

THE WORLD WHEAT MUDDLE—By Paul de Hevesy

Comments on the International Wheat Conference in London

At a meeting held in Washington, the International Wheat Council decided to convoke a conference in London on 18th March. During the war the Council consisted only of Argentina, Australia, Canada, the United Kingdom, and the United States. It has recently been enlarged and comprises now eighteen countries.

At this conference it was intended to negotiate a new International Wheat Agreement covering production, stocks, export quotas, and prices. In the course of 1946, the delegates of the original five countries tried to arrive at a single fixed price acceptable to all, but failed. An effort was made at the London Conference to arrive at agreed maximum and minimum prices above and below which, for a period of years, wheat should not be exported or imported.

Since 1939, when the world markets were closed and the private grain merchants largely eliminated, the world wheat situation has become more confused than ever before. Scarcity is feared by some, and superabundance by others. There are even those who dread the simultaneous occurrence of famine in some countries and of glut in others.

PRICE DISPARITIES

Wide disparities exist between the prices of wheat in different countries. While the price received by Canadian farmers for best quality wheat at Fort William is 135 cents a bushel, the United States farmer receives twice as much for an inferior quality. Canada sells the bulk of her crop (160 million bushels) to Great Britain, under a bilateral agreement, at 155 cents, and the rest to other countries at 274 cents—thus losing on the British contract more than a dollar per bushel. The iniquity of this deal is not that Britain is being supplied with cheaper wheat than any other country, but that Canada, instead of paying this subsidy out of the Dominion Treasury, obliges her wheat growers—who represent only eighteen per cent. of the total population—to bear the burden alone. The unsoundness of a contract for goods at less than the market price is made manifest by the not unnatural delays in Canadian supplies of wheat to Great Britain.

The British farmer will receive in 1947 the equivalent of 224 cents. But to obtain a true comparison of prices, taking quality into consideration 19 cents per bushel should be added to this British price, to allow for the average discount at which prior to 1939 British wheat sold under Canadian wheat. Thus, for a bushel of wheat, the Canadian farmer receives from his Government about a dollar less than the world price, and about a half of what either the American or the British farmer receives. On the other hand, the price paid to the British farmer is now not very different from that paid by Great Britain for United States or Australian wheat. The Argentine Government buys the entire crop from the grower at 138 cents per bushel (17 pesos per quintal), sells half of it to the Argentine mills for internal consumption at 81 cents per bushel (10 pesos per quintal), and exports the other half at 324 cents per bushel (40 pesos per quintal). (Equivalent calculated by the Argentine Embassy.) The Australian scheme under which wheat is bought and sold by the Government is too complicated to be explained here, but the export price is equivalent to 263 cents per bushel. In Switzerland the wheat growers receive from their Government as much as 441 cents per bushel. As

for most other European countries, their markets are sharply divided into "black" and "white," and both are quite unrelated to the overseas markets. Surely it is the wish of every right-thinking person that the discrepancies between "black" and "white" prices should disappear as soon as possible.

EXPORTERS MARKETING POLICIES

Except for the United States, all major wheat exporting and many other countries now practise a system under which the national government buys from the farmers at a price much lower than that at which it resells. In Russia—where prices and quantities do not influence each other since they both are fixed by the planning authorities—the Government buys up the crop but does not sell grain at home; it does, however, sell bread.

In 1939 the prices of bread grains in Russia were twice as high as in 1913, whereas rye bread was five times and wheaten bread fourteen times higher than they had been in 1913. The present ratio prevailing in Russia between the prices of grain and those of bread remains undisclosed. In other countries, as a rule, about one third of the price of bread goes to the farmers.

