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Held at Lake Success, New York,  
 on Friday, 20 January 1950, at 3 p.m.

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<u>Chairman:</u>	Mr. WILSON	Australia
<u>Rapporteur:</u>	Mr. DEUTSCH	Canada
<u>Members:</u>	Mr. GODEAUX*	Belgium
	Mr. NUNES CUMARAES	Brazil
	Mr. KO	China
	Mr. SILVERIO	Cuba
	Mr. de SEYNES*	France
	Mr. SAKSENA	India
	Mr. HAAVELMO*	Norway
	Mr. FLEMING	United Kingdom of Great Britain and Northern Ireland
	Mr. LUBIN	United States of America

\*Alternates

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Representatives of specialized agencies:

Mr. EVANS	International Labour Organisation (ILO)
Mr. EZEKIEL	Food and Agriculture Organization (FAO)
Mr. KING	International Bank for Reconstruction and Development
Mr. FISHER	International Monetary Fund

Consultants from non-governmental organizations:

Miss SANSOM	International Chamber of Commerce (ICC)
Miss SENDER	American Federation of Labor (AF of L)

Secretariat:

Mr. WEINTRAUB	Secretary of the Commission
Mr. VARLEY	Assistant Secretary of the Commission

NATIONAL AND INTERNATIONAL MEASURES FOR FULL EMPLOYMENT: REPORT BY A GROUP OF EXPERTS APPOINTED BY THE SECRETARY-GENERAL (E/1584) (Continued)

1. Mr. EZEKIEL (Food and Agriculture Organization) stated that FAO had not had sufficient time for detailed study or final judgment of the report. FAO however welcomed the initiative of the Economic and Social Council and the Committee of Experts in giving impetus to further study of the problem.
2. Clearly the problem of unemployment was of great concern to farmers, whose markets depended upon the level of economic activity. Even slight declines in employment were reflected in reduced income and reduced buying power for farmers. FAO was therefore seriously concerned over measures to reduce agricultural output in certain countries.
3. Mr. Ezekiel indicated that the report ignored the fact that current Government full employment programmes in the international field were generally mutually destructive, since they either represented reciprocal efforts to defend one economy at the expense of others, or involved the redirection of foreign trade and production in order to secure products from sources which were less advantageous but had softer currencies, while hard currency countries restricted their output to make up for vanishing exports. The Commission should bear in

mind that the alternative to the recommendations in the report was the prevailing ineffective and destructive policy in world trade. The question was treated in paragraphs 56 and 57 in theoretical detail, but care must be taken to avoid general counter-cyclical action.

4. Discussion of the report was helpful in that most members of the Commission had not opposed the general methods to be used in achieving full employment. Although differences of opinion arose regarding mechanisms for carrying a programme of full employment into effect, economists seemed to have reached general agreement regarding causes and cures for unemployment.

5. Referring to the suggestion of the Chairman regarding the necessity of overhauling international machinery, Mr. Ezekiel recalled that FAO had made far-reaching and dynamic proposals for change, which Governments had so far been unwilling to accept.

6. Without at that stage commenting on the individual detailed proposals contained in the report, he stressed the fact that one of the important aspects of the entire problem was that, if an expanding world economy was to be successfully achieved, it must be different from the situation prevailing in the past, when the expanding, rising consumption level had been far more marked in the western world than in the East. One of the essential advances was the recognition that rising standards of living were necessary for the East as well as the West. Due attention must be given to the development of technical assistance and the report was especially commendable in its emphasis on the position of under-developed countries.

7. Referring to the recommendations in the report for changes in international financial institutions, particularly paragraph 195, which would make financing by the Bank more broadly representative, Mr. Ezekiel stated that FAO was gratified to find that that recommendation was similar to those previously contained in reports of the FAO.

8. He expressed the hope that the report would be seriously considered and acted upon by Governments.

9. Mr. FISHER (International Monetary Fund) stated that the report raised many questions on both the policy and the technical levels, on which it was hardly possible to take a firm position without further careful study. The statement of the Fund must therefore be regarded as provisional.

/10. The Fund

10. The Fund, was, however, necessarily concerned with the problems which might arise when, either before or after the difficulties caused by the current international disequilibrium had been resolved, the effects of so-called normal cyclical fluctuations must again be faced. Since responsibility for dealing with those problems must be widely shared, the Fund welcomed the insistence of the experts upon the close interdependence of policy measures in the various relevant fields. Partly for that reason, it would be unprofitable to enter into a discussion of the technical questions raised in those parts of the report specifically directed towards activities for which the Fund had a special responsibility. In a sense, those were contingent questions which would depend on actions taken in other directions.

