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PROTECTIONISM IN INTERNATIONAL AGRICULTURAL TRADE, 1850-1968

The economic issues involved in trade restraints on agricultural commodities are as much a current issue of debate as they were in 1850. This paper will review the policies of nations toward trade in temperate zone agricultural commodities (mainly grain and livestock products) from 1850 to 1968 with the intention of determining the major causes of the continuance of national policy measures to restrict the inflow of agricultural commodities. These restrictions, deliberately applied by nations seeking to achieve national objectives—agricultural or otherwise—constitute protectionism in the context of this article.

An international economy in which trade occurs falls between two extremes—no trade on one end and free trade on the other. A discussion of protectionism involves analyzing where on the spectrum between these extremes actual trade falls. Economic theory offers insights into why trade occurs and also indicates under what specific set of assumptions free trade may exist. Trade theory, beginning with Ricardian comparative advantage, indicated that international exchange, in general, could be beneficial to the participants therein. The work of Mill further specified the conditions under which exchange could occur.[1] Subsequent developments continued to refine the theory of international trade to a stage where a specific set of assumptions was derived which demonstrated that, if the single goal of maximizing world income through the optimum utilization of world resources was postulated, this could only be achieved under the abstract conditions of free trade. Jacob Viner[2] has outlined the major assumptions

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[1] John S. Chipman, "A Survey of the Theory of International Trade: Part I: The Classical Theory," *Econometrica*, XXXII (July 1965), 479–493.

[2] Jacob Viner, "International Trade Theory and Its Present-day Relevance," *Economics and Public Policy* (Washington D.C.: 1954), 100–130, partially reprinted in R. L. Tontz,

necessary for free trade to exist. In summary these are: (1) full or pure competition exists in domestic and international trade; (2) factors are mobile within and between industries inside the nation but immobile between nations; (3) full employment of all resources exists; (4) a currency, such as gold, exists which is multilaterally convertible at approximately stable exchange rates; and (5) a monetary system exists which either automatically or by central management adjusts to promote smooth and rapid equilibration of international balance of payments.

Despite the fact that theory by definition abstracts from reality, this body of theory has been used normatively, i.e., for policy recommendation, as well as for explanatory purposes,[3] causing a continuing debate in the literature about the relevance of trade theory.[4] Viner argues that the assumptions outlined had some relevance in the pre-1914 world but that the "prevalence of full competition," automatic full employment, and an automatic monetary adjustment system are not characteristics of the mid-twentieth century. Further, it is by no means clear that maximum aggregate world or national income is the sole social goal applicable. Intranational and international income distribution, as well as growth, stability, and full employment, have been dominant goals of modern society. Haberler has defended the usefulness of trade theory as a tool of analysis but has also questioned its usefulness for policy recommendation.[5] Despite the apparent agreement of most theorists that trade theory is an inadequate basis for recommending *free trade,* there is general agreement on the desirability of trade under some circumstances due to the potential gains by all participating countries.

In the real world, however, the location on the spectrum between no trade and free trade where actual trading conditions fall is a function of political and social factors expressed in terms of national goals as well as economic conditions. The following review of protectionism in agricultural trade attempts to identify the factors—domestic and international—which have caused movements back and forth on the spectrum under discussion.

A number of significant events occurred in the period immediately surrounding the year 1850 which make it pivotal in the history of the international economy. Mercantilism, which recommended a policy of severe import restriction for the purpose of securing a favorable trade balance in terms of gold and silver bullion, was dying. The laissez-faire doctrines espoused by Adam Smith and his followers were being used by the

ed., *Foreign Agricultural Trade* (Ames, Iowa: 1966), 10–12. The second assumption is modified by the contributions of Heckscher and Ohlin, but this does not significantly alter the broad conclusions of the theory.

[3] Gottfried Haberler, *A Survey of International Trade Theory* (Princeton, N.J.: 1961), 3.

[4] See for example, Viner, "International Trade Theory" and Haberler, "The Relevance of Classical Theory Under Modern Conditions," *American Economic Review,* XLIV (May 1954), 543–551.

[5] Haberler, "An Assessment of the Current Relevance of the Theory of Comparative Advantage to Agricultural Production and Trade," *International Journal of Agrarian Affairs,* IV (May 1964), 130–149.

rising class of merchants and traders to cut away at governmental restrictions on trade. The Corn Laws, which restricted the inflow of grains and other food products into the United Kingdom, were repealed in 1846 and became nonoperative in 1849. In this latter year the Navigation Acts, which restricted shipments destined to and from Britain and the Colonies to British ships, were repealed. The removal of these two obstacles to trade symbolized the embarking of Great Britain, the dominant trading nation of the period, on the road toward freer trade. While there is little doubt that it was in the economic self-interest of Britain to pursue a policy of free trade, her actions compelled her trading partners to consider similar behavior.

