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359th MEETING

TUESDAY, 21 FEBRUARY 1950, AT 3 P.M.

LAKE SUCCESS, NEW YORK

*President:* Mr. Hernán SANTA CRUZ (Chile).

**World economic situation: studies and data relating to the economic situation of Africa E/1601, E/1601/Corr.1, E/1611, E/1555, E/1555/Add.1, E/1555/Add.2 and E/1555/Add.3)**

1. The PRESIDENT noted that item 6, the "World Economic Situation", appeared on the agenda pursuant to General Assembly resolution 118 (II) requesting the Economic and Social Council to make an annual review and analysis of world economic conditions and trends and submit appropriate recommendations to the Assembly. Item 31 was the item originally proposed by the World Federation of United Nations Associations.

2. In accordance with the Council's decision in approving its agenda (345th meeting), items 6 and 31 would be treated together, without prejudice to draft resolutions on each item, which could be taken up separately.

3. Mr. MUNIZ (Brazil) congratulated the Secretariat on its "World Economic Survey" which, for the first time, presented the kind of analytical material called for in discussing the world economic situation. In its thought-provoking document, the Secretariat directed attention to very interesting aspects of the major world economic changes in 1949, with main emphasis on the existing situation of fundamental economic disequilibrium. The report showed quite clearly that the phase of European reconstruction was practically over and that reconstruction had been accompanied by substantial progress, with industrial production in some countries greatly exceeding pre-war levels.

4. The most significant conclusion to be drawn from the report was that reconstruction had not solved the post-war European economic problem. On the contrary, despite the unprecedented volume of economic assistance directed towards Western Europe, the balance of payments problem of that area was far from solved and it seemed likely that, at the termination of the European Recovery Programme, the dollar gap of the region as a whole would be far from eliminated. It seemed paradoxical that after a gigantic effort involving more than 20 billion dollars directed to the reconstruction of a single area, no permanent solution should be in sight. Despite the existence of far greater poverty and great unrest in other continents, approximately 90 per cent of international aid had been concentrated on Europe on the grounds that Europe was so important that its reconstruction was a prerequisite for the attainment of a new world balance.

5. It appeared, however, that that premise involved a measure of miscalculation. The Brazilian delegation had been among the first to call attention to the unbalance in the original programmes for the restoration of world economic equilibrium. While agreeing that European reconstruction was necessary and should be given high priority it had felt that European reconstruction should not be allowed to overshadow the great changes taking place in the general pattern of world economy. The Brazilian delegation had been convinced that it would be impossible to rely on under-developed countries to absorb consumption goods exported by a Europe rebuilt in its old economic pattern. World equilibrium before the Second World War had been based on the well-known triangular system whereby Europe paid for its import surplus from the United States with dollars earned from exports to under-developed countries, which, in turn, had a dollar balance with the United States through the export of primary products.

6. During the world conflict and the period preceding it, very significant economic changes had taken place in the primary producing countries. The process of industrialization which had begun during the depression years had been accelerated by the war when under-developed countries had found themselves cut off from their normal European sources of industrial consumer goods. Once industrialization had started, the great majority of the under-developed countries had automatically lost their dollar surplus through projects of development involving the importation of capital goods. A further significant change brought about by the war was the unprecedented development of the industrial power of the United States, which still further reduced the dollar-earning capacity of Europe, it no longer being able to export industrial consumer goods to the United States.

7. Those changes affected the prospects for the re-establishment of equilibrium in world trade. The situation had been brought about largely by a lack of balance in the distribution of economic assistance in the post-war period, with the bulk of the dollar flow from the United States Government being directed exclusively to Europe, where it played an important role in both reconstruction and development. The original expectation that "off-shore" purchases under the European Recovery Programme might significantly help to redistribute dollars and facilitate the restoration of the old triangular pattern of trade had failed to materialize.

8. The Secretariat report showed the net result of that situation. One vacuum had been replaced by another. Europe had been reconstructed and its economy had been built up through foreign aid to a level in many instances higher than its pre-war level. Yet the deep-seated international disequilibrium which the gigantic

effort of reconstruction had been intended to correct was worse than ever. The report indicated that "the present chronic unbalance in international trade derives essentially from long-term structural maladjustments for which no remedy is yet in sight". One of the possible solutions would be for Western European countries to achieve closer balance in their international transactions with all major groups of countries, and particularly with the United States. To the extent that that solution would involve increased exports to the United States, the prospects were not bright, even taking into consideration the possible effects of devaluation.

9. The substantial degree of self-sufficiency of the United States tended to create an export surplus; it would take a long time to reverse that tendency. The report indicated that imports into the United States had not even begun to approach the level required to balance its exports and that, since the Second World War, a considerable part of United States exports had been financed through loans and grants.

10. Another possibility would be the maintenance by the Western European countries of a net import balance from the United States for which payment would be made through the acquisition of dollars in third markets. The report recognized that the effectiveness of such a course depended on the extent to which third markets chose, or were in a position, to become net receivers of dollars from the United States. If it were considered that those third markets might be the under-developed countries, which themselves were engaged in ambitious programmes of economic development, depending largely on their dollar earnings, the inevitable conclusion was that the possibilities were very limited. Dollars from those sources might be available in reasonable quantities only to the extent that Europe changed the current composition of its exports and was able to supply under-developed countries with the capital equipment needed for their development.