11. He recalled that the Fund had the important function of protecting the payments position of its members so that balance of payments pressures would not become intolerable during the period when more far-reaching and permanent measures suitable to the circumstances of individual countries were being applied. To that end, it might be necessary at an appropriate time to increase the resources of the Fund. It was, however, also essential that any more liberal provision of financial protection should not be regarded as making it easy for members to avoid or unduly postpone any necessary adjustments in their trading position to structural changes in world economy. The activities of the Fund had already been directed towards protection of the balance of payments position of its members, care being taken at the same time to ensure that its resources were not used to perpetuate any existing fundamental disequilibrium in the balance of international transactions. If remedial or preventive measures could be applied in advance, the situation would of course be still more favourable. The Fund was always ready to collaborate with its members for that purpose.

12. Mr. HAAVELMO (Norway) stated, in connexion with the proposals for dealing with the report, that he would be in favour of recommending that the Economic and Social Council should transmit the report to Governments for study. The Norwegian Government had not had time to consider that proposal, but Mr. Haavelmo was confident that it would not object.

/13. He further

13. He further suggested that it should be recommended that the summary records should be studied in close connexion with the report, since the various comments and criticisms they contained would be helpful. The Commission should in its discussions stress questions of principle and broad general considerations.

14. The CHAIRMAN noted that since all members had presented general statements on the report as a whole, the Commission would, as previously agreed, proceed to a more detailed discussion of specific parts of the report.

Part III, 1A

15. Mr. FLEMING (United Kingdom) stated that, in his opinion, the Commission could best contribute to the discussion of the report by setting itself the object of commenting on the suggestions of the group of experts, presenting the arguments for and against those suggestions without seeking to adopt a definitive position on any of the recommendations.

16. Turning to the question of a full employment target, he observed that the arguments seemed to be in its favour. All countries, especially the major industrial countries, should give some indication of the quantitative standards which they would set in employment policy. Such indications would help other countries in their own planning and also <sup>in</sup> forecasting their balance of payments. Furthermore, the announcing of such targets would set useful standards of achievement and, if appropriately set, would stimulate confidence nationally and internationally.

17. He recognized the technical objections to full employment targets, especially in primary producing countries where self-employment was important. He noted that the Canadian and French representatives had emphasized the importance of structural unemployment and the substantial variations in such employment. In large countries it was possible for such changes to be cancelled out, but in smaller countries the overall variations were greater. In any case the problem remained even for large countries.

18. There were two types of structural unemployment: unemployment in export industries of a temporary nature, which could not be remedied by general measures for expanding the aggregate demand, and unemployment caused by long-term shifts in demand for products. If attempts were made to overcome those structural difficulties by raising the aggregate demand through broad fiscal measures, some success would be achieved in eliminating structural unemployment but that might also create labour shortage and inflationary pressures. However, in spite of the general tendency to separate the different types of unemployment, experience in the United Kingdom had shown that structural unemployment was a function of the general demand situation. It was essential to have prosperous industries to which labour might shift from depressed industries. If the aggregate demand were raised enough, unemployment would even be eliminated in the depressed industries. In the final analysis, however, <sup>the</sup> solution might be of a temporary nature and the structural difficulties might re-emerge.

19. In order to meet the difficulties of structural unemployment, Governments should be free to include some index of the labour shortage in the target formulas they adopted. The easiest method would be to subtract unfilled vacancies from the unemployment figures and relate the target to the revised figure.

20. He emphasized that no guarantees would be expected in connexion with targets adopted by Governments. The appearance of dislocation would justify failure to achieve the target set. The experts had been wise in suggesting a range rather than a single figure. In that way Governments could make limited use of variations in their internal situation as a means of coping with balance of payments difficulties. Most Governments were, however, unwilling to see large variations in employment used as a method of adjusting their balance of payments deficiencies.

21. Clearly, Governments must be free to determine and shift their own targets. It would be wrong for the United Nations to try to allocate or impose targets in any way. Moreover, each country should be free to determine the precise nature of the formula which it would adopt.

