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A LESSON FROM THE PAST: **THE SOVIET-AMERICAN WHEAT DEAL OF 1972**

By Paul Bailey, Student

For generations, Americans have called it bread; others call it dough... However, in the early 1970s, money by any name was buying less food in the United States than it once had. People were up in arms about it! By the fall 1973, my twenty-three-year-old father had become a disgruntled American—a self-proclaimed long-hair-Bay-Area-draft-dodging hippie. As many young Americans from that era, he did not really put much faith in the United States government policies, motives or agendas, be it Cold War policy, the war in Vietnam or other social issues (Bailey).

In August 1973, the main headlines that splashed across the front page of newspapers coast-to-coast were about Richard Nixon's lies and betrayals of the Watergate scandal. However, beneath these headlines stood, in my father's opinion, a more blisteringly flagrant offense to the American people—a story that divulged the sellout of American standards and the overall hypocrisy of the Cold War. This was a bad deal for American taxpayers that would leave them holding the bag and, in the end, paying higher prices for food, while dealing with the social and economic burdens of United States' foreign policy of the previous thirty years (Bailey).

Yet, the Soviet Wheat Deal of 1972, a.k.a. the Great Grain Robbery, was not heavily publicized. It was allowed to fade away from memory, just like the newspaper ink; it was left on page six while the Watergate scandal consumed the front page. The monumental sale of American wheat to the Soviet Union, and its economic fallout, has been forgotten (Bailey).

Back in the Soviet Union

Russia has been known for its extremely cold winters—just ask Napoleon about General Frost. But in the winter of 1971-1972, Russia's great defender, General Frost, had mutinied and turned his cold eyes upon Russia's wheat harvest. In 1972, while fearing a food shortage, the Soviet Union began looking for a wheat exporter (Levitan/Schramm).

Historically, the Soviet Union had been the world's largest producer of wheat. Between 1967 and 1971, it raised an annual average of ninety million tons. During those years, the United States was growing wheat at an average of forty-one million tons per year. Americans only consumed about fourteen million tons of wheat a year, used about seven or eight million tons for seed and livestock feed, and the other twenty million tons were exported—making the United States the world's largest exporter of wheat. During the Cold War, the United States competed with its main rival in the wheat export markets (Luttrell). But in the summer of 1972 the Soviets surprised the world by becoming an importer of wheat—more wheat than any one nation had ever bought before. The Soviet Union bought all its wheat from the United States, making it the largest global seller of wheat in a single year. The Russian Wheat Deal in the summer of 1972 became the largest commercial transaction between two countries that the world had ever seen (Luttrell).

“Underlying the Soviet need for grain in 1972 was a fifty-five-year history of Russians' hunger for better living standards.” Under the thumb of communist regimes, the Soviets strived for better living conditions, better diets, and

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more freedoms. The threat of a food shortage scared the Kremlin for good reasons: When food is scarce, prices rise, and citizens become quite angry.

“More than once in history revolutions have been related to bread shortages. In eighteenth-century France, working class people who lived mainly on bread... saw [a] rise in the price of bread after a calamitous drought that triggered the French Revolution.” Lack of food in 1917 was a catalyst that contributed to the Russian Revolution that overthrew the imperial government and allowed the eventual formation of the Soviet Union.

Let's Make a Deal

Both the United States and the Soviet Union had their own reasons for wanting to complete a wheat deal. But what transpired in the summer of 1972 would even have Monty Hall screaming “Zonks!” For the Soviet Union government was attempting to avoid massive food shortages, but for the United States it was more than just simple trade. “The wheat deal was conceived by Henry Kissinger who saw grain trade with the Russians as a key [part] of [Richard Nixon's] Détente...” goals (Smith).

Nixon envisioned a general easing of tensions between the United States and the Soviet Union, which would allow the United States to exit from Vietnam. It was supposed to contribute to the Nixon's “peace with honor.” The Russian Wheat Deal was the appetizer that stimulated the Soviets' hunger for more talks, trades, and treaties. The wheat deal was used as a down payment to help close the gap between the two superpowers. After the completion of the deal, both countries signed the SALT I treaty; it limited their nuclear arsenals (Smith).

What was the cost? Nixon got his “peace with honor” in early 1973 with the Paris Peace Treaty and shortly after American soldiers began their exit from Vietnam. In return, the Soviets happily buttered their bread with the promise of the wheat trade on extremely generous credit terms.

