



*SUPPLEMENT*  
TO  
MAJOR ECONOMIC  
CHANGES IN 1948

UNITED NATIONS

*Supplement to*  
**MAJOR ECONOMIC CHANGES IN 1948**

*Discussion of the world economic situation  
in the Economic and Social Council  
at its eighth session, February and March 1949*

**Department of Economic Affairs  
UNITED NATIONS**

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## FOREWORD

The General Assembly of the United Nations noted with approval at its second regular session that the Economic and Social Council had made arrangements for regular reports to the Council on world economic conditions and trends and recommended that consideration be given by the Council to periodic surveys of the world situation 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.

As background for its discussion at its eighth session, the Council had before it several reports, including the report of the Department of Economic Affairs on *Major Economic Changes in 1948*. At the conclusion of its discussion of the world economic situation, the Council adopted a resolution, reproduced on page 118, drawing the attention of Member Governments of the United Nations, the Economic and Employment Commission, the regional economic commissions and the specialized agencies to the views expressed by members of the Council.

The verbatim record of the discussion in the Economic and Social Council from 21 to 25 February 1949 is contained in this volume.



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UNITED NATIONS  
ECONOMIC AND SOCIAL COUNCIL

Eighth session, February and March 1949

Lake Success, New York

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21 FEBRUARY 1949, MORNING MEETING

The PRESIDENT

We are now ready to begin the debate on item 16 of the agenda: the world economic situation. When a similar economic debate came to its conclusion a year ago, the President of the Economic and Social Council, Mr. Malik of Lebanon, found it possible to say that the debate had been one of the finest and most instructive he had attended, and he had attended many debates on this question from the days of San Francisco on. After the debate the Secretary-General, following the wishes of the Council, arranged to make the verbatim record available in the form of a printed supplement to the economic report which had been prepared by the Secretariat, so as to give wider circulation to the factual and policy statements that were made before the Council. I am certain that the high standards set a year ago will be maintained this year.

May I now call your attention to a number of documents which contain data that you may find helpful in connexion with this debate. There is, of course, the printed report by the Secretariat entitled *Major Economic Changes in 1948*. The first part of this report was made available to us several weeks ago in mimeographed form. I am told by the Secretariat that a few slight revisions have since been made in that document; you are therefore urged to use the printed version which was distributed to you several days ago, which also incorporates part II of the report, containing selected world economic indices.

In connexion with this report I also draw your attention to Mr. David Owen's preface, in which he points out that the purpose of the present publication is to make generally available a preliminary review of the important economic develop-

ments which occurred during 1948. He wishes me to point out that it was clearly impossible to present a definitive review of the year 1948 so soon after the end of the year and that there are therefore a number of unavoidable gaps in the report. The report is being issued at this time in order to provide the Economic and Social Council with a useful factual background for discussion of the current world economic situation. A comprehensive economic survey of the world situation will be issued by the Secretariat towards the middle of 1949. That survey will take account both of the regional economic reports which will become available during the early months of 1949 from the secretariats of the regional economic commissions of the United Nations in Europe, Latin America and the Far East, and of the economic activities of the specialized agencies.

Another report which you may find useful in connexion with the debate on the world economic situation is United Nations document E/1111 entitled "National and International Action to Achieve or Maintain Full Employment and Economic Stability". This document contains the replies received from twenty-two governments and three specialized agencies to questions put to them by the Secretariat in accordance with the Economic and Social Council's resolution 104 (VI) on this problem.

Another document which contains data that you may find useful is the *Review of International Commodity Problems, 1948* presented by the Interim Co-ordinating Committee for International Commodity Agreements, which was created in accordance with a resolution adopted by this Council. The aim of the review is to set out the nature of international economic problems relating to primary commodities, to explain the principles

that have been accepted by the Committee as a guide in dealing with these problems and to review the actions taken in this field to date.

Finally, you will find material bearing on the world economic situation in United Nations document E/1084, which contains the report submitted to us by the Food and Agriculture Organization of the United Nations in connexion with item 19 of the agenda, dealing with the world food situation. You are, I am sure, also acquainted with the United Nations *Monthly Bulletin of Statistics*, which contains a wealth of economic data.

Of course these documents are not, as such, the subject of our debate, but I thought it useful to bring them to your attention at this time.

I feel certain that at the conclusion of the debate we are about to begin we shall all feel it desirable to have the discussion reproduced as a supplement to the report before us, *Major Economic Changes in 1948*. To ensure that this debate will in effect supplement the Secretariat's report, I hope that the participants in the debate will devote their attention primarily to matters not covered, or not covered in detail, by the report.

I therefore hope that the participants will dwell on economic conditions within their own countries, the effect of those conditions on the world economic situation and the effect of world conditions upon the situation in their own countries.

Mr. PLIMSOLL, Australia

The Economic and Social Council and the United Nations are once again under a debt to the Secretariat for preparing for us a very good report on the world economic position today. Our congratulations are due to Mr. Owen and Mr. Weintraub and the other members of the economic staff of the United Nations for the great care and accuracy and power of analysis they have shown in this report.

These remarks apply, too, to the other economic papers that are before us. We should include in our congratulations some of the specialized agencies, in particular, the Food and Agriculture Organization of the United Nations, whose report on the state of food and agriculture in 1948 is a most valuable and well-presented document.

I might say also that this report on major economic changes in 1948 has attracted a great deal of attention in the Press of my country, Australia, where, I am told, it has been high-lighted and reported and commented on at some length. It shows that the general public believes that in devoting a great deal of attention to a problem of this nature—the whole economic position of the world—the Economic and Social Council is really getting down to the main business for which it was created. This debate, and the debate on economic development, are the sort of thing for which we were really established.

Turning to the report itself, the first major point that emerges from it is the big increase in production during the past year—a most encouraging trend indeed. Production in the world as a whole is now almost up to the pre-war level. But the increase is not uniform. There are some countries where production is lagging, particularly the defeated countries—Germany and Japan—and the formerly occupied countries. But on the whole, production has recovered.

In particular there is the recovery in food which the report rightly singles out as possibly the most important factor during the past year. The other striking feature is the recovery in western Europe. Europe is still far behind what we hope it will attain but nevertheless it is clear that western Europe is getting back on its feet. For this we all owe a great debt of gratitude to the United States of America for its loans and other aid—for the remarkable foresight, generosity and understanding it has shown and for the assistance it has given and is continuing to give.

The second point—which is giving concern to some people, a concern which is uncalled for at the moment—is the appearance of deflationary trends. Inflationary pressures that have continued since the end of the war are now beginning to subside. Some of the essential factors of production are no longer short. We can get raw materials where perhaps we could not before; capital equipment has been restored in many places; goods are appearing more freely on the market. As a result, the pent-up demand that accumulated during the war, when we could not get the things we wanted,



is no longer sustaining some of the industries that flourished after the war.

The report itself gives some evidence of the deflationary trends. An illuminating table on unemployment on page 37 shows unemployment increasing in Europe and in America. Prices are falling in certain countries. The report does not give a complete picture of this; it is not the fault of the compilers of the report, since some of these trends became a little more evident after the period for which the report was prepared. In any case it is far too early to say whether they are just seasonal trends and trends that have been temporarily exaggerated by other factors.

In fact, when we look at the world as a whole today, we are forced to the conclusion that, though production is now up to the pre-war figure in general, it is still far below what we need. What we need today is still much more production. That applies not only to industrial products and capital equipment, but applies, possibly most of all, to food.

One of our great needs is still an increase in the world output of food. As the Food and Agriculture Organization made clear in its report and at its last meeting, the success of the world's food production last year was partly attributable to a very good season. We saw in 1947 the complete havoc that can occur in the economy of a continent like Europe by the failure of the harvest or by a relatively small harvest. The world today is still skating along on very thin ice, so far as food is concerned. We need more food production.

Our big problem in production is not merely to get back to our pre-war levels and to take account of increasing populations—and now the population of the world is increasing at a great rate—but we must also increase standards of living throughout the whole world. To make that possible we have to have increased world production. How are we to achieve it?

There are three ways:

The first is one which the report itself mentions—by improving our means of production, rationalizing production, modernizing equipment,

increasing technical skills and so on. That means not merely producing more with our existing resources but also—what is probably the same thing said in a different way—it means reducing costs.

I would like to emphasize that particular point—the need for reducing costs of production and increasing our efficiency generally. We need to pay great attention to costs. I feel that in some of the discussions in regional commissions and other bodies, though there is a clear understanding of the need to increase production, sufficient attention is not always paid to this question of costs. The production of a country must be related to the available resources and to the available capital. The best use of the resources of the world—and ultimately the best use of the resources of a particular region or country—can only be secured if we do pay adequate attention to the factor of cost or efficiency.

The second need in order to increase production is, of course, more capital equipment and more investment. That means, so far as a large part of the world is concerned, that more assistance will have to go to under-developed countries from the countries that can afford to assist them. As Mr. Evatt said at the last session of this Council, the whole spirit of the United Nations is that those who have should help those who have less. I am not going to elaborate that point here.

The third means of increasing production is one which is of particular concern to Australia and to other big primary producing and exporting countries. It is the necessity for some inducement to countries that are able to expand production beyond their own needs in order to meet the needs of other consuming countries. By inducements I do not mean broad international statements on the need for production. We see that need. What we want is some guarantee of markets for the goods that are produced.

The report mentions a number of commodities where surpluses are beginning to appear in some countries. Several countries increased their production during the war to meet special war-time demands or to make good the shortages that were caused by the inability of certain countries to export their normal crops. Sugar is a very good example. Sugar is a commodity that shows signs

today of having a big surplus. Cotton is another. In many foodstuffs there are dangers today that we may not be able to dispose of the production of the whole world. That is a rather paradoxical position because there is undoubtedly a need for all the food that can be produced.

The matter was discussed at great length at the Food and Agriculture Organization's last meeting. The solution seems to be—and I think this is accepted by most of the primary producing and exporting countries—an extension of commodity arrangements. Some of these arrangements already exist; some of them are being discussed. A commodity arrangement is a means of bringing the exporting and the importing countries together in a common programme—a common plan that will assure the importing countries of their necessary supplies and at the same time assure the exporting countries of their markets. We are very pleased to see that the Food and Agriculture Organization has already established a working party to consider this particular problem and to bring together the importing and exporting countries.

Quite apart from the contributions that these arrangements make to the world situation, they also have a contribution to make to any efforts undertaken to solve problems of the business cycle. Long-term commodity arrangements, with prices fixed within fairly clearly defined limits, are an assurance to farmers of a steady income over a period. Farmers' income may, it is true, fluctuate from year to year in accordance with seasonal conditions or other circumstances, but over a period the farming community will have an assured income. That does make quite a big contribution to the problem of handling the business cycle.

Another clear conclusion that emerges from the economic report is in the new patterns of international trade which are emerging. Partly as a result of war-time developments, new industries have been built up in certain countries—for example, in Australia and Latin America. But I notice from the report that, in some of these under-developed areas, the industries are not being completely maintained but are beginning to slip back again. In some countries there is also increased consumption at home, as a result of bet-

ter distribution or rising standards of living. In some cases, dislocations caused by political troubles have meant that countries that were in the past exporting countries are no longer in that position. There is a most interesting table on page 13 of this report—on food production and exports—which illustrates, among other things, the way in which the Far East has ceased, for the time being at any rate, to be a food exporting area and is even becoming a food importing area. There is also the failure of trade and production to recover uniformly, particularly in Germany and Japan. All these factors have meant a change in trade patterns.

The most important factor of all in the change of trade patterns is caused by foreign exchange difficulties or, to put it in a more concrete form, by the shortage of dollars. The report's description of the position of Australia applies to many other parts of the world—that is to say, we are today a country with a substantial surplus of our total exports over our total imports and at the same time a country with a trade deficit with the United States. This fundamental disequilibrium is still bedevilling us. Though over the past year we can see such a substantial improvement in world economic conditions, we still have this basic problem which is very far from a solution. The only ultimate solution is, of course, to increase production throughout the whole world and to increase trade among the various States.

The shortage of dollars has this further peculiar consequence: in certain products we are now getting surpluses in some countries which the rest of the world cannot afford to buy. This is a paradoxical position, and one to which an immediate solution is not readily discernible.

It is too early to say whether these new patterns of trade are permanent. Some of them obviously are. Where new industries have been established on an economic basis, they will continue. On the other hand, we do not yet know to what extent Germany and Japan will again take up a strong position in the production and trade of the world. But some of these new patterns have definitely come to stay. The report suggests that a study is necessary of these patterns. The Australian delegation agrees with that. I do not know

to what extent the Secretariat of the United Nations should undertake it and to what extent the International Trade Organization should. But the two bodies working together should continue to study the situation and keep the Council and the members of the whole United Nations informed of developments. No doubt, too, the economic review presented to the next session of the Council will have a lot to say on that point.

Needless to say, my Government is very anxious, and believes very strongly, that world trade as a whole should be increased. That, together with increased production everywhere, is the only way in which rising standards of living can be secured and maintained.

Australia would also pay great attention to increasing trade in Europe. One of the important objectives of the plan for the recovery of western Europe, which we see unfolding before us now, is to increase trade among the Member nations. Australia has endeavoured to help in that by assisting the United Kingdom in the large burden which it has shouldered in intra-European trade. Our latest gift to the United Kingdom was specifically allocated for the purpose of easing the United Kingdom's position in the intra-European trade settlements.

We would also like to see an increase in the trade between eastern and western Europe. Essentially, Europe is one continent. All the countries are bound together, and the failure of east and west to trade together means damage to both. Both eastern and western Europe suffer by the failure of all the countries to trade together. If the talks which are now going on in Europe lead to an increase in that trade, it would be a good thing for the world as a whole.

The Secretariat report also pictures the capital movements that are taking place. It shows the great assistance that is being given by certain governments to the development and recovery of others. It shows some assistance being given by specialized agencies. But it also illustrates something that is rather disturbing, the decline in private investment. That decline is a steady, perceptible process which shows signs of continuing. It would be most regrettable if private investment is not increased substantially. Private investment is

a useful supplement to other aid. It is a second line of defence when extraordinary outside aid is tapered off. Private investment also has this advantage, which does not always appear in governmental lending: private investment is very often directly linked with specific projects from which a tangible calculated return can be seen or expected. Private investors as a rule do not lend their money for general ideas; they want specific undertakings to be carried on. Therefore, private investors play a very useful part in the development of a region or a country. Private investment has the further advantage that, together with the import of capital, a certain amount of skill, techniques and good will is often acquired too.

Therefore my Government feels very strongly that any efforts that can be made to increase private international investment should be made. I understand the International Bank for Reconstruction and Development is already doing something along those lines and we would urge it to continue its efforts. Private capital does no harm at all. On the contrary, it does a great deal of good. It must of course observe the laws of the country to which it goes, but that can be arranged by the governments of the countries which are receiving it. But governments that seek private capital also have certain obligations. They have to make their country attractive, and it is essential at any rate to provide some stability and security for private investors. I would stress once again the important contribution which we feel private investment can make to world economic recovery.

I would like to come back at this stage to a point which I touched on at the beginning of my remarks, the fact that we have today certain deflationary trends. The situation in the United States has been described by Mr. Nourse as "disinflation". I have said before that we should not attach too much importance to this particular problem at present. The evident shortages in the world today mean that we still need more production.

But the position does illustrate a point which my Government has emphasized ever since San Francisco: the United Nations must exercise its responsibilities under the Charter in regard to full employment. The United Nations Charter contains a specific pledge by every country. Under Art-

icle 55, "the United Nations shall promote . . . higher standards of living, full employment, and conditions of economic and social progress and development". In Article 56 all Members of the United Nations pledge themselves to take joint and separate action in co-operation with the organization to achieve those purposes.

I do not think it is exaggerating to say that so far, over the past three years, the United Nations contribution to this problem has been negligible. We discussed it at some length at the last meeting of the Economic and Social Council, and it was agreed that at the next session—that is the ninth session—the Council should discuss the whole question of its work and the organization of its responsibilities in this field so that something more can be done. At that meeting we will discuss the responsibilities of the Economic and Employment Commission and its sub-commissions.

The fact that one or two signs of unemployment are appearing—in specific industries at any rate and perhaps in specific countries—indicates that we must be prepared sooner or later to exercise some of our functions in this field. That does not mean that we think there might some day be a depression. Our ability to avoid a depression depends on the way in which we act now and the degree of planning we undertake to forestall undesirable tendencies.

In this connexion, we have read with interest the document prepared by the Secretariat, E/1111, "National and International Action to Achieve or Maintain Full Employment and Economic Stability". This document consolidates the replies received from Member Governments by the Secretariat, which sent out a questionnaire on the whole subject of unemployment policy and on the measures being taken by governments to forestall unemployment and to handle such unemployment as they now have. The questionnaire was sent to seventy-three countries. The document contains only twenty-two replies. Of the twenty-two, nineteen are Members of the United Nations. That is rather disturbing. And of this Council of eighteen, only nine members replied. That means that the Secretariat in its work on this document, and the Member Governments of the organization,

do not have the views of a substantial proportion of the Governments of the United Nations. Some important regions of the world are almost completely unrepresented in these replies, which again means a distortion in any conclusions we draw from the documents. The Secretariat is going to analyse these replies and will present its analysis, I hope, to the next meeting of the Council. It will be very useful.

It is not necessary for me here once again to stress the need for international action in the field of unemployment. Some people feel that Australia is "crying wolf" on this problem. But the last depression was a major crisis with great human loss. The world today is still suffering from our failure to use all our resources during the years of the depression. The great world shortage of housing today, for example, is largely attributable to the fact that for ten years we did not build enough houses when we did have men and materials idle. Another great world economic depression could have important political consequences disturbing the whole balance of our relations.

Therefore we feel that international action should be undertaken to guide countries and help countries to follow similar policies instead of competing with one another and perhaps driving one another's production down by competitive action at the wrong time. We feel that the Economic and Social Council can give this guidance to the countries of the world and that its responsibility under the Charter is to do that.

One thing that this report, E/1111, shows very clearly is that it is on the Economic and Social Council that the primary responsibility falls. The International Bank for Reconstruction and Development and the International Monetary Fund, in their replies to the questionnaire sent out by the Secretariat, both make it clear that they are interested in full employment. They regard it as one of the objectives, one of the principles, that should guide them. But they also make it clear—and I do not think we can criticize them for this—that the maintenance of full employment is subsidiary to their main objectives. That means that the main responsibility comes back to the Economic and Social Council.

Full employment may not seem of primary concern to many countries here, particularly the underdeveloped countries that are living on a subsistence economy. The reply of Burma in the report illustrates that point clearly. The Burmese Government says in effect that its population is engaged in producing food and so on and that the question of unemployment internally does not arise. But then, as the Burmese reply also points out, though Burma can hardly be a country that will export unemployment and though a depression in Burma could hardly affect the rest of the world, nevertheless Burma and all other underdeveloped countries are greatly interested in the occurrence of unemployment in other countries. Unemployment or depression in other countries means a fall in the market for the exports of such underdeveloped countries. And so all countries today, whether they are highly developed or whether they are underdeveloped, are concerned in maintaining full employment and a general degree of prosperity in the world as a whole.

That concludes my general remarks on this report. It is an excellent report. Some of the deficiencies in it—there are not many, but such as they are—are caused partly by the necessity of producing the report on time. It was better to have a timely document for this session than a document that was unduly delayed in order to fill out all the gaps. I think, perhaps, there is a tendency to give not quite enough attention to eastern Asia and to the Pacific, but that again is something that can be remedied in the full report.

Since it is only an interim report, I take it that our main economic debate will not be at this session, but at the next session. Therefore I would urge that the Secretariat make every effort so that at the next session we all have the full economic report and subsidiary studies, such as the unemployment study, well in advance of the Council meeting, so that we can have the considered comments of our governments on the report. It would be desirable at the next session to begin all our work with the first item on the agenda: the discussion of the economic report. For this problem of world economic conditions and major fluctuations and other large economic problems are the main work for which the Economic and Social Council was established.

Mr. SANTA CRUZ, Chile

(translated from Spanish)

In commencing our study of world economic conditions today, in pursuance of resolution 118 (II) of the General Assembly, we are not, as on a similar occasion last year, provided with a complete report by the Secretary-General. This time the Department of Economic Affairs has submitted to us only two studies, namely, *Major Economic Changes in 1948* and *Review of International Commodity Problems, 1948*. The Secretary-General, however, has informed the various delegations that it is proposed to submit a full economic report, based on the regional and general investigations now being conducted, to the ninth session of the Economic and Social Council. The studies placed at our disposal by the Secretary-General, conceived and executed with the usual technical efficiency of the Department of Economic Affairs, will be of great assistance in the discussion now initiated.

General Assembly resolution 118 (II) does not limit the Economic and Social Council to study of the various social and economic problems submitted for its consideration, but recommends that it also periodically analyse the general trends of world economic conditions and provide the direction and guidance which are its responsibility under the United Nations Charter.

Clearly the principal contribution to this task, and therefore to this debate, must come from those countries whose economic power is of decisive importance for the welfare of the remainder of the world—from those countries which emerged from the Second World War in a position, solely by means of their own economic policies and action, to change human destinies throughout great regions of the globe. Highly important, also, is the contribution of the nations whose economic experience and technical skill have always had their influence on general economic solutions. This, however, does not excuse the remaining members of the Council from taking part in the discussion. We believe that our participation will be useful if, besides stating our opinions briefly on economic conditions and circumstances in other continents, we dwell particularly on the situation in Latin America, the region which we, together

with the members from Brazil, Peru and Venezuela, represent in this Council; and if we also outline the economic problems which confront our own country and the policies we are applying to solve them.

With regard to the relevant aspects of the world situation, the report *Major Economic Changes in 1948* gives us a cheerful picture in contrast with the rather sombre one presented by the Secretary-General a year ago. As a result of the good harvest of 1948, the supply of foodstuffs has increased appreciably and the acute 1947 shortage of certain key industrial raw materials has been considerably mitigated. The report states in this connexion that the rate of industrial production for the world as a whole exceeded that of 1947 by 32 per cent. Excluding the United States, where the increase has been very large, and Japan and Germany, where there have been only minor changes, preliminary calculations show that world production exceeded the 1937 level by 27 per cent.

There is therefore good reason for satisfaction. The fact that rates of production have already exceeded pre-war levels and that the supply of foodstuffs has appreciably improved appear, in the Secretary-General's opinion, to indicate that the effects of the war are disappearing. To quote the text of the report: "The central problem of 1949 continues to be the necessity for expanding the world supply of goods for the growing world population. As a consequence of the diminishing importance of temporary post-war obstacles, the problems facing the world in further increasing the production of agricultural, manufacturing and mining supplies in 1949 are likely to be of a more protracted and long-term character. Most countries will find it necessary in the coming year to pay greater attention to raising productivity by rationalization of production, modernization of plant and improvement of workers' skills; and to the expansion of plant and equipment by further investment in industry and agriculture."

Another noteworthy fact is the appearance of deflationary trends, reported in the Secretariat's study. This tendency can be viewed only with gratification.

Although the world economic situation, seen as a whole, shows an appreciable improvement over 1947, considerable divergencies are noted if the various areas are examined separately. There are regions and countries where the economic progress achieved has been insignificant, and there are others, such as Latin America, where I venture to say that not only has the improvement been extremely slight, but there has, in fact, been some deterioration.

The United States of America undoubtedly is notable among the countries by virtue of the tremendous progress it has achieved. The level of industrial production, which was 100 in 1937 and 85 in 1938, reached 149 in 1947 and 151 in 1948. United States industrial production, therefore, is 50 per cent higher than in the best pre-war year. The index for the production of grain—the basic food product—reached 133 in the period 1947/48 and 170 in 1948/49, on the base of 100 for the average level during 1934 to 1938.

The Union of Soviet Socialist Republics announces that its industrial production in 1947 equalled the 1940 level, and in 1948 exceeded it by 18 per cent. But the absence of figures for actual production—the result of the policy of withholding these figures both from the United Nations and from the Russian people—makes impossible any evaluation of the real influence of the production of the Union of Soviet Socialist Republics on world economy.

Western Europe—more correctly, the countries participating in the European Recovery Program—has already raised its industrial production to a level exceeding the pre-war figures by 17 per cent. These figures exclude western Germany; the increase is only 1 or 2 per cent if that region is included. Thus, in spite of the frightful devastation suffered during the war, western Europe has already exceeded its pre-war level of production. With regard to agricultural products, however, western Europe still lags behind the 1938 indices, although a marked increase may be noted.

This significant improvement of the situation in western Europe must be attributed mainly to the European Recovery Program, now nearing the close of its first year of operation, and also to the

efforts of all the countries concerned, which—in the United Kingdom, for example—have reached exemplary levels.

It is particularly in western Europe that the Secretary-General's statement which I noted previously—namely, that the effects of the war are disappearing—is most convincingly demonstrated. There is every reason to consider these problems from a standpoint other than that of mere economic rehabilitation. European problems should now be considered in relation to the permanent factors which give rise to them. It is owing to these factors that, although pre-war levels are now being regained, the peoples of western Europe are faced with a crisis of serious proportions, whose origin may be traced to circumstances that preceded the military conflict. I believe it essential to draw attention to this fact particularly because, in recognizing it, we must conclude that if Europe requires, and has become dependent on, international co-operation to solve its problems, this is not so much because it was the principal victim of aggressive war, as because it is part of an international community now in the toils of a serious crisis demanding the co-operation of all. Thus the *Economist*, an authoritative British newspaper, says in its editorial of 8 January 1949, on the preliminary report submitted by the Organization for European Economic Co-operation:

“The first comfortable assumption that the report demolishes is the belief that Europe's economic plight is a temporary phenomenon brought about by the dislocations of war. If this were all, the difficulties should have virtually disappeared by now. Europe's standards of production are very nearly restored to the pre-war level—a process which took seven years after 1918. The truth is that the two years have aggravated, but not caused, a crisis which has its roots in a general change in the world's economic relations.”

The political leaders of western Europe are fully aware of this fact; it has already been announced that the measures taken by the eleven countries—owing to force of circumstances—to co-ordinate and integrate their economies will be maintained indefinitely after the Marshall plan has come to an end.

Although the data provided in the report of the Department of Economic Affairs are insufficient to give a clear picture of the true situation in the countries of eastern Europe, they do show that a considerable increase in agricultural production has been achieved, to such an extent that in countries like Poland, Czechoslovakia and Hungary pre-war levels have been exceeded. On the other hand it appears that industrial production has not yet equalled the 1938 figures. It is true, for example, that some eastern countries, such as Poland, have apparently exceeded their pre-war industrial production, but the report points out that the figures apply to Poland within its present frontiers, i.e., they include a part of the former German State that contains many important industries.

I feel I should stress the fact that an important prerequisite for the future economic rehabilitation of Europe in general is the restoration of trade between eastern and western Europe, now greatly reduced owing to the attitude of the countries which have refused to participate in the European Recovery Program. Certain bilateral treaties which have recently been concluded with this end in view, and the successes achieved by the sub-committee of the Economic Commission for Europe, appear to justify an optimistic view of the prospects in this field.

The Secretariat's report gives us very little information on the economically under-developed countries and the information which it does contain, or which we can assemble from other sources, does not justify the optimism which appears to be expressed in some paragraphs of the report. Conditions in the Far East, for example, do not seem to be exactly favourable. The civil war in China has resulted in the total disruption of the economy of this vast region and consequently all international action has been paralysed. The United States has suspended its programme of financial and economic assistance and the United Nations regional commission has been able to do little work in this area. The report states that Pakistan and India have suffered a reduction of their exports while their imports, particularly of capital equipment, were high. This temporary unfavourable balance of payments will certainly be compensated shortly by greater industrial productivity.

The Middle East, too, appears to have made no progress during the past year; in any event the information given on the countries of this region is particularly scant.

To sum up, the regions comprising the Far East and the Middle East continue, with little change, to show their traditional characteristics: an almost completely agricultural economy, incipient industrialization, unprogressive methods of cultivation and undiversified production. At the same time inflation has reached alarming proportions.

At the outset of these remarks I considered that the economic situation in Latin America had deteriorated during the year. Certainly it is disappointing if we view it in relation to the hopes previously held. The life of our continent was not disturbed by any international conflict; our problems have been recognized and studied by the leaders of most of our countries; we have established international machinery enabling us to act jointly; and, generally speaking, we have held similar views on the nature of the problems and the remedies to be applied. In short, we have enjoyed certain advantages in comparison with other regions that are considered under-developed. We were therefore entitled, in this year of almost universal recovery, to hope for genuine progress.

The report gives little economic information on Latin America. That is understandable, when we consider the difficulty of collecting data. We are confident that when the Economic Commission for Latin America meets in its second session in May we shall be provided with sufficiently complete information. The Commission's secretariat is making great efforts to draw up a report based on data collected on the spot, and these data are being analysed by a body of experts of acknowledged competence. Nevertheless, the few figures given in the present report corroborate the statement which I have just made.

On many occasions on which economic and social conditions in Latin America have been discussed, my delegation has stressed, almost to the point of importunity, the gravity of the problems of this region and the seriousness of the impact of the recent war on its weak and unstable economy.

My country stressed this point in pressing for the establishment of the Economic Commission for Latin America and expanded on the same subject during the Inter-American Conference at Bogotá and the first session of the Economic Commission for Latin America. Today, when the rehabilitation of Europe is a reality, it will be understood how just was our insistence on the necessity for international action in helping to solve the problems of Latin America.

The symptoms outlined by the Secretariat, and others which are public knowledge, show that inflationary pressure is still more or less acute and that in some countries the inflationary upswing has been accentuated. Of course each country is influenced by special internal factors, but there are some elements common to all countries. During the war — and in the period immediately after the war — the principal cause of the inflationary pressure was excessive exports. Today, however, the cause is the lack of a sufficient supply of consumer goods — caused mainly by the rise in prices of imported goods — the shortage of currency for imports and the insufficiency of national production to supply the needs of the population.

The Secretariat's report states that the general level of industrial production in a number of Latin-American countries was upwards of 25 per cent higher than in the pre-war period. It should be noted, however, that this estimate is not based on very solid foundations. In the second part of the same report, indices of industrial production are given for two countries only, namely, Mexico and Chile. An index for Brazil covers only a small number of industries, and the sole index computed in Argentina is that of workers employed in manufacturing. The remaining seventeen Latin-American countries publish no general industrial production indices — in most cases, for the simple but important reason that industrial production is insignificant in relation to general production.

In Mexico and Chile — the only countries which publish indices — industrial production, according to the report, appears to have declined slightly in 1948. It must be concluded, therefore, that even in the few Latin-American countries where some industrialization has taken place, the situation of industry is not very promising. That, I believe, may be attributed to the following causes, among



others: the difficulty of replacing machinery worn by excessive use, particularly owing to abnormal war efforts; the difficulty of obtaining raw materials for export and the rise in the prices of such materials; and the lack of the capital, skilled manpower and technicians required to expand existing industrial plants and to establish necessary new plants. Even if we accepted as applicable to industrial production in our region the estimated 25 per cent increase over the pre-war level, the effect of the rise would be cancelled by the increase in population, which is estimated at 20 to 25 per cent per annum. In other words, *per capita* industrial production, for all practical purposes, remained at the 1938 level, and Latin America has not made the slightest progress in industrialization over a period of ten years.

Information given in the Secretariat's report, based on the report of the Food and Agriculture Organization, shows that the index of agricultural production in Latin America in 1947/48 was 120 per cent of the 1938 figure. Latin America as a whole is a very important producing region for export foodstuffs. The increase in agricultural production applies principally to agriculture for export; agriculture for internal consumption continues to be carried on by unprogressive methods and the reports of the Food and Agriculture Organization show that there has been no appreciable improvement in the food supplies of the population. Generally speaking, agriculture in the Latin-American countries is in urgent need of improved techniques, modern mechanized methods of cultivation and the extension of agricultural areas, if they are to produce enough to provide their people with proper diet and to export the quantities required by other parts of the world.

The Latin-American countries are among the so-called "open" economies and are therefore essentially dependent on outside forces and are particularly vulnerable in the event of world changes. Foreign trade affects all the branches of the economic systems of these countries; hence their greater weakness. That is why the destruction of the world network of foreign trade, as it existed before 1938 and has not been reconstituted, has so profoundly affected our countries. It will probably never recover its former character because we are living in an essentially dynamic world and the

trend of history rules out a return to the conditions of former years. This is a fact which is usually forgotten when economic problems are being discussed.

For Latin America, Europe was traditionally the major supplier of manufactured goods—capital goods and consumer goods — and at the same time the principal market for Latin-American products. In 1938 imports from Europe constituted approximately 45 per cent of the total and exports to Europe were in the neighbourhood of 50 per cent. In 1947 Latin America was importing a bare 15 per cent of its total from European countries and exporting to them some 32 per cent. The difference between this volume and that of 1938 has been added to the volume of foreign trade with the United States. The report does not give the figures for 1948 but if we accept the particulars given by the Organization for European Economic Cooperation and the Economic Cooperation Administration we find that imports from Latin America to Europe in the course of 1948, including Marshall plan purchases, do not exceed \$1,000 million, the sum also recorded for 1947. This means, on the one hand, that the Marshall plan has not led to an improvement over the former situation in this area although we must appreciate that, in the absence of this programme, Europe would have been unable to maintain even the 1947 level of sales to Latin America. On the other hand, there is no evidence for assuming that the recovery of foreign trade with Europe is likely to reach pre-war levels within a short time.

If we consider the problem of Latin-American foreign trade from another point of view, we reach similarly grave conclusions. World economic history indicates that, with few slight deviations, the rate of price increases in manufactured articles has been incomparably sharper and greater than that of raw materials and agricultural products. If we remember that the two latter categories account for 90 to 95 per cent of Latin-American exports, we reach the conclusion that for every ton exported, Latin America is receiving a steadily decreasing quantity of merchandise. This situation has become particularly serious in the post-war period. The dollar amounts which the Latin-American countries succeeded in accumulating during the war represented the proceeds of exports on

the basis of controlled prices barely higher than peace-time prices. At the end of hostilities countries having a pent-up demand for articles which they were unable to obtain in the earlier years saw their reserves being rapidly dissipated because they had to acquire large quantities of capital goods and consumer goods at considerably higher prices. By the end of 1947 this had resulted in a deficit of about \$2,000 million in Latin America's balance of trade with the United States; in addition, there was a substantial decrease in Latin-American imports in 1947. Thus, in 1947, Latin America imported to the value of \$6,700 million, of which \$4,225 million came from the United States; in 1948, the comparable figures were about \$5,300 million, of which \$3,000 million was from the United States. The gravity of these facts cannot be concealed. The twenty Latin-American republics have seen their last year's imports drop by more than 20 per cent, whilst they were unable to acquire the necessary equipment to maintain and renovate their industry and agriculture.

This problem of import and export prices has seriously concerned Latin-American statesmen; one of the important resolutions adopted at the Santiago session of the Economic Commission for Latin America referred to this problem. In Chile the President of the Republic drew attention to these facts in his 1948 message to Parliament, in which he said that "in 1947 the average value of each ton exported by Chile increased 6.3 per cent, whilst the average value of each ton imported increased 26.3 per cent".

From the above outline of the situation in Latin America it may be inferred that the main cause of the weakness and instability of Latin America's economic system is its general dependence on foreign trade. We have previously noted the obvious fact that the modern world is face to face with a new economic reality, entirely different from the situation of 1938, and that world exchange cannot be reconstructed on the pre-war basis. Hence, it is unthinkable that the solution for this tremendous Latin-American problem should be the re-establishment of its former foreign trade. On the contrary, the solution is that Latin America must not once again become vitally dependent on foreign trade; this can only be accomplished by diversifying and developing the Latin-American economy.

I need not dwell on the generally accepted fact that such a change will benefit not only the area but the world generally.

The President of Chile, in commenting on the economic programme recently outlined by President Truman, said, "for some time Chile has been advocating concerted action, with a view to transforming the economic structure of Latin America in such a way as to eliminate the factors which account for its weakness and instability. For this purpose Chile favours the study and execution of a continental plan for the industrial exploitation of natural resources and raw materials which will avoid duplication of effort and eliminate any idea of self-sufficiency, since self-sufficiency is *per se* inconsistent with our ideal of co-operation; on the contrary it causes difficulties and differences among peoples". These words state two fundamental principles underlying the possibility of effective economic development in Latin America: first, co-ordination of national and international efforts towards the development of complementary programmes to that end and, secondly, orientation of the process of agricultural and industrial transformation by exploiting natural resources whilst avoiding artificial economic self-sufficiency in any particular country or area.