22. Mr. DEUTSCH (Canada) agreed with the United Kingdom on the value of fixing full employment targets, but subject to several reservations. The choice of the target device might suit some countries better than others, particularly the highly developed countries, which were less exposed to fluctuations affecting primary products and exports. The Canadian Government had reaffirmed on many occasions its intention of adopting a policy for the maintenance of high levels of employment. It had not, however, defined those levels mathematically, because it was faced with special problems of seasonal unemployment and export and primary product fluctuation. The point at which measures were taken and the nature of those measures would depend upon the variables in the situation. Ranges rather than precise figures would have to be used in the selection of specific targets and such targets would have to be subject to periodic revision. It might be doubted, therefore, whether there was anything to be gained by naming a specific figure. A far more comprehensive examination would be needed before a really useful device for fixing targets could be evolved.

23. Mr. HO (China) thought that the fixing of employment targets might be useful at the national level, but might be meaningless at the international level because conditions varied from one country to another. It was hard to see how targets could ever be usefully fixed for countries in the pre-industrial or transitional stage.

24. Mr. LUBIN (United States of America) was perturbed by the problems involved in fixing a practical and rational target based upon unemployment figures to determine the point at which automatic compensatory measures would be applied; such a method might be applicable to one country, whereas it might have no relevance whatever to conditions in another. The definition of "unemployment" given in paragraph 146 of the experts' report (E/1584) was inadequate. The number of persons unemployed at a given moment was in reality a function of the culture of the country concerned. If the school leaving age of a country, for example, were fourteen, the total of unemployed

would include, for the purposes of fixing the target, all those leaving school at that age, so that the compensatory measures would have to be applied at an earlier date than would be the case with a country with a school leaving age of sixteen.

25. In the United States of America, approximately 600,000 persons annually had to be absorbed into the labour force. That figure was a function of United States laws, as most states had a school leaving age of sixteen and a retirement age of sixty-five.

26. Other cultural factors would also have to be taken into account in estimating the target figure. In 1948, there had been a considerable increase of so-called private pensions in the United States, notably in the steel and automobile industries. Such private pensions, however, were sometimes not large enough to withdraw the recipients from the labour market. If, therefore, the target were to be put into effect at the moment a certain percentage figure was reached, one country might be at a disadvantage in relation to another, because it might, as a result of its cultural habits, have to apply the target earlier than a country which would not begin to apply it until it had more unemployment than appeared on the surface. Unemployment as defined in paragraph 146 should not, therefore, be the sole criterion for fixing the target. In addition to the factors suggested by the United Kingdom representative, some formula must be found to cover the aspects both of employment and of unemployment, because a high level of unemployment might well co-exist with a very high level of employment.

27. Furthermore, the report made no provision for the self-employed. In the United States there were six million independent farmers and from three to five million self-employed persons. Unemployment in those categories was a very important factor at certain stages in the business cycle; it must be taken into consideration. The bankrupt small merchant was just as much unemployed as the industrial worker who had been laid off.

28. Another problem was that of the appropriate action in situations in which aggregate unemployment in specific industries due to structural conditions was large enough to approach the target, yet none of the suggested remedial compensatory measures was appropriate to that particular situation.



29. Mr. Lubin instanced the boom which had occurred in the immediate post-war period in the New England textile industry. Subsequently, the market had been saturated and inventories had been replaced; employment and production had consequently been drastically reduced. A considerable contributing factor in that reduction had, however, been the change in consumption habits affecting the particular type of goods produced in the New England mills, whereas no such change had adversely affected the industry in the Southern States, at least in terms of **employment**. Even if the Government employed deficit financing, the time required to produce new effective demand would be so long and the prospect of success so uncertain that, in assessing the improbability of any increase in effective demand, it would be impossible to distinguish between structural employment and ineffective demand. In other words, a very thorough investigation must be made of methods to determine whether ineffective demand was the result of insufficient purchasing power or of a change in cultural habits involving a considerable time lag.

30. The CHAIRMAN, speaking as the representative of Australia, deprecated attempts to interpret the experts' report too rigidly. The experts had not intended that the target should apply equally to all countries, but only to those whose economic development made its application appropriate. The experts had clearly believed that local factors should be taken into account in fixing different targets for each country. The technical objections with regard especially to the self-employed, raised by the representative of the United States, appeared to be a fine distinction rather than a basic problem; it could be adjusted by statistical experts. The Australian Government had found that, statistically, the unemployment of the self-employed tended to fluctuate in close proportion to general economic conditions.

