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CONTENTS

Page

World economic situation (E/1907, E/1910, E/1910/Add.1 and 2, E/1912, E/1912/Add.1 to 3 and E/C.2/280) (continued).....	121
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President: Mr. Hernán SANTA CRUZ (Chile).

Present: The representatives of the following countries:

Belgium, Canada, Chile, China, Czechoslovakia, France, India, Iran, Mexico, Pakistan, Peru, Philippines, Poland, Sweden, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay.

The representatives of the following specialized agencies:

International Labour Organisation, Food and Agriculture Organization of the United Nations, International Bank for Reconstruction and Development, International Monetary Fund.

World economic situation (E/1907, E/1910, E/1910/Add.1 and 2, E/1912, E/1912/Add.1 to 3 and E/C.2/280) (continued)

[Agenda item 3]

1. Mr. CHERNYSHEV (Union of Soviet Socialist Republics) was of the opinion that the United States representative had attempted to divert the discussion from its main subject—the objective analysis of the report on the world economic situation. He reserved the right to reply at a later stage to the attacks made by the representatives of the United States and of certain other countries in order to show who was in fact sabotaging international co-operation and represented a threat to the peace.

2. His delegation had always played an active part in the annual debate on the world economic situation, contributing an analysis of the economic situation in the USSR and in other countries and drawing attention to the disastrous consequences of the policy of certain States, which were opposed to international co-operation.

3. The *World Economic Report 1949-1950* prepared by the Secretariat (E/1910) did not reflect the real position of the world economy and was inaccurate and tendentious. It unjustifiably attributed an excessive importance to the United States economy, while deliberately attempting to belittle and obscure the results

achieved in the USSR and in the People's Democracies in 1950 and in previous years.

4. The economy of the USSR was based on the law of socialist expanded production, in accordance with the plan of economic development. The economic activity of the USSR in the post-war period had been governed by the Five-Year Plan of Reconstruction and Development for the years 1946-1950, the main purposes of which were to reconstruct the devastated areas and to attain and surpass the pre-war level of production. It was important to remember that the USSR had suffered war damage amounting to 128,000 million dollars. The reconstruction of the Soviet economy had been completed and the objectives of the plan had been exceeded. For example, net industrial production in 1950 was to have been 48 per cent above that of 1940, whereas, in fact, an increase of 72 per cent had been achieved in the first eleven months of the year; the output of iron and steel had increased by 44 per cent instead of 35 per cent, that of electric power by 87 per cent and that of coal by 57 per cent. Six thousand industrial enterprises had been built or reconstructed during the period of the Five-Year Plan not taking into account many state and co-operative enterprises. Net industrial production in 1950 was 23 per cent above that of 1949.

5. Similar results had been achieved in agriculture; in 1950 the net yield of cereals had attained 125 million tons; the net yield of cotton had been 40 per cent above that of 1940; the area under crops had shown an increase of 6,600,000 hectares over the year 1949. There had been a substantial increase in agricultural equipment; in 1950 agriculture had received the equivalent of 180,000 15 h.p. tractors, 46,000 combines, 82,000 trucks and 1,700,000 agricultural machines of all types. The number of live-stock in collective farms had increased by 10 per cent in 1950, the number of pigs by 28 per cent, the number of horses by 15 per cent, the number of poultry by 44 per cent. At the end of 1950 the total number of live-stock was 57,200,000. The execution of plans for re-afforestation and for the construction of ponds in the steppe areas had continued, and 1,300,000 hectares had been re-afforested in a period of two years.

6. Internal trade had continued to expand during 1950, and on 1 March 1950 the Government had been able to make a further reduction in the retail prices of consumer goods, the third reduction since the end of rationing in 1947. Total retail sales had increased by 30 per cent over those of 1949, the rate of increase being 27 per cent for foodstuffs and 35 per cent for manufactured goods. On 1 March 1951 the Government of the USSR had carried out a further price reduction of from 10 to 20 per cent, which was equivalent to increasing the purchasing power of the consumers by a total of 27,500 million rubles.

