

UNITED NATIONS  
ECONOMIC  
AND  
SOCIAL COUNCIL



GENERAL  
E/CN.1/SR.95  
24 January 1950  
ENGLISH  
ORIGINAL: FRENCH

ECONOMIC AND EMPLOYMENT COMMISSION

Fifth Session

SUMMARY RECORD OF THE NINETY-FIFTH MEETING

Held at Lake Success, New York,  
on Friday, 20 January 1950, at 11 a.m.

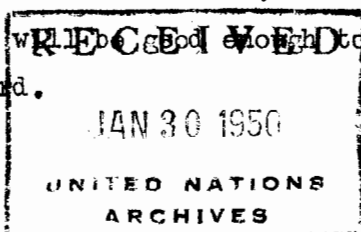
CONTENTS:

Report of the Group of Experts appointed by the Secretary-General under Economic and Social Council resolution 221 (IX) E on national and international measures required to achieve full employment (E/1534) (continued).

<u>Chairman:</u>	Mr. Roland WILSON	Australia
<u>Members:</u>	Mr. GODEAUX *	Belgium
	Mr. NUNES GUIMARAES	Brazil
	Mr. DEUTSCHE	Canada
	Mr. HO	China
	Mr. SILVERIO	Cuba
	Mr. J. J. MENENY *	France
	Mr. SAKSENA	India
	Mr. HAAVELMO *	Norway
	Mr. FLEMING *	United Kingdom of Great Britain and Northern Ireland
	Mr. LUBIN	United States of America

\* Alternates

Any corrections to this record should be submitted in duplicate in either of the working languages (English or French), within two working days, to the Director, Official Records Division, Room F-520, Lake Success. Corrections should bear the appropriate symbol number and be enclosed in an envelope marked "URGENT". Corrections can be dealt with more speedily if delegations will be good enough to incorporate them in a mimeographed copy of the record.



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 (Bank)
Mr. FISHER	International Monetary Fund (IMF)

Representatives of non-governmental organizations:

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

Secretariat:

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

REPORT OF THE GROUP OF EXPERTS APPOINTED BY THE SECRETARY-GENERAL UNDER ECONOMIC AND SOCIAL COUNCIL RESOLUTION 221 (IX) E ON NATIONAL AND INTERNATIONAL MEASURES REQUIRED TO ACHIEVE FULL EMPLOYMENT (E/1584) (continued)

1. Mr. HO (China) congratulated the Group of Experts on having prepared a report which was one of the best working papers submitted to the Commission during the past three years. Although he did not agree with the experts on every point, he considered nevertheless that their study should command admiration and respect.
2. The programme suggested by the experts for combatting unemployment consisted of eight series of measures, five of which were of a domestic and three of an international character. The most significant aspect of those measures was that they were linked one to another to form an integral whole: it was thus clear that the problem of unemployment should be approached in a systematic and co-ordinated manner both at the national and international level.
3. He had examined with interest the experts' study on the interrelationship of the domestic and international aspects of the problem. The Group of Experts had stressed the need for the economic development of under-developed countries and had declared that a continuous and substantial flow of international investment should be directed from industrial countries for that purpose.

The Constitution of the International Bank should be amended to enable it to grant loans to under-developed areas, not only for specific projects but in order to ensure the general economic development of those areas. He approved of that suggestion but thought that rather than amending the Constitution of the Bank, it would be better to change the attitude towards international loans to under-developed areas, which would represent a greater contribution to the solution of the problem of full employment. If world economic stability was to be ensured the world would have to be regarded as a single entity.

4. The domestic measures advocated by the Group of Experts could not be applied uniformly in all countries. In a country such as China, for example, whose economy was going through a period of transition, the problem of unemployment did not take the <sup>same</sup> form as it did in certain other countries. Some of the measures advocated by the Group of Experts could not be applied there. Similar economic problems had to be solved differently, according to the countries in which they arose.

5. He agreed with the proposal made earlier by certain representatives that the Commission should transmit the report of the Group of Experts to the Economic and Social Council, asking it to recommend the report to Member States for careful study.

6. Mr. SAKSENA (India) agreed with preceding speakers that the report of the Group of Experts deserved the unanimous praise it had received. It contained constructive proposals which Governments should study carefully. It covered such a complex and wide field, however, that it was difficult to analyze it in detail in the Commission. He would therefore restrict himself to commenting on the experts' proposals from a regional point of view. It would no doubt be possible later to reconcile the various regional points of view and to adopt a common overall policy in the national and international fields.

