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REPORT OF THE FIFTH SESSION
OF THE
ECONOMIC AND EMPLOYMENT COMMISSION
TO THE
ECONOMIC AND SOCIAL COUNCIL

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REPORT TO THE ECONOMIC AND SOCIAL COUNCIL ON THE FIFTH SESSION
OF THE ECONOMIC AND EMPLOYMENT COMMISSION

Held at Lake Success, New York,
from 18 January to 30 January 1950

Introduction

1. The fifth session of the Economic and Employment Commission was held at Lake Success, New York, from 18 January to 30 January 1950. The Commission held 14 meetings (the 92nd through 105th).

2. The following members and alternates attended the session:

AUSTRALIA	Mr. Roland WILSON, Member
BELGIUM	M. Fernand van LANGENHOVE, Member ^{1/} M. Jean CODELAUX, Alternate M. Jules WOULBROUN, Alternate
BRAZIL	M. Jose NUNES GUMARAES, Member
BYELORUSSIAN SOVIET SOCIALIST REPUBLIC	Mr. Pavel M. ASTAPENKO, Alternate ^{2/}
CANADA	Mr. John DEUTSCH, Member ^{3/} Mr. Sidney POLLOCK, Alternate
CHINA	Mr. Franklin L. HO, Member ^{4/}
CUBA	M. Nicasio SILVERIO, Member
CZECHOSLOVAKIA	Mr. Jiri NOSIK, Alternate ^{2/}
FRANCE	M. Jean M. JEANNERET, Alternate M. Philippe de SEVRES, Alternate
INDIA	Mr. R. R. SAKSENA, Member
NORWAY	Mr. Trygve HAAVELMO, Alternate
POLAND	Mr. Stefan BORATYNSKI, Member ^{2/5/}
UNION OF SOVIET SOCIALIST REPUBLICS	Mr. Pavel M. CHERNYCHEV, Alternate ^{2/}
UNITED KINGDOM	Mr. Marcus FLEHING, Member ^{5/}
UNITED STATES OF AMERICA	Mr. Isador LUBIN, Member

^{1/} Mr. van Langenhove attended the 92nd and the 94th meetings of the Commission.

^{2/} Attended only the first part of the 92nd meeting. See paragraph 4, below.

^{3/} Mr. Deutsch had to leave after the 101st meeting.

^{4/} Mr. Ho was unable to attend after the 101st meeting.

^{5/} Nomination as Commission Member subject to confirmation by the tenth session of the Economic and Social Council.

/3. Alternates

3. Alternates were designated by their respective Governments in accordance with rule 11 of the rules of procedure of functional commissions of the Economic and Social Council.

4. Immediately after the opening of the first meeting of the fifth session (the 99th meeting) of the Commission, the member from the Union of Soviet Socialist Republics on a point of order presented a draft resolution declaring that "The Economic and Employment Commission decides to exclude the representative of the Kuomintang". This resolution was supported by the members and alternate members from the Byelorussian Soviet Socialist Republic, Czechoslovakia and Poland. The Chairman ruled that the draft resolution was out of order since the membership of the Commission was determined by the Economic and Social Council in accordance with the Council's resolution of 21 June 1946 which established the Economic and Employment Commission. The ruling of the chair was challenged by the member of the USSR but was upheld by a vote of 9 in favour, 4 against, with 2 abstentions. The members and alternate members from the Byelorussian Soviet Socialist Republic, Czechoslovakia, Poland and the Union of Soviet Socialist Republics, each in turn stated that he would not participate in the work of the Commission until the "representative of the Kuomintang" was removed; they also declared that their Governments would not recognize as legal any decision the Commission might adopt with "the participation of the representative of the Kuomintang" and that their Governments would not deem themselves bound by such decisions. These members of the Commission then left the meeting and did not attend any other meeting of the fifth session of the Economic and Employment Commission.

5. The following persons participated in the work of the Commission as representatives of the specialized agencies:

International Labour Organisation	Mr. A. A. Evans
Food and Agriculture Organization	Mr. Mordecai Ezekiel
International Bank for Reconstruction and Development	Mr. E. Lopez-Herrarte Mr. Benjamin B. King
International Monetary Fund	Mr. Allen G. B. Fisher Mr. Ervin Hexner Mr. J. K. Horsefield

6. The following persons participated in the work of the Commission as consultants from non-governmental organizations in category (a):

American Federation of Labor	Miss Toni Sender
International Chamber of Commerce	Miss Edith Sansom

/I. Election

I. Election of officers
(Agenda item 1)

7. In accordance with rule 14 of the rules of procedure of functional commissions, the following members of the Commission were unanimously elected to serve as officers:

Chairman	Mr. Roland Wilson (Australia)
First Vice-Chairman	Mr. Jose Nunes Guimaraes (Brazil)
Second Vice-Chairman	Mr. Fernand van Langenhove (Belgium)
Rapporteur	Mr. John Deutsch (Canada)

II. Adoption of the agenda
(Agenda item 2)

8. The Commission adopted the following agenda:

- (1) Election of officers.
- (2) Adoption of agenda.
- (3) Selection of members of the Sub-Commission on Employment and Economic Stability and the Sub-Commission on Economic Development.
- (4) Report of the group of experts appointed by the Secretary-General under Economic and Social Council resolution 221 (IX) E on national and international measures required to achieve full employment.
- (5) Secretariat report on work arising out of several recommendations of the Economic and Employment Commission and the resolutions of the Economic and Social Council and the General Assembly.
- (6) Date and place of the sixth session of the Commission.
- (7) Adoption of a report to the Economic and Social Council.
- (8) Other business.

III. Selection of members of the Sub-Commission on Employment and Economic Stability and the Sub-Commission on Economic Development

(Agenda item 3)

9. Owing to the fact that the term of office of the present members of the Sub-Commission on Employment and Economic Stability and the Sub-Commission on Economic Development will expire on 31 December 1950 (in accordance with resolution 1 (III) of the Economic and Social Council and with rule 10 of the rules of procedure of Functional Commissions of the Council), the selection of new members of the Sub-Commission was on the agenda of this session of the Economic and Employment Commission.