7. Those facts were evidence of the remarkable results achieved by the labour of the peoples of the USSR under a socialist economy. The peoples of the USSR were devoting themselves to peaceful toil, whereas in many capitalist countries, particularly in the United States, a frenzied armaments race was in progress with a view to preparing for a new world war. The USSR had undertaken the execution of gigantic tasks, such as the construction of power stations at Kuibyshev and Stalingrad on the Volga, the Turkmenia canal from the Amu-Daria to Krasnovodsk, the Kakhovka power station on the Dnieper and the South Urals and North Crimean canals. Those hydroelectric stations would have a total capacity of more than 4,000,000 kilowatts, and their average output would be 22,000 million kilowatt hours.

8. The expansion of the national economy was reflected in a corresponding increase in national income. The figures given in the Secretariat's report on the national *per capita* income in the USSR and the People's Democracies were incorrect and, if compared with the corresponding figures for other countries, gave the impression that the situation in the United States and in the United Kingdom was much better than it in fact was.

9. The figures for the USSR had not been taken from official sources but had been fabricated by the Secretariat. In the USSR, the distribution of national income was based on the interests of the welfare of the working masses, whereas in the capitalist countries it was based on the interests of the capitalist monopolies. The paper statistics distorted the true picture of national *per capita* income in the capitalist countries by dividing total income by the number of inhabitants; it was also necessary to take into account the amounts secured by the capitalist combines.

10. The national income of the USSR in 1950 had exceeded the pre-war figure by more than 60 per cent, whereas the plan had provided for an increase of only 38 per cent. It had exceeded the 1949 figure by 21 per cent. That increase in national income had resulted in a considerable expansion of the purchasing power of the population, which was reflected in an increased volume of sales of consumer goods.

11. The improvement in the workers' standard of living was also reflected in an increase in state expenditure on all forms of social services — social insurance, paid holidays, family allowances, scholarships etc. Total expenditure under that heading had risen to more than 120,000 million rubles in 1950. As a result of all

those measures, the real income of the workers in 1950 had exceeded that of 1949 by 19 per cent.

12. Those results provided clear proof that the people and Government of the USSR were directing their efforts towards the peaceful development of the country. If the USSR had concentrated its efforts on the expansion of war production, it could not have obtained such results, nor could it have undertaken the execution of its programme of large-scale projects.

13. Considerable progress had been made in production and in the welfare of the workers in the People's Democracies in 1950. The annual plan of industrial production had been carried out to the extent of 107.5 per cent in Poland, 102.7 per cent in Czechoslovakia and 104 per cent in Romania. The advance made over 1949 had been particularly striking and served to refute the assertion in the Secretariat's report that there had been a slackening in the tempo of industrial development in those countries. Great progress had been made in agriculture, particularly in the socialized sector. The industry of those countries had been almost entirely socialized and they had succeeded in eliminating unemployment completely.

14. Particularly important successes had been achieved in the People's Republic of China. A great agrarian reform had been carried out which had abolished the feudal structure of agriculture and would thus stimulate the development of agricultural production, while providing a firm basis for the country's industrialization. The People's Government of China had also eliminated the domination of the Chinese economy by foreign capital, which had lasted for more than a century. The socialized sector embraced the greater part of industry, and great progress had been achieved in the reconstruction of the economy and in improving the position of the workers.

15. On the other hand, the economic situation of the capitalist countries had been marked during 1950 by instability and the difficulties resulting from the inherent contradictions in the capitalist system of production and distribution. It was well known that from the end of 1948 until the end of 1949, serious symptoms of a growing crisis had been observed in certain capitalist countries and particularly in the United States. Industrial production had dropped 13 per cent from October 1948 to June 1949, and the number of totally unemployed was 5 million in November 1949 in addition to 19,600,000 partially unemployed. The policy of economic expansionism followed by the ruling circles of the United States under the Truman doctrine, the Marshall Plan and other similar measures had therefore not been successful in maintaining a high level of production and employment in that country. In order to solve their economic difficulties they were now being compelled to convert to a wartime economy in order to increase production and especially the profits of the capitalistic monopolies through the production of armaments.

16. The conversion of the United States to a wartime economy was reflected particularly in the fact that a large part of industry and labour which had formerly been engaged in satisfying civilian needs had been

diverted to war production even before the events in Korea. That conversion to a wartime economy naturally presented serious dangers of inflation, and in that connexion he quoted a statement by Senator John Williams who had declared in the Senate on 14 August 1950 that the policy of deficit financing was leading the United States into bankruptcy. It was certain that the attempts of the American ruling circles to revive their economy through rearmament were doomed to failure and could only disrupt the national economy, curtail the domestic market and lower the standard of living.

