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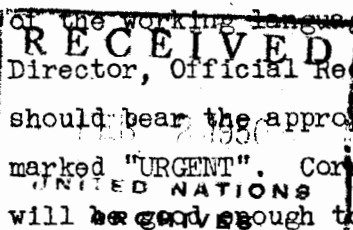
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<u>Chairman:</u>	Mr. WILSON	(Australia)
<u>Rapporteur:</u>	Mr. POLLOCK	Canada
<u>Members:</u>	Mr. GODEAUX*	Belgium
	Mr. NUNES GUIMARAES	Brazil
	Miss CHU*	China
	Mr. SILVERIO	Cuba
	Mr. JEANNENEY*	France
	Mr. SAKSENA	India
	Mr. HAAVELMO*	Norway
	Mr. FLEMING	United Kingdom of Great Britain and Northern Ireland
	Mr. LUBIN	United States of America

*Alternate

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Representatives of specialized agencies:

Mr. EVANS	International Labour Organisation(ILO)
Mr. KING	International Bank for Reconstruction and Development
Mr. FISHER	International Monetary Fund

Secretariat:

Mr. WEINTRAUB	Secretary of the Commission
Mr. VARLEY	Assistant Secretary of the Commission
Mr. MOSAK	Division of Economic Stability and Development

NATIONAL AND INTERNATIONAL MEASURES FOR FULL EMPLOYMENT: DRAFT REPORT OF THE FIFTH SESSION OF THE ECONOMIC AND EMPLOYMENT COMMISSION TO THE ECONOMIC AND SOCIAL COUNCIL (E/1584, E/CN.1/L.8) (continued)

Paragraph 28

1. The CHAIRMAN placed before the Commission the proposed redraft of paragraph 28.
2. Mr. LUBIN (United States of America) proposed the insertion of the words "depending on the nature of the economies of individual countries" after the words "It agreed with the experts that" in the fifth line.

It was so agreed.

Paragraph 28 as amended was approved.

Paragraph 29

3. Mr. FLEMING (United Kingdom) observed that, in view of the work already done by the Food and Agriculture Organization in the relevant field, the word "much" in the phrase "merits much more consideration" was too sweeping; it should be deleted. Furthermore, the paragraph dealt with the stability of national and international trade rather than with raising it to higher levels; the words "of a stable volume" should therefore be inserted between the words "maintenance" and "of national and international demand".

/4. Mr. NUNES GUIMARAES

4. Mr. NUNES GUIMARAES (Brazil) suggested that the following explanatory phrase should be added at the end of the paragraph: "mainly on account of the decrease of the personal incomes of the majority of the population of those countries whose national income is particularly affected by the fall in the prices of primary products".

5. Mr. FLEMING (United Kingdom) approved of the Brazilian proposal, which would obviate misinterpretation. Without such an addition, the sentence might have been interpreted to mean that the balance of payments situation of the country concerned would be very bad if an attempt was made to maintain effective demand by the stimulation of consumption or investment, including the accumulation of domestic stocks; or, in other words, that the emphasis was on the balance of payments rather than on personal incomes.

6. The CHAIRMAN thought that the principle of the Brazilian proposal was generally acceptable, but required further expansion. The Secretariat, moreover, had certain drafting changes to suggest. He therefore proposed that paragraph 29, as amended, should be approved in principle, subject to revision by the Secretariat working jointly with the representatives of Brazil and the United Kingdom.

It was so decided.

C. Automatic compensatory measures in the event of unemployment

7. Mr. LUBIN (United States of America) felt that section C was open to the same objections as the preceding section had been. It did not state specifically what the Group of Experts had recommended. Paragraph 30, it was true, referred to certain automatic compensatory measures and to the possibility of exercising a waiver, but there was nowhere a full list and description of the measures.

8. The CHAIRMAN doubted whether such a description would be essential for the understanding of the section, as the experts had made it clear that each country would have to work out the measures most appropriate to its particular circumstances. He had no strong objection, however, to the United States suggestion.

