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Implementation of Full Employment Policies

Replies of governments to the full employment questionnaire covering the period 1950-51, submitted under resolutions 221 E (IX) and 290 (XI) of the Economic and Social Council and relating to full employment standards, economic trends and objectives, economic policies and balance-of-payments problems and policies

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^{1/} Reply to part A and question 18 was reproduced in E/CN.1/81/Add.6.

1. Netherlands

A. DOMESTIC FULL EMPLOYMENT POLICIES

The Full Employment Standard

Question 1

Several months ago the Dutch Government presented a memorandum to the Second Chamber of Parliament in which it expressed its views on the matter of employment policy.

As the memorandum points out, there has been hardly any shortage of employment during the past five years. The small amount of unemployment that there is - in 1950 only 2.6 per cent of the total wage-earning population - consists mainly of seasonal and frictional unemployment and to a small extent of certain forms of structural unemployment which have made themselves felt in particular areas.

The main objectives of the present Government's economic policy are:

- (i) To establish equilibrium in the balance of payments,
- (ii) To maintain employment for the rapidly growing population.

Industrialization is considered to be one of the most effective means of reaching these aims. Some details as regards the industrialization policy of the Netherlands have been provided in the reply to the inquiry concerning the second half of 1949. Further details can be obtained from the "Second Memorandum on the Industrialization of the Netherlands".^{1/} Another means to relieve the situation is emigration of Dutch workers. This means is gradually becoming more important to the Dutch economy; in 1950 20,000 persons, 8,000 of them being part of the working population, emigrated.

Apart from the danger of structural unemployment as a consequence of the rapidly growing population, there is a danger of structural unemployment in particular areas. The cause of this type of structural unemployment is the relatively one-sided economic structure of these areas, which limits the capacity to absorb new labour supply. This problem can be solved only partly by migration and emigration. In addition new industries should be attracted to these areas. In order to achieve this object development plans have been set up for the areas involved.

^{1/} This memorandum was submitted with the reply but is not here reproduced.

/The development plans

The development plans provide for the preparation of industrial sites in the towns and villages which are destined to become the industrial centres of those areas. Furthermore they contain schemes for providing these industrial centres with transport facilities (roads, etc.) and, wherever necessary, connexions with the public-utility system.

Apart from this, special attention is given by public authorities to the improvement of the quality of the labour force through the establishment of technical schools in those municipalities which are destined to become industrial centres. The idea is, of course, to ensure a regular flow of trained young labourers for the new industries.

Finally it is the intention of the local authorities in these areas to build trading estates (if necessary with a subsidy from the State) which can be put at the disposal of industry at a reasonable rent.

In the above-mentioned memorandum the Government has also put forward its ideas with regard to cyclical employment policy. The Government is determined to do all it can to mitigate a forthcoming depression by means of the necessary legislation, e.g. by compensating for a decrease in private investment activities, preventing a stagnation of the circulation of money and encouraging effective demand. However,

- (i) it should be stated clearly that, since cyclical fluctuations are an international phenomenon, it will be impossible for a small country like the Netherlands to halt a depression by means of measures of a merely national character; this is the more true for the Netherlands as it imports almost all the raw materials it uses in production and exports a large portion of its production;
- (ii) although the Government acknowledges in principle the usefulness of money-creation during a depression period, it fears at the same time that the limits of such a policy are easily reached due to the development of an increasing deficit in the balance of payments, which would soon become too high to be maintained for long.

It is for these two reasons that the Government of the Netherlands cannot commit itself to the establishment of a fixed full-employment standard.

This point may be further elucidated as follows. The purchasing power of the buyers of Dutch export products would fall if a recession occurred in the

/world at large.

world at large. Now if compensatory measures were taken the only effect would be, of course, an increase in home demand; foreign demand would remain entirely unaffected by such measures. The difficulties for the export industries would be increased by such action because it would prevent the home price-and-cost level from falling to the same extent as the world market price-and-cost level.

Moreover, the increase in home demand would cause an increase in imports, which in all likelihood would not be offset by an increase of equal size in exports (see above). Therefore it may be said that there is a real danger that during a depression the equilibrium in the balance of payments, which had been established in the past with great difficulties, would be seriously disturbed and that a deficit of considerable size would develop if compensatory measures were taken. Taking account of the very moderate size of Dutch monetary reserves, such a development would be obviously impossible for any responsible Government to accept.

Full employment, especially in so far as it can be achieved by national and regional measures, is a continuing objective of Dutch economic policy. A special organization has been set up to deal with the matter on a national level and to co-ordinate the activities of local authorities in this field. Furthermore the Netherlands, which is so dependent on what takes place on an international level, also included in the plan of action, which it presented to the Organization for European Economic Co-operation (OEEC) in June 1950, a few lines on the subject of full employment, stressing the desirability of co-ordinating the economic policies of the European Governments, especially in the field of budget policy.