10. At its ninth session the Economic and Social Council decided (resolution 221 (IX) C) to postpone until its eleventh session further consideration of the recommendation of the Commission that the Sub-Commissions be abolished (E/1356, part VIII, paragraph 54).

11. In view of the uncertainty of the future status of the Sub-Commissions and the possible difficulty of obtaining candidates who would agree in these circumstances to serve on either of the Sub-Commissions, the Commission agreed not to select the members of the Sub-Commissions at this session but to postpone the selection to the first session following the session at which the Council reached a decision regarding the future status of the two Sub-Commissions.

/IV. Experts

IV. Experts report on national and international measures for
full employment
(Agenda item 4)

General comments

12. The main item on the agenda of the fifth session of the Economic and Employment Commission was the report on "National and International Measures for Full Employment" (E/1584) (hereinafter referred to as "The Full Employment Report") prepared by the group of experts appointed by the Secretary-General. The Economic and Social Council had requested the Commission to examine the report and to submit its "comments and recommendations for action" to the Council at the tenth session (resolution 221 (IX) E).

13. The attention of the Council is specifically drawn to the summaries of the Commission's discussion which are to be found in documents E/CN.1/SR.93 to SR.101 inclusive, and the corrections and revisions thereto. These summaries, which record the views of individual members of the Commission, form an important part of the Commission's comments on the experts' recommendations and should be read in conjunction with this report of the Commission.

14. The members of the Commission were unanimous in their expression of appreciation to the experts for the thorough and stimulating manner in which they carried out their task. The experts have provided a succinct and integrated analysis of the national and international aspects of the problem and have formulated concrete recommendations for positive action which should greatly advance the consideration of specific ways in which Governments and others concerned can effectively implement the full employment objectives of the United Nations Charter as set forth in articles 55 and 56.

15. Though aware of the Council's desire for "recommendations for action" the members of the Commission were handicapped by the fact that the Full Employment Report had only been completed by the experts in the second half of December 1949, and did not become available to most Commission members until January. There was thus little time for examination of the report's important conclusions before the Commission convened on 18 January 1950. Many members of the Commission stated that their Governments had been unable, in the time available, to give consideration to the proposals contained in the report.

16. In view of the far-reaching character of the recommendations contained in the Full Employment Report and the lack of opportunity for sufficient study and formulation of views by Governments, the Commission felt that it would be inappropriate at this stage to put forward substantive recommendations for consideration by the Council. It therefore decided to confine itself to carrying out a preliminary examination of both the report and its recommendations in order to elucidate some of their possible advantages and disadvantages and to suggest various points on which further elaboration, clarification or information appear to be required, and to suggesting to the Council the manner in which it might handle the report. The Commission has recommended that the Council should commend the report to Governments, interested specialized agencies and non-governmental organizations for their serious consideration and detailed examination; should urge Governments to take appropriate measures to facilitate wide-spread public consideration and discussion of the report in their respective countries; should invite the members of the Council to be prepared at the eleventh session of the Council to express their considered views on the proposals contained in the report and to present any alternative proposals they may have for achieving and maintaining full employment and economic stability in both their national and international aspects, so that the Council may be in the position to formulate such recommendations as it may consider appropriate. (See annex A (draft resolution) and annex B^{1/})

17. In their Full Employment Report the experts have stated certain guiding principles which they consider fundamental to the formulation of sound recommendations. There was general agreement in the Commission that the report has correctly emphasized:

- (a) The importance of domestic measures not only for the maintenance of full employment and the raising of standards of living within national economies but also for the attainment of satisfactory international economic relations and of an expanding world economy;

^{1/} Several members submitted a number of points which they thought should be considered by members of the Council in connexion with their presentation of views and proposals for the Council's consideration at its eleventh session. Although the Commission could not, in the time available to it, discuss these points it agreed to include them in annex B to this report.

- (b) The need to remove the present structural imbalance in international trade and payments and the network of trade barriers;
- (c) The importance of economic development of under-developed countries both as an essential means for overcoming under-employment and low standards of living as well as for the achievement of an expanding world economy and higher standards of living;
- (d) The necessity for a larger and more stable flow of international investment in order to utilize the world's resources more effectively, to assist in the maintenance of equilibrium in international trade and payments, and to contribute to the maintenance of a high level of demand in industrialized countries;
- (e) The importance of devising suitable means for avoiding the international propagation of unemployment resulting from cyclical fluctuations in effective demand.

18. The statement of these guiding principles by the experts is timely and most valuable. They set a framework within which specific proposals for action can be examined. In paragraphs 20 through 56 below the Commission sets forth its comments on the specific recommendations made in the experts' Full Employment Report. These comments are intended to facilitate fruitful examination of the proposals by the Council, by Member Governments and by others concerned.

19. While the experts were concerned mainly with unemployment arising out of a deficiency in aggregate effective demand, the Commission draws attention to the importance of taking action to deal with structural unemployment and unemployment arising out of a lack of complementary resources. The Commission feels that the problem of international migration which has been referred to by the experts should be given further and prompt attention by Governments and by the appropriate international bodies.

Domestic measures

A. Fixing a full employment target

20. The experts propose that "in order to give better effect to the fulfilment of the full employment obligation assumed by Members of the United Nations ... each Government ... should adopt and announce a full employment target which will define the meaning of full employment in the country concerned in operational terms, and constitute the standard to the attainment of which the national employment

/stabilization

stabilization measures will be directed."^{1/} The experts believe that the fixing by Governments of a full employment target "is a most important step in the practical implementation of full employment policies, and also as an earnest of each government's intention to fulfill its full employment pledge".^{2/}

21. They propose further that "in industrialized countries targets should be defined in terms of unemployment rather than employment, and they should be expressed in terms of the smallest percentage of unemployment of wage-earners which the country in question can reasonably hope to maintain in the light of seasonal movements and in the light of structural changes in the economy...."^{3/}

22. Some members of the Commission felt that too rigid adherence to a quantitative target might in certain circumstances prejudice the attainment of other important purposes. Article 55 of the Charter sets out complementary goals of "high standards of living, full employment and conditions of economic and social progress and development". These Charter objectives are closely interrelated and they should be properly co-ordinated in the development of public policies aimed at achieving the highest possible levels of economic and social welfare for every nation. These members stated that the expression of a target solely in terms of minimum levels of unemployment would not adequately reflect the purposes of public policy in their countries which is directed to the attainment simultaneously of generally rising standards of living, increasing efficiency in production and expanding total employment. They suggested that the expression of a target in terms of the total level of employment, production and national income might be more appropriate and that such targets might be formulated for several years ahead. Fluctuations in percentages of unemployment are not always a reliable guide; in some instances high levels of employment might be attained by lowering the general standard of living. The significance of particular conditions of unemployment and the measures appropriate for its remedy are dependent upon the composition and origin of unemployment, i.e. age composition, numbers of self-employed entering the labour market, average duration of unemployment, prevalence of structural maladjustments, nature of fluctuations in consumer demand etc.

