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CONTENTS

Agenda item 2:

World economic situation:

- (a) Survey of the world economic situation, including the questions of full employment and of the expansion of world trade (*continued*) 85

President: Mr. ENGEN (Norway).

Present:

The representatives of the following countries: Argentina, Brazil, Canada, China, Czechoslovakia, Dominican Republic, Ecuador, Egypt, France, Greece, Indonesia, Netherlands, Norway, Pakistan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Yugoslavia.

Observers from the following countries: Belgium, Bulgaria, Hungary, Israel, Italy, Poland, Romania, Venezuela.

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, Interim Commission for the International Trade Organization.

AGENDA ITEM 2

World economic situation

- (a) Survey of the world economic situation, including the questions of full employment and of the expansion of world trade (E/2864, E/2871 and Add.1 to 6, E/2880, E/2881, E/2882 (*continued*))

GENERAL DISCUSSION (*continued*)

1. Mr. BROFOSS (Norway) observed that it appeared from the *World Economic Survey 1955* (E/2864) that the economic developments of the past decade gave considerable grounds for satisfaction. The problems of reconstruction and rehabilitation created by the war had been successfully dealt with, cures had been found for the evils of mass unemployment and there had been no recurrence of the violent economic depressions of the past.

2. Many difficulties, however, had still to be overcome, even in Western Europe. Eight problems concerning that region deserved mention.

3. In the first place, the dollar gap remained: the countries of Western Europe were only able to pay for 70 per cent of their dollar imports through income from

regular exports of goods and commodities, and their economy was therefore still dependent on extraordinary disbursements by the United States. Secondly, the persistence of the dollar problem was frustrating attempts to broaden the multilateral system of world payments and trade. Thirdly, in a number of West European countries expansion had lost its momentum. That was partly due to the fact that available labour and industrial capacity had been fully exploited, but it was also due in some countries to the adverse effect of fiscal and monetary measures upon production. Incidentally, it would have been helpful if rather more had been said in the *World Economic Survey 1955* on the need for an adequate monetary demand to sustain economic growth. Fourthly, there had been a recurrence of inflationary pressure, a development which had given rise to the fiscal and monetary measures just mentioned. Inflationary trends were one aspect of the fifth problem, that of the proper allocation of resources as between consumption, defence and investment. When all manpower and industrial equipment had been used to full capacity, further growth depended on progress in productivity, which again was largely a question of new investments. Technological progress meant that the rate of investments had to be increased to an unparalleled degree. How the effect of such an increase was to be reconciled with the need to maintain internal and external stability was a difficult problem for which a solution had yet to be found. The sixth problem was that steps to restrict monetary demand had been taken with purely national considerations in view, without regard to international repercussions. Instead of trying to increase exports and curb imports, a policy which led to international stagnation, creditor countries would do well to let monetary demand expand, thereby increasing consumption of domestic products, and at the same time stimulating imports. A further problem, disheartening to a small country like Norway, was that trade between the bigger industrial countries had failed to increase as a result of their protective policies. Finally, despite its progress, Western Europe had not been developing economically as fast as either the United States of America or the countries with centrally planned economies.

4. The main cause of the relatively successful economic development during the past decade lay in the fundamental changes which had taken place in the nations' views as to the ends and means of economic policy and the place of government in economic life. A much greater understanding of the mutual interplay of economic forces was to be observed—an understanding to which the annual surveys and publications of United Nations bodies had to no small extent contributed. In most countries there was now among all social groups and political parties a sharper social awareness and new social stan-

dards, which were creating an atmosphere favourable to economic progress. Governments, some with enthusiasm and others no doubt with reluctance, had assumed new responsibilities for the successful operation of the national economy; a high and stable level of employment, in particular, had become a major government responsibility. The growing influence of trade unions and industrial organizations had supported that development. Collective wage agreements, new systems for fixing prices of farm products, and redistribution of internal income through progressive taxation and improved social services represented "built-in stabilizers" serving to stimulate growth and expansion. In short, a greater degree of "internal integration", to use a term from the *Economic Survey of Europe in 1955* (E/ECE/235 and Corr.1-2), had been achieved in Western Europe which should lead to further growth and at the same time avert the danger of recurrent economic crises. The amount of government intervention differed from country to country, but there had come to be a general recognition that the economy of a country was not automatically self-regulating through the operation of the market mechanism, and that active leadership by political bodies was also required in the economic field.

5. The point required particular stress in view of the recent tendency of certain countries to embrace once more the fallacy that the cause of economic progress was best served by non-intervention by government in economic affairs.

6. An equally dangerous fallacy which was again rearing its head was that a certain amount of unemployment was required to maintain internal and external stability, whereas the truth was that a country's prosperity could only be increased by full utilization of all available manpower and resources. It was desirable therefore for the Council, at the present juncture, to declare once more that full employment was one of the United Nations' fundamental principles.