The deal provided the Soviets with up to \$750 million of United States financing over a five-year period and allowed them to immediately enter American markets and start buying grain. However, to the Nixon administration's surprise, the Soviets exercised almost the entire five-year option in the first year. It had completely eviscerated the United States wheat surplus for 1973, causing wheat shortages and raising the price of everything that contained wheat (Trager 99). The Soviets went to market and met with six of the largest American grain trading firms: Continental Grain, Cargill, Garnac, Cook, Bunge, and Louis Dreyfus. These firms controlled vast reserves of American grain and over ninety percent of all grain exports. The Soviet Union bought up millions of bushels of wheat at fire-sale prices from these private companies all at once (Schramm).

The other aspect of this event is that domestic wheat is subsidized by the United States government to make world markets attractive to American farmers. Normally, the subsidy covers the price difference between the lower world prices and the higher cash price of wheat in the United States (McEachern 544).

During the summer of 1972, even though government policymakers knew that there was no wheat on the world markets (Russia's General Frost saw to that), the subsidy was continued. During this time, some of the highest subsidies in history were paid out to American farmers. As high as 47 cents per bushel of wheat was paid at a time when the United States domestic price should have been the world price because there was no other wheat on the market. “The cost of this arrangement to the taxpayer has been estimated at \$400 million” (Smith).

Nevertheless, not all can be blamed on the Soviets. The six grain companies conspired with one another and manipulated the market by sending false reports to the USDA's Commodities and Exchange Authority, which regulates commodities markets. As a result, no one knew how much wheat was being sold and wheat prices remained at the low,

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subsidized, rock bottom, world prices. All the while government officials were unaware of how much trading was actually occurring (Schramm).

“Government-subsidized capitalism, which leaves the financing up to the government and the actual sales to private enterprise, was behind the massive and incredibly stupid grain sale of [1972].” The results were costly: a tremendous amount of credit and subsidies were coughed up by Uncle Sam, leaving Americans to stomach higher food prices from diminished wheat reserves for the next year (Smith).

The Fallout

The world was about to see food prices skyrocket. In 1973, some prices in the world economy increased over fifty percent. In August of that year, American housewives witnessed bread prices rise twenty-three percent in a single month. Beef and pork prices rose with the steadily growing price of wheat (Kendall). The OPEC embargo of oil only exacerbated problems. It was an economic perfect storm with the real culprits buried under scandalous newspaper headlines concerning Nixon's Watergate troubles and Vice President Agnew's involvement in extortion, tax fraud, bribery, and conspiracy. No wonder that my father was angry and disgruntled. The American economy was turning to ashes right before his eyes. The White House appeared to be filled with nothing but crooks (Schramm).

But the true tragedy of the wheat deal fell upon the small percentage of Americans who had friends or family members who had died during any of the proxy wars over the previous thirty years with the Soviet Union. It was especially painful for anyone who was involved with the farming or shipment of wheat that was exported to the Soviet Union (Bailey).

Throughout the Cold War, the Soviets had supplied and aided United States' enemies in those proxy wars. It is estimated that during the Vietnam War,

Soviet military aid, in US terms, was at a rate of \$500 million. It had remained steady at that level for some time and the peak estimated figure for this aid was a billion in 1967... A total estimate of Soviet Military aid to North Vietnam is a staggering \$8 Billion.

Soviet aid went to training, feeding, and arming the North Vietnamese Army (Vinnedge).

The Way He Sees It

This was the crux of my father's problems with the deal. He explains:

Could you imagine how you would feel if you were working on a farm producing wheat, or the truck driver, or the dock worker who was loading containers full of wheat onto Soviet ships? And that now we had to pay so that the men who armed, trained, and fed the North Vietnamese soldiers, who killed Americans, could eat bread? The irony of it all is almost mind numbing. (Bailey)

Since 1973, my father has remained a diligent skeptic of the government, always assuming there is another motive than what the public is being told. Massive corporations are just as bad, if not worse.

They always seem to look past the possible negative outcomes that their business dealings could have on the public markets, all in the righteous name of turning a profit. The recent 2008 housing crisis is another example of the corporate ruthlessness (Bailey).

Never before had the delicate balance among food supplies and prices, free trade, and government deals been brought home so clearly and harshly than it was in 1973. Americans saw first hand how a change in supply and demand could hit them right in the bread basket.

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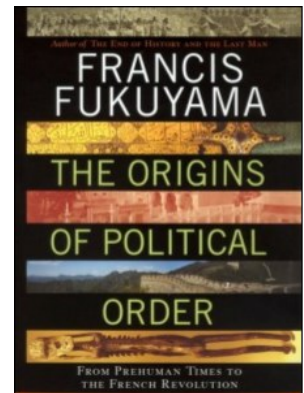
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POLITICAL SCIENCE AND HISTORY

📖 **Francis Fukuyama. *Political Order and Political Decay: From the Industrial Revolution to the Globalization of Democracy* (Farrar, Straus and Giroux, 2014)**

Francis Fukuyama (b. 1952) is an Olivier Nomellini Senior Fellow at Stanford University's Institute for International Studies. He was a researcher at the RAND Corporation and served as a Deputy Director in the State Department's policy planning staff.

