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Rapporteur:	Mr. DEUTSCH	Canada
Members:	Mr. GOLDAUX*	Belgium
	Mr. NUNES GUIMARAES	Brazil
	Mr. HO	China
	Mr. SILVERIO	Cuba
	Mr. JEANNENEY*	France
	Mr. SAKSENA	India
	Mr. HAAVELMO*	Norway
	Mr. FLEMING	United Kingdom of Great Britain and Northern Ireland
	Mr. LUBIN	United States of America

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Representatives of specialized agencies:

Mr. EVANS	International Labour Organisation (ILO)
Mr. EZEKIEL	Food and Agriculture Organization (FAO)
Mr. KING	International Bank for Reconstruction and Development
Mr. HORSEFIELD	International Monetary Fund

Secretariat:

Mr. WEINTRAUB	Secretary of the Commission
Mr. VARLEY	Assistant Secretary of the Commission

NATIONAL AND INTERNATIONAL MEASURES FOR FULL EMPLOYMENT: REPORT BY A GROUP OF EXPERTS APPOINTED BY THE SECRETARY-GENERAL (E/1584, E/CN.1/L.6 and E/CN.1/L.7)(continued)

1. The CHAIRMAN invited the Commission to consider the United States draft resolution on the experts' report (E/CN.1/L.6) and the United Kingdom amendment to it (E/CN.1/L.7) before resuming the discussion of part C of the experts' recommendations for international measures (E/1584).

2. Mr. LUBIN (United States of America) stated that his delegation's draft resolution had been prepared in the light of the majority view that no substantive recommendations on the experts' report should be presented to the Council.

3. The purpose of the draft resolution, as set out in paragraphs 5 to 7, was to commend the experts' report to Member Governments of the United Nations, and to the specialized agencies and non-governmental organizations concerned for serious and detailed examination, and to urge Governments to facilitate wide-spread public consideration of the report in their respective countries. As the Council would not have sufficient time to receive and discuss Government comments on the report at its forthcoming session, the date for the presentation of comments which the Member Governments were invited to transmit to the Secretary-General had been fixed at 15 May 1950 so as to enable the Council to consider them at its eleventh session.

4. Paragraph 7 of the proposed draft resolution provided for the enumeration

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in an appendix to the Commission's report to the Council, of particularly important problems dealt with in the experts' report so as to assist Governments in the consideration of the experts' report and the preparation of comments thereon. Although the problems which the Commission considered should be studied would be mentioned in its report, the procedure proposed in paragraph 7 of the draft resolution would ensure a more careful study of the important problems.

5. Mr. FLEMING (United Kingdom) said that his delegation's amendment (E/CN.1/L.7) related to less important aspects of the United States draft resolution the general recommendation of which the United Kingdom delegation supported.

6. The main part of his amendment suggested that paragraph 6 of the United States draft should be replaced by a text inviting Governments to study the report and indicating that the Council was expected to take action and to come to definite conclusions at its eleventh session. The reasons for his amendment were as follows.

7. It was to be expected that the draft resolution would be approved by the Council rather late at its tenth session, and that its Member Governments would therefore take no action on it until after that date. Moreover, if the time limit for the presentation of Government comments and proposals was fixed at 15 May, as provided in the United States draft, the Governments would not have the time to benefit from the widespread discussion of the report recommended in paragraph 5 of the draft resolution and to formulate their opinions, which might lead them to take a negative stand on the issue at the eleventh Council session. The valuable interval between 15 May and the opening of the eleventh session of the Council should be used by Governments for further consultation on the difficult matters dealt with in the experts' report so that when the Council met in July, they would be able to take a positive stand on them.

8. In view of those considerations he thought it better, as provided in his amendment, to request Governments to prepare their views and proposals for presentation at the eleventh session of the Council, and to indicate that the Council was expected to formulate its recommendations on the matter.

9. The other part of the United Kingdom amendment providing for the deletion of paragraph 7 of the United States draft and the insertion

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of a brief clause in paragraph 5 was consequential upon the first part of the amendment. While the United States draft of paragraph 6 provided for general Government comments on the experts' report, the United Kingdom amendment called for specific Government proposals to formulate which Governments did not require a special appendix listing the principal problems dealt with in the experts' report. However, that part of the amendment was less important than the main part.

