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 MEETING
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 PALAIS DES NATIONS, GENEVA

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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 Bank for Reconstruction and Development.

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) (continued)

1. Mr. EYSKENS (Belgium) stated that Belgium was prepared to give sympathetic consideration to the problems of international financing and, in particular, for the purposes of the under-developed countries; but, as the representatives of India and France had already pointed out, it was necessary to take account of economic realities.
2. Up to 1939, Belgium had traditionally been an exporter of capital, not only to Europe and the Belgian Congo, but to all quarters of the globe. In that way, Belgian savings had been able to provide the industrial

equipment for a large number of countries, including some held to be under-developed at the present time. The reason why Belgium viewed problems of international financing with a favourable eye was because it was deeply devoted to the idea of international economic solidarity. The disappointing experiences since the war of capital-exporting countries as the result of expropriations and the manifold obstacles to the free movement of capital should not be overlooked. Owing to those factors, the losses to Belgian savings had been very substantial.

3. The countless problems with which countries that had been under enemy occupation were faced did not help to promote the flow of international capital. From 1945 onwards, Belgium had nevertheless again begun to make foreign loans for the purposes of monetary and payment agreements, for the implementation of the Benelux Economic Union and for the operations of the European Payments Union. The total international credits extended by Belgium amounted to 15,000 million Belgian francs, of which 9,000 millions had been set aside for countries belonging to the European Payments Union. Those figures represented an appreciable proportion of Belgium's net savings, which amounted to approximately 25,000 million Belgian francs per annum.

4. Out of a net saving of 8 to 10 per cent of their national revenue, the developed countries had to meet the requirements of their economic development, of rearmament, and of anti-inflationary policy, and provide the large sums needed for reconstruction as a result of the devastation caused by the war. Their capabilities were therefore limited, but the greatest obstacle to the flow of international capital was the existing feeling of insecurity. Thus, since the aggression in Korea, the difficulties in borrowing money that his Government had experienced had been such that it had had to finance part of the

extraordinary budget expenditure, normally met by loans, from taxation.

5. If a permanent and effective solution were to be found to the problem of financing under-developed countries, there must first be peace and a feeling of security in the world, and, secondly, economic stability in the developed countries, for, as stated by the Economic, Employment and Development Commission in its report, the economic development of the world was indivisible. The developed countries must therefore bring their economic activities up to, and maintain them at, a high and stable level. In the third place, it was essential that borrowing countries should afford sufficient guarantees of political and economic stability. The report of the group of experts on *Measures for the Economic Development of Under-developed Countries (E/1986)* contained a number of sound recommendations in that connexion.

6. The Council had before it certain proposals for the introduction of an international system of grants, or of loans on conditions that made them practically indistinguishable from grants. The financial situation of most western countries, unfortunately, made it impossible for them to adopt that course, which would not, moreover, provide a permanent solution to the problem of under-developed countries, the economic expansion of which was a long-term task, needing a continuous flow of capital.

7. That capital should be provided by a harmonious combination of national savings supplemented by an inflow of foreign capital. Until 1930, private investment had been the main factor in the development of under-developed areas, and its potentialities, under-estimated, in his opinion, by the experts, would still be very great if international credit were restored.

8. In section (B) of its report (E/2064) the Economic Committee recommended a number of measures for the improvement of international credit which countries able to export capital should take. But the main prerequisite was the restoration of security for international loans. The savings of the developed countries would undoubtedly be available for investment abroad if guarantees of financial, economic and political security were obtainable.

9. In the meantime, the International Bank for Reconstruction and Development ought to continue to expand its operations on the lines indicated in its report. In the opinion of the Belgian delegation, the Bank, which had proved its worth, ought to continue to function normally for the benefit of the under-developed countries, rather than for a new international organization which, under existing conditions, could not receive adequate financial support from the developed countries, to be established. Therefore, the Belgian delegation would support the draft resolution (E/2061) proposed by the Economic Committee. Nevertheless, it was prepared to consider the amendments proposed by the Indian and Uruguayan delegations (E/L.202, E/L.206).

10. Mr. GARCIA (Philippines) stated that his delegation's reaction to the opening remarks made by the French representative was one of painful surprise, coming as they did from the representative of a country which

had been the cradle of liberty, equality and fraternity during the great political upheavals of the eighteenth and nineteenth centuries. He had been particularly astonished to hear the French representative describe the report of the group of experts as "revolutionary". The French representative's remarks were all the more disquieting because, during the sixth session of the Economic, Employment and Development Commission, the French representative had joined the majority who had spoken in favour of the group of experts' report. At the 501st meeting, the Soviet Union representative, in his general statement on the financing of economic development, had qualified the report of the experts as "mendacious". By Marxist standards, it would therefore seem, the report was "counter-revolutionary". His delegation was at a loss to understand why two representatives from the opposing Power blocs spoke of the report in such contradictory terms. It would not be amiss to quote the words of the Secretary-General in his preface to the report, calling it "the contribution which they [the experts] have made in regard to a problem which has been described as constituting the most important single element of an expanding world economy".