11. If those premises were correct, only three possible courses of action remained. The first, indefinite continuation of American help to Western Europe seemed quite unrealistic to the Brazilian delegation, since the United States could not be expected to finance its own exports indefinitely. The second possibility, the depression of the standard of living of Europe, permitting a sufficient reduction of imports from the dollar area and an adequate improvement in Europe's competitive position in international markets, was for very obvious reasons unacceptable. The third course, the channelling of an adequate volume of dollars to the under-developed countries in such a way as to eliminate the rationing of dollars on their part, would be the only workable solution.

12. The greatest cause of lack of balance in the world at the present time was no longer the war destruction in Europe but rather the great economic vacuum which had been created in the under-developed areas because of unavoidable internal structural changes. The industrial development of under-developed countries had very important implications with respect to world economic equilibrium. As indicated on page 49 of the Secretariat report, a recognition of the essential long-range changes in the distribution of the world's productive facilities involved in the course of economic development was a first step in determining the adjust-

ments required if international trade was to meet more fully the respective needs of industrialized and under-developed countries.

13. Obviously the second step was to attack the roots of the problem by finding ways of channelling an adequate volume of dollars to the under-developed areas. While the Brazilian delegation agreed that in the long run programmes for the financing of economic development must rely to a large extent on private sources of capital, it wished to point out that the first movements of private capital to under-developed areas would be slow and that positive measures were required immediately.

14. At the recent Washington Conference on the exchange problems of the sterling area, the United States had recognized the necessity of increasing the supply of dollars for sterling countries, either by an increase in imports, including governmental purchase of raw materials for stockpiling, or by a considerable expansion of the export of capital. In the view of the Brazilian delegation, it was most urgent that similar measures should be adopted for Latin America if the triangular pattern of trade was to be restored.

15. The possible measures to remedy the existing dollar shortage in Latin America included the expansion of "off-shore purchases" in Latin America, financed by means of the European Recovery Programme—authorizations for purchases in Latin-American countries so far had not exceeded 10 per cent of total expenditures; an increase in direct United States imports of Latin-American products (with thorough investigation of the possibility of governmental purchases for stockpiling, since an appreciable increase in spontaneous demand for those products was improbable); and increased export of capital from the United States to Latin America in the form either of government loans or of private investments.

16. The only alternative to those measures would be indefinite continuation of the policy of restriction of international trade by means of discrimination against United States products and by the use of clearing agreements with soft currency countries.

17. The Secretariat survey indicated that several under-developed countries had suffered losses in their terms of trade because of the fall in the prices of foodstuffs and raw materials. The recent improvement in Brazilian international trade due to the rise in coffee prices had tended to obscure the fact that that improvement was probably only temporary. Exchange difficulties had been alleviated and indebtedness reduced, but the position would not permit Brazil to dispense of exchange restrictions completely.

18. Reviewing the principal features of Brazilian economy in 1949, Mr. Muniz pointed out that the value of agricultural production had increased 13.4 per cent as compared with 1948. The volume of the crops had been hardly 1.4 per cent higher than in 1948, while the area under cultivation had been increased by almost 4 per cent. The indicated losses in productivity per hectare could be attributed in part to migration from rural areas and in part to lack of equipment because of restrictions on imports.

19. For the first nine months of 1949, the steel industry had registered more than a 22 per cent increase in

production over the corresponding period of the previous year while the production of laminated steel had risen by almost 28 per cent. The production of cement had also somewhat risen; that of coal had increased by 9 per cent and electric power by 10 per cent, although in both cases production did not yet approach even the barest consumption needs. Other industries had remained stationary, except construction, which had declined appreciably owing to lack of finance. There had also been a decline in private investments and capital outlay as well as a wide distribution of dividends.

20. In 1949 there had been an increase of almost 10 per cent in the monthly average of wholesale prices as compared with 1948 and a 4.2 per cent increase in retail prices. Industrial salaries had risen approximately by 15 per cent, representing a recovery to the 1946 level of real salaries, provided new inflationary upheavals were prevented. Such upheavals would be difficult to avoid because of Brazil's large budgetary deficit. Circulation had increased by 11 per cent in 1949 as compared with 1948.

21. In international trade there had been an improvement in exchange relations owing to the rise in coffee prices. On the other hand, with the return to the type of export of the pre-war period, trade in manufactured goods had suffered. In the first eight months of 1949, Brazil's trade with the United States had presented a deficit of almost a thousand million *cruzeiros* despite a 12 per cent decrease in Brazilian imports from the United States and a 2 per cent increase in exports as compared with the equivalent period in 1948. In the final quarter of 1949 a further restriction of imports had resulted in a small export surplus. One instance of the structural changes caused by the dollar shortage in Brazil was the shifting of purchases from the dollar area to the area of non-convertible currency, where the expansion of exports was made possible by American financial aid.

