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SECRET

I.E.P.(42) 21st Meeting.

COPY NO. 71

WAR CABINET

OFFICIAL COMMITTEE ON POST-WAR INTERNAL
ECONOMIC PROBLEMS

The next meeting of the Committee
will be held in the Conference Room,
4, Richmond Terrace, S.W.1., on FRIDAY
30TH OCTOBER, 1942, at 11 a.m.

AGENDUM

POST-WAR AGRICULTURAL POLICY.

(I.E.P.(42) 40,
I.E.P.(42) 50,
and I.E.P.(42) 58 - continuation of
discussion.)

Note: Members of the U.S.E. Committee
who are not represented on I.E.P. have
been invited to attend the above
meeting.

(Signed) A. BASTER,
Secretary.

4/5, Richmond Terrace, S.W.1.
21st October, 1942.

WAR CABINET

OFFICIAL COMMITTEE ON POST-WAR EXTERNAL
ECONOMIC PROBLEMS AND ANGLO-AMERICAN
CO-OPERATION

Note by the Secretary

By direction of the Chairman I
circulate herewith the Agendum of the
I.E.P. meeting on 30th October, to
which you were invited. Documents
I.E.P.(42) 50 and I.E.P.(42) 58 are
attached.

(Initialled) A.B.

4/5, Richmond Terrace,
S.W.1.

22nd October, 1942.

(THIS DOCUMENT IS THE PROPERTY OF
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SECRET

I.E.P.(42) 50.

6TH OCTOBER, 1942.

COPY NO. 72

WAR CABINET

OFFICIAL COMMITTEE ON POST-WAR INTERNAL
ECONOMIC PROBLEMS

POST-WAR AGRICULTURAL POLICY.

Note by the Secretary

By direction of the Chairman I
circulate herewith a memorandum by the
Board of Trade on "Post-War Agricultural
Policy."

(Signed) A. BASTER.

4/5, Richmond Terrace, S.W.1.

6th October, 1942.

POST-WAR AGRICULTURAL POLICYMemorandum by the Board of Trade

1. The proposals in the memorandum by the Agricultural Departments are based partly on considerations of agricultural science and partly on considerations of the economic needs of agriculture. While the former are matters for technical specialists, the latter raise questions of general economic policy which cannot be considered in relation to agriculture alone. It is important that these economic implications of the policy proposed should be made clear in order that Ministers may have before them the reactions outside agriculture and be aware of any dangers which the policy may involve. These fall under two heads - the cost of the policy; and the reactions on other industries.

2. The cost of the policy is obviously of crucial importance even from the narrowest angle of agricultural interests, since an excessive cost might defeat the policy and involve a repetition of the disastrous experience of the Corn Production Act after the last war. The Agricultural Departments are unable, for reasons stated in par. 18, to offer an estimate of the cost of the policy. There exist, however, estimates of the amount of subsidies, direct and indirect, to agriculture before the war, and estimates of the additional subsidies called for by the war extension of agriculture. The policy proposes that at least the pre-war acreage under cultivation should be maintained (9) at a higher level of output (4(a)); such an increase might be expected to involve a more than proportionate increase in costs (unless new methods offset these) and therefore an increase over pre-war prices or subsidies. It is also intended that the pre-war agricultural population shall be maintained by raising agricultural wages to a level at which other occupations will no longer attract labour from agriculture; and prices or subsidies must cover this increase also. A further large increase over pre-war costs will arise under this head. The memorandum is unable to indicate at this stage precisely which agricultural products will require subsidy; but it may be inferred that a considerable extension beyond the pre-war range will be required. The proposed extension of arable acreage will be mainly directed to increasing the supply of home-grown feeding stuffs; if permanent pasture is to be replaced by long

leys, and these are under arable on an average one year in six, the whole increase in arable would be accounted for. Presumably these home-grown feeding stuffs would be more costly than imports, and some subsidy to prices of all or most animal products would be necessary. Moreover, the exclusion of barley imports would also raise prices (15 B(d)).

3. It should be noted that the increase in costs is a separate and more important question than the form in which an agreed increase shall be met. The practice of averaging the cost of domestic and imported produce in determining prices to be charged to the consumer does not alter the fact that higher cost domestic products are being substituted for lower cost imports. Further, if the increase in arable acreage were secured by assistance to costs of production rather than to prices (18), this would make no difference in the net cost to the community, although it would reduce the increase charged to consumers of the products of the additional arable. The memorandum does not deal specifically with aspects of the problem of costs of production that confront agriculture as well as all other industries, namely the problem of reducing costs by the adoption of improved methods and labour saving machinery. The application of power and new machinery to farming has made considerable strides in the past three years: it might be that with due stimulation further progress on these lines would reduce considerably the cost to the consumer of the agricultural policy now proposed. This seems to be a matter for some special further inquiry.

