

20th February, 1942.

Dear Hopkins,

I have been reading the document which you sent me with the greatest interest. And I intended to make a further study of it.

You ask if there are any points which I wish to raise. May I make one point now, and let you know about any others presently.

The point I mention now is of major importance. It concerns a matter referred for ministerial decision. The issue seems to me to be set out in a way liable to cause misapprehension in the minds of Ministers. I refer to paragraph 247, decision on which is required in 260 (v and vi). I appreciate that this may be due to your not having had sufficient time to consider the re-drafting required by our decision to sign Consideration, and that you may already have further re-drafting in mind. But I am bound to comment on the text as it stands.

Two alternatives are suggested, an extreme and a "middle course". (The other extreme is presumably that taken to have lapsed owing to our decision to sign). The extreme course is that we should renounce every type of state regulation of trade. This appears to me to be more than the Americans would demand or even wish (e.g. subsidies). The other, "the middle course", involves refusing to give definite undertakings to renounce particular expedients. This would, I should judge, be unacceptable to the Americans; surely by signing Consideration we have already committed ourselves to discussing such renunciation. Between this extreme and this "middle course" there lies a large range of possibilities, many of which would undoubtedly be acceptable to the Americans and some of which would in the opinion of many be no less advantageous to us than the proposed "middle course". It is within this range that it should be possible to find something acceptable to both parties. No hint of this is given in the draft. I am sure you will agree that this ought to be stated to Ministers in plain terms.

Sir Richard Hopkins, G.C.B.,
H.M. Treasury.

It is stated in 248 that the Americans would agree to the first course (though it is not hinted that this is probably more than they wish to ask) and in 250 that we should have difficulty about the second. Since the first course will rightly appear to Ministers too ^{substantial} ~~sacrificing~~, they will be inclined to infer that if we are to have anything at all feasible or reasonable some "difficulty" is inevitable. This inference would only be valid if there were no great intermediate range of possibilities. No doubt an intelligent Minister should be able to perceive this and propose an amendment accordingly. Do you not think that many Ministers would wish to vote for the intermediate range? But it is rather hard that in two of the six points for decision arising out of a weighty document (weighty, even when summarised!) the Minister should have to make his own interpolation.

The large size of what I call the intermediate range is evident. The expedients in question are objectionable in varying degree, each can be treated separately, and there are at least five ways of treating each. I assume that in every case renunciation would only take effect at the end of say, two years after the war.

1. We can undertake to renounce it.
2. We can undertake to renounce it, subject to the general economic agreement embodying certain minimum conditions satisfactory to us.
3. We can undertake to renounce it, but reserve the right to resume it should our balance of payments prove excessively adverse.
4. We can undertake to renounce it, but only after our balance of payments reaches equilibrium.
5. We can refuse to renounce it.

There is also the possibility of making the renunciation applicable to certain regions only, e.g. to members of the Clearing Union or to states which come up to certain standards of good neighbourliness etc.

Surely something can be found within this range agreeable to both parties.

So much by way of positive proposal for amendment of the text.

/But

But there is a point about procedure which I should also like to raise. The reference to "difficulty" in 250 seems to imply that we shall be engaged in the "orthodox" discussions if not in quarrelling at least in haggling over matters affecting our trade balance. I very much hope that that will not be so. I think it would be a most profound, indeed a disastrous, mistake.

I think that we must certainly say at the outset that, whatever the settlement is, somehow or other we shall have, in order to live, to export goods worth at least £1,000 million per annum; that we recognise that this depends in part on our own efforts, on maintaining or raising the efficiency of our production and merchandising and on preventing our standard of living rising too quickly; but that in the end we shall have to scrutinise any settlement from this point of view. (I hope we shall not speak of that adverse balance of £150 million; it is much too conjectural and subject to various assumptions; and reference to it would to my thinking savour of a mixture of mendacity and febleness).

Then having made our clear statement I think we should hold our peace about it until the end of the proceedings. The next item on the agenda is how we are to fix up the economic affairs of the world. This is a very great topic and will hardly be completed at the first conversations. We are bound to need an interval for further study of particular aspects and for making up our minds on certain broad issues. Only when the main problems are settled should we revert to the comparatively small, though to us important, matter of our private income account and make what reservations and do what haggling we require.

If this is the right procedure, we should content ourselves at the outset with the statement of our export requirements, but make no reservations about the use of "expedients". On the contrary we should declare a completely open mind and not rule out the possibility that we might, in agreement with the Dominions where necessary, renounce any or all of them. This alone gives a chance for that comprehensive discussion for which we know the Americans wish. If there are some expedients to which we are so attached that we cannot make such a preliminary self-denying hypothesis, I think Ministers should be told very precisely what they are and be asked to endorse them as specific exceptions to the principle of all embracing discussions.

/Only

Only when we have before us the broad outlines of an agreed settlement of the world problem, can we think what further reservations are necessary. It will be time enough to start our haggling then. Then we have proved to the Americans how far we are prepared to go with them in constructive collaboration, we shall find them much more ready than they are now to listen to pleas for exceptional treatment arising out of our special circumstances.

If you agree that this is the right procedure, I suggest that a paragraph should be inserted in the document and the summary to that effect.

There is no doubt that the world expects - and it is implied in the Atlantic Charter - that we shall lay down certain principles for the conduct of world production, trade, investment, monetary policy and finance designed to rescue it from its previous doldrums. There is no doubt that the enemy has his blue-prints ready for making things hum. Luckily for us it happens that he is politically obnoxious. The peoples of the world look to the democratic countries to provide an alternative system consistent with democracy and national freedom which shall enable them to work and earn a reasonably secure livelihood and in due course progress to higher standards of living. We know that the President has this in mind and is prepared for large projects. This is a fascinating and exciting and great task and calls for us to put out our best. It would be deplorable if in the midst of these difficult and far-reaching questions we should hark back to our balance of payments. After all the purpose of the conversations is to consider the broad issues raised in the Charter and Article VII.