/9. Mr. POLLOCK

9. Mr. POLLOCK (Canada), Rapporteur, agreed with the Chairman and explained that the list of measures had not been included in the report for the reasons which the Chairman had suggested. The Commission's report would obviously be read in conjunction with the experts' report.
10. Speaking as the representative of Canada, he stated that he had no objection to the inclusion of a list of the measures envisaged by the experts.
11. Mr. FLEMING (United Kingdom) supported the United States representative. Furthermore, it was essential that the far-reaching nature of the proposals should be emphasized by laying stress on the aim of restoring employment to the centre of the target range. The section as a whole required redrafting. As it stood, it was hard to see what measures recommended by the experts were approved by the Commission and what were not. The Commission had generally agreed on the need for rapid compensatory measures of some kind, that they should be more or less automatic and that they should be powerful enough to bring back employment to the centre of the target range.
12. Mr. EVANS (International Labour Organisation) thought that some reference might be made to the question of social security, which had been briefly discussed by the Commission. He therefore proposed the inclusion of the following sentence at the appropriate place: "The Commission considered that the proposals referring to anti-cyclical variations in social security contributions and benefits needed careful consideration in the light of the main purposes of social security and the position of autonomous social security funds."
13. He had only recently received the further views of the International Labour Organisation on the social security aspect; he suggested that they might be circulated for information.
14. The CHAIRMAN, speaking as the representative of Australia, saw no particular reason to mention social security rather than any other specific subject unless it was clearly relevant at any point. The ILO representative's proposal might be borne in mind in the redrafting of the report.

15. The CHAIRMAN said that the Secretariat had suggested that the objections of the United States representative might be met by incorporating further relevant portions of paragraph 168 of the experts' report.

16. At the suggestion of the United Kingdom representative, he agreed that portions of paragraph 167 might also be inserted.

Paragraph 30, as amended, was approved.

Paragraph 31

17. Mr. LUBIN (United States of America) wondered whether the reference to expanded social security systems was not too broad; unemployment insurance alone might have been meant.

18. Mr. FLEMING (United Kingdom) complained that built-in stabilizers were not adequately explained, although it might be said that that was implicit in the references to specific measures of which the extension was noted.

19. The CHAIRMAN suggested that the words "such as certain features of social security systems" should be substituted for the words following "built-in stabilizers".

Paragraph 31, as amended, was approved.

Paragraph 32

20. Mr. HAAVELMO (Norway) proposed that the words "inter alia" should be inserted after the word "supplemented", and that the words "in the event of a decline in aggregate effective demand" should be deleted.

21. Mr. FLEMING (United Kingdom) supported the Norwegian proposal. The paragraph should, however, be linked more closely to the experts' report. That could be done by the insertion of the word "however" after "Commission", of the words "as the experts suggest" between the words "that" and "these built-in stabilizers" and of the word "compensatory" between the words "effective" and "measures".

Paragraph 32, as amended, was approved.

Paragraph 33

22. The CHAIRMAN thought that paragraph 33 was extremely unsatisfactory, for the reasons which the United Kingdom representative had advanced against the section as a whole; it required total redrafting. The opening sentences were confused and probably unnecessary.

23. Mr. LUBIN (United States of America) said that the idea contained in the sentence beginning "while the solutions of problems of structural unemployment..." was not historically true. Most structural changes were made in periods of less effective demand, because business men were unwilling to alter their methods during periods of prosperity.

24. The CHAIRMAN, speaking as the representative of Australia, said that the United States representative's observation would depend upon the type of economy considered. In an open economy it was not always possible for business men to continue to work along former lines. The text as it stood was, however, too sweeping.

25. Mr. POLLOCK (Canada) said that in redrafting the text, sight should not be lost of the implication that Governments which had agreed to adopt automatic compensatory measures might be faced with difficulties if they found themselves unable to exercise a waiver owing to the presence of large-scale structural unemployment. The paragraph implied that such a situation would have to be carefully considered in the light of the specific conditions which had originally caused the difficulties of the country concerned.

