

Mr Harrod

THE INTERNATIONAL REGULATION OF  
PRIMARY PRODUCTS

(Proposed Alterations to the Sixth Draft  
for the meeting on June 23 at 11 a.m.)

I have received comments and suggestions from Sir Frederick Leith-Ross, Professor Robbins, Mr. Harrod and Mr. Clay. The following amendments are proposed in the light of these.

Paragraph 3. Delete after the first line on page 2 and substitute: "A Regulation Scheme will have two distinct objectives - (a) the moderation of excessive fluctuations of prices about the long-term equilibrium price, and (b) the maintenance of the long-term equilibrium price at a figure at which the majority of primary producers can live. Buffer stocks are aimed at the first objective. They have the purpose of steadying prices and are intended, as their name implies, to absorb shocks. But to attain the second objective and to bring about long-period evolutionary changes, restriction or regulation of output may be necessary. A complete scheme must bring both these sets of arrangements into a consistent whole. To achieve the full object, however, something further may be necessary. A co-ordinating authority may be required to deal with difficulties arising between conflicting interests and to provide an adequate measure of conformity to a common pattern as between the various Controls."

Paragraph 4. Add at the end of this paragraph - "without, however, cramping new developments, inventions and technical progress generally".

Paragraph 14 (1). In place of the latter half of this paragraph dealing with voting and management, substitute - "Careful thought will be necessary to concert the most advisable provisions for the management of a Control. The members of the Control would primarily represent the chief exporting and importing countries, but the representation of the General Council referred to below on each individual Control and the appointment  
of

of independent members with expert qualifications would have to be considered. In some cases the number of members on a Control should be smaller than the number of importing and exporting countries, which might have to be grouped for the purpose of representation. The balance of voting powers also needs consideration. The exporting countries should perhaps be allowed a preponderant voice on questions of management and of detail not affecting the basic price."

Paragraph 14 (ix). Add at the end of this paragraph - "save that during a world depression, defined by suitable indices approved by the General Council, it would not be permitted to reduce the basic price by more than 5 per cent in one year".

Paragraph 15 (v). In place of "which shall have regard to the proportionate share of the export trade" substitute "which shall pay attention, amongst other considerations, to the proportionate share of the export trade".

After "the previous three years" insert full stop and proceed - "Whether the quotas are initially determined by agreement among the exporters or otherwise, the General Council shall diminish the share" etc.

Paragraph 15 (vi). Add at the end of the paragraph - "So long as restriction is in force, prices shall be reduced by at least 2 per cent per annum unless the General Council agrees otherwise."

Paragraph 15 (vii). Re-number this 15(viii) and insert the following 15(vii):-

"The duration of a restriction scheme shall not exceed 5 years in the first instance and, if it is renewed on the ground that there is still serious oversupply, the basic price for the next period of 5 years shall be significantly lower than that ruling during the first period unless special reason can be shown by the Control to the satisfaction of the General Council either on account of changes in other prices or because a major factor causing the need for a continuation of

restriction

restriction is the high level of subsidy or protectionism in importing countries."

Paragraph 16. Both Sir Frederick Leith-Ross and Mr. Harrod agree that 16(ii) might be omitted. Since the rest of 16 has little or no force apart from 16(ii), it is proposed that 16 be omitted in its entirety.

Paragraph 27. Re-number this 28, and insert a new paragraph 27 as follows:-

"27. It may be asked whether the scheme outlined above assumes the full maintenance of private enterprise in international trade or whether it is compatible with the further development of state trading. For, after the war, whatever may be the trading mechanism of the United Kingdom or of the United States, there are certain to be some countries, particularly the USSR, where trade in some (or in all) commodities will be monopolised by the state. Such a system of trading gives rise to some awkward problems in international commercial relations, since it is difficult to define or to determine the degree of protective or of discriminatory action in the monopolistic purchases of a state institution. It can, however, be argued that these difficulties, so far from complicating such international regulation schemes as those considered above, are an additional argument for them. For some of the difficulties can be overcome if, in spite of state trading, a single world price for a primary product can be set by the International Control."

19th June, 1942.

J.M. Keynes.