A programme of economic development for Latin America cannot be executed without an ample supply of capital. The Chilean delegation had occasion to mention this part of the problem at the Economic and Social Council's last session, as well as in the discussions of the Economic and Financial Committee of the General Assembly. In those meetings the delegation referred to the very slender capital strength of the countries which are forced to spend more than 90 per cent of their national income on essential goods; we also stated that some countries, including Chile, had experienced an intensification of inflationary tendencies as a result of the adoption of fiscal measures designed to increase production. We showed that some of the countries did not remain undeveloped on account of lack of effort or sacrifice on the part of the population. Moreover, some of the nations which now appear as the champions of "domestic resources" achieved their industrialization easily with the help of foreign capital.

As the report of the Department of Economic Affairs shows, Latin America in the post-war period (to 30 November 1948) received only \$686 million in loans and credits of all types. In the same period Europe received \$25,887 million and Asia \$3,714 million. The International Bank for Reconstruction and Development and the International Monetary Fund granted \$159 million and the United States Government \$299 million of the total for Latin America.

We believe that the International Bank for Reconstruction and Development must pursue its new policy of directing its efforts chiefly towards economic development — a policy which also has the backing of the General Assembly — and Latin America must be an important beneficiary of this policy. Furthermore, the Government of the United States has declared its intention of allocating to the United States Export-Import Bank of Washington the amount of \$500 million for loans to Latin America.

In any case it is obvious that these sums are insufficient when related to Latin America's capital needs, and other forms of economic and financial help will have to be considered. Admittedly, private investment of foreign capital may play a large part in the economic development of Latin America as it did in the United States during the nineteenth century. The Latin-American countries are on the whole prepared to encourage foreign investments. The Chilean Government, on its part, has given clear expression to its wish for such investments; the President of the Republic, in the statement I referred to before, said: "We welcome the entry of private capital likely to help the effort which Chile is making with great sacrifice and we assure foreign investors of fair treatment, without discrimination in comparison with Chilean nationals, and a fully democratic system which is a guarantee of security and stability."

The Economic and Social Council is aware of the fundamental significance attached by my delegation to technical assistance as an important factor in economic development. Chile is still, as during the last session of the General Assembly, firmly determined to support the programme for which we then fought, together with Burma, Egypt and Peru, and which was adopted in the form of a

resolution. On that occasion we pointed out that in view of the difficulty of obtaining capital, equipment and labour, all of which are essential for economic development, there should be no delay in international action directed towards the important task of technical improvement, so rich with possibilities for the near future. We obtained a General Assembly resolution instructing the Secretary-General to grant Member States certain valuable technical services directed towards economic development and appropriating funds to finance the programme.

The Economic Commission for Latin America during its first session likewise instructed the Secretary-General to prepare a study of the needs for technical assistance in the area and the possibilities of obtaining such assistance, at both governmental and private levels.

Technical assistance will not only lead to more advantageous use of existing facilities and resources which are the basis of the future Latin-American economy, but will also create the conditions under which other forms of aid and assistance may strengthen economic activity. The scientific and technical study of the many aspects of production and distribution is bound to attract the interest of capital and to facilitate investment.

A development of vital importance seems likely to be added to those which give rise to hopes for speedy and effective achievement of the economic development of Latin America. I am speaking of the plan announced by the President of the United States to stimulate the economic development of under-developed areas and countries. Even though he placed special emphasis on questions of technical assistance when he spoke of "making the benefits of our scientific advances and industrial progress available for the improvement and growth of under-developed areas", it may be gathered from the context of his statement that it is the purpose of the Government of the United States to plan a system of economic co-operation in all its aspects, with a view to achieving a greater development of backward countries. The fact that our agenda has the two distinct items "economic development" and "technical assistance", together with the fact that the United States Government announced that its programme would go forward

so far as practicable through the United Nations — these circumstances make it possible to hope that the United States delegation will not allow the present session of the Economic and Social Council to pass without giving us the general principles of the new programme of economic development. Chile has welcomed President Truman's statement with intense interest. Our President felt called upon to make a public statement on its scope and economic aims. He also referred to the emphatic declaration of the President of the United States concerning the democratic and unimperialistic orientation of these new efforts of economic development: this, he said, completely belied the allegations of the Union of Soviet Socialist Republics and its satellites abroad, that the international policy of the United States simply follows the dictates of cynical economic imperialism.

We are anxious to hear the United States delegation outline the programme whose announcement aroused great hopes in Latin America.

I shall speak briefly on the subject of the economic situation in Chile and of the measures taken in 1948 to deal with its problems.

The data in the Secretary-General's report indicate that the index of industrial production in Chile was 97 in 1938 (based on 1937 equals 100) and 145 in the last quarter of 1947, whilst only about 140 in the first nine months of 1948. I believe that the industrial production of the last quarter of last year was up to that of the corresponding period in 1947, but the mere fact that in Chile, as in Brazil and Mexico, the consistent advance has come to a halt is the clearest proof of the existence of the external factors to which I referred when I dealt generally with the problems of Latin America.

On the other hand, mining production — chiefly coal, nitrates, copper and iron — has increased by more than 10 per cent over 1947, largely on account of Government action against sabotage by the Communist Party. Agricultural production also increased appreciably and this year we produced sufficient wheat for the entire domestic consumption, which would have been impossible in former years; we even succeeded in exporting certain quantities. We were also able to achieve a surplus

production of fruit, which again is being exported to Europe. In any event, between 1937 and 1948, industrial production advanced about 58 per cent; wheat, 26 per cent; gross mining production, 18 per cent; and production of coal, 12 per cent.

The cost of living index in Chile rose 17 per cent in 1948. If we compare this figure with the 34 per cent increase in 1947 we see a slackening in the rate of increase. But in any case, this year's increase is particularly serious for us because we believe we have exhausted all internal methods for halting inflation. Thus, in 1948 Chile began and concluded the year with a perfectly balanced and financially sound budget; available foreign exchange has been spent on goods absolutely essential for consumption and for economic development, as part of a technically well-prepared and scrupulously observed budget. Public and private credit has been placed in the service of production and its use for speculative transactions likely to result in price increases has been avoided. In addition, prices have been controlled and the fight against speculation vigorously pursued. Hence it is clear that the continued presence of inflationary tendencies is due to the external causes to which I also referred a few moments ago.

In 1948 the Government supplemented these methods of fiscal rehabilitation and economic reorganization by taking steps to cancel a previous deficit of \$73 million in respect of unpaid imports and by resuming payments on the external public debt, which had been suspended some years ago.

In the year just past, the export of Chilean products has received the utmost encouragement and we have endeavoured to overcome other obstacles in the way of increasing foreign trade. An agreement has been concluded with the United Kingdom under which pounds may be used in the sterling area, which includes so many countries. We hope that the volume of this trade will reach £4 million sterling in the first year during which the agreement operates.

A payments agreement recently concluded with France will, it is hoped, enable us to resume active commercial exchange with France, which at present is far below the 1938 figures.

The ultimate aims of Chile's economic policy are, first, to increase and modernize methods of agricultural production and, secondly, to process the raw materials available in the territory and exploit the natural resources which our country provides.

In realizing this policy of economic development, we have to distinguish between what is desirable in theory and what is feasible in practice, in view of the capacity of the nation, from the standpoint of finance and capitalization.

Many industrial projects ought to be launched—a great many sources of wealth are merely awaiting the call of capital and labour to become an effective part of the nation's industrial patrimony—but limited resources make it mandatory to establish a careful order of priorities for projects of major importance and for those which are a necessary precedent to others to be undertaken later.

The Government is determined that the country pursue and accomplish the industrial stage of its development, but it is also resolved not to stand aside from a realistic programme which promises to strengthen the basis for a healthy, sound, independent and stable industrial economy in Chile.

For this purpose, we have been concentrating the resources of our institutions since last year on the execution of certain basic programmes, the accomplishment of which will mark a decisive stage in industrial development. Production of steel, oil, ore and electricity — these are the four great objectives which our Government is now fostering in the certainty that in this way it will contribute profoundly to the prosperity we desire.

We hope by 1951 to be producing enough steel and oil to satisfy all our needs and enough electric power to stimulate industrialization and the mechanization of our agriculture.

I will not on this occasion dwell on the programmes of economic development which we are pursuing, nor on our difficulties. I propose to deal with those in more detail when we consider the problems of economic development specifically.

I conclude by joining the tribute paid by my Australian colleague to the important assistance

given the Council by the Secretary-General in the publications placed at our disposal.

I should also like to express the hope that the Economic and Social Council, in the serious and efficient discharge of its duties under the Charter, will show itself capable of solving the problems of which I have spoken. It will have a splendid opportunity for launching effective action when it deals with the items of economic development and technical assistance.

Mr. IVERSEN, Denmark

First of all the Danish delegation wants to associate itself with the previous speakers in expressing our sincere gratitude to Mr. Owen and his staff for their report, *Major Economic Changes in 1948*. In our opinion it forms a far better basis for our discussions than the corresponding document which was on the table of the Council a year ago. It shows an improvement in the work of the Secretariat which we have noted with the greatest satisfaction.

As to the proper timing of the publication of the annual economic surveys — a subject which we discussed at some length a year ago — we fully realize that the preparation of a comprehensive review of the world's economic conditions in the past year must of necessity take considerable time. It is a happy and excellent idea, therefore, to have this larger study preceded by the present preliminary account of the most important economic developments which occurred in 1948. We think that both these publications will serve a very useful purpose, the more so since the Secretariat, to our great satisfaction, has included in the present document a cautious tentative outline of certain of the economic tendencies likely to make themselves felt in 1949. We want to compliment the Assistant Secretary-General for the competence and speed with which this preliminary report has been prepared. We feel sure that it will prove to be of great help to the Council in the fulfilment of its tasks.

As is generally agreed, one of the objects of the present general debate on the world economic situation should be to provide a background for our later consideration of the reports presented to us

by commissions or specialized agencies. The judgment we pass on the work of these bodies must necessarily be based on our conception of the general economic situation, and it may save time to provide that background once and for all, instead of returning to the same general arguments under each specific item.

In our opinion, however, this debate should not only be concerned with the past, but also — and primarily — with the future. We hope that it will result in valuable constructive suggestions and impulses, both to individual Member Governments and to international organs, including, not least, our own Secretariat and commissions.

Coming from a small country the economic fate of which is inextricably bound up with external economic fluctuations, the Danish delegation will listen with the keenest interest to this discussion. Just now we are about to finish our national budget for the coming year, the estimates of which are greatly affected by the assumptions made regarding the international situation. And with respect to the latter we look forward to the documentation and the deliberations of the Council for intelligent guidance.

The degree of economic planning practised by the various countries is widely different, of course, but whatever means they adopt every one of them is confronted with the serious task of readjusting its economy to a new and greatly changed world economic pattern. They may fairly ask this Council for advice as to what sort of world pattern they have to adapt themselves. And they may also hope to get an outline of alternative routes along which to do so.

Yet, even with all due respect for the vast economic competence gathered around this table, it would hardly be fair to expect that two or three days' debate in the Council should result in a detailed and clear-cut solution of this huge problem. But what the world may expect is that we recognize the paramount importance of this question and request our Secretariat, our commissions and the appropriate specialized agencies to concentrate their joint efforts on a thorough-going study of its various aspects.

Let me try to indicate more specifically what I have in mind. Perhaps I may say in this connexion that, extremely useful as is the factual background for our discussion which the Secretariat has provided in this document, I cannot help being afraid that some of the facts are presented with a little more optimism than is warranted by the situation. A publication like this, of course, registers the accomplishments of the past year. But it is of no less importance, in my opinion, that it also call our attention to the difficulties and shortcomings which we still have to face. In particular, it appears to me that the lack of balance in the present international economic situation might have been stressed somewhat more.

Of course, everyone will share the satisfaction with which the report emphasizes the substantial increase which took place in 1948 in the world supply of commodities and, more particularly, in the part of the world income devoted to investment. It is worth noting, however, as the Secretariat itself does, that the most important aspect of this progress was the excellent harvest of 1948. This factor obviously is of a seasonal rather than of a permanent character.

In the opinion of the Secretariat the central problem of 1949 will still be the necessity for expanding the world supply of goods, but we are told that, as a consequence of a gradual overcoming of the immediate and temporary post-war obstacles, this problem is likely to be of a more protracted and long-term character — which means, I suppose, that it is becoming a more difficult problem. I agree with that.

But as I have already intimated, there is another problem which I think it is at least equally important to tackle in time. The Secretariat itself points out that there are still marked disparities among countries with regard to the development of their production and, with special reference to raw materials, it is stated, on page 5, that while total world supply in 1948 seems to have been adequate, on the whole, to meet requirements, the main problem now lies in the "difficulties arising from the tendency of international trade in certain commodities to be directed towards 'hard' currency areas". That goes to show, so far as I can see, that one of the most urgent tasks now before us is to investigate the possibilities of restoring

international economic equilibrium, not, of course, understood in a narrow static sense, but in the dynamic sense of balanced progress. I find the same view expressed indirectly by the Food and Agriculture Organization of the United Nations in the statement quoted on page 13, according to which "maintenance or expansion of high levels of production in North America where conditions for technical progress are especially favorable would be universally welcomed provided that satisfactory solutions could be found to the international trade and payment problems which the deficit countries at present face". This proviso is certainly an important one.

We have made preparations for a United Nations Scientific Conference on the Conservation and Utilization of Resources, and we are to discuss later in this session the problem of wasting food. However important the different forms of physical waste may be — and we agree that they are very important — it certainly is of no less importance to avoid the waste resulting from economic maladjustments and to attempt to utilize our resources to the economic optimum.

We are also going to deal with various problems connected with the development of underdeveloped countries; no one will deny the extreme importance of this question. Yet it would not be without danger, it appears to me, if this word "development" becomes the catchword of every economic debate, just as "full employment" has been, in recent years, something to be aimed at for its own sake and *à tout prix*.

As regards employment, there has been a growing recognition that what we desire is not, after all, to inflict as much work as possible on mankind, but rather to secure productive work so as to maximize real income. Similarly with regard to development, it is not necessarily each and every sort of development that we should welcome. We must try to see the different development projects as integral parts of the new economic pattern we aim at creating. If we do not keep that point of view in mind, we run the risk that some of our development schemes may endanger future international equilibrium and thus in the end defeat their own purpose.

By such an attempt to include the problem of development in a broader total picture we will, so far as I can see, act in harmony with the resolution of the General Assembly which requests us to give further and urgent consideration to the whole problem of the economic development of underdeveloped countries in all its aspects.

In this connexion I might just add a word of warning against interpreting the word "development" as under all circumstances completely synonymous with "industrial development." This, however, is a question to which we will have occasion to return later in the detailed discussion of the items specifically dealing with development.

If it be admitted that the restoration of a balanced international economic system is one of the major problems today, it should also be apparent that this is a problem particularly fit for study by international organs. It is their prerogative to be able to adopt a global approach to this question. In an admirable way this global point of view was applied in the League of Nations publication *Network of World Trade* and I have no doubt that more fruitful work can be done along that line.

National plans are of necessity limited in scope. The difficulties to be encountered in co-ordinating a number of national plans are amply demonstrated in the recent report from Paris on the long-term programme of the Marshall countries. I have no doubt that the work on which the Organization for European Economic Co-operation is now engaged would have been facilitated if it could have been based on a clearer conception of the total world pattern to which the national economies should adapt themselves.

Moreover, national plans will often tend to be carried through by restrictive measures detrimental to other countries. The more the global point of view is kept in mind, on the other hand, the more obvious becomes the superiority of a solution by expansion, taking full advantage of the international division of labour.

Admittedly it is an extremely difficult task to envisage this future world economy. The report before us merely says, on page 21, that "there is no clear indication of the pattern of trade that will

emerge after the prevailing strain on international payments has subsided". Yet it appears to me that we must try to form some idea as to the character of this pattern in order to be able to see the national plans in their proper perspective and to judge whether the progress we have made and the development projects which we contemplate will carry us towards a new equilibrium or away from it.

One of the difficulties of getting a clear idea about the character of a future balanced world economy is, of course, that, over and above the rather obvious dislocations due to the recent war, account must also be taken of structural changes which were under way even before the war, causing a certain lack of balance which, for a time, was more or less concealed by temporary factors but which would, sooner or later, have required adjustments in the world economy even if there had been no war.

But this is not all. If our work is to result in anything but lofty structures built in the air we must take a further step. After forming an opinion regarding the nature of the coming international economic order the next and equally difficult question is how to realize it.

We are told, on page 22 in the report, that the problems facing countries in their efforts to approach equilibrium in their balance of payments are "so complex and varying that probably no simple way out of the difficulties can be found".

But whether it is simple or not we must try to find the way and here again I suggest the importance of applying the global point of view.

Studies have already been made in the Secretariat with a view to explain the frictionless functioning of the multilateral system existing prior to the First World War. It would seem natural to go on to investigate whether — and how — a similar system may be made to function under present-day conditions.

One might, of course, proceed immediately to reinforce the recommendations so often made to individual countries, both before and after the last war, to abolish the various restrictions on trade; let us by all means express the hope that the nego-

tiations which are to take place in Annecy in April will result in a further lowering of the tariff walls. But, by and large, I think that we must admit the correctness of the statement by the International Monetary Fund, quoted on page 22 in our report, that "the fundamental conditions which would make possible the abandonment of trade and exchange restrictions are . . . entirely absent today in most of the world".

This being so, in my opinion, we should set out as soon as possible to establish what these fundamental conditions are and how they may be realized. It goes without saying that one of the major aspects of such a study will be to clarify the role which an adjustment of exchange rates — including a possible appreciation of the United States dollar — might play in the restoration of international equilibrium. Similarly, the possibilities and importance of a revival of an international capital market should be contemplated.

A more specific point which it might perhaps be useful to discuss here is the role played by the trend of economic activity in the world in general and more particularly in the United States. As we all know, the Havana Charter puts great emphasis on the relation between maintenance of employment and establishment of a freer international economic system. Indeed, I think that this is one of the most constructive ideas of the Charter. Certainly, depressions tend to foster restrictions.

Yet it has been argued recently in Europe that a depression in the United States might help to restore international economic equilibrium. In my opinion this is a rather one-sided contention. It concentrates exclusively on the effect of an American depression upon the barter terms of trade. True enough, the prices of raw materials would probably be exposed in that case to a relative decline which would be beneficial to many European countries and would tend to diminish the present dollar scarcity. Besides, a drop in American prices might cause expectations of a further decline which in turn might discourage investment, including investments in commodity stocks, and thus diminish the pressure of demand in Europe. It might also weaken the tendencies towards open inflation through increases in money wages in European countries. But at the same time, a falling off in



demand in the United States would cause a reduction of imports which would diminish the dollar earnings of other countries and tend to increase their dollar scarcity. At the moment such a development might finally influence the attitude in the United States towards foreign aid programmes. People reasoning along more old-fashioned traditional lines would argue that the United States could not now afford to give as much support as before, whereas others, influenced by more modern thinking, would reason the other way round, that larger grants should be given to foreign countries in order to maintain economic activity in the United States.

Without attempting to evaluate the relative importance of all these factors I suggest that from the point of view I have been taking today it is very important that the Secretariat continue to pay close attention to inflationary and deflationary tendencies and to the general outlook for economic activity.

I have stressed several times what I have called the global approach. In fact, however, some of the most important steps taken so far in the direction of restoring a balanced economic world have been of a regional character. I am thinking of course of such things as the economic co-operation among countries in the Organization for European Economic Co-operation or among the countries of eastern Europe. It is worth pointing out, therefore, that there is no necessary conflict between such regional co-operation and the ultimate goal. Moreover, foreign assistance may be a lever without which it would be difficult for several countries to reach such internal recovery as would allow

them to find their place in a balanced international system. Certainly, Marshall aid has facilitated this adjustment in my country. But it is important that the ultimate goal — the re-establishment of a universal economic equilibrium—be constantly kept in mind.

To my own country it is of particular interest that the attempts at reviving the trade between eastern and western Europe meet with success, and we hope that the negotiations now in progress in Geneva in the Committee on the Development of Trade will lead to practical results. But here too it is important, I think, to form an idea of the probable future trade pattern, with due regard to the structural changes that are taking place in the countries of eastern Europe.

Denmark is also, of course, greatly interested in the future of the German economy, where we meet another obvious instance of disequilibrium.

To sum up very briefly: the Danish delegation suggests that the Secretariat, the Economic and Employment Commission, the regional commissions and the appropriate specialized agencies — particularly, of course, the International Monetary Fund and the International Bank for Reconstruction and Development — be requested to co-operate in a study of the problems connected with the restoration of a balanced international economic system. We would like this co-operation to be extended also, if possible, to the independent regional organizations that are concerned with that problem, all with a view to avoiding duplication of work and to utilizing all pertinent knowledge and experience in this important field.

## 21 FEBRUARY 1949, AFTERNOON MEETING

Mr. SUTCH, New Zealand

Before discussing certain aspects of the world economic situation, the New Zealand delegation would like to give a brief report on recent economic developments in New Zealand.

In describing New Zealand's economy, I should explain that New Zealand's chief crop is grass; to turn this grass into marketable exports, two ani-

mals are used — the cow and the sheep. The organization and methods used in New Zealand in producing these exports are briefly as follows: New Zealand's farms, on the whole, are family farms. They make extensive use of power-driven farm machinery, milking machines and shearing machines. In the dairy industry, which produces a great volume of butter and cheese, all the dairy factories are co-operatively owned by the farmers. A dairy commission elected by the farmers buys

the butter and cheese from the co-operative factories, and stores, ships, and markets it abroad. In the meat industry, a board elected by the producers handles meat exports. In the wool industry, a board functioning under New Zealand legislation co-operates with similar organizations in the United Kingdom, Australia and South Africa to handle the annual wool crop.

Apart from petrol, the two most important fuels used in New Zealand are coal and electricity. Most of the coal mines are owned and operated by the State and all the hydro-electricity is produced by the State and distributed through local authorities elected by the people. Inland transport, including the railway system, is mainly State-owned.

Long-term finance is provided for farmers, usually by State-owned financial organizations, and short-term finance is provided by a State-owned institution or by a private lending agency. From all this, it may be deduced that New Zealand's most important economic activity — farming — is highly organized and legislation and State activity are both directed to making it as efficient as possible. One result is that today New Zealand is the largest exporter of butter in the world; it is also the largest exporter of cheese; it is the second largest exporter of meat and the third largest exporter of wool.

In order to give the Council some idea of the state of New Zealand's economic activity, the following facts are presented.

Although New Zealand was suffering from certain shortages of man-power and materials, the production of houses reached a new record in the year ending 31 March 1948. Similarly, 1947/48 was a record year in the production of timber, and present indications are that the present year — 1948/49 — will show an increase over last.

Manufacturers in New Zealand are mainly for the domestic market; even so, between 1938/39 and 1946/47, the number of factory workers increased by 20 per cent and the value of the goods produced was almost doubled; this, of course, does not allow for price changes.

From its farms, in the 1947/48 season, New Zealand produced 151,400 tons of butter, 89,000 tons of cheese and 35,000 tons of other milk products. The 1948/49 dairy season was exceptionally good in the early months, returns being up as much as 20 per cent over the previous season in the North Island; we expect that 1948/49 production of dairy products will be a record.

Wool production for 1947/48 was 357 million pounds, which was somewhat short of the record of the 1944/45 season. Meat production is from 15 to 20 per cent above the pre-war level.

In the calendar year 1948 New Zealand's visible trade, measured in sterling currency, showed exports of approximately £123 million, with the corresponding figure of £105 million for imports.

During 1947 there was a reduction in New Zealand's foreign exchange holdings of about £22.5 million sterling, but half of this reduction was due to repayment of loans in the United Kingdom. At the end of 1947 New Zealand's oversea holdings were valued at £56 million sterling. A year later, that is at the end of 1948, the figure was approximately £50 million sterling. This shows that New Zealand's foreign exchange holdings had been reduced by about 10 per cent during the year: but, again, this reduction included the repayment of a loan of £10 million sterling in the United Kingdom. On current account, therefore, New Zealand's foreign exchange position was somewhat better at the end of 1948 than it was at the end of 1947.

The above figures show the net position but do not indicate that 1948 was a good year from the point of view of volume of trade. If 1938/39 is taken as 100, the volume index of imports in 1945/46 was 67, in 1946/47 it was 90 and in 1947/48 it was 124. It can be seen, therefore, that the 1948 year was one of heavy imports for New Zealand. I should add that the volume index for exports in 1947/48 was 122. I have given the figures for production years, rather than calendar years, because the growing season ends in the middle of the calendar year.

Turning now to our living standards: experts in national income have recently written that New

Zealand has the highest standard of living in the world, but whether New Zealand or Canada or Sweden has the highest standard of living is not the important point. What is important is whether this average standard of living is an average of high incomes and low incomes, or whether the average is really typical of the country. I think that in New Zealand we can say that the average is typical.

At the last census, held in 1945, it was shown that over the previous ten years the number of houses owned without mortgage by New Zealanders had gone up by over 30 per cent. These figures are interesting as indicating the spread of home ownership in our country. The 1945 census showed that 25 per cent of our houses were owned free of mortgage, that 32 per cent were owned subject to mortgage and that 6 per cent were houses which were given free with the job; that is, only 37 per cent of New Zealand's houses are rented.

There is still a housing shortage in New Zealand, but this is a relative matter. We have found that there is a change in the number of occupants to each house; for example, in the 1936 census there were 3.9 persons to every house and in the 1945 census the figure was 3.6.

Another criterion for measuring the spread through the community of contemporary living facilities is the number of dwellings served with electricity. In New Zealand, including the mountainous areas and remote valleys, 93 houses out of every 100 houses are served with electricity.

Techniques for maintaining living standards are varied. New Zealand's economic and social policy is aimed at giving each family a reasonable standard of living — this standard to cover, at its minimum, the essentials of food, clothing, shelter, education and medical care. This involves assuring to the farmers a guaranteed income and to the wage workers full employment and a wage level which will give them a share of the national income comparable with that received by the farmers.

Every season a guaranteed price is fixed for butter fat and this in itself fixes the basis of the

income of the majority of our farmers. The guaranteed price also applies in other fields. As with State housing, the financing is done by New Zealand's Reserve Bank and, as I mentioned earlier, the marketing is done by boards appointed by the producers. Part of this plan for ensuring stability to farmers is the making of contracts with the United Kingdom for the sale of our produce at an agreed price, and the operation of commodity pools to maintain reasonable internal prices. Thus, in 1948, an agreement was made with the United Kingdom to take all of New Zealand's butter and cheese for a period of seven years. A similar contract was arranged for our meat exports; under both contracts the prices to be paid are subject to annual negotiation, but a limit of 7.5 per cent is set on the price movement up or down in any one year. The stability that this gives to New Zealand can be appreciated.

New Zealand's other main export is wool; in this field we work with Australia, South Africa and the United Kingdom to ensure that not only are surpluses accumulated in the past marketed in an orderly way, but also that the present season's crop is sold under the same system. A floor is put under the price of wool so that the farmer knows he will receive a certain minimum income. It also means that this commodity is handled on a world basis and that three of the principal suppliers of the world market are assisting international trade by stabilizing one of the commodities affecting that trade.

To return to New Zealand, wages of workers are fixed by arbitration courts, the minimum being adjusted to correspond with changes in the retail price index; above this minimum, higher rates are fixed for the various grades of more arduous, skilled or responsible occupations.

To achieve internal price stability, New Zealand for some years has worked with a stabilization commission which is now permanently part of New Zealand's social economy. Its field covers the stabilization, control and adjustment of prices of goods and services, rents and other costs; and rates of wages, salaries and other incomes. Its powers also extend to marketing. In addition to this commission there is a price tribunal, also permanently part of New Zealand's social econ-

omy, whose work is to fix, control and supervise the individual prices of goods and services.

The New Zealand Government's main economic and social tool is full employment. Its success in using it can be gauged from the fact that the number of unemployed registered in New Zealand at the present time is one in over ten thousand of the labour force. In recent years there has had to be a curtailment of certain development and industrial projects owing to the shortage of labour.

New Zealand's policy of full employment and guaranteed prices for farmers has certain repercussions on the demand for imports. Naturally the demand for consumer goods and services is maintained at a high level and New Zealand's manufacturing industry has a steady demand for machinery and raw materials, a good deal of which must be imported. Furthermore, New Zealand has no heavy industry to speak of. The concomitant, therefore, of the full employment policy and the control of foreign exchange is the selection of imports, because New Zealand's demand for imports tends to be somewhat greater than the foreign exchange available. Since 1938, New Zealand has consistently developed this policy of import selection. In this way we can be sure of importing the goods which are economically and socially necessary and, at the same time, ensuring that everybody in our country has a reasonable income. New Zealand feels that import and exchange controls must be the counterpart of the policy of full employment and economic stability. We have also, of course, internal controls which assist the Government in its policy. One of these is control of credit by the Reserve Bank and the operation of a commercial bank and long-term lending agencies by the Government. As with other countries, we have used subsidies for stabilizing prices of certain essential goods. There is also control of capital works programmes and limitation by the banks of the possibility of using bank advances for the acquisition of permanent assets.

An integral part of New Zealand's socio-economic system is social security, whereby the unemployed can receive a reasonable wage and persons incapacitated or subject to any of the usual social hazards of life can have an income during such periods. The social security system of New

Zealand is, I think, sufficiently well known not to need any further elaboration, except to mention that our free medical, hospital and pharmaceutical benefits scheme is of great assistance in ensuring the well-being of our community. Of the total private income of New Zealand, 13.2 per cent is spent on social services. The redistribution of income which this brings about helps to make sure that the greatest number of people get a fair share of the available national income. I would add that in the financial year 1947/48 the share of total private income absorbed by taxation was 27 per cent, and that about 50 per cent of this taxation is spent on social services.

May I now make a brief comment on our dollar exchange position. New Zealand has the good fortune to be part of the sterling area and is therefore able to trade over a large part of the globe, without being limited in its purchases from any other sterling country by its ability to export to that country. In addition, membership in the sterling area permits New Zealand to draw upon the dollar reserves kept by the United Kingdom for the area as a whole. Since almost all of New Zealand's meat and dairy produce and a substantial proportion of our wool are sold to the United Kingdom, we have a dollar deficit in our trade with the United States. The additional dollars we require are obtained by our membership of the sterling area. New Zealand, of course, has played its part in keeping down dollar expenditure and in co-operating with the United Kingdom and other members of the sterling area to make adjustments to the dollar shortage. For example, New Zealand endeavours to limit its payments for imports and other oversea transactions to its current receipts of foreign exchange from exports and other sources. This means that New Zealand will not draw on its sterling reserves of foreign exchange for imports.

The Secretariat report mentions the recent appreciation of New Zealand's currency. I should like to give the Council some details of this operation. During the depression years of the early 1930's, the prices of farm products dropped so low as to bring insolvency to 50 per cent of New Zealand's dairy farmers. In order to increase farm income the Government, on 20 January 1933, fixed the foreign exchange value of New Zealand

currency at the depreciated rate of £NZ125 to £100 sterling. This rate remained fixed until 20 August 1948.

As I have mentioned earlier, New Zealand, during and after the war, has operated a price stabilization policy which has met with a reasonable measure of success, but internal stability has been constantly threatened by rising import prices. The increase in import prices was particularly noticeable in the early months of 1948 and it became obvious that subsidies and other internal tools of control were no longer practicable in preventing a considerable distortion of the price structure. This distortion, if continued, would not only have threatened New Zealand's internal economic stability, but when reflected in farming output for export, would have had important repercussions on the well-being of the countries dependent on the foodstuffs we supply.

In addition, in the first half of 1948, the New Zealand Government negotiated with the United Kingdom a renewal of its long-term produce contracts. The prices to be received for butter and cheese were increased by about 15 per cent over the previous season's prices and export meat prices were increased by 18 per cent. Wool, New Zealand's other main export, was also realizing good prices. It will be evident therefore, that an appreciation of New Zealand currency at such a time need not have adverse repercussions on farming income, especially in view of the existing machinery for guaranteed prices for farmers.

The Government therefore decided to appreciate the value of New Zealand currency by 25 per cent so that the New Zealand pound is now equal in value with sterling. This action has a stabilizing effect in New Zealand.

The prices of a long list of imported goods have come down, increases in the cost of living have been avoided and the cost of New Zealand's overseas services, in terms of New Zealand currency, has been reduced. We have had no reports of any adverse effect on New Zealand's economy from the change. The guaranteed prices in dairy produce and the stabilized price for meat, both of which are agreed by producers' representatives each season, were maintained from current export re-

ceipts without appropriating funds accumulated in pool accounts which, for both industries, are substantial. In fact, the pools have actually continued to increase. The point here is that in future if there are possible reductions of export income the guaranteed price can be sustained out of these pools. The market increases in wool prices have more than covered the exchange adjustment so far as wool producers are concerned.

The report of the Secretariat suggests that there has been some loss to exporters in New Zealand — that is, to our farmers — because of the appreciation of the New Zealand pound. My remarks will make it quite clear that this in fact has not occurred.

May I also draw attention at this stage to the remark in the report that New Zealand's reduction in its dollar deficit in 1948 was due to restrictions on imports rather than to market conditions. This sentence is misleading. The facts are that while there were restrictions of imports from dollar areas in 1947 and that these restrictions were tightened somewhat in 1948, the essential reason for the decline in the dollar deficit in 1948 was an improvement in supplies from other areas.

I should like to refer to another misinterpretation of New Zealand's position in the report. In the section dealing with "Inflationary and Deflationary Developments in 1948", there is a reference to New Zealand's butter and petrol rationing. These are not rationed as part of any anti-inflationary policy, but for special reasons of increasing supplies of butter to the United Kingdom and of decreasing expenditure of hard currency on petrol.

Somewhat reluctantly we have mentioned errors in detail and interpretation in paragraphs relating to New Zealand's position in 1948. It may be that it would be preferable not to mention particular countries in an interim report if only a glancing reference can be made to them. The Department of Economic Affairs, which has produced this report, has done a rush job under trying conditions. We feel that this department is overworked and cannot devote all the time necessary to research and to digesting and presenting the facts. I have mentioned that this report, *Major Economic Changes in 1948*, is an interim report and we all

know that it was prepared during a period when many members of the Secretariat had to be in Europe to attend the sessions of the Economic and Social Council and of the General Assembly there. The major report will be made in June. We therefore did not expect this one to be other than a series of statements on the world supply of commodities, somewhat similar to the pictorial, statistical report received at the last session of the Council. However, there have been several additions which we feel are of value. We would particularly like to emphasize the table dealing with post-war international grants and credits by Governments. The tables relating to the financial work of the International Bank for Reconstruction and Development and the International Monetary Fund, and the tables on merchandise trade, building and construction, manufacturing activity and unemployment are also valuable.

In discussing the world economic outlook, I would like now to turn to the Food and Agriculture Organization's publication *The State of Food and Agriculture—1948*, which says that millions of people are hungry, that in the Far East, where live half the world's population, the income per person is very low — according to some authorities, well under US \$100 per year.

“To meet minimum food needs in the worst fed countries,” says the FAO, “there should be an increase in food supplies for these regions of about 40 per cent. If population increase is to be taken into account, it would be necessary to expand food supplies over the next twenty-five years by 100 per cent to reach the minimum standards of the FAO.”

Similarly, the FAO calculates that if by 1960 the world consumption of such clothing fibres as cotton, wool and rayon were to be raised to the pre-war level of Italy, world output of these fibres would have to be increased by 60 per cent over pre-war; if world output by 1960 had to reach a level of consumption based on 50 per cent of the pre-war United States consumption, the increase would need to be 130 per cent.

The FAO further points out that there is not in some countries the same tendency to export food as there used to be; there is a new pheno-

menon, “the increasing degree of political independence, especially in many low-income countries of the Far East. The new authorities naturally express impatience with existing living standards and make efforts to begin improving them”. And generally, they add, “people in most exporting countries are retaining a larger share for their own use”. The deduction from this is that domestic food production will be less available than in the past for export to other countries. But the Far East is, in any case, a deficit food area, and several of the countries in this part of the world have short- and long-term plans for improving their food production; however, the FAO doubts whether these plans will increase the food supply much more than to keep pace with population growth.

On the world nutrition situation generally, let me quote from page 7 of the 1948 survey of the Food and Agriculture Organization: it says that apart from Argentina, Australia, Canada, New Zealand, the United States and a few European countries, the food supply of any single country would be nutritionally inadequate even if distributed evenly throughout the population. As it is, the inequality in distribution results in certain sections of the population faring much worse than the national average suggests.

The conclusions are obvious. The world is not supplying itself with its needs of food or of clothing—and if we refer to the report of the FAO again, we shall see that the world is not providing itself with its minimum needs of shelter.

In 1948 there was a considerable increase over previous years in the production of bread grains; world production of fats and oils was at about the pre-war level, but distribution was worse than pre-war. For Europe especially the position was bad. In livestock the European position is also much below even pre-war standards.

