

M. Harrod

These DRAFT MINUTES are circulated for approval
it is requested that any comments be forwarded
by NOON, 5 AUG 1942
after which no amendments will be assumed.

(THIS DOCUMENT IS THE PROPERTY OF HIS BRITANNIC MAJESTY'S GOVERNMENT).

S E C R E T.

U.S.E.(42)5th Mtg.

COPY NO. 60

WAR CABINET.

OFFICIAL COMMITTEE ON POST-WAR EXTERNAL ECONOMIC PROBLEMS
AND ANGLO-AMERICAN CO-OPERATION.

DRAFT MINUTES of a meeting of the Committee held in the
Conference Room, 4 Richmond Terrace, S.W.1., on
FRIDAY, 24TH JULY, 1942, at 11 a.m.

P R E S E N T:

Sir Alfred Hurst,
Reconstruction Secretariat.
(In the Chair).

Sir Richard Hopkins,
Treasury.

Sir Quintin Hill,
Reconstruction Secretariat.

Sir Donald Fergusson,
Ministry of Agriculture
and Fisheries.

Mr. P. Liesching,
Dominions Office.

Mr. G. L. M. Clauson,
Colonial Office.

Mr. W. D. Croft,
India Office.

Mr. N. B. Ronald,
Foreign Office.

Mr. H. Clay,
Board of Trade.

Mr. W. F. Crick,
Ministry of Food.

Mr. E. M. Nicholson,
Ministry of War Transport.

Mr. F. Dudley Ward,
Board of Trade Relief Department.

THE FOLLOWING WERE ALSO PRESENT:

Lord Keynes,
Treasury.

Sir Hubert Henderson,
Treasury.

Mr. D. H. Robertson,
Treasury.

Mr. R. F. Harrod,
Prime Minister's Statistical
Office.

Professor L. Robbins,
Economic Section,
Offices of the War Cabinet.

Mr. J. Meade,
Economic Section,
Offices of the War Cabinet.

Miss Shufeldt,
Board of Trade Relief Department.

Mr. A. Baster.....Secretary.

Date of
Anglo-
American
conversations.

THE CHAIRMAN read telegram 3622 from Sir Frederick Phillips in Washington to Sir Richard Hopkins and Sir Richard Hopkins' reply and said he thought the telegrams implied that the conversations under Article VII might not be held for some time yet and the venue might be Washington instead of London.

Item 1
of Agenda.
International
Regulation
of Primary
Products.
U.S.E.(42)15,
U.S.E.(42)16,
and
U.S.E.(42)20.

On the question of whether U.S.E.(42)15 (the Treasury scheme) should be submitted to Ministers together with U.S.E.(42)16 (Sir Donald Fergusson's Note of Dissent) and U.S.E.(42)20 (Note on Sir Donald Fergusson's Note), MR. HARROD said that U.S.E.(42)15 was not a final solution of the primary products problem and was not confined to a discussion of agricultural difficulties only. MR. CLAUSON said he could accept U.S.E.(42)15 but not U.S.E.(42)20, which was an indictment of regulation schemes in general. After a general discussion IT WAS AGREED:-

- (1) That U.S.E.(42)15, with minor amendments, should be submitted to Ministers together with U.S.E.(42)16 (in a separate document).
- (2) That U.S.E.(42)20 should not be submitted to Ministers.

Item 2
of Agenda.
Conversations
with U.S.
Government.

(a) U.S.E.(42)17. SIR RICHARD HOPKINS explained that the first group of subjects in U.S.E.(42)17 had been arranged in two columns in order to show how the practical questions listed by Mr. Pasvolsky emerged out of the **questions of principle** concerning the balance of payments etc. After a general discussion in which various amendments were suggested to document U.S.E.(42)17 (revised agenda drawn up by the Treasury), IT WAS AGREED:-

- (3) That the Treasury should revise document B of U.S.E.(42)17 in the light of the discussion and that the revised document should then be circulated.

