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ELEVENTH SESSION, **393rd**
 MEETING
 WEDNESDAY, 19 JULY 1950, AT 10.30 a.m.
 PALAIS DES NATIONS, GENEVA

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President: Mr. Hernán SANTA CRUZ (Chile).

Present: Representatives of the following countries:
 Australia, Belgium, Brazil, Canada, Chile, China, Denmark, France, India, Iran, Mexico, Pakistan, United Kingdom of Great Britain and Northern Ireland, United States of America.

Representatives of the following specialized agencies:

International Labour Organisation, Food and Agriculture Organization, United Nations Educational, Scientific and Cultural Organization, International Bank for Reconstruction and Development, International Monetary Fund, World Health Organization, Interim Committee of the International Trade Organization.

Full employment (E/1584, E/1695, E/1695/Add.1 to 3, E/1698, E/1698/Corr.1, E/1698/Add.1 to 6, E/1706, E/1722, E/1744 and E/1748) (*continued*):

- (a) REPORT OF THE GROUP OF EXPERTS APPOINTED BY THE SECRETARY-GENERAL UNDER COUNCIL RESOLUTION 221 E (IX), ON NATIONAL AND INTERNATIONAL MEASURES FOR FULL EMPLOYMENT (E/1584);
- (b) GENERAL ASSEMBLY RESOLUTION 308 (IV);
- (c) COUNCIL RESOLUTION 267 B (X)

1. Sir Ramaswami MUDALIAR (India) pointed out the close connexion between problems of economic development and those of full employment, which could be described as the obverse and reverse of the same question, and emphasized how encouraging it was that the Council should be devoting its attention to those problems at a time of serious political anxiety and stress. It should, however, be obvious to all clear-thinking people that the solution of fundamental economic and social problems was the essential pre-requisite to any lasting peace in the world.

2. The problem of full employment was not new. There had been instances in history when full employment had been achieved without any special domestic and international measures, or, indeed, the recommendations of any group of experts. It was clear that no unemployment could have existed in Egypt at the time of the building of the pyramids, or in Rome when the policy of its emperors had been to engage in large-scale public building intended for entertainment purposes.

3. The Council, however, was not concerned with that kind of unproductive employment or slave labour. Article 55 of the Charter clearly stated:

“ With a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples, the United Nations shall promote:

“ a. higher standards of living, full employment, and conditions of economic and social progress and development; ”.

It was clear from the wording of that article that the Council's task was to examine full employment in conjunction with the promotion of higher standards of living. Full employment by itself was not, as he had just pointed out, very difficult to achieve; nor was the type of employment which could not be described as “ full ”. The report of the group of experts (E/1584) had suggested that, if unemployment increased in industrial areas, idle workers could be absorbed in agriculture, and that the only effect of such a return to the land would be a fall in prices. Developing that argument, he might just as well suggest that, whenever unemployment occurred in industrialized countries, workers could be made to work twenty-four, or even only twelve, hours a week instead of forty-eight, and paid proportionately. There would then be no unemployment, but such a policy would hardly help to promote higher standards of living.

4. The group of experts had deliberately avoided the examination of the problem of full employment in under-developed countries, although they had certainly been fully aware of the existence of that problem and of the consequences which the measures advocated for achieving full employment in highly industrialized countries would inevitably entail for the economy of the under-developed countries. The report of the group of experts stated:

" 21. We believe, moreover, that policies of economic development and policies of full employment are essential complements of each other. Thus the pursuit of full-employment policies by the industrialized countries should in itself be of great benefit to the under-developed countries, since it is the under-developed countries which, as a rule, suffer most during worldwide depressions. On the other hand, one of the greatest needs of the under-developed countries is for the capital and techniques which they require to provide productive employment for their populations. In this connexion, we consider a stable flow of foreign investment to these countries to be of great importance.

" 22. We understand that the Economic and Social Council has made a separate provision for extensive studies of the problem of economic development. While, therefore, we have had this problem continuously in mind in framing our recommendations with respect to policies of full employment, we did not consider it appropriate to attempt to deal extensively with the problem of economic development as such."

Thus they had dealt only with the limited problem of full employment in industrialized countries.

