

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE.
(UNIVERSITY OF LONDON)

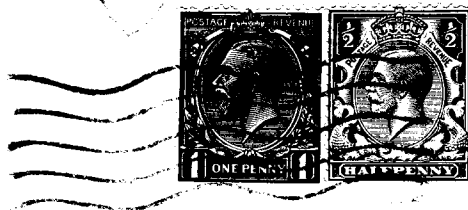
HOUGHTON STREET,
ALDWYCH,
LONDON, W.C.2.

Nov 4.

Dear Harrod,

I have thought over your very interesting criticism very carefully; and I think I am quite prepared to concede the substance of your point, though I would put up a verbal defence - that the "range of neutral inventions" referred to the extension of Pigou's definition, not to Pigou's definition itself. Of course on Pigou's assumption the definition of "neutral" is exact.

But I freely confess that I had not thought out the implications of Pigou's definition thoroughly, and here your letter has been very helpful. I can see now that this discussion would have been much improved if I had allowed for the consequential shift in social demand curve which must follow the invention - just as I did allow for the consequential change in supply of the factors of production. I neglected these consequences rather over-hurriedly, because I had satisfied myself that the "autonomous" changes in demand were very similar in their effects to



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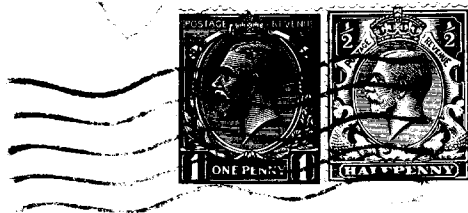
inventions. But the result is that these ^{pages} (122-3) are inadequate, and that I classify inventions here on the basis of effects which are only partly the effect of the invention and partly of the "induced" change in demand. That is what it was to, isn't it?

It is very nice of you to express yourself as you do about my book in general; I appreciate it very much.

By the way, I was very interested in your review of Wilson in the E.J., though I have not yet had the time to think out the matter properly. But I had just been reading Yntema's "Mathematical Formulation of International Trade Theory", which goes very near to that sort of point, though not quite on to it. You have probably seen Yntema; if not, I recommend it very much - it seemed to me a good piece of work.

I am looking forward to your book - and the assistance it will no doubt give me in delivering ^{next year} a better course of lectures on Int. Trade than the unsatisfactory mess I am making this year.

Yours very sincerely
G. R. Hicks



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