17. Nevertheless the ruling circles of the United States, acting in the interests of the large monopolies, were preparing for the conversion to a wartime economy. They hoped to increase their profits by a war. They rejoiced cynically that the war in Korea had revived economic activity and that the rearmament programme had apparently warded off the danger of a crisis for a long time. The *Wall Street Journal* had even confessed on 29 September 1950 that the prospect of consolidating peace constituted a very grave threat. All that made it easy to detect who was interested in unleashing a war in Korea, and who was opposed to any peaceful settlement.

18. The increase in military production had resulted in a large reduction in the production of civilian goods in the United States. Thus for example, the production of certain essential consumer goods would be reduced by 20 to 25 per cent in 1951 and the supply of steel for the production of automobiles and other civilian goods had already been reduced by 30 per cent.

19. The natural consequence of the conversion to a wartime economy had been an increase in military expenditure, rising prices and inflation. Military expenditure had been increasing steadily in the United States and the other capitalist countries from as far back as 1947. In the United States, expenditure for military purposes had reached 10,900 million dollars in 1948, 11,900 million in 1949 and 12,300 million in the preliminary budget estimates for 1950. After the events in Korea the increase had been considerably accelerated, and the total appropriations for military purposes for 1950-1951 had reached 42,000 million dollars, to which a further 14,000 million dollars had to be added. According to Mr. Lawton, Director of the Bureau of the Budget, in the budget for the financial year 1951-1952, 59,800 million dollars or 83 per cent of the total budget was appropriated for military expenditure.

20. Under United States influence a similar increase in military expenses had occurred in the other capitalist countries. For example, in the United Kingdom military expenditure for the forthcoming three years would reach £4,500 million sterling. Military expenditure already amounted to one-third of the British budget. France, in accordance with its obligations under the North Atlantic Treaty, was already devoting 34 per cent of its budget to military expenditure and more than 2,000 million dollars had been spent on the colonial war against the people of Viet-Nam. Canada was spending 52 per cent of its budget on military expenditure and even Italy, a country impoverished by the war, was

compelled to allocate 32 per cent of its budget for military needs.

21. The increased expenditures due to the armaments race and the preparations for war were a heavy burden for the peoples of the capitalist countries. In the United States an increase in taxes from 50,000 to 75,000 million dollars was expected. Those new taxes would of course be borne in the main by the workers. Thus, of the total amount of direct taxes to be collected during the current financial year, 27,000 million were to be paid by the people and only 20,000 million by taxes on corporate profits which had nevertheless shown a considerable increase.

22. As a consequence of the increase in military expenditure and taxes the cost of living had risen and real wages had declined. According to a statement in the *New York Post* in January 1951, retail prices in the United States had been 19 per cent higher than those for the corresponding period in 1950. On the other hand wages had just been officially "frozen" at a level at which in purchasing power they lagged substantially behind the rise in commodity prices.

23. He also mentioned a number of facts which indicated the wretched existence of negro agricultural workers in the South of the United States, whose daily wage was often no more than fifty cents with subsistence and 75 cents without subsistence allowance, a state of affairs which was in striking contrast with the declarations of the ruling circles of the United States concerning the high standard of living of the people. Similar facts could be quoted regarding other capitalist countries such as Italy, where more than half the population was in a state of extreme poverty. Moreover, in many capitalist countries, including the United States, there were a large number of unemployed despite the development of war plants and the expansion of the armed forces.

24. The policy of the armaments race and preparation for war pursued by the United States and other capitalist countries had at the same time led to a considerable increase in the profits of the capitalist monopolies. Thus, for example, in the United States, total corporate profits after deduction of tax had amounted to 23,500 million dollars in 1950 as against 13,900 million in 1946. The war in Korea had caused a further increase in corporate profits. The large industrial corporations were currently receiving orders for war materiel to be delivered in 1952. The total of those orders was more than three times the amount of the orders placed during the previous year. It should be emphasized that whereas wages had been "frozen", no ceiling had been placed on prices of products for national defence.

25. The Marshall Plan had not only failed to eliminate the economic difficulties with which the countries of Western Europe were faced but it had aggravated them considerably, in particular by endangering the interests of the workers. Those countries had been compelled to apply a discriminatory policy in their trade with the Soviet Union and Eastern Europe, a policy which was contrary to the principles of inter-

national co-operation and had moreover been most harmful to them.