Acre for acre, wheat will keep more people alive than any other foodstuff, with the possible exception of rice. Yet, in view of the price they receive, the Canadian farmers do not feel disposed to incur the trouble and expense of breaking up more land and thus enlarging their present acreage for wheat or any other crop. Governments which arbitrarily fix the price of wheat without giving a thought either to the comparative merits of this cereal as a sustainer of human life or the function of price as a regulator of areas to be sown, are partly responsible for the present scarcity of food. While the British Government is anxious to provide the population with cheap bread, the Canadian Government is animated by sentiments of loyalty and helpfulness towards the mother country when selling to her at a greatly reduced price. But though there is no doubt about the good intentions of both Governments, it is unfortunately true that this policy has led to manifold recriminations, such as those of the United States Government and the Alberta Farmers' Union. Moreover, by fixing prices for one or more years in advance, a disparity between prices is likely to arise, which may ultimately make the seller or the buyer dissatisfied. Under private trade and on an open market there are no price discriminations, since there is only one price for like goods throughout the world; it is the cheapest price, and it is paid in full.

FUNCTIONS OF FREE PRICE

The free-price system fulfils a momentous task which many people and several governments do not appear to take into consideration: the function of inducing farmers to *produce* more in times of scarcity—consequent upon the increase of price—and that of inducing the public and the industries to *consume* more in times of plenty—consequent upon a decrease in price. It is true that in the most prosperous American and European countries the price of bread does not influence its consumption to any appreciable extent; but in all the poorer countries it certainly does.

Various governments have promised to pay a bonus to their wheat-growers over five years or so from the profits realized. But, when farmers decide what to sow and on

how many acres, they are influenced neither by the price at which their government sells nor by the price they themselves may eventually get; they are generally guided by the price they have actually received. Thus, the departure from the free-price system results in the consumer having to pay high prices without farmers being induced to end world scarcity by expanding world acreage. Future prospects—and this is the crux of the matter—are in this way jeopardized.

CANADA ACREAGE REDUCED

It will indeed come as a shock to many that Canada has decided, far from increasing her wheat acreage, to reduce it from 25.9 million acres in 1946 to 24.0 in 1947—a reduction of about 7 per cent. Canada no doubt wishes to protect her livestock by growing more coarse grain than wheat. Yet it is strange that at this time, when bread is scarce in many countries, the greatest wheat-exporter of the world should be planning to reduce the very production for which she is so eminently fitted by nature. In Argentina also the wheat and maize acreages for 1947/48 have been substantially diminished in comparison with those for the previous years. Official spokesmen in Washington have intimated that wheat sowings will have to be curtailed "as the exceptional post-war demand recedes."

OVER-PAYMENT FOR WHEAT

The public should know that the price of wheat entering international trade which met with almost unanimous support at the conference of Washington was between 125 and 155 cents per bushel for No. 1 Manitoba—the best wheat in the world—in store at Fort William. Grade differentials for other qualities were to be determined later. Argentina alone opposed these prices and even her opposition was based not on the grounds of inadequacy, but on her aversion from the fixing of any price for any commodity entering international trade. In spite of the secrecy of these deliberations—it is of course quite wrong to discuss such matters behind closed doors—the world should be told that in almost all countries considerably higher prices prevail, for both home-grown and imported wheat, than that which the official delegates represented in the International Wheat Council consider justified by the levels of cost prevailing in wheat-exporting countries. This scandalous overpayment for wheat can occur only in a world which believes that international markets can be closed down and private traders eliminated without injuring either all bread-eaters, or, as in the case of Great Britain, those who provide subsidies both to the producers of wheat and to the consumers of bread—that is, the taxpayers. If in Liverpool, Winnipeg, and Rotterdam the wheat markets were open as in Chicago, a single price would arise, more wheat would be sold, more would be produced, and the world would be spared much anxiety and confusion.

FATE OF PREVIOUS AGREEMENTS

While on the one hand the public should be informed of the confused, perplexing, and absurd wheat situation which faces the International Wheat Council, it is also to be hoped that the governments and their delegates are not unaware of the sad fate that befell the two previous international wheat arrangements.

After prolonged and heated discussions, the international Wheat Agreement, concluded in London in 1933, allotted export quotas of 200,000,000 bushels to Canada, 110,000,000 to Argentina, 105,000,000 to Australia, and 47,000,000 to the United States. In fact, during 1933-34, the first year in which the Agreement was in force, Argentina broke the Agreement by exceeding her quota by

37,000,000 bushels, whereas Canada fell short of her quota by 6,000,000, Australia by 19,000,000, and the United States by 21,000,000. The Soviet Union, which had refused to accept a quota of 37,000,000 bushels and insisted on one of 75,000,000, actually exported only 34,000,000. While Great Britain continued to buy from the agreement-breaker—for the simple reason that she had at the time no means of ascertaining that the Agreement had in fact been broken—some agreement-respecting countries could not find markets for their wheat. Argentina defended herself on the plea that the United States and Canada also had broken the Agreement by violating the pledges—to decrease their wheat acreages—which they were alleged to have made.

