

UNITED



NATIONS

*DEPARTMENT OF ECONOMIC AFFAIRS*

**SUPPLEMENT**

TO

**ECONOMIC REPORT  
SALIENT FEATURES OF THE WORLD  
ECONOMIC SITUATION 1945-47**

**Discussion of Report in Economic and Social Council  
Sixth Session, February and March 1948.**

**Lake Success**

**March 1948**

**New York**

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## Preface

The *Economic Report: Salient Features of the World Economic Situation 1945-47*, was discussed by the Economic and Social Council during its sixth session. At the end of the debate, the Council adopted a resolution (see page 137) calling the report and the discussion to the attention of Member Governments of the United Nations, the Economic and Employment Commission and the specialized agencies.

The comments of the members of the Economic and Social Council are given in the order in which they were delivered during the debate that took place from 17 to 24 February 1948.

David OWEN  
*Assistant Secretary-General  
in charge of Economic Affairs*

Lake Success  
*March 1948*



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**UNITED NATIONS**  
**ECONOMIC AND SOCIAL COUNCIL**

**Sixth session, February and March 1948**

**Lake Success, New York**

17 FEBRUARY 1948, AFTERNOON MEETING

**The PRESIDENT**

The next item on the agenda consists of the surveys of world economic conditions and trends — the reports prepared by the Secretariat in accordance with resolutions of the Economic and Social Council and the General Assembly. I need hardly remind the Council that the constructive consideration of these reports is one of the major items before the Council at this session. I shall first give the floor to Mr. Owen, Assistant Secretary-General for Economic Affairs.

**Mr. OWEN**, *Assistant Secretary-General in charge of Economic Affairs*

I am grateful for this opportunity to say a few words concerning the first comprehensive economic report which has been prepared by the Department of Economic Affairs; this, together with three other reports on economic problems, is available to you during this session.

One of the studies, published in November 1947, consists of a survey of current inflationary and deflationary tendencies in the world. It examines the inflationary pressures which exert themselves in devastated Europe, as well as inflation in under-developed countries in various parts of the world. The report also discusses the problem of full employment in the United States of America.

Another study, prepared in response to a resolution adopted by the Council, deals with the foreign exchange position of war-devastated countries both in Europe and in Asia. Part I of this report describes the import requirements, the available resources and the foreign exchange deficits of the war-devastated countries. Part II contains a comprehensive description of the potential sources of international loans. The study concludes that the available funds are insufficient to meet the apparent needs.

A third report represents the first volume in a study of economic development plans, programmes and agencies in a considerable number of countries. Additional volumes will be published as the available information concerning other countries can be studied, and as additional information becomes available in response to requests for

such information which the Department of Economic Affairs has made. This material was prepared in connexion with the activities of the Sub-Commission on Economic Development and it will, I hope, be of considerable interest to government agencies and officials concerned with problems of economic development.

Finally, we have completed the first of a series of world economic reports. Comprising more than 350 pages, it consists of a broad factual and analytical study of economic changes in the post-war world. The theme of this report is given in part I, entitled "World Economic Highlights", which contains a general outline of world economic conditions. Part II contains an analysis of regional economic conditions; part III describes some outstanding world economic problems; and in part IV the economic activities of the several specialized agencies and of the United Nations are briefly sketched.

In this connexion I commend this report to you as one example of the co-ordination and co-operation which exists between the Secretariat of the United Nations and the staffs of the several specialized agencies. A considerable part of the material contained in the report was provided by the specialized agencies. We are deeply indebted to them for their assistance, though, of course, the Department of Economic Affairs of the United Nations takes sole responsibility for the report — its content, organization, form and, especially, its shortcomings.

We have not covered, nor have we attempted to cover in this first report, all phases of economic activity or all geographic areas in the world. Some of these activities and areas will doubtless be the subject matter of future reports. The main subjects of these future reports will presumably also differ from those of the present report and will depend upon changes in the world economic situation. The structure of future reports may also be modified according to the theme and content of those reports. It is not our aim to produce a series of economic reports following a standard pattern. We shall, if it seems desirable, change both form and content with the changing character of the world economic situation.

On this occasion our analysis of the world economic situation has led us to the conclusion that in spite of the heroic efforts and the tremendous progress that the war-devastated countries have made towards economic recovery during the past two years, the world is, today, still producing less than it did a decade earlier. Moreover, while the productive capacity of many production centres has considerably declined as a result of the war, the economic potential of the United States of America has enormously increased. It is the phenomenal shift in distribution of the world's productive capacity which is at the root of what, in economic shorthand, is generally referred to as the "present dollar shortage".

In the long run, the dollar shortage can be eliminated only by increased production outside the United States of America and by a more balanced relationship between the exports and imports of the United States. Production increases depend, however, upon the breaking of bottle-necks in the production of food, fuel, steel and transport in many parts of the world. Of these, the food shortage constitutes the most serious bottle-neck of all. It not only results in hunger and malnutrition, thus causing both human suffering and decreased productivity when increased productivity is so essential, but the consequent rise in food prices affects the largest part of the expenditures of consumers in the lower income groups, especially of workers, and brings on pressures for wage increases and subsequent additional and general price increases. It is in this way that inflationary spirals develop.

Inflationary pressures can generally be fought with appropriate monetary and fiscal measures. In some countries, however, inflation has gone too far to be checked by these measures alone. In an attempt to try to call a halt to inflation it may therefore prove necessary in some countries to resort to direct control of investment and to the rationing of essential consumer goods, even though such measures may be difficult to institute for administrative and political reasons. Our report shows that it is imperative to call a halt to inflation in the world because the almost universal inflation stands in the way of continued reconstruction of war devastation and of speedy development of the under-developed countries.

In the economic field as in other fields these days, important changes have been taking place rather rapidly. Even during the two weeks or so that this report was being printed, a number of significant economic events have occurred which we should have liked to discuss in the report if time had permitted. One of these is, of course, the devaluation of the French franc and the establishment of a limited free market for foreign currencies in France, which may have far-reaching consequences. I also have in mind the announced plans for the re-institution of certain war-time economic controls in Canada and the recovery to pre-war industrial production in the Soviet Union.

One final point: You will recall that both the Council and the General Assembly had adopted resolutions in which they called upon the Secretary-General to prepare surveys of economic conditions and trends so that the Council might have the pertinent facts before them when they consider recommendations concerning economic matters. The surveys have been prepared. Although we have not framed any policy recommendations, we do, at the end of part I of our *Economic Report*, point to certain problems which our factual analysis leads us to believe merit urgent attention. We are convinced that for some years to come continued economic recovery from war destruction and

**Mr. MAKIN, Australia**

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the economic development of under-developed countries are likely to be hampered by a shortage of food in the world unless actions can be devised which will facilitate increased production of food as quickly as possible, and which will ensure a better distribution of the food available now. We are also convinced that for some time to come the continued economic recovery from war destruction and the economic development of under-developed countries will, to some extent, depend upon foreign financing and foreign goods, and that appropriate international action and concerted national actions will be required if the goods which are needed to speed reconstruction and to promote economic development are to become available. Finally, it appears clear that the existing high levels of employment and economic activity in some parts of the world are supported by temporary factors and we believe that the time is ripe for the consideration of concerted national and international action to ensure that full employment is maintained.

In the preparation of this report the consideration which has been uppermost in my mind and in the minds of my colleagues has been the need to present to the Council a document that will provide the essential background material most helpful to you in studying current economic problems and framing recommendations concerning those problems. It has encouraged us greatly that already during the course of this session members of the Council have from time to time drawn on the report in the presentation of reasoned arguments, and we hope that this and subsequent reports in the same series will be found increasingly useful as members of the Council familiarize themselves with their general form and content. I hope, too, that members of the Council will tell us frankly whether they consider that the report is presented to them in the most useful and convenient form, and will make any suggestions which will help my Department to improve on this first experimental effort.

**Mr. MAKIN, Australia**

The main object of having documentation on world economic conditions and trends is that the Council may be assisted to consider matters of real international concern in the economic and social field. The information in the excellent reports that we have before us cannot help but serve as a background to consideration of the main substantive items of our agenda. In addition we hope that they will be productive of a useful discussion of the world economic situation.

For the present plenary discussion, we suggest that the Council might well take as its starting point the comprehensive picture which has been compressed into the thirty pages of part I of the *Economic Report*, entitled "World Economic Highlights".

One is first of all struck by the similarity of the problems that many members are facing, extending even to significant similarities between devastated and non-devastated countries.

The main facts as reported in the thirty pages of part I seem to us to be as follows:

(1) A recovery almost to pre-war levels of the volume of world production, excluding the USSR. We were reminded by Mr. Owen that more recent information shows that this recovery has also been achieved in the Soviet Union. But meanwhile world population has increased by 10 per cent;

(2) A new post-war distribution of production which is still considerably below its pre-war level in devastated countries taken as a whole, and considerably above in non-devastated countries, particularly in North America;

(3) A food shortage "now as critical as at any time since the end of the Second World War";

(4) Recovery of the volume of world trade to its pre-war level, but a lack of balance corresponding to the lack of balance of production;

(5) A consequent dollar shortage, remaining acute despite the remarkable network of grants, loans and payment agreements, disclosed by another of the documents before us. The acute stage of shortage appears to be dependent on reconstruction needs, and may, therefore, not extend beyond the next few years;

(6) Bottle-necks preventing the recovery of production are found mainly in shortages of coal, steel, rolling-stock, fertilizers, farm machinery and draught power;

(7) Inflation or inflationary pressure is found to exist in all parts of the world;

(8) I might add—though as a different type of fact, it is not explicitly listed in this part of the report—a new world-wide striving for industrialization and economic development. I shall not refer much to this, since it is receiving a good deal of attention in connexion with our regional commissions.

In summary, the report considers the strategic facts to be those limiting the production of food and fuel. A similar conclusion is stated in the *Survey of Current Inflationary and Deflationary Tendencies* published in September 1947. The International Bank for Reconstruction and Development, in its annual report published about that time, also says that the major bottle-necks remaining in the reconstruction of Europe are food, fuel and man-power. The shortages of food and fuel are connected in some countries by a vicious circle. To help the miners produce more coal, they need more food. To get more food, they need more fertilizer; and to produce more fertilizer, they need more coal.

*What can be done*

Ideally, the Council should receive, together with the report on the facts from the Secretariat, recommendations on policy from the Council's commissions. In a Council session following shortly after the General Assembly, it is impossible for this to happen. The Council must take up the consideration of remedies without this help.

The Assistant Secretary-General has mentioned a number of the policies now being considered. They include monetary and fiscal measures, such as reductions in government expenditure, increases in income taxation and monetary reforms, the extension or re-imposition of direct controls of investment and the rationing of essential consumer goods, especially food. The Food and Agriculture Organization of the United Nations is setting before us considerations involved in increasing the production of food.

*Action by present session*

It would be unrealistic not to accept the fact that the appearance of the *Economic Report* after the beginning of the present session will probably prevent effective agreement, at this session, on matters affecting high government policy as closely as those that have been mentioned.

There is no solution to present difficulties in an international policy remote from the internal domestic policies of governments. At every step towards international goals, we are dealing with the internal objectives and the internal measures of our governments, and it is largely the aggregate of these domestic policies which determines whether we move towards or away from a more stable and productive total world economy.

I state this truism to underline my belief that there will be few, if any, representatives here whose governments have had time to draw out the implications of this report for themselves in their current policies and, until they have had time to do so, the realm of realistic activity by the Council is rather restricted.

It seems to the Australian delegation, however, that it would be useful to start here a discussion which might, after full deliberation within our home governments, be pursued to practical conclusions through the appropriate organs of the specialized agencies, through our own regional and functional commissions and through the next session of this Council. I do not think that the situation is changing too quickly to make this useful. I have pointed out that the Secretariat and the International Bank came to similar conclusions five months ago, though they were far less fully documented than in the new *Economic Report*.

While speaking of realism in our discussion, may I suggest that we direct our thinking to courses of action where there is room for truly international implementation; and that we deny ourselves the facility of confining our attention merely to remedial measures which, under the circumstances revealed by the report, only one or two countries could possibly implement.

For obvious reasons, international discussion tends to concentrate on the export surpluses, of immense volume and confined to relatively few countries, which measure the excess of goods which those countries supply to a world suffering from scarcity over and above what they draw from it. The reason for this attitude is the indispensable contribution which those surpluses make to the world.

But I suggest that the progress of world recovery cannot be measured in terms of export surpluses. The gross amount of exports in all those countries whose exports and imports are both increasing also measures the recovery of production and the extent to which countries mutually aid each other by the exchange of goods. Hence we believe that this Council can consider courses of action in which members generally can participate.

*Useful subjects to begin discussion*

It seems to the Australian delegation that subjects of which the Council might most usefully begin some serious consideration throughout the rest of this session, are the shortage of food, the inflationary pressure and bottle-necks.

The shortage of food has been listed as a separate agenda item and I do not want to comment now on the substance, except to underline the importance for all of us of reaching some firm conclusion about how serious the shortage is likely to be over the next two years. Some comment in the United States of America suggests that the recent break in grain prices reflects a fundamental change in the situation and that the food shortage has perhaps been exaggerated. If producers and governments are left in doubt about this, it will obviously reduce future food supplies.

This will especially be the case if producers have doubts also about the effectiveness of future price stabilization measures. In my own country there are £20 million in the Stability Fund for setting a floor under wheat prices up to 1951/52. Yet there are certain constitutional difficulties in the full establishment of the Wheat Industry Stabilization Plan. Possibly there are similar difficulties and doubts in other producing countries.

Much of the practical action to be taken in this field would fall within the competence of the Food and Agriculture Organization. However, its close connexion with over-all economic policy (which it

is the peculiar function of this Council to consider), is shown by a striking passage in the *Economic Report*, dealing with inflationary pressures. On page 25 it is pointed out, in what I believe is an original contribution to the consideration of the present subject, that the "scarcity of food is of strategic importance in the general rise of prices . . ." An increase in the price of food, as distinct from prices of other commodities, initiates in most countries either an automatic rise in wages, or an incentive for negotiated wage increases. Such wage increases reflect themselves in increases in all prices. The price of food, operating at the foundation of the price structure, rapidly affects the whole structure. Moreover, monetary measures designed to control general inflation are of limited effectiveness in preventing a rise in food prices because, it is pointed out, balancing the budget and raising income taxes will not materially reduce the demand for food.

How much general agreement is there, then, on policies that should be followed?

In current discussions of economic policy, some, like the Bank for International Settlements, emphasize general monetary and fiscal measures, and others an expansion of direct and specific controls. But to us the degree of general agreement seems surprising and encouraging. We have in mind that in countries where direct controls are working most effectively, such as the United Kingdom, there is considerable discussion of fuller use of monetary and fiscal measures, and in countries where monetary and fiscal measures are usually the first to be considered, such as France and the United States of America, there is considerable discussion of fuller use of direct controls. Such agreement in the climate of opinion is very important and significant to this Council, one of whose primary functions is to secure sufficient agreement on principles, in order that the economies of members can keep sufficiently in step, not to weaken and embarrass each other in the pursuit of the "higher standards of living, full employment, and conditions of economic and social progress and development," laid down by the Charter of the United Nations. It may be, of course, that this agreement is somewhat easier to reach in a period of inflationary pressure, than in the opposite case of lack of effective demand.

The International Monetary Fund has told us, in its annual report, that it is calling the attention of members to the need for dealing effectively with the problem of price inflation. But to the degree that the problem of inflation is connected with the shortage of food and of certain capital goods, it goes beyond the competence of the Fund or of any specialized agency, and presents an example of the interrelation of the various spheres of economic policy dealt with by different specialized agencies, that this Council should consider as one of its main functions.

On this subject of bottle-necks, which I have suggested for discussion, I shall not at this stage make any comment except to say that



so far as Europe is concerned. a great deal of effective work appears to be in hand by the Economic Commission for Europe.

There is one point in which I think the *Economic Report* presented to us shies away from the facts that it reports. May I quote the conclusion to part I of the report: ". . . It is essential that national and international action be considered now, when levels of employment are high in almost all parts of the world, so as to ensure that high levels of employment and economic activity are maintained, if it should prove that the factors underlying the existing high levels are impermanent."

This report itself shows how impermanent the immediate supports are. It shows that they depend on demand for reconstruction of capital equipment, devastated in the theatre of war or under-maintained in the so-called "under-developed countries", and indeed in the so-called "surplus countries"; they depend on accumulation, during the war, of the demand of private citizens; the spending of their savings; unbalanced budgets; and so on. As these special sources of demand cannot continue, there is inevitably a problem when they stop, a problem the more serious the larger is the speculative element in the economy. At the same time the disposition of the world's production of many commodities is far removed from what it will be when the production facilities are restored in the more normal and more favoured sources of supply. The process of reconstruction itself is a movement, not only of economic recovery for some areas, but of profound disturbance to the production structure in others.

Not only are these sources of demand impermanent, but in so far as they lead to inflation, they are actually creating the danger of future unemployment. This is clearly analysed in *The Economic Report of the President* of the United States, which was circulated to us the other day. It is there pointed out that the temporary expansion of expenditure on both investment and consumption is likely to push prices up to levels at which future purchasing power will not be sufficient to buy the national output. This has its application to many countries.

### *Conclusion*

When members of the Council think of measures, such as the balancing of budgets, the restriction of commercial bank credits and measures to increase the production of food and fuel and ration their consumption, we may be inclined to think that we are each of us already doing all these things in our own country.

My own country still rations consumption of many foods in order to increase exports. We ration the use of petroleum. Like so many other countries, we curb severely the demand for dollar imports. But in addition we have voluntarily entered an understanding to

manage our import policy in such a way as to live as long as possible within our current income, without drawing on reserves, thereby avoiding a level of imports from a world of scarcity exceeding our own supplies to the rest of the world.

Australian wheat acreage now substantially exceeds pre-war levels in spite of man-power, machinery and fertilizer problems. The Government is guaranteeing a minimum price for wheat up to 1951/52, subject to constitutional requirements being satisfied. We are increasing the production of food in general through developmental and irrigation works and other means.

Australia needs a world where convertibility has been restored in the main currencies, and the report analyses the basic difficulties to be overcome before this can be achieved. Our export income still comes from raw materials and foodstuffs, and our interests lie not alone in striving to meet present demands, but also in longer-term international plans to promote stability in international markets.

The world's recovery and development has not gone as well as was expected. The *Economic Report* sums it up by saying "the year 1947 must be regarded as one of frustrated hopes . . ."

The International Bank tells us "We now know that the problem is deeper and more difficult than was envisaged at Bretton Woods." It is indeed true that the situation is worse than was contemplated at any of the conferences which met during the war to plan for post-war co-operative action. To say this is not to depreciate the great progress made by many countries, in both eastern and western Europe and elsewhere. However, it seems to be time for our Member Governments to review their policies in the light of a situation worse than the one they had planned for. We suggest that further discussion in this Council might be directed to helping them to do that.

The report before us typifies a development of great value to governments. To an increasing extent, governments are analysing and guiding the major motive forces in their respective economies. To an increasing extent, through international organizations, the major trends in the total world economy are also being analysed and recorded. To an increasing extent, governments are being helped to adjust their domestic course to the broad stream of international life, with benefit to the economic stability of their own countries, as well as to others. For this reason we welcome this first comprehensive economic report of the United Nations, and the first opportunity the Council has had to make a comprehensive review, as a constructive step forward.

### *Procedure*

If I may conclude with a word on procedure, I suggest that we leave to committee:

The mechanical problems of the form and timing of future reports;

Whether an expert appraisal of their own fields of interest by all specialized agencies concerned with international economic matters might not be more fully drawn upon in future, and more closely integrated into a comprehensive picture;

How material of this type is to be placed before the Council's commissions; and

Detailed comments on content and analysis designed to assist the Secretariat in the preparation of future reports.

In suggesting reference to committee I have not in mind important resolutions on substance, which I assume we cannot achieve because the delegations lack instructions. But I suggest it would be a good precedent if the plenary debate concentrated on substance, and the more housekeeping observations for the guidance of the Secretariat were made in committee.

#### Mr. LANGE, Poland

On 31 October 1947, at the initiative of the delegations of Poland and Australia, the General Assembly of the United Nations passed a resolution recommending to the Economic and Social Council:

“(a) That it consider a survey of current world economic conditions and trends annually, and at such other intervals as it considers necessary, in the light of its responsibility under Article 55 of the Charter to promote the solution of international economic problems, higher standards of living, full employment and conditions of economic and social progress and development;

“(b) That such consideration include an analysis of the major dislocations of needs and supplies in the world economy;

“(c) That it make recommendations as to the appropriate measures to be taken by the General Assembly, the Members of the United Nations and the specialized agencies concerned.”<sup>1</sup>

The purpose of the resolution was to call upon the Council to consider the fundamental problems of the world economy and to provide guidance in their solution to the Member States and to the specialized agencies. For the Economic and Social Council of the United Nations is, and should be, the supreme authority on international economic matters, an authority which does not hesitate to speak up when the economic conditions of the world demand it, an authority whose voice is widely heard and respected. The Economic and Social Council is entrusted with the tasks set out in Article 55 of the Charter — tasks designed to promote “the creation of conditions of stability and

<sup>1</sup> Resolution 118 (II), document A/519 (in the press).

well-being which are necessary for peaceful and friendly relations among nations..." It is in pursuance of this task that the Economic and Social Council should periodically discuss the fundamental problems of world economy and make such recommendations as are required.

The resolution mentioned requested the Secretary-General to assist the Council and its subsidiary organs by providing factual surveys and analyses of world economic conditions and trends. The Secretariat has fulfilled this request, and as a result we have before us two surveys. One survey presents an *Economic Report: Salient Features of the World Economic Situation 1945-47*, and the other a report on *Economic Development in Selected Countries*. On this occasion I should also like to mention an earlier survey prepared by the Secretariat before the adoption of the above-mentioned resolution — the *Survey of Current Inflationary and Deflationary Tendencies*. These three surveys taken together give an account of the basic facts of the world economic situation. They are a valuable contribution to our knowledge of world economic conditions, and I wish to thank the Secretariat for the good work they have done. I hope that the surveys will receive the attention they deserve.

The first fact which must impress any student of world economic conditions during the past three years is the positive results of international co-operation to solve economic problems which was undertaken immediately after the cessation of hostilities. The most outstanding instance of such international co-operation was the work of the United Nations Relief and Rehabilitation Administration. In UNRRA the United Nations combined into a co-operative effort to help to rehabilitate the areas devastated by the enemy, an effort which involved the expenditure of \$3,500 million. This effort, in which the United States of America and the United Kingdom were the main contributors, proved highly instrumental in putting on their feet the countries most heavily devastated by the war. My own country benefited very substantially, and the Polish people will always retain this aid in their grateful memory. The example mentioned shows that international co-operation, co-operation carried out under the auspices of the United Nations in the spirit of mutual aid, of international solidarity and of understanding the interdependence of the economic well-being of nations, can be a great success.

Now we have entered into a second phase of post-war reconstruction and readjustment. In this second phase the problems are more complicated. It is no longer merely a matter of feeding the hungry and housing the homeless, of providing medical supplies for the sick, of supplying farms with the most necessary implements and with seed, and factories with the most necessary raw materials. In other words, it is no more a simple problem of relief and rehabilitation. The problem which is before us at present is that of reconstruction and readjust-

ment, and in the long run it will be for many countries a problem of surpassing the low standard of living which was their heritage before the war. The task before us is to rebuild destroyed farms and factories, to restore the levels of production, to readjust the economic relations between nations and, finally, to overcome the economic under-development of a large part of the world.

As to the fulfilment of this task, the year 1946 can be considered a successful one. The main handicap towards restoring production was the existence of bottle-necks in the various branches of agriculture, industry and transport. Small investments yielded large results. A few machines restored the production capacity of a whole factory; a horse, or a cow, or a tractor or some seed restored the production capacity of a whole farm; a few locomotives restored the transportation capacity of a whole railway. Thus, the removal of the prime bottle-necks in farms, factories and transportation enabled the devastated countries to increase their production levels considerably.

Unfortunately the same cannot be said about the year 1947. The pace of reconstruction and recovery has been retarded in many countries, and the *Economic Report: Salient Features of the World Economic Situation* characterizes the year 1947 as "one of frustrated hopes". This retardation is well illustrated by a table found on page 133 of the report (table 60), which gives the rate of industrial recovery in certain European countries. While in the second half of 1945 and in 1946, all countries included in the table showed a smaller or larger positive rate of industrial recovery, in the third quarter of 1947, only four countries included in the table, namely, Denmark, Finland, Italy and Poland, showed a positive rate of industrial recovery. The remainder, consisting of six countries, showed a negative rate.

This retardation of economic progress is due to bottle-necks which are less specific and therefore are removed with greater difficulty than the bottle-necks outstanding in the earlier period of post-war reconstruction and readjustment. They are removed with greater difficulty because they require a substantial increase in the output of certain basic commodities — an increase which can be obtained only through constructive international co-operation.

The survey establishes clearly that the main production bottle-necks are at present the following three: food, sources of industrial power and basic materials such as steel and timber. While the population of the world has increased by 10 per cent as compared with pre-war times, food production is 7 per cent below pre-war level. In the field of sources of industrial power, the low level of coal production in Europe is the major bottle-neck which handicaps the restoration of European industry. It is only slightly compensated by an increased output of electric energy. In the field of reconstruction materials, steel and timber are the main bottle-necks.

The particular difficulty in overcoming these bottle-necks consists in the fact that there is an uneven geographical distribution of these resources. Production of food, coal, steel and timber is concentrated in certain countries either because of natural conditions or of historical development. The war has increased these inequalities. While the productive capacity of certain countries was heavily reduced, either owing to direct devastation or owing to lack of replacement of capital equipment, other countries were able, and even induced, to develop their productive capacity more fully. This has created a basic disequilibrium in the world economy. The removal of it is in the interest of the countries whose output level exceeds that of the pre-war period as well as of those which have been adversely affected by the war. Without the removal of this disequilibrium, it is impossible to restore conditions of healthy international trade. The maintenance of economic stability and full employment in the countries with increased production would require permanent subsidizing of the areas with retarded economic development.

The existence of such disequilibrium, as well as the need to remedy it, are universally recognized. In order to remedy the situation the fundamental bottle-necks of food, energy and construction materials which hamper the development of world production must be removed. It is necessary to promote measures to increase the production of food, coal and other sources of industrial power and of steel and timber. According to simple economic logic this requires that the economic resources of the world be marshalled in such a way as to develop the production of these basic bottle-neck commodities in those countries where conditions are most favourable. International investments should be directed to those countries where they will yield the greatest productivity. This is a principle of simple economic logic. If it is followed, the restoration and further development of the world economy can be achieved in relatively short time.

Let us examine how far this principle of economic logic is being followed in the case of the reconstruction of Europe. An examination yields rather surprising results, results which well account for the retardation of Europe's reconstruction and for the economic difficulties and inflationary tendencies with which many European countries are afflicted.

Take for example, the output of coal. According to an analysis of the productivity of investments in coal production in various European countries, reproduced on page 214 of the report, we find that the production of an additional ton requires the investment of \$3.18 in France, \$2.36 in Belgium, \$2.02 in the Netherlands, \$1.65 in Germany, \$1.14 in Poland and \$1.05 in England. It is interesting also to consider the amount of steel which is needed for the production of an additional ton of coal. This is 11.51 kilogrammes in France, 7.72 kilogrammes in Belgium, 6.39 kilogrammes in the Netherlands,

4.28 kilogrammes in Germany, 4.79 kilogrammes in England and 2.27 kilogrammes in Poland. Thus in terms of quantity of steel as well as in terms of dollars needed to produce an additional ton of coal in Europe, Poland represents one of the most productive fields of investment. According to pure economic logic, it is therefore much more profitable to channel investments into coal production in Poland than into coal production, say, in Germany.

Or consider the production of steel. It is a well-known fact that France has a large steel producing capacity provided enough coal is imported. To a lesser degree, the output of steel products could be easily increased in Poland where there is an increased production of steel ingots which could be processed further when given sufficient rolling-mill capacity. The erection of a few rolling-mills would remove an important bottle-neck and result in an increased flow of steel products.

In many countries of Europe there is an acute shortage of machine tools. On the other hand, in Germany there is a considerable stock of machine tools accumulated during the war which, as the survey states (page 144), may be surplus to Germany's present and even future requirements. A transfer of part of these tools to other European countries would increase the over-all productivity of the European economy.

The food production of Europe can easily be increased by allocating fertilizers and making investments primarily in those countries which were normally food exporters before the war. In those countries the output per acre would rise very sharply in response to relatively small investments. The high productivity of agricultural investment in those countries results, among other causes, from an abundance of man-power in agriculture.

The examples given show how a policy of rational allocation of investments can contribute quickly and effectively to the restoration of the European economy. However, the actual allocation and distribution of post-war imports, relief assistance, loans and credits to various European countries followed a quite different pattern. It is summarized on pages 125 and 126 of the report. Translated into *per capita* figures, the financial assistance totalled \$149.5 for the United Kingdom, \$114.4 for Greece, \$78.1 for France; for another group of countries the figures are \$37.3 for Czechoslovakia, \$33.8 for Yugoslavia and \$32.5 for Poland. This illustrates a policy advocated today even more consistently in some parts of Europe and in the United States, namely, a policy of concentrating all development plans in one part of Europe, and at the same time imposing a credit blockade on another part of Europe.

Such a policy of splitting Europe economically is not the result of economic logic but is produced by political considerations. The idea

is to create a new balance of political power in Europe by concentrating all aid in western Europe and in Germany and withholding aid from the countries of eastern Europe. Such a policy, which is contrary to all principles of economic logic will prove very costly to those who engage in it, and is doomed to failure by the very economic logic which it tries to contravene.

It is costly because it disregards the productivity of investments. Thus, for instance, instead of developing European coal production in those countries where, as in Poland, investments yield the largest result, the countries of western Europe are made dependent on imports of coal from the United States. The same holds for food. Western Europe depends largely on food imports from the Western Hemisphere, thus creating in that hemisphere a concentrated pressure of demand leading to inflationary tendencies. On the other hand, as already mentioned, relatively small investments and appropriate allocation of fertilizers can create a food surplus in eastern Europe. In both instances the uneconomic policy applied is one of the sources of the dollar shortage which has befallen European countries.

A special instance of the disregard of sound economic logic is the economic policy applied in western Germany. The Potsdam Agreement decided that in the reconstruction of Europe, priority should be given to the countries which have been devastated by German aggression and occupation. This principle was not only an act of international justice, but was also to serve to redress uneven economic development in pre-war Europe. In pre-war Europe, industrial productive power was one-sidedly concentrated in Germany, a fact which in addition to its economic implications also had far-reaching political consequences. Through priority in reconstruction of the countries devastated by Germany, this inequality was to be redressed and Europe given a more equal distribution of industrial capacity. This more even distribution would serve also as a safeguard against a renewal of German aggression.

The insistence upon the full restoration of the productive capacity of western Germany, coupled with a discriminatory economic policy against other European nations, is fraught with grave political dangers. It is also unsound economically. According to the Potsdam Agreement, the level of industrial production was fixed by the Allied Control Council at 60 per cent of the 1936 level. The present policy of the occupying powers in two of the western zones aims at the full restoration of the 1936 output level. Since 1936 was a year of heavy German rearmament, this production level is about 20 per cent in excess of 1929, the last year of German industrial prosperity based on civilian demand. This refers to the average of industrial production; the excess in output of capital goods is even greater. This must lead to a reduction of German coal exports to other parts of Europe and, among other things, to lack of proper utilization of French steel-



making capacity. It must also make Germany again a large-scale exporter of capital goods for which, under present conditions, there will be no sufficient outlet in other parts of Europe.

I have said that the policy discussed will fail. It must fail for two reasons. One reason is derived from the fact that in the absence of an adequate demand from eastern Europe, the industrial products and export surplus of western Europe, and particularly of Germany, will prove unmarketable. The countries of western Europe are industrially competitive rather than complementary. Where will they — and again, especially, where will Germany — export their surplus? To Latin America, in competition with the United States? To the British Commonwealth of Nations, in competition with the United Kingdom? Or to the Middle East? Eastern Europe remains a very limited trade partner of the west so long as the discrimination in assistance and credit policy continues. This clearly establishes the impossibility of reconstructing one part of Europe while at the same time discriminating against the other.

Furthermore, it must be pointed out that the policy of discrimination against the countries of eastern Europe, harmful to Europe as a whole, is ineffective in eastern Europe. In the countries of eastern Europe a dynamic drive is under way to change the old and antiquated economic structure. Take, for instance, my own country, Poland. In economic reconstruction, Poland is today one of the most productive countries in Europe. The index of industrial production reached its pre-war level in the second quarter of 1947 (page 132 of the survey) and has risen some 15 per cent above that level since then. During the same period Polish exports have risen from \$133 million in 1946 to about \$240 million in 1947, and we expect that the increase in 1948 will be even greater. At the same time, Poland has tried to establish a sound balance in its foreign trade. In 1945, right after our liberation, 93.4 per cent of our exports were to the Soviet Union. At that time we were still cut off from a major part of the world. As our trade relations started to develop and transport facilities were restored, our own production of export goods increased and became more diversified, and our trade shifted towards other parts of Europe and overseas. In 1947, although in volume we exported more than ever before to the Soviet Union, we sent only 44 per cent of our exports to that country — the remaining 56 per cent went in other directions. In a similar way our imports from the USSR fell from 91 per cent in 1945 to 27 per cent of our total imports in the first half of 1947. Thus we have been able to establish a sound balance in our economic relations between east and west. We have concluded trade agreements with nearly all European countries, and entered into especially close economic co-operation with Czechoslovakia. At the same time, Poland was able to put into order its financial system, removing finally any danger of inflation. The price level is at present stabilized and well under control. The economic plan for 1948 expects

to raise the real income of the working population substantially. This success was made possible through economic planning and the concerted effort of the whole nation.

The dynamic drive for economic modernization in eastern Europe of course requires heavy investment. For illustration, I shall take again the case of Poland. In 1947 about 20 per cent of the national income was devoted to investment, and the same percentage is going to be invested in 1948. In order to allow at the same time for an increase in the output of consumers' goods, which is an essential part of our economic plans, we want to get a part of our investment goods and raw materials from abroad on a credit basis. Our efforts to obtain substantial credits in the Western Hemisphere have not succeeded as yet, but we were more fortunate with regard to European countries. Through commercial agreements we have received a substantial amount of short-term commodity credits from various European countries. This was very helpful to our economic reconstruction.