4. The other reactions of the policy, though not calculable in terms of money, are not less important. The memorandum proposes a drastic change in the peace-time relations of the State with an important industry. This may be adjudged to be desirable; but it should be recognised for what it is, since it is likely to be used as a ground for claims for similar treatment from other industries. The change consists in insulating the prices, returns, and scale of the industry from the influence of supply and demand in a free market (22, 57). Producers are to be given a guarantee, by State purchase or otherwise, that their whole output will be taken up at a price which covers their costs with a profit (19). The Government will take the place of the relative movement of prices in the market and assume the responsibility for directing agriculture to different forms of production by its purchase policy or by direct grants to costs; and will also substitute directions for the pressure of competition as the means of securing efficient operations (43).

The social advantages of this change are indicated in the memorandum. It is clear, however, that such insulation and guaranteed returns run the danger, by releasing costs from the constant pressure imposed by working for a market, of allowing costs to rise unduly, a danger against which the powers of County Agricultural Committees to direct and supersede farmers offer an inadequate safeguard.

In the second place, it is doubtful whether these principles could be confined to agriculture, and the results of their wider application should be considered. The mining industry might say that profits and wages could be increased, without raising the price of coal, if the output of good and bad mines was pooled and the royalties, for which the Exchequer has recently paid, were used to subsidise the price to the consumer. Again, export industries are already suggesting that if the country needs foreign exchange, the Government should make itself responsible for the purchase (at a price covering costs) of whatever output is needed, and then sell it abroad in the markets where currency is needed at any price it will fetch.

5. The proposals in the memorandum seem to rest on the view that "the only way of maintaining the greater part of our agricultural land, excluding rough grazings, in productivity and fertility is under varied systems of mixed farming" (12 and elsewhere). Specialisation of production in industry is generally recognised as leading to cost economies, and prima facie it would seem that mixed farming is liable to be higher cost farming than more specialised farming. Some further elucidation of the need for mixed farming is called for. The suggestion that stock farming is necessary to preserve fertility (if that should arise) is understood to be one on which there is some difference of technical opinion.

2nd October, 1942.

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S E C R E T.

I.E.P.(42)58.

COPY NO. 79

14TH OCTOBER, 1942.

WAR CABINET.

OFFICIAL COMMITTEE ON POST-WAR
INTERNAL ECONOMIC PROBLEMS.

POST-WAR AGRICULTURAL POLICY.

Note by the Secretary.

By direction of the Chairman
I circulate herewith a note by
Sir Donald Fergusson on the Board of
Trade memorandum (I.E.P.(42)50) on
"Post-War Agricultural Policy".

(Signed) A. BASTER

4/5 Richmond Terrace, S.W.1.

14th October, 1942.

POST-WAR AGRICULTURAL POLICY

Note on the Board of Trade's Memorandum

1. The Ministry of Agriculture still feels that, in the present conditions of uncertainty, it is impossible to estimate the "cost" of the programme outlined in their memorandum. The Board of Trade apparently suggest that by taking pre-war subsidies and the additional subsidies introduced in war-time, and taking into account the additions that might be necessary for the purposes of raising output, of maintaining employment, and of maintaining a larger supply of home-grown feeding stuffs after the war, some approximation of the post-war cost might be obtained.
2. It might perhaps be possible to build up in this way a formidable pyramid of agricultural subsidies or price increases one upon the other, but, in the opinion of the Ministry of Agriculture, such a calculation would not only not approximate to the post-war position, but there is no reason to think that it would remotely resemble it.
3. We do not believe it possible to make any such estimate without first of all knowing the level of the prices at which competitive foodstuffs could be purchased abroad. In the same way the Board of Trade's statement that "a further large increase in costs will arise" from the proposal for maintaining agricultural employment is one with which this Ministry cannot agree without knowing whether industrial wages are to be raised or maintained at a level enabling industry in the post-war period to outbid agriculture in the labour market.
4. The financial costs of the policy must in the last resort depend on the difference in the nation's aggregate expenditure on food if the plan proposed were adopted, and its expenditure if it were not.
5. A substantial proportion of the agricultural output (about half) enjoys a sheltered market and includes milk, fresh eggs, potatoes, fresh vegetables and soft fruits. What will be the "cost" of producing these commodities under the plan proposed? These are mainly the protective foods and it may be decided as a matter of nutritional policy to sell one or more of these below cost of production. An expenditure of this kind would be an expenditure on a nation's health, a subsidy to consumers, not to agriculture. In any case, it would not be a cost to the community; it would merely be a re-distribution of incomes.
6. It is in regard to the unsheltered products that "costs" might be incurred. But even here we can predict with a good deal of confidence that on much of our more fertile land, equipped as it now is with modern machinery, a substantial proportion of the crops could be profitably grown at the prices likely to prevail after the war for the competitive products imported from abroad. The same would certainly be true of a proportion of our livestock products.
7. The costs of the plan come down, therefore, primarily to the costs incurred in order to maintain the volume of domestic production of these unsheltered products above this competitive

