

UNITED NATIONS
ECONOMIC AND
SOCIAL COUNCIL
OFFICIAL RECORDS



FIFTH YEAR, TENTH SESSION

358th MEETING

TUESDAY, 21 FEBRUARY 1950, AT 11 A.M.

LAKE SUCCESS, NEW YORK

Report of the Economic and Employment Commission (fifth session) (E/1600, E/1600/Corr.1 and E/1600/Add.1) (concluded): full employment (a) report of the Group of Experts appointed by the Secretary-General under Council resolution 221 E (IX), on National and International Measures for Full Employment (E/1584, E/1571 and E/1571/Add.1); (b) General Assembly resolution 308 (IV) of 25 November 1949 (concluded)

President: Mr. Hernán SANTA CRUZ (Chile).

1. Mr. BORIS (France) said that the French delegation felt bound to associate itself with the tribute already paid to the Group of Experts for their report on *National and International Measures for Full Employment* (E/1584). The importance of that study and the stir it had made — a stir which, if the representative of Denmark had his way, would continue in ever-widening circles — more than justified the initiative taken by the United Kingdom delegation when, at the ninth session of the Council it had suggested that the Secretary-General should appoint a small group of experts to prepare a report on the question.¹ It was clear that the method proposed by the United Kingdom delegation and adopted by the Council had been an excellent way of approaching the study and had furnished a solution to a problem which, in accordance with the spirit and letter of the Charter, was a primary concern of the United Nations.

2. The report, which bore the date 22 December 1949, had been received by the French Government only in January. There had therefore been only a very short period between the time when the competent departments had had an opportunity to examine the report and the time when the French delegation had received its instructions.

3. In view of the importance of the subject and the scope of the measures proposed, the representative of France found it impossible, as seemed to be the case with most of the members of the Council, to state immediately and in definite terms the views of his Government on the subject. His comments would therefore not pre-judge his Government's final position on each of the proposals.

4. His preliminary remark applied even more to the still more recent report of the Economic and Employment Commission, which had been asked, in Council

resolution 221 E (IX), to examine the experts' report. Moreover, the experts' report, which at times presented divergent views, only became clear in the light of the discussions which had taken place in the Commission, so that it was necessary to refer to the summary records in order to study it. That was a rather lengthy and complicated task, and his delegation had been able to devote but very little time to it.

5. Comparing the two basic documents of the debate, Mr. Boris pointed out first that while the experts' report was a homogeneous whole ending with a series of interdependent recommendations, that of the Economic and Employment Commission culminated in a very reasonable procedural recommendation, which the French delegation was especially willing to support because in any event it would have deemed it necessary to refer the experts' report to the various Governments so that it might be considered and discussed more fully at the eleventh session of the Council.

6. Moreover, the Commission seemed to have been unable to reach unanimous agreement either on the preparation of counter-proposals or on its criticism of the original programme. There had been agreement only on a relatively limited number of general comments. For the rest, it was often a matter of individual criticism, to which a series of points listed in annex B were added on the initiative of some members of the Commission. His remarks were not intended as a reproach to the Commission, which had, on the contrary, carried out its task very conscientiously and which deserved praise for the very useful work it had accomplished.

7. Nevertheless the impression remained that in a number of instances disagreement between the Group of Experts and the Commission was due to conflicting economic doctrines: the experts belonged to the Keynesian school of thought while many members of the Commission doubtless professed other theories. As a result, the Council, which at that stage played the part of a court of appeal before Governments themselves were individually approached, would be greatly embarrassed if it were forced to decide between the divergent theoretical arguments advanced by economists of indisputable competence. He feared that the Council might yield to the temptation to act as arbitrator in an academic quarrel.

8. The situation had been further complicated by what appeared to have been a procedural error. There had been no contact or exchange of views between the Group of Experts and the Economic and Employment Commission. The economists on the Commission had had before them a report prepared by the economists of the Group of Experts and, as was proper for professionals,

¹ See *Official Records of the Economic and Social Council*, Fourth Year, Ninth Session, 329th meeting.

had naturally tended to seek and expose defects in that work. Experience had shown that a representative of the Group of Experts should have attended the Commission's meetings. He could have replied to objections and, in some cases, could undoubtedly have answered questions raised by members. Although that procedure would not, of course, have eliminated all criticism, it would have reduced it, and would have enabled the Council to give its attention to whatever criticism remained.

9. The task of Council members and Governments would thus have been simplified. It was too late to go back on what had been done, but at least a lesson could be learned from that experience, and when the question came up again for consideration by the Council at its next session, one or two members of the Group of Experts should be present to give any explanations the Council might need. The French delegation hoped that steps to that end would be taken without delay.