11. It seemed that the French representative had made the mistake of lifting words out of their context. Apparently he had seen the words "social revolution" in paragraph 37 of the report and had concluded that the whole of the report was therefore revolutionary. However, if one referred to paragraph 36, which said that "... rapid economic progress is impossible without painful readjustments", it was evident that the authors of the report used the words "social revolution" in the evolutionary rather than the revolutionary sense. His delegation had studied the composition of the group of experts and had noted that its members came from Chile, India, Lebanon, the United Kingdom and the United States of America—countries where revolutionary thinking could hardly be considered customary. The report also stated that it represented the unanimous view of its authors, who acted in their personal capacities.

12. The French representative had said, further, that the recommendations in the report were unparalleled in history. At the 502nd meeting, the Indian representative had taken some pains to trace the genesis of the report's recommendations. Recommendation 13 was certainly not unparalleled, since it was one of the points stressed by Mr. Gordon Gray in his report to the President of the United States. Nor could his delegation consider recommendation 14 as unparalleled, for it was among those made by the International Development Advisory Board in its report to President Truman.

13. The French representative's statement reminded him of the story of the rich man refusing to help his nephew on the grounds that he had many other relatives to support. His delegation took exception to the way in which the French representative had treated the problems of economic development. He agreed with the French representative's remark that there were no convenient short cuts to economic development, but pointed out that a spirit of understanding and mutual co-operation could act as a powerful stimulus to it.

14. Historical events had shattered the protective shell within which the developed countries had grown to maturity. The United States of America, which possessed the greatest power and resources of any nation in the world, could, if it so desired, retreat into the confines of its hemisphere and contemplate the problems of the world with detached interest. The United States had not done so; it had assumed the responsibility of helping under-developed countries for their own and the world's benefit. If living standards in those countries were raised by as much as 2 or 3 per cent, the result would be an increase in purchasing power that would keep the factories of the developed countries busy for twenty years.

15. It had been argued that the uncertainty of the present political situation was unfavourable to the implementation of the recommendations made by the group of experts. Such an attitude would make progress impossible. He hardly needed to remind the Council that some of the most substantial achievements of the United Nations had been made amid the uncertainties of the international political scene. The Conference on Freedom of Information had been held in Geneva during the period of the *coup d'état* in Czechoslovakia and the Berlin blockade. The now famous Convention on Genocide had been approved by the United Nations at a time when the Berlin crisis threatened to break into open conflict. It was important that the work of the United Nations in the economic and social fields should proceed even in the face of deep divisions within the ranks of the human race. Moreover, it should be remembered that the more the United Nations was able to promote economic and social progress throughout the world the more it could contribute towards the improvement of the political situation. He looked forward to the establishment of a contented and prosperous world where the developed and under-developed countries could live together, not as rivals for commercial markets, but as partners in the march towards progress.

16. When the history of the Council was written, the current session might be recorded as a shining moment when the Council had faced the needs of the situation courageously and acted accordingly. If the Council did not seize that opportunity, the present session would end without any positive measures having been approved to further the economic and social progress of the under-developed countries. The Council's deliberations were being anxiously watched by all who lived in abject misery and poverty. The Council should look forward and not backward. A solution had to be found and found quickly.

17. With regard to the French amendment (E/L.177), he pointed out that, in opposing it, he did not intend to indicate that the problem was outside the Council's competence. He felt, however, that the matter was of such importance and that the views of the representatives were so divergent that the General Assembly itself should consider what action should be taken on financing economic development.

18. Mr. SCHNAKE VERGARA (Chile) said he would like first of all to express his disappointment at the

statement made by the French representative. The fact that the Chilean delegation had supported the Economic Committee's recommendations and had subsequently submitted to the Council an amendment which went further than the recommendations adopted by the Committee itself raised a question of procedure—namely, whether a delegation could adopt a different attitude in the Council from that which it had taken in one of the Council's organs. If Chile had done so, the reason was that on further consideration the compromise adopted by the Committee had seemed unsatisfactory.

19. He fully appreciated the intentions behind the French representative's statements, and he realized the difficulties at present facing a number of countries which for a long time had been exporters of capital—difficulties that were preventing them from making a bigger contribution in the international field. The situation might, however, change in the future.

20. Moreover, he could not accept some of the French representative's assertions. For example, recommendation 14 of the group of experts, relating to the establishment of an international development authority to distribute grants-in-aid to under-developed countries, had been called "revolutionary", and it had been maintained that it would be extremely difficult to convince the popular masses in countries called upon to contribute to such financial schemes of the necessity for making the sacrifice.

21. On the contrary, he considered that the experts' proposal was based on very sound foundations, and since it repeated recommendations made by other organizations, such as the International Bank for Reconstruction and Development itself and the United States International Development Advisory Board, of which Mr. Rockefeller was the chairman, it was not even original.

22. It was, incidentally, the same principle that had inspired President Truman and his collaborators when they launched what might be called the equally revolutionary notion of large-scale donations now known as the Marshall Plan.