10. In conclusion, Mr. Fleming suggested informally that the reference to specialized agencies might be deleted from paragraph 5 of the United States draft.

11. Mr. LUBIN (United States of America), in reply to the United Kingdom representative's remarks, said that inclusion of an appendix in the Commission's report as proposed in the United States draft, would enable the Governments to send in better comments. He would therefore prefer paragraph 7 to be retained.

12. He was opposed to the United Kingdom amendment to paragraph 6 as it provided for the presentation of comments by members of the Council alone, whereas it would help the Council in its work to have the views of all United Nations Members as requested in the United States draft.

13. The CHAIRMAN, as the representative of Australia, favoured the United Kingdom amendment which he would support for the reasons given by the United Kingdom representative.

<u>The United Kingdom amendment to the United States draft resolution (E/CN.1/L.7) was adopted by 6 votes to 4, with 1 abstention.</u>

<u>The United States draft resolution, as amended, was unanimously adopted.</u>

14. The CHAIRMAN invited the Commission to continue the consideration of part C of the experts' recommendations for international measures.

15. Mr. JEANNENEY (France) thought that it would be useful, as the Canadian representative had suggested at an earlier meeting, to consider the effects which the experts' proposals might have had on the economic situation between the two world wars.

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16. The experts' proposals were based on the hypothesis that a country A experiencing a decline in its effective internal demand would reduce its imports from country B, which naturally would result in a reduction of the exports from country B to country A. That, the experts feared, would aggravate the deflationary trend in country A and would propagate it further since country B, and other countries whose balance of payments consequently became unfavourable, would curtail their imports from country A. The result would be a cumulative contraction of world trade.

17. Those apprehensions might seem justified in the light of a number of past events bearing out the hypothesis. The economic crisis of 1929, for instance, had been started by a decline in aggregate demand in the United States and the subsequent fall in agricultural prices and incomes. That crisis had been propagated throughout the world and had led to a considerable contraction of world trade.

18. The point in question, however, was whether the remedy advocated by the experts was adequate to meet such a crisis. The report proposed that in the situation outlined above, country A 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 reference year, and that the Fund in turn should make it available to country B, for instance, to enable it to continue to import from country A. It had been hoped that by such an arrangement, the cumulative process of contraction could be arrested.

19. In the French representative's view that could be achieved only if at the same time there were a tremendous demand for goods throughout the world such as there had been during the period immediately following the Second World War, a period the experts doubtlessly must have had in mind. In such circumstances country B would naturally not hesitate to utilize the amount put at its disposal for continuing the import of the goods which it so greatly needed. At present and in the future, however, the situation would probably be different; and countries might be reluctant to utilize the credits put at its disposal by the International Fund. That would be particularly true in the case of a country which had been importing heavy machinery and raw materials. Such a country, in order to

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continue to import on the credit put at its disposal by the Fund, would have to be in a position to export, in the same quantities as before, the goods which it produced from the imported raw materials. That, however, was not likely because, as had been said, the exports of such countries would be reduced. Consequently such countries could not utilize the credit put at their disposal for the continued purchase of raw materials in the same quantities unless their internal effective demand were to rise considerably. In that event, however, the credit put at their disposal would be used as a device for financing an increase in the volume of imports, the result being perpetual indebtedness as there would be no provision for the repayment of the financial accommodation supplied.

20. The other hypothesis, which was even less probable, was that country B whose exports to country A had declined would use the credit put subsequently at its disposal by the Fund to finance further imports. Such a country's internal market would already be flooded with the domestically produced agricultural and industrial goods which it was unable to export, and a further import of goods from abroad, which might drive the domestic products from the internal market, would consequently cause unemployment. If, on the other hand, the country in question were to follow a policy of stimulating demand in order to find an outlet for the imported and domestic consumer goods, the ensuing increase in domestic consumption, without a corresponding increase in the productive capacity of the country, would result in increasing the country's indebtedness. Mr. Jeanneney wished to cite the following example in that connexion: During the years 1929 to 1933, French exports had declined as a result of the economic crisis which had originated abroad. Yet, owing to a considerable influx of capital at the time, France had been able to accumulate gold and foreign exchange reserves, and consequently had had no difficulty in balancing her payments in spite of a decline in her exports. Thus, the situation which the experts would like to create by artificial means had arisen in France spontaneously.

