

War Cabinet Offices

2.11.43

2... Mr. Coulson

This is the draft, to which I referred over the telephone, which I was hoping to put our foot to stencils for Mr. Ronald. But they plead that they are completely full up to-day.

I apologize for its condition

J3 - Y

R.F.H.

P.S. I should be very grateful if I could have 4 or 5 copies of this when you have run it off.

Instructions.

The main text is to be on S.R. paper.

But paragraphs 4 and 5 of this text should incorporate paragraphs 6 and 7 of a memo entitled "other draft."

And at the end paragraph 10 of new text should include paragraph 14 of "other draft" from (i) to end of that paragraph.

And paragraphs 15-24 of the "other draft" should come in as paragraphs 11-20 of ^{main} ~~new~~ text

35 C

1/ Fleming

Secret.

The American Initiative

1. Two very serious dangers may be foreseen in connexion with the forthcoming food conference, namely,

- (a) that we may be led into the discussion of the terms of trade in foodstuffs, including prices and quotas (on the lines of the Wheat Agreement), in circumstances unfavourable to us owing to the absence of substantial representation of importing countries (and possibly also owing to the exclusion of metals such as the tin in which we may ^{also} have a bargaining advantage); or
- (b) in our endeavour to avoid commitments under (a), that we may seem to the Americans to be stonewalling their first big essay in long-range planning, and that this may strengthen the hand of their isolationists while making the collaborationists think of us as a power to be circumvented rather than consulted, whenever possible.

2. It is the purpose of these notes to ^{summarize the line of policy on which} ~~suggest an alternative~~ ^{should be adopted} of policy for our delegates, which has the double advantage (i) that it arises logically out of the terms of reference and could be justified as eminently public-spirited and humane although not impractical, and (ii) that, if well-handled, it ^{may} ~~should~~ yield us substantial advantage.

3. With reference to 1(b) it may be useful to take stock of our position in regard to long-range planning both to see if, in the event of this initiative proving abortive, there are other subjects on which we could regain face and retrieve the disappointment, and also to gauge how far the Americans regard this conference as of central importance for long-range planning.

6 of other draft
2 of other draft
4. 26 of my original draft (The Clearing Union).

5. 27 of my original draft (Commercial question).

6. Apart from these two questions, the only other subjects of equal range are (a) the industrialization of relatively backward countries and (b) international investment generally. There is danger that (b) would in practice bring (a) rather prominently forward. A food conference, on the other hand, if well handled, ought to reach the conclusion that there is great scope for beneficial international investment in food production, not only in improving methods but also in bringing in new land and restoring land that has been desiccated. This, though we need not point the moral, would automatically reduce the volume of capital available for forms of industrialization likely to be injurious to us.

7. It appears to follow from this that we ought to try to make a success of the food conference on the right lines, since failure might drive us onto topics which are either premature or dangerous. The idea of making the conference a success is inconsistent with the idea of confining it to generalities or mere preliminaries. This is not to say that it should be allowed to branch out into more general topics (exchanges, trade etc.) nor that the conference

can reach final conclusions. It is bound to adjourn while committees make the necessary quantitative estimates to give content and significance to the various proposals. But it ~~ought to~~ ^{would be} achieve some tangible results pointing to definite types of international action, so that the hunger of Americans and others for something to bite upon should be temporarily assuaged. To get no further than propositions such as that it would be desirable for people to be better fed and that governments should be urged to raise standards of living, would bring the American initiative to ridicule.

desirable
that it
should

8. A survey of alternatives also suggests that the President may have deliberately chosen this topic as the best way of taking the plunge into long-range planning. There is no doubt a difference of mental habit between ourselves and the Americans. We should be more inclined first to discuss in abstract terms the general principles which should govern international investment. They seem disposed to go straight to concrete instances - food, materials, transport etc. But, of course, one can always introduce the general principles as and when they are relevant. One should reach the same result in either way; the method of approach is a question of taste, an academic question, about which we can defer to the Americans, as it seems we must, without any cost save that of mental vexation. What they will certainly not appreciate is the idea that, because the subject is a concrete one, it is not fundamental and central and can be brushed rather lightly aside, and made to wait upon the settlement of certain abstract questions. While a concrete subject is dangerous because of the likely appearance of sinister interests - and against these we must naturally be most vigilant - if we treat it as a red herring or irrelevance, the Americans will misjudge us and regard our attitude as a symptom of congenital obstructiveness - with very bad effects on all future collaboration. After all this is their first attempt, and it is only human that they should want it to be a success.

9. But to safeguard ourselves and minimise the danger of sinister interests, we are surely entitled to urge - and this, if done, must clearly be done quickly - that the majority of delegates should not have a professional interest in food questions, e.g. by their attachment to agricultural departments or institutions, but should be competent to consider the effect of various measures on the world economic system as a whole. The minority of food experts should be sufficient to keep the conference informed on technical questions. If the conference is conceived, as it should be, as one in a chain whose combined findings will secure redress from the economic maladjustments from which the world was suffering in 1918-39, it is essential that the majority should be concerned with broad economic and social issues, and not, consciously or unconsciously, grinding the axe of any particular foodstuff or group of foodstuffs.

10. What then should our policy be? First it may be well to set out certain fundamental points of self interest that we should have at the back of our minds to inform and guide decisions on the various points that may arise:-

10. (cont.)

See ^{o/ter} ~~original~~ draft⁺ 14, (i) (ii) and (iii) together with separate sentence at end to conclude.

^{o/ter}
+ 15 - 24 of ~~old~~ draft, as they are amended, will make 11 - 20 of ~~new~~ *this draft*.

"O'Ru" draft

SECRET

THE AMERICAN INITIATIVE

1. The following notes concern the decisions which have to be taken in response to the recent American initiative. In order to condense I have had to over-simplify; (for instance "undeveloped" country is a vague expression covering a wide variety of types, each with special problems and requiring different treatment;) and, because the point of view expressed is rather different from that which has appeared to prevail recently, I may have been guilty of over-statement in places.

