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CONTENTS

	Page
Report of the Executive Board of the United Nations International Children's Emergency Fund (E/2013): report of the Social Committee (E/2078) . . . . .	245
Economic development of under-developed countries (E/1986, E/2007 and Add.1 to 5, E/2024, E/2029 and Add.1, E/2047 and Add.1, E/2061):	
(a) Methods of financing economic development;	
(b) Report of the group of experts appointed by the Secretary-General under Council resolution 290 (XI), paragraph 22, on measures for the economic development of under-developed countries . . . . .	246
Report of the Economic Employment and Development Commission (sixth session) (E/2006) (resumed from the 505th meeting) . . . . .	
Full employment (E/2035 and Add.1, E/2045, E/2071, E/CN.4/81 and Add.1 to 10) (resumed from the 503rd meeting) . . . . .	247

*President:* Mr. Hernán SANTA CRUZ (Chile).

*Present:* Representatives of the following countries: Belgium, Canada, Chile, China, Czechoslovakia, France, India, Iran, Mexico, Pakistan, Peru, Philippines, Poland, Sweden, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay.

Representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, International Monetary Fund, World Meteorological Organization.

**Report of the Executive Board of the United Nations International Children's Emergency Fund (E/2013): report of the Social Committee (E/2078)**

1. Miss KERNOHAN (United States of America) said the work of the United Nations on behalf of children established in connexion with the United Nations International Children's Emergency Fund (UNICEF) was of considerable significance. Her delegation was gratified that in the Social Committee so many representatives had spoken in praise of UNICEF, emphasizing *inter alia* the need for long-term assistance to help governments improve their permanent child-care services, for the substantial extension of the UNICEF programme to under-developed countries and for additional contributions from governments, private organizations and individuals to assist UNICEF in widening the scope of its work. Her delegation had stated its appreciation of the work of the Executive Board, under the able chairmanship of Mrs. D. B. Sinclair, of Canada. The activities of UNICEF during the past months reflected a happy

synthesis of the views held by the United States of America and those of other participating countries.

2. UNICEF had aided children in sixty-four countries, had assisted governments to improve their child-care services through the provision of supplies and equipment in co-operation with the various specialized agencies and had obtained contributions in excess of 155 million dollars. Those contributions had come not only from Members of the United Nations but also from such countries as Switzerland, whose contribution both in money and services had been considerable. Her delegation felt indebted to Mr. Lindt, of Switzerland, Chairman of the Programme Committee of UNICEF, for the valuable work he had done.

3. Contributions were still sorely needed if UNICEF was to continue to provide help for children in under-developed countries. Her delegation hoped that such contributions would continue to be speedily forthcoming, and that her Government, which had done so much in the past for UNICEF, would continue to make contributions to implement General Assembly resolution 417 (V). The President of the United States had submitted to Congress, on 9 August 1951, a request for an authorization of 12 million dollars to UNICEF for the fiscal year ending 30 June 1952. In his message to Congress, the President had stated that UNICEF had helped more than 15 million children in Europe and that its main work was now shifting from that continent to the under-developed areas of the world. The President had expressed confidence that the people of the United States would want to continue to support the work which UNICEF was doing. Support of UNICEF meant support for the high aspirations and objectives of the United Nations and of

the Council, and she hoped, therefore, that there would be unanimous acceptance of the Social Committee's recommendations on UNICEF.

4. Mr. DELHAYE (Belgium) said that his delegation, which was following the very useful activities of UNICEF with close attention, attached great importance to its co-operation with the non-governmental organizations engaged in providing relief for distressed children. It therefore noted with interest that according to paragraph 211 of the report of the Executive Board of UNICEF (E/2013), the Executive Board was studying "the basis on which it would be prepared to offer consultative status" to the UNICEF Advisory Committee of Non-Governmental Organizations. According to paragraph 209 of the report, the Executive Board envisaged general consultative status for all non-governmental organizations through the Advisory Committee. That was a new formula arising apparently, out of paragraph 5 of Council resolution 288 B (X), which stated that a group of non-governmental organizations might form a joint committee or other body authorized to carry on consultation for the group as a whole. It should, however, be pointed out that in permitting non-governmental organizations to express their views, the Economic and Social Council had never meant to reduce such consultations to the hearing of a general majority or minority view. It seemed especially essential in the case of institutions concerned with children to allow each organization to express its own opinion directly before the government representatives. It should, moreover, be noted that it was the Executive Board of UNICEF which had taken the initiative of establishing the Advisory Committee, whereas the Council resolution had left the decision to the non-governmental organizations themselves.

5. His delegation hoped that, after the Executive Board had received the Committee's advice in accordance with paragraph 211 of the report, it would be prepared to reconsider that method of consultation with non-governmental organizations.

6. He did not make the foregoing statement with the object of opening a discussion on that point but merely desired it to appear in the minutes of the meeting.

7. Mr. AMANRICH (France), observing that the point raised by the Belgian delegation could if necessary be discussed by the Executive Board of UNICEF at its next meeting in Paris, expressed his delegation's appreciation of the work done by the Board during the session of May 1951.

8. The French Government attached very great importance to UNICEF's work, to which it had made several contributions and his delegation would vote for the draft resolution (E/2078) submitted to the Council by the Social Committee.

9. The PRESIDENT declared the discussion closed.

10. Mr. ZONOV (Union of Soviet Socialist Republics) said that his delegation would abstain during the vote on the Social Committee's resolution, because the Executive Board of UNICEF had refused to grant funds, previously allotted, to Albania and other People's

Democracies. He added that, while abstaining during the vote on the resolution taking note of the report of the Executive Board of UNICEF, he would make a reservation with regard to the words "with satisfaction", as his delegation did not agree to their inclusion in the text of the draft resolution to be adopted by the Council.

11. The PRESIDENT wished to associate himself with the appreciation expressed by the members of the Council both in the Social Committee and in the Council, for the work done by UNICEF.

12. Mr. CABADA (Peru) associated his delegation with the congratulations to UNICEF: an organ of the United Nations which was very deeply appreciated by the peoples of the whole world.

13. The PRESIDENT put to the vote the draft resolution on the report of the Executive Board of the United Nations International Children's Emergency Fund, submitted to the Council by the Social Committee in its report (E/2078).

