased use of these factors with the resultant increase in output, if there are no limitations on output. In the case where the supply elasticity of the factor is zero the increased return will become a rent. Although it will not be a Ricardian pure rent but a Marshallian quasi-rent. It will be pure rent where the factor is completely fixed to the industry and cannot be changed over time. It will be quasi-rent where the factor, fixed for the short period, can be changed over time to dissipate the above normal return. Further, if along with these aid programs there are limitations on output then these increases also become a quasi-rent to the factors concerned. This is true because it is not now possible to increase production, due to limitations on output, and the amount

of the quasi-rent will be dictated by the elasticity of the supply function. In other words, the amount of the rent will be the difference between the amount of the factor used before the increase in income and the amount of the factor that would be used after the increase in income. The amount that would go to hiring more of the factor is then the amount of the rent where there are limitations imposed on the output.

However, the latter does not seem to be the case because there were no limitations on the output of any commodities with the exception of tobacco. Hence, if we were to consider the assistance funds as a form of export subsidy the above analysis could be carried through. Therefore, it can be reasonably predicted that as a result of the aid programs production was kept at a high level and in some cases increased through the increased use of factors arising from the increased returns due to the assistance funds.

The reservation on technology should now be brought into the discussion. The increased use of new technology must also be attributed to the greater availability of it following the war, as a result of the shift of industries to peacetime production of technological innovations. Because of the limited domestic use of certain types of new technology during the war period, (involving machinery, rubber, metal and chemical goods) much of the increased incomes went toward debt retirement. Following the war, the current income could then be used to purchase new technology. However, the optimistic expectations arising from government aid policy also allowed further investment in new technology. The effect of the two must be considered together.

Still on the supply side, turn to the question of surpluses. Although there are also many demand considerations here, it will be considered under

the supply side. This may also be considered as a transition to the consideration of demand factors. In the case of surpluses, it can be stated definitely that the aid programs either stopped surplus accumulation or decreased its magnitude considerably, depending of course upon the commodity. The effect of the aid programs then depends upon the magnitude of the assistance funds directed toward the purchase of a commodity. If funds used to purchase a commodity were enough to absorb the current flow surpluses, plus decreasing the existing stock in storage, then one could say that there was an appreciable effect on surpluses. On the other hand, where procurement funds were only sufficient to absorb current flow surpluses, the programs would be considered to have much less effect. Surpluses in the sense used here are considered to occur when the output of a commodity is over and above the total effective demand for a commodity, exclusive of the amounts going into the aid channels. These statements as to "effect" are made in light of losses that would accrue to the government upon future disposal of surplus stocks. In the first case, the loss would be diminished as existing stock surpluses in storage were disposed of at market prices above the support purchase price. In the second case, existing storage stock surpluses would still exist, although they did not increase, and when they were disposed of in some future period they would most likely be sold below the support price or given away. This would hold unless new demand channels could be opened to absorb the existing production plus the storage stocks. However, this does not seem to be the case as can be illustrated by the potato incident in 1948-1950 and commodities "given away" under various titles. To what extent either of these propositions are true would require an investigation of commodities that are entering the aid channels

and are at the same time under support in the United States. The commodities referred throughout this analysis of the "supply side" are wheat, cotton, corn, dairy and egg products, tobacco, rice and several lesser groups. This analysis can be carried through for each commodity separately.

The Demand Side

To complete this analytical picture consider an examination of the demand side. Working[70] has made calculations dealing with the demand for food during the period of the rearmament, that is the period following the war until 1950. However, when one considers the entire period of the aid programs the problem is much more complex than he has indicated. It would be applicable to summarize at this point the conslusions that Working[71] arrived at concerning the demand for agricultural output during this period. Agricultural exports and government purchases have been largely dependent upon actions of the American government. Hence, because of the inelastic demand for food these government actions have been important agents in affecting food prices. Since the beginning of World War II total demand for food has increased. This increase has come both from an increased population and from increased consumption per capita which has resulted from increases in real income. Further, he holds no prospect for any great increases in demand as occurred during Worldwar II. Furthermore, any changes in food prices will depend upon the supplies available for domestic use and upon government monetary and fiscal policy.

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70 Working, E. J.; "Appraising the Demand for American Agricultural Output During Rearmament"; Journal of Farm Economics; Volume XXXIV; Number 2; May 1952; pp. 206-224.

71 Ibid.; p. 224; Paraphrased and summarized.

These conclusions are essentially the basis for the previous statement that Working's calculations are not representative of the entire period over which the aid programs operated. To consider the effect of these programs one must not only consider the effect within this country but also the effects on the recipient countries' dollar earnings. These in turn would lead to added secondary effects within the United States. The most obvious place to begin such an analysis is to start with the effect of the foreign assistance funds upon the cash budget of the government.