Quite recently—last January—a trade agreement was signed between Poland and the Soviet Union. This agreement covers an exchange of goods for \$1,000 million over a period of five years. The most important part of it, however, is the investment credit of \$450,000 million granted by the Soviet Union to Poland for a period which averages ten years, and at a rate of interest of 3 per cent. The credits are for investment purposes, and will be repaid from the output produced by the investments. Of particular importance among the investments is the establishment of a rolling-mill to increase Poland's output of steel products by 1.5 million tons per year. Other investments are to be in the chemical industry, engineering and agriculture. This will increase Poland's export capacity. According to the trade agreement, coal export to the Soviet Union, which amounts to 6.5 million tons annually, is not to increase. As Poland's coal production increases, Poland will dispose of an increasing surplus of coal exportable to other countries. In 1948 an output of 67.5 million tons is expected, of these 24.5 million are to be exported: 6.5 million to the Soviet Union and 18 million tons to other countries.

In this way the recent Polish-Soviet trade agreement proves to be a major factor in the European economy. By promoting Poland's industrialization it helps to redress the balance of the European economy between eastern Europe and Germany. At the same time, it will enable Poland to play an even more active role in foreign trade, including the trade with western Europe and oversea countries.

I hope to have shown why the policy of dividing Europe, in contradiction to all principles of sound economic logic, is both costly and futile, not to speak of the political dangers with which it is fraught. I should like to take this opportunity to make an appeal for a policy of reconstruction of Europe, as well as of other parts of the world, based upon sound economic principles rather than upon political

strategy. I believe that in the long run such a sound economic policy will prove also to be more fruitful politically.

In order to promote a sound policy of restoration and development of world production, it is necessary that the policy of the various specialized agencies of the United Nations be developed and co-ordinated accordingly. The Food and Agriculture Organization of the United Nations, the International Bank for Reconstruction and Development, the International Monetary Fund and all other agencies must promote sound measures which will increase world production and international trade. Much has been spoken recently at the General Assembly and in other places about the problem of co-ordination of the specialized agencies. The co-ordination we had in mind then was an administrative and organizational co-ordination, such as the avoidance of duplication of projects. Such administrative co-ordination is necessary and useful. But we need more. In addition to this co-ordination of administrative actions, we need co-ordination of basic policies. The policy of the various agencies must be co-ordinated with each other, and all must be co-ordinated with the general policy of the United Nations as expressed in the decisions of the General Assembly and of the Economic and Social Council.

These are the main points which I wanted to make in connexion with the discussion of our present item on the agenda. In connexion with this item, I should like also to present the following resolution:

*"The Economic and Social Council*

"1. *Takes Notice of the Economic Report: Salient Features of the World Economic Situation 1945-47*, presented by the Secretary-General in response to the request of the resolution of the General Assembly of 31 October 1947;

"2. *Finds* that economic progress of the world is retarded by inadequate facilities in the production of food, sources of industrial power and construction materials, and that the provision of adequate production facilities of the commodities mentioned requires international co-operation;

"3. *States* that all measures to remedy the situation should be based on sound economic principles and be such as to guarantee the best effects for the whole world economy; in particular, investment goods and credits should be allocated according to the criterion of greatest economic productivity;

"4. *Recognizes* that

"(a) The stability and development of world economy requires industrialization of under-developed countries;

"(b) The sound development of European economy requires the shifting of the centre of economic power from Germany to other European countries without discrimination among them;

**Mr. BADRE, Lebanon**

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"5. *Recommends* that all Member Governments and specialized agencies charged with operative functions adjust their policy with regard to international investments and credits to the principles mentioned.

"6. *Requests* the Member Governments concerned to adjust their economic policy with regard to Germany to the requirements of the reconstruction of Europe as a whole, bearing in mind the accepted principle of priority for victims of Germany aggression;

"7. *Requests* the President of the Council in co-operation with the Secretary-General to co-ordinate the policies of the appropriate specialized agencies with the general policy of the Economic and Social Council as laid down in this resolution."

**Mr. BADRE, Lebanon**

The delegation of Lebanon wishes to express its warm thanks to the Secretariat for the excellent and scholarly survey of the world economic situation embodied in their several publications which are now before us.

This meticulous work on the part of the Secretariat not only gives a faithful picture of the tremendous economic problems facing the world today in its supply of commodities, in international exchange and finance, in production bottle-necks and in inflationary and deflationary pressures, but in addition it stimulates scientific thought and provides an impetus for this Council to face squarely and courageously the deeper causes underlying world economic embarrassment.

It is precisely these deeper causes which will engage my attention in the few moments at my disposal. If, therefore, I make no comments on the detailed descriptive contents of the report, it is not because those contents are not important — on the contrary they are very important and they truly merit a searching study by the honourable members of this Council. Such a study I hope will be taken up at a later stage. But underlying the excellent descriptive detailed exposition of the Secretariat, which was summed up admirably by the distinguished representative of Australia, are deeper causes of a highly controversial nature with regard to which the Secretariat may not be in a position to formulate any categorical judgments. Precisely because such underlying causes are controversial, I feel they ought to be raised on the floor of the Council.

In this brief exposition I shall commence from the following statement at the beginning of the *Economic Report*: "Although more than two years have elapsed since the close of hostilities, the world as a whole is producing less than it did a decade earlier while the reduced volume had to meet the needs of a population a tenth larger."

The first question I am prompted to ask is "Why has world production fallen?" Several ready answers are usually provided when this question is raised. Destruction of capital formation, maldistribution of certain vital and scarce resources, bottle-necks in production, foreign exchange difficulties, monetary instability and several similar reasons. The question is then appropriately asked: What is at the bottom of these economic dislocations? The answer is usually given in one word—the war! It is not my intention to minimize the drastic effects upon the economies of all nations which the war has produced. But I submit it would be rather superficial to be satisfied with this answer as the sole casual explanation. I would like to suggest, therefore, that the seeds of what the world is reaping today were being planted several decades before the war, and of these seeds, the war itself is an evil fruit.

The further back one goes in modern history the more one finds that products and productive resources responded to prices. The economies of all nations were pivoted on the price mechanism. Capital tended to flow freely in search of maximum return; resources tended to be purchased in lowest markets; and goods tended to seek highest markets. Then gradually arose, in various countries, institutional set-ups, into which I need not enter here, which tended more and more to choke and paralyse the price mechanism, until today one can safely say prices have become practically inoperative in world economic relations and, in many countries, also in domestic economies. And what did we get in place of the free market price? Planned economies. The difference between the two mechanisms, so far as the work of this Council is concerned, is very real and profound. Prices know no national or political boundaries. Planning, in the nature of the case, is essentially a national operation. There is no centralized world planning, whereas there used to be world prices and world free markets.

It is not my purpose here to evaluate the two mechanisms, nor am I sighing for a bygone utopia; I am only seeking to face candidly a long-run evolution in world economic trends, the ramifications of which exercise very weighty influence on the work of this Council. There is no doubt in my mind that during the twentieth century the world moved away from a world economy towards more and more drastic economic nationalism. In the face of this trend, and before a world to whom national planning has become a religion, we introduce an economic council of a world organization and entrust it with an over-all concern for an international economy in a set-up which has grown rabidly national. Here arises the first fundamental dilemma of this Council.

But planning has still other implications equally embarrassing to this Council. Planning cannot be successful if it is only partial. Within one domestic economy, once you start tampering with the price mechanism by instituting government control in certain sectors,

you will find yourself inevitably driven to plan and control all sectors. Similarly in international economics no planning can be successful unless it is all-embracing. But anyone who has had anything to do with governmental economic planning would agree at once that successful planning requires a highly organized, properly specialized government department, studded with experts of all kinds, and characterized by a high degree of efficient co-ordination and integration. In addition, efficient planning requires a well organized, informed and responsive population. Of the fifty-seven Members of the United Nations I should like to ask how many are possessed of such a set-up. Obviously the responsibility for bringing about such efficient governments and responsive populations lies, in the first instance, with the individual countries. But we as a world organization ought to recognize realistically that there is a tremendous difference among countries with respect to capabilities in economic planning. If what used to be the universal price mechanism is to be knocked out and planning to become the order of the day, then it is obvious that we cannot expect a maximization of world product unless planning itself becomes universal. This Council entrusted with the care for major world economic interests finds itself faced with this difficult situation. In order to execute the duties devolved upon it, it has itself to resort to economic planning on a universal level, but has not the power to implement its plans. It can only recommend and appeal, and even if its appeal is universally accepted, it cannot materialize because of the lack of technical readiness in several sectors of the world which render such sectors incapable of participating fruitfully in an overall plan. Here arises the second fundamental dilemma of this Council.

There is one further implication in governmental control and economic planning which again proves very embarrassing for this Council. Planning at once implies social objectives. A plan is judged good or bad, not only on the basis of its workability but also, or even more so, on the basis of the goals it seeks to attain. It would be untrue to imagine that such goals receive universal acceptability. On page 3 in the *Economic Report* the Secretariat points out that "In order to create conditions of stability, maintain full employment and promote economic and social progress and development, there may be required drastic governmental action of a kind that, in some countries, has heretofore not been regarded as appropriate during peace-time." From this statement, as well as from other statements in the report, there seem to emerge five over-all objectives which stand in different rankings for different countries and hence necessitate different domestic plans which, when transmitted to the international scene, manifest clashing efforts and wasteful economic struggle. These five over-all objectives are: freedom of individual owners of property or labour to allocate their resources according to what they consider their economic advantage; promotion of economic progress, which is the same as maximization of the national product and the national

income; stabilization of domestic price levels and foreign exchange parities; maintenance of full employment and social security; and a distribution of the national income in a way compatible with what is considered "social justice". To put these same objectives in non-technical terminology one could say they are: freedom, progress, stability, security and equality. With respect to these goals this obvious statement can be made: All these five are desirable ultimate values but it ought to be realized that they cannot all be attained simultaneously. Some are complementary; some are contradictory; some are competitive; and some are, partially, mutually exclusive. They must therefore be ranked in a hierarchy. By mere mathematical permutation one can have one hundred and twenty such possible rankings. If the nations of the world were asked today what they were seeking most in their economic plans—freedom, security, stability, progress or equality—there would be as many different answers as there are nations; some of the answers would be a logical impossibility, such as the seeking of all five at once, and at the same level; and many nations would not even know what they are seeking. This Council, acting for an organization which unites fifty-seven nations, is faced with a tremendous divergence of social objectives, pursued independently and often at cross purposes by the various members. Here arises the third fundamental dilemma of this Council.

The reports of the Secretariat show clearly the work that is being carried out by the various international agencies under the jurisdiction of this Council: the International Labour Organisation, the Food and Agriculture Organization of the United Nations, the International Bank for Reconstruction and Development, the International Monetary Fund, and so on. The work of these organizations has heretofore been of an emergency nature. Where there are emergencies the Council most certainly must try to meet them. But the Council cannot afford to be always dealing *only* with emergencies. Nowhere in the reports of the Secretariat could one find indications that the Council is bracing itself to meet courageously these more basic, more lasting issues. If in the face of these three fundamental dilemmas—increasing economic nationalism, wide divergence among Member nations in capacities for economic planning and various and often contradictory social objectives pursued differently by different nations—if in the face of these issues the Council concentrates only on emergency measures without tackling the more basic problems, it will not take many years before the Council discovers itself a hollow ineffectual mechanism.

While the delegation of Lebanon lends its whole-hearted support to the encouragement of the work already being done by the various organs of the Council, it wishes to urge the Council to set in force machinery for study and action on these fundamental problems: machinery designed to struggle effectively against the growing wave of economic nationalism; to promote actively the development of

expert techniques in the governments of all Members for the proper handling of economic plans and controls; and, above all, to devote sincere and ardent effort for a *rapprochement* in social philosophies among the various Members. Unless the Council applies itself to these fundamental problems, on such a profound level, it will not only have shirked its paramount responsibility, but it will have missed its unique opportunity to make of itself, and consequently of the United Nations, a truly supreme and vital organ in running and guiding an ordered world.

**Mr. THORP, United States of America**

Before turning to a detailed discussion of the report which is before us, I should like to spend a few moments considering what the purpose of such a report may be — why we should have instructed the Secretariat to have laboured so hard and long on preparing it for us and why we should have it on our agenda at all. I think consideration of the purposes may be helpful in future reports so that they will be prepared in the most useful manner.

My own feeling is that there are two things to be accomplished by a report such as this. The first has already been demonstrated. I think that even if we adjourned the discussion now, the fact that we have had three speeches such as we have had, arising out of the report and presenting so clearly and in such a stimulating way different points of view, different points of emphasis, has been in itself exceedingly valuable. I would assume that this process will be cumulative and, as our discussion goes on, there will be more and more benefit to all of us from this exchange of points of view.

However, I think the report must do more than that. It must not merely serve to stimulate us to present our points of view to each other. Its most important aspect is to give us a starting point from which we will consider the economic problems in the world and get some kind of basis against which we can judge the programme for which we are responsible. We are not an operating agency, but we are responsible for a number of operating agencies. We have to consider the work of the specialized agencies; we also have a number of commissions.

It seems to me that our ideal procedure would be something like this: If some weeks before we meet together, we could have a report which would present to us a summary of the economic state of the world as the Secretariat sees it, then when we came together we could discuss this report as one of our early items on the agenda. After this discussion, we could proceed to our review of the work that was being done by the various United Nations agencies. We might find that, as a result of this intellectual process, we would reframe terms of reference.



We would perhaps find some agencies not as important as we had thought. We would find other agencies which needed to have further stimulation from us. I can see a very promising constructive approach to our job coming out of a report which gives us a general background and starting point for a discussion looking towards the evaluation of the economic situation and the opportunities before the United Nations.

I am a little worried by the suggestion of Mr. Owen that this report might be substantially modified from time to time, according to particular problems. I would agree to that within certain limits. I think the report certainly will have to shift in emphasis. I think perhaps we should ask for special reports where there are problems which seem of particular importance. However, I do hope that there will be, nevertheless, a continuity running through this series of reports. The report should have greater and more effective analysis but nevertheless a continuity, so that when we meet together we will have some assurance that the total picture, so far as it can be brought together in the brief compass of one volume, will be before us for our consideration.

I have a few comments with respect to the report itself, which I should like to make rather briefly, as the other speakers have done. I shall not go into technical details. I shall not endeavour to comment particularly on the analysis of the American situation. I should like to commend the Secretariat for this report. I know we are all aware of the difficulties which they must have encountered in obtaining the material for the first issue. I hope that this report will be furnished to the various commissions and the specialized agencies, and that there can be a continual process of interchange between the various agencies and the Secretariat with respect to the report, including suggestions for modifications and suggestions for matters which can be developed in further reports. I particularly hope that this report will prove so useful that the result will be that the coverage can be greatly improved in later editions. I know that we all would hope that subsequent reports would include information on the Soviet Union, on Germany and on Japan. This should be a world report and it is, I think, important that it have world coverage.

I would like to comment briefly on a classification which I find somewhat difficult. That is the classification of countries as "surplus", "devastated", or "under-developed". These terms are nowhere defined in the report. At first, quite naturally, I thought "surplus" meant having a surplus on current account in a country's balance of payments. Apparently, that is not the case, since some of the countries called "surplus countries" have deficits. The opposite of a surplus country is not, as one might suppose, a deficit country, that is, one having a deficit on current account in its balance of international payments; but the opposite of a surplus country is a devastated or an under-developed country.

Later, on page 29 in the report, one gains the impression that surplus countries are those needing co-ordinated national and international action to help them dispose of their superfluity of goods and services. If this is what was intended, I want to make it clear that the United States has no superfluity of goods and services which it needs help in disposing of. Many millions of people in our country are in need. There are vast areas of our country wholly undeveloped. I might add also that the distinction between devastated and underdeveloped countries, which is important historically, seems to make little contribution to the analysis of economic problems involved. I hope that in future studies some more useful classification can be found, since this one seems to have no particular significance for the problems that are being considered.

I should like next to comment on the analysis of inflationary pressures in the report. I find it somewhat difficult to follow the point of view which is developed. The tendency of high food prices to aggravate and build up inflationary pressures is strongly emphasized. Certainly, so far as the relationship of food prices and wage demands is concerned, that is an important factor. The report goes on to say that inflation can generally be prevented by monetary and fiscal measures. Then at a later point, in connexion with food prices, one reads that inflationary effects of food shortages can properly be dealt with only by a tight system of food allocations and price controls. What I think is not clear is the relationship between specific price situations and general price situations, and whether or not any useful purpose with respect to food prices is served by general deflationary measures. The implication in the report would seem to be that food prices behave by themselves, without reference to other prices, and have to be dealt with only by allocations and price controls. I think all of us would recognize that this is something in which causation runs in both directions. One of the difficulties in connexion with food prices is the tendency on the part of farmers, where currency is of uncertain value, to hoard food or to invest it in livestock. In such a case anything which stabilized the currency would in turn greatly benefit the food situation.

There is another line of causation indicated in the report which is not entirely clear. It also relates to inflation: that is, that exports are themselves inflationary. Now, I suppose that is true if one is looking only at net exports. Actually, however, in the United States, our policy with respect to exports is closely linked to our policy with respect to internal taxation. Whether or not the net exports are inflationary depends on whether or not these net exports are covered by taxation, or other counter-inflationary measures, and upon the extent to which these two factors tend to move together. It is important that in the analysis there be some indication of these counter-inflationary actions which can be taken, and which tend to affect the situation in a very important way.

This leads me to the only comment that I want to make specifically with respect to the state of the United States economy. On page 44 of the report, there is a sentence which reads as follows: "The key factor in the situation appears to be the level of net exports." Now, net exports from the United States, according to the table given there, are \$7,700 million, or about 3 per cent of the gross national product of \$232,000 million. If unilateral transfers are included — and they ought to be, as a matter of fact — the net export figure would then be about \$11,000 million, which is 4.6 per cent of our gross national product. This gross national product includes many other items which we all recognize are subject to very rapid fluctuation. The problem we are talking about here is the problem of business stability. In this gross national product the business investment in fixed capital in one year is about \$24,000 million, the consumption of durable goods about \$20,000 million. These magnitudes, I think, justify our questioning the statement by the Secretariat that the key factor in the situation is the level of net exports. In this same discussion, there is a somewhat strained interpretation of the report of the United States Council of Economic Advisers on this same general point.

With regard to the general world picture, I think we all must be impressed by the revolutionary changes in the character of the economic world of today, compared with the economic world before the war. Before the war, certainly, things were not entirely in balance, but the difficulties were subject to various moderate and mild adjustments. There were discussions of economic problems in the League of Nations, but, by and large, these problems were regarded as primarily problems for separate nations. Also, there was not the same degree of urgency about them that we have today. At the present time, of course, the picture is an exceedingly unhappy one in most countries. The low level of economic operation in some countries is caused by war and war devastation. In other countries, the level is considered low from a somewhat different standpoint — from the fact that the people in those countries have become conscious of economic possibilities and potentialities and so have become self-conscious about economic problems. The net result of war devastation in certain areas and this self-consciousness, this economic ambition, if you will, in other areas, is to put tremendous pressures upon Governments to deal with these economic problems. There is an urgency about them — an urgency because many countries are operating near the margin; small changes have great importance. When one endeavours to see his way through these situations, difficulty of analysis arises because all the factors seem to be interrelated with each other. There are domestic policies and international policies. There are various problems. These problems all lead on to other problems and finally back to the first problems again.

I think the importance, however, of our analysis here lies not merely in reaching our own conclusions or even in giving directions to our own

agencies. All these problems are problems that we are all struggling with in our own countries. Our own governments are endeavouring to deal with them. To the extent that in a group such as this it may be possible to analyse the situation, to suggest what are the important things calling for action and what are the effective possibilities of action — to that extent, governments themselves are assisted in taking actions which perhaps they know that they should take but which require, in many cases, substantial courage to take. There is a great value to any government in having, shall we say, support for its policies from observers on the outside. Governments have to consider, of course, their own survival. Their own survival is made difficult by taking actions which may be unpopular though necessary, and to the extent to which we can contribute to the support of taking grave actions by governments, to that extent we will have served a very useful purpose even if we find no particular actions that our own agencies should take.

It is for that reason that I would like to stress in my remarks the tremendous importance of internal or domestic policies as well as the importance of international policies. It is natural that the United Nations agencies in looking at problems should tend to over-emphasize their international aspect. I think we must remember, however, that these problems must be solved in the first place by domestic policies, with assistance, to be sure, from outside agencies, where appropriate.

If one tries to consider the main problems which the report outlines, it begins to be evident that every problem comes back very quickly to the question of production. However, production itself is a different type of problem in different countries. In the United States, for example, we are producing very close to our capacity at the present time. There is very little that we can do to increase our production further to alleviate the shortages of commodities in the world at the present time. As a matter of fact, there are many who believe that we have over-expanded, that we are now producing things which shortly other countries will be able to produce and that our pressure to produce at the present time is merely building up trouble for us in the future.

There are other countries where there are great possibilities of increasing production. In some of them production is held down by bottle-necks; in them the problem is a matter of breaking through one bottle-neck and then breaking through another. There are other countries which are producing at below their potential because of actual lack of capacity. These are the countries that are thought of as the under-developed countries. To bring production up, in these areas, is not solely a matter of one or another factor of production. In some cases bottle-necks can be broken by single items but, by and large, to bring production up is a matter of complete economic reorganization. Sending machinery into a particular situation will not necessarily increase production unless there are the skills, direction, materials and the economic organization necessary to make it effective. There

are certain things that can be done by countries which export capital and which have skills which they can pass along to other countries, but in this basic problem of production I should like to emphasize the great importance of domestic policies and action, as well as the international aspect.

This becomes clear when we look at the body of financial problems. A healthy financial situation has to have at least two equilibria. There has to be equilibrium in the balance of payments, as between that country and the rest of the world, and there has to be balance within the country on the basis of its budget or, in a broader sense, in terms of additions to purchasing power and additions to the supply of goods. The financial problem thus becomes a two-sided one; one side having to do with external balance and the other with domestic balance.

In that connexion and parenthetically, I should like to comment on the use of certain figures in the presentation by our Polish colleague in which the *per capita* relief assistance loans and credits to various European countries are criticized or are used as measures to indicate the disregard of the productivity of investments. Now, the largest part of this flow came from the United States and I would like to make it perfectly clear that this flow from the United States was not based upon a judgment of the productivity of the investments in these various countries. These were sums sent for relief assistance, for preventing retrogression and for meeting balance of payment situations. To use these figures as in some way indicating a malinvestment of funds I think is quite an incorrect use of this particular body of data. Actually, the requirements in these countries have been, in part, for investment, but in much greater part for current requirements, requirements that might come under the general heading of relief — items of food, coal, raw materials and the like.

There is another aspect of the balance of payment problem to which I should hope the Secretariat would give more consideration at some later time. It is the relation of the trade balance to inflation. In our own particular case, we have the interesting effect that the very extensive shipments of goods from the United States to other countries has increased our own inflation problem while it has diminished the inflationary pressures in other countries. But the other side of the problem, money supply, is clearly one that must be dealt with and dealt with in a rather drastic way if one hopes to meet the inflationary situation.

I could go on and discuss the problem of international trade and point out that it also has domestic as well as international aspects. The present situation throughout the world is one which prevents the carrying on of a substantial amount of trade. Within the total framework of payment difficulties, it may be that arrangements which approximate barter are the best way in which trade can be accomplished, but I am convinced that we can find ways and means of making it

possible to get out of the limitations of the barter procedure and that is one of the important things calling for international action.

The problem has been raised of the programme with respect to Germany, and I would merely like to make one comment in that connexion, because I would like to make sure that you all understand clearly what is the present policy of the occupying powers in the western zones. Technically, the statement is correct that the ceiling set for the two western zones is the 1936 level of output, but that is, I think, a misleading measure because it is important to remember the extraordinary increase in population which has taken place in Germany between 1936 and the present time. This is not to be credited entirely to the fertility of the Germans but is in larger degree the result of the moving into the two western zones of people of German extraction from other parts of Europe. The net result is that the 1936 output level represents a *per capita* level more than 20 per cent below that of 1936. While it is true, in terms of physical totals, that the 1936 level is set as the new ceiling, from the point of view of the requirement for domestic consumption and the degree to which there will be competition in exports, and so forth, one must take into account this major shift, this extraordinary increase in the population in these particular zones in Germany.

Finally, I think it is unfortunate that the key-note of the *Economic Report* is that 1947 was a year of frustrated hopes. Undoubtedly, it is true that many hopes were not realized. However, I prefer to think of the year as one of substantial progress. It is a basic fact that economic recovery and development must depend primarily upon the efforts of countries themselves. The year 1947 saw country after country formulate plans and take action representing a more realistic approach to their current economic problems. The requirements for recovery have become more clear, and I cannot help but regard it as a basis for encouragement that so many governments are taking, or propose to take, bold and brave actions in the economic field.

While it is true that domestic action is fundamental to the economic progress of any country, it is also true that substantial assistance can be provided by other countries. One of the significant elements in the record has been a tremendous outpouring of goods from many countries to help the less fortunate areas. This has been one of the outstanding features of the post-war period, even though the report fails to recognize its importance, and tucks away much of the significant information on this flow in footnotes. So far as the United States is concerned, we have strained our productive resources, have penalized our consumers and have added to our tax burdens, for the purpose of supporting the efforts of other countries to improve their economic situation. The goods which have flowed from this country have not only helped to relieve acute shortages but have contributed much to reduce inflationary pressures in those countries. I suggest that this has been

one of the greatest demonstrations of "friendly aid" ever seen in international relations.

A third factor also needs recognition — the increasing effectiveness of the various international agencies. We are gradually defining the areas within which international action can be effective, and agencies are beginning to yield constructive results. This was clearly a year of progress rather than frustration.

If one measures the record of 1947 not so much in terms of index numbers of physical production as in terms of the development of constructive national and international policies and action, it must be viewed as a year of real accomplishment in the economic field.

18 FEBRUARY 1948, MORNING MEETING

**Mr. SANTA CRUZ, Chile** (*translated from Spanish*)

As our colleague Dr. Lange reminded us yesterday, it was on the initiative of the Polish and Australian delegations that the General Assembly at its latest regular session recommended that the Economic and Social Council report, either annually or as often as it considered necessary, on world economic conditions and trends. In the relevant resolution it also asked the Secretary-General to co-operate in this work by furnishing the Council with the necessary studies on the subject.

We have received the first report on the world economic situation, for the years 1945 to 1947, inclusive. It has been drawn up by the Department of Economic Affairs on lines similar to those followed by the League of Nations. It is a work which could hardly be bettered, considering the shortage of time, the difficulties of obtaining information in some parts of the world and also the fact that it analyses the post-war period, so teeming with confusion and difficulties.

The purpose of the report is to provide us with impartial and objective information on world economic problems and to present an over-all picture of the situation, so necessary for an organization such as ours which bears the greatest responsibility in planning co-ordinated world action and must therefore never lose sight of that picture or any part of it. In that respect I consider that the Department of Economic Affairs has successfully fulfilled its task.

The Secretariat's work is marked by a scientific point of view appreciably different from that of other attempts at international co-operation which, inasmuch as they did not interpret the thought of the times, failed utterly to influence solutions for economic and social problems. If this scientific point of view is maintained in our organization and if it succeeds in influencing the policy of the governments

concerned, great economic and social progress may be made by the nations towards achieving the aims of the Charter of the United Nations, particularly if the great powers make appreciable improvement in the sphere of political stability.

It is worth noting how valuable this report may be to governments as a source of help and advice. Peoples, even more than governments, are liable to forget that, in an interdependent world like the present, they are parts of a great machine and cannot operate independently. The report is a timely reminder of this fact and, in revealing the similarity of problems existing in very different places, it should cause governments and peoples to reflect upon the need for overall-solutions and the advisability of profiting by the experience of others.

In short, our delegation considers that the report submitted by the Secretariat is excellent, that it will be very useful and that the magnificent work of the Department of Economic Affairs deserves our congratulations and thanks.

I should like at the same time to mention my satisfaction at the fact that some of the specialized agencies, such as the International Labour Organisation and the Food and Agriculture Organization of the United Nations, have given direct and effective co-operation in the preparation of this report. In addition to confirming the acknowledged efficiency of these two bodies, this is clear evidence that co-ordinated effort between the United Nations and the specialized agencies is both necessary and valuable.

My colleagues of the Australian, Polish and Lebanese delegations, in their speeches thought fit to deal with the substance of the problems set forth in the report and even to outline certain solutions. Although I do not consider that the Council is as yet in a position to undertake any fully documented study of the solution of the fundamental economic problems set forth in the report—my opinion being that the time for implementing the Assembly resolution should be not now, but at the Council's next session—I cannot fail to acknowledge the valuable help these delegations have given us in outlining the problems of the world situation which it is our task to consider. I was especially interested in the remarks of the Australian representative, particularly his forthright statement that we are not faced solely with problems of economic recovery, but also with serious dislocations in the economic structure of many countries and regions; I was also impressed by his ideas as to how we should undertake a study of the most important problems by giving priority to some and devoting our main efforts to them. In this connexion, the suggestion that we should begin with the food shortage seems to me excellent, especially since this figures as a special item on our agenda; although I expect that it will inevitably lead us to the investigation of other related problems, such as the improvement of the under-developed countries by mechanization of their agriculture.



The remarks of the Polish representative, expressed with the methodical clarity which we all appreciate in him, cannot fail to receive the attention of the members of this Council, and his resolution will undoubtedly be discussed with particular interest. The United States representative has already expressed views contrary to some of Mr. Lange's suggestions and the debate in the Economic Committee is certain to clarify our conclusions concerning these suggestions, already outlined by Mr. Lange himself during the most recent session of the Assembly.

In my opinion, the really important aspect of the work which we began yesterday in this Council, in examining the world *Economic Report*, lies in the fact that we are entering upon a new stage. The organizing stage is at an end and we are at last ready to face, realistically, the fundamental problems of the present world, which are in fact the same as the vital elementary needs of the individual. I am entirely confident that we shall achieve some good results before long. I do not think that the differences of doctrine and the varying interpretations of social and economic phenomena, which may divide us at other stages, will prevent us from embarking successfully upon these urgent and fundamental problems. In a world like the present where problems of production are infinitely greater than those of distribution, in a world which acknowledges the need to plan and direct production in order to satisfy these elementary needs, it is possible to strike the right balance in our search for solutions. In addition, we must not forget our obligation faithfully to interpret the views of the peoples of the world who are ready to co-operate internationally. A careful examination of the development of world thought in the past two years shows that realities have obliterated many dreams of economic autarchy, many claims to self-sufficiency, which were becoming manifest at the end of the war. The ground is now ready to receive the seed of international economic and social co-operation.

In this connexion, I feel bound to note the remark already quoted by other representatives, in the introduction to the report, that 1947 must be regarded as a year of "frustrated hopes". It may be true that indexes show a decline or halt in the progress anticipated for that year. But, on the other hand, there has been progress in other ways, other improvements which are certain to have a decisive influence upon the general advance.

In the first place, it is clear that most countries have started effective measures to organize their internal economies and finance. Great Britain, France, many Latin American countries – among them Chile – and Poland, as our colleague Mr. Lange indicated, are evidence of this. And secondly, we must mention the great importance of the work done in 1947, which is about to have effect in the adoption of the trade charter now under discussion by sixty countries and the establishment of the International Trade Organization as a United Nations specialized agency.

Finally, it would be foolish to omit to mention the proposed European Recovery Program of the United States Government, as a decisive element in the solution of many problems affecting a large part of Europe. The Polish representative and other members of the eastern European countries may question some political aspects which he believes it to contain and may argue that its effectiveness will be diminished if it takes no account of eastern European economy, but no one can deny that it is an event without precedent in world economic history, involving as it does an acknowledgment of conceptions of economic interdependence and solidarity which mark a new era in relations among peoples. For in addition to the general beneficial influence to Europe and the rest of the world which the several thousands of millions of dollars that are to cross the ocean will surely have, there is also its significance as regards progress, civilization and a fuller concept of life, contained in the fact that the American people should agree to finance such a programme.

I shall be reminded that an economic catastrophe in Europe might bring a serious crisis in the United States. That is true. But therein precisely lies the progress: in that a nation with a high standard of living, without comparable food, clothing or housing problems, a people which formerly, because of its very self-sufficiency, held a somewhat narrow world outlook, is coming to understand that the maintenance of its own standard of living also depends on the absence of a crisis outside its own country — far away in Europe, and still farther in China, or among its neighbours in Latin America. It is this progress in the world outlook of the American people which, in spite of certain private interests anxious to avoid competition in certain products, will determine the triumph of the idea that the evolution of underdeveloped areas, the industrialization of other regions, the improvement of the standard of living of other peoples, will constitute a positive benefit to the United States and other highly industrialized countries and a guarantee of the maintenance of the standard of living of its own inhabitants.

In conclusion, I should like, in connexion with some comments made during another discussion, to refer to a passage in the report. It has been said in the Council that the Secretariat's study *Economic Development in Selected Countries* showed that, in recent years, Latin America had succeeded in greatly developing its industrial power by its own efforts, and that international action for this part of the world was therefore unnecessary.

I am the first to acknowledge that some countries have experienced such progress — among them, Chile — owing to its own efforts and to the co-operation it has received or is receiving from institutions like the Export-Import Bank and the International Bank for Reconstruction and Development. But if we read the Secretariat's report, particularly the introduction, we see that the observations on the

economic under-development of Latin America — the need to improve its production, agriculture and mining, and its lack of diversity in production — are still exactly the same as I described them when I explained to this Council, during last August, the need to establish the Economic Commission for Latin America.

Let me end by repeating my congratulations to the Department of Economic Affairs for the high level of technical ability shown in the preparation of the report.

**Mr. DAVIDSON, Canada**

The Canadian delegation welcomes — as do the other delegations — the publication of this first comprehensive economic survey of world conditions. It is our very strong feeling that, despite the severe limitations imposed by a shortage of time, by limitations on staff and funds and by the handicaps of inadequate library and other facilities, the Secretariat has produced a very worth-while document, and we want to extend to the Secretariat our highest commendation.

We recognize, of course, that we are under a slight handicap at this session in dealing with a document of this order. Its appearance at an earlier date could hardly have been expected. Had it appeared at an earlier date, it seems to the Canadian delegation that we might well have been in a position at this session to take substantive action on resolutions put forward as substantive items to our agenda arising out of, or supported by, material contained in the report itself.

For our part, we feel that there has been insufficient time — through causes completely beyond the Secretariat's control — for delegations to give this report the detailed consideration that it undoubtedly merits. It is our opinion — and I know that the Secretariat and the other delegations will share this hope with us — that future editions of this report can be completed sufficiently far in advance of Economic and Social Council sessions, at which they are likely to be discussed in substantive form, to permit delegations and their governmental experts at home adequate time for mature consideration, both of the fundamental problems with which these surveys deal and of the surveys themselves. Their workmanlike scope deserves this.

However, notwithstanding the possibility that at least some of our remarks may reveal all too clearly the hasty review that we have had to make of this document, the Canadian delegation has formulated certain preliminary views that it would place before this session of the Council, hoping that they may be of some interest and benefit to the Council and its members and particularly to the authors of future reports.