*The resolution was adopted by 15 votes to none, with 3 abstentions.*

**Economic development of under-developed countries (E/1986, E/2007 and Add.1 to 5, E/2024, E/2029 and Add.1, E/2047 and Add.1, E/2061):**

- (a) **Methods of financing economic development;**
- (b) **Report of the group of experts appointed by the Secretary-General under Council resolution 290 (XI), paragraph 22, on measures for the economic development of under-developed countries.**

**Report of the Economic, Employment and Development Commission (sixth session) (E/2006) (resumed from the 505th meeting)**

14. Mr. KRISHNAMACHARI (India) proposed that discussion of the amendments to the draft resolution contained in the report (E/2061) of the Economic Committee should be postponed, in order to enable delegations to study the amendments that had just been submitted, and that the proceedings at the current meeting should be limited to a statement by the Pakistani representative introducing his new amendments (E/L.210).

*It was so agreed.*

15. Mr. ISMAIL (Pakistan) said that his delegation, in common with most of the other representatives of under-developed countries in the Council, felt that the draft resolution submitted by the Economic Committee failed to suggest any practical methods for the solution of the problem of financing the economic development of under-developed countries. It merely proposed a further review of existing institutions and techniques. While he agreed with the United Kingdom representative that the resolution did not rule out the possibility of certain international agencies being set up to promote the flow of capital to under-developed countries, it did not in fact include any practical recommendations capable of producing immediate results.

16. Explaining the reasons underlying his delegation's amendments to the Economic Committee's draft resolution, he stressed, with reference to paragraph 7, that Pakistan welcomed foreign capital advanced for purely economic motives and without claims for special privileges, and had no intention of imposing any unreasonable conditions. Were it to impose such conditions, Pakistan would be defeating its own ends. It was, however, anxious to ensure participation of Pakistani nationals in both the administrative and the technical services of industries financed by foreign investment. It would also like to see concerns which sought to establish themselves in Pakistan provide training facilities for nationals of the country.

17. Again, Pakistan was glad to receive foreign capital, provided the participation of domestic capital was ensured and monopolies avoided. His delegation considered that, in the national interests, Pakistani citizens should ordinarily be given the option of subscribing at least 51 per cent of all classes of share capital and debentures in industries like cement, coal, cotton spinning and weaving mills, electric power, minerals, heavy chemicals, etc. As regards other industries, Pakistani nationals should be given the opportunity of subscribing at least 30 per cent of the capital. If, however, the Government was satisfied that the requisite amount of domestic capital was not forthcoming, the balance might be subscribed by foreign investors.

18. Subject to those conditions, which were necessary for the safety as well as for the political and economic well-being of the country, foreign investment was assured of fair and just treatment. His country had no intention of placing any restrictions, other than those of general application arising from foreign exchange limitations to which such remittances were subject everywhere.

19. His delegation would have preferred the Council to take concrete and practical steps for the provision of increased external financial assistance through an impartial international agency, but it seemed clear from the statements of the representatives of countries in a position to contribute that, confronted as they were with other problems, they could not at present make substantial contributions to any fund that might be established. He would, however, impress upon the Council a sense of urgency, since the question of raising the standard of living in under-developed countries brooked of no delay.

**Full employment (E/2035 and Add.1, E/2045, E/2071, E/CN.I/81 and Add.1 to 10) (resumed from the 503rd meeting)**

20. Mr. ATWAR HUSSAIN (Pakistan) expressed regret that his Government had been unable to send a written reply to the very comprehensive questionnaire circulated by the Secretary-General. The reason for that omission was that in Pakistan the assessment of employment and under-employment, the computation of the gross national product and the estimation of changes therein caused by economic factors, on all of which points information had been requested in the Secretary-General's questionnaire, were beset with serious difficulties. His country was handicapped by the fact that the statistical organizations

and the technical machinery needed to collect and collate data so as to present them in systematic form were still in the embryonic stage. A central statistical organization had, however, been set up during the last quarter of 1950 to collect statistics of all kinds. He would, therefore, take the opportunity to reply briefly to the points enumerated in the questionnaire.

21. As regards the establishment of a full-time employment standard, his Government had not as yet evolved an arithmetical standard within the meaning of Council resolution 290 (XI). In that Pakistan was not alone; no country, except the United Kingdom, having so far succeeded in adopting a specific standard. The position was all the more difficult in the case of Pakistan, where the main problem was how to assess the large-scale under-employment in agriculture. An additional difficulty was the fact that the first census in Pakistan had been only recently completed and a detailed report on the census, providing information on, *inter alia*, the age, composition, and occupational distribution of the population, was still awaiting publication. If, however, the experts on the economic development of under-developed countries were correct in their estimate that under-employment in India and Pakistan amounted to at least 25 per cent of the total active population, the problem of establishing a full employment standard in Pakistan appeared to be largely academic.

22. His Government thought it more expedient to evolve practical policies and programmes aimed at increasing employment to its furthest limits rather than attempt to lay down a standard which it would, in any case, be impossible to attain for some time. The problem of unemployment in Pakistan was of the chronic type, the main feature being that too many people were working with too few tools. It was generally admitted, and emphasized in the report entitled *Measures for the Economic Development of Under-developed Countries* (E/1986) that the principal way to reduce unemployment in countries like Pakistan was through economic development. The most significant new development in that direction was the establishment of the Colombo Plan. The Government of Pakistan, after making a thorough survey of the existing potential in various economic fields, had integrated its previous economic programmes in a comprehensive six-year plan which would involve a total capital expenditure of 2,600 million rupees. At the Council's last session, his delegation had given details as to how that expenditure would be allocated. The greater part—namely, 1,400 million rupees—would be met from domestic sources. A noteworthy new development had been the initiation of a similar two-year plan which dovetailed into the larger plan and which was aimed at developing certain priorities. The Government had set up an Economic Council consisting of six ministers of the Central Government entrusted with the task of implementing the plan.

23. The Economic Council would be assisted by a planning commission whose function would be: (a) to co-ordinate development plans, central and provincial, so as to ensure the best possible use of available sources; (b) to make recommendations to the Economic Council concerning priorities among different schemes; (c) to

suggest projects within the over-all plan for consideration by the ministries and the provincial governments concerned before submission to the Economic Council; (d) to prepare, under the orders of the Economic Council, memoranda on matters of general policy affecting development as a whole or any special aspects of it; (e) to keep a watch on the progress of development schemes, in order to obviate bottlenecks and difficulties and bring them to the notice of the Economic Council; and (f) to educate the public regarding the necessity for the various development schemes undertaken, so as to obtain their enthusiastic co-operation.

