

UNITED NATIONS  
ECONOMIC  
AND  
SOCIAL COUNCIL



E/CN.1/81/Add.5  
18 May 1951  
ENGLISH  
ORIGINAL: FRENCH  
GENERAL DISTRIBUTION  
on 13 June 1951

ECONOMIC, EMPLOYMENT AND DEVELOPMENT COMMISSION

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.

## BELGIUM

## A. DOMESTIC FULL EMPLOYMENT POLICIES

The full employment standardQuestions 1-5

In the Government's report of June 1950<sup>1/</sup>, "full employment" was defined as follows:

"a situation in which unemployment due to insufficient demand is eliminated."

On the basis of an average of 200,000 persons unemployed annually, the aforesaid report had made an empirical estimate of the relative volume of the various types of unemployment:

Frictional unemployment.....	30,000
Residual unemployment.....	20,000
Seasonal unemployment.....	40,000
Cyclical and technological unemployment.....	<u>110,000</u>
	200,000

In pursuance of the above definition which eliminates cyclical and technological unemployment, it could be taken that "full employment" would be reached when the number of unemployed approximated to 90,000. This figure would represent 3.6 per cent of the hired labour force (2,500,000 persons) and 2.6 per cent of the civilian labour force (3,500,000 persons)<sup>2/</sup>.

In order to establish a full employment standard it is necessary to decide what is the minimum irreducible amount of unemployment, that is to say what are the types of unemployment about which practically nothing can be done. To that end we have embarked upon an analysis of the various forms of unemployment (an analysis which corrects the 1950 estimates in certain respects).

/(1) Seasonal

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- 1/ Report of the Belgian Government on national and international measures for full employment. Brussels, 17 June 1950.
  - 2/ See the definitions adopted by the Sixth International Conference of Labour Statisticians.



(1) Seasonal unemployment<sup>1/</sup>

Seasonal unemployment can on an average be estimated at between 35,000 and 40,000 unemployed, that is 1.5 per cent of the total hired labour force.

Climate is obviously the most important factor in seasonal variations in unemployment. Apart from that, however, there are other causes arising out of custom or even artificially created, which affect the volume of unemployment in varying degrees.

At present there seems little hope of bringing about an appreciable reduction in the volume of seasonal unemployment. The figure will remain with minor variations in the region of 1.5 per cent of the volume of the hired labour force.

(2) Frictional unemployment

Beveridge defines frictional unemployment as unemployment "caused by the individuals who make up the labour supply not being completely interchangeable and mobile units, so that, though there is an unsatisfied demand for labour, the unemployed workers are not of the right sort or in the right place to meet that demand".<sup>2/</sup>

He estimates frictional unemployment at 1 per cent of the hired labour force, which in Belgium would amount to 25,000 persons.

This percentage seems insufficient for Belgium in view of existing conditions regarding the geographical mobility and occupational interchangeability of the labour force. In Belgium, there is fairly large-scale unemployment, particularly in the north, coupled with a shortage of manpower for heavy labour in certain essential sectors (mines, quarries and metallurgy) in the south, as well as a lack of qualified manpower in other areas.

It should however be borne in mind that the Government has either taken or contemplates taking measures to promote mobility and adaptability among the workers which may have some effect on unemployment in the future.

Nevertheless,

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<sup>1/</sup> Seasonal variations in unemployment -- Fund for the support of the unemployed.  
Brussels, 23.11.1950.

<sup>2/</sup> Beveridge -- Full employment in a free society.

Nevertheless, frictional unemployment which can at present be estimated at 40,000 persons could at the most be reduced by approximately one-tenth, which would leave a figure of 35,000 to 36,000, or 1.5 per cent of the total hired labour force.

### (3) Residual unemployment

According to unemployment statistics, the number of unemployed for whom it is difficult to find employment, either because of physical defects or because of their age, is at present between 35,000 and 40,000: one-fifth because of physical defects and four-fifths mainly because of age. It may be supposed that in times of great economic activity some of these unemployed would probably again be absorbed by the labour market, since employers are then less difficult in their choice of staff than in times of depression.

Residual unemployment would thus represent one per cent of the total hired labour force.

In short, it may be considered that Belgium is in a period of full employment when the average annual unemployment volume reaches the minimum of 100,000 persons, that is to say 4 per cent of the total hired labour force.

Seasonal unemployment.....	40,000
Frictional unemployment.....	35,000
Residual unemployment.....	25,000
	<u>100,000</u>

This figure includes the unemployed in the frontier areas who represent about 2 per cent of the total number of unemployed. That percentage also applies to the total number of workers in the frontier areas when compared to the total hired labour force.

In conclusion, it may be said that, on the whole, the empirical analysis made in the report of June 1950 is confirmed by a study of the more detailed analysis set out above.

Let us now compare this minimum level of unemployment with the figure for the civilian labour force and that of the total labour force available.

/According



According to the definition adopted by the Economic and Social Council of the United Nations, the labour force available for hire is equivalent to the civilian labour force with the deduction of persons who work for their own account.