When we first considered this survey, we had in mind commenting at some length on the substantive matters raised by the report, somewhat along the lines of the very useful observations made yesterday by the Australian and Lebanese representatives. But, after full consideration of this matter, we have come to the conclusion that, for our part at least, considerably more time is essential for proper digestion of the contents of a document as comprehensive as this, and for consideration of further action that might be called for by this Council. For that reason we do not propose at this stage to discuss the very important matters of substance that are raised.

We shall therefore confine ourselves to a limited number of comments bearing on the report itself — its approach to its objectives — rather than the substantive issues with which the report deals.

We wish, first of all, to signify our general approval of the contents of the report. We have noted with interest the analysis of the world economic situation, covering as it does the whole complex pattern of economic relationships which condition international prosperity and well-being. It is the feeling of the Canadian delegation that the emphasis of the report is largely correct and that attention is quite properly focused on such problems as those of the maintenance of a growing world population in the midst of serious world food shortages, of production bottle-necks and their implications in terms of inflationary measures, of the restoration of multilateral trade and convertibility of currencies and the necessity for reconstruction and development of the devastated and the under-developed areas of the globe.

Development of these devastated and under-developed areas of the world is in the interests of all the parts of the world. We fully agree that nothing less than energetic efforts at the national level, integrated with broad, constructive, co-ordinated measures on a regional and on an international scale, will be sufficient to overcome the very serious maladjustments today confronting all the nations of the world.

The authors of the report, by focusing attention on these problems, and in a sense bringing them into the public arena in a compact, readable form for the purpose of expediting discussion and inspiring study and action, have performed a service that we consider well worthy of the important positions they occupy as members of the international Secretariat. In this connexion I should say that we were very much impressed by a point made yesterday afternoon in this debate by the representative of Lebanon, who referred to the difficulties faced by the smaller countries in the way of developing reserves or pools of experts who can deal with the multiplicity of problems — economic and otherwise — which confront every country of the world today. It is of real value that the small countries have at their disposal the highly skilled and expert resources of an international Secretariat which has produced a document of this kind, valuable as source

material in solving even the domestic problems which some of the nations of the world are facing with difficulty.

Having indicated our general satisfaction with the report, we come now to certain comments by way of criticism of its general form, content and emphasis. We make these criticisms in a constructive way, hoping that they may have a useful influence on future surveys.

In considering first the report generally, we had in mind the objectives which we felt that a survey of this kind should seek to achieve. When this question was discussed by the General Assembly, by the Council and by the Economic and Employment Commission, it was generally agreed that the Secretariat should be given the widest possible measure of freedom, and that it should be allowed to exercise its own initiative in the selection and treatment of topics and in the form of publication of the report.

With this point of view we have always been in accord, and we feel that this document proves its wisdom. We hoped that the Secretariat would endeavour to present a survey which would be more than a mere gathering together of facts and figures. Our thought then was that, regardless of how useful or convenient an assembly of purely factual information might be, what this Council really desires and what it needs is a descriptive analysis of the world situation, an analysis that will assist us in clarifying and crystallizing our understanding of the issues involved and that will make it possible to initiate remedial action which may prove to be necessary.

That was our hope, and that hope has largely been fulfilled, by the work that has been done up to the present time and by the form in which the report is now presented to us.

In this connexion we would, however, make one slight reservation. We would have been more satisfied and would have felt that the original purposes of this report would have been more completely achieved if there had been greater concentration on, and development of, the global situation along lines similar to those which have been done admirably, but in a rather abbreviated form, in part I of the document which deals with "World Economic Highlights." In that part of the document we find the sort of analysis and description of international economic trends and relationships prepared in an authoritative and expert manner which, so far as we are concerned, is not available from any other source today.

Unfortunately — from our point of view, at least — thirty pages devoted to this section seem hardly adequate to the full discussion of a subject of such complexity and with such wide ramifications. As a result, after reading this section of the report we get the impression that it has created for all of us an air of over-simplification of the issues involved — a bit too compact, a bit too terse and a bit too simple in its analysis of the issues. Everything is stated more or less in terms of black and white, with not enough of the gray shadings that surround

all the issues dealt with by this report. It is not very often that we find ourselves in a position of venturing a criticism that the Secretariat has prepared too compact, too terse and too simple an analysis of an individual situation. However, it is in connexion with this particular section of the report that we would venture to speak at this stage.

Why do we do so? Because we have a feeling that this document is going to have a wider purpose than we may at this stage realize. This document, prepared as it is for our particular use, is going to find its way into the libraries of the world; it is going to find its way into the lecture chambers of universities throughout the world, as a handbook which will be valuable for students of the economic problems of the world, wherever they may be. This document is going to have a value and a potential interest, not only to the students of economics throughout the world, but it is also going to have a value for persons of intelligence with a world interest and devotion to international understanding, wherever they may be, whatever their walk in life may be; and for this reason we should avoid — particularly in a section of the report that is meant to be as readable as this — over-simplification of the issues. We should at the same time try to make the report sufficiently readable and sufficiently lucid in its terminology and point of view, so that this document can be read not only by representatives to the Economic and Social Council, or their advisers, not only by university students in the economics field, but also by persons everywhere of intelligence and understanding, so that it may have that wider value which a document of this kind can have if it is made available in a form that people can generally understand. It is primarily for that reason that we feel care should be taken to avoid dangerous over-simplification of the issues which are dealt with in this global section of the report.

Having made that suggestion, we might for the moment comment on another aspect of the report which is closely related. We have noted that the authors have for convenience classified certain countries as "surplus", "devastated", "under-developed", etc. I find it a bit difficult to decide under which of these categories my country should fall. I hasten to say immediately that we know all too well that we were spared the devastation of the war, and we would not for a moment suggest that we should be included in that category. But Canada has probably some of the largest under-developed or undeveloped areas of the world. Is Canada an under-developed area? I judge that the authors of this report did not think Canada was. But Canada has many of the symptoms which are often used as indicators of an undeveloped area. Although it is indicated in the report that this classification is purely an editorial device and that the categories are not mutually exclusive, we are anxious that this fact should be clearly underscored and clearly understood.

For our part we are in agreement that it is useful and convenient to develop classifications of this type for the purpose of facilitating discus-

sion and exposition, but not for the purpose of establishing absolute categories. We feel we must never lose sight of the fact that there is really no clear dividing line between countries in these different categories. In fact there are important similarities in the problems to be dealt with. My own country, for instance — as is pointed out on page 19 of the report — is faced with difficulties due to lack of convertibility of currencies, which are similar to those faced by the devastated and under-developed countries. If there is one thing that the nations of the world have today in common, I suggest that it is a shortage of United States dollars.

In the discussion of the Economic Commission for Latin America a little while ago the statement was made that the trade deficit of the Latin American countries last year, vis-à-vis the United States of America, amounted to approximately \$2,000 million for the year. In that respect Canada finds itself in the same position as the Latin American countries. Its shortage of American dollars last year was the largest on record for Canada. It was no less than \$918 million in the year 1947. Therefore, we share some of the common symptoms in our economic situation that are shared by other areas of the world. I mention this to emphasize again the fact that these categories are indistinct; the lines are blurred. The characteristics which apply to one particular category apply in many cases equally well to other categories. Therefore, we should be very careful in our endeavour to determine the distinctive characteristics of undeveloped areas, devastated areas or surplus areas.

We feel that, while these are useful editorial devices, they should not sink into the consciousness of the members of this Council or of the members of the Secretariat itself as clearly defined categories, mutually exclusive of each other. As I have already indicated, there are, large areas of Canada where the problems of physical development are as great as those facing other governments. We have the same problem of export surpluses to countries outside North America, and import deficits with respect to the United States. Our trade position is made difficult by the inconvertibility of currencies between the countries to whom we sell and the countries from whom we buy. All of these are problems which are shared at the moment by almost all the countries of the world, whether they are undeveloped areas, whether they are devastated areas or whether they are called surplus areas.

In making these observations it is not our desire to underestimate the necessity of dealing with those problems classified as problems of under-developed and devastated areas. Our Canadian policy, working as it does towards a world of multilateral trade and interconvertible currencies, is cognizant of the necessity for economic health and stability in other countries. Canada's prosperity depends on the prosperity of these other countries. Our objective, therefore, in mentioning this point is to ensure that there is no sharp line drawn in the minds of members of this Council between the interests of individual

countries or groups of countries. It would, we think, be very unfortunate, if the nations of the world were divided into rigid categories — categories in which countries see their interests as fundamentally opposed — and for that reason, were incapable or unwilling to co-operate in co-ordinated activity dedicated to the solution of the problems of the world as a whole on a world-wide basis.

While emphasizing the importance of action on an international scale we do not suggest that it is necessary, or even desirable, for nations to wait for international action to solve their problems. We feel that there is much that nations of the world can do to help both themselves and the world as a whole. In this connexion the Canadian delegation would like to see the Secretariat give consideration to the following suggestion. It will be noted in this report that there is a chapter devoted to what has been accomplished on the international scale and what has been accomplished on the regional scale. We feel that there is also a great deal of worth-while accomplishment in terms of the solution of special economic problems by nations acting in their own capacity as nations.

We feel that attention should be drawn to selected instances from time to time, where one particular nation—I care not what nation it is—has tackled a problem vigourously, a problem which has been of concern perhaps to the other nations of the world, and where that nation, instead of saying, “We are going to wait for international action”, has said, “We are going to deal with this thing ourselves; we know how to tackle this. We are prepared to do so and so.” The experience a nation gains in developing its own solution of a problem is an experience that is just as much a contribution to the solution of an international problem as is a solution that could be taken by a group of nations working together.

We would like to see the Secretariat given the freedom and the authority to select a number of clear-cut outstanding instances of that kind from time to time and to record them in this report as part of the record of what has been done on the international, regional and national levels. We feel that this, just as much as the sections dealing with regional and international action, this would make a very worth-while contribution to the thinking of the nations of the world in their endeavours to meet their respective economic problems.

Another question to which we would like to refer briefly is the problem of coverage by the report. We have noted in reading the document that there are, unfortunately, very important omissions of information concerning countries which represent an important segment of the world's area and economic potential. We cannot consider this report complete until we can see the picture of the world as a whole. The picture of the world as a whole cannot be given by the Secretariat until the Secretariat is able, with the co-operation of all governments concerned, to get the information necessary to put together the



statistical picture with regard to conditions everywhere throughout the world. This task requires the common effort and co-operation of all countries; to the extent that information is not available from any any one country of the world, the record as a whole is incomplete, inaccurate and imperfect.

We recognize that there have been difficulties that have prevented the Secretariat from making this report as complete and exhaustive as might be deemed desirable but, nevertheless, we would express the hope that, particularly for the more important areas of the world efforts will be made by all countries concerned and by the Secretariat to obtain the requisite information for inclusion in succeeding surveys.

I should like to bring this portion of my remarks to a close by expressing once again on behalf of the Canadian Government our appreciation of the efforts which have gone into the production of this document and our appreciation of the contribution that we feel that this document will make, not only to our understanding as members of the Canadian delegation, but also to the understanding of all concerned, of the world situation.

At this point we are faced with the problem — in common with other representatives — of agreeing on an appropriate time when we might profitably utilize the time of this Council in discussing the substantive issues which the document raises. In other words, what are we going to do with this report? The Canadian delegation had hoped that this document would produce a general over-all discussion in the Council in plenary session, so that the Secretariat might have the guidance of the advice given by members of the various delegations with respect to the preparation of future reports. We felt — and we still feel — in view of the limited time that this document has been in our hands, in view of the inadequate opportunity that we have had to consider the full implications of the report and in view of the original objectives with which the report was concerned, that that is an appropriate course of action to take. However, apparently that view is not shared by members of some delegations.

I have noted in the speeches of one or two of the members who have already spoken a reference to the presumption that this report will be again considered in the Economic Committee. It must say that I see nothing that we could usefully discuss in this report in the Economic Committee which would not simply be an extension of the discussion that is taking place around this Council table in plenary session. I can see little prospect of the discussion in committee producing resolutions of a substantive nature on which we could take useful action. For that reason the Canadian delegation does not share the views expressed by a number of other delegations that this discussion should be continued in the Economic Committee itself.

There is another problem of a somewhat procedural nature to which I should like to allude before reading the text of the resolution which

the Canadian delegation proposed to present on this subject. Yesterday at the end of his speech the Polish representative introduced a resolution which is based on this particular item of the agenda. I think the Polish representative would be the first to agree that the text of his resolution embodies considerations of the most profound significance — complicated considerations — and that there are a very large number of points and principles involved in the resolution.

A resolution of this sort would, it seems to me, if it were to be thoroughly and adequately discussed and considered by this Council, justify not a few days of this Council's time, and not a brief discussion in plenary session and a few days of comment in the Economic Committee. A resolution of this kind is so wide-ranging in its import that it would require almost an entire session of the Council itself to consider it adequately.

There is another point in this connexion, and I raise it simply for the consideration of the members of the Council as a whole. Is it going to be the practice to have each report of this kind listed as an item on our agenda and, by using that particular agenda item as a departure point, to introduce substantive resolutions through all the delegations in the Council dealing with any or all of the economic problems referred to in the report? If that is going to be the practice, I submit that we should do two things immediately: first of all, abolish our so-called agenda completely; and secondly, abolish along with it the Agenda Committee.

The report will be our agenda, because all of the economic problems that can possibly find their place on the agenda of the Economic and Social Council, and all the resolutions that we can possibly bring up for the consideration of this Council are contained in this report, by implication at least. This report, itself, by being placed on the agenda, can be the starting point for all the substantive resolutions which members of this Council may wish to bring before it.

There would be no need, if this procedure were followed, for anyone to put on the agenda an item dealing with the Economic Commission for Latin America, the Economic Commission for Asia and the Far East, or the proposed Middle East commission. There is material in this document that will make it possible to justify resolutions of substance on any or all of these matters. Now I raise this point for consideration by members of the Council, because the Polish representative's resolution, which is the first resolution of substance based on this report, poses that question for us in a most important form.

My own feeling is this: We cannot, if we are going to make it possible for delegations to get any advance information or documentation for consideration of the items on the agenda, use documents of this kind, which are basic over-all surveys, as the starting point for resolutions of substance dealing with particular problems in the document itself, any more than we can take a world demographic year-

book and use it as a starting point for a discussion of all the substantive questions of social policy or population which a demographic year-book contains.

I do not want to be facetious, but, to give you a comparable picture, it would be as though the board of directors of the *Encyclopedia Britannica* decided first of all that they would produce the *Encyclopedia Britannica*; and then, in the discussion of the item on the agenda, dealt with the individual scientific articles with which the *Encyclopedia Britannica* is concerned.

The Canadian delegation feels that there is a way for this matter to be properly dealt with. We feel that, when the item of this report itself is put on the agenda, the discussion should be on the format of the report and on particular suggestions and comments the delegations have to make with respect to the report itself, so that these may be used for the future guidance of the Secretariat. It feels that this report should be studied and any delegation should then be free at a subsequent meeting of the Council, to place an item on the agenda covering any point of substance upon which his Government wishes to present a resolution. Naturally, in so doing, members will utilize a great deal of the data that is made available by this report. The report should be looked upon as a tool to be used by the governments for the formulation of resolutions but those resolutions would themselves be admitted to the agenda as items of substance. These resolutions should not be discussed by the Council in connexion with this item of the agenda itself.

I hope I have made that point clear, because I feel very strongly that it is a point of fundamental importance in dealing with the procedure to be followed in connexion with reports of this kind. It is a problem of fundamental importance if we are going to maintain the kind of procedure in the Agenda Committee that we have followed up to the present time, and it is with those considerations in mind that the Canadian delegation feels it can make some useful contribution to the thinking of the Council at this stage if it presents a simple resolution indicating what it considers to be the proper way of disposing of this particular item on our agenda.

With your permission I will conclude my remarks by reading the text of the resolution which we will arrange to have circulated in due course:

*"The Economic and Social Council*

*"Taking note of the Economic Report; Salient Features of the World Economic Situation 1945-47,*

*"Recommends that the Department of Economic Affairs of the United Nations Secretariat take into consideration, in the preparation of future reports, the views expressed by the members of the*

**Mr. MUNIZ, Brazil**

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Economic and Social Council during the discussion of this matter at the sixth session of the Council.”

We feel that our resolution should be put at the end of this plenary debate. If that resolution is carried, this debate will be regarded simply as a general commentary for the guidance of the Secretariat in the preparation of future reports. If that resolution does not carry, then of course we come to the consideration of what should be done with regard to the report itself and with the Polish resolution connected with it. We shall have to decide whether it should be referred to the Committee, or how it shall be dealt with. Therefore, I present the Canadian resolution for the purpose of asking, at the end of the plenary discussion, for a clear expression of the views of the members of this Council on the way in which reports of this kind, and the debates arising from them, should be handled in the future.

**Mr. MUNIZ, Brazil**

The Brazilian delegation has studied with great interest the report prepared by the Secretariat on the economic conditions of the world.

I am sure that this work has contributed to increase in all of us the notion of our responsibilities, since we are here for the purpose of finding solutions for the many and difficult problems so clearly outlined in this very useful document.

My delegation thinks that our colleagues from Australia and Poland should be congratulated on their initiative in recommending to the General Assembly that such a task be undertaken. Our congratulations are extended also to the Secretariat. Considering the limitations of time we may say that it has been remarkably successful in its efforts.

It was for us a great satisfaction to find that the work of some of the specialized agencies, such as the International Labour Organisation and the Food and Agriculture Organization of the United Nations was put to good use by the Secretariat and that some chapters prepared by those agencies were included in the report. Duplication was thus avoided and the result was a more complete and comprehensive work.

The Brazilian delegation realizes, however, that the Secretariat would welcome a sincere and constructive criticism of its work, and ventures to offer a few suggestions.

First of all, I should like to point out that in part II, “Regional Economic Conditions”, there is a certain lack of homogeneity in the different chapters which compose it. This lack of homogeneity makes it rather difficult to compare the economic conditions of different geographic regions involved. We think that in the future a certain pattern should be followed in the preparation of those regional

chapters. We shall then have an indispensable comparability in that part of the report, which will make it all the more useful.

Another detail which elicited the attention of the Brazilian delegation was the almost total lack of information on some important regions of the world.

In line with this thought, my delegation believes that Latin America should receive a little more attention in future surveys. Of course, we are aware of the difficulties involved in the collection of data necessary for that purpose. Whether in consequence of war destruction or simply because of under-development, it is quite difficult for many countries to supply the United Nations with accurate statistics on their economies. Nevertheless, we consider it essential that an effort be made by the Secretariat to procure such information, so that in the next report we may have a truer picture of world economic conditions. Without a complete background of information, sound and constructive planning by the Council will be very difficult.

These are the comments which we may offer on the formal part of the report itself. We hope that they will be received by the Secretariat as a sincere and constructive effort on the part of the Brazilian delegation to contribute towards the improvement of a very good and useful work.

I will now comment on some of the substantial problems involved.

A fact that emerges clearly from the *Economic Report* is the weight and prominence of the United States in the world economy.

As the only great industrialized country that escaped the ravages of war, and as one of the few agricultural countries where mechanized agriculture and the availability of fertilizers render food production comparatively elastic, the United States occupies a vital position in world economy. This is made clear by the fact that, as noted in the report, not less than a third of world exports in the first half of 1947 originated in the United States.

It is gratifying to note that the government and the people of the United States are fully conscious of the responsibilities which this special position carries with it. This fact constitutes one of the most hopeful signs in the international situation today.

The first responsibility is the maintenance of a high level of domestic employment and stability. Should the present level of income and employment in the United States prove impermanent, it would be nearly impossible for the majority of countries to escape depression.

The second responsibility is the realization by the United States of its special role inherent in the status of principal creditor nation and financial centre. Fortunately again, there is in the United States a growing popular consciousness of the obvious fact that, in the long run, barring the indefinite continuation of capital exports, it is only

through increased imports of goods and services that debts can be repaid. There are no prospects for the restoration of international equilibrium and the elimination of a scarcity of dollars unless the import market of the United States is willing and able to absorb a high rate of imports.

It is indeed encouraging to note that the United States has taken the lead, in Geneva, in a concerted drive to lower tariffs and trade barriers. To the extent that this results in an expansion of United States imports of goods and services greater than the concomitant expansion of United States exports to debtor areas, a significant contribution will have been made to the restoration of international financial equilibrium.

Apart, however, from this long-run adjustment in the commercial policies of the largest creditor nation, we have an immediate short-run difficulty of great magnitude. I refer to the enormous disequilibrium in international transactions caused by war-induced losses in European productive capacity. The need for an abnormally heavy rate of capital formation and the slow pace of agricultural recuperation resulted in a scarcity of imports into Europe, particularly from dollar sources, while at the same time the low level of industrial production and heavy internal demand maintained the supply of exportable goods at abnormally low levels. This crisis in European production, which is at the bottom of the dollar shortage, had immediate and severe repercussions in other continents. The Latin American countries, which had accumulated substantial exchange reserves during the war, were immediately affected by the spread of the dollar crisis. Several causes may be indicated; the favourable export-import price ratio that prevailed during the war has in some cases been reversed, owing to the rapid rise in prices of manufactures since decontrol; the purchasing power of reserves thus fell drastically at the precise time when the demand for capital and durable consumers' goods was at its highest in order to cover deferred needs and to provide for industrial re-equipment. Last but not least, exports to Europe, on which Latin America had always depended for the cross-financing of a large part of its dollar imports, failed to revive at the expected rate, or were paid in currencies that cannot be converted either into goods or into dollars. The crisis in European production thus contributed directly and indirectly to increase the world's dependence upon dollar purchases.

In this connexion, I would like to refer to an observation contained in page 16 of the report, which has important implications for the exporters of primary products. This is the fact that from 1937 until 1947 the level of United States manufacturing activity showed the phenomenal increase of 70 per cent, while the quantum of United States imports remained below the 1937 level. Thus the expansion of industrial production was largely taken care of by increases in domestic agricultural and mining production and by the growth in

the production of synthetic substitutes, rather than by increases in raw material imports.

Undoubtedly there are grounds for the belief that this break in the prewar correlation between industrial activity and volume of imports will be only temporary, since the United States is developing a policy tending to conserve domestic resources. To the extent, however, that synthetic production displaces imports we shall have a major problem of trade adjustment in our hands.

Let me now resume, after this rather lengthy digression, the main thread of our discussion.

One of the most obvious and urgent needs is the restoration of the European productive machinery. This restoration requires major financial and industrial contributions, that only the United States can afford. All indications are that this major economic and political challenge will be met. There is hardly any need to enlarge upon the expected energizing effort of the European Recovery Program upon prostrated Europe. Its effect is bound to be beneficial and to open new horizons to Europe and to the world. The execution of this undertaking will bring noble and lasting renown to the statesman who conceived it and to the people who have shouldered the burden of its performance.

Less attention has been given, however, to the repercussion of the programme upon other non-European countries, upon their industrial ambitions and upon their balances of payments. The analysis is by no means simple, as a few comments on the European programme viewed from the Latin American standpoint will demonstrate. In proportion as dollars are made available to finance European purchases of Latin American products, the old and mutually advantageous triangular pattern of trade, interrupted because of the inconvertibility of European currencies, will be restored. Another beneficial effect will result from the gradual restoration of the European market, both as a supplier of industrial goods and as a consumer of our products. However, the first effect is not likely to be of sufficient magnitude to extinguish the dollar shortage, and the second will be slow and delayed. It thus seems clear that the European Recovery Program, though helpful, will not be a complete solution for Latin American problems and that some form of direct and concerted help by mutual agreement among the countries of the Western Hemisphere, in the form of short-term financing or investment capital, will prove to be necessary.

In one respect, the European Recovery Program may give rise to some concern on the part of Latin American economies. It is feared that the European Recovery Program, based as it is on a conception of the pre-war European position in world trade, might tend to restore precisely the same pattern of economic specialization and division of labour that existed before the war, without taking into account the considerable structural changes brought about by indus-

trialization in Latin America and Asia. The fact is, however, that the countries now in process of industrialization will not accept a simple return to the old pattern of industrial colonial trade. They expect, indeed, to expand, their purchases from Europe considerably, as a natural outcome of their efforts for an improved standard of living, but there will be significant changes in the composition of their import trade, from consumption goods to capital goods.

It might be well to note, in this connexion, that while in pages 174 to 180 of the Secretariat's report, adequate attention is given to post-war changes in the composition and direction of trade, so far as trade within the European continent or United States-European trade are concerned, practically no attention has been given to the impact of the structural changes in the newly industrialized countries in Latin America or Asia upon the composition of future European exports. It is to be expected that in future issues of the report, this problem will be examined and that detailed consideration will be given to the repercussion of European industrial revival upon current development plans.

I might allude in passing to another problem which has been dealt with in some detail in a paper produced by the Foreign Minister of Peru and circulated to this Council. I refer to the view held by many people in Latin America that the short-run shortage of labour for the task of reconstruction has tended to obscure the fact that population pressure in Europe is on the increase, particularly in Germany and Italy, and that any long-range economic plan in Europe must eventually envisage a redistribution of man-power and resumption of emigration to areas of lower population pressure. Chapter 4 of part III of the report, prepared by the International Labour Organisation, under the title of "World Man-power Problems," limits itself to current short-run phenomena as if population pressure had vanished forever. It might be well to explore the matter further, since it may have some bearing on the likelihood of success of the efforts toward a stable and prosperous European economy.

I would now like to dwell on an analytical point to which we attach considerable importance. I refer to the need for a constant surveying and measuring of the barter terms of trade, not only among countries, but among the main groups of products entering world trade. The discrepancy between relatively rigid prices of manufacture and wildly unstable raw material prices has been a conspicuous phenomenon in recent depressions. This places raw material producers and farmers — whose production is inelastic for technical as well as institutional reasons — in a disadvantageous position vis-à-vis the industrial sector of national and world economy. The special problem created by the instability of non-industrial prices has been recognized by many countries, leading them to adopt price support, stabilization schemes or parity formulas, which aim at stabilizing the purchasing power of the primary producers in terms of manufactured goods. Considerable



interest has been aroused lately, particularly in the International Trade Organization Conference, in the possibility of extending the "fair price" relationship to the international field, *via* the machinery of commodity agreements.

Quite apart from this, however, the measurement of the barter terms of trade is extremely important in enabling us to appraise and interpret trends in the balance of trade and payments. In fact, part of the dollar shortage in Latin American countries is attributable to the significant deterioration which occurred in the terms of their trade since the lifting of price controls in industrial countries.

I would like therefore to suggest that, in future issues of the report, systematic analysis be made of the evolution and trend of the terms of trade among countries and among major groups of commodities entering world trade.

I shall now comment briefly on the attitude and action of the Brazilian Government regarding some of the outstanding world economic problems mentioned in part III of the report. I will refer particularly to our development programme, to our efforts to combat the inflationary pressure at home and to our endeavour to increase production and exports of foodstuffs. May I congratulate the authors of the report for their excellent analysis of the root and causes of inflation, especially as regards the group of the so-called "under-industrialized" countries with which I am more familiar. Countries whose food production is relatively elastic would prefer emphasis on production and on monetary measures, rather than on controls, to stem the tide of inflation. In the light of our conditions, however, I would think that both the analysis of the inflationary effect of development projects and the warning concerning the difficulties involved are timely and relevant.

I might perhaps start by saying that there are no more than twenty-two lines in the main report which deal specifically with the economic conditions of Brazil.

The statement is made on page 247 that "Brazil has no current over-all economic development plan, but deals with some of the basic problems separately, through specially designed plans."

May I be permitted to state here that, although no plans have been officially announced by my Government for the over-all economic development of the country, this fact should not be interpreted as an implication that no consistent policy is being followed in the matter.

The main lines of the present economic policy of Brazil are based on the concept that any progress in the standards of living of the people requires an increase in production, and that the method to achieve this goal is the industrialization of the country.

The report mentions a national highway plan, a national electrification plan and a plan for railway re-equipment. Reference is also made to important initiatives in the industrial field, such as the building and operation of a modern steel mill, the largest in South America, and the adaptation of a motor factory for the production of agricultural tractors.

These initiatives and many others, like the reconstruction of the merchant marine and the establishment of basic industries, such as the heavy chemical industry, the pulp and paper industry, etc., constitute different steps in a programme intended to give impetus to the fundamental industrial movement now under way in Brazil.

Inflation in Brazil, as in many other under-industrialized countries, has been a consequence of budget deficits arising mainly from war expenditures, deficiency of adequate transportation facilities and obsolescence of same, inelasticity of food supplies vis-à-vis foreign demands, as well as increased internal consumption, inability to secure imports of indispensable new equipment and lack of means to enforce effective price controls.

I am glad to say, however, that the steps lately taken by the Brazilian Government have been quite successful in coping with this problem and that the inflationary process was practically halted during the year 1947.

Food production has received an energetic impulse through an emergency credit plan and guaranties of minimum prices, and significant gains have been made in important products, especially rice, corn and pulses. Brazil has become one of the largest exporters of rice and pulses. This, together with a careful financial policy of selective deflation through qualitative credit control, has been instrumental in stopping an inflation which was spiralling dangerously in recent years.

But the fact remains that no matter how sound the measures taken to consolidate the Brazilian economy, it is only through industrialization that final equilibrium and prosperity will be reached.

The most significant fact in the Brazilian economy today is its transition from a predominantly agricultural stage to an industrial one. This rapid trend towards industrialization cannot be lost sight of in the study of conditions in the country and in a proper visualization of its present problems.

The relative inelasticity which characterizes food production is a direct consequence of deficiencies in transportation and industrial facilities. The better guaranty for the development of agriculture and food crops is to put at their service a well integrated industry. Without mechanization and fertilizers it will be very difficult for Brazil to further raise its present agricultural output, and without facilities for food processing such an increase will be useless.

**Mr. THORN, New Zealand**

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I have emphasized these problems because we believe them to be prevalent in other under-industrialized countries, and we think that a comparison of experiences would be very advantageous.

The Brazilian delegation is sure that the "*Economic Report: Salient Features of the World Economic Situation*, presented to us by the Secretariat, has contributed to a great extent to clarify in our minds the grave problems which now beset the Economic and Social Council.

We may consider it a challenge to our ability, to our good will and to our spirit of co-operation. Let us hope that the challenge will be met.

**Mr. THORN, New Zealand**

As one can see from this *Survey of Current Inflationary and Deflationary Tendencies* and from the 350-page *Economic Report* prepared by the Department of Economic Affairs of the United Nations Secretariat, the problem of world economic organization is one of infinite complexity. To put it very mildly, the formulation of policy to straighten out the confusion and disorder that now exists bristles with difficulties. In view of this, we invest with a very heavy responsibility those to whom we give the task of making these surveys and, because they are human and cannot work miracles, we should be careful to offer only friendly and constructive criticism.

A point arising out of this is that the success of any policy for economic and social organization — whether to aid recovery and reconstruction or to ward off recession — that is framed by the United Nations depends on the willingness of the various governments to act on it. If they fail, or if any of them fail, for any reason, to conform actively with international plans worked out by the United Nations in the light of all the facts available, the world will be thrown back on national individualism, or at best will be dependent on proposals that can only have a partial effect, commendable as these may be as compared with the non-acceptance of a more general policy which really would unite the world. What has to be avoided is the inaction which apparently assumes that the United Nations has no existence at all or does not count.

I am making a case for the United Nations, and can illustrate it if I refer to the last paragraph in the summary by the *United Nations Bulletin* for 15 February of the 350-page *Economic Report* to which I have alluded. This reads:

“National and international action must be considered now, when levels of employment are high in almost all parts of the world. This is essential so as to maintain high levels of employment and economic activity if the factors underlying existing high levels should prove impermanent. Such action would promote ‘higher standards of living,

full employment, and conditions of economic and social progress and development.' It would also help create and maintain world economic conditions which would make possible the eventual and orderly repayment of international loans that may now be extended for the purpose of promoting economic reconstruction and development."

This is not a United Nations directive, it is merely a piece of good advice on which, if I may say so, the New Zealand Government has been acting for some considerable time. It is true that a prosperous international economic situation will greatly assist governments in their endeavours to reach these aims; it is also true that most governments have under their control resources by which they could progress in these directions if they would regard industry and trade primarily and essentially as a public service, the purpose of which is the highest possible standard of living for the workers and the accumulation of means by which fruitful development can proceed. I would certainly make allowance for the difficulties of governments to which the United States representative has drawn our attention.

I hope I have been speaking in the spirit of those lofty declarations with which the Charter of the United Nations opens. At least this is how the New Zealand Government sees it.

Now to deal with this report more prosaically: As my Government views it, two immediate issues are involved. One is the initiation of regular reports. The New Zealand delegation considers that an annual survey is necessary, and we also feel that if the survey is made once a year this will be adequate. If the surveys were made more frequently they would become fragmentary and tend to lose perspective. Further, they could hardly avoid being repetitive to more or less degree, and to this extent they would be a waste of energy and time.

In all the questions likely to arise from these surveys, the Council will no doubt be assisted by reports from the Economic and Employment Commission and its sub-commissions, and if between the publication of the annual surveys, any significant factors must be taken into account, they should be available to the Commission in the United Nations *Monthly Bulletin of Statistics*, and in special working papers the Secretariat could prepare. Of course common sense should be relied on to make provision for emergency action if need for this occurred.

So much then for the period between the surveys. Now as to their character:

They should approach problems from an international viewpoint. If an analysis of conditions is directed primarily to particular countries it might well be invidious and provoke criticism. Moreover, it could hardly elicit information which could not be obtained elsewhere. This, of course, does not necessarily preclude the examination of the

problems of particular nations and regions, but when such examinations are made, they should be incidental to the total world picture and for the purpose of determining international action which, of course, as I have already indicated, implies national implementation.

The New Zealand Government believes that something more than a mere tabulation of facts and statistics is desirable. These surveys should be of the nature of analyses and interpretations, because by this means the reasons for policy may become more clear and obvious. The Secretariat should be given authority and scope for surveys of this description. It goes without saying that the Secretariat will justly weigh, and be guided by, policies decided by this Council on the advice of the Economic and Employment Commission and the specialized agencies. We certainly want this co-operation.

It is easy to be critical in these matters. For instance, it might be said that the references in the *Survey of Current Inflationary and Deflationary Tendencies* are unsatisfactory because they bring out little that is new and treat the subject mainly in national forms. But to say this would not be fair, because in the *Economic Report*, where the whole subject is treated more comprehensively, there is abundant evidence that the Secretariat is facing these problems in a much more satisfactory manner. I hope that what pleases the New Zealand Government is satisfactory.