22. The indication in the Secretariat report that economic events since the middle of 1948 showed that the rate of economic expansion had considerably decreased made it urgent for industrialized countries to maintain full employment. Reductions in the income of under-developed countries from their export of primary goods testified to the extreme sensitivity of the economies of those countries to cyclical fluctuations in industrial countries and consequential difficulties in carrying out plans for development. The problems of full employment, economic development and equilibrium in international economic relations were inter-related. Accordingly, co-ordinated attacks on such problems were imperative. The Secretariat survey pointed out that trade and payment difficulties in 1949 again demonstrated that the root of the problem lay in the maintenance of full employment in highly industrialized countries and continuing economic progress in under-developed countries. The Brazilian delegation had consistently supported that thesis and was gratified to see it incorporated in the technical survey by the Secretariat.

23. In that connexion it should be noted that the report of the experts on full employment (E/1584) indicated the existence of conditions which might very easily develop into a general world-wide depression and declared that there could be no real and permanent prosperity until the enormous dollar disequilibrium had

been eliminated. That report further emphasized the need for Governments to give assurance that they could cope with a recession if it occurred.

24. The Secretariat document "Major Economic Changes in 1949" stated that there were no known isolated remedies for the present chronic disequilibrium in international trade and that the problem must be faced as a whole, including both full employment in the industrialized countries and economic development of under-developed countries.

25. The measures of national and international scope set forth by the experts on full employment, together with the alternatives suggested by the Economic and Employment Commission, constituted a wide and solid basis for studying the solution of the major problems of economic stability and economic development of under-developed countries. If the proposed measures were implemented, they would contribute to the creation of a new world economic structure, which would be more rational and more compatible with existing political and social problems.

26. In the opinion of the Brazilian delegation, the main problem was to find a formula which would lead to improved living standards for the masses throughout the world. The prevailing economic distortions could be remedied only by the creation of a new economic structure in which the industrialization of under-developed countries would play an ever-increasing part.

27. Referring to the organization of a study of economic development of Africa in connexion with item 31, the Brazilian delegation expressed the view that such a study by the Secretariat would be extremely opportune. It hoped that the next report on the world economic situation would give Africa a place compatible with its present and future importance in the world economy.

28. Mr. THORP (United States of America) said that the annual review of the world economic situation was an important part of the Council's work in that it forced the Council to stay close to reality. The far-reaching proposals before the Council for international action to achieve full employment, to stabilize world trade, and to promote the financing of development in under-developed countries would have to be considered on their technical merits and from the point of view of their economic desirability and political feasibility. Obviously the work of the Council could be helped by a clearer view of the general world economic situation and of the forces underlying current developments.

29. The Secretariat report "Major Economic Changes in 1949" revealed high levels of economic activity and employment. It was notable that the world output of foodstuffs, raw materials and manufactures in 1949 had been from 20 to 25 per cent higher than in 1937. Total supplies of foodstuffs during the crop year 1948 to 1949 had been somewhat above the average of the pre-war years 1934-1938 and should be even higher in 1950. Total world industrial output in 1949 had been nearly 40 per cent above that of 1937. Inflationary pressures had subsided in most parts of the world in 1949 and in a number of countries the cost of living had fallen. Those heartening facts proved the greatness of the recuperative powers of man and the effectiveness of those powers when inspired by a com-

mon purpose and supported by the spirit of international co-operation. The record of economic progress was gratifying to the American people because it strengthened their belief that their contribution to the process had been worth while.

30. One main theme of the Secretariat report — that 1949 was a dividing line marking the end of the period of post-war expansion due to the needs of reconstruction, to pent-up demand for consumer goods and to war-accumulated liquid assets — was correct in a general sense, but related only to the slackening of certain temporary sources of effective demand rather than to the permanent forces which caused economic growth. Even the temporary factors had not completely disappeared. In some countries and over large areas of the world, the damage and destruction caused by the war had not yet been repaired. In other areas there were political and social disturbances which might have more ancient roots, but which had been aggravated by the war and continued to cause economic and human loss and destruction.

31. Beyond the fact that such conditions were still in evidence, the basic needs and requirements of the growing population in most countries of the world were large and urgent. The *per capita* food supply and food consumption in the war devastated countries were still below the pre-war level and in many under-developed countries far below decent standards of living. Serious housing shortages were still general. The need for capital goods, both to modernize antiquated plants and to meet the requirements of economic development, was large even in those countries which had made great strides since 1945. On the other hand, the potential capacity to produce had been far from realized. In many countries disposable consumer income and personal savings were still high, and it would activate the expansion of production if other conditions were favourable.

32. The view of the Secretariat's report that spontaneous post-war expansion was slackening should not be taken as a cause for pessimism. Indeed there should be gratification at the reduction of inflationary pressures. The Secretariat findings should be supplemented by the additional facts that needs continued great and that potential production increases existed. Usually the process of recovery from severe economic dislocation was more rapid than the normal rate of growth and some percentage rates of increase in the next few years might be lower than in the immediate post-war years. However, the expansion of economies in the past had usually taken place without the temporary stimulus of post-war demands, and there was no reason to believe that that would not happen again and that more and more needs would not be satisfied through expanded production.