5. He had no objection to any measures which might help the industrialized countries to solve their employment problems and to prevent any recurrence of the misery and wretchedness which he had witnessed both in the United Kingdom and in the United States of America at the time of the economic depression of the early 1930's. Nor did he envy the prosperity which such measures would bring to those countries, because he realized that that would mean prosperity for all. That was the reason, for instance, why he had welcomed the aid Europe was receiving under the Marshall Plan. He wished to emphasize, however, that, although the economic recovery of European countries was the first step towards worldwide prosperity, it was but the first step. It should be clearly realized that prosperous countries could not isolate themselves from the rest of the world; nor could they hope to keep other countries isolated in their misery and poverty. In the economic field, perhaps even more than in all others, the world had become one, and any belief in segregation in economic matters was a dangerous fallacy.

6. He welcomed the efforts made under the Marshall Plan to promote the economic recovery of Europe. His only regret was that the political division of that continent into eastern and western parts should have prevented those efforts from coming to full fruition. While he had no objection to the concept that Europe

should become an economic entity, he feared that sufficient attention was not being paid to the needs of other and remoter countries.

7. He wished to examine the position of the Asian and Far Eastern countries, both individually and in relation to the world as a whole, because he feared that the economic recovery of Europe would be short-lived if nothing was done for them. It could not be over-emphasized that there had been no Marshall Plan to help the countries of Asia, although many of them had been occupied by the enemy and had suffered much devastation, while the economies of others had been utterly disorganized by their attempt to help the Allies in the common struggle. It was true that the metropolitan Powers concerned had helped some areas in the rehabilitation of various industries, mainly mining and plantations, but the needs of those countries greatly exceeded anything which had hitherto been done. The numberless millions in Asia and the Far East were pervaded more and more by the depressing feeling that they had been abandoned to their own devices at a time of their direst need for help, whereas those who were much better able to look after themselves had received help in abundance.

8. The United Kingdom representative, when speaking of the need for achieving full employment, had referred to the subversive forces in the world which were exploiting the grievances of the poor, and so working to undermine the free institutions of democracy. Viewed from that angle, the feeling of isolation which was growing in Asian countries might not be without some danger. Each for all and all for each was the basic principle underlying the whole institution of the United Nations. It should be remembered, therefore, that the unemployment problems facing under-developed countries whose populations numbered hundreds of millions could not even be estimated, and still less compared with those of other countries.

9. It should always be borne in mind that it was impossible to have for too long a striking lack of balance in the minimum of prosperity enjoyed in different parts of the world. For economic, humanitarian and political reasons that problem was as urgent as, if not more urgent than, any other. It could not be solved by occasional spontaneous gestures; its solution required a resolute approach and a steady determination to do the utmost possible to help the under-developed countries, not only for humanitarian, but also for strictly practical reasons.

10. Turning to the report of the group of experts, he said that he wished to congratulate them on the excellent work they had done and to express his belief that the adoption of their suggestions would go a long way towards solving the restricted problem which they had examined.

11. Previous speakers had already dealt at length with the domestic measures advocated in the report, and, while he did not wish to cavil at any of those measures, he did wish to emphasize his belief that their applicability to under-developed countries was more than doubtful. The report recommended, *inter alia*, that governments

" should adopt and announce a full-employment target which will define the meaning of full employment in the country concerned in operational terms, and constitute the standard to the attainment of which the national employment stabilization measures will be directed ". He was really at a loss to see what his own country could do in the matter. Hardly 10 per cent of India's population of 350 million people was in any way connected with industrial labour, and all the rest weighed heavily on the agricultural resources of the country.

12. The recent report of the International Labour Organisation had very rightly commented on the extraordinarily large number of servants or labourers in under-developed countries who seemed to do very little work. What the report had failed to understand was the reason underlying that state of affairs. It was only a humanitarian way of giving people something to do, and simply amounted to a kind of unemployment allowance, similar in its results to the social security schemes of the western world.

13. What " full-employment target " was India to adopt, in the circumstances? Indian agriculture was burdened with many more people than it could really support, and Indian industry was in its infancy. Industrial labour, however, was very well organized, and the difference in standards of living between industrial and agricultural workers was growing greater every year. It was impossible to ignore the problem of the vast majority who were trying to wrest some sort of living from the land. Yet the group of experts seemed to have been concerned with industrial labour only.

14. According to their report, once the full-employment target had been attained, the government concerned " should announce a comprehensive programme for directing its fiscal and monetary policies, its investment and production planning, and its wage and price policies (including anti-monopoly policies) to the continuous achievement of its full-employment objective ". He very much doubted the usefulness of announcing any monetary policies before they were ready for implementation, or before they had been put into operation. And if that were the case, what was the usefulness of announcing them after they had become known to everyone? The aim of the recommendation was obviously to enable countries to make suitable adjustments to their own economy to take account of the measures taken by other countries. Yet it was obvious that measures such as devaluation could not be announced beforehand.