The civilian labour force comprises the following persons divided according to their occupational status:

(a) Employers and persons who work for their own account without employees.....	780,000
(b) Workers for public or private employers.....	2,500,000
(c) Unpaid family workers.....	220,000
	<u>3,500,000</u>

Thus 100,000 unemployed represent 2.9 per cent of the civilian labour force, and the percentage of workers hired when compared with the total labour force available for hire is:

$$\frac{100 \times 2,620,000}{2,720,000} = 96.3 \text{ per cent}$$

The full employment standard described above envisages figures for employed and unemployed in the agricultural and non-agricultural sectors as set forth in the following table:

	Civilian labour force		Labour force available for hire	
	Employed	Unemployed	Employed	Unemployed
Agricultural sector	415	5	185	5
Non-agricultural sector	2,985	95	2,435	95
Total	3,400	100	2,620	100
	3,500		2,720	
Agricultural sector	11.8	0.2	6.8	0.3
Non-agricultural sector	85.3	2.7	89.5	3.4
Total	97.1	2.9	96.3	3.7
	100		100	

In conclusion it should be recalled that the Belgian unemployment system is a system of compulsory insurance which provides for benefits in cases of involuntary unemployment. It applies for an unlimited period to all wage-earners; the insurance becomes fully effective at once and never lapses. It applies alike to Belgians, foreigners and workers in the frontier area.

/The provisions

The provisions of this system serve as a basis for the computation of unemployment statistics which correspond exactly to the number of wage-earners even temporarily out of work.

Under these provisions, the term "unemployed" applies to all wage-earners able to work who are normally employed under a system of labour and employment contracts, who are out of work for reasons beyond their control and who are willing to accept any suitable employment.

A person is deemed physically unfit for work, subject to review, when it is found that his general earning capacity has been reduced to only a third of what a person of the same condition and training is able to earn through his own work in the same region.

It may therefore be said that from the social point of view the Belgian system is a very complete one, and that compared with other European or non-European systems it is extremely liberal.

Consequently, unemployment statistics based on this system undoubtedly include a certain number of people who though unemployed according to the law can hardly be considered as such from the purely economic point of view. That explains why the figures for Belgium may, when compared with those for other countries, give the impression of greater unemployment than is really the case in the economic sense.



Economic trends in 1950Question 6

(a) The changes which have occurred between 1949 and 1950 in the over-all level of economic activity in the country are shown in the following table (in milliards of francs at the current prices):

	<u>1949</u>	<u>1950</u>
Consumer expenditure	223.7	236.7
Domestic investment	45	50
including public investment	(14.2)	(15.2) <sup>1/</sup>
Public expenditure for civilian purposes	26.3	27.6
Public expenditure for military purposes	6	7.7
Surplus or deficit on the current balance of payments	4.5	-5
Total resources	<u>305.5</u>	<u>317</u>

The resources of the Belgian economy increased in 1950, mainly owing to an increase in activity achieved during the second half of 1950 and to the reversal of the balance of current transactions with foreign countries.

Private consumption increased by 13,000 millions, so that effective demand was much greater. This trend developed mainly because of the international tension brought about by the events in Korea. The supply of consumer goods was stimulated by various monetary measures aimed mainly at limiting speculative stockpiling, and by the import policy.

(b) 1. Employment

The general increase in the population has slowed down in Belgium, owing to the decline in the birth rate between 1930 and the end of hostilities. The increased age of the population in general is having a strong influence on the composition of the active population.

The level of hired employment (workers and employees) is slightly lower (1 per cent) than in 1930, and now seems to have reached a ceiling.

It should be noted that the number of women wage-earners has increased since 1947, whereas the number of men has decreased slightly. Moreover, it was necessary to employ a large contingent of foreign workers in 1945, 1946 and 1947. With regard

<sup>1/</sup> Estimate.

With regard to the use of hired labour, there has been a decrease of approximately 6 per cent in the industrial sector, as compared with 31 December 1947. This decrease was offset by an increase in employment in the tertiary sectors and by an increase in unemployment.

The following table shows the evolution (in thousands of persons) of the numbers of employed persons and completely unemployed persons:

	Employed persons		Completely unemployed persons		TOTAL
	Men	Women	Men	Women	
1947	1,829	567	74	16	2,486
1948	1,833	578	65	17	2,493
1949	1,764	565	131	43	2,503

The figures for 1950 are not yet available, but they are expected to be similar to those for 1949.

## 2. Unemployment

### (a) General evolution:

The considerable aggravation in unemployment, which had begun in the second half of 1948, was further amplified in 1949, as follows:<sup>1/</sup>

	TOTAL	Completely Unemployed	Partially and casually unemployed
February 1949	239,663	173,092	66,571
May 1949	212,617	158,445	54,172
October 1949	251,077	196,463	54,614
December 1949	265,075	202,116	62,959

Over one-third of the unemployed belong to branches of industry in which the level of employment and activity are closely connected with the volume of exports. This phenomenon was manifested either in a decrease in the demand for products or in a rationalization of production to reduce manufacturing costs.

/January 1950

<sup>1/</sup> Daily average of registered unemployed (total and partial).



January 1950	308,968	216,096	92,872
February 1950	264,261	209,156	55,105
March 1950	236,839	190,845	41,968
April 1950	219,955	177,987	41,968
May 1950	210,989	165,467	45,522
June 1950	208,323	157,480	50,843
July 1950	204,566	152,934	51,632
August 1950	179,982	146,663	33,319
September 1950	170,271	143,920	26,351
October 1950	163,994	138,000	25,994
November 1950	191,024	153,198	37,826
December 1950	301,630	232,751	68,972

The recovery which has taken place since September and which is mainly due to the international situation, has had an effect on the volume of unemployment.