23. He recalled the distress felt in the Latin-American countries, which were culturally linked with Western Europe when, during the period 1946 to 1947, it had seemed as though the Western European countries would be incapable of recovering from the devastating effects of the war without outside aid. It was to make that recovery possible that the Marshall Plan—a bold but surely not a revolutionary scheme—had been launched. The great task of reconstruction, and the intra-European and international co-operation which had followed, could not have been accomplished without those grants. That scheme had come most fittingly from a young nation like the United States, which had been high-minded enough to realize the world-wide responsibilities suddenly imposed upon it by the post-war situation.

24. As the French representative had remarked, the popular masses must be educated and made to realize the magnitude of the task to be accomplished. In that connexion, he wished to point out two errors; first, the world was not divided into "have not" States and States

enjoying complete well-being; secondly, the under-developed countries were not coming, hat in hand, to beg for assistance.

25. It was incorrect to assert that the under-developed countries must first create a favourable atmosphere and a sense of confidence calculated to attract foreign capital before help could be received. It was fitting to repeat again and again that the problems of full employment and of economic development were inextricably linked and that their solution was possible only in close association.

26. The problem was whether the industrialized countries of Western Europe were able to ensure the well-being of the great majority of the peoples of the world or, more generally, whether the western way of life gave them the promise of such well-being. The report, *National and International Measures for Full Employment* (E/1584), showed that the economic development of under-developed areas was essential to the progress of world economy—that was to say, essential also to the stable maintenance of the economy of Western Europe and of the world economic order.

27. It was possible that, in the present circumstances, those countries might not be in a position effectively to co-operate in as extensive a scheme as that envisaged in the experts' report. But the economy of Europe was at present in the process of transformation; the European countries would have to accelerate the improvement of their industrial structure considerably, as the United States had already done. That was why real and close co-operation in the future between all the countries of the world could not be regarded as impossible.

28. In conclusion, he again expressed surprise at hearing gifts at the international level being described as "revolutionary" by the very people who repeatedly stressed that the international aid at present being received by Europe should be continued.

29. Mr. BORIS (France) thanked the Chilean representative for his moving references to France. He stated that it had never occurred to the French delegation to raise the question of procedure because after the closure of the discussion in the Economic Committee the Chilean delegation had submitted amendments to a resolution which its representative had supported in that Committee. It was the Chilean delegation's right, even its duty, to do so if it felt that it could thereby make a helpful contribution to a discussion of such importance.

30. At the previous meeting, the French representative, Mr. de Seynes, had explained that his delegation could not go further than the position it had adopted in the Committee. He had explained that the reason was because it was not yet the time, though he had added that it was rapidly approaching. The French delegation had adopted the same attitude as the Indian delegation, which had made a clear distinction between what was desirable and what was practicable.

31. Replying next to the observations of the Philippines representative, he was sorry to find that there had been a misunderstanding, the more surprising in that the English interpretation of Mr. de Seynes' speech had been entirely faithful to the original.

32. The Philippines representative had taken umbrage at the word "revolutionary" used by Mr. de Seynes in his speech and had interpreted it as a condemnation of the report of the experts. But the word "revolutionary" had no pejorative meaning in French nor for the heirs of the Revolution of 1789. The French had been revolutionaries, and might very well be so again, if by revolution was meant rapid and sudden progress in the right direction. Hence, far from implying any idea of criticism, the word implied a certain admiration for the boldness of the experts, who had not hesitated to use forceful language, as when they had stated in paragraph 36 of the report that, for rapid economic progress to materialize, "Ancient philosophies have to be scrapped; old social institutions have to disintegrate; bonds of caste, creed and race have to be burst; and large numbers of persons who cannot keep up with progress have to have their expectations of a comfortable life frustrated".

33. In fact, the French delegation had not adopted such views as its own. It was for the experts, not the French delegation, to give advice to the countries concerned. In his speech, Mr. de Seynes had made it quite clear that the achievement of progress was dependent on internal effort by the under-developed countries, or as the old saying went, "God helps those who help themselves".

34. Mr. GARCIA (Philippines) thanked the French representative for attempting to clarify the statement made by Mr. de Seynes at the previous meeting. The Philippines delegation had not, however, misunderstood the statement made by the French representative that morning and had clearly heard the recommendations of the report of the group of experts described as "revolutionary". Furthermore, the Chilean representative had also similarly interpreted the remarks of Mr. de Seynes.

35. His delegation had not taken the French representative's statement as referring to the Philippines, since that country had an undisputed record based on the fundamental principles of justice and self-help. Indeed, in view of the fact that it was prepared to support the recommendations of the group of experts, it could not be asserted that his delegation sought to protect the interests of a privileged class.

36. The French representative had expressed the view that the economic development of under-developed countries could proceed without external financial assistance and had based his opinion on the example of Europe and the Middle West. The Philippines delegation fully recognized that, in the current international situation, security and defence claims were wholly valid. It did, however, strongly object to the general attitude taken by the French delegation with regard to the problem under consideration.

37. Mr. BORIS (France) said that the French delegation had at no time stated that outside help would not be necessary for the development of under-developed countries. In order to put an end to any such misunderstanding, his delegation would circulate the statement made by the French representative at the previous meeting to all the members of the Council.