26. For example in the Netherlands the newspaper *Telegraaf* had written last year that the Netherlands had become an American colony and that the financial and economic policy had failed. Prices had risen and unemployment had become more widespread.

27. According to the newspaper *The Daily Compass*, the situation in Italy after three years of so-called "American aid" was more serious than in 1948. The textile industry was only working at 60 per cent of capacity and the level of wages for workers was far below the minimum of subsistence. Moreover there were two million unemployed in that country excluding the partially unemployed.

28. Even in the United Kingdom which had stopped receiving Marshall aid owing to the so-called improvement in its economic situation, the real state of affairs had deteriorated. For example, on 1 January 1951, the very day on which Marshall aid to Britain came to an end, the meat ration in Britain had been reduced by 33 per cent. The position of the British population had been considerably worsened after the devaluation owing to the fact that prices had increased while the level of wages to all intents and purposes had remained frozen. Similar facts could be quoted with regard to other countries in the same area.

29. He emphasized that the countries which were supposed to have benefited most from "American aid" seemed to find themselves in the most serious position. In particular that was the case of the Philippines where the Government had had to request a loan of thirty million dollars in order to pay its public officials.

30. It had become obvious to everyone that the Marshall Plan was in no way pursuing altruistic ends but was designed to militarize the economy of the countries of Western Europe and make their population serve as cannon fodder for American monopolies. That was clearly proved by the pressure exercised by the United States on those countries to induce them to increase their military force.

31. The American Press openly recognized that both the Marshall Plan and the Point Four Programme were actually pursuing military and political ends. *The New York Times* had stated on 29 August 1950 that the countries of Western Europe should devote their unutilized productive capacity to military production in order to reduce inflationary pressure in the United States. He also quoted statements to the same effect by the former Administrator of the Marshall Plan, Mr. Hoffman, who had said that preparation for war should henceforward take priority over economic reconstruction.

32. Those facts proved that the Marshall Plan was aimed at preparing for a new world war, and that governing circles in the United States wished to reconstitute in Western Germany an army composed of fascist assassins and to liberate fascist war criminals convicted of murder.

33. He recalled that under the direction of the United States and the United Kingdom, a committee was

being established in Washington to supervise the production and distribution of the principal raw materials. Only capitalist countries were invited to participate in the work of that committee. The establishment of the committee was therefore contrary to the United Nations Charter and was aimed at ensuring for the United States, the United Kingdom and the French monopolies domination over the markets of the most important raw materials.

34. The international economic policy of the United States not only did not favour economic co-operation between countries Members of the United Nations, as provided for in the Charter, but, on the contrary, hindered such collaboration, since the United States government circles were deliberately provoking hatred and mistrust between the nations.

35. The policy of commercial discrimination against the USSR and the countries of the People's Democracies, applied by the United States and the Western European countries which were obeying its orders, hindered normal trade and international economic co-operation. As a result of that policy, the volume of trade between the countries of Eastern and Western Europe remained very small. According to the data in the Secretariat's report, trade between Eastern Europe and the rest of the world in 1949 had been less than two-thirds of the pre-war level and had fallen still lower in 1950. The report, however, glossed over the fact that that stagnation in trade was due to the discriminatory policy of the United States.

36. The Secretary of the Economic Commission for Europe, Mr. Myrdal, had stated, however, that it was essential to develop trade between Eastern and Western Europe if the economic bankruptcy of Western Europe was to be avoided.

37. The abolition of all discrimination in trade with the USSR and the People's Democracies would materially stimulate the development of international economic co-operation and would promote the welfare of the populations, the consolidation of peace and security and the development of friendly relations between peoples.

38. The Soviet Union desired the development of economic and commercial relations with all other countries whatever their economic systems. Differences of régime and ideology in no way excluded the possibility of co-operation and of normal relations between the Soviet Union and the capitalist countries, in particular the United States. As the head of the Soviet Government, Generalissimo Stalin, had stated for co-operation to be possible it was not necessary that the different countries should have the same system. However, as he had also said, a distinction should be made between the possibility of co-operation, which always existed, and the will to co-operate, which might not be present.