^{1/} National and International Measures for Full Employment, paragraph 141 (i).

^{2/} Ibid., paragraph 143.

^{3/} Ibid., paragraph 144.

23. Some members felt that countries in which the rate of economic activity is largely determined by the level and prices of exports are subject to fluctuations arising from external causes over which they have little or no control. In these cases the problem of achieving the standards established by fixed full-employment targets is particularly difficult but should be greatly eased by the maintenance of effective demand in other countries. In circumstances of this kind a greater measure of flexibility and adaptability is needed, since it may not be practicable to fulfill objectives expressed in rigid terms unless the adverse effects of external influences are successfully overcome through international co-operation or by domestic measures taken by other countries. The possibility of maintaining full employment in the smaller exporting countries is heavily dependent upon the maintenance of demand and economic activity at high levels in the major industrial consuming countries.^{1/}

24. The Commission, while appreciating the above-mentioned difficulties involved in adopting the experts' proposal of a full-employment target, is of the view that these difficulties are outweighed, at least in the case of industrial countries, by the advantages set forth in paragraph 20 above. Quantitative targets must, as the experts recognized, be determined by the Governments of the countries concerned and suited to the circumstances of these countries. They must be alterable by Governments in the light of experience. The precise formulation of the target, whether based on employment or unemployment, whether expressed in absolute or in percentage figures, must be at the discretion of Governments. Moreover, the targets are no more than targets and Governments cannot bind themselves rigidly to attain those targets in all circumstances. On this understanding, the formulation and publication of targets would, they felt, contribute to raising the standard of achievement in the implementation of full employment policy.

25. The discussion in the Commission also indicated that the concept of targets and the problems associated with their formulation and attainment in the under-developed areas of the world involved many special considerations which required further careful examination and study. The experts have themselves drawn

^{1/} One member suggested that the difficulty of reconciling quantitative employment targets with the existence of causes of structural or specific unemployment not easily remediable by an expansion of effective demand, might be mitigated if some account could be taken in the target formula of measures of labour shortage, such as the number of unfilled vacancies, as well as of measures of unemployment.

attention to the special position of the under-developed countries where a decline in employment generally takes the form of an increase in under-employment since in these circumstances targets in terms of percentages of unemployment would not be meaningful, the experts have suggested that in under-developed countries the targets might more appropriately be designated in terms of total industrial employment.

B. The continuing programme for full employment and economic stability

26. The experts propose that each Government "should announce a comprehensive programme for directing its fiscal and monetary policies, its investment and production planning, and its wage and price policies (including anti-monopoly policies) to the continuous achievement of its full employment objective".^{1/}

27. The Commission agrees with the view expressed by the experts that "since almost all activities of governments in a modern state affect the general level of employment in the country, a comprehensive government programme for the maintenance of full employment cannot be looked upon merely as a set of measures designed solely to deal with the employment problem. To a large but varying extent, the full employment programme of any particular country consists in the adaptation of its ordinary activities to the over-all objective of maintaining full employment and economic stability rather than in the adoption of new kinds of activities, introduced specifically for the purpose."^{2/}

28. The Commission further agrees with the desirability of a public restatement of the measures each Government intends to take to promote full employment. The Commission notes that an effective procedure, having in mind the same general objective, has already been established by the Council under its resolution 221 (IX) E. In this resolution the Council requested the Secretary-General "to publish, on a current basis, brief but up-to-date reports on measures taken in various countries for the purpose of achieving full employment; and invites Member Governments to assist the Secretary-General in every possible way in the preparation of such reports". When the Council adopted this resolution it had before it, inter alia, the report prepared by the Secretary-General on "National and International Action to Achieve or Maintain Full Employment and Economic Stability" (E/1378), based on the replies of Governments and specialized agencies to the Secretary-General's inquiry on full employment. The Commission has been informed by the Secretary-General (document E/CN.1/76) that as requested by the Council preparations are under way to initiate in 1950 regular analytical reports on this subject, and that the first report is expected to be released in July-August 1950. Subsequent reports are to be based on the replies to questionnaires which will be sent to Member Governments twice

1/ Cit. cit., paragraph 141 (ii)

2/ Ibid., paragraph 143.

a year. In the opinion of the Commission this procedure for the presentation of regular and periodic reports will assist all Governments in formulating their own plans and appreciating those of other Governments. Governments should be encouraged to give fullest expression of their programmes and intentions in their replies.

29. The Commission agrees with the emphasis in the Full Employment Report on the desirability of Governments' announcing and instituting a well-rounded and continuing programme for the achievement and maintenance of full employment and economic stability. It agrees with the experts that, depending on the nature of the economies of individual countries, Government expenditures and tax policies, control of the volume of private investment, planning of public investment, and stimulation of consumption may all find an important place in such continuing programmes. These programmes, in the opinion of some of the members, are the first line of defence against unemployment. The more widely they are adopted and the more successful they are, the less recourse will be necessary to the automatic compensatory measures proposed in the report.

30. Some members of the Commission were of the opinion that insufficient attention had been given in this section of the full Employment Report to the important place which wage-price relations and anti-monopoly policies should have in such continuing programmes. They called attention to the discussion of these points in the concurring statement by Professor J.M. Clark which appears at the end of the Full Employment Report and recommended that this statement be considered in connexion with the proposals in this section of the report, in view of the valuable contribution which it makes to the clarification of the problem.