24. The successful implementation of the six-year development plan, which, considering the magnitude of the unemployment problem, was a very modest scheme, would depend not only on the availability from external sources of the balance of capital that could not be raised internally, but on the availability of capital equipment. His country was very grateful to those nations of the Commonwealth which had promised to supply the necessary capital. His delegation felt, however, in view of the present world economic situation, that the problem of ensuring an adequate supply of capital equipment to Pakistan, as well as to other under-developed countries, had still to be solved. If it were not solved satisfactorily, the economic development of under-developed countries would be completely jeopardized and unemployment in those countries would not decrease.

25. Industrial development in Pakistan was making rapid progress in the direction of the provision of hydro-electric power, the establishment of textile, paper and jute mills and the development of cottage industries and handicrafts. Development plans were primarily intended to increase employment. With progressive industrialization, new avenues of employment were likely to be opened in the near future.

26. His Government attached particular importance to the development of cottage industries and handicrafts. Agriculture, being a seasonal occupation, could not provide employment throughout the year even for those families which had a reasonably sized holding. Cottage industries provided a remunerative occupation for such persons when not engaged in agricultural work. Notable efforts were being made to help develop those industries by encouraging research in government establishments, so as to standardize and improve the quality of products, and by giving cottage workers credit and marketing facilities through co-operative credit societies under the aegis of the provincial governments. His Government had recently established a cottage industry inquiry committee whose instructions were to make a thorough study of the problem. Its recommendations would be implemented as soon as they became available.

27. In agricultural development, which had justifiably been given a high priority in the six-year development plan, progress had been rather slow. The difficulty, there again, had been the acquisition of adequate technical equipment. The Government had set up an agricultural inquiry committee, consisting of Pakistani and foreign experts, to examine the question of agricultural development. In view of the restricted credit facilities existing

in the country for agricultural purposes, the establishment of an agricultural development finance corporation had been receiving urgent attention from the Government.

28. Among the measures adopted to encourage the expansion of investments, he should mention the Industrial Finance Corporation, which had been established to provide assistance to private industries, and had been very active during the past year. Up to the end of February last, it had sanctioned loans to private industrialists amounting to over 12 million rupees. In the last budget, considerable concessions had been made to industrialists with a view to promoting industrial development. Industrial profits of up to 5 per cent of the capital invested had so far been exempt from taxation. That concession had been extended for a further period of three years. A further concession to the investor was the exemption from both income-tax and super-tax of a portion of the investor's total income up to one-fourth of the amount invested by him in the share capital of companies approved by the central government but not exceeding one-tenth of the tax payable by him on his total income. A concession in respect of new constructions, first granted in 1946, had been revived. Income from buildings completed between 1 April 1951 and 31 March 1953 would not be assessed for tax until two years after the date of completion. Income tax had been reduced at practically all income levels.

29. Turning to section B of the Secretary-General's questionnaire concerning balance of payments and related policies, he stressed that the situation created by the Korean conflict had given rise to a tremendous increase in the demand for raw materials. The volume of trade had shown a remarkable increase as compared with the previous year. Cotton and jute exports were the most notable features of the year's export trade. Exports of cotton to countries other than India had amounted to 1 million bales, valued at 850 million rupees, during the period July 1950 to February 1951, as against 430,000 bales, valued at 210 million rupees, during the corresponding period of the previous year. Similarly, exports of jute to countries other than India during the period July 1950 to June 1951 were expected to exceed 4 million bales as against 1.7 million bales exported during the previous year. The extent of the over-all improvement in Pakistan's trade position could be judged from the fact that trade with countries other than India, which was valued at 1,740 million rupees during the period from July 1949 to June 1950, was expected to exceed 3,000 million rupees during the period ended June 1951. The Government had continued a vigorous policy of diversification of the export and import trade so as to eliminate any undue dependence on one particular market.

30. There had been a welcome change in the country's trade balance during the current year. The balance of payments in the previous year had been unfavourable and had made it necessary to draw on sterling balances. During the current year, however, there had been a favourable balance of approximately 270 million rupees for the period from July 1950 to February 1951. That improvement had been achieved by increased exports of cotton and jute and by better prices for raw materials

rather than by restricting imports. A liberal import policy had, indeed, been instituted soon after the beginning of the budget year, and the bulk of consumer goods, such as cheaper cotton cloth, yarn, plants, machinery and most industrial raw materials could now be imported without licence. It was officially estimated that about 70 per cent of all Pakistan's commercial imports needed no licence. Such a liberal import policy had been to no small extent instrumental in arresting the rise in prices which might otherwise have occurred. On the whole, his Government considered that inflationary pressures in Pakistan had so far been effectively checked. It was, however, prepared to take more drastic measures if necessary.

31. The under-developed countries were in an especially unfavourable position with regard to the maintenance of a high level of employment. An analysis of the replies sent by the various advanced countries to the Secretary-General's questionnaire showed clearly that the mere fact of an increase in effective demand, due to the implementation of the expanded defence programme, had been sufficient to maintain a state of over-employment in those countries, since they possessed the necessary technical equipment to keep the whole of the active population employed. On the other hand, the under-developed countries, which did not possess the necessary capital equipment, could hardly improve their employment situation by an increase of effective demand generated by an improvement in their surplus trade balances. It might even be argued that, in so far as an expansion of income in under-developed countries was not matched by the increase of their capital equipment which would have enabled them to produce more, their surplus balances might actually accentuate inflationary tendencies, causing a rise in the cost of living and hardships to the general public, without leading to any increase in employment.

32. It should be stressed that, in the present world situation, it might prove quite beyond the power of the under-developed countries to increase their levels of employment unless advanced countries came forward to assist them. If the under-developed countries could be assured that they would be able to purchase the necessary capital equipment from their own foreign exchange earnings, some progress would have been made towards reducing under-employment in those countries. The Council would fail in its duty if it did not take concrete measures to ensure the fullest co-operation of the developed countries towards that end.

33. His delegation particularly welcomed the Secretariat's suggestion that the questionnaire could probably be modified somewhat to allow for the special problems of the under-developed countries to be taken into consideration. Although the problem of the economic development of backward countries was of primary interest to his country, the latter was also vitally interested in the problem of full employment in the more advanced countries of the world. His delegation felt that prosperity was indivisible and that a high level of activity in the advanced countries could do much to assist the economic development of the under-developed countries. Failure to maintain such activity in the

advanced countries might engulf the whole world in a deflationary spiral.