10. If at least one of the experts had attended the Commission's discussions, certain misunderstandings could quite easily have been removed. One of those misunderstandings had resulted from a disagreement on the actual subject to be dealt with in the report which the Council had requested from the experts. The experts had in fact stated, in paragraphs 22, 24 and 29 of the report, that they had felt that their terms of reference required them to deal with the problem of unemployment due to the insufficiency and instability of effective demand. That had automatically restricted their field of studies and their recommendations. During debate in the Economic and Employment Commission, the experts had been censured more than once for having disregarded the other causes of unemployment.

11. Two other categories of unemployment were mentioned in the report: frictional unemployment due to the lack of mobility of labour and structural unemployment resulting from the lack of complementary resources (natural resources, capital equipment, fixed assets and circulating capital). According to some economists there was yet a fourth category of unemployment, sometimes called institutional unemployment, which was due to the rigidity of wages. That was a particularly difficult question to analyse and appeared to have arisen from the very interesting comments Professor J. M. Clark had submitted as his personal view of the effect of the wage-price structure on employment. Mr. Boris therefore mentioned that only as a reminder and to suggest that a group of experts might some day be asked to study that very important subject.

12. In any case, the first question to be decided was whether the experts had correctly understood their terms of reference and the Council's wishes in concentrating on unemployment due to insufficient effective demand.

13. The reply to that question was in the affirmative. The study of frictional unemployment did not come within the scope of the work outlined for the experts. The French delegation would simply note that, whenever they had spoken of that problem, they had perhaps been inclined to overlook its importance.

14. In regard to unemployment due to lack of complementary resources—which was in fact the problem of development—Mr. Boris recalled that the Economic

and Social Council had always distinguished between the study of the problems of stability and employment and that of problems of development, and, although it appreciated the close link between them, it had set up two separate sub-commissions to study them. Moreover, Council resolution 221 E (IX), which contained the experts' terms of reference, had been adopted after long discussion on unemployment in industrialized countries. It would therefore be unfair to condemn the experts for having concentrated on that particular problem. They had been justified in thinking that another group of experts had been simultaneously set up and specially instructed to study problems of development, of which unemployment due to lack of complementary resources was only one aspect. He was referring to the work which had resulted in the study on the *Methods of Increasing Domestic Savings and of Ensuring their most Advantageous Use for the Purpose of Economic Development* (E/1562), which had been submitted to the Council at its current session. The problem of economic development had since been attacked by the Council in a more general way when that body undertook to solve the preliminary question of technical assistance, which was to serve as an introduction to an action including the task of investment, properly so called, in the spirit of "point 4" of President Truman's speech.

15. The experts had thus chosen a rational and properly deductive method for the study and solution of unemployment due to insufficient demand. In doing so, however, they had not failed explicitly to recognize the intimate connexion between the two problems, which were so closely intermingled that some of the solutions contemplated for the one were also solutions for the other. Thus the chapter on stabilization of the flow of international investments, and the relevant recommendations, were equally applicable to the problem of economic development, and the experts had been justified in pointing out, at the end of paragraph 111 of their report, that, from the standpoint of the under-developed countries, the existence of a regular flow of capital from the lending countries conditioned the development programme which they would be able to establish, while at the same time it was one of the factors necessary to the equilibrium of international economic relations, or, in other words, one of the conditions essential to the maintenance of full employment.

16. Mr. Boris had felt obliged to stress that point because it had appeared that during the debate in the Economic and Employment Commission some members of that body had complained that the report had neglected the interests of the under-developed countries and had been confined to aspects of that question which were of interest solely to the industrialized and semi-industrialized countries. It had even been said that none of the proposed measures could possibly provide a solution for the economic problems facing the under-developed countries.

17. Experience, however, had clearly shown that the maintenance of effective demand and full employment in industrialized countries was of paramount interest to under-developed countries, while the development of under-developed countries was likewise of paramount interest to industrialized countries. Further proof, if that were needed, would be found in the report on "Major Economic Changes in 1949" (E/1601) submitted to the Council.

18. Quotations would show that Latin America had been affected as well as Africa and Asia. That illustrated once again the interdependence of the various countries of the world in the economic field, whatever their stage of development. The conclusion Mr. Boris drew therefrom was that the representatives of under-developed countries on the Council should realize that the solution of the problems considered in the report of the Group of Experts was of paramount interest to them. Their collaboration in that field was as valuable as it was indispensable for the representatives of industrialized countries.

19. Theoretical considerations might divide members of the Council on that point, but facts would unite them. There were other points: for instance, an academic debate might be held—as had already been the case in the Economic and Employment Commission—to decide whether priority should be given to the establishment of a certain system of exchanges or to the maintenance of full employment. If there were to be such lengthy discussions, the Council might find itself acting the part of the schoolmaster who told the child who had fallen into the water how wrong he had been instead of rescuing him.