31. Some members also felt that the stabilization of incomes of primary producers through national and international commodity stabilization schemes merits more consideration than it has hitherto received as a factor in the maintenance of a stable volume of national and international demand. For many countries highly dependent on exports of primary and other products, the stabilization of their economies is closely related to the state of the export market. In these cases policies emphasizing the maintenance of effective demand through the stimulation of domestic consumption or investment, public or private, are likely to prove inadequate or ineffective. Any attempt to

maintain the incomes of the primary producers in question by purely national buffer-stock accumulation is likely to be rendered impossible by the repercussions which this would have on the balance of payments, while if the incomes of the primary producers are allowed to fall only very partial compensation can be achieved by the expansion of other types of expenditure.

C. Automatic compensatory measures in the event of unemployment

32. The experts have proposed that each country "adopt and announce an appropriate system of compensatory measures designed to expand effective demand which would be prepared in advance for automatic application"^{1/} . . "whenever unemployment exceeds the range defined in the full employment target by some pre-determined amount for three consecutive months."^{2/} The measures must be such that "first, they should be capable of raising effective demand promptly and throughout the economy; secondly, they should be of a quantitative nature so that their effect on demand and employment could be estimated with a fair degree of reliability; thirdly, their quantitative magnitude should be sufficient to reduce the level of unemployment (taking into account both primary and secondary affects) to the mean percentage of the full-employment range."^{3/} The experts have also stated that "The detailed design of automatic compensatory measures should be undertaken by each country in the light of its own economic structure and the possibilities afforded by its fiscal and administrative systems. In industrially advanced countries the most appropriate method would be to make advance legislative provisions for alternative tax schedules, the lower of which could come into operation in circumstances defined in the legislation and determined on the principles indicated above. The most suitable tax for this purpose, in those countries, is the personal income tax on earned incomes which, under the pay-as-you-earn system, is deducted on a current basis; and the legislative provision should provide either for alternative rates of such taxation or for alternative levels of exemptions. Similarly, the social security contributions could be varied and advance legislative authorization could be given for their complete suspension in prescribed circumstances."^{4/}

^{1/} Ibid. paragraph 141 (iii).

^{2/} Ibid. paragraph 166.

^{3/} Ibid. paragraph 167

^{4/} Ibid. paragraph 168

In addition the experts pointed out that "the executive organs of the Government should have the power to waive the obligations under this legislation with respect to automatic compensatory measures when there is clear evidence that a rise in unemployment is due to causes other than a fall in effective demand and cannot be cured by a stimulation of effective demand. If, in any particular case, the executive organs of the Government wish to make use of this waiver, they should announce the precise reasons for their action."^{1/}

33. It was generally agreed in the Commission that built-in stabilizers, such as certain features of social security systems and farm-price support programmes, have operated as important stabilizing factors. Progress in these directions, evident in many countries, can be expected to have an important stabilizing effect in limiting cumulative down-trends in effective demand.

34. The Commission also agrees that, as the experts suggest, these built-in stabilizers require to be supplemented, *inter alia*, by rapid and effective compensatory measures for the maintenance of employment and incomes. In particular, the attainment of the objective of full employment requires adequate machinery and preparation designed to prevent the self-generating and cumulative process of falling demand and activity which has had such disastrous effects upon employment and international economic relations in the past.

35. The Commission has taken account of the fact that the experts' proposal for the adoption of automatic compensatory measures "is not, of course, intended to replace other policies which Governments should pursue to maintain their economies in a stable and prosperous condition. According to the nature of the political, economic and social institutions of each country, Governments should exert a regulatory influence on economic life through fiscal, monetary or credit policies, or the use of quantitative controls, various kinds of anti-monopoly controls, and the general planning of investment or the deliberate variation of the public sector of investment. Many of these measures must by their very nature be discretionary in character: they need to be shaped in the light of each particular situation, as it discloses itself, and no detailed concrete obligations as to the manner of their operation could be assumed beforehand. The present proposal is intended as an assurance that, if and when other methods for

^{1/} Ibid. paragraph 172.

maintaining effective demand in an economy clearly fail over a definite period, effective counter-measures will be brought into operation automatically to restore the situation. The greater the success of Governments in stabilizing their economies at high levels of employment by other methods, the less will be the need to bring these measures into actual operation."^{1/} Members of the Commission, however, had some reservations concerning the practicability of the complete formulation in advance and the automatic operation of measures and devices designed to raise employment to a pre-determined target level whenever unemployment reaches a stated level.

36. The Commission notes the experts' recommendation that Governments should have the power to waive obligations with respect to automatic compensatory measures when there is clear evidence that the rise in unemployment is due to causes which cannot be cured by a stimulation of effective demand.^{2/} The importance of this power to waive the application of automatic measures would depend directly on the magnitude of the effect which the measures are designed to achieve. Some members believed that automatic compensatory measures might have a useful role to play provided that they are so designed as to offset only part of any employment fluctuations, i.e., that part which represents secondary unemployment in consumption goods industries. Other members, however, doubted the possibility of so designing the automatic compensatory measures as to ensure that they would in fact accomplish the objectives they are designed to achieve.

37. The Commission is aware of the fact that the automatic compensatory measures proposed by the experts are intended to apply only in cases when a decline in employment is due to a decline in effective demand. However, it wishes to point to qualifications that must be taken into account in connexion with under-developed countries and countries heavily dependent on foreign trade. In the case of under-developed countries the problems of unemployment and under-employment seldom arise from a lack of internal effective demand. For the under-developed economies the problem is one of general economic development, of increasing production, of obtaining capital facilities and technical assistance, and of improving efficiency. In the case of countries heavily

^{1/} Ibid. paragraph 31

^{2/} Ibid. paragraph 172.

dependent upon foreign trade the problem of dealing with economic fluctuations is complicated by the fact that declines in economic activity often arise from external causes; in such circumstances it is particularly difficult to devise effective measures in advance which will operate automatically to maintain employment. The effectiveness of such measures would depend upon the nature of the unfavourable developments abroad, the conditions in the various export markets, and the regional and industrial incidence of the loss in income.