Because of the nature of the situation facing the government during the inception of the programs, it is rather evident that policy inconsistencies were bringing about great pressures. Although demand did increase during the war period, and domestic demand continued high following the war, the immediate post-war economy could not absorb the agricultural production forthcoming. Therefore, these pressures, among other things, led to foreign assistance. The big question is could the government have kept the economy on such a high level with a decrease in personal income taxes which would have increased the consumers' disposable income. Hence, any appraisal of the effect of foreign assistance must be in the light of some alternative. This is implied above because it is rather obvious that the American economy could not have continued at such high levels unless the European markets were opened and restored to normal. Or alternatively, the income of consumers would have to have been substantially increased to increase domestic consumption. The question is, of course, which will absorb the most output. Would the European economies absorb more current food production or would the increase in consumers disposal income absorb more? It is simply a question of income elasticities of demand for the current food supply.

The writer believes the nature of the analysis needed to really determine the true effects of the foreign assistance funds is aptly described by Don Kaldor:[72]

> "Perhaps the most fruitful place to begin such an analysis is with the effects of foreign assistance upon the government's cash budget. One might reasonably assume that, in the absence of foreign aid, personal income taxes would have been reduced by an equivalent amount. An alternative assumption, somewhat less realistic, is that there would have been an equivalent reduction in bank debt. While the direction of the effects upon the demand for farm products would be much the same in each case, magnitudes would be significantly different.
>
> "Next, one would need to consider the effects of the increase in disposable income, as a result of lower taxes, upon the level of domestic demand for farm products. Some consideration would need to be given to the impact of the tax reduction on the distribution of income. It also would be necessary to trace the effects of the increase in disposable income on the expenditure for the non-farm component of current consumption. Here one would need to recognize the differences in the spending propensities of the government and the public. Since private investment expenditure may respond to a change in consumption spending, the relationship between consumption and changes in the level of private investment need to be examined. An analysis of these factors would provide a basis for appraising the effects of foreign aid upon the level of income in the United States. After such an appraisal, one would have to relate any changes in the level of income to the domestic demand for farm products.
>
> "In addition, it would be necessary to investigate the effects of foreign aid upon the dollar earnings of countries importing American farm products. These countries have spent substantial amounts for farm products over and above purchases made under the foreign aid programs. Any change in the level of United States income associated with foreign aid would tend to induce a change in the value of American imports. This means a change in foreign dollar receipts on current account. It then would be necessary to relate the change in foreign dollar earnings to the level of export demand for American farm products.
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> "If the effects of foreign assistance on foreign dollar earnings turned out to be fairly substantial, consideration would have to be given to the secondary effects of this on the level of domestic demand. Such

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72 Kaldor, Don: "U. S. Foreign Economic Assistance - Discussion"; Journal of Farm Economics; Volume XXXIV, Number 5; December 1952; p. 672.

> secondary effects could be produced by a change in the level of domestic income induced by the change in American exports, associated with the initial change in foreign dollar earnings.
>
> "It is apparent from this brief account that an analysis of the effects of foreign assistance upon the demand for American farm products would constitute a research problem of major proportions... .".

From this above analysis one obtains the nature of the scale of analysis needed. However, this would simply indicate the relevant demand conditions. It would further be necessary to bring the supply conditions in to determine the effect upon the agricultural industry as a whole. Finally, and probably most important, it would be necessary to consider the possible changes that would have occurred with a smaller or different type of foreign assistance program. A crucial question here is the case of France and Italy. Would these countries have gone into the communist fold under the above alternatives? If so, what further effects would this have had on armaments, domestic demand, and perhaps a new type of foreign assistance? Not only are these questions important for consideration of the programs that were enacted but also for consideration of the alternatives that could have been followed. The desired ends of American policy are an important determinant in the consideration of alternatives and hence will rule out many alternatives. Alternatives can only be considered in terms of maximization of a goal.

An alternative approach to the problem would be to assume that the assistance programs had only an appreciable effect upon certain major commodity groups such as cereals, dairy and egg products, cotton and tobacco. Taking this approach initially rules out any primary effects upon the overall demand for food. The only effect would be in these few commodities which further limits the applicability of the Working data. In tracing

through this argument one must eventually consider the secondary effects as a result of the initial shipments that would have resulted in partial rehabilitation. This would lead eventually to changes in foreign dollar earnings and changes in American exports and imports.

Summary

Undeniably the foreign assistance programs had many direct as well as indirect effects upon the American agricultural scene. Although no statistical analysis has been carried through, for reasons indicated previously, these effects were noticable and pronounced. Coupled with other factors the programs pushed technological progress forward. The increase in technological change pushed productive capacity forward also with the increases in factors, used to increase production, being dictated by the relevant supply functions for the factors. On the demand side the complicated interrelationships needed to appraise the relevant demand effects has indicated a rather lengthy process. Although Working indicates an increase in demand for farm products, this cannot be considered as a relevant characterization if the entire span of the program is considered. The fact that the demand was increased is not questioned, but the magnitude and the implications drawn from this magnitude are questioned. Admittedly the aid programs did increase the consumption of farm products but because of the refusal to shift support policies, as the food emphasis shifted to military end goods, the final effect is again bringing pressures to bear to reconcile policies.