Now our second issue relates to the machinery to meet any threat of major economic recession. The report mentions elements of impermanence. In our view it is wrong to say that slumps are unavoidable, as if they were like an earthquake or some other natural disaster. They result from weaknesses in the economic organization for which men are responsible and which they can correct if they have the will. The will can be created by the influence of clear-sighted policy.

Movements within nations can strengthen this influence, but so far as the United Nations is concerned, and on this particular issue, we would place responsibility with the Secretariat, acting in co-operation with the secretariats of specialized agencies, to bring to the immediate attention of the Economic and Employment Commission facts which suggest the possibility of immediate economic recession. Functional commissions under their rules of procedure, are not permitted to call special meetings, but authority for a special meeting should now be given by the Council if the majority of the commissions, on the advice of the Secretariat and taking into account the activities of the specialized agencies, consider that the urgency of the economic situation makes such a meeting necessary. The Council's ground for action along this line should be a recommendation from the commission, and if a special session of the commission were held, it would then rest with the Council to decide what recommendations should be made to Member Governments or to specialized agencies.

**Mr. MAYHEW, United Kingdom**

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The Council should also take the responsibility for deciding whether some special procedure should be taken—for example, the convening of a conference of all Members of the United Nations and specialized agencies to consider the necessary action. In the present situation, however, the formulation of this procedure may not be urgent. What is necessary is that the Economic and Employment Commission, and through it the Economic and Social Council, should have immediate knowledge of, and give immediate consideration to, any developments which foreshadow serious economic collapse.

I think that if general authority were taken for action along the lines I have suggested, it would be as much as can be done at this session, and it would put us in a position of preparedness for any eventuality.

I may conclude by saying that the tasks which will be imposed on the Secretariat, the Economic and Employment Commission, this Council and the governments in connexion with these problems and their solution will not be easy. They will be intricate and burdensome, but their successful discharge will give us the satisfaction of a good conscience and cause the peoples everywhere to rise up and call us blessed.

**Mr. MAYHEW, United Kingdom**

I would like to preface my remarks by adding my voice to those of other representatives who have congratulated the Assistant Secretary-General in charge of Economic Affairs on the useful economic report which we are discussing to-day. Before the war the League of Nations published a world economic survey which was eagerly looked forward to each year by students of world economic affairs, and which served as a valuable work of reference for all those who were concerned with tracing the causes and consequences of international economic policies. The economic report of the United Nations, though it still perhaps falls somewhat short of its predecessor in respect of clarity and penetration of its economic analysis, has many compensating advantages and is strengthened by the contributions which have been made to it by the many new specialized organizations which have grown up since the war to promote international action in the economic field. A periodical report of the sort which has been presented to us by the Assistant Secretary-General enables us to take from time to time a bird's eye view of world problems, to take stock of what we have achieved and what the future holds in store for us. It reminds us of what has been going on in countries other than our own and enables us to derive encouragement or warning from the experience of other countries.

Before going on to make some observations on the economic conditions of the world as presented to us in this report, I should like to

make one or two comments on the form and content of the report itself. In doing so I should not wish my intentions to be misinterpreted. My Government is firmly persuaded of the importance of leaving to the Secretariat a very free hand in the preparation of this survey, both with respect to the nature of the subjects treated and the mode of treatment. What I am about to say, therefore, is intended by way of friendly and constructive suggestion and nothing more.

One point on which the report deserves special commendation is its relatively up-to-date character. It is very difficult in compiling a document of this kind not to be several months out of date and it is to be hoped that future reports will be equally successful with the present in this respect.

The twofold analysis of world economic developments — first the functional analysis in which various aspects of world economy are considered in turn, and then the geographical analysis where the problems are regarded from the point of view of countries or regions — appears to us to be an appropriate one, though it inevitably involves a certain duplication. We would suggest, however, that in future annual reports the functional analysis might be carried out rather more fully, with more explanatory material, so as to be less of a commentary on statistical tables. Also it has to be borne in mind that the problems of certain countries such as my own cannot be adequately understood in a regional context. Indeed, I venture to suggest that the discussion of trade and balance of payment problems might have been made more enlightening if fuller account had been taken of the existence and operation of the sterling area, which includes countries in most of the continents of the world.

Finally, I think that some of us may have felt that the report towards the end becomes a little repetitious, largely I think because material provided by the specialized agencies on various world economic problems, valuable and interesting as it is in itself, only tends to duplicate to some extent the functional analysis at the beginning of the report. We fully appreciate the desirability and importance of including in the report contributions from the various agencies. I have no solution to suggest for the difficulty to which I have drawn attention, but it presents something of a problem of exposition for the authors of subsequent reports.

So much on the mode of presentation which has been adopted in this report. I have also one or two things to say about the facts and opinions presented in the report but I should like to make most of my points on those as part of a brief consideration of the nature of the world economic situation which the report discloses to us. There is, however, one point I should like to mention now and that is to express some regret that so little attention has been paid to the problems of international trade, and in particular that the whole attempt to create a new framework for international trade in the projected

International Trade Agreement and the General Agreement on Tariffs and Trade appears to have been passed over in silence.

Before reviewing the question of the form and content of the report, it may be appropriate at this point for me to express an opinion about the form and frequency of future reporting. As I said earlier, we would like the Secretariat to have a fairly free hand as to the sort of report which it is expedient to produce at any given time. We agree, however, with the conclusions of the Economic and Employment Commission, at its second session, that there would be great advantage if the Secretariat could place before the Council at each session a summary of current economic trends for the Council's information in dealing with particular issues of economic importance on its agenda. We would not anticipate that it could be either possible or necessary to produce a report of the present form and magnitude for each Council meeting, but we would hope that the Council could be kept informed regarding the latest developments in those elements of the world economy which are most subject to swift and substantial changes. I am thinking of such matters as production, employment, prices, and international trade and payments.

I turn now to consider the world economic situation as disclosed in the present report. It is our job in this Council to find remedies for the economic difficulties and problems which exist in the world. It is therefore natural that we should tend to concentrate our attention on the obstacles and set-backs to recovery, rather than on the successes which have been achieved. It is good, however, that we should allow ourselves from time to time to take comfort from any evidence that the efforts of Governments and individuals to recover from the disorder and devastation caused by war have met with some measure of success, and to my mind one of the most outstanding features of the report is the evidence which it provides of the strength of the recuperative forces in the world economy. For all the gigantic difficulties, the world is not sitting back in despair. The figures of world production which are given are, of course, heavily weighted by the impressive expansion of output which has occurred since before the war in all the main branches of production in the United States and in a number of countries similarly placed, but even in devastated Europe, despite the set-backs which have occurred in the early months of 1947, the recovery in production, particularly in the industrial side, is remarkable and encouraging. There is a dynamic about it which gives hope for the future. It is a pity — and here I venture on a mild criticism of the report — that no data are given which would permit us to compare the speed with which Europe and the world have recovered from the Second World War, with the speed of recovery from the First World War. The later war was more widespread and destructive, both of life and material resources, than the former, but I should be surprised if a comparison did not show that the disorder and disinte-



gration which occurred on the earlier occasion were greater and that recovery was slower than it has been this time.

Having said this, however, we must quickly — to avoid being accused of complacency — turn our attention to the other side of the balance-sheet to the dangers and obstacles to recovery. These obstacles may perhaps be considered under two heads, the physical obstacles and the financial.

On the physical side nothing has been more impressive than the laming effect which can be exercised on production and consumption by specific shortages in certain key sectors. Such bottle-necks bring us sharply up against the realities of existence. They emphasize our basic dependence — of which, in times of plenty we tend to be unconscious — on supplies of energy, physical and physiological, in the form of food and fuel. Agriculture and mining, the sources of food and fuel, tended before the war to be the Cinderellas of world economy, the hardest worked and least remunerative occupations. Now, however, we find what an essential part they play. In the early months of last year a shortage of a few million tons of coal temporarily dislocated almost the entire industry of my country. For lack of these few million tons of coal, stocks were insufficient to stand the strain of a temporary interruption, brought about by the exceptionally severe weather, in the transportation of coal. The crisis in power transmission thus occasioned brought about a temporary stoppage of industry which had grave repercussions on our export achievements and reserves of foreign exchange. On a wider canvas, the shortage of coal has been a vital factor limiting the production of the European steel and engineering industries and the production of fertilizer and thus, indirectly, food. Fortunately, I believe it is true to say that the shortage of coal is on the way to be overcome, and I shall say more about our contribution to this a little later in my remarks.

It is not easy, however, to be equally optimistic with regard to the prospects for relieving the other principal shortage to which the report draws attention, namely, the shortage of food. The Food and Agriculture Organization has drawn our attention to the likelihood that shortage of food in 1948 will remain at least as severe as in 1947 and that even in the longer run the shortage, though somewhat less severe, is likely to remain a serious one for many years to come. Fortunately this shortage has been mitigated to some extent by planned distribution of food, by rationing within countries and by international allocation schemes among importing countries. It is possible, however, that not everything that could have been done has been done to stimulate agriculture in every part of the world. It may be that in some countries production has been damped down by fear on the part of producers regarding the impermanence of the present demand for their products. It may be that more could be done to improve the supply of fertilizer and agricultural machinery

and to provide better incentives to agricultural producers through supplies of industrial consumer goods. All proposals which permit an alleviation of this situation deserve to have urgent and careful consideration, for the shortage of food, over and above the direct hardship which it causes, is bound to bring about a deterioration in the human raw material of industry and to reduce the productivity of labour in industry as a whole.

One of the most prominent and widespread features of the world economic situation on which emphasis has been laid both in the present report and in an earlier report by the Secretariat is the prevalence of a high and sometimes excessive pressure of monetary demand. In some countries, as the report points out, this tendency has gone so far as to produce outright inflation. In others the inflationary tendencies have been kept in check. This high pressure of monetary demand might be described as Janus-faced; it has its favourable as well as its evil aspects. Without a heavy pressure of demand it is doubtful whether the formidable expansion of production in the United States and other countries would have been possible or whether the re-deployment of vast numbers of men from war-time to peacetime occupations would have been achieved with so little transitional unemployment. On the other hand, this inflationary pressure has undoubtedly borne some share of responsibility for accentuating the shortages of the type of which I have been speaking earlier, thus causing dislocations and impeding recovery. The Secretariat has produced a very interesting analysis of the inflationary problem as it presents itself in various countries, and the argument advanced in favour of applying effective price control and rationing devices in the sphere of food consumption is particularly impressive. We ourselves, as I shall point out later, have tried to cope with our inflationary problem largely by the maintenance of a comprehensive control over consumers' expenditure and investment. We would not, however, wish to imply that the methods which we have adopted are necessarily those best suited to the circumstances of all countries.

I come now to what is undoubtedly the dominating feature in the present and prospective world economic situation, namely, the state of unbalance which has developed in international payments and receipts between the United States on the one hand and the rest of the world on the other. With one or two small exceptions such as Switzerland to prove the rule, practically all the countries in the world are now experiencing a scarcity of dollars. Through the intricate interlocking of the trade and payments of the various countries of the world, the effects of this dollar shortage have spread in such a way as to create balance of payment difficulties even for countries whose exports, visible and invisible, are nominally sufficient to pay for their imports. Thus, because countries in Asia and Europe are short of dollars, a country like the United Kingdom is unable to obtain payment for its exports to these areas in a form which can be used to pay

for its necessary imports from many parts of the Western Hemisphere. Our difficulties in turn make it impossible for us to pay for our imports from, say, Canada in a form which enables Canada to cover its own deficit with the United States. As a result of these world-wide balance of payment difficulties, linked, as I have shown, with the scarcity of one particular currency, the dollar, there has been considerable danger of a vicious circle of import restriction and trade contraction, affecting not merely the trade between the United States and the rest of the world but the mutual trade of other countries as well.

What is the fundamental reason for the shortage of dollars at the present time? While inflationary tendencies and the desire to push ahead with reconstruction and development in various countries may have at times played a minor part in accentuating the trading deficits of such countries with the United States, the fundamental reason for the dollar scarcity, as pointed out in the report, has been the highly abnormal distribution of production between the United States on the one hand and other parts of the world, particularly the devastated areas of Europe and Asia, on the other. The United States has been more than ever in a position to provide goods — a fact for which we can never be too thankful — while the war-dislocated and war-devastated parts of the world are not yet able to produce an adequate return flow of goods of the sort which the United States wishes to import.

This unbalance, though it is slowly correcting itself, cannot be remedied in a day. So far, the gap between United States payments and receipts has been bridged in part by a very substantial loss of gold and reserves on the part of other countries, but in the main by financial assistance on a truly massive and generous scale by the United States itself. As the report points out, no less than \$10,000 million has already been advanced by the United States in the form of relief, lend lease, and loans on moderate terms, advanced under the auspices of the United States Government. A continuance of such aid in a form calculated to achieve maximum results in restoring the viability of the recipient countries is now under consideration as a result of the far-sighted and generous initiative of the United States. It is of the highest importance, however, that the unbalance in the payments and receipts of the rest of the world vis-à-vis the United States should progressively be reduced and eliminated by an expansion in the productivity and exports of the non-American world. We cannot blind ourselves to one serious feature of the situation. Before the war it was customary to regard the favourable trade balance of the United States as being largely attributable to the fact that that country was suffering a level of demand too low to ensure either the full utilization of its own resources or an adequate market for the products of the rest of the world. The present unbalance has occurred at a time when demand and employment in the United States is higher than it has ever been. If at any time in the future that demand

should seriously contract, it is obvious that the difficulties which other countries experience in paying their way with the United States could be further aggravated.

Perhaps I might now be allowed to say something about how my country has tried to cope over the past year with the particular economic difficulties which it has encountered. During the war Britain endured its full share of visible devastation, including over a million homes destroyed or badly damaged. But perhaps even more crippling, from the economic viewpoint, was the invisible devastation we suffered in the loss of our oversea investments, the running-down of our capital equipment, and the break-up of our export trade. Those intangible losses we suffered. Since the war we have been able, like most other countries, to keep a high proportion of our population at work and in fairly continuous employment. Though the productivity of some of our major industries has been adversely affected by such factors as deterioration in plant and equipment and irregularities in supply of raw materials, the average level of productivity per man has probably by now surpassed the pre-war level. In maintaining a relatively good level of productivity and continuity of employment, we have been greatly assisted by the excellent state of labour relations and absence of labour disputes.

Our principal difficulty in the production sphere has been to maintain the size of the labour force in certain of the older basic industries, such as coal and textiles. My Government has been deeply conscious of the importance, both from our own point of view and from the point of view of European recovery, of expanding employment and production in the coal-mines. In order to achieve this result my Government has used a variety of means. Miners have enjoyed special privileges in regard to food rations and have also enjoyed a considerable degree of priority in housing and in the distribution of consumer goods. They have been exempted from military service. Training schemes have been set on foot to cope with the influx of unskilled workers, both British and foreign, who have been recruited. These efforts have met with a considerable measure of success. The decline in the labour force has been arrested, and in the course of 1947 it expanded by some 4 per cent. We are now recruiting men as fast as they can be employed, given the existing pit room and capacity to absorb new recruits. As will be seen from the figures given in table 9 on page 212 of the Report, the productivity of labour in the United Kingdom coal-mines has substantially improved and is now not far below the pre-war level. This result was achieved partly by means of improved mechanization in the mines, a mechanization which has already made substantial progress and will be intensified over the present year.

In recent months the output of coal has shown a substantial improvement over what had been expected even a short time ago. This is

partly owing to the adoption of overtime work in the mines, and partly to rise in output per man-shift. Both of these factors, we consider, have been fostered by better working conditions and improvements resulting from the nationalization of the mines. As a result, we were able to resume the exports of coal, as from the beginning of 1948, at a rate of some 200,000 tons a week.

I have gone into the question of our coal production in some detail because, as the survey shows so clearly, British coal output is such a vital factor in Europe's recovery. Perhaps I may also mention the question of inflation. In Great Britain, as in other countries, we have had this difficult problem to face. Our principal weapon has been a very comprehensive system of rationing of food and clothing, combined with price control over the more essential consumer goods. We have made sure that scarce supplies of food and clothing and the basic essentials of life are carefully husbanded and fairly shared. Our rationing is strict but just; and we feel our hardships less because they are shared by all. Moreover, by effective price controls we have managed to maintain the real incomes of the hardest pressed sections of our people. In the difficult circumstances, these are achievements of which British democracy can be proud.

Rationing and price control alone would not have enabled us to avoid substantial increases in the cost of living. We have also used the devices of Exchequer subsidies financed out of taxation. In addition, we have reduced the underlying pressure of monetary demand by retaining very high levels of income taxation and by increasing levels of indirect taxation on the relatively less essential consumer goods, and also by cutting back the level of investment expenditure in housing, factory building and installation of plant. This last step was one which we were very reluctant to undertake since our rate of capital development is by no means too high compared with the pre-war position, but it was necessitated by raw material shortages as well as by financial considerations.

Our anti-inflationary policy has met with a considerable degree of success as can be seen by facts quoted in the survey. But a grave danger of inflation still confronts us. In my country there is no Government control over wage determination which is, in the main, left to collective bargaining between workers and employers. Had the trade unions shown less awareness of realities in periods of labour shortage after the war, wages might have been pushed up in a way which rendered the maintenance of our anti-inflationary policy impossible. Recently the Prime Minister has issued a statement on wage policy, the object of which is not to assert a Government control over wages but rather to invoke voluntary co-operation from all income-receivers to provide all those concerned with wage bargaining with information regarding the various economic considerations which should weigh with them in the national interest in the consideration of wage claims.

As is well known, and has been brought out in the report, my country has had to cope with a very severe problem in the balance of payments.

This is due to a great variety of causes. The liquidation of a great part of our foreign investments during the war has result in a very substantial loss in our invisible oversea-income. High employment in a country which derives almost all its raw materials from abroad has tended to swell our imports. Perhaps the biggest single cause of our difficulties has been the very severe increase in the prices which we have had to pay for our imports of food and raw materials, relative to the prices of our exports. Our various oversea commitments arising out of the war which could not at once be liquidated have proved a costly item. This is particularly true in the case of our zone in Germany, where, far from having exacted reparations, we have been forced to sustain the German economy out of our own dwindling resources. We have contributed very large sums under various forms to the relief of war-devastated countries in Europe and Asia. Finally, the impact of the world dollar shortage, of which I have spoken, on many of our oversea markets has made it difficult for us to obtain payment for our exports in a form most helpful in enabling us to meet our own essential import requirements.

Our difficulties have been increased by an attempt which we made, in accordance with our international obligations and with our own long-term policy, to restore the convertibility of the pound sterling. Had this attempt succeeded it would have done much to facilitate the resumption of multilateral trade throughout the world. As it turned out, the attempt proved to be premature. The attempt to convert free sterling into dollars, as a result of the general scarcity of that currency, had to be abandoned. Nevertheless, we are not ashamed of having made the attempt, and hope that at some future time conditions will be more propitious for a general restoration of the convertibility of the important currencies of the world.

As is well known, my country has had to meet its balance of payment deficiencies by heavy borrowing from the United States, Canada and other countries, but we have spared no efforts to raise our current earnings to a point which would cover our oversea expenditure. Our imports have been curtailed to the barest minimum. At the same time, we have had some success in expanding the volume of our exports. During the war, our resources were devoted to the maximum extent to the defeat of the common enemy, and our export trade was allowed to languish, falling to some 40 per cent of the pre-war figure. In spite of this, we have not hesitated to fix our target for the end of 1948 at 160 per cent of pre-war volume. By the end of 1947 we reached a level of approximately 120 per cent of pre-war volume and, unless artificial obstacles are placed in the way of our exports, we have good hopes of attaining our targets.

So far as our international obligations and agreements permit, we have attempted to develop sources of supply for our imports in areas where payment is relatively easy and to concentrate our export drive on so-called "hard" currency markets. It has been our aim, in the series of bilateral trade and payment agreements which we have been negotiating recently, to maintain trade at the highest level consistent with the possibility of payment. We have done our best, for example, in our recent agreement with the USSR to open up beneficial trade with eastern Europe.

Our experience of such bilateral trading has brought home vividly to us both the advantages and the limitations of this technique. It is certainly true to say that by means of this method we have been able to foster trade which would otherwise not have taken place at all. Nevertheless, it is such an extraordinarily complicated business to conduct the commerce of a modern country with highly variegated foreign trade on this basis that it is difficult, with the best will in the world, to ensure that regional distribution of economic resources is being achieved. Furthermore, the system undoubtedly tends towards the equalization of payments and receipts between the two countries and thus to a loss of the advantages of triangular trade. In our own case this disadvantage is to some extent mitigated by the fact that sterling earned by exports to any one part of the sterling area can be used for imports from any other, and we do what we can to extend the transferability of sterling, even among countries which are outside the sterling area. Nevertheless, we should find it difficult to regard any state of world trade and payments as satisfactory which did not permit of a much greater degree of multilateralism than exists at present. Our own liability depends greatly, we have found, on the dollar-earning power of other countries in Europe, Asia and Africa, and it is certainly our experience that prosperity, like peace, is indivisible.

I think it might be appropriate for me to make a few comments on the clear and carefully reasoned speech of our Polish colleagues. I am reluctant to bring any controversy into my speech, particularly in view of the very moderate phrasing of our Polish colleague's remarks. In what he said there was a great deal of acute economic analysis, with which the British delegation certainly finds no fault. The logic of his speech is that eastern and western Europe are economically complementary and that international investment should take into account the productivity of capital in different countries. This logic the British delegation could warmly endorse. It has long been recognized by my Government that for the full success of the economic recovery of Europe, the continent should be regarded as a unit, and that we should, wherever practicable, recognize and build upon the economic interdependence of the eastern and western European countries.

I know that this was in the forefront of our minds when Mr. Marshall made his famous speech last year at Harvard and it was in our minds when we took a vigorous initiative in connexion with the formation of the Economic Commission for Europe. It is one of the reasons why we have been busy recently, negotiating trade agreements with the countries of eastern Europe—with such countries as Poland itself, with Hungary, and latterly and very welcome, with the Soviet Union. But the Polish delegate will forgive me for suggesting that for all its internal logic, his case was invalidated by its being based on one very wrong assumption. I mean the assumption in his speech that any failure to achieve the principles he laid down can be laid at the door of the western countries and not of Poland, itself, and of other eastern European countries. For example, the whole logic of his case might lead us to the conclusion that Poland should have joined in with other European countries in the great constructive work of the Committee of European Economic Co-operation. In this work all the countries of eastern Europe, along with those of the west, were free to join. In fact, however, the countries of eastern Europe deliberately excluded themselves. I will not labour this point. It was raised at the Assembly last year and several representatives, including myself, spoke about it at great length; it can be supported by a mass of documentation, if that were necessary, but I think, in the interests of historical truth, we should not allow the legend to grow up that Poland has in any way been excluded from the benefits of European co-operation, but rather that Poland and other eastern European countries have deliberately excluded themselves.

Those are the only comments I wish to make on this survey which is before us. It is a useful document and it makes a good beginning; I would like to express the appreciation of the British delegation for all the hard work in difficult circumstances that has obviously gone into it. I also feel that the debate which we have had has been extremely interesting and valuable and I feel it will set a good precedent for future occasions of this kind.

19 FEBRUARY 1948, MORNING MEETING

**Mr. MENDES-FRANCE, France** (*translated from French*)

The French delegation is gratified at the importance this discussion is assuming. It is grateful to those who initiated it and particularly to our colleagues, the representatives of Australia and Poland. This is the first time a discussion of this kind has taken place in the Economic and Social Council. The present discussion will, of course, be summary and inadequate; but we should attempt to determine the conditions in which discussions of this kind may be useful and constructive if, as we hope, they are to recur at future sessions.



*Comments on manner in which the report was presented*

Our discussion is founded on the documents published by the Department of Economic Affairs. These provide excellent working material. The effort made by the Department of Economic Affairs is in our opinion quite remarkable, both for the volume of the information supplied and for the quality of the comments. This effort does the Secretariat credit, and we should like, in this connexion, to add our tribute to that already paid by several of our colleagues.

Before commenting on the substance of the subjects dealt with in the course of this discussion, I should like, however, to make a few brief suggestions designed to fill various gaps in the publications of the Department of Economic Affairs and calculated to improve still further the methods of presentation, with a view to making them more completely and effectively useful.

*Distribution of the report.* First, I should like to say that the French delegation agrees with the Canadian delegation in regretting that the Secretariat's reports were distributed to us so late that we could not give them the time necessary for study. No doubt the desire was to give the Council as up-to-date and as recent information as was possible. That is an important point, but the general trend is more important than a wealth of details. It is economic evolution which counts, rather than the figures for the last few weeks; and the main lines of that evolution can as a rule be plotted some time in advance. To provide the Council with a fuller documentation it will be sufficient to distribute to its members, immediately before the opening of the session, a mimeographed addendum supplementing and bringing up to date the information contained in the report. But this general report, that is to say the essential document which is the basis of our discussion, should, in our opinion, reach governments sufficiently in advance to allow them to submit it to specialists and economists in their countries for study, and formulation of opinions, recommendations and criticisms capable of further elaboration in the Council. This would give greater emphasis to the presentation in the Economic and Social Council of arguments, opinions and even, I repeat, criticisms; and discussions really useful to everyone would result. That is not altogether possible today.

On this occasion the *Economic Report: Salient Features of the World Economic Situation* was distributed too late. We all read it very rapidly after this session had already begun, when we were all engrossed in other work. I shall not make any claim to be able to discuss it in substance at length, after a perusal which has necessarily been summary. I would only ask the Secretariat in future to submit such important documents to us well in advance, thus enabling us to give them the exhaustive study which, because of their nature and length, they require.

A further comment of mine will not surprise the Council. In order to enable us to make full use of these documents, we should like to receive them not only in English but also in French. Reports of this kind and importance, being the product of so much research and labour, reach the universities, schools and libraries and the tables of statesmen and journalists all over the world. To give them a greater circulation, particularly in the French-speaking countries, these reports must be distributed in both working languages of the United Nations.

I should like to point out to the representative of the Secretariat that in 1947 only about 50 per cent of the economic publications were translated into French, whilst not a single economic document published since the beginning of the present year has been translated into French. That is inadmissible.

*Method of analysis.* A third observation relates to the description of the situation in the various countries and regions of the world. In this connexion I shall repeat the comments offered by our Brazilian colleague. The studies submitted to us and the chapters of the various reports are of unequal quality. That is inevitable. It is impossible to require that such extensive studies should maintain a consistently high standard of quality. We feel, however, that there is something to be said for attempting to define common indexes or bases of comparison as between one country and another. The Secretariat has already made an effort to do this, but not with complete success. Statistics must be made more easily comparable with each other; the essential economic elements and terms must be precisely defined; and, at least in their main features, similar plans should be adopted for describing the situation in the various countries.

The approach to problems — as our Brazilian colleague has quite rightly pointed out — very often varies from chapter to chapter in the reports submitted to us, and *a fortiori* from report to report. To avoid such divergences of method, which obscure the problems, the suggestions previously made by the Statistical Commission might be more generally applied.

With regard to statistics, a further effort seems necessary to improve the collection of information from the various countries. Countries should be requested to provide fuller information, and to provide it more quickly. Without hoping to reach — at any rate within the near future — the truly admirable standard of statistical work achieved by the United States of America, we think it ought to be possible to obtain a considerable improvement from each State in the methods used. It should be possible to request the States to provide the United Nations with such complete and recent studies as would, without any doubt, enhance the interest of the documents supplied to us by the Secretariat.

Another observation of the same kind concerns the arrangement of the countries studied. In the documents submitted to us, a purely geographical classification has often been adopted and perhaps at first this was inevitable. A geographical classification is obviously superficial and arbitrary. An economic basis, taking account of commercial and financial links, would be better. It would throw into greater prominence the great economic units made up of interdependent parts. The Economic and Social Council would, as a result, be able to reach sounder conclusions.

I should also like to point out that in future studies to be submitted to us, the first samples of which are now before us, it would be desirable to make a clearer distinction among the different causes of the difficulties and to discriminate among the various origins of the problems which arise in the countries under study. The present method of presentation does not distinguish exceptional factors—such as bad harvests, or a country's sudden loss of part of a country's man-power as a result of returning former prisoners of war to their countries of origin— from the permanent problems resulting from the very structure of a given country, for example, its lack of coal. It is indispensable that this should be brought out more clearly, for consequences of great practical importance must evidently follow from the distinction between exceptional and very temporary factors, and permanent structural problems.

The French delegation feels that, without ignoring exceptional circumstances and while attempting to handle them in collaboration with the specialized agencies, we should push our studies and labours on a broader front, to deal with the more permanent problems requiring directives of economic policy. For such directives the various countries are sometimes badly prepared, and they look to an international authority for guidance.

Governments are transitory; they undergo political, ideological or other influences. They often attend to the most pressing needs first. In these circumstances it is really important that an international body should from time to time submit to them more general and vast perspectives, and should present everyday problems in their true proportion.

*Usefulness of a synthesis.* The French delegation is anxious that no one should misunderstand this statement. No one, least of all the French delegation, is maintaining here that an international policy decided upon here or elsewhere can make it unnecessary for each country to make its own decisions. Internal efforts are and remain indispensable. No international action absolves countries from the duty of pursuing a vigorous domestic policy of economic recovery, social progress and sound finance.

Furthermore, we know very well that we cannot here make decisions which would be, or would become, binding on the Members of the United Nations. But it may be hoped, and we for our part hope, that governments will endeavour in the future to direct their national policies and to co-ordinate their efforts along lines most beneficial to all, and in the light of the thorough exchange of views in this Council and its various organs.

The descriptions now before us, provided by the Secretariat, show that everywhere, in countries which in other respects are very different from one another, the same ills exist. On every page of these reports there is mention of the shortage of coal or power, of malnutrition, of inadequate supplies of strong currencies, of inability to practice multilateral settlement, of inflation — sometimes from internal causes and sometimes as the result of general and collective influences — of insufficient equipment in under-developed countries or of worn-out or wrecked equipment in war-devastated countries — which amounts, after all, to the same thing — of the necessity for modernizing the methods of agricultural production, and so on. Everywhere the same evils appear and the same observations are made. These, then, are largely international problems.

It is perhaps a weakness of the reports submitted to us that they do not make this synthesis, do not present this common aspect of present problems. No one, however, can fail to recognize the collective nature of the principal ills from which the world is suffering.

With regard to these common anxieties to which I have alluded, our past discussions have, apart from resolutions adopted on particular and often small matters, been characterized by a great timidity in the face of subjects which nevertheless arouse the concern of all peoples. We have very often spoken of reconstruction in our discussions. But what is reconstruction? Does it mean an exact reproduction of what existed before 1939? Or are we going to advise the devastated countries to construct a better co-ordinated world in which there will be less competition — in sum, a world less at the mercy of crises and war? If we mean that, how are they to set about it?

We have also spoken of the industrialization of new countries, of "development." But what criteria are we going to offer the new countries? Ought they indiscriminately to encourage all investments, systematically create supplementary and rival industries, fall into the mistakes which the old industrialized countries made before them? What is our counsel in this matter? What criteria are we going to offer those who are pondering these problems? Are we not, unless we are careful, going to see the establishment of new autarchies with their familiar train of conflict and poverty?

One of the reports submitted to us reviews various national plans. There are countries with plans for four, five or ten years; plans for textiles, agriculture or transport. It would have been a good idea to give us a synthesis of these plans and programmes, to present us with material showing whether there was any duplication, any danger of over-equipment or, on the other hand, any gaps. Such a collation of national plans ought to be undertaken, and we would ask the Secretariat to proceed with it soon, because all of us shall have conclusions to draw from it.

Another example: six months ago we had a report from the Economic and Employment Commission. Did we draw from it all the necessary instruction and conclusions? Did we carry out the whole of our task? Did we do all it was our duty to do when we simply referred it back to the Commission without extracting from it the useful ideas which might have been employed as starting points for the gradual determination of this Council's economic policy?

Some people say that that is too ambitious a view, that our resolutions will always remain without effect. The French delegation does not believe that.

Our resolutions will, at least to begin with, have the effect of in some way educating Governments and responsible statesmen, of supporting actions of theirs which are sometimes unpopular or contested in their own countries even when designed to combat poverty, undernourishment, and inflation. Our resolutions may also have the effect of alleviating the sacrifices and efforts of various countries by demonstrating to public opinion that these efforts fall within the framework of a long-term general policy proposed by our Council to the United Nations.

Our resolutions will also acquaint public opinion with the danger of economic nationalism. Lastly, they will have the advantage of providing specialized agencies and regional commissions with the common political guiding lines which are necessary if we wish to avoid the contradictory policies or scattered efforts against which the French delegation has often cautioned this Council.

How shall we succeed in adopting the resolutions which we feel to be necessary? The volumes which have been distributed to us are descriptive, not constructive. It is not, indeed, for the Secretariat to propose to us positive conclusions or steps to be taken. That is within the competence of the Economic and Social Council.

The Economic and Social Council cannot, however, improvise sound conclusions in this discussion, which, I repeat, has not been sufficiently prepared. The only immediate solution, and this is what the French delegation proposes, would be to refer these important documents to the Economic and Employment Commission, and that body should then submit concrete proposals to us as soon as possible.

In order, however, to give the Commission some idea of what this Council expects of it, it is desirable that members should, in the Council, offer some general comments which the Commission will be able to compare and so improve upon. That is what I am now about to do on behalf of the French delegation.

### *General Comments*

The economic troubles of the world at present are not principally due, as might be believed, to a kind of general impoverishment afflicting the different countries as a result of the destruction caused by the war. This general impoverishment is actually accompanied by more complex changes, disturbances of balance, what the economists of the New World often call distortions. There are distortions which can and must be corrected. There are also some which, being permanent, cannot be corrected; and it is for that reason that reconstruction will not consist in a systematic rebuilding of the former economy, either in Europe or in the other countries which have directly or indirectly endured the consequences of the war.

Certain irreversible changes have taken place, and we must try to get as clear an idea of them as possible in order to ascertain which of the former conditions reconstruction should seek to restore, and at the same time to perceive what new and original aspects the world economy will assume.

*Distortions resulting from the evolution of the population and of agricultural and industrial production.* I should like to give first an example of distortions or, rather, a series of examples resulting from the respective evolution of three curves: those for world population, industrial production and, lastly, agricultural production.

With regard to population, the report before us shows that the world figures are 10 per cent higher than before the war. But this percentage is really a summary indication from which we cannot conclude very much, for the distribution is extremely unequal. In some countries the present population is much larger than before the war; in others it is smaller.

If we look at the curve for world industrial production, we find that such production has by now almost returned to pre-war levels. But there again we observe extraordinary disparities in the distribution of the results obtained. And then this industrial production, which is almost equivalent to that of the past, is not available to give the population the standard of life to which it aspires. A large part of industrial production is reserved for reconstruction needs, for investment purposes for industrial development. Available resources consequently fall far below consumers' demands, while these consumers are, as the first curve shows, far more numerous than before the war.