Questions 2 to 5

These questions do not apply for the Netherlands.

Economic Trends and Objectives for 1950 and 1951

Economic trends in 1950

Section 6

a.

Table 6.1 Major components of the gross national product in 1949 and 1950, in current and in 1949 prices* (in thousand millions of guilders)

Components of gross national product	1949	1950	1950
	1949 prices		1950 prices
(1)	(2)	(3)	(4)
(i) Consumer expenditure	11.5	11.3	12.3
(ii) Private domestic investment	4.1	4.7	5.1
(iii) Government expenditure on goods and services a/			
(a) Public investment b/	0.5	0.5	0.5
(b) Military expenditure b/	0.8	0.9	1.0
(c) Other government expenditure on goods and services c/	1.4	1.4	1.5
(iv) Exports of goods and services	5.8	7.7	8.0
(v) Less imports of goods and services	-6.1	-8.0	-8.8
Total gross national product (at market prices)	18.0	18.5	19.6
Depreciation allowances on			
1. private domestic investment	1.5	1.5	1.7
2. public investment	0.4	0.3	0.3
3. military investment	0.1	0.1	0.1
Total depreciation allowances	2.0	1.9	2.1
Total net national product at market prices	16.0	16.6	17.5
Less indirect taxes minus subsidies	1.8	-	2.1
Total net national product at factor costs	14.2	-	15.4

a/ Depreciation allowances are accounted for twice, once as part of current expenditure and once as part of gross investments. This is the logical consequence of the gross national product concept.

b/ Military investments are included under (iii) (b).

c/ Exclusive of interest on public debt, which is considered as a transfer payment.

* Provisional figures.

/Table 6.2 shows

Table 6.2 shows the development of consumer expenditure since 1947. It appears from this table that from 1949 to 1950 the total volume of private consumption decreased by 1/2 per cent, which implies a fall in private consumption per capita by 2 per cent, as the population increased by 1-1/2 per cent. This decreasing trend in per capita consumption was interrupted in September 1950, when, owing to the fear of a further rise in prices, a 12 per cent increase over the September 1949 level was registered. This development, however, was followed by a heavy fall in per capita consumption during the following months, as the table shows. These monthly variations in consumption are mainly due to psychological factors.

Table 6.2 Total consumer expenditure (monthly averages)

Period	Money value	Price	Volume	Volume per capita
(1)	(2)	(3)	(4)	(5)
1947	100	100	100	100
1948	112	104	108	106
1949	115	109	105	101
1950	124	119	104	99
1949 1st quarter	105	108	97	95
2nd quarter	113	110	102	99
3rd quarter	118	109	109	105
4th quarter	123	111	111	107
1950 1st quarter	110	116	95	91
2nd quarter	121	118	102	98
3rd quarter	136	119	115	109
4th quarter	127	122	104	98
1949 October	118	108	109	105
November	123	111	110	106
1950 October	122	121	100	95
November	124	122	102	96

The development of some major components of private consumption is indicated in table 6.3 below.

Table 6.3 Major components of consumer expenditure in 1949 and 1950 in current and in 1949 prices (in thousand millions of quidars) and volume per capita (1949 = 100) a/

Components (1)	1949	1950	1950	Volume per capita in 1950 1949 = 100
	1949 prices	1950 prices	1950 prices	1949 = 100
(1)	(2)	(3)	(4)	(5)
1. Food, beverages and tobacco	4.6	4.5	5.0	96.6
2. Durable goods	3.3	3.3	3.6	98.6
3. Other goods and services	3.6	3.5	3.7	96.7
Total consumer expenditure	11.5	11.3	12.3	97.6

a/ These are provisional figures and are exclusive of consumption of government services (e.g. education) and consumption abroad.

The comparatively high level of durable goods and consumption may be ascribed to hoarding of such commodities, particularly of textile products.

The changes in per capita consumption are mainly due to changes in consumers' disposable money-incomes and to changes in prices.

Nominal wages were raised 5 per cent by 1 January 1950 and again another 5 per cent by 1 September 1950. Consequently wages were on the average about 6 per cent higher in 1950 than in 1949, and social-insurance payments were, broadly speaking, adjusted accordingly.

Income of non-wage earners may on the whole be taken to have increased by roughly the same percentage. Consequently the income distribution between the groups concerned remained practically unimpaired.

Prices also increased from 1949 to 1950. The cost-of-living index rose by some 8-1/2 per cent. This average increase in the prices of consumer goods may be chiefly attributed to the higher import prices and higher wages.