level. This we cannot estimate now, but in any case it would be a cost incurred not solely for agricultural reasons, but at least in part as a contribution towards the diminution of our adverse balance of payments.

8. The Board of Trade next criticises the prepared policy on the grounds that the memorandum proposes a drastic change in peace-time relations of the State with an important industry. They say that the change would consist in insulating prices, returns and the scale of the industry from the influence of supply and demand; that the movement of prices in the market would be replaced by "the Government", and that "directions" would be substituted for the pressure of competition as a means of securing efficient operation. They suggest that this would be dangerous; dangerous not only to agriculture but because other industries, attracted by its advantages would want the same system for themselves.

9. The chief danger to agriculture, they suggest, lies in rising costs (i.e. growing inefficiency), a danger against which, they say, "the powers of the County Agricultural Committees to direct and supersede farmers offer an inadequate safeguard". The Ministry of Agriculture's experience of the working of the County Agricultural Committees and the powers exercised through them is, however, very different from this. We believe that a great step forward in technical efficiency has taken place under their guidance - spectacular in some cases, and very considerable in many others - which is likely to result in agriculture emerging from the war with its intrinsic competitive power greatly strengthened.

10. The Board of Trade seem to have misunderstood our object. It is not to set up a pampered agriculture, protected from risk, secure in its profits, relieved of the need for individual initiative. It is rather to establish a system sufficiently stable to enable farmers to make their plans, to embark new capital, and to develop their enterprises with a reasonable degree of confidence in the future.

11. Surely the evils of unstable prices were sufficiently demonstrated in the decade before the war to need no argument now. Economic stability is a legitimate objective, towards which all productive industry aims no less than State policy itself. Many industries have achieved it to a high degree; it is no less desirable in agriculture, it is only more difficult to accomplish.

12. Even if something were lost of the spur of competition, surely the risks which the Board of Trade fear are not to be compared with the futile waste, disorganisation, financial losses, distress and bankruptcy which has been the experience of agriculture the world over.

13. We do not believe, therefore, that there is a net gain to agriculture or to the community in exposing it to the vicissitudes of a fluctuating and unregulated market. Nor do we believe that the efficiency of agriculture would be raised by allowing its prices to be governed solely by supply and demand in a free market, any more than the efficiency of the railways would be improved by abandoning their present system of fixed charges and allowing the price at which railway tickets are issued to be determined by the competitive demand at the booking office and the available seating accommodation in the train.

14. In the last paragraph of their memorandum the Board of Trade cast doubt on the efficiency of a varied system of mixed farming and say that "prima facie it would seem that mixed farming is liable to be higher cost farming than more specialised farming". What is the basis of this surprising statement? Prima facie one would have thought it was the other way round. The notorious technical risks of specialised crop production, the impoverishment of the soil and the diseases engendered in it by too frequent cropping with the same or similar crops, the diseases which beset specialised poultry and pig farming, the wasteful and expensive use of labour and equipment with a heavy peak-load at one period of the year and comparative idleness at another, the far greater risks in tying up the farm income with the prices of only one or two products, the disasters which have befallen vast specialised areas in the United States and Canada through the collapse in price of a single product, or the destruction by adverse weather or by disease of a single crop, the heavy sums now being spent by the United States Government to repair the damage caused by faulty specialisation in the past - all these things point to the opposite conclusion.