15. The Managing Director of the International Monetary Fund, in his statement at the 391st meeting, had expressed reluctance to accept the principle of deficit budgeting, and seemed to cling to the financial fallacies of the 1930's, when a finance minister had been judged by his ability to present a perfectly balanced budget, with revenue equalling expenditure, or even at times showing a slight surplus. In case of an adverse balance, the tendency had been to restore a perfect arithmetical equilibrium by raising import and export taxation, and thus eventually reducing the flow of international trade, which in its turn had resulted in economic depression, unemployment and a decrease in the flow of investments.

It was to be hoped that those days were gone, never to return.

16. It was true that the Managing Director of the Monetary Fund had expressed agreement with deficit financing in time of war, but the speaker wondered why something so unorthodox in time of peace should become sanctified in time of war, unless the reason was that peacetime prosperity was considered to be less important than wartime needs. It should be remembered that the deficit incurred in a single war year far exceeded any deficit which could possibly be incurred in several years of deficit financing in peacetime. Fortunately, however, the Managing Director had emphasized the fact that he was giving his personal views only. If those had been the views of the Monetary Fund itself, there would indeed have been cause for despair.

17. The report of the group of experts further recommended that each government " should adopt and announce an appropriate system of compensatory measures designed to expand effective demand which would be prepared in advance for automatic application in case its general programme for maintaining full employment, indicated above, fails to prevent unemployment from exceeding the limit prescribed by the full-employment target by a pre-determined amount for three successive months; ". There, again, the whole problem depended on the establishment of a full-employment target. He had already pointed out the difficulties raised by the need for fixing such a target. Furthermore, it should be remembered that the administrative machinery in under-developed countries was in such a rudimentary state, particularly in the field of statistics, that it could never hope to carry out the suggestions contained in the report.

18. With regard to the international aspects of the problem, he said that both the group of experts and the Sub-Commission on Economic Development had advocated various international measures which would naturally be given careful consideration by the governments of the under-developed countries. He was not quite clear what the group of experts had really meant in advocating " a programme to establish a new equilibrium in world trade ". He questioned whether that meant that countries producing raw materials should never develop any industries, and that the production of manufactured goods should remain the privilege of the existing industrialized countries, or whether it simply implied an understanding that no change in that distribution of labour should take place without the approval of all concerned. Attractive though such an idea might be in theory, it could, none the less, have disastrous effects in practice.

19. If that much-vaunted " new equilibrium in world trade " meant that countries producing raw materials could never develop their economy in the industrial field, then it was an utterly unacceptable and pernicious notion. If it meant that due notice should be given of any contemplated changes, then it might be acceptable, provided it was clearly realized that the only salvation of the under-developed countries lay in being able to balance their own economy. Indeed, their agriculture could not for ever carry the excessive burden it was

being made to bear. Furthermore, the industrialization of under-developed countries would only help to promote worldwide prosperity, because commercial exchanges between two highly industrialized countries were bound to be larger than they could ever be between an industrialized country and an under-developed country. Far from being a threat to the prosperity of the industrialized countries, the industrialization of under-developed areas could only increase that prosperity. On that understanding, he was prepared to support the recommendation made by the group of experts for the establishment of a new equilibrium in world trade.

20. The report of the group of experts had also emphasized the need for creating a stable flow of international investments for the economic development of under-developed areas. He had already expressed his belief that private capital could never meet all the needs of under-developed countries, and he was glad to note from the report that the experts, also, did not place too much reliance on such capital. In that connexion, he wished to quote the following most enlightening passage from the brochures submitted by the International Chamber of Commerce to the Sub-Commission on Economic Development, and published on page 151 of the Secretariat's report entitled *Methods of Financing Economic Development in Under-developed Countries* (E/1333):

" 13. No one would of course deny that large areas of the world are under-developed in the sense of having resources which, if properly utilized, could assure a far higher standard of living of the population of those areas than at the present time. The opposite, however, is far from being true: there is no country in existence of which it could be asserted that it is a fully 'developed' country—that is to say, that there are no further economic opportunities on its territory for economic growth and better standards of living. This is true in terms both of unutilized natural resources and of prevalent technological conditions. Even countries like the United States or Great Britain could be regarded as 'under-developed' by one or other, or by both, of these criteria.

