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Fourth session

RAPPORTEUR'S DRAFT REPORT ON ITEM 6 OF THE AGENDA

Economic Stability and Full Employment

1. The Commission's discussion of Item 6 of its agenda on problems of economic stability and full employment took place on the basis of the report of the third session of the Sub-Commission on Employment and Economic Stability (document E/CN.1/66). The Commission also had before it a statement by Mr. Ragnar Frisch, member of the Sub-Commission on Employment and Economic Stability, concerning the report of the third session of the Sub-Commission. In addition, the following reports and memoranda had been made available to the Commission:

- (a) National and International Action to Achieve or Maintain Full Employment and Economic Stability (document E/1111 and addenda 1 through 6) containing the replies received from Member Governments and specialized agencies under resolution 10⁴ (VI) of the Council.
- (b) Inflationary and Deflationary Tendencies, 1946-1948. Report by the Secretariat.
- (c) Economic Survey of Europe in 1948. Prepared by the Secretariat.
- (d) Notes by FAO relating to the Sub-Commission's proposal regarding the development of domestic measures to counter recession. (document E/CN.1/W.41 and E/CN.1/W.59)
- (e) Reports containing the views of the International Labour Organisation on International Action to Maintain World Full Employment and Economic Stability (documents E/CN.1/46 and E/CN.1/46/Add.1) and on Domestic Measures to Counteract Recession (document E/CN.1/72)
- (f) Memorandum of the International Bank for Reconstruction and Development (document E/CN.1/71)

2. The summaries of the Commission's discussion of the agenda item are contained in documents E/CN.1/SR. through

/3. The Commission

3. The Commission has taken note of the report of the third session of the Sub-Commission on Employment and Economic Stability (E/CN.1/66) with the observation that, while this report represents an improvement over previous reports of the Sub-Commission, its analysis of the present world economic situation and its conclusions regarding the international and domestic measures necessary to maintain full employment were inadequate as a basis for the formulation of recommendations to the Economic and Social Council.*
4. The Commission regretted that the Sub-Commission on Employment and Economic Stability had been unable to submit any significant report on the problem of determining incipient down-turns in economic activity despite the directions given to the Sub-Commission to give particular attention to this problem. The Commission recognizes that this problem presents particular difficulties, but feels that some methods of recognizing substantial declines in economic activity before they have advanced too far is necessary to the formulation of sound domestic and international policies with regard to the maintenance of full employment.
5. The Commission considered the proposal made by the Sub-Commission that international consultation should now be held to review the activities and policies of the international organizations whose functions are related to this problem and its suggestions for a possible agenda for international consideration.
6. The Commission did not regard this proposal as being of immediate value in dealing with the problem of full employment as it exists at the present time or may in the near future. The Commission is of the opinion that the Boards of Governors of the International Bank for Reconstruction and Development and the International Monetary Fund respectively, already include representatives of governments on the highest level and that these are the logical bodies to which suggestions for modifications of the articles of agreement of these organizations or enlargement of their functions or changes in their policies should appropriately be submitted. Moreover, the Sub-Commission's proposal of agenda for international consideration merely consisted of a list of miscellaneous topics without adequate study of their relationship to the basic problem presented to the Sub-Commission and to the Commission. Some members of the Commission believed that further study should be given to the proposed agenda items by the Secretariat and by the specialized agencies.

* The member of the Commission for France believed that his suggestion contained in E/CN.1/SR. was a type of concrete recommendation that could and ought to be made if reports and data were available to the Commission.

7. The discussion of the various aspects of economic stability necessarily involved reference to the present world economic situation. The Commission exchanged views on this subject in a closed session with members of the Secretariat. It also heard statements from a number of its members regarding the current economic situation in their own countries, particularly the member from the United States (E/CN.1/SR.) and Belgium (E/CN.1/SR

8. The Commission also gave consideration to the proposal of the Sub-Commission that the Commission should prepare for, and place on the agenda of, the Economic and Social Council a detailed outline for the use of the Council in a discussion of "immediate domestic measures to counteract recession, to be used if and when found necessary".

9. With the material available to it, and the time at its disposal, the Commission was unable to present to the Economic and Social Council a programme for action to maintain high levels of production and employment. It noted, however, that some of the member countries in their replies to the questionnaire of the Secretary-General on their plans for preventing a decline in employment and the maintenance of economic stability indicated that they would impose restrictions on imports in the event of a serious decline in employment. The Commission was concerned and wishes particularly to call to the attention of the Economic and Social Council the fact that certain member nations proposed to make use of import restrictions or to dump exports as a means of maintaining employment in the event of serious downturn in economic activity. This, in the opinion of the Commission will lead to the export of unemployment to other countries, and even though it might possibly help the country introducing such measures in the immediate situation, they might well contribute to accentuating the severity of recession in all countries including those adopting restrictive practices. This danger, the Commission feels, should be recognized and brought to the attention of member countries. This policy would represent a confession of failure to deal internationally with the problem of economic stability. The Commission is of the opinion that expansive rather than restrictive measures, both domestic and international, should be the basis of counteracting any threatened decline in the level of production and of employment.

10. As an initial step in the proper direction, the Commission brings to the attention of the Council its resolution contained in Annex A in the belief that international discussion at this time might lead to the formulation of more satisfactory measures by the member nations.

11. Several members of the Commission desired to see an effort made to link anti-cyclical measures with the needs of the under-developed countries for economic development. Some members regarded this as one of the most

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fruitful fields for the Commission's future work. The Commission refers the Economic and Social Council to the draft resolution contained in Annex _____ and to paragraph _____ in Part V, dealing with Economic Development.

12. The representative of Brazil introduced the resolution given in document (E/CN.1/W.57)

/ANNEX A

ANNEX A

1. Whereas the Commission has noted from the report of the Sub-Commission that "in the United States of America, the world's largest industrial unit, previous growth in economic activity failed to be sustained during the last six months and that there has been some contraction in employment and production over the past three months, accompanied by declines in all groups of prices";
2. Whereas the Commission has noted that similar trends have been noted in the economies of some other countries;
3. Whereas the Commission has noted that among the many measures contemplated by governments in the event of recession are some that are so restrictive in nature that they would intensify recession;
4. Whereas the Commission has not been able as yet to develop a specific programme of recommended measures, domestic or international; and
5. Whereas there is a possibility that the existing trends may continue:
The Economic and Employment Commission
6. Recommends that the Council urge Member Governments to prepare measures of an expansive rather than of contracting types to counter recession and have them ready for immediate use if the situation should deteriorate;
7. Believes that this subject will be given serious consideration by the Economic and Social Council in connexion with the Report of this Commission, and that as part of that discussion the representatives of governments will be prepared to review both
 - (a) the measures which their governments now have authority to use, if and when found necessary to counter recession and maintain an expanding economy, and
 - (b) the additional expansive measures which they plan to seek legislative authority to use, if found necessary.