15. The farmer has always two problems before him in this regard, one technical and the other financial. On the one hand, he must so arrange the enterprises on the farm as to prevent deterioration in soil fertility. This has led, in all settled countries, first to the rotation of crops and then to the still further advance of mixed crop and livestock husbandry. On the other hand, he must so disperse his labour costs throughout the year as to secure as even a distribution of the labour effort as possible. All modern practice recognises this as a cardinal principle in farm management if waste of the most expensive item of costs is to be avoided. Hardly less important - he must spread his risks because of the effects of weather and disease; the greater the number of products whose sale off the farm make up the aggregate farm income the less the risk of financial loss.

16. With a system of mixed farming it is possible to take the maximum advantage of the varying geo-physical conditions which have in fact largely determined the distribution of farming types throughout this country. With the same system it is possible to exploit to the full the one product this country is by climate and rainfall pre-eminently suited to produce, namely grass. Very great progress has been made not only in the knowledge of the nutritive value of grass, but in the practice of grassland management. This is why ley farming or alternate husbandry has been put in the very forefront of the post-war plan set out in our memorandum.

17. Specialisation even under a system of fixed or controlled prices would still encounter the biological risks which mixed farming seeks to avoid; specialisation, coupled with a system of free and fluctuating markets such as the Board of Trade seems to prefer, would, in addition, encounter the financial risks which our proposals seek to avoid.

18. To diminish the wasteful risks in an industry which by its very nature is unavoidably risky must always be the aim of progressive farm management, no less than of progressive agricultural organisation.

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S E C R E T

U.S.E.(43) 2

COPY NO. 41

8TH JANUARY, 1943.

WAR CABINET

OFFICIAL COMMITTEE ON POST WAR EXTERNAL
ECONOMIC PROBLEMS AND ANGLO-AMERICAN
CO-OPERATION

INTERNATIONAL TRADE AGREEMENTS

Note by the Secretary

At a meeting on 26th June, 1942,
it was agreed that the Board of Trade
should prepare material for the
Committee on the regulation of inter-
national cartels. (Conclusion 6,
Minutes of 4th meeting (1942).) After
consultation with the Board of Trade
it was decided that the Reconstruction
Secretariat should ask Professor Macgregor
to write a preliminary report on the
subject in its wider aspects. A copy
of the report is attached for the
information of members of the Committee.

(Signed) A. BASTER.

4/5, Richmond Terrace, S.W.1.

8th January, 1943.

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S E C R E T

U.S.E.(42)31
(also I.E.P.(42)67)

COPY NO. 41

30TH DECEMBER, 1942

WAR CABINET

OFFICIAL COMMITTEE ON POST-WAR EXTERNAL ECONOMIC PROBLEMS
AND ANGLO-AMERICAN CO-OPERATION

POST-WAR AGRICULTURAL POLICY

Note by the Secretary

I circulate herewith a note by Sir Donald Fergusson on Amendments to the Memorandum on Post-War Agricultural Policy (I.E.P.(42) 40).

(Signed) A. BASTER

4/5, Richmond Terrace, S.W.1.

30TH DECEMBER, 1942.

NOTE BY SIR DONALD FERGUSSON ON AMENDMENTS TO
I.E.P.(42) 40

At the meeting of the Official Committee on Post-War Economic Problems on the 6th November [I.E.P.(42) 21st Meeting], at the suggestion of Sir Frederick Leith-Ross it was decided that certain amendments should be made to paragraph 60(iv) and (x) of the Memorandum on Post-War Agricultural Policy [I.E.P.(42) 40]

Sir Henry French has also suggested a re-draft of paragraph 2 to make it clear that there will be a transitional period after the end of hostilities during which it will be necessary to continue production of a war-time character.

The following revised paragraph 2 has been agreed with Sir Henry French:-

Para. 2

"The continuation of the present system of fixed prices and an assured market will involve as a corollary the retention of the present system of control over the use of agricultural land and over farming operations. When hostilities cease there is likely to be a transitional period the character of which it is impossible to predict, and for a time many features of the war situation may persist. During this period it may prove necessary to continue, in part at least, the present war-time programme of production. When, however, hostilities cease it would be impossible to maintain the present very drastic war-time system of direction and control which would be required for a continuance of war-time production, without announcing what long-term agricultural policy is going to be. Moreover, on the cessation of hostilities a number of urgent questions will arise in connection with the programme during the transitional period, e.g. when and at what rate and to what extent and by what means the war-time acreage of wheat is to be reduced, the answers to which will depend upon long-term policy."