7. A second reason for the progress made since the war was the effectiveness of international co-operation during the period. That in its turn had been to some extent due to the fact that problems had been tackled on a regional basis. The Organization for European Economic Co-operation (OEEC), in particular, deserved mention. It had been to a very great extent responsible for the spectacular economic recovery of the countries of Western Europe devastated by the war. It had contributed more than any other organization to the liberalization of trade, while the establishment of the European Payments Union (EPU) had stimulated internal expansion and increased the volume of international trade not only in Western Europe but in many other countries of the sterling area.

8. It could not be denied that, as the *Economic Survey of Europe in 1955* pointed out, the OEEC had failed in certain important sectors to come to grips with the real underlying problems. The attempts to harmonize the internal policies of its member countries had met with little success, and very little had resulted from the endeavours to co-ordinate investments. The OEEC had, however, to be given credit for its achievements in other fields. The provision of adequate funds to meet fluctuations in its member countries' external economies had

been of the greatest importance for the area's economic expansion. The Marshall Aid Plan had taken care of the imbalance with the dollar area, while the provision of reciprocal credits through the EPU had helped the liberalization of trade. The experience of the EPU ought to be borne in mind when arrangements were being made to deal with the repercussions of crop failures and of adverse fluctuations in the terms of trade: a more flexible policy on the part of the International Monetary Fund (Fund) might be more helpful than the stockpiling of food reserves.

9. The fact that organizations like OEEC were outside the United Nations framework ought not to prevent the United Nations from supporting their activities where those activities subserved the objectives of the Charter. It was more important to improve the existing institutions and to stimulate their activities than to set up new organs, subsidiary or otherwise. The efficiency of an organization depended, after all, on the determination of all its members to support its work.

10. A review of the existing co-operation between the Scandinavian countries—Finland, Denmark, Iceland, Norway and Sweden—might be valuable in throwing light on the problems of regional collaboration, and might in particular be of assistance to certain of the underdeveloped countries in devising an economic policy for rapid expansion.

11. The Scandinavian countries had relatively high social standards and standards of living. They enjoyed political stability; the unimpeachable integrity of their officials was ensured by constitutional protection against arbitrary dismissal following political changes; and there was a high degree of national integration. In addition, those countries had enjoyed a much faster rate of industrialization and economic development in the last half century than Western Europe in general. Although their economic systems were in principle based upon private enterprise, they allowed for more government participation in economic life than most other Western countries. Governments played an active part in promoting industrial development. That particularly applied to Norway, partly owing to the great losses that country had suffered in the war. The problem which had faced Norway closely resembled the one at present confronting the underdeveloped countries. The Norwegian Government had been obliged to assume responsibility for allocating available resources between private consumption, public consumption and investments, in order to secure swift recovery and rapid industrialization: planning and programming had become a central part of its policy. The complete dislocation of the monetary system as a result of the German occupation had considerably hampered the Government in its task. Even at the present time a smaller proportion of the national product was being allocated to consumption than in almost any other Western country. In order to restrict consumption, high rates of taxation on personal income and industrial profits had been established, and import controls had been introduced, the latter being so applied as to give priority to productive investments. Norway's experience of import controls as instruments for recovery and development in a transitional period rendered it the more ready to accept

departures from international trade codes on the part of other countries where fast economic expansion was imperative, though it should be realized that such controls could not indefinitely take the place of an effective fiscal and monetary policy in warding off the dangers of instability inherent in such expansion. The Norwegian Government had deliberately used import surpluses involving payment deficits as an aid to expansion, channelling them into productive investments by means of import controls and a licence system for building and construction. It had, of course, been in the fortunate position of being able to draw upon reserves of foreign exchange, on substantial Marshall Plan aid and on receipts from foreign loans.

12. The part which the importer of capital could play in economic expansion was illustrated not only by the history of Norway after the Second World War, but also by that of the United States of America during the century preceding the First World War. During that century, the United States had run continuous deficits on its foreign balance, and even in 1914 it had remained the biggest debtor country in the world, with a net external debt of about £1,000 million. Thus, the greatest economic giant of the present time had at one period been obliged to draw on the savings of the rest of the world in order to develop its resources at a satisfactory rate. Representatives of the United States would do well to remember that earlier stage of their own country's history. The scepticism of American banks and credit institutions regarding planned economies was very understandable in view of the losses they had incurred on loans granted during the inter-war period. Nevertheless, their attitude showed an unwillingness to perform the risk-taking function that was supposed to be at the basis of the United States economic system. Had their European counterparts adopted a similar attitude to the United States in the nineteenth century, the United States might perhaps not be standing in the position it did at present.