20. During the discussion of the agenda, the French delegation had expressed a wish that the world economic situation and the question of full employment should be discussed together. Although it had had to withdraw that request for technical reasons, it had at least had the satisfaction of seeing the report on "Major Economic Changes in 1949" distributed before the current discussion. There were many passages in that report which showed that the problem of the maintenance of effective demand and full employment presented itself at the moment and even that it had already arisen in 1949 in such form that it would be unwise to try to shirk it. The report showed that the rate of unemployment at the end of 1949 had been considerably higher than could be accounted for by frictional and seasonal factors alone. It also showed that the rate of unemployment in two European countries was very serious and above all that, far from increasing, as would have been desirable, the volume of world trade had suffered a decrease which had led to a crisis resulting in a series of monetary devaluations. According to the report, that phenomenon illustrated "the sensitivity of international trade to declines in imports of any important trading country resulting from a weakening of internal effective demand".

21. Other passages in the report showed that many countries in Latin America had been forced to impose restrictions; the United Kingdom had had to do likewise. The report also noted that "the problems created by instability in international trade came to the fore during 1949 when the United States imports fell sharply following upon a moderate weakening of effective demand".

22. The second annual report of the Organization for European Economic Co-operation had been published at the same time as the Secretariat report. It emphasized the same facts and voiced the same anxieties. According to that report, international trade would be dominated for a long time by the United States balance of payments. During the third quarter of 1949, however, the exports of European countries had fallen to 1,000 million dollars a year as compared with 1,500 million

dollars during the last quarter of 1948. The approaching end of the Marshall Plan raised a problem which was of vital importance, not only to the recipient countries but to the whole world.

23. Mr. Boris then quoted some passages from the OEEC report which showed that the year 1949 had demonstrated the extreme sensitivity of the dollar income of Western Europe to the slightest shock from outside. The report showed that the OEEC countries could continue their recovery only on the basis of favourable assumptions regarding the development of world economy and in particular on the assumption that the economic activity of the United States would not fall below the level of the second and third quarters of 1949.

24. Lastly, the report made it clear that economic activity in the United States should remain at the level reached during the second and third quarters of 1949. The level of economic activity in the United States was of decisive importance because the dollar income of the participant countries and their overseas territories was strongly affected by United States demand. Even slight fluctuations in United States economy had serious repercussions on their dollar income. Between the first quarter of 1948 and the third quarter of 1949 a fall of 5 per cent in the gross national income and of 10 per cent in industrial production had been accompanied by a reduction of 30 per cent in the value of United States imports from participating countries and from non-participating countries in the sterling area.

25. The highly important conclusion to be drawn from those facts was that a slight "recession" in the United States of America had had considerable repercussions on the world situation; it was as though a relatively slight shock had grown in intensity as its effects spread beyond its source. The experts' report offered a striking explanation of that disproportion between cause and effect. The report greatly clarified the situation by demonstrating how a deflationary crisis spread.

26. The report showed that when effective demand decreased in a country, there was a favourable surplus in that country's trade balance. The monetary reserves of the other countries then decreased, and those countries were compelled to take protective measures which, under a system of convertibility and fixed exchanges, assumed the character of deflationary measures. In particular, they reduced their import demands; the consequences were detrimental principally to the country where the depression had originated, and further aggravated the situation. That was the process which the report vividly described as a "chain reaction".

27. But the reaction did not end at that point. The countries which felt the effects of the depression were obliged to take still more stringent measures. In the field of trade, those measures were the raising of customs tariffs and the fixing of import quotas; in the monetary field, suspension of convertibility and devaluation. The final steps were selective control of imports, discriminatory trade policies and strict bilateralism. By that sequence of events, a lowering of effective demand in a country could either bring about a general crisis or provoke measures resulting in a partitioning of world economy, inconsistent with the principle of the division of labour and, therefore, contrary to the general interest.

28. Mr. Boris thought that none of the documents so far placed before the Council had given a clearer description of the spread of unemployment and its epidemic character, or of the conditions necessary for the establishment and maintenance of multilateralism and convertibility; nor had it ever been more clearly shown that it was each country's duty towards the international community to maintain full employment in its territory.

29. The chain-reaction process undoubtedly corresponded to the development of an acute crisis. The warning of 1949, showing as it had done the grave effects of what had been not even the beginning of a crisis but merely a slight "recession", might perhaps be short-lived; there was hope that the recovery signalled at the end of 1949 would be a lasting one and would put an end to uncertainty and anxiety. That recovery, however, could not be entirely relied upon, and the future was not yet assured. Conscious and co-ordinated action alone could offer a guarantee against the danger of an economic crisis spreading over the whole world.

30. The merit of the experts' plan was that it defined such possible action in a plan which was both logical and far-reaching. Whatever criticisms might be made of it and whatever reservations might be expressed, the plan would, in the absence of any counter-proposal or indeed of any other proposal, have to be regarded as a basis for discussion. The French Government, for its part, would examine it with care and in a spirit of good-will.

31. Mr. Boris reviewed the report and made some succinct and general observations in regard to it.

32. It was the duty of every country to ensure the maintenance of full employment on the national level. That being so, the report rightly devoted the first part of its recommendations to domestic measures.