Agricultural production presents a different phenomenon. In spite of the efforts undertaken in the various countries, production remains

appreciably below the pre-1939 level. There are more mouths to feed in the world, and there are fewer food resources available. To this must be added that agricultural production itself has received little stimulus, as I have just pointed out, because the supply of available industrial products is inadequate.

It is a phenomenon which had not, perhaps, been foreseen, that the food shortage and inflation, which are in turn both cause and effect, should be so closely bound together in the picture of our present situation.

Sometimes inflation brings lack of confidence in the currency. It encourages the farmer to store his produce instead of selling it, to demand higher prices, to give up production of certain useful crops in order to concentrate on other less essential ones — and this, incidentally, is another serious distortion. Sometimes the phenomena develop together in close interconnexion and originate in the behaviour of the consumer. A given population does not easily renounce the nutritional level to which it has been accustomed. It strives to maintain it at whatever cost — if necessary at the cost of sacrificing other less vital commodities. Furthermore, the economic policy of the United Nations is aimed at the achievement of full employment and encourages modern social legislation. In other words, its purpose is to provide the least favoured classes with a greater purchasing power. An increase in this purchasing power, at a time when resources in available foodstuffs are slender, creates a trend towards higher prices and inflation which are both fraught with the utmost perils. It is a fact that any increase in the purchasing power of the least favoured classes is reflected first in the food market, for priority is given to the satisfaction of the paramount need for food. It follows from this that the whole social policy to which we of the United Nations are devoted is inconceivable unless agricultural production increases as rapidly as possible and unless existing resources are distributed as equitably as possible.

I do not dwell on this idea, though to us it seems essential. It was developed yesterday by the French representative in the course of the discussion on the suggestions made by the Food and Agriculture Organization of the United Nations. It is, however, a point which hitherto had not received sufficient general recognition. The Economic and Social Council and the Economic and Employment Commission must treat it as being of primary importance.

In this respect I should like briefly to mention certain interesting and, to some extent, disturbing items of information supplied by the Food and Agriculture Organization. The FAO's forecasts of food resources convey the idea that surpluses, or at any rate apparent surpluses, in agricultural products might occur quite soon as a result of inadequate purchasing power. According to the Food and Agriculture

Organization, that would depress production, with the consequent effect of creating a permanent shortage and hence halting, practically forever, the improvement of standards of living. We feel that this danger, which may materialize in the course of the next few years, should be countered at all costs. It is a problem to which the Economic and Social Council can certainly not be indifferent.

*Distortions resulting from the divergent economic evolution of the countries.* I should like now to consider another distortion, or rather a category of distortion, which has already been mentioned in the course of this discussion. I refer to the changes resulting from the very divergent evolution of the economy of the United States and a very few comparably situated countries, and the economy of other countries.

I think I am right in saying that current production in the United States of America is about 80 per cent above pre-war levels, while other countries are producing less and some of them, much less. Some have not even yet reached a level representing 50 per cent of their pre-war production.

The result is a considerable disequilibrium between one country with a very high productive capacity, and the other countries with very depressed productive capacities. That involves a disequilibrium which is reflected in their exchanges. The exports of the United States have grown colossally, without any counterbalancing increase in imports. The volume of the exports of that country is at present two and one-half times greater than in 1938, while the volume of its imports has increased by barely one-third. If instead of comparing volumes we compare values, we find that between 1938 and 1947 the balance of exports has increased tenfold.

This dislocation is felt not only, as might be thought, in relations between the United States of America and the war-devastated countries of Europe and Asia. It also has repercussions in other areas of the world. At previous sessions as in this one, we have heard very interesting information as to the repercussions on Latin America. Before the war these countries imported goods from Europe and exported their produce to the United States. Now this balance has changed. The countries of Latin America sell heavily to Europe and their trade balance with the United States of America has become unfavourable.

This general evolution of international trade has led to what has been called the "dollar problem." Since the American market is by far the most important among those from which indispensable food commodities and industrial products can be bought, the dollar is very much in demand; but the other countries, many with a small productive capacity unable to meet even their own domestic requirements, cannot from their sales obtain the resources necessary to finance their purchases.



To remedy this situation, the Government of the United States has adopted a series of successive measures. First there was UNRRA, then came United States participation in such international bodies as the International Bank for Reconstruction and Development and the International Monetary Fund, then the large loan granted by the United States to the United Kingdom in December 1945, and then loans granted to various countries in many forms. More recently there has been interim aid. Never in history has a country favoured by nature and circumstances aided the unfavoured countries so generously. There is no comparable precedent, and we should all bear in mind the size of the contribution which one country has made to the others in order to help them in their efforts towards recovery.

But the steps which I have just named were temporary means of action rather than solution. We must strive to re-establish the fundamental balance as quickly as possible, either by reducing the general demand for dollars or by raising the demand for other currencies.

The first means to achieve this result is clearly to expedite the reconstruction of the economies of devastated countries. If, as there is every reason to hope, Europe produces more in the next few years, Europe will be able to reduce its purchases in the dollar area to some extent. It will also be able to increase its sales in the dollar area and to resume exports both to Latin America and to other regions of the world. Thus European reconstruction — and the same can be said of the other regions directly affected by the war — is one of the most effective methods of contributing to the restoration of that fundamental equilibrium which is at present profoundly disturbed.

Even before reconstruction has been completed, however, it will be most desirable and urgent to put to work the means of production now lying idle. Let me quote an example which can hardly be challenged and which concerns my own country: the French iron and steel industry. That industry has a productive capacity which is at present far from fully exploited. It has never in the past been a danger to peace and hence there would appear to be no political risk in increasing its activity to a higher level. That is why we have frequently asked that the industry should be set on its feet again, both in the general interest and in the interests of France, before the German industry.

It has been the intention of the French delegation to illustrate both by this example and by the remarks which preceded it, the idea that Europe must endeavour to meet its requirements by making the best possible use of the resources at its disposal and by first exploiting its own resources, in order to reduce the extent to which, during a transition period which we must try to shorten, it will have to draw on external supplies.

#### *Internal distortions: Europe*

If we now examine the situation of the devastated countries in relation to each other, we shall note further distortions, which are,

as it were, internal distortions. That is very clear in Europe, for example. The unfortunate contraction of trade between eastern and western Europe has been mentioned several times during this discussion. That phenomenon, it is true, is not absolutely general. There are countries classified as belonging to eastern Europe, such as Czechoslovakia, which continue to transact a large part of their foreign business with the west; and there are others, classified as part of western Europe, like Switzerland, which carry on a large proportion of their foreign trade with eastern Europe. On the whole, however, it is true that Europe is having great difficulty in reviving the commerce which used, traditionally, to be carried on between east and west.

French governments have done their best to avoid this situation; and France greatly regrets the fact that this state of affairs persists. At the sixteen-power Conference which met in Paris last summer, France played its part in advocating the need for a restoration of trade between eastern and western Europe. We all know that western Europe must obtain some of the coal, timber, cereals and even machinery for which it is now looking to America, from the European continent itself. We also know that eastern Europe needs materials and manufactured products which are obtainable from the west. We are therefore not content to see the present state of affairs perpetuated and we intend to do everything in our power—as we have done in the past—to restore the flow of trade which we believe to be indispensable.

Furthermore—and this is another interesting anomaly—the present situation is producing certain consequences to which we have already drawn the Council's attention. At present, European countries export principally to countries where they are paid in dollars, and not to those where exports would have the maximum economic effect. The French delegation has already during this session mentioned one example which is indeed unexpected from the economic standpoint, namely that western European countries—mine and others—are at present exporting automobiles to the United States in order to obtain dollars, though the steel used in the manufacture of those automobiles would certainly be better used, from the economic standpoint, in building tractors for which there is actually a crying need in Europe. I could cite many other examples, but there is no need for me to do so since all members of the Council are aware of the situation.

What then is the cause of the difficulties which we meet in our efforts to restore trade within Europe? Our colleague, the distinguished representative of Poland, has attributed it to the discrimination which he declares has been shown in the allotment of foreign credits. This discrimination, he says, has split Europe into two and hampered both production and trade.

It is only just, however, to recall the conditions under which the

most recent distribution of the credits referred to by the Polish representative was decided a few months ago. The objective proposed at the discussions in Paris last summer was the organization of European self-help, that is, a co-ordinated programme of European production and trade among European countries, to be stimulated and supplemented by external aid. Several countries felt unable to contemplate such a co-ordination of their programmes of production and trade with the other European nations in this manner, by a joint examination. In spite of the express assurance which had been given—and which France was particularly anxious to receive—that each country would remain full master of its own decisions, certain countries feared lest a simple comparison of the plans and programmes of the European countries in relation to each other might entail an infringement of their sovereignty. Their final choice was motivated by a lack of confidence which France regrets and continues to deplore, and which must be removed if Europe is to recover.

#### *Situation of France*

Since I am speaking particularly of the European situation, may I be allowed to digress at this point and explain to the Council, very briefly, the present situation of France. Immediately after the liberation, my country tried to make an estimate of the damage and to draw up an appropriate working plan for the future. The balance-sheet of the havoc was unfortunately only too eloquent. It showed the bitter losses of men of productive age; the obsolete state of the industrial equipment, which could neither be replaced nor even maintained during the war years; the destruction of real property, much greater than during the previous war; a general deterioration of agricultural productive equipment; the disappearance of foreign assets and revenues; and, finally, the exhaustion of our reserves of gold and foreign exchange.

Some of the losses I have just enumerated will be remedied or made good. Others, however, are irreparable, at least for some time; and the France of tomorrow will therefore certainly not be exactly comparable, in its economic structure, to the France of yesterday.

My country has buckled down to work. It dealt first with the basic problems and bottle-necks. We made immediate and energetic efforts in the field of communications, and we have almost totally restored our road, railway and inland water transport systems. We then proceeded to tackle the sources of energy: we have developed our coal production by every possible means and achieved a degree of extraction well above the pre-war level. In the same way we have increased our production of electricity. We then applied ourselves to agricultural production. This year seed planting, including cereals sown, will be much higher than in any recent year; we are hopeful that they will be on a pre-war scale. France must make the greatest

possible use of its resources and produce most of what it needs, particularly food, since it can no longer draw on income from foreign holdings which, as I said a moment ago, are exhausted.

It is in agricultural production, in which we still have great arrears to make up, and in exports, that the greatest efforts must be made. To stimulate our exports we recently carried out a monetary reform — the method of which has sometimes been criticized — whose principal object is to improve our balance with the dollar bloc. I must add that this reform includes the necessary provisions to ensure that no other country shall in any way be hindered in its own efforts for recovery.

Whatever our efforts, however, and whatever the energy which we are determined to exert, we are not under the illusion that we can settle all our problems alone. Some aspects of our situation inevitably involve our relations with the outside world. To quote only one striking example, which need not be elaborated here, we have always been importers of coal, and we shall remain importers, and heavy importers of coal in the future, whatever happens. Similarly, our efforts in the economic field have always been largely affected by our situation in Europe and by threats to our security in the past. When I speak of coal and mention the need to place our future security on a stronger basis, I am inevitably led to refer to the German problem.

### *The German problem*

May I say at the outset that the present situation of Germany does not emerge clearly from the report; and that, in fact, is one of the most serious gaps in the material before us. Information on Germany is only given indirectly, in so far as it emerges from the reports of the sixteen-power Conference in Paris. Moreover, these figures deal only with western Germany. We sincerely hope that the Secretariat's future economic reports will fill this gap.

France is very much exercised by this problem; France is the last country to ignore the importance of the German problem. It would be self-deception to fail to realize that Germany, not being self-sufficient — and the more Germany becomes self-sufficient the more dangerous it is likely to become — must be able to exchange its industrial products for the agricultural products and the raw materials of other countries. But we would be misunderstanding, not only the German problem but also that of the countries devastated by Germany, if we were to devote ourselves to developing German exports without taking the necessary action to further the recovery of the countries which were Germany's victims. Priority should be given, not to Germany, but to the devastated countries, as I said a few moments ago. That principle has been solemnly and repeatedly acknowledged, both on elementary moral grounds and for political reasons. From the economic standpoint too — though it is correct to let Germany find markets

enabling it to obtain vitally necessary imports — it would in our opinion be lacking in imagination and common sense to wish to restore its structure and power to a pre-war level; for we cannot forget that this structure and power were only achieved by an unprecedented rearmament drive.

Consequently, the reduction of the German potential is both an act of justice and of political wisdom; but it is also an economic necessity if both catastrophic competition and the encouragement of more or less clandestine rearmament are to be avoided.

Reduction of industrial potential is synonymous with transfer of certain fields of activity. That would be just, and the transfer could be made to countries capable of development and already in possession of equipment and productive capacity, lacking only some elements which exist in Germany — a moment ago I cited the example of the French iron and steel industry — and to countries with heavy current reconstruction needs.

So far as the west is concerned, the problem of the transfer is, to call things by their proper name, the problem of the Ruhr. Henceforth part of what used to be produced on the spot by means of Ruhr coal must be produced in neighbouring regions outside the German frontier: in Belgium, Luxembourg, France, Italy and perhaps other countries.

If this programme is to become a reality there must obviously be international control of the Ruhr. Such control would not in any way be incompatible with the principle that Germany must be able to export enough to live; for the branches of production which must be scaled down from their pre-war level are:

(1) The manufacture of all finished products in so far as they directly serve the armaments industry.

(2) The manufacture of export products in so far as they served to pay for imports for purposes of armament.

Surely, no technical objections can be raised to a programme of this nature.

There is another point which must be clarified with regard to the German problem. There exists a policy which, under the cloak of the slogan of a return to full freedom of enterprise, is urging the investment of foreign capital in Germany in order to aid its recovery and reduce the charges now being borne by the occupying powers. Some documents recommend that foreign capital should play a pioneer role in the re-establishment of the German economy. There is talk in them of "attractive opportunities" open to the investment of capital in Germany. If such a course is adopted without prudence, guarantees, control or restrictions, powerful interest groups will be created, whose

efforts will inevitably and constantly be exerted on behalf of Germany. The influence of such groups in the countries of origin of such invested capital would clearly operate in favour of German interests. The interest groups of which I have spoken would very soon be led to defend the German standpoint and to ask for the dropping of the restrictions which all governments now deem necessary, either for political reasons or by virtue of higher economic considerations.

To sum up, no one denies and no one can reasonably deny the need to put Germany back to work, so that it may no longer be a charge on the occupying countries but may, on the contrary, pay them the reparations which it owes them, while providing its population with a proper standard of living. But I must repeat once more in this connexion that my country could not approve that this standard of living should be higher than that of the French, considering that France has suffered so much from events for which Germany is responsible.

No great vision is needed to execute a programme to put Germany back on its feet under the conditions which I have just summarized. This is, however, one of the clearest cases in which reconstruction does not consist in blindly re-establishing the *status quo*. Germany should be directed towards productive activity, but the ways of military economy and autarchy should be closed to it.

### *Conclusions*

Let me now conclude this digression on Germany. I ought to say at once that other countries, too — in particular those which were the direct victims of the war — have lessons to learn from the events of these last years. The report which we are analysing tells them that they must develop their production, and particularly, perhaps, their agricultural production; that they must balance their budgets and strengthen their currency; that they must boldly develop their exports; and finally, that they must organize the rationing and control of scarce or insufficient products. This last point deserves a brief explanation.

The day before yesterday our distinguished colleague, the representative of Lebanon, expressed the view that controls and planning efforts were the result of ideological or doctrinaire preferences. Actually, the truth is rather that in certain countries they result from inescapable necessity. We have heard what is nowadays called in France “dirigism” or economic planning and used to be called “interventionism” or state interference, condemned in the Council. But are we not constantly guilty of “dirigism” during our meetings when, in examining items on our agenda, we try to decide how appropriate measures would enable us to overcome the difficulties reported on all sides? The same is true in each of our countries.

The distortions which have reshaped the economies of some countries necessarily involve profound changes in their attitudes and their daily economic policies.

The representative of Brazil told us yesterday that Latin America could not be reconstructed on its old foundations. Let us have the courage to admit that what our colleague said so rightly of the region of the globe which he represents among us applies to other countries too.

Take, for example, a country which was traditionally a creditor country, and which every year received large financial payments which enabled it to compensate for the deficit of its balance of trade. That country has now become a debtor country, and must now create a favourable trade balance. Instead of enjoying a comfortable standard of living and instead of consuming products sent to it from all over the world, it is obliged to suffer restrictions and privations, and to impose upon itself a regime of austerity for which it was neither technically nor psychologically prepared.

A great nation which showed indomitable courage, tenacity and calm during the darkest days of the war is today giving us the equally splendid example of a people freely accepting the restrictions inevitable for its recovery. These sacrifices, of course, will not indefinitely remain at their present level — the British people will gradually recover a higher standard of living — but it is clear that the economic structure of the British Empire will not be similar in all respects to its former state. Here too the war has given rise to an unbalance, the effects of which will be lasting and, to some extent, permanent.

I could name another country which presents an entirely different picture but which, again, will not recover its former type of economic equilibrium. Traditionally a debtor country, it has now become a creditor country. It previously exported a large part of its production in order to meet its external obligations; and to avoid the balancing of its exports by equal or higher imports it instituted high tariffs. Behind this screen of protective duties it was able to build up powerful industry — the most powerful in the world — and modern and prosperous agriculture. The situation today is quite different. That great country has now become the creditor of the entire world and is obliged to help its debtors to free themselves from their obligations to it — which they can only do, in the last resort, by means of goods and services. It is therefore compelled to import, in order to sustain demand in the client countries and to enable them to pay off their debts; it will be obliged to achieve and maintain full employment in its domestic economy; to export at prices which its customers, who in many cases have no financial resources, can afford to pay; and it must therefore avoid excessive rises in prices.

**Mr. GELISSEN, Netherlands**

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The transformation from a debtor economy is a difficult structural change which demands both farsightedness and courage on the part of governments.

It would be unfair not to recognize that the responsible statesmen of the great American republic have lacked neither of these qualities; but there are areas of resistance in some sections of public opinion, which arise from a misunderstanding of the real problems and from the illusion that the world today is or can again become identical with the pre-war world. It is essential therefore that the United Nations should contribute towards spreading and disseminating the facts and the constructive conclusions to which those facts lead. The first of those conclusions is that the world of yesterday cannot be reconstituted and that we must be prepared for a different life from that which we knew and which the timid dream of recreating. That is why debates of this kind are useful, as are the Secretariat's reports, which ought to be still more numerous and complete and receive increasingly wide publicity in the future.

Let me add that we believe that the present debate has been of great use in making it possible for the various delegations to compare their opinions, which have sometimes been at variance, but are nevertheless extremely important. Our Governments should therefore be enabled to study and ponder this debate at their leisure.

The French delegation, asks that the verbatim record of this debate be circulated among members of the Council and the specialized agencies. In view of the inevitable shortcomings of simultaneous interpretation, and of the gravity which some misunderstandings in a discussion of this kind would inevitably produce, we should also be very glad if the various delegations were given the opportunity of revising and correcting the translations made of their speeches during this debate.

Such are the very general comments which the French delegation felt was its duty to offer in the course of a discussion which in our view is only the first of a series from which we expect very fruitful results in the future.

Our delegation reserves the right to develop or, more correctly, to supplement these observations either in the Economic Committee or at our next session, since it is convinced that exchanges of views of this kind can be of great help to the work of the United Nations in its struggle against poverty and war.

**Mr. GELISSEN, Netherlands**

We all agree that the Secretariat has done a good and important work in completing the *Economic Report* in a very short time, and in giving the facts underlying the economic recovery of the world. The data in the report form a good guide for reconstruction and recovery.



They indicate the weak points, and can be a basis for the restoration and re-establishment of sound economic relations among all countries.

We are aware of the fact that nowadays we cannot live on the same level of prosperity as before the war. In a number of countries huge quantities of goods have been destroyed, and we cannot destroy economic values without influencing our economic and social standard of living. Whether the productive capacity or the commodities destroyed belonged to allies or to former enemies is irrelevant; economic destruction means lowering our level of living.

In an economic sense, all countries are dependent on each other. An interchange of goods and services that has grown along historic lines cannot be impaired without repercussions on the economy of the countries involved. Besides the destruction of economic assets, this is a second reason for the unfortunate situation in which many of us still live.

A third reason is the shortage of production, such as coal production in Germany. We need a certain time for recovery. An important factor, as we know from the report, is the extent of the economic damage. The figures show exactly where the shortages are. How long it will take to do the job depends on the method followed in reconstruction and on our efficiency.

Another difficulty arises from the fact that some countries have a strictly managed economy, while other countries practise more freedom in economic life. A small country with few natural resources has to adapt its economy to both policies. A large country provided with many natural resources and raw materials has these difficulties to a much lesser extent. A small country can try to follow a certain economic policy by concluding bilateral treaties, but it will still remain dependent on the policies of the countries with which it is dealing. Countries are unavoidably dependent on each other; they have grown up in that dependency; balances of payment are there to prove it.

Much has changed since the war. Creditor states of before the war became debtor states after the war. Countries which before the war had a positive balance of services and interest now have a negative balance. How can they manage if they also have a negative trade balance?

These are only a few instances which show that we have to cope with strongly changed circumstances. Countries which before the war formed an economic unity have been split up, have lost parts of their territory and have changed the direction of their foreign trade. Such are the circumstances in Europe!

In the meantime, many economic assets still exist. It is our task and our duty to use them to the benefit of all. The only question is, how?

Before 1940 we lived in a period of autarchy and many countries strove for economic independence. This was the aim, not only of newly formed states, but a number of large states also strove to be as independent as possible in order to be prepared in the event that war broke out. Policy often was governed by fear and anxiety, or by pride and megalomania. Economic policy was not directed by comprehension of each other's needs, and was not based on the fact that we all are economically dependent on each other. Do our countries, after this cruel war, now really accept the fact that they are dependent on each other and will they build their policy on that dependence? If we really do so the United Nations will bring a blessing to all of us.

In Europe we notice with satisfaction an earnest desire for co-operation. Before the war, I myself advocated, in speeches and writing, economic collaboration between Belgium and the Netherlands. We took the first step by establishing a customs union between these countries. Other, more important, steps leading to a complete economic union will be taken in the near future. Thereafter Belgium, Luxembourg and the Netherlands, known as "Benelux" will be an economic unit with twenty million inhabitants. Industries, traffic systems and agriculture will then have a common market of twenty million consumers. I think that this is a good example of how to alleviate the situation we are in.

We see the same tendency in the plans for a customs union between Italy and France and in the discussions now taking place concerning a European customs union.

All these efforts are not only a natural reaction to the pre-war autarchic period; according to my opinion, they also prove that leading statesmen and economists in Europe are convinced that intense economic collaboration is necessary to attain the goals we have in mind, that is, as much spiritual freedom as possible, and as great a material prosperity as possible.

We also see another reaction. During the years 1870 to 1914 we experienced a period of moderate economic freedom; there was great prosperity, but social conditions were backward. A beginning was made to improve these conditions. Now the question arises whether, in order to obtain a higher level of well-being, economic freedom should be restored or further restricted. I only raise the question, but I think it is a very important one. For the time being, at least, the answer to this question is forced upon us by a great number of immediate scarcities; free decisions on economic policy to be followed can be made only after the most urgent needs have been met. Therefore Mr. Marshall's speech at Harvard University in June last year was gratefully received in my country and in many other European countries.

We realize that, even with the assistance of the United States, it will not be possible to attain the pre-war level of economic life in the

near future, but it must remain our goal to regain this level and even to surpass it. I do not say this only for my own country. Nobody realizes better than we in the Netherlands how much a country's economy is dependent on the economy of its neighbours, and, as a matter of fact, of the whole world. Even for purely selfish motives every country has an interest in the well-being of every other nation.

I now want to discuss a few specific points in the light of the data and figures which the *Economic Report* has brought to our attention. During the general debate in the second session of the General Assembly, the Netherlands delegations stressed the point that in order to attain international economic reconstruction of world economy the reconstruction of Europe was the most urgent and most important of our short-term problems. Since then the report has clearly confirmed our assertions on this point. The greatest distortions of pre-war economy have taken place in Europe. While world production of fuel and energy is at 118 per cent of pre-war times, last year's production in Europe was at 87 per cent of the pre-war level. Agricultural production of six important commodities in Europe declined from a pre-war average of 250 million metric tons to 178 million metric tons in 1947. The table on page 14 of the report shows clearly the dangerous trend of the balance of payments in many countries of Europe, especially during the last year, while the table on page 13 shows the rate of industrial recovery in certain European countries and indicates a dangerous retardation, and even decrease, in the third quarter of 1947 in many European countries. All these figures confirm the fact that European economy, still on a low level, is hesitating in its recovery and is even in danger of a new decline. Therefore there can be no doubt that, seen from the point of view of world economy, the financial and economic aid which is now under consideration for European countries is urgent and necessary.

The data of the *Economic Report* also show clearly how important the economic position of the United States in world affairs has become since the war. World economy is now dangerously dependent upon the economic life of one country. More than ever before, the domestic policy of the United States influences world affairs. Mr. Thorp a few days ago stressed the point of domestic policy. He will, however, agree with me that this applies especially to his own country, when seen from the point of view of quantitative importance. The great wisdom which the American administration and several American committees have shown in their planning for European aid in the past month rouses expectations on this point also.

In this connexion I should like to quote a sentence on pages 20 and 21 of the report: "In the long run, the dollar shortage can be eliminated only through larger oversea purchases of goods and services by the United States. Larger purchases, of course, depend in the first instance on increased production in the exporting countries, but they also depend on continuing prosperity in the United States and on its

willingness to accept imports from other countries." Will it ever be possible for those European countries which will get financial aid from the United States for many years to earn their dollars by exports to the United States? Will it ever be necessary for the United States to import so much foreign goods while it is, itself, the first industrial power of the world? I am afraid that this is impossible and therefore it is necessary to see the rehabilitation of Europe, not primarily as a rehabilitation of equilibrium in the balance of payments with the United States, but as a part of the general recovery of world trade, in which triangular settlements of accounts will be possible.

Finally, I want to make a few remarks on Dr. Lange's speech and especially on what he said about Germany. We belong to those European countries, as this Council knows, which have been overrun by Germany, whose economy has suffered badly — more than the economy of any other country in western Europe — from systematic German looting and ravaging; and my country is not so fortunate as Poland, which nowadays possesses the only great industrial area of former Germany that suffered no damage from the war. We have no German resources at our disposal; on the contrary, we lost our income from trade with Germany and also, for the time being, from our investments in that country. So when the Polish representative states that priority must be given to the victims of German aggression we sympathize with him with all our heart.

When, however, we use our economic intelligence, we cannot follow the honourable representative in his argument. Germany happens to be the centre of Europe, with a population of sixty million, with great resources and, as we know from bitter experience, with technical skills. It is not our task here to discuss political matters with relation to Germany, but I need not say that political guarantees against repetition of 1914 and 1939 are the first requirements for the future of Europe and the world. But reviewing the economic data and figures of this *Economic Report* with relation to Europe, it is clear that we cannot afford — and this is valid for every country of Europe — the continuation of economic distress in Germany.

The Polish representative made an interesting attempt to prove that, by directing international investments to those countries where they will yield the greatest productivity, European economy could be more quickly and effectively restored than is being done now, because financial assistance has been allocated to the wrong countries. I am afraid that this is a dangerous argument because it seems to me that in that case the best results would be obtained, for instance, by throwing the full weight of assistance into parts of Germany like the Ruhr. Therefore I prefer not to follow him in his somewhat sophisticated argument but simply to state that economic aid for Germany is necessary for the rehabilitation of Europe but — and on this point I can follow my Polish colleague to a certain extent — it would be unwise and

very unjust to favour Germany more than its victims. The Polish resolution, however, in its paragraphs 4 and 6, which deal with this matter, seems to my delegation unnecessary. By requiring that the centre of economic power be shifted from Germany to other countries without pointing out ways and means of dealing with the population of sixty million and some of the great industrial capacities of Europe, our Council would give proof of a lack of economic responsibility which my delegation would not be able to support.

These are the few remarks to which the report and the discussions have inspired me.

**Mr. CHANG, China**

The *Economic Report* before us is commendable as a whole. In a work covering so wide a field, and dealing with so many intricate and interrelated factors and problems, it is impossible to present an analysis that would meet the approval of all. The Chinese delegation, however, wishes to express its sincere appreciation for the praiseworthy efforts on the part of our competent and devoted Secretariat. In brief, our appreciation may be summarized in the following four comments: first, the general arrangement of the contents, clear; the analysis of facts, valuable; the presentation of urgent problems, suggestive; and the warning of imminent dangers, thoughtful. I hope the Secretariat will not rest on the laurels of these four words: clear, valuable, suggestive and thoughtful, and will go on to improve their own good work. With this remark on the salient features, I now come to some specific observations.

However, I limit my remarks to the composition of the report and refrain from indulging in dissertations on policy. First, there are certain omissions in content, the inclusion of which may make the picture of the world economic situation more complete. The war has wrought many changes in the economic structure of different countries, such as the nationalization of central banks, of industries, of transport; land reforms of various kinds, the adoption of new means of transportation and communication. Furthermore, the distribution of wealth and income in different countries has also been affected by the impact of the war. An adequate background of all these changes would be helpful to the understanding of world economic conditions and trends.

My second observation is the difference in importance that the report assigns, in its discussion, to different countries and territories. Unquestionably, the report is written with the industrialized countries occupying the centre of the stage, and their economic conditions and problems receiving chief attention. Nobody would dispute such treat-

ment since, economically, these countries are at present the most important in the world. This does not mean that the under-industrialized countries are not important in the discussion of world economic conditions and trends and that their conditions and problems can be passed over without equally weighty consideration. As a matter of fact, if we reflect on the fact that most of the countries are under-industrialized at present and that at least 65 per cent of the world's population is in these areas we see no reason why their economic conditions and problems should not receive due consideration.

During the second session of this Council in 1946, I had the honour to call the attention of the Council to the importance of the development of what I named the under-industrialized countries in a statement entitled "World Significance of the Economically Low-Pressure Areas". The problem of development is one of the most important economic questions in the world. We all realize that unless the development of the under-industrialized areas is achieved, the world cannot possibly attain economic tranquillity. It is also plain that the development of under-industrialized countries will not only confer higher standards of living on the people within those areas but will also give us the clue to the solution of the problem of stability and full employment in the industrialized countries. It should receive, therefore, in a report like the one before us, weighty consideration and proper emphasis in both description and analysis. Yet of the total 290 pages which constitute the main body of the report, only one chapter of fifteen pages, entitled "Progress of Economic Development" is devoted to this important subject. In part II, where regional economic conditions are discussed, the report gives twenty-one pages, out of a total of 153, to the description of Asia and the Far East.

Summarizing my second observation, I may say that the report gives an unbalanced description of the world economic situation because of the lack of due consideration given to the under-industrialized areas.

Thirdly, and lastly, my observation is that the report has not seemingly distributed its space between description and interpretation well. Parts II and III of the report are chiefly descriptive in nature, with occasional and sporadic interpretations. Part I may be said to be interpretive, wherein the main conclusions of the study are consummated. However, of the twenty-eight pages of that report, about ten are taken up in graphs, tables and footnotes, the interpretative account occupying not more than eighteen pages. In a report of this nature, which it is hoped may be read by many persons who have no training in statistics or technical economics, and of which the data and conclusions may be quoted and utilized for various purposes, it seems essential to develop the interpretation of facts more fully and to guard the conclusions more adequately with illuminating qualifications. I am in agreement with the main conclusions reached

in the report, and accept its logic of reasoning, but after hearing what the various distinguished delegates have ably commented on the report, I cannot help but agree, particularly with the comments of my Canadian colleague, that the interpretation of the facts presented is drawn up too much in black and white and that more areas of grey shade could be wished for. In order to make this valuable report still more valuable, the embodiment in it of more interpretative accounts, with fuller explanations of the sequence of reasoning, may be a desired improvement.

**Mr. MONGE, Peru** (*translated from Spanish*)

The Economic and Social Council, which has the responsibility for finding solutions of the world's economic, social, cultural and health problems, decided in October 1947, on the instructions of the Assembly, to study general conditions for the settlement of economic problems, with a view to raising the standard of living and providing full employment for all social groups. The Secretariat was instructed to conduct research on world economic conditions, problems of inflation and deflation, conditions of economic development and the position of the devastated countries in relation to international exchange.

The time available between the Assembly's resolution and the sixth session of the Economic and Social Council has been very short, and the investigations are proof of the careful work of the Secretariat, which has enabled the Council to appreciate the advance in statistical research and the capacity for economic investigation developed by the organization and reflected in the value of the studies submitted to us.

This *Economic Report on the Salient Features of the World Economic Situation 1945-47* sets forth certain ideas which require clarification:

The Latin American situation is studied on pages 50 to 57 of the second part of the report, entitled "Regional Economic Conditions". The section of the report concerned with Latin America begins: "The predominant characteristics of the economies of the Latin American countries remain substantially the same as before the war". Later an analysis of this subject is given under the headings of agriculture and industry, a contrast being made between the Central American countries, with their extreme lack of industrialization, and Argentina, Brazil, Chile, Cuba, Mexico and Uruguay, where an appreciable degree of industrialization has been achieved.

My delegation emphasizes the universality of the economic problem and thinks it advisable that the statistical and critical parts of future investigations should cover a greater field with regard to the economy of Latin American countries, that is to say, of under-developed countries generally.

From the point of view of the continental economy alone, it seems to us that the following main considerations will be agreed upon as applying to all the Latin American countries:

(a) With a few exceptions, the domestic economy of each Latin American country, taken by itself, is in an advanced stage of exhaustion as regards productive capacity. This is due to the deterioration of industrial equipment, machinery and tools, which were worked at high pressure and for long hours during the war. Hence the increase in production costs and the presence of inflationary tendencies.

(b) At the same time wages in the Latin American countries have gone up appreciably, without the achievement of higher standards of living, because of the inflationary spiral.

(c) Considered individually, the economies of these countries are declining as regards productive capacity; they cannot increase the purchasing power of wages and the tendency is towards uncertainty and unemployment. Taking a superficial view, however, it may be said that these economies are active and may be described statistically as "remaining substantially the same as before the war".

On the other hand, we must make the same differentiation as did the United States representative yesterday in reference to the classification given in table 8 of Part I, on foreign trade, in which countries are defined as either "surplus", "devastated" or "under-developed". In his opinion, this classification did not represent the true position in foreign trade. Similarly, the absence of a properly classified estimate of the under-developed countries exposes the Council and its technical services, which drew up the report, to the danger of making mistaken judgments. The position of all countries throughout the world, as regards foreign trade and international relations, is based on the balance of payments. Domestically, it is based on war devastation and the recovery of productive capacity, by the renewal of equipment and machinery and the building up of a minimum of permanent stocks of goods for commercial transactions.