38. Mr. LOPEZ-HERRARTE (International Bank for Reconstruction and Development) emphasized that the problem of economic development was one in which the Bank was greatly concerned and to which it devoted a large proportion of its time and effort. He wished to make it clear that he was speaking solely on behalf of the management of the Bank. He could not put the views of the Board of Directors of the Bank to the Council, as that Board was composed of Member Governments, like the Council.

39. He called attention to the statement made on behalf of the Bank with regard to methods of financing economic development (see document E/2029). Representatives of the Bank had also on several occasions explained to various organs of the United Nations the position of the Bank.

40. Supplementing that information, he said that it was difficult for the Bank to refer in a general way to the rate of loans for development purposes. It was, however, significant to note that in the financial year which had just ended the Bank had increased the number of its loans for development to twenty-one, amounting in all to more than 297 million dollars. The progress made showed the importance attached by the Bank to that problem, the manner in which it was coping with the problem and also the advances made by countries themselves in the proper preparation of projects. It had been stated that it would be desirable for the Bank to indicate the sum total of loans which it was prepared to make for development purposes within the next few years. However, any such indication would have little value, as the possibilities for granting such loans were based on many and varied eventualities. The principle which guided it when making a loan was the capacity of the country concerned to absorb capital satisfactorily and to put it to effective use. No actual limit on the annual sum for loans had been established. He noted that sufficient funds had so far been available for the projects properly submitted for the Bank's consideration. The rate of loans did not only depend upon decisions by the Bank itself but also upon decisions and circumstances over which the Board had no control, such as the availability of equipment from producing countries and the desire of the countries themselves to prepare their development programmes along the lines suggested by the group of experts. In connexion with the report of the group of experts, he felt compelled to say that the total annual sum of 1,000 million dollars proposed by the group of experts seemed to him illusory under present-day world conditions.

41. Commenting on the proposed creation of an international finance corporation and of an international development authority which had already been discussed by the Economic Committee, as well as in the Council, he said that, in accordance with the views which it had already expressed in document E/2029, the Bank thought there were opportunities for such operations and would welcome the establishment of the former body. He was authorized to say that, if the Council accepted the recommendations of the experts, the Economic, Employment and Development Commission and the Economic Committee, the Bank would be prepared to accept an

invitation to make the necessary studies in that connexion. He did not believe the Bank could appropriately express any view concerning the proposed international development authority. It regarded the development task as urgent and believed that, if additional assistance were to be given, it should be in the form of grants rather than in the form of quasi-loans, as Mr. Black, the Bank's President, had stated at the twelfth session of the Council. However, decisions as to the amounts involved and the channels through which the grants would be effected rested entirely upon Member Governments.

Full employment (E/2035 and Add.1, E/2045, E/2071, E/CN.1/81 and Add.1 to 10)

42. Mr. OWEN (Assistant Secretary-General in charge of the Department of Economic Affairs) recalled that a year ago, following the thorough discussion of the report—*National and International Measures for Full Employment* (E/1584), prepared by the group of experts appointed by the Secretary-General at the Council's request in 1949, the Council had decided that the question of full employment should be considered at at least one of its sessions each year, regardless of what the current world unemployment situation might be. Thus, for the first time, the subject of full employment had been placed on the Council's agenda not as a result of general concern with rising unemployment or an imminent threat of a decline in effective demand, but rather as an expression of the Council's desire to keep so vital a matter under continuous review.

43. In its resolution 290 (XI) on full employment, the Council had addressed a number of recommendations to governments concerning the adoption of a standard of full employment and of certain domestic and international measures and policies designed to maintain full employment. The Secretary-General had, at the same time, been requested to obtain periodically information from governments concerning their full employment objectives, policies and measures and to present that information, together with an analysis, to the Economic, Employment and Development Commission and to the Council. That material was contained in documents E/CN.1/81 and E/2035, and addenda thereto.

44. As to the substance of the replies received from governments, it could be noted that, with respect to the full employment standard, only one country—namely, the United Kingdom—had hitherto adopted a standard fully in accordance with the Council's recommendation. The United States Government had pointed out that, while it had not determined an employment standard as a definite percentage of the labour force, it had by legislation adopted a procedure for announcing yearly employment goals which would serve as a guide for economic policy. Several governments were continuing to study the problems presented by the adoption of a standard, and a number of governments had pointed out that the establishment of a full employment standard was not of immediate interest to them, since the amount of unemployment in their countries was very small. A few governments had stated that, in their view, the

adoption of a full employment standard would not be helpful for the formulation of economic policies.

45. With respect to economic trends and objectives, the information received reflected the fact that, during 1950, the level of economic activity had reached a new post-war peak almost everywhere and that governments were concerned less with problems of unemployment than with policies designed to curb rising prices and inflationary pressures. A considerable part of the analysis had therefore been devoted to those problems. The Council had, it was true, received very recent information from several representatives who had spoken in the debate on the world economic situation, but he believed that the general situation had not changed appreciably in the few months that had elapsed since the governments had prepared their replies to the Secretary-General's questionnaire.