13. Economic development had not been equally fast in all areas in the Scandinavian countries. It had been found that direct government investment in industrial projects, special development funds and extra stimuli such as tax concessions were necessary to correct the disparities between one area and another, the market mechanism and private initiative not having proved adequate to the task.

14. Recently, production in the Scandinavian countries had ceased to expand at the rate maintained during the preceding seven or eight years. That had been partly due to the fact that industrial capacity and manpower were being used to the full and that, in many sectors, raw materials from domestic sources were not available for further expansion. But it appeared that it had also been due to the limitations which their size imposed on the Scandinavian countries at their existing stage of technical and economic development. Such countries were experiencing increasing difficulty in keeping place in the field of industrial and scientific research, and they needed bigger markets to support the mass production and capital intensification for which the times called. Accordingly, there had been a movement towards closer economic co-operation within the group. Such co-operation

was already extensive: passports were not required for travellers moving from one Scandinavian country to another, the group had a common labour market, the benefits of social insurance were reciprocal as between its members, laws—on such subjects as citizenship, contracts, hire purchase and family law—had been enacted by the national parliaments after joint preparation by inter-Scandinavian committees, and a joint parliamentary council, the Nordic Council, met annually to consider common problems. Thus the Scandinavian countries had been endeavouring to establish, through political action, the atmosphere of solidarity which the *Economic Survey of Europe in 1955* declared to be essential for genuine co-operation.

15. Nevertheless they had failed, hitherto, to achieve close economic co-operation. An inter-Scandinavian Committee set up to study the subject of a customs union had disagreed as to its advisability. In 1954 the project had been tackled again from a different angle, and the Governments of Denmark, Norway and Sweden had agreed to establish a joint committee, not only to study all aspects of a common market, but also to find solutions to the problems arising from such a study, including that of a common customs tariff. Final decisions on the matters studied by the committee would of course be made by the national parliaments.

16. The Scandinavian countries had also tried the "direct approach", by means of joint Scandinavian enterprises in specific fields. Thus Denmark, Norway and Sweden jointly participated in the Scandinavian Airlines System; Stockholm and Trondheim had recently entered into a contract for the joint development of a hydro-electric power project in Norway; the Norwegian Parliament had approved a project for Swedish oil-port installations, to be constructed in Norway, for the transit of oil across Norwegian territory; and Norwegian ships were being built in Sweden on credits from private Swedish banks and financial institutions.

17. It was not, however, to be imagined that the Scandinavian countries were aiming at regional autarky. The economies of the countries in the region were only to a limited extent complementary, and imports and exports were their very life-blood. They were, however, trying to find ways of developing their joint resources faster and more efficiently to meet the requirements of progress in technology. Similar arrangements between under-developed countries in a comparable position would be likely to be an effective means of promoting trade between them also.

18. Scandinavian experience illustrated the difficulty of obtaining tangible results even in areas where conditions in general appeared favourable. The *Economic Survey of Europe in 1955* was right in stressing the need to move cautiously and in a down-to-earth manner in the field of economic co-operation. The Scandinavian countries had, for example, decided to exempt agriculture from the common market, owing to the great differences in climatic conditions between them, and in many sectors of manufacturing industry special arrangements for the transitional periods were envisaged.

19. Since Norway would shortly cease to be a member of the Council, he wished to re-state the position of the

Norwegian Government on issues relating to the problems of the under-developed countries.

20. In the first place, the Norwegian Government recognized the need for capital transfers from the more industrialized to the less industrialized countries, a field in which the activities of the International Bank for Reconstruction and Development (Bank) were of great importance. It had agreed to the release of its eighteen per cent contribution to the Bank, and was prepared to consider favourably the proposal that part of it should be made convertible. Norway had supported the establishment of the International Finance Corporation and had appropriated its contribution of funds for the Corporation. It would also be prepared to consider favourably the establishment of a fund along the lines of the proposed Special United Nations Fund for Economic Development (SUNFED).

21. Secondly, Norway would give active support to the technical assistance programmes. Its experience of reconstruction and rapid industrialization suggested that it would be in a position to offer assistance in programming and public administration. It attached great importance to the diffusion of technical information through regional organizations, particularly through the Economic Commission for Europe.

22. Thirdly, Norway intended to go forward with its individual fishing development project in India.

23. Lastly, Norway would support the establishment of the organization for trade co-operation, recognizing that the project for an international trade organization was one which could not be revived.

24. Any request from less fortunate countries to permit departures from international trade and payments codes would be considered by the Norwegian Government on their merits and with understanding born of experience, provided that the aim of such departures was to support a consistent development programme. It would not support such requests where they arose solely from the effects of unsatisfactory internal economic policies.