33. The experts held that the first of those measures was the adoption of an employment target, the second the establishment of a programme for full employment and economic stability by means of an appropriate fiscal policy, control of the volume of private investments, planning of public investment, stimulation of consumption and stabilization of incomes of primary producers. The report recommended that each country should adopt automatic compensatory measures against unemployment, ensure the stability of the price level and prevent inflationary tendencies. Those recommendations were supplemented by other suggestions concerning governmental machinery and administrative organization intended to ensure the implementation of the basic recommendations.

34. The French delegation had no objections to the principles on which those recommendations were based and which had, moreover, been approved by the Economic and Employment Commission. Mr. Boris wished, however, to explain his Government's position on some particular points.

35. With regard to what the report termed "governmental machinery" and "administrative organization", he recalled that, under the French Constitution, full employment was proclaimed as a desired end. Consequently, in so far as the experts' proposals would serve to attain that end, there could be no fundamental opposition between French governmental and administrative action

and the measures advocated. At the same time, as had repeatedly been pointed out in the Commission, that action as the experts understood it would entail a certain amount of delegation of powers, for instance in budgetary and fiscal matters, and would raise political questions which, if not constitutional, were at least related to parliamentary procedure. In that field, the will of the legislator was supreme. The question was to what extent commitments involving, sometimes, very considerable sums could be made in advance and on a long-term basis. To that question, it was difficult to give a reply.

36. That preliminary observation regarding the so-called domestic measures proposed in the report of the Group of Experts applied also to the international measures.

37. One of the basic elements of the plan was the fixing of a full employment target. The Economic and Employment Commission had rightly stressed the importance and value of that proposal. In that connexion, Mr. Boris drew attention to a serious, though perhaps not insuperable, difficulty which, in his view, applied particularly to France. Owing to the semi-agricultural and semi-industrial structure of the country, to the relatively high number of independent workers, artisans, tradespeople and small business men, and also to a certain flexibility in the rhythm of work which the law encouraged, there was in France a peculiar elasticity in the field of employment which made precise measures very difficult. The French economy was organized in such a way that the consequences of international depressions could not be satisfactorily recorded until some time afterwards, and then only incompletely. As a result, France was a country where it would undoubtedly be more difficult than elsewhere to set up an instrument to determine exactly where and when automatic measures should be put into effect. The experts were too much inclined to treat the questions before them as if they were mathematical problems.

38. As regards the establishment of a continuing programme for full employment and economic stability, the report carefully explained that the essential features of such a programme would vary from one country another; consequently, Mr. Boris' remarks on that subject would not be in the nature of reservations but, rather, of elucidation.

39. The situation in France was characterized by the high degree of nationalization. True, the nationalization of banks and insurance companies had no direct effect on the maintenance of demand; however, nationalization of railways, coal-mines, gas and electricity, not to mention the aircraft industry, air transport and a part of maritime transport, made it possible to maintain a demand for equipment, justified by the anticipation of long-term requirements, where private enterprise, more directly guided by considerations of immediate gain, might in a period of economic regression be forced to restrict investments owing to a reduction of financial resources and the fear of insufficient outlets.

40. Recovery from the destruction of the war was, moreover, being achieved by means of a long-term programme. Consequently, the French plan for reconstruction, re-equipment and modernization provided a sort of powerful regulating mechanism, which might slow down investments or speed them up in such a way as to balance fluctuations due to circumstances.

41. The public authorities were able directly to influence the volume of investment, which currently represented nearly half of the total public expenditure. Since the need for reconstruction and equipment was, virtually, unlimited, they could at any time take suitable action to stimulate demand as far as was desirable. It was sufficient for the modernization and re-equipment fund, which each year devoted a considerable part of the public revenue to repayable advances and to interest, to be given additional credits, or for the *Crédit national*, which granted direct long-term loans and participated in the financing of medium-term investments, to be more liberal in the distribution of credit. Another possible method would be a larger issue of the securities given to those who had suffered war damage, to finance reconstruction work. Finally, at the same time, in the overseas territories, payments out of the investment fund which had been established for economic and social development might be speeded up if circumstances required.

42. In those circumstances, the French Government would probably be led automatically, in the case of a decrease in effective demand, to apply the experts' recommendations concerning an increase in investment before, and perhaps in preference to, those relating to taxation. The French Government had already had occasion to make use of the regulating mechanism, by limiting investment in 1947, when the threat of inflation seemed to necessitate such action, and later by allowing it to increase to a certain extent, in 1949, when the threat appeared to have passed.

43. The experts considered social security contributions to be an automatic stabilizer. It should be noted, so far as France was concerned, that the social security system had lately been considerably extended, in particular by the development of family allowances. Under that system, fixed sums were paid, regardless of circumstances, to large classes of consumers whose needs had the least chance of being met. By redistributing about 10 per cent of the national income—a minimum proportion which would be exceeded—it constituted a powerful brake on a fall in consumption. In its current stage of development, and in the political conditions existing in France, however, it did not appear to possess the necessary flexibility to act as an automatic stabilizer, as the experts proposed. It would be psychologically difficult, at least in France, to decree a reduction in contributions and later re-establish them in full.

