

PROPOSAL FOR A CONFERENCE TO PROMOTE STABILITY IN THE PRICES
OF PRIMARY INTERNATIONAL COMMODITIES

Presented by Brazilian Delegation to United Nations
Monetary and Financial Conference.

1. Fluctuations in the prices of primary products during the interwar period were as much of a curse as recurring large scale unemployment.

The Economist index of sensitive commodity prices (1935 = 100) fell from 369 in February 1920 to 163 in January 1922; it rose gradually to 232 in November 1925 and fell, almost without interruption, reaching its low point of 75 in August 1931. It recovered to 175 in March 1937, to sink again to 88 in May 1938.

It may be said that after 1920 the disparity between the prices of agricultural commodities and raw materials and those of manufactured goods was the main cause of disequilibrium in international trade.

2. The introduction to the United States proposal for an International Monetary Fund states that "it is recognized that an international stabilization fund IS ONLY ONE of the instrumentalities which may be needed in the field of international economic cooperation. Other agencies are also needed to provide capital for post-war reconstruction and development, to provide funds for rehabilitation and relief and to promote stability in the prices of primary international commodities."

This Conference is expected soon to achieve an agreement on the international monetary fund and on the bank for reconstruction and development. The problem of rehabilitation and relief has already been dealt with by the Food Conference. Out of the four main problems mentioned in the United States proposal, that of the promotion of stability in the prices of primary international commodities is, therefore, the only one which still remains to be considered.

The inter-relationship between these international agencies has been similarly emphasized by the United Kingdom Treasury plan, in which it is said that "if an international investment or development corporation is also set up together with a scheme of Commodity Controls for the control of stocks of the staple primary products, we might come to possess in these three institutions a powerful means of combating the evils of the Trade Cycle" and "it is possible that TAKEN TOGETHER these institutions may help the world to control the ebb and flow of the tides of economic activity which have, in the past, destroyed security of livelihood and endangered international peace."

3. The heavy fall in prices of the products imported by the industrial nations and the consequent improvement in these nations' terms of trade were of but illusory advantage to them, as the decline in purchasing power in the countries producing primary products brought about a corresponding reduction in the imports of these countries and thereby a depression in the export industries of manufacturing countries.

Manufacturing industries and raw materials production must stand or fall together.

It is often held that the maintenance of a high level of employment is, by itself, a guarantee of satisfactory prices for raw materials and agricultural products. It should not be overlooked, however, that even if a high level of employment is achieved everywhere, it may be seriously disturbed by price fluctuations in primary products resulting from climatic or other factors, with a resulting disequilibrium in relative prices capable of endangering the whole price structure.

4. Before the war, several international organizations had been formed to deal with the problem of raw material prices. These organizations could be made the starting point for more comprehensive ones in which both primary producer and manufacturing and consumer interests would be represented to prevent, as far as possible, violent fluctuations in the production stocks and prices of raw materials.

Experience has already taught that organizations of this kind can have a strong stabilizing effect on markets. They have, of course, to develop a technique of their own and the history of some of them has shown how their methods can gradually be improved and simplified. It has also shown that different raw materials need different methods.

The development and improvement of these organizations should not be made to contribute to restriction of production or to monopolistic practices, but rather to a continuous improvement in efficiency of methods of production and to the maintenance of ever-normal granaries, credit for which might be supplied both by the International Monetary Fund and by the producing countries.

5. BE IT RESOLVED that for the successful attainment of the objects pursued by the International Monetary Fund and the Bank for Reconstruction and Development, a Conference of United and Associated Nations to promote stability in prices of raw materials and agricultural products be called to make recommendations for the achievement of a better balanced growth of international trade.