2. It is clear that we still ought to strive all we can to come to prior bilateral understandings with the United States on essential points. I am afraid that we have let opportunities slip (i) by our many months' delay in signing "consideration" and (ii) because we did not - I am subject to correction - ask in the most formal and urgent way to have bilateral talks under Article VII as soon as we had doubts in mid-1942 whether the Americans intended to proceed in this way. It is no good behaving now as though much water had not meanwhile passed under the bridge. We can no longer avert an early gathering of the larger group. Our best chance of making good use of fleeting opportunities to "get together" with the United States is to have and urge (by informal means) positive views on the subjects they want to talk about. (Of what our views should be, see below). I emphasise the "they". We are naturally much pre-occupied with our own difficulties, of which the Americans have already heard much and, in my judgement, for the time being quite enough. Our difficulties cannot be their sole interest in post-war planning. And if we show no signs of constructiveness in the broader field (save for our excellent initiative on currency, of which they have shown their appreciation by drafting an alternative very similar to it - but from their point of view this currency question is only a small part of the whole field to be covered), we cannot expect them to think that much is to be gained by having elaborate preliminary pour-parlers with us.

3. If we think it vexatious of them to throw the discussions open, we no doubt balance our judgement by remembering that American public opinion would probably not approve of far-reaching bilateral discussions, and that if these are carried beyond a very informal stage, the fact that they are taking place cannot be kept secret. Probably the kind of informal discussion which has in fact occurred on the Clearing Union is the most they can afford to allow, and, if we had put forward constructive proposals on other topics, they would have given them as favorable consideration as they gave the Clearing Union - and still will. They may infer - and they would not be far off the mark if they did - from our silence on other matters that we have nothing very constructive to urge. It is clearly not for them to go against their public opinion, exposed as they are to cross examination later, and take a formal initiative in inviting us to make proposals.

4. Now they have taken an initiative of their own on what is clearly a fundamental subject - Food. The only other subjects of equal range that I can think of on which they might have proposed to open international discussions, are the industrialization of undeveloped countries or international investment. It is only too likely that the latter would have proved in effect to be tantamount to the former. It therefore seems to me that the subject proposed is the most advantageous from our point of view that they could have chosen. If properly handled the Food Conference ought to

insist that the scope for international investment in additional food production is very great indeed. And, although we need not point the moral, the effect would be that much less international capital would be available for industrialisation that is likely to be harmful to us.

5. I submit for consideration that there are no topics other than those mentioned in the last paragraph, on which they could suitably open international discussions. What are the other possibilities?

6. (E) There is the Clearing Union type of subject. Now in this it seems to me that we have made excellent progress and are on very good ground. Only a year ago people here were saying that the Clearing Union scheme was so Utopian that it was almost embarrassing to put it forward. But now the Americans have circulated a similar scheme to the United Nations, which, as I argued in a letter to Lord Keynes on 2nd March, is more favourable to us than our own scheme, and about which the only thing that can be said in derogation is that the Americans cannot really mean it. Now it is true that these are only floating schemes; But having made such good progress it may be wise not to press too hard for a final decision at once. Meanwhile we are in an excellent position. We can attach as a reservation to all conclusions on other topics that our agreement is subject to the adoption of some scheme for international payments that is not less favorable to our interests (or, if we like to put it, not less favorable to potentially debit countries) than either our scheme or the American scheme as circulated. That cannot be represented as unfair to the Americans and it puts us in clover. ~~It seems to me that we make the ultimate adoption of one or other of the schemes or some alternative more probable, if we now go forward and make our agreement to various matters to which the Americans may attach importance dependent on such adoption, rather than if we press for an outright adoption now. The Americans may think, probably rightly, that a Clearing Union type of scheme, if presented in isolation to Congress, would be unpalatable, and are looking about for some jam to present with it. So I do not think perhaps we need regret that another topic is taken before the currency question for international discussion. Furthermore the President, whose political judgement cannot be altogether despised, may well have felt that the rarified and technical question of foreign exchanges was not the best topic on which to open international discussions. Surely he was right?~~ confine the opening

7. (E) There is the commercial question. ~~I cannot think that we should welcome a Presidential initiative on this topic as a first item. We have put together a scheme, in which every section has been carefully drafted, quite properly, to suit our particular interests. Some whittling down therefore in international discussion would be inevitable. Yet even on the merits of this scheme so drafted it is by no means clear that we are in agreement ourselves. Is this, then, a subject to which we wish to give priority? But even supposing that our own position were much happier, there is a broad argument against putting forward proposals for greater freedom of trade as the first item on the agenda for~~

international co-operation. What the nations will want to know is what positive measures it is proposed to take by way of international co-operation to secure better world demand and fuller employment. That is where we hope to improve on the procedure of Geneva. If we ~~come forward now and told~~ the United Nations that our first and foremost proposal for increasing world prosperity ~~is~~ Free Trade, they would be ~~will be sick to death~~. This is not to belittle the importance of Free Trade or to imply that it is not **eminently** to be desired. But surely the correct procedure - and this is implied in the order of wording of Article VII - is to plan positive measures for raising production, consumption and employment in the world as a whole and then to proceed to the question of reducing barriers. With "full employment" the resistance to tariff reduction will be far less; ~~indeed~~ the tariffs may drop like ripe fruit. Also the tariff question will be much easier when we are in a position to give the nations some good news about security.

8. I infer that there is no topic on which we should have preferred the President to open proceedings rather than on Food.

9. I infer, again, that it is now our duty to make this conference a tremendous success, first because only **by showing great energy** shall we be able to guide proceedings on lines advantageous to ourselves - and this opening has very great potentialities of advantage for us - and secondly because the future of Anglo-American co-operation in many fields depends on this. I take the second point first.