46. With regard to the organization of the Secretariat's work in that field, he informed the Council that mid-April had been adopted as a time-limit for the submission of replies to the questionnaire in the future, as experience in the current year had shown that governments had not been able to complete their replies before 15 February, the date previously set. Consequently, it had not been possible to prepare an analysis of those replies for the consideration of the Economic, Employment and Development Commission at its sixth session. The Commission, therefore, could not make any recommendations thereon to the Council. Consequently, it did not appear possible for the Council to discuss that type of material earlier than at its midsummer session, even though other general economic problems might be grouped for discussion at an earlier session each year. It would appear, moreover, that, if the Economic, Employment and Development Commission, or another appropriate body, were called upon to present recommendations on such material to the Council, it would be necessary to convene a session of the Commission each year, immediately preceding the midsummer session of the Council.

47. He wished to call attention to the form of the questionnaire reproduced in document E/CN.1/81 which followed the general lines laid down by the Council in its resolution 290 (XI) and he noted that, in connexion with data on balance of payments, the Secretariat had received the fullest possible co-operation from the International Monetary Fund (IMF). It was clear from the nature of the replies received (E/CN.1/81 and addenda) that governments had devoted considerable effort to the preparation of those replies. He believed that the questionnaire had proved useful in that it had drawn the attention of those governments to certain policies and measures which might otherwise have remained unnoticed.

48. In spite of the fact that some governments had replied only to a very limited extent or had not submitted any reply whatsoever, the replies in general had been more complete than those to similar questionnaires circulated in previous years. However, when the Council adopted its resolution 290 (XI), it had referred to the special conditions which obtained in some predominantly agricultural countries and the difficulties these countries might have in carrying out some of the provisions of that

resolution, and had stated, furthermore, that further recommendations with regard to national and international measures for full employment in under-developed countries would in future be considered by the Council in the light of a report to be prepared by another group of experts. That report was at present under consideration in connexion with item 4 (b) of the agenda. The Council might therefore wish to amend its resolution 290 (XI) at the present session in order to enable the Secretary-General to modify the annual questionnaire on full employment, with a view to the collection and analysis of material bearing directly on the problems peculiar to the under-developed countries.

49. With regard to paragraphs 11 and 13 of that same resolution, the Council might deem it desirable, in view of the impracticability at the present juncture of that type of study, to amend those paragraphs in order to allow the Secretary-General to determine freely the period to be covered by the special questionnaire referred to in paragraph 11 and to arrange for the preparation of the reports described in paragraph 13 at a time when, in the Secretary-General's judgment, such studies could serve the practical purpose of providing the Council with a factual basis for action regarding international transactions, policies and programmes. Further information on that point was contained in the Secretary-General's note (E/2045).

50. Mr. EDWARDS (United Kingdom) said that his delegation had studied the replies of other governments to the Secretary-General's questionnaire with deep interest but with some concern, since there was reflected in some of them a certain complacency. He was disappointed that measures to maintain full employment were not being concerted as rapidly as they should be. The United Kingdom was determined never again to allow the waste and misery of involuntary unemployment which characterized the inter-war period. The economic forces which would lead to unemployment in the free economies, if unchecked, could be controlled. The United Nations, it was hoped, would play its part, since all these forces were not national in origin. The United Kingdom was particularly vulnerable to the impact of international economic forces and would constantly bring this matter to the fore in all international and economic discussions. The United Kingdom's concern was to avoid the spiritual degradation which unemployment brings and he trusted the Economic and Social Council's principal aim was to avoid these miseries.

51. Some argued that full employment would cause difficulties and dangers. It was said that, if the fear of unemployment were removed, the worker would not put forth his best efforts. Experience in the United Kingdom disproved that. As the Secretary-General's report showed, the output per man in industry had risen by 8 per cent during the year under review, one in which, moreover, production had been in full swing and the increase in production per man in industry must be taken as true evidence of the normal workings of a full employment economy. His Government believed that security and freedom from anxiety constituted a great incentive. Full employment had the further advantage of creating a climate inimical to restrictive practices. Full employ-

ment and increasing productivity were in fact complementary.

52. It was argued that the economic system only worked efficiently if the productive use of resources of manpower and materials followed changes in the community's requirements of goods and services and the requirements of export markets. Experience in the United Kingdom categorically disproved that contention. For the last eleven years the number of unemployed in Britain had formed a derisory total. Yet, despite occasional need for special encouragement, labour had moved freely to those industries meeting the major needs of the community and the export trade. The worker's right freely to decide his place of work and occupation had been maintained.

53. Some countries argued that the unequivocal support of a full employment policy, however admirable, would be unsuitable at the present stage in their economies because of their structural dislocations due largely to world upheaval.

54. Deep-seated maladjustments in an economy usually associated with a heavy decline in the activity of old and highly localized industries did present great difficulties. Experience in the United Kingdom had shown that problems of structural unemployment were soluble, but only if there was over-all full employment. He recalled the experiences of the 1930's and the problems of the "depressed areas" in the United Kingdom which were now called development areas and in which a vast amount of new factory construction had been concentrated. The solution of that problem was facilitated by, if not dependent on, over-all full employment.