39. The policy followed by ruling circles in the United States during the post-war period had shown that not only did the United States itself not desire economic and commercial co-operation with the USSR but that it also was preventing other countries from initiating

normal economic relations with the Soviet Union and the People's Democracies.

40. Mr. KEARNEY (Canada) wished in the first place to congratulate the Secretariat on the excellent work it had done in preparing the *World Economic Report 1949-1950*. As a whole, that report would be of great help to anyone trying to follow the debates of the Council, as it tried to steer its way through the complexities of the world economic situation.

41. The Council's task was to study the problems which arose in that field, and to indicate the broad measures by which the peoples and governments could co-operate to preserve economic stability and ensure the economic welfare of all. Those objectives must be kept firmly in mind, even in face of the necessity of taking up the immediate problems raised by the new threats of aggression, and the necessity of strengthening defence forces. The decision to be taken created fresh economic problems for Canada. It was obvious that that country's additional expenditure for its defence programme would have an impact on the countries to which it exported and vice versa.

42. During 1950, the economic situation in Canada had been characterized on the domestic level by steady expansion of economic activity with conditions of full employment in all branches of industry; the levels of national income and consumption had exceeded those of 1949. One of the principal causes of the situation had been the heavy volume of new capital investment. Canada was not a highly industrialized country, but neither was it under-developed. Its economic development was far from being completed, but its manufacturing industry was continuing to expand very rapidly, and over the past few years a substantial volume of new capital had been invested in that industry. The same had been true of the new industries for the further development of the natural resources of the country, including some the existence of which in large quantities had hitherto been unknown, such as the petroleum fields in the Province of Alberta, and the iron ore deposits at Steep Rock in Ontario. That investment, together with the large amount of capital invested in private housing and other forms of construction, had given a total capital investment of 3,900 million dollars in 1950, which represented an increase of 500 million dollars over 1949, or more than 20 per cent of the total national production of goods and services.

43. That situation, accompanied by an increase in the volume of exports, had resulted in increasing the number of people employed to a figure 4 per cent above the 1949 level, and in raising wages which, in turn, had brought about an increase in the consumption of goods of all kinds.

44. Turning to an examination of the international aspects of Canadian economy, he remarked that the Secretary-General's report indirectly showed that the world had established the foundations for the achievement of a high and balanced level of international trade. It was apparent that certain elements of weakness in Canada's international economic position were disappearing. Despite the substantial post-war surpluses

in the balance of payments, the system of triangular or multilateral balancing of Canadian trade had given rise to difficulties. It had not been possible to convert into the dollars which were required to settle the substantial deficits in its accounts with the United States, the surpluses resulting from trade with the United Kingdom and the sterling area in general, and with the Western European countries. In the early post-war years, Canada had found it desirable to grant credits to its principal customers in Western Europe, so as to allow them to continue purchasing from it their essential requirements. Thus, Canada had been obliged to use up its gold and dollar reserves to meet the deficit in its trade with the United States. In 1948-1949, difficulties in that field had been somewhat relieved as a result of the Marshall Plan, which had enabled the recipient countries to make purchases in Canada, Latin America and elsewhere. However, to ensure equilibrium in its balance of payments, Canada had been obliged to export in large quantities to the United States, and to increase its imports from the countries of the British Commonwealth and Western Europe and those other countries which were compelled to regard the Canadian dollar as a hard currency.

45. By the middle of 1950, the problems which had arisen in that field were on the way to being solved. Total Canadian exports for that year had been 4 per cent higher than those in 1949. The significant feature in that development was that exports to the United States had risen by 34 per cent over the previous year, which had made it possible to reduce the trade deficit with the United States to several hundred million dollars. Canada had thus been able to continue its declared policy of removing existing restrictions on imports from the United States. During 1950, Canada had also been enabled to balance its bilateral trade with the United Kingdom and Commonwealth countries, on the one hand, and with its biggest customers in Western Europe on the other. Imports from those countries had risen substantially; on the other hand, Canadian exports to the United Kingdom and other Commonwealth countries had diminished by 35 to 40 per cent.