10. This is the first large scale essay by the Americans, and it is obvious that they will want to make a success of it. If we put difficulties in the way and manouvre so that it peters out in pious generalities, this will be regarded as a conspicuously unfriendly act. It has been suggested that the President made this initiative in a fit of absent-mindedness or because he was rushed into it. Even if this were true, he will hope that his impetuosity will be vindicated by a successful upshot. But I cannot believe in its truth. If we on our side are bound to conclude, as I submit we are, that there is no topic on which we should have preferred the Americans to make an initiative, is it not possible that the President reached the same conclusion, perhaps by different mental processes, and chose Food quite deliberately as the best topic? It has also been suggested that this initiative may not have the full backing of the State Department but represents the enthusiasms of certain other departments. It may be in our interest to work closely with the State Department. But we shall not improve our relations with the State Department by making the conference a flop - that would merely play into the hands of isolationists - but rather by steering it to the best of our power on sound lines and safeguarding it from the impracticabilities of heady idealists. If we comfort ourselves in this way we may expect a helping hand from the State Department.

11. But there is an even greater danger than that we may be thought unfriendly. It is that we shall be thought mentally and temperamentally incapable of constructive endeavour. I do not say this in an unpatriotic vein because no doubt this unfavourable judgement would be based on a misunderstanding of our mental processes. There is great danger that instead of thinking of us as useful and helpful co-partners in matters where we have a common interest, they may form a habit of asking themselves how they can side-track our congenital tendency to obstruction, and get **things** across with the minimum of consultation with us. That would not be good for our future co-operation. After all, what is wrong with Food? It is clearly more fundamental than transport, housing or social security

which may in turn come up. If we endeavour to block matters in the case of food, they will argue, why should we do better on anything else?

There is clearly a difference of mental habit between us and the Americans. We should be inclined to discuss in abstract terms the general principles which are to govern international investment. They seem disposed to go straight to the concrete instances - food, materials, transport etc. But, of course, we can always bring in our general principles as and when they are relevant. One should reach the same result in the end either way, and the method of approach is a question of taste, an academic question, about which we can defer to the Americans, as it seems we must, without any cost save that of mental vexation. But what we have to recognise is that this initiative on food represents just as fully a plunge into the heart of long-range problems as if they had proposed a conference on the methods of international investment. And any unwillingness by us to play on this round - as represented for instance by an attempt to confine the conference to generalities - will be interpreted as symptomatic. They will not be able to comprehend the view that this food question is any less fundamental and central in long-range planning than the topics which we might regard as fundamental such as the theory of foreign investment.

12. The idea of making the conference a success, as in my judgment it is imperative to do, is inconsistent with the idea of confining it to generalities or merely preliminaries. Of course final conclusions cannot be reached. The conference is bound to adjourn while the expert Committees prepare quantitative estimates which are necessary to give content and significance to the final conclusions. But it ought to be possible at the coming meeting to map out the broad lines of the conclusions. These broad lines should comprise certain specific and novel types of action requiring international collaboration (see below). To end merely on the note that it would be desirable for certain peoples to be better fed and that Governments are urged to endeavour to raise the standards of their peoples would be to bring the American initiative to ridicule.

13. To safeguard our interests, I think we are entitled and ought to urge two points:-

- (i) Time is needed to prepare our case. We cannot make this excessive without seeming to sabotage. Late in 1941 I urged that it would be greatly to our advantage to work out our own views on the subject of nutritional standards. I cannot now feel that I was wrong. I have always thought that nutrition was a subject which it would be to our advantage to have taken early.
- (ii) I think we should put the point at once that the Conference should be so constituted that only a minority of delegates were connected with food interests, whether by their pre-war profession or their attachment to agricultural departments or institutions. This minority would be sufficient to keep the Conference informed on all technical expert questions. But if the Conference is conceived, as it should be, as the first in a chain whose combined findings will secure redress for the economic maladjustments from which the world was

suffering in 1918-1939, it is essential that the majority should be primarily concerned with the broad economic issues, and not, consciously or unconsciously, by grinding the axe of a particular foodstuff or group of foodstuffs.

14. What should our policy be? I am not concerned for the moment with the way it is to be dressed, but only with the nerve of our own thinking about it. I begin with certain very general points:-

All this to be incorporated in new draft from here to end of 24.

- (i) It is in our interest as an importer that food production in the world should be encouraged and increased. The more food there is the cheaper we are likely to get it, whatever the manoeuvres of producers.
- (ii) It is in our interest that more people in the less developed countries should find food production profitable. Otherwise the tempo of industrialisation in those countries will be increased.
- (iii) It is in our interest that as much foreign investment as possible should go to improving methods of producing food (and raw materials). The more that goes that way the less there will be to spare for industrialisation. The alternative that it should not go at all is not to our advantage, since, if countries tending to favourable balances (and nothing we can devise will stop this so tending) do not invest the balance abroad, the rest of the world is plunged into deflation and protectionism, both of which are unfavourable to us.

If we have these three ideas firmly in mind, we may work things round to our advantage at a Nutrition Conference in a way that we could under no other title.

15. ~~The following is the skeleton of policy which we should strive to make to come a little nearer to our policy as it would be stated:-~~
~~the conference accept:-~~

- (i) We want first to establish dietetic deficiencies on a scientific basis, and to compare these in quantitative terms with the food output potential of the world as it is at present organised. We make a preliminary case that there is a big deficiency. The details of this would be worked out by an expert Committee after adjournment of the Conference.
- (ii) It is presumably not a sound policy to make charity the basis of a long-range economic plan. Now the populations seriously deficient in nutrition are so because of their low productivity. Therefore if their condition is to be improved otherwise than by perpetual charity this can only be done by increasing their efficiency. (Charity is of course not ruled out as an exceptional post-war measure and on special occasions from time to time, e.g. in the event of an exceptionally bad crop in a certain region). Efficiency can be increased by instruction and capitalization.
- (iii) Now the essential point is that the fact of a deficient global world supply of food, particularly protective food, must be married to the fact that

the position of the peoples suffering most from deficiency can only be improved if their efficiency is raised. It is mainly their higher efficiency which must fill the gap. (I think this point is implicit in MacDougall's memorandum; it would be for our delegates to lay the greatest possible stress upon it).