34. He was grateful to the Secretariat for its analysis of replies from governments to the full employment questionnaire (E/2035 and Add.1) and also to the representatives of the United Kingdom and the United States for the very full statements they had made on their full-employment policy. The United Kingdom was probably the first country outside the People's Democracies which had accepted the responsibility for maintaining full employment as a primary objective of social and economic policy. In its budgetary policy, its contra-cyclical planning of investment, its flexible tax and social insurance policy, its control and direction of investment, its promotion of activity in development areas and its creation of a large sector of public investment, the United Kingdom Government seemed to have implemented to a very large extent the recommendation of the experts on national and international measures for the promotion of full employment. He had been particularly gratified to hear from the United Kingdom representative that the maintenance of a high level of activity in the United Kingdom had not been achieved at the cost of productivity. His delegation had been concerned by certain leading articles in the *Economist* stating that full employment had been achieved in the United Kingdom only at the cost of certain economic inflexibilities, which had acted as a brake on progress.

35. His delegation had been particularly impressed by the United States representative's statement that, in spite of almost complete non-interference in the labour market, a high level of employment had been maintained. It was, however, pertinent to ask how far United States economic policy would be effective in maintaining a maximum level of activity, not in the context of the present world economic situation but under more normal conditions, if a fall in effective demand were likely to occur within the United States economy. That question, as the United Kingdom representative had said, was hardly academic. At any moment the world might be faced with a "sudden outbreak of peace". Perhaps that might amount to wishful thinking at that stage, but the question remained whether the free nations were prepared to switch over to a peace economy so as to be able to maintain the present high levels of activity. His delegation was particularly anxious to know whether in fact the full employment policy of the United States was adequate to meet a recession, should it develop to a marked degree. The United States representative had rightly pointed out that the substantial recovery in the United States economy after the recession of the early months of 1945 had taken place well before the Korean war. He was interested to know whether the recovery would have been sustained without the implementation of the United States defence programme. Supposing the recession in the United States had been far more serious, would the steps taken or contemplated by the Government in 1949 have been sufficient to arrest it? The United States Government had attributed the 1949 recovery to certain inherent resilient factors in the United States economy, such as the reluctance to cut down personal consumption, the resistance of unions to wage-cutting, the refusal of

businessmen to follow a lay-off policy and certain other factors. To many students of its economy, the United States recovery in 1949, which had required no drastic government measures, had come as a welcome surprise. The prime factor in the situation seemed to have been that the confidence of the business community had been maintained because the recession had not developed. But supposing the confidence of the business community had been badly shaken, supposing the recession had gone further than it actually had, would the Government have been able to take prompt and energetic measures to check it ?

36. The report of the experts on full employment rightly pointed out that in matters concerned with the implementation of a contra-cyclical policy, the element of time was of vital importance. For that reason many economists strongly supported the use of automatic or "built-in" stabilizers which could be put into operation at the earliest signs of a recession. The short-lived recession in the United States had succeeded in throwing the balance of payments situation in many countries completely out of gear and there was no doubt that a prolonged recession in the United States might bring nothing but disaster to many countries. It was not irrelevant to ask whether the United States Government had a well-planned, flexible public works policy, whether it had an elastic taxation policy and whether the social security programmes recently implemented were extensive enough to act as successful contra-cyclical weapons. In few countries of the world had statistical techniques and organization for forecasting economic conditions been perfected to such a high degree as in the United States, and few countries were in a position to apply stabilizing factors in their economies as swiftly and effectively as in that country. His delegation asked those questions not in a spirit of criticism but in order to obtain clarification on matters which seemed vital for the maintenance of prosperity, not only in the United States, but in the whole world.

37. His delegation supported the experts' view that the maintenance of full employment was compatible with a collectivist economy as well as with economies where decisions were to a larger extent taken by individuals. No one in the Council would seriously contend that it was possible to maintain full employment by a purely *laissez-faire* policy. A certain degree of control had been accepted by all governments. His delegation sincerely hoped that there would be no ideological controversy during the Council's discussion of the problem of full employment.

38. His delegation had noted the observations made by the Secretary-General in document E/2045 in connexion with the study on balance of payments and international trade. It had also noted the contents of the draft resolution submitted by the delegations of Sweden, the United Kingdom and the United States on that subject (E/L.208). It endorsed the views of the Secretariat and those expressed by the United Kingdom representative to the effect that, in the context of the present world economic situation, the balance of payments of a number of countries was likely to remain in a fluid state and that estimates of the future position were probably useless.

It therefore seemed wise to leave the implementation of paragraphs 11 and 13 of Council resolution 290 (XI) to the discretion of the Secretary-General and to postpone the studies contemplated on the balance of payments and international trade till such time as the Secretariat thought more opportune. On that understanding his delegation supported the joint draft resolution.

*At the invitation of the President, Miss Sender, representative of the International Confederation of Free Trade Unions, took a seat at the Council table.*

39. Miss SENDER (International Confederation of Free Trade Unions) said that full employment was one of the essential aims to be achieved in the struggle for the maintenance of freedom throughout the world. It was with that aim in view that the International Confederation of Free Trade Unions (ICFTU) whole-heartedly endorsed the report (E/1584) of the group of experts entitled: *National and International Measures for Full Employment*. It had studied with the greatest interest the replies by governments to the Secretary-General's questionnaire. It felt some disappointment that not all Member States had so far replied and that among those who had done so, only the United Kingdom had discharged its obligations under Council resolution 290 (XI) of 15 August 1950, by publishing annually the standard by which it defined the meaning of full employment as a continuing objective of policy. The United Kingdom Government had set 3 per cent as a level of unemployment at the seasonal peak. It added, however, that such a standard did not mean that it would wait until unemployment had reached that figure before taking vigorous counter-measures, such action depending upon the causes of unemployment and upon the over-all economic situation.

40. Although ICFTU appreciated the difficulty found by some countries in adopting a full-employment standard, it might have been desirable for all Governments to fix such a standard if only because the methods at present being discussed by the Council were still in the experimental stage.

41. Nevertheless, it seemed that the implementation of some of the experts' recommendations, coupled with the proposals contained in replies from governments, would serve a useful purpose. It was evident, however, from some of the replies that certain governments did not or could not collect all the data requested. That deficiency should be overcome by giving those countries some assistance in developing their statistical systems.