7. He stressed that the comments he was about to present to the Commission reflected his personal reactions only and did not commit his Government in any way. He would first draw the Commission's attention to an article published in that day's issue of the New York Times, according to which members of the Commission would try to reject the report of the Group of Experts. He objected to such a statement. On the contrary, the Commission was anxious to give the report its most sympathetic consideration.

8. The first part of the report dealt with the nature of the full employment obligation. Member States had pledged themselves to promote full employment and to take joint and separate action in co-operation with the United Nations to achieve that end. They had certainly not lost sight of that pledge and if it had not yet been possible to ensure full employment throughout the world, it was because the resources of certain countries were still inadequate.

9. The experts had been quite right to stress the need for international co-operation (paragraph 7 of the report).

10. They had also rightly drawn attention to the vital role that the United States economy played in the world. The economic activity of the world depended to a large extent on United States policy in regard to full employment and customs tariffs and thus that policy was of grave concern to the entire world.

11. It had been asked whether it was right to recognize the pre-eminent position of the United States in that field. However that might be, it was certain that the United States would have to continue to play in world economy the role of guardian angel that historic events had allotted to it.

12. As the experts had stated in paragraph 19 of their report, three main kinds of unemployment were possible. Paragraph 20 of the report dealt with a particularly important form of unemployment resulting from a lack of capital equipment required to keep wage-earners at work. It was surprising, therefore, that in defining the scope of their report the experts had confined themselves to the study of unemployment resulting from a deficiency of effective demand. It might also be asked why they had dealt only incidentally with the problem of unemployment in under-developed countries, which was closely linked to that of unemployment in industrialized countries. Unemployment in under-developed countries was of a spasmodic character, leading to a lowering in the standard of living. Even when disguised, unemployment affected not only the unemployed person but also the entire population and was a real social calamity.

13. Measures to ensure full employment in under-developed countries, which represented important outlets for industrialized countries, had the effect of reducing the impact of cyclical crises. It was particularly regrettable, therefore, that the experts had not been able to examine the question of unemployment in under-developed countries, for that problem was both domestic and international.

14. The second part of the Report was devoted to the maintenance of full employment in relation to the problem of effective demand. He did not intend to discuss /the experts'

the experts' conclusions on the determining factors of effective demand. Private savings, investment, Government revenues and the balance of trade were not generally balanced in such a way as to ensure full employment. Governments should achieve that balance in order to maintain full employment.

15. The difficulty of effecting such a balance in industrialized countries was due, as the experts had pointed out, to cyclical fluctuations of investment and revenue. Among the solutions suggested by the experts there was, on the one hand, the adoption of monetary and credit measures and, on the other, the encouragement of private investment. Another possibility envisaged by the experts was to stimulate consumer demand by lowering the incidence of taxation and by increasing State expenditure in the social field. Such a solution was undoubtedly possible in the case of industrialized countries, under-developed or even undeveloped countries, but in a country where 80 per cent of the population depended upon agriculture for their livelihood, it could not be applied. Moreover, it would be difficult to apply the proposed measure at the right moment, even in an industrialized country. It must be borne in mind that the economic measures adopted by one country, even if of a purely domestic character, had an effect on other countries. International co-operation through consultation was therefore essential. As far as the automatic application of the proposed measures was concerned, he doubted whether that was possible. It was essential to be able to assess the situation before measures for its improvement could be decided upon.

16. In regard to unemployment brought about by a fall in exports, the experts had proposed the adoption of the following measures: to provide wage-earners with alternative employment; to stimulate domestic consumption; to grant subsidies and to draw up programmes of public works.

17. Such measures could be applied successfully in countries in which the national revenue was high, but in countries with a basically agricultural economy they could produce no results. On the other hand the measures advocated in paragraph 96 of the report could be applied in such countries. Those measures were: international agreements with a view to stabilizing the price of staple commodities in world markets, or, failing that, the adoption of national commodity stabilization schemes in countries which controlled a substantial part of total world trade in particular commodities. It remained to be seen, however, whether such measures would be universally acceptable. There again he stressed the need for international agreements.

/18. Those measures

18. Those measures should in any case be used in conjunction with other measures designed to reduce deficits in the balance of payments. There were three types of such measures, as set forth in paragraphs 98 to 100 of the report: the establishment of some method of obtaining information on the general policies of Governments in the re-establishment of balance in their international transactions; stabilization of the flow of international investments; and, finally, the introduction of measures to prevent the international propagation of cyclical fluctuations.

