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President: Mr. Hernán SANTA CRUZ (Chile).

Present: Representatives of the following countries:
Belgium, Canada, Chile, China, Czechoslovakia, France, India, Iran, Mexico, Pakistan, Peru, Philippines, Poland, Sweden, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay.

Representatives of the following specialized agencies:

International Labour Organisation, International Bank for Reconstruction and Development, International Monetary Fund.

Economic development of under-developed countries (E/2024, E/2041, E/2047 and Add.1)

(d) Volume and distribution of national income in under-developed countries (*resumed from the 514th meeting*)

1. Mr. STERNER (Sweden) said that the Swedish amendments (E/L.227) to the draft resolution submitted by the Canadian delegation at the 514th meeting (E/L.225) scarcely required any explanation, since they followed logically on the remarks that he (the Swedish representative) had made at the 514th meeting. It was inadvisable to encourage the Secretariat of the United Nations and the specialized agencies to make national income studies of under-developed countries in the same way as for advanced countries; the figures in the Secretary-General's report (E/2041) of the average yearly *per capita* incomes in African countries had very little meaning, since it was difficult to evaluate the large proportion of total consumption attributable to goods which were never bought or sold. It was useful to have supplementary and concrete information about actual living conditions—for instance, the kinds of food eaten in those countries and the type of clothing worn. Did the Canadian representative consider the amendments consistent with the Canadian delegation's views on the subject?

2. Mr. REISMAN (Canada) said that the amendments were fully consistent with the spirit of the draft resolution submitted by the Canadian delegation, and he was glad

to accept them, since it was advisable to point out that the statistical series of under-developed countries could not be as satisfactory as those of advanced countries, and since statistical experts should not try to make statistical studies of the national incomes and balance-of-payments positions of under-developed countries along the same lines as those followed for making similar studies for advanced countries.

3. Mr. LUBIN (United States of America) proposed the insertion of the words "adequate and" before the word "reliable" which the Swedish delegation had proposed should be inserted in the second paragraph of the Canadian draft resolution.

4. Mr. STERNER (Sweden) indicated that he accepted the addition proposed by the United States representative.

5. Mr. KATZ-SUCHY (Poland) said that, at the fifth session of the General Assembly, the Polish delegation had submitted a draft resolution which had given rise to the adoption by the Assembly of resolution 403 (V) on the volume and distribution of national income in under-developed countries; the Polish delegation had submitted the draft resolution because it considered that the subject should receive careful attention during discussions in the United Nations on the development of under-developed countries. Polish representatives had on several occasions pointed out that the flow from under-developed countries of profits derived from foreign capital invested in those countries prevented the building up of the domestic capital required for economic development. If that flow were stopped, the problem of economic development would become a much less difficult one. One of the features common to all the national incomes of under-developed countries was the small share which the workers received and their consequent inability to contribute to the increased domestic demand which was required for economic development. The report submitted by the Secretary-General (E/2041) in response to General Assembly resolution 403 (V) fell far short of the Polish Government's expectations. But the Polish delegation realized that the task given the Secretariat was not easy, because it covered a wide field and many of the statistical data required were lacking. It con-

sidered the report to be merely a preliminary one, and hoped that it would be followed by more detailed reports which would enable the Council and the General Assembly to discuss the problem on a broad basis.

6. Despite the imperfections of the report, several conclusions could be drawn from it. It was stated in paragraph 24 that the net foreign payments of under-developed countries in the form of interest, dividends and branch profits were not large in relation to the geographical product; but those payments, he contended, constituted a large proportion of the savings which could be effected by under-developed countries. The authors of the report admitted, moreover, that in some countries the percentage of the net geographical product used to meet foreign financial commitments was very large; it was stated in paragraph 25 that the proportion of the net geographical product of Northern Rhodesia used to meet such commitments was 27 per cent, of Venezuela 17 per cent, of Iran 13 per cent, and of the Dominican Republic 6 per cent. Moreover, it should be realized that the figures given in the report covered only direct income from under-developed countries; they did not cover the large proportion of the national income of under-developed countries which was obtained by foreign monopolists from shipping, insurance and banking.

7. More attention should be paid to the balance-of-payments position of under-developed countries in relation to their national income. Comparison showed that the foreign currency obtained from increased production in under-developed countries was mostly used up in servicing foreign capital invested in those countries, and that little remained for importing capital goods needed for economic development. Thus an expansion of the exports of under-developed countries had not contributed to a rise in their standards of living. Those remarks were particularly true of Latin America, as was borne out by the report recently issued by the Food and Agriculture Organization on agriculture in Latin America. It was shown in table 2 of the experts' report (E/1986) entitled *Measures for the Economic Development of Under-developed Countries* that, in order to increase their average *per capita* incomes by 2 per cent, the countries of Latin America would have to cover a deficit of 550 million dollars. United States official statistics showed that, in 1950, the direct income from private United States investments in Latin America had been 682 million dollars. What was needed was a policy to stop the excessive profits that foreign monopolists were obtaining from under-developed countries. If they were stopped, the under-developed countries could be properly developed by means of domestic savings, with foreign capital acting only as a subsidiary factor.

8. The Secretary-General's report showed that, since the period before the Second World War, there had been no noticeable diversification of the economies of under-developed countries. The economies of some of them had become even more dependent on the production of one or a very few commodities. That dependence made the national incomes of under-developed countries particularly sensitive to world market developments, which were, of course, outside their control. A decline of the world market had the effect of reducing the

standards of living of the workers in under-developed countries; a rise brought about inflation, which had the effect of increasing the disparities in the incomes of the different social groups. Those disparities, which were due to the colonial nature of the social structure in under-developed countries, were characteristic of the national incomes of all under-developed countries.