The development of some major categories of private domestic investment is indicated in table 6.4.

Table 6.4 Private domestic investment in 1949 and 1950
(millions of guilders)

	1949	1950	1950
	in 1949 prices		in 1950 prices
(1)	(2)	(3)	(4)
Manufacturing industry	1200	1350	1460
Agriculture	360	345	370
Dwellings	640	640	670
Other services	1000	960	1060
Total (fixed capital)	3200	3295	3560
Miscellaneous (inventories included)	800	1425	1600
Total	4000	4720	5160

From this table it appears that the changes which took place in the total money-value of private domestic investment is largely due to (1) the increase in the prices of investment goods and (2) the speeding up of the restocking process. The latter process started immediately after the war but was seriously hampered in the beginning owing to the scarcity still prevailing at that time. From 1948 onward a steady increase took place, which in 1950 was influenced favourably by the liberalization of trade. The strong increase in prices after the war in Korea started did give a further impetus to stock-piling. It should be observed that a considerable part of the increase in stocks consists of the increase of work in progress which accompanies the increase in production. The increase in the volume of investments in fixed capital is almost entirely due to the increase in industrial investments. This development is in line with the Government's industrialization policy as set out in the first and second memoranda on the industrialization of the Netherlands. The goal of this policy is: (1) to bridge the gap in the balance of payments by strengthening the competitive position of Dutch industry in the world market (capital-deepening), and (2) to provide gainful employment for the rapidly increasing professional population (net increase 36,000 persons per annum).

As regards building and construction it should be mentioned that the number of houses completed still shows an increase, as may be seen from the following figures:

/Completed

Completed in 1947: 9,000 dwellings^{1/}

Completed in 1948: 36,000 dwellings

Completed in 1949: 43,000 dwellings

Completed in 1950: 47,000 dwellings.

The present housing shortage is estimated to amount to 250,000 dwellings, i.e. 12 per cent of the available housing-stock. This shortage forces 25 per cent of all Dutch families to share their houses with other families and impairs the mobility of labour. It is the intention of the Government to strive for a stable level of construction activity in order to safeguard the interest of the employees in the building trade.

Government expenditure on goods and services remained practically unaltered. The changes in the money-value of this item are almost entirely due to higher prices.

Exports of goods increased by leaps and bounds from 1949 to 1950.

Meanwhile the average export price did not change notwithstanding the devaluation of the Dutch guilder in September 1949 and the general increases of world market prices in the second half of 1950. This increase in the volume of exports by some 35 per cent is all the more remarkable in view of the fact that exports in 1949 were favourably influenced by the drought in neighbouring countries and the one-sided liberalization of trade by Germany in August 1949. The favourable effect of these two factors on the 1949 money-value of exports is estimated to have been roughly 200 million guilders. The increase in 1950 may partly be attributed to the liberalization of trade (especially trade with Germany and Belgium).

Nevertheless, the Netherlands' balance of payments deteriorated in 1950 owing to the sharp increase in imports of goods, after the steady improvement experienced in previous years. This may be attributed partly to a rise in the import price level expressed in home currency and partly to an increase in the volume of imports. The underlying factors of this development and their respective effects on the money-value of imports may be summarized as follows:

1. The devaluation of the guilder in September 1949 - approximately 350 million guilders;

^{1/} A low number because priority has been given to reparable war damage to dwellings.

2. The Korean war and rearmament in second part of 1950 - approximately 350 million guilders.
3. The increase in production during 1950 - approximately 800 million guilders.
4. The increase in stocks and sundry factors - approximately 900 million guilders.

The favourable balance of invisible imports and exports increased from 1,300 million guilders in 1949 to 1,500 million guilders in 1950.

b. Production showed a further increase in 1950 as can be seen from table 6.5.

Table 6.5 Indices of production 1948 to 1950

Branches of production	1948	1949	1950	1950
	1938	100	100	1949 = 100
(1)	(2)	(3)	(4)	(5)
Manufacturing industry a/	113	126	139	110
Agriculture, fishery	96	118	125	106
Services	112	115	120	104
Total enterprises	110	121	129	107

a/ Excluding building trade and handicraft.

The increase in industrial production has been even greater than could have been expected in view of the fact that the recovery process is gradually coming to an end. The obvious explanation for this development is the change in the international political situation after the outbreak of hostilities in Korea, which caused demand to increase and therewith provided an extra stimulation to production. According to the latest information industrial production reached a level of 152 (1938 = 100) in the fourth quarter of 1950 as compared with 137 the year before.