42. The fact that the United States Government followed a procedure whereby employment goals were announced annually did not imply any deviation from the principle laid down in the experts' report. The United States Employment Act of 1946 had obliged the government to use all practical means to create and maintain conditions under which maximum employment, production and purchasing power could be achieved.

43. It was true that, as the result of communist aggression in Korea, the economic situation had been complicated by the rising cost of a number of scarce primary commodities and by the change-over to defence produc-



tion. Thus, in many countries, the most urgent problem was to combat inflationary pressures. Governments were compelled to take action to maintain and improve the purchasing power of the masses. Some countries, including the United States, reported a comprehensive programme for expanding production. Other measures which should be taken included the control of expenditure by consumers to bring it as nearly as possible into line with supplies of producer and consumer goods. Another essential consideration was how to distribute the financial burden of the defence programme as equitably as possible.

44. ICFTU was fully aware of the priority to be accorded to rearmament against communist aggression. It was, however, desirable at the same time to expand the production of consumer goods as far as possible. She therefore welcomed the reply (E/CN.1/81) of the United States Government to question 7 of the Secretary-General's questionnaire, to the effect that one of the main objectives of United States policy at present was the preservation of economic stability. Some of the measures announced by the United States President were dictated by the need to prevent consumption from lagging behind production. That consideration had led to the revision of the social security laws in August 1950 which extended the coverage of the old age and survivors' insurance programme to nearly 10 million more persons, while its benefits were increased on an average by about 75 per cent.

45. The Council had been informed during the discussion on the world economic situation that wages and salaries in the countries of the free world had been considerably reduced as a result of their pursuance of the so-called war economy. Those who criticized the present situation in the United States had two years ago painted a sinister picture of the number of unemployed in that country. At that time the same critics had not hesitated to quote false figures and predict a steady rise in the number of unemployed. In fact the opposite had occurred. In both cases—namely, in the exaggeration of the unemployment situation two years ago, and in their present exaggeration of the loss of purchasing power in the United States, those critics had indulged in wishful thinking. The Council was already familiar with their methods which consisted in an attempt to foster dissatisfaction among the peoples of the free world and to paint a picture of steadily increasing prosperity in their own countries. If such prosperity really reigned in such countries, why did they persistently refuse to disclose definite facts and figures to prove it? All they did was to supply percentage data. Those data did not impress her organization.

46. ICFTU felt strongly that the existence of genuine free labour organizations was necessary in order to promote the interests of workers. No comment was necessary on the statement, made in the Council, that full employment was not a desirable goal. It only showed how necessary it was to discuss the problem at the present time when the unemployment situation was less acute. Moreover, its author held the view that a *laissez-faire* policy in the field of employment was correct and

that the provision of employment was not the primary responsibility of the governments.

47. There was another view, that nothing could be done about the business cycle, because it was allegedly impossible in a non-communist society to avoid repeated recessions and crises. It was argued that only those States which controlled all the means of production could bring welfare and abundance to the working man. There was no doubt about the decision of a free individual if faced with the choice between a regime which allowed its subjects no knowledge of the outside world, concealed its production behind bogus percentages and forced its citizens to accept the *status quo* under fear of deportation, and a system which made no attempt to conceal the true facts and was not obliged to exaggerate the defects of other systems so as to make the weaknesses of its own acceptable.

48. ICFTU was convinced that the fight against depression could be won. New ideas and new methods would have to be developed to that end. The Economic and Social Council should recommend: (i) the appointment by the Secretary-General of a small group of experts to keep economic conditions in all countries under continuous survey and to report to the Council on any trends threatening a major economic disequilibrium; (ii) labour participation in the administration of commodity agreements; (iii) control of profits and an equitable distribution of taxation; (iv) concerted action to permit increased exports from countries with a chronic deficit in their balance of payments and increased imports into countries with a chronic surplus; (v) improvement of social security as a counter-deflationary measure; (vi) maintenance and strengthening of free, independent trade unions; (vii) that the workers should share in the increased returns from increased productivity in industry and agriculture.

49. It was by striving to improve the well-being of all that the present generation could make its contribution to human progress. It should demonstrate that real progress in society was only possible where freedom prevailed.

*Miss Sender withdrew.*

50. Mr. STERNER (Sweden) said that he believed general agreement existed in the Council regarding the significant and beneficial effects of full employment. It was evident from a study of several United Nations publications that production had recovered more rapidly following the Second World War than following the First World War and that had been mainly due to existing conditions of full employment. For instance, in Sweden, production in manufacturing industries was 70 per cent higher at the present time than it had been in 1938. Full employment had also been responsible for the rise in the productivity rate in the whole Swedish economy which had amounted to 4 or 5 per cent per year in the post-war period as opposed to 2½ or 3 per cent between 1930 and 1940.

51. The United Kingdom representative had referred to full-employment standards and had urged other countries to follow the United Kingdom's lead in adopting a standard. The Swedish Government had not hitherto

done so since it did not feel it would be useful at the present stage. It was, however, continuing to study the question.

52. Although the full-employment standard did indeed present certain advantages, his Government believed that they did not altogether outweigh the disadvantages. For instance, a standard expressed in terms of a percentage was highly abstract in nature and might not be fully comprehended by all. Moreover, in view of the fact that insufficient data were at present available, it would be difficult to know at what level it should be fixed.

53. Full employment had only existed in Sweden since the Second World War. At present, indeed, there was a scarcity of labour in many sectors of the economy and particularly in the building industry. It was not possible at the present time to ascertain the ideal rate of employment but it was clear that the rate could well be less than it was at present. Should there be a slower increase in demand in the future, the time might come when it would be desirable to adopt measures for an increase in employment. That would depend however on many and varied considerations. It should be remembered, in that context, that national full-employment standards could not be internationally comparable, in view of the fact that many different types of unemployment statistics would be used as a basis for establishing the percentage figures.

54. In spite of the fact that it had not considered it appropriate to adopt the policy proposed at the present juncture, the Swedish Government regarded full employment as the basis of its economic policy and considered that unemployment was a disruptive factor in society, second only to war. It was generally agreed that the most urgent problem at the present time was inflation rather than full employment. There were those who blamed a full-employment policy for creating inflationary trends. That, however, in his opinion, was incorrect, or at least exaggerated, since it was rearmament and the strained political conditions that were clearly responsible for the present state of affairs. The world had no experience of what the effects of full employment would be over a long period of stable peace. Certain inflationary tendencies might still continue to exist though not to such a marked extent as at the present time. It was therefore eminently desirable for the Council to consider the problem and to maintain it on its agenda since the consensus of opinion was that international co-operation was essential in that field although views differed as to the methods to be applied.

