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ECONOMIC COMMITTEE

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SUMMARY RECORD OF THE ONE HUNDRED AND SIXTY-SECOND MEETING

held at the Palais des Nations, Geneva,
on Friday, 16 July 1954, at 2.55 p.m.

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Present:

Chairman:

Sir Douglas COPLAND (Australia)

Members:

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|---|---------------------|
| Argentina | Mr. CAFIERO |
| Australia | Mr. CORKERY |
| Belgium | Mr. JANNE |
| | Mr. WOULBROUN |
| China | Mr. CHEN |
| Cuba | Mr. RIBAS |
| Czechoslovakia | Mr. NOVAK |
| Ecuador | Mr. AVILES MOSQUERA |
| Egypt | Mr. EL-TANAMLI |
| France | Mr. DUMONTIER |
| India | Sardar Swaran SINGH |
| Norway | Mr. SKAUG |
| Pakistan | Mr. Saïd HASAN |
| | Mr. Anwar ALI |
| Turkey | Mr. ÖZGÜREL |
| Union of Soviet Socialist Republics | Mr. MORDVINOV |
| United Kingdom of Great Britain and Northern Ireland | Miss WATTS |
| United States of America | Mr. HOTCHKIS |
| Venezuela | Mr. MONTOYA |
| | Mr. VILLEGAS PULIDO |
| Yugoslavia | Mr. BRILEJ |
| | Mr. FLERE |

Observers from member States of the United Nations:

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|-------------|--------------|
| Brazil | Mr. MACHADO |
| Netherlands | Mr. WALRAVEN |

Representatives of specialized agencies:

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|--|--------------------|
| International Labour Organisation | Mr. RICHES |
| Food and Agriculture Organization | Mr. McDUGALL |
| International Bank for Reconstruction and Development | Mr. LOPEZ-HERRARTE |

Representatives of non-governmental organizations:

Category A

| | |
|-------------------------------------|----------------|
| International Chamber of Commerce | Mr. L'HUILLIER |
| International Co-operative Alliance | Mr. BOSON |
| World Federation of Trade Unions | Mr. DESSAU |

Category B and Register

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|--|---|------------------------|
| Chamber of Commerce of the United States |) | Mr. CRUICKSHANK |
| Inter-American Council of Commerce and Production | | |
| | | |
| International Federation of University Women | | Miss HEUSKIN |
| World Union of Catholic Women's Organizations | | Miss de LUCY FOSSARIEU |

Secretariat:

| | |
|--------------|---|
| Mr. Blough | Principal Director, Department of Economic Affairs |
| Mr. Caustin | Director, Division of Economic Stability and Development |
| Mr. Lukac | Director, Division of Transport and Communications |
| Mr. Dumontet | Secretary to the Committee |

WORLD ECONOMIC SITUATION (item 2 of the Council agenda) (continued):

- (b) Full employment (E/L.616 and Corr.1, E/AC.6/L.103, E/AC.6/L.104, E/AC.6/L.105, E/AC.6/L.106) (continued):
 - (i) Consideration of replies from governments to the questionnaire on full employment (E/2565 and Corr.1 and Add.1 - 8, E/2620 and Add.1, E/2408/Add.13)
 - (ii) Reconversion after the rearmament period (Council resolution 483 B (XVI)) (E/2564 and Add.1 and 2)
 - (iii) Measures to prevent possible inflation at high levels of economic activity (Council resolution 483 A (XVI)) (E/2563 and Add.1 - 3, E/2597)

Mr. BRILEJ (Yugoslavia) observed that the discussions had brought out three main points: first, that the problem of full employment had assumed proportions that made it imperative that some action be taken; secondly, that the maintenance of full employment was an international problem and its solution therefore called for international action; and thirdly, that the maintenance of full employment was inseparably linked to the development of the under-developed countries. The debate had shown that, despite differences of opinion about the present position of the world economy, there was general agreement that certain outstanding problems existed which required all countries to prepare to implement their international obligation to maintain full employment. As the replies to the Secretary-General's questionnaire on reconversion after the rearmament period (E/2564 and Add.1 and 2) showed, most governments realized that a reduction in armaments, or even their maintenance at the present level, would have serious consequences for their economies, and some governments were already busy making plans to meet that situation. It was vital that such plans should be put into effect in good time to prevent an economic recession on a large scale. While such measures constituted problems of domestic policy, they must necessarily have some impact on other countries. Many of the replies to the questionnaire on full employment showed that the success of domestic measures depended on international factors. For example, full employment often depended upon the trend of the balance of payments, which in turn depended upon the conditions obtaining in, and the policy followed by, other countries. It was clear, therefore, that international measures were required to ensure the maintenance of full employment.