44. So far as stabilization of the incomes of primary producers was concerned, Mr. Boris said the experts' recommendation was already applied in France in the form of guaranteed prices for certain essential products.

45. Finally, the experts had recommended that Governments should ensure the stability of the price level and in that connexion they had been accused of underestimating the importance of combating inflationary tendencies. They had answered that accusation in advance by stating that a study on the maintenance of full employment should normally emphasize deflationary factors, rather than inflationary pressures, for the simple reason that inflation was not in itself a cause of unemployment. In addition, they had remarked, in another passage of their report, that an inflationary crisis could not spread beyond national frontiers in the same way as a deflationary crisis. In the case of inflation, the

contagion ceased because the country suffering from inflation lost its monetary reserves, and, when those reserves were exhausted, the inflation necessarily stopped. On the other hand, the spread of deflation went on indefinitely.

46. True, it might be argued that in the case of a country which had very large reserves and which played an important part in international trade, the inflation might continue for a long period and its effects might be felt abroad. On the whole, however, the experts' reply was theoretically sound. It was none the less true that Governments had not only a national but an international obligation to combat inflation.

47. The French Government was conscious of that obligation. It had been engaged in the struggle against inflation ever since the Liberation, and a certain amount of satisfaction was justified when the considerable progress made in 1948 and 1949 was noted. Inflationary pressure had not only been kept in check but practically stopped, as was proved by the fact that in 1949 the level of prices had remained fairly stable. Nevertheless, the danger of inflation still remained in France. He was inclined to think that the danger of inflationary pressure within the country was greater than that of deflationary pressure from abroad. The very structure of the French economy enabled it to protect itself with relatively greater facility against the latter, for the reasons he had already indicated, as well as the remarkable fact that the relationship between foreign trade and national income was very slight; that was clearly apparent from table 37, annexed to the study on "Major Economic Changes in 1949", which showed that in 1948 French imports represented only 12 per cent and exports only 8 per cent of the national income.

48. After dealing with national measures, he turned to the recommendations on international measures. He would comment more briefly on that subject for, while national measures had necessarily been contemplated by his Government before the appearance of the report of the Group of Experts and independently of it, that was not so in the case of international measures.

49. In general, the French delegation thought the experts deserved commendation for the way in which they had defined the international problem of full employment, in so far as unemployment had been due to inadequate demand: they had stressed the relative responsibility of creditor and debtor countries, as well as of countries with a full employment policy and those whose economic system entailed a greater or less amount of unemployment.

50. As well as advocating the fixing of employment targets, the report suggested that each country should assign targets for the main items that went to make up its balance of payments. His delegation noted that that would not be an innovation; since the inception of economic aid to Europe, the OEEC countries had drawn up estimates of their future balance of payments situation and had striven to adjust them to one another. Although the results of that first experiment had not been completely conclusive in that the estimates had too often proved inaccurate, it was none the less true that the effort had been fruitful. The French Government would therefore have no difficulty in implementing the experts' recommendation.

51. There was no *a priori* reason why that practice should not extend beyond the boundaries of Europe. On the contrary, it would gain in significance and efficacy if it were generalized, for efforts at adjustment were liable to be unavailing so long as essential factors in the international balance of trade remained completely unknown. Only an over-all comparison could bring out inconsistencies. That method would doubtless reveal both to creditor and debtor countries what remained to be done if they wished to achieve a balance in international trade.

52. In that connexion, the French delegation endorsed the statement of the Economic and Employment Commission that it was necessary and urgent for all countries, in particular those with a favourable balance of payments, to reduce obstacles to importation. It should not be forgotten, however, that the removal of such obstacles could not alone suffice in the absence of a full employment system. Economists knew that the theory of comparative costs did not apply in a country where there was a hypothetical reserve of unemployed labour capable of undertaking any competitive production, provided there was a profit-margin, however slight.

53. He would not go into details of the proposals for stabilizing the flow of international investment. While recognizing that such proposals raised serious problems for the great capital-providing countries, he would confine himself to saying that he would place no obstacle in the way of efforts to regularize that flow. The current situation in France was such that it needed international capital; economic aid to Europe had provided it, not in the form of an investment, but as a gift. At the same time, however, France was making increasingly large investments in its overseas territories, and the time could be foreseen when metropolitan France would become an exporter of capital. Its capacity for foreign investment would, in practice, however, be almost completely absorbed for a long time to come by the needs of the French Union, so that, as a provider of capital, it was not likely that France would be able in the foreseeable future to contribute to a "pool" such as that suggested in the report, if such a "pool" were established.