(iv) The new feature in the situation is that we hope by our international machinery to canalize the surplus savings of rich countries and make them available at low interest rates for improving agriculture in the backward countries. We should not think of this merely in terms of changing the crops and methods, but also of bringing new land under cultivation and reclaiming land that has been spoilt. I understand that big money could be used profitably in reclamation, re-forestation to restore humidity, and irrigation. From our point of view the bigger the money the better. If this principle is agreed on at the first session, an expert committee should be set up to make the quantitative estimates.

(v) And who is to provide this capital? Here, I think, if it worked this out in detail, the conference would be going beyond its proper terms of reference. But it would be safe and indeed desirable for the conference (which should always have its eye on broader economic problems) to affirm that the capital should be raised not in specified and pre-arranged proportions from the different countries, but, through the agency of an international institution working on agreed general principles, from whatever various and changing countries proved from time to time to have an export surplus and a volume of surplus saving redundant to their internal needs. The provenance of the funds might thus well change from year to year accordingly to the working of the trade cycle and other circumstances. Power to vary the provenance in raising funds and adjust it so as to secure equilibrium is just as important in the mechanism for curing depression, as the maintenance of sufficient capital outlay. It is most important that this principle should be recognised as soon as possible and there would be no harm whatever in its emanating from the Food Conference. Preparing plans for an institution to deal with raising capital would of course be the business of a different conference.

12
16. Next I want to pick out the ideas on which we should lay constant stress:-

(1) Nutrition. This is a trump card in the argument which we should prize highly. We should emphasise the objectivity of scientific opinion on this subject. It is by that method that we establish that, whatever may be the case with one or two special crops, food production in the world as a whole is inadequate. This does not mean that we should aim at sufficiency in the near future. That would be a hopelessly impracticable piece of idealism. But we should

necessary to

establish a reasonable target such as an approach to sufficiency at the rate of 5% per annum. Some may feel incomplete confidence in the scientific criteria and believe that some of the scientists' findings are a little cranky. *But is it necessary to?* Never mind! Do not let us be so very particular? The Americans seem to have a taste for this form of crankiness, and that is a great asset to us which we should not fail to exploit. *These ideas have clearly been prominent in the minds of "science". An attitude of suspicion at this point would be quite our business.*

(ii) We want to get the whole emphasis of the conference on more PRODUCTION of food; and particularly on increasing production in ways that will enable backward peoples to finance their own higher standards.

(iii) We ought to lay great stress on the principle of conservation and reclamation of land. I understand that there are large areas of the world's surface which have been spoilt by faulty treatment. The Americans have their domestic experience of this. This is the great opening for big money. There must be available in this country a great accumulation of knowledge among colonial experts, soil experts, plant ecologists, etc. which should be tapped at once, if we mean business, and translated into a brief for our delegates. *This point, if accepted, calls for rather urgent action.*

17. Next I look through the argument for danger points:-

13

(1) The mass producers might claim that they alone, given the incentive, could fill the gap. I think we want to keep them happy (a) by pointing out that with an expanding world economy, they will be able to dispose of increasing quantities year by year; and (b) by promising them a buffer stock or some such arrangement to give them greater stability of prices and outlets within the trade cycle. But their potential capacity to fill the "gap" (if they claim to have it) is of no use for our particular problem (a) because it would not solve the problem of the standard of living of backward peoples who at present could not afford if they wished to buy their produce; and (b) because we have in mind especially the protective foods - vegetables, etc. - for these backward peoples. The question of protective foods would appear at several places in an expanded discussion and we should be well briefed upon it.

(ii) It might be argued that the standard of living problem should be solved by the industrialization of backward peoples. Some selective industrialization we shall no doubt have to allow. This is an awkward point for us and we shall have to proceed warily. But it is surely much less awkward if our world planning begins by establishing a great deficiency of food than if it came up in any other way. We can argue that it would be quite wrong to take people away from their hereditary and skilled calling, so long as the world deficiency exists. The primary emphasis in, say, a ten year plan should be upon getting this deficiency made good. Thereafter,

we can consider the desirability of the wholesale transfer of people to a new (industrial) way of life. I have always felt that for a conference which is playing with objective scientific criteria (e.g. nutrition and soil conservation) we ought to mobilise the expertism of anthropologists who would lay down rules, most helpful to us, about the maximum rate at which it is healthy to wean members of an age old agricultural community from agricultural pursuits.

It does not seem to me that these points are so dangerous as to counterweigh the advantages to us of opening world planning discussions on the subject of nutritional deficiencies.

14 ~~18.~~ I am afraid that all these arguments are at a rather simple level and of the nature of first approximations only. But I submit that they ^{provide} a scaffolding on which experts in the various topics can get to work to make a ^{good} brief for us.

for example
population deficit
in nutrition etc.

and many
special
problems
and
requiring
different
methods

(save in 81)

15 ~~19.~~ I have made no reference to the question of agricultural prices, trade or quotas. ~~I held that we~~ should insist that the conference should lay primary stress on the fundamental questions of production, consumption and deficiencies, and treat the question of trade as subordinate and indeed only capable of detailed discussion when the map of production and consumption is fairly fully filled in - probably after the adjournment.

Of course it would be fatal and tantamount to sabotage to propose deferment of the price question if it was in our minds and in those of others that this was the main question. Such a course would only be justifiable if we have far-reaching constructive proposals of the kind I have briefly sketched out for our main bill of fare.