The period 1840–1870 saw a revolution of mammoth proportions in transportation. The rapid expansion of railroad networks in Europe and North America, the completion of the Suez Canal in 1869, and the expanding use of the steamship all tended to improve the ease with which goods could move in international commerce. This change in transport permitted a much larger and diverse volume of trade. Thus the embarkation of Great Britain on a path of free trade, plus the expanding and diversified trade which grew up in the period of the 1850's, was a turning point in the history of the international economy and a logical beginning point for this analysis.

Temperate zone agricultural commodities made up only a small proportion of international trade in 1850.[6] In all countries of the world, agriculture was still the dominant industry, but self-sufficiency, encouraged by mercantilist restrictions, was the order of the day. Britain had imported sugar for several centuries and was a minor importer of wheat but an exporter of other grains. A small trade in grains existed on the European continent, but it was limited primarily to movements to cover seasonal shortages. Great Britain's decision to repeal the Corn Laws signified a willingness to sacrifice protection of her agriculture for greater industrial trade. Dire predictions as to the fate facing British farmers, however, did not immediately come true. The period 1850–1875 was a time of relative prosperity for agriculture and industry in Britain and elsewhere and was characterized by reduced trade restrictions and rising trade volumes. European countries, primarily France and Germany, moved less rapidly toward freer trade largely because agricultural interests were extremely powerful. The aggressive class of merchants, industrialists, and traders, which had pushed for the abolition of the Corn Laws in Great Britain, did not have a counterpart in Europe because of the time lag in industrialization. The Cobden-Chevalier Treaty of 1860 between France and Britain contained clauses of reciprocity and the most-favored-nation principle and

[6] See Herbert Heaton, *Economic History of Europe* (New York: 1947), 419–441, 623–648; Paul T. Ellsworth, *The International Economy* (New York: 1958), 159–160; and H. Friedlaender and J. Oser, *Economic History of Modern Europe* (Englewood Cliffs, N.J.: 1957), 106–122. Prior to this period, a substantial trade existed in spices and tropical agricultural goods, but the larger volumes of grains and livestock products which characterized later trade began after this time.

marked the first major free trade breakthrough on the European continent. This treaty was followed by the repeal of the French Navigation Acts in 1866, and France, though not to the degree that existed in Great Britain, was on her way to free trade. French agriculture remained the most protected sector of the economy.

The movement toward free trade in Germany was even less decisive. The formation of the *Zollverein,* or German customs union, spanned a period from 1819 to 1867[7] and resulted in the lowering and, in many cases, abolition of trade restrictions among the thirty-eight political units which constituted the Zollverein. Prussia, the dominant state in the formation of the Zollverein, sought outlets for her farmers' grain in the smaller states of the West. In many respects the formation of the Zollverein presents an historical parallel to the formation of the European Economic Community (EEC) some one hundred years later.[8] Other nations of Europe, especially Denmark and the Netherlands, adopted freer trade policies and the beginning of the so-called great free trade era was evident. The United States pursued a variable policy. The South and its dominant agricultural interest were advocates of free trade, while the northern manufacturers pushed for protection of their infant industries. Before 1860 the United States tariff was moderate, but it was raised during the Civil War and continued to rise throughout the period until 1913.[9]

The first wave[10] of agricultural protection began to form in the late 1870's. The rapid expansion of wheat and livestock production in the Americas and Australia, decreasing ocean transport rates, and improvements in refrigeration resulted in rising volumes of low-cost grain and meat being placed on the European market. International prices fell, and a general agricultural depression set in. Particularly hard hit were Prussian wheat growers who found that American grain was filling not only the lucrative British market, but was competing in their own home markets. Germany switched from their free trade position of the 1860's and demanded agricultural protection. It was secured in the German tariff of 1879.[11]

In the 1870's France also slipped back toward protectionism with mild tariff increases, and by the 1880's tariffs on agricultural imports were rising again. France passed further tariff measures in 1892 to protect French agriculture. In Western Europe, agriculture had asked for and received special attention. Britain remained true to free trade and her agriculture suffered a severe contraction.[12] Denmark, the Netherlands, Belgium, and

[7] Friedlaender and Oser, *Economic History of Modern Europe,* 116–122.

[8] W. O. Henderson, *The Genesis of the Common Market* (London: 1962).

[9] See William B. Kelly Jr., "Antecedents to Present Commercial Policy, 1922–1934," in William B. Kelly, Jr., ed., *Studies in United States Commercial Policy* (Chapel Hill: 1962), 3.