54. It was impossible for the time being to decide whether the International Bank for Reconstruction and Development could and should play the role which the experts wished. When listening to the speech by the President of the Bank some days previously (353rd meeting), Mr. Boris had been convinced that the suggested operations were outside the plan of work laid down in the Bank's Articles of Agreement and did not correspond with its current policy. It remained to be seen, and that was important, whether two activities of a very different character, the one based on rentability and the other on long-term usefulness, might at least be superimposed even if they could not be made to agree. The Board of Governors of the Bank would no doubt have a chance to study that question and to give its opinion.

55. The last series of recommendations in the report referred to a plan for stabilizing the flow of international trade. It would be noted that if the necessary national measures were applied in such a way that full employment was ensured everywhere, and if, on the other hand, adequate international measures enabled the flow of in-

vestment to be maintained, the very bold proposals of the experts, which undoubtedly constituted one of the most original parts of their report, would not have to be applied. Such a hypothesis was unfounded, however, and that was why the French Government was inclined to view the recommendations made with much interest and attention.

56. In examining those recommendations closely it would be seen that they were not altogether new. The same field had been covered and the same type of questions had arisen within the European framework of OEEC, which had drafted and put into effect a plan that included drawing rights for debtor countries, and which had studied, and was still studying, under the heading of free exchanges, methods which were somewhat similar to those recommended by the experts.

57. The French Government had recently stated that it favoured the introduction of provisions in the plan for the organization of inter-European payments, which would offset the international consequences of the policy of countries the creditor position of which improved simultaneously with an increase in employment, and compel them to place additional facilities at the disposal of the approved European monetary authority.

58. In view of its position in Europe, the French Government could only look with favour on an extension of the application of that principle, without, however, expressing any final opinion on the methods contemplated. Other methods might perhaps be found which, not having a character of sanctions, might be less objectionable psychologically and would answer certain criticisms made by the Commission.

59. He added that, in the case of the International Monetary Fund, as in the case of the Bank, there arose problems of a statutory and also of a practical nature on which it would be necessary to obtain the Funds opinion.

60. While he approved the experts' plan in principle, that fact did not mean that he accepted it as it stood. He had not entered into details but had nevertheless made certain reservations, and had pointed out certain difficulties which might arise in the application of the plan. In his opinion there were still other obstacles.

61. The temptation, when confronted by a well-conceived but daring plan, was doubtless to say that it was too difficult and Utopian. A problem existed, however, and it could not be evaded. The question was whether, should the occasion arise, the democratic countries would be able to prevent an economic crisis, similar to, but less serious than, the one through which the world had already passed—a crisis which was cyclical in origin, but aggravated by that type of chain reaction so well described in the report of the Group of Experts—from causing general unemployment in the industrialized countries, a depression in, and a further impoverishment of, the under-developed countries, to the great joy of those who did not believe in the survival of democracy.

62. It was debatable how far the question was of immediate concern. Indeed, it was thought by some that remedies could be applied, even at the last minute, and that such remedies would reduce the extent of fluctuation and thereby prevent it from attaining the dimensions of the 1929-1932 crisis. In a world which

was still suffering and had not yet completely restored its devastated areas, the effect of even a minor crisis, the consequences of a so-called "recession", would be sufficiently serious to make it essential to prepare for any eventuality. A strategic plan should be drawn up to prevent that devastating scourge from overwhelming the civilized world. That was why his delegation thought that the experts' plan was timely.

63. Whatever decision the Council might take with regard to the plan, it could not in any case simply reject it out of hand. If the Council could neither adopt the plan nor adapt it, it was its duty to replace it by an equally effective programme. The experts' reasoning, the logic of which was flawless, confronted the Governments with a dilemma: they must either accept it and put into effect a programme of national and international measures which would permit the restoration of multilateralism and convertibility—the ideal system, to which his country was attached and for which it had always striven on previous occasions, both at Bretton Woods and Havana—or they must be resigned to the partitioning of world economy, to the victory of a system composed of commercial and financial restrictions under the guise of protection against the infection of unemployment, in other words, a system based on discrimination.

64. That was truly a dilemma: at their existing stage of political and social evolution democratic countries would be unable to accept the risk of millions of human beings being reduced one day to inaction, without sufficient means of subsistence. Whether from a political, social or economic point of view it was impossible to accept the philosophy which admitted that so-called less productive elements—that term did not apply to sick, disabled and old persons, who were non-productive—should be condemned to an indefinite period of unemployment. It was sufficient to point out that the contribution of less productive elements, from the moment that they began to work—assuming, of course, that they did not take the place of other producers—added to the total mass of goods placed at the disposal of the community.

65. There was no conflict between encouragement of productivity and stimulation of full employment. If a country's ideal was simply to show a high index of productivity, the result might well be to refuse work not only to a large number of craftsmen but also to other elements which were regarded as less productive. That lesser productivity itself could not be imputed to individuals as a personal defect, bringing with it its own penalty—unemployment—for it was often due to other causes for which the national or international community was responsible.