Nevertheless, the unfavourable climatic conditions at the end of the year have had an extensive influence on the number of unemployed registered.

(b) Unemployment according to age:

The completely unemployed in receipt of benefits are classified by age every year, on 15 May and 15 November.

The following table shows the evolution of unemployment by age since May 1949:

	<u>Under 20 years</u>		<u>20 to 40 years</u>		<u>40 to 60 years</u>		<u>60 to 65 years</u>	
	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>
May 1949	11,986	4,910	49,626	20,244	48,354	11,932	13,782	1,206
November 1949	13,281	4,500	52,576	27,364	51,979	15,501	15,271	1,501
May 1950	10,691	4,139	50,449	23,145	57,089	14,095	16,431	1,599
November 1950	8,736	3,354	37,799	22,649	48,268	14,461	16,009	1,715

/It will be

It will be seen that unemployment is relatively high among young workers. Among men, it represented:

In May 1947: 4.2 per cent of the total number of completely unemployed persons in receipt of benefits.

In May 1948: 7.6 per cent of the total number of completely unemployed persons in receipt of benefits.

In May 1949: 8.9 per cent of the total number of completely unemployed persons in receipt of benefits.

In Nov. 1949: 8.4 per cent of the total number of completely unemployed persons in receipt of benefits.

In May 1950: 8 per cent of the total number of completely unemployed persons in receipt of benefits.

In Nov. 1950: 7.9 per cent of the total number of completely unemployed persons in receipt of benefits.

(c) Unemployment according to capacity to work:

Apart from classification by age to which we have just referred, the completely unemployed are also classified, on the same dates, according to their capacity to work. This classification consists of three categories:

Unemployed persons capable of work: persons whose capacity to work is complete or slightly impaired, or those whose general disability rate does not exceed 33 per cent;

Unemployed persons partially capable of work: persons whose physical capacity to work is impaired, according to the opinion of an official medical authority, so that their general disability rate is between 33 and 66 per cent;

Unemployed persons who are difficult to place: persons who are acknowledged to be difficult to place in normal employment by the advisory commissions set up on a paritative basis by regional employment offices, particularly for one of the following reasons: advanced age, special infirmity involving less than 33 per cent general disability, competitive inability or aesthetic prejudice.

/The classification



The classification of completely unemployed persons according to capacity to work was as follows in 1949 and 1950:

Absolute figures

Month	<u>Capable of work</u>		<u>Partially capable of work</u>		<u>Difficult to place</u>	
	Men	Women	Men	Women	Men	Women
15 May 1945	99,274	32,737	4,708	1,036	19,766	4,609
15 Nov. 1949	106,283	41,556	5,423	1,246	21,401	6,054
15 May 1950	105,227	35,931	5,923	994	23,510	6,053
15 Nov. 1950	80,374	34,036	6,742	1,275	23,696	6,868

Percentage of total

15 May 1949	61.2	20.2	2.9	0.6	12.2	2.9
15 Nov. 1949	58.4	22.8	2.9	0.7	11.8	3.4
15 May 1950	59.3	20.2	3.3	0.6	13.2	3.4
15 Nov. 1950	52.5	22.3	4.4	0.8	15.5	4.5

This may be explained by the fact that a large number of women who had never been employed before went to work in 1947, especially in the textile industry. Owing to the change in the economic situation in 1948 and 1949, and to industrial rationalization, many of these women became unemployed, and now have difficulty in finding work, owing to lack of qualifications.

(d) Unemployment among women

Unemployment among women continued in 1950 at the high level it reached in 1949. The evolution of the daily average of registered unemployed women<sup>is</sup> as follows:

	<u>Completely Unemployed</u>	<u>Partially Unemployed</u>	<u>TOTAL</u>
January 1950	48,073	20,939	69,012
February 1950	45,844	13,579	59,423
March 1950	45,844	13,579	59,423
April 1950	41,554	12,657	54,211
May 1950	41,009	13,610	54,619
June 1950	40,241	15,362	55,603
July 1950	38,601	15,504	54,105
August 1950	38,535	11,768	50,303
September 1950	38,116	7,795	45,911
October 1950	38,293	8,222	46,515
November 1950	42,211	12,554	54,765
December 1950	48,358	20,521	68,879

/Moreover,

Moreover, the completely unemployed capable of work comprised the following percentages of women:

In November 1949: 28 per cent, or 41,556

In May 1950 : 27 per cent, or 34,283

In August 1950 : 28 per cent, or 32,550

In November 1950: 26 per cent, or 34,711

The evolution of employment between 1949 and 1950 is characterized mainly by the different levels which counterbalanced each other in various branches of activity, and which gave rise either to divergent movements in the occupational groups of unemployed or to the displacement of man-power from one industry to another; furthermore, the fuller employment of man-power resulted in a considerable decrease in partial unemployment.