Since the maintenance and expansion of production in the highly industrialized countries depended upon the expansion of foreign trade it was evident that additional markets would have to be created. Such markets undoubtedly existed, and ways must be found of making the products of the highly industrialized countries available to the under-developed countries. The resolution to be adopted by the Council must therefore stress the unbreakable link between the maintenance of full employment in the industrialized countries and the rapid development of the less developed countries. It would be tragic if a reduction in defence expenditure held up the struggle against poverty and backwardness in other parts of the world.

Referring to the Soviet Union draft resolution (E/L.616 and Corr.1), he said that his delegation agreed that the Council had a primary responsibility in the fields of full employment and the promotion of economic development, but could not agree that the governments of those countries where unemployment existed should alone be called upon to reduce their armaments. Disarmament and the peaceful solution of international disputes were the concern of all governments, no matter what the economic state of their countries, and only general disarmament could ensure world peace. Moreover, he doubted the efficacy or suitability of the proposed advisory conference of non-governmental organizations for coping with the problem of maintaining full employment. It would perhaps be useful if the International Labour Organisation were to call a meeting of trade union organizations, to enable the representatives of the workers to participate in the study of questions of full employment, but it was difficult to believe that a conference of the kind envisaged by the Soviet Union delegation, composed of representatives of several thousands of non-governmental organizations, would be able to arrive at any practical conclusions.

The draft resolution submitted jointly by the delegations of Belgium, Norway, the United Kingdom and the United States of America (E/AC.6/L.103) provided a sound basis for a constructive conclusion to the debate. But although the consideranda were, on the whole, satisfactory, his delegation believed that the whole problem of full employment formed an integral part of the basic problem of national and international economic policies, and, accordingly, that the Economic and Social Council and the General Assembly should continue to be responsible for

studying it and making recommendations, it of course remaining the responsibility of the governments of member States to carry out such recommendations and to implement full-employment policies. His delegation had therefore joined with those of Egypt and Argentina in proposing certain amendments (E/AC.6/L.105) to the joint draft resolution.

Mr. CAFIERO (Argentina) said that one of the most important aims that had been pursued since the war was the attainment and maintenance of full employment; that aim had become a major objective for every government, and concern for it had found expression in the Charter of the United Nations. It was recognized that the existence of chronic or frequent unemployment was a cause of social unrest and a threat to peace. The emphasis on full employment was dictated by the economic paradox that peoples and individuals lacked goods which they were anxious and able to produce if given employment. The solution of the problem of full employment was a vital factor in raising the standard of living and promoting social welfare, and could only be achieved in an expanding world economy where the economic development of the under-developed countries was of primary importance and the essential condition for full employment in the more developed countries. The latter, however, had not yet taken practical steps to show that they understood the problem.

In under-developed countries the greatest problem was the existence of chronic under-employment due to the lack of economic expansion, which was one of the most effective and direct methods of increasing income from foreign trade. Those countries had to deal with factors over which they had no control, and depended precariously on the income from the few products they were able to export.

Another cause of unemployment was the lack of capital goods due to a deterioration in the terms of trade or a shortage of foreign investment. For the capital-providing countries, such investment represented a positive contribution towards the maintenance of their own level of employment and high standards of living. Full employment and the expansion of world trade should go hand-in-hand through practical co-ordinated action at the international level, and if that broke down or were ineffective, restrictions would have to be applied. It was essential that the under-developed countries should enjoy favourable terms of trade which would permit them to maintain their purchasing power and accelerate

their economic development. Although a return to multilateralism, to expansion of trade, to convertibility and suchlike was the declared policy of the majority of countries, bilateralism and exchange control were the only means left to the under-developed countries of ensuring full employment, and for that state of affairs the highly developed countries were responsible.

The Argentine Government, whose reply to the Secretary-General's questionnaire had not yet been published, was particularly concerned with the question of full employment as a means of giving effect to the principle of the right to work embodied in the country's Constitution. Among the methods his Government was adopting could be mentioned the intensification of production, the rational distribution of public works projects and the organization of a national employment service. Argentina was not suffering from unemployment, and had never really done so in the past. In 1953 a stable relationship had been established between prices and wages, with an increase in real incomes.