D. Ensuring the stability of the price level and the prevention of inflationary tendencies

38. The Commission agrees with the experts' observations that the assumption by Governments of responsibilities for the maintenance of full employment also enhances their general responsibility for maintaining the stability of the price level.^{1/} Recent experience has demonstrated the necessity for measures, adequate to the situation and appropriate to the political and economic institutions of each country, for dealing with price inflations arising out of an excess of aggregate effective demand.^{2/} The Commission feels that the experts' treatment of this particular problem tended to underestimate the difficulties arising out of possible labour shortages and inflationary pressures.

E. Governmental machinery

(1) Legislative procedures and administrative organization

39. The Commission agreed with the experts that "each Government should review its organization and procedure with a view to adapting them, where necessary, to facilitate the preparation and execution of the measures recommended." The Commission further agrees that "in some countries the adoption of a comprehensive full employment programme will require enabling legislation setting standards for the exercise by the executive organs of such discretionary powers as are involved in certain features of the programme". In connexion with the experts' recommendations regarding co-ordination of central and local government programmes, some members of the Commission pointed to the desirability of appropriate arrangements by national Governments to ensure participation of local authorities and public corporations in the execution of full employment policies. Some members considered that the constitutional questions involving delegation of powers to make important decisions in the budgetary and fiscal fields need to be further explored.

1/ Ibid., paragraph 173.

2/ The member from Belgium wishes to add that this necessity is further reinforced by the unfavourable repercussions which inflationary pressures in great trading countries may have on the level of employment in the small exporting countries through the disequilibrium of the balance of payments and the trade restrictions which these pressures bring about.

(ii) Statistics and technical assistance

40. The Commission agrees that there was a universal need for improvement in the collection and analysis of statistical material necessary for the guidance of full employment policies. It recommends that the specialized agencies concerned and the Secretariat of the United Nations including the Statistical Office should be prepared to provide such technical assistance as may be requested by Governments.

International measures

A. A programme to establish a new equilibrium in world trade

41. The experts recommend that "The Economic and Social Council convene a meeting of the Governments of interested countries in order to develop a joint programme designed to establish, at a reasonably early date, a new structural equilibrium in world trading relationships; and to consult together on the adjustments in domestic and external policies that are required to this end."^{1/} This programme "would require, as a first step, that both deficit and surplus countries should set 'targets' for the main constituent items of their balances of payments indicating the adjustments by means of which they hope to restore their over-all financial equilibrium within the agreed period."^{2/}

42. The Commission agrees that one of the basic problems lies in the persisting imbalance in world trade and payments and that its removal can contribute significantly to convertibility and to the restoration of freer and less discriminatory trading conditions which are essential for an expanding world economy. It seems necessary and urgent that all countries, and particularly those whose balances of payments show a surplus, should reduce all obstacles which are impeding imports. As long as the lack of balance continues, many countries will be in danger of unemployment through inability to pay for the importation of the necessary raw materials.

43. The experts have properly emphasized the importance of developing and harmonizing policies aimed at achieving an enduring equilibrium in international payments as soon as possible. The Commission, however, is uncertain as to the

^{1/} Op. cit., paragraph 186.

^{2/} Ibid., paragraph 187.

practicability of the particular proposals advanced by the experts for achieving this objective. Apart from the technical difficulties involved, there is serious doubt regarding the feasibility for many countries of establishing useful targets for imports, exports, and international investments and more particularly regarding the possibility for co-ordination and reconciliation through the complex procedure of a general international conference. However, some members felt that even though the procedure for reconciling national targets and resolving inconsistencies might be impracticable, indirect advantages could be gained from the formulation and publication of targets by particular countries because of the guidance they would provide to other countries in planning their own balances of payments, and because of the incentive they would give to the adoption of appropriate national policies.

44. As for the proposal that the Economic and Social Council establish an Expert Advisory Commission,^{1/} it is the opinion of this Commission that there are enough international institutions and other machinery in existence or in process of creation through which the necessary initiative could be taken to provide suitable opportunities for the co-ordination of national policies in respect of international trade and payments.

^{1/} Ibid., paragraph 189.

B. Stable international investment for economic development

45. The experts recommend that to achieve stable international investment for economic development "lending countries should fix annual targets for long-term international investment for five-year periods, and that they should make the necessary legislative and institutional arrangements to enable them to stabilize the total flow of lending at the planned level . . . It is envisaged that the greater part of governmental loans would be channelled through the International Bank . . . and that Governments . . . would undertake to place funds at the disposal of the International Bank directly, on a current basis."^{1/} In this connexion the experts also recommend that "the Articles of Agreement of the International Bank be amended so that, without prejudice to the discharge of its existing functions and obligations, it be enabled on the one hand to borrow from Governments and, on the other, to lend to Governments for general developmental purposes not only in special circumstances but generally."^{2/}

46. The Commission is in full accord with the principle that an increasing and stable flow of international investment both for the purpose of accelerating the economic development of under-developed areas as well as for the achievement of a smoothly operating system of international trade, is an essential factor for the attainment of a stable and expanding world economy. The encouragement to an increased flow of foreign investment must, however, come both from initiative on the part of the lender and from sustained efforts by the borrower. On the one hand the borrowing country may take further action to make the general economic and social climate within its borders more attractive to foreign capital, both private and governmental, while at the same time ensuring that there are well prepared and financeable projects ready for the introduction of foreign capital. On the other hand, there is room for initiative on the part of the lending country to adopt measures such as the provision of a degree of relief from taxation (on foreign investments), of guarantees, and of other measures designed to encourage the flow of capital abroad. Viewed in this light the problem of creating an adequate and stable flow of foreign investment becomes a two-sided and mutual endeavour.

^{1/} Ibid., paragraph 193.

^{2/} Ibid., paragraph 194.