[10] See J. H. Richter, "The Place of Agriculture in International Trade Policy," *Canadian Journal of Agricultural Economics,* XII: 2 (1964), 1–9, for a brief resume of the three waves of protectionism that have swept agricultural trade.

[11] John B. Condliffe, *The Commerce of Nations* (New York: 1950), 229–236.

[12] See Michael Tracy, *Agriculture in Western Europe* (New York: 1964), 41–66, and particularly Table 10, p. 49, and Table 13, p. 52, for the price and output effects on British agriculture.

Switzerland continued to pursue free trade policies but adapted their agriculture to the production of export commodities for which they seemed to have a comparative advantage.

The sum and substance of the above is that, except for a relatively brief period in the late 1860's and early 1870's, world agricultural trade did not even approach the "free trade" norm. Throughout the "Golden Era," trade restrictions, primarily in the form of fixed tariffs, were used by the nations of Europe, with few exceptions, to support the incomes of politically powerful farm groups. This conclusion has important implications for it suggests that support of farm incomes through increased prices has deep roots. But it also emphasizes the fact that domestic agricultural policies of price and income support in this period were almost exclusively pursued through trade policy. While the burgeoning industrial sector of Western European nations, especially Germany, desired and persuaded governments to espouse the doctrine of free trade, agricultural interests used the antithesis of free trade—protection—to satisfy their own desires.

Probably no twenty-year period in history has received so much attention from economists as the period between the two great wars, 1919–1939. The period was marked by rapid political change as some new countries and many new forms of government emerged in the aftermath of World War I. The new political order did not stabilize, and World War II broke out just twenty years later. Economically, the international economy suffered instability and finally chaos in the Depression as nations turned to economic nationalism in attempting to solve problems of massive unemployment.[13] The year 1918 brought relief from war and a fervent wish to return, as soon as possible, to the "normal" peaceful prewar world. Almost from the beginning of this period, world leaders preached the return to the gold standard and the removal of trade restrictions. The efforts of the early 1920's were devoted to restoring the international economy to its prewar state. But conditions in the 1920's were different. Inflation, brought about by pent-up demand and severe shortages of certain goods, was common. The war had temporarily reduced Europe's capacity to produce food, and food prices rose. The agricultural sectors of the United States, Canada, and Australia, which had expanded to meet wartime needs, continued to push wheat and other commodities into the world market. European agricultural recovery was making progress by 1920, and import requirements subsided which caused a severe drop in world wheat prices. Thus, even in the early 1920's agriculture was not on the road to relative prosperity as was most of industry. But a more severe agricultural depression began to take shape in 1925. Rapidly expanding output in the exporting nations and attempts at agricultural self-sufficiency in Europe caused farm prices to fall still further. The price index of farm commodities was 81 in 1927 (base 1923–1925 = 100) and the index of farm commodity stocks was 146; by 1929 the price index was 64 and the stock index 193;

[13] W. Arthur Lewis, *Economic Survey: 1919–1939* (London: 1949) and William Ashworth, *A Short History of the International Economy, 1850–1950* (London: 1959), 186–223.

and by 1932 the price index was 24 while the stock index had risen to 262.[14] Despite the depression of farm prices, Britain continued to pursue a policy of free trade in agriculture and industry. British agriculture again contracted from the level of output achieved as a result of the war effort. In 1925 France, Germany, and Italy resumed the restriction of agricultural imports in an effort to support their farm incomes. By far the strongest talking point of the farm interest groups was the necessity of self-sufficiency in time of war.

Falling world prices in 1920–1921 induced a strong reaction in the United States in the form of the Emergency Tariff Act of 1921 which imposed duties on forty agricultural products. The agricultural measures of this Act were for the most part made permanent in the Tariff Act of 1922. In addition, this Act, the Fordney-McCumber Tariff, embodied higher rates of protection on industrial goods as well.[15] The Fordney-McCumber Tariff also introduced the concept of the "flexible" schedules to United States tariff policy. The President was given power to raise or lower tariffs 50 percent if the newly created Tariff Commission determined that alterations were needed to "equalize costs of productions." Though the intent of the framers of Section 315, the flexible provision, was for this measure to be used for lowering tariffs, it was used by President Coolidge infrequently and mainly to raise them.[16] The 1920's, however, are also significant in the United States for other reasons. The repeated attempts to pass the various McNary-Haugen two-price plans, finally vetoed twice by President Coolidge in 1927 and 1928,[17] represented a more ambitious attempt by United States agriculture to gain income support after simple tariff measures had failed. But the United States, a major exporting nation, was still attempting to support farm income by the use of trade rather than internal policy. The Federal Farm Board of 1929 with its storage program marked the first, though ineffective, attempt to support farm prices by means other than trade policy. Trade policy was still an important factor as illustrated by the passage of the Hawley-Smoot Tariff in 1930 which placed high tariffs on many commodities, including farm products, entering the United States.