" 14. This is really quite obvious and there would be no need to stress it if the contrary point of view had not been so widely accepted in recent years as to influence greatly the work of the United Nations . . .

" 15. In the interest of economic development and of better living conditions for millions of people, a serious warning must be given against the misleading distinction between 'developed' and 'under-developed' countries and the unfortunate antagonism it artificially creates. Since all countries are under-developed in one respect or another, there is scope for productive investment in all of them."

It was obvious from that quotation that under-developed countries could expect very little help from the International Chamber of Commerce.

21. In the realm of financing, which was the most important factor for both full employment and economic development, there was, however, another international

organization which had been set up for the specific purpose of promoting economic development—namely, the International Bank for Reconstruction and Development. In his statement to the Council at the 385th meeting, the representative of the Bank had been at great pains to emphasize the fact that the policy of his organization was not as restricted as had been alleged, and that its field of activities could easily be widened. Unfortunately, however, the favourable impression which might have been created by that statement had been completely nullified by the expression "in exceptional circumstances", which the Bank's representative had constantly repeated throughout his speech. The group of experts on full employment had advocated a bolder approach than one limited to "exceptional circumstances". Furthermore, the Governors of the Bank themselves were surely the only persons able to judge whether the circumstances in question were exceptional or not.

22. It was of paramount importance that the Articles of Agreement of the Bank should be amended to allow of a more liberal approach to the problem of financing economic development. In that connexion, he wished to make two suggestions: first, that the Bank should not examine any project by itself alone, but that it should view it as part of an over-all development plan. Thus, a project which at first sight might not appear to be a paying proposition could become so financially when considered as part of an over-all programme. The building of a power station might entail financial loss, but the factories which it would supply with power would bring in a sizeable profit. As an example, he quoted the Brazilian hydro-electric project, financed by the Bank, which the latter might consider as an exceptional one, since in itself it was not remunerative. Secondly, the Bank should revise its policy of financing only that part of a given project which required foreign financing, and insisting that the remaining part should be financed from domestic resources, for it had already been made abundantly clear how difficult it was for the under-developed countries to muster any financial resources at all.

23. There were many other questions, such as the stabilization of prices, for instance, on which he would speak in the Economic Committee. In conclusion, he wished to express full approval for the suggestions put forward by the group of experts, although, as he had already emphasized, they had only addressed themselves to an exceedingly limited problem.

24. Mr. MENDES VIANA (Brazil) recalled the fact that, when the Council had broached the problem of full employment a few months previously, at its tenth session, the danger of a new major depression, a wave of unemployment and a collapse in the standard of living had seemed imminent. That danger appeared to have been averted for the moment, mainly because the United States of America, which played a preponderant role in maintaining the economic balance throughout the world, had succeeded in expanding its industrial activity. The fact nevertheless remained that the problem of full employment was a real one. Indeed, as the Secretary-General had indicated, full employment had been

sustained so far only by the need for carrying out reconstruction and renewals and by the arrears of consumption demand resulting from the war. That situation seemed, however, to have come to an end, and full employment was now encountering difficulties due to deficiencies in domestic and international distribution. The traditional machinery which continued to govern the major part of world economy was no longer adequate to deal with the complex problems involved. Neither the profit nor the price mechanism was capable any longer of ensuring the normal functioning of world economy. It was therefore not without reason that modern economy was subjected to direct or indirect controls by governments, which resorted to such official incentives as subsidies, programmes of international assistance, the control of imports and exports, etc. In spite, however, of such experiments in State intervention, the fundamental problem of the capitalist system—namely, how to combine a high level of productivity with a machinery providing a satisfactory distribution of production—had not yet been solved, either nationally or internationally.

25. Quoting in support of his argument the results of a recent survey carried out by the Food and Agriculture Organization, he declared that all countries should endeavour to avert the ever-possible danger of a crisis, whether of domestic or international origin, and whether of a cyclical nature or arising from a chronic inadequacy of effective demand.

26. The latter aspect of the unemployment problem seemed to his delegation to be particularly dangerous; it was necessary to find a formula which would enable industrialized countries to maintain their effective demand at a high level when the automatic play of market forces no longer sufficed to ensure full employment. His delegation was heartily in agreement with the statement in paragraph 41 of the experts' report that there was no reason to assume that the full-employment level would be reached automatically or that employment would be maintained at that level. The experts were therefore perfectly right in emphasizing the point that the achievement of full employment would require sustained action, and that the central role in that action must be assumed by governments, and, in particular, by the governments of the industrialized countries.