There are, indeed, signs of progress. The good weather of 1948 produced a good grain harvest. There was more of other foods in 1948 than in 1947, and in Europe and elsewhere the increase may continue. But the good harvest does not in itself mean permanent recovery. On the other hand, undernourishment is widespread.

There is a new note creeping into discussions on food. Asia is exporting sugar, European sugar production is recovering and there is high production in the Caribbean. Already international financial problems are preventing the best international distribution of the world's sugar supply. I hear that there is also a fear that there might be a wheat surplus, which, of course, could only be a surplus because of dollar difficulties.

For several decades North America has been increasing its production of food and even producing a greater proportion of the world's food. This means that the world food situation has become even more unstable. As the report of the FAO says, there is a danger of deficit countries depending heavily on food supplies from areas where the weather may occasion violent fluctuations in production; in addition, as I have just suggested, to buy food in North America, the world needs dollars. Leaving aside for the moment the dollar difficulty, a partial solution is to increase greatly the domestic production of food in many areas. This needs an increase in living standards, changes in farm tenures and farm techniques, prevention of erosion, supply of fertilizers and of farm equipment, better transport, more electricity—in short, it means greater industrialization and more imports of machinery and equipment.

We would like to suggest that further consideration be given to marketing techniques. I have already referred to the Joint Wool Organization which sells a high proportion of the wool entering into international trade. This Joint Wool Organization not only markets the wool that was stored up during the war and was not sold, but it also sells each year's crop. Here we have an example of orderly marketing which produces stability where formerly there was instability. It may be possible to extend the principle of this organization to other fields, so that producers would not fear financial ruin by producing more than the market will take at ruling prices. In this connexion perhaps it might be advisable to re-examine the concept of buffer stocks.

Another technique to examine may be the long-term food contract. I have already referred to the arrangements whereby New Zealand sells its ex-

ports of butter, cheese and meat to the United Kingdom for a period of seven years. Somewhat similar arrangements were made between the United Kingdom and Australia, Canada and other countries. We find this advantageous to us, and we think it advantageous to the United Kingdom. I note that the Organization for European Economic Co-operation has reported, in referring to stable markets, that "bilateral negotiations afford the most effective present method of implementing a policy of guaranteed markets". The OEEC also reports that "A study of the methods employed to guarantee agricultural markets and prices, both internally in the participating countries and internationally for the supplies entering international trade, is under consideration". We hope that this study by the OEEC, and similar studies, may go forward.

I wish now to spend a few minutes discussing the general economic situation, with particular reference to western Europe. The Secretariat's report shows that in 1948 the highest levels of output in relation to pre-war days were in countries outside the active theatre of war. The lowest level of output was in the occupied countries—Austria, Germany and Japan—and, to quote the report, in "such countries as China and Greece, which were affected by civil disturbances".

But compared with 1947, the increase in world production was accounted for mainly by production in Europe, particularly in the devastated countries. The most noteworthy increases over 1947 occurred in Finland, France, the Netherlands, Poland, the United Kingdom and the Union of Soviet Socialist Republics.

All will agree that this recovery from the effects of war in Europe is a matter for congratulation. After the First World War it took Europe seven years to reach the same stage—namely, a level of industrial production equal to that prevailing before the war began.

I should like to emphasize one of the points made in the Secretariat's survey—that the central problem in 1949 continues to be the necessity of expanding the world supply of goods. And the survey adds that the problems of increasing production in 1949 are likely to be of a protracted

and long-term character. One reason for this is that in the industrialized countries not damaged by war, existing plant and man-power resources were operated at near capacity in 1948, and therefore we cannot immediately expect rapid increases in production in these countries. Bearing this in mind, let us examine the possibilities in one of the other industrially productive areas in the world, western Europe, or, more exactly, the nineteen countries belonging to the Organization for European Economic Co-operation.

The OEEC document published in Paris at the end of 1948 is an interim report on the European Recovery Program. This report is one of the most important documents published in recent years on the maladjustments of world trade; it shows why it has been difficult to increase production in western Europe. Here are some of the facts given by the report. Western Europe, which is half the size of the United States, and has twice the population, was, at the beginning of this century, supplying 90 per cent of the world's exports of manufactures. Receiving countries were paying for these manufactures in food and raw materials. Throughout the nineteenth century and in the early part of this century, western Europe was also supplying capital to much of the rest of the world. Some of its imports, therefore, were payments for interest and other debt charges. In fact, one of the characteristics of western Europe is its dependence on imports. This area imports most of its non-ferrous ores and metals, nearly all of its oil, up to 90 per cent of its textile materials, 30 per cent of its timber and 20 per cent of its food supplies.

Until 1913 this area was a great exporter of capital; after 1918 its ability to invest abroad was reduced until, by 1938, western Europe provided no net investment at all. It is thus clear that the problems of western Europe are not merely problems brought about by wars. They have been accentuated by wars, but they are part of a long-term trend. In 1913 only one-fifth of the world's manufacturing output came from outside Europe. In 1938, one-half came from outside and today the proportion is much higher. The rest of the world has increasingly been making its own manufactured goods and Europe has been finding it more and more difficult to pay for its imports. We

all remember the balance of payment difficulties of the 1930's. In pre-war days, the balance of payments with North America was maintained only by the flow of gold from central bank reserves and from gold production in oversea territories associated with Europe.

The last war accentuated the existing tendencies; it wiped out the investment income which paid for one-fifth of western Europe's imports in the thirties. This represents a loss of more than \$1,000 million a year. Today, western Europe can pay for only half its imports from the outside world.

The European Recovery Program is being assisted by grants and loans from the United States and from certain credits granted mainly by the United Kingdom and Belgium. The nineteen countries co-operating in this programme have put forward plans by which they are trying to balance their payments with the outside world by 1952. The governments concerned have made estimates which show that even on the most optimistic calculations western Europe will still have, in 1952, a trading deficit with North America of \$1,000 million. To reduce the deficit to this figure the estimates included an increase of exports to Latin America by \$1,000 million and an increase to the United States of over \$500 million. Of course, all these calculations are based on existing prices and tendencies, and the plans clash within themselves. However, it is certain, first, that the productive effort needed today is very great indeed; and secondly, if western Europe is to find markets in the Western Hemisphere without ousting others from those markets, there would need to be a substantial increase in living standards in the receiving countries. An economic recession in this area would, of course, be disastrous.

The report of the Organization for European Economic Co-operation recognizes the optimism of the estimates; the trade deficit in 1952 will probably be more like \$3,000 million than \$1,000 million; even this figure involves an increase in exports from western Europe of 40 per cent. This does not mean that the problem is absolutely insoluble. It means that it cannot be solved in the short time of four years. The long-term changes from which western Europe has been suffering will need long-term cures.



There are several methods of approaching the persistent problem of the great dollar deficit. One of them is to develop areas of the world where dollars are not needed for payment for raw materials or other goods. This, in itself, links in with the need for development of the world outside of Europe and North America. In Latin America, the Middle East and Asia, there are more than half the world's population in need of capital equipment, machinery and technical advice. The process of assisting these countries can also assist Europe, which is a repository of experience, knowledge and technical skill perhaps not equalled in any other area. This is one very important reason why western Europe should be restored to economic health.

The emphasis I have placed on western Europe is not meant to exclude from our consideration the enormous needs of Asia and the other areas of the world I have mentioned. I have emphasized western Europe to show how great the world economic problem is; to show that developed countries, as well as under-developed countries, have immediate and long-term problems which we must face.

Obviously, one general aim of the world must be the maximizing of production and the full employment of labour and resources—I mean increasing international trade to the utmost. I recall that a report in 1948 by the Economic Commission for Europe stressed the necessity for trade between eastern and western Europe, not only to increase the well-being of Europe but to assist the world as a whole. At the present time in Geneva a committee is sitting to study this same question. But even with the maximum amount of trade between various areas of the world—between eastern and western Europe and between the Eastern and Western Hemispheres — and with a high level of employment in the United States and elsewhere, there is still the problem of the deficits in balance of payments.

Can these deficits be met by international lending of the nineteenth century kind? The report of the Secretariat shows that private international investment in the United States in 1947 and 1948 was on a very small scale. In fact, the report says that in the first half of 1948 there was an esti-

mated gross outflow of private long-term capital of only \$386 million, compared with \$779 million in the first half of 1947. Outside the United States, the traditional type of long-term lending has also been very small. Perhaps this is another basic change in the economic situation—a diminution of the role of private capital investment on an international scale.

It is true that during and since the war the world has seen unprecedented methods of international assistance. During the last war, several of the allies contributed war materials and civilian goods to a common pool without any attempt to suggest that the receiver should pay the bill. The contributions of the United Kingdom, the United States and Canada to this mutual aid are well known. Other countries also did their share; Australia and New Zealand contributed substantial amounts to what we called reverse lend-lease—supplies for the United States forces in the Pacific. Lend-lease was, of course, most spectacular on the United States side but, nevertheless, it was a co-operative endeavour whereby most of the allied participants were giving what they could to a common pool. Since the war, we have seen similar mutual aid with the United Nations Relief and Rehabilitation Administration through which many governments contributed for the relief and rehabilitation of devastated areas. Indeed, this same method is now being used on a reduced scale in the International Children's Emergency Fund, by which governments and peoples are contributing money to assist women and children in devastated countries and in other areas needing relief.

In the Secretariat report there is a table showing post-war international grants and credits by governments. Listed are the countries which have received such credits and the governments which have extended such grants and credits. Here are some of the figures: The United States has, since the end of the war, contributed \$19,531 million; the United Kingdom \$2,659 million; Canada \$1,844 million; and other countries have also contributed substantial sums. The International Bank for Reconstruction and Development has since its inception lent a total amount of \$509 million and the International Monetary Fund has sold the equivalent of \$649 million. However, notwithstanding the generosity of the governments listed,

it does seem evident that, including grants and credits and private investment, the world is not receiving sufficient assistance to maintain its living standards and to develop its potentialities.

This is a problem which will not be solved this year or next year, and it can be solved only by painstaking efforts and further international co-operation. In the past we have had mutual aid in war-time, including lend-lease. Since then we have operated new methods of international aid; these methods can no doubt be further developed. And we hope that the discussion in this Council will help towards this further development.

Mr. MENDES-FRANCE, France

*(translated from French)*

The debate on the world economic situation inaugurated at our last session on the initiative of our colleagues, the representatives of Poland and of Australia, marked an epoch in the history of the Economic and Social Council.

In becoming a regular feature, this debate will not only increase the interest of our meetings but may lead to important and beneficial results; it provides the necessary basis for the fulfilment of our task as defined in Article 55 of the Charter, for our own several activities and for the general policies of the specialized agencies.

For the purposes of this debate the Secretariat has provided us with very valuable documentation; the French delegation wishes, in its turn, to convey its warm congratulations to the members of the Secretariat who took part in preparing these studies—and particularly to Mr. Owen and Mr. Weintraub, who were mainly responsible.

The French delegation has given these documents the careful study which they deserve and, as was done last year, will make observations and suggestions of varying degrees of importance, both on the form and content of the documents before us.

The first observation on the question of form is the following. Several representatives have already

expressed their desire to receive the Secretariat's report at an earlier date, so that governments may be able to study it thoroughly in advance and give delegations the necessary instructions, thus giving the discussion its full bearing. Actually, we received the report only two weeks ago, that is, too late to enable us to study it with all the care which it demands.

It is difficult, of course, to ask the Secretariat to prepare a study of the year—1948 for example—when the year is not yet ended or when it has only just ended. The present method is not satisfactory from this standpoint. The report is misleading in appearing to cover the whole year 1948 although numerous statistics relating to the last quarter are lacking; this lack inevitably detracts from the general conclusions and the forecasts.

We feel that some solution is required and should like to submit the following for the consideration of the Economic and Social Council. If, as the French delegation believes desirable, this debate is maintained as a regular feature of our annual February session, we might ask the Secretariat to prepare two main documents instead of one: first, an annual report covering the period between the two preceding harvests, to be distributed in October, for example; and second, a supplement covering the subsequent period, to be distributed later, say in January. The first of these reports would, of course, be the essential and fundamental document. Its importance would be so much the greater in that the economic year does not, in fact, correspond to the calendar year, a completely arbitrary period; the basic economic period is constituted, properly speaking, by the period during which one harvest is being consumed and the next prepared. If the Secretariat accepted our suggestion we should receive its studies early enough to study them with the attention they deserve, while supplements drafted on the eve of our February session would give a full account of more recent events.

The second observation I should like to make concerns the French translation of the document submitted for our use. Actually, on this score, I should first thank the Secretariat. Last year we had to base our discussion on a report which we

had not received in French. This year, on the other hand, the basic report has been translated; but I would like to point out that the quality of the translation is rather poor and several passages are obscure; in the future we should be provided with a more correctly drafted document.

Another lack is due to the absence—despite their importance—of certain data. Thus, it is highly important for the delegations particularly interested in the reconstruction of Europe to be better informed on the development of German economy. I should like, in this connexion, to refer to the interesting observations of the representative of Denmark, who described the position which Germany occupies in the European economy. By Germany, I mean, of course, not merely one or another of the zones created as the result of recent circumstances, but Germany as a whole. The report does not give us these data, though they are of great value. Similarly, the information which the report contains on the Union of Soviet Socialist Republics, a country of such great economic importance, is still incomplete, though better than that provided last year. We are convinced that the Secretariat is not responsible for these lacks but, if the Council's activities are to be effective in the sense of Article 55 of the Charter, they clearly require that complete and comparable data be submitted to the United Nations by all of its Members, without exception.

The last preliminary observation I should like to make is the following. When we compare the reports for 1947 and 1948 we at once become aware of a fundamental contrast. Last year we were all impressed by the essential similarity characterizing the world's economic difficulties. In studying the situation of the various countries we found in all of them traces of one or more maladies which were common to all. The report dealt with modern industrialized countries and underdeveloped countries; with countries devastated by the war and countries apparently spared by that catastrophe; with countries attached to orthodox traditions, countries of guided or planned economy and collectivist or socialist countries. They were all suffering from the same evils: inflation, high prices, great shortages of food, lack of coal, need

of hard currencies; and it was precisely these common misfortunes which held a great lesson for our Council and for public opinion.

The picture for 1948 and, even more, that which might be painted now, at the beginning of the spring of 1949, does not show the same homogeneity.

In some countries the economic curve for 1948 follows more or less the same trend as in 1947: inflation continues its course, sometimes with even greater impetus, while in some countries it has been partially overcome or slowed down. In other countries, on the contrary, deflationary trends, at least to some extent, are beginning to appear or are gaining ground. This diversity of conditions from country to country, and in some cases even within a single country, gives the Secretariat's analyses rather less clarity and makes its forecasts less certain; but this is not at all surprising, since it is caused by the very nature of the evolutionary process.

Our discussions, we believe, should consist of an examination and interpretation of this body of information rather than any corrections which we might be tempted to make in the details of the various parts of the report.

That is why the French delegation feels that it need not draw the Council's attention to the passages of the report dealing with France, with a view to supplementing or correcting them, although this forbearance does not mean that we fully agree with everything the report says on that subject.

Before examining the apparently divergent, or even contradictory, problems to which I have just referred, may I point out that, although the situations vary, the general tone of the report is, I am glad to say, one of satisfaction.

Last year the general view taken of the world situation was summed up in the Secretariat's report in a phrase which most of us repeated in our speeches to the Council: 1947, the year of frustrated hopes. Today—partly, perhaps, because pre-

vious disappointments have tempered our ambitions and hopes, but largely because of the positive and indisputable results achieved—it may be said that 1948 was the year which baffled pessimism. The year 1947 was worse than had been foreseen; the year 1948 was better.

As a matter of fact, it would not have been fair to blame the inadequacy of human efforts for the disappointments of 1947. On the contrary—as we have just been reminded and as the work of the Department of Economic Affairs and of the Economic Commission for Europe has shown—reconstruction, and particularly industrial reconstruction, has been relatively more rapid after the Second than after the First World War. But the recovery gathered strength in 1948.

The chief feature of this year—and the one which completely changed the picture as compared with last year—was an excellent harvest, coming at long last after so many middling, bad or even disastrous ones. The progress of industrial production in 1948, though satisfactory, was not quite so marked. In most countries the gain was under 10 per cent. In some cases, as in France, it was more; but, except in a few very special cases, it did not go beyond 25 per cent. This was not the case with agriculture. To give one example only, harvests of bread grains in Europe showed increases from the one year to the next, of more than 25 per cent everywhere—and even rose as high as 170 per cent.

In last year's debate the French delegation stressed at great length the close connexion between the food situation and the inflationary danger—a connexion to which too little attention was formerly paid. The events of 1948 confirm this view. On the basis of our experience in France we can say that, while food shortages in post-war years proved to have an almost irresistible inflationary effect, it can now be seen that the return to a relative abundance of food supplies and the halt in the rise in commodity prices reacts immediately on all the material and psychological forces which lead to inflationary pressure. In these circumstances the means of action, particularly fiscal measures, required to combat inflation have time to take effect, instead of being constantly over-

taken and disorganized by successive price advances; stability of the prices of essential commodities gradually revives confidence in the currency—a confidence which is almost unconscious at first, but is soon reflected in reality by the usual reactions and manifestations.

Since food supplies are so important, we may congratulate ourselves on the events of 1948, but we should at the same time bear in mind the uncertainty in the results achieved, in so far as they are due—apart from the factor of human effort, which should not be underestimated—to weather conditions beyond our control, and the recurrence of which we cannot guarantee. It is true that in 1949 certain enduring factors contributed towards improvements in agriculture, in particular, mechanization, better fertilizer supply and—an element of very great importance, at least in my own country—increasing interest by farmers in modernization. The salutary effects of these permanent factors of improvement will be felt on a constantly increasing scale; but they would be nullified if we were to indulge in the illusions which the French delegation denounced last year in this Council, or if we were to overlook the very important facts of which the New Zealand representative has just so aptly reminded us.

About two years ago the Food and Agriculture Organization forecast that for a limited time there might be a relatively abundant food supply and that surpluses might occur and might even accumulate—not absolute surpluses, but surpluses in relation to the purchasing power of the population, which would continue to suffer shortages and even hunger. The danger would then arise that, discouraged by the fall in prices and the losses incurred in the sale of products, countries would reduce their production; we should find ourselves back in our original situation, still further aggravated by demographic factors, i.e., by increases in the population largely owing to advances in hygiene and medicine, which are saving lives and prolonging human existence.

One of the first conclusions that the French delegation draws from a study of the world situation is, therefore, the following. Action to consolidate the progress achieved in regard to food supplies remains essential today; it should include

education to forewarn public opinion against the illusion of over-production—which would be merely momentary and incidental—and the direct effect of such over-production—a Malthusian policy on the part of producers. Market organization and reasonable price stability are indispensable guarantees which must be achieved, and promptly.

Further measures will clearly be necessary to combat the inflationary danger, not only in the monetary field and in industrial production, but also in the general economy of the countries threatened and, particularly, the countries where reconstruction needs are superimposed on the normal needs of the population. The International Monetary Fund and the International Bank for Reconstruction and Development may be of great assistance in these efforts, particularly if they take due account of the necessary objectives of the situation in each of the countries concerned. It must not be forgotten, however, that in all these matters the main responsibility rests with governments. It is they and they alone who can apply the appropriate monetary, budgetary, fiscal and economic policies, ensure price and wage stability — who can, in a word, prevent the hardships and sufferings which inevitably accompany inflation.

But consideration of the difficulties which are being experienced by countries like mine must not make us lose sight of other difficulties which create different problems in other countries. In one of the chapters, which corresponds to one of the best studies submitted to us last year and, to some extent, amplifies that study, the Secretariat report examines inflationary and deflationary trends in 1948. It notes a feature already pointed out by some representatives, namely, that side by side with the maintenance of inflationary pressure in some parts of the world, there appear in other regions—and in some cases in one and the same region—deflationary symptoms, for the first time since the war. If the report had covered a more recent period these latter symptoms would certainly have been even further emphasized.

We should not, however, exaggerate the importance of some of the facts reported by the Press, which sometimes tends to confuse healthful symptoms of recovery or, so to speak, disintoxica-

tion, with a true deflationary movement. The possibility that the deflationary trend will, however, be strengthened gives particular interest to United Nations document E/1111, which contains the replies to the questionnaire sent by the Secretariat to a large number of Member and non-member countries, on the measures they propose to take in order to maintain full employment and economic stability. In this connexion I should like, before dealing with the replies received, to congratulate the Secretariat on the excellence, perspicacity and clarity of the questionnaire thus circulated.

Several of the most important replies indicate that governments fully realize the part they may have to play and the steps they will have to take in due course. Yet these replies reflect very diverse points of view and refer to very different local situations. Some of their authors contemplate the eventuality of a deflationary crisis and the necessity of preventing any recurrence of unemployment, which has been practically non-existent for many years. Others, on the contrary, seem, at least for the present, to have no misgivings on this point. Some proclaim their attachment to traditional and orthodox principles. Others take the more modern view that governments should iron out, by so-called compensatory action, any excessive fluctuations in the economic situation.

It is striking to note that, though they are based on widely different premises, both in fact and in theory, the practical conclusions arrived at by the governments concerned are very much alike. For example, the replies given by the United Kingdom and Australia—both countries where the Keynesian theories are generally accepted—naturally reflect very closely related ideas, which were illustrated very clearly a moment ago by the New Zealand representative. But the United States, too, where the principles of free enterprise and *laissez-faire* are still powerful and vigorous, proposes, according to its reply, to adopt the same forms of action and intervention in case of a crisis. Further, the Governments of the Netherlands and Switzerland, after first avowing their *laissez-faire* views, state that, if circumstances require it, they will take action by similar methods to fight econ-

omic depressions, price and wage declines and unemployment. These replies do not even seem to differ very greatly from that submitted by the Czechoslovak Government, if we study it closely. Within the framework of a totally planned economy the Czechoslovak Government also follows methods designed to compensate tendencies towards excess at any given time, by regulatory action involving transfers of man-power and foreign trade.

It is at present universally recognized that governments have no right to turn their backs on economic evolution and to rely on automatic adjustment. This impressive development is largely due to the increasing influence of the school of thought founded by Lord Keynes. If faced with the threat of a deflationary crisis, governments would lack neither the means to combat the crisis nor the will to use them. The worst that can be said, after reading their replies, is that, generally speaking, they do not foresee or envisage a deflationary movement in the near future and in most cases have not taken steps to be able to apply promptly the measures they have in view.

Should the dangers of deflation become more definite and more widespread, we shall be faced with a crucial test. There have apparently been important theoretical discussions among eminent Soviet authorities as to whether the economies of the western countries could withstand a reversal of the inflationary trend of the last few years. Some have maintained that a deflationary crisis would evoke acute difficulties and violent upheavals. This prospect might come true, to some extent, if governments, economists and public opinion itself still relied, as in former days, on the spontaneous and automatic adjustment of the economic system. It is true that such spontaneous adjustment did take place in the past but the effects of crises in the nineteenth century were, after all, limited in comparison with those now feared; in 1949, one can hardly expect an automatic return to equilibrium unless one is prepared for greater suffering than modern civilizations can accept.

Any marked increase of the deflationary trend would therefore confront us with a really great

dilemma—not merely a technical dilemma, but a psychological and human one: can the western world, by intelligent and—what will almost certainly have to be—bold planning, avoid the totalitarian solutions which some claim are the only effective solutions in the twentieth century?

I am well aware that the pessimists have found at least a provisional reply to this dilemma. In their view there is a solution—the solution of war. War, they claim, is the only solution capable of avoiding both a profound crisis and grave social upheavals. Very well, then; the modern world must take up this challenge and show that it can repudiate a remedy which would obviously be worse than the disease.

It must be noted, of course, that for many countries—particularly the devastated countries—the possibility of a deflationary crisis is remote, and any related questions are irrelevant. Countries which have undertaken a major programme of reconstruction that must inevitably extend over many years, are still threatened principally by the inflationary danger. The French Government's reply to the Secretariat questionnaire will show that in a country such as ours any dangers of inflation could speedily be counteracted by relaxing the measures now rendered necessary by inflation, and by accelerating the programme of reconstruction and modernization.

This programme, as is known, covers not only metropolitan France but also the oversea territories which constitute, together with metropolitan France, a single monetary and economic unit. Here once more we may note the great economic similarity between reconstruction programmes and development programmes. As the Chilean representative pointed out very well this morning, a demand for capital investment designed to increase a country's productive potential which has been reduced by war devastation is similar in its economic effects to a demand for capital investment designed to raise the productive potential of a country not yet industrialized.

And this leads me to dwell for a moment on the close relation between the type of action to

which I have just briefly referred and the problem of assistance to under-developed countries. The observations I am about to make concern the war-devastated countries as well as the other industrialized nations. During the last century the advances achieved in production have made it possible, at one and the same time, to improve standards of living in the older countries and to equip the new countries. It was the older countries which industrialized young nations such as the United States, Germany, Canada and Australia, which in a few decades made up for their late start and took their places among the most modern, productive and progressive countries of the world. And, be it said in passing, the assistance received by these new countries, far from jeopardizing their liberty, enabled them, on the contrary, gradually to strengthen their economic and political independence.

And this is not all. This programme of modernization was also energetically developed by the industrialized countries in the oversea zones of expansion under their direct rule. The countries which carried out programmes of colonial expansion in the nineteenth century have often been attacked (with more political passion than scientific objectivity). Without forgetting the errors they may have committed or the occasionally selfish ends of certain business or interest groups, it is only fair to point out here that these countries, as they developed, allocated large funds from their current production and their national income, and with these funds they equipped and developed their oversea territories, fought the calamities which ravaged them and raised their economic and cultural standards. This is a striking manifestation, indeed, of the essential unity of interest between industrialized States and under-developed territories.

It is not surprising, therefore, that at a time when new productive successes are being achieved and world levels of production are breaking old records, the problem of the development of certain parts of the world is assuming a particular and very urgent importance.

Far from being harmful to other countries—for example those mainly preoccupied with their

own reconstruction—the assistance to be given to the under-developed countries will form part of the collective effort needed at present to remedy the common difficulties which the world is experiencing. Here again, as the representative of Denmark reminded us, the crisis, for all its diversity, is general, and recovery must therefore be achieved by parallel, co-ordinated and common efforts. In one of our coming discussions the French delegation will take the opportunity of giving its views on this important matter in more detail. All we wish to do today is to indicate the spirit in which France will join in any collective effort to raise levels of production everywhere—and thereby, ultimately, levels of consumption as well.

It may perhaps be asked whether difficulties would not arise from the fact that I just mentioned, namely, that the problems vary from country to country; in some, the danger of inflation persists, while in others, a deflationary trend is the chief source of anxiety. The existence of such contradictory conditions in different parts of the world is due largely to the barriers between the various economies, numerous examples of which are given in the chapter of the Secretariat's report entitled "International Trade and Finance". This chapter makes it abundantly clear that anything which helps to abolish these barriers manifestly contributes to world economic recovery and stability.

In the past, whenever a crisis threatened or, rather, when its first effects had already been felt, governments were often disposed to protect their national production by erecting customs barriers and by commercial and monetary intervention. Today, however, without such crisis, the obstacles to international trade already seem to be almost insuperable. Before any crisis has occurred, economic barriers are stricter than at any time for many decades.

What would happen if the definite emergence of a deflationary trend—an accentuation or aggravation, for example, of the various obstacles now hindering international trade—were to result in efforts to achieve self-sufficiency, which would prove much more destructive than those from which the pre-war world suffered? Inflation would

bring havoc to one place and deflation to another. Unemployment would prevail in one country while, in another, undertakings of the greatest national or even world importance would lack the machinery and tools which the unemployed could manufacture from the raw materials that accumulate but are unsalable in a third neighbouring country. Similarly, the resources made available by technical progress would not be applied to increasing the agricultural production, while vast areas would suffer from poverty and hunger.

This, of course, brings up the problem of international trade and payments which has now become the most important and, at the same time, the most difficult immediate problem.

In 1946-47, the world economy was mainly characterized by a number of basic shortages and by the bottle-necks which have been discussed here so often. During 1947-48, the food problem at first caused the greatest anxiety. The chief characteristics of the period now beginning are the difficulties attaching to international trade, its continued weakness and the delay experienced in devising means for its revival.

The reader of the printed edition of the Secretariat's report—that which contains a notable collection of statistics—will notice everywhere indices of over, often very much over, 100, as compared with pre-war years. When he reaches the section on foreign trade, however, he will find figures which are always below 100—a very significant comparison. The figures for recent years, however, reveal a considerable expansion of the foreign trade of the United States as compared with the years from 1935 to 1939. It would be easy to calculate the comparative foreign trade indices of all countries, excluding their trade with the United States, and this would give an even more striking picture. Incidentally, trading relations between the United States and all, or nearly all, other countries have a special character of their own because there are difficulties in compensating or financing them.

Substantial, if only temporary, relief has recently been afforded by the generous assistance given to Europe by the American Economic Co-

operation Administration. When it was first devised, the Marshall plan constituted intercession which was especially commendable and daring because at the time the United States was still suffering from a marked maladjustment between supply and demand, as evidenced by the very definite rise in prices. The more American exports helped to diminish European inflation, the more they increased the domestic difficulties of the United States. Fortunately, the situation is different today. It is difficult, however, to imagine the situation of a whole part of the world, particularly the part affected by the war, if it had not received substantial quantities of basic products from the United States. These supplies consisted of foodstuffs which tided us over a very critical period, of raw materials which primed industry anew and of tools and equipment which helped to restore general production. Thanks to this assistance grave dangers have been avoided and much progress has been made. This will not be forgotten by my country—which has been enabled by this assistance to carry out a considerable part of its recovery during the year which has just ended; our production indices are rising regularly and steadily, if we disregard accidental and transitory factors. Marshall plan aid has therefore borne fruit and the French economy provides convincing proof of this.

We know, however, that this aid is, and can only be, temporary. The aim of the European economic co-operation plan—its purpose, as its text states and as we conceive it—is to allow the participating countries of Europe to become independent of all outside economic assistance as quickly as possible. To achieve this the French delegation considers it essential to develop international trade so that each country may obtain through normal foreign trade channels what it is now receiving as gifts.

The report clearly analyses the obstacles to be overcome—which are, in fact, the causes of the present difficulties. The exhaustion of gold reserves and hard currencies and the liquidation of foreign assets make it impossible to buy anything except in return for goods; they encourage barter agreements and prevent the recovery of large-scale multilateral trade. These and other causes make



currencies inconvertible so that it is impossible to have uniform and truly comparable prices or to engage in the arbitrage transactions which used to be the basis of international trade.

Immediately after the war it was hoped that the traditional means to re-establish equilibrium would begin to operate shortly after hostilities ended. Today it can be seen that the hopes entertained at Bretton Woods will not be realized as quickly as was expected. The latest report of the International Monetary Fund, for example, states that further devaluation would not avail today to re-establish the equilibrium which has been so drastically upset. Furthermore, the total volume of unsatisfied needs bears no relation to what private capital is prepared to supply. The figures given in the Secretariat's report, which clearly show the decline in private investment, and the actual experience of the International Bank for Reconstruction and Development in the past three years unfortunately confirm this. Finally, when fifty nations met at Havana to join in drafting a charter of international trade, they had to agree to innumerable safeguards, exceptions and precautions; some still consider these inadequate, while others now consider the final draft convention a travesty of the basic principles proclaimed when the conference opened.

All that has happened, therefore, proves that traditional methods no longer suffice to restore to the principal countries the essential external equilibrium which must, nevertheless, be re-established. As it is, governments are issuing import restrictions and relaxing them only within the framework of bilateral agreements. The report lists the countries which have been reduced to this extremity and, alas, it is a long list.

Fortunately, efforts are being made on a broader plane, on the multilateral plane—the only one which, in the long run, can provide a lasting solution. But for these efforts, the present position would be still graver. First of all, parallel with the Geneva and Havana negotiations, creditor countries have lowered their custom tariffs, though not yet sufficiently, in our opinion. There is the so-called “conditional aid” system which aims at promoting inter-European commercial exchange.

The report also notes the recent establishment by a number of eastern European countries of a body for mutual economic assistance. We have very little information about it but it seems that its aim, also, is to promote exchange of raw materials, foodstuffs, machinery and equipment.

Finally, last week in Geneva the *ad hoc* Committee on Industrial Development and Trade of the Economic Commission for Europe, which brings together the countries of western and eastern Europe, began a study of the means for promoting, otherwise than by purely bilateral negotiations, exchanges between the two parts of Europe which have always been considered, and have not ceased to be, complementary to one another. The French delegation is highly gratified that scarcely forty-eight hours ago unanimous agreement was finally reached at these conversations in Geneva.

These are still only small-scale efforts, and there is at times considerable scepticism regarding them. Nevertheless, efforts of this kind are vital for the recovery of Europe and, possibly, of the world, because the only other method apart from these attempts is that of strict bilateralism, the consequences of which are now well known. It is everywhere agreed, of course, that in certain circumstances the bilateral method cannot be avoided and it may offer immediate, sometimes very valuable, advantages. At a later stage, however, barriers are encountered which rapidly become insuperable; in the case of a particular agreement, they derive from the limited capacity of the partner with the lesser potentialities. Hence there is a tendency towards a levelling down of international trade; not only is bilateralism unable to promote an expansion of trade, but there is danger that little by little it will lead to a real restriction of trade.

Therefore—and it is to this point that I would draw the Council's attention—we must at this critical time choose between the two conceivable ways of achieving equilibrium: expansion and contraction. There can be no doubt as to what choice should be made. When the difficulties of achieving a balance of trade are carefully analysed, the root cause is always found to be insufficient production. It is an obvious and yet often forgotten

truth that, when a country or group of countries is obliged to cut down imports, it is always because it does not produce enough of the food-stuffs or commodities which other countries require. Thus the problem of restoring equilibrium in the balance of payments is also connected with the problem of development and reconstruction.

Take, for example, the case of the European countries which have to cut down their dollar imports. Unless they reduce their standard of living to a dangerously low level, they must substitute purchases made in other currencies or in other monetary zones for part of these dollar imports. This makes it essential to develop in these other zones the resources—raw materials, in particular—which are essential to western Europe, for example. The French delegation has consistently maintained this view in the Economic Commission for Europe. If this view is accepted, the countries supplying western Europe will have to receive in exchange manufactured goods at normal prices, not only the essential products which are most sought after today, but all the commodities and goods needed for improving the standard of living.

In order to achieve this, western Europe will have to lower its costs and raise the productivity of its industries. It will achieve this, as our Danish colleague has just pointed out, by specialization of production and by organizing the division of labour, within the framework of certain international agreements, for example.

In short, the problem is to organize the European market, both as regards imports—in respect of the supply of raw materials, for example—and exports. From the latter point of view the European market would be comparable to the American market. Such policies would provide the best justification for the capital investment in Europe envisaged in the various programmes drawn up by a number of countries. And this is how the French delegations to various United Nations bodies have always conceived economic co-operation between eastern and western Europe, for example, or between Europe and Latin America,

whose situation was described to us a short time ago.

I have spoken of international agreements. These will have to be envisaged in the light of past experience, with a view to avoiding the repetition of past errors. It is not a matter of reintroducing the old cartel agreements which aimed at selling at the highest price, cutting down sales if necessary. On the contrary, the idea would be to offer larger quantities of goods at successively cheaper prices, to the greatest possible advantage of both the producers of the goods and those who need them. They are agreements of the kind recommended by the Food and Agriculture Organization or as described by our New Zealand colleague when he gave us some examples of what his country has done in collaboration with Great Britain. Our views do not, therefore, conflict either with economic collaboration in the sense of development and expansion, or with the co-ordination of the export policies which we regard as essential.

By following the same line of action, it is our view that ill-regulated competition among European products on the American market should be avoided. Such competition will, however, arise if the various national plans which have been promulgated are put into effect without adjustments in the true spirit of intra-European collaboration, not only on European markets but on all markets.

I repeat, the solution must always be sought in the direction of expanding production and trade. It is with the utmost conviction that we condemn the alternative of contraction, of self-sufficiency, of autarky. It has often been said that the result of adopting deflationary measures is to export unemployment; similarly, any system of contraction, restriction or autarky means, ultimately, that a country exports its difficulties without, however, entirely getting rid of them itself.

Whatever may be the temporary and sometimes quite understandable temptations which the sufferings of the world bring with them, progress can never follow from a selfish or short-sighted policy; progress can result only from expansion—from

the opening up of ever greater possibilities for nations and men who have suffered so sorely and so long.

**Inflation?** Inflation will finally be overcome only by increasing production.

**Deflation?** Deflation will be avoided if the demand for labour is sustained by flexible and combined action.

**Reconstruction?** Reconstruction cannot merely mean reconstructing exactly what used to exist. Its aim must be to do more and to do better than before. That is why my country has based its reconstruction on a vast plan of modernization and economic and social progress.