55. Mr. ADARKAR (India) said that full employment did not at the present time constitute such a problem for the majority of the developed countries as it had in previous years. The most urgent problems facing them at the present time were inflation and the scarcity of resources. From the standpoint of the under-developed countries, both in Asia and in Latin America, full employment as an immediate goal had always appeared somewhat out of focus.

56. The under-developed countries in Asia, including his own, suffered from unemployment, under-employment and disguised unemployment, whereas, in Latin America,

a shortage of labour was prevalent. The employment problems of the other under-developed countries ranged between those two extremes.

57. In that connexion, he fully endorsed the recommendations on unemployment and economic development contained in the report (E/1986) by the group of experts, *Measures for the Economic Development of Under-developed Countries*, which had accepted the view expressed in the report (E/1584) of the group of experts convened to consider national and international measures for full employment that the problem of full employment in under-developed countries could only be solved in the context of an expanding world economy of which the economic development of under-developed countries would form the most important single element. He was furthermore wholly in agreement with the statement made by the experts to the effect that rapid economic development was not only the greatest cause of and the greatest cure for technological unemployment, which could be particularly severe in under-developed countries, but that it was also the only fundamental remedy for disguised unemployment, as well as with the view that the main remedy for under-employment was to create new employment opportunities. Those recommendations were along the same lines as the conclusions reached in its latest report by the Planning Commission set up by his Government and which had defined one problem of unemployment as a structural one and advocated the removal of structural deficiencies in the economy hindering expansion and full employment, by providing complementary resources.

58. As far as his country was concerned, the ideal of full employment was merged in the greater ideal of full economic development. There, however, the main stumbling-block had been the question of finance. For various reasons, the tempo of governmental expenditure in India had become slower. The direct and indirect consequences of that on the employment situation had been lost in the general mass of unemployment. No doubt, the price of certain agricultural commodities had risen. In terms of India's imports, however, that had only constituted a slight increase and, as far as employment in agriculture was concerned, the price factor had rarely operated as a lever to raise or lower employment.

59. The conclusion to be drawn was clearly that, in so far as employment in under-developed countries such as India was concerned, the key solution was economic development and the key solution to economic development itself was increased international and internal investment. Thus, the connexion between full employment and methods of financing economic development became ever more apparent.

60. In view of the fact that the replies from governments to the full-employment questionnaire made it clear that the adoption of a full-employment standard had not commended itself even to governments of the developed countries, with the exception of the United Kingdom and perhaps of Belgium, he believed that the procedure established by the United States Government announcing annual employment goals to serve as a guide for policy appeared to present the most favourable solution at the present juncture. There could be no *prima facie* objec-



tion to that procedure, which respected the principle of the basic responsibility of governments towards the problem of unemployment. In his view, the Council should reconsider the matter of a full-employment standard since the adoption of such a standard represented a somewhat rigid measure which only the United Kingdom had been courageous enough to support. It seemed to him to be only a fair-weather standard and to be impracticable generally even amongst developed countries. He was also surprised to note that, up to the date at which document E/2035 was issued, no reply from Australia had been received.

61. In conclusion, he stated that his Government had concurred with the suggestion (E/2045) of the Secretary-General regarding the amendment of paragraphs 11 and 13 of Council resolution 290 (XI); it agreed that, in view of the rapidly changing economic conditions in the world, the Secretary-General should be left free to determine the period to be covered in the special questionnaire referred to in paragraph 11 of the resolution and to arrange for the preparation of the reports described in paragraph 13. Accordingly, his delegation would support the draft resolution proposed by the delegations of Sweden, the United Kingdom and the United States of America (E/L.208).

62. Mr. OWEN (Assistant Secretary-General in charge of the Department of Economic Affairs) informed the Council, in connexion with the replies from governments to the Secretary-General's questionnaire to which the Indian representative had referred, that the Secretariat had received a reply from the Australian Government which would be circulated to delegations the following day.

63. Mr. EYSKENS (Belgium) said that the Indian representative had stated that with the exception of the United Kingdom, most countries seemed to be hesitant about establishing a full-employment standard. But in paragraph 11 of the Secretary-General's report (E/2035) it was stated that Belgium "defined full employment as a situation in which there was no unemployment due to inadequate effective demand, and estimated that this definition would allow for an unemployment of about 2.9 per cent of the total civilian labour force or 3.7 per cent of the labour force available for hire".

64. In order to determine what was the minimum irreducible figure for unemployment, he would like to add a few explanations to the analytical account given in the Secretary-General's report.

65. In the first place, there could be no hope of any appreciable reduction in the level of seasonal unemployment in Belgium, a matter of something like 40,000 unemployed, or 1.5 per cent of the total wage-earning population.

66. Secondly, account must be taken of frictional unemployment, defined by Lord Beveridge as arising from the fact that, even though there was an unsatisfied demand for labour, unemployed workers were not sufficiently skilled or were not in the right spot to meet the demand.

67. In Belgium, in spite of the efforts made by the Government to increase mobility of manpower to the greatest possible extent, a shortage of labour in the coalfields and heavy industries of southern Belgium was to be found side by side with a considerable amount of unemployment in the north. It would hardly seem possible to reduce that frictional unemployment to a figure below 35,000, or 1.5 per cent of the total number of wage-earners.

68. Thirdly, there were the unemployed persons difficult to place on account of age or physical disability. Such residual unemployment could be estimated at rather more than 25,000 persons, or just over 1 per cent of the available manpower.

69. In other words, full employment could be regarded as achieved in Belgium when the average annual unemployment figure stood at about 100,000 persons, or 4 per cent of the wage-earning population.

70. However, despite the considerable increase in production and national income, and despite all the efforts made to develop exports, it was found that at the beginning of August 1951, there were in Belgium 140,000 totally unemployed and 62,000 partly unemployed persons, or 202,000 in all, a figure which exceeded the full employment figure as defined above by 100,000.

71. It should be borne in mind that the unemployment statistics, based on an extremely liberal system of unemployment allowances, included a number of persons who were not strictly unemployed in the economic sense of the word.

72. There were nevertheless in Belgium apparent reserves of manpower representing about 8 per cent of the population coming within the scope of social security. But it must be remembered that in Belgium there was a serious shortage of manpower in a number of occupations such as mining, glass-making, building and the iron and steel industry. With regard to women workers, the shortage was felt on farms, and in the silk, paper, publishing and clothing industries, as well as in the hotel industry and domestic service.