46. The international economic position towards the middle of 1950, before the communist intervention in Korea, made it possible to conclude that, for the first time since the end of the war, stable economic conditions were beginning to prevail. There had been a continued recovery of production in Europe to a point surpassing the pre-war level. A massive but necessary devaluation of exchange rates in terms of the dollar had been achieved in many countries throughout the world without international disturbance or recrimination, and had been conducive to a better equilibrium in, and a higher level of, world trade. At the same time, the temporary recession of prices in the United States in 1949 had been halted, and by early 1950 an advance in production in that country, which occupied so important a position in world trade, had been evident. Raw material prices throughout the world had begun to recover, bringing improvement to the balance of payments position of those countries which specialized in the production of raw materials, and particularly to the under-developed countries.

47. That improvement had been possible as a result of measures taken by governments and by private enterprise in the domestic field, and as a result of collaboration in the international economic field. There were clear signs of a world economic recovery, as the Chairman of the Executive Board of the International Monetary Fund had pointed out at the 450th meeting. It was true, that in certain cases, the improvement was attributable not to an increase of exports but to a decrease of imports brought about by the application of restrictions which were occasionally discriminatory and ran counter to the objectives of a freer-trading world economy. The fact remained that 1950 had been a year of substantial progress which was heartening for the recovery of the world economy, and it was a major tragedy to see how that improvement was now threatened by critical political developments, for which everyone knew where the responsibility lay.

48. The Canadian delegation, like those of Belgium and the United States, thought that the progress achieved could be maintained. However, it was clear that the obligation incumbent on the Governments signatory to the North Atlantic Treaty Organization to develop their defences created a new element which darkened the international economic situation. Shortages of equipment and materials needed for defence were beginning to be felt, and were reflected by shortages of certain consumer goods or of equipment needed for economic development generally, as well as by higher prices and a renewed threat of inflation in the world. Expenditure for defence certainly made no contribution to the welfare of the people, but was absolutely necessary to ensure the maintenance of international peace and freedom, upon which social and economic improvement depended.

49. Canada hoped that that increased defence activity need not seriously endanger the current standard of living of its people. At the same time, it would be unrealistic, and even cruel, to pretend that the efforts required for defence would not involve any sacrifices on the part of Canadian citizens and would not interfere with the flow of exports to countries partially dependent upon Canada for the raw materials and manufactured goods which they needed. Canada was among the biggest exporters of non-ferrous metals, certain minerals and chemicals and forest products. Many of those commodities would be in great demand for the defence of Canada and of other countries within the North Atlantic Treaty Organization.

50. A few statistics would indicate the scope of the problem. During 1950, Canadian expenditure for defence and mutual assistance had amounted to 500 million dollars out of a total budgetary expenditure of 2,500 million. During the fiscal year 1951-1952, defence expenditure, including aid furnished to other signatories of the North Atlantic Treaty, would require credits of approximately 1,600 million dollars, while the gross national budgeted expenditure on all goods and services in 1950 had been 17,000 or 18,000 million dollars.

51. The Canadian representative considered that he might here make a few observations on the Soviet

Union representative's references to Canada's expenditures on defence. It was true that defence credits of \$1,600 million amounted to 52 per cent of the Federal budget but that budget represented only a part of the total national product of the country. That sum of \$1,600 million was relatively much smaller and appeared in truer perspective when considered in conjunction with total national product which amounted to \$18,000 million. In replying to the claim of the USSR representative that Canada had been subjected to pressure by the United States in the field of defence, the representative said that the need for defence expenditures arose not from United States pressure but from the pressure exerted on the world by the policy pursued by the USSR. Moreover, he wished to reply to the USSR representative that Canada had not been now subjected to pressure by the United States in the field of defence any more than it had been when fighting for the cause of freedom and democracy in two world wars. In fact, in both latter instances Canada had entered the war before the United States.

52. He was glad, moreover, that the USSR had apparently succeeded in repairing all the damage it had suffered from the war and even in improving former conditions. Those peaceful activities were most praiseworthy, but it was disturbing to learn that a Soviet general had stated that the Soviet Army was currently the strongest in the world, although asserting that it had no aggressive intentions. If the progress achieved in the USSR since the war was so striking, why not tear down the iron curtain and let the rest of the world see what had been accomplished? The free world felt a need for armament to protect itself against aggression from quarters claiming the world's strongest army, although it would be only too happy to believe in the peaceful intentions of those against whom it now felt the need to protect itself; but that required more than words, it required proof which was susceptible of verification.