26. Mr. FLEMING (United Kingdom) proposed that the redrafted text should incorporate a passage analyzing the advantages and disadvantages of automatic operation and noting that the criterion should be the power of the measures. If they were very powerful, there would be a strong case against automatic operation. He wondered whether the Canadian representative would agree that there was a good case for automatic compensatory
/measures of

measures of a not too powerful character, designed to reduce the degree of the fluctuation of unemployment and carrying with them a lesser power of waiver.

27. Mr. POLLOCK (Canada) replied that there would be no objection on the part of certain countries to adopting a certain degree of automatic operation in the introduction of compulsory measures, but the stress would be on the degree. Very careful consideration of the circumstances in which it would apply would be required. That would be the essential qualification. In some economies, the introduction of automatic operation, particularly if it were of a very strong type, could not be accepted.

28. Mr. FLEMING (United Kingdom) thought it fair to assume that the Canadian representative would be opposed to automatic operation in the sense given to it in the experts' report, namely, that it would continue until the Government concerned terminated it. To say, however, that operation would be adjusted to the immediate circumstances was contradictory; the machinery for automatic operation must already be in existence. The redrafted report should therefore state that some members were opposed to automatic operation and some would be prepared to give it a trial if the degree of power was not exaggerated. Furthermore, it should be added that some members felt that further consideration should be given until it was known how much power would have to be used to bring about the reduction of unemployment. Automatic compensatory measures should be used only in the light of such experience.

29. The CHAIRMAN proposed that paragraph 33 should be redrafted in the light of the discussion.

It was so decided.

Paragraph 34

30. Mr. SAKSENA (India) proposed the insertion of the words "and technical assistance" after the word "facilities".

/31. Mr. FLEMING

31. Mr. FLEMING (United Kingdom) wished for a fuller explanation of the meaning of the last sentence. It was understandable that the fiscal system of a country might be inadequate for the purposes mentioned, for technical reasons, but the words "fiscal resources" seemed to have some wider implication, which was not clear.

32. Mr. POLLOCK (Canada) observed that in many cases the extent to which governmental expenditures were capable of variation was not great enough to make any great difference to the situation.

33. Mr. FLEMING (United Kingdom) proposed the insertion of a reference to the point brought out by the Canadian representative.

34. Mr. NUNES GUIMARAES (Brazil) proposed the insertion of a reference to the fact that fiscal resources and fiscal capacity depended to some extent upon exports of primary products.

35. The CHAIRMAN proposed that paragraph 34 should be redrafted, taking the proposed amendments into consideration.

It was so decided.

Paragraph 35

36. Mr. FLEMING (United Kingdom) proposed the deletion of the last sentence. He pointed out that paragraph 33, as redrafted, would give two views, and that all could agree that the case for built-in stabilizers was weaker in countries which were liable to large fluctuations in their export trade, without, for that reason, suggesting the complete exclusion of stabilizers in such cases.

37. The CHAIRMAN, speaking as the representative of Australia, supported the proposal that the last sentence should be deleted.

/38. Mr. IUBIN

38. Mr. LUBIN (United States of America) and Mr. POLLOCK (Canada) reserved their position on the deletion of the last sentence until they had seen the redraft of paragraph 33.

39. Mr. HAAVELMO (Norway) felt that the first sentence contained too strong a statement. He suggested it should be amended to read either: "It was pointed out by some members that in certain situations the problem of dealing..." or alternatively: "The problem of dealing with economic fluctuations in countries heavily dependent upon foreign trade is greatly enhanced by the fact that declines in economic activity often may be said to arise from external causes."

40. Mr. FLEMING (United Kingdom) objected to the words "be said to", since, if a country's economy was largely dependent on foreign trade, slumps might often be due to external causes.

41. The CHAIRMAN, speaking as the representative of such a country, felt that that was an understatement. He suggested the wording "declines in economic activity often arise from external causes."

Paragraph 35 was approved as amended, with minor drafting changes, and subject to redrafting of the last sentence.

Paragraph 36

42. Mr. FLEMING (United Kingdom) proposed deletion of paragraph 36 on the ground that it merely repeated what had already been said.