73. That raised a problem of geographical and occupational distribution which the Belgian Government was endeavouring to solve by various means. In a country like Belgium, where wages were high, it was found that there were no applicants for certain jobs such as underground mining, with the result that the Belgian collieries had often to call in foreign labour.

74. Faced with such an unemployment problem, the Belgian Government was developing a public-works programme and trying to increase the volume of productions and exports. In addition, it had adopted a policy which aimed at promoting investment and creating new industries; and it was hoped in that way to reduce unemployment, which was especially rife in the northern part of the country. National measures alone would not, however, suffice.

75. The economy of a small country like Belgium depended essentially on the world economic situation. For that reason, Belgium played its part in every new scheme initiated in the international sphere with a view

to improving economic conditions throughout the world and increasing trade.

76. Mr. RICHES (International Labour Organisation) said that problems of employment policy were of vital interest to the International Labour Organisation and were kept continuously under review. In view of the Council's decision to place the subject of full employment on the agenda of one of its sessions each year, the Governing Body of the International Labour Office had recently decided to review annually, in the light of current developments, the principal problems in the field of employment policy with a view to ensuring that a representative of the International Labour Organisation should be in a position to present each year to the Economic and Social Council an authoritative statement of the Organisation's views on those questions. That procedure had been followed in the current year.

77. At its last session, the Governing Body had endorsed the view that the principal problems of employment policy requiring attention at an international level at the present time were, firstly, problems arising out of current high levels of demand in a number of countries and, secondly, the problem of the persistence of widespread unemployment and under-employment in under-developed countries. The Governing Body had expressed the desire that the attention of the Economic and Social Council should be drawn to certain points in connexion with each of those groups of problems.

78. He had already had the privilege of making a statement to the Council on the problems of unemployment and under-employment in under-developed countries, and he would confine his present statement to problems of employment policy arising out of the present high levels of demand as well as to a brief report on the work of the International Labour Organisation in the field of employment and unemployment statistics.

79. One problem in the field of employment policy to which rearmament programmes and other factors responsible for present levels of demand gave rise was the danger of inflation and "over-full" employment, in which there were substantially more jobs than there were workers to fill them. That was, in a sense, precisely the opposite of the problem of general unemployment due to a lack of effective demand. It was with the problem of restraining excessive demand rather than of supplementing deficient demand that the governments of many countries seemed likely to remain confronted, at least in the near future.

80. In connexion with that problem, the Governing Body of the International Labour Office desired to draw attention to the importance which it attached to the financing of rearmament expenditure in a manner which was at the same time equitable as between different sections of the community and conducive to the most productive use of the available resources. Inflationary methods of financing would lead to an inequitable distribution of the burden of rearmament in that they permitted the exploitation of shortages and the emergence in certain sectors of the economy of substantial windfall gains. Inflationary methods would, moreover, be inefficient since the maintenance of full order-books in all

sectors of the economy impeded the smooth and rapid transfer of resources to the production of military requirements. To the extent that rearmament requirements exceeded what could be made available by drawing on unemployed resources or by using resources more productively, rearmament could be financed without inflation only if civilian demand was in some way reduced in favour of the new rearmament demand. The most appropriate combination of measures to that end would vary from country to country. Tax increases, however, and restraint on increases in money incomes, including both wages and dividends, seemed bound to play an important part in many countries.

81. The problem of wages and inflation had been discussed in chapter 2 of the Director-General's report to the thirty-fourth International Labour Conference in 1951. The Governing Body wished to draw the attention of the Economic and Social Council to that report and to the record of the discussion at the thirty-fourth International Labour Conference on the problems of wages policy in conditions of full employment. Accordingly, copies of the Director-General's report had been made available to members of the Council and a copy of the provisional record of the Conference had been deposited with the Secretariat.

82. The report had pointed out that, in many countries, collective bargaining was now, and was likely in the future to continue to be, carried out in an environment basically different from that of the past. To the extent that governments were successful in their efforts to maintain full employment, the bargaining strength of labour was enhanced. If at prevailing wage rates there were substantially more jobs than there were workers to fill them, as might happen if heavy rearmament expenditure was embarked upon without effective measures to reduce civilian demand, then employers would have an incentive to concede, as well as workers an incentive to demand, wage increases, and a wage-price spiral might be set up. While upward pressure on money wages was only one of many factors that might generate inflation, there was real danger that in those circumstances there might ensue a progressive deterioration in the purchasing power of money to an extent which might have the most serious economic and social consequences, not least for the workers themselves.

83. The Director-General had therefore invited representatives to the thirty-fourth International Labour Conference to debate the problem of an acceptable and practicable wage policy in conditions of full employment. He had suggested that such a policy might include the following elements. First, governments should take steps to ensure that total demand was no greater and no less than was required to absorb the goods and services produced when the economy was fully employed. Secondly, there should be full public discussion, led by governments, employers and workers, of the nature of the wage-price problem under conditions of full employment. Thirdly, governments, workers and employers should agree on certain basic goals—namely, approximate stability of the general level of prices, wage increases roughly in proportion to increases in the general level of productivity, and action to ensure for workers a

fair share of the products of industry. Fourthly, within that general framework, the government, employers and workers in each country should collaborate to evolve machinery, appropriate to their traditions, their administrative practices and the stage of their economic development, for assessing the actual increases in money wages for particular classes of workers which would be consistent with the basic goals. While by no means all speakers at the Conference had been even in general agreement with those suggestions, and while the Conference had not attempted to formulate an agreed statement of views on the question, there had been a considerable number of speakers who had indicated that it was broadly along those lines that wage policy appeared to be evolving in their countries.

84. Rearmament programmes not only threatened to give rise to serious inflation but also involved a transfer of demand from civilian to military requirements. Labour being imperfectly mobile, such a transfer in demand gave rise to two distinct but related groups of problems in the field of employment policy. There were, in the first place, problems of a shortage of certain types of skilled labour required for rearmament production and, secondly, problems of redundancy of workers and frictional unemployment resulting from the conversion of industry from civilian to military production and from shortages of certain types of materials. A number of recommendations on matters of labour market organization which would appear to have special relevance to those problems, had been adopted at international labour conferences and he wished to call the Council's attention to those recommendations, which were reproduced in document E/2071.