9. The United States war economy policy had had the effect of increasing the proportion of earnings paid out in profits and decreasing the proportion paid out in wages, even in the United States of America itself. The Federal Reserve Board of the United States of America had stated that the number of spending units in the country with an income of less than 1,000 dollars a year had risen to 14 per cent of the total number of spending units in the country; in May according to the "Heller" budget, the minimum weekly budget was 82 dollars, which meant that more than 7 million spending units in the United States of America were living in starvation conditions. The effect was much more pronounced in under-developed countries, especially in colonial territories. That was borne out by the Secretary-General's report (E/2041), especially by tables 13 to 32 and paragraph 54, in which it was stated that "In Southern Rhodesia . . . Africans constituted 95 per cent of the total population in 1946; yet they received only 35 per cent of the total volume of personal income, and only 31 per cent of the total income produced in the Territory. In *per capita* terms, their incomes—including the imputed value of subsistence production—averaged £9 for the year, while the average for non-Africans was a little over £300." The report admitted the fact that even those indigenous inhabitants who were employed in the European sectors of the economies of African territories had extremely low incomes compared with those of the Europeans. For example, in 1946, the average yearly earnings of an African employed in agriculture in Northern Rhodesia had been £11 sterling and of a non-African employed in agriculture £400 sterling.

10. The scanty information in the report on the distribution of incomes amongst different social groups in Latin America was quite sufficient to show that the proportion of the national incomes of those countries received by the workers was much lower than in advanced countries, and the proportion made up by income from property much higher. For example, according to table 14, the percentage of Chile's national income in 1948 used for the compensation of employees was 46 per cent compared with 26 per cent for property income; the corresponding figures for Peru in 1947 were 42.2 per cent and 24.1 per cent. Table 22 showed that in Chile, in 1948, wage-earners in non-agricultural groups, who constituted 37.8 per cent of those groups, received only 26.6 per cent of the total earnings, whereas salary earners, who constituted 11.8 per cent of the groups, received 28.1 per cent of the earnings. According to table 23, wage-earners in agricultural groups in Peru had in 1947 received an average of only 890 sols each, whereas salary earners in those groups had received on the average 10,560 sols each and farmers and unpaid family workers 760 sols each. Since the figure for farmers presumably covered

proprietors with large farms, the disparity was in fact even greater than it appeared from those figures.

11. One of the main reasons for the fact that the discrepancies between the *per capita* incomes of different social groups were far greater in under-developed countries than in advanced countries was the flow of capital from the under-developed countries in the form of profits. The low income of agricultural groups in under-developed countries reflected the low level of agriculture in those countries. That low level was largely due to the anachronistic system of land tenure, a subject to be discussed at a later stage of the session. The figures in the report showed that the wage-earners in under-developed countries received very low wages and a very small percentage of the national income; that made possible the remission of the huge profits reaped by United States and United Kingdom monopolists. A large proportion of the population of under-developed countries did not have enough to satisfy even primitive needs. The bulk of it did not have the purchasing power which was essential to economic development, because a large proportion of the national wealth of those countries was being taken by foreign monopolists and the local bourgeoisie which in many cases worked hand in glove. The local bourgeoisie did not use its income to finance local economic development as it should; that was not surprising, because all the goods which it wanted and which were not produced in the country were imported. Much of the income of the local bourgeoisie was spent in land speculation and the purchase of foreign currency and precious metals for hoarding. Measures should be taken to expand internal markets in under-developed countries and to limit their imports to essential requirements, as the Economic and Employment Commission had recommended at its third session.

12. The report failed to contain any conclusions from the information it provided; it did not suggest any measures to correct the bad distribution of the national income in under-developed countries or to prevent capital leaving the under-developed countries.

13. The Council should accept the principle that satisfactory distribution of national income was a basic pre-requisite for the economic development of under-developed countries. No effective measures had yet been taken to bring about such satisfactory distribution; to do so should be one of the basic objectives of the governments of under-developed countries and one which the Council should help them to attain.

14. General Assembly resolution 403 (V) called for more information about the national income of under-developed countries than that normally given in the annual world economic reports submitted by the Secretariat. The purpose of the Polish draft resolution which had given rise to that resolution was to ensure that the problem of the distribution of the national income of under-developed countries would be kept continuously under review, since the present bad distribution of the national income of under-developed countries prevented their proper development. The Canadian draft resolution (E/L.225) was not in accordance with that purpose. It represented an attempt to shelve the problem. On the contrary, the

Council should make arrangements for a continuous study of it.

15. Mr. TAUBER (Czechoslovakia) said that, in view of the Polish representative's very thorough analysis, he would merely mention certain points in the report (E/2041) by the Secretary-General concerning the volume and distribution of national income in under-developed countries, on which he wished to submit reservations, and refer also to certain points in the report (E/2047 and Add.1) by the Secretary-General on the relation of fluctuations in the prices of primary commodities to the ability of under-developed countries to obtain foreign exchange and in the reports (E/2024) by the International Monetary Fund (IMF).

16. Chapter III of the report by the Secretary-General on the volume and distribution of national income in under-developed countries showed the calamitous role played by foreign monopolies in the national economies of the under-developed countries. Those countries were obliged to transfer up to 27 per cent of their net geographical product to meet current foreign financial commitments. That percentage represented the profits of foreign monopolies.

17. Other tables, particularly those concerning Africa, showed the racial discrimination which existed in that continent, where the wages of foreign workers were ten to twenty times higher than those of African workers.