THE WHEAT CONVENTION OF 1942

In 1945-46 the total quantity of wheat and flour exported from all countries amounted to 862,000,000 bushels—the second largest recorded quantity to enter international trade. Of this, the United States exported 386,000,000 bushels, Canada 370,000,000, Argentina 68,000,000, and Australia 38,000,000. The Washington Wheat Convention of January, 1942—approved by the Governments of Argentina, Australia, Canada, the United Kingdom and the United States—stipulated, however, that in subsequent years the total export in wheat and flour (less such export quotas as should be agreed upon later for other countries) should be allotted on the following scale: Canada 40 per cent., Argentina 25 per cent., Australia 19 per cent., and the United States 16 per cent. Yet, as the figures for 1945-46 prove, these quotas were completely disregarded: the wheat and flour exports of Canada amounted to 42.8 per cent., those of Argentina to 7.8 per cent., those of Australia to 4.4 per cent., and those of the United States to 44.6 per cent., of the total. Thus none of these States cared a fig about observing the Convention. Apart from these shipments, about 36,000,000 bushels, or 4.2 per cent. of the total, were exported from Russia, which in 1942 neither received nor asked for a quota allocation. Exports from the Middle East were negligible. It may be assumed that the 1942 Convention was accepted by the British Government only reluctantly; in fact, in the then prevailing precarious war situation their approval could hardly have been withheld.

MISTAKEN CONTROLS

Since the 1942 Washington Wheat Convention has never been formally abrogated, it is still in force; but, as the above figures prove, nobody to-day takes any notice of it. Nor could the various governments agree on the price of wheat, although it was stipulated in the Convention that a single world price should be fixed when the war was over. Those who seek to control and regiment everybody and everything, and are now so bold as to aim at distributing the world's crops through a World Food Council, should pause to reflect for a moment on the formidable difficulties of fixing export quotas in advance and of arriving at a commonly acceptable price even for wheat alone. The fixing of maximum and minimum prices, especially in international trade, is utterly impracticable. For, whenever demand exceeds supply, maximum prices will be disregarded; whenever supply exceeds demand, minimum prices will be disregarded. On the other hand, if supply equals demand, price-fixing becomes superfluous.

While the national crop of a plant depends on the unforeseeable vagaries of Nature, its world crop depends almost exclusively on its world acreage. A planned world economy without a fixed world acreage is a consummate absurdity; for, under a planned economy, if the national

acreage of a plant is not fixed in advance, the world crop will—in relation to the prevailing demand, to existing stocks, and to the volume of other crops—always be either too large or too small. The aggregate of national acreages, however, cannot be determined without each country having a previous knowledge of its export quota; and, while export quotas can be fixed in advance, it is highly probable that they will be no more respected in the future than they have been in the past. Nor do they deserve to be respected while food is in crying demand.

VALUE OF THE OPEN MARKET

Would it not be simpler and wiser to re-establish the world market for all products and to allow each of these products to find its own volume in the universal range of goods and its own level in the universal structure of prices? This range and this structure, if unimpeded, form an organic system under which quantities and prices continually influence each other—and this without international entanglements and recriminations, and without regimentation of the individual. If tariff barriers are reduced or, still better, entirely dismantled, and all other

forms of discrimination as well as quantitative trade restrictions abolished; if governments do not interfere, and the traders on the open world market, are not prevented from discharging their proper functions; then goods are grown and manufactured in adequate proportions, price-fluctuations are confined within narrow limits, all products are distributed, nothing remains to be destroyed, and no international commodity agreements are waiting their turn to be violated.