85. He wished finally to refer to action taken by the International Labour Organisation to promote the international comparability of employment and unemployment statistics in accordance with the Council's resolution 290 (XI), paragraph 6. The action taken by the International Labour Organisation in that field fell into two main categories. In the first place, a representative of the International Labour Organisation had served as one member of a two-man Mixed Working Party for Statistical Questions, set up by the Manpower Committee of the Organization for European Economic Co-operation (OEEC). As a result of the studies undertaken by that group and of the conclusions reached by a meeting of European statisticians held, at its recommendation, in Paris in May 1951, it could be said that substantial progress had been made in the preliminary work which would have to be accomplished before the unemployment statistics of the nineteen member countries of OEEC could be placed on a comparable basis.

86. The second main line of action undertaken by the International Labour Office in that field had been to communicate with each of the States Members of the Organisation, offering the services of one of its experts in evolving plans for improving employment and unemployment statistics, especially with a view to making them internationally comparable. In response to that communication, the International Labour Office had received twelve requests for such assistance. An expert had visited four countries, and missions to at least

four more countries were planned to take place before the end of the current year. Reports on the employment and unemployment statistics of the countries already visited were now being prepared. When missions to the various countries which had requested such missions were completed, a general report on the subject would be prepared.

87. The International Labour Organisation was anxious to co-operate with and to assist the Council in any way within its power in the planning and implementation of action to promote full employment and to raise living standards in all countries. The Director-General of the International Labour Office would be glad to submit any specific points to the appropriate organs of the International Labour Organisation for further study should the Council so desire.

88. Mr. McDUGALL (Food and Agriculture Organization) said that the Council of the Food and Agriculture Organization (FAO) had discussed the problem of full employment at its twelfth session held in June of the current year. The Council had taken note of the co-operation of FAO with the United Nations in connexion with resolution 290 (XI) and had strongly reaffirmed its desire that such co-operation should be continued and intensified. It was, furthermore, most concerned that the Economic and Social Council should, at its present session, keep in view the agricultural aspects of full employment.

89. He called the Council's attention to the conclusions and recommendations contained in the *Report of the Council of FAO on its twelfth session*.

90. In view of the fact that the problem of full employment in more advanced countries had been extensively examined in recent years, the Council had decided to limit its discussions to the employment problem of the under-developed countries. In those countries, a large part of the working population, averaging 70 per cent, was engaged in agriculture. The Council had endorsed the conclusions of the group of experts appointed by the Secretary-General to the effect that the fundamental solution to the problem of unemployment in most under-developed countries lay in rapid economic development balancing agricultural and industrial development; such development would bring about an increase of production and income for both city people and farm people, and at a later stage would provide an opportunity of reducing the population pressure on the land. Careful planning was essential to ensure that resources would not be inefficiently used, in expanding some lines of activity without the necessary concurrent development in related industries. The production of crops for other than local consumption would, for instance, probably also entail the expansion of marketing, transportation, storage or processing facilities. More intensive farming might involve the growth of more intensive crops and the use of labour for many related purposes, to improve the productivity of the land by drainage or irrigation, to develop more effective methods of culture, to improve roads and to build schools, storage plants and other needed facilities.

91. In many under-developed countries where the degree of industrial development was small and available, land

resources were practically fully occupied, and where there was a great pressure of population on those land resources, the speed of economic development would have to increase at many times its present rate before non-agricultural industries could be expanded sufficiently quickly to create additional jobs for even the annual additions to the labour force. Under such conditions, many farm people were under-employed. Labour tended to be abundant and cheap, and capital scarce and dear. It had been generally agreed by the Council that, where such a situation existed, economic development in agriculture should stress efforts to intensify agricultural production so as to increase the number of people at productive work on the land rather than use scarce capital to mechanize agriculture and thus reduce the number of workers employed on a given acreage of land. Even at that stage, however, it might be worth while to introduce inexpensive labour-saving devices such as simple sowing devices, harrows and harvesting equipment, so as to free more of the farmers, especially the farm women and children, from endless hours of field labour. Under such conditions, there were projects where mechanization would open up new lands or otherwise stimulate needed development.

92. The view had been put forward that in most under-developed countries agriculture usually produced less value *per capita* than industry, and that, if such under-developed countries continued to remain solely agricultural, they would tend to remain poor. Those issues required greater consideration because of their bearing upon the choice of projects to be allotted priority in economic development, which was so important in appraising technical assistance projects. Some under-developed countries, notably in Latin America, had large areas of fertile land only slightly utilized. However, in such countries economic development was in some cases retarded by the presence of large estates and other traditions of the agricultural structure.

93. The problem of seasonal employment was also a difficult one, especially in those areas depending largely on single cash crops, and migratory workers often suffered from low standards of living. The important problem of forced seasonal and other migrations for many under-developed countries should be studied jointly by FAO and the International Labour Organisation with a view to finding appropriate solutions.

94. Increased agricultural production benefited not only farmers but also the non-agricultural population. Market-

ing and transportation costs, interest rates and middlemen's charges were so high in many under-developed countries that prices might be very low to producers yet high to consumers. Adequate attention should be paid to remedying those situations. The development of efficient marketing and transportation facilities, alongside rising agricultural production, should enable both non-farming people to obtain more food and farm people to obtain more industrial products at less real cost, thus contributing directly to the buying and consuming power of both groups.

95. Economic and agricultural development should be based on carefully considered objectives and measures in order to secure a proper balance between the various phases of the development. The Council of FAO had taken note of the fact that those questions of balance and of the pace at which different sectors of the economy could and should advance constituted a profound problem for the countries concerned. It had decided consequently to draw that fact to the attention of the Economic and Social Council, with the suggestion that consideration be given by that body to the question of how far joint action by the United Nations and its organs, including some of the specialized agencies, might be undertaken to help nations achieve that balance in economic development which the situation demanded. In that connexion, the Council had also taken note of FAO's own efforts to contribute to the appreciation and solution of those problems on both the national and international plane by the continuing analysis of the agricultural objectives of Member States and by the discussions which Member States themselves had undertaken in regional conferences. The Council had, furthermore, given attention to the interest of farmers in under-developed countries in assured export markets for their agricultural products, and to the possible impact of market instability on the rate of agricultural development in such countries.

96. In conclusion, he wished to quote the recommendation made by the Council of FAO that consideration should be given at the next session of the Conference to the agricultural aspects of full employment, with special reference to conclusions in that connexion which might be reached meanwhile by the Economic and Social Council.

The meeting rose at 6.5 p.m.