25. The Norwegian Government would consider with an open mind the Secretary-General's suggestion concerning measures to stabilize trade in and prices of food and raw materials. It was prepared to support the idea of international commodity agreements and of long-term contracts, and would welcome any specific suggestions from the Secretary-General on the subject for consideration at subsequent sessions of the Council.

26. A question suitable for further exploration was the way in which the activities of the Fund might be linked with efforts to minimize dislocation of under-developed countries' economies consequent on fluctuations in trade and in the prices of primary products.

27. Mr. BRILEJ (Yugoslavia) said that the Secretary-General's very thorough *World Economic Survey 1955* (E/2864) provided a suitable basis for discussing the development of the Council's work in the past decade, and the policy it should pursue in the future. The favourable international climate and the increased part played by the United Nations as a whole made it possible, and indeed, imperative, that the Council should now take a more active role in promoting and co-ordinating international economic co-operation.

28. The outstanding feature of the period reviewed had been the rapid rate of economic growth—average annual growth having been 6 per cent, as against 4.5 per cent during the decade following the First World War. There were, therefore, reasonable grounds for optimism, provided suitable measures were taken to solve such problems as still remained.

29. Other encouraging developments had been: the fact that various formerly backward countries had gained their independence and embarked upon rapid economic development; the will of the industrialized countries to achieve full employment; the rapid increase of productivity; the fact that the developed countries were producing capital goods for the world market, which would promote more rapid industrialization and general economic growth in the under-developed countries, providing problems of financing could be solved; and the rapid rate of growth of agricultural production, which had finally outstripped that of the world population.

30. Events during the decade had clearly shown the extent to which the prosperity of the developed countries depended upon the economic development of the under-developed countries. The latter's relatively slow development represented a threat to the world's economic equilibrium. It was due, to a very large extent, to the slackness of world demand for industrial raw materials. Whereas the volume of world trade had increased by about 70 per cent during the past ten years, exports of raw materials and fuels from the under-developed to the industrial countries had only increased by 10 per cent; and the position had been further aggravated by violent fluctuations in the prices of many of the products concerned. As a result, there had been a relative reduction in the income of primary producers, which meant that they were left short of funds for purposes of economic development.

31. Agricultural production in the under-developed countries had increased only half as fast as in the world as a whole, and there had been a steady decrease of trade in general between the developed and under-developed countries. The latter had chronic adverse balance of payments, particularly with the dollar area, and most of them were suffering from chronic inflation, primarily due to their unfavourable position in world markets.

32. To make matters worse, certain factors which had promoted rapid economic growth during the decade, such as pent-up demand, accumulated foreign assets, Marshall Plan Aid and increased expenditure on armaments, had by now largely ceased to operate. Even the high rate of certain governments' investment expenditure would not continue to be as effective as in the past, without stimuli such as the increase of internal demand in the industrial countries and the rapid growth of under-developed areas.

33. The world was on the brink of a new industrial revolution, caused by the development of electronics, automation and the use of atomic energy for peaceful purposes. That revolution was likely in a short time to transform the pattern of the world economy by intensifying the existing disparity in the growth of productivity as between the developed and the under-developed

countries, and even between certain leading industrial countries and the rest of the world. That, in its turn, would lead to a fresh disintegration of the world economy due to intensified payments difficulties and, unless far-reaching measures of international co-operation were undertaken, to an unparalleled world economic depression.

34. Consequently, it was of vital importance for countries, when determining their common policies in the field of economic co-operation, to make every effort to reduce disparities in levels of development, by speeding up the process of development in countries which still lagged behind.

35. The existing instruments of international economic co-operation required some adaptation to make them adequate to the task of promoting steady economic growth and maintaining economic stability. The machinery of the Fund and the Bank had been set up on the basis of a diagnosis of the situation made during and immediately after the war, a diagnosis which had not proved entirely applicable to the actual conditions of the post-war decade. The assumption underlying the concept of the Fund, that cyclic movements in the industrial countries were the main threat to stability, was only partly correct, since it overlooked a series of problems of a structural character, such as the stabilization of raw-material markets and the long-term nature of the world dollar shortage. Similarly, the assumption that free convertibility of currencies was a goal of paramount importance had been belied by events, with the result that the large amounts invested in the Fund had not, in point of fact, contributed very much to promoting stability.

36. The Bank was much more closely in tune with post-war needs, and had made valuable contributions in the long-term financing of reconstruction and development—largely because it had been flexible in adapting itself to new conditions and had not adhered rigidly to the task, originally assigned to it, of stimulating the private flow of capital. Nevertheless, the resources of the Bank were not commensurate with world needs, and it was debarred by its Statute from financing, for example, projects concerned with the social and economic infrastructure. It was to be hoped that SUNFED would fill the gap left open by the limitations of the Bank.