18. The light thrown by the report of the Secretary-General on the part played by foreign capital in the economy of the under-developed countries fully justified the views expressed by the Czechoslovak delegation during the discussion on the financing of under-developed countries.

19. As to the reports (E/2024) submitted by IMF in accordance with Council resolution 294 D (XI), he wondered whether any criticism of those reports would not be partially invalidated by the covering statement of the Acting Managing Director of the Fund that the views expressed did not represent the official attitude of, and did not commit, the Fund.

20. In its first report, IMF had tried to prove by means of statistics that the share of investment income payments in under-developed countries tended to diminish in relation to total current receipts. The Czechoslovak delegation considered that IMF had attempted to circumvent the difficulty by making a meaningless comparison. The authors of the report had forgotten that, during the period considered, from 1860 to 1947, the population had considerably increased, so that the increase in financial receipts was due to factors completely different from those given by IMF. The report made no mention of some factors essential to an over-all appraisal of the problem, such as workers' income, the purchasing powers of the respective currencies, and the degree to which workers were exploited by foreign capitalists. If the authors of the report had carried their researches further, they could not have avoided the conclusion that, in under-developed countries, investment was a means of fostering exports, creating unemployment, and subjugating those countries both politically and economically.

21. He considered that the two reports were purely capitalistic in tenor. IMF was, in fact, recommending that investment be restricted to those countries which could guarantee a high return on capital and exports of raw and strategic materials.

22. The second report even contained the conclusion that, although restrictions on transfer of capital were necessary in some circumstances, such provisions should be temporary since, for a capitalist, long-term investment in a country which did not permit transfers was unthinkable.

23. Turning to the report (E/2047 and Add.1) by the Secretary-General on the relation of fluctuations in the prices of primary commodities to the ability of under-developed countries to obtain foreign exchange, prepared pursuant to Council resolution 294 D (XI) of 12 August 1950, he began by criticizing the presentation of the study, which gave statistical data in the form of index numbers and not in absolute figures, thereby rendering any verification impossible. While he was prepared to accept the data as correct, he wondered whether they were as complete as they might be. The study was, furthermore, couched in an academic style which did not help to make it any clearer.

24. As for the substance, the document dealt largely with fluctuations in the export prices of primary commodities, fluctuations in the quantities exported and fluctuations in the relation between such prices and quantities, its authors regarding the effects of crises and cyclical fluctuations as immutable phenomena. The report, moreover, made only one reference, in appendix VI, in connexion with the export of Chilean copper, to the important question of the apportionment of the export receipts from primary commodities between the producing countries and foreign owners.

25. According to table VI/I, since 1914 only 50 per cent of the direct export receipts from Chilean copper had been retained in the country, which went to prove that the economic development of the under-developed countries could be financed almost entirely from local resources, thereby avoiding a steady increase in foreign indebtedness and greater subserviency to foreign capital.

26. A further defect in the report was the fact that it ignored the question of the relation between the prices of exported primary commodities and those of imported industrial products, contenting itself with a single reference to the conclusions of the study of *Relative Prices of Exports and Imports of Under-developed Countries*, published in 1949. In a footnote to paragraph 11, it was pointed out that, from the latter part of the 19th century to the eve of the Second World War, there was a secular downward trend in the prices of primary goods relative to the prices of manufactured goods, the purchasing power of proceeds from exports of primary commodities having declined by 40 per cent during that period.

27. Paragraph 13 drew attention to the high degree of fluctuation in the prices and quantities of the main export commodities of under-developed countries, which in turn caused a most violent fluctuation in the foreign exchange earnings of the exporting countries, a fact which hampered imports of capital goods and of other goods

required for economic development and the meeting of fixed foreign commitments. The average annual variation was as much as 35 per cent of total receipts from exported primary commodities. What such fluctuations meant to the under-developed countries was sharply brought out by the statement, in paragraph 14, that the export of primary commodities was their chief source of foreign exchange.

28. Paragraph 28 pointed out that "under-developed regions are more affected by price fluctuations, quantity fluctuations and fluctuations in proceeds, separately and jointly, than are the main industrialized regions"; while it was noted in paragraph 29 that "a net capital inflow and other methods of obtaining foreign exchange are even less stable from year to year than export earnings, that they do nothing to stabilize foreign exchange accruals from exports, and that in respect of cyclical fluctuations they tend to intensify rather than mitigate the fluctuations".

29. Paragraph 30 stated: "Where an important share (and a rising share in time of falling exports proceeds) is absorbed by services on previous foreign investment, this will result in even greater instability of the amount of foreign exchange actually available for financing foreign imports. It thus strengthens the conclusion that fluctuations observed are difficult to combine with steady development programmes."

30. In paragraph 45 the authors of the report contended that such variations made it difficult for under-developed exporting countries to determine their ability to import goods required for economic development for even one year ahead.

31. In paragraphs 59 and 60, it was noted that local processing and conversion of raw materials, on however small a scale, made it possible to minimize price fluctuations.

32. From the report as a whole he (the Czechoslovak representative) drew the following conclusions: in the first place, variations in the prices of raw materials were not in the interests of the under-developed regions, the purchasing power of those regions was falling, and their ability to obtain the products necessary for their development was being increasingly impaired; secondly, the prices of raw materials varied more widely than those of finished goods, that being an argument in favour of the industrialization of the under-developed countries; thirdly, the variations were most marked in the United States of America, where they had reached a figure of 49 per cent of the market value of the raw materials in question; fourthly, investments of foreign capital were no cure for the trouble; on the contrary, they were harmful to the under-developed countries; fifthly, the establishment of foreign monopolies in the under-developed countries resulted in the export of the bulk of the wealth produced by local labour, only a few scraps being left for the indigenous population; sixthly, the instability of the United States market rendered any direct dollar investment a danger to the economic stability of the regions in question, quite regardless of the political risks to which it exposed them.