A rough comparison between 1949 and 1950 does not give a complete picture of the situation, since the vigorous recovery of 1950 applied only to the second half of the year, or even to the last few months, in the case of most industries. Nevertheless, the differences in the yearly averages would have been more marked if the seasonal variations of 1950 and 1951 had not both related to the same year, 1950 (January-December). It should be noted that unemployment statistics were considerably improved when it became possible, in April 1950, to classify manual workers, who represent roughly one-third of all completely unemployed persons, according to the industries from which they had been discharged. Although skilled and semi-skilled workers are still classified according to the occupational groups to which they belong, it is now possible to ascertain approximately the industrial distribution of unemployment. On the other hand, comparison with former years is rendered difficult by the fact that, in the case of partial and casual unemployment, workers are classified according to their branch of activity, without any distinction between skilled and unskilled workers. Estimates have therefore had to be made to determine the average level of unemployment for 1949 and 1950 classified by branches of activity including manual labour.

The main differences in the average level of unemployment from 1949 to 1950 are approximately as follows:

/Occupation



Occupation	Fully Unemployed	Partially and Temporarily Unemployed	Total	Difference Per cent (*)
Agriculture	2,200	200	2,400	8
Mining	300	-5,000	-4,700	-2.8
Diamond industry	-2,800	-1,300	-4,100	-22
Building	- 900	6,500	5,600	3.5
Metal industry	3,000	1,800	4,800	1.5
Textiles	-6,500	-6,500	-13,000	- 6.4
Dockers	--	-2,900	-2,900	-14.5
Total	2,700	-8,600	-6,900	

(\*) Percentage of the number of workers subject to social security.

In agriculture, the increase in unemployment is attributable partly to the mechanization of farming, but still more to the annually increasing limitation on the seasonal labour contingent that traditionally seeks work in France.

/The decline

The decline of unemployment in mining is explained by a large decrease in the labour force at the collieries: the number of registered workers in 1950 was about 15,000 lower than in 1949. The difference between this figure and the figure for the decline in unemployment is explained by an increase in efficiency, a decline in absenteeism, a smaller number of working days and a few days strike in 1950. The decline in production was only about 1 per cent in 1950.

The remarkable improvement in the diamond industry is due to the revival of world demand and to the restoration of a normal situation in comparison with 1949, when transactions in soft currencies shifted the diamond trade away from our country.

The rise in the average level of unemployment in the building industry might seem very surprising in view of the unusually brisk activity in that industry during 1950. Actually, the difference in totally unemployed is very small and is easily explained. Unemployed registered under the occupational heading of "building" apparently did not profit from the upswing more than other groups of unemployed, as hiring, especially of manual labour, was done from among all occupational groups. Further, unemployed listed under "building" were not particularly favoured on account of their skills because they were in most cases elderly workers or workers living far from the job-sites or having skills that were little in demand. Finally the absorption of unemployed under this heading has been obscured by the accumulation within the calendar year 1950 of seasonal unemployment due to weather conditions in the winters of 1949-1950 (January 1950) and 1950-1951 (December 1950), as well as by the listing of a larger number of unemployed under this heading, since dismissals of a seasonal nature affected a greater amount of manpower in the building industry. The increase in partial unemployment, which is rather considerable, was due to the same reasons.

The position of the metal industry deteriorated throughout 1949 and during part of 1950. The lowest levels of unemployment reached in 1950 are responsible for the average increase in unemployment in that year despite improvement in the latter half. However, it must be emphasized that efficiency continued to climb, particularly in metallurgy, while unemployed manpower was attracted to expanding industries such as building.



The difference in the average levels of unemployment in the years 1949 and 1950 is particularly great in the textile industry, the whole of 1950 having been affected by a very pronounced revival of business beginning at the end of 1949 as a result of the easing of the restrictions by the Netherlands in line with the Benelux agreements. The absorption of unemployment was distinctly less than what would have been expected from the rise in production. That can be considered an indication of improvement in efficiency, the more so as the textile industry of Flanders experienced a strike of several weeks during 1950.

Dock workers benefit from the upswing in traffic, but the decline in the available labour force likewise favoured the absorption of unemployment. The latter reason is not very important in the case of dockers, the labour force having gone down by only 600 to 700 units as an annual average; but it is a deciding factor in the case of those working on ship-repair, where the decline in unemployed, although moderate in absolute figures (approximately 400), is significant in relation to the available manpower (a reduction of 6 to 8 per cent in the number of unemployed). The number of registered workers went down from 7,605 at the beginning of 1949 to 4,544 at the end of 1950, an average annual decrease of about 1,800.

Altogether, in spite of the extent of the decline in unemployment during 1950, the number of totally unemployed as an annual average remained at a higher level than in 1949: the seasonal factor is responsible for this situation, but the fact remains that it was not until June that a level of unemployment was reached corresponding to that existing after the springtime decline in 1949. On the other hand, the upswing in several industries was accompanied by a very significant decline in partial unemployment, a reduction of 7,000 in the average level representing only a part of the total picture, again on account of the seasonal factor.

(e) In 1950 the economy was exposed to the impact of some inflationary factors including in particular the carrying out of large public works, a rise in incomes, an increase in the rate of circulation, and a decline in the hoarding of money, all of which led to an increase in demand among a great part of the population which had been greatly shaken by the events in Korea.

No doubt the excess of imports over exports (15,400 million francs) partly neutralized the effects of this inflationary pressure; but the rise in world prices was strongly felt by the Belgian economy, which is very sensitive to the fluctuations of foreign markets. From June on, inflationary pressure increased and is clearly to be seen in the evolution of prices and wages during the second half of the year.