47. Some Commission members felt that reliance on private investment alone would probably not ensure an adequate volume and certainly would not ensure the necessary degree of stability in the flow of investment capital. While some doubts might be felt regarding the desirability of an absolute stability in the volume of foreign investment, special arrangements for Government action, whether on a national or an international basis, would probably be necessary in order to secure that degree of stability which is desirable. In the absence of alternative proposals for securing this objective the suggestions put forward by the experts deserve serious consideration. These members also felt that the outflow of capital to under-developed countries could appropriately be increased and development facilitated if loans were more readily available for general developmental purposes; they contended that even though arrangements have been made to assist countries to prepare projects properly for foreign investment, the provision of loans on this basis alone is too limited for the achievement of balanced economic development.

48. Others however, expressed the apprehension that the assurance of a continuous and automatic availability of international investment funds under the scheme proposed by the experts might reduce the incentive to borrowing Governments to create a suitable internal climate for the attraction of private capital. Furthermore, if Governments were asked to undertake the guarantee to make available assured amounts of capital for foreign lending in the way recommended by the experts, there would be a strong inducement to restricting their advance commitments to minimum levels. They also felt that, if international investment through the International Bank was to be put to the most productive use, the Bank should make loans only for well-defined purposes; they felt that otherwise there would be serious danger of misdirection of its funds.

49. The Commission agrees that every effort should be made through the United Nations and the specialized agencies to provide technical and other assistance to under-developed countries in preparing plans for attracting and making effective use of available investment capital. Until this was done it would be difficult to ascertain whether the facilities afforded by private sources and existing governmental and inter-governmental institutions are adequate or not.

C. A plan for stabilizing the flow of international trade

50. The experts propose a plan for stabilizing the flow of international trade with the objective of preventing the international propagation of unemployment
/resulting

resulting from cyclical fluctuations in international effective demand. The Commission is in general agreement with the objective of this proposal. It also believes that the experts have correctly emphasized the underlying requirements of such a scheme, namely that:

"(i) It should provide for the replenishment of international reserves, but should not finance any increase in reserves.

"(ii) It should not be capable of being misused by countries as a device for financing an increase in their volume of imports.

"(iii) It should provide for the repayment, as soon as conditions permit, of the temporary financial accommodation provided.

"(iv) It should not retard the normal process of adjustment of international trade to structural changes in the world economy.

"(v) It should operate on principles that are simple, clear and definite so as to make the operation of the scheme as smooth and predictable as possible.

"(vi) It should be operated by an appropriate international agency."^{1/}

51. The experts recommend that in order to enable countries "to maintain their imports and their real income in the face of fluctuations in foreign demand"^{2/} . . . "each Government should accept the responsibility, within a permanent and systematic international scheme, of replenishing the monetary reserves of other countries concurrently with, and to the extent of, the depletion of those reserves which results from an increase in its own reserves induced by a fall in its demand for imported goods and services, in so far as this fall is caused by a general decline in effective demand within its own country."^{3/} Under this scheme

"(a) If, in any given year, the value of imports of goods and services by a particular country falls as a result of a fall in effective demand within the country, and this fall is not fully offset by a decline in the value of its current exports of goods and services, that country (hereinafter referred to as the 'depositor country') should make a deposit in its own currency with the International Monetary Fund of an amount equal to the fall in its imports less the fall in its exports in the given year, as compared with a

1/ Ibid., paragraph 203

2/ Ibid., paragraph 201

3/ Ibid., paragraph 202

reference year. In calculating the amount thus to be deposited, the change in the value of exports should be taken into account only if their value has actually fallen in relation to the reference year; no account should be taken of the change in exports if their value has risen in relation to the reference year."

- "(d) The International Monetary Fund should be empowered to sell the currency of the depositor country, made available to it in accordance with the provisions of (a) above, against the currencies of member and non-member countries . . . Purchasing countries should be entitled to buy the currency of a depositor country in an amount not exceeding the fall in the value of their exports to, less the fall in the value of their imports from, the depositor country, as compared with the reference year."^{1/}

52. The experts' scheme further provides that "The International Monetary Fund should be empowered to waive the deposit requirements under (a) above if the country concerned can show, to the satisfaction of the Fund, that the fall in its external currency disbursements on current account was due in part or in whole to factors other than a reduction in its import demand caused by a fall in effective demand within the country or other than a restriction of imports that was not made necessary by an adverse balance of payments."^{2/}

53. The Commission has not been able to satisfy itself as to certain major aspects of the specific proposal. In particular, the Commission draws attention to the difficulties involved in distinguishing quantitatively (for the purpose of a possible waiver of deposit requirements under paragraph 205(c) cited above) which part of the balance of payments deficit is specifically attributable to cyclical depression in particular countries. Some members questioned whether countries would be willing and able to commit themselves in advance to a series of indeterminate payments which might be quite sizeable. They also questioned whether the automatic provision of accommodation to finance imports in the face of declining exports may not retard the necessary adjustments in the purchasing countries to structural changes in international trade.

54. The Commission calls attention to the fact that the proposal requires to be considered in conjunction with other parts of the report. For example, the international plan would not in itself sustain the exports of countries affected by deflationary pressures from abroad but only provide temporary accommodation to permit these countries to maintain their imports. Some members feel that

^{1/} Ibid., paragraphs 205(a) and (d)

^{2/} Ibid., paragraph 205(c)

the resulting increase in foreign debt would be detrimental to the long-term interests of the drawing countries. These members questioned whether the increase in foreign debt of the purchasing countries might not impede the attainment of general currency convertibility.

55. The Commission believes that even if the experts' plan were put into operation some countries affected by deflationary pressures from abroad might still prefer to reduce their imports rather than to take advantage of their drawing rights. Some members, however, felt that even so, if the scheme enabled these countries to maintain their essential imports these drawing rights might be very valuable.

56. In view of the complexity of the problem the Commission is of the view that detailed consideration should be given by Governments to this proposal as well as to alternative solutions. One possible alternative which deserves careful study is for Governments to increase the available resources of the International Monetary Fund and to invite the Fund to consider whether its lending policies and criteria would then enable it to cope with the task of alleviating the balance of payments difficulties arising out of cyclical fluctuations.

V. Programme of work of the Secretariat

(Agenda item 5)

57. The Commission received from the Secretariat a report on its "work arising out of several recommendations of the Economic and Employment Commission and the resolutions of the Economic and Social Council and the General Assembly" (E/CN.1/76).