Agricultural production likewise increased, though not to the same extent. Crop products failed to reach the 1949 level, which is not surprising in view of the extremely favourable weather conditions which prevailed in 1949. Livestock production (meat, milk, etc.), however, continued to increase throughout 1950.

/The production

The production of services is closely related to the industrial and agricultural production as well as to the volume of consumption, and developed accordingly.

The development of productivity in recent years is shown in table 6.6.

Table 6.6 Indices of productivity 1948 to 1950

Branches of production	1948	1949	1950	1950
	1938 = 100			1949 = 100
(1)	(2)	(3)	(4)	(5)
Manufacturing industry <u>a/</u>	82	87	93	107
Agriculture, fishery	105	130	137	105
Services	100	102	104	102
Total enterprises	94	101	106	105 1/2

a/ Excluding building trade and handicraft.

Industrial productivity, which was still on a rather low level in 1948 as a consequence of the Second World War, has increased satisfactorily in the post-war years. Before the war the average annual increase used to be 2.5 per cent for the manufacturing industry and 1 per cent for industry as a whole. The rapid increase in the post-war period may be attributed to the repair of war damage and the fact that advantage was taken of the technical development of the war years. It should also be mentioned in this connexion that the trade unions have promised their support in the productivity drive.

The remarkable rise in agricultural productivity is mainly due to the increase in livestock and the resulting larger production of milk and eggs. This increase in livestock has been supported by the increase in the root crops. Furthermore mechanization and weather conditions influenced agricultural production favourably.

The employment situation has been very satisfactory indeed, as table 6.7 shows.

Table 6.7 Manpower budget for 1948, 1949 and 1950
(in thousands)

	1948	1949	1950
(1)	(2)	(3)	(4)
1. Agriculture <u>a/</u>	645	645	645
2. Mining	55	56	57
3. Manufacturing industry	1097	1142	1174
4. Building and construction	256	264	270
5. Public utilities	32	33	34
6. Commerce, bank, insurance	590	608	625
7. Transport	285	285	285
8. Other services <u>b/</u>	714	709	710
9. Registered unemployed	43	63	80
Total in civil employment	3717	3805	3880

a/ The recommendations of the Sixth International Conference of Labour Statisticians presented in their report "Employment, Unemployment and Labour Force Statistics" have been adhered to; this implies that family members working more than fifteen hours a week in the family business have been counted as full labourers. This point is of particular importance in the case of agriculture.

b/ Includes: religion, professions, domestic services, civil service (including education), hotels, restaurants, etc.

The characteristic feature of the labour market in the Netherlands is that the professional population increases by more than 1 per cent per annum. In 1948 and 1949 approximately 0.2 per cent of the professional population emigrated. For the remainder of the increase additional employment has to be found. In 1950 the demobilization of the armed forces in Indonesia provided an extra problem. It is on account of the latter factor that the amount of unemployment increased slightly in 1950.

The high absorption capacity, especially of the manufacturing industry, may be attributed to a certain amount of under-employment of the productive apparatus in 1948 and the high level of investment in the industry in the post-war years.

Table 6.8 Unemployment

	1948		1949		1950	
	number x 1000	% a/	number x 1000	% a/	number x 1000	% a
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1st quarter	59	2.0	79	2.6	102	3.3
2nd quarter	38	1.3	59	1.9	82	2.7
3rd quarter	29	1.0	49	1.6	61	2.0
4th quarter	44	1.4	63	2.1	73	2.4
average	43	1.4	63	2.1	80	2.6

a/ The percentages refer to the dependent professional population.

It can be seen from table 6.8 that, in 1950, the total number of unemployed still remained below the level which for the Netherlands can be considered as a minimum for frictional and seasonal unemployment, namely slightly over 3 per cent, which amounts to slightly more than 100,000 unemployed with the present size of the labour force. The increase in unemployment is therefore to be considered as a return to more normal conditions in the labour market and not as an unfavourable turn of the trade cycle. The international political situation reflects itself in the remarkably low unemployment figures for the second part of 1950.

c. With respect to inflation a strong distinction should be made as to the internal and external factors causing the upward movement of prices,

Table 6.9

Period	Cost of living	Money wages	Real wages	Import prices
	1949=100	1949=100	1949=100	1949=10
1949 1st quarter	99	100	101	101
2nd quarter	100	100	100	100
3rd quarter	100	100	100	96
4th quarter	101	100	99	103
1950 1st quarter	106	105	99	106
2nd quarter	108	105	97	111
3rd quarter	109	107	98	111
4th quarter	113	110	98	119

Inflationary pressure as a consequence of internal causes will exist as soon as home production is surpassed by home demand. In the opposite case deflationary tendencies will set in.