This idea may be expressed more concisely by stating that each of the three types of economy must manifest a tendency to improve its payment balance, but that such a tendency can only begin when the country possesses normal stocks of merchandise for trading and adequate means of production.

The problem of industrial development, on the other hand, is world-wide, being sometimes simultaneous with, and sometimes subsequent to, the recovery problems of productive economies and normal commercial trading.

Dealing with international trade, the report, on page 54 paragraph 6, refers to the disappearance of the historical commercial relationship between Latin America and the continents of Europe and Asia; and



on page 20 it refers to the former triangular trade system which permitted a true economic balance between the Latin American countries, North America and Europe, and of the present lack of any multi-lateral settlement.

It is on this basis that we should judge the opinions expressed yesterday by the Lebanese representative in his important statement, for my delegation sees a direct relationship between the technical economic elements on which the Council bases its judgment and what the Lebanese representative termed the similarity between the economic facts revealed by the Council's organs and the economies of all the nations of the world. The present *Economic Report* at the same time shows with dynamic clarity how world economic potentialities are used; but this is the basic background which must be correlated with the recovery problems of multilateral trade in general, the planning of which should be in accordance with a schedule which will provide the financial stability needed to create confidence and security for the various types of investment, either government or private. Having completed this preparatory work, the Council will be able to make use of its authority under the Charter of the United Nations to issue recommendations for effective action by the specialized agencies. It should make plans for the application of the resolutions issued relating them to the actual potentialities of social and economic improvement available through the specialized agencies.

The foregoing is intended to show that reports should greatly develop the policy governing world investment, which the International Bank for Reconstruction and Development, quoted in the present report on pages 277 and 278, lays down as a practical principle, calling it "strategic use of funds"—a phrase which is open to some misinterpretation.

Further concerning the section on the International Bank, pages 277 to 284, we must point out that only two Latin American countries benefited from the total sum of \$249 million made available through the Bank to Latin America. This has not helped greatly in arresting the weakening of the Latin American economy. It has led to financial expansion by the Argentine Republic, with a view to promoting commercial and economic expansion in certain South American countries, among them my own, in which an economic convention for these purposes is under consideration.

The omission in the report is explained by the fact that it deals almost exclusively with economic problems; but on page 278 it recognizes this need when it states that "the urgency of European recovery does not detract from the importance of prompt reconstruction and development in other areas, Latin America, Asia, Africa and the Middle East", adding that "it should not be very long before the financing of development projects in those areas will tend to become the primary concern of the Bank". As will be recognized, this repre-

sents a healthy financial tendency, suggesting that, logically, the report should have made comparative studies in the field of world investment to show the causes in this field which led to the maladjustment of international economies.

It would be wise for the Council to correlate the ideas of administrative co-ordination of the specialized agencies with the effective practicability of their operations; and statistical information furnished by the technical services in the Secretariat with critical analyses, with a view to accomplishing the purposes of the Charter of the United Nations, as established in Article 1 and their practical application as determined in Article 55, which refers to promoting "higher standards of living, full employment, and conditions of economic and social progress and development".

Chapter II of the Trade and Employment Charter now being studied in Havana deals with "Employment and Economic Activity" and chapter III with "Economic Development". Article 2 recognizes that each country must be responsible for measures to promote full employment but should undertake concerted international action to stimulate employment. The same is true of economic development; article 9 states that countries shall take action designed to achieve progressive economic development, including reconstruction and to raise standards of productivity.

If this is to be our aim in the near future as regards the improvement of trade conditions, we must realize that more objective action is now required in this work of economic research, for mankind, which we represent, will demand that we pass from the organizing stage which, we are agreed we have completed, to that of practical action. One step in this process and, indeed, a difficult one, is the establishment of the charter now being studied in Havana where we of the underdeveloped countries are maintaining the principle of preserving some of the rights exercised by the great nations in their progress from small economic units to their present position as great industrial powers.

With reference to another matter let me now turn to table 21 on page 56, which relates to a number of Latin-American countries and analyses the increase in the cost of living in the period between 1944 and 1947, as follows: Peru 86.6 per cent, Chile (Santiago) 80 per cent, Argentina (Buenos Aires) 65.5 per cent, Mexico (Mexico City) 50.4 per cent, Uruguay (Montevideo) 48 per cent, Colombia (Bogotá) 45.8 per cent, Paraguay (Asunción) 40.3 per cent, Brazil (Rio de Janeiro), not available, Cuba, not available, Bolivia (La Paz) 38.3 per cent, Venezuela (Caracas) 21.4 per cent, and Costa Rica (San José) 20.8 per cent. These data do not reflect the relation between the cost of living and the purchasing power of each of our national currencies, for it is a known fact that Lima, the capital of my country, has the lowest cost of living in this continent.

The foregoing will indicate the great anxiety with which our coun-

tries contemplate the prospect of inflation, which has an immediate bearing upon prices, wages, the limited domestic trade and the constant increase in production costs.

In the short time we have had for studying these economic reports, we have observed and must point out that, contrary to the view expressed in the paragraphs following table 21 on page 56, the difficulties facing us are incorrectly estimated, for the immediate recovery of our economies could be assured by providing those countries which are in an exhausted economic condition with stocks of goods by means of financial action on the part of countries with favourable balances of payments, as well as with a minimum supply of machinery, equipment and tools; such action would check the inflation spiral by decreasing the cost of production and the cost of living.

Finally, to take another aspect, the United Nations have begun to develop action for providing advice and assistance in financial policy. From such action the Economic and Social Council will be able to gather adequate information and critical opinions of the intense effort, and even sacrifice, made by the small countries in their policy of internal restrictions, controls and even rationing, to offset their lack of foreign exchange and the comparative decrease in their production in recent years.

When the United States representative yesterday referred to internal measures to increase production, I came to the conclusion that it was essential that studies on this subject should be prepared for the next meeting of the Council, so that the information from each country should not be prejudged or considered exaggerated.

A full report by the Secretariat on the above subjects in their relation to international investment and the development of financial policies therefore seems to me indispensable, in order that the Council may form an adequate judgment on another of the principles of aid and assistance established by the International Bank, namely, "self-help" as an economic principle in world investment — help those who help themselves.

It is very difficult to hold a full general discussion on economic matters and confine it solely to the contents of the documents submitted to us; hence the far-reaching critical appreciations, which may serve as a basis for future work, given at the suggestion of the Secretary-General's representative when he presented his reports. Having devoted careful attention to these reports, and especially the *Economic Report*, my delegation wishes, in closing, to express its appreciation of the magnificent co-operation of the technical services of the United Nations Secretariat, and to suggest that it be extended to the fields of which I have spoken.

I will now read the text of a proposal which I intended to present at this meeting; I am refraining from doing so, however, since the

**Mr. IVERSEN, Denmark**

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Canadian representative, Mr. Davidson, has indicated that the documents we are studying should be dealt with in the Council; but if these documents are forwarded to the Economic Committee, I reserve my right to table this motion, which reads as follows:

“Considering it necessary to extend the *Economic Report* to other phases of economic life, the Economic and Social Council proposes that the Secretariat should prepare for the seventh session of the Council a report on capital investments on a world scale, as well as on the fiscal policies of the various countries.”

If accepted by the Council, I hope that the Secretariat will take this resolution into consideration for our seventh session.

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**Mr. IVERSEN, Denmark**

Considering the very short time at the Secretariat's disposal and the scanty statistical data at hand in many fields and countries, I am sure we all agree that the Secretariat has done a good job in preparing the reports which are now in our hands. Certainly the Danish delegation wants to add its tribute to that paid by several other speakers in this debate to Mr. Owen and his staff for the task which they have accomplished. On the other hand, I feel equally sure that Mr. Owen and his collaborators will be the first to admit that there is ample room for improvement of the survey in the future, and I want him to regard my remarks today as friendly suggestions in that direction.

We are fully aware of the danger that an annual publication of this sort may stiffen in a given pattern, where the work of the Secretariat would be confined to putting the latest figures in the same pigeon-holes year after year. We appreciate the endeavour of the Secretariat to avoid such dull routine and its promise to show initiative in varying the contents of the survey according to the conditions of the moment. Yet we have the same feeling as the honourable delegate from the United States that one may easily go too far in the direction of taking up different topics from year to year in a survey like this. It goes without saying that different emphasis must be placed from time to time on the various aspects of the world's economic situation, but in our opinion it will be most helpful to set up and adhere to a certain standard framework along somewhat similar lines, perhaps, as those followed in the corresponding annual surveys of the League of Nations. We would not like to see this publication develop in the direction of a collection of essays or monographs. There may well be need for such essays or monographs on special subjects to be published from time to time. But there will certainly also be need for a continuous survey which allows us to follow easily the same time-series, the same trends and developments from year to year.

We also realize the danger to which the Canadian delegate has pointed: that resolutions based on the substance of the survey may lead us astray and completely override our prepared agenda. On the other hand, we cannot help feeling that there must be a certain opportunity for members of this body to use the survey as a starting point for suggesting action. Let us not forget that the General Assembly asked us to prepare the survey in the light of our responsibility to promote the solution of international economic problems. We do not want to confine ourselves to collecting facts and analysing causal connexions just for the fun of it, out of mere curiosity. Here we must try to find a middle course between the devil and the deep sea.

We would rather like, therefore, to associate ourselves with the outline given by the delegate of the United States of the use to which this survey may be most profitably put by this Council. In our opinion it may become of invaluable help to the Council in performing its most important task of co-ordinating and finally determining international economic endeavours and of making recommendations and suggestions regarding concerted international action in the economic field. But if the survey is to aid the Council in forming its opinion on the programme of work proposed by the specialized agencies and commissions, it is of course essential that it reaches us in due time so that we may be able to digest its contents more thoroughly than perhaps we have this year. On the other hand, this entails, as our British colleague mentioned, the difficulty that it may be out of date and this in my opinion will often be the more important consideration. For after all we generally have a vague notion beforehand concerning the facts upon which we want to base our conclusions. What we need is the information about the latest development of these facts.

Moreover, I should like to suggest that it would be helpful if the timing of meetings in commissions and sub-commissions could be made in such a way that the survey could reach us accompanied by the comments on it of the Economic and Employment Commission or its Sub-Commission on Employment and Economic Stability. Since the latter body of experts is set up with the explicit purpose of studying fluctuations in economic activity and the means of overcoming them, we would find it natural, or indeed self-evident, for the Council to look to this group of experts for guidance and advice in this field.

There is yet a third danger threatening a survey created by an institution like the Secretariat of the United Nations, namely, that too many cooks may spoil the dinner. I would by no means go so far as to say that this has been the case in this first report. Yet I do not find it entirely out of place to point to this danger at the present juncture. We all know something, I am sure, of the procedure which an institutional report of this sort generally has to go through, the draft of it being submitted for criticism and comment to all sorts of authorities. I do not deny that this may result in numerous improvements and corrections, particularly in the details, but there is certainly also

the risk that the deletions or amendments, the modification and blurring over necessary to please everybody may spoil a very good, consistent, coherent first draft. I venture to suggest that we would be better served by such a coherent, although perhaps slightly one-sided analysis that is conceived and carried out by one directing mind and follows up the consequences of its premises instead of breaking off where the most interesting part of the story begins. Personally I would much prefer that, to a nicely trimmed statement smoothed to such an extent that it neither offends anybody nor clarifies any subject; particularly I would do so if the document was accompanied, as I suggested it should be, by the comment of an independent group of experts such as the Sub-Commission on Employment and Economic Stability or the Economic and Employment Commission.

Concerning the contents of the present survey I shall confine myself to a few brief remarks. From what I have said already you will understand that, like the honourable representatives from Canada and China, I would have liked to see a broader treatment of the world economic situation than that given in the very brief first part of our survey.

The United States representative has already pointed to the scanty treatment of the problem of money and credit. In my opinion a similar remark may be made concerning the problem of saving and investment. I admit that this question is dealt with at some length though in a somewhat general way, in the *Survey of Current Inflationary and Deflationary Tendencies*. But I think that we have here to do with a question of such paramount importance in the present situation that it would have been of great interest if the Secretariat had found it possible to put more exact and detailed material at our disposal in its latest survey. May I suggest that the fullest possible use be made in the forthcoming surveys of the national budgets or national accounts which have been published or are being prepared at present in many countries, including Norway and Denmark.

Mentioning Denmark, I may perhaps be allowed to correct a couple of errors that have crept into the survey. On page 181, in a review of the balance of payment situation of the European countries since the war, these countries are divided into three groups according to the way in which they have covered their deficit: those that have relied mainly upon UNRRA and post-UNRRA relief imports, those that have received foreign credits and those that have drained their gold and foreign exchange holdings. Denmark, together with Norway and Sweden, is placed in the last group. It is true that we have used up freight incomes and other exchange reserves accumulated during the war, but in the main, I regret to say, the large deficit in Denmark's current balance of payment in the years 1946 and 1947 was covered by foreign credits, above all by an overdraft of £35 million in the Bank of England. As a consequence, Denmark is not in the relatively fortunate position indicated on page 184: that our foreign exchange

and gold holdings at the beginning and at the middle of 1947 amounted to \$90 million and \$75 million, respectively. The deplorable fact is that against a gold reserve of about \$14.5 million we had a negative foreign exchange reserve, a net indebtedness towards foreign banks, amounting to something like \$84 million and \$122 million at the two dates mentioned.

These are details, of course, but care should be taken to avoid such mistakes as far as possible, first of all, because lay readers who find errors at the few points they can check the figures are likely to feel a bit uncertain regarding the reliability of the rest of the information given.

On page 168 it is mentioned that to ease the inflationary pressure generated by large requirements for reconstruction investments some European countries have been considering a reduction in the present rate of investment, and, therefore, of reconstruction. I would have been glad if it had been mentioned that there are also European countries that try to keep up or increase reconstruction investments and avoid inflationary pressure by holding back consumption by means of increased taxation, reduced rations and the like. That is what we attempt to do in Denmark. It remains to be seen to what extent we will succeed. But as a policy of that sort is obviously rather unpopular, this is one of the instances our American colleague spoke of yesterday, on which it would have been gratifying for us to be able to point to an international authority such as this survey in support of the necessity or advisability of such a policy.

**Mr. STOLK, Venezuela** (*translated from Spanish*)

The Venezuelan delegation desires to associate itself with the other delegations which have spoken in this debate and to express to the Secretary-General its appreciation of the studies made by the Department of Economic Affairs on the salient features of the world economic situation, on inflationary trends and the return to normality and on plans, programmes and agencies for economic development in selected countries. The manner in which the United Nations Secretariat has helped the Economic and Social Council to carry out its work of promoting the solution of international economic progress, providing higher standards of living, full employment and conditions of economic and social progress and development, fully satisfy the desires expressed by the General Assembly in its resolution on this subject adopted on 31 October 1947 on the happy initiative of the Australian and Polish delegations. The Secretariat's work has been done with a high sense of responsibility and with technical judgment which none of the delegations has failed to recognize.

The picture which these documents present is fairly complete, considering the conditions in which they were prepared. The short

time since the date of the Assembly's resolution and the lack of adequate data to fill in the general economic world picture explain any limitations or defects which technical experts or governments may find when studying these surveys closely. It is to be hoped that close study will give rise to useful observations which, together with those already formulated by certain distinguished representatives in the course of our discussions, will contribute to improving still further the quality of future reports to be prepared by the Department of Economic Affairs. In this connexion, our delegation sees great value in the suggestions of our colleagues from Brazil and the United States concerning the need for adopting a homogeneous basis for comparing economic conditions in various regions, defining certain terms more clearly and endeavouring to obtain fuller information in order to extend the scope of the work and enhance the significance of charts and relevant statistical tables. But it is well to remember that Member States are under a duty to co-operate with the Secretariat in providing all data required, to give the reports such completeness and universality as are necessary for the world-wide work of the Council, and of governments in achieving economic, social and cultural welfare, which is one of the aims of the Charter of the United Nations. In this particular, specialized agencies should also be congratulated for their valuable assistance in the preparation of the report.

Our delegation at the same time endorses the observations of the distinguished representative of Canada concerning the intrinsic value of these studies as a working basis or programme in relation with the action that the Economic and Social Council may adopt on them at its present session. The material contained in them is sufficient to occupy the Council's attention for one or two sessions and, as Mr. Davidson said, constitutes in itself the best guide for the Council's work. These three documents produced by the Secretariat should be studied carefully before any decisions are adopted on the many and varied problems indicated therein. Let us be frank, and acknowledge that we need more time to ponder them. It is essential, in our opinion, to obtain the opinion of experts in our own countries, the official views of our governments after careful and mature reflection, and the comments of economic organizations and cultural institutions concerned with this type of study and investigation, before the Economic and Social Council can consider fully and thoroughly all the causes of the world's economic plight; for it is only through the combination of individual and official action and the formal procedure of the United Nations that the task of building up all that was destroyed by the forces of aggression can be successfully undertaken.

The speeches of the distinguished representatives of Poland, Australia, Lebanon, the United States, Brazil, Chile, the United Kingdom, France, Peru and, in general, those of other representatives who have spoken on the subject, each and all provide an interesting approach to the economic problems of the present world and a guide to the



Council's work on the substance of this question. Many speeches have thrown light on the difficulties confronting the respective countries and on the peculiar aspects of problems of production, employment, economic development, credit policy and international trade. Some speakers have rightly laid emphasis on the need to initiate a policy of economic reform in each country with the support of international co-operation; for international co-operation will achieve nothing if governments do not adopt appropriate national measures to bring their policies into line with the general effort to create stable conditions. To this end, the Venezuelan Government has undertaken a strong policy designed to diversify its country's economy by developing its sources of production, encouraging its new industries and protecting agriculture and stock-breeding. The work of the National Economic Council and the Venezuelan Development Corporation, the granting of credits through the Agricultural and Livestock Bank and the Production Council, the improvement of workers' living conditions by the building of suitable houses under a scheme operated by the Workers' Bank and the formation and activities of the Greater Colombia Merchant Marine, all points which are referred to in detail in the Secretariat's report, provide clear proof of the country's efforts to reach a higher level of economic activity. At the same time, special attention has been given to the question of immigration and the improvement of health conditions, as contributory factors to the country's economic and social progress. In this connexion there is a tendency in the United Nations, when considering the improvement of under-developed regions, to attach greater importance to the economic aspect than to the social. This tendency should be carefully watched, for one cannot aspire to achieve real economic development unless it is based on improved social conditions for the peoples concerned. This is true of many countries, for instance those of Latin America, where malnutrition, disease and illiteracy constitute a serious hindrance to economic progress. That part of the world possesses vast uninhabited and therefore unproductive areas where, as I have pointed out, immigration is essential to progress. If bad social conditions such as those to which I have referred prevail, the migratory movement will undoubtedly be discouraged, to the detriment of these regions.

It is undeniable, too, that the political conditions through which the world is now passing cannot be ignored. They hamper the study and solution of economic problems and raise serious practical obstacles. It is true that any examination of economic problems cannot afford to ignore their political aspects, but it is to be hoped that it will be possible to examine them without political hindrances. If so, it would be possible to achieve a better degree of international co-operation and to prevent economic planning in accordance with political considerations, or under their influence. The world is in urgent need of recovery, which must be achieved by production of

all it lost during the war. No effort must be spared to prevent the autarchical tendencies and political and economic nationalism which arose after the First World War from reappearing in disguise. The co-ordination of world economy is an urgent necessity. To achieve it we must not start with the idea of excluding various systems. On the contrary, we must try to find a formula enabling them to operate simultaneously and to achieve the balance and stability necessary for the welfare of all countries. The right solution is not to be found by setting national or group interests against each other but by agreements combining self-determination with the highest interests of the community as a whole. Only thus will it be possible to free mankind from fear and want. This goal, which is desired by the majority as being the expression of true freedom, will only be achieved if the action of all governments is based on constructive internationalism, a disinterested spirit of co-operation and solidarity and a strong sense of brotherhood which will draw us nearer to one another and make us ready to help each other.

If based on the purposes and principles of the Charter of the United Nations, co-operation in the economic and social field will help to improve the political situation and will be the most effective means of promoting among peoples a true knowledge of each other.

On the other hand, if these circumstances do not prevail and if unilateral action and exaggerated nationalism predominate, no progress will be achieved in the task of world economic recovery and the attempt to establish real peace will once more fail completely or at best be delayed for many years.

Our delegation, having closely studied the Secretariat's documents, hopes to contribute specific comments on the problems described therein, in accordance with the course of action that the Council will adopt. Meanwhile, it desires to express also, in conclusion, its appreciation of the action of various governments in undertaking bilateral and multilateral negotiations for the recovery of war-devastated areas, and expresses the hope that, along with these agreements, plans will also be made for the regional action necessary to provide financial and technical assistance and increased production and industrialization in the under-developed areas, so that they too may contribute to the recovery of the former and accelerate progress towards stability and economic welfare throughout the world.

24 FEBRUARY 1948, MORNING MEETING

**Mr. ARUTIUNIAN, USSR** (*translated from Russian*)

The report on the world economic situation and trends submitted by the Department of Economic Affairs of the Secretariat, for discussion at the sixth session of the Economic and Social Council of the United Nations, represents the first attempt of this kind in the exist-

ence of the United Nations. The compilers of the report have collected and, to some extent, have drawn general conclusions from a considerable amount of data on economic developments in a number of countries during the past two years. The material collected has a certain interest for persons who are concerned with the economic development of various countries of the world. Nevertheless, it must be pointed out that the report submitted by the Department of Economic Affairs is not a survey of world economy in the true sense of the word. In the first place, a glaring defect of the report is the absence of a chapter on the post-war rehabilitation and development of the national economy of the Soviet Union.

This omission is all the more unjustifiable because millions of people in all parts of the world are watching with interest and hope the efforts of the Soviet people to rehabilitate and develop their economy, which was destroyed during the war. Hence the interest of the working masses throughout the world in the success and achievements of the Soviet Union in the rehabilitation and development of its post-war economy is a perfectly legitimate one.

In order to compensate to some extent for the aforementioned defect of the report, as representative of the Soviet Union, I must first of all refer to the results of the rehabilitation and development of the Soviet Union's economy during the past few years. The report which is being discussed by the Economic and Social Council covers mainly the period of post-war reconstruction, in respect of the economies of countries which have suffered as a result of military operations and fascist occupation. A study of the report and of publications on the economic situation of the USSR and other countries enables us to make certain general statements regarding the methods and forms that are being used in rehabilitating the economy of countries which have suffered from the war and occupation.

In this connexion, there would appear to be three categories of countries:

First of all, there is the Soviet Union, where the post-war rehabilitation and development of the economy is being carried out on the basis of socialist planning.

Secondly, there are countries which have carried out bold democratic changes in economy in the post-war years and which on this basis have, since 1947, begun to direct the rehabilitation and reconstruction of their economy according to a plan. These are the countries of the new people's democracy — Yugoslavia, Poland, Czechoslovakia, Albania, Roumania, Bulgaria and Hungary.

Thirdly, there are countries where the post-war rehabilitation of the economy is being carried out on the foundation of the basic economic laws of capitalism. These countries include England, France, Belgium, the Netherlands and so on.

Let us first of all consider the results of the post-war rehabilitation and development of the economy of the Union of Soviet Socialist Republics during the past two years.

POST-WAR REHABILITATION AND DEVELOPMENT OF THE ECONOMY  
OF THE USSR

*Planned nature of development of post-war economy in the USSR*

Planned development is a general characteristic of the economy of the Soviet Union and even before the war, as during the war, the planned development of USSR economy passed all its tests and proved its vitality. Planned economy in the USSR is based on common socialist ownership of the instruments and means of production. The economic life of the USSR is determined and directed by a State national economic plan, with a view to increasing national wealth and ensuring a steady rise in the material and cultural level of the workers, and to strengthening the economic power of the USSR. State national economic plans in the USSR have the force of economic laws of development, as contrasted with capitalist states, whose economy is characterized by chaos and anarchy. Economic planning in the interest of the people has become the law of development of Soviet society. State plans for the development of the economy of the Soviet Union are known in our country as Stalin Five-Year Plans.

At the end of the war the Soviet Union began the planned rehabilitation and development of its economy. By that time, much experience had been gained in planned direction of economic development, and this experience is being used in speeding up the post-war rehabilitation of the country's economy. On 18 March 1946, the supreme legislative body of the country, the Supreme Soviet of the USSR, passed a law for a five-Year Plan for the reconstruction and development of the national economy for the years 1946 to 1950. The head of the Soviet Government, J. V. Stalin, defined the purposes of the Five-Year Plan as follows: "The fundamental task of the new Five-Year Plan", he said, "is to rehabilitate those parts of the country which have suffered, to re-establish the pre-war level of industry and agriculture and then to surpass this level to a more or less considerable extent".

The characteristic features of the first post-war Five-Year Plan are, firstly, to ensure priority to the restoration and further development of heavy industry and railway transport, which are essential for the rapid and successful recovery and development of the national economy as a whole; and secondly, to achieve progress in the field of agriculture and industries producing consumer goods, in order to ensure the material well-being of the people of the country and the creation of an abundance of consumer goods in the Soviet Union.

In accordance with this plan, the industrial production of the Soviet

Union as a whole should rise by 48 per cent in 1950, in comparison with 1940, that is to say, should be one and one-half times as great. In the course of the Five-Year Plan, it is intended to reconstruct, set up and put into operation approximately 5,900 State enterprises. With regard to areas which have suffered from enemy occupation, the plan aims to reach the pre-war production level, plus a further increase of 15 per cent in industrial production as compared with the pre-war level.

The plan aims to surpass the pre-war level of agricultural production in the USSR in 1950. The increase in agricultural production in the USSR by the end of the Five-Year Plan will amount to 27 per cent over 1940.

The level of the national income in the country in 1950 will exceed the pre-war level by over 30 per cent.

These are, briefly, the main objectives of the first Stalin Five-Year Plan for the rehabilitation and development of post-war economy in the USSR. How is that plan being implemented?

*Implementation of the plan for rehabilitation and development in the first two years*

The State plans for the development of the national economy of the USSR are realistic ones. They are drawn up on the basis of the actual condition of the country's economy at the beginning of the period for which the plan is made, taking into account the material resources of the country and the tasks to be fulfilled during the given period in the general struggle for the economic and social progress of Soviet society. The realism of our economic plans is ensured by the fact that the masses of the country regard the plan as their own personal concern and are therefore actively striving to implement it. The actual implementation of these economic plans, including the plan for the post-war rehabilitation of the economy, is under the control of the whole people. The results achieved in the execution of the plan by individual enterprises, individual branches of industry and the national economy as a whole are discussed by the working people at their meetings. As a result of the people's interest in the execution of the plan the individual defects which manifested themselves in the course of the rehabilitation and development of the country's economy are being eliminated and new possibilities for speeding up the tempo are being opened up.

Here are a few facts regarding the results of the execution of the plan during the first two years.

In 1946, the plan for industrial production was fulfilled by 96 per cent. This may be explained by some difficulties of reorganization for work under peace-time conditions. The plan regarding the over-all production of the nation's industry for 1947 has already been fulfilled by

103.3 per cent. As a result of the overfulfilment of the 1947 plan as a whole, the plan for the first two years of the post-war Five-Year Plan in respect of the over-all production of industry has been fulfilled by 100 per cent.

The *Economic Report* submitted for our consideration describes 1947 as a "frustrated" year. This description may indeed be appropriate for the condition of affairs in many of the states whose economic situation is referred to in that report. With regard to our country, the Soviet Union, I must point out that 1947 was a year of new economic and social progress for the Soviet people.

A characteristic feature of the economic development of the Soviet Union in 1947 is the speeding up of the rate of development. In that year, the rate of increase in industrial production increased systematically and steadily. In comparison with the corresponding quarters of 1946, industrial production of the Soviet Union in 1947 increased by 12 per cent in the first quarter, by 18 per cent in the second quarter, by 26 per cent in the third quarter, and by 30 per cent in the fourth quarter. The over-all industrial production of the USSR rose by 22 per cent in 1947, compared with the preceding year. In 1946, the gross output of all the industries of the USSR engaged in civil production increased by 20 per cent, compared with 1945. The constant increase in the rate of development in 1946 and 1947 places the process of rehabilitation in the Soviet Union in favourable contrast with the process of rehabilitation in the capitalist countries of Europe, where a slackening or even a decrease, was observed in the rates of industrial production in 1947, thus justifying the compilers of the report in calling 1947 a "frustrated" year. I repeat that this description of 1947 does not apply to the USSR.

If we take the production of the textile and other light industries in the USSR separately, we shall see that their rate of increase in 1947 was higher than the rate of industrial development as a whole. The production of these branches of industry rose by 33 per cent in 1947, compared with 1946. This is a further refutation of all kinds of malicious rumours, disseminated by enemies of the Soviet Union abroad, that the Five-Year Plan for the rehabilitation and development of the economy of the USSR does not give due consideration to the increase of production of consumer goods.

All branches of peace industry are being rehabilitated and developed in the Soviet Union. None of our peace branches of industry is undergoing a period of stagnation or depression.

The industrial production of our country as a whole reached the pre-war average quarterly level of 1940 in the fourth quarter. The Five-Year Plan aimed to achieve the pre-war level of industrial production in 1948. Thus, the task of the Five-Year Plan in that connexion has been fulfilled in advance.

In these two years, the Soviet State has invested considerable sums in the reconstruction of its economy. Approximately 1,900 State enterprises were constructed or reconstructed and put into operation in 1946 and 1947. The extent of capital construction in 1947, in respect of the national economy as a whole, represents 110 per cent of similar construction in 1946. The following figures give some idea of the capital construction carried out in various branches of the national economy: the extent of capital construction in the coal industry has increased by 9 per cent; in electric stations by 4 per cent; in light industries and food by 30 per cent; and in transport by 8 per cent.

We should note the special importance attached by the whole Soviet people and the Government to the rehabilitation of the economy of regions which suffered from enemy occupation; 17,500 million roubles from the federal funds of the Soviet Union were used for capital construction in rehabilitating the economy of these regions in 1946 and over 18,000 million roubles, in 1947. These figures do not include the additional capital investments allocated by local, republic and regional authorities. The total industrial production of these regions increased by 28 per cent in 1946, compared with 1945, and by a further 33 per cent in 1947, compared with 1946. The production of cast iron in areas which had been occupied rose by 30 per cent in 1947, compared with 1946; that of rolling-stock by 35 per cent; that of the coal industry in the Donbas by 19 per cent; the production of electric energy rose by 35 per cent; that of cement by 48 per cent; that of sugar by 123 per cent; etc. Hence it may be concluded that the reconstruction of the economy of areas which suffered from enemy occupation is proceeding at a more rapid rate than the economy of the country is being developed as a whole. Thus, all possible measures are being taken to eliminate as rapidly as possible the consequences of war and occupation in the economy of the areas which were occupied by the enemy.

Considerable progress has also been made in the post-war development of agriculture in the USSR. The socialist collective farm organization of agricultural production and extensive State assistance to peasants—in the form of machines, agricultural implements and tractors, and of foodstuffs in areas which have suffered from drought—have made it possible to bring about, in a very short time, a considerable rise in agricultural production. The total production of agriculture increased by 32 per cent in 1947, compared with 1946, including the production of crops, which rose by 48 per cent. The total production of specific grain crops and crops for industrial use rose in 1947, in comparison with the preceding year, as follows: grain crops, by 58 per cent; cotton, by 21 per cent; potatoes, by 30 per cent; sugar beets, by 190 per cent; sunflowers, by 79 per cent; flax fibre, by 29 per cent; and hemp fibre, by 78 per cent.

As a result of these great successes, the yield of grain crops in the Soviet Union reached pre-war level in 1947. In that year, the State

had at its disposal approximately as much bread-grain as it had in the best pre-war years, despite the fact that the areas sown and the mechanical equipment for agriculture still fall short of the pre-war levels. In 1947, the foundations were laid for a further increase in agricultural production. In that year 3.5 million more hectares were sown with winter crops (for the 1948 harvest) than in 1946; the amount of land under spring and summer crops (for the 1948 harvest) was raised in 1947 to 8 million hectares more than in 1946. All these facts show the advantages and power of the collective farm system in agriculture. The collective farm system has thus proved to be the successful forms for post-war rehabilitation of agriculture as well.

Transport work also improved in the post-war period, and the turnover of railway transport in particular has shown a continual increase. According to the figures for 1947, the average daily freight turnover of railway waggons has risen by 10 per cent, compared with preceding year, including the following individual increases: coal, by 11 per cent; ferrous metals, by 13 per cent; oil, by 18 per cent; timber, by 13 per cent; and cement, by 50 per cent. The freight turnover of river transport increased by 23 per cent in 1947, compared with the preceding year, and the freight turnover of sea transport, by 15 per cent.

These successes in the reconstruction of industrial production and agriculture in the USSR during the past two years have created the necessary economic prerequisites for carrying out monetary reform and for the abolition of the food ration-card system. During the war, the amount of money circulating in the country increased considerably, because the vast war expenditure required increased issues. Moreover, the German and other invaders issued false roubles in the occupied territories and this further complicated the monetary circulation throughout the country. During the three years of the war the monetary circulation in the USSR increased by 2.4 times.

It was obviously essential to eliminate these consequences of the war in the field of monetary circulation, to consolidate the Soviet rouble and thereby to bring monetary circulation into line with the new tasks of further improving the national economy and raising the standard of living of the population of the USSR. This monetary reform was successfully carried out in December 1947. The monetary reform was carried out by the Soviet Government with maximum consideration for the interests of the people. In the Soviet Union monetary reform was not associated, as is usually the case in capitalistic countries, with a reduction in the number of employed workers and employees, an increase in taxation, and a fall in the real wages of workers and employees and in the income of the working population. The monetary reform and the abolition of the food ration-card system were carried out in the USSR on the basis of a considerable general



reduction of State prices. It has been calculated that during this year the population will benefit by approximately 57,000 million roubles from the lowering of Government prices as a result of monetary reform and abolition of the food ration-card system.

Thus, substantial success has been achieved in the past two years in the rehabilitation and development of the post-war economy of the USSR, on the basis of the fulfilment of the State economic plan.

*Raising the standard of living of the peoples of the USSR*

In developing their economy, the Soviet people have set themselves the task of creating an abundance of consumer goods in the country in the near future. Their task is to raise the standard of living of the whole population, regardless of race, nationality, language, sex and religion, to an unprecedented height which would fully meet the needs of the citizen of the new socialist society. In this connexion, we had already achieved much before the war, but the Second World War inevitably delayed this historical progress. A large part of the territory of the Soviet Union was the scene of military operations and was dominated by the fascist occupants. The destruction suffered by our country as a result of war and occupation could not fail to affect the economic well-being of the population. In his report on the occasion of the thirtieth anniversary of the great October Socialist Revolution, on 6 November 1947, the USSR Minister for Foreign Affairs, V. M. Molotov, pointed out that, "if it had not been for the war, our cities and industrial areas would have made enormous and unprecedented strides in improving the material and cultural living conditions of the workers . . ." and that ". . . if it had not been for the war, which ruined many of the best agricultural regions, we would already be much better supplied with all the necessities of life than any country in Europe, and not only in Europe."

