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NON-GOVERNMENTAL ORGANIZATIONS

PRODUCTION, INVESTMENTS AND CREDIT, AND THE BALANCE OF PAYMENTS

Statement submitted by the International Confederation of Free  
Trade Unions, a non-governmental organization in category A  
consultative status

The Secretary-General has received the following statement, which is circulated in accordance with paragraphs 22 and 23 of Council resolution 288 B (X):

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This document contains the main theses of the EUROPEAN REGIONAL ORGANIZATION of the International Confederation of Free Trade Unions on production, investments and credit, and the balance of payments.

MATERIALS AND SUPPLIES

1. The shortage of materials has already caused difficulties in many cases as regards the employment situation and it also forms a threat to the attainment of the production target. It is essential to improve supplies, to avoid waste and, where necessary, to ensure a long-term distribution by means of controls and allocation. Special attention should be paid to a stock-piling policy, as this can be considered as a practical means of stabilizing the course of economy and price levels. The international full employment policy will call for such measures on an ever-increasing scale. As regards the effects on prices there is the possibility, in case of shortage, of exerting pressure on excessive prices by liberating part of these stocks.

2. Increase in home production. Measures aiming at this are already being planned or are in operation in many countries. It must, however, be

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recognized that such measures will, because of the nature of the problems involved, take time to show results. This emphasizes the need for Trade Unions to ensure that present high demands for defence should not be allowed to lead to misdirected investments, which would not be justified in the long run.

3. Stimulation of overseas production. This is particularly necessary in the under-developed territories to which far more technical assistance must be given. The Governments should be prepared to offer long-term contracts and to buy in bulk so as to ensure stability of supply and price. This development of overseas production of raw materials should be considered in the light of aid from countries having greater capital resources, as is set out in the frame work of the programme for co-operation of the Western world. In the end Western Europe will derive considerable advantage therefrom, as there can be no question of a policy of national self-sufficiency.

4. Prevention of Waste. Since it will take time for production to be increased, the elimination of waste in all its forms, is of immediate urgency: this applies particularly to materials in short supply. Trade Unionists are in a good position to identify sources of waste and to press for action, at both the national and works level, to avoid this. For ascertaining wastage, commissions should be set up with the appropriate representation of Trade Unions.

In this connexion, attention is drawn to the wastage of capital and manpower which is caused by the redundancy of the distribution apparatus (commerce). In many countries in Western Europe, roughly two out of three business firms are superfluous. Business as such is an indispensable and practically the most expensive drain on public funds in every economy. More attention must be paid in the future to rationalization of distribution.

5. Rationing and Allocation. Allocations should be made either directly to individual firms or in bulk to industries leaving it to joint agencies to distribute the available supplies. Such joint agencies would be collective for the main economic sector with participation of the public authorities, workers and employers. In this way, the Trade Unions will be able to control the orders given by those agencies to the administration. Although this method can be considered as a general rule, it may happen in certain cases that it would be more practicable to leave the distribution to the State alone or to a trustworthy trade association. There must, however, always be a control  
/by the workers.

by the workers. The above direct method is preferable from the practical point of view. The distribution system should be so set up that the use of goods allocated to trade may be subjected to constant supervision and thus systematically controlled (the Voucher system). Priority must be given to those firms whose production is of special importance and urgency from the social point of view and to all firms working on the defence programme. Priority should also be given to export firms according to the circumstances in the different countries.

6. In some instances, it may be necessary for Governments to prohibit completely the use of scarce materials for inessential purposes, and to encourage the development and use of substitute materials.

#### PRODUCTION AND INVESTMENT

7. If maximum production is to be secured, shortages of labour and materials make a balanced investment programme necessary. The bodies responsible for the economic policy should, therefore, take powers to prohibit or defer inessential investments, and to stimulate essential investments and production.

8. National Budget and planning department. In a situation where the demand for capital and manpower greatly exceeds the availabilities, owing to social investments and the defence programme, production will only be able to meet essential requirements by elaborating a comprehensive plan based on a national social budget. This task should be entrusted to a planning department in which the workers must be duly represented.

9. Estimated production capacity. Governments should have power to collect statistics on the available capacity of individual industries and on investment requirements, (both for replacements and for new equipment). The fact that estimates will, in the first instance, be approximate, should not deter Governments from collecting them.

10. Misdirected Investments. Planning is essential to avoid the misdirection of investments, the results of which are obvious in many European countries in the form of excess capacity in some industries and shortages of plant and equipment accompanied by unemployment in others. Profitability cannot be the only test of desirable investments. The social and economic needs of the community must be given priority.