16 ~~20.~~ If, however, we are pressed on to the price issue, then we have our own excellent buffer stock scheme. This would be clearly the time to bring it forward. I suggest that we should state quite firmly and toughly that we are not prepared to consider any form of price-fixing save if safeguarded by a plan of the buffer stock kind. We should say frankly that we signed the Wheat Agreement against our own conviction, as a token of willingness to co-operate at a time when this was the only token available to us. But now that we are coming on to the ground of general settlements, which will shape the course of world economics for a number of years, we can have no truck with principles which we believe to be essentially unsound. We should make it plain that we could not possibly endorse any price fixing plan (save if safeguarded by the buffer stock principle) until it is possible for other importers to be more adequately represented. But we should go further. We should say that we had not the slightest intention of persuading the said importers to assent to any such plan. And we should add that, even if they agreed, we should be unwilling to do so ourselves. On the contrary we should reserve our freedom to buy in the cheapest market. Actually we are probably

in a fairly strong position, since by offering long-term contracts, as we could if driven to it, we could probably break any ring supported only by producers.

14 21. The last paragraph may sound a little truculent. I think it is our right and duty to be truculent, if our buffer stock scheme is turned down. But only would this be the case, if we had shown our goodwill and constructive purpose by entering sympathetically and whole-heartedly into far reaching plans for raising world consumption and nutritional standards. This is a great opportunity for us to show ourselves collaborative-minded along lines that not only will not be injurious but should be beneficial to us.

18 22. I have urged in ^{regard to the} ~~favour of a~~ food conference that ~~is~~ makes a more propitious opening for us than the industrialization of backward regions, the only other topic of equal range, that, as I see it, the Americans could have proposed to implement the earlier section of Article VII. But this is by no means the end of the matter. ~~We should not merely think of this as a lesser evil, but as something good and necessary.~~ Not only are we committed by speeches, but we have it in our minds that it would be a good thing for the world economy to be more "expansionist" than it was in 1918-39. Yet in fact we have nothing so far on the stocks in our proposals for international co-operation to make the system expansionist. This is dangerous. In much of our discussions about internal reconstruction we tend glibly to assume that the external world will be more buoyant. ~~It is high time then that we turned to consider how we can make it so.~~ *Sooner or later we must turn*

19 23. The Clearing Union provides a good framework within which a more expansionist system could operate; but it does not itself provide any expansionist force. It is arguable that the provision of debit quotas, when these first come into operation - presumably after the "transition" period - will give the world economy an initial fillip. So much may be granted. But this is the end of the matter; there is nothing in the Clearing Union plan to prevent subsequent depression. We have got to devise methods for ploughing the surplus savings of credit countries into capital outlay in the others. If we fail we shall lapse back into depression, as before.

20 24. It is therefore desirable to add to the points enumerated in paragraph 16 as those on which we should lay stress, a ~~fourth~~ ^{fourth} point, namely

- (i*) Nutritional plans should be judged by their ~~power to make the world economy "expansionist",~~ namely to give openings for profitable capital outlay.

This is a reason for urging that a majority of delegates should not be food experts in the narrow sense. This should be regarded as the first ~~in a chain~~ ^{of a number} of conferences for implementing the idea that we want to make the world economy expansionist; indeed it would suit us if it turned out that this was the main method to be used. This being so, the Food Conference should be regarded as the most ^{number} important of the ~~chain~~, and we should use our influence therefore to get assembled at it, those on whom it is intended that the main responsibility for working out long-range plans should fall.

25. The spirit of our first reply to the American initiative was excellent. Second thoughts seem to have been rather different. To put it bluntly, the second idea seems to have been to secure that the conference should not achieve any concrete results. It has been suggested that the contents of telegrams relating to such matters usually get known to the Americans. If that is so we shall lose caste seriously; the Americans will despair of us as potential partners in world planning and either be driven towards isolationism or acquire a settled habit of thinking of us as a power to be circumvented rather than consulted in such plans as they have. I need hardly add that the sympathies of the Dominions will be with them and not with us.

FOREIGN OFFICE, S.W.1.

March 31st, 1943.

Dear Harrod,

Very many thanks for your letter of the 22nd March, which incidentally I only received yesterday from the War Cabinet Offices.

I have read your paper with great interest and I find it most stimulating and encouraging. I am exploring the propriety of arranging for copies of it to go to certain other people besides those to whom you have already sent it.

*Yours sincerely
Nigel Donald*

Professor Roy Harrod,
Christchurch,
Oxford.

Charges to pay

s. d.

RECEIVED

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YOUR BRILLIANT FOOD CONFERENCE MEMORANDUM HAS
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ATTEND INFORMAL MEETING PORTMAN COURT FRIDAY FOUR
PM WHEN TUR IFO NOTE WILL BE DISCUSSED WITH CRITI
COULD WE LUNCH THURSDAY OR FRIDAY AM JUST OFF TO
COLWYN BAY = MAUD + + +

Secret

13/4/43

My Dear Harold.

1. Food Impreme.

I can't say how impressed

I think your approach

to the Food Impreme is.

I understood it has

made a considerable

impression & will to

some extent be incorporated

in the draft instructions.

Until I read your paper

I suppose that I may be a little
of the impetuous & concludes that
it will be in his resolutions.

Now I am more hopeful
that I don't suppose that
the U.K. delegation will go
as far as I wish.

Stabilization fund

I will try to clear
my mind on this
a bit more.

As for Lib. report, I
will agree with what
you say. In my

Circulated to head officials in
each department concerned shortly
before "Hot Springs."

At this time Whitehall was
wholly depressed about prospect 2
thought no choice for us but to
stonewall.

Robbins took up ideas in
this paper and made them brief
for delegates. Our initiative
at the Conference proved a great
success.

Verbal thanks to Robbins afterwards.

Secret.

