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 SOCIAL COUNCIL**  
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 MEETING  
 MONDAY, 17 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, Peru, United Kingdom of Great Britain and Northern Ireland, United States of America.

Representatives of the following specialized agencies:

International Labour Organisation, United Nations Educational, Scientific and Cultural Organization, International Bank for Reconstruction and Development, International Monetary Fund, World Health Organization.

**Report of the Population Commission (fifth session) (E/1711 and E/1711/Add.1): report of the Social Committee (E/1761 and E/1761/Corr.1) (*concluded*)**

1. The PRESIDENT called for a resumption of the discussion on the report of the Social Committee (E/1761) on the report of the fifth session of the Population Commission (E/1711). The Council still had to take decisions on draft resolutions C and D submitted by the Social Committee. Amendments to draft resolution C had been proposed by the Brazilian, Chilean and Mexican delegations, and by the United Nations Secretariat. The three delegations had agreed on a joint draft resolution (E/L.66) to replace draft resolution C, and that joint text had the approval of the Secretariat.

2. He put the joint draft resolution to the vote.

*The resolution was adopted unanimously.*

3. Mr. DAVIDSON (Canada) said that the amendment (E/L.65) submitted by his delegation to draft resolution D merely re-stated the provisions of that resolution in clearer terms without affecting its substance.

4. Mr. KOTSCHNIG (United States of America) pointed out that the Canadian amendment left out one important clause of draft resolution D, under which the Secretary-General would be able to carry out the studies recommended by the Population Commission "even if moderate additional costs are involved". The Canadian amendment laid down the methods by which it was recommended that the Secretary-General should meet any essential additional costs, but did not provide for any funds should the Secretary-General be unable to meet the additional costs by those methods alone.

5. He would vote for the Canadian amendment on the understanding that, if the Secretary-General were unable to meet the additional costs by the methods suggested in the Canadian amendment, the United States delegation to the General Assembly would reserve the right to raise the issue again.

6. The PRESIDENT put the Canadian amendment (E/L.65) to the vote.

*The amendment was adopted unanimously.*

7. The PRESIDENT put to the vote draft resolution D, as amended.

*The resolution, as amended, was adopted unanimously.*

8. Mr. WALKER (Australia) said that the report of the Social Committee omitted any reference to the studies on the recent changes in birth rate, which had been urged by the Population Commission. It appeared that the United Nations Secretariat could not undertake to prepare a report in 1951 without engaging additional staff, which would involve an expenditure of 6,000 dollars a year. He asked whether the Secretariat, without that additional expenditure, could not encourage governments

and research institutions in various countries of the world to carry out the preliminary studies that must form the basis of any report.

9. Mr. DURAND (Secretariat) said that the original proposal of the Population Commission had been that the Secretariat should make a general study of recent trends in birth rate in the countries concerned and prepare a report which could serve as a basis for any more detailed inquiries that might be undertaken in the various countries. The Secretariat could not undertake such a task without engaging additional staff, though it could of course correspond with governments and research institutions, encouraging them to make appropriate studies.

10. Mr. WALKER (Australia) expressed the hope that the Secretariat would do all it could, within the bounds imposed by existing limitations, at least to arrange for such studies within the Member States concerned in order that a report might be prepared later for the Population Commission.

**Report of the Commission on the Status of Women  
(fourth session) (E/1712 and E/1712/Corr.1):  
report of the Social Committee (E/1764) (concluded)**

11. The PRESIDENT called for a resumption of the discussion on the report of the Social Committee (E/1764) on the report of the Commission on the Status of Women (fourth session) (E/1712). The Council still had to take a decision on draft resolution D proposed by the Social Committee. Amendments to that draft resolution had been submitted by the Mexican delegation (E/L.64) and by the Secretary-General (E/L.63). The latter amendment had been endorsed and sponsored by the United States delegation.

12. Mr. FRIIS (Denmark) said that all the Scandinavian countries were particularly interested in the question of the nationality of married women. Denmark had recently adopted a law which signified definite progress in the direction desired by the Commission on the Status of Women, and the Danish member of the Commission at the last session had taken a very active part in the discussion on the subject.