The farm depression, which had become increasingly severe in North America after 1921 and in Europe after 1925, reached crisis proportions in 1929. By 1930, world wheat prices plummeted to levels below 50 cents per bushel and agricultural interests in all of the developed countries caused governments to move quickly to protect domestic farm producers. The larger nations of Europe—France and Germany—had already begun protection in the middle 1920's, but in 1930 and 1931 France used loopholes in the most-favored-nation trade policy, which had existed since 1860, to

[14] Condliffe, *Commerce of Nations*, 481.

[15] Kelly, "Antecedents to Present...," 6–10.

[16] *Ibid.*, 14–22.

[17] For a complete discussion, see Murray R. Benedict, *Farm Policies of the United States, 1790–1950* (New York: 1953), 211–238.

apply quantitative restrictions on agricultural imports through global and then individual nation quotas. Germany continued to raise tariff levels and began to implement mixing regulations for grain imports.[18] The industrial depression beginning in 1929 resulted in successive rounds of increases in industrial tariffs as nations pursued "beggar-my-neighbor" policies in attempts to correct domestic unemployment problems. World trade volumes declined 61 percent between 1929 and 1933.[19]

The United Kingdom, the bastion of free trade, finally succumbed to the world trend and dramatically switched to a protectionist stance. Britain went off the gold standard in September 1931[20] and in the same year the Horticultural Products (Emergency Customs Duties) Act was passed to protect fruit, flower, and vegetable growers. In 1932 the Import Duties Act was passed which placed a 10 percent *ad valorem* duty on all commodities not on the free list of goods originating in Commonwealth or Empire countries. The year 1932 also saw the signing of the Ottawa Agreements which established the system of Commonwealth Preference. Two Agricultural Marketing Acts passed in 1931 and 1933 allowed British producers to control domestic products entering the market and also to restrict imports. The Wheat Act of 1932, the Agricultural Act of 1937, and the Livestock Industry Act of 1937 placed United Kingdom agriculture firmly under a system of price supports and import restrictions. The other free traders of Europe—Denmark, the Netherlands, and Belgium—faced with a contracting British market, moved to support their agriculture by restrictive trade measures and other methods.

The major exporting nations also increased the tempo of agricultural support in the 1930's. The collapse of world wheat prices in 1929 and 1930 brought the large Canadian grain pools to the verge of bankruptcy. The Canadian government took over the pools in 1930, forming a voluntary Canadian Wheat Board in 1935 and a compulsory state monopoly for wheat in 1943 and feed grains in 1949.[21] In the United States, the Federal Farm Board, with its limited funding, failed to hold up farm prices and the Roosevelt administration took far-reaching action by means of the Agricultural Adjustment Act (AAA) of 1933. The AAA marked the first purely domestic, as opposed to trade, policy for agriculture. The two essential features of the program, nonrecourse loans and payments for reduced production levels, sought to grapple with the surplus and low price problem by means other than import restrictions and/or exporting dumping

[18] Regulations which require that a certain percentage of, say, flour be made up of domestic wheat.

[19] Friedlaender and Oser, *Economic History of Modern Europe*, 437. See 438 for a spiral chart which graphically depicts the rapid decline in trade in that period.

[20] See Gavin McCrone, *The Economics of Subsidizing Agriculture* (Toronto: 1962), 38–41, for a more complete review of agricultural policies of the 1930's.

[21] See G. E. Brintnell and V. C. Fowke, *Canadian Agricultural Policy in War and Peace, 1935–1950* (Stanford: 1962), 195–230; W. M. Drummond and William Mackenzie, *Progress and Prospects of Canadian Agriculture* (Ottawa: 1957), 297–298. Also see V. C. Fowke, *The National Policy and the Wheat Economy* (Toronto: 1957), 243–278.

programs. In this way the United States made clear its willingness to place domestic agricultural objectives ahead of free trade.[22] Section 22 of the 1935 Agricultural Act, which authorized the Secretary of Agriculture to impose a multitude of import restrictions, including import fees and quotas on agricultural imports which threatened the effective operation of domestic support programs, re-emphasizes this point.[23] The passage of the Trade Agreements Act in 1934 refocused United States trade policy. The Act gave the President stronger tariff-reducing authority and permitted the negotiation of tariffs with foreign nations. Though few significant tariff reductions were negotiated during the Depression, this Act spelled out a new, more flexible United States position which served as a basis for postwar trade policy.[24] These two policies, the AAA and the Trade Agreement Act, marked the beginning of the conflict between United States trade policy and agricultural policy which has persisted to the present.