53. Up to the time of the communist intervention in Korea, it was possible to argue that the additional defence measures contemplated at that time could have been taken without major inconvenience to the population. That was certainly not the case now. It was still too early to describe the fiscal measures that would be adopted to facilitate the diversion of Canadian resources to defence production without disturbing the stability of the economy of the country and the welfare of its citizens. However, the Canadian Government had already announced that it intended to achieve a balanced budget and follow a "pay as you go" policy. In addition, measures had already been taken to give defence production priorities on scarce equipment. At the same time civilian production was being curtailed, especially that of steel, a number of scarce metals and other raw materials. As defence production grew, other restrictions of that type would be necessary. In time, the Government of Canada would have to decide how far the additional resources of man-power and materials needed for the defence sector of the economy could be obtained by reducing non-essential capital investment or by reducing the production of consumer goods for the civilian economy. It was difficult of course to fore-

cast the degree of sacrifice which would have to be accepted by the population. Like the representatives of Belgium and the United States, he pointed out that current efforts did not compare with those made during the recent war, when some 45 per cent of the gross output of Canada was devoted to the armed forces. Nonetheless, sacrifices from the civilian population would be asked and readily given. It could not be gainsaid that the necessary defence activities would have an adverse effect on the production of goods and services indispensable for the economic development of under-developed territories, although it was not yet known to what extent that would be so. It was obvious, nevertheless, that in the general interest those disturbances would have to be reduced to a minimum.

54. The Canadian defence programme would also call for additional imports of many raw materials and supplies. In order to pay for those imports, Canada must continue to export; hence it could be expected to make every effort to maintain the flow of exports to the under-developed countries and to countries participating in the mutual defence plan. It would also do everything it could to prevent inflation, to protect both its citizens and its customers. The Canadian delegation strongly supported the stern measures to prevent inflation advocated, in particular, by the representatives of Chile and of the International Monetary Fund.

55. In conclusion, he pointed out that Canada had already begun to create the machinery to ensure the fulfilment of high-priority objectives, both in the civilian and in the defence sectors of its economy. The countries dependent upon Canada for essential supplies would receive the same equitable treatment that Canada gave to its own citizens and industries. Their requests would receive sympathetic consideration from the same administrative machinery set up to protect the essential needs of Canada. His country's highest priority, however, would be granted to the preservation of the Canadian way of life and of the freedom it so happily enjoyed.

56. Mr. CHERNYSHEV (Union of Soviet Socialist Republics) was very sorry to note that the Canadian representative, in the course of his statement, had made use of the expression "iron curtain". It must be admitted that it was unworthy of the level of discussions in the Council. The USSR delegation, for its part, considered that there was no justification for the use of such a term, and hoped that the expression would thenceforth be banished from the Council's vocabulary.

57. Mr. ARROYO TORRES (Uruguay) said that the Uruguayan delegation was fully aware of the type of statement it should make before the Council. It represented a small country with limited natural resources; however, Uruguayan thought and that country's position in the economic and social fields were not inconsiderable, owing to what might be called "Uruguayan experience". Thus it was that Uruguay, with a precise understanding of what it stood for in the world, would make known its position with respect to the world economic situation.

58. Uruguay had absolute faith in the effectiveness of the organs of international co-operation, but it did not consider that such organs, whatever their strength and effectiveness, could of themselves solve the various problems besetting the world economy. That would require a strenuous effort on the part of the national economies, for on the results achieved by those economies depended, to a large extent, the solution of the critical problems of the world economy. The post-war years had put all the national economies to a hard test. Uruguay had faced up to all the problems with which it had been confronted and believed it was entitled to explain its point of view on the subject.

59. Uruguayan democracy was based on the concept that a sound economic situation could lead to full development only if it was founded on a really democratic system which respected all freedoms and treated men as an end and not a means. A stable democratic system should be buttressed by solid legal guarantees. A legal system which could guarantee all rights, and therefore all interests, was the only way of creating a peaceful and calm environment in which economic and social problems could be squarely faced. Uruguay considered that, from the very outset, man must be provided with the means of satisfying his material and cultural needs.

60. Uruguay had tackled every social problem. It had adopted and applied liberal social security programmes, and had encouraged the fullest respect for the fundamental human rights and freedoms. That was why it was making available its own experience, not only of what it had done in the past, but also of what it was achieving in the post-war transition period. At the present stage of its development, it could show that its efforts had enabled it to increase its productive capacity while stabilizing its currency and raising the standard of living of its working class.