13. During the ninth session of the Council, the Danish delegation had voted for resolution 242 C (IX), which approved in principle the drafting of a convention "at an early date". The expression "as promptly as possible" had also been used in that resolution. He doubted whether the procedure of referring the matter to the International Law Commission was most likely to achieve speedy results, and for that reason he would have to abstain from voting on the draft resolution. It was obvious that the Mexican amendment, which linked the study of the particular question of the nationality of married women with the general problem of nationality, would result in even greater delays, and he would therefore vote against the amendment.

14. He thought that, if the International Law Commission informed the General Assembly that it would not be able to carry out the study requested by the

Council within reasonable time-limits, it would then be open for the Assembly to consider whether some other procedure should be recommended.

15. Mr. DE LACHARRIÈRE (France) stated that his delegation would vote against the Mexican amendment and would abstain from voting on the draft resolution submitted by the Social Committee.

16. He was not opposed in principle either to the Social Committee's proposal or to the Mexican amendment, but he did not think that the General Assembly could play any useful part in the matter. A technical study should first of all be made; governments should then be consulted with regard to the results of that study, and asked whether or not they wished to sign the proposed convention. He did not, however, consider that the International Law Commission could, in fact, undertake such a preliminary study within the necessary time.

17. Mr. KOTSCHNIG (United States of America) said that he would be unable to vote for the Mexican amendment because it specified that the International Law Commission should include the principles recommended by the Commission on the Status of Women in a general convention on nationality. The International Law Commission might find it preferable to include these principles in an entirely separate convention, dealing only with the nationality of married women. In any case, the International Law Commission should not be tied down to one course of action alone.

18. For those reasons, he would abstain from voting on the Mexican amendment, although he did not object to the matter being referred to the General Assembly.

19. Mr. BROHI (Pakistan) agreed with the arguments put forward by the United States representative, and suggested the deletion of the last phrase of the Mexican amendment, which read: "which will include the principles recommended by the Commission on the Status of Women".

20. That would meet the point raised by the United States representative, and would leave the International Law Commission free to choose whatever course of action it wished in connexion with the problem of the nationality of married women.

21. Mr. CALDERÓN PUIG (Mexico) thanked the representative of Pakistan for his constructive suggestion, which he accepted because he felt it would enable other members of the Council to support the Mexican amendment.

22. He emphasized the point that the second session of the International Law Commission might be prevented from undertaking a study of the question of the nationality of married women, owing to its heavy agenda. That problem was one of long standing, however, and it would not matter, therefore, if its solution was delayed a little further.

23. Mr. BERNSTEIN (Chile) said that his delegation would support draft resolution D as submitted by the Social Committee.

24. When the question of the nationality of married women had been studied in committee, the representative of Chile had emphasized the necessity for urgent action on the main principles recommended by the Commission on the Status of Women. The Social Committee felt that it would be advisable to submit the question to the International Law Commission, and the representative of the Legal Department of the Secretariat had thought that it might be possible for that Commission to deal with the problem of the nationality of married women in connexion with the question of the codification of international law, which was included among topics for study by the Commission. The Chilean representative had pointed out, however, that if the question of the nationality of married women were dealt with by the International Law Commission under the general problem of the codification of international law, many years might elapse before a convention on the question could be drawn up.

25. If the International Law Commission informed the Council that it would be unable to deal with the problem, some other solution should be sought. A special committee of jurists might, for instance, be set up to draw up a convention, as had been done in the case of the draft international convention on genocide.

26. The amendment to draft resolution D submitted by the Mexican delegation invited the General Assembly to take action on the general question of nationality. The Chilean delegation felt that such a suggestion would not hasten the solution of the problem of the nationality of married women, and it could not, therefore, support the amendment. It was prepared to give firm support to the draft resolution in its original form, because that text proposed the quickest method for arriving at a result.

27. Mr. PENTEADO (Brazil) supported the Mexican amendment to draft resolution D, as modified by the representative of Pakistan.

28. Mr. CABADA (Peru), referring to the Peruvian representative's statement in the Social Committee, said that his delegation could not support the Mexican amendment. The Peruvian delegation had not much faith in the work carried out by large conferences, particularly in view of what had taken place recently in the case of the Conference on the Declaration of Death of Missing Persons.

29. He suggested that a phrase might be added to the end of draft resolution D recommending that the International Law Commission should report its views to the Economic and Social Council, or should itself draw up a convention on the nationality of married women. If the Commission felt that it could not undertake that work, it might be feasible to call an international conference for the purpose.