33. Those aspects of the world economic situation required emphasis because it was important to bear in mind the continuity of economic life and processes. That concept was most familiar in lines of statistical trend. Those persistent tendencies were quantitative as well as qualitative. Even during the immediate post-war period of scarcities and elementary urgencies, many countries had not hesitated to inaugurate new programmes of economic re-organization and social reform. Post-war reconstruction had thus merged with institutional change. That process would continue in a broad

sense; economic and social reconstruction was certainly not ended, and 1949 marked no stopping point in the process.

34. Mr. Thorp hoped that the drawing of a dividing line in 1949 would not create the impression that a major cyclical downturn in world economy had begun. There was no evidence that such was the case, even if Governments had taken no counter action. Moreover, if such evidence existed, Governments were, in fact, committed to take counter action. The very appearance of the item on the world economic situation on the Councils' agenda was proof that the work of the Council and of the United Nations was based upon the concept of constructive action by Governments.

35. He had suggested the possible imminence of a period in which the over-all rate of economic expansion might be more moderate than in the immediate post-war years. It might also be expected that there would be considerable differences in the rate from one country to another. Many of the reasons for different rates of economic growth lay within countries' own borders and depended to a considerable extent upon national action. Such factors as production and marketing practices, tax, wage and price policies, improved methods of work, greater accord between prices and costs and elimination of cartels and other restrictive practices undoubtedly played an important role. Abandonment of traditionalism and acceptance of new methods were among the many other elements of internal economic policy which might profitably be investigated by every country.

36. Without presenting an analysis of any particular country, he wished to emphasize that in large measures it was within the power of most countries to shape their own economic progress. Obviously international co-operation could be of great assistance. The policy of the United States had been, and continued to be, to assist in the process of modernization of other countries. For some time the world had been witnessing the unusual economic spectacle of a country expending large sums of money and energy to strengthen the productive power of other countries. The United States had taken that action despite the fact that many of the countries which it was helping were its actual or potential competitors in world markets. That was definite evidence of United States faith in the proposition that the economic advancement of each country was of benefit to the world as a whole. In view of that evidence, he had felt free to stress the importance of continuing self-criticism to the end that economic expansion would continually translate needs into effective demand with a resultant improvement in standards of living.

37. What he had said about the need for national action did not in any way detract from the importance of sound international economic policies for the promotion of higher levels of world production and consumption. The United States position on that question was well-known. For over fifteen years it had advocated an expansion of world trade on a multilateral and non-discriminatory basis, convertible currencies and a large and unhampered international flow of capital. His country had pursued both policies in the belief that they would encourage a fuller and more efficient use of the world's resources, increase the real incomes of all countries and thus make for a more prosperous and more peaceful world community.

38. He had, therefore, been much interested in the chapters on international trade in the Secretariat report (E/1601). Those chapters gave a brief survey of developments before the recent currency devaluations and a broad outline of some of the problems of long-term structural readjustment.

39. The report stated that, after some progress had been made towards overcoming the unbalance in world trade in 1948, the disequilibrium had worsened and reached critical proportions in 1949. It was stated that the gains achieved by the end of 1948 in overcoming the unbalance of world trade had been lost as a result of considerable fall in United States imports, which had reduced the flow of dollars to the rest of the world. That was no new interpretation. He understood the position of the officials of many Governments who had been confronted with a grave deterioration in the balance of payments which had required public explanation and for which there had been at the time no factual explanation. In the circumstances, they had simply represented the curtailment in United States imports as a primary cause of their difficulty. At the time the Secretariat's report had been prepared, however, the data had been available and it was strange that they had not been used for a more complete and accurate explanation of the facts, although he doubted whether all the elements could be properly evaluated even at that stage.

40. The data made it clear that the decline in United States imports had by no means been the sole cause of the increase in international disequilibrium in the first half of 1949. It was true that between the last quarter of 1948 and the second quarter of 1949, United States imports of goods and services had fallen from 2,598 million dollars to 2,365 million dollars. The goods and services received by the rest of the world from the United States during that period had, however, increased in value from 3,786 million dollars to 4,064 million dollars. Thus the fall in United States imports had accounted for only 46 per cent of the 511 million dollar increase in the deficit which the rest of the world had toward the United States. The larger part of that deficit had been the result of increased purchases by the rest of the world from the United States.

41. Furthermore, in considering the factors bearing on the worsening disequilibrium in the first half of 1949 it was worthy of note that net assistance from the United States had reached its peak in the second quarter of 1949, reaching a level approximately 500 million dollars above the level for the last quarter of 1948. That increase had far more than compensated for the decline in the dollars made available to the rest of the world as a result in the fall of United States imports in goods and services.

42. He fully recognized how important it was for world economy to have stability in United States imports, but he felt that in its analysis of the 1949 developments, the report was clearly inadequate because of its failure to recognize the variety of factors which had contributed to the course of events.