In the Netherlands during 1949 and 1950 the rate of increase of real production surpassed the rate of increase of real national expenditure, as given by consumption and investment of capital goods. This development may be regarded as the consequence of the financial policy followed during those years by the financial authorities. On the one hand the wage level did lag somewhat behind the cost-of-living index, while on the other hand the Government virtually refrained from the creation of money.

The deflationary tendencies arising from this situation have been counteracted, however, to a certain degree by stock-piling for speculative purposes, induced by the international political situation.

But this tendency was mainly restricted to the business sector, as the liquid reserves still available were not in the hands of private households. It therefore seems questionable whether the dishoarding of liquid reserves for the purpose of stock-piling will be able to continue during this year.

Finally it should be noted that during the period from December 1949 to December 1950 total money in circulation decreased substantially, although at the same time the volume of output as given by the index of industrial production showed an increase of approximately 11 per cent.

/Table 6.10

Table 6.10 Development of the quantity of money in 1950
(in millions of guilders)

Month	Currency	Deposits	Total
December 1949	3,126	4,426	7,552
March 1950	3,058	4,206	7,264
June 1950	2,966	4,238	7,204
September 1950	2,871	4,276	7,147
December 1950	2,967	4,114	7,081

The effectiveness of money, comparing both national income and total money in circulation, for 1949 and 1950 shows therefore a not negligible increase and compares favourably even with 1938.

Table 6.11

	Average quantity of money (in thousand millions of guilders)	National income at market prices (in thousand millions of guilders)	Effectiveness of money
	(1)	(2)	(2) : (1)
1938	2.54	5.4	2.13
1949	7.35	15.9	2.16
1950	7.19	17.6	2.45

With deflationary tendencies prevailing, and even being accentuated by the deterioration in the terms of trade, the rise in the cost of living and money wages can only be attributed to the sharp rise in import prices which occurred in the period. Although monetary equilibrium defined as the equilibrium between home demand and home supply in nominal terms has been made increasingly difficult by the sudden rise in the level of import prices, it should be noted that the adaptation of the Dutch economy will be facilitated by the fact that the prices of exports tend to follow after some time the price level of imports. In the case of the Netherlands, where the proportion of imports to the national product

/is extremely

is extremely unfavourable, a sudden increase in the external price level will therefore burden unduly the national economy exactly in that period during which the rate of increase has been the greatest.

Economic objectives for 1951

Questions 7 and 8

As a consequence of the change in the international political situation, resulting on the one hand in the necessity of a substantial increase in military expenditure and on the other hand in a severe deterioration of the terms of trade, the objectives of the Netherlands' economic policy have been reformulated so as to meet the difficulties arising from the situation just mentioned.

The official statement as to the main goals of the Government's economic policy, as formulated by the Prime Minister on 17 March of this year, clearly discerns three different objectives:

1. Although as shown already in reply to question 6c the Government's budget for 1949 and 1950 has been practically in equilibrium, the additional expenses for defence as necessary in the fiscal year 1951 will endanger this equilibrium severely. New measures in the field of public finance are therefore inevitable to restore equilibrium. Tax proposals amounting to about 250 million guilders have already been submitted to Parliament.
2. The reduction of the deficit of the balance of payments will require in 1951 measures of a more incisive character than hitherto contemplated.
3. Besides this, however, the Dutch Government, aware of the necessity of industrialization in order to meet the requirements of a high rate of increase of the working population, emphasizes that such measures as might prove to be necessary for the reasons stated under 1 and 2 above, should impair as little as possible the future possibilities for full employment.

Economic Policies in 1950 and 1951

Questions 9 - 16

In order to meet the requirements of the objectives mentioned above a great number of concrete measures either have been already enacted or are still under consideration.

/The measures

The measures enacted with the main objective of restoring equilibrium in the Government's budget are preponderantly of a fiscal nature. Noteworthy are an increase in direct taxes on business profits, and increases in some of the indirect taxes. It is expected that a curtailment of the consumption of luxury goods will result as a consequence of the measure last mentioned. Apart from this the remaining subsidies have been diminished. In this year's budget special provisions have been introduced in order to reduce the Government's expenditures in other fields. Especially to be noted is the curtailment of not directly productive investments of Government and local authorities, in order to safeguard the possibilities for productive investments of private enterprise at the same time.

Measures contemplated with the main objective of reducing the deficit of the balance of payments tend on the one hand to stimulate productivity. Co-operation of the employers' organizations as well as trade unions has been secured to this end. On the other hand the wage policy had to be changed so as to effectuate a reduction of real wages 5 per cent below the level of September 1949. In order to prevent exaggerated price movements, specific measures as to the control of trade margins have been enacted.