30. After further discussion, Mr. CABADA (Peru) withdrew his suggestion.

31. The PRESIDENT put to the vote the Mexican amendment (E/L.64), as amended by the Pakistan representative.

*The amendment was rejected by 7 votes to 4, with 4 abstentions.*

32. The PRESIDENT put to the vote the Secretary-General's amendment (E/L.63), as sponsored by the United States delegation.

*The amendment was adopted by 7 votes to none, with 8 abstentions.*

33. The PRESIDENT put to the vote draft resolution D, as amended.

*The resolution, as amended, was adopted by 7 votes to none, with 8 abstentions.*

**Full employment (E/1584, E/1695, E/1695/Add.1 and 2, E/1698, E/1698/Corr.1, E/1698/Add.1 to 6, E/1706, E/1722, E/1744 and E/1748):**

(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)

34. The PRESIDENT opened the discussion on the problem of full employment, and referred members of the Council to the relevant documents before them. He was pleased to note that the debate was being attended by the Director-General of the International Monetary Fund, and informed the Council that hearings would be granted to the International Confederation of Free Trade Unions, the World Federation of Trade Unions, the International Co-operative Alliance and the International Federation of Agricultural Producers.

35. Mr. BORIS (France) reminded the meeting that, at the tenth session of the Economic and Social Council, the French delegation had had occasion to state its views on the report under consideration.<sup>1</sup> Although he did not wish to repeat what had already been said on that subject, he might perhaps be obliged to revert to some of his previous remarks and to formulate more clearly the position of the French delegation regarding certain points in the report.

36. During the few months which had elapsed since the previous discussion, the world economic situation had made relatively favourable progress. The United States recession had, indeed, come to an end; unemployment had fallen considerably and there appeared to be renewed economic expansion in that country. However, in the replies to the Secretary-General's periodic inquiry—the replies relating to the second quarter of 1949—there was information confirming certain considerations which had underlain the French delegation's observations at the time.

37. The French delegation had emphasized the fact that even a slight recession in the United States of America had had a considerable impact on the world situation, whereas certain members of the Council had doubted even the nature of that recession. It appeared from the last reply to the periodic inquiry received from the

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

United States Government that the higher level of unemployment during the second half of 1949, as compared with the same period of 1948, must be attributed to cyclical as much as to structural factors.

38. The report stated that the increase in unemployment was largely due to the reduction of effective demand. It also described the measures taken with a view to restoring the situation, the effects of which had been added to certain automatic repercussions of a fall in national income on both revenue and expenditure; about 50 per cent of the increase in State expenditure in relation to revenue, which was a determining factor in the renewal of demand, was due to automatic repercussions, and the other half to a *deliberate* increase in public expenditure. It therefore appeared that the improvement in the situation had been largely due to government action, and that was a lesson which should be borne in mind during the current discussion.

39. All countries which did not follow a self-supporting policy could be glad of the measures taken by the United States Government, for, as a result of those measures, considerable progress had been made throughout the rest of the world. Countries producing raw materials had generally benefited from a very substantial increase in export prices, and there had been an improvement in their exchange rates.

40. Volume III, number 6, of *International Financial Statistics*, published by the International Monetary Fund, gave entirely conclusive figures on that subject. United States imports, which had been 2,028 million dollars during the last quarter of 1948 and 1,950 million dollars during the first quarter of 1949, had fallen during the second quarter to 1,761 millions and during the third quarter to 1,593 millions. They had increased to 1,830 millions during the fourth quarter and reached 1,968 millions during the first quarter of 1950, thus returning to the level of the first quarter of 1949. Those figures showed that the dollars distributed to the world through the medium of United States purchases followed very closely the course of internal demand; a decrease in that demand thus immediately aggravated the dollar deficit, whereas an increase reduced it.

41. The trend towards general improvement was all the more remarkable since, during the preceding period, index movements had taken a disquieting turn. In that connexion, it was sufficient to recall the general crisis in the balance of payments, which had brought about a spate of devaluations the previous autumn.

42. It must therefore be recognized that there was a very close relationship of cause and effect between economic developments in the United States and in the rest of the world. Consequently, the whole world depended, in its daily life, on events that took place in that great country, the economic power of which bore down with its whole weight on the living conditions of all the other countries, whether they liked it or not.