43. As to later developments, United States commodity imports, which had fallen through July 1949, had since responded to the general recovery movement. By the last quarter of 1949 the value of imports had been only 6 per cent below the peak level of the last quarter of 1948. At the same time, United States export prices

had fallen by 8 per cent between the last quarters of 1948 and 1949. If that were taken into account, it would be seen that the dollars provided for other countries by United States imports in the last quarter of 1949 had had approximately a 3 per cent higher purchasing power over United States exports than had been the case in the last quarter of 1948. Thus, in its practical consequences, the recovery had been more than complete.

44. Turning to the last chapter of the report, Mr. Thorp noted that it raised certain long-term problems concerning the difficulties of achieving balance in international trade without the continuation of extraordinary financial assistance from the United States. He felt bound to say that, in his opinion, the earlier chapters of the report did not lay a very satisfactory foundation for that discussion. A great deal of material was given concerning the flow of commodities in international trade, but there was very little concerning trends with respect to services, and almost nothing with regard to the record of current capital accounts, the shifts in blocked balances and the flow of capital investment. He realized that statistics were much more readily available with respect to commodity trade, but a world economic review was certainly incomplete if it did not give a more detailed picture of international financial matters.

45. It was essential to consider the balance of payments in any discussion on the structural changes necessary to achieve balance in international trade. As a matter of fact the most important thing which had happened with regard to balance of payments during 1949 could not be found in the statistics at all. He was not referring to devaluation, but to the fact that many countries had turned their attention from the recovery of production to the problem of their trade balances. Many of the deficit countries had taken the courageous step of devaluation, but beyond that they had also begun to focus their attention and their efforts as never before on the problem of increasing their hard currency earnings and developing non-dollars sources of supplies. The surplus countries, for their part, were taking many steps to help correct the disequilibrium.

46. As the representative of Brazil had stated, it was clear that the problem could not be solved by any one country or by any simple formula. He agreed that the difficulties described in the report did exist, but at the same time he took heart in the growing recognition of the urgency of the problem. The problem was closely related to that of economic expansion, for without such expansion it would be very difficult indeed to make the necessary adjustments.

47. Turning to another aspect of the problem, Mr. Thorp said that his country was interested in a properly functioning international economic system primarily, if not entirely, because of its importance to the economic and social welfare of the peoples of the world. The emphasis in the United Nations Charter was on employment, conditions of work and standards of living. He was interested, however, in knowing what had happened during the year in terms of the daily lives of the people — their nutrition, working conditions, housing, health, social security etc.

48. Some information on those points was contained in the Secretariat's report and it was perhaps not all appropriate for inclusion in an economic review.

He hoped, however, that in planning its future world economic surveys, the Secretariat would try to collect more of the available data on social conditions and to give some sort of picture of the social progress during the year. He had drawn attention to that point because the plans for the economic reports outlined in document E/1611 referred only to economic developments. He trusted that the main social developments in the sense in which he had been using the term would not be overlooked.

49. In that connexion, he referred to the proposal that a preliminary study should be made of the economic situation in Africa and that the desirability of establishing an economic commission for Africa should be considered. His country was deeply interested in the economic development and social advancement of the African peoples, but he did not think it would be profitable to consider setting up an economic commission for Africa at that stage, since the problem of regional functional commissions was due to be reconsidered in 1951.

50. He thought, however, that every effort should be made to bring Africa more fully within the purview of the Council's discussions and considerations. The Secretariat would do well to keep that in mind in planning its future world economic reports.

51. In conclusion, he wished to make a few remarks on the economic situation in the United States. In the United States, the year 1949 had seen the end of the inflationary pressures which had existed since the war, and the first recession in business activity. For the year as a whole, industrial production had been 9 per cent below the 1948 level. That fall in industrial production, however, had not been typical of developments in the economy as a whole. Agricultural output had declined only by one and a half per cent, while on the other hand construction activity, production of electricity and gas and the value of services had risen. The result was that total production, as measured by the gross national product after adjustment for price changes, had been 1 per cent lower in 1949 than in 1948. Employment had also fallen by a little over 1 per cent.

52. The main reason for the temporary decline of industrial production had been a reversal of inventory policy by most business enterprises. During 1948, inventories had been accumulated rapidly, but during 1949, that accumulation had slowed up and had in fact turned into liquidation. Other kinds of expenditure had, however, been fairly well maintained and consumption, in particular, had remained very steady throughout the year.

53. The downward movement had lasted little more than half the year. After July, business activity had begun to recover. According to preliminary estimates, by January 1950, industrial production had recovered nearly two-thirds of its losses and was only 5 per cent below the November 1948 post-war peak, despite the effects of a slowdown in coal mining. The latest index of industrial production stood 67 per cent above the 1939 level and, even at the lowest point in the recession, it had been 48 per cent above the 1939 level.

54. The fact that the United States economy had shown such resistance to the shock of recessionary forces and had been able to overcome them in a rela-

tively short time was of considerable importance to the world economy, as he had pointed out at the ninth session of the Council (329th meeting). He wished to repeat that the capacity of the United States economy to recover quickly had been due in part to the economic and social reforms which had been introduced, to the attitudes of businessmen and the people as a whole, and to the efforts of the Government to carry out the intent and mandate of the Employment Act of 1946.