The following amendments to paragraph 60 have been agreed with Sir Frederick Leith-Ross, Sir Wilfrid Eady and Mr. Liesching:-

Para. 60

"(iv) Economic stability could best be secured as regards staple products either (a) by a continuation of the Ministry of Food or by Import Boards arranging for the wholesale purchase of food and exercising some degree of control over internal distribution; or (b) by a system under which the necessary guaranteed prices and guaranteed market for the desired level of home production would be secured by subsidies supported by such regulation of imports, levies on imports or tariffs as may be necessary and consistent with post-war international arrangements or by some combination of these various methods."

"(x) Increased efficiency in marketing, processing and distribution is required to supplement increased efficiency in production. Economic stability should be linked with marketing reform and efficiency."

30th December, 1942.

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S E C R E T

COPY NO. 44

U.S.E.(42)33

(Also I.E.P.(42)71)

WAR CABINET

OFFICIAL COMMITTEE ON POST-WAR
EXTERNAL ECONOMIC PROBLEMS AND
ANGLO-AMERICAN CO-OPERATION

POST-WAR AGRICULTURAL POLICY

Note by the Secretary

By direction of the Chairman
I circulate herewith a list of
amendments, suggested by
representatives of the Ministry of
Food, to the draft covering note
(I.E.P.(42)69) for the memorandum
on "Post-War Agricultural Policy".

This paper will be considered
in addition to I.E.P.(42)67 and
I.E.P.(42)69 under Item 1 of the
Agenda for Friday's meeting of the
I.E.P. Committee.

(Signed) A. BASTER.

4/5 Richmond Terrace, S.W.1.
31st December, 1942.

DRAFT COVERING NOTE FOR MEMORANDUM ON
POST-WAR AGRICULTURAL POLICY.

Amendments suggested by Representatives of the Ministry
of Food.

1. Para. 1. Line 6. After "represent" delete remainder of paragraph and insert "a basis on which representatives of the Agricultural Departments should be authorised (a) to proceed to informal, non-committal conversations with the industry and (b) to prepare more detailed proposals for giving effect to the general policy set out in the Memorandum."
2. Para. 3. Line 6. Delete "Whichever method is adopted" and substitute "Whatever methods of assistance are adopted (and it may well be found desirable in practice to use different methods for different branches of the agricultural industry or different commodities)..."
3. Para. 3. Line 9. After the word "distribution" add "and thus to protect the interests of the consumer and the tax-payer."
4. Para. 3. Line 10. Delete "Moreover".
5. Para. 3. At the end, after "advocated for agriculture", add:-

"It must be borne in mind that such assistance to agriculture, necessary as it is recognised to be, entails some inescapable economic costs which would be immensely increased if it led to a broadening wave of "Government intervention" in other industries, interposing further obstructions to desirable economic adjustments. This entails special consideration of the form in which agricultural assistance is to be given. In fact from a national economic standpoint the form of the assistance may be fully as important as the amount.

"4. The financial cost of any proposals for assisting agriculture is not necessarily a true measure of their real cost which it is impossible to assess in figures. Nevertheless it has been thought useful to attempt a measure of the prospective financial cost of the proposals set out in the Memorandum of the Agricultural Departments. This question has been referred to a small Committee of the relevant Departments but the discussions on this difficult point have not reached a definite stage."

(The object of the last part of the above suggested amendment is to bring together in the Note the whole of the comments on the internal aspects of the proposals before embarking on the external aspects. If the above suggestion is adopted, para. 6 of the Draft Note will of course have to be deleted.)

6. Para. 4. P.2., Line 4. After the words "regulating imports" delete next sentence and insert:-

" , which might be construed as conflicting with our undertakings under the Atlantic Charter and the Mutual Aid Agreement. Moreover, if our Government, or any quasi-Government organ, became responsible for such bulk purchases over a long period, it would carry further the trend already observed before the war, under which there was a tendency for the operations of international trade to be raised to the level of inter-Governmental transactions. Thus it would tend still further to bring political issues into what otherwise would be commercial bargains."

7. Para. 4. Delete last sentence.
8. Para. 5. Line 7. Delete "levels" and substitute "relations".
9. Para. 5. Last sentence might begin: "For this reason also we suggest"

31st December, 1942.

S E C R E T

U.S.E.(42) 32
(Also I.E.P.(42) 69)

COPY NO. 41

30TH DECEMBER, 1942

WAR CABINET

OFFICIAL COMMITTEE ON POST-WAR
EXTERNAL ECONOMIC PROBLEMS AND ANGLO-
AMERICAN CO-OPERATION

POST-WAR AGRICULTURAL POLICY

Note by the Secretary

By direction of the Chairman I
circulate herewith a draft note
prepared in accordance with Conclusion
3 of the Minutes of I.E.P.(42)
21st Meeting.