43. The French delegation had already had occasion to draw the Council's attention to the *Economic Survey of Latin America in 1949*, and to point out the extraordinary similarity between a curve representing United States imports from Latin America and one represent-

ing fluctuations in the national income of the United States. The *Survey* showed most clearly and distinctly that the prospects for consumption and development in Latin America were very closely dependent on the course of the situation in North America. An unemployment crisis accompanied by a decline in national income in the United States thus had an extraordinarily rapid and far-reaching effect on Latin America. The same applied to other parts of the world.

44. The United States of America might be sufficiently powerful and rich to withstand without difficulty an increase in unemployment affecting one or two million people, but what was tolerable in the United States was not so for the less advanced and weaker countries; hence the idea of a relatively slight recession in the United States caused more anxiety in the rest of the world than it did in that country itself, and perhaps never before had so many other countries been so fervent and sincere in their wishes for its prosperity.

45. The connexion between world economy and the economy of the United States, as well as its consequences, had been confirmed by Mr. J. M. Clark, one of the American experts whose opinion on that subject were held in high esteem, and who had written: "In terms of fluctuations, the United States might be inclined to accept a moderate amount of irregularity, and rely on its social security system to provide for the resulting unemployment. But the impact of our fluctuations on other countries will not allow us, as good citizens of an interdependent world, to decide the question in the same terms that might govern us if we were isolated."<sup>2</sup>

46. However, that connexion between employment in the United States and the economic situation generally—i.e., unemployment in the rest of the world—in no way implied that the United States was alone in having special duties in that direction. The same duty applied to all, as the Charter stated.

47. With regard to France, the preamble to the French Constitution proclaimed the right to employment, and laid down that the French economy should develop in accordance with a plan whose object was the *full employment* of both labour and resources. That provision determined the attitude to be taken by the French delegation during the current discussions.

48. Only a few weeks previously, at the International Labour Conference, the representatives of the French Government had joined the representatives of the workers of France in supporting the resolution quoted in the communication from ILO (E/1744). That resolution disapproved of *laissez-faire* in employment, affirmed "the need for prompt government action in case significant declines in employment occur", and called on each government "to implement its obligation to accept full employment as a primary objective of social and economic policy". On several points—for example, the fluctuations in world trade and the increased flow of capital—it recognized the validity of the aims set out in the recommendations of the experts on full employment.

<sup>2</sup> See *National and International Measures for Full Employment* (E/1584), page 103.

49. In voting for that resolution, the French delegation had merely expressed the formal wish of its Government and had acted in accordance with the overwhelming majority of French opinion. That wish had recently been reaffirmed by the new Government, which had announced that its policy would be a policy of full employment. The Prime Minister, Mr. Pleven, had stated that only through an economic policy resulting in a further rise in production would France be able to increase the over-all income of the nation. There were still vast requirements to be met: reconstruction must be completed and new dwellings built; higher social welfare expenditure would have to be incurred because of the increase in the number of old people and children; and the French Union would have to be developed. Those things alone would compel the Government to adopt a policy of full employment.

50. Having dealt with those general matters, he proceeded to discuss the recommendations of the experts. The French delegation entirely approved of the principles underlying the recommendations.

51. The first series of recommendations was concerned with proposals at the national level. To make the French position clear, he would like to explain the recent developments in the matter of unemployment, and more generally the trend of the economic situation in France, and the policy of the French Government.

52. Until quite recently, the fear of inflation had been the main concern of the French Government. The danger arose from under-production, especially in agriculture; from the drop in productivity as a result of war devastation; and also from the vast needs of reconstruction, which necessitated large-scale investments.

53. To combat the danger of inflation, France had taken firm measures such as rationing, freezing of wages and prices, and restrictions on credits. Its efforts had been crowned with success, since at the beginning of the past year a satisfactory stabilization of prices had been achieved side by side with almost the maximum level of employment. Towards the end of the first half of 1949, a state of equilibrium had thus been reached. But when an economy reached a state of equilibrium it naturally reacted with unusual sensitiveness to any movement of an inflationary or deflationary nature, whether from outside or from within. At the end of the first half of 1949, the unemployment statistics had shown some increase; a very slight increase in actual figures, but one which had continued until April 1950. At the same time, the economic activity indices, after showing a very satisfactory recovery, marked time for a while, and even showed a slight falling-off.