As to the purely monetary sector, it should be noted that the interest rate of the Central Bank has been raised from 2-1/2 per cent to 4 per cent in the period from 26 September 1950 to 17 April 1951. Apart from this, certain specific rules have been enacted by the Central Bank concerning the credit policy of the private banks.

In order to curtail stock-piling for speculative purposes, advance payments of imports have not been allowed since 18 May of this year; at the same time it has been decided that 25 per cent of the value of foreign currency bought at forward exchange will have to be paid in advance.

Although the different measures cited above must lead inevitably to a contraction of activity it is possible that the increase in expenditure for national defence will counteract this effect to some degree. Besides it should be borne in mind that measures such as those enacted to date, i.e. of an indirect rather than direct character, tend to effectuate results only after some time. It is expected therefore that any rate for the year to come, i.e. until spring 1952, unemployment will increase very gradually if at all.

/Nevertheless

Nevertheless, since the present circumstances apparently are not favourable for the realization of the required degree of industrialisation, the Netherlands Government fosters emigration wherever possible. The number of emigrants during 1950 amounted to 20,000 persons, of whom 8,000 were men of working age. The corresponding estimated figures for 1951 are 30,000 and 12,000 respectively.

/B. BALANCE

B. BALANCE OF PAYMENTS AND RELATED POLICIES

Question 17

Estimated Balance of Payments of the Netherlands in 1950
 Credit (plus), or debit (minus) balances on account of
 items set out below, in millions of United States dollars.
 Conversion rate used for domestic currency: 0.26316.
 U.S. dollars per guilder

Item	Total	of which in transactions with					
		United States and Canada	United Kingdom	Rest of Sterling area	Continental OEEC a/	Latin American Republics	Rest of the world
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Merchandise trade.							
Exports valued f.o.b. frontier	+1386	+ 65	+250	+42	+737	+ 60	+232
Imports valued f.o.b. frontier of exporting country	-1808	-215	-228	-73	-812	-117	-363
Balance	-422	-150	+ 22	-31	- 75	- 57	-131
2. Transportation	+ 77	+ 1	- 2	+ 5	+ 33	+ 3	+ 37
3. Foreign travel	- 7	+ 4	+ 2	0	- 14	0	+ 1
4. Government transactions not included elsewhere	- 38	- 7	0	- 1	- 3	- 1	- 26
5. Investment income	+ 43	+ 7	+ 22	+ 2	- 12	+ 1	+ 23
6. Other services	+ 120	+ 7	+ 57	0	- 14	+ 1	+ 69
Total, items 1 - 6	- 227	-138	-101	-25	- 85	- 53	- 27
7. Donations:							
(a) Private							
(b) Official	+ 377	+257			+125		- 5
8. Gold movement:							
(a) Non-monetary							
(b) Monetary	- 114	- 80			- 34		
9. Capital transactions:							
(a) Private	+ 42	+ 15	- 2	- 1		+ 5	+ 25
(b) Of official and banking institutions							
(i) Contractual repayments	- 69	- 38	- 6		- 27		+ 2
(ii) Other long-term transactions	+ 33	+ 4	+ 2		+ 43		- 16
(iii) Short-term	+ 24	- 35	+ 18		+ 66		- 25
All items, 1 - 9	+ 66	- 15	+113	-26	+ 88	- 48	- 46

a/ Organization for European Economic Co-operation.

/Addition

Additional information on balance of payments
of the Netherlands in 1950

	Millions of US dollars
<u>Item 1. Merchandise trade</u>	
Exports valued f.o.b. frontier, as recorded in customs statistics, amounted in 1950 to.....	1,391
Plus parcel-post and diamonds.....	22
	1,413
Minus unsettled items.....	92
	1,321
Finally must be added the surplus on transits at.....	65
	1,386
 Imports valued c.i.f. frontier, as recorded in customs statistics amounted in 1950 to.....	 2,040
In order to realize correspondence with the figure of exports f.o.b. frontier, this figure has to be scaled down with.....	184
Imports f.o.b. frontier then amounts to.....	1,856
Plus parcel-post and diamonds.....	31
	1,887
Minus unsettled items.....	79
	1,808
 <u>Item 7 (b). Donations-official</u>	
Official donations in 1950 consisted of	
(1) reparation payments (agreement of Washington)....	2
and repaid gold from Germany.....	34
	36
(2) direct ERP ^{1/} -aid (grants) incl. \$43 million of 1949.....	343
	379
to subtract in behalf of the "Welvaartsfonds voor Suriname".....	2
	377
 <u>Item 9 (a). Capital transactions, private</u>	
Direct investments abroad.....	21
Minus depreciations.....	11
	10
Plus miscellaneous.....	32
	42

1/ European Recovery Program.