The interwar period heralded the first extensive domestic support program in which international trade features were secondary and, in fact, subsidiary. This whole period of economic chaos caused the disintegration of a world economy and particularly the agricultural sector of that economy into what Condliffe has characterized as "a more systematic economic nationalism than the mercantilists of the seventeenth and eighteenth century had ever been able to achieve."[25] Commercial policy, agricultural and industrial, and monetary policy in the international arena were heavily dependent on national economic goals. As in the period 1870–1914, agricultural protectionism was an integral part of the general return to economic nationalism. In fact, in most cases agricultural interests were successful in achieving protection more rapidly than industrial interests.

The post-World War II period has been one of far-reaching changes in international economic policy. The chaos of the 1930's and the further disruption of the world economy by the war seemed to call for deliberate action in the international sphere. Acute postwar problems of food shortages, agricultural and industrial destruction, and the need for economic and political reconstruction demanded immediate attention. Also dominant in postwar discussions was the desire for a long-term rationalization of international affairs. Unlike the period following World War I there was no agreement, nor in fact much suggestion, that a return to a gold standard world would solve all problems. The world was not ready for a system where domestic economies adjusted to international equilibrium. But most nations were not willing to return to the acute economic nation-

[22] See Wayne D. Rasmussen and Gladys L. Baker, "A Short History of Price Support and Adjustment Legislation and Programs for Agriculture, 1933–65," *Agricultural Economics Research*, XVIII (July 1966), 69–73.

[23] Varden Fuller and E. L. Menzie, "Trade Liberalization Vs. Agricultural Import Restriction," *Journal of Farm Economics*, XLVI (Feb. 1964), 20–38.

[24] H. C. Hawkins and J. L. Norwood, "The Legislative Basis of United States Commercial Policy," in Kelly, ed., *Studies in United States Commercial Policy*, 69–123.

[25] Condliffe, *Commerce of Nations*, 497.

alism that prevailed in the interwar period. Thus, some middle ground which permitted national economies to give due attention to national problems of employment, growth, and stability—while at the same time making efforts to free international trade of restrictions—was sought. In this search the United States, now the dominant industrial and financial power, seemed more ready to assume the mantle of world leadership than she had been in the interwar period. The postwar period was marked by efforts led by the United States to reconstruct Europe and to rationalize international trade. This period saw the attempts of nation states to reorganize the international economy by governmental agreement rather than by the working of the "invisible hand."

The situation in Europe at the end of the war was chaotic; industrial production was disorganized and partially destroyed, agricultural production was far below prewar levels, and political disarray abounded. In 1946–1947, relative to 1938, industrial production stood at 80 percent, agricultural production at 75 percent, and livestock numbers at 81 percent.[26] In anticipation of the postwar problems, the United Nations' Relief and Rehabilitation Administration (UNRRA) was established in 1943 and distributed $4 billion worth of food and other supplies, mainly from the United States, before it disbanded in 1947.[27] But by 1947 the European situation required more than relief. Production was not recovering rapidly with the result that exports were not expanding to earn foreign exchanges to purchase necessary imports of food and other materials. This severe balance of payments disequilibrium, frequently termed the "dollar shortage," [28] was financed in 1945–1947 by loans largely from the United States. In 1947, General George Marshall proposed the European Recovery Plan, or the Marshall Plan, for massive economic aid to Europe. In late 1947 a European organization, The Organization of European Economic Cooperation (OEEC), was established to administer the Marshall aid. Within this organization, cooperation between European countries was necessary. The subsequent formation of the European Payment Union (EPU), essentially a foreign exchange clearing house, further encouraged European cooperation. These massive recovery efforts were successful in facilitating rapid European recovery and by the early 1950's agricultural production had regained prewar levels and industrial production began to exceed them.[29]

These cooperative efforts of European nations, imposed on them by the critical needs of the time, led to renewed efforts for European economic and political integration.[30] In 1944 representatives of Holland, Belgium, and Luxembourg agreed upon a customs union between these three coun-

[26] Ellsworth, *International Economy,* 394.
[27] *Ibid.,* 400.
[28] *Ibid.,* 396.
[29] Henderson, *Genesis of the Common Market,* 135.
[30] *Ibid., passim,* for a comprehensive review of attempts at European cooperation from the early 1880's to the formation of the EEC.

tries. The BENELUX union came into effect in 1948, and by 1958 a substantial measure of internal tariff reduction as well as factor mobility had been achieved.[31] There is no question that experience gained in this customs union contributed to the later success of the wider European Union. In 1949, spurred by the success of the cooperative efforts within the OEEC, the Council of Europe was set up to explore possibilities for wider European cooperation, but this was purely an advisory body. The first concrete step toward European economic integration was the Schuman Plan for a coal and steel community between France and Germany. This concept was widened to include Italy and the BENELUX group and resulted in the formation of the European Coal and Steel Community (ECSC), a common market for those commodities, in 1952.[32] Shortly after the formation of the Coal and Steel Community, discussions were begun on the idea of a broader form of economic union; these culminated in the signing of the Treaty of Rome in March 1957 establishing the European Economic Community (EEC).