54. He mentioned in that connexion that France had a certain elasticity in the matter of employment, owing to the semi-agricultural and semi-industrial structure of the country and the comparatively large number of craftsmen, shopkeepers, and owners of small businesses. That elasticity was due also to the frequent transfer of unemployed from one sector of industry to another. Hence, those statistics could be criticized, although such criticism would, for the most part, be unjustified. There were two sets of unemployment figures: the one based on the number of unemployed persons in receipt of

relief, the other on the number of unsuccessful applications for employment. The first were always an underestimate, the second an over-estimate.

55. To simplify his argument, and to forestall any possibility of challenge, he proposed to adopt the maximum figure, as had been done by the International Labour Office in the table of unemployment figures given in its publication *Action against Unemployment*.<sup>3</sup> That publication showed that in France, in September 1949, out of a total of eleven million wage-earners, 1.3 per cent were unemployed; in December 1949, the figure was 1.5 per cent; and in March 1950, it had reached a maximum level of 1.8 per cent, after which it had dropped in May 1950 to 1.51 per cent. That percentage, which was higher than the actual figures, was calculated on the total number of wage-earners, and not, as in some countries, on the active civil population. On the latter basis, the maximum level reached in March 1950 would have been lower than 1 per cent.

56. In many other countries, the situation as shown by that unemployment index would be regarded as entirely satisfactory and as not requiring any corrective action. Yet French public opinion, and the French Parliament and Government, had been greatly worried by the appearance of that slight amount of unemployment and its tendency to increase. Counter-measures were immediately prepared and put into force, and their effects had apparently been fairly rapid, since the unemployment index had begun to fall from April onwards. Those measures were similar to the various kinds mentioned in the list drawn up by the experts. Some of them were designed to stimulate consumption. Wages had been raised slightly in 1950 and, at the same time, in response to the demands of the trade unions, they had been unfrozen. Since the beginning of the year, civil servants had enjoyed a rise in salaries. He would like to mention, too, that in France social welfare expenditure was steadily increasing. With regard to investments, those in the nationalized section of industry had been maintained, and measures had been worked out for the benefit of private investments. For example, a vast building programme had been started. New projects—some 72,000 in 1949—would reach a figure of 114,000 in 1950, and 150,000 in 1951. In the credit sphere, a more flexible banking policy had been adopted. On 30 May 1950, the *Conseil national du crédit* had lowered the discount rate from 3 to 2.5 per cent. Other steps were being taken to ease the credit situation, particularly for small and medium undertakings, and the new Government was firmly resolved to pursue the same policy so as to achieve full employment.

57. Those were all indications that the French Government was in no way prepared to tolerate even a very low rate of unemployment, which in other countries would probably be regarded as perfectly acceptable.

58. His Government's views on the experts' recommendation were that, if France were to establish a maximum level of unemployment, as proposed by the experts, that level might have a theoretical value in

<sup>3</sup> International Labour Office, *Studies and Reports*, New Series, No. 20.

that country; it might, as the experts suggested, range between 2 and 4 per cent, but, well before that level was reached, the French Government, as had been shown, would have taken steps of the kind to which he had just referred. If, for the sake of argument, other great industrial countries accepted a maximum percentage above which they themselves would take action, in France that percentage would not need to be reached before counter-measures were taken.

59. The counter-measures would be of the kind already taken, and they were undoubtedly included in the very complete and probably exhaustive list drawn up by the experts. In France, however, as elsewhere, any attempt to take such counter-measures automatically gave rise to great difficulties. Nothing less than the prerogatives of Parliament was involved. Just as the economic and political conditions of the moment could not be foreseen, so the executive and legislature could not be committed in advance. It was inconceivable, in any case, that France, with its economic and political structure, could become a centre from which deflation would spread.

60. With regard to the second series of recommendations, concerning international measures, the first aimed at balancing world trade and called for governments to set targets for the main constituent items of their balances of payments. There was no reason why that recommendation should cause any difficulty to the French Government, which had established and made known such targets since the end of the war. On the contrary, he thought it desirable that governments should accustom themselves to action of that kind. Some time must clearly elapse, however, before most governments elaborated methods enabling targets to be set accurately enough to give them real practical value.