19. The first of those measures did not seem absolutely essential. Deficit countries had no choice in the methods open to them for the re-establishment of their trade balance. The second of the proposed measures seemed the obvious thing to do and, provided that it was allowed to operate over a long period of time, it could give excellent results.

20. The experts had stressed the chronic imbalance in national trade but the persistence of that imbalance was due to the fact that there had not yet been sufficient time in which to combat it. During the nineteenth century and the early part of the twentieth century balance of trade had been made possible by the abundant flow of raw materials from East to West and manufactured goods from West to East and by the stability of the London money market. That balance had been upset after the First World War. A new world trading system had come into being and the balances of payments of many countries had been affected. The war had created new demands which the United States alone had been able to satisfy. The imbalance of world trade was not, therefore, chronic. A new balance was possible, especially if surplus countries helped deficit countries. Mr. Saksena did not think that the measure set forth in paragraph 105 of the report, namely, the setting of a target for the main constituent items of the balances of payments of both surplus and deficit countries, could be successfully applied.

21. He entirely agreed with the views expressed in paragraphs 111 and 112 of the report. The International Bank should serve as a buffer between the lending countries and the borrowing countries. It was true that the restrictions imposed on the Bank very considerably constricted its activities and that its resources were too limited to enable it to meet the needs of a long-term programme of investment.

/The Bank's

The Bank's Board of Governors should make the necessary amendments to its Articles of Agreement. In any case a sufficient period should be allowed to elapse between the granting of a loan and the putting into effect of the programme for which the loan had been granted. Moreover, the capacity to pay of the borrowing country should be taken into account.

22. Mr. Saksena supported the conclusions regarding the International Monetary Fund in paragraph 120 of the report. In conclusion, he wished to make a few remarks of a general nature.

23. The problem of full employment could be solved if the nations of the world would concentrate on the mobile factors involved in production, such as labour, capital and technique.

24. The United States representative had said that the countries desiring to attract foreign capital should create a favourable atmosphere for the investment of such capital. That was true, but on two conditions. In the first place, the countries providing capital must create a favourable atmosphere at home for foreign investment by enacting appropriate financial measures; secondly, they must guarantee such capital against non-commercial risks.

25. In a free economy, the economic forces must be allowed to work without hindrance. Unfortunately, the world was paralyzed by fear. Failing a final and lasting solution of the problem of unemployment, it was to be hoped that steps could be taken to alleviate the situation. It was in that category that the measures recommended by the experts, who had produced an excellent piece of work in that respect, could be placed. The different countries must not mind making major alterations in the structure of their economy in order to favour certain economic groups, if such alterations were calculated to increase economic stability. The question of the maintenance of full employment was closely linked to the development of the under-developed countries.

26. In conclusion, he wished to explain briefly the economic situation of his country. India had suffered greatly from the Second World War. It had lost contact with the countries which had provided it with consumer goods. It had turned its economy over to the production of war material, receiving payment in the form of sterling credits, while being obliged to spend rupees -- a situation which had led to inflation. The loss of Burma had brought about a

reduction of resources of food products and consumer goods. There was at present a heavy deficit in India's balance of payments, necessitating a strict control of imports from abroad. His Government was doing its utmost to develop food production and to restore industry, in order to stabilize the balance of payments. There were plans for several types of public works: waterworks, electrification, irrigation. There must be an increase in the production of textiles, steel, fertilizers, chemical products and machine tools in the years to come. Moreover, India was particularly interested in the cultivation of cotton. It would help the implementation of his country's programme of economic expansion if the industrialized countries would supply the capital and machinery which India needed in order to dispel the spectre of unemployment.

27. Mr. SILVERIO (Cuba) said that he had only had a few days to study the report under discussion, but that had sufficed to convince him of its great interest and importance. He fully endorsed the praise which had been given to the report by the other representatives. The few criticisms which had been made had simply served to emphasize still further the merits of the report.

28. Nevertheless, the problem of full employment could not be solved simply through the recommendations of experts. Full employment was nothing other than the antidote for unemployment, and unemployment itself was only another word for the effects of war, revolution or poverty, according to the country concerned. That contagious evil, which was no respecter of frontiers, must not be allowed to spread further. It was indeed the aim of the report of the Group of Experts to build barriers against that invader. The authors of the report had for the time being concentrated on finding emergency remedies. But there must be no illusions: the evil was long-standing and persistent and it was to be found in so many different forms that it was no use seeking a universal remedy.