**Fundamental equilibrium?** This can be restored only by a steady increase in the volume of trade.

The French delegation believes that, whatever we may encounter on a path which has been and still remains hard and winding, this conviction, if shared by all, will ensure the success of our common action for the reconstruction of the world and the improvement of the condition of man.

Mr. THORP, United States of America

The Economic and Social Council's annual review of the world economic situation, which was begun on a systematic basis last year in response to the resolution of the General Assembly, provides each one of us with an opportunity and a responsibility.

We can of course take advantage of this agenda item to boast in glowing terms of our individual national achievements. At the other extreme, we might use this forum to attack violently the economic programmes and policies of other countries.

However, I am sure that the General Assembly wanted something more from us than either of these approaches would provide. It wished the Economic and Social Council to take a broad view of world economic conditions, to consider thoughtfully the problems underlying the current situation and to use its conclusions as a back-

ground as it moves on to consider those practical measures which might lead to constructive action.

This meeting in February 1949, less than four years from the end of the war, is no time for us to devote much of our energy to rejoicing over the signs of economic improvement which are before us. These are not the days to sit back and recount the gains which have been made, satisfying though they may be in many respects. We must not for one minute forget the fundamental tasks which still lie ahead. These must be days of realistic appraisal and careful consideration of how to consolidate and extend our gains.

It is all too easy to become involved in the clouds of abstract economic terminology. Often this serves a useful purpose in furthering some necessary analysis and, particularly, in removing it from the levels where concern over the trees makes it impossible to consider the forest. But the general terms which we use, like production and investment and balance of payments, must never lead us away from the fact that we are really dealing with stark realities: food on the table, roofs over people's heads and machines to produce more goods. In such concrete terms, the world's progress is slow indeed; we have a common goal which should permit us to drop many of our differences and to think together as to ways and means for improving the world economic situation. Probably this is our most important job in the Economic and Social Council, and the people of the world have a right to demand that we take this responsibility seriously.

Our discussion of the world economic situation is of course greatly facilitated by the reports prepared by the United Nations Secretariat. It is my understanding that the full report, comparable to that prepared last year, will be presented to us at our next session in July and that the report presently before us should be regarded as an interim report only. I am sure that this explains why the report is so largely factual and fails to provide any considerable depth of analysis of the world's present economic problems.

It is always helpful to have a factual, descriptive report. The records of individual countries and of particular economic functions are a neces-

sary basis for any analytical work. Under the circumstances, I do not wish to be regarded as criticizing the Secretariat for the shortcomings of this report, but rather as emphasizing our expectations with respect to the "full report" to be prepared for the ninth session of the Council.

Facts are only the beginning of understanding. The economic life of the world may not be a system in any neat mechanical sense, but it is interdependent, both by countries and by function. The various economic measurements are important not merely in their own right, but in their relationships to each other. Balance can be disturbed by too rapid advance in some economic field as well as by deterioration or lag in some other. In our efforts to appraise the situation, we need the benefit of impartial economic analysis which will indicate the interlocking and interdependent behaviour of the individual indices. I very much hope, therefore, that the full report to be prepared for the ninth session will be not only an extensive factual compendium, but also a penetrating analysis of the world economic situation.

At the present, I should like to repeat briefly one of the main points which I made last year: that is, that the annual world economic report should be as comprehensive as possible, both from the point of view of the number of countries included and from the point of view of the aspects of economic life covered. I believe the Council would be interested in knowing what the response of the various governments has been to the Secretariat's requests for information for the annual report and what difficulties, if any, have been encountered in obtaining information. I should be interested in such a report before we finish with this subject. If we are to make a serious effort to analyse the world economic situation in the future, even more extensive factual information, organized within comparable categories, must be available to the Secretariat. When there are gaps in the available information—and the report itself indicates this to be the case—I hope that the Secretariat will have no hesitation in making a specific and definite request of the country concerned. I can pledge the full co-operation of the United States Government in this respect.

In this connexion, I should like to mention the report on the United States economy which I am

making available to all members of the Council. I refer to *The Economic Report of the President*, together with the *Annual Economic Review, January 1949*, as prepared and presented by the United States Council of Economic Advisers. It deals with both our progress and our problems. I should not wish to imply that this report is the last word in national economic reports, but I believe the work of the Secretariat and of the Economic and Social Council would be greatly simplified if similar national reports were available regularly from other Members of the United Nations.

In considering what might be the most helpful contribution that I could make to this discussion today, it seemed to me that there were three possible subjects. One was to speak with respect to the United States economy, but, having put the printed report at your disposal, that no longer seemed necessary. I might discuss at length, as I did last year, the basic objectives which countries should seek—increased production, financial stability and expanded trade. I am glad that I did not select that approach because it already has been done so ably by other speakers. In fact, the first speech this morning by the representative of Australia said, I am sure, even more than I would have been able to say with respect to this subject; much progress has been made under these various heads and there are serious problems which still remain. But today I wish to stress particularly the problem of interrelationships in economic life. In a sense this has become related to the problem of recovery because of the many questions which have been raised: what is meant by European recovery and when will European recovery be achieved. It is interesting to note that the answer which has been given both by the European countries and by the United States is not that European recovery would be reached when some particular level had been achieved, either in the standards of living or in the rates of production, but when a certain harmonious relationship had been achieved, when the extraordinary financial assistance was no longer necessary and one has, in a sense, established the concept that recovery—economic progress—is perhaps to be considered not merely in terms of levels, but in terms of the health of the relationships on which it rests.

The world economy, like any national economy, consists of a number of parts which are in

relationship to each other, and the economic health of the economy depends upon the strength and the harmony of these relationships. In the strictly international sphere, in the limited sense, the economic relations among the parts are brought together largely in the balance of payment situation, which provides a summary of the transactions among countries. However, national conditions influence conditions in other countries even beyond the stage of actual international transactions, for prices can be affected by even a potential flow of foods, and money rates can ease or tighten for the same type of reason.

Furthermore, the nature and extent of international transactions are themselves affected by domestic conditions and policies in the various countries, for example, by the types of goods available for sale and desired for purchase. Therefore, one cannot draw a sharp line between the national and international aspects of economic life, although the emphasis may be somewhat shifted according to the nature of the problem.

The relationships which are involved are numerous: production and consumption, agricultural prices and industrial prices, consumption and investment, savings and investment, government income and government outgo, exports and imports, wages and cost of living and many others. In the never-existing so-called normal situation, which represents perfect economic health, these elements would be in adjustment in a series of interrelated equilibria. And the ideal society would be one in which these elements would move ahead towards higher and higher standards of living without the development of serious imbalances or disequilibria.

Before the war, the relationships which underlay the world's economic situation were certainly not healthy. Various artificial means and controls were employed to keep the parts in balance, with production well below capacity and many countries with unusual levels of unemployment. International trade and foreign exchange were both subject to an increasing variety of restrictions.

The war was a great disruptive influence and all sorts of further measures have been necessary to

keep the post-war economic situation under control. The great drop in production in the war-devastated areas and the effort to achieve an equitable distribution of products from other areas led to rationing by individuals and also by countries. Trade controls, exchange controls, grants and subsidies on a large scale—all were necessary to keep the parts of the various economies in some sort of balance.

Now production is getting back to levels where the situation is not so critical. Many of the artificial props, or controls or balancing techniques are less necessary. Rationing has disappeared or has been greatly reduced. In the Union of Soviet Socialist Republics, it is reported that subsidies to industries are being reduced or eliminated. In the United States, the gap in the balance of trade has greatly narrowed and this, coupled with the improving world supply situation, reduces the necessity for as extensive controls as have been required to assure the equitable international distribution of commodities in short supply.

As the production picture improves, two types of problem take on new meaning. I can only suggest the types; they could be developed at almost any length. The first is that, as we get away from the situation of extreme shortages, countries and individuals have more choices. More decisions can and must be made by the various countries. The poor man has to spend his money for food; the wealthy man has the choice of many ways in which to spend his money. Similarly, the country which is operating at a subsistence level has little choice as to what to do with its economy, compared with the range of possibilities as the country grows, as it moves ahead to higher levels. When the shortages are severe, every energy is required to meet the essentials.

But now the choices are beginning to be less academic: to plan for self-sufficiency or for expanded trade; to emphasize investment and increased capacity or to increase living standards now; to shift from agriculture to industry, to develop both or to concentrate on agriculture; to look towards expansion with the aid of foreign capital, or to depend upon national savings. There are other choices which must be made, of course, but this list is illustrative. I merely wish to em-

phasize that they have more reality in 1949 than they had in 1947 or 1948. From our particular point of view here in the Council, the basic choice which all must make is that between international economic co-operation and independent efforts at self-sufficiency.

To say this in reverse, I might say that recovery, or development or improvement in an economy does not eliminate problems. To a considerable degree it actually increases the number of choices which are before the country. In view of the fact that these decisions themselves are pebbles in the pool, causing ripples that go on to great distances, the decisions have implications, not only for the various elements in these economies, but for other economies as well. I think this leads to a very natural conclusion: the increasing importance of common discussion and of common consideration of these problems, so that in the midst of the different choices which the various nations may make, there need not be disruptive, but there can be co-operative and cumulative, effects arising from them.

The second group of problems which is created by the improved production picture rises from the series of abnormal steps which have been necessary in the post-war period. Rationing is usually unpopular, and one can assume that the problem faced by most governments has been to maintain it long enough, rather than to get rid of it. But many types of control seem to persist because of inertia, the interest in them of a vested group who administer them or who profit from them and a real fear that possibly the removal of such controls may lead to unexpected consequences. Since the international controls usually tend to reduce trade in the interest of balancing imports and exports to whichever is lower, it is important that a real effort be made to free the situation as rapidly as circumstances permit.

The report of the Secretariat describes well the state of international trade and finance, and that state is still far from satisfactory. Nearly all countries have strict exchange and quantitative restrictions in effect. Currencies are over-valued in many instances. Bilateral balancing of accounts, with its well-known economic sacrifices, continues on a large scale.

Although the International Monetary Fund was pessimistic last year about the possible advantages of exchange rate adjustments, it is gratifying to note the progress that has been made towards strengthening some currencies during the past year. However, the number of countries with rigid exchange and trade controls has not yet begun to shrink. These controls will have to be considerably relaxed and removed before we can have a smoothly functioning international economic system, even with an International Trade Organization in operation. It is important that we seize every opportunity to thaw out these rigidities and do not permit the procedures which were necessary as protections in the period of shortage to continue as restrictions any longer than is necessary.

To consider another problem in the field of relationships, important changes are occurring in the price and income pattern with the changes in the production pattern. The terms of trade, that is, the ratio of prices paid to prices received, for various countries and various economic groups, are undergoing changes. Most countries have been acutely aware of their terms of trade in connexion with their balance of payment difficulties, and all have hoped that they could buy more cheaply and sell more dearly, quite aside from the quantities they expected to buy or sell. Agricultural groups are keenly aware of the possible shift in terms of trade to their disadvantage, after a decade or more of shifts in their favour. The terms of trade in 1948 favour agricultural commodities by 10 to 20 per cent, compared with 1937/38, and are about on a par as compared with the period just prior to the First World War.

It is important to keep the point in mind that it often is the relationship among various parts of the price structure which really matters. If goods exported from the United States drop in price, the effect, so far as the balance of trade is concerned, depends on the extent to which there are corresponding drops in the prices of imported goods. Reduced prices for wheat exports from the United States, for example, cannot be isolated from other price trends and cannot be regarded as reducing the trade payment problem by the amount of the reduction in price. In fact, the effect of lower com-

modity prices on trade payment balances is one of the more difficult problems to analyse.

I should like to say a few words about the United States economy. First, let me say that I am not a business forecaster. I shall not attempt to predict the course of economic events. Second, it is apparent to all that the United States economy has been functioning quite well, not perfectly, by any means, but quite well—for a number of years. In fact, we have operated for a considerable period at more than usual capacity, more than our plant in such fields as electric power, for example, was designed to carry. Much has been made of the fact that unemployment has increased more than seasonably in the last several weeks (from 1,940,000 in mid-December to 2,664,000 in mid-January, which is 300,000 to 400,000 more than would normally be expected). In an economy as active and as dynamic as ours, unemployment rarely goes below 4 per cent of the labour force, and in certain seasons it grows higher. The January 1949 figure is 4.3 per cent. It would be a bad error of judgment to take a relatively small decline in employment, or even a sizable decline in a few prices, as an indication that the United States economy is going into a depression.

In fact, it is an encouraging sign that inflationary pressures in the United States are abating. The more important developments are discussed in *The Economic Report of the President*. One clear element in this move towards a condition of equilibrium is in the international economic field. In 1947, our total visible and invisible exports were \$19,700 million, imports were \$8,500 million and the surplus of exports was \$11,300 million. In 1948, exports were lower by \$3,000 million, imports were greater by \$1,800 million and the surplus of exports was cut to \$6,500 million. This is an extraordinary readjustment in one year—from \$11,300 million to \$6,500 million. The widest gap appeared in the second quarter of 1947. Imports into the United States have steadily increased year by year since the end of the war.

This is clear evidence of progress towards world economic recovery, but it does not mean that the extraordinary steps in the form of financial assistance which have been taken by the United States Government can be quickly reduced.

Finally, I cannot complete my statement without at least mentioning the importance of political factors in their relation to economic progress. Obviously, civil disorder causes economic idleness and destruction. It makes international relationships difficult, if not impossible. But less tangible than actual disorder is the disturbing element of political uncertainty and fear. Threatened aggression may be against governments or against individuals. In the case of governments, it leads to increased non-economic expenditures for armaments. In the case of individuals, it destroys economic incentive. Security of person and security of property are bases upon which economic progress in the world can best be built.

The spirit of confidence in the future is most important to economic advance. There is no index which measures confidence, but there are signs that it is clearly on the increase in many areas of the world where the post-war picture was indeed dark. It is the hope of my Government that this spirit will steadily grow in the world, that we can approach that great goal of freedom from fear which is so fundamental to the achievement of freedom from want.

Mr. van LANGENHOVE, Belgium  
(translated from French)

In order to judge the world economic situation of today, we must take a point of comparison.

The previous report submitted to the Economic and Social Council stated that the year 1947 must be regarded as one of frustrated hopes. It pointed to the shortage of foodstuffs and basic commodities, such as coal, steel and timber, and to the inadequate production of industrial power as the main causes of the slowing down of economic progress.

The report on the changes in 1948, which is now before us, indicates an appreciable improvement in this respect.

It states: "As a result of substantially larger harvests in the summer of 1948, the supply of foodstuffs during 1949 will be increased considerably. This is perhaps the most important economic development during the past year and, for that matter, since the end of the war.

"In industry", the report continues, "the shortages of certain key commodities were considerably mitigated during 1948. By the autumn of 1948, industrial output in most war-devastated countries was approaching or had already exceeded pre-war levels . . ."

Other encouraging facts may be noted: undeniable progress has been made in the implementation of plans for regional economic co-operation. This is particularly true of the Organization for European Economic Co-operation, the success of which is of such importance to the whole world. In a similar connexion, the increasing attention now being given to the development of backward areas, and the initiation of a co-ordinated policy in this respect, should also be mentioned. The agenda of the present session of the Economic and Social Council contains a special item on this subject. Finally, there have been important achievements in the realm of trade.

By dint of persistent efforts, a charter setting up an International Trade Organization and formulating a code for international economic relations was elaborated at the beginning of last year. Several of its most important provisions on commercial policy have been embodied in a General Agreement on Tariffs and Trade and put into operation with the latter. Moreover, steps have been taken with a view to widening the agreement in the near future.

Within the framework of the Organization for European Economic Co-operation, systematic studies have been undertaken with a view to the formation of a customs union to include all the countries belonging to the Organization. The customs union of the Benelux countries came into force more than a year ago, and methodical efforts are in progress to convert it into a full economic union. At the same time negotiations for the conclusion of an economic union between France and Italy are proceeding. All these converging activities are tending to facilitate trade by widening markets.

Thus, in several fields, whether in remedying the shortage of foodstuffs and essential commodities or in promoting closer economic co-operation, particularly in regard to customs policy, there has

been definite improvement and progress. On the other hand, in spite of this improvement and progress, it must be recognized that the state of trade remains unsatisfactory and in some respects has even deteriorated. In fact, in the latest report on the economic situation, we read that the quantum of world exports during the first half of 1948 was somewhat below the levels of both the first and second halves of 1947. It is true that this drop is mainly due to the decline in United States exports since mid-1947 and that the exports of other countries as a whole have continued to increase in 1948, though at a slower rate than in the two previous years.

In addition, the restrictions on international trade remain considerable and are tending to increase. Instead of making progress towards multilateralism, methods of bilateral settlement, clearing and barter are on the increase.

It is with this aspect of the world economic situation that I should like particularly to deal; the tendencies in this direction may have serious consequences and perhaps have not received sufficient attention.

No one will deny that the restrictions in trade are largely determined by the disequilibrium in the balance of payments, often maintained by inappropriate monetary parities, and that this constitutes one of the main difficulties in present-day world economy. The evil is most apparent in the relations between the United States and other countries, but it also seriously affects the relations of these countries with each other.

As the report on the economic situation notes, the majority of countries have had large import surpluses and have suffered from increasing pressure on their balances of payments. To a considerable extent, these difficulties were inherited from those prevailing during the period from 1930 to 1940. But the war has caused further dislocations: exhaustion of stocks of goods, destruction of productive power, strong inflationary pressure and changes in international financial relationships. In certain countries there was pressure on the balance of payments as a whole, while in others surpluses earned in transactions with some areas could not



be employed to offset deficits with other areas, particularly the Western Hemisphere.

What methods have these deficit countries employed in the effort to regain their equilibrium?

They have filled the gaps in their balance of payments in part through the liquidation of their gold and dollar assets and in part through credits from governments and inter-governmental agencies. Several of these countries, however, were threatened with the rapid exhaustion of their resources, in spite of their efforts to increase production and stimulate exports. After the abortive attempt to restore the free convertibility of sterling, a severe deterioration occurred in the international payment situation of many countries. They felt obliged to reduce their imports further, and to restrict themselves to a strictly bilateral trading system. They accordingly tightened their exchange controls and import restrictions.

A relatively satisfactory system for international payments had been introduced at the end of the war. On the lines of an agreement reached between Belgium and the Netherlands in October 1943, bilateral conventions had been concluded and were soon extended to include a large part of Europe and South American countries. Under these agreements, the central banks of each of the contracting countries buy currency of the other in exchange for its own, up to the amount required to cover current mutual payments. The accounts are periodically cleared and the balance carried forward. This balance, however, may not exceed the limit fixed in the agreement, namely, the maximum credit which each country places at the other's disposal to cover the temporary discrepancies which inevitably occur in reciprocal settlements. Sums which exceed that limit must be settled either in gold or in a currency accepted by the creditor.

By 1948 Belgium had concluded twenty-four such agreements; the credits available therefrom amounted to a total of over 15,000 million of Belgian francs, equivalent to about one-fifth of the total value of Belgium's exports.

These agreements have rendered genuine service. At the time they were negotiated, they were looked upon as a temporary means of meeting the

disequilibrium which would inevitably occur during the recovery period. However, instead of evolving towards a more satisfactory system, the operation of these agreements has recently been jeopardized. In fact, the disequilibrium among countries has not diminished, but increased. The limits have been exceeded more and more frequently, necessitating increasingly large gold settlements. The payment agreements, which until then had facilitated trade, lost much of their usefulness. Thus — to give but one example — at the end of last year, France being unable to cope with the overdrawings of its credits with Belgium, was compelled to suspend completely the granting of import licences in favour of Belgian goods, with the result that a considerable volume of economic commitments were momentarily blocked.

In the event of a decrease in the demand on foreign markets and a fall in the price of export goods, it is to be feared that the policy of correcting the disequilibrium in the balance of payments by a reduction of imports would become general. Restrictions in one country lead to restrictions in others. Such increased restrictions could not fail to produce the most unfortunate results; countries which applied restrictions would have to curtail the standard of living of their population; countries which had succeeded in regaining their stability would lose the reward of their efforts. Countries like Belgium, with an economy largely dependent on foreign trade, would be particularly affected. In general the strangling of trade would hamper the improvement of living standards, full employment and the economic and social progress and development which the United Nations is pledged to promote.

Would these restrictive policies at least succeed in restoring the position of the deficit countries? Their complete efficacy is doubtful, especially if the countries applying them tolerate the persistence of the inflationary pressures by which their economic systems are affected in varying degrees.

A thorough study of the problem of inflation was made last year and was submitted to the Economic and Employment Commission. Inflation is a heritage of the war; it originated from the enormous volume of money without economic

counterpart which was created during that period and from the relaxation of certain credit policies which was also rendered unavoidable by the war. So long as hostilities last, inflation is an inevitable evil, held in check to a certain extent by an efficient system of controls which is possible in time of war.

But those who have had that experience tend to think that if controls are maintained after peace has returned, inflationary pressures can be allowed to continue with impunity. In spite of the barriers erected to keep them in check, however, the first internal result of inflationary pressures is to cause purely wasteful expenditure, so that the country's limited productive resources are used for non-essential purposes and part of its already inadequate supply of labour and raw materials is diverted from the production of essential goods.

The shortage of consumer goods weakens the profit incentive. The presence of surplus buying power which cannot be used legally leads to the evasion of controls and unavoidably encourages black market dealings. The effect of inflationary pressure is equally apparent in international relations.

In one way or another, as the report of the Sub-Commission on Employment and Economic Stability indicates, domestic inflationary conditions tend to aggravate the balance of payment difficulties of the deficit countries. These difficulties have occurred even in countries where controls have prevented an abnormally rapid rise in costs and prices. The large domestic demand tends to divert valuable resources from production for export.

Since liberation, Belgium took radical measures to eliminate the potential buying power accumulated during the preceding years and later pursued a severe credit policy. Other countries, in varying degrees, have done the same. While it is the business of each country to take such measures as it deems necessary to improve the state of its economy, it should be emphasized that individual effort, if isolated, is unlikely to be fully effective.

In reality the problems raised by present inflationary tendencies are of concern to international

relations as a whole. Furthermore, though they primarily affect the countries which suffered directly from the war, they also have an influence upon the younger countries, whose development they may hamper.

Excessive generalizations should be avoided, for conditions vary considerably from one country to another. In some countries economic recovery has been considerable; in others there has been a sharp decrease in the price of agricultural produce, unemployment has reappeared and the fear of depression tends to neutralize the fear of the effects of inflation. Nevertheless, generally speaking, the effects of inflation continue to be the most dangerous at present; they are still apparent in important economic fields where there has as yet been no contraction of demand.

In any case the principal guarantee of stability lies in eliminating the factors which caused disequilibrium, whatever they may be. Perhaps the countries which suffered most from the war have shown an understandable but excessive haste in their efforts towards reconstruction, re-equipment and improvement of their living standards. Perhaps, in relation to the resources at their disposal, they have been too ambitious in the goals they have set themselves and in the time limits they have fixed for reaching them. Increased production and the elimination of shortages of important products and commodities — which fortunately are now apparent — unquestionably tend to reduce inflationary pressure. But they do not suffice to eliminate it where buying power appreciably greater than the available resources continues to exist. Artificial increases of exports and, especially, restrictions on the import of consumer goods have similar effects.

The effect of inflationary pressure should be considered from still another point of view. An unprecedented effort in international co-operation is being made, with a view to restoring the balance upset by the war. Whether its object, like that of the European Recovery Program, is temporarily to make up the deficits existing in trade relations with the dollar area, or to provide for the interconvertibility of European currencies, it cannot produce the desired results until the economy of the deficit countries has been sufficiently restored.

What is the good of giving blood transfusions to a wounded man who is still bleeding?

This is true both of the Organization for European Economic Co-operation and of other international agencies for economic co-operation, acting on a limited regional basis like Benelux, or on a world basis like the United Nations itself. Such was the tenor of the statement made by the ministers representing the three Benelux countries at the close of their conference at Luxembourg early last year, when they announced that measures had been agreed upon to re-establish equilibrium in the balance of trade.

Domestic measures for economic recovery are equally necessary in connexion with the application of the rules adopted at Bretton Woods, or with the more recent policy regarding trade agreements reached by the Havana conference and the General Agreement on Tariffs and Trade.

As the International Monetary Fund said in its recent report: "The fundamental conditions which would make possible the abandonment of trade and exchange restrictions are . . . entirely absent

today in most of the world." On the other hand, it may be said that if a sufficient effort were made to improve the economic situation by eliminating the most dangerous inflationary pressures, prices and the true exchange value of currencies would become stabilized; black markets in foreign currencies would disappear; assets kept abroad by lack of confidence at home would spontaneously return; movements of capital would become normal; exchange controls could be relaxed and reduced to a minimum; international co-operation would be fully effective; and the balance of payments would gradually return to a satisfactory level. An important step forward would have been taken.

The practical conclusion I should like to draw from these remarks is that, in spite of the fact that prices have fallen and a limited amount of unemployment has reappeared, the inflationary tendencies which persist in many countries should continue to receive the closest attention and be made the subject of a thorough study from the point of view of their relationship to international trade and economic stability.

## 23 FEBRUARY 1949, MORNING MEETING

Mr. MUNIZ, Brazil

The report of the Secretariat on the economic conditions of the world constitutes, once again, the most important economic item of our agenda and, as such, it has deserved the most careful attention on the part of the Brazilian delegation.

The fact that we are dealing with an interim report can be regarded as an excellent opportunity for us to bring our contribution to the work of the Secretariat, since the comments of the Council will be of considerable help to the Secretariat in the preparation of the final text. Taking into consideration the fact that we are dealing with a provisional document, we must recognize that it brings out very interesting facts and permits quite a few conclusions. Although much more descriptive than analytical, it is a valuable contribution to our knowledge of the world economic situation.

Before commenting on those points of the report which drew our attention the most, it may be

well to note that, in contrast with the pessimistic tone of the report on 1947, characterized as the year "of frustrated hopes", we have before us a picture full of optimistic overtones. The year 1948 might thus be called the "year of dispelled pessimism", as suggested by Mr. Mendès-France, or perhaps "the year of fruitful endeavour". The Brazilian delegation feels a certain pride in declaring that, to a great extent, the good results obtained in 1948 have been, in its opinion, the result of the constructive efforts of the Economic and Social Council, the specialized agencies and, especially, the Economic Commission for Europe.

The Council will certainly remember that last year the report, after giving us a thorough description of the world economic situation, went on to summarize the obstacles to the work of reconstruction and development, and that these obstacles were appropriately defined by our colleague from the United Kingdom as falling in two categories: physical and financial.

The physical obstacles represented a series of bottle-necks in certain basic sectors of world production; they were formed by acute shortages in food, power and steel. The prospects of overcoming these bottle-necks were relatively optimistic, so far as the power situation was concerned, but quite pessimistic as regards the steel and the food situations. The Food and Agriculture Organization went to the extent of predicting that, with decreasing intensity, the food shortage would last for many years.

The obstacles of a financial nature were of two kinds: first, the very heavy inflationary pressure which had arisen throughout the world, bringing in its wake to every country all the inconveniences and distortions in economic life that are characteristic of that phenomenon; and second, the great dislocation of the world economy brought about by destruction or obsolescence of capital equipment almost everywhere, in contrast with the extraordinary development of the productive capacity of the United States.

The consequence of this situation, the so-called "dollar shortage", added all sorts of international difficulties and maladjustments to the economic problems with which the different countries had to struggle in their efforts towards national reconstruction and development.

Some of those problems, which appeared to us last year as being capable of solution only in the long run, seem to have evolved in a satisfactory way during the year 1948. The most significant of the physical bottle-necks were overcome to a great extent—including the world food shortage, the field in which the greatest degree of success was obtained. In fact, the Secretariat's report conveys the impression that the outstanding economic feature in 1948 is the appreciable improvement registered in the production of food and agricultural staples as a whole. The report itself, however, points out that the improvement in the food situation was the result of unusually large crops in the major producing areas, rather than of permanent improvement of agricultural productivity. This fact does not warrant any over-optimism, since less favourable weather conditions may yet vindicate earlier grim forecasts of the Food and Agriculture Organization. Serious food shortages, however, are

less likely to occur because during 1948 agricultural re-equipment showed considerable progress, mainly in Europe, the great deficit area. Europe produced almost all the agricultural implements manufactured outside the United States and Canada; besides that, with the financial help of the European Recovery Program, it seems to have absorbed the bulk of the exportable British and American surpluses. Since the United States and the United Kingdom are the great world producers of tractors and since their exportable surpluses in 1948 were about 33 per cent above 1947, it is clear that European agricultural equipment improved considerably during the year under review. Such improvement will undoubtedly reflect itself in the next crop even if weather conditions are not as favourable as they were last year.

Production and distribution of power, which was reportedly one of last year's major bottle-necks, seems to be approaching solution. It is regrettable, however, that the report, while summarizing the progress made in the world production of power, does not make clear the extent to which the present supply has met the increasing demand, especially in the under-developed areas which are undergoing a process of industrialization.

Finally, in the field of heavy industry, it seems that, despite substantial increases, production did not meet the existing high requirements for investment goods. It is to be noted that the increases took place mostly in Europe, whose steel production reached 45 million tons, i.e., 11 million tons more than in 1947.

The successful coping with the European production bottle-necks brought about in all European countries, except Germany and Italy, a level of industrial output during the first nine months of 1948 which exceeded the pre-war level by 15 per cent. This in itself would indicate that the immediate phase of reconstruction has ended. Further increases in production in the majority of European war-devastated countries are now largely dependent upon development of new capital facilities—a significant part of which must be imported—rather than on reconstruction of existing ones. It appears moreover that, owing in large measure to the financing of imports through the European Re-

covery Program, the industrial areas of Europe have been able to carry out substantial development and modernization of plant while, on the other hand, as noted in the Secretariat's report, "The inability of the under-developed countries to obtain adequate imports of machinery and equipment from countries which export capital goods continued . . . to retard their programmes for replacing equipment and expanding plants."

I shall now turn from the physical bottle-necks to a consideration of the financial and monetary obstacles to restoration of equilibrium, namely inflationary pressures and the dollar shortage. Here the outlook is much less favourable and the trend uncertain.

Heavy inflationary pressures persisted throughout 1948 in the great majority of countries, although improvement of the food and supply situation and other factors brought about a certain amount of dis-inflation in a few countries. In the United States, for instance, a sharp break in commodity prices and more than seasonal increase in unemployment, variously described as "dis-inflation", or "levelling off of the boom", has recently taken place. Attention has already been called to this by several representatives. Owing to the enormous impact of the American economy upon the world situation, this price break and decline in employment—which, it is hoped, will be confined to a normal readjustment in over-inflated sectors of the economy—will undoubtedly be closely watched by governments and economists everywhere. Should these readjustments develop into a deflationary movement, serious international repercussions cannot be averted. Countries exporting primary products to the United States would immediately suffer from a declining demand for their exports and from rapidly deteriorating terms of trade. Prospects of restoration of equilibrium in European-United States payments, which ultimately will require a very substantial increase in the United States demand for goods and services, would be hopelessly impaired. It is reassuring to know that these international implications are fully realized by the United States Government and that its economic policies are designed to maintain high levels of employment and activity and to avoid the production and exportation of depressions.

It is important to register one favourable, though perhaps impermanent, factor affecting the international payment situation. I refer to the recent decline in the United States export surplus which took the form of a reduction between 1947 and 1948 of \$3,000 million in export of goods and services and a rise of \$1,800 million in imports.

Thus, the dollar volume of merchandise imports rose between 1947 and 1948 by 20 per cent, while merchandise exports fell by 18 per cent. Since the solution of the dollar crisis and the reduction of international indebtedness to the United States depends ultimately on the ability and willingness of the United States market to absorb greatly increased imports of goods and services, it is encouraging to note this favourable development, even though it may represent a purely temporary phenomenon rather than the long-awaited United States conversion from the trade psychology of a debtor to that of a creditor nation.

One disquieting factor in the international financial picture, to which reference has been made by our Australian and Chilean colleagues, is the continued failure of private investment to revive in the post-war period. Net direct private investments abroad from dollar sources totalled only \$666 million in 1947, of which 70 per cent represents investment in the petroleum industry, confined to limited geographical areas. The gross outflow from the United States of private capital of all types, including flotation of securities for foreign account or for account of international agencies, amounted to only \$386 million in the first half of 1948, compared with \$779 million in the first half of 1947. Apart from the speculative movements of sterling capital within the sterling area, exports of foreign capital from other sources have been negligible.

In sharp contrast to the stagnant condition of private investment—which originally was expected to be the main source of funds for development operations—stands the prominent role played by direct government finance. The bulk of the dollar flow from government finance was channelled to Europe through the European Recovery Program, where it played an important role not only for reconstruction but also for development. Total allotments under the Marshall plan amounted to \$4,630.6 million by 15 November 1948, a sum which dwarfs by comparison any private invest-

ment or international loan directed to extra-European countries.

It was initially expected that "off-shore" purchase under the European Recovery Program might significantly contribute to redistribute dollar funds and facilitate restoration of the triangular pattern of trade among Europe, Latin America and other areas. This expectation failed to materialize. By 15 November 1948 not more than \$216.5 million, or 4.6 per cent of total European Recovery Program allotment and 6.9 per cent of total procurement authorizations, was set aside for off-shore purchases in all Latin-American countries and \$155.1 million, or 3.3 per cent of total Marshall plan aid, for purchases in all other non-European countries outside Canada.

While ERP finance enabled the benefited countries to maintain substantial imports of capital and consumer goods from the United States market, with the secondary consequence of bidding up prices still further out of the reach of other eager potential buyers, the shortage of dollars caused many of the under-developed countries to restrict severely their purchases despite their urgent need for capital goods for re-equipment and new plant construction.

The channelling of the bulk of government dollar financing to Europe, coupled with the low level of private capital exports, caused the flow of dollars, already insufficient in amount, to be unbalanced in direction also. Thus, while physical bottle-necks to production have been broken, the international financial situation showed no sign of improvement during 1948.

The time is perhaps ripe at this juncture to examine whether the continuation of the preferential treatment given to the needs of European reconstruction and development, in the face of the needs of other areas, does not involve the risk of perpetuating, rather than correcting, the existing disequilibrium in the international distribution of income and industrial power.

The problem is not one of restoration of the old equilibrium but rather that of the creation of a new balance in which the disparities in the levels

of income and wealth throughout the world will be narrowed. Former raw material areas, now in process of industrialization, will not accept a return to the old pattern of international division of production.

While standards of living of high income areas, in relation to pre-war levels, have already been reinstated for the most part, we are still faced with the stark fact that great masses of people in under-developed countries still toil under inhuman conditions in order to earn a meagre subsistence.

When we realize that the majority of under-developed countries in Latin America and Asia have a yearly *per capita* income under \$100 against *per capita* incomes averaging \$500 in western Europe and over \$1,200 in the United States, the tremendous challenge which civilization must meet becomes apparent.

Fortunately, the United States Government, upon which the great responsibility of leadership has devolved, is ever more aware of the necessity of building a more balanced structure for our civilization, in which the evils and injustices of the past shall have no place.

The need for a universal approach to the problem of world economic equilibrium was given recognition in President Truman's noble and inspiring inaugural address, which carried a warning that the stagnant and primitive life of more than half the people of the earth is a grave handicap to world prosperity.

On the technological side, the co-operation of the United States is ready for the supply of industrial and scientific techniques to help under-developed areas. On the financial side, it appears that reliance is to be placed on private capital investment, which is expected to play in developmental operations the energizing role played in the European Recovery Program by governmental loans and grants.

My delegation welcomes this important declaration and expects that further elaboration of the President's programme will demonstrate that it really aims at something bold and something new.

As was noted before, one of the disappointing features of the post-war period was the failure of private investment to revive. If the bulk of developmental operations is to be financed by private capital investment—supplementing of course the internal savings of under-developed countries—new measures must be contrived to promote the flow of capital. A climate of confidence must be created, since, as was pointed out by the distinguished delegate of the United States, the same sickness of fear and political instability that causes governments to waste substance for military expenditures, strangles the economic incentive of individuals. Capital-deficit countries, interested in securing capital imports for economic development, are undoubtedly prepared to recognize the need of legitimate incentives for investment and of legal guarantees to property and profits, to the extent consistent with their economic and national security interests. But here a vicious circle occurs. For unilateral legal guarantees by recipient countries often cannot be translated into economic reality, since in many countries attainment of stability depends on structural and income changes which, in turn, cannot be carried out without the help of foreign investment. Economic stability in fact often follows rather than precedes investment operations. In private banking the best way to get a loan is to prove that you do not need it. If the same psychology is to prevail in the current private market, the prospects of financing development operations by private investment are anything but bright.