The signing of the Rome Treaty marked an important turning point in European history. It provided for: (1) the gradual elimination of intracommunity barriers to trade and the eventual establishment of a common external tariff around the EEC; (2) the free movement of factors of production; (3) common policies with respect to dumping, competition, transportation, etc.; (4) some general guidelines for harmonizing economic and social policy; and (5) a set of institutions of a supranational nature to govern the community. Part 2 of the Rome Treaty set out in quite explicit detail the procedure and time table for the removal of quantitative restrictions, the lowering of tariffs between members, and the establishment of a common external tariff for all commerce except agriculture. Agriculture was dealt with separately. Title II of Part 2 essentially exempted agriculture from the rules set out in Title I dealing with the free movement of goods and basically stated that some agricultural agreement would be reached before the end of the transition period. The important feature of the Treaty of Rome was that agriculture was treated as a special problem and, further, that action was delayed in attempting to work out a common agricultural policy. This common policy was completed, except for minor details, in 1968. A second important feature of the agricultural policy of the EEC was that it was essentially protectionist. The variable levy system[33] gave European agriculture the potential for absolute protection from third party competition. This protectionism in the form of high prices has been partly responsible for the rapid increase in European agricultural productivity which has lessened the demand for imports of many agricultural commodities. Clearly, while the general

[31] *Ibid.*, 137.

[32] *Ibid.*, 139–156, for a detailed discussion of the nature of the ECSC and its operation to 1958.

[33] See Richter, *Agricultural Protection and Trade: Proposals for an International Policy* (New York: 1964), 22–34.

commercial policy of the EEC has been at least leaning in the direction of trade liberalization, its agricultural policy has tended in the opposite direction.

The other regional grouping formed in Europe in the postwar period was the European Free Trade Association (EFTA) which came into being November 20, 1959, with the signing of the Stockholm Convention.[34] EFTA consisted of the United Kingdom (which had declined overtures from the EEC), Sweden, Norway, Denmark, Switzerland, Austria, and later Portugal. The Stockholm Convention was not nearly so far reaching as the Rome Treaty. It committed members to a schedule of tariff reductions over the period until 1970 in nonagricultural goods. Also, quotas were to be eliminated, and discriminatory practices which deflect trade were deplored. But it is most significant that agricultural products were not even included in the agreement. Thus, in the two major economic groupings in Western Europe, agriculture is treated apart in one and excluded in the other.

In some sectors of the international economy, long-range plans for international policy were being laid before the war ended. Under the leadership of the United States and Great Britain, the Bretton Woods Conference in 1944 forged plans for the International Monetary Fund (IMF) and the International Bank (IBRD).[35] The IMF centered around the idea that international equilibrium must be consistent with domestic economic objectives. The success of the Bretton Woods Conference stimulated interest, again with the United States and the United Kingdom leading, in rationalizing international commercial trade. Three conferences, the last one in Havana in 1946–1947, produced the charter of the International Trade Organization (ITO). However, the refusal of the United States to ratify the ITO contributed to the failure of this organization. The section of the ITO Charter dealing with commercial policy was largely salvaged in the form of the General Agreements on Tariffs and Trade (GATT).[36] GATT, operating through multilateral tariff negotiations and the application of the most-favored-nation approach, has seen some success in reducing nontariff restrictions as well as tariff levels in the international economy. Most interesting for this review is the fact that Section 11 of the GATT Charter exempted nations pursuing domestic agricultural support programs from the Charter's strictures against nontariff restrictions on trade.[37] This clause is in the Charter largely upon the insistence of the United States.

[34] See Emile Benoit, *Europe at Sixes and Sevens: The Common Market, The Free Trade Association, and the United States* (New York: 1961), 79–85, for a discussion of the formation of and principles underlying EFTA.

[35] See W. M. Scammell, *International Monetary Policy* (London: 1964), for a comprehensive review of the formation and activities of the IMF and IBRD.

[36] See S. Enke and V. Salera, *International Economics* (Englewood Cliffs: 1957), 366–384, and Ellsworth, *International Economy*, 445–460, for discussion of the formation and operation of GATT.