43. Mr. HAAVELMO (Norway) and the CHAIRMAN, as the representative of Australia, supported that proposal.

It was decided to delete paragraph 36.

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

Paragraph 37

44. Mr. GODEAUX (Belgium) proposed the addition of the following sentence at the end of paragraph 37:

"This necessity is further reinforced by the unfavourable repercussions which inflationary pressures in great trading countries may have on the level of employment in the small exporting countries through the disequilibrium of the balance of payments and the trade restrictions which these pressures bring about."

45. Mr. FLEMING (United Kingdom) thought the proposed sentence was not very clear. He objected to the particular mention of small exporting countries, since any country might be affected. It could be argued that small exporting countries which introduced restrictions because of deflationary pressure were bound to experience a decline in their exports.

46. Mr. SAKSENA (India) said that if, because of a rise in prices due to inflation, a country's exports declined, that situation brought a decline in the imports of other countries and thus eventually in their exports, so that there was a compensatory system.

47. The CHAIRMAN said the Belgian proposal could only be included in the report as the view of one member.

48. Mr. GODEAUX (Belgium) wished the sentence to be included, since his Government attached a certain importance to it in view of the reference to Belgium's situation in the Report of the Group of Experts.

The Commission agreed to include the sentence proposed by the Belgian representative as a footnote.

Paragraph 37 was approved, with minor drafting changes.

Paragraph 38

49. The CHAIRMAN stated that, in view of the fact that the re-draft of paragraph 28 contained much of the material in paragraph 38, only the first part of that paragraph, up to and including the words "fundamental structural questions", need be considered.

50. Mr. HAAVELMO (Norway) objected to the words "too cursory" as implying a criticism of the experts' work.

51. Mr. POLLOCK (Canada) thought that the paragraph might well be deleted.

52. Mr. FLEMING (United Kingdom) would prefer the paragraph to be re-drafted. The experts had undoubtedly glossed over the fact that very high levels of employment could not always be maintained without some inflationary pressure or shortage of labour.

53. The CHAIRMAN suggested that the paragraph might be re-drafted, eliminating the reference to "fundamental structural questions" and altering its emphasis, and attached to the preceding paragraph.

It was so decided.

Paragraph 39

54. Mr. LUBIN (United States of America) associated himself with the French representative in questioning the desirability "of delegation by legislature of automatic powers etc."

55. Mr. FLEMING (United Kingdom) pointed out that the objection of the French representative was not really directed against automatic measures, which did not represent delegation of power to the executive, but merely called upon it to take certain steps when certain circumstances should arise.

56. Mr. JEANNENEY (France) agreed with Mr. Fleming. Thus, to provide for an automatic change in the rate of taxation when unemployment reached a certain level would not be a delegation of power, as the executive branch of the Government would not have, in that hypothesis, to exercise its judgment. The debate in the Commission had shown, however, that the general view was that the Government should be allowed some degree of discretion in such matters. It was on that point that he had wished to make a reservation. The reference to his opinion in paragraph 39 should therefore be re-drafted accordingly. He pointed out that paragraph 179 of the experts' report spoke of "discretionary powers", rather than "automatic powers".

57. The CHAIRMAN stated that the experts' report spoke only of "such discretionary powers as are involved in certain features of the programme".

58. Mr. FLEMING (United Kingdom) thought that the reservation could be registered in the report as the view of "a few members", making it clear that it applied, not to the experts' proposals, but to the Commission's own opinions.

59. Mr. LUBIN (United States of America) suggested quoting the relevant passage from the experts' report, stating that the Commission agreed with it, and re-drafting the sentence referring to the French representative's objection as follows: "Some members considered that the constitutional and legislative questions involving powers to make the important decisions in the budgetary and fiscal fields need to be further explored."

60. Mr. JEANNENEY (France) accepted that version.
That text was approved.

61. Mr. WEINTRAUB (Secretary of the Committee) suggested that the words "The experts felt that" before the quotation from the experts' report in the beginning of the paragraph might be replaced by "The Commission agreed with the experts that".

It was so decided.