27. In Brazil, although it was confronted with the problem of under-employment of its agricultural population, the problem of unemployment did not really arise. His delegation was, however, following with very close attention the discussions on that question, mindful of the fact that economic depressions occurring in industrialized countries had very grave repercussions in the under-developed countries, which were obliged, so to speak, to import those depressions. A depression in a large industrial country brought about a fall in the prices of raw materials, in the production of which the greater part of the population of the under-developed countries was engaged. As a result of that fall in prices, those countries were obliged to suspend their imports of consumer goods and industrial equipment, thus increasing the gravity of the crisis in the industrialized countries. Moreover, the economic and financial resources of the under-developed countries were insufficient to combat

such deflationary processes, both because those resources were too meagre to be able to exert any influence on international economic movements of that kind and because the production of primary commodities was not a sufficiently flexible branch of activity. Such countries were therefore doomed to act as multipliers of world crises without being able to make any contribution to the struggle against them. His delegation considered it absolutely essential to put an end to that situation.

28. Brazil was extremely interested in the problem of cyclical unemployment, a problem which, in his Government's opinion, was closely linked with the problem of under-employment in the under-developed countries. The experts' report had the merit of having made it quite clear that the policy of achieving full employment was necessarily complementary to the measures required to ensure the economic development of the under-developed areas. It seemed to his Government, however, that the experts had placed too much emphasis on the benefits the under-developed countries could derive from the achievement of full employment in the industrialized countries and that they had not brought out sufficiently the advantages accruing to the latter from the establishment of a regular flow of investment towards the under-developed countries.

29. He took as an example the case of the United States of America, which played a unique role in world economy. In 1948, private capital investment in the United States had amounted to approximately 15 per cent of the gross national income, but, according to the United States Council of Economic Advisers, it was not to be expected that those fixed investments would be maintained at so high a level in the years to come, and a drop of 3 or 4 per cent was to be anticipated. That estimate, taken in conjunction with others recently published by a member of the Council of Economic Advisers, showed that, if the United States economy did not accelerate the rate of its liquid investments abroad, and if the United States national income increased uniformly by 3 per cent each year, as anticipated, it would be necessary in ten years' time to increase the population's expenditure on consumer goods by about 50 per cent if a dangerous deflationary gap was to be averted. With that 50 per cent increase consumption would represent approximately 77 per cent of the gross national income, whereas at the present time it represented no more than 68 per cent. Since the marginal tendency to consume diminished as individual income increased, and since the current distribution of that income would not change substantially during that period, the United States economy would then be faced with a very serious problem.

30. In theory, there would be several ways of dealing with that problem. Action of the kind proposed by the experts could of course be taken, with a view to raising the level of consumption generally, but it was possible that the problem would be so far-reaching that an attempt would have to be made at all costs to increase the volume of investments. In that regard, the Council's attention should be drawn to the possibilities existing in the under-developed countries. Any large-scale net investments made in those countries would not have to

suffer, as did national investments, from the fact that the productivity of capital increased more rapidly than the consumption capacity of the local population. There was practically no limit to the capacity of the under-developed countries to absorb capital. They could therefore absorb the surplus savings of the industrial countries without danger of any saturation of investment or of a growing surplus of productive potential of plant and equipment which would lead to a reduction of private investment and thus require compensatory public investment. As capital was invested in those areas, it would stimulate proportionately the demand for consumer goods which would in the main have to be imported from the industrialized countries.

31. He pointed out that the United States was not alone in having to cope with the problem of investments, and that it would be to the advantage of all the industrialized countries of the world to contribute to the economic development of the under-developed countries. In that connexion, he referred to the reports drawn up by the Economic Commission for Europe the previous year, which showed that there was much idle capacity in the capital-goods industries in Europe. That excess capacity was increasing, instead of diminishing.

32. For all those reasons, his delegation approved of the recommendations formulated by the experts, although it was clear that they would have to be studied afresh before they could be implemented. It was also clear that a series of recommendations of that kind could not be equally important for all countries. The recommendations concerning domestic measures were undoubtedly meant for the industrialized countries, and not for all the Member States.

33. Brazil was interested more particularly in the recommendations concerning international measures, since, if they could be implemented, those recommendations might help to solve three problems simultaneously: the economic development of the under-developed countries, the economic equilibrium of the industrialized countries, and the establishment of a liberalized system of international trade.