Since the war, the transition of Soviet economy to a peace-time basis, the rehabilitation of a ruined economy and further development have opened up for the Soviet people new paths towards raising the standard of living of the whole population.

One of the greatest achievements of the Soviet people is the complete elimination of unemployment, which is the result of a steady improvement of industry, agriculture and other branches of the country's economy. Full employment has been achieved in the Soviet Union; we have no form whatever of unemployment, which is the scourge of the working masses in all capitalist countries. The transition of the Soviet Union's economy from a war-time to a peace-time basis and the demobilization of the army did not and could not cause any unemployment in our country. Work has been ensured for all demobilized soldiers, sailors and officers. On their return to the collective farms, factories, plants, enterprises and institutions, the demobilized soldiers embarked enthusiastically upon the rehabilitation

and further development of their enterprises and joined actively in the nation-wide effort to fulfil the plan for the post-war rehabilitation and development of the country's economy.

One of the fundameatal human rights, which has been achieved and applied in practice in the Soviet Union, is the right to work. This means that every able-bodied USSR citizen who needs work has the possibility of obtaining guaranteed work and receiving payment for his labour in accordance with its quantity and quality. Moreover, in the Soviet Union there is no discrimination against the work of women or of individual nationalities and races, but, on the contrary, everything possible is done to draw representatives of the whole population, irrespective of nationality, race, language, sex and religion, into all branches of the economic, State, cultural and social-political life of the country.

The numbers of workers and employees engaged in the national economy of the USSR rose by 3 million persons in 1946 and by a further 1.2 million in 1947, that is to say, by 4.2 million in two years. The continual expansion of industry in the Soviet Union calls not only for an increase in the number of employed workers, but for a rise in their qualifications. In this connexion, great attention is given to the training of skilled workers. The existing schools for technical-industrial education, such as industrial and railway schools and schools for factory instruction, gave national industry 382,000 young skilled workers in 1946 and 790,000 in 1947; furthermore, by means of individual and team training and instruction courses, 2.5 million new skilled workers were trained on the spot in 1946 and 2.2 million persons in 1947; 3.4 million workers in 1946, and 3.2 million workers in 1947, raised their qualifications on the spot.

The wage-fund of workers and employees engaged in the national economy of the USSR also increased in 1947. This is an increase of 23 per cent in comparison with 1946. The average monthly wages of workers are increasing. For instance, in the third quarter of 1947, the average monthly wage in industry rose by 28.6 per cent in comparison with the corresponding quarter of 1946. At the same time, there was an increase in State expenditure on free education and scholarships, on the improvement of skills, on free medical aid, on grants to large families, etc. All this expenditure has increased the average monetary wage of workers and employees in the USSR by approximately 38 per cent. It must also be borne in mind that after the war the Soviet Government completely abolished the war tax which was introduced in the war years.

One of the signs of improvement in the economic well-being of the population is the increased retail turnover of State and co-operative trade in the USSR since the war. In 1947, this increase amounted to 17 per cent, in constant prices, compared with 1946. Since the middle of December 1947, trade in the USSR has been reorganized

on new principles, namely, without the rationing system. In connexion with the preparations for the abolition of the rationing system, 55,000 new shops, stalls and kiosks were opened in 1947.

The considerable expansion in the construction of dwelling places in towns and the vast work of restoring and building houses in rural areas are of great significance in raising the material and cultural standard of living of the population of the country. State enterprises and institutions and local authorities rebuilt and restored approximately 15 million square metres of living space in 1946 and 1947. Furthermore, in 1947 alone, individual citizens built 4 million square metres of living space in towns and workers' settlements with their savings. In 1947, in areas liberated from German occupation, over 5 million square metres of living space in the towns and 370,000 dwellings in rural areas were rebuilt and restored.

At the same time, the network of cultural and health institutions, such as schools, clubs, hospitals, sanatoria, rest homes, children's day nurseries, etc., is being re-established. The number of students in all branches of national education is increasing continually. The number of pupils in schools of general instruction will rise to 33.2 million in 1948 and will exceed the pre-war level. The number of students in institutions for higher education in the Soviet Union already exceeds the pre-war level and amounts to 720,000 persons this year. The network of scientific research institutes is also being developed. Material conditions for scientific workers are being improved.

The State budget of the USSR allocates considerable sums for social and cultural expenditure in the interests of the population of the country. In 1947 approximately a third of the total expenditure of the State budget of the USSR was allocated to social and cultural institutions.

Thus, the peoples of the USSR, who suffered innumerable material privations during the war, have achieved considerable success in improving their material and cultural living conditions in two years of peaceful labour.

#### *Reasons for success of post-war development of economy of the USSR*

The Soviet Union's success in rehabilitating and developing its economy is a great achievement of the Soviet people. After the war, the Soviet Union was faced with unprecedented difficulties in connexion with the destruction inflicted on the country by the German invaders. The German fascist aggressors destroyed and burned tens of thousands of industrial enterprises, State farms, collective farms, etc. They devastated entire regions and turned them into deserts, destroyed the fruits of the intensive work of the Soviet people over many years, and plundered millions of Soviet citizens. It should be remembered that the Hitlerite invaders occupied an area of the USSR

inhabited by approximately 88 million persons before the war. This territory was one of the most economically well developed parts of the Soviet Union. Industry in that area produced approximately a third of the industrial output of the whole country before the war. Its acreage under crop represented 47 per cent, that is to say, a little less than half of the entire acreage under crop in the Soviet Union. About half of all the cattle in the country were also concentrated in that area.

The direct damage inflicted by the fascist aggressors on Soviet economy and on the population is estimated at 679,000 million roubles, or \$128,000 million. These figures do not include war expenditure and loss of national income, which amount to 1,890,000 million roubles or \$357,000 million. These vast losses have, naturally, set obstacles in the path of the rehabilitation and development of the post-war economy of the Soviet Union. No other country could have endured such terrible ordeals. The Soviet people, however, had found themselves in sufficient strength and energy to survive those ordeals.

It should also be remembered that immediately after the end of the war a considerable area of the European part of the USSR, which is one of the most fertile regions of the country, suffered the worst drought our country has experienced in fifty years. This circumstance naturally increased the difficulties of rehabilitating and developing the post-war economy of the country. The Soviet people overcame these additional difficulties also.

It should be emphasized that the rehabilitation of the economy of the USSR after the war is being effected in circumstances, when, in the first place, the Governments of the United States of America and Britain are violating the Yalta and Potsdam Agreements with regard to German reparations for the USSR and secondly, when the governments of a number of capitalist states, the United States in particular, are raising all kinds of obstacles to the establishment of normal trade relations between various countries and the USSR.

The reasons for the success of the post-war development of the economy of the USSR must be sought in the socialist nature of the USSR national economy and in the nature of the Soviet system, which is the embodiment of socialist democracy. The national economy of the USSR is built on the basis of socialism. This gives it unprecedented advantages, which ensure its rapid and all-round development. In spite of the terrible consequences of the war and great natural disasters, the Soviet State, availing itself of the advantages of the Soviet planned economy and with the active support of the masses of the people, has been able to organize a considerable improvement in industry and agriculture, to develop trade and, as a result, to achieve great success in restoring the bulk of production and the national consumption level.

The decisive factor which has ensured successful reconstruction and development of industry, agriculture, transport, etc., in the Soviet Union is the planned direction of the national economy. The Soviet Union has used the valuable experience of economic planning which it accumulated during the years of peaceful construction before the war and also during the direction of war economy, in order to solve successfully the problems of rehabilitating and further developing the national economy. Planned direction has ensured the necessary mobilization of the country's internal resources and also the correct and reasonable distribution of material resources and manpower for the fulfilment of post-war tasks. On the basis of the post-war Stalin Five-Year Plan, the whole Soviet people is united in its concentration on a single purpose, namely, to eliminate the consequences of the war as soon as possible and to ensure the further development of the country's national economy. This economic plan represents a great material force in the development of the national economy of the USSR. Under the direction of our beloved and gifted leader, J. V. Stalin, the Soviet people are working devotedly to heal the wounds inflicted by the war and to develop the economy of the country in all directions in the interests of the people themselves. That constitutes the main reason for the Soviet people's success in rehabilitating and developing the post-war economy of the country.

Since the national economy of the Soviet Union is a socialist system, it is never confronted with economic crises. A characteristic feature of socialist industry, as opposed to capitalist industry, is the uninterrupted rise in production, which has again been confirmed in practice in the reconstruction and development of the post-war economy. This is one of the most important proofs of the progressive nature of the socialist economic system and is one of its greatest advantages. The Soviet people, therefore, are unhesitatingly and fearlessly making every effort to develop the country's powers of production to the maximum and to increase its industrial and agricultural production from year to year without interruption.

It must also be borne in mind that the Soviet people are able to use the resources of their country and the annual accumulations of current production to the best advantage. In the Soviet Union, there is no class of capitalists or landowners who might keep the resources of the country in their own hands and might appropriate a considerable part of the results of the nation's labour in the form of profits and rents. Hence, the investment of new funds in production is comparatively higher in the Soviet Union than in capitalist countries.

Furthermore, in the Soviet Union there is no private capitalist competition, which has a ruinous effect upon many people and hinders the all-round and rapid development of the country's powers of production. There are no obstacles in the Soviet Union to introducing new techniques or to ensuring rapid technical progress.

The working people of the Soviet Union are free people, who work for themselves, thus increasing the national wealth and strengthening the economic power of the country. There is no exploitation of man by man in the USSR. This fact greatly raises the dignity and significance of the worker as a person, as a citizen of his country and as a builder of a new socialist society. In no bourgeois-democratic country do labour and the worker enjoy such respect and admiration as they do in the Soviet Union. This inspires the workers and all who labour in the USSR to great efforts. Without a powerful labour momentum, it would have been impossible to imagine the fulfilment of the great tasks involved in the rehabilitation of pre-war industry and the further development of industry and agriculture in the USSR. The Stalin Five-Year Plan for the rehabilitation and development of the national economy of the USSR enjoys the utmost sympathy and support of the whole Soviet people, because it expresses their aspirations and hopes and corresponds with their vital interests.

The working people of the Soviet Union are materially concerned in the success of the rehabilitation and development of the post-war economy. They know that success in this field will be wholly and entirely used for the well-being of the people and for raising the standard of living of the working people, and not for the benefit of a group of capitalists and landlords. The distribution of individual consumer goods in the Soviet Union is dependent on the quantity and quality of the labour which every citizen contributes to the general national labour of the country; at the same time, the principle of equal pay for equal work, irrespective of race, nationality, sex, language and religion, is carried out in practice. Even in the hard years of the war, and all the more in the period of post-war rehabilitation and development of the national economy, these principles remained and will continue to remain as immutable economic laws of the socialist organization of work and wages.

The socialist competition of workers called the Stakhanov movement is a tremendous force in ensuring the fulfilment of the post-war Stalin Five-Year Plan. The fulfilment of the plan is a point of honour for every Soviet citizen. The mass movement of the workers in support of the fulfilment and over-fulfilment of the plan has not only ensured the fulfilment of the task of the first two years of the post-war Stalin Five-Year Plan, but has also opened up new possibilities for further increasing the rate of development of the post-war economy.

On the initiative of the workers of Leningrad — a city whose heroic defence inspired the Soviet people and the democratic peoples of the whole world to carry on the fight — nation-wide competition has developed for the pre-term fulfilment of the post-war Five-Year Plan. The working people of Leningrad adopted the slogan "The Five-Year Plan in Four Years"; the Soviet people took up this slogan of the Leningrad workers and turned it into a nation-wide symbol of a new

effort to accelerate the rate of fulfilment of the first post-war Stalin Five-Year Plan. Individual workers, on their own initiative, are setting themselves the task of fulfilling the annual plans, and the Five-Year Plan as a whole, before the appointed time, in the part that relates to their own work. This movement is widespread. It did not exist before the war.

The constant improvement of industry, agriculture and the material and cultural level of the workers of the USSR has, in contrast to capitalist countries, created a wide internal market on which the constantly developing economy of the Soviet Union is based. The Soviet Union is not faced with the problem of a struggle for foreign markets in an attempt to avert economic crises within the country. We have no capitalist monopolies which aim at extorting excess profits by exploiting cheap labour in under-developed countries, colonies, and semi-colonies. We have no feudal or capitalist shackles which might hamper the increasing well-being of the masses of the people and thereby constrict the domestic market. The USSR has not and cannot have any aggressive intentions in regard to foreign territories and markets.

Of course, the Soviet Union does not refuse to participate in the international division of labour and in international trade. The policy of the Soviet Government is based on the fact of the co-existence of two systems of world economy—socialism and capitalism. We consider that mutual exchange of goods and the development of trade on the basis of usual and normal business conditions is advantageous for both systems. The Soviet Union has never refused and does not refuse to develop trade with all countries on the basis of normal business practice. In reconstructing and developing its post-war economy, the Soviet Union is arranging its trade and business relations with all countries which wish to develop their trade with the Soviet Union. All trade treaties and agreements concluded by the Soviet Union with other countries are mutually advantageous, and, at the same time, represent an important factor in promoting the rehabilitation and development of the post-war economy of European countries.

The USSR bases its foreign trade policy on the principle of mutual respect for the sovereignty and independence of states entering into economic and trade relations with each other. The Minister for Foreign Affairs of the USSR, V. M. Molotov, made the following statement in his speech at the Paris Conference of the Foreign Ministers of the USSR, Britain and France in the summer of 1947: "The Soviet Union is in favour of the widest possible development of economic co-operation between European and other countries on sound principles and supports the rights and mutual respect of national interests; we ourselves have always and will always co-operate in this by extending our trade with other states."

ACHIEVEMENTS IN POST-WAR ECONOMIC RECOVERY AND RECONSTRUCTION IN THE COUNTRIES OF THE NEW PEOPLE'S DEMOCRACY

*Democratic reforms in the countries of the new People's Democracy*

The report on the world economic situation and trends prepared by the Department of Economic Affairs of the Secretariat does not deal with the very important trends and radical changes which have been observed in the economy of many European countries after the war, and particularly during the past two years. I refer to the nationalization of large-scale industry, banks and transport, democratic land reform and the planned direction of recovery and reconstruction work in a number of European states. Without analysing these trends and changes, and without taking into account these new factors in the economic development of Europe, it is impossible to form a clear picture of the economic position in present-day Europe, or of the trends of its future development.

After the end of the war it became obvious that the capitalist ownership of industry, banks and transport, and also feudal survivals, such as feudal ownership of the land, were impediments to the rapid recovery and reconstruction of post-war economy. That is particularly true in those countries whose economy was seriously disrupted as a result of military activities and enemy occupation. Economic recovery in those countries requires enormous resources and the mobilization of the exertion of the popular masses. This is beyond the power of the former ruling classes, that is to say, the bourgeoisie and the landlords. Moreover, in many countries the old ruling classes brought discredit on themselves by openly or secretly supporting fascist Germany. The national liberation movement against fascism in those countries was led by new forces rising from the labor strata of the population, that is to say, workers, peasants and progressive intelligentsia. After the war a new regime of popular democracy was set up in many countries. These new ruling powers were faced with the task of rapidly restoring and reconstructing the post-war economy of their countries.

Democratic reforms in national economy are being carried out more correctly and consistently in those countries where genuine democratic elements have come into power, for example, Yugoslavia, Poland and other east European countries. To some extent and in some form, very timidly and with backward glances, inconsistently and apprehensively, isolated and partial measures to nationalize industry, banks and transport are being undertaken in some other countries. But there is a difference among the various forms of nationalization. It would have been very helpful if the report drawn up by the Department of Economic Affairs had included a comparative analysis of the nationalization of large-scale industry, banks and transport in different countries. It is well known that each country carries out



nationalization in its own way. But it is obvious from a first glance that in those countries where democratic reforms are being consistently carried out, the difficulties of post-war economic recovery and reconstruction are being successfully overcome. Yugoslavia, Poland and other east European countries may be quoted as examples. Democratic reforms of the economy of the European countries represent undoubted progress in the development of Europe.

The countries of the new people's democracy — Yugoslavia, Poland, Czechoslovakia, Albania, Roumania, Bulgaria and Hungary — suffered tremendous material losses as a result of the war. For example, in Yugoslavia, which is one of the countries which suffered the most from war and occupation, direct material damage amounted to \$9,145 million and general war losses to \$46,900 million. Its industry, which without that damage was poorly developed, backward and incapable of satisfying the current demands of the country even before the war, was considerably destroyed during the war years and the occupation. As a result, Yugoslavia lost 36.5 per cent of its industry. In various important branches of industry the losses were still higher; for example, in the chemical industry they were 57.2 per cent, in the metallurgical industry 53.4 per cent, in the electrical industry 50 per cent, etc. Further damage was suffered by the mining industry, agriculture, transport, etc. More than one-fifth of the population of the country was left without housing as a result of the great destruction of buildings in towns and villages.

The material damage inflicted on other countries of eastern Europe by the war was also considerable. One may say with perfect justification that the war and occupation inflicted greater loss and ruin on the economies of the eastern European countries as a whole than on the countries of western Europe. This was bound to create much greater difficulties in the work of post-war economic recovery and reconstruction in the east European countries than in those of western Europe. The two years' drought which struck agriculture, particularly in the east European countries, should also be taken into account.

Without fundamental democratic economic reforms, those countries would not be in a position to undertake the task of post-war economic reconstruction and recovery. The concrete features of these reforms depend on the individual characteristics and conditions of each country.

*Land reform.* The east European countries, with the exception of Czechoslovakia, are predominantly agricultural. For example, in Yugoslavia 78 per cent of the working population before the war was engaged in agriculture, in Roumania 78.2 per cent, in Bulgaria 79.8 per cent. In those countries feudal survivals and a powerful land-owning class were very strong before the war.

A small number of landlords and big capitalists concentrated in their hands a considerable area of the land and the peasant masses suffered from complete landlessness or insufficient land. In Yugoslavia before the war 70 per cent of the peasant farmers did not own more than five hectares of land each, while in Roumania the percentage was 74.9, in Bulgaria 63.1, etc.

These out-of-date agrarian relationships hindered the development of the powers of production of the countries and, so long as they existed, the rapid recovery and reconstruction, not only of agriculture, but of the whole post-war economy of those countries could not have been relied upon.

The land reform carried out by the people's authorities in those countries abolished feudal survivals and landlord ownership of the land and gave it to the people who worked it, that is to say, to the labouring peasants. The fundamental principle of the reform was "The earth belongs to him who tills it". It was a democratic reform which satisfied the age-old yearnings of the peasants. It destroyed the ancient land hunger which was so characteristic of those countries in the past. Democratic land reform in those countries is of great historical significance and is a progressive factor in the development of their agriculture and entire economic system. Its significance extends far beyond the limits of the national framework. As a result of agrarian reform, agrarian relationships in those countries have been reorganized on a truly democratic basis.

Here are some of the results: in Yugoslavia 1.5 million hectares of land were confiscated from the landlords and other big property owners; 800,000 hectares of this land were divided among 300,000 families who needed land, including the families of soldiers and officers who fought against the fascists. State and other large communally owned farms were organized on the remaining land. In Poland, approximately 2 million hectares of land, excluding the western regions, were divided among about half a million peasant families who had no land at all or very little land. In Roumania 1.4 million hectares of land were divided among 786,000 peasant families; furthermore, 358 model State farms were established on an acreage of 187,000 hectares.

Those profound changes in agrarian relationships, resulting from the abolition of the feudal survival of the ownership of the landlords, are accompanied at the same time by supplementary concrete measures to help peasants who have received land to make good use of it. Limits have been set to private holdings and measures have been taken to prevent a process of subdivision and differentiation. The peasants' long-standing debts have been annulled, and they have been freed from the clutches of money-lenders and bankers. The organization of various forms of peasant co-operation has been encouraged in every way, and measures have been taken to mechanize and intensify agriculture, etc.

The land reform, which was basically completed in the east European countries by the end of 1946, created favourable agricultural conditions in those countries for a rapid advance towards eliminating the consequences of the war.

*Nationalization of industry, banks and transport.* Following the land reform, a new phenomenon in the development of the post-war economy of the people's democracy is the nationalization of important branches of industry, banks, transport and communications. Thus, the basic means of production in those countries became the property of the people after the war. Co-operative ownership has developed at the same time as national State ownership in these countries. Private ownership remains in small industrial undertakings, trade, etc.

The degree of nationalization of industry, banks, etc., varies in different countries. In Yugoslavia all industries (excepting small industry), banks, transport, communications, wholesale trade and some retail trade, had been transferred to the State by the end of 1946. State and co-operative industry in Yugoslavia already accounts for more than 90 per cent of the value of total industrial production, and 44 per cent of retail trade undertakings.

In Poland, State ownership accounts for 85 per cent of the value of industrial production of the country, in Czechoslovakia 75 per cent, and in Hungary more than 60 per cent, in key branches of industry. In Roumania the State controls 25 per cent of ferrous metallurgy, 45 per cent of the metal-working industry, 40 per cent of the timber industry, etc. Furthermore, the Roumanian Government has shares in almost all large industrial undertakings. A law for the nationalization of important industrial undertakings was adopted in Bulgaria at the end of 1947. Out of 7,000 undertakings in the country, 6,100 are in the hands of the State.

The nationalization of industry has created very favourable conditions for strengthening the economic independence of these countries and for their successful industrialization. Before the war a number of key economic positions in many east European countries were held by foreign capital. That situation led to the economic — and not only the economic — dependence of those countries on foreign capitalistic monopolies. Moreover, foreign capital hindered the development of the country's powers of production and siphoned enormous profits out of the country.

The nationalization of industry has ended that state of affairs and has created conditions in which the people of the new democracy can fully develop their country's powers of production and carry out industrialization, working for themselves in order to raise their own standard of living and not for foreign capitalist monopolies. This change cannot fail to facilitate the speeding-up of post-war economic recovery and reconstruction in the countries which suffered from the war and fascist occupation. As a result of courageous democratic

reforms, the new people's democracy has entered upon the path of free development.

*Transition to planned direction.* The nationalization of large-scale industry, banks, transport and also the radical land reform in the countries of the new people's democracy has created the material prerequisites for planned direction of their post-war economic recovery and reconstruction. As a result of most important social and economic reforms, the countries of the new people's democracy have entered a period of successful economic development based on a planned economy. Plans for economic recovery and for raising the standard of living of the people have already been drawn up in all the countries of the new democracy. The main feature, characteristic of all these plans, is the intention to industrialize the country. Even in Czechoslovakia, where industry is highly developed, the plan envisages the industrialization of Slovakia, a part of the country which is industrially backward. All the plans envisage the further strengthening and broadening of State ownership of the national economy.

The economic plans of these countries, at the same time, reflect the particular nature and concrete conditions of development in each country. In Yugoslavia the national Skupstchina, on 28 April 1947, adopted the five-year development plan for 1947 to 1951. This Five-Year Plan is a programme to do away with the economic and technical backwardness of Yugoslavia, to industrialize the country and to raise the general welfare of the people. According to this plan, industrial production in Yugoslavia in 1951 is to be five times as great as in 1939.

The economic plan for Poland for 1946 to 1949, which was adopted by the Polish Parliament on 21 September 1946 should also be noted. That plan has for its task the restoration of Polish economy, which was destroyed by war, the economic integration of the reunited western territories with the rest of Poland, the raising of the standard of living, and the development of foreign trade. Overcoming the tremendous destruction left as the heritage of war and fascist occupation of the country, the Polish people intend in their three-year plan to raise the country's *per capita* consumption of foodstuffs by 10 per cent and of manufactured articles by 25 per cent in comparison with the pre-war period.

In Czechoslovakia, a two-year economic plan for 1947 and 1948 was adopted in October 1946. The plan is not a general one and is concerned only with the most important sectors of the national economy. By the end of 1948, it is intended to increase industrial production in the country up to 110 per cent, in comparison with the pre-war level, and in certain branches of industry, up to between 130 per cent to 140 per cent.

Bulgaria has also adopted a two-year plan, operative from 1 April 1947. Hungary has a three-year plan, operative from August 1947. According to the Hungarian economic plan, industry is to produce 26.5 per cent more by 1 August 1949 than it produced in 1938. In Albania the plan is worked out for each year. The first such plan was put into operation in 1947.

Thus, by 1947 all the countries of the new people's democracy had effected the transition to planned direction of post-war economic recovery and reconstruction. This renders possible the reasonable and wide mobilization of the internal resources of these countries for the purpose of carrying out the tasks of post-war economic rehabilitation in the shortest possible time in order to strengthen their economic independence to the utmost and to improve the welfare of the masses.

#### *The fulfilment of recovery and reconstruction plans*

For the new people's democracy 1947 was the first year of post-war economic recovery and reconstruction on a planned basis. The planned industrial programme of 1947 in the above-mentioned countries was not only carried out but surpassed. Such important branches of Polish industry as coal-mining, metal-work and electric-machine construction surpassed the 1947 plan. In Yugoslavia the data for eleven months show that the mining industry and ferrous and non-ferrous metallurgy surpassed the plan. In 1947, the production of manufactured articles for personal consumption in Yugoslavia increased to 67 per cent above the pre-war level, which considerably reduced the need to import those goods from abroad, as was the case before the war.

All Czechoslovak industry, fulfilled the 1947 plan by an average of 100.9 per cent, despite a number of difficulties, particularly those connected with the drought. On 19 January of this year the Prague newspapers published a statement by the Czechoslovak Prime Minister, Mr. Gottwald, on the fulfilment of the 1947 plan. "This fact", stated the Czechoslovak Prime Minister, "bears witness to the enormous successes achieved by the democratic republic. By carrying out the plan we have taken a decisive step towards fully consolidating our production and have proved in practice that planned economy and a popular democratic form of government are the best ways of overcoming post-war difficulties and raising the standard of living of the workers. Thanks to the plan, the 1947 production level is twice as high as that of 1945. It is significant that after the First World War such a level of production was reached only ten years after the end of the war."

The report on the world economic situation and trends, prepared by the Department of Economic Affairs of the Secretariat, gives a number of different tables which show the successful recovery and development of post-war economy in the east European countries.

Similar tables for other European countries which suffered from the war and occupation are also given in the report. It would be interesting to compare the main tables showing the level reached in the work of post-war economic recovery in various European countries. For that purpose we should take the indexes of industrial production, and the production of steel and electricity in European countries published in the report (pages 131 and 132, 138 and 141 of the report) and also the data published in the latest number of the United Nations *Monthly Bulletin of Statistics*, for January 1948. These tables, in general, give a true picture of the rate of post-war economic development in the different European countries. We will take only the tables for those countries which took part in the war, with the exception of Germany, leaving tables for neutral countries to one side in our analysis, since what interests us is the progress of economic recovery in the countries devastated by war and fascist occupation.

The report gives the indexes of industrial production in the east European countries—for Yugoslavia, Poland, Bulgaria and Czechoslovakia<sup>1</sup> and in the west European countries—for Great Britain, France, Netherlands, Belgium, Denmark, Italy, Greece and Norway. A comparison of these data in the report brings out the fact that the indexes of industrial production in the east European countries for 1947 considerably out-distance parallel indexes for the west European countries. For the first group of countries the indexes based on 1937 equal 100, have reached a level varying from 86 to 215 for the different countries, and for the second group, the level varies from 68 to 120. Thus, the recovery of industrial production in the east European countries is proceeding much more successfully than in the west European countries.

This conclusion is confirmed by an analysis of other economic tables. The index of steel production based on 1937 equals 100, in the west European countries has reached a level of 72 to 96. In other words, it has not yet reached the pre-war level of 1937. The equivalent index for the east European countries has reached a level of 86 to 114. The index for the production of electricity in the west European countries, based on 1938 equals 100, has reached a level of 131 to 167, and in the east European countries, 156 to 200. The average monthly yield of coal in the west European countries as a whole—England, France, Belgium, Netherlands, Norway—according to the latest figures published is still below the pre-war level, and at the end of 1947 was 26.44 million tons a month, as against 27.7 million tons a month in 1937; but in the east European countries—Czechoslovakia, Hungary, Poland—it is considerably above the pre-war level, and is almost 7 million tons a month as against 4.5 million tons a month in 1937.

All those facts show that post-war economic recovery and recon-

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<sup>1</sup> An employment index is given for Czechoslovakia.

struction is advancing more rapidly in the countries of the new people's democracy than in the other countries which suffered from war and occupation. Not long ago the American commentator, Joseph Harsch wrote: "In the east European countries I was struck by the intensiveness of recovery work".

The east European countries suffered much greater material damage from the war and fascist occupation than the west European countries. Moreover, the latter have a more highly developed industrial machine, colonies from which they draw considerable material resources at a low cost, and they receive American credits. Nevertheless, post-war economic recovery in the east European countries outstrips that of the west European countries.

That is the picture of post-war economic recovery in Europe today.

Post-war economic recovery and reconstruction in the east European countries is accompanied by a rise in the standard of living of their people. The economic well-being and cultural standard of the peoples in these countries has improved continually since the end of the war. Public health and education have been placed at the service of the people.

Yugoslavia is an example. The standard of living in Yugoslavia in 1945 as a result of the war and occupation was reduced to 54.8 per cent, compared with the pre-war level of 1939. Since then, thanks to achievements in economic recovery and reconstruction, the standard of living has risen continually and in 1946 reached 79.7 per cent and in 1947, 86.8 per cent of the 1937 level.

Land reform in Albania made possible the increased productivity of agriculture, and during the past year Albania has supplied its own bread out of its own production, something which has never happened before. The industrial production of the country in 1947 was much higher than the pre-war level.

The number of workers and administrative personnel engaged in industry in these countries is continually increasing. In Poland in 1947, 2.5 times as many workers and employees were engaged in State industry as in 1945. In all the countries of the people's democracy democratic freedoms such as the right to work, leisure and education have been realized. The peoples of these countries are forging their happiness in free and peaceful work. Characteristic of the peoples of these countries is their confidence in their own strength and determination in the work of consolidating their economic independence, developing to the full the country's powers of production, promoting the all-round growth of industrialization and improving the general well-being of the people. As a result of what has been achieved in post-war economic recovery and reconstruction, living conditions in these countries are improving more and more and the new relations are being strengthened. Ernest Howser, a correspondent of the

American magazine *The Saturday Evening Post*, wrote: "In eastern Europe I found amazing stability, while in western Europe I found nothing but uneasiness and alarm."

I shall now turn to the last part of my speech concerning some problems of post-war economic development in capitalist countries.

SOME PROBLEMS OF POST-WAR ECONOMIC DEVELOPMENT IN CAPITALIST COUNTRIES

*Instability and sharpening of inequality of economic development in capitalist countries*

The economy of capitalist countries at the present time is characterized by general instability, sharpening of inequality of development and profound economic differences among the various countries. The sharpening of inequality of development is apparent from the facts presented in the report which we are at present discussing.

A characteristic expression of the sharpening of inequality of development in capitalist countries is the fact that in some countries — the United States, Canada, Australia, Sweden, etc. — production has increased, while in other countries it has not yet reached the pre-war level. That situation is the result of the war, which increased the inequality of development of capitalist countries. Certain countries, particularly the United States, grew rich as a result of the war. The relative weight of the United States in world production and world trade considerably increased in comparison with the pre-war period.

The report gives data on the production level of certain basic commodities in the United States and in the other countries taken together, excluding the USSR (table 3, page 8). It is apparent from these data that while the production of coal in 1947 in the United States had reached 133 per cent of the 1937 production, in other countries (excluding the USSR) the production of coal in 1947 was only 81 per cent of the pre-war level. Pig iron and ferro-alloy production in the United States has increased to 142 per cent and steel production to 147 per cent of the pre-war level. In the other countries (excluding the USSR) production is considerably below the pre-war level and amounts to 61 per cent and 65 per cent. The production of cement in the United States increased in 1947 to 153 per cent of the 1937 level, while in the other countries (without the USSR) it was 20 per cent lower than the pre-war amount.

Despite the fact that production in the United States is above the pre-war level, the characteristic feature of the present-day economic situation in the United States is instability.

The unequal nature of development in different capitalist countries appears more clearly in a comparison of the production levels of certain basic commodities in the different countries. The report gives



data (table 4, pages 8 to 9) on the production levels of coal, electricity, steel, etc., in the different countries compared with the pre-war period. These data show that the production level of the commodities in question varies considerably in the different countries. The extent of that variation is very significant. In a large group of countries the production of these commodities is far below the pre-war level.

Typical of the post-war period is the further concentration of production in capitalist countries and the consequently increased role of monopolies. The clearest example of this is the United States.

The increased influence of capitalist monopolies leads to oversea economic expansion and also increases the instability of the whole capitalist economy. It should be noted that as a result of the war, two major competitors have been removed from the world market, namely Germany and Japan. That circumstance creates favourable conditions for the development of the American export trade.

In the post-war period the foreign trade of the United States has greatly expanded; American exports in 1946 increased to \$9,700 million and in 1947 to \$15,000 million, as against a yearly average of approximately \$3,000 million in the pre-war period, 1936 to 1938. Moreover, American imports are far below exports; in 1946 they amounted to \$4,900 million and in 1947 to approximately \$5,600 million. Imports to the United States are severely restricted by high import duties. The United States is attempting to use the economic weakness of other countries to seize their markets and to find profitable forms of economic expansion through the existence of the "dollar shortage" in other capitalist countries. Such a form of economic expansion is the so-called "Marshall Plan".

#### *Inflation in capitalist countries*

The long drawn out process of inflation is one of the distinctive features of post-war economic development in capitalist countries. Inflation has gripped almost all the capitalist countries of the world, both those which considerably increased their production during the war and profited from it, for example, the United States, and those which suffered as a result of military activities, for example, England, France, etc. In a number of countries — France, Italy, Greece, China — inflation has reached colossal proportions, disorganizing the economy and upsetting trade relations between town and country and sharply lowering the standard of living of the masses.

The main burden of inflation in all capitalist countries falls on the working masses. Even if wages have been increased in sums of money

as a consequence of the struggle of labour, nevertheless they continue to lag far behind the rapidly rising prices. As a result, real wages are lower. However, inflation does not strike a blow at the interests of the workers alone. Other working people as well suffer considerably from the high cost of living caused by an inflationary rise in prices.

The social significance of inflation in capitalist countries is that it shifts to the shoulders of the working classes the main hardships of post-war economic recovery and expansion.

