



SECRET.

10, Downing Street,
Whitehall.

April 17, 1942.

My dear Harold

I have now read with deep interest your paper attached to your letter to me of April 15.

It would be most rash for an amateur to attempt to criticise the professional, but I must say I agree profoundly with the suggestions in your covering letter that, of recent years in Government circles in this country there has prevailed the old-fashioned view of economics which attempts to centralise everything on currency and exchange problems. My view, like that of Noel Hall and probably your own, is that finance is the servant and not the master of economic life. We should have learnt this fact from the U.S.S.R. and Germany, without following further their experiments to solve the new equation emerging as a consequence.

Again I am in deep agreement with you that the political aspect of our economic negotiations with the U.S.A. is of primary importance, largely owing to fundamental American psychology.

There is one issue touched upon on your paper about which I am a little troubled.

I have been told, perhaps wrongly, that Lord Cherwell and you are disturbed at a Treasury attitude

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of suspicion in regard to the Americans; that you also believe the Foreign Office to be free from all those suspicions.

I too understand the Treasury to be suspicious in this way; but first of all I can assure you in confidence that the Foreign Office are just as suspicious as the Treasury. Moreover, there is a fairly solid foundation upon which this suspicion rests, though it is essential to know all about this foundation in order to see the picture in its proper perspective.

At the risk of being accused of teaching my Grandmother to suck eggs, I must tell you briefly something of the matter, which depends wholly upon U.S. politics.

I feel sure you already realise that the two great American Parties, Republican and Democratic, are not really the end-all of American politics. On the whole it is a fair division for internal affairs but not for external affairs.

In external affairs over 90% of American citizens are sub-consciously isolationist, otherwise they would not have become American citizens. This great majority, or their ancestors, have come to America in order to escape from Europe.

The next point is that in some ways the Americans are less advanced politically than we are. I justify this superficially curious statement on the ground

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that American politics have hitherto really been run by a closer corporation than have English politics. This corporation is fully aware of the great political forces which can be loosened by skillful handling of the isolationist question. It can be turned to the account of the Republicans or of the Democrats independent of the Home policy of these two great Parties, and can even produce opposite reactions if the handling is skillful enough.

which

Certain controlling groups in American politics, but not all Wall Street financial powers; certain but not all Political Bosses independent of Party; a majority in the State Department, and their friends in Industry, are very anti-Roosevelt. In all cases this phenomenon is seen independent of Party. It tends to confuse Party issues but does not yet show signs of splitting up the two-party system, or of creating a new Party. Nevertheless these groups are working together and are busy evolving a post war policy of their own. In fact, a document has been drawn up, which it is believed Sumner Welles has seen and approved, though neither Cordell Hull nor of course the President and his entourage are supposed to have any knowledge of it.

This document, which is a very ~~able~~ one, begins by announcing that the failure of the American plan to transfer world financial hegemony to New York after the last war must not be repeated. It describes the reasons for the 1919 failure, and sets out measures calculated to ensure future success. It demands that American commercial and political rule should be

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established over Central and South America, the Pacific, China and Western Asia, and that America should leave the British to the jolly mess of Europe and to Africa, which is too complicated for American interests.

This document goes on to demand that England ~~must~~ be reduced to the state of a second class Power, or if she comes into partnership with America, must be made to realise that she is a very junior partner; the one who is sent for and publicly dismissed by the Chairman whenever the shareholders make a stink.

Proposals are worked out for forcing England to abandon all territorial interests in China, Malaya, Burma and if possible, India; while there is a plan for American domination of the Suez Canal based on the expiration of the original Agreement in 1946.

Of course all this is very jolly! It may be said with justice that plans have a habit of failing, that this group, powerful though they are, may not count for anything in practice. In fact, all sorts of comforting theories may be brought forward. These however really have no more weight than the plans themselves. If one looks at the future of Roosevelt, the New Deal, the Democratic Party and so on, it is not difficult to build up a prophesy logically capable of fulfillment.

However all this may be, I am certain that no good can come of our appearing to truckle to American opinion. A far wider circle than the extreme isolationist groups I have described look at our

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apparent subservience in the past as a permanent sign of decadence, despite proved virility in war. Moreover, it is not the technique of American business to behave in the manner well understood in all European Foreign Offices. This does not mean that we should blatantly and truculently begin the conversations⁷ demanding everything we want for ourselves. On the other hand, it does suggest that we should not attempt kid glove methods, and that we should be quite frank.

How this view fits in with yours is a matter for further thought. The two views may not be at all incompatible.

In paragraphs 3 and 4 of your Note, my comment is that the contrary also applies. For example, you say that "our American friends cannot run the risk of being branded and pilloried in their own country as having been 'had for mugs'", nor can we.

In paragraph 4 you say that a great Nation does not like to be put in the dock, &c. That goes for America and the British Empire.

I think the Americans as a whole Nation respect the man who knows he is good and says so. There is no doubt that they thoroughly dislike our British trait of personal under-statement.

Of course I cannot comment in detail on your admirable memorandum, but I should like to say how

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much I agree with paragraph 11, which is brilliant, and also paragraph 17, (with of course all their implications).

In paragraph 20 you suggest that other Nations should be 'asked' to refrain from concerted sabotage. Ask by all means; but I feel it very uncertain that you will receive. I think you feel the same, as later you point out the necessity for Anglo-Saxon policing measures.

In paragraph 27 you think it ought to be possible to arrange that the "Anglo-American Service" could avoid raising Party issues in the United States. I seriously wonder if this is possible in the light of the state of American Party politics.

Finally, in paragraph 34 you suggest that in certain circumstances the Americans might think that we are still more concerned with our private interests than of the world balance. If I am right about the sub-conscious feelings of the ~~populations~~ of the United States, there is no doubt that the Americans will think of their own interests before world settlement, unless it is possible for a very powerful individual to convince them that the implementation of your proposals, or something like them, for the pacification and regulation of the world, is an essential to their own private well-being. If this can be done the battle is won.

Professor Roy Harrod,

Yours sincerely,

D. Norton.