58. In the report of its fourth session the Commission expressed its views concerning analyses of current developments and trends which it requires for the proper performance of its functions, as well as concerning particular inquiries and studies by individual experts or groups of experts selected by the Secretary-General; the Commission then listed several concrete studies which it felt should be undertaken by the Secretary-General. The Economic and Social Council, while deferring consideration of the Commission's suggestions with respect to the organization of its own work until its eleventh session, adopted with some modifications the Commission's suggestion for several concrete studies in the field of economic development; in this connexion, the Commission notes that the Secretariat has already made available several reports in this field to the forthcoming session of the Economic and Social Council.

59. The Commission wishes to reaffirm the views expressed in its earlier report and referred to in the above paragraph. It also notes with satisfaction that in inviting the Secretary-General to appoint a group of experts to prepare a report on measures required to achieve full employment, the Council acted in accord with the Commission's views concerning the desirability of arranging for special studies to be carried out by experts, selected by the Secretary-General, who can present their conclusions and recommendations on their own responsibilities. The experience thus far certainly warrants further efforts in this direction.

60. Having noted the status of the Secretariat's major studies (as set out in document E/CN.1/76), the Commission is of the opinion that if these studies are completed in accordance with the present schedule they should serve the Economic and Social Council and the General Assembly during 1950 as an adequate basis for discussion and for consideration of major problems in the field of economic development and full employment. The Commission has already noted with satisfaction (in paragraph 28 above), the fact that preparations are under way to initiate in 1950 regular analytical reports on national and international action

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to achieve or maintain full employment and economic stability. The arrangements which the Secretary-General has made for providing the Council and the General Assembly with current information on world economic conditions and trends aim at the publication of the World Economic Report in time for use during the debate on the world economic situation at the first session of the Economic and Social Council each year, while other studies and reports are to be made available in time for use during the discussion of economic items at the mid-year session of the Council and at the regular annual session of the General Assembly. These arrangements should work out well in practice, especially since they do not preclude the preparation by the Secretariat of special studies dealing with particular economic problems or with current aspects of world economic conditions should such studies be deemed advisable by the Secretary-General or should they be specifically requested by the General Assembly or by the Economic and Social Council.

61. The Commission was informed by the Secretariat concerning resolution 310, adopted by the fourth regular session of the General Assembly, dealing with the "Problem of Proliferation and over-lapping of the programmes of the United Nations and of the specialized agencies". In accordance with this resolution the second paragraph of annex 2 of the Economic and Social Council's resolution 259 (IX) was specifically brought to the Commission's attention. The Commission took note of these resolutions.

62. The Commission decided to recommend to the Council that the fourth session of the Sub-Commission on Employment and Economic Stability now scheduled for 20 March 1950, be postponed until the Council considers at its eleventh session the Commission's recommendations contained in the report of its fourth session (E/1356) concerning the future status of the Sub-Commissions.

VI. Housing and town and country planning

(Agenda item 8)

63. In accordance with the resolution of the Economic and Social Council (resolution 243 (IX) D) which requested the Secretary-General to transmit his report on housing and town and country planning (E/1343) "to the fifth session of the Social Commission, to the other interested commissions of the Council and to Member Governments", the Commission received this report from the Secretary-General together with an explanatory note (E/CN.1/L.5), which called the attention of the members of the Commission to those parts of the Secretary-General's report which dealt with the economic aspects of the proposals for an integrated programme in the field of housing and town and country planning.

64. The report of the fifth session of the Social Commission to the Economic and Social Council (E/1568) and documents containing views expressed by Member Governments regarding the proposals for an integrated programme in the field of housing and town and country planning (E/CN.5/176 and addenda 1 and 2), were also made available to the Commission. In addition the Commission received the communication from the International Labour Organisation on "Stability of Employment in the Construction Industry" (E/CN.1/77).

65. The Commission was informed by the Secretariat (E/CN.1/L.5) that the third session of the Sub-Commission on Employment and Economic Stability had before it a Secretariat paper on "The Structure of Full Employment" (E/CN.1/Sub.2/10) in which the factor of housing construction was referred to in connexion with the problem of investment but that the Sub-Commission had not considered this problem specifically as it was then concerned with more general aspects of full employment.

66. The Commission agreed to take note of the report of the Secretary-General on housing and town and country planning (E/1343) but not to include it as a separate item on its current agenda and to take it into consideration as appropriate in its future work.

VII. Date and place of the sixth session of the Commission

(Agenda item 6)

67. With respect to its next session, the Commission agreed not to make recommendations to the Council and to leave this question entirely to the Council's decision in the light of the action which it may take with respect to the Full Employment Report, the question of financing of economic development, and the future status of the two Sub-Commissions of the Commission.

ANNEX A

Draft resolution on national and international measures
for full employment

(see paragraph 16, above)

The Economic and Social Council,

1. Having studied the report on National and International Measures for Full Employment (E/1584, 22 December 1949), which was prepared by a group of experts appointed by the Secretary-General in accordance with Economic and Social Council resolution 221 (IX) E, 11 August 1949, and
2. Having considered the report of the fifth session of the Economic and Employment Commission, which was devoted principally to an examination of the report of the group of experts,
3. Having in mind the far-reaching character of the recommendations contained in the report of the experts and the consequent need for further study before the Council could take appropriate action,
4. Expresses its appreciation to the members of the group of experts for their excellent and stimulating report;
5. Commends the report of the experts to the Member Governments of the United Nations, the interested specialized agencies and non-governmental organizations for their serious consideration and detailed examination, taking account of the comments on the experts' report which are contained in the report of the Economic and Employment Commission, and in this connexion urges Governments to take appropriate measures to facilitate widespread public consideration and discussion of the report in their respective countries; and
6. Invites its own members to be prepared, at the eleventh session of the Council, to express their considered views on the proposals contained in the experts' report, and to submit any alternative proposals they may have for solving the problems with which that report is concerned, in order to enable the Council to formulate such recommendations as it may consider appropriate.