21. The rise of French imports during those years had finally led to the accumulation of agricultural stockpiles and industrial unemployment. In order to meet that situation, France had been forced to restrict her imports by establishing quotas, and to embark upon the difficult deflation process with a view to restoring her trade-balance. In taking those measures France had followed the course championed

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by the experts; she had permitted her imports to rise during the years 1929 to 1931, and had paid her trade deficits out of her monetary reserves. By taking that deflationary action, she had helped to mitigate somewhat the effects of the world-wide crisis. On the other hand, the long-term effects of that economic policy had been disastrous for France. The policy had depleted France's monetary reserves, given rise thereafter to chronic monetary difficulties and, by causing the French market to be swamped with imported goods, it had prevented French industry, which had been unable to find an outlet for its goods from making the necessary improvements in production methods. The productive capacity in French industries remained stagnant and they were still suffering from the effects of this stagnation.

22. In Mr. Jeanneney's view, no country mindful of its long-term interests would use the credit made available to it under the experts' proposal. Consequently the proposed mechanism would not work.

23. The experts' report seemed based on two fallacies. The first was the confusion between the economic effects of loans and of grants. It was true that loans could be used to stimulate consumption, but he wondered if this could have a lasting effect. Countries receiving loans would benefit only when they were granted the production and when the borrowing country could repay the loan and have a net increase in income. Thus a distinction must be drawn between productive loans and non-productive loans which would have to be repaid from the country's revenue and would thus be a drain on it. The alternative would be a non-returnable loan, or a grant. In Mr. Jeanneney's view credit machinery could not be built on this basis.

24. The second fallacy in the experts' report was the contention that a lack of international demand was the real cause of depressions. He considered that the spread of depressions throughout the world, which had been one of the most striking phenomena of the beginning of the twentieth century, was due to the propagation of a drop in prices rather than to any other factor. A drop in prices of basic products in a country which occupied an important place in world economy invariably led to a drop in prices in countries economically linked with that country, and that was the way in which a depression spread from one country to another. He felt that it was essential that the Commission, while

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emphasizing the important role played by credit in many cases, should sound a note of warning in order to prevent a situation arising in which nations depended solely on credit measures to develop international trade. There were two important ways by which a smooth flow of products in world trade and the full employment of world resources might be achieved. Creditor countries might make grants to debtor countries, and greater attention might be paid to bringing about an equilibrium of trade balances.

25. In the nineteenth century, when the gold standard prevailed, a country which had to face a situation similar to that of country B, namely a country which had experienced a reduction in its exports, suffered as a consequence a reduction in its gold reserve. He had been informed that such a situation also led to a contraction in domestic credit which in turn acted as an incentive to entrepreneurs to try and find new markets abroad. It was worthy of note that the result of the machinery suggested by the experts would be a reversal of the situation which had prevailed in the nineteenth century and which had led to a substantial increase in world trade as a whole.

26. The gold standard no longer prevailed, but monetary adjustments were made by altering foreign exchange rates. He firmly believed that international organizations which already existed or which might be set up, might prove an obstacle to those necessary monetary adjustments. Recent experience had emphasized that fact. It had been argued that an alteration in the foreign exchange rates might prove to be a makeshift and somewhat dangerous measure. He felt that lasting equilibrium could only be achieved by an appropriate tariff policy which would lead creditor countries to lower their barriers, and induce debtor countries to increase their tariffs on certain products in exceptional cases only. It was obvious, however, that any substantial lowering of tariffs by a creditor country would lead to unemployment in certain domestic industries.

27. It should not be thought that creditor countries could export a great deal, import little, and lend money to debtor countries without running grave risks. He pointed out that at the end of the nineteenth century and the beginning of the twentieth, the United Kingdom and France were creditor countries. A certain equilibrium in world economy had been achieved by the granting of loans to other countries by the two countries mentioned. If the

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situation was examined thoroughly, however, it would be seen that the trade balances of those two countries had become unfavourable as a result of the measures which they had taken.

28. He felt that instead of resorting to credit and artificial monetary measures, a policy of stabilization allied to realistic tariff policies would bring about a reduction in unemployment and increase world wealth.

29. Mr. NUNES GUIMARAES (Brazil) referred to the French representative's statement stressing the difficulties of carrying out the measures proposed by the experts, and also to the remarks of the Norwegian representative regarding international measures for full employment which he had made at the previous meeting. He also quoted the remarks of the United Kingdom representative regarding the extremely difficult position of governments which had to decide between short-term domestic measures and long-term international measures.