/Item 9 (b) (11).

Item 9 (b) (11). Capital transactions of official and banking institutions:
other long-term transactions

Drawn on government loans:

	Millions of US dollars
B.I.S. Basel	2.8
Belgium	38.0
Switzerland (4% bonds)	0.1
ERP loan	4.0
	<u>44.9</u>

Minus: miscellaneous

12.0
32.9

Redemptions on government loans:

Paid: U.S.A. EX-IM	32.4
4% bonds	1.5
WAA	0.1
Belgium, account II	16.2
Canada	2.4
United Kingdom	6.0
Antilles	3.8
Surinam	0.1
Sweden, Enskilda Bank (balance)	1.9
" Government Loan	2.9
" " "	1.6
Switzerland (Bankersloan, Sw.fr. 50 mla) (balance)	0.2
" " " 20 "	4.6
(Brown Boveri)	0.6
(Oerlikon)	0.2
	<u>74.5</u>

Received: Surinam	\$ 5.0 million	
Indonesia	<u>\$ 0.7 million</u>	5.7

68.8

All items (1-9)

Items 2-9 have been recorded on cash-basis; item 1 on transaction-basis (customs statistics). Should this item also have been recorded on cash-basis, the "Total" column would balance exactly. The amount of \$65 million in the last line represents thus the difference between merchandise trade balance on cash-basis and on transaction-basis. For an important part this figure of \$65 million will consist of a rise in extended or a fall in received commercial credits.

Special factors

In the course of 1950 the prices of primary products have risen to a much larger extent than those of manufactured goods. The imports of the Netherlands consist of nearly 80% of the former; the exports, on the contrary, nearly

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completely of the latter. Therefore, the terms of trade of the Netherlands have deteriorated considerably and influenced the balance of payments in a very unfavourable way.

As the normal yearly increase of the working population in 1951 amounts to 42,500 people, emigration on a scale as projected for this year is equivalent to 28% of said increase.

Question 18

As follows from the balance of payments on transaction-basis the deficit on current account in 1950 amounted to \$227.

The Netherlands therefore are forced to control their external payments mainly manifested in quantitative import restrictions and restrictions on capital transfer.

At the same time internal regulations have been made - as mentioned before - to prevent speculative purchases as much as possible. According to the idea of free trade, which the Netherlands has always advocated, import duties are very low and serve an almost exclusively fiscal purpose. The quantitative restrictions do not apply to all countries to the same extent. Above all, imports from the dollar area are rigorously restricted. On the other hand, however, trade with Belgium - under the economic union - has almost completely been freed, while 60% of the trade with the EPU^{1/} countries of western Europe has been released. The great post-war deficit on the balance of payments could only be covered by loans, followed by large-scale US aid through ERP from 1948 on.

Consequently the national reserves did not dry up and it may be expected therefore that these reserves will be sufficient to meet the normal fluctuations in transaction, once the balance of payments is in equilibrium again.

Owing to this ERP aid the Netherlands has also been able to maintain full employment.

The balance of payments shows that the deficits exist mainly for the dollar area and the continental OEEC countries. Because of the surplus that the Netherlands had in relation to Germany, the over-all deficit in relation to all EPU countries could be limited to a certain extent.

These surpluses have changed into considerable deficits since the German crisis of payments in the beginning of 1951. Hence the Dutch over-all position in the EPU has become much worse.

1/ European Payments Union.

/The considerable

The considerable rise of prices in the external markets, the simultaneous deterioration of the terms of trade and the speculative stock-pilings have affected the Dutch balance of payments adversely.

It is not expected, however, that terms of trade will still decrease; besides, stock purchases are expected to end by the middle of 1951.

Consequently the 1951 balance of payments can be expected not to become worse in comparison with 1950. This development, however, is strongly dependent on the development of the German "liquidity" position.

2. United Kingdom^{1/}

Question 17

Estimated balance of payments of the United Kingdom in 1950

Credit (plus) or debit (minus) in millions of United States dollars.