55. Perhaps one of the most important features was the significance of the latest unemployment figures in the United States. Those had increased by nearly one million between December 1949 and January 1950 and the level of unemployed had reached nearly 4,500,000. The increase had apparently been due mainly to seasonal declines of employment in trade, construction and agriculture. It seemed fairly clear, however, that it could not be accounted for entirely by those seasonal declines. Comparing the figures with those of the previous year, he noted that there had been 1,800,000 more unemployed in January 1950 than in January 1949. It was significant that the increase in unemployment did not appear to reflect a decline in business activity. Indeed, employment in non-agricultural industries had actually been 100,000 higher in January 1950 than in the corresponding month a year previously. The rise in unemployment was accounted for partly by a fall in agricultural employment of nearly 600,000 and by an increase of 1,300,000 in the total labour force. The fall in agricultural employment was apparently due to continued increases in productivity largely reflecting technological developments.

56. There did not seem to be any indication that the increase of unemployment in January 1950 meant a decline in productive activity. The evidence of a high level of non-agricultural employment was reinforced by the fact that industrial production had somewhat risen between December 1949 and January 1950, if seasonal factors were taken into consideration. What the figures really seemed to indicate was rather a gradual tapering off of the recovery movement, with the general level of activity continuing high.

57. Those indications of continued stability did not mean that the Government or the people of the United States were satisfied with the existing level of activity and employment. As President Truman had said in his recent economic report, the United States had regained stability, but stability was not enough. It was essential that the country's economy should expand steadily.

58. The United States Government was relying chiefly upon the forces of the market to produce the necessary increase in employment and production, but it had also designed its own policies to support the forces of expansion. Those policies, it was true, were largely designed to meet long-term requirements and they would not have their full, direct impact in the near future. Nevertheless they could be expected to have a powerful effect in encouraging immediate high business investments.

59. Moreover, the President had made a number of recommendations designed to strengthen economic activity immediately. Among them was the proposal for a new programme to stimulate private investment in housing for middle-income families, a proposal for certain revisions in the tax laws, which would stimulate



business investment, and a proposal to increase the maximum maturity period for loans from the Reconstruction Finance Corporation in order to ease the problems of small and medium business firms.

60. In the international field, President Truman had requested Congress to continue the European Recovery Programme and other short-term aid programmes. He had recommended ratification of the Charter of the International Trade Organization as a means of facilitating the expansion of trade. He had asked Congress to authorize the programme for technical assistance to under-developed countries and to authorize the Export-Import Bank to provide for guarantees against risks peculiar to private investment abroad. In addition, he had proposed certain tax changes designed to stimulate the foreign investment of private capital. Those proposals had been made mainly in order to support the Government's efforts to extend financial and technical assistance to other countries, but they would also contribute indirectly to the expansion of domestic business activity.

61. All those recommendations clearly showed that his Government intended to take action consistent with the nature of its political and economic institutions to maintain maximum employment.

62. Even if those efforts were to succeed only partly, it was important to recognize that changes in unemployment could not be taken as an indication of the impact of domestic developments upon other countries. It had too often been assumed that an increase in unemployment necessarily involved a declining level of income and therefore a decline in demand for the goods and services of other countries. The recent experience in the United States showed that, in an economy with an expanding labour force and increasing productivity, that was not necessarily the result. The rise in unemployment in January 1950 as compared with January 1949 had not been associated with a corresponding decline of employment nor with any decline in economic activity.

63. Thus the economic outlook in the United States confirmed what he had said at the outset on the world economy in general. The need for world expansion in economic activity and trade, and the large possibilities for such expansion were more apparent than ever before. Mr. Thorp thought that his country had also taken up a more positive attitude towards its own part in that process. Both on the national and international levels, the United States was better prepared to cope with recessionary forces and to facilitate economic and social development and it was anxious that its contribution to world economy should be constructive.

*At the invitation of the President, Mr. Ennals representative of the World Federation of United Nations Associations took a seat at the Council table.*

64. Mr. ENNALS (World Federation of United Nations Associations) thanked the President for giving him the opportunity to introduce item 31, which had been placed on the agenda at the request of the Federation he represented.

65. The World Federation of United Nations Associations had followed very closely the economic work of the Council, to which it attached the very greatest importance, and his statement was the result of consultation among the United Nations Associations throughout the

world concerning the results achieved in their regions by the economic activities thus far undertaken by the Council and its subsidiary organs.

66. The Economic Committee of the Federation had carefully considered the replies received to the questionnaires circulated to its member Associations, and it was only then that the economic situation of Africa had been placed on the agenda of the fourth plenary assembly of the World Federation of United Nations Associations. The request for the inclusion of that subject on the Council's agenda had been the result of the adoption by the WFUNA Assembly of the resolution contained in document E/1555. The resolution, submitted in its original form by the United Nations Associations of India, the Union of South Africa, Italy and Togoland, and having been amended in response to the suggestions of the United Nations Associations of France and Belgium, had been unanimously adopted in its final form at a plenary meeting of the assembly in which all parts of the world had been represented.