34. Those considerations led to the problem of financing economic development. In all the development projects so far formulated by the United Nations, the paramount role had been assigned to private capital. However, no substantial increase was to be expected in international private investment in the under-developed countries. To fill that gap, those countries would be able, up to a point, to rely on the resources of such international credit institutions as the International Bank for Reconstruction and Development, and the Export-Import Bank. The resources of those institutions, however, were clearly inadequate. Under those conditions, his delegation was led to support the experts' view that the sole satisfactory solution to the problem of financing economic development would be recourse to investment by governments. The only possible alternative to the experts' proposals was an almost complete return to a *laissez-faire* policy in an important branch of economy. The industrialized countries bore great responsibilities in that field, since upon them alone would depend the Council's decision concerning the experts' recommendations. They alone

had the means to make universal economic expansion possible, means not available to smaller or less fortunate nations.

35. Despite the fact that the United States representative's remarks had been somewhat discouraging, he hoped that the Council would succeed in working out a plan of action based on the experts' recommendations as a whole and drawn up in collaboration with the big industrial countries. His own country was firmly resolved to collaborate actively in drawing up that plan.

36. Mr. MARTÍNEZ OSTOS (Mexico) said he wished to comment only briefly on the report of the group of experts, in view of the fact that the experts had placed the primary responsibility for the solution of the problem of full employment upon the more highly developed countries.

37. The Mexican Government considered that the report was one of the most important documents published by the United Nations, in view of the way in which problems had been analysed, conclusions reached and definite suggestions made. His Government was interested in the report because it was convinced—and that fact had been confirmed by the experts—that cyclical depressions or waves of prosperity originated in the more highly developed countries, where fluctuations in the volume of investments and effective demand brought about cyclical movements which were transmitted to under-developed countries.

38. The disastrous effects of any international economic crisis on the prices of raw materials and primary products, and the resulting lack in the demand for such products, made it impossible for any country producing such goods not to agree with the principles put forward in the report. It was incumbent on the great industrialized countries to lead the battle against international economic depressions and unemployment. That was no doubt the reason why the experts' report had not emphasized the problem of employment in under-developed countries. In those countries the problem could only be considered as a struggle against under-employment—namely, the problem of the economic development of their natural resources.

39. In such circumstances, the economically under-developed countries could play only a comparatively passive role in the solution of the problem under discussion by the Council. Such countries could only hope that the great industrialized countries would be able and willing to maintain a high level of economic activity. The under-developed countries should, however, continue their efforts towards ensuring better use of their own resources by means of development projects. The domestic measures suggested in the report might be of secondary importance in so far as they applied to the under-developed countries. Such recommendations would be of more practical value if they were directed, not to attaining full employment, but to achieving a higher real income for the masses of the people. That could be attained only through the execution of economic development plans which would make it possible for the domestic resources of each country to be utilized more fully. Such plans, in which the investment policy of the governments concerned would play an important part, might find a more favourable "climate" if they were

carried out during periods of high-level economic activity in the great industrial countries, circumstances which would lead to better economic conditions in the under-developed countries, and make it possible for them to increase their fiscal receipts, and thereby provide public investment funds needed for development. In that connexion, he had been gratified to note, from the statement made by the United States representative, that neither the Government nor the people of the United States of America would permit a recurrence of conditions which might lead to a lowering of the present level of economic activity, and that they intended to combat unemployment, placing particular emphasis on preventive measures.

40. But, generally, that would not be sufficient. An under-developed country would need more help from external financing as long as its own development was less far advanced. With a small volume of domestic savings and a great disparity in the distribution of national income, it would be difficult for such a country to undertake any important programme of economic development without adopting a policy of deficit budgeting. Such a policy would eventually lead to inflation, and to an even more inadequate distribution of income and thus the aggregate national effective demand might decrease instead of increasing.

41. Referring to the conditions needed to bring about a continuous increase in effective demand in the under-developed countries, he pointed out that it was essential that the highly industrialized countries should realize and acknowledge that it was necessary for them, in their own interests, to contribute to the financing of the exploitation of the resources of other countries which, as they developed economically, could contribute more directly and more actively to the greater prosperity of all countries. It was also necessary for the industrialized countries to show a sincere wish to co-operate in bringing about that prosperity.

42. He did not wish to refer at that stage of the discussion to the international measures for full employment recommended in the report, on which the large industrialized countries should take action. He had listened with great interest and satisfaction to the statements of the representatives of those countries. Although they were not in full agreement with the experts' recommendations, they had nevertheless agreed that an adequate flow of international investments was essential to the maintenance of the prosperity of the world.