33. In the light of those conclusions and in order to enable genuine assistance to be given to under-developed

countries and areas, the Czechoslovak delegation advocated that export receipts should remain wholly in the producing country, should be used for the economic development of the country and should not in any way accrue to foreign monopolies. It also advocated that under-developed areas should not be compelled, as they were at present by the United States of America, to produce more strategic raw materials, the very commodities that were subject to the greatest price variations. Such an increase in the production of strategic materials involved an increase in the debt of those areas quite apart from the cession of military bases. Finally, his delegation advocated that the development of national industry, particularly of heavy industry, in the under-developed countries should be completed within the shortest time possible so that they should no longer be dependent upon the price variations in foreign markets.

34. As regards the Canadian draft resolution (E/L.225), the Czechoslovak delegation considered it somewhat vague. In particular, it did not make clear whether or not the Secretary-General had to prepare a study for the next session of the Council. As a result, the Secretary-General might find himself in a somewhat awkward situation arising from the fact that he would have no clear instructions.

35. In the opinion of the Czechoslovak delegation, the Council ought to instruct the Secretariat to make a far more serious study of the problem, to acquire fresh data and to draw the conclusions from them which would enable it to take such measures as might be called for.

36. Mr. KATZ-SUCHY (Poland) submitted the following draft resolution (subsequently distributed as document E/L.228):

"The Economic and Social Council,

"Having considered the report contained in document E/2041,

"Requests the Secretariat to complete the study on the subject of the volume and distribution of national income in the under-developed countries in accordance with General Assembly resolution 403 (V), and submit it to the next session of the Economic and Social Council."

37. The draft resolution was of a procedural nature, but its adoption would bring one stage nearer the solution of the important problem of changing the distribution of the national income of under-developed countries so as to help their development.

38. Mr. WILLIAMS (International Monetary Fund) said that, in order to prevent confusion, he would like to comment on parts of the statement made by the Czechoslovak representative. The Czechoslovak representative had said that the second report (E/2024) of the Fund suggested that certain statutory and administrative measures be taken in under-developed countries; but as he (the representative of the Fund) had stated at the 514th meeting, both the reports (E/2024) were solely factual and descriptive; they contained no suggestions. With reference to the comments of the Czechoslovak representative on the statement in the covering note to the reports to the effect that they did not represent the official

views of the Fund, he would point out that they were unofficial merely in the sense that they only represented the views of the Fund's staff, in the same way as the report submitted by the Secretary-General (E/2041) represented only the views of the United Nations Secretariat and not necessarily the official views of the United Nations. The representative of Czechoslovakia had said that he could find no information in the Fund's reports about the purchasing power of the workers in under-developed countries, their wage scales and the levels of employment in those countries; the reports did not contain any information of that kind, there having been no request for such information in the Council's resolution 294 (XI).

39. IMF was providing under-developed countries with technical assistance for improving their balance of payment statistics, in co-operation with the United Nations Secretariat, whose help was greatly appreciated. IMF had published a manual on the subject and had subsequently held an intensive training course at its headquarters to show young officials, including officials from under-developed countries, the best methods of compiling such statistics, and had recently organized, in co-operation with the United Nations, a regional seminar in Rangoon for spreading knowledge of those methods. The seminar had been so successful that plans were at present being made to hold another seminar in Latin America. Members of the Fund's staff had also visited more than twenty countries to advise them on their balance of payment statistics. Thus the Fund had helped to make improvements in the balance of payment statistics of under-developed countries which would facilitate studies by governments, the United Nations and specialized agencies.

40. Mr. ARKADIEV (Union of Soviet Socialist Republics) said that the report of the Secretary-General on the volume and distribution of national income in under-developed countries dealt with a very important subject; for study of the distribution of national income amongst the different social groups and of the percentage used for servicing foreign capital would help to determine the possibilities of furthering the economic development of those countries.

41. Table 2 in the report showed that the average *per capita* income of the United Kingdom in 1949 had been over 600 dollars, whereas in Burma, Ceylon, India and Pakistan the average *per capita* income had been less than 100 dollars. The average *per capita* income of the Philippines in 1949 had also been less than 100 dollars, whereas the average *per capita* income of the United States of America had been over 900 dollars. The Philippines had been ruled by the United States of America for the first half of the present century. During that period practically no industry had been developed in the Philippines; agriculture in that country was still very primitive and its productive forces insignificant. Table 5 showed that 62.2 per cent of the national income of the Philippines in 1948 had been derived from agriculture, whereas only 3.5 per cent had been derived from manufacturing. The United States of America during its rule over the Philippines had done nothing to promote that country's economic development; it had in fact retarded it. United Kingdom capital had had