The one negative factor in the national economy was the deterioration in the terms of trade, whose unfavourable trend was having an adverse effect on real income and the level of employment. The fall in the price of exports and potential and actual competition from surplus animal and agricultural products in traditionally Argentine markets were causing his country great concern, and conflicted with certain resolutions of the General Assembly and the Economic and Social Council, which some highly developed countries found it convenient to forget. Referring to various such resolutions, he observed that the under-developed countries regarded them with scepticism, and asked of what value they had been so far in the face of the measures adopted by the highly developed countries to the detriment of the under-developed. Nevertheless, despite everything, he felt that the under-developed countries were united in a spirit of co-operation and courage and still had faith in the great work that could be achieved by the United Nations.

His delegation, while not opposed to the joint draft resolution, considered that it was drafted in too general terms, which failed fully to reflect all aspects of the discussions. It had, accordingly, joined with those of Egypt and Yugoslavia in proposing some amendments to it. It also intended, in company with the other Latin-American countries represented on the Committee, to submit further

amendments stressing the close relationship between a high level of employment, capital investment and international trade, the necessity for a rapid expansion of the economy of the under-developed countries in order to improve living standards, and the fact that in their search for a solution to the problem of full employment those countries were hampered by their economic structure, by the nature of their foreign trade, by the vulnerability of their foreign markets and by the danger of falling prices. As a matter of drafting, the Argentine delegation would like the form of words used in the fifth paragraph of the preamble to the joint draft resolution, beginning with the word "Welcoming....", to be somewhat modified.

With regard to the Soviet Union draft resolution (E/616 and Corr.1), his delegation was unable to accept the proposal that a non-governmental advisory conference be convened. Such a gathering, representing a very large number of organizations, was scarcely likely to achieve any very concrete results; moreover, any decisions that might be reached would be of very little value, since it appeared that governments were not to be represented at the conference. Again, almost insoluble problems would arise as to which organizations were to be invited, and there was the question whether the presence of some might not be unacceptable to others. In his delegation's view, the International Labour Organisation was the agency best equipped to study the question. The first part of the Soviet Union resolution would, with some changes, be acceptable to his delegation. But, as the two draft resolutions had many features in common, he wondered whether the various authors could not confer with the object of reaching agreement on a revised joint text.

Mr. Saïd HASAN (Pakistan) said that the question of full employment was continually before the Council and the General Assembly, but the well-meaning resolutions in which the discussions terminated largely remained dead letters, and the peoples of the under-developed countries were left in their poverty and helplessness. In his country, even the concept of full employment was almost utopian. Employment was to be measured less by the number unemployed than by the degree of under-employment of the vast majority of the people, the fluctuations making a difference only between semi-starvation and near starvation. The term "full employment" implied no unemployed persons, but in Pakistan, where the

term "workless" was a reproach, large numbers who were not technically so were nevertheless employed non-productively. The tragedy was that whereas so much was waiting to be done, the necessary human labour and physical resources, which existed, stood idle. That was the problem of all the under-developed countries, and it arose solely from lack of capital. Since the country had attained its independence, the Pakistani Government had put economic development in the forefront of its policy. Despite the many handicaps, a start had been made on that gigantic task and a large part of the country's accumulated sterling balances had been withdrawn to finance development; but at the moment a situation in which recession and inflation were combined had forced upon the Government an unavoidable choice between slowing down development and curtailing consumption. It had chosen the more difficult alternative - that of reducing the purchasing power of the public. At the same time, the highly-industrialized countries were threatened with unemployment due to the release from armaments manufacture of productive capacity which could not be absorbed by normal domestic demand. It was therefore of vital importance to those countries to foster effective demand in the under-developed countries, but such markets could not be opened up if the latter's entire resources were absorbed by the needs of internal development. In Pakistan, despite the maximum investment the country was capable of, the standard of living had in fact fallen, and there was acute economic distress and unemployment.

Both the draft resolutions before the Committee directed attention almost exclusively to conditions in the highly developed and industrialized countries. Indeed, the recommendations made in them were hardly applicable to the situation of the under-developed countries. The amendments (E/AC.6/L.104) his delegation was therefore proposing to the Four-Power draft resolution drew attention to conditions in the latter countries, which might otherwise be overlooked.

Mr. AVILEZ MOSQUERA (Ecuador) did not propose to reopen the theoretical discussion on full employment and the optimum level of employment, but merely wished to bring out certain points.

The replies from governments to the Secretary-General's questionnaire on full employment and the fact that the two draft resolutions before the meeting, although submitted by the governments of countries with different economic structures and policies, dealt with the same problem, showed that one thing must

be borne in mind, namely, the fall in the level of employment despite signs of relative economic prosperity in some countries, or at least the failure of the level of employment in many regions to rise to a level that could be described even as adequate. On the other hand, it was obvious that the approach of the highly industrialized countries to the problem was different from that of the under-developed countries. Workers in the latter group of countries could not be divided merely into employed and unemployed, because a large proportion fell into the category of under-employed.