[37] See J. O. Coppock, *Atlantic Agricultural Unity: Is It Possible?* (New York: 1966), 209 and Richter, *Agricultural Protection and Trade*, 12–15, for a discussion of agriculture in GATT.

Much of the progress that has been made in reducing restrictions on commercial trade has been made within the multilateral negotiating sessions held under the auspices of GATT over the last 15 years from the Geneva Session in 1947 to the Kennedy Round concluded in June 1967. Of vital importance has been the attitude of the major trading nations. Both the so-called Dillon Round of GATT negotiations in 1961–1962 and the Kennedy Round have been primarily bargaining sessions between the United States and the countries of Western Europe. Because there are significant differences between the two sessions, it is worthwhile to consider them in more detail.

United States trade policy in the postwar period until 1962 was based on the Trade Agreements Act of 1934. That Act was adopted as an amendment to the Tariff Act of 1930, the so-called Hawley-Smoot Act which had established the highest tariffs in United States history.[38] The Trade Agreements Act of 1934 authorized the President to reduce tariff rates reciprocally, i.e., after negotiating equivalent concessions from other countries. The Act, originally limited to three years, was repeatedly extended and amended until it was succeeded by the Trade Expansion Act of 1962.[39] The Dillon Round of GATT negotiations, which began in 1961, was authorized under the old legislation. During this session substantial reductions in restrictions were achieved between the EEC and the United States in industrial and manufactured items, but agricultural commodities were essentially excluded from the negotiations. This was so because the United States was not particularly interested in exposing her domestic support program and because several European countries, notably West Germany and France, had for some time been advocating the removal of agricultural trade from GATT and the establishment of a special code for agriculture.[40]

The passage of the Trade Expansion Act of 1962[41] substantially broadened the powers of the United States President to reduce tariffs and provided special authority regarding the EEC for commodities in which the United States and the EEC controlled 80 percent or more of world trade. Armed with new authority, President Kennedy initiated the round of GATT negotiations which bore his name. But the United States posture in this round was different. Agricultural trade restrictions were also to be placed on the bargaining table. The reasons for the change in United States position was due largely to the fact that significant changes in domestic farm legislation, stimulated mainly by budgetary considerations, were bringing United States prices more in line with world prices, thereby making

[38] Lawrence Witt, "Trade and Agriculture Policy," in Tontz, *Foreign Agricultural Trade*, 52–53.

[39] See William Diebold, Jr., "Trade Policies Since World War II," in Tontz, *Foreign Agricultural Trade*, 29–37, for a review of postwar policy; also see "U.S. Foreign Trade Policy from 1789–1958," in *ibid.*, 25–28, for a chronology of the extensions, with amendments, of the 1934 Act.

[40] Richter, *Agricultural Protection and Trade*, 13–14.

[41] See Leonard Weiss, "The Trade Expansion Act of 1962," in Tontz, *Foreign Agricultural Trade*, 38–45, for details.

United States farm products more competitive. Furthermore, there was an increasing awareness that agricultural protectionism was damaging possibilities for reducing barriers to nonagricultural trade. The announcement of the EEC policy on grains and the so-called "chicken war" [42] brought into sharp focus the possibility that the European market for United States agriculture might be gradually reduced. For the first time in the postwar period agricultural trade was reintroduced into commercial trade policy discussions.

The results of the Kennedy Round, despite the inclusion of agriculture, were not significantly different from previous negotiations. Substantial tariff reductions were negotiated in the area of industrial and other nonagricultural trade, but relatively little success in reducing agricultural trade restrictions was forthcoming. Agricultural negotiations were conducted in five groups: grains, livestock and meat products, dairy and poultry, other temperate zone products, and tropical products. The grains negotiations resulted in the International Grains Arrangement (IGA), which, despite its title, deals only with wheat. The IGA contains two parts, the first deals with commercial wheat trade and replaces, though with a higher price range, the old International Wheat Agreement, which expired June 30, 1967. The IGA came into force July 1, 1968 following ratifications by the United States Senate (in June 1968) and other major exporters. The second part of the IGA is a multilateral food aid treaty involving 4.5 million metric tons of grain. Little progress was made in livestock and meat products or dairy and poultry, but some tariff reductions were forthcoming in the temperate products group, mainly in fruits, vegetables, soybeans, tobacco, and in the tropical group.[43]

The limited results of Kennedy Round agricultural negotiations can be attributed to three basic factors. (1) The majority of temperate zone agricultural trade (groups 1, 2, and 3 above) is regulated by nontariff restrictions, making it difficult for a tariff negotiating round under GATT to come to grips with major trade obstacles. (2) Throughout most of the negotiations, the EEC had not yet completed its Common Agricultural Policy and was therefore uncertain as to the precise nature of domestic policies. This in turn led to an unwillingness to negotiate trade restrictions regarding domestic production. (3) The United States and the EEC throughout took conflicting positions regarding guaranteed access versus international price fixing. The Kennedy Round expended much of the leverage available

[42] The name applied to a sharp international exchange which saw the EEC substantially raise tariffs on imports of poultry meat and the United States retaliate by raising tariffs on certain nonagricultural imports.

