

THE PRICE OF WHEAT

Bulging Warehouses and Empty Larders

In a recent issue we reviewed Josué de Castro's *Geography of Hunger* and referring to his suggestion of an International Commodity Clearing House said that this would "inevitably result in restrictions, quotas and controls aimed at maintaining price levels to the advantage of producers, not consumers."

An interesting illustration of this is given by the negotiations which have been proceeding in the last few weeks in the International Wheat Council to reach a new agreement on the price of wheat. These negotiations have become "news" as the result of the United Kingdom's refusal to agree to a new maximum price of U.S.\$2.05 per bushel, an increase of 25 cents on the present maximum of U.S.\$1.80 per bushel. It is true that there is also a minimum price, but during the last few years experience has shown that it is the maximum price which consumers are invariably required to pay. The majority of the 46 participating countries are prepared to accede to the wishes of the United States, a number have indeed already signed, but Britain to whom an additional 5 cents a bushel means some \$9,000,000 per annum is prepared to pay only \$2.00.

It is estimated that the United States is at present holding "stock piles" of wheat equal to almost 3½ years' consumption and some experts assert that the statistical position does not justify a price above \$1.50 let alone \$1.80 or \$2.05 per bushel. However, the United States Senate is wedded to a farm aid programme which demands high prices for home consumed wheat and does not like selling abroad at lower than the home price. In effect, therefore, overseas countries are being called on to subsidise North American farmers.

We thus have the absurd situation where the United States provides economic aid to Britain to support its defence programme while Britain helps to support the United States farm aid programme.

Dear wheat means a high cost of living, higher prices for feeding stuffs for cattle and in general tends to raise costs of production. In addition, the dear wheat policy in the States results in more land and labour being employed in the production of wheat growing than is economically justified with resultant increase in prices of other primary produce displaced. The American farmer may benefit initially, but only initially, since inevitably farm rents will be raised and the land owner will absorb the subsidies. Where the subsidy is paid out of direct taxation it is merely a question of transfer from one person's pocket to another's, but where this is not the case, subsidies can be paid for only by inflation with its resulting evil effects.

Sooner or later the bubble will burst since even the United States Treasury cannot continue for ever to pay uneconomic wheat prices, even if the storage capacity can be increased at a sufficient rate to hold the surplus. Thus eventually the farmers will find they have been deluded and the very organisation which has been set up to maintain their markets will have led them into a fool's paradise from which they will find it costly to escape.

It is to be hoped that thoughtful observers will mark, note and remember the manœuvres of the

International Wheat Council; its efforts seem directed in the interests of the producers, not of the consumers. Let us put our faith in the give and take of the open market to produce the goods at the cheapest possible price and keep clear of all International Commodity Clearing Houses as we would shun the plague itself. If we do not, such commodity controls, quotas and subsidy schemes will surely lead us into a persistent state of poverty in the sight of plenty, since their very existence is based on scarcity, which if not real must be artificially created and maintained.

R.C.C.

ASIAN POPULATION AND RESOURCES

The well known economist, Colin Clark, linked the names of Malthus and Marx when he addressed a public meeting in Australia last autumn. The meeting, sponsored by the United Nations Association of Australia and the Junior Chamber International, was reported in the April issue of *Progress*, Melbourne, from which the following is taken:

"When Malthus wrote *Principles of Population* he probably did about as much harm as Marx when he wrote the Communist manifesto." Although the Indian population was increasing at 1.1 per cent per year in 1941-51, the present rate was .75 per cent. Chinese population had been virtually stationary for a century. In fact the areas in Asia with rapidly increasing population were few, e.g., Ceylon and Malaya. Indonesia and Burma, according to their own authorities, had a stationary if not declining population.

"While Asia contains some areas of very crowded population, particularly India, Japan, Java and Indo-China, there are very large areas which are practically uninhabited. Areas of high rainfall and suitable for agricultural production are not being used at all—half of Burma, three-quarters of Malaya, the whole of Indonesia outside Java, considerable parts of Siam, and two-thirds of Ceylon. These facts are quite often neglected." Man's history had been one of predominantly stationary populations, due primarily to failure to keep good order and government.

"In 1949, when the United Nations held a world conference on soil conservation and utilisation of resources, I had the job of reading the opening paper on this topic of World Population and World Resources, and I found myself confronted with some of the leading American Malthusians. When it came to discussing the facts of the case I found they had remarkably little to say. The facts are that the world is certainly not overpopulated, even in the continent of Asia. There are enormous unused areas. The areas of high rates of increase are comparatively few and far between. When you get a very dense population which has not enough agricultural land to support it, then the necessity of industrialisation arises. Of the Asian countries, India and Japan are in that position." And to-day the Japanese are complaining, just as British manufacturers used to complain, about unfair Indian competition based on low wages!

"This is one of the most important facts of world economy—the increasing industrialisation of certain Asiatic countries, and their indubitable right to export manufactured goods and to buy food and raw