In the end, then, the programs do not simply rest on their effects upon the demand for American farm products. Because of this method of

relieving the pressures the ultimate time of reconciliation was only postponed. As the programs pushed productive capacity upward, the ability to change support programs became even more difficult. The maze of trade restrictions associated with these support programs also seems to have become even more solidly entrenched. The rehabilitation that occurred as a result of the assistance programs was then partially nullified. This fact may not be intuitively obvious. It is, however, the end conclusion arrived at if the reason for the assistance programs is considered as being not only to help starving peoples but to solidify the non-communist world. This nullification was further enhanced with the shift to military end-use items which were procured in the United States. In this case import restrictions allowed very little exchange of foreign exports for these items. Had these military items followed the most logical pattern of procurement, in this case heavier offshore procurement, the larger dollar earnings would have allowed greater purchases of food supplies from America. The European manufactures could have been used to purchase military items elsewhere. This would have relieved the pressures to a great extent as the emphasis on food shifted, as it was still necessary for Europe to import a great deal of their food.

It is appropriate now to shift to a discussion of the programs and trade barriers that led to the ultimate results in American policy inconsistencies. In terms of domestic programs only the course of events may be considered as the most logical path to have been following. This however is based upon the assumption that the basic premises (the domestic programs) are logically correct in terms of the desired ends of American trade policy. Further, one must accept the philosophy of a two price

system if he accepts both the American trade policy and Domestic policy. However, in the final analysis you must come up with some means to retain world leadership and still maintain a tight internal economy along present lines if you accept both policies as sound. In terms of current situations, both domestically and internationally, this is not a mean task; it is virtually impossible.

CHAPTER SIX

DOMESTIC AND TRADE POLICIES AND THEIR CONFLICTS

The impact of the aid programs goes much deeper than simply the effect upon the commodities concerned. The impact carries to the very core of American domestic as well as foreign policy. So long as the demands upon the economy of the United States were heavy and markets for large supplies of American goods and services were available, there were few conflicts between domestic and trade policy. About the only conflict was in the minds of those who supported the aid program approach but saw what would happen in the future as the heavy demands slackened. Following the war, the lack of exports from other nations, i.e., or imports to the United States, forestalled any great pressures for the United States to import. As the world passed through relief and interim periods, and reconstruction and recovery progressed, the need for the rehabilitated countries to export increased the need for them to find foreign markets. With this progression of time, the tempo of the Cold War also increased. Because the United States was the opposing pole to the Soviet Union and thus, represented the majority of the non-Soviet market, the conflicts between domestic price policies and espoused foreign policies and ends arose when American trade barriers prevented imports. This restricted ability to earn dollars, which in turn restricted American exports, thereby increasing pressure for reconciliation of domestic and trade policies both from our Allies and from internal groups. The friendly nations who were attempting to reach American markets and the internal American groups arguing for a liberal trade policy were attempting to expand exports and foreign markets and limit

imports. This led to an increasing belief in the idea of a two price system - a domestic and a foreign price. In pointing out inconsistencies in policies, both domestic and foreign elements are often times difficult to separate into specific categories. However, an attempt will be made to discuss each under its own heading and draw the two together in a summary statement.

Domestic Policy

The loss of foreign markets during the 1930's contributed to the decline in agricultural prices. The severe drop in agricultural income was a powerful motivation for the enactment of domestic farm programs to strengthen domestic prices. The programs of interest here are those which have been designed to influence prices. In supporting prices by means of loans, production controls, or surplus disposal and export dumping, these programs must reduce greatly or eliminate outside supplies and competition. Thus such programs drive a wedge between domestic and trade policy.

There are five major agricultural programs that have been a part of the American farm price policy. These programs required trade restrictive devices which allowed them to operate. The five programs are commodity loans and storage, production controls, marketing agreements, government purchase programs, and consumer supplementation and nutrition programs.[73]

1. Commodity loans and storage have been the central theme of agricultural policy since 1929. They were used to attempt to offset the depressioncycle, and again in 1934 and 1936 to eliminate yield fluctuation effects.

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[73] Johnson, D. Gale; Trade and Agriculture - A Study of Inconsistent Policies; John Wiley and Sons, Inc.; New York; 1950; pp. 30-36.

This also has formed the basis for the Ever Normal Granary concept in the AAA of 1938. However, as the loan and storage idea persisted and storage stocks increased, disparity between internal and external prices of wheat and cotton widened.

If the loans and storage provided an added demand factor to raise the average price over time, stocks accumulate and price disparities appear. The results of this most likely lead to uni-lateral action with respect to foreign trade.

2. Production control programs cannot exist over any period of time unless farmers actually anticipated higher prices. The real or tangible effects of such a program are less important than a general state of expectations. If the control is achieved a differential will appear between foreign and domestic prices. If this does not appear it will be achieved through commodity loans. Therefore, if production is not actually limited, trade controls will accompany production controls.

3. Marketing agreements find their authority under the Agricultural Marketing Agreements Act of 1937; Marketing agreements have two important features:

(1) control over the amount marketed and

(2) establishment of multiple type pricing systems.