This paradox can only be solved by evolving new forms of co-operation in which stimulus to private investment and attenuation of its risks is attempted through joint action by governments of capital-exporting and capital-importing countries. The proper solution seems to be the joint guarantee of transferability of yields and repayments of principal of direct private investment, rather than unilateral guarantee by recipient countries; this, of course, in addition to fiscal measures designed to prevent double taxation and to stimulate reinvestment of profits. We are anxious to hear further elaboration of the ways and means by which the United States Government intends to carry out its purpose, as enunciated by President Truman, to foster, in co-operation with other

nations, capital investment in areas needing development.

I now propose in keeping with the President's recommendation at the opening of our debate, to dwell upon the economic condition and prospects of my country in their relationship to the world economic situation.

The year 1948 was one of intense productive effort in my country, as can be seen from the following percentages of increase in volume of production, compared with 1947.

Heavy industries increased production by 15.7 per cent in the first three quarters of 1948; the textile industry, which ranks first in the number of workmen employed, produced 37.4 per cent more than in the preceding year; consumption of electrical energy increased 12.1 per cent; while industrial production in general increased 36.1 per cent during the first three quarters of 1948.

Brazil, which has always ranked among the heaviest importers of wheat in the world, intensified wheat growing in 1948 to the extent of being able to reduce imports of this cereal almost by half. This was a notable achievement, since it involved the development of seed strains adapted to the relatively unfavourable soil environment. Other sectors of agricultural production, such as cotton and coffee, suffered serious setbacks, however, owing to unfavourable weather conditions and plant diseases. In general, the level of agricultural productivity continued low because of the lack of fertilizers and agricultural machinery, the latter of which has to be imported from hard currency areas.

In the industrial sector, the past year witnessed full utilization of the capacity of the new steel industry, which more than doubled its production. The results obtained from the plant at Volta Redonda were so promising that the National Steel Company has entered into negotiations to purchase new equipment in the United States to expand its operations. Brazil's incipient steel industry which, prior to the establishment of the Volta Redonda plant, was merely sufficient for the domestic supply of certain types of sheet products, is now in a position to fulfil the need for a number of other types, including rolled stock and rails, thus facilitating the installation of new industries and the manufacture of machinery.

The operation of the Volta Redonda plant naturally required a greater consumption of iron ore and coal; the latter is being procured in substantial quantities in the country itself. In addition to furnishing raw materials for a number of basic chemical products on which Brazilian industry has always depended, Volta Redonda has facilitated the construction of a new cement plant employing by-products of the mill. The increase in the production of iron ore for domestic consumption has been followed by an intensification of construction on the Rio Dôce Valley railway, which will permit the export of substantial quantities of high-grade ore. In the far north, in the Amazon region, new manganese deposits have been discovered, placing Brazil in a still more enviable position as to possession of this mineral of high strategic importance.

In regard to electric power, work was started on the harnessing of the Paulo Afonso falls, with a view to developing the rich region lying along the valley of the São Francisco River, heretofore untouched because of the lack of power and irrigation. The Brazilian Government arranged in 1948 for the acquisition of three petroleum refineries, which will permit great savings in exchange for purchase of refined products, in addition to facilitating a considerable step towards self-sufficiency in fuel as soon as domestic oil production is begun. It is interesting to note that the National Engine Factory, set up during the war for the production of aeroplane engines, began in 1948 to be converted to the production of truck engines and bodies and a type of tractor specially adapted to the physical conditions of the country. Highway and railway construction was intensified during the past year; a special feature of the latter was the electrification of the Central and Sorocabana railways, and others.

The system of foreign trade licences which Brazil was forced to adopt in 1948 has permitted the Government to orient its purchases abroad within certain limits, with a view to industrial re-equipment of the country. Special attention has been given to the cotton textile industry. The manufacture of electrical equipment and supplies also received considerable impetus in 1948.

These energetic efforts towards industrial equipment and expansion were carried out in the face of serious difficulties. Inflationary pressures con-

tinued to be strong despite the achievement in 1947 of a sizable budgetary surplus, a drastic contraction of consumers' credit and the curbing of the speculative building boom. The balance of merchandise trade — which is ordinarily our largest surplus item in the balance of payments — closed at the end of 1947 with a deficit of 134 million cruzeiros. The usual surplus in the trade with the United States turned into a deficit of \$200 million. This is particularly serious in view of the depletion of dollar reserves and the need of dollar exchange to finance imports of equipment and to meet charges for services and capital account. Drastic exchange and import control measures had to be instituted in May 1948. Through a careful rationing of purchases from the dollar area, the bilateral trade balance with the United States was brought into equilibrium at the end of 1948, despite an unfavourable trend in the terms of trade which, incidentally, is worthy of note. During 1948 the volume of exported products increased more than 20 per cent but the unit value decreased approximately 14 per cent, while the volume of imports fell about 12 per cent, but the unit value rose 6 per cent.

We view with concern this unfavourable turn of the terms of trade, because of the long and painful experience which we have with depressed prices of raw material exports. It is true that a substantial improvement of our terms of trade occurred during the war and immediate post-war period. In a sense, however, this was only a respite from a long era of unfavourable export-import price ratios, which dates from the start of the great depression or even earlier, since, except for the late 1920's, our terms of trade never quite recovered from the price slump of the commodity crisis that followed in the wake of the First World War.

These are the remarks which I wish to bring to the attention of the Council during the discussion of the world economic survey. Despite many shortcomings and despite the fact that peace has not yet been fully attained, there are hopeful indications that world economy will come out of this period of great changes more unified and pervaded with a greater spirit of justice and solidarity. The United Nations can become an important factor in the realization of this objective.



Mr. SEN, India

The report of the Secretary-General, *Major Economic Changes in 1948*, brings out certain important issues to which the Council must give careful consideration. The report does not purport to be a comprehensive economic survey of the world, but gives a review of the important economic developments during the year.

In reading through the report one notices the almost negligible place that the Asian countries occupy in the picture of post-war development and rehabilitation. In the industrial field, apart from the United States and such relatively industrialized countries as Canada, Sweden and Switzerland, which show a very highly increased output over pre-war production, most marked progress is in Australia and a few of the Latin-American countries. In Asia the only country which finds occasional mention is Japan, to show how greatly its production has suffered, while countries like China and India, which between them contain nearly half the population of the world, are either made to hide their identity among "other countries" or are "excluded" for lack of information.

For this treatment of the Asian countries we do not attach any blame to the Secretary-General, though it should have been possible for the Statistical Office of the Secretariat to be a little more enterprising and to collect some of the more important statistics, where available, relating to the Asian countries.

We hope, however, that the unimportant place which the Asian countries occupy in this report is not a reflection of the attitude that we observe among some of the advanced countries in the world — particularly in the west — which wish the pattern of world economy to continue as before the war — that the eastern countries continue to play the subordinate role of suppliers of raw materials, while the western countries maintain their highly industrialized economy, with a higher standard of living.

Such an attitude, I need hardly say, is entirely out of date. The last two devastating wars have shown that there will be no peace in the world unless the economy of all countries is developed on

a more balanced basis and unless the old ideas of exploitation of undeveloped countries, by whatever name they are called — colonialism or imperialism — are completely discarded. This important fact finds recognition in the United Nations Charter. In Article 55 the Charter states that by promoting higher standards of living, full employment and conditions of economy and social progress and development, we create conditions of stability and well-being which are necessary for peaceful and friendly relations among nations.

Since the end of the war much attention has been devoted to the rehabilitation of the European countries. We do not for a moment grudge the European countries the help they are receiving in the restoration of their war-damaged economy. The reason which is advanced for concentrating practically all available resources on the rehabilitation of the European countries, in priority over the rest of the world, is that if Europe returns to the pre-war level of production, particularly in the field of industry, it will be able to accelerate the rehabilitation of the rest of the world, which before the war had largely depended on European production. There is, no doubt, much force in this argument. But if it reflects any desire on the part of any of the European countries that this assistance should be taken advantage of to maintain the pre-war exploitation of colonial territories, we must clearly warn such countries that such a position is in conflict with the aspirations and plans of the Asian countries, both those which have just emerged into freedom and those which are still struggling to attain it.

The most outstanding feature of 1948, according to the Secretary-General's report, is that in certain fields, notably certain cereals, sugar and perhaps cotton, the current level of production is tending to be in equilibrium or even in excess of current effective demand. In the past such a situation has been met by deliberate restriction of production or has ended in a disastrous slump. We are now reaching a stage when we must take decisions on which will depend the future stability of the world. The basic question, in our view, is how the high level of production of agricultural and industrial goods attained in North America is to be maintained, consistent with the steady recovery and expansion of output in Europe and Asia, with-

out precipitating a serious slump or depression. The national and international actions that will be taken in dealing with particular commodity situations that are arising will have a most vital bearing upon the ultimate objectives of raising the standards of production, consumption and nutrition all the world over. Our considered view is that it is to the interest of producers and consumers alike that production should be expanded and maintained at a high level, rather than that production should be restricted to meet surplus commodity situations. In countries where mechanization has made rapid progress it is hardly necessary to point out that a higher level of production, even at lower levels of prices, would secure to the producers the benefits of lower cost and higher efficiency per unit of output and a larger total income.

The key to the problem of maintenance of high levels of production, in our view, lies in conscious attempts to maintain and expand markets to absorb the larger volume of production, and in this Asia can play an important part. One of the most urgent problems to which the liberated nations of Asia are at present addressing themselves is the task of mobilizing their economic resources and creating a larger volume of production, employment and trade with a view to raising the standard of living of millions of their peoples who for long centuries have existed on a bare margin of subsistence. In order to raise the standard of living of these millions of people, they will have not only to increase the efficiency of their agriculture—and agriculture must continue to be the basic industry of the peoples of this region—but also to develop such industries as are necessary for the maintenance of their national security and for placing their over-all economy on a more stable basis. Such a development need not necessarily upset the economy of the more industrialized countries of the west. It is known that an increase in the levels of production, employment and trade, resulting from such industrialization, creates a higher purchasing power and a greater demand for varying types of capital and consumer goods.

One major problem to which we wish to invite the attention of the Economic and Social Council in this context is the problem of the adjustment of inflated war-time prices to levels more in accord with the long-term supply and demand position in

the world. It is common experience that producers and traders get accustomed to war-time levels of prices based on scarcity of supplies and any downward adjustment of prices meets with resistance. Failure to bring about a regulated adjustment of price levels has in the past resulted in burdensome surpluses, followed by a sudden drop in prices, which in its turn has brought about depression all around.

As a major agricultural country with large and far-reaching programmes for industrial development, we fully appreciate the importance of maintaining stable and remunerative minimum prices in agricultural products in the interest of the producers. This however, does not persuade us in supporting a policy of artificially maintaining prices at levels based on scarcity conditions. Most countries in the world today are faced with the problems of unbalanced budgets, disequilibrium in the balance of payments and shortages of foreign exchange. On the prices of basic food grains the whole superstructure of costs and prices is built. We consider that the Council should invite the attention of Member countries and specialized agencies concerned to the importance of programmes (a) to provide stability at fair minimum prices for agricultural products, on the one hand, and (b) to devise international measures to bring down prices in a regulated way, subject to a fair fixed minimum.

We also wish in this connexion to draw the attention of the Council to a proposal which we have been pressing for some time past before the Food and Agriculture Organization of the United Nations. If and when the current output of cereals, and food grains in particular, is not balanced by the current effective demand, we consider that it would be far preferable that the surplus be sold at concession prices to areas where people suffer from under-nutrition, rather than that products should be restricted to keep up prices. As I have already explained, lower cost and higher efficiency per unit of output will give the producer a larger income than restriction of production.

While on the subject of under-developed countries, I would like to refer to the inaugural address of the President of the United States, delivered on 20 January 1949. In this address, while outlining

his programme to assist the maintenance of peace and freedom in the world, the President of the United States stressed the importance of embarking on a bold programme for making the benefits of the scientific advances and industrial progress of the United States available for the improvement and growth of under-developed areas. While this statement emphasizes the importance of assistance by providing industrial and scientific techniques, it also speaks of the importance of fostering capital investment in co-operation with other nations. He observes that this should be a co-operative enterprise in which all nations should work together through the United Nations and its specialized agencies wherever practicable. The scheme discloses a breadth of vision which we deeply appreciate. We hope that the United States delegation will be in a position to make the implications of the scheme fuller and clearer so that we can all help to place the scheme on a sound and practical basis.

In the Secretary-General's report we have a chapter on international loans and grants. In this field the agency created by the United Nations, namely, the International Bank for Reconstruction and Development, does not yet appear to have played any conspicuous or decisive part. The most encouraging feature, however, so far as we are concerned, is the recognition by the Bank of the importance of the problem of development of large areas of the world; many of them are rich in natural resources; some of them have a population with a long tradition of skill, but are undeveloped in modern techniques; and all of them suffer from a lack of capital and accordingly remain economically undeveloped despite their great potentialities for development.

There are also reassuring indications in the recent pronouncement of the Bank that shortage of funds is not a factor holding up a more rapid advance in this direction, but rather a shortage of eligible projects—carefully planned and worked out, with a full knowledge of their productive possibilities, and closely related to the economy of the country. If this represents the true state of affairs, we would like to suggest that one of the immediate tasks to which the Bank must address itself is the building up of an adequate organization of technical staff for the purpose of furnishing

technical advice, necessary in the preparation of development projects as well as in their efficient execution. This important factor in dealing with the problem of the undeveloped countries has, as I have pointed out, been given due recognition in the scheme announced by the President of the United States. To what extent the activities of the Bank in providing assistance in industrial and scientific techniques should be linked with the President's scheme is a matter which we are not in a position to discuss at this stage. All I need say is that India, particularly, will welcome such assistance in view of the many industrial projects which we have already planned and which we have been unable to carry into effect for lack of capital equipment and technical personnel.

The primary purpose of the Bank, however, is to encourage the flow of private capital which, under a system of private enterprise, remains the mainspring of any large-scale effort towards proper economic development. While the greatest emphasis must be placed on the development of those basic public enterprises and sources of power, where the scope of private enterprise and, therefore necessarily of private international capital, must be limited, a considerable part of the flow of international investment and its complement in technical skills must come through private channels. The experience of the private investor during the inter-war years undermined confidence in international investment and dried up the steady stream of capital, which over the long course of modern economic development spread the fruits of economic advance and technical progress from one region of the world to the other. If the International Bank for Reconstruction and Development can help to stimulate the resumption of private international investment, it will have done a signal service, especially to the people of the undeveloped countries of the world.

I now summarize the points I have sought to make in my statement:

(a) The importance of Asia in the post-war world economy must be fully recognized and all plans and programmes of the United Nations must adequately provide for a balanced development of the resources of Asia. The old conception of the role of Asia as a supplier of raw materials for the west must be rejected;

(b) The Secretary-General in his future review should attempt a more balanced picture of major developments in world economy by collecting more comprehensive statistics, particularly relating to the Asian, Latin-American and Middle Eastern countries;

(c) International assistance has so far been very largely concentrated on the rehabilitation of Europe. There is much force in the argument that an early rehabilitation of the industrial capacity of Europe would accelerate the recovery of the other parts of the world, but any idea that the restoration of European economy should be utilized to perpetuate the pre-war pattern of the world economy is in conflict with the plans and programmes of Asian countries, whether they be those which have just attained their freedom or those which are still struggling for it;

(d) The most outstanding feature of the year is the tendency for the current level of production in certain agricultural products to be in equilibrium or even in excess of the current effective demand. The tendency should be met, not by restricting production as in the past, but by a deliberate policy of maintaining expanding markets. Rehabilitation and development of Asian economy will provide unlimited possibilities of an expanding market on the basis of mutual exchange of suitable types of capital and consumer goods and services. The Council should recommend high priority to the allocation of finance and capital goods and equipment to Asian countries to enable them to speed up their development;

(e) The Council should invite the attention of the Member Governments and the specialized agencies to the importance of fixing fair minimum prices for agricultural produce and to the need for bringing down inflated war-time prices to levels justified on long-term trends of supply and demand;

(f) President Truman's scheme for making available industrial and scientific techniques of the west to undeveloped countries and for fostering capital investment in these areas in co-operation with other countries is warmly welcomed. It is hoped that the United States delegation will be able to explain the implications of the scheme

further, so that there will be no delay in giving it practical effect;

(g) The part played by the International Bank for Reconstruction and Development in providing financial and technical assistance is still inconspicuous, especially so far as the Asian countries are concerned. If this assistance is being held up for lack of carefully worked out projects, one of the tasks to which the Bank should immediately address itself is provision of technical assistance to the countries needing it; and

(h) There is yet much scope for stimulating resumption of private international investments for the development of the undeveloped countries of the world and if the Bank can help in this matter it will have done a great service.

Mr. OZGUREL, Turkey (*translated from French*)

The Turkish delegation is of the opinion that the second report on the world economic situation prepared by the Secretariat is no less a credit to that body than last year's report. These first documents are not perhaps quite perfect and contain a few gaps, which, however, are caused in some cases by the absence of statistics for certain countries. But this decreases neither the value nor the usefulness of these documents for the study of the world economic situation.

According to the documents submitted to us by the Secretariat and certain specialized agencies, the results of the past year show an appreciable improvement in the world economic situation in comparison with the preceding period. Indeed, for the first time since the end of the war we can notice a well-marked increase in the production of foodstuffs, owing largely to the year's exceptional harvests. Furthermore, considerable progress has been made in industrial production, so that certain countries have even reached a point where they can use their available means of production to the limits of their capacity. As for inflation, it is already possible to note a few healthy—I repeat, healthy—symptoms of deflation.

These are satisfactory signs and can only be matters for rejoicing.

However, difficult problems remain to be solved. Despite a general increase in production, the world, considered as a whole, is still suffering from a shortage of both foodstuffs and manufactured products, owing to the continued increase in world population. This means that in a large number of countries the standards of living are still seriously affected. Thus it is necessary first of all to find adequate measures for dealing with this situation.

In addition, the complex problems of world distribution and associated questions of international trade and its financing are, more and more, becoming particularly important. The change which has come about in the past few years in the direction and composition of international trade now makes it necessary for us to study world economic relations from an entirely different angle. It is true that the increase in world production in 1948 was accompanied by a parallel increase in the volume of international trade. On the other hand, several countries, faced with chaotic changes in their external trading relationships, which might have brought about further deterioration in their balance of payments or total exhaustion of their gold or foreign currency reserves, were obliged during that period to tighten their restrictions on imports, thus creating fresh obstacles to international commerce.

This is another problem to which we must strive to find a solution; it is closely linked with the former problem, that of increasing production. Indeed it is not sufficient merely to increase production. In addition production surpluses must be exported and sold in the world markets to avoid crises of over-production. What is known as a crisis of over-production is indeed the result of producing too much and obtaining a surplus; it is not, however, a surplus in relation to the needs of mankind, but in relation to purchasing power. When a crisis of this type arises, the trouble is not always that the goods are not needed, but that not enough people are able to purchase them. Owing to a badly-organized system of world distribution, the production surplus obtained in certain regions of the world cannot find purchasers elsewhere.

How can these problems be solved?

As regards a general increase in production, we think that countries classified as under-developed could, by economic and social rehabilitation, contribute to a large extent to the improvement of world economy. As sources of raw material and foodstuffs, and as markets for a large amount of manufactured goods, these countries are capable of playing a decisive part in the increase of world production.

The question of the economic and social rehabilitation of under-developed countries has already been placed upon our agenda as a separate item, to which we shall return. It seems to us necessary, however, at this stage, to explain some essential aspects of this question, since in our view it is closely identified in present circumstances with the problem of the general increase in production.

As has been emphasized in the various reports submitted to the Economic and Social Council, under-developed countries are at present short of machinery and mechanical equipment, both industrial and agricultural, of technical experts capable of using such appliances, of means of transport and communication, of ports and so on. What they lack above all, however, is capital and foreign currency to obtain these materials. This means that in the great majority of under-developed areas the soil and the subsoil are inadequately cultivated in relation to the production potential which they possess. To give a single example, only about 4 per cent of the total area of the Near East region is at present under cultivation. The figures for annual average *per capita* revenue in the under-developed regions are even more significant. Thus, while the *per capita* revenue of the United States, Britain and western Europe is \$1,300, \$700 and \$500, respectively, in the under-developed regions the figure is only about \$100. Therefore it is urgently necessary to provide these countries with the means of obtaining the equipment necessary for their economic and social development. In this connexion, it is true that the International Bank for Reconstruction and Development promised not long ago to help under-developed countries. The funds which the Bank has available for loans are, however, relatively limited, so it is necessary to seek other sources.

We think that private international investments, which are at the moment quite inconsiderable, might be of assistance here. The movement of private capital towards the under-developed countries might be stimulated by the fact that economic development in these new countries would ensure to international investors much higher rates of interest than are obtainable elsewhere. However, in present circumstances, in order to inspire confidence in both future debtors and future creditors, the intervention of an international organization appears necessary, to guarantee loan operations and to take measures to safeguard the interests of both parties. This seems particularly necessary because in the past some countries, whether lenders or borrowers, have had unpleasant experiences with international loans.

To sum up, international private investment seems to us essential at the present time, to solve the problems both of developing under-developed countries and of increasing production generally.

These problems must be considered with the care their importance warrants when, in conformity with the General Assembly resolution on under-developed countries, we reach decisions in connexion with their economic and social rehabilitation. Our task may be considered already lightened by the encouraging statement made in this connexion by the President of the United States, a statement which shows once again that this great country is fully aware of its international responsibilities.

I should like now to make some remarks on the problem of international trade and its financing.

The Secretariat's report reveals that world economic relations are in an extremely disorderly state at the present time. The International Monetary Fund in its most recent report, dated 30 April 1948, is equally pessimistic on the subject. International trade continues to give reason for anxiety. It is still in a very chaotic state, despite an increase in the quantum of exports for most countries in 1948 and despite a certain relaxation during that year in the hitherto noticeable pressure on international payments.

The main factors responsible for the present chaotic condition, which began to make themselves felt as early as the 1930's, are many: a large number of countries have been unable to pay for their imports, which have increased since the end of the war; a change has occurred in the direction and composition of international trade; and the instability of exchange has resulted in an unsatisfactory trend in international trade relations, etc. These factors as a whole have recently led various governments to strengthen their controls on foreign trade and their exchange restrictions. Amongst these factors, however, it is chiefly the incapacity of countries to pay for their increased imports—or, to call it by its proper name, the dollar shortage—which has forced the majority of countries to take new measures of control and to impose new restrictions.

What does the dollar shortage really mean in present circumstances?

The International Monetary Fund gives an excellent definition; it states that: "What is often described in financial terms as a 'dollar shortage' is in reality a symptom of the present inadequacy of production in many parts of the world, in relation to the continuing great need for goods resulting from the war". Indeed, it is the inadequacy of present production in certain areas, whose needs have mounted for various reasons, which lies at the root of the dollar problem. If some countries are constantly turning to restrictive measures to lighten the deficits of their trade balance or balance of payments, it is because their present production expressed in hard currency—or dollars, which is much the same thing at present—cannot pay for their increased demand. Therefore, only when the problem of a general increase in production, and consequently that of the economic and social rehabilitation of under-developed countries, has been solved, will it be possible to avoid to a large extent the difficulties arising from a dollar shortage—difficulties which now, as before, constitute the most serious obstacle to the development of world economic relations.

Furthermore, fresh efforts—I stress fresh efforts—must also be made to revive international trade, in order that production surpluses occurring in various parts of the world may reach world

markets. The examination of this latter point has already become a matter of urgency, since certain primary commodities already show a production surplus. In fact, the report on international problems relating to primary commodities states that at the present time there is an improvement in the production of most of these commodities; it is also possible that special difficulties of the type envisaged in article 55 of the Havana charter, i.e., difficulties jeopardizing the "general policy of economic expansion", may shortly arise in respect of certain products.

What new effort can be made in this direction? To put it in another way, is it possible to find immediate specific remedies for the present situation of international trade and its financing? We do not think so. As has been emphasized in the Secretariat's report, world economic relations at present are such "that probably no simple way out of the difficulties can be found". It therefore seems necessary to study the problem more closely. The problem of world production might also be included in this study, since the two are, as we have said before, closely linked.

It seems to us that work in this direction might be based on the report of the Food and Agriculture Organization. It might be possible to adopt a plan of work somewhat similar to that suggested by that organization at the conclusion of its report. The working plan suggested by the FAO includes, as we know, the study of the following points: (a) improvement in the supply of requisites for agricultural production; (b) study of international financing of development; (c) analysis of trends in the pattern of world trade; and (d) improvement in marketing and distribution facilities.

These are the general remarks which the Turkish delegation wishes to make on the world economic situation.

Mr. MAYHEW, United Kingdom

The high level of the debate so far has made steadily more difficult the task of subsequent speakers. Many of the comments we intended to make on this interim report of the Secretariat have already been so ably presented by previous speakers as to make repetition wearisome. The

first speech of all, by the Australian delegate, covered in a most admirable fashion, if I may say so, many points which we in the United Kingdom delegation intended to make ourselves.

The debate presents some marked contrasts compared with the similar debate we held at this time last year. On that occasion, delegates showed particular anxiety over the disequilibrium in the balance of payments of the dollar countries with the rest of the world; over the current level of world production; and over the dangers of continued inflation.

At this session, while these anxieties remain, the emphasis appears to be shifting. We have heard a good deal more about the problem of establishing a fresh equilibrium pattern of world trade; about an apparent tendency for increases in output to "level off", especially in countries which have now reached or passed their pre-war output figures; while the inelegant word "disinflation" has crept into the Council's vocabulary and reference has been made to United Nations document E/1111, "National and International Action to Achieve or Maintain Full Employment and Economic Stability" before us and to the problems associated with the maintenance of full employment. This shift of emphasis is, I think, fully justified by the facts presented to us in the interim report and is a tribute to the realistic way in which the Economic and Social Council is approaching the world's economic problems.

Before I consider these questions in more detail, may I make some general comments on the Secretariat's paper?

I note that the report is intended as a preliminary review of events in 1948 and that a comprehensive survey will be issued towards the middle of the year after the reports of the regional commissions and the specialized agencies have been received. We thoroughly approve the Secretariat's intentions and agree that it is impossible to produce a satisfactory world economic survey before the material produced by the regional commissions and specialized agencies is available. We would suggest that, if other delegations agree, the Economic and Social Council might in future aim at holding the main debate

on the world economic situation at the summer session, when discussion can be based on the more comprehensive survey. If this is agreed, we would hope that the Secretariat would continue to prepare for meetings of the Council interim surveys on the lines of the present report containing the most up-to-date information available. We suggest, however, that these surveys should be provided as background information and should not be placed on the agenda for discussion—except at the summer sessions—unless any delegation makes a specific request for a discussion of the world economic situation.

As regards the report now before the Council, we congratulate the Secretariat on once again producing a very up-to-date survey of world conditions. Perhaps because of the efforts that have obviously been made to include the latest data available, the report shows some signs of hurried composition. One is also conscious of some omissions which might be remedied in the mid-year survey.

In particular, there is no general discussion of prices and, at a time when shortages of certain commodities are being progressively overcome and large-scale adjustments in patterns of production and trade are taking place, price movements are particularly interesting. We would like to see some discussion of price movements generally during 1948 and of trends of prices of the main groups of commodities—food, raw materials, manufactured goods, etc.

Secondly, there is no discussion in the report of the general experience of particular countries or groups of countries in 1948, with the exception of a short discussion of the balance of payments position of the sterling area. This will no doubt be included in the mid-year survey when the regional commissions have reported.

Finally, we hope to see in the mid-year survey more discussion of the work of the Organization for European Economic Co-operation and of the progress of the European Recovery Program. The recent publication of the interim report on the long-term programme of OEEC has provided more data on this subject.

These points are put forward in a purely constructive spirit and must not be taken as any disparagement of the great value of the interim report before us.

The year 1948 has, in general, been a year of further recovery from the dislocation and devastation caused by the wars. The world can congratulate itself on a hard, and generally successful, year's work. Certain areas and certain countries, notably in the Far East, still have tremendous and urgent problems to be faced. But the recovery in production and the progress made in many countries in fighting inflation and restoring a reasonable degree of stability to their internal economies has been very encouraging. But conditions are not yet in any sense "normal", and it is not possible to see at all clearly what the future normal pattern of the world economy will be. Less progress has been made towards establishing a new equilibrium pattern of world trade; the dislocation in world trading relationships which still persists is now threatening to prevent the world's benefiting in full from the increases in production that have been achieved. It is broadly true that the greater the recovery in production, the greater the relative importance of ensuring efficient international trading.

As the report points out, one of the salient features of the world economic situation in 1948 has been the improvement in food supplies and the improved prospects for 1949. My country regards this as a matter of outstanding importance. But world food supplies are not yet nearly adequate. Efforts to expand them must not be relaxed. In part, the improvement in the past year has been due to the extremely good harvests and high yields in 1948 and we cannot rely on these continuing. But, in addition, consumption of food per head in Europe and the Far East in 1948 was still far below the pre-war level, although in North and South America there has been an improvement on pre-war standards. It is to be expected that all countries will try to achieve at least pre-war standards of consumption and that many countries where pre-war standards were very low will attempt to improve upon them. It is to be expected that, with increasing economic development and rising incomes in the less developed areas of the world, demand for food will increase.



There is already evidence that certain countries that have traditionally been large exporters of food are retaining a larger share of their total production for their own use. In these circumstances we must emphasize the importance of continued efforts to expand food production and the importance of countries' taking this into account in their plans for economic development. Food, and still more food, remains one of the world's crying needs.

His Majesty's Government in the United Kingdom is itself taking action to encourage increased food production in the United Kingdom, in the Non-Self-Governing Territories and elsewhere.

The recovery of world industrial production to 32 per cent above the 1937 level in the first nine months of 1948 is a remarkable achievement. But, as an index of the world's economic capacity, it is a somewhat misleading figure. It conceals the spectacular contribution to world production of the United States of America; and takes no account of the fact that most of the progress was made during 1947. Although output in the first nine months of 1948 was 11 per cent above the estimated volume in the corresponding period of 1947—when output in many countries, including the United Kingdom, was affected by fuel shortage—it was only 4 per cent above the level of the last quarter of that year. I suggest that we must pay careful attention to this tendency for the rate of increase of industrial production to slow down.

I submit that it is due to three factors.

First, certain branches of industry in some countries are now producing up to the limit of the existing capacity. Further expansion will depend on increasing the amount of capital equipment or on re-equipment and replacement of existing plant. In the United Kingdom we are very conscious of this. We are breaking all records in the output of capital goods, and, in addition to re-equipping our own industry, are exporting roughly one-third of our total production.

A second reason for some levelling off of production in certain countries is, we believe, a reduction in effective demand. There are signs of a buyers' market having developed for certain

commodities, such as particular types of textiles, and this may be expected to spread as inflationary pressures weaken. Certain countries are also finding the demand for the products of some of their traditional export industries affected by the restrictions imposed by other countries which find themselves in balance of payments difficulties. If output is to continue to increase, therefore, it will become more necessary in the future for the industrial structure of the various countries to be adapted to produce the things that are really wanted in the post-war world. The period of general shortage, when increased output of any kind would be disposed of though increases were more urgently necessary in some directions than in others, has now come to an end.

My third reason for the levelling off tendency is that shortage of certain raw materials is still hindering expansion of output. It is true, of course, that "bottle-necks" are less noticeable than they were a year ago. But the extractive industries have lagged behind manufacturing industry and further expansion of output of many materials is necessary. Non-ferrous metals, certain fertilizers (particularly nitrogen and potash) and coal are still obvious shortages.

Though we emphasize the need for increasing further the output of food, capital goods and raw materials in 1949, it is probably true that the problems of production are becoming of less immediate importance than the problems of exchange, i.e., of trade and payments.

I turn now to the problem of equilibrium in balance of payments. In spite of the advent of the European Recovery Program and of very generous financial assistance by the United States, the dollar problem still haunts many countries of the world. It now threatens not merely to check the rise in the level of world trade, but also to some extent to frustrate the effects of the continuing improvements in world supplies. One of the conclusions that emerges from the present report is that there is now serious danger of surpluses and shortages of the same goods existing together in different parts of the world because of the disequilibrium in world balances of payments. Stocks of cotton are accumulating in the United States; there are some fears of a surplus of sugar; and

it is possible that stocks of grain in the United States in the middle of this year will be greater than in any previous post-war year. This threatened concentration of surpluses in the dollar area is due more to lack of dollars than to any general lack of effective demand in the rest of the world. It would be a confession of failure if we allowed diminished production, rather than increased consumption, to result. In general, world production has not yet reached levels where producers need fear "burdensome surpluses" but it is becoming increasingly important to expand and restore equilibrium to world trade, so that the full benefits of increased production can be realized.

It seems possible that the crisis of the world's dollar problem was reached in 1948. Most of the countries which had been in serious balance of payments difficulties during 1947 reached the end of their safely expendable gold and dollar reserves; and the "surplus" countries of 1947, such as Argentina, Canada, Sweden and Belgium, found increasing difficulty in converting into dollars surpluses earned in non-dollar areas. They were themselves obliged to restrict imports from the dollar area and, in the interests of internal stability, also reduced the amount of credit that they had been giving to other countries, with further restrictive effects on international trade.

Aid under the European Recovery Program began arriving in the middle of 1948. It arrived just in time to save western Europe from a truly desperate position. It gave us a breathing space in which to renew our efforts to solve the dollar problem by expanding exports to the Western Hemisphere and by increasing dollar-import-saving production in the countries of western Europe and in other countries outside the dollar area. United States lending to other countries, though on a smaller scale, continues to assist them to meet their needs for dollar supplies.

The extent to which the world moved towards dollar balance in 1948 is shown by United States balance of payments figures, quoted by our United States colleague in his speech. The increase of imports into the United States between the second half of 1947 and the first half of 1948 is a most encouraging sign for many hard-pressed countries. It is a move in the direction of restoring the

balance at a high level of trade rather than by continued restriction by other countries of imports from the United States. Some such restriction continues, however, to be necessary.

Further progress was also made towards restoring over-all balances of payments of the individual countries in 1948. The over-all position of most western European countries has improved and so has that of most of the sterling area countries, with the exception of the Union of South Africa. Exports from the Far Eastern countries, other than China, have also recovered noticeably during 1948.

With regard to the expansion of world trade, the report gives a clear account of the difficulties in present currency conditions of preventing the undue restriction of international trade. Several speakers have already laid very proper emphasis on the reduced rate of expansion of the export trade of many countries in 1948 and the failure of the quantum of world trade to expand in spite of the continuing rise in output. There are grave warnings of the dangers of the present situation.

The United Kingdom, like other countries, has concluded a large number of bilateral agreements which aim at balancing trade at the highest possible level and allow for multilateral transfers of currency within the framework of the agreements wherever possible.

Although we have not been able to restore free convertibility of sterling, an attempt has also been made to allow the maximum possible transferability of sterling. This has been done by establishing categories of sterling accounts within which transfers from one account to another are permitted with the maximum possible degree of freedom and by providing, where possible, for transfers between the different categories. Within the sterling area trade is conducted on a multilateral basis with almost complete freedom of transfer of sterling between members of the area. The existence of the sterling area also permits multilateral trade between members of the area and any other country. Sterling earned from one member of the sterling area can be used freely in any other part of the area. In addition, the "transferable account area" has been built up and its

scope extended since the autumn of 1947. Transfers of sterling are freely permitted between one "transferable account" and another and the volume of these transactions has greatly increased during the past year. Even where transfers cannot be freely allowed between countries or groups of countries, some transfers may be allowed with the sanction of the United Kingdom exchange control, and such transfers do take place on a considerable scale.

The United Kingdom has also co-operated with the other countries in the Organization for European Economic Co-operation in establishing the intra-European payments agreement for 1948-49. This provides for credits to be given by the creditor to the debtor countries which will enable the latter to obtain the essential imports which the creditor countries can supply and which will help to expand trade between the OEEC countries. It also provides for an increasingly multilateral system of payments between the member countries through the offsetting of credit and debit balances acquired under the scheme.

No review of world economic conditions in 1948 would be complete without mention of the European Recovery Program. The financial aspects of this are covered in the Secretariat's report, but no reference is made to the Organization for European Economic Co-operation as an organization of countries attempting by mutual consultation and concerted action to solve their common problems with a minimum of wasted effort. The organization has so far succeeded in drawing up a programme for 1948-49 which apportioned on agreed principles the assistance provided by the United States for that year. It has also produced an estimate of the needs of its members in 1949-50 which is now being considered by the United States Government.

The long-term programme, the interim report on which has recently been produced, is likely, however, to be of still greater importance to Europe and to the world. The work that has so far been done has been directed principally to revealing the problems which the countries in the OEEC have to face over the next four years and their individual plans for dealing with these problems. The analysis of the individual programmes

of the OEEC countries has revealed possibilities of conflicts of interest and mutual inconsistencies in countries' estimates of their future position. Possibilities of continuing shortages of certain materials, such as non-ferrous metals and wool, of undue optimism about prospects of exporting—at present prices—to non-European markets, about the possible demand for certain products, such as textiles, and of excessive programmes of investment in certain industries have been revealed. It will now be the task of the participating countries to reconsider their programmes, to study the possibilities of adaptation to avoid the dangers that have been revealed and to increase their chances of achieving balance of payment equilibrium and reasonable standards of living by 1952-53.