Memorandum by Mr. Harrod

The American Initiative

1. Two very serious dangers may be foreseen in connexion with the forthcoming food conference, namely,
 - (a) that we may be led into the discussion of the terms of trade in foodstuffs, including prices and quotas (on the lines of the Wheat Agreement), in circumstances unfavourable to us owing to the absence of substantial representation of importing countries (and possibly also owing to the exclusion of metals such as the tin in which we may later have a bargaining advantage); or
 - (b) in our endeavour to avoid commitments under (a), that we may seem to the Americans to be stonewalling their first big essay in long-range planning, and that this may strengthen the hand of their isolationists while making the collaborationists think of us as a power to be circumvented rather than consulted, whenever possible.
2. It is the purpose of these notes to summarise the line of policy on which our delegates should be briefed, which has the double advantage (i) that it arises logically out of the terms of reference and could be justified as eminently public-spirited and humane although not impractical, and (ii) that, if well-handled, it may yield us substantial advantage.
3. With reference to 1(b) it may be useful to take stock of our position in regard to long-range planning both to see if, in the event of this initiative proving abortive, there are other subjects on which we could regain face and retrieve the disappointment, and also to gauge how far the Americans regard this conference as of central importance for long-range planning.
4. There is the Clearing Union type of subject. Now in this we have made excellent progress and are at present on very good ground. Only a year ago people here were saying that the Clearing Union scheme was so Utopian that it was almost embarrassing to put it forward. But now the Americans have circulated a similar scheme to the United Nations, which, as I argued in a letter to Lord Keynes on 2nd March, is more favourable to us than our own scheme, and about which the main thing that can be said in derogation is that the Americans cannot really mean it. Now it is true that these are only floating schemes; and we do not know what will emerge from the proposed Conference. But having made such good progress it may be wise not to press too hard for a final decision at once. Meanwhile we are in a favourable position. We can attach as a reservation to all conclusions on other topics that our agreement is subject to the adoption of some scheme for international payments that is not less favourable/

favorable to our interests (or, if we like to put it, not less favorable to potentially debit countries) than either our scheme or the American scheme as circulated. That cannot be represented as unfair to the Americans and it puts us in clover. Surely we make the ultimate adoption of one or other of the schemes or some alternative more probable, if we now go forward and make our agreement to various matters to which the Americans may attach importance dependent on such adoption, rather than if we press for an outright adoption now. The Americans may think, probably rightly, that a Clearing Union type of scheme, if presented in isolation to Congress, would be unpalatable, and are looking about for some jam to present with it. So perhaps we need not regret that another topic is taken for international discussion before final settlement of the currency question. Furthermore the President, whose political judgement cannot be altogether despised, may well have felt that the rarified and technical question of foreign exchanges was not a good topic to which to confine the opening of international discussions.

5. There is the commercial question. Surely we should not welcome a Presidential initiative on this topic as a first item. We have put together a scheme, in which every section has been carefully drafted, quite properly, to suit our particular interests. Some whittling down therefore in international discussion would be inevitable. Yet even on the merits of this scheme as drafted it is by no means clear that we are in agreement ourselves. Even supposing that our own position were much happier, there is a broad argument against putting forward proposals for greater freedom of trade as the first item on the agenda for international co-operation. What the nations will want to know is what positive measures it is proposed to take by way of international co-operation to secure better world demand and fuller employment. That is where we hope to improve on the procedure of Geneva. If we came forward now and told the United Nations that our first and foremost proposal for increasing world prosperity was Free Trade, they would be grievously disappointed. This is not to belittle the importance of Free Trade or to imply that it is not eminently to be desired. But surely the correct procedure - and this is implied in the order of wording of Article VII - is to plan positive measures for raising production, consumption and employment in the world as a whole and then to proceed to the question of reducing barriers. With "full employment" the resistance to tariff reduction will be far less; indeed many of the tariffs may drop like ripe fruit. Also the tariff question will be much easier when we are in a position to give the nations some good news about security.

6. Apart from these two questions, the only other subjects of equal range are (a) the industrialization of relatively backward countries and (b) international investment generally. There is danger that (b) would in practice bring (a) rather prominently forward. A food conference, on the other hand, if well handled, ought to reach the conclusion that there is great scope for beneficial international investment in food production, not only in improving methods but also in bringing in new land and restoring land that has been desiccated. This, though we need not point the moral, would automatically reduce the volume of capital available for forms of industrialization likely to be injurious to us.

7. It appears to follow from this that we ought to try to make a success of the food conference on the right lines, since failure might drive us onto topics which are either premature or dangerous. The idea of making the conference a success is inconsistent with the idea of confining it to generalities or mere preliminaries. This is not to say that it should be allowed to branch out into more general topics (exchanges, trade etc.) nor that the conference can reach final conclusions. It is bound to adjourn while committees make the necessary quantitative estimates to give content and significance to the various proposals. But it would be desirable that it should achieve some tangible results pointing to definite types of international action, so that the hunger of Americans and others for something to bite upon should be temporarily assuaged. To get no further than **platitudes** such as that it would be desirable for people to be better fed and that governments should be urged to raise standards of living, would bring the American initiative to **ridicule**.

8. A survey of alternatives also suggests that the President may have deliberately chosen this topic as the best way of taking the plunge into long-range planning. There is no doubt a difference of mental habit between ourselves and the Americans. We should be more inclined first to discuss in abstract terms the general principles which should govern international investment. They seem disposed to go straight to concrete instances - food, materials, transport etc. But, of course, one can always introduce the general principles as and when they are relevant. One should reach the same result in either way; the method of approach is a question of taste, an academic question, about which we can defer to the Americans, as it seems we must, without any cost save that of mental vexation. What they will certainly not appreciate is the idea that, because the subject is a concrete one, it is not fundamental and central and can be brushed rather lightly aside, and made to wait upon the settlement of certain abstract questions. While a concrete subject is dangerous because of the likely appearance of sinister interests - and against these we must naturally be most vigilant - if we treat it as a red herring or irrelevance, the Americans will misjudge us and regard our attitude as a symptom of congenital obstructiveness - with very bad effects on all future collaboration. After all this is their first attempt, and it is only human that they should want it to be a success.