Changes in the cost of living and in money wages are given in the following table:

Period	Indices (Base: 1936-38 = 100)	
	Retail price	Wages (Hourly rates)
Monthly average 1949	381	404
January 1950	373	407
June	368	415
July	369	
August	376	
September	392	421
October	395	
November	388	
December	384	

#### Economic objectives for 1951

##### Question 7

It is estimated that the gross national product at 1949 prices, which amounted to 317,000 million francs in 1950, will reach about 325,000 million in 1951. It is probable that the amount of private investments will scarcely undergo any change. Public investments will show a decline, while military expenditures will increase by at least 4,000 million. It is difficult at this time to make any predictions concerning private consumption. Its evolution will depend on the extent of the war effort that will have to be undertaken, and all the necessary details concerning that point are not yet known. It is probable that prices will for a time continue to show a certain tendency to rise in view of the fact that all the increases in world prices have not yet been reflected in the internal price level. Further, as wages in many sectors of industry are linked to the retail price index, some rises in money wages are to be expected.

/EMPLOYMENT

The available statistics do not make it possible to arrive at a scientific index of real wages.



## EMPLOYMENT AND UNEMPLOYMENT

Hired manpower resources within the manpower budget as a whole may be estimated for 1951 at the same level as in 1949 (the figures for 1950 are not yet available).

Demand for hired manpower will be about 2,390,000 in view of the upswing that has been shown in industrial activity since September 1950 and the new economic tendencies due to the international situation.

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	Available supply	Demand
Male	1,890	1,820
Female	<u>610</u>	<u>570</u>
Total	2,500	2,390

In view of the volume of demand, it may be inferred that the volume of unemployment could be reduced to an average of 110,000 persons, including 70,000 males and 40,000 females.

However, those figures presuppose an adequate ability to move from place to place and from trade to trade, which does not yet exist. The steps recently taken, or shortly to be taken, to remedy this state of affairs cannot be expected to show significant results in the immediate future.

Furthermore, some restrictions in employment may be expected in the building field. As a result of this exceptional situation, it is possible that there will be a certain amount of unemployment due to existing circumstances.

If the latter two factors are taken into consideration, it seems that there will be some additional unemployment of approximately 30,000 persons.

However, some estimates of average unemployment in 1951<sup>1/</sup> made at the end of 1950 were affected by the large volume of unemployment then existing which was due in large part to the weather conditions at that time. If similar conditions were to recur in 1951, there would be some additional unemployment averaging approximately 10,000 persons.

/In conclusion,

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1/ 160,000 unemployed (Report to the Senate by the Committee on Labour and Social Welfare appointed to examine the bills containing the budgets of the Ministry of Labour and Social Welfare for the fiscal years 1950 and 1951; Doc. No. III of 16 January 1951, page 66).

In conclusion, in spite of the efforts of Government offices to increase the geographical and occupational mobility of manpower, it is possible that Belgium may again have to resort to the immigration of foreign manpower, if the desired mobility is not achieved within the national framework. Furthermore, a growth in the active national population may be anticipated; an increase in the active national female population was already perceptible at the end of 1950.

/ECONOMIC



## ECONOMIC POLICY IN 1950 AND 1951

The world rearmament effort has brought about considerable changes in economic conditions; certain problems which arose in the first half of 1950 no longer arise or arise in a different form, so that Governments have had to modify their economic policies accordingly. Moreover, inasmuch as the situation is still in a state of flux, it is possible that the orientation of economic policy or the extent of State intervention in economic activity may undergo further changes.

### Question 9

Inadequate effective demand does not account for the unemployment existing at the end of 1950.

In 1950 more extensive public works projects and a policy of promoting housing construction were decided upon in order to combat unemployment. The special budget for 1950 contained a large appropriation of 14,167 million francs to carry out this public works policy. For various economic and financial reasons those appropriations had to be reduced to 10,695 million francs, of which 1,600 million francs were set aside for national defence. This decision did not mean that the original works project was to be abandoned, but merely that it would be spread over a longer period of time. During 1951, approximately 13,328 million francs will be devoted to special expenditure on public investment. It should be pointed out, however, that of that amount, 5,500 million francs will be used exclusively for national defence purposes. On the whole, therefore, public investments in civilian enterprises have been diminishing. It seems likely, moreover, that they will diminish still further during the current year.

Among the measures taken to encourage private investment, the ceiling for State guarantees of bonds and savings bonds issued by the Société Nationale de crédit à l'industrie was raised in January 1950 to 11,000 million francs. The ceiling had been 5,000 million francs since October 1947. The above-mentioned measure was taken with a view to facilitating the country's economic re-equipment.

As regards the rate of interest, Government rates were reduced in October 1949, and remained at that level until September 1950, when they had to be raised in accordance with the general price policy. Generally speaking bond quotations followed a similar course, dropping during the first nine months, and rising during the fourth quarter.

/Consumption



Consumption was also encouraged; during the year wages rose by over 5 per cent; at the same time, certain social security benefits were increased, such as old-age pensions for certain categories of beneficiaries; moreover, direct taxes levied on salary and wage earners in the low and middle income groups were reduced.

It should be noted that, in spite of a decline of the profit margins of certain public enterprises, no steps were taken to raise fares (railways, trams) or postage although such action would have improved the financial position of the services concerned.