Measures taken in the two groups of countries to remedy unemployment also differed. For example, the policy of industrialized countries in times of depression had been to combat unemployment by reducing development factors to a minimum; thus, capital savings and productivity had been reduced, special taxes had been imposed on excess profits, and savings had been directed towards less productive investments of social value in order to balance national production against increased levels of employment. The under-developed countries, however, could not follow such a policy if they wished to increase the capital savings and accumulation rates they needed to accelerate the rhythm of their development, to raise productivity and to increase their investments in agriculture and industry. It had therefore been suggested in certain United Nations documents that they should increase their rate of capital formation in proportion to the increase in their national income.

The aim of the economic policies of highly industrialized countries was to increase net production per man-hour under conditions of full employment, whereas in countries which were in the process of development the urgent need was to increase production capacity and to raise production to a level higher than the increase of population, without raising prices, without currency depreciation and without undue disturbance of international trade. It should also be borne in mind that the fall in the level of employment was an effect, and not a cause, in the complex of economic phenomena. A really satisfactory orientation of economic development would therefore entail a study of the causes of unemployment and would eventually lead to a remedy for that situation.

On the basis of those principles, his delegation considered that the Soviet Union draft resolution contained some valuable suggestions; but he did not think

that all the measures proposed therein were likely to provide an adequate solution to the problem. Some of those measures, however, were already being put into practice in his country.

In Ecuador, the budgetary appropriations for education, health and social services generally were increasing year by year, because the Government considered that social development was an indirect form of economic development. The fact that those appropriations were not higher than they were was the result of the Government's desire not to increase the burden of taxation, which might affect the poorer sections of the population and have repercussions on the increase of production, which was the immediate aim of the country's development plans. At the present stage of its economic development, and in order to implement its development plan, Ecuador was trying to increase the diversification of its production for export and of food products, which would create new opportunities for better paid labour and raise the levels of employment and capital investment. That did not mean, however, that his country would not seek other solutions to the problem.

He associated himself with those representatives who had expressed the view that, in the presence of the International Labour Organisation, in which workers, employers and governments were all represented, there was no need to convene an advisory conference of non-governmental organizations to study a highly technical problem in an atmosphere that would not be particularly conducive to that relaxation of the international tension fundamental to the normal development of the world economy.

His delegation approved the general lines of the four-Power draft resolution as a basis for discussion, but agreed with the Venezuelan representative's remarks about the wording of the third operative paragraph. He would join some of the other Latin-American delegations in submitting appropriate amendments.

In conclusion, he repeated that radical measures must be taken to attack the causes of unemployment. The highly industrialized countries could contribute towards the economic development of under-developed countries by stabilizing their economies, or at least by guaranteeing on the basis of fair prices, stable markets for the raw materials and food products exported by the under-developed countries, in order to diminish the influence of external factors on their economies. They

could also stimulate capital investment by helping to channel international funds into the most needy areas.

Mr. RIBAS (Cuba) suggested that, in view of the number of proposals before the Committee, a compromise solution might be more easily devised by a working party.

Mr. HOTCHKIS (United States of America) supported that proposal.

Mr. SKAUG (Norway) said that, although full employment had been achieved in Norway, mainly through government action, his delegation was concerned with the international aspect of the problem, because it realized the extent to which its own employment level was dependent upon that of other countries. It was obvious that the question of the maintenance of a high level of employment had to be approached differently in the case of highly industrialized countries and under-developed countries respectively; and his Government was aware of some of the problems facing the latter group from its own experience with the under-developed areas of Norway.

In becoming one of the authors of the joint draft resolution (E/AC.6/L.103), his delegation had not imagined that it was dealing with the whole vast subject of full employment. Other aspects of the question would be discussed subsequently, when appropriate proposals would undoubtedly be submitted. The purpose of the present proposal was to bring out the problems of the industrialized countries and to stress their responsibilities in the matter. Their ability to maintain a high level of employment was important to all; in particular, the effects of any decline in their industrial activity would quickly be felt by the under-developed countries. He suggested that, in view of the specialized nature of the joint draft resolution, it might be advisable to consider the several amendments proposed to it in connexion with other aspects of the subject.

Mr. JANNE (Belgium) said that his delegation's objectives were precisely those of the Norwegian delegation. The latter's interpretation of the four-Power draft resolution was correct, but he did not think that the impression ought to be created that the proposed amendments were in any way dissociated from the problem of full employment. The views they embodied squared with the intention of the joint draft resolution.