If these agreements are effective they must invariably rely upon measures that will interfere with trade if the commodity is traded.

4. The government may undertake the purchase of a commodity when it cannot be readily stored by farmers and a surplus has driven the price below the minimum level. Disposition with respect to the commodity may vary. The government may store the product, distribute it to public institutions,

sell for export, transform it into a different product, or actually destroy it. In any instance where the product is traded or near traded, import restrictions are needed. The program may also result in the use of export subsidies to dispose of the commodity.

5. When consumer income supplementation and nutrition programs have as their objective the raising of the nutritional level of low income families, no inconsistencies arise. However, where the major objectives are to increase the level of farm incomes, and nutritional levels are secondary or a by-product, then inconsistencies will result. Farm products that are imported will have a larger domestic consumption, larger imports and little increase in prices. Only strictly domestic products will gain for a short time. Therefore, to raise farm incomes, trade restrictive devices will have to be used.

Each of these programs has been more or less a part of our domestic price policy in the endeavor to increase farm prices with the hope of strengthening farm incomes. However, as has been indicated, these programs cannot work without devices to obstruct trade.

Trade Policy

Although in the aggregate the cash receipts from exports represent only five to ten percent of the total income going to agriculture, they are very important to many specific commodities. Traditionally the United States has been a leading exporter of such commodities as wheat, cotton, lard, dried fruits, tobacco, rice and other agricultural as well as industrial products. Prior to World War II the United States led the world in many of these exports. At times these exports have represented as much as 40 to 50 or 60 percent of the crop. With respect to the whole question of exports in all sectors of the economy, there are two divergent schools of

thought present that play dominant roles in policy decisions at various times. These may be termed the liberal element and the non-liberal element or protectionistic element.

The liberal element of policy in the foreign trade sector has made its appearance in many fashions but has always driven toward the goal of freer trade. Prior to World War I this policy position was termed Laisser-Faire. This position, although a breakdown was evidenced prior to 1914, disappeared almost completely following 1919. As the 1920's passed and the United States moved into the 1930's, it became evident that internal measures could not relieve the depressed situation. In order to relieve the depression economy in the United States the most positive effort on trade put forth was the Reciprocal Trade Agreements Plan in 1935, which has been continued to the present day and from latest reports will be extended for another three years. These Agreements, with the "most favored nation" clauses, giving a 50 percent tariff reduction to such nations, may be considered the basic strength of the liberal element of American trade policy. In spite of the presence of loopholes, escape clauses, etc., these agreements reflect the effort on the part of the United States to increase world trade and break down the almost insurmountable wall of trade barriers.

The liberal element had its culmination in the General Agreements on Tariffs and Trade (GATT) signed in Geneva in 1947, and in the significant strides which this nation has made in arriving at cooperative solutions to important international economic questions.[74]

The International Bank and the International Monetary Fund along with the Havana Charter for an International Trade Organization of the United

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[74] Ibid, p. 1.

Nations are indicative of what has been accomplished in the field of international cooperation. Although these are a part of American Trade policy, let us look at those programs which are mainly American in nature, in order to get a more complete picture of the liberal sector of the policy.

The Foreign Assistance Act of 1948 provides a fundamental expression of American foreign economic policy. This Act indicates very explicitly the willingness of the United States to help other nations, and reflects also the continued espousal, on the American side, of the principle of multilateral trade and a reduction of trade barriers. It reveals also a preference for a non-discriminatory conduct of international trade. Although provisions granted broad discretionary powers to the Administrator and the Secretary of Agriculture, which, in essence, allowed export dumping of surpluses; one can seriously consider that the powers were not actually used. In fact, the later actions in the program indicate otherwise. The attempts to tighten the restrictions on procurements of the Administrator were in fact defeated on the floor of the Senate. The milling requirements on wheat were decreased and in later years they were abolished altogether. Attempts to place a milling requirement on corn exports under the program were also defeated on the Senate floor. The only really major injury came from the large shipments of dried fruits which seriously affected the Greek dried fruit industry. However, these were Army rather than ECA shipments. In line with the GATT agreements there was another indication of liberal victory. The Wool Bill of 1947 for increases in the wool tariffs and quotas was vetoed by the President which allowed the State Department to use the bargaining point of a 25 percent reduction in the wool tariff at Geneva. Further, the present proposal to extend the Trade Agreements for three years

and give added reductions in tariffs to Agreement countries is before the Senate after passing the House. The indication is strong that the bill will go through without seriously crippling amendments. The presence of other elements in the political process hinder further liberalization of trade policies.