The main prerequisites of further recovery, not only for the OEEC countries, but for many others also, were well summarized by Mr. Hoffman in his statement to the United States Congress on 8 February. These are the checking of inflation, increased efforts to expand exports by increasing productivity and improving marketing techniques, increased development of non-dollar sources of supply of imports, greater efforts to develop mutual trade, exchange of information on investment plans and needs and continued economy in imports. It is the intention of the United Kingdom Government to co-operate fully on these lines with other members of the OEEC and to make the maximum possible contribution to general world recovery. It is, however, already possible to describe the work of the OEEC as a magnificent example of free international collaboration.

May I say how supremely important aid under the European Recovery Program has been in assisting the great economic advances being made by my own country. It is true that the volume of goods shipped to us this year represents only 3 per cent of the total value of goods and services available to Britain this year, but this 3 per cent is the critical marginal quantity that enables us to continue production at our current high levels. Without these goods, we should have to turn more of our production over to home consumption and export and would thus be quite unable to continue our great capital investment programme. Without this aid, our factories would not all be able to run constantly in high gear, and unem-

ployment would develop. To describe aid from the United States, as some try to do, as enslaving is thus ridiculous. It has precisely the opposite effect. It is enabling us to win our way back, through high production, to complete economic independence.

Let me emphasize this point, which some may not have fully understood. The purpose of Marshall aid is to set us free from dependence on the United States. We have not the slightest intention of modifying our economic, our social or our political plans in order to qualify for aid. On the contrary we are using aid, as it comes to us, to forward those plans on which we know our particular future depends. This means concentration on capital investment, increasing productivity, integration with Europe, strengthening the sterling area and liberalization of our trade with the whole world. All these aims are described for anyone to read in our long-term programme. In our view, the United States does not want a dependent Britain but wants us to have a healthy, independent economy, standing on its own feet. Certainly we have a great deal to learn from the United States in some production fields, but equally we believe that, as our economy develops by the use of our own British methods, the United States will have a great deal to learn from us. As we see it, the aim is for us to stand freely side by side with the United States, learning freely from each other, and ready to defend, if need be, those human ideals of personal freedom and integrity that we hold in common.

Perhaps in conclusion I may be allowed to make a brief statement on the social and economic advances and problems of my own country. Our total industrial output in 1948 was already about 20 per cent higher than before the war. Our total agricultural output was 25 per cent higher. In view of the devastation and dislocation which we suffered in the war, I think these are remarkable figures. I would, however, draw the Council's attention particularly to the success we have achieved in directing these increases in output towards reduction of our foreign deficit and towards increased capital investment.

The outstanding feature in our balance of payment position has been the really remarkable im-

provement of our export position. Thanks to careful economic planning and the voluntary co-operation of labour and industry, our exports were 36 per cent greater by volume in 1948 than in 1938. In January this year they rose still further to a level of no less than 60 per cent above 1938. But perhaps the most important figure of Britain's economic recovery is one which has not yet been published, but which can at least be foreshadowed. In 1947, Britain's deficit in the balance of payments amounted to £630 million. In the first half of 1948 this was reduced to an annual rate of £240 million. I cannot give you exact figures for the second half of 1948, but I can say that we are now definitely within sight of balancing our total overseas payments. There is a disturbing dollar deficit within this, but it is a truly remarkable and decisive fact that Britain is approaching an over-all balance at last.

In capital investment, Britain is currently devoting one-fifth of the gross national production to the re-equipment and modernization of production resources. This is an investment of some £2,000 million, or \$8,000 million, of which about half represents repair and maintenance and just under one-half is new investment. More than 700 new factories have been completed since the end of the war. Our new investment covers vast coal modernization plans, huge steel and electric power plans and very considerable developments in agriculture.

Our reduced foreign deficit and our increased investment would not have been possible if the British people had not shown striking self-restraint in refraining from pressure for increased incomes or increased consumption. The restraint, which forms part of an over-all financial and economic programme, has been exercised in three ways. First, in February 1948, the Government issued an appeal to everyone concerned in the fixing of personal incomes to exercise voluntary restraint in the national interest. Both employers and workers responded well to this appeal. The vast majority of firms declaring dividends in 1948 gave no increase on the previous year; in almost all of the small proportion of cases where increases were granted, there were good reasons for departure. On the other side, the index of weekly wage rates, thanks to the co-operation of

workers, rose by only two points between March and December last year, from 105 to 107. Secondly, in our successful battle to curb inflation, British citizens have accepted a heavy weight of taxation so as to achieve a very large budget surplus. Thirdly, we have maintained rationing and price controls on essential goods still in scarce supply. This has not only helped us to combat inflation, but has also ensured fair shares for everyone and helped to maintain the sense of national unity without which our general policy of austerity would not have been possible. Fortunately, I am glad to say, it is becoming possible gradually to reduce the number of these restrictions.

A major element in the success which Britain has been able to achieve has been the great weight we have given in all our planning to what we may call human welfare and social progress. The years since the war have seen a great ferment of ideas and social experiment in Britain. We have set in train a great expansion of education, including technical education; a unique system of national insurance, linked with a comprehensive system of industrial injury insurance and a complete national health service; great plans for town and country planning; and a reorganization of our key industries and services under public ownership. Some have asked if we can afford all this. They have missed the point that these developments are an integral part of our great economic expansion.

To take a few examples only, it is surely obvious that a quick increase in our standards of health and education, coupled with the special emphasis that we place on free milk and nutritional foods for children in schools, will pay off quickly in economic dividends, quite apart from the happiness and welfare that they bring. The same is

true of our insurance plan which has removed forever the spectre of destitution from our people. Equally one must look, in our nationalization projects, not only for the increased output that modernization and intense capital investment will make possible over a period of years, but also for the new spirit of partnership that these developments are already giving to the workers in these industries. These are long-term concepts that have hardly begun to have their full effect, but it is not too early to see the growth of new patterns of labour-management consultation and co-operation in these industries, with the chance of ridding us forever of those clashes of interests and opinions between owners and workers that have been the most baleful heritage of the Industrial Revolution.

Here are facts that cannot be denied. Our health as a nation is better than it ever was. Our children are sturdier than they have ever been, and have before them the chance to rise to any position in our country. We have no unemployment problem. Our industrial workers have freely identified themselves with the need for full productivity. The loss in working time through industrial disputes has been negligible. We regard social welfare and socialist experiment as an integral part of our successful production drive.

From what I have said, it is clearly time to cease talking of the "recovery" of Britain. We have long passed that stage. For us, the social and economic standards of the pre-war years are not things to be recovered but rather things to be repudiated. Big problems still face us but we are no longer interested in "recovery" but in breaking fresh ground, in terms of new social and economic experiments.

#### 23 FEBRUARY 1949, AFTERNOON MEETING

Mr. KATZ-SUCHY, Poland

The report of the United Nations Department of Economic Affairs, *Major Economic Changes in 1948*, presents many valuable facts and draws certain limited conclusions from these facts.

It takes note of the improved supply of food-

stuffs and raw materials and of the restoration of production in many countries. It also notes the tendency for production to level off in 1948 in a number of countries and the urgent necessity for expanding foreign trade as a condition for the expansion of production in some places. It sets, as a central problem facing the world, the necessity for expanding the world supply of goods for

the growing world population and notes that the difficulties in the way of achieving this aim are of a protracted long-term and structural character.

If we examine in detail the development of world economy during the past year, certain conclusions become apparent. What are the main points of importance in the economic development of the past year?

I. First, the year 1948 was a year of relatively advanced economic reconstruction in Europe. The speed of this recovery, however, was of an uneven character. There was a sharp differentiation of development in the capitalist countries, on the one hand, and in the countries of socialism and planned economy, on the other.

This differentiation is marked in the field of industrial production. In the United States the rate of production in December 1948, was no higher than in December 1947. In Great Britain there was little increase in production during the year. In Italy production declined and in Belgium production in the consumer goods industries tended downwards after the middle of 1948. French production at the end of 1948 was perhaps 15 per cent more than at the end of 1947. In general, the capitalist countries of western Europe regained their pre-war level of industrial production and then stood still or started to decline. Moreover, when it is considered that the population has increased in these countries, it becomes clear that the *per capita* production in western Europe is even lower than in the year 1937, the last pre-war year of reasonably high production.

In the countries of planned economy, with progressive socialist organization of industry, the results were quite different. In these countries there was a sharp increase in production throughout 1948 and the pre-war production records were substantially exceeded.

In the Union of Soviet Socialist Republics, according to the United Nations Monthly Bulletin of Statistics, production in 1948 exceeded the 1940 level by 18 per cent. In Czechoslovakia industrial production exceeded the 1937 level by 10 per cent in October 1948. New records in steel production were made by these countries. In

Poland industrial production increased by 26 per cent between 1947 and 1948. By the end of 1948, industrial production exceeded that of 1937 by 60 per cent.

A whole series of products never before made in Poland are now being produced in significant quantities or are planned for mass production, including trucks and machine tools, tractors and harvesters, carbon electrodes and industrial chemicals. Industrial production per inhabitant in 1948 was twice as great as in 1937 and agricultural production per inhabitant was 10 per cent more than the pre-war level. These gains have been achieved despite the terrible war destruction of property and the population loss which totalled six million. These results have been achieved without any substantial aid from the United States, apart from the help of the United Nations Relief and Rehabilitation Administration in the early period after the war. Moreover, they have been achieved in the face of arbitrary interference by the United States with the development of normal trade relations.

In the capitalist countries the majority of the population and, in particular, the working class did not benefit from the increase in production during the year 1948. The improved supply position did not stop the rise in the cost of living in most of western Europe or in the United States. Real wages continued to decline. Thus in France real wages of Paris metal workers fell 22 per cent during the first nine months of 1948, while the real wages of all industrial workers fell 9 per cent. The year 1949 was marked in these countries by an increasing class struggle aimed at improving living conditions; the governments of these countries in a number of cases have intervened to break strikes by force.

Besides high living costs, increasing unemployment became for the first time after the war a real problem in a number of countries during 1948 and further reduced the average living standard of the working class in a number of countries, especially in Italy where more than two million people were unemployed. In all western European countries, the index of employment either remained unchanged or declined slightly. The organization of the Marshall plan countries reports

that living standards in these countries show a decrease of 20 per cent compared with the year 1938, a year of relatively low economic activity. In addition, there is an increasing tendency towards an unequal distribution of income. It is well known that wealthier groups live at a relatively high level in a number of the Marshall plan countries.

In the countries of planned socialist economy, on the other hand, the purpose of increased production is precisely to improve the living standards of the working class, of white-collar and professional workers, of peasants and artisans. Despite the fact that the main efforts are still directed at reconstruction and the development of industry, there were significant gains in these countries in the living standards of the workers. The rise in the cost of living was stopped in both Poland and Czechoslovakia. In the Union of Soviet Socialist Republics, the currency reform at the end of 1947 resulted in a great increase in the supply of consumer goods at lower prices and substantially increased the standards of living. In Poland there was an increase in the consumption of bread, from 206 kilogrammes *per capita* in 1938 to 216 kilogrammes *per capita* in 1948, and of sugar, from 12 kilogrammes *per capita* in 1938 to 14 kilogrammes in 1948. In the same manner there was an increase in the consumption of meat and of industrial goods—in particular, leather, cotton and woollen goods. There was a considerable increase in the number of schools in all grades of teaching, an improvement in the housing situation and an increase in the number of hospitals and health resorts.

In Poland it is the policy to increase the wages of the working class in accordance with increases in productivity. Thus between June 1946 and June 1948 wages in currency were increased, on the average, by 165 per cent, and total wages, including value of payments in kind, by 72 per cent. By the end of 1948 in Poland, the most ravaged of all countries, the purchasing power of the average workman was 10 per cent higher than before the war. The recent abolition of rationing and the wage reform resulted in another 10 per cent increase in real wages.

Unemployment is unknown in the Union of Soviet Socialist Republics or in Czechoslovakia.

There is no current unemployment in Poland and the structural under-employment of the peasant population—a product of the pre-war economic structure of Poland—is gradually disappearing. In September 1948 employment in Poland was 27 per cent higher than in 1946 and in the autumn of 1948, the number of persons employed outside agriculture reached 3.7 million, a level never before attained in the history of Poland.

The Second World War has made the problem of food especially acute. The Food and Agriculture Organization reports that only seven nations, excluding the Union of Soviet Socialist Republics and the new democracies, raise enough food to meet their own needs. These are Australia, Canada, Denmark, New Zealand, Norway, Switzerland and the United States of America. The other Member States have food shortages, with *per capita* supplies of food and fibres far below pre-war levels. This report lists drawbacks to increase world food production, which include fear by the food-exporting countries of future unmarketable surpluses, loss of soil fertility and erosion problems, lack of improved seeds and fertilizers, shortage of livestock and farm machinery, etc. The sober fact which looms to haunt humanity is that if present destructive practices continue, world hunger can reach the acute state within three generations. Confronted with this problem, capitalist and socialist states are reacting to it, each in its characteristic way. While in the capitalist countries there is permanent fear of the disaster of a good harvest, socialist countries are planning an increase in their food production and in the productivity of the land. The Soviet Union's fifteen-year plan for agriculture will increase production, remove the menace of drought and conserve the soil. Last summer Poland harvested nearly 40 per cent more than in the 1947 harvest, and 15 million acres are now ploughed up for the winter. The Polish six-year plan, ending in 1955, provides for an increase of agricultural production by 35 to 45 per cent.

II. The second main feature of economic development in 1948 was the success of socialist planning and international co-operation amongst the people's democracies on the one hand, and the absence of genuine planning and international co-operation amongst the capitalist countries, on the

other. These factors were the main explanation of the contrasting trends of production and inflationary tendencies that have been noted.

It has become fashionable throughout the world to speak about planning. But there are different kinds of planning. In Great Britain, the Government has a plan for expanding steel production; but the steel magnates who still control the factories have quite a different plan. In France, there is the ambitious Monnet plan for the development of industry, but the opposition of French capitalists prevents the plan from being put into action. Even the President of the United States has recently proclaimed himself as a very strong advocate of planning.

This kind of planning has nothing in common with the genuine socialist planning practised in the countries of eastern Europe. Planning in Poland, for example, is based on the solid foundation of socialist ownership of 94 per cent of industry and the full participation of labour in the formulation and carrying out of the plans. Correction and improvement of the plans by workers in the factories are the means for speeding the construction of new plants, improving the quality of goods and reducing costs of raw materials. The success of the plans is guaranteed by the movement of labour to increase efficiency and production which is sweeping the mines and the factories.

In 1947, the first year of the three-year plan for the reconstruction of industry, the plan was exceeded by 3.4 per cent. The much higher goals for 1948 were exceeded by 10 per cent. It is now certain that the three-year plan will be completed considerably ahead of schedule.

While the three-year plan includes many branches of industry, it is primarily a plan for reconstruction. It will be followed by the six-year plan for the development of the Polish economy, during which industrial production will rise 85 to 95 per cent above the levels of 1949. This plan will see the transformation of Poland, which before the war was predominantly an agrarian country with a low standard of living, to an industrial country with a higher standard of living than that which prevailed in western Europe before the war.

The year 1948 was the first year of practical operation of the Marshall plan. Our position towards the Marshall plan has been made completely clear. The Marshall plan was never conceived as a real economic aid programme; it was preponderantly a political programme operating with economic elements. It has a three-fold purpose: political, strategic and economic. It cannot therefore be examined in economic terms alone or in isolation from the over-all political international scene.

The war has had differing results in various parts of the world. The amount of loss and destruction and the results of war operations varied from country to country. Furthermore, in some countries, instead of loss there was an increase of the economic potentiality, compared with the pre-war situation. It was therefore an elementary requirement of a general economic nature to turn special attention to those countries which, as the result of Nazi occupation, suffered the greatest destruction. This should have given them priority over the countries whose losses were smaller, not to speak of those which came out of the war enriched. Although the logic of such an approach was unanswerable and met with general acceptance, after a short period of scarcely calculated relief, political elements superseded economic or even humanitarian considerations and resulted in the present plans and programmes.

Our present criticism of the Marshall plan is based not only on our approach to its aims but also on the analysis of the first nine months of its practical operation. Certain consequences of the Marshall plan to the countries of western Europe are clear beyond doubt. I shall speak of them briefly.

The United States has not helped to develop European industry as promised but, on the contrary, has hampered the growth of European industry. During the latter part of 1948, under the Marshall plan, the monthly export of capital goods from the United States to France was reduced by two-thirds, compared with 1947. The same figure applies to Italy. In general, out of the grand total of \$4,044.8 million, only \$398.9 million was used for machinery, while \$1,384.3 million was used for food and fertilizers and \$106.4 million for



tobacco. The sums used within these figures for the subsidy for military equipment and war materials are not disclosed. According to the seventh report of the Public Advisory Board of the Economic Cooperation Administration, published on 19 January 1949, the procurement within the grand total was as follows: \$2,294.4 million was spent in the United States of America, \$593.4 million was spent in Canada and Newfoundland, \$353.3 million was spent in Latin America and only \$245.0 million was spent in the participating countries. Both the commodities and their countries of origin show clearly that the plan was not designed to meet the requirements of European economy or the needs of reconstruction, but was conceived to harmonize with the needs of the American economy and to overcome difficulties which some European countries were experiencing in their balance of payments on current account.

At the same time, the Marshall plan countries were deprived by the United States of reparations from Germany, which could have made a real contribution to an increase in their industrial capacity.

By dumping certain goods in Europe under the Marshall plan and by the imposition of "free enterprise" policies by Washington, the position of various European industries has been seriously undermined—for example, the automobile industry and the aviation industry in Italy, the motion picture industry in France and the shipbuilding industry in Great Britain.

The American oil trusts are gaining monopoly rights in western Europe through markets guaranteed by the Marshall plan and through buying European companies and building installations in Europe, while refusing to sell petroleum equipment to the Marshall plan countries for their own use.

The devaluation of the franc was dictated from Washington as part of the Marshall plan. Trade among the Marshall plan countries was curtailed by the imposition of the dollar standard, which has driven virtually most of the currencies of western Europe out of international circulation. The Marshall plan countries have been deprived of the opportunity of free bargaining on a bilateral basis with natural trading partners in, for example, Latin

America. Instead, they are being forced to buy from Latin America with Marshall plan dollars, and are hence deprived of the opportunity of competing with American farm products for the markets of these countries. At the same time non-participating countries—in particular Argentina and Brazil—are once more protesting against their exclusion. Clearly this is not genuine international co-operation but dictation by one country to many weaker countries to the advantage of certain monopolistic groups and to the disadvantage of the peoples concerned.

The Soviet Union and the eastern and central European countries with planned economies have declined to participate in the Marshall plan; their main argument is that such "aid" will interfere with the political and economic sovereignty of the participating countries. Since the plan has been in operation, the discussions concerning the differences arising between the participating countries and the United States, as well as the differences among the participants themselves, have shown that the foresight of those who declined to participate has been fully borne out. It was not long before the countries realized what price they were paying for American "aid".

In one way or another each participating nation has experienced the control the United States exercised through the Marshall plan. In Austria, for instance, the financial policy of the Economic Cooperation Administration in releasing blocked schillings from sales of relief goods could drive the country into catastrophic inflation; Austrian truck production was cut to half of the 1937 output while Austria was scheduled to receive 20,000 United States trucks. The Swiss Government has refused to sign a bilateral trade agreement with the United States. The Turkish newly-born third major political group is very critical of the bilateral Turkish-United States trade agreement and considers that it will "bring ruin to Turkish farmers and exports". The United States bilateral trade agreement with France provides the most favoured treatment clause, not only for the United States, but for the United States occupation zones in Germany, Japan and Korea as well. The United States control of the counterpart funds had become a major issue in France, and on 10 December 1948 the Economic Cooperation Administration re-

jected a French proposal anticipating the availability "of more than \$1,000 million of franc counterpart funds desired to avoid new taxation and a possible political crisis".

The experience of the ECA since the beginning of practical operations is filled with examples of exorbitant procurement prices, favouritism to big business, dumping and other wasteful practices, placing high profits above European recovery. Let us give one example: according to the seventh report of the ECA ocean freight from 3 April to 31 December 1948 was procured at the cost of \$336.7 million. United States shippers are being paid high rates for carrying European Recovery Program cargo. The differential is as high as \$4.50 a ton, in the case of coal cargos to France, in favour of United States flagships. The ECA paid 270 per cent above the United States Maritime Commission rates for the charter of a shipment of Middle East oil to France.

What is the prospect of the countries following the road of the Marshall plan? It is evident that the first experiences of the ECA were accompanied by certain difficulties and disappointments both in domestic and in international affairs, and no one claimed outstanding successes. No one country claimed outstanding successes in western Europe. It must be so because at the very basis of the whole plan lies the economic idea that European industry should be in a state of dependency with regard to United States economy in American imperialistic plans. The prospects of western European nations, according to their own reports, are such that by the end of the Marshall plan the living standards in these countries will be from 10 to 15 per cent below pre-war levels (they will owe the banks of Wall Street a tribute of \$400 million per year) and they will have a large trade deficit in dollars of several thousand million per year.

Since the inauguration of the ECA the character of United States foreign policy has been illuminated by other developments. Among these are the expansion of oversea military, naval and air bases, increased military expenditures, the establishment of a western German state, the encouragement of the western alliance, a start towards *rapprochement* with Franco Spain and the pressure for the North Atlantic pact. The coun-

tries which tied their economies to that of the United States are now pressed to follow this policy, open their markets, not only for consumption goods but for armaments as well, and take the risks and results the United States policy may bring in the political, military and economic fields.

III. Another feature of the year 1948 was the policy retarding the development of the under-developed areas. American policy is concentrated at present on directing the main flow of credits to western Europe and Germany, on the one hand, and more and more to Japan, on the other. The latest policy of technical assistance advanced in point four of the inauguration speech of the President of the United States has been interpreted by the members of the United States Government and leading industrial circles in a manner showing that technical assistance is a first step which will be followed by the expansion investments of private capital. *The United States News and World Report* describes it as follows: "Truman plan for world development turns up as an old idea in new words. Projects, once put aside, are dusted off." That shows that the United States Government has no intention of rendering credits on a large scale for the purpose of economic development of under-developed areas. It is an attempt to arrange for investors to have suitable places for investments abroad. It is proposed to guarantee a market for the products resulting from capital investment abroad. Another type of guarantee will have to be found, for example, against expropriation by foreign nations. *The United States News and World Report* concludes that: "... with the aid of such guarantees, private capital could be attracted back into the foreign field".

Many of the countries mainly concerned, namely the countries of Latin America and south-east Asia, have a long experience of colonial policy and colonial rule. Therefore, the new form of aid to be accepted has to be built rather in the form of inter-government or, preferably, international credits. There is no willingness to use the United Nations as an agent for international credits; only vague promises to use it as a tool of United States technical assistance have recently been made.

The long record of United States investments in the under-developed areas proves that it has

drawn super-profits for itself in preventing industrialization, has monopolized raw materials and has swamped these areas with United States manufactured goods. In accordance with these traditions, the United States delegation during the meetings of the Economic Commission for Asia and the Far East has underlined the necessity for developing agriculture and raw materials, while avoiding reference to industrialization and actively opposing the establishment by the ECAFE of a Committee of Industrial Development. It was another attempt to keep those countries as a base for expansion of United States private capital, in anticipation of the future needs for expansion in this direction. It should be added that this policy leads to an aggravation of the contradictions between the United States and countries presently in control of colonies; the United States plan shows once more a determination to break through the closed door of the British colonies in spite of the resistance of Great Britain. In this attempt to gain mastery of the under-developed areas, the United States will have to come in conflict with its partners in various pacts and blocs.

It is fully recognized that the stability and development of the world economy requires industrialization of the under-developed areas. This industrialization must be planned by the countries on the basis of their needs and must lead to a rise in the standard of living of the local population; in other words, it must benefit the countries concerned and not private foreign investments.

IV. The fact that the European situation, in spite of the lack of equilibrium, can still be remedied and that United States policy need not result in war, is derived from the increase of the economic strength of eastern Europe. This part of the world, which before the war played an unimportant role in the world economy and was patterned to ship agricultural products and raw materials to western Europe, has become an important independent economic factor which partly balances the lack of co-ordination and the failures caused in western Europe by the Marshall plan. The co-operation among these countries is of an entirely different character. Consider, for example, the Polish-Czechoslovak development of the Silesian-Moravian industrial area, which embraces all phases of heavy industry, power and transport

and will more than double the industry of this area in the next twelve years. International co-operation on such a scale was unheard of in capitalist countries.

Before the war, trade among the countries of eastern Europe was limited by the one-sided nature of the economy of most of them, which made them predominantly exporters of raw materials and importers of finished goods. The policy of *cordon sanitaire* dictated by the west reduced trade between the Union of Soviet Socialist Republics and such countries as Poland, Romania and Hungary to negligible proportions. Today these countries are linked by a network of trade agreements, so that while trade among the western European countries is lower than before the war, trade among the Union of Soviet Socialist Republics and the peoples' democracies is many times higher than before the war.

Relations between the Union of Soviet Socialist Republics and, let us say, Poland are quite different from those between the United States of America and the Marshall plan countries. Thanks to the Union of Soviet Socialist Republics, Poland received indispensable raw materials immediately after the liberation, and wheat after the drought, on favourable terms of payment. The task of industrializing Poland had been tremendously eased by the agreement, concluded early in 1948, whereby the Union of Soviet Socialist Republics will supply \$450 million of capital goods, including a rolling mill with a capacity of 1.5 million tons of steel annually. Similar assistance was given by the Union of Soviet Socialist Republics to other peoples' democracies. The economic potential of the Union of Soviet Socialist Republics, creditor to such a great part of the world, in supplying credits of an immediate character like grain and capital goods, is a milestone in the recovery of the Union of Soviet Socialist Republics, which through gigantic efforts, is rising from the unprecedented destruction it suffered to make victory possible. The efforts of those who have won the victory and who now have rebuilt Soviet industry contribute directly to, and make possible the recovery and industrialization of, eastern and central Europe and at the same time help the world economy.

The recent formation of the Council of Economic Mutual Aid gives assurance that this co-operation between the Soviet Union and other peoples' democracies will be extended and raised to new levels of effectiveness, resulting in the strengthening of their sovereignty, the systematic increase of their national economy and the rise in the prosperity of their peoples. The Council is built on the principle of equal representation and its task is the mutual exchange of economic experiences, technical aid, aid in raw materials, food, machinery, technical equipment, etc. The Council of Mutual Economic Aid is an organization open to all European countries which are prepared to participate in the broad economic co-operation prevailing in the Council. The Council has stated that "The governments of the United States, Great Britain and some other European countries are virtually boycotting economic relations with the Union of Soviet Socialist Republics and other countries of the peoples' democracies because these countries do not deem it fit to subordinate their economic interests, their economic sovereignty, to the dictation of the Marshall plan", but that the countries of the peoples' democracies are nevertheless prepared to maintain and develop economic relations with the capitalist countries, provided that they are based on equal rights and mutual advantages. The ever-growing economic potential of the Union of Soviet Socialist Republics and the other countries of the peoples' democracies, the great resources at their disposal, the dynamism of their development and their great perspectives for the future, constitute a guarantee that in spite of the attempts to divide Europe and to isolate one of its parts from the other, European economy will not break down. Finally, the western European countries will have to rely on the exchange between east and west and the increased trade and economic relations with eastern Europe. Thus, the economic growth of eastern Europe develops a potential guarantee of prosperity to the whole of Europe.

V. Another feature of economic development during 1948 was the clear emergence of the attempt to rebuild western Germany as a centre of economic power in Europe. Under the Marshall plan, the United States poured huge quantities of goods into Bizonia. During 1948 United States exports to Germany exceeded those to any other

country of Europe by a wide margin and, at the same time, very large profits are being derived from Germany. Incredible quantities of surplus products are dumped there. German steel scrap which could increase the production of European industry is flowing into the United States at a rate which has already reached 150,000 tons per month and is still increasing.

The Economic Cooperation Act provided specifically for the inclusion of western Germany in the plan. The total first-year allocation from funds of the Economic Cooperation Administration to Bizonia and the French zone was approximately \$500 million. In comparison with other participating countries, this sum is not as large as that received by Great Britain and France, but it should be noted that this figure excludes aid to Germany provided under the Army civilian occupation programme. From January to October 1948 exports under the Army civilian supply programme averaged \$38.1 million monthly. During the first ten months of 1948 Germany headed the list of countries with United States imports, and from January to October 1948 Germany received \$737.8 million, which is more than one-fifth of the total exports of the Economic Cooperation Administration to Europe. During the first quarter of operations, appropriations under the programme for western Germany were 100 per cent in the form of grants.

The pretence of breaking up cartels was abandoned. The old Nazi industrialists were put back into the management of Ruhr industry and into the puppet government of Bizonia. They are being permitted to run it in terms of finance and foreign trade, with certain limitations only. Reparations have been reduced with the excuse that the Marshall plan has required German assistance to other European countries.

The British and French Governments have protested against the suspension of reparations under section 15 F of the Economic Cooperation Act, because of considerations of security in relation to German industrial potential and their own need for the plant capacity in question. By October they finally agreed to delay removal of machinery as reparations until a United States survey would determine whether reparations were "entirely consistent with the objectives of the European Recovery Program".

United States policy towards rebuilding the Ruhr was even more alarming to western Europe and, particularly, to France. When the American and British military governors issued an order placing the Ruhr industries in the hands of German trustees, the French National Assembly asked the Government to inform Britain and the United States that "the French unanimously reject this policy".

Among the nineteen Marshall Plan countries in Europe, western Germany alone shows a steady increase in production based on United States grants, the exploitation of the German working class and the artificial monetary reform. By the end of 1948, German production of coal was 80 per cent higher than in 1946, while the increase in steel production was threefold. The general index of production for western Germany in October 1948 was 83 per cent higher than in the previous year, while in the other Marshall plan countries the increase was only 14 per cent. That shows that our assertion that the Marshall plan is aimed, among others, at reconstructing Germany at high cost to other European nations, is entirely justified.

The concentration of industrial productive power in Germany, in addition to its economic implications, has far-reaching political consequences. The insistence upon full restoration of industrial capacity, coupled with discriminatory economic policy, is therefore fraught with danger. Reconstruction in that area cannot be regarded as a purely economic programme. It involves many other considerations and, in particular, that of the future security of Germany's neighbours. The decision taken at Potsdam that priority should be given to war-devastated countries was not only to redress the uneven economic development in pre-war Europe, but also to prevent the rise of a situation similar to that in 1914, and in 1939. No wonder that United States action in Germany caused considerable concern in the western European countries. The Paris right-wing newspaper *Le Figaro* said on 5 November 1948,

"Does not western policy aimed at German reconstruction in the framework of the Marshall plan contain serious danger? . . . It is no longer a secret that the agreement in principle which was reached last week on the delicate problem of

reparations and of the dismantling of plants gives the British and the French governments an opportunity strongly to resist the request presented initially by Mr. Hoffman. The divergence of views that has arisen in this connexion between Washington and London constituted the most serious storm in Anglo-American relations encountered by the administration of Bizonia. British opinion now is still very much concerned—as shown by repeated warnings in the Press—about the tendency existing in the United States to encourage the raising of the authorized level of German heavy industries above the yearly maximum of 10.7 million tons fixed last November. This level—as commented upon in London—corresponds exactly to the figure for 1936, i.e., to the year when German rearmament was already in full swing."

Of course, the above-described tendency has nothing in common with the reconstruction of German economy as a part of the reconstruction of Europe, nor with the needs of other countries; it is not accompanied by political and social reforms which would guarantee the peaceful character of future Germany. The real menace is not so much the revival of German industry, which could be a constructive programme if it were used for the benefit of the people of Europe as a whole. What we are witnessing today is an attempt by the United States to create in the centre of Europe an economic base which could be used as an instrument for the economic dictatorship of the United States over Europe. The real danger lies in United States control of the German economy, of German industry, of the war reservoir—the Ruhr.

Behind the powerful installations of the Krupp munitions works, still intact, stands the shadow of the Wall Street financiers who wish to run Germany for their own profit, their own war plans. The Chase National Bank has opened two branches in Bizonia. Officials of General Motors have resumed control of the Adam Opel works. Ford has resumed operations in Cologne. American and British oil refineries are back in the hands of their masters. American owners of the Hugo Stinnes industries are planning to increase their share of the Ruhr coal. Thus Bizonia is being made into an American island in Europe, a vantage point from which Wall Street can exercise economic and military domination over western Europe.

VI. The year 1948 was marked by the application of a unilateral embargo by the United States on exports to the Union of Soviet Socialist Republics and other peoples' democracies. This is the culmination of the economic warfare against socialism conducted by the United States since the end of the Second World War.

It was not enough that the United States forced the termination of the United Nations Relief and Rehabilitation Administration before its task of post-war relief was completed, nor that the American bankers in charge of the International Bank for Reconstruction and Development brazenly flouted the agreed purposes of that institution to give priority in aid to countries most ravaged by war and occupation and bluntly refused loans to Poland and Czechoslovakia.

With increasing fervour the United States Government has been refusing export licences for goods ordered, and in many cases already paid for, by Poland and Czechoslovakia. At first the lame excuse was given that these goods were in short supply and had to be saved for friends of the United States. But as more and more types of goods became surplus in the United States, this excuse became ludicrous. A new excuse, therefore, was invented, that these countries represented a military threat to the United States and that the embargo was designed to prevent goods of military value from reaching eastern Europe. These allegations were made in spite of the fact that Czechoslovakia, Poland and the Union of Soviet Socialist Republics have reduced their military budgets while the United States and, under pressure by the United States, certain Marshall plan countries have increased their military budgets to record peace-time levels.

The embargo practised by those advocates of free enterprise has extended to virtually every commodity. You will find on the list of refusals such commodities as streptomycin, penicillin, cotton linters, synthetic resin, tubes for condensers, radio lamps, needles for the textile industry, gramophone disks for recordings, and spare parts for trucks supplied by UNRRA. Poland and Czechoslovakia were refused a steel rolling mill which had been paid for. It has become clear to everybody that this embargo has nothing to do

with the military security of the United States or of any other country. It is a policy of hampering the economic progress of one part of the world and using economic means as a weapon of subjugation.

This policy of economic aggression is a clear violation of the Charter of the United Nations which speaks of friendly relations among nations and, in particular, about economic relations among them. The Charter stresses the fact that these relations should be based on the principle of equality of rights and self-determination of peoples. In addition, it is a violation of the General Assembly's resolution concerning the use of relief supplies as a political weapon. The economic policy of the United States is even a violation of article I of the General Agreement on Tariffs and Trade of 1947 which the United States has strongly advocated.

The United States Government is not content with the introduction of its own licensing system and tries obstinately to extend these discriminatory measures to other countries which have normal trade relations with eastern and central Europe, as signatories to duly concluded bilateral trade agreements. The provisions of section 117, paragraph d of the Economic Cooperation Act of 1948, which constitutes the basis of the so-called "European", so-called "Recovery Program", gives the administrator of the Marshall plan the right to prevent exports of raw materials and semi-manufactured products to any of the participating countries if the finished product is likely to be exported to any European non-participating country. This provision makes it possible for the United States to put a participating country under the obligation of following the pattern of United States export policy regarding eastern Europe. Furthermore, to increase the pressure, the United States is entering into additional agreements which would have discriminatory effects on some parts of Europe.

Special attention should be given in this respect to the report of the discussion in the United States Senate Banking Committee on 3 February 1949, concerning export controls. Replying to a question by Senator Glen H. Taylor of Idaho, the

Director of the Industrial Division, Samuel Anderson, stated that there exists "a list called 1 A list—it is top secret—and the export of any product on it behind the iron curtain is prohibited". Mr. Anderson did not identify the products on this list but indicated that they would be equipment and materials of military importance. Replying to the next question of Senator Taylor, as to whether Great Britain, France and Italy were not exporting such products, Mr. Anderson replied that "negotiations have been very successful in getting cooperation of western European nations to ban such shipments".

The answer given by Mr. Anderson is not only an additional proof that pressure is being used to prevent east-west trade, but it discloses another side of the Marshall plan. The so-called "ECA agreement" concluded between the United States and the participating countries, in the General Undertakings, article II, defines the aims of the agreement as follows:

"d. To cooperate with other participating countries in facilitating and stimulating an increasing interchange of goods and services among the participating countries and with other countries, and in reducing public and private values to trade amongst themselves, and with other countries."

