

Reconstruction Secretariat,  
~~OFFICES OF THE WAR CABINET,~~  
RICHMOND TERRACE,  
WHITEHALL, S.W.1.

14th July, 1942.

Dear Harrod,

I must apologise for not answering your letters earlier. I wanted to have a talk with Fergusson before doing so, and it was rather difficult to arrange a meeting. However, we had a good talk last night. I am afraid that the efforts to reach agreement with him by reasonable amendments of the printed draft were not successful, and he has prepared the attached note to express his views.

In my talk with him last night I stressed the difference in the position of countries like ourselves that wished to maintain a system of agriculture as much for its social and political as for its economic value, and countries like Canada<sup>and</sup> the Argentine whose agriculture was carried on essentially for commercial reasons and who are concerned with exporting to other countries. I said it was a great mistake for us to confuse the two groups and to line ourselves up with the commercially agricultural nations. America, I suggested, was not quite sure to which group she belonged.

Assuming Fergusson's line of approach, that the world situation today as regards commercial agriculture demanded regulation, I said there was no reason to wait for the two years that he thought necessary before reconstruction under Keynes' plan could become effective. In regard to a commodity like wheat, it might be agreed to introduce restriction at the outset of the buffer stock plan. I pressed him to say what would happen when his proposed regulation scheme on any commodity came up for review after, say, five years. What would in fact determine the distribution of commercial production in the more distant future. He eventually admitted that in the negotiations which would follow after the period the relative costs of production in

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the various areas would play a very important part and that however cushioned the impact might be the relative costs of production would in the long run determine both the countries and the relative means of production.

This being so, I pointed out that his ideas so far as commercial agriculture was concerned did not differ essentially from Keynes'; the difference lay in the amount of cushioning provided.

At the end he was not very definite as to whether he would submit the note which he had written, of which I enclose a copy, or put in a much shorter one.

I have read your note on the Outline of Strategy with great interest and propose to circulate it to the External Committee for consideration along with Hopkins' draft agenda for the Anglo-American talks as soon as that is available. I had a talk with Hopkins a few days ago; he agreed that the two things should be considered together. I am therefore having it circulated and as soon as Hopkins' note is available we will have a meeting of the External Committee which can then finally dispose of the Keynes document as well.

Yours sincerely,