(Signed) A. BASTER.

Secretary.

4, Richmond Terrace, S.W.1.,

30TH DECEMBER, 1942.

DRAFT COVERING NOTE FOR MEMORANDUM ON
POST-WAR AGRICULTURAL POLICY.

1. The Committee are in agreement that in the light of the Government statement of 26th November, 1940, and the principles provisionally laid down at a meeting of the two Agricultural Ministers, the Chancellor of the Exchequer and the Paymaster-General, the proposals in the attached Memorandum of the Agricultural Departments represent a reasonable provisional basis for implementing the Government's policy.

2. In putting these proposals into practice it will be important to choose the methods best calculated to avoid as far as possible the difficulties arising from the special and preferential treatment which it has been decided to apply to agriculture and to take fully into account the implications of the proposals in the international sphere.

3. The provisions of the Memorandum relating to the internal economic stability of the industry do not necessarily involve the unsatisfactory pre-war system of regulated marketing and imports, but rather emphasize the advantages of the alternative of bulk purchase and price-fixing for the main agricultural products. Whichever method is adopted, it will be essential, in default of the competitive pressure which would apply under freer conditions, to provide adequate safeguards for maximum efficiency in production and distribution. Moreover the provision of a supply of the staple foods (including protective foods) for all at a reasonable price must surely remain a prime object of policy, with which schemes of special assistance to agriculture ought not to conflict. The adjustment of the claims of the consumer with the necessities of a scheme for assistance to agriculture ought to be pursued in a way which does not expose the Government to claims from other industries to the insulation by State action of their costs and prices from the general impact of economic change and to preferential treatment on lines similar to those now advocated for agriculture.

4. In the international field it is difficult to draw an accurate picture of the implications of the scheme without more precise knowledge than is now available to us of the probable post-war position of British agriculture vis-a-vis its principal foreign competitors. But whatever this may turn

out to be, it cannot be denied that parts of the scheme are liable to have undesirable repercussions abroad. The bulk purchase of food imports may be viewed abroad as a disguised and discriminatory system of regulating imports. If our Government became officially responsible for such bulk purchases over a long period, it seems probable that the Governments of the Dominions and other overseas exporting countries would make themselves responsible for exports and export prices, thus raising the ordinary operations of international trade to the level of inter-governmental transactions and bringing political issues into what otherwise would be commercial bargains. The proposal in the Memorandum to maintain a given volume of production of crops and livestock in this country and to give it whatever consequential degree of protection might be necessary, has the drawback of introducing an undesirable element of rigidity into commercial negotiations between this and other Governments and weakening our bargaining position.

5. Though these arguments would have considerable weight in shaping the first reactions abroad to the proposals in the Memorandum, their real force in practice would depend much on the probable terms of international trade between agricultural products and manufactured goods in the post-war period, and there is not sufficient ground at present for inferring a change one way or the other from pre-war levels. More important from the point of view of how best to deal with these proposals now, is the consideration that while it is necessary that we should formulate the main principles of agricultural policy as clearly as possible and as early as possible in our own minds, it is desirable to avoid any definite commitments before the conversations with the United States Government take place under Article VII of the Mutual Aid Agreement. No doubt a number of points will be thrown up in the course of these conversations which will have to be taken into account before post-war agricultural policy can be framed with any exactness. It is for this reason that we suggest that the proposals in the Memorandum must be regarded as provisional.

6. The question of the possibility of estimating the cost of the proposals has been referred to a small committee of the relevant Departments but the discussions on this difficult point have not yet reached a definitive stage.

4 Richmond Terrace, S.W.1.
30th December, 1942.

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S E C R E T

U S E (42) 29

22ND DECEMBER, 1942.

COPY NO. 41

WAR CABINET

OFFICIAL COMMITTEE ON POST-WAR EXTERNAL ECONOMIC PROBLEMS
AND ANGLO-AMERICAN CO-OPERATION.

POST-WAR AGRICULTURAL POLICY

Note by the Secretary

I circulate herewith a note by Sir Donald Fergusson on
Amendments to the Memorandum on Post-War Agricultural Policy
(I.E.P.(42) 40).

4/5, Richmond Terrace, S.W.1.

(Signed) A. BASTER.

21st December, 1942.