(b) U.S.E.(42)18 and U.S.E.(42)19. In introducing U.S.E.(42)18 MR. HARROD said we should avoid emphasising the desirability of secondary industries in primary producing countries. SIR RICHARD HOPKINS said that if the document were to be adopted by the Committee, Ministerial guidance would not necessarily

be required, the document being merely intended for the information of our representatives. MR. CROFT pointed out that paragraph 10 was not really about strategy but about policy and that he could not accept it. SIR HUBERT HENDERSON said that the keynote of our plans should be "scarcity" and that we should avoid laying too much emphasis on automaticity and anonymity in presenting the Clearing Union plan. MR. LIESCHING asked if we should not consider alternatives to the Clearing Union plan, such as an International Bank Charter. This approach would avoid any suggestion of interference in the domestic policies of the countries co-operating in the plan. SIR HUBERT HENDERSON said that if loans were made for the purpose of developing tertiary industries the difficulties of the debtor countries with their balance of payments would be emphasised in view of the impossibility of exporting the products of such industries. MR. LIESCHING said it was likely that countries such as Australia would insist on having secondary industries for reasons of security. IT WAS AGREED:-

- (4) That the discussion of this item should be resumed at a further meeting, to be held on 7th August, 1942, at 11 a.m. in the same place.

4 Richmond Terrace, S.W.1.

30th July, 1942.

S E C R E T.

U.S.E.(42)5th Meeting.

COPY NO. 11

WAR CABINET.

OFFICIAL COMMITTEE ON POST-WAR EXTERNAL ECONOMIC PROBLEMS
AND ANGLO-AMERICAN CO-OPERATION.

(DRAFT MINUTES OF MEETING HELD ON
24TH JULY, 1942.)

C O R R I G E N D U M.

Page 2, line 8:-

Delete - "MR. LIESCHING asked co-operating in the
plan."

Substitute - "MR. LIESCHING considered that alternatives to
the Clearing Union, such as an International
Bank Charter contemplated in Mr. Harrod's
document, would not easily provide the
collective international authority to require
participating countries to make changes in
their economic policy when serious disequili-
bria arose."

4/5 Richmond Terrace, S.W.1.

4th August, 1942.

*H. Harrod
Christ Church College
Oxford*

(THIS DOCUMENT IS THE PROPERTY OF HIS BRITANNIC MAJESTY'S GOVERNMENT).

S E C R E T.

U.S.E. (42) 5th Mtg.

COPY NO. 41

WAR CABINET.

OFFICIAL COMMITTEE ON POST-WAR EXTERNAL ECONOMIC PROBLEMS
AND ANGLO-AMERICAN CO-OPERATION.

DRAFT MINUTES of a meeting of the Committee held in the
Conference Room, 4 Richmond Terrace, S.W.1., on
FRIDAY, 24TH JULY, 1942, at 11 a.m.

P R E S E N T:

Sir Alfred Hurst,
Reconstruction Secretariat.
(In the Chair).

Sir Richard Hopkins,
Treasury.

Sir Quintin Hill,
Reconstruction Secretariat.

Sir Donald Fergusson,
Ministry of Agriculture
and Fisheries.

Mr. P. Liesching,
Dominions Office.

Mr. G. L. M. Clauson,
Colonial Office.

Mr. W. D. Croft,
India Office.

Mr. N. B. Ronald,
Foreign Office.

Mr. H. Clay,
Board of Trade.

Mr. W. F. Crick,
Ministry of Food.

Mr. E. M. Nicholson,
Ministry of War Transport.

Mr. F. Dudley Ward,
Board of Trade Relief Department.

THE FOLLOWING WERE ALSO PRESENT:

Lord Keynes,
Treasury.

Sir Hubert Henderson,
Treasury.

Mr. D. H. Robertson,
Treasury.

Mr. R. F. Harrod,
Prime Minister's Statistical
Office.

Professor L. Robbins,
Economic Section,
Offices of the War Cabinet.

Mr. J. Meade,
Economic Section,
Offices of the War Cabinet.

Miss Shufeldt,
Board of Trade Relief Department.

Mr. A. Baster.....Secretary.

Date of
Anglo-
American
conversations.

THE CHAIRMAN read telegram 3622 from Sir Frederick Phillips in Washington to Sir Richard Hopkins and Sir Richard Hopkins' reply and said he thought the telegrams implied that the conversations under Article VII might not be held for some time yet and the venue might be Washington instead of London.

Item 1
of Agenda.
International
Regulation
of Primary
Products.
U.S.E.(42)15,
U.S.E.(42)16,
and
U.S.E.(42)20.