Foreign demand, inadequate at the beginning of the year, rose noticeably during the second quarter owing to the international situation as well as to the advantages provided by the EPU machinery of payments. In December the average monthly exports were 150 per cent higher than during the first half of the year.

a. - As a result of the changed conditions created the world rearmament programme, the Belgian Government decided, at the end of the year, to take certain steps to curtail demand for certain goods. Among those steps the following should be noted:

- (a) measures designed to reduce hire-purchase selling, credit restrictions and raising of Bank discount rates;
- (b) reduction of credits for private housing construction granted by public credit institutions;
- (c) extension of the period during which building bonuses are to be distributed;
- (d) slowing down of public works projects and reduction of appropriations for certain public works in the special budget.

The latter measures were taken with a view to counteracting the effects of increased military expenditures agreed to by Belgium under the North Atlantic Treaty.

b. - Public expenditures during 1950 were met with funds obtained from the 8,300 million franc loan -- in Treasury certificates -- (issued in October 1949) as well as with part of the proceeds of the revaluation of the gold reserve of the National Bank in 1950.

In order to meet the expenditures of the special budget of 1951 which has shown a large increase in appropriations for national defence (approximately 4,000 million francs), it is proposed that direct taxes levied on corporate /profits



profits and on large private incomes should be increased. The proposed tax reform is expected to place larger sums at the disposal of the Treasury during 1951 by inducing certain taxpayers to pay their taxes ahead of time. Lastly, the collection of tax arrears, which are considerable, will be speeded up.

Higher taxes will probably not be sufficient to balance the budget, and it is to be expected that a loan will be floated on the domestic or the foreign market.

c. - It is difficult to consider separately the effects which any one measure may have on employment. Public works, for example, have cumulative effects; moreover, it is impossible to calculate the influence of reduced taxes on certain sources of revenue.

It seems that in 1950 the policy of public works and private housing construction increased the number of employed by approximately 25 to 30,000 persons, but there has been some falling off in other sectors.

The increase in armed forces in 1951 is expected to take off the labour market an average of 25,000 men over the year. A decline of employment in the construction field may also be expected.

#### Question 10

While the problem of supplies scarcely made itself felt in 1950, at the beginning of 1951 it seemed to be taking on an urgent aspect for certain commodities, in particular sulphur, cotton and certain non-ferrous metals. The Government's action is primarily directed towards obtaining reasonable quantities of the raw materials which Belgium needs. A shortage of those materials would have far-reaching effects not only on the industries immediately concerned but on the entire economy. The problem would be a very serious one for Belgium. The measures which could be taken (reclassification or retraining of workers) would not suffice for an overall solution of the problem in view of the country's economic structure. The policy of public works and housing might be intensified.

#### Question 11

No comment.

#### /Question 12



## Question 12

The export situation improved during 1950, particularly in some industries in which there had previously been considerable unemployment. The chief example of such improvement is the textile industry which benefited from the opening up of the Netherlands market under the Pre-Union Agreements. In the diamond cutting industry in which 57 per cent of the workers were unemployed during the first half of 1949, exports picked up again at the end of the year and continued to rise throughout 1950 and even at an accelerated rate from August on. Unemployment is continuing to decrease in that industry. In the glass industry, which likewise depends to a large extent upon exports, the situation was better in 1950 than in 1949, particularly after June.

In the metal industries, on the other hand, the situation has been much less satisfactory. Metallurgical exports did not recover till the end of the year, while in metal manufactures the improvement is as difficult as before. Difficulties have also been noted in the chemical and ceramics industries. They are partly due no doubt to the high level of our prices after the devaluations of September 1949, but the chief obstacle to an expansion of exports are still the quota or currency restrictions. The Belgian Government has been making efforts to secure the removal of currency restrictions. The results obtained in that regard under the Benelux Agreements are very satisfactory. The decisions taken by the Organization of European Economic Co-operation have also brought some results. The European Payments Union may likewise increase our customers' ability to pay. Nevertheless, it is outside that Union that payments difficulties constitute the most serious obstacle to exports.

Although the large volume of credits granted to its debtors in the past have led Belgium to be careful in granting new credits, it may be pointed out that the Government has authorized organs like the Société nationale de crédit à l'industrie and the Institut de réescompte et de garantie to take over if necessary loans issued by private banks in certain transactions of some importance. Similarly the Office National du Ducroire has been authorized to underwrite two transactions the scope of which was such as to exceed normal credit risks. Furthermore, the Office Belge du Commerce Extérieur is continuing its efforts to open up the United States market, particularly by organizing exhibitions of Belgian products. In connexion, the possibility of utilizing free zones in United States ports for the import of Belgian products may be considered.

/Export



Export difficulties may possibly continue to exist in certain sectors of industry during 1951, but they will not affect the level of unemployment in view of the general prospects of economic activity which promise considerable compensations in other directions and thus will probably result in full employment of the manpower actually available in the labour market.

### Question 13

The labour market in 1950 presented an anomalous picture; the existence of 10,000 unemployed in the northern part of Belgium, side by side with a shortage of labour, particularly for heavy work, in certain essential sectors (mines, quarries and heavy metallurgical industry) in the southern part of the country. Moreover, there was a shortage of skilled labour in certain branches, even those in which considerable unemployment existed.