67. The Federation's purpose in requesting the inclusion of the item was clear from the text of its resolution. It referred to the desirability of raising the standards of living of the people of Africa by the development of the economic resources of the continent and expressed the conviction that the raising of African living conditions would benefit world economy as a whole. It further expressed the belief that plans for the development of Africa would best be made under United Nations auspices so as to ensure that the resources of Africa were rationally developed in the interests of all the inhabitants of the continent and of the world community. Conscious of the need to conserve and use rationally the world's limited resources at a time when the population of the earth was constantly increasing, the Federation believed that the development of the African continent should be preceded by a careful study of its economic situation and potentialities, and felt that the United Nations Secretariat, in view of its experience and the data already in its possession, would be the most appropriate body to undertake such a study. The Federation therefore suggested to the Council that it should ask the Secretary-General to make a preliminary study of the economic situation of Africa in its major aspects.

68. The Federation had always followed very closely the work of the regional commissions that the Council had set up from time to time and, after careful study and consultation with the member Associations, it had decided, at its last assembly to support the continuation of ECE, ECAFE and ECLA; to welcome the establishment of the proposed economic commission for the Middle East, and to suggest that the Council should consider setting up an economic commission for Africa. The problems of Africa differed in many ways from those of the other continents already covered by regional commissions, and the suggestion would require study, but it was considered to be worthy of careful consideration.

69. The Federation had intended to propose that during his study of the economic situation in Africa, the Secretary-General should be requested to examine the desirability of establishing an economic commission for that continent. It had, however, noted the wisdom of the Agenda Committee in recommending that the discus-

sion of that aspect of the question should be deferred, and was glad to express its acceptance of that suggestion.

70. He summarized the contents of the draft resolution (E/1555/Add.3) which the Federation had prepared in the hope of assisting the Council in its consideration of the item.

71. He emphasized that in bringing up the question, the Federation did not in any way wish to give the impression that it attached any more importance to Africa than it did to the other continents. He did, however submit that the continent of Africa—the most under-developed of all under-developed areas—had not received the attention that its size, its increasing population and its growing economic importance would appear to warrant.

72. A short chapter on Africa had appeared regularly in the "World Economic Survey", but it seemed, from document E/1611, that in future the various regional chapters would be excluded from the world survey to be considered annually by the Council at its first session of the year. The regional economic surveys prepared by the regional commissions were to form the basis of the debates during the Council's summer session. Thus, unless some study of African economic questions was undertaken by the headquarters Secretariat, the African continent would be completely overlooked.

73. He pointed out further, in that connexion, that there was only one paragraph on Africa in the current economic survey.

74. The Federation, as a world-wide organization, was conscious of the universal responsibilities of the United Nations and of the economic interdependence of all continents. It felt that, however pressing the problems of Europe, Asia and Latin America, the United Nations would be making a serious mistake if it were to overlook the needs and potentialities of the continent of Africa, which covered 21 per cent of the earth's surface and embraced 9 per cent of its population.

75. He believed that, in following the course suggested by the Federation, the Economic and Social Council would be taking a logical and constructive step in the implementation of its programme of assistance to the under-developed areas of the world.

*Mr. Ennals withdrew.*

*At the invitation of the President, Mr. Ezekiel, representative of the Food and Agriculture Organization, took a seat at the Council table.*

76. Mr. EZEKIEL (Food and Agriculture Organization) recalled that the primary objective of the FAO was to increase the food supplies available to all peoples. The report "Major Economic Changes in 1949" (E/1601) was unduly optimistic with regard to the progress made in that field since the pre-war years. The fact was that with the substantial increase in the world's population, the *per capita* consumption of food had decreased and the general food situation was worse than that which had prevailed before the Second World War. The peoples of Europe, Asia and the Far East (representing three quarters of the world's population) were worse fed in total calories and animal proteins, and only in North America, Latin America and Oceania had there been an improvement in food consumption.

77. While there had been a rapid recovery in general production, the world economy did not exhibit sufficient dynamism to warrant the prediction that the food situation would improve. In a number of commercial production regions, food surpluses had been created. As a result, some States were holding back food production or letting produce rot in the absence of markets for its disposal. Such measures were not designed to promote the improvements in the standard of living prescribed by the United Nations Charter. It was essential to furnish food producers with adequate guarantees of outlets for their products. The FAO had twice laid before its members a programme of special action directed toward the achievement of stability in food production and the establishment of such basic guarantees. But its members had not been prepared to take effective action. The only international measure taken since before the war for a better use of food had been the Wheat Agreement. Although the effects on it of the recent changes in price level relationships were not yet known, that Agreement had proved to be a stabilizing factor in the world economy.

78. Mr. Ezekiel stressed the significance of the report of the experts on national and international measures for full employment as a basis for action by Governments. The "World Economic Survey", with which it was closely linked, had been clearly and accurately analyzed by the representative of Brazil. In the pre-war period, triangular trade had made available dollars to pay for imports of raw materials from the United States. The only way to re-establish that multilateral trade system was by a flow of dollars investments into under-developed countries in sufficient magnitude and in a form which would make it possible for the latter to purchase capital equipment in the industrialized countries of Western Europe.