37. Lastly, the Havana Charter establishing the International Trade Organization (ITO), which was also based on the theory that liberalization would ensure multilateralization and the expansion of world trade, had not been ratified by any trading nation, and had in consequence remained a dead letter.

38. The political tension which had developed during the decade had made it particularly clear that events were not moving in the direction anticipated immediately after the war. It was only natural, therefore, that attention should have begun to be focused on measures of a bilateral and regional character. No doubt political and strategic considerations had played an important part in determining the aims of the new organs for regional economic co-operation, but their success had demonstrated the economic advisability of that form of co-operation. The vigorous activity of the regional commissions of the United Nations, moreover, provided proof

that such co-operation on a less than world-wide scale was to a large extent an economic necessity. Regional activity, however, could be only one ingredient within a wider framework of international co-operation, since the fundamental problems, being universal, had to be solved on a world-wide basis.

39. The General Agreement on Tariffs and Trade (GATT) had been only moderately successful in taking the place that had been designed for ITO, because it lacked the necessary universality. Co-operation within its framework was very difficult for States which did not use the instrument of tariffs in their foreign trade, such as most of the under-developed countries and the countries with centrally planned economies.

40. However, now that international tension had slackened, the road seemed to be open for real universal co-operation. Such co-operation would hasten the political improvement, while failure to achieve such co-operation would retard it.

41. The new political situation did not call for the dissolution of the organizations for regional co-operation set up outside the United Nations. It should, however, enable them to become less circumscribed in their pre-occupations than they were at present. Bilateral and regional forms of co-operation required adapting to the gradual movement towards universal multilateralism which had now become possible. The plan proposed by the French Minister of Foreign Affairs represented a step in the right direction. It was for the United Nations to assert the principles of universality in the economic as well as in other spheres, and to take the lead in the new developments.

42. The raising of living standards and the safeguarding of international economic stability were world-wide, not national or regional, problems. The economic development of under-developed countries, the fundamental problem of world economic stability, was a problem which could not be solved within regional or existing institutional frameworks alone, and, if solved solely within a national framework, would necessarily lead to economic autarky. The same was true of world trade. For several years there had been a trend towards a concentration of trade within a regional framework; the great increase in the volume of world trade had been due almost exclusively to intra-regional exchanges. The *World Economic Survey 1955* showed that trade between the three main world trade regions—the countries with centrally planned economies, the dollar area and the area covered by EPU—had sunk to 19 per cent of total world trade by 1953, as against 30 per cent before the war, and trade within those three regions now accounted for three-fifths of world exports. On the other hand, the trade of countries with centrally planned economies, which had accounted for 14 per cent of total world trade before the war, had now fallen to a mere 4 per cent.

43. Political restrictions had undoubtedly had some effect in reducing trade between Eastern and Western Europe, but the decline in intercontinental trade between Europe and Latin America and Europe and other under-developed areas could not be ascribed to political restrictions. Capital exports from the major creditor country of the world were concentrated in a relatively restricted

area, whereas the huge investment needs of vast under-developed areas remained unsatisfied. In stressing the need for world-wide economic co-operation and multi-lateralism, he was not, however, underestimating the difficulties arising from the differing levels of labour productivity and other specific problems of national economies.

44. World economic problems should be approached in the same spirit of tolerance which was enabling political problems to be solved. For that very reason the United Nations was the most appropriate organ to take the initiative in such a new approach. The various existing economic systems could co-operate efficiently and, indeed, were already doing so. Those who still sought to impede such co-operation were already beginning to bring more economic and political harm on their own heads than on the heads of those against whom their action was directed.

45. Technical and scientific co-operation alone could solve the problem of the further development of production and the productivity of labour. The expansion of trade, too, could not be attained by measures of liberalization alone. The same approach would have to be taken with the specific problem of raw-material markets. The gradual co-ordination of national policies could constitute a very useful initial approach to commodity price stability and more use might be made of the Fund. The establishment of SUNFED, regardless of the modest means initially put at its disposal, would be an appreciable step towards solving all the problems of international financing.

46. Although many problems confronted the world economy, they could be reduced essentially to a number of key problems forming a complex, which might be called the world economic disequilibrium. Those few key problems were, however, very closely interrelated and should therefore be tackled on a broad front. Many of the proposals for improving the existing system of co-operation were justified, but the greatest possible agreement should first be reached on the kind of action to be undertaken. A world economic conference might make a major contribution towards determining the area of common interest. Such a conference should be convened on the initiative and within the framework of the United Nations. Since the problems were, by their very nature, mainly universal, the United Nations would be the best instrument for solving them. Although the existing organs for international economic co-operation performed a useful function, they were not adequate to cope with such broad problems. To work out an agenda or set a date for the proposed conference would, however, be premature. The *World Economic Survey 1955* could provide a useful background for its discussions, as the major problems could be identified against it, but many other preparatory studies would be required.