66. If Western civilization were to entail and to accept the recurrence of unemployment, there could be no greater victory for those who declared, at each fresh crisis, that the democratic régimes were doomed to perish in a final grandiose economic catastrophe. That conviction, which was upheld and which was undoubtedly at the basis of the serious political tensions of the moment, was a sort of challenge which the Council must, and he was convinced could, take up.

67. Mr. CHANG (China) congratulated the members of the Group of Experts and of the Economic and

Employment Commission on their remarkable study of the problem of full employment. That problem, which had been before the United Nations since the San Francisco Conference, was a fundamental problem, in that it linked institutions and economic phenomena with the well-being of mankind.

68. He noted that the Council was now stressing a different aspect of the problem; he approved of the Commission's recommendation, which made it clear that the question was so important that the report of the Group of Experts should be transmitted to all the Governments, specialized agencies and non-governmental organizations concerned. In that way everything that was said and written about the problem would be communicated to Governments and the members of the Council would be in a better position, at its eleventh session, to criticize the substance of the report and to produce practical recommendations.

69. In conclusion, he remarked that consideration of the report of the Group of Experts was a typical case of a "conference" subject which the Council should examine at its following session.

70. Sir Ramaswami MUDALIAR (India) joined with previous speakers in congratulating the Group of Experts, which had drawn up an outstanding report. There was a tendency for laymen to think that experts, and particularly experts on economic matters, seldom agreed; the Group of Experts appointed by the Secretary-General had proved the contrary. The Secretary-General should also be congratulated for his wise choice of experts. Finally, the Secretariat concerned had rendered valuable assistance, which had considerably facilitated the work of the experts. Outside the immediate circles of the Economic and Social Council, its commissions and committees, the importance of the work accomplished by the Secretariat and the competence with which it submitted useful suggestions to Council members was not fully recognized. That point was worthy of emphasis, particularly in view of criticisms which had recently been made.

71. The question of full employment had first been considered at the San Francisco Conference. When the members of that Conference had drawn up Chapter IX of the Charter, it had been clear that there were two opposing schools of thought. One had advocated the maintenance of a high and stable employment level as the objective in the economic field; the other had wanted full employment to be the objective. The latter view had been accepted then and it could be seen that the Group of Experts was of the same opinion.

72. Article 56 of the Charter stated how that objective was to be attained: both national and international measures were called for. It was for that reason that the Group of Experts had classified its recommendations in two categories.

73. Although the Indian Government had not had time to make a very thorough study of the report of the Group of Experts, Sir Ramaswami had some comments he would like to submit to the Council. In particular, he had the impression that some representatives thought that the problem of the economic development of under-developed countries came into the discussion too frequently. It would not be advisable, however, to

disregard the point of view of the under-developed countries; upon the solution of that problem depended not only the prosperity of those countries but also the development of world economy as a whole. It was a problem which had to be considered simultaneously with all the other economic problems if the objectives of the Charter were to be attained.

74. During the first session of the Economic and Social Council, the United States representative had proposed that a preparatory conference should be convened to study means for the development of international trade exchange.¹ The Council had adopted that proposal,² and the Havana Conference, which had been the outcome of that decision, had laid the foundations of the International Trade Organization. In the discussions which had taken place in the Council at that time, the representative of Ecuador, who had asked to be allowed to speak, had vigorously defended the point of view of the under-developed countries.³ The report of the Group of Experts must be considered in the light of those historic facts.

75. In paragraphs 7 and 20 of its report the Group of Experts had emphasized the importance of the problem of the development of under-developed countries. Nevertheless, it appeared subsequently to have come to the conclusion that the study of certain aspects of the problem was beyond its jurisdiction and had therefore confined itself to a study of unemployment arising from a lack of effective demand; its reasons for that decision were to be found in paragraph 22 of the report.

76. He had no fault to find with that decision but he thought that in the circumstances the Council should give careful consideration to the problem of full employment in its relation to the economic development of under-developed countries. In that connexion, General Assembly resolution 308 (IV) entrusted the Council with a specific task. He read extracts from that resolution to show that the General Assembly had emphasized the necessity of action to overcome unemployment and under-employment and that to that end it was necessary to stimulate the economic development of under-developed countries. The Council could take up that problem at its following session, by which time it would have received the observations of the various Governments.

77. There was another closely related question, that of international investments in under-developed countries, which was also of considerable interest. The statement he had made at the 353rd plenary meeting of the Council might have given rise to certain misunderstandings. He had not by any means intended to state that investments should be made in under-developed countries without any safeguards and without any consideration of the possibility of reimbursement, neither had he asked that grants should be extended to those countries. He had merely stated that the natural and human resources of the countries concerned constituted excellent guarantees in themselves.