79. In connexion with the final chapter of the "World Economic Survey", Mr. Ezekiel noted that the prospects for future expansion in the effective demand for the products of under-developed countries were far brighter than was immediately discernible. Statistics contained in President Truman's recent *Economic Report* indicated the approximate doubling of the national output of the United States every twenty years. Consequently, the products of under-developed countries were likely to have a greater market in that country in ten year's time. Moreover, the domestic supplies in the United States of certain raw materials such as copper and lead were already partially exhausted. It should be recalled, in that connexion, that before the Second World War, the United States had been an importer of food. There was every reason to believe that it might have to turn to other countries for raw materials so as to maintain a sound economy.

80. As Mr. Muniz had pointed out, the only way to overcome the stalemate in world trade was by investment in under-developed countries. If the programme of technical assistance functioned effectively, those countries would expand economically at an accelerated rate and would be in a position amply to repay the investments made. An increase in dollar exchange made available to under-developed countries would stimulate world trade and permit Europe to increase its imports from dollar areas. That dollar exchange should be transferable to any country capable of supplying the capital equipment required, in particular to the countries of Western



Europe. Accordingly, in organizing technical assistance to under-developed countries, experts should be included possessing a knowledge of the nature and adaptability of the capital goods produced, for example, in Western Europe. The elaboration of such projects on an international basis would improve the chances of the restoration of world trade.

*Mr. Ezekiel withdrew.*

81. Sir Sydney CAINE (United Kingdom) shared many of the views of the United States representative on the report "Major Economic Changes in 1949". By attributing too much significance to statistics for the third quarter of the year, it gave the impression that the world situation had definitely worsened, whereas it could more accurately be described as having changed in character. The report, for example, stressed the slackening of effective demand in the United States which had resulted in a temporary recession early in 1949. On the other hand, that recession had not become a major depression, the necessary readjustments had been made and confidence in the future had been restored. Similarly, world demand had to some extent slackened, with the satisfaction of urgent post-war needs, but by the close of 1949, it could be said that Western Europe had completed its physical recovery from the effects of the war, and had attained pre-war production levels. Although that was perhaps not true all over the world or for every category of production, even in Europe attention could now be given to other problems, in particular to that of trade and balance of payments. Even the dollar shortage had not been aggravated; it had in fact been slightly alleviated and Marshall aid countries were contemplating substantial reductions in their dollar requirements for the forthcoming fiscal year. Finally, the tendency in the report to overemphasize the extent of unemployment and lowered economic activity both in the United States and Western Europe was not justified by the facts.

82. It was true that devaluation could be regarded as evidence of intense pressure on balance of payments and the acute dollar shortage. But it would have had to happen in order to establish more realistic exchange rates and an eventual improvement in balance of payments equilibrium. While it would be disastrous for Marshall aid countries if United States aid were withdrawn at that juncture, they looked forward to the time when they would no longer have to rely on that assistance. All nations could help to restore the balance in world trade. If they were to be wholly independent of outside help, they must make a maximum use of their available resources and attempt to develop their economies.

83. In the light of those facts, it was appropriate that the most important questions before the Council, full employment and the economic development of under-developed countries, were concerned with the fullest and most economic use of basic resources. In order to combat unemployment, nations must not fail to use all

the productive elements of their economy. The flaws in the economic machinery which forced those elements into idleness because trade and finance provided no outlets for their products or services must be corrected. In the development of under-developed areas, physical capital must be supplied to enable full economic use of natural and human resources. The soundness of development projects must be judged primarily on the basis of the opportunities they offered for greater volume of production through the more effective and economic use of resources. Unsound development would create new indebtedness and further aggravate the imbalance in world finance. The final chapter of the report "Major Economic Changes in 1949" must be reappraised within the framework of the opportunities currently available for the maximum use of resources.

84. Turning to the procedure suggested for the publication of the Secretariat's "World Economic Survey", Sir Sydney endorsed the plan to issue the survey once a year before the Council's spring session. No supplementary surveys would be produced as in the past. It was to be hoped that that would enable the Secretariat to prepare an even more useful document than its current report.

85. With regard to the recommendation for studies relating to the economic situation of Africa, Sir Sydney felt that it was premature to undertake them at that juncture. He was aware of the inadequacy of available information on the economic resources and development potentialities of the area, but considered that, in the present circumstances, an economic survey would hinder rather than help the territories concerned. Difficulties would arise precisely because they were among the least developed countries of the world. A thorough and accurate survey would require not only the resources of the United Nations and its specialized agencies, but also those of the administration of each country. The latter were already devoting considerable attention to the economic possibilities of the areas for which they were responsible and should remain free to apply for outside assistance, either from the United Nations or elsewhere, when they deemed it timely and appropriate.

86. On the other hand, while Sir Sydney did not approve of an *ad hoc* economic survey of Africa, he did consider that in its next world economic survey, the Secretariat should give fuller consideration to Africa on the basis of the economic data available. The Council could then decide whether it might be advisable in the future to authorize an *ad hoc* survey of Africa.

87. The PRESIDENT drew attention to the provisional programme for the remainder of the week and noted, under item 36, that the time of the session of the Sub-Commission on Economic Development would be discussed when the Council had completed its consideration of the items dealing with economic development.

The meeting rose at 5.25 p.m.