Particular attention should be paid to inflation in the United States since it has far-reaching international consequences. It is well known that America has a decidedly favourable balance of foreign trade. For the past two years — 1946 and 1947 — various countries have obtained from the United States approximately \$14,000 million more than they have exported to the United States. If one takes into account that during those two years wholesale prices in the United States increased by approximately one-third, it is obvious that inflation in the United States has inflicted heavy material losses on the other countries. It suffices to point out that during one year England lost approximately \$1,000 million of the loan of \$3,750 million placed at its disposal by the United States, solely on account of the rise in American prices.

One of the reasons for inflation in the United States, England and certain other capitalist countries today is the race for armaments. Considerable sums are being spent on the production of armaments and on maintaining large armies and fleets. Furthermore, the main burden of expenditure on the race for armaments is borne by the working classes through heavy direct and indirect taxation. That is a severe economic burden for the working classes. At the present time the race for armaments is one of the major obstacles to post-war economic recovery and development. It creates economic instability and is a serious obstacle to international economic collaboration.

### *Unemployment in capitalist countries*

Despite a certain increase in production, full use is not being made of man-power in capitalist countries and there is unemployment in a number of countries. Even in the United States, despite a considerable increase in production compared with the pre-war period, the problem of full employment still remains unsolved. During the post-war period unemployment in the United States has even increased; in 1944 the average number of persons unemployed per month was 670,000 while by 1945 it had already increased to 1.04 million, in 1946 to 2.3 million and in 1947 to 2.1 million, that is to say, three times as many as in 1944.

Moreover, it should be remembered that a considerable number of employed workers do not work a full week and consequently there is a certain amount of concealed unemployment.

In England, the average number of unemployed persons per month increased from 68,000 in 1944 to 120,400 in 1945, 391,900 in 1946, and 532,300 in 1947. Such a large army of unemployed persons seriously impairs the economic position of the working class in capitalist countries.

*Economic policy of the United States as a negative factor in the economic development of other countries*

In the report on the economic situation and trends which the Council is discussing, the economic role of the United States in the post-war development of other countries is given excessive and one-sided prominence. The report propagandizes and extols the economic power of the United States and draws particular attention to United States responsibility for the economic development of other countries. This idea permeates the whole of the first part of the report which describes the general economic situation and the trends in its development. The main criterion of analysis in that part is comparison of the United States with other countries. The theory is advanced that the well-being of other parts of the world is directly dependent on the United States.

In the introduction to the report (page 3) we read: "it is feared that some of these factors [that is to say, the factors underlying the present level of United States production] may prove impermanent and that any serious declines of production, employment and income in the United States may have devastating deflationary effects on the economies of other parts of the world".

Such an assumption is essentially unjust and biased. In the first place, it is inconceivable that all the "other parts of the world" are dependent on the economic position or economic policy of the United States for their economic development. There is a group of countries whose economic development follows an independent course. In the second place, such an assumption serves to justify the economic policy of the United States which is directed at supporting its own production, employment and income by economic expansion and the enslavement of other countries.

In reality, the economic policy of the United States is a negative factor in the economic development of other countries. The economic policy of the United States is aimed at clearing the way for the export

of its own goods and capital, at the expense of the national interests of the countries to which the goods and capital are sent. This policy is the source of the American demands for the removal of customs barriers and for the establishment of "equal opportunities" in the world market, although it is well known that countries which are under-developed industrially are not in a position to compete with the developed, capitalist industry of the United States and certain other capitalist countries. Such a policy is directed against the industrialization of under-developed countries, and is also aimed at destroying Great Britain's preferential tariff system in order to weaken England's competitive power in the British markets.

There are therefore profound incompatibilities between the aims of the economic policy of the United States and the national interests of other countries. In this connexion the struggle which is taking place at the United Nations Conference on Trade and Employment at Havana is very significant.

As has already been stated, the inflationary policy of the United States inflicts tremendous material losses on other countries since the United States is basically an exporting country.

One-sided exports from the United States have a destructive effect on the economy of other capitalist countries and suck away their last gold reserves. Within the framework of the Marshall Plan and with the co-operation of ruling circles in the countries concerned, the United States is subordinating the economy of those countries to the interests of American monopolies; the American demand that Britain should give up the nationalization of the steel industry and restrict shipbuilding, and the export to European countries of non-essential consumer goods, such as fruits, tobacco, films, etc. are examples. The United States policy of splitting Germany and deliberately delaying the recovery of its peace industry is particularly harmful to the economic recovery of Europe.

The economic policy of the United States is therefore not a factor towards stabilization and economic recovery in other capitalist countries but a factor towards their destruction and disorganization. Conservative politicians in England such as Amery, Woolton and Beaverbrook have already clearly recognized that fact. The object of this policy of the United States is to use the economic weakness of other countries for their enslavement and the occupation of commanding positions in their economy. By promoting civil war in China, Greece and Indonesia, the United States is increasing the economic chaos in those countries. By a policy of discrimination — the retention of Yugoslav gold, etc. — the United States is trying to prevent economic consolidation in the countries of the new democracy.

The Marshall Plan is essentially an instrument for the economic expansion of the United States. Ruling circles in the United States are trying to use the difficulties connected with post-war economic recovery and development in the European countries to subordinate the economic development of those countries to the interests of powerful American monopolies. At the same time, with the help of these measures, they are trying to avoid, or at least to postpone, an economic crisis in the United States. Financial circles and monopolies in the United States are interested in the Marshall Plan because the Government is securing markets for their goods and high profits in return for the money which will be appropriated in the budget. The main burden of the Marshall Plan will be borne by the taxpayers — the working people of the United States.

The Marshall Plan contains a programme for such restoration of the industries of the Ruhr that it means in fact the restoration of a war-industry base in western Germany. Ruling American circles foresee far-reaching political purposes for the Marshall Plan. They want to create a bloc of west European countries and to harness it to the chariot of American monopolist capitalism. Thus, the Marshall Plan has for its object the political reorganization of western Europe to meet the interests of powerful American monopolies, and also the division of Europe into two camps. Governing circles in certain west European countries (Great Britain and others) are helping to carry out this policy. The Marshall Plan is a tool for the economic and political expansion of the United States of America.

24 FEBRUARY 1948, AFTERNOON MEETING

**Mr. KURAL, Turkey** (*Translated from French*)

The Turkish delegation does not intend to submit any observations during the course of the present session on the report on the world economic situation prepared by the Secretariat. Our delegation, however, has derived much profit from the study of this report, and does not wish to let this discussion come to an end without offering its share of congratulations and thanks to the Secretariat for the difficult and useful work which it has once more accomplished on this occasion. It hopes that the Secretariat will continue in the future to make a large contribution to the studies devoted to the endeavour to find solutions for economic problems.

**Mr. MAYHEW, United Kingdom**

I would just like, if I may, to make a few comments for the British delegation, arising out of the speech we heard this morning from our Soviet colleague. He raised one or two points with reference to my country which perhaps deserve a brief answer. But possibly a more interesting part of his speech was that in which he dealt with the progress made in economic recovery by the Soviet Union since the war. And his speech raised—he raised it himself—the question of the presentation of information about Soviet Russia's economic recovery, its economic life, in United Nations publications. He complained that there was no reference in the world survey to the economic facts and figures about Soviet Russia. I share his disappointment that there was so little reference. I believe the survey would have been a great deal better with a full and informative statement about the experience of the Soviet Union in these fields. Also, perhaps more, I feel that it would help our work and it would be valuable if there were a full statement of facts and figures about Soviet Russia's economy in the *Monthly Bulletin of Statistics* of the United Nations.

I raise these points, not because there is any obligation whatsoever on the Soviet Government to provide these facts and figures if they choose not to. But, of course, we have during the current session of this Council, heard a large number of attacks on conditions, economic conditions, certainly in Britain and also in several other countries represented on the Council. I have heard attacks on the standard of wages for British workers, on our economic relations with our Non-Self-Governing Territories, on the wages paid to British women workers. I have heard attacks on the scale of unemployment in Britain and on inflation in Britain, and on our economic policy in South America; and my country has not by any means been the only victim. So when I say that there is no obligation at all on the Soviet Government to provide comparable facts and figures and statistics about their own country, I am not saying that there is no moral obligation for them to do this when they make comparisons with other countries and when they use statistics of the United Nations in order to disparage the efforts of those countries. We have listened to these attacks; with one or two forgivable lapses, we have listened with admirable patience and self-restraint. But I do maintain that we have a moral right to know the full details of Soviet Russia's successes and difficulties in the fields in which we, ourselves, are attacked. The level of real wages, of unemployment, of inflation—these are the topics. I hope our Soviet colleague will not expect us to regard the speech he made this morning as adequate for our purposes.

I am not suggesting that the speech was too short but I do suggest that for all its length, it was in fact singularly uninformative about conditions of life in Soviet Russia. There was nothing for a trained economist to study to enable him to make accurate and objective

comparisons between the one country and others. Here we have this *Monthly Bulletin of Statistics*, an admirable document which has been published now for many months past; the Soviet authorities have taken no initiative whatever to provide a single figure about Soviet Russia. So far as I can see there is not a single figure about Soviet Russia in this *Monthly Bulletin of Statistics*. It is a most valuable document for students and for the work of this Council, and I feel that is a great lack.

Of course, there will be difficulties that all countries experience in making figures comparable. That is easily recognized. One must have some standards of comparability for figures, but here again, as a trained economist will understand, you can with the use of footnotes, quite simply, make quite a large number of facts and figures comparable with each other. It is certainly not a technical problem presenting insuperable difficulties. In fact when the Soviet representative likes to compare certain Soviet statistics with certain of what he calls "capitalistic statistics", he has no hesitation about doing so. I said that I hoped the Soviet representative would not feel that his speech adequately met our just requirements and I said so partly because there are a number of subjects, particularly those subjects on which our own countries are being attacked, with which he did not deal; and also because on other subjects the information was not presented in a form which is helpful for an economist to make a well-judged and scientific comparison. On my reckoning, out of thirty-three figures presented, showing economic progress of the whole of the Soviet Union, twenty-nine of these figures were in the form of percentages without base figures; no absolute quantities were given. Now base figures and absolute quantities are, I have no doubt, available in respect of certain of these figures, but any student of Soviet statistics will know that very often one gets a figure, such as that wages are 23 per cent higher in 1947 than 1946, without getting the absolute standard on which they are based—in roubles, or if not in roubles, in roubles plus payments in kind of various types. And therefore for a trained economist, for a member of the Economic and Social Council, these figures are not as valuable as they would be to a political propagandist.

And as I said, many of the subjects on which we have been attacked were not fully dealt with by our Soviet colleague. For example, take the question of inflation. I have heard at this Council several attacks made by the Soviet representative on inflation in my country, and how rising prices send down the real value of wages, but we all know there has been a tremendous inflation in Soviet Russia. That was the purpose of the currency reform which was of a very drastic nature. Why, then, when we are attacked, does the Soviet Government not provide us with the facts and figures of their own difficulties in facing inflation? Why are we not told about the great rise in the cost of living that must have taken place?

We have been given a figure for wages—23 per cent increase in 1947, compared with 1946. This is clearly an interesting figure in this context. The standard of living of the workers of our countries has been attacked. It would be helpful if the Soviet delegate, when he replies, could give us the base figure on which this increase was based. That is to say, if he can let us have in roubles what the absolute average wage is in Soviet Russia, it would help forward our discussion. As the figure is given to us, we neither know the absolute level of wages nor do we know whether it is the real wage involved; or whether in that year of inflation the cost of living and prices has not risen far more, perhaps, than the 23 per cent. These are only speculations, because they have to be speculations in default of any other evidence of a concrete scientific nature which would enable us to make these comparisons accurately.

I could go on to quote — I will not take the time of the Council — but I could go on to quote many other instances of this type. The Soviet representative mentioned unemployment, for example. He spoke of the complete disappearance of unemployment in Soviet Russia. He said there is no unemployment in any of its forms and then he went on to attack the unemployment in my country. Incidentally, while I am on this subject perhaps I may be allowed to quote the actual figures of unemployment in Britain. The Soviet representative's quotation unintentionally gave a misleading impression of our unemployment figures. He began with the figure of 68,000 in 1944 and then he quoted a series of figures which reached a climax of 577,000 in 1947 and there the picture ended. I would like to correct any wrong impression that may have unintentionally been given. The truth is that, as I explained in my speech at the plenary session, we suffered a very acute fuel crisis in February 1947 and, as I explained, tremendous industrial dislocations then occurred. Monthly unemployment figures for December 1946 until April 1947 run as follows: December, 396,000; January, 437,000; February, the critical month, 1,914,000; March, 809,000; April, 460,000; May, 360,000. I give these figures to show that this was a particular instance of the dislocation caused by our fuel crisis. The figure which I understood my Soviet colleague took was the annual average for the year. But if he gave the impression that unemployment was rising rapidly, it is not a true impression, therefore, and the truth is that our unemployment at this latest date here is 307,000 not 577,000, and that unemployment in Britain today is less than two per cent of the employed population.

I began by mentioning unemployment because, as I say, the Soviet Union, having attacked unemployment in Britain, made the bald statement that there was no unemployment in any of its forms in Soviet Russia. I would like just to say how the British unemployment figures are arrived at. They include men who have left one job and are moving to another job, that is to say: if a British worker has left



a job on Monday and has a new job coming to him on Friday, if our unemployment count takes place on Wednesday, he appears as an unemployed man. The Soviet representative says there is no unemployment in Soviet Russia, but we know that in Soviet Russia there is a labour turnover each year of several millions of people — of workers — and what the Soviet representative is telling, if he accepts the British definition of unemployment, is that these millions of Soviet workers change their jobs each year and not a single one of them — not a single one of them — is unemployed in changing from one job to another on the day of the count; that is to say, if they leave one job on Tuesday, then early on Wednesday morning they are in the next job, that is, if he accepts the British definition of unemployment — the only thing he can mean by stating that there is no unemployment in Soviet Russia. Of course, he does not mean that. He has some other definition of unemployment. What is it? What is his definition of unemployment? How many unemployed are there in Soviet Russia?

These things are of interest to us. Here is this planned society which is being compared with ours. Here is this Communist state which we have held up to us and compared, to the discredit of our own country. Very well, then, let us be told what the Soviet definition of unemployment is and let us be told how many people are unemployed by the Soviet definition and let us not always just have the bald statements — which are all right for propaganda platforms — that there is no unemployment of any kind in the Soviet Union.

Other things were missing from the speech. There was not a thing about the economic relations between Soviet Russia and the countries of eastern Europe. We had a great deal about the economic relations between the United States of America and Great Britain, but I would like in this statistical bulletin, and in the world survey, close and detailed facts about Soviet Russia's economic relations with eastern Europe. I would like to know more about Soviet Russia's economic penetration of some of the eastern European countries. For example, in Roumania, I remember the Soviet representative told us that the State controlled vast sectors of the economy of Roumania. I could not help wondering which State, because anybody who studies the new Soviet-Roumanian combines will feel justified in asking that question. And what effects has Soviet Russia's new policy of imperialism in eastern Europe; what effects does it have on the standard of living of the workers and peasants of these countries? It is particularly notable that, the standards of living in Soviet Russia being extremely low, there is the danger that these close one-sided economic ties will drag down the standard of living of the workers and peasants of eastern Europe to the Soviet level.

Now I would like to repeat what I said before, that I recognize there is no obligation on the Soviet Government to provide these facts and figures — none at all — and if they choose not to provide them, that

## **The PRESIDENT**

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is perfectly their right. But what I do insist again is that if these attacks are made on conditions in other countries, then there is a moral obligation on the Soviet authorities to give us the true facts and figures for basing these comparisons. I would say to the Soviet representative that before he attacks the economic conditions of other countries, let there be published in the United Nations statistical summary at least as much information about his own country as about the victims of his attack.

On the specific references that were made to the United Kingdom, one stood out: that we had accepted economic aid from the United States and we were being told to cease our nationalization of industry. Well, the truth is that it is just not true. The truth is that when this present Government was elected to power, our programme of nationalization was as follows: we should nationalize the Bank of England, civil aviation, electricity, road transport, rail transport, the coal mines, international telecommunications, the gas industry and the iron and steel industry. Since we were elected to power, we have in fact nationalized the Bank of England, civil aviation, electricity, road transport, rail transport, the coal mines, international telecommunications and gas; and we have iron and steel left over, which we shall nationalize in due course. We are now in process of nationalizing the gas industry. There has been no pressure whatsoever put upon us to desist from our programme.

I class this accusation with a similar charge that was made not long ago by the Soviet representative that the British Government was attempting to tackle its unemployment problem by rearming. It is one of the statements that is so grotesque as scarcely to be possible of rational refutation. I merely express the hope that this charge will be widely known to my own people for their entertainment. I have spoken out rather frankly about this because provocative statements have been made. I assure you it is not my natural inclination — I would rather we carried on with the work of the Council in a constructive and peaceful way — but provocation was given and I felt it justified in these circumstances to give a straight reply.

## **The PRESIDENT**

I have no more speakers in sight in this debate and I am about to declare it closed. Unless there is some member who wants to say a word, I shall give the floor to the Assistant Secretary-General to wind up the discussion, because it was he who presented us with this report in the first place.

**Mr OWEN, Assistant Secretary-General in charge of Economic Affairs:**

I would like to take this opportunity, and I thank you for giving it to me, to say one word about the debate on the report. It has to me, and to my colleagues in the Department of Economic Affairs, been singularly gratifying to hear the discussion which has taken place on the report. The report is our first experimental venture in the field of world economic survey and we feel abundantly justified in our efforts that a debate on such a high intellectual level should have taken place on its basis. We have noted not only the words of congratulation which so many members of the Council have given us, but also the many suggestions and constructive criticisms which have fallen from the lips of members here. We are taking them very much to heart and hope that future issues of this survey will be better for the criticisms and suggestions which have been made here.

There have been a number of technical criticisms from some delegations. In one or two cases we recognize that slips have taken place and we are going to correct them. In other cases, there are perhaps legitimate differences of opinion among professional economists and my officials are already in touch with the advisers of some delegations concerning some of those differences of opinion. But, by and large, we feel very much justified in what we have been able to do on this first occasion and we hope that subsequent reports will be considerably more thorough, more inclusive and technically better produced than the one we have already done. To make this possible, we do urge representatives of all countries, particularly the economic and statistical offices of the various countries represented on this Council and other Members of the United Nations, to give full co-operation to the officers of the Department of Economic Affairs, in providing full and well-considered reliable material on a comparable basis.

*Note: At this point the PRESIDENT called upon the representatives of Canada and Poland to present their proposed resolutions.*

**Mr. DAVIDSON, Canada**

The draft Canadian resolution is contained in document E/676, the form in which it was presented at the end of our statement the other day<sup>1</sup>. I would, with your permission, merely make one or two additional comments because I have a very slight addition to make to the resolution as it appears in that document. Since the Canadian statement was made, the debate has continued throughout its full course and it has become apparent to us, as I am sure it has to a num-

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<sup>1</sup> See page 43, above.

**Mr. LANGE, Poland**

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ber of other delegations, that a considerable number of the members of this Council have taken advantage of this opportunity to present statements of substance regarding conditions in their particular countries, the special problems of their own countries and the steps that their respective countries are taking to meet those problems. You may recall that one of the things that we suggested might be added to the report was the statement of significant developments taking place on national levels, as well as on regional and international levels. I think, therefore, that the contents of this debate provide a valuable supplement to the report itself on this point. Partly because of this, and partly because of a desire on our part to meet the wishes of a number of other delegations around this Council table, who took a slightly different view of the procedure to be followed in dealing with this report, the Canadian representative has agreed, as a result of discussions with other delegations to add the following third paragraph to the resolution as it appears in document E/676: "Draws the attention of Member Governments and specialized agencies to the contents of the report and to the discussion and the views expressed on this subject by the various members of the sixth session of the Council." If that additional text could be considered as being included in the original Canadian resolution, it would mean that this resolution, if passed, would result in distribution to Member Governments and to specialized agencies, of the report itself, and of the record of the debate which has taken place around this Council table in which I think, practically all members of the Council have participated. That would enable the various Member Governments and the specialized agencies concerned to consider the document itself and the general debate. They would then be in a position to present their substantive resolutions on material arising out of the document in time for consideration by the Agenda Committee at the seventh session of the Council.

**Mr. LANGE, Poland**

I should like also to say a very few quite general words. It is my impression that the discussion we have had on the world economic situation was very beneficial and most interesting and I think that we have obtained a number of very important contributions during this discussion. If I may say so, I am very glad that our delegation at the General Assembly proposed this resolution to discuss world economic conditions periodically and I hope that my Australian colleague, who was the co-author of the resolution, is of the same opinion. I think that this discussion here has really established the usefulness of consideration by the Economic and Social Council of economic conditions and trends throughout the world.

As I have said at an earlier opportunity, we of course believe that the Council should not only discuss world economic conditions and trends, but should also make recommendations to effect the removal of such disequilibria, distortions and so on, as exist. However, such recommendations, if they are to be really useful and effective, must be reached by the Council either unanimously or, in any case, with an overwhelming majority.

I have presented the resolution which is still before the Council<sup>1</sup>; this contained basic recommendations which, in the opinion of my delegation, would provide a solution of the basic problems of the world economy which confront us today. I have, however, also listened to the discussion and it appears to me that at this stage there is still a great divergence among us on the subject. For this reason, I am quite ready to accept the resolution as proposed now in revised form by the representative of Canada, and not to press for a vote on my own resolution.

This, however, be it understood, does not mean giving up our view that the Council should in the future make positive recommendations on the world economic situation. We realize that we are now in an experimental and preliminary stage of our exploration of the world economy; that we received these reports rather late before the start of the session; and that it was our first discussion of the subject and clearly showed great divergency of views—quite natural, of course, at the first discussion. We are ready to wait until the Council has had more opportunity to explore world economic conditions and until views of the Council reach a degree of understanding and unanimity which is necessary in order to make practical effective recommendations on world economic conditions; we of course reserve the right to present practical recommendations at the appropriate moment. Thus, as I said, I shall not press for a vote on our resolution if the majority of the Council prefers to adopt the Canadian resolution. Of course, should the majority of the Council believe that the recommendations contained in my resolution are such as to be appropriate to the question, we will let the resolutions be submitted to a vote.

**Mr. MENDES-FRANCE, France** (*translated from French*)

The French delegation agrees with the distinguished representative of Poland that a debate of this kind should normally end with the adoption of concrete resolutions. As already mentioned during the debate, however, we think it impossible, in view of the late date at which the Council was put in possession of the relevant material, to

<sup>1</sup> See page 19, above.

improvise resolutions, as it were, having regard to the importance and gravity of the subjects that have been discussed here.

The French delegation therefore would be glad to support the suggestion made by our Canadian colleague. In order to create a precedent, however, and to ensure that our work will be followed, if possible, by more detailed studies, the French delegation would like to see the amendment just proposed by our Canadian colleague slightly amplified so as to provide for the reports which we have discussed and the records of our debates to be transmitted to the Economic and Employment Commission. That Commission will certainly find in them matter for reflection and study, and may even be able to make some proposals. If our Canadian colleague does not object, therefore, we should like the Economic and Employment Commission to be included amongst the authorities to which our working materials and the records of our discussions are to be sent.

**Mr. MONGE, Peru** (*translated from Spanish*)

At the end of my statement at the meeting of 19 February, I said that my delegation was preparing a proposal to be submitted at the beginning of the Council's proceedings and that it wished to reserve the right to present it.<sup>1</sup> This special proposal related to the problem dealt with by my delegation in its statement on the studies which should be made in the future by the competent Department of Economic Affairs of the Secretariat on international investments and comparative fiscal policies. I also stated, and I now repeat, that my delegation does not wish to prolong the proceedings unduly and that, accepting the opinions expressed at previous meetings by the delegate of Canada, my delegation felt that my statement of the principles involved in investments and comparative fiscal policies would suffice to enable the Secretariat to consider both viewpoints in its prospective study. Great was my gratification when, in his statement, the representative of Denmark spoke in favour of the first of the two views expressed. On the grounds of what I have been explaining, my delegation is of the opinion that the resolution submitted by Canada covers the viewpoints expressed and, for that reason my delegation, not wishing to interrupt the normal development of this important topic which has come up before the Council, one of the most important, perhaps, maintains the position stated and has decided not to submit the proposal which it had offered to reserve.

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<sup>1</sup> See page 92, above.

**Mr. DAVIDSON, Canada**

I would be very glad indeed to accept the amendment in the sense suggested by the representative of France, to the effect that the reference to the Economic and Employment Commission should be included in the final paragraph of the Canadian resolution so that it would read "Draws the attention of Member Governments, of the Economic and Employment Commission and of the specialized agencies, etc." and I would express at this point my thanks to our Polish colleague and to our Peruvian colleague for their willingness to waive the position which they had taken in the earlier part of the debate, without prejudice to their own rights on this question, in favour of the Canadian resolution at this particular session.

**Mr. MAKIN, Australia**

First I should like to express our gratitude to the Polish delegation for not pressing their resolution which the Council was not ready to discuss, and also to the Canadian delegation for having made its resolution more acceptable.

Secondly, in view of what has been said about the procedure for handling economic reports in the future, there are a few remarks that I should like to make. In future sessions, when the economic report is circulated before the beginning of the session, there will be an opportunity for members to place on the agenda items on which they wish to submit important resolutions. I think the Canadian statement has shown us very clearly that to follow the practice of listing main items separately would be a considerable contribution to the convenience of the members of the Council. To that extent, I sympathize with the substance of the Canadian case. We must also remember that the Council can revise its agenda at any time in accordance with rule 15 and thus can admit new items. Hence the issue raised by the Canadian delegation was whether the Council had to agree to admit a new item to its agenda, if a delegation wished to propose a resolution on a matter of substance arising out of a report, without its having been previously listed on the agenda.

We hold that this should not be the position. It is a common and valuable practice in many deliberative assemblies of our Member Governments to be able to comment on the substance of reports presented and to deal generally with matters arising therefrom. We understand that the League of Nations Assembly sometimes passed substantive resolutions arising out of the Secretary-General's economic report. In our own United Nations General Assembly, the

**Mr. THORP, United States**

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practice of bringing forward substantive resolutions on reports has been followed. We believe also that this has been without challenge. As a relevant example, I take the report of the Economic and Social Council to the most recent Assembly. There appear to have been eleven resolutions passed on the Assembly agenda item "Report of the Economic and Social Council." These included resolutions on the co-ordination of specialized agencies, the implementation of recommendations on economic and social matters, the study of practices bearing on the establishment of an economic commission for the Middle East and reports on world economic conditions and trends.

If I may cite Assembly experience in connexion with another of the arguments advanced, the use made of this practice has been guided by common sense, a restrained one. The Assembly agenda has not been torn to shreds. The work of the general committee on the agenda has not been rendered superfluous. Moreover, a restrictive decision would, we feel, be particularly unfortunate in the case of the economic report because its nature is such that matters presented in it may occasionally require urgent consideration. We should, therefore, beware of setting up too many rigidities in the way of expeditious action by this Council.

Hence, in supporting the Canadian resolution, I wish to place on record the view of the Australian delegation that (1) members may submit substantive resolutions upon reports before the Council, and (2) in future sessions, when the economic report will have been circulated in advance, the Council should expect to have a plenary discussion of matters of substance and a committee discussion of form, timing, detail, etc., and we should expect to have substantive resolutions. Those are the remarks that the Australian delegation wishes to make known to the members of the Council at this time.

**Mr. THORP, United States of America**

May I ask whether the sending of this record to the Member States involves including the discussion we have just had concerning the future procedure of the Economic and Social Council. My point is really this: I do not think we have fully debated the matter just presented by the Australian representative, and I would assume that in sending to the Member Governments the Council's discussion of the economic report, we were not particularly concerned with sending them our own problems of how we were going to handle reports in the future. Rather than now continuing a discussion of what we may or may not admit to the agenda in the future, I wonder if the Australian representative would permit it to be understood that our approval of the Canadian resolution relates to the discussion of the substance of the report and not to the procedural point which was just raised in this debate. On



this procedural point I hesitate at this time to feel that we had taken a position in the Council that might, by implication at any rate, be reported to the Member Governments.

*Note: After further discussion it was agreed that with respect to the question of future procedure to be followed in connexion with economic reports, the supplement to the present Economic Report will cover the speeches which were made on this procedural point during the debate.*

*The Council then unanimously adopted the following resolution:*

*"The Economic and Social Council*

*"Taking note of the Economic Report: Salient Features of the World Economic Situation 1945-1947,*

*"Recommends that the Secretary-General take into consideration, in the preparation of future reports, the views expressed by members of the Council during the discussion of this matter at the sixth session, and*

*"Draws the attention of Member Governments of the United Nations, of the Economic and Employment Commission, and of specialized agencies to the contents of the report, and to the discussion and to the views expressed on this subject by members of the Council at the sixth session."*

## The PRESIDENT

Before we proceed to the next item on the agenda, I want to tell the Council that this debate which we have just ended is one of the finest and most instructive I have attended, and I have attended many a debate on these questions from the days of San Francisco on. I am especially grateful to the Council for the high intellectual and thoughtful tone which has been imparted to the comments and, above all, I am grateful for the remarkable spirit of co-operation and understanding and mutual concession which has prevailed throughout this discussion. I hope that this spirit — this positive spirit — of understanding and of patience with one another will be manifested constantly from now on.

In conclusion I must express a special word of thanks to the Secretariat for this report which has occasioned such a splendid discussion. I am confident that the Secretariat will study this debate carefully, and, while preparing future similar reports, will take into account all the remarks which have been made by the various delegations.

*After the adjournment of the Economic and Social Council, the following letter and statement was received by the Secretariat.*

[Translated from Russian]

Representative of the  
Union of Soviet Socialist Republics  
to the United Nations

680 Park Avenue  
New York 21, N.Y.

23 March 1948

Dear Sir,

As you are aware, the Economic and Social Council adopted on 17 February 1948 the following resolution on the report of the world economic situation prepared by the Department of Economic Affairs of the Secretariat of the United Nations.

*"The Economic and Social Council*

*"Taking note of the Economic Report: Salient Features of the World Economic Situation 1945-1947,*

*"Recommends that the Secretary-General take into consideration, in the preparation of future reports, the views expressed by members of the Council during the discussion of this matter at the sixth session, and*

*"Draws the attention of Member Governments of the United Nations, of the Economic and Employment Commission, and of specialized agencies to the contents of the report, and to the discussion and to the views expressed on this subject by members of the Council at the sixth session."*

From the above text it can be seen that the Council made no decision regarding the publication, in printed form, of a collection of all statements made during the discussion of the report. I have learned that the Department of Economic Affairs is about to publish such a collection. In this connexion I should wish to draw your attention to the following:

The representative of the United Kingdom took the floor twice during the discussion in the Economic and Social Council, namely on 18 February and on 24 February. The first time the British representative spoke with reference to the report. The second time, towards the very end of the discussion, he spoke not with reference to the report but with reference to my statement.

I did not think it necessary then to take the floor in opposition to that statement of the British representative, because I had had an earlier occasion, in the Council, to answer a similar statement of the British representative. The position of the Soviet representative, as

well as that of the British representative, was well known to the Council, and it appeared superfluous, from the standpoint of the performance of the Council, to repeat myself in controversy with the British representative. At that time I was not aware of the proposed publication of a collection of all speeches.

If it is the plan of the Department of Economic Affairs to publish merely, and for the exclusive use of Member countries of the United Nations, a record survey of the discussion which took place in the Council on the report of the world economic situation, I have nothing to say on the matter. If, however, the Department of Economic Affairs plans to publish the discussion in the form of a printed volume for broad distribution, I should request you to take into consideration the following:

If it is proposed to include in the volume designed for broad distribution the second statement of the British representative, which was directed entirely against my statement, I categorically insist that the volume include also the brief observation on that statement of the British representative which I sent to the Department of Economic Affairs as soon as I had learned that the Department was proposing to publish the discussion of the report in a printed volume.

Please accept etc.,

(Signed) A. ARUTIUNIAN,  
*Representative of the USSR at the sixth session of the  
Economic and Social Council of the United Nations*

**Observation by Mr. Arutiunian, USSR** (*translated from Russian*)

All the speakers who dwelt on the report of the Department of Economic Affairs of the United Nations Secretariat, except the British representative, confined themselves to stating their views of the report and did not touch upon the speeches of other representatives. The speech of the British representative compels the Soviet representative in his turn to reply to him.

It is well known that the importance of Great Britain has rested and continues to rest, first of all, upon imperialistic exploitation and oppression of the peoples of other countries — colonies, semi-colonies and economically under-developed nations in various parts of the world. As a result of the national struggle for the liberation of these peoples, Great Britain has been losing its positions in the world economy, one by one, though the British imperialists attempt by all means to maintain their status. The British representative tries in every possible way to prove, in spite of historical facts, that others are guilty of imperialism, but not Great Britain.

He does not like the fact that the eastern European nations have taken the road of independent democratic development. It does not please him that these countries no longer want to be a bridge-head for economic, political and military expansion of imperialism against the USSR and that they establish friendly relations with their great neighbour on the basis of equality and mutual respect for the sovereignty of the parties involved. The aggressive policy towards other nations or foreign markets is alien to the Soviet Union, which has brought about, in deeds, the equality of rights of all the nationalities within its borders.

Economic treaties and agreements of the USSR with other nations, including the eastern European countries as well as Great Britain, are beneficial for the participants. The USSR is ready to conclude mutually beneficial economic agreements with all the democratic countries which want to trade with it on the basis of normal business relations and mutual respect for the sovereignty of the contracting parties. All those who deny this neglect facts and employ slander with political aims for propaganda purposes.

The British representative is mistaken if he thinks that by his slander upon the Soviet Union he may divert public opinion from the actual problems of the present-day economic plight to which the policy of the British Government has led. From the data published by the United Nations Secretariat in its *Monthly Bulletin of Statistics* I have come to a conclusion that unemployment increased after the Second World War. The British representative, failing to oppose this conclusion, began an improper and useless discussion about the meaning of unemployment and, at the same time, stated groundlessly that there is unemployment in the Soviet Union. Whatever meaning the British representative might attach to the concept of unemployment, the indisputable fact is that unemployment has greatly increased in Great Britain since the war. The British representative will not explain this growth by changing the meaning of the concept of unemployment. As to his fabrications about unemployment in the USSR, they are completely false, do not correspond to reality and are slanderous.

Speaking of unemployment, as well as of other post-war economic problems, the Soviet representative drew attention primarily to their trends. Our appropriate conclusions have been made on the basis of relative figures which may be compared and which are usually expressed in percentages. No absolute data can overthrow these conclusions on post-war economic trends. The British representative, failing to disprove the statistics on the basis of which we have made the conclusions concerning the progress of rehabilitation and development of the post-war economy in various countries, found nothing better than to be garrulous, hysterically and even maliciously, regarding statistics published in different countries.





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