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THE FATE OF LIBERAL THOUGHT IN CZECHO-SLOVAKIA

The Liberal Liberty League, 4, Great Smith Street, S.W.1, has received the following letter from Mr. R. Kopecky, Chairman of the Czech Liberal Association, at 118, Sutherland Avenue, London, W.9. Mr. Kopecky is a former political correspondent of the National Liberal daily NARODNI LISTY, and Editor of NAROD.

"As a foreigner I am not entitled to interfere in internal British affairs, but as an old liberal publicist I am naturally interested in all that concerns the fate of liberalism in this country and in the world. I am firmly convinced that the rebirth of liberalism on the Continent depends on the revival of British liberalism, as well as I do not doubt that the final and full success of liberalism in this country needs a corresponding revival of liberal movements on the Continent.

"As long as liberalism on the Continent is suppressed and liberal ideas are persecuted, the British liberal movement will be in steady danger. Therefore, I beg to be permitted to remind you that your efforts should not be restricted to home affairs only, but that you should take more interest on international affairs and inform the British people about the true situation on the Continent and on dangers to the liberty of British people resulting from dogmatic and dictatorial movements now in power on the Continent.

"There is, for instance, the position of Czechoslovakia and the persecution of liberals in that country, unknown to the British people. Czechoslovakia is in Great Britain often considered and described as an independent and free country. Czechoslovakia is to-day neither independent nor free. The last 'free and unfettered' elections were free to the same degree as were elections in Hitler's Germany and Mussolini's Italy. The people were permitted to vote for Government parties only. In Czechoslovakia to-day no organization of any kind is permitted which does not strictly adhere to the programme of the Government's Coalition—to the so-called 'Kosice Declaration.' And no paper is permitted to be published as long as it does not support without reservation the Government composed of the licensed political parties. Dr. Benes declared not so long ago, to a correspondent of the *Sunday Times*, that for some six years no opposition at all shall be permitted in Czechoslovakia. And thus the Czech liberal movement is suppressed and slandered daily as the source of all evil.

"But there are few people in the world so liberal minded as the Czechs. I do not think it necessary to describe their Czech political development to prove it, because it is well known that in modern times liberalism was the driving force of Czech national life in all its aspects.

"The so-called liberation brought sudden end to all organized Liberalism in Czechoslovakia. The renewal of the National

Liberal Party was not permitted, the Press of the party was suppressed. The main organ of the party, the *Národní listy*, was traditionally the main sufferer when Czechs were visited by an oppression. All absolutist and semi-absolutist regimes of the Hapsburg Monarchy persecuted this paper. During the Great War it was suppressed and all the leaders of Czech liberalism (Kramár, Rasín, Machar, Dyk, Preiss, and many others) were imprisoned and some of them condemned to death. In this war the *Národní listy* was the first Czech paper to be suppressed by the Germans and many members of the leadership of the liberal party, and journalists working on the liberal papers, were imprisoned and some of them executed. After the 'liberation' the new Czech Government suspended the *Národní listy*, published during Czech May rising. The coalition, ruling Czechoslovakia, disunited as it is, is united in one single purpose, repeatedly publicly proclaimed: No renewal of Czech liberalism shall be ever permitted. No liberal organization, no paper, not even a weekly or monthly, shall ever be permitted.

"I think it necessary, that at least the liberal and freedom-loving public in Great Britain shall know the truth about Czechoslovakia. This truth is obscured by official Czech propaganda and by misinformed well-wishers from this country.

"I speak on behalf of a small group of Czech liberals, living in this country, who formed a humble Czech Liberal Association. We do not pretend to be legal and authorized representatives of the former Czech National Liberal Party of the whole people. There are no such representatives as nobody could ever foresee the necessity to give such authorization. But we claim to represent the present Czech liberalism, as we are the only adherents of liberalism free to speak and as we are in permanent connection with dispersed groups of men and women preserving their fidelity to liberal ideas.

"We are convinced that it is our duty to our friends at home and to our people to tell the truth about Czechoslovakia under a masked dictatorship, pretending to be a 'people's democracy.' The truth is that just as under the German occupation, so under the rule of the 'National Front,' Czech liberalism is suppressed and liberal ideas are allowed to live only in secrecy. I think that our people are entitled to demand that the truth be told, but even the British people are entitled to know it."

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H. G. Barber, Ottawa.