43. Referring to the work undertaken by the Mexican Government in connexion with the problem of full employment, he pointed out that it had introduced a series of measures similar to those national measures recommended by the experts. Fifteen years ago, Mexico had decided to follow an economic policy the primary object of which was the full development of its resources in order to increase the real income of its population and to solve the problem of under-employment. The steps taken by the Mexican Government were fully described in a document published by the United Nations on 24 October 1949, in connexion with a meeting of experts on the financing of economic development. He wished, however, to emphasize the fact that Mexico was carrying

out large-scale development work which included road, railway, irrigation, hydro-electric, school building, and sanitation projects. Agricultural production was being increased and methods of cultivation improved. New industries, financed by long- and short-term loans floated by national banks, were being set up. Mexico was striving to build a market for capital in order to be in a position to direct its national savings towards a more rational exploitation of its resources.

44. The Mexican Government had established a social security programme, and had begun a gradual revision of its local and federal fiscal systems. As a result of the measures taken by the Government, the population of Mexico had been increasing by 2.8 per cent per annum, while the national income had increased by 33 per cent, and domestic investments expressed in pesos by 48 per cent. Thirty per cent of investments in Mexico went into public works; the rest went into industrial projects. Approximately 86 per cent of the public works had been financed out of domestic funds, and 14 per cent by international credits.

45. Referring to foreign investments in Mexico, he pointed out that, from 1939 onwards, only 20 per cent of those investments had been private, the remainder having been obtained by loans from the International Bank of Reconstruction and Development and from the Export-Import Bank, in spite of the fact that Mexico had followed its traditional policy of absolute freedom from any exchange restrictions.

46. He hoped that, during the discussions in the Economic Committee, agreement would be reached on the practical measures to be taken to solve the important problem before the Council.

47. Mr. GUTT (International Monetary Fund) said that he reserved the right to reply, in the Economic Committee, to certain statements which had been made at the current meeting.

48. Mr. LUBIN (United States of America), referring to the fact that Mr. Kaldor, a member of the group of experts appointed by the Secretary-General to study national and international measures required to achieve full employment, had been invited to address the Council, said he was embarrassed by the fact that he felt compelled to raise a question which he hoped would not be misinterpreted by any member present. It had been his impression that any member of the group of experts who addressed the meeting would speak on behalf of the group, but it appeared that that was not the case.

49. He considered that the Council would be creating a precedent if individual experts were asked to express their views on question which the Council was discussing. If such a precedent were indeed created, those who did not agree with the views of the particular expert should have the right to invite other experts to rebut his statements.

50. The PRESIDENT asked the United States representative whether he had a particular proposal to submit.

51. Mr. LUBIN (United States of America) replied that, if Mr. Kaldor could see his way clear not to take

part in the discussion as an individual expert, the difficulty would be resolved. Otherwise Mr. Lubin might wish to ask the permission of the Council to bring in other eminent experts to present their points of view.

52. The PRESIDENT said that he had not presided over the 381st meeting of the Council, at which the decision had been reached to ask Mr. Kaldor to make a statement. He therefore requested Sir Ramaswami Mudaliar, Vice-President, who had acted as President on that occasion, to describe how the Council had reached its decision to hear Mr. Kaldor.

53. Sir Ramaswami MUDALIAR (India), speaking as Vice-President of the Council, said that when the question had been raised in the Council it had been clearly understood that Mr. Kaldor would not be speaking on behalf of the group of experts. The fact that that group had been disbanded, and that no one therefore had authority to speak on behalf of the experts as a group, had been made abundantly clear. It had been on that understanding that the Council had agreed unanimously to hear a statement by Mr. Kaldor. The Council, having invited Mr. Kaldor, had the responsibility of requesting him to make his statement as an individual who wished to explain the experts' report in an individual capacity. The Council could not go back on its decision without serious reflection on all those who had voted in favour of hearing Mr. Kaldor.

54. Mr. FLEMING (United Kingdom) warmly supported the Vice-President's statement. It was true that there was some disadvantage in hearing the views of a particular expert, but there was no reason to believe that the views expressed by Mr. Kaldor would in any way differ from the views that he would have expressed had he been in a position to consult all the other members of the group of experts.