55. He noted with surprise that only three countries in their replies had been willing to name a specific full employment standard in accordance with the Council's resolution 290 (XI). Although he recognized that a full employment standard for under-developed countries had little meaning and that there were special difficulties for certain developed countries which were primarily agricultural, he noted that some of the countries which had not thought it right to fix a standard were also those whose record in maintaining full employment was among the best.

56. His Government felt strongly that all those who believed in full employment should commit themselves to a specific standard. The reason for urging that was in no sense a reflection on the determination of those countries to implement such a standard. It was felt, however, that the determination and public announcement of a full employment standard would be beneficial in two ways: first, because failure to do so by those countries with good records removed much of the force of the argument with those whose record was not so good; secondly, because the adoption of such a standard would prove an indispensable aid in diagnosing the ills of the economic system.

57. He did not wish to quarrel with the emphasis which most countries placed on current dangers of inflation and he agreed that general depression did not appear an immediate danger. That, however, was not a good reason for delaying the formulation of effective full employment policies. Rather, it presented an opportu-

nity for adequate consideration without the pressure of immediate crisis. The old way of waiting till it was too late to organize and it then being a case of each for himself was to be avoided by all possible means.

58. No nation was entire of itself and the future was collective. It should not be forgotten that inflation was the obverse of deflation, that unchecked booms generated slumps. Current inflationary tendencies simply emphasized the inherent problem of instability which full employment policies were designed to control. The economic situation could change overnight and appropriate measures must be prepared.

59. The United Kingdom Government believed that, by means of its direction of investment in the nationalized sector of its industry and of the extensive investment activities of local authorities which were also under public control, it had sufficient control over the level of investment to avoid the possibility of large-scale unemployment caused by a deficiency of demand in general. If consumption fell off, a remission of taxation would to some extent secure the same result of maintaining the effective demand for output and of avoiding unemployment. His Government was not therefore unduly concerned about the maintenance of internal demand and believed the real danger—for many other countries also—lay in the disequilibrium in the balance of payments. Since the United Kingdom was dependent to an enormous extent on imported raw materials, its full employment stronghold would be undermined by fluctuating world prices unless all countries pursued full employment policies.

60. He had reluctantly to agree with the suggestion of the Assistant Secretary-General that a study of the long-term balance-of-payments prospect and of the prospective commodity structure of trade provided for in paragraphs 11 and 13 of resolution 290 (XI) was not practicable now, but he hoped it would be undertaken as soon as world economic conditions changed and made such a study feasible.

61. He stressed the danger from unstable prices. During the last year, there had been movements of retail prices of the order of 10 per cent and in some cases even as high as 20 per cent. In May 1951 the United Kingdom had been paying 42 per cent more for imports as a whole than the 1950 average. Export prices had increased only by 18 per cent. Raw material import prices had gone up by 72 per cent. The burden in the current year on account of higher-priced imports for the United Kingdom was in fact greater than that of the increase in its defence programme in 1951.

62. It was necessary in his view to do all possible to achieve reasonable stability in world commodity prices in the interests of both producers and consumers. Low prices spreading depression and reducing purchasing power, especially in the under-developed areas, were to be avoided: but so also must unduly high prices which disturbed the delicate economic mechanism of the highly industrial countries and led to difficulties in paying for essential imports and in the end might cause such disequilibrium as results in equally precipitous falls in commodity prices. It was of the first importance to concert action to promote relative stability in the

production of primary commodities if full employment were to be achieved.

63. Full employment could be retained only by constant vigilance and the growth of international co-operation. The present Chancellor of the Exchequer, Mr. Gaitskell, had impressed upon the Council in the previous year that the report then before the Council was a "blue-print of a vital job of international economic co-operation". A year had passed and these words were still true.

64. Mr. LUBIN (United States of America) said that the economic situation had undergone a fundamental change in the year which had elapsed since the Council had taken action to encourage systematic measures to maintain full employment.

65. It was perhaps fortunate that the Council's first experience with reports under resolution 290 (XI) should be in an atmosphere of rising employment. It was to be hoped that that would always be the case. If, however, the contrary should occur, the fact that many governments were actively examining the problem and reporting on it to the Council represented real progress and would constitute preparation for any eventuality.

66. He would not elaborate upon the reply of the United States Government to the Secretary-General's questionnaire. He wished, however, to draw attention to some of the salient features relating, particularly, to the two most recent reports on employment and unemployment in the United States.

67. He wished first of all to re-state the principles which animated the statement made by the United States delegation at the Council's eleventh session—*viz.*, that, while the United States had accepted the idea of full employment targets, it did not regard full employment as a goal in itself, but rather as one of several related goals which had as their purpose a high and stable level of production and a constantly rising standard of living, under a system of free enterprise. His Government did not therefore use the term "full employment" in its limited sense referring merely to providing a given number of jobs, since that might result in under-employment, low productivity and poor utilization of labour and other productive resources, as well as constituting a stimulant to restrictive practices.