similar effects in India, Pakistan, Burma, Ceylon and other countries. The economic and political domination by the United Kingdom and the United States of America had heightened the colonial and backward nature of those countries, and that was why the average *per capita* incomes of those countries were so low and their national incomes so badly distributed. It was clear that the countries of Asia and Africa which had been subjected to the rule of the United Kingdom and of the United States of America were at the lowest stage of development because they had been exploited. France and Belgium had also exploited the territories they administered in Africa. The Secretary-General's report contained statistics for only five countries in Africa. It was clear that Belgium, France and the United Kingdom, which so often complained of an alleged lack of data in regard to other countries, had not supplied data concerning other African countries because they did not wish to reveal their shameful exploitation of those countries. But even the data in respect of the five countries of Africa for which data had been supplied showed that the economic situation of dependent countries in that continent was disastrous. The representative of Poland had already shown that the national income and average *per capita* incomes in those countries were unbelievably low. At the 484th meeting of the Council, during the discussion on the world economic situation, the Indian representative had informed the Council that the average *per capita* income of India was approximately 35.5 times smaller than the average *per capita* income of the most prosperous countries of the world, the Philippines representative had stated that the total income of the under-developed countries of the world represented only 5 per cent of the total world income and the representative of Iran had pointed out that the economic development of many under-developed countries was retarded not only by their exploitation by foreign monopolists but also by the war preparations made in those countries by western countries because of their strategic position. The representative of Pakistan had made similar remarks.

42. The under-developed countries of the world were still under the yoke of foreign monopolists, even though the direct rule of the United Kingdom, the United States of America and other advanced countries over many of the under-developed countries had come to an end. It was stated in paragraph 32 of the Secretary-General's report that United States investors had in 1948 received 639 million dollars from investments in Latin America, half that sum being derived from oil, and it was stated in paragraphs 33 and 35 that they had obtained 409 million dollars from Canada, and the greater part of 308 million dollars from the United States-controlled oil industry in the Middle East. The average yield of United States capital invested in Latin America was two-and-a-half times as great as the average yield of capital invested in the United States of America itself.

43. According to table B.3 of the second report of the Fund, in 1949 Iran, Northern Rhodesia, Venezuela, Costa Rica and Iraq paid out the following percentages respectively as investment income payments: 53.1 per cent, 34.3 per cent, 26 per cent, 22.4 per cent and 17.7 per cent. Thus, clearly, the greater part of the national

income of those under-developed countries, instead of being devoted to the development of national resources, was taken by exploiting countries such as the United Kingdom and the United States of America. The figures given in that report on the distribution of national income in the United States were equally instructive, but he must first draw attention to the deficiencies in the method of computing *per capita* income. According to the system used in the United States, the total national income for 1949, which amounted to 215,000 million dollars, was simply divided by the total number of inhabitants with the result that the *per capita* income figure was given as 1,440 dollars. The facts should, however, be investigated more closely.

44. The PRESIDENT, intervening, recalled that members of the Council had had every opportunity of discussing the world economic situation from the point of view of substance under item 2 of the agenda as well as under items 4 (a) and (b). Furthermore, the Council would also have opportunities of reviewing conditions in the world in connexion with the reports of the Economic Commission for Asia and the Far East (ECAFE) and the Economic Commission for Latin America (ECLA) (items 14 and 15 of the agenda). The reports on the volume and distribution of national income in under-developed countries which were at present being discussed under item 4 (d) of the agenda had been submitted in accordance with the requests of the General Assembly and the Council and were intended to serve as background material for governments and for the Council. The discussion of those documents could not allow of a detailed examination of the economic situation of each country mentioned therein. The comments of the Soviet Union representative had some connexion with the points made in the reports, but he believed he was correctly interpreting the views of members in suggesting that the present was not the occasion for a substantive discussion, especially in view of the limited time available for the Council's debates.

45. Mr. ARKADIEV (Union of Soviet Socialist Republics) submitted with all respect that it was impossible to consider the reports purely from the technical point of view, since the problems raised therein were of the utmost importance. His argument was further strengthened by the view, which had already been expressed, that the material collected was of a preliminary nature and needed amplification and analysis. Surely he was in order in considering the problem of national income distribution from the substantive point of view, since the reports themselves related the data given for the under-developed countries to those for the United States ?

46. Continuing, he pointed out that, in the United States, a handful of multi-millionaires controlled the major portion of the national income, the holdings of fifty-eight families amounting to 147,000 million dollars. Meanwhile, 87 per cent of the working population disposed of only 8 per cent of the national income. An author named Ferdinand Lundberg had written a book entitled *Sixty American Families*, in which he had described the power wielded by the handful of the wealthy

in America. Mr. Rockefeller's annual income amounted to 50 to 60 million dollars, and that of Mr. Morgan was over 40 million dollars. It was clearly invalid, therefore, to compute *per capita* income by pooling the income of Rockefeller and that of his workers and then doing a simple division.

47. The PRESIDENT said that the distribution of national income in the United States of America was irrelevant to the item under discussion. Further, he must draw the Soviet Union representative's attention to the terms of Council resolution 294 (XI).

48. Mr. ARKADIEV (Union of Soviet Socialist Republics) maintained that since a comparison had been made in the report submitted to the Council, it could be discussed. He was keeping within the framework of the reports. The essence of the problem, he must reiterate, was that countries like the United States of America made enormous profits from the under-developed countries, whose resources were swallowed up by the powerful capitalist monopolies. The circumstances obtaining in the Soviet Union under the socialist system contrasted sharply with those in the United States of America. The socialist organization of production had led to a tremendous increase in the national income and to an equitable distribution of it. The total national income of the Soviet Union in 1940 had been six times higher than in 1913. During the first and second five-year plans the average increase was 16.2 per cent. The first post-war five-year plan, ending in 1950, had estimated for a 38 per cent increase as compared with 1940; in point of fact the increase achieved had been 64 per cent. In 1950 as compared with 1949 it had been 21 per cent. Such a rate of development was possible only through those fundamental economic changes which had enabled the Soviet people to achieve magnificent results. If the peoples in the under-developed countries were to attain a higher standard of well-being, the productivity of the workers must be increased through the provision of equipment, technical education and opportunities for the use of their creative capacities.