Protectionistic elements continue to have considerable political strength. During these tense periods, it is desirable to have economic solidarity amongst the non-Communist nations which can only be achieved through mutual interaction and trade. However, the complete acheivement of solidarity is not achieved because of the significant role of the non-liberal protectionistic element in the determination of the trade policy of the United States. The element makes itself felt by the insertion of the so called escape clauses and peril points, allowing the withdrawal of the United States from trade agreements if injury appears eminent for an American commodity under a trade agreement. In the case of the United States, this element came to the fore in the early years of the twentieth century when high tariffs became evident. The largest victory for this segment came to a climax with the Hawley-Smoot Tariff Bill. Although there were previous tariff bills with an overall average tariff rate much higher, the main barriers were in the form of other restrictions to the actual amount of commodities that could be imported.

During the thirties there was substantial development of devices used to restrict trade in agricultural products. These give evidence of measures reflecting the protectionistic attitude as well as measures that arose out of the domestic farm programs. As indicated earlier the farm price programs could not function and be effective without interfering

with trade. Prior to 1929 there was no specific program for agriculture as such, although the McNary-Haugen Bill proposed a two price system. There were many agricultural commodities that were protected by tariffs. These were the only significant restrictive device in use, but had very little economic effect, being mainly a political concession to gain support for tariffs on products of the industrial sector. However, with the initiation of the farm price programs of the 1930's, protection was extended to export commodities via the use of export subsidies. These were first introduced in Section 12 of the Agricultural Adjustment Act of 1933. Power here was given to the Secretary of Agriculture to spend money for the "expansion of markets and removal of surplus agricultural products." The present source of funds for export subsidization is Section 32 of Public Law 370, 75th Congress. For this Section, Congress also set aside thirty percent of the receipts from all import duties for domestic surplus disposal. The only limiting factor in the authorization are the funds available. The significant impact of our export subsidies represent a particular invidious type of unfair competition.[75]

The most restrictive device in use is the import quota. The authorization for the use of the import quota is Section 22 of the Agricultural Adjustment Act of 1933. With the amendments to Section 22 in the 1948 Act there is no real restriction upon commodities that can be placed under an import quota. Previously, they could be placed only on commodities that were under a production adjustment program, a marketing agreement or a program operating under Section 32. At the present, because Section 22 covers any commodity under any program undertaken by the Depart-

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75 Ibid, pp. 16-17.

ment of Agriculture, import quotas can be placed on almost any agricultural product. Also, protective excise taxes are authorized under Section 22. These are generally levied upon commodities not produced in large quantities in this country and are therefore not required for operation of the farm programs.

These devices and their implications for the future of the farm price programs were not expanded during the war years although wheat and cotton quotas were continued. However, they became important once again in the post-war period and the results can be readily observed. The implementation of the assistance programs also reflect operations of the protectionistic element. They also have been reflected in the international cooperation measures and in GATT. The ERP has been discussed more fully elsewhere but the measures may be indicated here. The milling requirements on wheat, although later dropped, were significant during their operation. The power given the Secretary to force commodity procurement simply by designation of surpluses being present in a commodity are indicative. Also, the measure forcing 50 percent of the shipments to be carried in American ships reflects the protectionistic view. In the case of GATT and the other cooperation programs such as the ITO, the traditional escape clauses and peril point measures are still present. In the case of ITO, these are so strong as to render the entire program useless even if it were to be ratified by the government. In the later years of the ERP when these countries regained a sounder economic footing and began to rely less and less upon aid shipments, the pressure of surpluses in the United States brought intense pressure to bear upon the Administration to help exporters find foreign markets.

Although the ERP revealed on the one hand a liberal policy aiming at the expansion of world trade and international specialization, on the other hand it mirrors an isolationist and restrictionistic policy denying the merits of non-discrimination limitations on trade barriers and multilateralism. The same can be said of the Reciprocal Trade Agreements for it is, of course, recognized that the Agreements represent also an attempt to expand the markets for American political desires. This is based on the idea of granting the "most favored nation" clauses whereby the nation obtains the tariff reduction.

In spite of efforts to broaden their viewpoints, many people continue to view exports as separate from imports and the basic interrelationship of the two is not understood. Hence, a basic difficulty found in the conduct of American foreign economic affairs is the unpredictability concerning which faction will emerge victorious - the liberal or restrictionistic element.

The conflicts between these two segments become important in understanding this basic difficulty. When the United States was still a "debtor" nation, these conflicts were not of the utmost importance. However, following World war I the United States found itself in the position of the world's leading creditor nation. This transition from debtor to creditor was very rapid in the sense that the country did not grow into the position gradually allowing the diplomacy, statesmanship, and political leadership to mature and keep pace with the growth in industrial and agricultural progress. In other words, even though the economy took the role of a mature industrial nation, the prevailing attitude of the leadership remained essentially constant. This lack of willingness to accept the newly attained position led to the later growth of a large group of domestic

farm programs requiring trade restrictive devices to protect their functioning so they might attain their objective of increasing farm prices. This period is the origin of the conflict between liberal and protectionistic elements. As the farm programs grew in extent during the 1930's, the United States attempted to expand world trade, including her own, through the Trade Agreements. However, when domestic prices are raised above the world prices, the exported commodities must frequently be subsidized to sell at the lower world price in foreign markets. It frequently occurs that imports must be restricted to render the subsidies upon the exports effective. The main element of conflict is the tendency of most of the important farm programs to place and maintain a wedge between domestic and world prices. The device used to maintain this position is the conflicting issue with the liberal trade approach. For one nation to attempt to raise the price of a commodity traded on a world market, as the United States has done with agricultural commodities, has led to increased production elsewhere and surplus accumulation of her own products as markets diminished. The period prior to the war might be characterized as one in which "the isolationist and restrictionistic aspects of foreign policy since 1934 have been directly related to agricultural policy, for in practically every instance the need for interference with trade has grown out of particular needs for a specific agricultural program."[76]