68. His delegation had been interested to note that a number of other highly developed industrial nations—among them, Belgium, Canada, Denmark and Sweden—had approached the problem of full employment in a similar way and had reviewed their economic situation as a whole, considering unemployment as but a single factor in the total picture. His delegation could understand and appreciate also the reasons why a number of Member countries which were primarily dependent on agriculture (as for example India), or on exports (as was New Zealand), had said that a specific "full employment" goal was not relevant to their situation.

69. He recalled that an act of the United States Congress had in 1946 established national policy to promote conditions for maximum employment, production and purchasing power and was in keeping with the spirit of

the resolution passed by the Council at its eleventh session. In that connexion, he called attention to the economic budget contained in the President's annual economic report, which was presented to Congress together with a detailed report from the Council of Economic Advisers. Such information on the country's economic objectives and factors affecting its economy were published openly for all to see and to discuss. His Government did not look upon the problem of unemployment as one that could be dealt with by any single set of collective measures which could automatically be set in motion whenever unemployment reached a given level. The total volume of unemployment as such was not as significant, in his Government's opinion, as the duration of unemployment, its composition, its location, its industrial incidence and the factors which gave rise to it. Accordingly, any corrective measures varied to a wide extent with circumstances.

70. He also emphasized that the size of the working force in the United States was highly flexible, since, in the past twelve months, at least half-a-million more people, for the most part women and younger workers, had entered the active labour market than population trends would have led them to expect. Within any given year, the number of people at work, or actively seeking work, varied by several millions as the needs of trade and agriculture, in particular, expanded and contracted.

71. It was superfluous to inform the Council that, in the United States, no one was forced to work. Workers were free to enter and to leave employment whenever they wished to do so and were free to take employment in another industry or another area, or to refrain from working altogether, and millions did so every year.

72. In his annual announcements of employment goals for the coming year, the President of the United States usually stated them in terms both of employment and of unemployment. Those goals had varied from year to year, as the United States reply to the Secretary-General's questionnaire had indicated. In January 1950, the President had set two targets for 1950; to reduce unemployment by one to 1.5 million, on the average, and, at the same time, to increase civilian employment to about 61 millions. Those aims had been achieved.

73. At the present time, when the United States was forced to build up its defences against the threat of aggression, it was obvious that its objectives would differ from those sought under normal peace-time conditions. Consequently, it was expected that employment would reach a higher level than during normal times and that unemployment would be much lower. Little unemployment of long duration was anticipated, although some short-term, transitional unemployment, as workers moved from one industry, or from one locality, to another, could be expected.

74. Against the background of the flexible policy pursued with regard to "full employment", he wished to summarize the recent employment and unemployment situation in the United States. He hoped to do that in such unmistakable terms that they could not be misinterpreted by any reasonable person.

75. There had been a high and rising level of economic activity in the United States before the communist aggression in Korea. He had indicated at the eleventh session of the Council that the United States had already emerged from its readjustment of 1949, and in June 1950 industrial production, personal consumption expenditures and residential construction had reached record levels. Employment in industry and agriculture had in that month reached the peak figure of 61.5 millions and it was significant that a large number of establishments in almost every manufacturing industry were resorting to overtime, at premium rates, in order to keep pace with their civilian orders. Unemployment at that date was over one million less than in January of the same year, despite the fact that over 1,300,000 young people under 20 years of age had entered the labour market in June of that year during the schools' summer recess.

76. He wished to call attention at that point to a mistake in the figures in the Secretary-General's summary report with reference to the amount of unemployment in the United States. In table 3 of document E/2035, unemployment was listed as 7.4 per cent of the civilian labour force available in 1949 and 6.6 per cent in 1950. The correct figures, as they appeared in the text of the report and in the *Monthly Statistical Bulletin* of the United Nations, were 5.5 per cent in 1949 and 5 per cent in 1950. He understood that the Secretariat was looking into the reasons for that discrepancy.

77. An objective evaluation of the United States economy in the months preceding the communist aggression in Korea therefore clearly justified renewed confidence in its strength and its continued growth. Following the outbreak of hostilities in Korea, however, the United States had found it necessary to raise the level of its economic activity in order to preserve its free way of life. In order to attain its several goals, it had undertaken a very sharp expansion in its productive capacity, in production and in employment.

78. The situation existing in July of the current year showed an employment total of 62.5 millions, which was the highest for any comparable month in the history of the country and constituted an increase of 1,300,000 over the previous year. The increase in non-agricultural employment was actually greater, amounting to 1,800,000, since large numbers of people had left agriculture for industry. That trend had been prevalent for some time past and had been accompanied by large increases in agricultural productivity resulting from more efficient methods and the wider use of improved farm machinery.

79. The increase in employment had been specially marked in manufacturing industries where the number of workers had increased by 1,200,000 since the summer of 1950. Almost every branch of the manufacturing industry had a larger number of employees than during the previous year, although that increase was, of course, most pronounced in the heavy industries.

80. Increased production had further reduced unemployment figures, which were at present at what might be considered a minimum.