[43] See U.S. Office of the Special Representative for Trade Negotiations, *General Agreement on Tariffs and Trade, 1964–1967 Trade Conference, Geneva, Switzerland: Report on United States Negotiations,* I, Parts 1–4 (Washington D.C.: 1967); Foreign Agricultural Service, USDA, *Report on the Agricultural Trade Negotiations of the Kennedy Round,* FAS-M-193, (Washington D.C.: Sept. 1967); and G. Alvin Carpenter, *Summary of the Kennedy Round Trade Negotiations and Implications for Agriculture,* University of California Agricultural Extension Service (Nov. 1967).

through the reduction of nonagricultural tariffs in return for agricultural liberalization. Little success, as has been noted, was achieved in the latter area, and agricultural protectionism continued to pervade temperate zone agricultural trade.

This review of agricultural protectionism since 1850 has attempted to identify the major forces which have contributed to the varying degrees of agricultural protectionism that have occurred. First, it is clear that economic policies have multiple objectives, some of which may conflict with each other. The single objective of optimum resource use leading to maximized global income is too limited in terms of the actual behavior of nations. Historically nations have been concerned with problems of income distribution between sectors within the nation as this review has clearly shown. Further, the redistribution of income between nations as a result of trade has conflicted with nationalist goals of growth and domestic income distribution. The successful agitation of French and German grain farmers for protection against New World grain imports in the late 1800's was a result of these types of nationalistic objectives. Nations have had to make tradeoffs between alternative goals rather than seek one goal such as "free trade." It is these tradeoffs which lead to mixed policies, rather than pure policies of either free trade or self-sufficiency.

Second, the combination of policies is a function of the political power of groups within nations and of nations themselves. This political interaction has played an important role in creating the pattern of agricultural protectionism that has evolved. Agricultural trade policy is no exception to the general proposition that economic policy is partially shaped by the political power of the groups interested in that policy. From the beginning of the period under review until at least 1930, the majority of the nations involved in this trade had, in terms of employment, large agricultural sectors. The political power of these agricultural interests explains the separate treatment of agricultural trade problems. Despite the decline in the numerical strength of agriculture in the more recent period, the precedence of protectionism and the established institutions of governmental concern for agriculture tended to perpetuate nationalistic agricultural policies. In the case of importing nations, price and income policies from the 1860's to the present EEC policy have involved the restrictions of the inflow of competitive agricultural goods. In the case of exporting nations, the experience of the Depression firmly entrenched national governments in domestic market intervention which necessitated complementary policies affecting international trade. The support of domestic agriculture, in part through trade policy, was and is an integral part of national economic policies toward agriculture. The most recent pieces of confirming evidence are the results of the Kennedy Round. It should also be noted that, because of the nature of agricultural production, arguments for least partial self-sufficiency in food during times of world crisis have been powerful in the hands of nationalistic interests.

Third, this review has shown that alterations in the direction of international commercial policy have almost invariably been led by the dominant nation or nations in international trade. The movements away from the mercantilist restrictions of the seventeenth, eighteenth, and first half of the nineteenth centuries were led by the United Kingdom. More particularly, the movements toward free trade and the gold standard era from 1850 through 1914 were dominated by British efforts to free trade. The chaos of the interwar period might in this same view be attributed to a lack of leadership by major nations. In the post-World War II period United States and British leadership was asserted in the efforts toward trade rationalization and liberalization through the International Monetary Fund and GATT. In all of these cases it must be made clear that movements toward or away from freer trade were made because it was in the nationalist interest of the nations involved, not because of the adherence to an idealized state of "free trade." From this it seems to follow that because liberalization of agricultural trade has not seemed to be in the self-interest of the United States and the EEC, these nations have taken a passive, if not obstructionist, attitude with respect to this segment of commercial trade. If the major nations involved in agricultural trade do not pursue free trade, then it is unlikely that smaller participants will.

The history presented in this paper has shown a continuous, though constantly changing, pattern of agricultural protectionism. It has shown that trade policy for agriculture is a function of political as well as economic considerations. The interests of groups within nations have contributed to economic nationalism, which, along with constantly changing national and international economic conditions, have kept agricultural trade oscillating between the extremes of no trade and free trade.