30. It could be seen that governments had adopted a compromising policy as regards international measures to achieve full employment. Despite the fact that multilateral trade agreements and "most-favoured-nation" treatment were favoured, many countries had been compelled to sign bilateral trade agreements. They had done so in order to prevent a reduction in the activities of export industries as such a reduction would naturally cause unemployment. Governments were convinced that they should enter into bilateral agreements in order to pave the way to multilateral agreements. The latter type of agreement was the only one which would help mankind to take advantage of the division of labour upon which all economic progress depended.

31. He felt that the instinct of survival prompted governments to take decisions which were apparently against long-term international measures to achieve full employment. All were aware of the importance of the convertibility of currencies as a basis of multilateral trade. That convertibility depended, however, to a great extent on the reduction of the great disparities which existed in the productivity of the various countries. Such a reduction could be achieved by fostering international trade and foreign investments.

32. While strongly supporting the statements made in the last sentence of paragraph 120 of the experts' report, he doubted whether the measures proposed in paragraph 205(a) could be carried out. He felt that the statement

in the latter paragraph meant that creditor countries should open credits for the debtor countries in order that the latter would not be compelled to reduce their imports from the former. Such a measure did not seem feasible, as creditor countries would not be able to make the required deposits with the International Monetary Fund for some time to come.

33. For the creditor countries such deposits amounted to open credits to be made available to the importers of debtor countries whose exports had been falling off. Credits that could not be reimbursed were not credits, they had to be considered by the creditor country as frozen assets. Countries which had granted such credits might resort to inflation if they wished to continue financing exports. He pointed out that in his book entitled "Monnaie-Credit-Transport" Mr. Heilperin had stated that if a country did not wish to receive repayment of the credit granted by it in merchandise or services, then such a country did not wish to have such credit repaid. Purely monetary methods could not take the place of the exchange of goods, services and labour.

34. He then quoted paragraphs 21-24 of the statement made by Mr. Ragnar Frisch on the report of the third session of the Sub-Commission on Employment and Economic Stability (E/CN.1/67).

35. Mr. Guimaraes believed that the International Monetary Fund should be empowered to operate the scheme proposed in paragraph 203 of the experts' report, provided the implementation of the Havana Charter was speeded up and the International Trade Organization brought into being, and provided also that there were no major objections to the scheme proposed by the experts being put into effect. He felt that the Commission could give its opinion on the international measures proposed by the experts without waiting for replies to be received from the International Bank for Reconstruction and Development and the International Monetary Fund. However important the role of the latter organization might be, currency stabilization was closely linked with commercial policy and foreign investment. Without international co-operation in those two fields he doubted whether the scheme proposed by the experts would prove effective.

36. Mr. EZEKIEL (Food and Agriculture Organization) wished to make a few further comments suggested by Mr. Jeanneney's brilliant analysis and Mr. Guimaraes' suggestions.

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37. Although the experts' proposals were put forward as a plan to stabilize the flow of international trade, it was clear from paragraph 205 that they were merely aimed at stabilizing the balance of payments. If the United States had applied the solutions suggested by the experts in 1949, taking 1948 as the reference year, and had simultaneously reduced the grants to other countries by which its exports were maintained and its own imports, it would have been under no obligation to maintain further dollar commitments to other countries. The result would have been to avoid any balance of payments difficulties but to decrease the total volume and value of world trade. Such a decrease was an inherent defect in the proposals.

38. He drew attention to a different concept: namely, the maintenance and stabilization of the flow of world trade rather than of the balance of payments.

39. Many Governments already guaranteed their own producers stable markets for a limited quantity of their products, thus freeing them from the fear of bankruptcy due to a sudden contraction of the market. The system of price support in the United States for example had modified the slight recession in 1949. That stabilizing concept might be extended to international trade.

40. It was obvious, as the representative from France had stated, that the provision of funds to other countries did not create markets for the export industries of the country concerned and merely gave rise to structural difficulties and an eventual decrease in consumptive power. As an example he cited the decrease in the demand for the oils and fats exported by certain Far-Eastern countries, which had had considerable repercussions in those countries.