55. He felt that the United States representative was perfectly within his rights in suggesting that Mr. Kaldor should not address the Council, but the United Kingdom delegation would oppose any such motion if formally presented. The United States representative was also perfectly within his rights in suggesting that some other expert should be called in for consultation. The attitude he himself would adopt on that question would depend on whether the expert called in was a suitable person by reason of his eminence in the economic world, or whether it appeared that he had been brought in simply to rebut a particular point of view.

56. He thought it unfair that one member of the Council should appeal to Mr. Kaldor not to speak, and considered that the latter should not defer to such an appeal, since he had been invited to speak by the Council.

57. Mr. WALKER (Australia) said he was in the peculiar position of having been a member of the group of experts and of being also the Australian representative on the Council.

58. In his opening statement before the Council, at the 382nd meeting, he had been careful to present the views of his Government, and hoped that throughout the debate it would be possible for him to confine himself to that role. It was, however, as natural for him as it

was for any other representative to point out certain parts of the experts' report that should be taken into account in the course of the discussion. The fact that it might prove an advantage if some member of the group of experts could be present in order to elucidate any point of the report that arose during the discussions had already been referred to at previous meetings of the Council and of the Economic and Employment Commission. It had been in that spirit that the Council had approached the matter a few days previously, when the question of inviting Mr. Kaldor to make a statement had been raised. When Mr. Kaldor had been invited to speak on the problem of financing economic development, he had confined his remarks to explaining the views that he had held as a member of the group of experts, and his explanation had been clear and had added to the Council's understanding of the problem. It would be a different matter if a member of the group of experts had been invited to take an active part in the debate, but he was sure that that had not been envisaged when Mr. Kaldor had been invited to speak.

59. It would be useful to hear Mr. Kaldor's remarks as one of the experts, and, from his personal knowledge of Mr. Kaldor's work, he felt that there would be no danger of his using the opportunity given him to present new views outside the framework of the experts' report.

60. Mr. BORIS (France) recalled the fact that it was the French delegation which, at the tenth session, had requested that one or two members of the group of experts should be invited to attend in order to give the Council all necessary explanations.¹ His delegation therefore welcomed the presence of Mr. Kaldor. So far as the possibilities of inviting another member of the same group was concerned, he thought that might be equally valuable. He quite agreed with the United Kingdom representative that the Council's decision on the subject should depend on the qualifications of the person proposed, but he considered that, if the United States representative were to ask for a certain expert, the person concerned would be fully qualified, and the French delegation would therefore vote in favour of his being summoned.

61. Mr. QURESHI (Pakistan) felt there had been some misunderstanding. He agreed with the United States representative that the Council would be setting a bad precedent if it called on experts as such to speak. Most of the representatives on the Council were experts, and it was for them to present their country's views.

62. He had supported the proposal that Mr. Kaldor should speak before the Council, as he had been associated with the drafting of the experts report and had carried out the work assigned to him admirably.

63. With regard to invitations to other experts to address the Council, he felt it would be in order to request any member of the group of experts to speak, but not any outside expert whom a representative might feel inclined to invite.

64. Replying to Mr. LUBIN (United States of America), the PRESIDENT said that the records of the 381st meet-

¹ See *Official Records of the Economic and Social Council*, tenth session, 358th meeting.

ing of the Council, at which Mr. Kaldor had been invited to speak, did not clearly specify in what capacity he had been invited to make a statement.

65. Mr. LUBIN (United States of America) said that, in view of the foregoing discussion, he had no objection to a statement by Mr. Kaldor if he spoke as a member of the group of experts and not as an individual.

66. When Mr. Kaldor had spoken on the question of economic development, he had brought in new ideas which had not been included in the experts' report. Mr. Lubin felt that Mr. Kaldor should confine himself to the report, and to the situation as he had understood it when he had signed that document.

67. Mr. Lubin said that he would like it to be understood that the fact that the Council would hear a statement from an expert did not create a precedent for the future, and that it did not authorize any of the members

of the Council to make requests in the future for experts to be present at meetings.

68. Mr. SCHNAKE VERGARA (Chile) said he had originally suggested that some of the members of the group of experts should take part in the discussion of the problem of the maintenance of full employment, in order to clarify any points which were not clear in the report, and to answer any questions that members of the Council might wish to ask.

69. The PRESIDENT said that there was no definite proposal before the Council that its previous decision regarding Mr. Kaldor should be reversed. The United States representative had not moved a formal proposal that other experts should be heard, but he could do so, if he wished, in the course of the debate at the following meeting.

The meeting rose at 1.15 p.m.