On the question of whether U.S.E.(42)15 (the Treasury scheme) should be submitted to Ministers together with U.S.E.(42)16 (Sir Donald Fergusson's Note of Dissent) and U.S.E.(42)20 (Note on Sir Donald Fergusson's Note), MR. HARROD said that U.S.E.(42)15 was not a final solution of the primary products problem and was not confined to a discussion of agricultural difficulties only. MR. CLAUSON said he could accept U.S.E.(42)15 but not U.S.E.(42)20, which was an indictment of regulation schemes in general. After a general discussion IT WAS AGREED:-

- (1) That U.S.E.(42)15, with minor amendments, should be submitted to Ministers together with U.S.E.(42)16 (in a separate document).
- (2) That U.S.E.(42)20 should not be submitted to Ministers.

Item 2
of Agenda.
Conversations
with U.S.
Government.

(a) U.S.E.(42)
17.

SIR RICHARD HOPKINS explained that the first group of subjects in U.S.E.(42)17 had been arranged in two columns in order to show how the practical questions listed by Mr. Pasvolsky emerged out of the questions of principle concerning the balance of payments etc. After a general discussion in which various amendments were suggested to document U.S.E.(42)17 (revised agenda drawn up by the Treasury), IT WAS AGREED:-

- (3) That the Treasury should revise document B of U.S.E.(42)17 in the light of the discussion and that the revised document should then be circulated.

(b) U.S.E.(42)
18 and
U.S.E.(42)
19.

In introducing U.S.E.(42)18 MR. HARROD said we should avoid emphasising the desirability of secondary industries in primary producing countries. SIR RICHARD HOPKINS said that if the document were to be adopted by the Committee, Ministerial guidance would not necessarily

be required, the document being merely intended for the information of our representatives. MR. CROFT pointed out that paragraph 10 was not really about strategy but about policy and that he could not accept it.

SIR HUBERT HENDERSON said that the keynote of our plans should be "scarcity" and that we should avoid laying too much emphasis on automaticity and anonymity in presenting the Clearing Union plan. MR. LIESCHING asked if we should not consider alternatives to the Clearing Union plan, such as an International Bank Charter. This approach would avoid any suggestion of interference in the domestic policies of the countries co-operating in the plan. SIR HUBERT HENDERSON said that if loans were made for the purpose of developing tertiary industries the difficulties of the debtor countries with their balance of payments would be emphasised in view of the impossibility of exporting the products of such industries. MR. LIESCHING said it was likely that countries such as Australia would insist on having secondary industries for reasons of security. IT WAS AGREED:-

- (4) That the discussion of this item should be resumed at a further meeting, to be held on 7th August, 1942, at 11 a.m. in the same place.

4 Richmond Terrace, S.W.1.
30th July, 1942.

W.H. Harrod.
(THIS DOCUMENT IS THE PROPERTY OF HIS
BRITANNIC MAJESTY'S GOVERNMENT.)

S E C R E T

U.S.E.(42) 20

COPY NO. 48

22ND JULY, 1942.

WAR CABINET

OFFICIAL COMMITTEE ON POST-WAR EXTERNAL
ECONOMIC PROBLEMS AND ANGLO-AMERICAN
CO-OPERATION

TREASURY MEMORANDUM ON "THE INTER-
NATIONAL REGULATION OF PRIMARY PRODUCTS"
(U.S.E.(42) 15).

Note by the Secretary

By direction of the Chairman I
circulate herewith a Note by
Mr. R. F. Harrod, Professor Robbins and
Mr. J. E. Meade on Sir Donald Fergusson's
recent Note on Document U.S.E.(42) 15
(the Treasury memorandum on "The Inter-
national Regulation of Primary Products").

(Signed) A. BASTER.
/5 Richmond Terrace, S.W.1.
22nd July, 1942.