49. In the Soviet Union, the workers themselves had at their disposal the major part of the national income. Thus in 1950 the people's share amounted to 74 per cent, the remaining 26 per cent going to the Government and to collective and co-operative organizations. There was no exploiting class in the Soviet Union.

50. On the basis of that experience, the Council should make concrete recommendations indicating how the national income of under-developed countries could be increased and made to serve economic development and how an equitable distribution of it could be achieved. That was its real task, and unless it came to grips with it, the problem would remain for consideration. It was possible to investigate a problem endlessly without obtaining practical results. In his view, the Canadian draft resolution (E/L.225) was of that academic character. A more practical approach to the problem was needed.

51. Mr. LUBIN (United States of America) said that he wished to make a few observations on the statements made by earlier speakers. The Soviet Union representative had

complained of the dearth of figures for Africa, but he should note that no figures at all were available for those under-developed countries which were being "helped" by the Soviet Union—namely, the People's Democracies. He wholeheartedly agreed with the Polish representative that the figures in the reports should be studied and carefully analysed. Particularly careful attention should be paid to the figures quoted by the Polish and Soviet Union representatives. For instance, the latter had referred to the investment income payments of certain countries. Had he examined the table B.3 in the second report of IMF he would have noted that those payments did not represent percentages of national income, but percentages of current receipts. Further, had he consulted table 9 in the Secretary-General's report (E/2041) he would have discovered that the investment income as percentage of the national income was, for the year 1949, 27 and not 34 per cent for Northern Rhodesia, 13 and not 53 per cent for Iran and 17 and not 76 per cent for Venezuela. It was possible that the Soviet Union representative did not know the difference between national income and payments out of current account.

52. The representatives of Czechoslovakia, Poland and the Soviet Union had been harping on the theme of the exploitation of the under-developed countries by the industrialized countries for a long time. Since, however, little credence was attached to their accusations, the Polish delegation had at the last session of the General Assembly submitted a draft resolution requesting the Secretary-General to study the volume and distribution of national income in the under-developed countries. The report (E/2041) on the subject had not substantiated their case.

53. The Polish representative had referred to four countries in which the servicing of foreign investment did not account for a very high proportion of the national income and had pointed out that the figures did not cover shipping, banking and insurance costs. He (Mr. Lubin) would suggest that if coal, food, oil and fertilizers were also added in, a truly large figure of amounts paid out of current income could be reached. The figures quoted in the report on the earnings of United States investors in Latin America and referred to by the Soviet Union representative did not really represent the amounts which were paid out in foreign exchange by Latin American countries since a considerable proportion of those amounts was reinvested in the country. Indeed, the Soviet Union representative had conceded as much. Furthermore, the Polish representative had quoted the report of the Federal Reserve Board on incomes as a proof of the fact that the unhappy American people were living on the verge of starvation. The figures he had quoted represented the incomes and expenditures of "spending units" which included both individuals and families, both large and small families working both in cities and on farms. It was well known that the real income of farmers could not be estimated in terms of dollars earned since they grew their own food and their expenditure on food and rent was extremely low. The Polish representative had taken an average figure for those various types of units and had compared it with the minimum budget known as the "Heller" budget which had been drawn up not

for all parts of the country, for farms and cities, but just for the city of San Francisco. The "Heller" budget calculations were based on a family of four persons. In fact only some 17 per cent of families in the United States consisted of four persons, the majority being of three and many even smaller. Moreover, the "Heller" budget was not a bare minimum but included an allowance for the purchase of a new car, an ample food budget, educational expenditure, etc., at a fairly adequate level. The two sets of figures were not comparable in any way and the comparison proved nothing.

54. The Soviet Union representative had referred to a book about sixty American families, but he had omitted to say that it had been published thirty years ago. The facts about the distribution of national income in the United States were the following. In 1929, the 5 per cent of the population with the highest incomes had received 34 per cent of disposable national income. In 1939, their share had fallen to 27 per cent and was 18 per cent at the present time. As for the 1 per cent of the population with the highest incomes of all, they had in 1929 received 19 per cent of the total national revenue. That figure had now dropped to 8 per cent. Between 1929 and the present time, the average *per capita* income of the population, including capital gains, had risen from 690 dollars to 1,436 dollars. Meanwhile, the average *per capita* income of the 1 per cent with the highest incomes of all had fallen by more than 30 per cent.

55. Much had been heard from the representatives of the Soviet Union and the People's Democracies of increased productivity and equitable distribution of income. But the general standard of living in the Soviet Union was far below the Western European average. The social differences in the Soviet Union were very wide indeed. The average worker in the Soviet Union had to spend one month's wages on a pair of shoes and 25 pounds of meat, and there was much evidence available that wages sufficed for only the vital necessities of life. But there was also much evidence of the lavish and ostentatious way of life of the privileged classes in the Soviet Union.

56. The PRESIDENT, intervening, recalled that he had pointed out to the Soviet Union representative that certain of his comments were outside the framework of the discussion.

57. It was regrettable, particularly for representatives of the under-developed countries, that any discussion designed to find new forms of international economic collaboration should always degenerate into a debate on the economic situation of the Soviet Union and the United States of America. He appealed to representatives to confine themselves to the subject under discussion.

58. Mr. LUBIN (United States of America) said that he had felt himself obliged to answer some of the charges levelled against the industrialized countries.