61. Experience of the bilateral agreements and the experience obtained by the Organization for European Economic Co-operation showed that the fixing of targets in regard to international trade was a somewhat unreal operation. There was the danger that what had proved difficult and ineffective enough in the case of two countries, and had been still more difficult and ineffective where eighteen countries were involved, would, *a fortiori*, prove even more difficult and ineffective when some fifty countries were involved.

62. The second and third recommendations concerning international measures were of much greater importance, being designed to stabilize total foreign disbursements—the flow of currency circulating along international channels—made with a view to capital investment or as commercial settlements. It was self-evident that, if the flow of currency of a given country increased proportionately with the increase in that country's imports, the flow of investment capital required would not be as great, and conversely.

63. The problem of the flow of investments had already been examined at considerable length during the discussion on item 6 of the agenda (financing economic development). At the 385th meeting, the Council had heard a statement by the representative of the International Bank for Reconstruction and Development which marked a welcome liberalization of the Bank's position on a number of points. Moreover, Mr. Kaldor, who had

taken part in the work of the group of experts, had attempted, in his statement at the same meeting, to estimate the annual volume of investments required to avoid restrictions and discrimination in international trade and to meet the needs of the under-developed countries. Mr. Kaldor had also reminded the Council of the present volume of annual loans granted by the Bank. The difference between the present volume of investments and the volume required was so great that no one could be tempted to challenge Mr. Kaldor's statement that there was little chance of private capital being able to make good the deficiency. A detailed study of the subject should therefore be made, taking into account the fact that the final figures depended upon the flow of currency provided by commercial exchanges. The effect of that study, in which the Bank should participate, would be to confront governments and the public with the statistics of the problem, and that was probably the best way to get things done.

64. At the same time, the possible solutions of the problem of making good the deficiency should be formulated. The conclusions reached might be identical with those of the group of experts, or possibly other methods would be discovered. In any event, participation by the Bank in that work would give its conclusions special authority and facilitate the adoption of whatever measures might appear necessary.

65. His delegation would see no objection to the Bank's powers being extended if, in the light of the study in question, it appeared that such an extension would not be detrimental to the Bank's credit in the conduct of its normal operations.

66. The third and final recommendation proposed a somewhat complicated procedure whereby the international propagation of deflationary pressures and the consequent tendency towards a cumulative contraction of world trade might be prevented.

67. The premises on which that procedure was based were correct: clearly, if the volume of world trade was to be maintained, there must be in operation machinery for opening credit. That was what OEEC had done and what was about to be organized through the constitution of the European Payments Union. OEEC had been careful not to penalize creditors systematically and not to encourage debtors to be satisfied with a permanent deficit. The experts on full employment, too, had concerned themselves with that danger, and, in order to avoid it, they had proposed the automatic device of introducing a reference year and certain computable factors—i.e., changes in imports and exports. Even under that system, however, disputes could arise, since a country with diminishing imports could always allege that the cause of that diminution was something other than a decline in effective demand; the experts had therefore provided in paragraph 205 of their report (E/1584) a waiver clause (c), empowering the International Monetary Fund not to apply the plan.

68. Such being the case, the French delegation wondered whether the system recommended by the experts, while apparently strictly mathematical, was not likely to meet with difficulties in practice.

69. Since the experts proposed that the operations should be controlled by the International Monetary Fund, the matter might usefully be given further study, in conjunction with the experts of the Fund, along the lines suggested for the Bank by the French delegation in connexion with the previous recommendation. In addition, the International Monetary Fund, with the powers currently at its disposal, would be able to act should there be a reduction in the flow of currency, owing to a decline in effective demand. For, in such a case, the currency of the country where deflationary trends appeared tended to become scarce, and the Fund was already equipped to take the necessary action.

70. The Fund had so far not used those powers, because the main creditor country had taken spontaneous action to make supplies of what was a scarce currency available to the world as a whole, whether by direct or indirect means. However, plans must be laid for the day when such exceptional aid came to an end. And it was important, in that connexion, before contemplating amendments to the Bretton Woods Agreement, to ascertain whether that instrument did not offer adequate ways and means of achieving the targets selected by the experts. That was an additional reason for calling upon the Fund to co-operate in all future work on questions which arose out of the experts' final recommendation.