ANNEX B

(see footnote to paragraph 16, above)

Points suggested for consideration

by

members of the Economic and Social Council

Several members of the Commission submitted a number of points which they thought should be considered by members of the Council in connexion with their presentation of views and proposals for the Council's consideration at its eleventh session. Although the Commission could not, in the time available to it, discuss these points, it agreed to include them in this Annex.^{1/}

A. Fixing a full employment target

1. The feasibility of setting targets by Governments that express their objective of full employment in quantitative terms (see paragraphs 143, 145).
2. The preference of Governments for targets expressed in terms of unemployment, or employment, or both (see paragraph 144).
3. The desirability of a target reflecting not only full employment but also other objectives of the Charter - such as higher standards of living and economic and social progress and development - by projecting attainable goals of production, consumption and investment as well as employment.
4. The desirability that the target be formulated for one year or for several years ahead.

B. The continuing programme of full employment and economic stability

5. The advisability of using fiscal policy as the principal means for stabilizing effective demand at full employment levels (see paragraph 153).
6. The relative importance of each of the following as factors in the national full employment policy of Governments: the control of the volume of private investment, the planning of public investment, the stimulation of consumer demand, and the stabilization of the income of primary producers (see paragraphs 157-164).

^{1/} The paragraph references which appear at the end of most of the points listed, refer to paragraphs in National and International Measures for Full Employment.

7. The feasibility of maintaining full employment on the basis of high wages and narrowing profit margins which would be conducive to large consumer-spending and consistent with adequate incentives to invest.
8. The effectiveness of the control of monopolistic prices as a device for increasing consumer demand (see paragraph 162).
9. The effectiveness of an anti-monopoly policy as a means of opening new opportunities to private investment (see concurring statement by J. M. Clark, paragraph 6).
10. The efficacy of a co-ordinated public investment programme in government-owned basic industries as a stabilizer of the level of investment (see paragraph 159).
11. The feasibility of co-operation between the government and private industries in the establishment of a long-range investment programme and in the integration of private and public investment into a national long-range, over-all development programme (see paragraph 158).
12. The feasibility of co-ordinating the public works programme of central and local governments as part of an effective full-employment programme (see paragraphs 160, 161)
13. The practicability of modifying the tax system, e.g. by changing the relative importance of different types of taxes, to support the objectives of increasing personal consumption and business investment (see paragraph 153).
14. The feasibility of expanding social security programmes as a means of expanding consumption.
15. The feasibility of raising social expenditures for health and education as a means of expanding the level of consumption (see paragraph 162).
16. The desirability of national programmes for stabilizing incomes of primary producers or other groups as a means of maintaining aggregate demand (see paragraph 164).
- C. Automatic compensatory measures in the event of unemployment
17. The feasibility of predetermining and embodying in legislation reductions in tax rates to become effective automatically if unemployment exceeds a fixed danger point for a given period of time (see paragraphs 168-171).
18. The effectiveness of applying the same tax measures irrespective of the character or origin of the decline in effective demand.

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19. The possibility of determining in advance the amount of the tax reduction that would be required to bring about the re-employment of a given number of persons.

20. The degree to which a public works programme could be used as a compensatory device (see paragraph 171).

21. The feasibility, under the national social security system, of using cash payments such as bonuses or subsidies, including "reversed payments" to employers and employees, as compensatory devices (see paragraphs 169 and 171).

D. Ensuring the stability of the price level and the prevention of inflationary tendencies

22. The relative efficacy of fiscal policy, credit control, or selective controls over prices and wages to prevent inflationary developments (see paragraph 175).

23. The practicability of using agreements between labour and management, under the auspices of the Government, to avoid possible wage-price spirals (see paragraph 177).

E. International measures

24. The usefulness of Governments' formulating and publishing periodically balance of payments targets and forecasts (see paragraph 187).

25. The feasibility of Governments' seeking to reconcile such targets and to eliminate inconsistencies between them by a process of conferences, consultations and negotiations in the manner recommended in the Full Employment Report (see paragraphs 187 and 189).

26. The possible effects of more or less binding commitments with respect to particular balance of payments items on such matters as the efficient use of resources, adaptability to changes in demand, introduction of new techniques and new sources of supply, and equal access to markets.

27. The feasibility and desirability of Governments' undertaking quantitative commitments as to the amount of net foreign lending which they will undertake over a period of years (see paragraphs 191 and 193).

28. Whether there is a need to liberalize the criteria for lending by the International Bank in the sense of granting loans for general development purposes in addition to project loans (see paragraphs 194-197).

29. What, if any, criteria might be adopted for ensuring the soundness of loans granted for general development purposes (see paragraphs 197 (a), (b), (c)).
30. What measures have been taken or are contemplated to stimulate the accumulation and investment of private capital, domestic and foreign.
31. What measures have been taken or are considered appropriate to facilitate the flow of investment through governmental or inter-governmental channels.
32. Whether the scheme proposed by the experts for stabilizing foreign investment by residual lending through the International Bank is practicable and desirable (see paragraphs 193-197).
33. What alternative methods of adding greater stability to international lending could be devised.
34. Whether there exist any conditions or arrangements in particular countries for ensuring that a decline in employment and business activity does not deprive foreign countries of the means of paying for the exports of the country in question.
35. Whether the proposals contained in the experts' report for providing additional supplies of the currency of the depression country through the intermediary of the International Monetary Fund are practicable and desirable (see paragraphs 202-205).
36. Whether it is preferable to approach the problem by isolating the need for foreign currency arising from cyclical causes or whether these should be merged in the general need for financial accommodation for short-term purposes (see paragraph 205 (c)).
37. Whether the experts' scheme contains sufficient safeguards against the accumulation of undue liabilities by the borrowing countries leading to the postponement of convertibility; and whether any alternative scheme would be free from this difficulty.
38. Whether there is any method other than that proposed by the experts for mitigating currency shortages arising out of cyclical depressions.
39. Whether an expansion of the resources of the International Monetary Fund with or without changes in the lending policies of that organization would provide a suitable alternative.
40. Whether methods could be devised to check the spread of depression at an earlier point by maintaining the volume of imports of the depression country.