59. Continuing, he explained that the turnover tax applied in the Soviet Union took no account of income variation and that taxes were levied on essential goods. Every consumer who bought sugar and bread paid the same tax upon it regardless of his ability to pay. It

was perhaps opportune to recall a remark of Lenin's that indirect taxes were taxes on the poor.

60. The Secretary-General's report (E/2041) made a useful contribution to the study of economic conditions in the under-developed countries, although in some respects it had not added considerably to knowledge, since it had long been recognized that great disparities existed in national incomes in various countries, both in total amounts and on a *per capita* basis. Everyone would agree that it was desirable to reduce and in due course eliminate the existence of such large discrepancies. But the report presented graphically some important facts and shed direct light on the pressing and difficult problem of giving the peoples in the under-developed areas not only the hope but also the reality of a better life.

61. He entirely agreed with the representatives of those countries that national and international action must be taken to secure a greater equality in living standards in the world. The question was how could that aim be realized? It was believed in the United States that the existing disparities in national income must be reduced by an expansion of the world's total income, an increasing share of that expanding income going to the under-developed areas. The problem must be viewed dynamically in terms of increasing the world's volume of goods and services and in raising general well-being. Any such programme of expansion put important responsibilities on the more advanced countries, which must help to make capital, technical skills and experience available to the under-developed areas. A world of expanding production offered the best hope that those long and difficult paths to economic development and social progress might in future become shorter and smoother. The United States was prepared to continue to discharge its responsibilities and to assist the development of under-developed countries, both through its bilateral programmes and through the technical assistance programmes of the United Nations and the various specialized agencies.

62. But the responsibility did not lie solely with the more developed countries but with the under-developed countries as well. With external assistance, they must take the steps necessary to raise their peoples' level of productivity and well-being. They must correct deficient economic institutions and change such antiquated customs and habits as retarded their development. Although, as the Secretary-General's report indicated, the problems were both numerous and difficult, the job could and would be done if all played their part to the full.

63. Mr. CORLEY SMITH (United Kingdom) said that, in spite of the provocation to which he as well as other representatives had been subjected, he would endeavour to fall in with the President's plea. His delegation too had considered item 4 (d) as one which allowed for an estimate of the value of statistics and of comparative methods. The lengthy discussions held on the world economic situation and on the methods of financing the economic development of under-developed countries had shown that disparities existed the world over, and each

delegation had had an opportunity of making constructive suggestions as to how that problem could best be tackled.

64. Even in a technical discussion, no objections would have been raised if certain representatives had offered constructive suggestions, but when figures were used merely to serve as pegs for vicious propaganda attacks on other countries, it was an abuse of the purposes of the Council. A glance at table 1 in the Secretary-General's report (E/2041) would show that, after two centuries of alleged exploitation, Canada had a *per capita* income of 900 dollars, while Bulgaria, which moved within the friendly orbit of the Soviet Union, had a *per capita* income of 110 dollars. The Soviet Union representative had boasted of the tremendous progress made in his country, which indeed merited congratulation because, according to table 1, it had now raised its *per capita* income to the same level as Puerto Rico, another victim of "colonial exploitation". Curiously enough, the Soviet Union representative had not referred to those figures.

65. As for the difference between rich and poor in any country, the United States representative had ably answered the accusations levelled against his country. Speaking for the United Kingdom, he (Mr. Corley Smith) need only record that the highest income levels were taxed at 97½ per cent. That compared very favourably with the 13 per cent paid by the highest income group in the Soviet Union. There was less inequality in the United Kingdom than in any other country in the world. The richest man might have an income at the outside forty times higher than the poorest, but in the Soviet Union he might easily have an income eighty times higher.

66. As for the reports before the Council, he wished to express his delegation's gratitude to the Secretariats of the United Nations and of IMF for compiling them. They had followed the instructions they had been given and had done as good a job as could be expected with the material at their disposal. If they had had to make bricks without straw it was the fault of the governments which had asked them to undertake a task well-nigh impossible at the present stage of statistical knowledge. He agreed with the Canadian draft resolution (E/L.225) as amended by the Swedish representative (E/L.227). It was essential to have basic data before comparisons became possible, and countries should be encouraged to improve their statistical services. A great deal had certainly been done in the last ten years by the under-developed countries but further improvements were indispensable.

67. One of the principal tasks of the next year or so was to encourage a number of countries to improve their basic statistics, applying where feasible a certain uniformity of method, which would make comparisons possible.

68. Mr. GARCIA (Philippines) expressed his regret that the discussion on the volume and distribution of national income in the under-developed countries should have given rise to polemics. But, as the Soviet Union representative had referred to the situation in the Philippines, he must point out that the economy of his

country was agricultural and that efforts had been made to increase production and stimulate economic development. Miracles could not, of course, be expected, but the Government of the Philippines hoped to be successful in laying the foundations of a stable economic structure. Unfortunately, its efforts had been hampered during recent months by internal difficulties due to the subversive activities of foreign elements, and those difficulties had obliged it to take protective measures. Similarly, its obligations under the Charter of the United Nations had led the Government to devote part of its revenue to the fight against aggression in Korea.

69. The representative of the Soviet Union had dwelt at length on the brilliant results achieved in that country. It was true that the Philippines did not possess the industrial equipment of which Soviet Union representatives boasted, but it had an asset which it considered to be of infinitely greater worth—namely, freedom. The people of the Philippines were free to live, work and develop as free men, in whatever way they chose.