61. Uruguay considered that the policy it had followed had been the right one. It had watched over its economic and social order. It had used its reserves for the production of capital goods and had avoided any over-production of consumer goods by taking the necessary direct and indirect measures.

62. Although its resources were limited, Uruguay had not found it too difficult to raise the cultural level of the working class. It wished to draw attention to that fact as it considered that raising the workers' cultural level not only ensured a stable democracy, but increased man's productivity as well.

63. In 1947, Uruguay had had a definitely adverse balance of trade. That was a logical result of the fact that, for several years, it had been unable to obtain the necessary capital goods and had therefore been obliged to make sudden large-scale purchases. In those abnormal conditions, Uruguay had been obliged to restrict imports, as it had had to buy capital goods at any cost. At the same time it had controlled credit so as to direct it towards those capital goods. In that way Uruguay had increased its production and strengthened its currency.

64. Uruguay had carefully watched over the increase of its means of payment. It realized full well that it was

only too easy to be caught up in an inflationary spiral, but that it was very difficult to escape from such a spiral. It realized too that the value of a currency affected not only the international market, but also home prices. It had come up against some difficulties which could easily be accounted for, since, though it was easy to effect a rapid increase in wages and salaries, production could not be stepped up simultaneously in the same way.

65. Uruguay had not felt the need to borrow from abroad. The social and economic security conditions which it had been able to create had attracted private investments at home and from abroad and its economy was already benefitting as a result. Uruguay considered it essential to ensure complete freedom for the inflow and outflow of capital. It had besides thought it unnecessary to establish an income tax for it considered that while an excess profits tax was justifiable in countries with an under-developed economic system, there was no call in such countries for an income tax which was a deterrent to the private capital needed for economic and social development.

66. He wished to point out that, though his country had had to discriminate in its purchases, that did not mean that it believed in a return to commercialism and that it regarded the latter as normal in present day circumstances. The fact was that the world was passing through a transition period and that a realistic attitude must be taken.

67. The International Monetary Fund had realized that perfectly, as the Chairman of its Executive Board had shown when he had stated in the Council (450th meeting) that the return to normal could only be gradual, that the Fund did not wish to reduce the reserves of a country to a dangerously low level as a result of a too rapid or too complete abolition of restrictions, but that it would encourage and assist where necessary any country which, side by side with an improvement in its balance of payments, followed a policy designed both to strengthen its reserves and reduce restrictions.

68. Uruguay belonged to the group of democratic countries which intended to do their utmost to save their freedom and man's future. Now as before, Uruguay was determined to co-operate with the international bodies which were pursuing that aim.

69. In the immediate future grave problems would be

confronting every country. The Uruguayan delegation, however, wished to deal mainly with those concerning under-developed countries. It shared the Chilean delegation's view that the supply of capital goods designed to increase the quality and volume of production in under-developed countries should not be interrupted.

70. As under-developed countries were unable to produce for themselves the industrial equipment which they needed, it was essential that the countries that were able to do so should, while producing the capital goods that were necessary and even indispensable for security, endeavour to accord preferential treatment to capital goods intended for under-developed countries. That should be done not only so as to avoid arresting the economic and social development of those countries, but also to make their collaboration with the peoples who wanted to safeguard man's future more effective.

71. Uruguay considered that all countries must work together to avoid the evil of inflation. The rise in the prices of commodities required for military purposes might dislocate all economic systems. A possible solution would be to make temporary and discreet use of differences in the rates of exchange to guide production into the right channels.

72. The prices which Uruguay asked for its raw materials enabled it to provide a decent standard of living for its working classes. Profits were used solely for the implementation of social welfare and economic development plans. Obviously the rise in the prices of raw materials must inevitably bring with it a rise in the prices of industrial equipment and manufactured goods. Nevertheless, Uruguay considered that it must ask for prices that would not oblige it to abandon the fundamental principle established in its legislation that all workers must enjoy decent living conditions.

73. Uruguay faced the future with confidence as a result of the assurance given by the United States delegation that the United States programme of rearmament would not affect government welfare services.

74. His country would be most happy if a detailed analysis were made of the solutions it had adopted, in the economic, financial and monetary fields, of its efforts to balance its budget and of the methods it had used to strengthen its currency.

The meeting rose at 6.10 p.m.