NOTE BY SIR DONALD FERGUSSON ON AMENDMENTS TO
I.E.P.(42) 40.

At the meeting of the Official Committee on Post-War
Economic Problems on the 6th November [I.E.P.(42) 21st Meeting],
at the suggestion of Sir Frederick Leith-Ross it was decided
that certain amendments should be made to paragraph 60 (iv) and
(x) of the Memorandum on Post-War Agricultural Policy [I.E.P.
(42) 40].

Sir Henry French has also suggested a re-draft of paragraph 2 to make it clear that there will be a transitional period after the end of hostilities during which it will be necessary to continue production of a war-time character.

The following revised paragraph 2 has been agreed with Sir Henry French:-

Para. 2

"The continuation of the present system of fixed prices and an assured market will involve as a corollary the retention of the present system of control over the use of agricultural land and over farming operations. When hostilities cease there is likely to be a transitional period the character of which it is impossible to predict, and for a time many features of the war situation may persist. During this period it may prove necessary to continue, in part at least, the present war-time programme of production. When, however, hostilities cease it would be impossible to maintain the present very drastic war-time system of direction and control which would be required for a continuance of war-time production, without announcing what long-term agricultural policy is going to be. Moreover, on the cessation of hostilities a number of urgent questions will arise in connection with the programme during the transitional period, e.g. when and at what rate and to what extent and by what means the war-time acreage of wheat is to be reduced, the answers to which will depend upon long-term policy."

The following amendments to paragraph 60 have been agreed with Sir Frederick Leith-Ross, Sir Wilfrid Eady and Mr. Liesching:-

Para. 60

"(iv) Economic stability could best be secured as regards staple products either (a) by a continuation of the Ministry of Food or by Import Boards arranging for the wholesale purchase of food and exercising some degree of control over internal distribution; or (b) by a system under which the necessary guaranteed prices and guaranteed market for the desired level of home production would be secured by subsidies supported by such regulation of imports, levies on imports or tariffs as may be necessary and consistent with post-war international arrangements or by some combination of these various methods."

"(x) Increased efficiency in marketing, processing and distribution is required to supplement increased efficiency in production. Economic stability should be linked with marketing reform and efficiency."

21st December, 1942.

S E C R E T

U.S.E.(42) 7th Meeting

COPY NO. 22

19TH OCTOBER, 1942.

WAR CABINET

OFFICIAL COMMITTEE ON POST-WAR EXTERNAL ECONOMIC PROBLEMS
AND ANGLO-AMERICAN CO-OPERATION

POST-WAR AGRICULTURE

Note by the Secretary.

According to the Minutes of the last meeting of the Official Committee on Post-War Internal Economic Problems on Friday, October 16th, when there was a discussion of post-war agricultural policy, it was agreed:-

"That the discussion should be continued at a further meeting in the same place on Friday, October 23rd, at 11 a.m., to which Departments represented on the U.S.E. Committee but not represented on I.E.P. should be invited."

Members of the U.S.E. Committee not represented on the I.E.P. Committee are invited by the Chairman to be present at the meeting in the Conference Room, Richmond Terrace, on October 23rd. Document I.E.P.(42) 40 and the Minutes of the last meeting of the I.E.P. Committee on October 16th are attached to this note where appropriate.

(Signed) A. BASTER.

4/5, Richmond Terrace, S.W.1.

20th October, 1942.

S E C R E T

E.E.P.(42) 20th Meeting

COPY NO. 80

WAR CABINET

OFFICIAL COMMITTEE ON POST-WAR INTERNAL
ECONOMIC PROBLEMS

DRAFT MINUTES of a Meeting of the Committee
held in the Conference Room, Office of the
Paymaster-General, Richmond Terrace, S.W.1.,
on Friday, 16th October, 1942, at 11 a.m.

P R E S E N T

Sir Alfred Hurst,
Reconstruction Secretariat.
(In the Chair)

Sir Donald Fergusson,
Ministry of Agriculture
and Fisheries.

Sir Alan Barlow,
Treasury.

Sir Horace Hamilton,
Scottish Office

Sir Wilfrid Eady,
Treasury.

Sir Geoffrey Whiskard,
Ministry of Works
and Planning.

Sir Frederick Leggett,
Ministry of Labour and
National Service.

Sir Arnold Overton,
Board of Trade.

Sir Henry French,
Ministry of Food.

Mr. H. H. George,
Ministry of Health.

THE FOLLOWING WERE ALSO PRESENT

Sir Charles Innes,
Board of Trade.