47. The last decade had not only clearly posed the most difficult problem, that of the economic backwardness of the under-developed countries, but had also provided the material means to solve it. International political developments had already shown that political co-existence was not only possible, but was the only way to maintain world peace; the principle should be extended to economic co-operation among nations.

48. Mr. CARDIN (Canada) said that the economic surveys of the different regions prepared for the regional economic commissions and the *World Economic Survey 1955* would be useful guides to governments in formulating economic and financial policies for the next few years. The parts of the *Survey* dealing with the growth of production and trade during the past decade and the basic statistical data accompanying them shed new light on the current situation.

49. The most significant conclusion to be drawn from those studies was the remarkable growth that had taken place in the world economy during the past ten years. An important feature had been that the more industrialized countries in Europe and North America had, since 1954, apparently generated a new phase of economic expansion, stimulated and sustained by rising fixed investment and consumption of durable goods and a sharp increase in the volume of world trade, including a 5 per cent increase in purchases by industrialized countries from primary producers.

50. The doubts created by the pre-war depression, as to whether economic forces could be controlled, had been replaced by a growing confidence that the economy could be largely harnessed to ensure rising levels of material welfare. That new confidence had led to measures to maintain continued economic growth under stable conditions; in recent years such measures had been mainly in the form of monetary measures. Inflationary and deflationary forces seemed to have been reasonably balanced. It might be true, as stated in the *World Economic Survey 1955*, that one decade of prosperity provided no proof that the world had acquired permanent immunity against the business cycle, but it might reasonably be claimed that a better understanding of the interplay of economic forces had been acquired and that the capacity to achieve both security and progress under conditions of freedom had been increased.

51. Social as well as economic benefits had been widespread. Large-scale unemployment, such as had existed in industrialized countries in the pre-war period, had been wiped out and a substantial rise had occurred in standards of living. Progressive taxation and social welfare measures had led to significant improvements in the distribution of income.

52. However, despite ten years of unparalleled growth, the increase in living standards in the under-developed countries had been far less than was desirable and incomes had not yet grown to the point where they generated sufficient annual savings to finance continuing expansion of *per capita* productive capacity. Much under-employment remained, and there was still a scarcity of capital. Inflation and balance-of-payments difficulties had not yet been overcome.

53. Any accurate assessment of the position of the less developed areas must, however, take account of the real gains made. The under-developed countries were evolving a new social philosophy favourable to economic development. Their transportation and communications networks had been expanded, production of electric power had been increased, advances in public education had diminished illiteracy, new industries had been established and agriculture, mining and manufacturing

had each expanded at about the same rate as in the industrial countries. Although manufacturing was mainly directed to the production of consumer goods, a few under-developed countries had achieved a more rapid growth of heavy industry than of consumer goods. A combination of increased exports and improved terms of trade had raised purchasing power, and capital formation had risen significantly, both absolutely and in relation to output.

54. The Canadian delegation shared the belief expressed by the less developed countries' representatives in the Council that the main responsibility for their future growth rested with themselves. To the extent that they could develop liberal trading policies, sound internal fiscal policies, equitable and effective tax systems, well-considered development programmes and general improvements in their administration, they would increase their current income and attract more domestic and foreign capital. The industrialized countries could help by making every effort to increase, and, where possible, stabilize, international trade. The most effective way to do so was for all countries to co-operate within the framework of GATT. The early establishment of the organization for trade co-operation to administer GATT on a continuing basis would make GATT still more effective.

55. GATT was primarily intended to facilitate and expand trade among countries with a free-enterprise economic system, but efforts to expand trade need not be confined within the limits of that system. Canada was glad to enlarge its trade with countries with centrally planned economies, and had in 1956 concluded a trade agreement with the USSR which would prove beneficial to both parties.

56. Too much emphasis should not be placed on the distinction made in the *Survey* between the dollar segment of the world trading community and the segment based on the EPU. The aim should be to break down trade barriers, both within and between regions. The protection of inefficient industries was just as uneconomic and just as undesirable whether the competition came from a neighbouring country or from the other side of the world.