Mr. Anderson in answer makes it clear that apart from the official text of the agreement, there are some secret protocols to it concerning clauses contrary to the official text. These secret clauses not only limit the sovereignty of the Marshall plan countries, but are aimed at retarding the development of international trade.

Poland has introduced the programme to the United Nations General Assembly and has raised the problem because of the concern over its influence on trade in general, and on general recovery—because the policy of discrimination against the countries of eastern Europe, while ineffective in eastern Europe—the best proof of which can be found in our production indices—is harmful to Europe as a whole and is retarding world trade.

The report of the Department of Economic Affairs does not give a full picture of this situation in trade. It quotes the report of the International

Monetary Fund that "fundamental conditions which would make possible the abandonment of trade and exchange restrictions are . . . entirely absent today in most of the world". As a conclusion, the report lacks an analysis of international trade in the framework of the bilateral agreements, as well as an analysis of the tendencies of the flow of most important goods. A similar analysis which was contained in the report of the Economic Commission for Europe last year had a practical result in the creation of the Committee on the Development of Trade of the ECE. The next session of the Economic and Social Council should have at its disposal a special report concerning international trade because, without such a report, a full discussion of the world economic situation is impossible.

It is worth noting that while the United States Government uses its control of western German transport facilities to hamper trade between Poland and Czechoslovakia, on the one hand, and the Marshall plan countries, on the other—the Marshall plan countries being pressed not to export goods to countries of eastern Europe—the volume of trade between eastern Europe and western Europe is steadily increasing. Poland, Czechoslovakia and the Union of Soviet Socialist Republics have concluded a series of trade agreements with such countries as Sweden, the United Kingdom and the Netherlands. Poland is maintaining economic relations with forty-two countries and has recently concluded several new trade agreements, including the five-year trade agreement with Great Britain. Polish coal is fast replacing high-priced United States coal in western European markets and more than 60 per cent of Poland's foreign trade is with the capitalist countries. The policy of preventing this trade was doomed to failure by the economic logic it tried to contravene.

It is only by expanding trade with eastern Europe that the countries of western Europe can obtain independence of the dollar and can adjust their national economy to the requirements and needs of their countries. This tendency was strongly shown in the resolutions of the Committee on Development of Trade of the Economic Commission for Europe now meeting in Geneva. The effort to find support for the discriminatory policy was rejected and a resolution fostering the de-

velopment of east-west trade was adopted as a victory of the sound European mind.

The European economic reporter of *The New York Times*, Mr. M. L. Hoffman, in a recent dispatch from Geneva, marvelled at the extent of the assistance given western European recovery by the exports from Czechoslovakia, Hungary, Poland and the Soviet Union. He commented that if an observer from another planet observed these trade relations without reading political speeches, he would conclude that the eastern European countries "had a great interest in seeing the Marshall plan succeed". Mr. Hoffman fails to realize that eastern European export to western Europe and eastern European opposition to the Marshall plan are fully consistent. The countries of socialist planned economy, which have a vital interest in European and world recovery, know that that recovery requires the increased exchange between western and eastern Europe which is being hampered by the Marshall plan. Such trade is obviously of benefit to eastern and western Europe, but it cannot be one-sided. There is a limit beyond which eastern European countries may not be able to continue to export to western Europe without obtaining fair access to the supplies of western European countries.

The attempt to enforce an embargo against the Union of Soviet Socialist Republics, after the First World War, ended in failure. The attempts to enforce an embargo against the Union of Soviet Socialist Republics and other peoples' democracies after the Second World War will fail even faster and more completely, and the main losers will be those who put this embargo in practice.

VII. Another main feature of economic development during 1948 was the maturing of a new economic crisis in the capitalist world. This is only indirectly noted, and only in terms of certain symptoms, in the report of the Economic Department of the United Nations. The report mentions the "levelling off" and the "greater than normal seasonal" decline of production in the third quarter of 1948. In general, the economy of the capitalist countries at present is characterized by general instability, more acute inequality of development and profound economic differences among the various countries.

Despite the fact that production in the United States is above the pre-war level, the characteristic feature of the present economic situation in the United States is instability. Every day, signs of economic decline multiply in the United States. An increasing trend in unemployment in effect since October 1948 attained important dimensions in January 1949. According to the United States Census Bureau report of January 1949 (table 3) there are now 2,600,064 unemployed, compared with 1,642,000 in October 1948. The Commissioner of Labor, Ewan Clague, was reported as estimating the current unemployment at 3 million persons. During the past few months the number of workers receiving unemployment insurance has increased about 50 per cent. In addition, many workers have been placed on part time. In January 1949, 5 million people worked from 15 to 34 hours; 1.8 million worked 1 to 14 hours a week; and 1.9 million were holding jobs, but not working.

Industrial production began to decline in December and was no higher in that month than in the same month in 1947. According to an article in *The New York Times* of 30 January 1949, Eugene Grace, Chairman of the Bethlehem Steel Corporation, said: "There isn't any question but that there is a softening in many lines for steel. The household goods lines are filled to the gunwales. There have even been some important cancellations of steel orders recently in both the capital goods and the consumer goods fields." *The Journal of Commerce* of 15 February 1949, notes that: "Commercial and industrial failures rose 32.4 per cent to 192 in the week ended February 10, reaching the highest level since June 1942, Dun and Bradstreet, Inc., reported yesterday. For the comparable weeks in 1948 and 1947 they totaled respectively 128 and 45." The Federal Reserve Board notes a declining tendency in trade as indicated by department store sales which for the four weeks ending 12 February were 2 per cent lower than in the corresponding period a year ago. The index of construction contracts awarded, with 1923-25 as 100, has declined from 197 in December 1947 and 205 in July 1948, to 183 in December 1948.

The export boom we witnessed after the war reflected the abnormal trade relationship growing



out of the Second World War and the lagging post-war revival of production in Great Britain and western Europe. The huge backlog of demand built up during the war was seen as an economic reservoir offering the promise of long-sustained prosperity. The removal of two main competitors, Germany and Japan, has served to increase the exports of the United States. It has not, however, prevented the culmination of the elements of crisis.

It is not yet certain whether the fluctuations are merely a temporary adjustment, a readjustment, a recession, a disinflation or the beginning of a serious decline. In United States business circles, however, recent trends are regarded as a sign of the vulnerability of the United States economy and, at least, as a portent of a severe economic crisis in the future. The remedies which are being considered are in the restoration of war economy.

A large section of the United States national economy is already devoted to war production and growing war economy is hastening the concentration of monopoly power towards a level that could only be found previously in a totalitarian garrison state. In the fiscal year from 1 July 1947 to 30 June 1948, over \$14,000 million, or 34 per cent of the Federal budget, was allocated for military spending, not counting veteran benefits and other obligations growing out of the Second World War. Current budget expenditures are running at about the same rate. In the coming year, direct military spending is expected to reach \$15,000 million and, together with other expenditure of a military nature, will reach \$20,000 million to \$25,000 million.

These military expenditures and exports nourished by Government grants, which together now form more than 15 per cent of the national income, have served to sustain the post-war boom temporarily. War economy, however, cannot assure lasting prosperity. One of the factors is the extremely high productive capacity already in existence as well as the huge mass of armaments on hand or being produced. The basis of the new war economy of "remobilization" is not like it was in 1940 and 1941, when productive capacity was half of what it is now and entire industries had to be built or equipped.

In addition, Government war spending does not result in the creation of real social values, but represents a drain on the economy. Through this spending an increased proportion of the national product is withdrawn from social usefulness and therefore cannot be considered an increase of the national income. Post-war prosperity manoeuvres on a tight-rope between economic depression and total war production.

It is conceivable, perhaps, that such drastic measures can keep the economy of the United States functioning after a fashion but at the same time it reflects upon the capitalist system and is an admission that the system is losing its social reason for existence.

Any decline in business in the United States, whether one calls it a crisis or a depression or a readjustment, would have repercussions on the economy of the countries of the Marshall plan. This already has been noted in last year's report which stated, on page 3, that "it is feared . . . 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". For comparison, we may recall the situation in 1920 after the First World War. At that time, while the countries of western Europe were not yet fully recovered from the physical disruption of the war, the crisis of over-production which broke out in the United States caused a decline of 22 per cent in the industrial production of ten leading capitalist countries of Europe.

Today the physical after-effects of the Second World War are almost completely overcome in the countries of western Europe; these countries are tied to the United States by the Marshall plan with financial and economic bonds much stronger than those which existed in 1920. Any economic crisis in the United States, therefore, may strike with full force those countries which are bound to the American economy. The effects of such a crisis on the countries of the people's democracies will be secondary in character; the main course of dynamic industrial and agricultural growth will not be affected.

These are some of the salient problems of world economy today. It is not possible, in such a brief

analysis, to cover all the important problems or even to cover exhaustively the problems touched upon. The report shows clearly that there are two alternatives before the world and especially before western Europe, because it is Europe which determines world economic problems.

There is the alternative to counter the economic difficulties with more armaments, with more military alliances, with the North Atlantic Pact, with attacks against colonies, with more concessions to foreign capital, with the breaking off of economic relations with eastern Europe and intensified war threats. The other alternative is to take the road of independent economic development. This means freedom to determine the economic policy of a country according to its own national needs; it means freedom from the practices of monopoly capitalism; freedom from being affected by economic declines or repercussions in other countries; freedom to carry out historically and socially necessary reforms. Experience shows that even military aid falls short of arresting historically necessary reforms or of keeping outlived systems working. This alternative involves co-operation within Europe, a vast expansion of trade between eastern and western Europe, reasonable reparations from Germany, reduced military budgets and higher living standards for the working people of Europe. This alternative means a Europe with a balanced economy which will beneficially influence the economy of other parts of the world and, in particular, the under-developed areas and will secure a peaceful development towards a higher standard of living. A realistic approach to world problems directs one to differentiate between sound and unsound political and economic phenomena; the sound ones are in a position to develop while the unsound ones, created artificially to serve the benefit of certain countries or classes, will finally disappear. We look towards the future with great optimism.

The course of independent economic development will make possible genuine large-scale co-operation, embracing socialist and capitalist countries for their mutual benefit. It will help to promote programmes of economic assistance conducted through the United Nations and to eliminate political conditions for both aid and military subsidies. It will permit the effective functioning

of the Economic and Social Council as an instrument for raising the living standards of the peoples of the world.

Mr. HAKIM, Lebanon

I wish first of all to congratulate the Secretary-General and his staff on the excellent report which they have presented to the Council under the title *Major Economic Changes in 1948*. The critical remarks which I am going to make about it are not meant to detract from its value and accomplishments. For one thing, as Mr. Owen tells us in the preface, the report is only meant to give us a preliminary review of the important economic developments which occurred in 1948. I recognize also that it is still perhaps too early, since the first report issued by the Secretariat, to give a full review of the world economic situation. However, and in spite of my full appreciation of the facts and analyses which are presented to us, I wish to make the following critical observations regarding the report before us.

First it lacks a general interpretation of the changes and trends that are taking place in the world economic situation. I heartily agree with the distinguished representative of the United States on the need for a more thorough interpretation of the complex figures, facts and analyses contained in the report.

Secondly, the report is not truly world-wide in scope. Its main emphasis is on developments in North America and western Europe. Less attention is given to the changes taking place in eastern Europe, Latin America, Asia and Africa, and the problems to which they are giving rise. The most important reference made to the Middle East relates to the production of petroleum which, however, is of basic importance to western Europe and is, except for its location in the Middle East, an American and west European industry. It is true that the developments taking place in western Europe and in North America are great in magnitude and importance, but this should not make us forget that the economic problem is a world problem and the relations of Europe and North America with the continents where three-fourths of the world population live is of great significance, not only to those continents but also to Europe

and North America themselves. The pattern of economic exchange between the advanced industrialized countries and the under-developed countries is of vast importance to world economic stability and progress.

Third and last, the point of view of the report is definitely that of production and not of consumption and the satisfaction of human wants. The needs of the world millions, which are the object and justification of the economic process, do not constitute in the report we have before us the standpoint from which the economic picture of the world today is viewed. The report deals with the state of world business and not with the economic state of the peoples of the world. This may be in the nature of a report such as this, which has to deal with the realities of the world economic situation—with things as they are and not as they should be. But I was so cheered by Mr. Thorp's reference to "food on the table, roofs over people's heads" as to hope that the Economic and Social Council would give its full attention to the needs of the growing world population in fulfilment of its responsibilities under Article 55 of the Charter of the United Nations.

In my consideration of the Secretariat report, I shall examine the world economic situation which it portrays, from the point of view of three-fourths of the world population who inhabit the under-developed areas of the globe. We, of the Lebanese delegation, have consistently taken this point of view and it is natural that I should add my voice to the eloquent voices which have preceded me, particularly, those of the distinguished delegates of Chile, Brazil, Turkey and India, on behalf of the under-developed countries of the world. In conformity with the subject now before the Council, my approach will be analytical and not now concerned with proposals for action which properly fall under items 17 and 18 of the agenda. I shall concentrate mainly on the relation between the industrialized, developed countries and the under-developed countries as one aspect and part of a balanced world economy, the conception of which was so brilliantly presented to us by the distinguished representative of Denmark on the first day of this debate. I agree fully with him that this objective should be considered in the dynamic sense of balanced progress towards international economic equilibrium.

I shall begin by stating two propositions which I shall not have time to elaborate, but which are basic in my analysis.

First, viewing the economic problem as a world problem, I believe it to be true that the application of a given quantity of labour or capital to the virgin natural resources of the under-developed countries will yield in most areas a greater return than in the developed countries. The relative abundance of capital in the industrialized countries in proportion to other factors of production causes its productivity to be less, other things being equal, than its productivity in the under-developed countries. Consequently, it may be said in general that the flow of capital from the developed to the under-developed countries would increase world production.

The second proposition is that effective demand in the under-developed countries is one of the basic long-term problems of economic stability and progress in the advanced industrialized countries. In other words, if the needs of the masses of humanity in the under-developed countries could be transformed into effective demand, or purchasing power, the problem of unemployment of labour and capital in the industrialized countries would be largely solved. The pattern of the relationship between the developed and the under-developed countries is therefore of great importance to economic progress, not only in the latter but also in the former group of countries.

Having made these two propositions, I will now turn to the report to examine what the basic economic situation in the developed and under-developed countries has been in 1948, and what relation has developed and is expected to develop between them.

In the industrialized countries—in the United States, in Canada and in Europe—industrial production has been on a very high level, compared to pre-war years. The report says, on page 3, "According to preliminary estimates, the rate of industrial production for the world as a whole during the first nine months of 1948 reached a level equal to about 132 per cent of that of 1937. This level represented an increase of 11 per cent over

the corresponding period of 1947." In the United States and Europe, industrial activity and employment reached a record peak in 1948. If we distinguish between investment goods industries and consumer goods industries, we find that the main gains were made in investment goods industries. The report states, on page 5, "Production of investment goods industries during 1948, relative to pre-war output, . . . continued at a level considerably above that of general industrial activity", and further, "Consumer goods industries, on the other hand, tended to operate at a level considerably below the average of industry as a whole in most countries. . ."

Moreover, the report tells us that "Emphasis during 1948 continued to be placed on the production of heavy industries, in order to meet the high requirements for investment goods." Iron and steel production more than doubled in the United States and Canada, compared to pre-war years, and it was higher than pre-war in all other countries except Germany, Italy and Japan. The same is generally true of the engineering and chemical industries. On page 6, the report says, "The record 1948 output of machinery in the United States was 2.77 times the pre-war rate."

Even in agricultural production, the advanced western countries have made important advances. The production of foodstuffs in the United States and Canada rose from 18 per cent of the world total in the years 1934 to 1938 to 25 per cent in 1947/48 and their exports rose from 18 per cent to 46 per cent. The share of Europe (excluding the Union of Soviet Socialist Republics) in world food production dropped from a pre-war 33 per cent to 25 per cent in 1947/48 and its production in the latter year was 26 per cent below pre-war.

The use of tractors and farm machinery in European agriculture is being expanded. The production of tractors, both in the United States and in the United Kingdom, has been greatly increased and their exports will go mainly to western Europe. The report states, on page 12, "It appears that exports of tractors in 1948 may be nearly one-third higher than in 1947; the largest share of these exports is likely to go to western European countries under the European Recovery Program."

The advance in western industrial production, however, remains the most remarkable feature of the world economic situation in 1948. It is abundantly clear from the facts and statistics given in the report, not only that industrial reconstruction in Europe is well under way, but also that industrial power in both Europe and America is much greater than it was before the war. It is true that there has been a definite shift of this power to the United States but, taking the developed countries together, their industrial capacity has grown to such extent that they will be able, not only to meet a greater demand for consumer goods in their own countries, but also to export in future years a vastly greater quantity of manufactured consumer goods to the under-developed countries of the world.

How has this remarkable growth of western industrial power been achieved? It has been achieved by greater capital accumulation and investment, in most cases at the expense of consumption. In the United States, in spite of increased consumption, a greater part of national income was spent on fixed investment. In spite of the high level of investment in the United States in 1946 and 1947, it was still higher in 1948, even excluding the investment made possible in western Europe under the European Recovery Program. The high level of effective demand for consumer goods after the war ended, together with the high rate of investment, have enabled the United States economy in 1948 to achieve the highest records of production it has ever reached.

Now let us look at the situation in the under-developed countries. In spite of the lack of facts and statistics about them in the report, certain conclusions emerge clearly. Although a higher level of industrial production was maintained, compared to pre-war years, we are told on page 4 that "in several of these [under-developed] countries, there is recent evidence of some slackening of industrial activity since the peak of building activity was reached". We are also told that this relatively limited industrial production was the result of an expansion of output to meet war-time requirements. In most cases this was done with the intensive use of old equipment, which now needs replacement and modernization. But the report tells us that this cannot be done. I quote from

page 6: "The inability of the under-developed countries to obtain adequate imports of machinery and equipment from countries which export capital goods continued, however, to retard their programmes for replacing equipment and expanding plants."

In agriculture, the situation of the under-developed countries seems to be relatively worse than before the war. The share of the Far East in world exports of food dropped from 18 per cent in the pre-war period, 1934 to 1938, to only 4 per cent in 1947/48. The under-developed countries have not been able to improve their methods of cultivation nor to increase agricultural productivity by mechanization and improved agricultural techniques. They have not been able to import tractors and farm machinery from the industrialized countries to any large extent.

It seems clear that the under-developed countries are back in the inferior and weak position in which they were before the war. In fact their relative situation compared to the industrialized countries is worse than it was before the war. The manufacturing industries which they developed on a small scale during the war are threatened by the greater competitive efficiency of the advanced countries, which are already intensifying their drive for exports of manufactured consumer goods. In agriculture, the under-developed countries are still hampered by archaic methods of cultivation and are losing even their comparative advantage in foreign trade to the mechanized agriculture of the advanced countries.

What picture of world economy and world economic relations do we get from this brief survey of recent post-war developments in the advanced countries, on the one hand, and in the under-developed countries, on the other? Are we going to return to the pre-war pattern of relations between the industrialized countries on the one hand and the under-developed countries on the other, a pattern which the distinguished delegate of Chile so clearly exposed to us? Are we going to return to a system of world economic exchange in which the industrialized countries of North America and western Europe supply the countries of Latin America, Asia and Africa with manufactured consumption goods in exchange for raw materials and foodstuffs produced on the basis of low produc-

tivity and low standards of living of their rural populations? The industrialized countries, by great efforts and frequently with great sacrifices, have been not only reconstructing their war-damaged industries but also building up an expanding and powerful industrial economy. They have been able to do this by maintaining a high rate of capital accumulation and investment. But how will they maintain this high rate after their reconstruction is completed and the needs of their consumers met?

In the nineteenth century an expanding industrial economy in western Europe maintained its growth by the progressive development and industrialization, first of backward regions in their own countries, and later of other European countries and oversea territories, as the distinguished delegate of France so eloquently explained to us the other day. Mr. Mendez-France showed us how an expanding economy was made possible by the progressive industrialization of Europe and North America and even by a certain development of colonial or semi-colonial territories.

I submit that the maintenance of a high level of investment cannot be achieved solely by a high level of effective demand in the industrialized countries themselves but must also be aided by raising the standards of living in the under-developed countries and by increasing the effective demand of their peoples. This increase in effective demand must depend in the coming years on the large-scale movement of capital to, and its investment in, the under-developed countries of the world, in order to develop their resources and their productivity. Such capital investment must be made, not only in agriculture, but also in manufacturing industry, in transportation and in all the other elements of a balanced modern economy. Finally, such investments cannot be made by private capital alone without the participation and assistance of governments on a substantial scale.

The basic question which faces the world today is whether an expanding world economy can be maintained by the progressive development and industrialization of the under-developed countries of the world. This requires the conception and fulfilment of a new pattern of balanced world economy, based on mutual confidence and co-

operation, which would meet the menace of severe periodic depressions in the industrialized countries at the same time as it gradually does away with the permanent age-old depression which paralyses the under-developed countries. This constitutes a great challenge to the industrialized countries and to the spirit of world economic co-

operation. To meet this challenge "boldness" of design is certainly required but also, and above all, thorough planning and large-scale action. Will the Economic and Social Council show the way and give the lead so that action may not be too little and too late? That is the question to which an anxious and troubled world expects the answer.

#### 24 FEBRUARY 1949, MORNING MEETING

Mr. FERNANDEZ-STOLL, Peru

*(translated from Spanish)*

The Peruvian delegation is very glad indeed to take part in debates of this kind, for which the Economic and Social Council exists; they are much more important than any ill-starred political discussions.

The United Kingdom representative has made the excellent suggestion that half-way through this year we should make a fresh survey of the world economic situation in 1948. The Secretariat has done an excellent job, which deserves praise and congratulations and which certainly will be even better next July. By that time it will have been able to fill certain gaps which have already been pointed out by other representatives. We have, indeed, missed an attempt to interpret the phenomena described in the report, to indicate their direction or to predict their results. We must not forget that the Council's chief duty is preventive, as distinct from that of the other principal organs of the United Nations. Moreover, it would be better to have more and better descriptive documentary matter, covering more countries and wider experience, in order to maintain the world-wide scope of the Council's action. Data on important areas are missing and we lack the basis for judging the historical process in these areas.

The Peruvian delegation notes that the report has been prepared from the point of view of countries with a surplus economy. It gives information on countries in various stages of development, but it ignores the fact that these stages may not always be represented by simple quantitative production curves; and in many cases there are essential differences of economic quality which cannot be assessed from one and the same standpoint.

Peru, for example, is making strenuous efforts to produce iron and steel, in order to set up one of the largest electric power stations in the South Pacific area, to expand manufacturing industry and to exploit the country's great natural wealth. This task has the same historical, social and economic importance for us as the opening up of the Far West had for the United States, or the nationalization of the coal mines may have for the United Kingdom. A considerable part of this work has been done in the past few years, but this progress has not been reflected in the statistics compiled by the Secretariat, whose standards are designed for assessing countries of mature growth. Since what is true for us applies to many other countries as well, it is also desirable to study countries with respect to the qualitative importance of their development and to inquire into the real meaning of the growth of these young, or new, economic systems, which may in the future play an important part in the world economy.

From the same point of view, the report hails with satisfaction the appearance of the first signs of "disinflation", and so gives the impression that we are leaving the danger of inflation behind us. In some circumstances inflation takes characteristic forms which have not been studied. In many Latin-American countries the means of payment are not nearly so extensive as they should be, considering the size of the population, a large part of which is economically inactive. The inflation of currency and of prices is chiefly concentrated in the cities, where it causes serious maladjustments, while the rest of the country remains unaffected. This kind of national inflation is very different from that suffered by countries with a surplus economy. We should like to see such distinctions considered in any future report.

Various other factors of the same kind are worthy of serious consideration. It is an indisputable principle that the effects of economic and social conditions are closely related and that they should therefore be considered together. Any attempt to consider them in isolation leads to absurd and highly dangerous conclusions. Thus, the simple fact of social progress may appear to give rise to serious economic drawbacks if care is not taken to keep in mind the logical connexion between the two concepts. The achievement of fundamental social benefits at this moment represents, in countries like mine, a substantial historical change for considerable masses of the population. Such forward steps may actually transform their standard of living, which may show a rise in a very few decades, such as in other countries has taken several centuries. Man has certain minimum requirements for civilized existence, such as sufficient food, healthful housing, medical care, education and a variety of consumer goods to meet industrial needs. These necessities are not temporary phenomena, nor symptoms of a transitory crisis of want or shortage; in our case, they constitute the essence of the normal development of the people of young countries—in fact, their very existence.

Of course, for most of the span of our generation these necessities of life will have to be met by imports, unless industrialization takes place quickly. It would be inhuman and anti-social to deny the masses of the population the right to a minimum standard of civilized life. No one would consider that possibility, even though a nation were unable to increase its production immediately and drastically in order to export raw materials on a scale which would restore the balance of international trade. I need hardly add that, in any case, a substantial increase in primary production can come only from a radical improvement in antiquated ways of life and work.

In countries of this kind, social and economic equilibria still depend to a large extent on foreign trade. The proceeds of such trade, as well as foreign credits and currency, in most cases in Latin America, play the part which investments and savings play in surplus economies. The whole fabric of economics and finance, from the procuring of food to fiscal policies, is in fact woven of the threads of foreign trade.

How can our balance of payments be judged by the same standards as that of other countries? The equilibrium in our balance of payments and trade balances can be established only at the cost of a large and sustained effort, and not by a temporary effort or an adaptation to circumstances, which are the conventional methods of readjustment.

We in Peru are proud to proclaim that we are adhering tenaciously to this hard way, with results that are ever more substantial and fruitful, thanks entirely to our own efforts. My country, during the past twenty years, has not received any financial help from the outside, except the very meagre amount shown in the report. Nevertheless, Peru is able and willing to resume payments on the foreign debt on satisfactory terms and is providing foreign concerns with the necessary currency to pay both dividends and capital amounts outside the country. This heavy task could have been made lighter, this slow development hastened, by timely and sufficient help from international financial bodies. We hope that they will treat us more understandingly and efficaciously in the future.

We cannot hope for economic miracles in Peru, nor can we skip over historic eras. We have to follow step by step, as quickly as possible, the successive stages of social evolution. The deficit in our national life can be offset—the needs for our growth can be met—only by invested capital and by supplementary assistance in the form of credits.

We are therefore greatly interested in the plans which the President of the United States has announced for new forms of economic aid to other countries, and in such plans for this purpose which the United States delegation may disclose in the Council. Presumably these will be especially favourable to Latin America, in view of the strength of the tradition of the "Good Neighbour" policy. We are sincerely grateful in advance. We hope that the plans will not be limited to the operations of the existing specialized international agencies, but will take new forms; and that practical regional machinery, more direct and more efficient, will be set up. This may well be combined with existing machinery, but should ensure that the almost complete lack of help which has been the lot of Peru in the past will not be continued.

At the same time, it would be well to study more thoroughly the unfettered trends of private investment which might go to under-developed areas with complete liberty of action and within the principle of absolute freedom of enterprise. This is the kind of co-operation which we most appreciate; to this we have opened our doors with a well-founded hope in our prospects and in the ability of the average investor to develop a new country.

The repeated references to Latin America which the Polish representative made yesterday compel me to speak a little longer. Some of his words lend themselves to misunderstandings, which I feel bound to clear up. There is nothing, either express or implied, to prevent the European countries within the Marshall plan—or the countries of Latin America—from entering into bilateral trade treaties for their mutual convenience, to the exclusion of every other consideration, as the large majority of the governments represented here are well aware. Any government that does not know this may see proof in the fact that a Peruvian mission is on its way to London to conclude one of such trade treaties—which have been called impracticable—with the United Kingdom.

I cannot tell in which phase of the rigid horoscope drawn by the Polish representative my country's fate is to be found. I can, however, assure him that there does not exist in Peru a single foreign monopoly, no matter how powerful the concern in question nor how great the profits which our land holds out. We have three large petroleum companies in world competition with one another; this very competition made it possible for us to amend our laws on the extraction of petroleum, before opening up the immense oil reserves of Sechura, without having our decisions improperly influenced in any way. Copper provides another interesting example. Two months ago the Supreme Court decided a case, to the value of a hundred million dollars, between two great United States concerns, concerning the ownership of one of the largest deposits in the world. In the field of transport, United States capital, in association with Peruvian capital, is operating a great Peruvian international aviation concern in sharp competition with others of the same kind, without experiencing any monopolistic pressure

of the sort gratuitously attributed by the Polish representative. It is not too much to say that groundless statements of this kind not only diminish the international prestige to which our people are entitled, since their sovereignty is unimpaired in every case, but may do serious harm to the prospects of investment in our countries by describing them, for purposes of political propaganda, as regions divided among foreign monopolies into which, if the Polish representative's statements were correct, it would be impossible to enter.

The Peruvian delegation is glad to learn, from the Secretariat's report, and from what has been said in this debate by the representatives of Belgium, Denmark, France and the United Kingdom, that European reconstruction is making rapid progress. The delegation is happy to think that the ancient and valuable ties of trade between Europe and the countries of Latin America can be restored. At the same time, the delegation favours and supports many of the ideas of the representatives of Brazil, Chile, India, Lebanon and Turkey, as well as the precise opinions of the representatives of Australia and New Zealand. It renews its warm acknowledgment of its old national friendship with the United States of America, and believes that this debate will enable the admirable efforts of that great nation, for the peace, prosperity and restoration of the world, to be crowned with success.

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

The Economic and Social Council is again considering the world economic situation in the light of the studies and information supplied by the Department of Economic Affairs of the Secretariat. The assistance given to us in our work by this department deserves our full appreciation, owing both to the quality of the report submitted for consideration by this Council and the wealth of information it contains. We therefore wish to join the other representatives who, in their speeches, have encouraged the United Nations experts to carry this assistance even further, so as to provide the Council with an adequate technical basis for the solution of world economic problems.



It is well to point out, however, as the report itself does, that this report describes only the principal factors in the major economic changes that took place in 1948 in the world supply of foodstuffs and manufactured goods, the general inflationary situation and international trade and finance.

Thus, for obvious reasons, the documentation prepared on this occasion by the United Nations experts does not cover as wide a field as last year. A deep and careful analysis of the characteristics of the present economic situation has not been made, but study of the situation by the Department of Economic Affairs will certainly be more valuable and complete if the information at its disposal is ampler and more detailed. The world economies, as has been pointed out by one of our distinguished colleagues, are made up of closely interrelated parts. The balances and stability of the parts make it impossible to separate national and international aspects of economic life, and urgently demand co-ordinated means for attaining the conditions of well-being that are desired by every nation. It follows that the collaboration of the greatest possible number of countries is essential, not only in order to reconcile self-determination with the highest interests of the community, but also in order to provide all the necessary information that is a prerequisite for studying various economic and social factors and for entering on the stage of concerted general planning. It is therefore desirable that many of our governments should increase their co-operation with the Secretariat, in order to facilitate the preparatory task to which I refer. The Department of Economic Affairs would then be in possession of fuller material for the study of the world economic situation which it is to submit to us towards the middle of this year. Moreover, the reports of the regional economic commissions, and those relating to the economic activities of the specialized agencies, will provide a mass of data that will help to make the conclusions of this study as complete as possible.

In addition to the report, we now have replies from the International Labour Organisation and from various governments and specialized agencies regarding the national and international action required to attain conditions of full employment and economic stability.

Thus the material now at the Council's disposal for a discussion of the world economic situation is limited. The comments that have been made or may later be made by members regarding the information supplied by the Secretariat, and the concrete information they may produce regarding economic development in their respective countries, will provide further elements to guide the Secretariat in its work and will amplify the material available for carrying out its studies.

In these circumstances, it must be recognized that the Economic and Social Council will be able to make very little progress at this session in the proper evaluation of economic phenomena to provide a basis for the co-ordinated action that is essential for increasing the world supply of goods and expanding world trade through national plans and practical international measures. In view of the foregoing observations, our delegation gives its full support to the suggestion made only yesterday by the distinguished representative of the United Kingdom, to the effect that the Council in the future should postpone the substantive discussion on the world economic situation until its session towards the middle of the year.

Since we are nearing the end of the debate, I do not wish to enter into detailed consideration of the major economic changes that occurred in 1948. That has been done most successfully, and with more authority than I possess, by various delegations here present. Nevertheless, I should like to mention with satisfaction the general improvement in the world economic situation during the past year, and especially the favourable changes observed in the production of foodstuffs, owing to the large harvests during the period in question. The changes revealed by the report give cause for optimism, but that is no reason for believing that the signs of prosperity are certain to increase in the future. The high levels of production that have been reached must be maintained and surpassed, but it is also essential to consider the necessity for attaining higher levels of consumption. The demand for foodstuffs and manufactured goods tends to increase with the growth of population and the increase of purchasing power. Moreover, the Economic and Social Council should, through its regional commissions and through the various specialized agencies, give

direct and preferential attention to finding means for the adequate conservation of surplus production, in order that such surpluses may not threaten production itself, with resultant depression and unemployment, but may somehow be used to satisfy the needs of the markets which, through lack of foreign exchange, transport difficulties or other special economic circumstances, are unable to acquire them at reasonable prices.

It should also be noted that the disequilibrium in the balance of payments in many countries and the general persistence of excessive inflation in vast areas are still obstructing progress towards economic stability. The signs of a return to normality which have recently been observed in various countries are not sufficient ground for believing that the maladjustments due to these prejudicial factors are on the way to being eliminated. At the same time, as we have heard during these discussions, such symptoms do not appear to be signs of depression.

Like other representatives who spoke previously—and especially the representative of France—our delegation is inclined to believe that it is essentially on a basis of expansion rather than contraction that the world economy should develop in the future. We must not, of course, lose sight of the special position of certain under-developed countries which are obliged to resort to systems of protection in order to safeguard the existence and development of their budding industries.

There can be no doubt that progress towards expansion was made in 1948. A proof of this is the present economic situation in Europe, many aspects of which are favourable when compared with 1947. The beneficial influence of the work of the Economic Cooperation Administration of the United States has made itself felt, and my delegation wishes to express its special satisfaction at the success which is crowning this great work of assistance and reconstruction. Nevertheless, it is regrettable that in planning this work account was not taken of the position of many under-developed Latin-American countries, with a view to coordinating its purposes with the economic improvement of these countries and effectively incorporating them in the task of restoring war-

devastated areas. I must likewise offer our congratulations for the results obtained in Europe by other international agreements for the promotion of trade among various European countries. Trade between the east and the west in the old world has been the subject of many comments, since it represents a firm foundation for obtaining economic improvement and for discrediting political attitudes that prevent the resurgence of the mutual confidence which is an essential basis for international co-operation and which will ensure the peace and security we all desire. The agreement recently reached among the members of the Economic Commission for Europe regarding the preparation of lists of surplus manufactured goods and raw materials, with a view to studying the best means of exchanging them in accordance with respective economic needs, is further cause for satisfaction.

The incomplete replacement of machinery and industrial equipment worn out during the war; the fundamental lack of economic development; the prolonged inflation brought about by the demand for consumer goods and investments of all kinds; the loss of certain markets; the decrease or exhaustion of reserves of foreign currency; the cessation of imports of European capital which has been only partly compensated by an increase in loans granted by the Export-Import Bank, the United States Government and private institutions; the small part played in the processing and industrialization of its raw materials—such are some of the predominating factors which operate in the majority of Latin-American countries to hamper the implementation of their plans for achieving the degree of development and economic independence they desire. If to this be added the urgent need to improve the social condition of the population and to encourage immigration, a general idea will be gained as to why our countries are demanding appropriate international action in accordance with the principle of economic interdependence upon which modern policies must be based.

With regard to my country in particular, taking into account the special characteristics of our economy, we had a fair degree of success in the battle to increase production in 1948.

As you know, our chief product is petroleum. Venezuela's economic structure is at present based upon this commodity. Production has been increasing steadily in the past few years; 323 million barrels were produced in 1945, 388 million in 1946, 435 million in 1947 and 475 million in 1948. But if we compare these figures with the low levels still obtaining in coffee and cocoa production, and if we take into account the small output of other goods, we must conclude that ours is a single-product economy. Revenue from petroleum, including income tax, accounted for about 50 per cent of the total Venezuelan budget by the middle of 1948. The amount of foreign currency earned by the petroleum industry has risen in proportion to its development and the State's increased share in its operation, until it reached \$442.5 million in 1947. But this situation, in turn, has a direct influence on the cost of domestic production, because it means that our currency commands a high rate of exchange. This constitutes a serious obstacle to the export of agricultural products. The dominating position of the petroleum industry has also resulted in a general rise in domestic prices, which has meant a falling off in various branches of agricultural production for domestic and foreign consumption, and has transformed Venezuela from a country which exports cattle and other products to one which imports frozen meat and other articles to meet the needs of the population.