In his 1992 bestseller titled *The End of History and the Last Man* (Penguin), Fukuyama argued that "a remarkable consensus concerning the legitimacy of liberal democracy as a system of government had emerged throughout the world over the past few years, as it conquered rival ideologies like hereditary monarchy, fascism, and most recently communism." He reached a conclusion "that liberal democracy may constitute the 'end point of mankind's ideological evolution' and the 'final form of human government,' and as such constituted the 'end of history.'"



To understand the prospects of the world, Fukuyama devoted the following two decades to the study of the "origins of political order." In 2011 he published *The Origins of Political Order: From Prehuman Times to the French Revolution*, the first of a major two-volume work. It begins with politics among our primate ancestors and follows the story through the emergence of tribal societies, the growth of the first modern state in China, the beginning of the rule of law in India and the Middle East, and the development of political accountability in Europe up until the eve of the French Revolution.


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The 2014 second volume--*Political Order and Political Decay: From the Industrial Revolution to the Globalization of Democracy*--is also unique in its multidisciplinary complexity. It draws from history, evolutionary biology, archaeology, and economics. The 20-page Introduction summarizes the development of political institutions to the French Revolution, as it was discussed in the 2011 book. Taking up the essential question of how societies develop strong, impersonal, and accountable political institutions, Fukuyama follows the story from the French Revolution to the so-called Arab Spring and the dysfunctions of contemporary American politics. He examines the effects of corruption on governance, and why some societies have been successful at rooting it out. He explores the different legacies of colonialism in Latin America, Africa, and Asia, and offers an account of why some regions have thrived and developed more quickly than others. He concludes with the prognosis of democracy in the face of a rising global middle class and political crisis in the West.

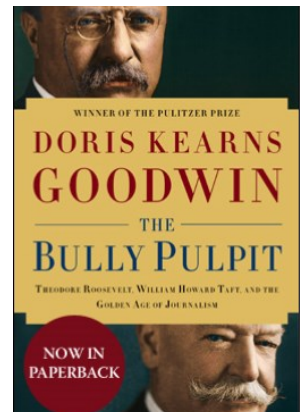
Fukuyama's recent book could attract the attention of Humphreys' students of history, law, and political science.



 **Doris Kearns Goodwin. *The Bully Pulpit: Theodore Roosevelt, William Howard Taft, and the Golden Age of Journalism* (Simon & Schuster, 2014)**

Doris K. Goodwin earned a Ph.D. in Government from Harvard University, where she taught Government, including a course on the American Presidency. She served as an assistant to President Lyndon Johnson and later assisted him in the preparation of his memoirs. Goodwin was awarded the Pulitzer Prize in history for *No Ordinary Time: Franklin and Eleanor Roosevelt: The Home Front in World War II*.

The Bully Pulpit is a dynamic history of the first decade of the Progressive era, when the reform was in the air. The story is told through the intense friendship of Theodore Roosevelt and William Howard Taft that strengthens both men before it ruptures in 1912, when they engage in a brutal fight for the presidential nomination that divides their wives, their children, and their closest friends, while crippling the progressive wing of the Republican Party, causing Democrat Woodrow Wilson to be elected, and changing the country's history.



The Bully Pulpit is also the story of the muckraking press, which arouses the spirit of reform that helps Roosevelt push the government to shed its laissez-faire attitude toward robber barons, corrupt politicians, and corporate exploiters of our natural resources. The muckrakers are portrayed through the stories of Ida M. Tarbell, Ray Stannard Baker, Lincoln Steffens, and William Allen White.

Goodwin's narrative is founded upon a wealth of primary materials. The correspondence of more than four hundred letters between Roosevelt and Taft begins in their early thirties and ends only months before Roosevelt's death. Edith Roosevelt and Nellie Taft kept diaries. The muckrakers wrote hundreds of letters to one another, kept journals, and wrote their memoirs.

Steven Spielberg's DreamWorks Studios has acquired the film rights to this book. Spielberg and Goodwin previously worked together on *Lincoln*, based in part on Goodwin's award-winning *Team of Rivals: The Political Genius of Abraham Lincoln*.

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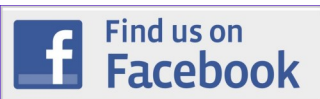
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