/62. Mr. EVANS

62. Mr. EVANS (International Labour Organisation) recalled that the Commission had discussed the importance of arrangements by Governments to enlist the participation of local authorities and public corporations in carrying out policies of full employment. The discussion merited a few lines in the report.

63. Mr. FLEMING (United Kingdom) accordingly suggested a suitable text.

The text was approved.

Paragraph 39, as amended, was approved.

Paragraph 40

Paragraph 40 was approved, with minor drafting changes.

International Measures

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

64. Mr. FLEMING (United Kingdom) proposed that the section should include an introductory paragraph explaining the experts' proposals in the usual summary terms.

It was so agreed.

Paragraph 41

65. Mr. LUBIN (United States of America) suggested that paragraph 41 should also mention the question of the restoration of convertibility, which was an essential step in the achievement of a stable and expanding world economy. He proposed the following text:

"...the persisting imbalance in world trade and that its removal can contribute significantly to convertibility and to the restoration of freer and less discriminatory trading conditions which are an essential condition for a stable and expanding world economy."

66. Mr. FLEMING (United Kingdom) suggested the insertion of "world trade and payments" in the second line.

67. He proposed the deletion of the words "stable and" in the third line, since he did not consider that the restoration of convertibility made for stability.

68. He felt that the last sentence of the paragraph required revision, because it was flatly contradicted by the facts. He suggested the following:

"...many countries will be in danger of unemployment through inability to pay for the importation of the necessary raw materials and other complementary resources."

Paragraph 41, as amended, was approved.

Paragraph 42

69. Mr. FLEMING (United Kingdom) proposed that the words "overall financial equilibrium" in the second line should be replaced by the words "an enduring equilibrium in international payments."

70. He proposed that the words "more particularly" should be inserted after the words "useful targets and" in the seventh line.

71. In the ninth line he proposed the insertion of the words "even though the procedure for reconciling targets and resolving inconsistencies might be impracticable" after the words "felt that".

72. He proposed that the tenth line et seq. should read "the formulation and publication of targets by the major countries both because of the guidance they would provide to other countries in planning their own balance of payments and because of the incentive they would give...".

73. Mr. LUBIN (United States of America) accepted the amendments proposed by the United Kingdom representative except for the reference to the targets of the major countries, since he felt that the targets of small countries might also have an important bearing on the question.

74. Mr. FLEMING (United Kingdom) agreed to say "by particular countries" and proposed that the word "national" should be inserted after the word "reconciling".

Paragraph 42, as amended, was approved.

Paragraph 43

75. Mr. LUBIN (United States of America) proposed the addition of the words "and the projected international trade organization" at the end of the last sentence of the paragraph.

/76. Mr. HAAVELMO

76. Mr. HAAVELMO (Norway) questioned the suitability of the words "adequate machinery" in the third line.

After some discussion, it was agreed to use the words "international institutions and other machinery in existence or in process of creation".

77. Mr. FLEMING (United Kingdom) proposed the insertion of the words "in respect of international trade and payments" after the words "national policies" in the fifth line.

Paragraph 43, as amended, was approved.

Paragraph 44

Paragraph 44 was adopted with a minor drafting change.

Paragraph 45

78. Mr. FLEMING (United Kingdom) suggested that a brief introduction explaining the proposals to follow might be desirable.

It was decided that the Rapporteur would insert an introductory text.

79. Mr. HAAVELMO (Norway) thought that the passage referring to the economic, social and political climate of borrowing countries should either be deleted or put more clearly. The reference to "political climate" in particular was at variance with the general tone of the report.

80. After a brief discussion, Mr. FLEMING (United Kingdom) suggested the following version: "On the one hand, the borrowing country may take further action to make the general economic and social climate within its borders more attractive to foreign capital, both private and governmental". That text would also meet a point raised by the United States representative.

The text was approved.

Paragraph 45 as amended was approved, with further drafting changes.

Paragraph 46

81. Mr. FLEMING (United Kingdom) proposed the following text to replace paragraph 46:

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

The above text was approved.

The meeting rose at 6.5 p.m.