81. The figures for July of the current year showed a total of 1,850,000 unemployed, the lowest figure for any

July since the war. That constituted a decline of between 1,000,000 and 1,300,000 over the last twelve months. The low rate of unemployment was even more significant, since in the previous month less than three out of every hundred workers were unemployed, of whom less than two out of every hundred workers belonged to the adult group. That was the lowest rate for those age groups in a peace-time year in three decades. The higher rate of unemployment, as always in the summer months, was among young people who sought temporary jobs while schools were closed.

82. Present unemployment in the United States consisted largely of short-term unemployment. Nearly two-thirds of the unemployed during the present summer had been seeking work for only four weeks or less. As for adult workers, the labour market was difficult. Jobs for experienced workers were generally easy to find, except in a very few isolated centres, where groups of unemployed existed because of readjustments in production. In addition, several million workers were engaged in part-time employment. Soviet Union representatives, both in the Council and in the Economic, Employment and Development Commission, had described such workers as poor, starving, down-trodden creatures. Admittedly there were many part-time workers in the United States, but they did not answer to such a description. Most of them were women, students, or older men who worked at week-ends, when trade was busiest in service industries and stores, or did "odd jobs".

83. Admittedly, also, there were always some people working part-time or short-time because of insufficient work, but their numbers were small and had been so for well over a decade. Most part-time workers did not prefer or could not accept full-time work. The United States reply to the Secretary-General showed that in November 1950, for example, only 17 per cent of the 10,600,000 persons working less than thirty-five hours a week were not working full-time because of economic factors, such as temporary material shortages or job turnover. For the year 1950 as a whole, out of about 60 million persons employed, there were only about one million with full-time jobs who were working part-time for economic reasons and another million who would take full-time jobs if they were available. At present, there were few people who could not find full-time jobs if they wanted them and were willing to move to other firms or communities. Thus the United States report on unemployment developments during the past year showed that the United States had succeeded in rapidly expanding its economic activity, while at the same time reducing unemployment considerably without increasing working-hours or resorting to other devices.

84. As to future employment goals, the United States economic budget and the anticipated increased economic activity would necessitate an expanded labour force of between 1.5 and 2 millions. In his mid-year economic report to Congress, President Truman had stated that "this expansion is entirely possible, and with it there should be no general manpower shortage, although there will be shortages in certain skilled trades, and in some industries longer hours will be needed". At present, however, the most important limitation on output was

not lack of human resources but rather a shortage of materials and power. Large investment programmes had been launched to remedy that situation and many additional workers would be required to man newly established plants.

85. Reverting to the Secretary-General's report, he said that his delegation, while considering it generally satisfactory, thought it might in future be published earlier. Given the uncertain world economic situation, his delegation concurred with the Secretary-General's action in deferring the questionnaire on international trade and the balance of payments beyond the period of six months suggested in paragraph 13 of resolution 290 (XI), and agreed, further, with the general proposal that the resolution should be amended so as to give the Secretary-General more freedom to determine the period to be covered by, and the appropriate time for, such reports.

86. In reading the replies submitted by governments and in listening to the debate on the world economic situation, his delegation had been glad to note that the improved employment situation in the United States had been largely paralleled in many other countries, particularly in those associated in the Organization for European Economic Co-operation (OEEC). His delegation was gratified that production in those countries in 1950 had been 27 per cent higher than in 1938, and, in the first quarter of 1951, 16 per cent greater than in the same period of 1950. With few exceptions, European nations had reported increased employment in 1950. In some—notably in the United Kingdom and the Scandinavian countries—industrial production and employment had already been approaching pre-war levels when the Marshall Plan was initiated, and the subsequent increase had been achieved by expanding the labour force and, in some cases, by lengthening hours, but principally by greater efficiency and mechanization.

87. Western Europe's increasing productive capacity meant that, were it not for their present need to rearm against possible communist aggression, most of the countries concerned would shortly have no further need of Marshall Plan aid. Actions, whether already taken or under discussion, such as the pooling of common resources, the drive to make currencies more freely convertible and the promotion of international exchanges of goods, would contribute not only towards their defensive strength, but also towards the improvement of their over-all economy.

88. There were, unhappily, some countries in which there was still a considerable volume of unemployment and under-employment, but, after studying the replies to the Secretary-General, he was inclined to think that, for the most part, those situations required long-range programmes designed to increase productive capacity, to improve distribution systems and, in general, to raise the level of output. Such countries were generally quite well aware of their problems and of the measures necessary for their solution. It was undeniable, however, that substantial progress had been made since the war. The United States did not regard economic stabilization as an isolated technical problem. Its policy, as embodied in the Employment Act, aimed at reconciling progress in economic and social security with individual liberty. The United States realized that in any flexible industrialized economy there might well be fluctuations in production and employment, but its objective under the full employment programme was to minimize those fluctuations, while fostering both free competitive enterprise and maximum production and purchasing power. The United States was conscious of the fact that that would not be simple or easy, but it was confident that it could succeed.

The meeting rose at 6.15 p.m.