Sir Patrick Laird,
Department of Agriculture
for Scotland.

Mr. J.J.W. Handford,
Scottish Office.

Sir Lindaay Scott,
Ministry of Aircraft
Production.

Mr. G. L. Watkinson,
Board of Trade.

Mr. Henry Clay,
Board of Trade.

Professor Robbins,
Economic Section, Offices
of the War Cabinet.

Mr. W. F. Crick,
Ministry of Food.

Professor D. H. Robertson,
Treasury.

Mr. L.G.F. Freer,
Northern Ireland Government.

Mr. R. Hughes,
Admiralty.

Mr. D.A.E. Harkness,
Ministry of Agriculture
(Northern Ireland).

Mr. B. W. Gilbert,
Treasury.

Mr. A. Baster Secretary.

ITEM 1 OF AGENDA:
SECOND INTERIM
REPORT
(I.E.P.(42) 56).

The Committee accepted some detailed amendments of Paragraph 50 of I.E.P.(42) 56 and AGREED:-

1. That the revised document should be presented to the Reconstruction Problems Committee as soon as possible.

ITEM 2 OF AGENDA:
POST-WAR AGRICUL-
TURAL POLICY
(I.E.P.(42) 40,
I.E.P.(42) 50 and
I.E.P.(42) 58).

THE CHAIRMAN stated, in reference to I.E.P.(42) 40, that while the Ministry of Agriculture and Fisheries would no doubt meet the Committee's wishes in minor amendments to their document, he thought that amendments which were inconsistent with the broad plan of I.E.P.(42) 40 should take the form of a separate document for which the Committee would assume responsibility. The Chairman also suggested that, in view of the international implications of the policy proposed, it would be useful to have a joint meeting of the I.E.P. and U.S.E. Committees.

SIR DONALD FERGUSSON said that I.E.P.(42)40 was intended only as an outline and took account of political as well as economic factors. The reference to Ministers in Paragraph 3 was to a meeting between the two Agricultural Ministers, the Chancellor of the Exchequer and the Paymaster-General, at which the principles mentioned in Sections (i) and (ii) of that paragraph were accepted. These principles would make the best use of our natural advantages in agriculture, particularly in the production of grass. SIR PATRICK LAIRD said that the proposals would lead to more efficient farm management. MR. HARKNESS pointed out that the proposed increase in arable acreage would be partly in short-term leys. SIR ARNOLD OVERTON said that the case for the special treatment of agriculture was granted. The question was what was the appropriate method of applying it. Was there not some method which would afford assistance to farmers and at the same time safeguard efficiency? If the method of price guarantees were adopted, would it be an easy matter to reduce prices after the War to a level compatible with farming efficiency? SIR DONALD FERGUSSON said that price guarantees at a low level might well be supplemented by assistance to farmers to reduce costs. SIR ARNOLD OVERTON asked if it would not be possible to justify a high level of agricultural wages after the War by an extensive mechanisation of farming operations. Were such costly expedients as the proposed increase in livestock-keeping necessary to turn "specialised" farms into "mixed" farms? In the case of cereal production there was some evidence that artificial fertilisers were adequate. SIR HENRY FRENCH referred to the troublesome consequences of adopting purely arithmetical objectives like increases in acreage which might not necessarily be exactly fulfilled if the proper policy were

adopted. The Ministry of Food supported the general policy advocated but pressed for more work on the methods of administering it. On the question of the bulk buying of imports, experience showed that this might produce international difficulties, the result of one government becoming the importer being that another government became an exporter and the transactions tended to be settled at the highest political levels. Should there not be some estimate of the cost of these proposals? SIR ALAN BARLOW said that the principles in Paragraph 3 did not specify quantities. He agreed that there should be an estimate of cost. SIR HENRY FRENCH said that no arrangements should be made which would have the effect of raising the prices of protective foods in order to subsidise other farm products.

After discussion IT WAS AGREED:-

2. That there should be consultations between the two Agricultural Departments, the Treasury, the Ministry of Food, the Economic Section and the Central Statistical Office, with a view to arriving at an estimate of the probable total cost (including budgetary cost) of the proposals in I.E.P.(42) 40.
3. That the discussion should be continued at a further meeting in the same place on Friday, October 23rd, at 11 a.m., to which Departments represented on the U.S.E. Committee but not represented on I.E.P. should be invited.

4/5, Richmond Terrace, S.W.1.

20th October, 1942.

NEXT
MEETING