57. In his persuasive statement at the 934th meeting, the Secretary-General had seemed to imply that, in his view, the question of stabilization of commodity markets overshadowed those of full employment in the industrialized countries and of special aids to development in the less developed countries. He had referred to the three commodities—wheat, sugar and tin—for which some form of stabilization already existed. Canada was glad to be associated with all three agreements, of which wheat was to it far the most important because Canada was one of the main wheat producers. Canada could manage without the International Wheat Agreement, but greatly preferred to have it. It provided wide flexibility; prices could move between the agreed ceiling and the agreed floor without involving any member in obligations, but at the floor the consumers were obliged to buy and at the ceiling the producers were obliged to sell. Such an arrangement seemed to provide for wheat that measure of basic stability which the Secretary-General so desired, while at the same time allowing wide flexibility

and adaptability to changing circumstances. The experiment with wheat, which, on the whole, had proved successful, had shown the value of the commodity-by-commodity approach, since the main producers, main consumers and established marketing channels differed from one commodity to another, and no attempt to deal with wheat would have been successful if other commodity problems had been dealt with at the same time. It had also shown that no agreement could be concluded unless the main producers and the main consumers were willing to take part. Furthermore, it had shown that discipline, order and stability were necessary in the countries that were members of an agreement if the agreement itself was to provide for discipline, order and stability in the marketing of any particular commodity. It was hardly an exaggeration to say that no agreement was stronger than its weakest member.

58. The Canadian Government had neither opposed nor supported international commodity agreements in general, but it had joined in the agreements that had been reached so far. If new agreements were sought on a realistic basis and if they related to commodities in which Canada was concerned, the Canadian Government would undoubtedly be willing to take part in the necessary international discussions and negotiations.

59. Mr. BAKER (United States of America) said that the basic challenge before the Council and the United Nations was to convert into reality the British historian Arnold Toynbee's vision of the present age as the first in which people had dared to think it practicable to make the benefits of civilization available for the whole human race. That was the objective of the most far-reaching economic and social movement in history, affecting the great majority of the world's population. Its distinguishing mark was concern with the problems of economic growth and improved levels of living. The *World Economic Survey 1955* measured the success or failure of the world economy to move towards that objective during the past ten years, and drew attention to some of the problems which must be overcome if the benefits of modern science were to spread in future years to ever larger numbers of people.

60. The past ten years had been a period of unprecedented economic accomplishment for large areas of the world, and substantial progress had been made in fulfilling the hopes for greater security from hunger and want which had been raised during the Second World War. There were naturally great differences in economic performance, but in almost every country and region the rate of economic growth in the post-war period had been well above that suggested by earlier long-term trends. In Latin America as a whole the past decade had probably been the most prosperous period of its recorded history. The economic advances achieved, when added to the gains made during the war, had virtually doubled that region's total real income. While the countries of South-East Asia had not made such rapid economic progress, there were strong indications that in the past two or three years the region had achieved a sustained increase in *per capita* income, despite large rises in population. If the increase was maintained, that might well be one of the most important developments of the era. While

continued economic growth in South-East Asia was not necessarily assured, the experience of the past few years suggested that it was possible on the basis of available resources and within existing social and political frameworks. There were similar hopeful signs even in regions where economic problems were especially difficult. In the Middle East, for example, the *Survey* found that progress towards utilizing the region's great potentialities had been encouraging.

61. Thus, simultaneously with the unexcepted rise in birth rates in the industrialized countries and the phenomenal decline in death rates in the under-developed areas, there had been during the past decade a striking demonstration of the power of the world economy to support larger numbers of people at a higher standard of living than ever before. Furthermore, since 1948 the increase of production in the under-developed countries as a whole had compared favourably with that in the more developed countries.

62. In most developed countries maintenance of a satisfactory level of productive employment had come to be regarded as a major objective of economic policy. Watchful governments during the past ten years had determined to do everything possible to prevent serious business recessions. Actually, as the *World Economic Survey 1955* made clear, the major economic problem of the post-war period in those countries had not been the problem of depression, but the control of inflationary pressures and the problem of balanced economic growth. It was gratifying to see that unemployment in the industrialized countries had been reduced to levels that had seemed impossible to most economists before the war.

63. For the first time in a generation, trade restrictions were being progressively dismantled. The volume of trade had been rising, not only to record absolute levels, but also in relation to world production. That was a particularly noteworthy trend when compared with the experience of the years immediately before the Second World War, when world trade had grown by much less than the increase in world production, thus giving rise to the theory that a long-term decline in the importance of international trade was taking place. Recent developments indicated that that might well have been a premature conclusion.

64. The remarkable growth enjoyed by the United States of America since the war was well known. Forecasts made in the early post-war years that millions in the United States would be unemployed had proved wrong. Instead, the post-war period had witnessed an almost constantly rising trend of economic activity, which had continued into 1956. In the first quarter of 1956, goods and services had been produced at a seasonally adjusted annual rate of over \$398,000 million—\$11,000 million higher than the 1955 average and \$23,000 million higher than in 1954. Employment in the same period had risen to over 65 million, and unemployment had declined to a new low level. In April 1956, personal incomes had been 6 per cent above the level in the previous year, with average *per capita* personal incomes, after taxes, over \$1,650. Consumer prices had remained essentially stable for the past three years. The general expansion in demand had been so vigorous, in fact, that it had been

found necessary to adopt monetary measures to control inflationary pressures.

