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ANGLO-AMERICAN COLLABORATION

Buffer Stock Control

Anglo-American collaboration has become a British interest in the narrow sense, since if the U.S. developed an aggressive export and foreign investment drive, we might find our export markets dangerously reduced. It is also a British interest in the broader sense, since we need her help in preventing renewed world depression. If this recurs with the violence of the inter-war period, it will give rise to serious social disorders at home and abroad and jeopardise the post-war political settlement however well conceived that may be.

There should be enough good will developed during the war to set the countries off together on a course of collaboration, especially if the main principles of action are agreed before the war is over. The continuance of the collaboration will depend upon its practical success. The crucial test will come when the stimulus provided by post-war reconstruction has exhausted its effect and severe depression threatens. If the two countries are unable to prevent it, they will each look *heavily* to their own threatened interests, since a tendency to autarchy, separatism and antagonism is likely to prevail.

Complete reliance cannot be placed on the mechanisms so far suggested, a Clearing Bank and an Investment Board, alone. The bank provides a good foundation for other endeavours but by itself would be no more than a moderate stimulant. Opinions may differ about the scope and range of the work which the Board could and should undertake. Even £50 million and £500 million do not represent the extreme limits of opinion about possible annual outlay. Furthermore, time will be needed to build up its work. And even when its technique is fully developed it is unlikely on the most optimistic view to be able to turn on new works with sufficient speed to counteract a rapidly moving recession.

Very different would be the case with a Buffer Stock Control. Once the principles are decided it can operate on a great scale without lengthy preparations. The remedy is applied automatically in amounts appropriate to the crisis. The raising of stocks of a number of important commodities, from, say, 6 months to one year's supply should suffice to avail against any downward spiral.

This is the main argument in favour of a Buffer Stock Control. There are a number of supporting arguments of first rate importance.

The scheme is primarily required as a balancing mechanism in the world economy without any regard to the needs of the producers or consumers of the commodities in question. But if we consider these commodities as a class or each separately, we find compelling reasons, which have been well set out by Mr Keynes, for establishing stabilisation stocks. Thus there is a happy identity of interest between the needs of the world economy regarded as a whole and the needs of those particularly concerned with each commodity, who have been burdened and hampered by the violent <sup>or</sup> vexations and economically unsound fluctuations of price.

Again the scheme would bring great relief to governments as such. Each government of the countries producing large quantities of raw materials tending to be in surplus supply is apt to find itself gravely embarrassed. It may be compelled by public opinion to undertake costly relief or valorisation schemes out of the tax payers' pocket. The Anglo-American buffer stock would enable all governments to dispense with such schemes.

This would be particularly attractive to the U.S. Administration for whom the farmers and the taxpayers have <sup>been</sup> cause to be the devil and the deep sea. As the U.S. tends to be required to play the fairy godmother in the other schemes for international regulation, it is as well that in one department at least she should be offered tangible and substantial benefit.

Many other governments would be similarly eased. This would be a great source of strength for the Anglo-American condominium; the more governments that come to have, so to speak, a vested interest in the smooth and continued working of the services supplied by the Anglo-American institutions the better. This could be used as a lever for making these governments play the game in the matter of foreign exchange, trade relations, internal capital outlay etc.

If this Buffer Stock Scheme were not adopted, there would none the less come into existence international schemes for commodity control. They would probably be dominated by producer interests. These schemes are likely to be injurious to the world economy; based on restriction and high prices, they will release labour, the need to find employment for which will <sup>be</sup> to make the raw material producing countries more antartic, while at the same time requiring more goods to be remitted to those countries in payment for the higher price.

No. Now the buffer stock plan requires a low (economic) price; otherwise it cannot function. This point in itself is unfavourable to producers. But the security and confidence offered by a comprehensive stabilisation scheme, supported by Anglo-American prestige and finance, is likely to be so far greater than anything which could be offered by a jerry-built producer scheme, liable to be upset by disloyalty, by shifts in capacity and in demand and by political pressure, that the producers would probably gladly accept some sacrifice in price in order to secure it.

Of course it is necessary to assume that the U.S., one of the condominium powers, will accept the idea of an economic price. The advantages for her would surely outweigh her narrow and immediate interest.

1. She has a supreme interest in the elimination of the world cycle and this scheme has a far greater chance than any other of succeeding in that.
2. She has a great interest in the elimination of the violent price cycles in the particular commodities.
3. The conflict of interest between the farmer and the tax payer is a particularly acute problem for her, and this would be removed.
4. The scheme is far more consonant with her ideas of ample multi-lateral foreign trade than the producer restriction schemes.
5. It is inherently good and consistent with a more rational world economic system, whatever *shape* that may take.

It may of course happen in a number of cases that there will be considerable groups of high cost producers, who have been helped to maintain themselves in being by temporary relief schemes, and that hardship could be pleaded. The right remedy here is compensation payable during a reasonable transition period out of the resources of the Control.