9. But to safeguard ourselves and minimise the danger of sinister interests, we are surely entitled to urge - and this, if done, must clearly be done quickly - that the majority of delegates should not have a professional interest in food questions, e.g. by their attachment to agricultural departments or institutions, but should be competent to consider the effect of various measures on the world economic system as a whole. The minority of food experts should be sufficient to keep the conference informed on technical questions. If the conference is conceived, as it should be, as one in a chain whose combined findings will secure redress from the economic maladjustments from which the world was suffering in 1918-39, it is essential that the majority should be concerned with broad economic and social issues, and not, consciously or unconsciously, grinding the axe of any particular foodstuff or group of foodstuffs.

10. What then should our policy be? First it may be well to set out certain fundamental points of self interest that we should have at the back of our minds to inform and guide decisions on the various points that may arise:-

- (i) It is in our interest as an importer that food production in the world should be encouraged and increased. The more food there is the cheaper we are likely to get it, whatever the manoeuvres of producers.
- (ii) It is in our interest that more people in the less developed countries should find food production profitable. Otherwise the tempo of industrialisation in these countries will be increased.
- (iii) It is in our interest that as much foreign investment as possible should go to improving methods of producing food (and raw materials). The more that goes that way the less there will be to spare for industrialisation. The alternative that it should not go at all is not to our advantage, since, if countries tending to favourable balances (and nothing we can devise will stop **their** so tending) do not invest the balance abroad, the rest of the world is plunged into deflation and protectionism, both of which are unfavourable to us.

If we have these three ideas firmly in mind, we may work things round to our advantage at a Nutrition Conference in a way that we could under no other title.

11. The following is the skeleton of policy which we should strive to make the conference accept:-

- (i) We want first to establish dietetic deficiencies on a scientific basis, and to compare these in quantitative terms with the food output potential of the world as it is at present organised. We make a preliminary case that there is a big deficiency. The details of this would be worked out by an expert Committee after adjournment of the Conference.
- (ii) It is presumably not a sound policy to make charity the basis of a long-range economic plan. Now the populations seriously deficient in nutrition are so because of their low productivity. Therefore if their condition is to be improved otherwise than by perpetual charity this can only be done by increasing their efficiency. (Charity is of course not ruled out as an exceptional post-war measure and on special occasions from time to time, e.g. in the event of an exceptionally bad crop in a certain region). Efficiency can be increased by instruction and capitalization.

(iii)

- (iii) Now the essential point is that the fact of a deficient global world supply of food particularly protective food, must be married to the fact that the position of the peoples suffering most from deficiency can only be improved if their efficiency is raised. It is mainly their higher efficiency which must fill the gap.
- (iv) The new feature in the situation is that we hope by our international machinery to canalize the surplus savings of rich countries and make them available at low interest rates for improving agriculture in the backward countries. We should not think of this merely in terms of changing the crops and methods, but also of bringing new land under cultivation and reclaiming land that has been spoilt. I understand that big money could be used profitably in reclamation, re-afforestation to restore humidity, and irrigation. From our point of view the bigger the money the better. If this principle is agreed on at the first session, an expert committee should be set up to make the quantitative estimates.
- (v) And who, is to provide this capital? Here, I think, if it worked this out in detail, the conference would be going beyond its proper terms of reference. But it would be safe and indeed desirable for the conference (which should always have its eye on broader economic problems) to affirm that the capital should be raised not in specified and pre-arranged proportions from the different countries, but, through the agency of an international institution working on agreed general principles, from whatever various and changing countries proved from time to time to have an export surplus and a volume of surplus saving redundant to their internal needs. The provenance of the funds might thus well change from year to year according to the working of the trade cycle and other circumstances. Power to vary the provenance in raising funds and adjust it so as to secure equilibrium is just as important in the mechanism for curing depression, as the maintenance of sufficient capital outlay. It is most important that this principle should be recognised as soon as possible and there would be no harm whatever in its emanating from the Food Conference. Preparing plans for an institution to deal with raising capital would of course be the business of a different conference.

12. Next I want to pick out the ideas on which we should lay constant stress:-

- (i) Nutrition. This is a trump card in the argument which we should prize highly. We should emphasise the objectivity of scientific opinion on this subject. It is by that method that we establish that, whatever may be the case with one or two special crops, food production in the world as a whole is inadequate. This does not mean that we should aim at sufficiency in the near future. That would be a hopelessly impracticable piece of idealism. But we should establish a reasonable target such as an approach to sufficiency at the rate of 5% per annum. Some may feel incomplete confidence in the scientific criteria and believe that some of the scientists' findings are a little cranky. But is it necessary to be so very particular? These ideas have clearly been prominent in discussions that have already taken place. The Americans are known to have great respect for the latest findings of "science". An attitude of scepticism at this point would be quite out of place.
- (ii) We want to get the whole emphasis of the conference on more PRODUCTION of food; and particularly on increasing production in ways that will enable backward peoples to finance their own higher standards.
- (iii) We ought to lay great stress on the principle of conservation and reclamation of land. I understand that there are large areas of the world's surface which have been spoilt by faulty treatment. The Americans have their domestic experience of this. This is the great opening for big money. There must be available in this country a great accumulation of knowledge among colonial experts, soil experts, plant ecologists, etc. which should be tapped at once, if we mean business, and translated into a brief for our delegates. This point, if accepted, calls for rather urgent action.
- (iv) Another point we ought to make play with is that foreign investment seeking high profit and based on an exploitation of the native, regardless of his social welfare, is not only contrary to the spirit of the Atlantic Charter but also is petering out for lack of scope. To **restore** equilibrium in the balance of payments we need to devise a new type of **lending** at low interest rates for making capital available to the small producer, working not on plantations but small **holdings** and producing largely the things he needs most to raise his standards, which in the coming period may be thought of as protective foodstuffs.