You have not so far reproached me for speaking frankly.
I live in hope.

COPY

Prime Minister's
Statistical Branch,
Offices of the War
Cabinet,
Great George Street,
S.W.1.

10th March, 1942.

Dear Hopkins,

This is perhaps not relevant to your meeting tomorrow, but I thought you might like to know what I had in mind.

I do not think that the American nutrition experts would make European restriction quite so prominent as is suggested in your new concluding words to paragraph 23. But if they would that is a further argument for having counter proposals ready. I have said nothing about restriction in my (very brief) draft.

I think what they have in mind is to encourage the consumption of live-stock produce by some world wide blue stamp plan, to encourage live-stock production in situ, thus diverting some labour from cereals production and to let world cereal surpluses fill the gap. This is sensible in itself. But it is important that the restriction, if any, should appear at the end and not at the beginning of the chapter.

Sir Richard Hopkins, G.C.B.,
Treasury Chambers.

NUTRITIONAL STANDARDS.

1. There should be set up an International Welfare Standards Board (founder states: U.S. and U.K.); and its first task should be to make enquiries and plans concerning Nutritional Standards.
2. It must be laid down as a principle that no uniform international standard is possible; the standard of living in each country is primarily dependent upon its resources and the efficiency of its nationals at working them up into commodities either for themselves or to exchange abroad. Any plan for raising living standards should have as its object not to secure uniformity which would be impracticable but rather a proportional improvement upon the initial position in each of the various countries participating in the scheme.
3. The work of the Board would have two parts, namely,
 - (i) research into the present position, and
 - (ii) initiation and superintendence of schemes designed to improve it.
4. The Board would conduct research partly by its own staff, partly through approved national bodies in each country where these were available, and partly through approved international research institutions such as the Rockefeller Foundation. It would be the duty of the Board to ensure that the same criteria were used by the various research bodies.
5. Research would be concerned with (i) consumption and (ii) supplies.
6. Consumption. The object of research would be fourfold, namely,
 - (i) to determine groups of countries, to which, having regard to climate, physical and racial characteristics, kind of labour performed by the people and social, religious and cultural standards, a common nutritional standard would be appropriate;
 - (ii) to define the nutritional standard for each group, having regard to the over-riding principle mentioned in 3 above;
 - (iii) to determine the proportion of the population falling short of the standard in an average of years of good and bad trade before the war and the size of the gap;

(iv) to determine the kind of foodstuffs best suited to reducing the gap at a minimum cost.

7. Supplies. Having regard to the information provided under 6 and by the "International Resources Survey" to determine to what extent, if at all, the gap could be reduced by the redundant output of world production at its existing level; to determine, further, having regard to the existing industry of each country, whether the additional foodstuffs required could most appropriately be produced in the countries of need or elsewhere; to assess what capital assistance, if any, would be required to secure this further production.

8. Each state adhering to the scheme would undertake to make plans at its discretion, adapting them from time to time, to improve the nutrition of its people. No rigid obligation would be imposed, but it might be understood that the appropriate outlay by the central and/or local government authorities would be 2% (or some higher figure?) of its average pre-war annual budget expenditure. But in order to secure that the undertakings were implemented as a general rule the Board would give a grant in aid proportional to the expenditure actually undertaken to promote an approved scheme.

9. The plans fall under two heads, namely (i) those to increase consumption and (ii) those to increase the production of the foodstuffs required to reduce the dietary deficiencies.

10. Consumption. There are various ways of assisting the consumption of additional food by the needy classes; there is the American stamp plan; free meals may be given in schools; a particular foodstuff insufficiently consumed may be distributed below cost or gratis. There is no reason why the various countries should not adopt different schemes according to their circumstances; a scheme which would suit the United Kingdom would probably not suit China.

11. A scheme should be adopted for a limited term of years only. It is to be hoped that the additional consumption would in due course establish itself and be paid for out of the improved earnings of citizens; the government could then abandon the old subsidy (if necessary, by stages) and consider a further advance.

12. Is the additional consumption to be financed wholly or in part by taxation or otherwise? If by loan, how is the interest payment to be justified?

If the nutritional plan is regarded as a pump-priming device clearly the whole cost should not fall upon the tax-payer. Strictly the amount so borne should vary according to the phase of the trade cycle.

Would this be a suitable opportunity to experiment with the interest-free principle?

It would certainly be very popular to announce that each year any additional issue of currency required for circulation purposes would be used to provide a free distribution of or subsidy towards some article of diet hitherto in deficient supply. Or each national government might announce that it would use new currency for this purpose up to an amount approved for each year and each country by the World Economic Board (Hansen and Gulick).

An international inducement should be applied. The Welfare Board would arrange for a grant in aid amounting to x% of the cost of any scheme which it had approved. The funds for this might be found from the profits of the Buffer Stock Control, or, if these were inadequate, by a small levy on the sales of all food products to the Control.

13. Production. A government implementing a given scheme for ten years would be able to guarantee the purchase of a given quantity of the foodstuff for that period. This guarantee might alone be sufficient to bring the required production into being.

14. Alternatively, especially in backward districts, some capital and technical assistance would be required.

The capital assistance would follow the ordinary routine of Public Works expenditure. The government would have the option of applying to the International Investment Board in the ordinary way, and would address the approval of the Welfare Board.

Technical assistance would be provided by the Welfare Board.