These conflicts were pushed aside during World War II and in the immediate post-war period. As countries began to attain pre-war production levels and their exports sought the high priced American markets, the pressure of their exports pushed the policy conflicts to the fore again. The

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[76] Ibid, p. 3.

nature of the political scene makes these conflicts of even greater importance. To identify these conflicts explicitly several examples may be briefly cited. In 1947 when negotiations were underway in GATT agreements at Geneva, it is apparent that the executive branch obtained clearance to negotiate by announcing that the agreements would contain escape clauses to protect the domestic industries against excessive imports. The Wool Bill of 1947 which was previously indicated may also be cited. As the negotiations were in progress the Congress passed this bill which raised the tariff and quotas on wool. Had it not been for the President's veto the 25 percent tariff reduction that was a bargaining point in the Agreements would have been lost and the entire program impaired. Another example is the continued use of export subsidies by the CCC for cotton. The subsidies were in continued use during the entire period that the State Department was negotiating for restriction in the use of subsidies by nations adhering to the ITO. Further, when the United States was undertaking the ERP, there was continual pressure to lower the trade barriers inside Europe to generate recovery at a more rapid rate. The basic idea was to model Europe supposedly after the United States, as the analogy went, which has not internal trade barriers. Although this in itself may have been a sound idea, the fallacy of such an analogy is obvious. The important relationship should have been between the European nations and the United States as a whole. There was little done to lower the trade barriers of the United States; hence, the increase of the conflicts. The implications of these conflicts will be discussed shortly. By and large the position of the liberal element has strengthened and has prevailed in the determination of post-war assistance policy and trade policy. However, they have not been able to open the American markets

to any great extent to receive commodities which have been the result of the reconstructed economies that the assistance fostered. These conflicts are mirrored by the increasing acceptance of a two price system and a greater readiness to approve legislation favoring farm exports, which has resulted in a number of present programs attempting to expand exports of farm products and still maintain domestic farm programs.

The resulting measures consist of three major types of aid--Economic Aid, Military Aid, and Technical Assistance. These are essentially combinations of programs starting with the Military Assistance Program of 1949 and the Act for International Development in May 1950. When the former Act was revised into the Mutual Security Act of 1951 there was a turning away from the export of farm products. The 1953 amendment under Section 550 of the Mutual Security Act provides that between $100 and $250 million worth of surplus agricultural commodities may be purchased for sale to friendly nations for foreign currencies, if they are sold in addition to usual foreign purchases.[77] Also, the Agricultural Trade and Development Act appropriated $700 million for surplus sales for foreign currencies and $300 million for gifts and famine relief. It is obvious that these are a shift from the previous legislation which attempted to restrict exports of farm products that were considered in short supply. Further was the separate legislation which sent 70,000 tons of surplus wheat to Pakistan under the title of wheat for Pakistan. The International Wheat Agreement, and the continued use of Section 32 funds to dispose of surpluses, are further evidence of the growing conflict. Under the Wheat Agreement export subsidies

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[77] Witt, op. cit., Journal of Farm Economics, December 1954.

or losses now amount to approximately $500 million. The use of export subsidies from Section 32 funds is most prevalent in the case of cotton where the conflict (indicated previously) arose during the negotiations of the ITO agreements. Except for the Wheat Agreements, all of these programs are completely bilateral. Continued efforts to seriously follow any multilateral trade programs are almost entirely lacking.

With the shift to security and military lines, the importance of farm products declined, as countries strove to become self-sufficient in food and reserved dollars for military items. Following 1951 the declining value, volume and percent of products moving into foreign trade channels became more evident. The upward surge in exports during the foreign aid programs and rehabilitation had disappeared.

Summary

Looking back one could say that World War II did, in essence, "bail out" the domestic programs that had acquired large surpluses with no ready market for their disposal. While the United States has attempted to expand its trade and maintain a closed economy it has continued to look with disfavor upon others who use the same methods. During the war years the conflicts were pushed aside. This also occurred in the post-war period when the aid programs eased the pressures. Basically it should be emphasized that this disappearence of the great post-war demands added to the reluctance to open American markets. Although large markets still existed, the greatest pressure was to retain domestic markets for domestic producers. The failure of the American public to conceive of the delicate mechanism that threads between exports and imports has resulted in the following