The Government has therefore taken, or plans to take, measures with a view to promoting geographical and occupational mobility of manpower. It should be noted, however, that these measures have nothing to do with a forced allocation of manpower.

The Ministry of Labour (Employment Service) has considered it advisable to intensify the steps taken under the provisions for the re-training of unemployed with a view to meeting the shortage of skilled and qualified manpower in certain industries.

Consideration has also been given to measures to promote geographical mobility and to remove any obstacles to it:

(a) Study of ways of providing fuller information on available employment opportunities and of making it more readily accessible and understandable to the workers so that misleading or tendentious reports may be avoided or disclosed.

(b) Nevertheless, information alone, however complete, is not sufficient. Many workers have a deep-rooted aversion to moving from one region to another, even when they can be guaranteed proper employment at regular wages and working conditions.

In addition to the psychological difficulties, there are the financial difficulties of the fares of the worker and his family, the cost of moving as well as the expense of settling in a new area while keeping commitments in the old.

The Employment Service is therefore considering the possibility of granting incentives to taking up a new job, such as allowances for travel, separation, moving, etc. so as to assure the workers of effective pay sufficient for him and his family.



(c) Studies are being made of ways of improving existing means of communication and of providing direct trains which would take the workers every day to their place of work at the normal work hours and in the shortest possible time.

Measures designed to reduce inflationary pressures

Question 14. It had already been stated (see reply to Question 9a) that during the last quarter of 1950, steps were taken to counteract the inflationary factors which had developed during the second half year. In addition to the reduction of government expenditures forecast for 1951, the fiscal reform plan involving in particular an increase in taxation on higher incomes, and the curtailment of credit, particularly for hire-purchase, of which details were given in reply 9a, the following points should be stressed:

The Government has encouraged imports, particularly of raw materials; although the monetary authorities restricted credit facilities for speculative operations, they facilitated the financing of imports and stocks of raw materials and products essential to the smooth running of the national economy. In addition, the protection enjoyed by certain industries was reduced or temporarily suspended so as to increase the supply of goods for the domestic market. Production has been stimulated as is shown by the rise in the index number for industrial production, which was 135 in October 1950, as against 109 at the same period in 1949. On the other hand, the export of certain sensitive products is under supervision; various products have again been made subject to licensing and quotas.

The problem of prices and wages has also been in the forefront of the Government's preoccupations. As a result of the rise in world prices and the increase in demand, domestic prices have risen considerably (17% from June to December in the case of wholesale prices -- 4.3% in the case of retail prices). Because of the danger of inflation which this rise represents, and particularly in view of its incidence on wages, an energetic campaign has been waged to bring prices down, since October in particular. Various orders have been issued; among them, mention should be made of the Order of 25 September 1950, which limits the profit margin to the level of the first half year on goods subsequently designated, the orders fixing maximum retail prices for meat, and the order requiring the producers of a series of goods to report any rise in their prices to the Ministry of Economic Affairs. The results achieved by the Government, with the co-operation of private bodies, has made it possible to avoid a general rise in wages. In view of the conditions created by the policy of rearmament, it is unlikely that the anti-inflationary measures taken during the last few months will have any appreciable influence on the over-all level of employment.

~~Measures~~



Measures which increase the resistance of the economy to recessionary tendencies

Question 15. The steps taken during the first part of 1950 to resist recessionary tendencies have been commented on in detail in the reply to question 9. The prospects for 1951 are completely different from those which existed at the end of 1949; attention has therefore been concentrated on the danger of inflation. The steps taken to reduce that danger are described in the reply to question 14.

Measures designed to facilitate steady economic expansion

Question 16. During 1950, the effort to expand production has been chiefly concentrated on the basic industrial sector: steel and power. Electric power production capacity has been considerably expanded; completely up-to-date installations have been set up in the metallurgical industry (blast furnaces, cold reduction rolling-mills, mechanized rolls for manufacturing fine plate). The plan for the rationalization of the coal mining industry is being put into effect and the construction of oil refineries is continuing.

The road system has been considerably improved as part of the public works programme; motor roads linking the coast to Aix-la-Chapelle are under construction.

Lastly, as an adaptation of fiscal policy towards monopolistic practices likely, on a more or less long-term basis, to encourage a steadily growing level of private investment, mention should be made of Article 8 of the Fiscal Reform Plan, which is designed to exempt from professional taxation the increment realized when a company sells its holdings, on condition that the said holdings came into the undertaking's possession at least five years before they were sold. This provision will enable holding companies to employ the proceeds of sales for productive purposes.

## ESTIMATED BALANCE OF PAYMENTS OF THE BELGO-LUXEMBOURG ECONOMIC UNION IN 1950

Credit (Plus) or debit (minus) balances on account of items set out below,  
in millions of United States dollars. Conversion rate for domestic currency:

1 United States dollar = 50 Belgian francs

	Of which in transactions with								
	TOTAL	U.S. and Canada	United Kingdom	Rest of Sterling Area included in (3)	European OEEC countries	Members of Council of Mutual Economic Assistance included in (6)	Latin American Republics	Rest of World	IMF and Bank
	1	2	3	4	5	6	7	8	9
1. Merchandise trade:									
Exports valued f.o.b. frontier . . . . .	1,671.6	221.3	255.5		942.0		61.5	191.3	
Imports valued f.o.b. frontier of exporting country . . . . .	1,744.5	431.5	397.0		641.0		74.3	200.7	
Balance . . . . .	- 72.9	-210.2	-141.5		-301.0		-12.8	- 9.4	
2. Transportation . . . .	- 110.6	- 33.9	- 28.4		- 48.3		- 4.4	+ 4.4	
3. Tourist traffic etc. . .	- 17.7	+ 4.4	+ 6.5		- 25.5		-	- 3.1	
4. Government trans- actions not included elsewhere . . . . .	- 6.7	- 3.3	- 3.3		- 0.6		-	+ 0.5	
5. Investment income . .	+ 2.3	- 10.1	+ 1.6		- 15.8		- 0.1	+ 26.7	
6. Other services . . . .	+ 5.0	- 8.9	- 2.3		+ 7.7		- 2.1	+ 10.7	-0.1
Total, items 1-6 . . . .	- 200.6	-262.0	-167.4		+218.5		- 19.4	+ 29.8	-0.1

/Question 17



Question 17 (continued)

ESTIMATED BALANCE OF PAYMENTS OF THE BELGO-LUXEMBOURG ECONOMIC UNION IN 1950

Credit (plus) or debit (minus) balances on account of items set out below,  
in millions of United States dollars. Conversion rate for domestic currency:  
1 United States dollar = 50 Belgian francs

	Of which in transactions with					Members of Council of Mutual Economic Assistance included in (8)	Latin American Republics	Rest of World	IMF and Bank	
	TOTAL	U.S. and Canada	United Kingdom	Rest of Sterling Area included in (3)	European OEEC countries					
	1	2	3	4	5	6	7	8	9	10
7. Donations:										
(a) Private . . . . .	+ 9.6	+ 1.3	--		- 0.3		+ 0.1	+ 8.5		
(b) Official . . . . .	-	-	-		-		-			
8. Gold movement:										
(a) Non-monetary . .	+ 2.0									
(b) Monetary . . . . .	+ 112.6	+ 41.8	-		+ 67.6		+ 0.6	- 4.0	+ 8.6	
9. Capital transactions:										
(a) Private . . . . .	- 63.9	- 5.3	+ 37.5		- 29.4		+ 0.8	- 67.5		
(b) Of official and banking institu- tions:	+ 129.2	+ 200.7	+ 96.7		- 212.2		+ 13.9	+ 38.6	- 8.5	
(i) contractual re- payments . . . . .	- 19.0	- 35.0	+ 4.0		- 0.1		=	=	+ 12.1	
(ii) other long-term transactions . . .	- 30.6	-	- 3.6	a/	- 27.0 <sup>b/</sup>					
(iii) short-term . .	- 178.8	- 235.7	+ 96.3		- 185.1		+ 13.9	+ 38.6	- 20.6	
all items 1-9	+ 11.1	- 23.5	- 33.2		+ 44.2		+ 4.0	+ 5.4	-	

/Question 17

Question 17 (continued)

Notes

(a) Loan to Great Britain by the BLEU (O.E.E.C. loan)

(b) Represents:

(i) Loans granted to the Netherlands by the BLEU (OEEC loans): -38 million (United States dollars).

(ii) Money borrowed in Swiss francs by the société nationale de crédit à l'industrie: +11 millions (United States dollars)

Industrial credit: +11 millions (United States dollars)

It should be noted that the above table is a provisional estimate of the balance of payments for 1950; the complete figures will be available at a later date.



Question 18a The policy at present governing external commercial and financial transactions is not, generally speaking, determined by concern about the balance of payments.

There are practically no restrictions on exchanges of goods or of payments for services of a commercial and financial character (amortization, loans, transfers of profits, interest, dividends, etc.).

Any alien owning capital in the Belgo-Luxembourg Economic Union can sell out and have the exchange value of his assets repatriated (with the exception of assets belonging to the enemies of Belgium).

The only restrictions still subsisting are those relating to the outward movement of capital belonging to Belgian residents. Such movement is generally authorized in the case of investments for useful economic purposes.

Question 18b The over-all balance of payments in Belgium is marked by a hard currency deficit (i.e. in dollars) and a more or less equal surplus in non-convertible currency. The successive bringing into play of the machinery for conditional assistance and that of the International Payments Union under the Marshall Plan, has made it possible to remedy this situation so far.

If the so-called soft currency payments received by Belgium were to become freely convertible, Belgium would be able to meet normal fluctuations in its receipts of foreign exchange without external assistance.

Question 18c There is no relationship between restrictions on foreign transactions, of which there are very few, and the position adopted with regard to its employment policies or the utilization of domestic resources, in the sense defined in the question.

Since external commercial relations are of essential importance to economy, Belgium has always encouraged the free circulation of goods and capital; the only exceptions to this principle have been made for the temporary protection of a few new industries and certain sectors of agriculture.

Question 18d Generally speaking, it may be said that the surpluses resulting from our transactions with some countries are not available for financing our deficits with regard to other countries.

Only the machinery of the European Payments Union Agreement makes it possible to offset this disadvantage to a certain extent.

/Since the

Since the general balance of payments is almost in equilibrium, Belgium would have no difficulty in covering its hard currency deficits, if its surpluses in soft currency became convertible.

Question 18e,f The foreseeable trends in prices do not at present make it possible to give adequate indications as to changes in the balance of payments in 1951.