NOTE ON SIR DONALD FERGUSSON'S NOTE ON
THE TREASURY MEMORANDUM "THE INTERNATIONAL
REGULATION OF PRIMARY PRODUCTS"

If Sir Donald Fergusson decides to circulate his minute of dissent to Ministers, the Committee might care to consider putting forward some brief comment. The following draft is suggested as a basis for discussion:-

1. The Committee has given careful consideration to the arguments brought forward by Sir Donald Fergusson. It does not wish to join issue with him on technical agricultural grounds. It does not claim that the buffer stock plan necessarily provides a final solution to the agricultural problem. In the view of the Committee it would be premature to adopt a settled policy on this matter now. It would be necessary first to consult the other governments concerned. In putting forward the plan for Ministers' decision the Committee have been influenced by the following considerations.
2. To initiate schemes for international reconstruction in the impoverished post-war world with proposals which emphasise the advisability of restricting the output of the most important foodstuffs might well prove unacceptable to public opinion.
3. Whereas the buffer stock proposals could be initiated without any negotiation about quotas and could be efficiently managed provided that Anglo-American agreement is forthcoming, restriction schemes require agreement about quotas and about methods of "policing" among all the major countries which are interested in each particular commodity. These problems will be serious enough if it becomes necessary to evolve a few restriction schemes to cover one or two commodities in addition to wheat. But the sanctions and international discipline required and the disputes about quotas which would result from an attempt to generalise restrictions schemes over all or most important primary products might well cause any such scheme to break down from the start.
4. In the coming conversations with America we have the difficult and delicate task of reaching agreement about the methods of international co-operation which will (a) assist this country in the exposed and unfavourable position in which she will find herself as regards her balance of trade, and (b) reduce certain outstanding disorders which beset the international economic system in the period 1918-1939. Our initial endeavours to this end should not be weakened or dissipated by regard for special interests and problems, however important these may be in themselves. Their turn will come later.
5. For our general purpose it may be thought desirable to focus American attention upon the problem of reducing trade depression, this being ground on which co-operation should be most harmonious and points of friction least likely to arise. The buffer stock plan seems to be the most potent weapon available for ready use in the early years after the immediate post-war period. We connect it particularly with the agreed wish to have an "expansionist" monetary system.
6. With regard to its effect on agriculture (i) the reduction of short-term oscillations of prices must be beneficial, (ii) a reduction of general trade depression must greatly benefit agriculture, and (iii) it does not prejudice more detailed plans for agriculture while giving us some leverage to secure that they are not framed on lines altogether unfavourable to this country.

7. Restriction schemes almost inevitably result in prices in favour of the producers. The United Kingdom relies upon essential imports of foodstuffs and raw materials and will in any case have to achieve a very considerable expansion of exports to restore equilibrium to its post-war balance of payments. It would complete the economic discomfiture of this country if its most essential imports have their prices raised against it by machinery it would itself have put in motion. It is rather for this country to represent the interests of the consumers of such products and to aim at a minimum of price-raising and of restriction.

(Intld.) R.F.H.
L.C.R.
J.E.M.

23rd July, 1942

Handwritten: 7, 1942
(THIS DOCUMENT IS THE PROPERTY OF
HIS BRITANNIC MAJESTY'S GOVERNMENT).

S E C R E T.

U.S.E. (42) 19

COPY NO. 25

22ND JULY, 1942.

WAR CABINET.

OFFICIAL COMMITTEE ON POST-WAR
EXTERNAL ECONOMIC PROBLEMS
AND ANGLO-AMERICAN CO-OPERATION.

Note by the Secretary.

In connection with
Conclusion (1) of minutes of the
second meeting (1942) I circulate
herewith a note of the various
studies now being made in the
Departments in preparation for the
forthcoming Anglo-United States
conversations. The note will be
discussed at the meeting on Friday,
24th July, under Item 2 of the
Agenda.

(Signed) A. BASTER
Secretary.

Richmond Terrace, S.W.1.
22nd July, 1942.

STUDIES NOW BEING MADE IN GOVERNMENT DEPARTMENTS
IN PREPARATION FOR THE FORTHCOMING
ANGLO-UNITED STATES CONVERSATIONS.

Treasury.

The International Regulation of Primary Products.
Summary estimate of post-war balance of payments.
Summary of Clearing Union plan for the United States
representatives.

Board of Trade.

Commercial policy in the United Kingdom.
Estimate of post-war import requirements.

Ministry of War Transport.

The general effect of shipping subsidies, with some
reference to United States policy.

Economic Section, War Cabinet Offices.

Problems of post-war international migration.
Critical examination of recent tendencies in American
economic policy in relation to proposals likely to be
put forward.

Prime Minister's Statistical Office.

American conversations - outline of strategy.

Reconstruction Secretariat.

International economic aspects of adequate nutrition
policies.

4 Richmond Terrace, S.W.1.,

22nd JULY, 1942.