

Treasury Chambers,  
Great George Street,  
S.W.1.

3rd November, 1942.

Dear Harrod,

Many thanks for your letter. I think you behaved nobly at our talk, especially as the points we wanted to bring up against you were rather unexpected. They were in fact a very recent development. Harry White indicated that when the time comes to put the Clearing Union before Congress he thought it likely that Congress would want to put a limit on the U.S.A. liability. At first he talked about possible subscription of capital but was persuaded that that would be a difficult matter, not only in the United States. He then mentioned the possibility of some collateral for excess overdrafts. This idea will have to develop itself but we need not resist it at this stage, though it worries me personally more than it worries Keynes or Phillips. If the Clearing Union starts and proves successful, some of these preliminary precautions will soon come back into their perspective.

As regards the industrialisation of backward countries, the latest reports from the U.S.A. suggest that they regard this as one of the most effective means of increasing purchasing power in the world as a whole. In addition to the theoretical arguments, they probably also have in mind that the U.S.A. will be in a peculiarly favourable position for supplying capital equipment for industrialisation. But as we suggested, when it comes to the point, probably industrial interests in the U.S.A. will have a word to say about the type of industrialisation which they are prepared to allow their Government to finance.

I don't suppose we have heard the last of  
either point and when something more substantial  
emerges we shall have a chance of another talk.

With kind regards.

Yours sincerely,

*Wemy*

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Christ Church,  
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