65. The recent rise in United States business activity had been led principally by residential construction and motor vehicles. Nearly 8 million new passenger cars has been produced in 1955, but during the course of 1955 the expansion had spread to nearly all parts of the economy. Residential construction and automobile production had, however, recently declined from the exceptionally high levels attained in 1955, but the decline had been offset by expansion in other sectors, especially in non-durable goods and services and in industrial investment.

66. One of the principal improvements in 1956 had been the substantial expansion of planned expenditure on plant and equipment. Early in the year business men had reported that they were planning expenditures in 1956 for fixed investment of \$35,000 million, more than 20 per cent above the 1955 figure. Large increases had been reported by all major industrial groups. In addition, government purchases of goods and services had gradually expanded in 1955 after substantial declines in 1953 and 1954. Spending by State and local governments had been rising to meet the requirements of a rapidly growing population for schools, roads and other community facilities.

67. All forecasts made by governmental and private research agencies emphasized the prospects for continued growth and for advancement in the level of living. Even more important was the fact that for the first time United States business men were planning expanded capital investments for several years ahead.

68. The current steel strike in the United States would probably not seriously alter production totals for 1956. The strike was a price which the United States was ready to pay, and a risk it was prepared to run, because it was part of a free labour market, of free trade unions and free employers, and of free collective bargaining. The Council had in the past concerned itself deeply with the problems of ensuring for workers freedom of association and freedom of economic action, and would undoubtedly not wish to see the exercise of such freedom prohibited, even though it carried with it the threat of some economic loss. Only three days before the steel strike had begun in the United States, there had been a strike at Poznan, based, according to the official Polish press, on the workers' dissatisfaction. That demonstration had been met with tanks and guns, which had opened fire on the workers, with the loss of many lives. It should never be forgotten that any economic system which failed to provide its people with the good things of life, under conditions of justice, liberty and freedom, failed in everything, no matter what the production and balance-of-payments figures might show.

69. The great boom of 1955 had been world-wide but the Council should not for one moment overlook the many difficult tasks which still lay ahead, if the good life was to be brought to more than a fraction of the world's population. If the accomplishments of the past ten years were to be the forerunners of greater world prosperity, there must be a realistic appraisal of how the gains could best be consolidated and extended. The *World Economic*

Survey 1955 and the Secretary-General himself in his penetrating statement on the world economic situation had pointed out some of the obstacles which still lay ahead: that of consolidating economic growth in large parts of the world to the point where it could become self-sustaining; the balance-of-payments problems of many countries; the problem of encouraging the international flow of private capital to meet more fully the needs of economic development; and the problem of growing population pressure in areas where modern public health techniques had brought about spectacular decreases in the death rate while the birth rate remained high.

70. The most optimistic economic forecast would mean nothing if all peoples did not work together to ensure peace. The tremendous economic possibilities that would be opened up for all nations by disarmament must excite the imagination.

71. The common aim was an expanding world economy. Many factors pointed to such expansion. It would bring change, and change brought instability, but the problems of change should not be feared, rather welcomed as part of the process of economic development. With an increasing understanding of economic forces, with governments in industrialized countries committed to a policy of maintaining high levels of employment and with new attitudes of responsibility on the part of business men, deep depressions like those in past years might be avoided and the duration of even moderate economic adjustments might be limited. That did not mean that future economic fluctuations had been eliminated. However successful it might be in managing its economy, no country, including those with centrally planned economies, could expect progress without interruption.

72. There were indications that international trade and private investment would play a more important role in the world economy. The United States delegation would regard the latter as a particularly desirable development, since it felt that in most undeveloped countries private enterprise and government could work effectively together for economic development.

73. The process of industrialization might be expected to continue to spread in the less developed areas. It had already made considerable strides during the past decade in Asia, the Middle East and Latin America. In the coming years many millions of people in those regions would see their occupations, places of residence and ways of living change as they moved towards industrialization and urban life.

74. In the years ahead, organized international co-operation through the United Nations and the specialized agencies would continue to be one of the vital forces working on the international scene, bringing the knowledge of the entire world to bear on solving common problems.

75. Sight must never be lost of the fact that the Council was dealing, not with abstractions, but with the economic realities of people's lives. It was in such concrete terms that the common goal must be fixed of making untrue, everywhere and forever, Hobbes' definition of human life as "solitary, poor, nasty, brutish and short". The successful pursuit of that goal would require the goodwill, courage, wisdom and stamina of all people everywhere.

The meeting rose at 12.45 p.m.