78. A tribute should be paid to those States which had given unprecedented assistance to countries ravaged by

war, so as to enable them to restore their economy. Indeed, not only those who had benefited by that assistance but all the countries of the world should be grateful to the United States of America and Canada, for in helping the devastated countries they had wished to facilitate the return of economic prosperity to the world. If, however, that was the philosophy on which action was to be based, it must also be recognized that it was loans, not gifts, which the under-developed countries needed. That was a question which the Council would discuss at its following meetings.

79. He thanked the United States delegation for having distributed copies of the *Economic Report of the President transmitted to the Congress (January 1950)*. That report made it clear that international measures were necessary to ensure the prosperity of each country. Those countries which were able to contribute towards the common prosperity must do so not only in the general interest, but also in their own interest.

80. In conclusion, he declared that the problem of full employment could be solved only if all States and specialized agencies were asked to fulfil certain obligations and to give the recommendations included in the report of the Group of Experts favourable consideration.

81. The PRESIDENT stated that the general discussion on items 7 and 8 of the agenda was closed. He drew the Council's attention to the draft resolution of the Economic and Employment Commission contained in the Commission's report (E/1600, annex A), and to the amendments of Chile (E/L.22) and the United States (356th meeting, paragraph 25).

82. He called upon the Council to take a decision on those texts.

83. Mr. DROGUETT DEL FIERRO (Chile) said that the summary records of the meetings during which the Council had considered the report of the Economic and Employment Commission would undoubtedly be of great interest to Governments. It was for that reason that the Chilean delegation had presented its amendment.

The Chilean amendment to the Commission's draft resolution was adopted unanimously.

The United States amendment to the draft resolution was adopted unanimously.

The draft resolution of the Economic and Employment Commission, as amended, was adopted unanimously.

84. The PRESIDENT drew the Council's attention to the Belgian delegation's draft resolution (E/L.21).

85. Mr. MASOIN (Belgium) stated that any conclusions the Council might come to on the question of full employment could not rest on any sure foundation unless the Council had been able to make use of statistical data drawn up under the best possible conditions. At the moment there was no complete co-ordination of statistics between the various countries. The Sixth International Conference of Labour Statisticians had proposed a number of very useful measures to ensure such co-ordination.

86. The sole purpose of the Belgian draft resolution, which was drafted in very cautious terms, was to draw the attention of Governments to the resolution that

¹ See *Official Records of the Economic and Social Council, First Year, First Session, 7th meeting.*

² *Ibid.*, 13th meeting.

³ *Ibid.*, 9th meeting.

conference had adopted; it did not contain the slightest suggestion that the Council should accept the conclusions at which the Conference of Labour Statisticians had arrived.

87. Mr. OWEN (Assistant Secretary-General in charge of the Department of Economic Affairs) stated that the Statistical Office of the United Nations was in close touch with the International Labour Organisation and had taken part in the Conference of Labour Statisticians.

88. In the circumstances, it could not do other than approve of a proposal which would draw the attention of Governments and members to the work done by ILO and the United Nations Statistical Office.

89. Sir Ramaswami MUDALIAR (India) proposed that the words "and would facilitate the drafting of specific recommendations" in paragraph 2 of the Belgian proposal should be deleted.

90. He was afraid that it would not be possible to obtain all the necessary data for the drafting of such recommendations.

91. Mr. PLIMSOLL (Australia) had a similar objection, but felt that the amendment suggested by the Indian representative did not meet the position. Mr. Plimsoll proposed that the words "are required" in paragraph 2 of the Belgian draft resolution should be replaced by the words "would be useful".

92. The data would be useful but their absence would not prevent detailed study and recommendations. The establishment of comparative data was a long and costly process, and would have to be considered in relation to other demands for the skilled labour and equipment involved.

93. Mr. MASOIN (Belgium) said that he was more interested in the substance of his draft resolution than

in its actual wording; he was therefore perfectly willing to accept the Australian amendment.

94. He could not, however, accept the Indian amendment, for he thought that if the Council was to draw up specific recommendations at its eleventh session, as a result of its study of the report of the Group of Experts, it must possess complete statistical data to justify those recommendations. Even if those data could not have reached the final degree of perfection, it must nevertheless be available before the Council could draw up recommendations of any value.

95. Sir Ramaswami MUDALIAR (India) said he was in favour of the Australian amendment and withdrew his own.

96. Sir Sydney CAINE (United Kingdom) supported the Belgian draft resolution (E/L.21), but pointed out that the establishment of comparative data on the scale proposed by the Belgian representative was a very complicated matter.

97. He therefore hoped that when ILO examined the question, it might be able to consider the possibility of putting forward some more simple suggestions which could be put into effect straight away.

The Belgian draft resolution incorporating the Australian amendment was unanimously adopted.

98. The PRESIDENT proposed that the Council should adopt the following resolution:

"The Economic and Social Council

"Takes note of the report of the Economic and Employment Commission on its fifth session (E/1600)."

It was so decided.

The meeting rose at 1.5 p.m.