Conversion rate used for domestic currency: U.S. \$2.80 per £1

I T E M	TOTAL	Of which in transactions with				
		Dollar area	Rest of sterling area	Continental OEEC and DOTs ^{a/}	Other Western Hemisphere	Rest of world
	(1)	(2)	(3)	(4)	(5)	(6)
1. Merchandise trade:						
Exports valued f.o.b. frontier	6220	882	2792	1661	300	585
Imports valued f.o.b. frontier of exporting country	6647	1192	2678	1604	426	747
Balance	-427	-310	+114	+ 57	-126	-162
2. Transportation	+309	+ 32	+174	+ 18	+ 20	+ 65
3. Foreign travel	- 66	+ 48	- 39	- 83	+ 4	+ 4
4. Government transactions not included elsewhere	-385	+ 1	-263	- 26	- 2	- 95
5. Investment income	+342	+ 36	+281	- 19	+ 24	+ 20
6. Other services	+80	-121	+368	+387	+107	+ 82
Total items 1 - 6	+656	-314	+635	+334	+ 87	- 86
7. Donations:						
(a) Private	- 14	+ 4	- 7	- 4	- 1	- 6
(b) Official	+402	-671	-	-269	-	-
8. Gold movement:						
(a) Non-monetary	..	..	..	..	..	..
(b) Monetary	-1612	-745	-844	- 21	- 27	+ 25

^{2/} Dependent Overseas Territories.

^{1/} Reply to part A and question 18 was received earlier and reproduced in E/CN.1/81/Add.6.

/9. Capital transaction/

Estimated balance of payments of the United Kingdom in 1950
(Continued)

	TOTAL	Of which in transactions with				
		Dollar area	Rest of sterling area	Continental OEEC and DOTs a/	Other Western Hemisphere	Rest of world
	(1)	(2)	(3)	(4)	(5)	(6)
9. Capital transactions:						
(a) Private	..	..	..	..	..	..
(b) Of official and banking institutions:						
(i) Contractual repayments	- 22	-103	-	+ 68	-	+ 13
(ii) Other long-term transactions	+ 18	+ 55	- 10	+ 3	-	- 30
(iii) Short-term (including private)	+572	+432	+727	-444	- 23	-120
All items 1 - 9	-	-	+501	-333	+ 36	-204

a/ Dependent Overseas Territories.

/A. Notes on

A. Notes on methods used in completing questionnaire on the balance of payments in 1950

General (1) All figures are provisional.

(2) The definitions and the geographical areas are identical with those in the official Balance of Payments White Paper (Cmd.8201). The notes below draw attention to major points.

(3) Column (4) covers the monetary areas of OEEC countries.

Item

1. Trade figures measure transactions in goods between United Kingdom residents and non-residents and are not therefore f.o.b. frontier. Imports are in large part derived from Exchange Control data, not from Trade and Navigation Accounts. (See Supplementary Table I).
2. Dry cargo shipping only. Figures for tankers and civil aviation are not available.
4. Includes grants to the colonies.
5. Excludes earnings of British oil companies, which are included in Item 6.
- 7 (b). See Supplementary Table II.
- 8 (a). Included in item 6.
- 8 (b). The total given is the movement in gold and dollar reserves and the figures under the geographical areas represent net gold and dollars paid to or received from these areas.
- 9 (a). Included in item 9 (b) (iii).
- 9 (b) (iii). Includes changes in sterling liabilities and official holdings of non-dollar currencies, revaluation payments by the United Kingdom and private and all other net investment (items 18, 32, 33 and 38 of Cmd. 8201 - Table 9).

All items 1-9

These figures are a measure of net inter-area transfers, predominantly in sterling. Movements in sterling between the rest of the sterling area and North America are treated as equivalent to movements in gold and dollar reserves included in item 8 (b) (Col. 3). The amounts shown are subject to a large margin of error. They are essentially residuals of a series of provisional estimates. (Item 27 of Cmd. 8201 - Table 9).

/B. Supplementary Tables

B. Supplementary Tables

Table I
Merchandise Trade
(In millions of US dollars)

	TOTAL	Dollar area	Rest of sterling area	Continental OEEC and DOTs ^{a/}	Other Western Hemisphere	Rest of world
Imports c.i.f.	7288	1343	2773	1838	457	877
<u>Note:</u> The balance of payments figures in the table provided in answer to Question 17 are obtained from Exchange Control records and cannot therefore be related to the above figures from the Trade and Navigation Accounts.						
Exports f.o.b.	6076	788	2898	1521	314	555
Re-exports f.o.b.	238	48	30	131	3	26
Total exports f.o.b.	6314	836	2928	1652	317	581
Adjustments for timing and coverage	-94	46	-136	49	-17	44
Exports and re-exports on balance of payments basis	6220	882	2792	1661	300	585

^{a/} Dependent Overseas Territories.

Table II

Details of item 7 (b) - Official donations

	<u>Millions of US dollars</u>	<u>Column</u>
ERP Grants	+696	2
ERP 5% Counterpart Fund	- 25	2
Intra-European Payments Agreement: Drawings on United Kingdom (including refunds of drawing rights)	-120	4
Repayment of "Initial Debit" in European Payments Union	-150	4
	<u>-----</u>	<u>-----</u>
Total	<u>+401</u>	<u>1</u>
	<u>-----</u>	<u>-----</u>