41. In paragraph 201 of their report, the experts drew attention to the possibility of maintaining imports by Government purchases and stockpiling. That suggestion might be examined further from the viewpoint of stabilizing the flow of international trade. It might be possible to conclude multilateral agreements under which each Government would guarantee an agreed volume of imports. Other countries would work out their volume of exports on the basis of that agreement. If imports fell more than ten per cent below the agreed level the Government would purchase and stockpile the goods itself at a price to be negotiated. Subsequent adjustments might be necessary should

structural changes indicate that the difficulty was more than a temporary one. He realized that such a scheme involved serious problems connected with the storage and resale of the commodities concerned.

42. Such a system of domestic buffer stocks of import and export goods involving a series of agreed steps, would be preferable to any sudden drastic measures. It constituted an alternative and less complicated plan to which he felt the experts had not paid sufficient attention and which should be brought to the notice of Governments.

43. Mr. FLEMING (United Kingdom) agreed with the statement made by the representative from France in his interesting and penetrating analysis to the effect that the plan whereby full employment countries would borrow in order to maintain their exports to countries suffering from a depression would benefit the depression country, supplying the funds, rather than the full employment country. He felt, however, that Mr. Jeanneney had exaggerated slightly in assuming that if the mechanism operated properly it would involve the full employment countries in an expansion of internal consumption effected on borrowed money. He pointed out that it would also be open to the full employment country to expand the volume of internal investments. If the export goods for which the demand had decreased as a result of the depression were production and investment and not consumer goods the expansion of internal investment to absorb them would be natural. Even when that was not the case, it was just as simple to expand internal investment and reallocate national resources so as to produce less consumer and more investment goods as it was to restrict imports and substitute domestic products.

44. Both measures involved a certain amount of structural dislocation, but the former was not necessarily more difficult and was not quite so unfavourable to the full employment country which would be expanding on interest-free loans the repayment of which could be adapted to meet balance of payment difficulties. That might be particularly advantageous to under-developed countries.

45. Even admitting that it was disadvantageous for a full employment country to maintain its imports from a depression country at their previous level, that objection did not apply with full force to the

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proposals contained in the experts' report, under those proposals, any full employment country would be free to restrict its imports -- subject to ITO regulations -- and it would only have to take advantage of the possibility of obtaining credit in so far as that policy was dangerous to its own full employment programme. It was important that imports should not be cut to the same extent as exports.

46. The proposals appeared in an unfavourable light if one concentrated on the depression phase, or the period during which an unstable country was suffering from a depression. The statement that certain countries were liable to greater depressions than others was equivalent to maintaining that, taking all phases of the trade cycle together, those countries had a lower level of employment and demand for foreign goods. They must adjust themselves to that situation or the result would be fundamental disequilibrium which would have to be corrected by exchange modifications and adjustments of price levels. Full employment countries should be in a position to count on a surplus set aside in times of prosperity which could be used to meet a deficit in times of depression. In that case there would be none of the continuous and mounting indebtedness to which the representative of France had referred.

47. With regard to Mr. Ezekiel's suggestion, there was undoubtedly much to be said for a policy of guaranteed imports. Mr. Fleming would not object to that suggestion being mentioned in the report but pointed out that the practical difficulties involved were as great or greater than those involved in the purely financial arrangement suggested by the experts. Furthermore, buffer stocking on the required scale might lead some Governments into business on a greater scale than they would welcome and might be essentially uneconomic.

48. Mr. LUBIN (United States of America) pointed out that information regarding the spread of the 1930 depression from one country to another was still too vague for any final conclusions to be drawn. He drew attention, however, to page 36 of the Secretariat paper "International Capital Movements in the Inter-War Period" where it was stated that the French withdrawal of short-term capital from abroad might have been one of the factors leading to the stock exchange collapse in the United States.

49. The experts' suggestions were based on a static concept built around the ambition to return to the <u>status quo ante</u>. The implementation of those suggestions might delay increased productivity and higher standards of living throughout the world. The Commission, on the other hand, should look towards a dynamic world in which greater productivity and increased utilization of natural and human resources would lead to higher standards of living.

50. A depression might be followed by a change in consumer habits. Mr. Ezekiel had referred to the fats and oils exported by the Far East; a depression in the United States might lead to a permanent decrease in the demand for those products due to an expansion of the petroleum deturgents industry during the depression.