71. Referring to the report as a whole, he said it had the merit of breaking down a complex problem into three or four comparatively simple problems for which it should prove possible to find practical solutions. It would of course take time to devise and apply those solutions, particularly in so far as international measures were concerned. But if the various countries could agree on their respective national targets in the field of employment, and agree also to co-ordinate their respective domestic policies, that would be a considerable initial advance.

72. It was to be feared that certain misconceptions still existed. A certain level of unemployment had come to be regarded, in various quarters, as more or less normal, and thereafter, when that level had been exceeded, the new figure had in turn been declared normal, and so on. Such optimism, often the result of self-complacency, was full of pitfalls. Hence all the misconceptions on which it fed should be removed, chief among those being perhaps the tendency to imagine that a rapid increase in productivity could not go hand in hand with full employment, or else that the progress of productivity slowed down in time of full employment. On the contrary, it was shown in Chapter 8 of the *Economic Survey of Europe in 1949* that a close relationship existed between a rise in productivity, on the one hand, and general economic expansion and the rate of increase in employment, on the other, and the development of productivity depended finally on the volume of investment.

73. He considered that a country which improved its productivity at the expense of a corresponding reduction in its labour force was not doing its duty towards itself or towards the international community; it should seek to re-employ that redundant labour and maintain full employment.

74. Such a country would of course argue that, since neither its volume of production nor its effective demand had decreased, it was harming not the international community, but only a small group of its own nationals. But the assumption that stability could be achieved in such circumstances was purely theoretical. On the contrary, experience showed that effort directed solely to increasing productivity without regard to full employment was accompanied by a decline in effective demand, since those who enjoyed an increase in purchasing power—consumers or capitalists—spent only part of that increase, and the tendency to invest was weaker than the tendency to save. A country in which such phenomena occurred would be responsible for a subsequent reduction in effective demand entailing, within its own borders, a new wave of unemployment which could not fail to have its effects on other countries.

75. But, even if stability in production was achieved concurrently with an increase in productivity, and employment accordingly fell without a corresponding decrease in production, the country concerned would nevertheless be guilty of causing a "loss of earnings" for world economy, which might have benefited from an increase in effective demand, particularly in the case of the under-developed countries, which were, in fact, condemned to stagnation and even decline if the demand for their exportable commodities did not increase at least at the same rate as their population. Further, there was also an undoubted loss of earnings for the internal economy of the country in which such trends originated, since a productive element condemned to inactivity might contribute to the development of production and to the welfare of the people if a policy of full employment were applied.

76. It might of course be inevitable that a constant increase in productivity should be marked by frictional unemployment. In order to gauge whether a country was making the necessary effort to maintain full employment, account must therefore be taken of the average duration of unemployment. That was the line taken by the experts when they stated in paragraph 145 of their report that the target to be fixed should vary with the rate of technical progress. Similarly, a country undergoing demographic pressure, which tended to increase its working population rapidly, experienced greater difficulties than a country whose population was at a standstill.

77. The conflict between productivity and full employment was therefore more or less imaginary. But, even if (in an extreme case) there was such a conflict, the question would still arise as to the priority to be afforded to each of the targets. The observations of the International Confederation of Free Trade Unions on the experts' report<sup>4</sup> showed that the Confederation considered full employment as an end in itself which should be sought even at the expense of maximum productivity, since unemployment represented a reduction in the national income from the economic standpoint and was fraught with disastrous consequences from the moral, social and political points of view.

<sup>4</sup> See document E/1695, part II, section B.

78. However, if that was indeed true and if, according to the resolution adopted on 30 June 1950 by the International Labour Conference (E/1744), unemployment was a curable disease—if, in a word, the experts had indicated, if not the exact prescription, at least the nature of the means to prevent or cure it—then the eleventh session of the Economic and Social Council should mark a decisive step forward. The deliberations of the Council must produce constructive resolutions in harmony with the purpose assigned to it in the Charter: i.e., the

achievement of full employment, which was closely linked with another objective—namely, the development of backward countries.

79. That would be the best reply that the Council could give to those who were counting on the bankruptcy of the democracies and of the United Nations, because it would point the way to the opening of a new era in a free and peaceful world.

The meeting rose at 12.30 p.m.