31. There was some question whether unemployment in specific industries, particularly in the export industries, was due to cyclical or to structural changes. That question had been studied in some detail in paragraphs 90 to 97 of the report. There was reason to suppose that variability in the demand for exports was not necessarily an argument against the validity of

/action targets.

action targets. It was to some extent true that the measures proposed might not be very efficacious for the smaller countries, particularly the exporting countries; if, however, they were applied to the major consuming centres, variability of demand might be eliminated, and the problems of the smaller countries would thus be more easily solved.

32. The fixing of the proposed targets was undoubtedly not easy; but he agreed with the United Kingdom representative that the difficulties involved should be regarded as a challenge to find some alternative method.

33. Mr. EZEKIEL (Food and Agriculture Organization) felt that it was disturbing from the agricultural viewpoint that the amount of unemployment considered by the press and Governments as bearable seemed to expand in proportion to the increase in unemployment. It would therefore be desirable to have a publicly stated employment target in order to eliminate such changes of view and to render impossible the postponement of urgent and essential measures. He suggested that there should be a minimum figure, three per cent for example, which should serve as a caution level, and a maximum figure, four per cent, at which action should be taken.

34. Miss SENDER (American Federation of Labor) agreed with the representative of Australia that the target should not be too rigidly interpreted. Each country should determine its own target, taking into account the nature, structural or otherwise, of the unemployment. Some Governments, in fact, had already drawn up plans to be put into effect at a given danger point.

35. Mr. de SEYNES (France) asked the United States representative to what extent self-employed persons and farmers were taken into account in United States employment statistics.

36. Mr. LUBIN (United States of America) replied that the statistics were based on a monthly census taken by sampling methods and included anyone who was available for and seeking work, i. e. the total labour force.

37. Mr. EVANS (International Labour Organisation) drew attention to the fact that the International Conference of Labour Statisticians which had been held two years previously had revealed great divergencies in national practice and had made certain recommendations with a view to achieving greater conformity; there was, however, an inevitable time lag in their implementation.

38. Some years previously the International Labour Conference had decided that in applying the policy of timing public works, "consideration should be given not only to the employment situation in the country as a whole but also to the situation in each area and to the particular types of skill available in the area concerned". The Employment Service Convention of 1948 had entrusted that timing to the public employment service of each country.

39. He felt that there would be practical difficulties in the way of applying the proposals contained in paragraph 146 of the report in countries where unemployment statistics were based solely on unemployment insurance data and where statistics on unemployed persons not covered by insurance were not readily available.

40. Mr. FLEMING (United Kingdom), referring to the effect of aggregate demand on structural unemployment, pointed out that although in the summer of 1949 exports from the United Kingdom had declined by approximately twenty per cent compared with the previous winter's level and had subsequently recovered, there had been absolutely no change in the unemployment level, which had remained stationary at one and a half per cent. Goods had merely been switched from the export to the home market and back. When there was a high level of general demand, structural difficulties were less than they might appear.

41. Mr. LUBIN (United States of America) stated that the experience in the United States had been the contrary. The increase in consumer expenditure in 1949 had not been sufficient to absorb the increased number of workers available. Furthermore, the position could be expected to deteriorate in 1950 as 400,000 ex-Servicemen would then graduate under the G.I. Bill of Rights and the economy would therefore have to absorb one million new workers compared to the yearly average of 600,000.

/42. Mr. WEINTRAUB

42. Mr. WEINTRAUB (Secretary of the Commission) drew attention to the footnote on pages 40 and 41 of the report, in which the experts elaborated their conception of the target and introduced the idea of a signal level. He quoted the second sentence to show that the experts were aware that two figures must be kept in mind: a target range of between two and four per cent and a signal figure two and a half per cent above that; it was only when the signal figure was reached that automatic compensatory measures were recommended. The margin between the two figures would take into account increases in all types of unemployment and automatic compensatory action would not necessarily have to be taken until the signal level was exceeded for a specified period of time. The footnote therefore included Mr. Ezekiel's idea of a cautionary and an action figure.

43. With regard to the question of the availability of statistics, he explained that the experts had discussed several questions which were not included in the report and had been aware of the problem raised by the absence of data. In fact they had a recommendation on statistics in paragraph 181. They had also suggested that the specialized agencies and the United Nations might give technical assistance to overcome statistical difficulties. They had assumed that if a Government undertook to maintain full employment, that implied that it knew the facts or would make every effort to ascertain them.

The meeting rose at 4.40 p.m.