51. In order to obtain the dynamic economic world for which he hoped there must not be more interference than necessary with continuous structural changes. Loans from the International Monetary Fund would not serve as a stimulus to necessary readjustments but would, rather, freeze inefficiency. The same objection applied to the suggestion about tariffs put forward by Mr. Jeanneney. Every effort should of course be made to make crises more gradual and less cruel in their repercussions. The experts' proposals however would merely prolong the period of ineffective demand; countries would be able to avoid making any of the necessary readjustments in price levels, on the basis of credit obtained through the Fund. Tariff protection of an inefficient economy or any other remedy which failed to stimulate adjustment to structural changes would be a deterrent to progress.

52. Speaking as the representative from Australia, the CHAIRMAN pointed out that some of Mr. Lubin's points were covered by paragraph 203 in which the experts stated the basic requirements for their scheme. He drew particular attention to the fourth requirement and pointed out, in connexion with the sixth requirement, that the international agency concerned would have considerable discretionary powers.

53. The comments which he had just heard had confirmed his opinion that the experts had been unwise to make such detailed recommendations, the technical details of which required further consideration. It placed the matter in the wrong perspective to concentrate on the minor defects of a general plan which had much to commend it. Furthermore, section C of the international recommendations

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was the last section in the report and probably the least essential part of the whole scheme. The main emphasis had been placed on domestic measures to promote a sustained flow of international trade and section B referred to international investment as a means to achieve the same end. Section C merely constituted a safety net to be used only if domestic measures and international investment failed. Though he felt that the criticisms put forward by Mr. Jeanneney and Mr. Lubin were not entirely pertinent, they raised some very important points to which careful consideration should be given.

54. The Commission's recommendations to the Council should not concentrate on criticizing the devices suggested, but rather on the nature of the problem and the general direction in which a solution should be sought.

55. Mr. LUBIN (United States of America) emphasized, in connexion with paragraph 203, that in his opinion the scheme proposed by the experts did not satisfy the fourth requirement and would retard the normal processes of adjustment.

56. Mr. HORSEFIELD (International Monetary Fund) recalled that the Fund had already stated that it welcomed the experts' proposals, though further consideration was necessary.

57. With regard to Mr. Jeanneney's comparison with 1930, Mr. Horsefield felt that the former might have overlooked the fact that the report formed a whole and that paragraph 93 contained specific proposals for maintaining employment in the export industries. The scheme was intended to operate as a whole and the international measures were only intended to prevent the cumulative effects of depressions.

58. Mr. FLEMING (United Kingdom) thought that there was a danger that the Commission might exaggerate the extent to which the proposals impeded structural changes. Paragraph 204 (c) contained a specific safeguard whereby if a depression country could show that the decrease in its imports was due to structural changes, the International Monetary Fund might agree to a reduction in the amount of currency to be made available.

/59. Three points

59. Three points should be borne in mind: first, the proposals would not prevent a decrease in the exports of full employment countries. In so far as such a decrease was due to structural changes the pressure on the producer remained unaffected; secondly, structural changes were not always of the type suggested by Mr. Lubin namely, the substitution of the products of a depression country for those of a full employment one; the tendency might be in the other direction, in which case the depression would merely disguise a fundamental adjustment and it would be advisable to give Governments assistance in supporting their own producers; thirdly, a decrease in imports by a depression country would certainly lead to a decline in the prices of products in a full employment country and that in turn would lead to long-term structural changes under which those products would be substituted for others. The experts' proposal would have no significant effect in delaying adjustment to structural changes if those changes were not in a particular industry but affected all price levels in full employment countries.

60. Mr. Lubin had rejected the provision of credit and the application of import restrictions as demoralizing. Since a full employment country could not reduce price levels without abandoning its full employment policy, Mr. Fleming concluded that Mr. Lubin wished to see an adjustment in exchange rates; it was very questionable, however, whether every fluctuation in prosperity should be accompanied by fluctuations in the rate of exchange.

61. Mr. LUBIN (United States of America) pointed out that Mr. Jeanneney had used the word "credit" to refer to the right to draw on the Fund; that did not rule out other loans or international investments. The experts seemed to have neglected the question of exchange rates almost entirely and to have assumed that under their scheme that aspect would not have to be considered. Increased tariffs meant an increase in the price level of consumer goods which in turn affected the cost of living and made it still harder to increase the volume of exports. A policy based on tariffs would therefore seem to defeat its own ends.

<u>The meeting rose at 1.15 p.m.</u>