He, too, supported the Cuban representative's proposal.

Mr. EL-TANAMLI (Egypt) said that although he took the keenest interest in the most important question of full employment, he had abstained from speaking hitherto because the draft resolution (E/AC.6/L.102) submitted by his delegation on sub-item (a) of item 2 of the agenda - the world economic situation - had not yet been circulated⁽¹⁾. However, with the help of the Pakistani and Indian delegations he had now given the text its final form⁽²⁾, and the Committee would be able to discuss it shortly.

The CHAIRMAN proposed that, as suggested by the Cuban representative, a working party on full employment should be set up under the chairmanship of the Belgian representative.

It was so decided.

Mr. MACHADO (Observer for the Government of Brazil), speaking at the invitation of the CHAIRMAN, said that he had heard several delegations state, in plenary meeting, that the situation relating to full employment in their countries bore no resemblance at all to the Secretariat's description thereof; he would like a fuller explanation of the statistics given in its report (E/2620).

The time had passed for studies and resolutions proclaiming general policy. The moment had come to see whether the measures devised for solving the problem would produce useful results. Criticism must centre on existing institutions.

It had not yet been possible to bring the International Trade Organization into being, but the problems which had prompted the decision to create it subsisted. The question of its establishment should be urgently reconsidered.

The Soviet Union draft resolution called on "the governments of all countries, where unemployment exists, to take effective and urgent steps to reduce unemployment and increase employment." But was there any government which deliberately followed a policy of unemployment? In a free economy it was not the government's job to increase employment. To provide more work, it was necessary to prevent commodity prices from falling, to make good the shortage of capital and to develop the

(1) See summary record of the 160th meeting (E/AC.6/SR.160)

(2) Subsequently circulated as document E/AC.6/L.102/Rev.1.

economies of the under-developed countries. Production could not be stimulated so long as trade was neglected.

The draft resolutions before the meeting represented the desiderata of theorists. The solution of the problem was beyond the capacity of individual governments. It called for international co-operation in the economic and financial fields. With the exception of the International Labour Organisation, however, those specialized agencies capable of making suggestions were not represented at the meeting.

The most constructive step the Council could take would be to make a realistic and critical survey of all the plans for combating unemployment adopted over the last ten years.

Mr. MORDVINOV (Union of Soviet Socialist Republics) considered that the four-Power draft resolution (E/AC.6/L.103) and some of the statements made in the Committee showed that many representatives took an unduly optimistic view of the world employment situation. The joint draft resolution suggested no practical measures to remedy that situation but merely reflected the wish of certain delegations to justify the existence of unemployment and to prove its inevitability. His delegation could not countenance such an interpretation of the position. The facts and figures before the Committee only served to underline the need for practical and effective measures to reduce unemployment and to alleviate the distress of the unemployed.

His delegation took particular exception to the fourth and fifth paragraphs of the preamble. The fourth paragraph referred to the maintenance of national and international economic stability with high and expanding levels of employment; it was, however, impossible to maintain a stability and levels which did not exist. The fifth paragraph welcomed the intentions of member States to continue their efforts to maintain high levels of domestic production and employment. He agreed with the Argentine representative that there was no cause to welcome the maintenance of the status quo, when the World Economic Report, 1952-53 (E/2560), and the debates in various United Nations organs bore witness to the disastrous economic position of many countries.

Instead of submitting general, formal and retrograde proposals, the Committee should help the Council to take a decision on urgent remedial measures.

Their lack of realism had led the authors of the joint proposal to go so far as to insert a redundant invitation to the International Labour Organisation to continue its work. That agency had done useful work in the past, and would continue to do so, but an instruction to it from the Council on the lines indicated could make no practical contribution to the solution of the problem of full employment.

The Pakistani amendments (E/AC.6/L.104) contained some useful provisions, which might, however, be incorporated to better advantage in the Soviet Union draft resolution rather than in the joint draft resolution. The former had been revised to take into account comments made at the previous meeting, and now appeared under symbol E/AC.6/L.106.

Sardar Swaran SINGH (India) thought that the Committee should be able to deal rapidly with the joint draft resolution on the world economic situation submitted by the Egyptian, Indian and Pakistani delegations (E/AC.6/L.102/Rev.1).

Mr. VILLEGAS PULIDO (Venezuela) considered that the Committee needed more time to study the draft, which had barely been distributed in one language. He therefore suggested that the meeting adjourn.

Mr. EL-TANAMLI (Egypt) said that he would not press for an immediate decision on the proposal.

The meeting rose at 5.25 p.m.