29. Nearly all the speakers who had preceded him had come from industrialized countries, where a satisfactory level of employment could be



achieved simply by the completion and adjustment of the economy. Those countries should give very careful attention to the report and the recommendations. Article 55 of the Charter stated that it was one of the fundamental purposes of the United Nations to promote higher standards of living, full employment and conditions of economic and social progress and development, without distinction as to race, political opinion or religion. That was indeed the point of chief concern to the representatives of the South American countries. The population of South America amounted to about 160 million, of whom only 10 to 12 per cent played any part in their national production. Nearly 90 per cent of the population had no idea what was meant by balance of payments, and could not understand the possible repercussions of economic instability on their own lives. Neither the Governments nor the people of those countries could be blamed for that state of affairs. A wide variety of factors had combined to prolong that economic weakness. Certain groups, opposed to the Governments, had intervened in the economic struggle in order to promote their own interests, to the detriment of the public welfare.

30. Cuba was an exporting country. More than 80 per cent of its production was exported, and the exports provided the currency for the necessary imports. That was why Cuba was so concerned with the monetary fluctuations on the world market. The existence of a country could not, however, depend on a few exports. Cuba, therefore, should and would try to establish new industries in order to provide its surplus population with the necessary means of gaining a livelihood. His Government would therefore study the report of the Group of Experts with great interest and would communicate its views on the subject in due course.

31. Mr. Silverio drew the Commission's attention to paragraph 183, sub-paragraph (i) of the report, which set forth the chief aims in the international field, stressing particularly the need to create a workable system of international trade for a stable and expanding world economy, and thereby provide the conditions required for the elimination of undue trade barriers, and for the restoration of the convertibility of currencies.

32. He thought that, in its report to the Economic and Social Council, the Commission should analyse the nature of the undue trade barriers which prevented the free economic development of countries. Once those barriers were abolished, it would be easier to achieve and maintain full employment.

33. In conclusion, he emphasized that he had been expressing only his own personal opinion and his remarks should not be taken as in any way committing his Government, which was in the process of studying the report of the experts.

34. Mr. NUNES GUIMARAES (Brazil) recalled that the experts who had prepared the report before the Commission enjoyed a world-wide reputation. The document they had drawn up was of great scientific value. As the representative of a country which produced primary products, he wished to thank the authors of the report for the emphasis they had laid upon the part played by less developed countries in the maintenance of full employment in industrialized countries. He paid a tribute to each of the authors of the report and spoke of the contributions which had brought the work of each one to the notice of economists.

35. Thirty years previously, Professor Clark had described the difficulties involved in the solution of the problem of cyclical fluctuations. In his separate concurring statement annexed to the report of the Group of Experts, Professor Clark stressed once again that measures taken in any country against unemployment should be so devised as not to impair the economic situation of other countries. He recalled that at the preceding session of the Commission Professor Frisch had stressed the degree of large-scale co-operation necessary to ensure economic stability. He proceeded to read a passage from document E/CN.1/67, in which Professor Frisch drew attention to the need for direct transfers of income or of factors of production, capital or labour. Such direct transfers represented possibly the most important measures that could be adopted in the realm of international co-operation. It must be remembered that before the First World War free movement of workers and capital between countries had contributed in large measure to the development of world production and, as a consequence, to raising the standard of living in all the countries of the world. At that time, the flow of labour and monetary resources had been towards areas possessing the natural resources essential for production. The reason why world economy had moved towards equilibrium during the nineteenth century was because resources of manpower and capital had not remained idle.

36. He felt that despite the social and political obstacles which had arisen between the two World Wars, it should be possible to carry out transfers of labour and capital in order to ensure world economic equilibrium. That was particularly true in view of the extent to which a policy of migration and investment in under-developed areas could contribute to full employment and the maintenance of world economic stability. At the preceding session of the Commission, he had made certain suggestions concerning methods of speeding up the flow of private investments towards areas in need of capital, and of settling emigrants in under-populated countries.

37. The fact that the report stressed the importance of economic development of under-developed countries showed that the authors of the report shared the views expressed by Mr. Black, President of the International Bank, in the January 1950 issue of the Virginia Quarterly Review. Mr. Black had pointed out that the desire for an improvement of economic conditions in under-developed areas could, if directed into constructive channels, revolutionize world economy. In order to ensure world economic equilibrium it was necessary to develop production in the under-developed areas, where two-thirds of the world population lived.

38. World economic equilibrium had been destroyed by the large-scale development of United States production during the war. The problem was not to reduce American exports but to increase production in the rest of the world while, simultaneously, the United States increased the volume of its imports. The dollar crisis was, in fact, merely a production crisis, or, more accurately, a matter of disparity between the various systems of production.