situation. On the one hand there are broad liberal humanitarian policies that have as their objective an expanded world trade leading to a sound world economy. On the other hand the desire to retain high prices and incomes for agriculture and other groups has resulted in the retention of domestic policies that view exports as something with little relation to imports, plus the belief that trade would lower the standard of living. From this domestic stand has followed the ever increasing use of protectionistic devices to expand exports while attempting to keep imports at a minimum. This may be considered too strong a statement when considering the trends in policy coming out of the ERP era. However, this appears to be the preference of the aggregate of the domestic producers who produce imported commodities domestically. Through aggregating the individual producers demands for protection, what is actually happening is that the economy as a whole is trying to keep imports at a minimum. On the other hand, a milder approach may be taken. That is to say that the legislators are simply trying to restrain those imports which appear to threaten domestic industry's status, or to adjust imports to alleviate what are considered costly changes in the economy. To carry this through one necessarily arrives at the same conclusion. If policy is influenced by pressure groups, and it certainly is to a great extent, then it seems only reasonable that if producers desire to keep competing commodities at a minimum, imports are under domestic pressure to be reduced. Taking these individual demands in total, the aggregate effect to keep imports at a minimum. Even though it is the consumer who determines what commodity he desires it is the producer who maintains the policy pressure group. This is not merely a problem of semantics. There are few commodities in the consumers markets that

are solely produced on foreign shores. The list of commodities carrying import restrictions are ample testimony to the above conclusion. This may not be representative of the entire controlling body. It is of course evident that even in the face of domestic pressure it has been highly expedient to lower prevailing restrictions. This is however to be distinguished from producers demands.

The relationship of the above reasoning to the consideration of conflicts seems rather obvious. It can be shown that the reason for interference with trade has arisen out of specific needs to allow the domestic programs to function. Hence, the importance of the post-war programs becomes plain. Had it not been for these programs the inconsistencies and conflicts would have become evident much earlier. That these programs allowed the disposal of surplus products cannot be denied. As the channels were replenished to pre-war levels the demands upon American producers declined and pressures between exports and imports arose. With the shift to military aid there was very limited opportunity for agricultural exports. Hence, the pressure for greater import restrictions and pressure to expand exports through means other than the assistance programs.

There is, of course, no assurance that others will follow the lead of the United States in lowering trade barriers and merging domestic and trade policies into a consistent pattern. However, it is certain that increasing the use of trade barriers will lead to their increased use on the part of others in the world markets. This is seen in the case of nations who have increased the use of import tariffs and export taxes. Where the United States keeps the price of a commodity above the world price, and the product is a majority of this market, other countries use import taxes to keep the

subsidized product out. On the other hand, they also use export taxes to keep their domestic producers from expanding production in the face of this favorable price. In other words, the United States maintains an "umbrella" over these commodities such as cotton, wheat, tobacco and others.

The memories of the depression are not easy to dislodge. Although this may be political justification for the retention of a wedge between domestic and trade policy, the fact remains that the conflicts are present and are becoming increasingly more difficult to remedy. If one is isolationist in his viewpoint then this assumes the role of unimportance at least in short spans of time and in a peaceful world setting. But the clear results of such a viewpoint must be recognized. Account must be taken to adjust conditions, as are needed internally, under such an approach to policy. It is necessary to reduce production of such surplus commodities as wheat and cotton. This indicates that such an approach is not a one-way street. Isolationism in this sense means not only restrictions on imports but forces decreased exports. Hence, to retain the friendly nations these surpluses cannot be pushed to foreign shores. In other words, the pursuance of two inconsistent policies is not feasible regardless of what view toward policy obtains. Therefore, if the United States is to maintain its leadership politically and economically and be compatible with the emphasis upon freedom and private enterprise, the wedge between policies becomes important.[78]

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[78] Johnson, op. cit., p. 3.

CHAPTER SEVEN

SUMMARY AND CONCLUSIONS

Following the Second World War the United States moved into the position of being one pole in a bi-polar power struggle. This was, in essence, the position of leader of the non-Communist portion of the world. The weakened condition of many economies throughout the world required immediate attention on the part of the United States if she was to maintain and build a sufficient deterring force against Soviet advancement. This situation brought to a climax the interaction of American domestic and foreign trade policies. A major sector of this conflict is concerned with domestic farm price policies and foreign trade policies in agriculture. Because a primary concern following the war was a shortage of food the aid programs enacted were, to a large extent, concerned with the shipment of food supplies. Hence, the American agricultural sector played a major role in post-war rehabilitation.

The role played by agriculture in the post-war period was heavily influenced by agricultural sentiment toward various policy approaches. Hence, in order to find answers to many basic policy questions, it is necessary to investigate the inter-war period, 1919-1940, where specific agricultural policies took root. This period can be divided into two rather distinct segments. The period from 1919 through 1929 was a decade of relatively stable to gradually rising prices, or an era of prosperity and expanding world trade. The period from 1929 to the Second World War pictured an almost complete breakdown of the international capital structure and an era of rising trade restrictions as countries attempted to isolate the effects of the depression to a few isolated industries. As the various segments of

the economies turned to their governments for help the trend toward centralization and trade control was pushed forward and unilateral domestic programs were instituted. In the United States the currency was depreciated and agricultural price programs were enacted to relieve the situation. It was eventually realized that this was not sufficient and the Reciprocal Trade Agreements were enacted to increase trade to lend further help. However, the breach between domestic and trade policies had been widened and was being maintained through a host of trade restrictive devices. International tensions were again mounting in Europe and the Far East as the world started to prepare for another war.