70. Moreover, he thought that the Soviet Union representative was in no position to speak of income per head of population and he was glad that the United States representative had already answered him on that point. It prosperity in the Soviet Union was as great as the representative of that country claimed, why did it not participate in the United Nations International Children's Emergency Fund (UNICEF) and the work of technical assistance? Why did it not increase its contribution to the United Nations? And if the Soviet Union wished to pass itself off as the champion of the under-developed countries, why had its Government refused to pay its contribution to the technical assistance fund and adopted a negative attitude towards financing the economic development of under-developed countries?

71. In conclusion, he refuted the Soviet Union's charge that the Government of the Philippines was dominated by the United States. The best proof of the falsity of those allegations was the fact that, in the Council meetings, the under-developed countries had frequently opposed the industrialized countries, thus clearly testifying to their independence, whereas the Soviet *bloc* remained indivisible, even on the most trivial procedural matters.

72. Mr SCHNAKE VERGARA (Chile) said that, in his opinion, the documents on economic development submitted by the Secretariat at the request of the General Assembly were extremely interesting, although much of the information contained in them had been previously available, and a considerable amount of information concerning Chile had not been included, because the documentation was restricted to certain subjects.

73. He would refrain from making a general statement because the general questions had been covered before. He pointed out that the information supplied in the Secretariat documents and elsewhere was one of several elements which helped the Chilean Government to evolve its policies, for example, with regard to foreign investment, the fixing of prices in the light of export and import costs and the establishment of national economic pro-

grammes. The data provided by the Secretariat were available to the various sections of the Chilean public which determined policy on the basis of the information which came to its notice. The statements by the Chilean delegations in the General Assembly and in the Economic and Social Council concerning economic development and financing had always been based on information that was fully available to the public. Other representatives of Chile had on various occasions discussed the repercussions of fluctuating prices and exports and had outlined the reasons for which the Chilean Government had selected certain economic policies, for example with regard to national investment. At the twelfth session of the Council the Chilean representative had analysed those repercussions in great detail.

74. The Czechoslovak representative had referred to the fact that, according to the information supplied by the Secretariat, the Chilean Government retained no more than 50 per cent of the proceeds accruing from the copper industry. The percentage was higher at the moment, although up till 1920 the Chilean Government had not retained even one-fifth. In 1942 and 1943, an agreement had been concluded whereby 50 per cent of any increase in the price of copper over $11\frac{3}{4}$ United States cents per pound went to the Chilean State and the other 50 per cent to foreign investors. All increases over $24\frac{1}{2}$ United States cents per pound accrued to the Chilean economy. He mentioned that fact only to show that there had been a constant evolution in the light of economic realities. Studies such as those before the Council had been extremely useful in forming Chilean public opinion, which expressed itself through the political parties and other media. He therefore felt that such studies should be continued and developed.

75. Certain United Nations decisions were based on material submitted in reports of the kind before the Council. For instance, information such as that had made it possible for United Nations bodies to state that one aim of economic development was to increase the national incomes of under-developed countries.

76. With reference to the statistics quoted by the Polish representative for the distribution of the national income in Chile, he agreed that the incomes of many agricultural producers and certain industrial workers in his country were inadequate, but pointed out that they had been much lower in the past and that the growing awareness of public opinion had convinced the Government of the necessity for raising the income of workers in the lower brackets. In fact, the effective income of many sectors of the agricultural and industrial population had increased in recent years. The Chilean Government, moreover, intended to continue that policy both by the adoption of appropriate taxation measures designed to produce a better distribution of income and by increasing the earnings of the workers. Workers in the lowest income brackets were exempt from taxation. That policy was in harmony with the view expressed by members of the Council that it was necessary to raise

living standards and to develop a wider diversification in national economies.

77. He disagreed with the Polish representative's suggestion that the Council should not be content with general recommendations, but should adopt specific recommendations aiming at promoting the economic development of under-developed countries; it would not be a practicable measure for the Council to address to a given country specific recommendations on the ways in which it should increase the income of its lower-paid workers and redistribute its national income. Representatives might remember that, earlier in the session, the United Kingdom representative, when dealing with the distribution of income, had said that his Government's taxation policy was socially fairer than that applied in the Soviet Union, where workers earning more than 1,000 roubles paid less taxes than workers with corresponding incomes in the United Kingdom. But it would be an entirely impracticable proposition for the Council to adopt a resolution recommending the Soviet Union Government to levy higher taxes, because, apart from the fact that the Soviet Union representative would rightly oppose the adoption of such a suggestion by the Council, the resolution would be entirely academic. It was for States themselves to improve the distribution of income within their territory by measures of economic and social development.

78. In reply to the Polish representative's statement that in certain countries the bourgeoisie wished to protect the interests of foreign investors, he would not deny that certain circles in some countries might want to keep the incomes of other sectors of the population at a low level in order themselves to profit thereby, but it was not, he considered, open to the Council, or the General Assembly, to take any direct steps with a view to changing such a situation in a given country. In 1936, a French economist, in a publication concerning the new economic policy of the Soviet Union, had asserted that a certain section of the population, mainly officials, enjoyed much higher incomes than those earned by the workers and that that trend would persist and develop. The same economist had surmised that, because of the stimulus given to increasing production in the Soviet Union on the lines of the Stakhanovite system, a new social caste of bureaucrats was coming into being, which corresponded to the bourgeoisie in other countries. But it was unthinkable that the Soviet Union representative should allow the Council to recommend that that new social class in the Soviet Union should disappear, and he would be perfectly justified in resisting any such recommendation.

79. Recommendations of the kind advocated by the Polish representative were therefore quite impracticable, and the only action which the Council could adopt was to strengthen its original approach to the problem of economic development.

The meeting rose at 6.40 p.m.