39. Mr. Guimaraes recalled that Professor Frisch had pointed out at the preceding session of the Commission that the crux of the problem was to find a means of solving simultaneously the balance of payments and the balance of trade problems for several countries. Professor Frisch had concluded at that time that the reason why no such means had been found was that economic difficulties had not been examined thoroughly enough. It was apparent from the report of the Group of Experts, also, that however important the problem of trade exchanges might be, the real issue was how to increase productivity in most parts of the world in such a way as to establish equilibrium between the productivity of the various countries. To solve that question, it was essential first of all to create a steady flow of international investments towards the under-developed areas. That idea had been stressed in President Truman's annual economic report to the United States Congress.

/40. In conclusion

40. In conclusion, Mr. Nunes Guimaraes stated that the observations he had submitted were his own and could in no circumstances be considered as representing the views of his Government. He supported the United States proposal that Member States should be requested to make a thorough study of the report of the Group of Experts.

41. Miss SENDER (American Federation of Labor) stated that the organization which she represented considered that full employment was not only a goal which must be achieved in the interest of workers but that it was also an essential prerequisite for the preservation of democracy in the western world. Accordingly, the American Federation of Labor had been extremely gratified to receive the report of the Group of Experts.

42. In many respects, that report confirmed the ideas that had been presented by the representative of the American Federation of Labor to the ninth session of the Economic and Social Council. The Group of Experts had accomplished constructive work without becoming lost in generalities. They had proved decisively that economic crises need not be regarded as inevitable in a democracy. They had also shown that there were ways of neutralizing tendencies towards economic depression. During periods of prosperity, measures could be worked out at the national level, to go into effect automatically at the appropriate time. In addition, a programme could be established under the auspices of the Economic and Social Council with a view to eliminating current disequilibrium in world trade. Finally, the report proposed measures which could be applied by the International Bank and the Monetary Fund when the Articles of Agreement of those two specialized agencies had been amended.

43. Thus, the Group of Experts recommended practical measures and stressed the fact that world economy must be considered as a whole. The report included among the major causes of unemployment in industrial countries the insufficiency and instability of effective demand. It would be well to mention, however, that a Government could alter the general level of demand by raising the standard of living through wage increases, which would go hand in hand with increased production and greater efficiency. In many cases it would not be appropriate to meet economic difficulties by adopting fiscal or social security measures. Economic stabilization must not be considered to mean maintenance of the income of workers at a given level. The American Federation of Labor accepted the experts' concept of a dynamic economy and stressed the importance of salary policy in that connexion.

/44. Miss Sender

44. Miss Sender expressed concern at the frequent repetition of the word "stable" in the report. There was no doubt whatever that insecurity and the fear of unemployment were harmful. Nevertheless it would be useful to consider to what extent an unwise wage policy had contributed to an unbalanced economy by failing to create an adequate effective demand. It was essential to recognize that with constant technical progress, a steady increase of the real income of the majority of consumers must be ensured.

45. As the representative of the American Federation of Labor had already emphasized before the Council in Geneva, action must be taken on both the national and international planes. Appropriate national measures must be planned, and put into force without delay as soon as the need for them became apparent. Such measures must be adopted with due regard to the real situation of the country, and particularly to the extent of the unemployment. On the other hand, it was regrettable that the experts had considered it beyond their competence to study the various methods of improving the existing conventions on wages. Such a study might have shown that a well-conceived salary policy could help to prevent a depression.

46. According to the existing Articles of Agreement of the International Bank and the Monetary Fund, those organs could not contribute towards the task of maintaining full employment and facilitating the flow of goods between the various countries. It would be well, therefore, to consider how those Articles of Agreement could be amended to that end.

47. The representatives of interested Governments would study and, if necessary, amend the recommendations of the Group of Experts. Difficulties would doubtless be encountered in the attempt to prevent the recurrence of economic crises. There were a number of countries whose Governments would not supply any information or statistics. Even if most of the recommendations of the Group of Experts were adopted, it would be impossible to ensure the unity of world economy. Nevertheless the nationalism of certain Governments must not prevent other States from achieving the noble goal which they had set for themselves. In that connexion, it would be useful to consider the possibility of setting up an agency similar to the Organization for European Economic Co-operation, to make a continuous survey of the economic situation in the western world.

48. The peoples of the world were constantly seeking to improve their well-being and to enjoy greater security. The free world must prove that it had sufficient courage and intelligence to find a solution to the problem of economic crises, the effects of which were so disastrous.

The meeting rose at 12.45 p. m.