13. Next I look through the argument for danger points:-

- (i) The mass producers might claim that they alone, given the incentive, could fill the gap. I think we want to keep them happy (a) by pointing out that with an expanding world economy, they will be able to dispose of increasing quantities year by year; and (b) by promising them a buffer stock

stock or some such arrangement to give them greater stability of prices and outlets within the trade cycle. But their potential capacity to fill the "gap" (if they claim to have it) is of no use for our particular problem (a) because it would not solve the problem of the standard of living of backward peoples who at present could not afford, if they wished to buy their produce; and (b) because we have in mind especially the protective foods - vegetables, etc. - for these backward peoples. The question of protective foods would appear at several places in an expanded discussion and we should be well briefed upon it.

- (ii) It might be argued that the standard of living problem should be solved by the industrialization of backward peoples. Some selective industrialization we shall no doubt have to put up with. This is an awkward point for us and we shall have to proceed warily. But it is surely much less awkward if our world planning begins by establishing a great deficiency of food than if it came up in any other way. We can argue that it would be quite wrong to take people away from their hereditary and skilled calling, so long as the world deficiency exists. The primary emphasis in, say, a ten year plan should be upon getting this deficiency made good. Thereafter, we can consider the desirability of the wholesale transfer of people to a new (industrial) way of life. I have always felt that for a conference which is playing with objective scientific criteria (e.g. nutrition and soil conservation) we ought to mobilise the expertism of anthropologists who would lay down rules, most helpful to us, about the maximum rate at which it is healthy to wean members of an age old agricultural community from agricultural pursuits.

It does not seem to me that these points are so dangerous as to counterweigh the advantages to us of opening world planning discussions on the subject of nutritional deficiencies.

14. I am afraid that all these arguments are at a rather simple level and of the nature of first approximations only; for example populations deficient in nutrition belong to a wide variety of types, each presenting special problems and requiring different methods. But I submit that the **argument** provides a scaffolding on which experts in the various topics can get to work to make a good brief for us.

15. I have made no reference (save in §1) to the question of agricultural prices, trade or quotas. We should insist that the conference should lay primary stress on the fundamental questions of production, consumption and deficiencies, and treat the question of trade as subordinate and indeed only capable of detailed discussion when the map of production and consumption is fairly fully filled in - probably after the adjournment.

Our best method of deferring discussion on the price question, without laying ourselves open to criticism for obstructiveness, would be to have far-reaching constructive proposals of the kind I have briefly sketched out for our main bill of fare.

16. If, however, we are pressed on to the price issue, then we have our own excellent buffer stock scheme. This would be clearly the time to bring it forward. I suggest that we should state quite firmly and toughly that we are not prepared to consider any form of price-fixing save if safeguarded by a plan of the buffer stock kind. We should say frankly that we signed the Wheat Agreement against our own conviction, as a token of willingness to co-operate at a time when this was the only token available to us. But now that we are coming on to the ground of general settlements, which will shape the course of world economics for a number of years, we can have no truck with principles which we believe to be essentially unsound. We should make it plain that we could not possibly endorse any price fixing plan (save if safeguarded by the buffer stock principle) until it is possible for other importers to be more adequately represented. But we should go further. We should say that we had not the slightest intention of persuading the said importers to assent to any such plan. And we should add that, even if they agreed, we should be unwilling to do so ourselves. On the contrary we should reserve our freedom to buy in the cheapest market. Actually we are probably in a fairly strong position, since by offering long-term contracts, as we could if driven to it, we could probably break any ring supported only by producers.

17. The last paragraph may sound a little truculent. I think it is our right and duty to be truculent, if our buffer stock scheme is turned down. But only would this be the case, if we had shown our goodwill and constructive purpose by entering sympathetically and whole-heartedly into far reaching plans for raising world consumption and nutritional standards. This is a great opportunity for us to show ourselves collaborative-minded along lines that not only will not be injurious but should be beneficial to us.

18. I have urged in regard to the food conference that it makes a more propitious opening for us than the industrialization of backward regions, the only other topic of equal range, that, as I see it, the Americans could have proposed to implement the earlier section of Article VII. But this is by no means the end of the matter. Not only are we committed by speeches, but we have it in our minds that it would be a good thing for the world economy to be more "expansionist" than it was in 1918-39. Yet in fact we have nothing so far on the stocks in our proposals for international co-operation to make the system expansionist. This is dangerous. In much of our discussions about internal reconstruction we tend glibly to assume that the external world will be more buoyant. Sooner or later we must turn to consider how we can make it so.

19. The Clearing Union provides a good framework within which a more expansionist system could operate; but it does not itself provide any expansionist force. It is arguable that the provision of debit quotas, when these first come into operation - presumably after the "transition" period - will give the world economy an initial fillip. So much may be granted. But this is the end of the matter; there is

nothing/

nothing in the Clearing Union plan to prevent subsequent depression. We have got to devise methods for ploughing the surplus savings of credit countries into capital outlay in the others. If we fail we shall lapse back into depression, as before.

20. It is therefore desirable to add to the points enumerated in paragraph 16 as those on which we should lay stress, a fifth point, namely

- (v) Nutritional plans should be judged by their power to make the world economy "expansionist", namely to give openings for profitable capital outlay.

This is a reason for urging that a majority of delegates should not be food experts in the narrow sense. This should be regarded as the first of a number of conferences for implementing the idea that we want to make the world economy expansionist; indeed it would suit us if it turned out that this was the main method to be used. This being so, the Food Conference should be regarded as the most important of the number, and we should use our influence therefore to get assembled at it, those on whom it is intended that the main responsibility for working out long-range plans should fall.