/11. Investments

11. Investments by public authorities. Public authorities must, where necessary, be prepared to make finance available for important social production purposes such as housing, coal-mining, gas and electricity supplies and other public services. Such financing may take the form of grants, loans at low rates of interest, or special tax rebates.
12. Control of investments by building permits. The bodies responsible for the economic policy should control all projects calling for an investment over a certain amount. For this purpose building permits are an appropriate instrument.
13. Social Investments. The need for social investments, particularly housing and schools, must not be obscured by rearmament requirements, nor should the labour market be disturbed.
14. Control of Credit. The Government should have power to give directions to the credit banks, through the central issuing bank or to the competent body, on the credit policy. Special directions must be given as to the types of investment to be encouraged or checked. The Bank granting credits has two tasks in this connexion:
  - (a) to demand from their clients an exact statement regarding the utilization of the credits before granting same, and
  - (b) to keep a constant watch on the actual utilization of such credits.
15. Standardization. Excessive variety in types of machines, vehicles, tools, etc., is not only a serious cause of industrial inefficiency, it also prevents a general rise in the standard of living which would otherwise be possible by lowering costs and prices. The American example shows the extent to which production costs can be lowered by sensible standardization and a rational limitation of types. The Trade Unions, therefore, should give their urgent support to appropriate standardization. Government and Public Authorities can help in this direction by placing bulk orders for standard products, such as housing components and vehicles.
16. Industrial research. Improvements in the utilization of materials and the development of new materials and working methods can be achieved by co-operative research by industries. As far as possible industry itself should provide the means for carrying out this research, but in some cases it may be necessary for the Governments concerned to give aid. It may be desirable in some instances for such co-operative research associations to  
/have the power

have the power to raise money by a compulsory levy on firms in their industries. Because of the practical advice that they can offer and because their conditions of work may be affected by technical developments, Trade Unionists should be represented on the Governing bodies of such research associations.

17. Exchange of information between firms. The visit to the USA of industrial experts from European countries has shown that many individual firms in Europe are just as rationally organized as the best firms in the USA but that American industries are able to bring about considerable reduction in costs and prices owing to the free exchange of information between the individual firms. Trade Unions should support all measures to break down some of the secrecy which surrounds European industries. This secrecy is a fundamental cause of the prevalent isolation on the part of firms, which results in the backwardness of production methods in many European industries. Unfortunately, it is not the backward European industrialist who pays for these mistakes by the non-profitability of his undertaking, but as a rule the costs of this secrecy take the form of excessive prices of European consumer goods. The exchange of information and comparisons between firms must especially include working methods within industrial concerns, data concerning accountancy and calculation methods.

#### BALANCE OF PAYMENTS

18. The object of the European Trade Union movement must be an increase in inter-European trade: this will only be achieved by further liberalization of trade payments and the reduction of protective duties and other barriers and by agreement between the Western European countries to pursue full employment policies.

19. European Payments Union. It is essential to maintain the European Payments Union, but its strength should not be over-estimated. Its successful functioning depends on the maintenance of reasonable level in the balance of payments between the participating countries. This again greatly depends upon the internal financial stability of the countries concerned, and further upon the degree to which the economic policies of the various countries are adjusted to each other.

20. Increased Exports. The extent to which exports can be increased in the near future depends partly on the success of the measures dealt with in the other sections of this document. Ways in which exports might be increased are:

/(a) by Government-



(a) by Government-sponsored market research in foreign countries.

(b) by co-operative export marketing arrangements by industries.

21. Import restrictions. Should there be no other means of attaining a balance of payments, imports might have to be restricted. Any such restrictions, however, which are directed against other Western European countries will be bound to have adverse effects on the production capacity of Western Europe as a whole.

22. The Dollar Area. Not only in the short run, but also in the long run, special efforts must be made to persuade the United States and Canada that it is in their interest to increase their imports from Europe. Failing such an increase, the provision of dollar credits for the purchase of materials, foodstuffs and capital equipment will continue to be essential.

#### FINANCIAL STABILITY

23. The objects of the financial policy of individual countries should be the following: to secure and maintain full employment, to check inflation, to encourage production and to protect as far as possible the economically weaker sections of the community. Where full employment has been secured, the Governments of such countries should cover expenditure from taxation; in the other countries, deficit financing may be unavoidable. The cost of rearmament should be met primarily by taxation.

24. Direct and Indirect Taxation. Direct taxation is fundamentally preferable to indirect taxation. There are, however, limits to the extent of direct taxation: if pushed beyond these limits, it can reduce incentive and encourage evasion. Where indirect taxes are necessary for revenue purposes, they should fall heavily on luxury goods and lightly or not at all on goods used by working class people.

25. Taxation on Profits. There is little justification for levying a special tax only on the profits of firms directly engaged in manufacturing munitions. In a period of rearmament, many other firms not engaged on armaments will also make high profits, e.g. because of shortages of consumer goods. Special taxation on high profits should, therefore, be levied on industry as a whole. Taxation abatement for certain investments through self-financing is only admissible (contrary to the tax on dividends) provided the said investments are devoted to progressive, important purposes, such as, for instance, social housing. The same thing applies to tax on that part of incomes which is used

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for long-term savings. With regard to the necessity of checking inflationary trends in the present rearmament period, this taxation of profits, however, can never be a substitute for price control.

26. Taxation of capital. If the defence programme is financed temporarily by borrowing, consideration should be given at a later date to a real capital levy. Such a levy might be made either as a single operation, or might be made annually. In a period of inflation, it might be necessary to tax capital gains. This is done in the USA in the form of a tax on capital gains which are made from the purchase and sale of assets, stocks and shares, etc.

27. Luxury Tax. Taxes on consumption should mainly be directed against high priced luxury goods, not against goods largely consumed by working class people. Whereas prices for goods of high standard may be subject to little or no taxation, there should be progressive taxation on the more expensive luxury articles.

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