With the advent of the war, the United States entered into the lend-lease agreements with the countries fighting the Axis powers and the American productive capacity was pushed to all time high levels. The pressures for coordination of domestic and trade policies slackened and demands of the Allies expanded. As countries were liberated, the devastation wrought by the war required that the liberaters feed the starving populations. This burden fell mainly upon the United States. This feeding was done under the Army Civilian Supply title which merged over time into the subsequent relief and aid programs.

With the ending of the war, the attempt was made to approach the international rehabilitation needs through cooperation among the nations of the United Nations. However, it was not yet time for close international cooperations to be feasible. Hence, the UNRRA program was laid aside with the shift in Soviet policy and the approach became bilateral in order that the direction of aid funds might be controlled to exclude the "Iron Curtain

Countries". Gross foreign assistance for the transition period, mid-1945 to April 1948 exclusive of Interim Aid and the Greek-Turkish Program amounted to $14.5 billion. With the re-evaluation of American assistance policy it was believed that the real need was an entire recontruction of the European economic structure. Thus, with the initiation of the Truman Doctrine the world entered the new phase of post-war rehabilitation. The problem of European recovery was no longer treated as being dependent upon England. This led to the development of the four year program titled the European Recovery Program. Although the main emphasis was in Europe missions to China and Japan were added. Taking fiscal years 1948 to 1950, net foreign assistance totaled $15.6 billion. As the world situation shifted and security interests became primary the aid shifted to goods for rearmament. This phase began with the Mutual Security Act of 1951. All foreign assistance programs were merged under its head and the major allocations became military. However, the reality of the fact that defense required sound economic footing was not lost.

The majority of American agricultural representatives from the farm organizations favored the unilateral form of aid. In fact the resolutions of the farm organizations shifted to coincide with the changing policy of the administration. This is true for all except the Farmers Union which continued to argue for the necessity to use the United Nations for such actions. The major basis of support was the argument that a rehabilitated Europe was necessary for continued high production levels in the United States. To have refused to support these programs could have forced revisions of the

domestic farm price policies as the CCC stocks became overburdening with the loss of markets because of the war.

As was to be expected, the largest portion of the funds allocated under the ECA/MSA programs were funneled into the American economy. Although the Acts illustrated a major victory for the liberal element of trade policy there were several clauses inserted as protectionary measures. It can be said, however, that attempts to increase surplus disposal via the aid programs was practically nullified. The effect of the aid programs upon American agricultural production, prices, and surpluses was very important. Any consideration of these effects would require a very elaborate and difficult statistical evaluation. Even if such an undertaking were attempted, the true effects, in the writer's estimation, would be virtually impossible to specify with accuracy, because of the necessary assumptions about the political viability of Europe.

An important factor that did come to the surface once again were the policy inconsistencies between domestic and trade policy. This arose with the decreased emphasis on food as recovery progressed to pre-war levels and then exceeded it. The effect of this has been the increasing growth of surplus commodities under the CCC programs in the domestic sphere. The result of this has been the increasing use of political pressure to expand exports of farm products through measures other than aid. These are primarily under the titles of Wheat for Pakistan, The International Wheat Agreement, and the Agricultural Trade and Development Act.

In conclusion, the writer arrives at the following propositions:

1. The effect of the post-war assistance programs has had pronounced effect upon American agriculture. Although this is virutally impossible to specify it did continue to expand the productive capacity of the economy.

2. The post-war attempts at international cooperation and their subsequent failure is indicative of the international feeling toward present international solidarity. It is true that the various instruments such as the Bank and the Fund are steps in the direction of international cooperation. However, the failure of the ITO and the weakened position of the United Nations as a result of the unilateral action of the United States signifies that the time has not yet arrived for full international cooperation.

3. The assistance programs postponed the reconciliation of domestic and trade policies with the result that they have become further entrenched in the minds of the American public. Hence, the action has been to increase exports through measures other than aid and other than measures to bring domestic and trade policies into balance.

4. The result of the United States maintaining a two price system in such commodities as wheat and cotton has been to hold the entire world market under a support program. This can be illustrated by the rise in the use of export taxes and import subsidies in other countries. The taxes used to hold down their domestic commitments to these commodities because of the fear of an "unloading" by the United States with a large resulting price drop; and the subsidies to prevent large imports of the cheaper American goods. These are in use in Mexico, Haiti, and other countries.

5. International cooperation will not be possible unless the United States gives full and complete backing. Until such a time arrives, the United Nations will remain a relatively weak organ and can only be used as a sounding-board for international sentiment. This will all depend upon the relations between the Soviet Union, Communist China and the United States.

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