From these general data it is evident that the basic problem confronting my country is that of diversifying its economy to avoid dependence upon a mineral product which may become exhausted, replaced by some other source of energy or be exploited in smaller quantities. In the latter connexion it may be observed, in relation to the general economic situation, that Venezuela, despite its interest in increasing petroleum production to bring about the diversification to which I have referred and to attain a higher standard of living for the population, has recently witnessed a decline in production to a degree which has not seriously affected Venezuelan economy, but which indicates that there is some maladjustment in the international economic situation. This decline cannot be attributed to a falling off in the demand for the commodity, for it would be easy to make a long list of countries which urgently

need this raw material, but which are obliged to restrict its use by rationing and the limitation of imports. This phenomenon appears to be closely linked, as in the case of other countries which have not succeeded in increasing production, with the lack of equilibrium in international balances of payment.

There is another aspect of the petroleum industry to which I should like to refer. The enterprises in this industry, although to a large extent financed by foreign investments, operate in our country subject to our laws, employ Venezuelan labour and have a full consciousness of their responsibilities to the public. Hence the relations between these undertakings and the Government have been developed on the basis of mutual respect for the rights of each and with full recognition of the importance of their relations to the problems and needs of the country. The country's participation in these industries has now reached the level of 50 per cent of the profits.

With a view to making better use of the resources of the petroleum industry, the Venezuelan Development Corporation has been operating for some time—has made important studies and has engaged in large-scale projects in this connexion. It has also granted credits to producers of various commodities, such as rice, maize, oil-seeds, fruit sugars, meat, milk, fish, textiles, building materials and so on. It has also made direct investments in the production of these commodities, particularly in the sugar and fishing industries. The State's contribution to the Corporation's budget amounted to 90 million bolívares in 1948. The activities of the National Economic Council, the Agricultural and Livestock Bank and the Production Development Board; the improvement in living conditions of workers by the construction of suitable dwellings, which is being carried out by the Workers' Bank; and the help given in appropriate fields by the Industrial Bank—these clearly show my country's determination to achieve a higher level of economic activity.

One industry which seems to have a brilliant future in Venezuela is the iron industry. The date that the Iron Mines Company had fixed in its development programme, to begin exports, had to be deferred, but it is hoped that by the second half of the present year, exports of ore to the blast

furnaces of Espaus Point, near Baltimore, will be started. The possibility of producing 3 million tons of ore per year in Venezuela is being studied. Special attention is also being paid in my country to the possibility of establishing an iron-smelting industry. The quality of our iron ore and our enormous production of petroleum gases, together with the favourable location of these sources of supply, open up hopeful prospects for this type of industry, once we have mastered the problem of procuring metal for the working equipment.

Since 1946 a change for the better has also been taking place in the production and consumption of electricity; the same may be said of the building industry, as I have already remarked in reference to one of its aspects. The country is still, however, suffering from a considerable housing shortage; unfortunately, it is still difficult to acquire the necessary mechanical equipment to improve the building methods employed in the industry. The improvement in the production of fish deserves special mention. The figures show that the rate of production has quadrupled, compared with 1938. The progress made in the fish canning industry has contributed to this; this industry has developed very rapidly owing to the advantages offered by canned goods in a country as large as ours in relation to the size of the population.

Our country is also carefully studying the problem of high freight rates which are making imports, even of the most essential commodities, so costly and difficult. For this reason the Government has recently increased the fleet of the Venezuelan Navigation Company in order to allow that company to increase its coastwise trade and to operate services to other countries. Venezuela has also continued its efforts to develop the Grand Colombian Merchant Marine in collaboration with Colombia and Ecuador, the other two partners.

As a result of this shipping policy, Venezuela is hoping to develop its foreign trade and to counteract the effect upon the economy of the discriminatory practices applied by some shipping combines.

Economic co-operation among neighbouring countries with common interests is an aspect of

international co-operation which, although limited in area, has considerable importance. The "Grand Colombian" countries have in the past few years reached a new stage which goes beyond the mere signing of trade or navigation agreements. Commercial undertakings, financed with joint capital, have been established and the prospects for these new types of joint activity appear excellent. A conference held at Quito early in 1948 established a basis for even closer collaboration among the three countries; varied and far-reaching projects are now under consideration, amongst which the most practicable appear to be a fleet of aircraft, a reinsurance institution and a publishing company, all operated by the three countries in collaboration. Recently the Governments of Venezuela and Colombia appointed a joint commission of engineers to study co-ordination of communications between the two countries.

Another factor which renders our economic expansion difficult, in agricultural production and in many industries, is the lack of skilled labour. This has been remedied to a certain extent by immigration, of which there is a steady flow into the country. More than 12,000 persons entered Venezuela during the past year, but there was a decrease towards the end of that period, due, in part, to the immediate need of finding steady employment in industry and agriculture for various groups of immigrants whose assimilation into the population had been retarded and, in part, to the Government's desire to establish selective systems better adapted to the needs of the country.

The shortage of machinery for the mechanization and development of agriculture, the wearing out of existing equipment and the impossibility of replacing it or increasing it to the degree which the country needs, even when paying extraordinarily high prices, is another factor which is having a serious effect on agricultural production.

Another problem which I consider important—and which makes the internal economic development of many countries and international co-operation difficult—is the shortage of specialized personnel. This is noticeable both in the higher administrative posts and in the lower grades. It should be emphasized that at the present time, with Governments compelled to engage in many

new and in wider spheres of activity, it is impossible to separate economic from technical progress or even from merely administrative progress. For this reason I attach special importance to the continued active study by the Secretariat of possibilities for the early establishment of an international institute of public administration, such as was approved by this Council in its resolution of 24 February 1948. My delegation was very pleased to note that many other delegations were agreed upon this point during the General Assembly's session in Paris, and that they insisted that the United Nations should take decisive action on this matter.

#### 24 FEBRUARY 1949, AFTERNOON MEETING

Mr. TSARAPKIN, Union of Soviet Socialist Republics (*translated from Russian*)

The review of the world economic situation in 1948 prepared by the Department of Economic Affairs of the United Nations Secretariat contains certain information which is worthy of note.

In considering this review the delegation of the Union of Soviet Socialist Republics deems it essential, first and foremost, to draw the Economic and Social Council's attention to the following fact: the report gives an incorrect grouping of countries and takes no account of the different conditions and levels of economic development, thus distorting the real picture of the world economic situation. This can be seen, above all, in the fact that the economic indices collated to provide a description of the world economic situation in 1948 are so presented that data relating to the Union of Soviet Socialist Republics and the peoples' democracies and data relating to the capitalist countries, including the defeated and neutral countries, are all massed together. Moreover, information regarding countries which have attained or surpassed the pre-war level of production is combined with information regarding countries with stationary or retrograde economies and with information relating to the defeated countries—Germany, Japan and Italy—whose industrial production is even lower because of the policy of certain occupying countries which are endeavouring to increase their own production at the expense of the defeated countries.

In conclusion I should like to say once more, in the name of the Venezuelan delegation, how much we appreciate the work of the Department of Economic Affairs of the Secretariat, and particularly that of its director, Mr. David Owen, who has honoured these discussions with his presence. At the same time I should like to express our sincere wish that the Economic and Social Council may continue effectively to carry out the important duties conferred upon it by the Charter, and may finally find an adequate way to achieve, through international co-operation, better standards of life and economic independence and stability in all places and for all men.

The report not only gives an incorrect grouping of countries with different conditions and different levels of economic development, but directly misrepresents information about the Soviet Union. It may be pointed out in confirmation of this that in the table on page 4 the Union of Soviet Socialist Republics is included in the group of countries whose output in the first nine months of 1948 increased from 10 per cent to 25 per cent over the corresponding period of 1947. Official figures published in the Union of Soviet Socialist Republics, however, show that both for the first nine months and for the whole of 1948, the gross industrial production of the Soviet Union was 27 per cent higher than that of 1947.

Another great defect of the report is that it fails to analyse the real origins of the serious economic difficulties facing a number of countries—in particular the countries receiving "aid" under the Marshall plan—or the causes which hinder industrial development in those countries. In this connexion it is essential to point out the policy of the United States of America, which is having a ruinous influence on the world economic situation by hindering normal economic relations, economic rehabilitation and development in the countries which found themselves dependent upon the United States.

Furthermore, the report does not throw adequate light on such problems as the deterioration in the material conditions of the workers (the existence of unemployment and its increase, and

the fall in real wages) and, side by side with this, the colossal increase in wealth of a small group of capitalist monopolies.

The conclusion to be drawn from all this is that the report contains serious deficiencies and gives a distorted picture of the world economic situation.

In order to present the world economic situation in its true light, it is necessary to analyse the fundamental differences between the economic development of the Union of Soviet Socialist Republics and the peoples' democracies, and the capitalist countries, taking account of the specific features and conditions of their development. I shall dwell primarily on the economic development of the Union of Soviet Socialist Republics in 1948.

In discussing the further economic development of the Union of Soviet Socialist Republics in 1948, I shall first point out that in 1948 the peoples of the Soviet Union achieved great successes in fulfilling the post-war five-year plan for the restoration and development of the economy of the Union of Soviet Socialist Republics for 1946 to 1950.

The head of the Soviet Government, I. V. Stalin, has defined the objectives of the post-war five-year plan as follows: "The essential aims of the new five-year plan are to reconstruct the devastated areas of the country, to restore the pre-war level of industry and agriculture and then to surpass that level in greater or lesser degree".

The year 1948 was of decisive importance in the fulfilment of the post-war five-year plan. Thanks to the enthusiastic efforts of the Soviet people and the wide development of socialist competition, the State plan for 1948 was over-fulfilled.

The final figures showing the execution of the State plan for the restoration and development of the economy of the Union of Soviet Socialist Republics in 1948 prove that the year marked a further fresh advance in the development of the national economy of the Soviet Union, constituting a great victory for the Soviet people.

Last year was remarkable for particularly outstanding successes in the development of socialist industry—the mighty foundation of the whole na-

tional economy of the Union of Soviet Socialist Republics. The 1948 target for gross industrial production in the Union of Soviet Socialist Republics was surpassed by 6 per cent in 1948; output was 27 per cent higher last year than in 1947.

A characteristic feature of the tremendous development of Soviet industry is the tempo at which production is being stepped up. In 1946 industrial output was 20 per cent higher than in 1945; in 1947 it was 22 per cent higher than in 1946; and in 1948 it was 27 per cent higher than in 1947.

Owing to the rapid development of industrial production the pre-war level of industrial output was reached in the Union of Soviet Socialist Republics by the end of 1947, and in 1948 the 1940 level of industrial output was surpassed by 18 per cent. Thus, despite the great destruction caused our country by the war, the Soviet people have succeeded in the three post-war years in not only reaching but surpassing the pre-war level of industrial output.

The advance in industry is being accompanied by a rapid development of all types of transport. Freight carried by the railways in 1948 increased 27 per cent and surpassed the pre-war level.

Building has developed on a tremendous scale in our country; in the past three years of the five-year plan, some 4,000 State industrial undertakings have been built, reconstructed and put into operation.

Further considerable successes were achieved in the agriculture of the Union of Soviet Socialist Republics in 1948. Despite unfavourable weather conditions in most Volga districts, the gross harvest of grain, and grain crops generally, in the Union of Soviet Socialist Republics amounted to more than 7,000 million *poods* and thus fell just short in 1948 of the pre-war 1940 level, while the average grain yield per hectare exceeded the pre-war level. The area under crops during the 1948 season increased by 13.8 million hectares over 1947; ten million hectares of this was in grain crops. The increased grain production is leading to an advance in stockbreeding. In 1948 the collective farms speeded up the progress of stockbreeding; the number of cattle increased considerably and there was a substantial improve-

ment in the output of livestock. By 1 January 1949 the numbers of livestock on collective farms, as compared with 1 January 1948, had increased by 23 per cent in respect of cattle, by 75 per cent in respect of pigs, by 16 per cent in respect of sheep and goats and by 15 per cent in respect of horses. The number of cattle at the free disposal of collective farmers, workers and employees also increased.

Agriculture in the Union of Soviet Socialist Republics is being increasingly equipped with modern appliances: in 1948 agriculture received from the State three times as many tractors, twice as many motor vehicles and twice as many agricultural machines as in the pre-war year 1940. The State is constantly taking fresh steps to improve the technical equipment of agriculture in every way, to facilitate the work of collective farmers and to make it more productive.

In 1948 Soviet peasantry made tremendous efforts to carry out the gigantic State plan to transform the nature of the land, to protect the fields with wooded plantations and to introduce rotation of grass crops, thereby ensuring good and stable harvests. Protective wooded belts, to a total area of 199,000 hectares, were planted last year in the steppe and wooded-steppe areas of European Russia, and 270,000 hectares were prepared for such planting in 1949; 1,869 million saplings were planted in nurseries and more than 2,800 dams and reservoirs were constructed by the collective farms.

The implementation of this tremendous State plan, the adoption of which meant a declaration of war against drought and bad harvests in the steppe and wooded-steppe areas of European Russia, will contribute directly towards good and stable harvests, will make the work of the collective farmers highly productive and will greatly increase the economic might of the Soviet Union. No other country is able to carry out so tremendous a plan for the transformation of nature. Only a socialist State can execute such a scheme.

The Soviet State is paying special attention to the restoration of the economy in the areas which suffered German occupation and is giving ample assistance to these areas. In 1948 capital projects

to a total of 20,000 million roubles were carried out in these areas, without taking into account non-centralized capital investments. Industry is rapidly being built up again. Whereas industrial output in these areas increased 28 per cent in 1946 and 33 per cent in 1947, it increased 41 per cent in 1948. The production of pig-iron increased 41 per cent, of steel 66 per cent and of sheet metal 65 per cent; the output of electricity increased 31 per cent, of cement 49 per cent and of sugar 75 per cent.

In 1948 the pre-war level of development of the Soviet economy was reached and passed as the result of the successful fulfilment of the national economic plan.

While industry is being vastly expanded the number of workers and employees in the national economy is constantly rising; in 1948 they were 2 million more than in 1947, an increase over 1940 of 10 per cent. In the past three years the number of workers and employees has increased by 6.2 million.

A tremendous task which the Soviet State has successfully solved since the war was the training of qualified workers on a gigantic scale. In 1948 alone, a million young qualified workers were trained at technical and railway schools and factory apprenticeship centres. Moreover, 2.3 million new qualified workers were trained in 1948 by individual tuition, working parties and instructional courses, and the qualifications of 3.8 million workers in industry were raised. These figures show the great interest taken by the Soviet State in raising the qualifications of workers.

The tremendous advance in industry and agriculture enabled the Soviet State, as early as the end of 1947, to carry out monetary reform and to abolish the rationing of foodstuffs and industrial products. The implementation of these measures was of great importance in strengthening the Soviet economy and in raising the material well-being of the people. The improvement in the well-being of the workers in the Union of Soviet Socialist Republics which has latterly been achieved can clearly be seen in the rise in real wages of workers and employees. In 1948 the total wages earned by workers and employees increased 10

per cent, compared with 1947. As a result of the considerable drop in the general price level, the purchasing power of the Soviet rouble has doubled. Together with the increase in nominal wages, this has more than doubled the real wages of workers and employees in 1948 in comparison with 1947. These successes in raising the standard of living of the Soviet people clearly indicate the superiority of the socialist economic system, one of the aims of which is constantly to increase the well-being of the people and at the same time to expand the country's productive forces.

A vast amount of work has been done in regard to housing construction. In the three years of the post-war five-year plan, some 51 million square metres of housing accommodation have been built and reconstructed. More than 1,600,000 houses have been built and reconstructed in rural areas in these three years. The network of educational, health, scientific and cultural institutions has been considerably enlarged and their work has been improved. Much also has been done to improve the planning of towns, workers' settlements and villages. All this clearly manifests Soviet society's profound concern for the individual human being, for raising his material well-being and satisfying his growing cultural requirements.

The development of the Soviet economy is based entirely on the internal resources, efforts and toil of the Soviet people.

The economic and cultural achievements of the Soviet land derive from the heroic efforts of workers, peasants and intellectuals. The economic and cultural achievements, the over-fulfilment of the economic plans and the constant increase in labour productivity—all derive from the free creative work of the Soviet people, who do not know hired capitalist slavery. Socialist competition has penetrated to the widest sections of the workers and has become a truly national movement.

The year 1948 saw a widespread development of a new patriotic movement to mobilize internal resources, to make undertakings pay their way and to achieve additional savings over and above the plan. The 1948 plan for reducing the costs of industrial production was over-fulfilled and the total savings, in excess of the plan, by the reduc-

tion of industrial costs amounted to more than 6,000 million roubles in 1948.

These are the results of the fulfilment of the State plan for the restoration and development of the national economy of the Union of Soviet Socialist Republics in 1948. They clearly show the superiority of the socialist social system, in which human toil, freed from capitalist exploitation, performs miracles.

Progress is the dominant feature of the economy of the peoples' democracies in 1948. The economic successes of these countries are based on progressive democratic reforms by the new democratic authority with the support of the popular masses. In the peoples' democracies, heavy industry and the banks have been nationalized; agrarian reforms have put an end to the tenure of land by large proprietors and have given the soil to peasants with little or no land. The economic achievements of the peoples' democracies are based upon the internal resources and the labour of their peoples, upon the strengthening of friendly co-operation and mutual assistance among the democratic States and upon the friendly assistance of the Soviet Union.

As a result of the successful implementation of its industrial production plans, Czechoslovakia reached nearly 110 per cent of the pre-war industrial production level in the fourth quarter of 1948 and Poland reached 165 per cent. The high rates of improvement in industrial production are characteristic of the economic development of the peoples' democracies. As is stated on page 6 of the report, the general index for heavy industry in the first nine months of 1948 reached 202 in Poland, compared with 1938, and 157 in Czechoslovakia, compared with 1937; this index includes engineering production, for which the index for Czechoslovakia was 194 and for Poland was 236. The index for iron and steel for Czechoslovakia was 107 and for Poland, 121; for chemicals, Czechoslovakia 121 and Poland 206. The output of means of production—notably, the construction of machines—is increasing at a high rate; the interrelation of industry to agriculture is changing, and this contributes to the gradual conversion of a number of rural areas into industrially developed regions. The two-year plan for the economic



reconstruction of Czechoslovakia has been accomplished as a whole to the extent of 101.5 per cent; the pre-war industrial production level has been achieved and the living conditions of the Czechoslovak people have been improved.

*Industry in Bulgaria and Hungary is developing at a high rate.*

The agriculture of the peoples' democracies, which suffered exceptionally heavy losses from the German occupation, is rapidly being re-established. The grain harvest has far exceeded that of 1947 and this has caused considerable improvement in the population's food supply.

Thus a general and constant improvement is taking place in the Soviet Union and the peoples' democracies. This cannot be said of capitalistic countries, although they have either not suffered at all from the war or have suffered from it much less than the Union of Soviet Socialist Republics and the new democratic States.

The economic position of capitalistic countries in 1948 is characterized by uneven economic development and economic instability. This may be seen from the stagnation, falling off or slowing down in the industrial development of many countries, from the low production levels in the defeated countries—a result of the policy of certain occupying Powers—and from the growth of inflation and unemployment, increased taxation and lower standards of living for large sections of the population, accompanied by an enormous increase in the profits of a small group of monopolies.

It may be noted from the Secretariat's report that the world industrial production level was 11 per cent higher in nine months of 1948 than it was in the corresponding period of 1947; but the report goes on to say:

"The rate of industrial output during the first nine months of 1948 was, however, only four per cent above that of the last quarter of 1947. Greater than normal seasonal declines, which occurred in the third quarter of 1948 in many countries, appear to reflect some tendency of production to level off." (page 3).

Hence it would appear that the rate of increase in world industrial production slowed down in 1948. The inclusion of data on the Union of Soviet Socialist Republics in the general index of world production, however—we have seen that the production level in the Union of Soviet Socialist Republics is constantly rising; it rose by 27 per cent in nine months of 1948 and in 1948 as a whole—conceals a considerably greater slowing down, or even a halt or a decline.

As may be seen from the Secretariat's report for nine months of 1948, the general index of industrial production in relation to the last quarter of 1947 has fallen off somewhat in such countries as the United States of America and Italy, and has barely risen in such countries as the United Kingdom and Canada, where production has increased by less than one per cent. Moreover, it may be seen from the data given that the drop in industrial production in the third quarter of 1948 in many capitalistic countries is greater than a normal seasonal decline.

The United States of America is the only capitalistic country which emerged from the war not only unweakened but considerably strengthened economically. United States monopolists made large profits out of the war. For the United States the war served as a stimulus towards a wide development of industrial production and towards a definite increase in exports, mainly to Europe. Capitalistic monopolies are endeavouring to maintain their profits at the high war-time level.

The United States has not, however, succeeded in maintaining its industrial production on the war-time level. Industry in the United States today is at less than 80 per cent of the level in 1943, when it reached its peak owing to enormous military orders. During the first nine months of 1948 the general industrial production level (1937 = 100) was 169, compared with 170 in the fourth quarter of 1947. In spite of enormous military orders the general industrial production index for 1948 is not rising, but is even declining in a number of industries, such as the engineering, transport engineering, non-ferrous metallurgy, footwear, rubber and textile industries.

It is especially noteworthy that the report of the United Nations Secretariat not only contains

no analysis of the harmful influence of the armament drive and the economic foreign policy of the United States of America on the world economic situation in 1948, but also attempts to gloss over the present position of the United States by dissertations on its high level of production and employment.

What is the 1948 position of economic development in the capitalistic countries of Europe, where everything is built on the expectation of receiving United States credits?

In many western European countries, especially in Belgium, Greece and Italy, the pre-war level of industrial production has not yet been reached.

As may be seen from the report, industrial production in Belgium for 1948 was 7 per cent below the 1937 level; the production decline began in April. Belgian newspapers comment on a serious deterioration in the country's economic position. Apart from the textile, leather footwear, glass, woodworking and sewing industries, in which a serious decline has been observed for seven months, a production decline has begun in such industries as machine construction, metallurgy, shipbuilding and diamonds. In January 1949 the newspaper *Quote Libre*—an organ of industrial and financial circles in Belgium—admitted that “the decline in orders in Belgian industry is due to the Marshall plan”.

France's industrial production for the first nine months of 1948 reached only 99 per cent of the 1937 level; steel smelting reached 91 per cent; iron smelting, 82 per cent; textiles, 97 per cent; and light automobile construction, 91 per cent. Such important branches of French industry as locomotive building, shipbuilding, construction, the automobile industry and others are confronted with serious difficulties. The competition of United States consumer goods is undermining France's national industries.

Many western European countries receiving “aid” under the Marshall plan are facing serious economic difficulties. This is understandable, since the Marshall plan aims at making the countries of western Europe economically and politically

dependent upon the capitalistic monopolies which reign in the United States of America and upon their aggressive designs, in disregard of the national interests of European countries.

This plan is advertised as a charitable act for the post-war reconstruction of European economy. Nevertheless, the United States dollars which flowed into the pockets of European capitalists in 1948 in accordance with the United States credit plan have not stimulated industry in the countries of capitalistic Europe. They cannot provide such a stimulus, since United States credit is intended, not to restore or build up the industry of European States in competition with the United States, but to ensure a wider market for American goods in Europe in the interests of the monopolies of the United States of America.

The data supplied by the administration of the Marshall plan shows this very eloquently. According to the figures for 29 December 1948, \$399 million, or only 9 per cent of the total sum granted to Marshallized countries, was allocated to industrial equipment. It is the low figure of the allocations for industrial equipment that unmasks the real nature of the “aid”, which is far from being intended for the reconstruction, and still less for the development, of industrial production in the countries of western Europe.

The danger of the enslaving results of the Marshall plan is being more and more widely realized in the countries of western Europe. Monnet, the author of the well-known plan for the reconstruction and technical equipment of France, admits in his report for 1948 that “the position which has arisen out of the Marshall plan is an artificial one and cannot fail to be dangerous”.

Western European organs of the Press also admit the loss of economic independence in Marshallized countries. Thus the weekly paper *Truth* wrote as follows in December 1948:

“The man who pays the piper calls the tune. European nations may dislike the dance of national renunciation dictated to them by America, but the music has blared forth at the signal of the pitiless baton of the Washington conductor, and they are obliged to strike the correct attitudes. Even if we do not try to guess what the rulers of

America hope to gain from the destruction of the national sovereignty of European countries, we can understand that that is their purpose and that they will not be satisfied until they attain it”.

In February this year an article appeared in the Netherlands newspaper *De Nederlander* expressing dissatisfaction with the policy of the United States of America towards western European countries. The editor of that newspaper wrote as follows: “The double-faced policy of the United States of America is fraught with great danger for our country . . . this danger consists, first of all, in the fact that we are becoming fully dependent upon America in the financial and economic sense”. He goes on to say that the Marshall plan has placed the Netherlands in a very difficult position since, whenever the plans of the United States of America diverge from those of the Netherlands, the United States threatens the latter with harsh economic sanctions, “thus there is every prospect that we may be changed from an independent country into a country of slaves, and from an independent State into a satellite State”.

The Press of western European countries is full of reports of the increase of unemployment in these countries. Thus, for instance, in such a relatively small country as Belgium, according to Mr. Spaak’s statement, the number of unemployed persons has reached 300,000.

Is it not clear that the increase of unemployment in western European countries is one of the results of the Marshall plan and of the policy of the ruling cliques in European countries which are supporting that plan?

The United Kingdom, which received large credits from the United States of America and Canada after the war and which is receiving the largest sums under the Marshall plan, exceeded its pre-war industrial level by 9 per cent in 1948. Nevertheless, the 1937 level has not yet been reached in such industries as coal and textiles, which are vital to the United Kingdom.

The level of industrial production in the defeated countries is still very low.

The process of industrial reconstruction in Italy came to a standstill in the autumn of 1947, after

the Italian Government’s capitulation before the onslaughts of United States monopolies. As a result of the subjection of Italian industries to the control of United States monopolies, enterprises in a number of industries have begun to close down.

According to the Secretariat’s report, the industrial production level in Italy in 1948 represents only 78 per cent of the pre-war level. Most enterprises are working between 45 and 50 per cent of capacity. The metallurgic industry in 1948 remains at the level—about 80 per cent of the pre-war output—reached in the middle of 1947. The extractive industry reached its highest level in July 1947—85 per cent of the pre-war rate—but the index for 1948 fluctuates between 70 and 80 per cent of the pre-war level. The shipping, machine-building, textile, woodworking and paper industries are in the most difficult position. Although the production level of the textile industry reached 92 per cent in the middle of 1947, it had fallen to 62 per cent by the middle of 1948. Only four of the fifteen shipyards in Italy are working, and at approximately 35 per cent of capacity. Owing to the absence of orders, a number of ship-building enterprises have been closed; those which are working are in constant danger of being closed. At the same time the Italian Government has bought 105 “Liberty” ships from the United States of America. In accordance with the agreement made under the Marshall plan, half the freight is sent in United States ships.

The grievous position of Italian industry, which has caused an immense increase of unemployment in the country, is being used by United States monopolies to buy up Italian enterprises for paltry sums. United States capital has seized oil refineries, a large part of the machine-building and automobile works, etc. Such are the fatal results of the Marshall plan for Italy’s economy, which is being increasingly subjected to the control of United States monopolies.

Germany’s industrial production level is also low.

The policy of the Anglo-American occupation authorities consists in bringing coal, scrap-iron and timber out of Germany and in slowing down

the development of peace-time industries; that is the cause of the low level of industrial production in Germany. The re-establishment of industrial production in the United Kingdom and United States occupation zones of Germany, which are controlled by United States monopolies, is directed towards the restoration of a military industrial potential, whereas peace-time industries are being throttled in the interests of Anglo-American capital. In order to eliminate the possible competition of German goods on the world market, United States monopolies are destroying rival German enterprises. This suppression of peace-time enterprises may be illustrated by the following example. In the beginning of 1948 two tool factories, the only ones in Germany manufacturing spiral drills, were hastily dismantled. The haste and purpose of this dismantling are absolutely clear if we recall that the railway authorities of Bizonia had not long before been given a credit for obtaining spiral drills. As a result of the dismantling of these factories a \$4 million order for drills was given to a United States firm (*Rhein Neckar Zeitung*, 12 February 1948).

Industrial production in American-occupied Japan stands at a still lower level. The industrial production index for nine months of 1948 represented only 31 per cent of the pre-war level.

Thus the low production level in the defeated countries is the result of the policy of certain occupying Powers, which are seeking to increase their own production at the expense of the defeated countries.

It may be seen from the above that the industrial production of capitalistic countries is characterized by extreme unevenness, both in the levels reached and in the changes which took place in 1948. The differences in the respective condition of industrial production in countries which did not suffer from the war, in countries which were occupied and in countries which were defeated, show the artificial way in which these countries are grouped in the report on the world economic position, which thus distorts the real picture of the economic position of these countries in 1948.

In a number of capitalistic countries there is still an acute shortage of foodstuffs, in spite of a

certain increase in the grain harvest in 1948. The grain harvest in a number of western European countries is at an even lower level than before the war. The production level of other foodstuffs is also low. The United States "aid" programme is not directed towards the reconstruction of the productive forces of agriculture in countries receiving that "aid", but is aimed at retaining a European market for American foodstuffs. It is enough to state that of the total allocations under the Marshall plan, amounting to \$1,666 million on 29 September 1948, the allocations for agricultural machinery and equipment amounted only to \$6 million, or 0.3 per cent.

After visiting Europe in November 1948, Mr. Frazer, the American automobile manufacturer, stated that the Marshall plan "helps to feed Europeans but does not help them to begin to feed themselves".

The further increase in inflation in 1948, which has lowered the standard of living of the population in these countries, indicates the instability of the economic position in the capitalist States.

In the United States of America the cost of living rose during 1948. The upswing of prices of food and other consumer products left the rise in wages behind and caused a fall in real wages. The rise in the cost of living led to a decrease in consumption by wide sections of the population. *The Economic Report of the President of the United States* to the Congress cites facts demonstrating that the inflation caused a decrease in *per capita* consumption. These data show that there was a decline in *per capita* consumption in the United States of meat, milk products, fresh fruits, vegetables and other products. The inflation in the United States injures other countries which buy American goods, and has a harmful effect on the economies of the countries dependent on the United States.

The Secretariat's report notes a rise of 7 per cent in the cost of living in the United Kingdom in 1948. The United Kingdom representative said in his statement on this subject that from March to December 1948 the index of weekly wages rose by only 2 per cent. A comparison of these two

indices will show that the real wages of British workers have declined.

The rise in the cost of living in 1948 was particularly significant in France, where, according to official figures, it rose by 57 per cent from the third quarter of 1947 to the third quarter of 1948. Even *Le Monde*, an organ of French business circles, was obliged to admit, albeit reservedly, the negative influence of the Marshall plan on the purchasing power of the French working classes. In its issue of 16 October this newspaper stated, "The Marshall plan has actually been in force for eight months, but the purchasing power of gainfully employed persons has declined". A marked increase in the cost of living may also be observed in Belgium and other European countries.

The Marshall plan has not halted the process of inflation. Revealing in this connexion is the rate of increase of wholesale prices, as quoted in the recently published second quarterly report of the United States Marshall plan administration. The report shows (page 137) that prices in France rose in the two post-war years 1946 and 1947 by 80 per cent, and in the first ten months of 1948 by almost 72 per cent, while in England prices rose by 10 per cent in 1946 and 1947 and by almost 11 per cent in the first ten months of 1948.

While this inflationary reduction in the standards of living of the working people takes place, the profits of the capitalist monopolies are growing. Although industrial production in the United States is lower than in 1943, the profits of United States monopolies are constantly rising. According to data cited in *The Economic Report of the President to Congress for 1948*, profits reached a figure of \$34,000 million, compared with \$24,500 million in 1943 and \$6,200 million in 1937.

The enrichment of the monopolies in the Marshallized countries is on a tremendous scale.

One of the most serious problems, without reference to which it is impossible to throw light on the world economic situation, is unemployment. It must be noted, however, that in the Secretariat's report on the world economic situation in 1948, unemployment is not given sufficient attention.

The importance of the problem of providing employment may be seen from the fact that even the data given in the report, which include only a small number of countries, show the total of officially registered unemployed persons to be 6.5 million. The true extent of unemployment in the capitalist countries is, of course, considerably greater. The enormous army of semi-employed persons must also be taken into consideration.

*The New York Times* for 19 February 1949 reports that in the United States of America the number of unemployed persons amounts to three million. To estimate the actual extent of unemployment in the United States the various forms of concealed unemployment must be taken into consideration, particularly the number of semi-employed persons working incomplete work-weeks. Data published by the Department of Commerce show that in January 1949 the number of persons working fewer than 35 hours per week reached 9.5 million, including 2.3 million persons working fewer than 15 hours per week.

In Italy, according to incomplete data, there are two million unemployed, and in Germany about one million. Unemployment is also considerable, and still growing, in a number of other western European countries. As has been shown, unemployment has risen sharply in Belgium. The existence of an army of unemployed in the capitalist countries provides a reserve of man-power enabling employers to dictate conditions of work and wage rates to their workers under threat of dismissal. The existence of unemployment lowers the standards of living of all working people.

The frenzied armament drive in the United States and several other capitalist countries, and their establishment of aggressive blocs, hinders the normal economic development of the various countries and at the same time unsettles international economic relations. The armament drive increases the tax burdens borne by the working classes and even further reduces their standards of living, while it enables the monopolists to enrich themselves by war preparations.

While militarization and the armament drive proceed in the United States, the United Kingdom and France, expenditure on the armed forces in

the Union of Soviet Socialist Republics has been reduced from year to year and appropriations for social and cultural measures rise every year.

As a result of the armament drive in the United States, the United Kingdom and France, great material resources are being wasted for non-productive purposes, international relations are strained and the foundations of international economic co-operation are undermined.

The Economic and Social Council cannot ignore this waste of enormous material resources on the preparation for war, which renders difficult the economic development of the various countries and leads to a deterioration in the standards of living of all peoples.

In considering the world economic situation due attention must be paid to the development of international trade. The development of international trade, referred to here by the representatives of the United States and other countries as a means of improving the world economic situation and economic relations among countries, is being hindered by the policy of discrimination conducted by the United States in relation to a number of Members of the United Nations. This policy not only clearly contradicts the principles of the United Nations Charter, but is also a violation of the obligations undertaken by the United States under trade agreements with other countries.

While in words it defends the principle of developing foreign trade, the United States, by establishing a discriminatory system, hinders the development of international trade and co-operation. Not only does the United States Government itself follow this policy of discrimination in trade relations with a particular group of countries, but it forces the same policy on other countries. One section of the United States Foreign Assistance Act of 1948 openly provides for pressure to be exerted on the foreign trade relationships of the Marshall countries. The section includes a direct threat to these countries that deliveries will be terminated unless they conduct the same policy in relation to the countries not participating in the Marshall plan as does the United States. The United States foreign trade policy is designed to subject the trade of the western European countries to the interests of the United States.

The delegations of the Union of Soviet Socialist Republics and other countries have already cited facts demonstrating the pressure exerted by the United States on the trade policies of the western European countries. At yesterday's meeting the representative of Poland quoted a number of convincing facts in this connexion.

The policy conducted by the United States conflicts with the tasks and objectives of the development of international economic co-operation. The true foundation for any expansion of international economic co-operation must be the development of trade among countries on conditions equally profitable to all, without discrimination or interference in the internal affairs of other countries.

In examining the world economic situation, the Economic and Social Council must not ignore the discriminatory foreign trade policies conducted by the United States, which hinder the development of trade and economic co-operation among the Members of the United Nations and prevent any improvement of the world economic situation.

In conclusion: the world economic situation in 1948 was characterized by a radical divergence between the economic development of the Union of Soviet Socialist Republics and the peoples' democracies, on the one hand, and the capitalist States, on the other.

(a) The economic development of the Union of Soviet Socialist Republics in 1948 was characterized by the further steady rise in the entire national economy, which exceeded the levels achieved in the pre-war year 1940. Particularly important successes were secured in industry, the output of which considerably exceeded the 1940 figures. At the same time, industry in the Union of Soviet Socialist Republics during the post-war period has been developing at an accelerated rate. The rise in the national economy of the Soviet Union was accompanied in 1948 by an appreciable improvement in the welfare of the population.

(b) In 1948 the peoples' democracies, having carried out progressive reforms, achieved a steady rise in the output of industry—which exceeded pre-war production—and secured improvement in the welfare of their peoples.

(c) The economic condition of the capitalist countries in 1948 is characterized by uneven development and an unstable economic situation, reflected in the slowing down of industrial development in some countries and its stagnation or decline in others, by the growth of inflation, by an increase in unemployment and by a fall in the living standards of the working people, accompanied by a marked rise in the profits of the capitalist monopolies.

(d) The policy of the United States aimed at the economic and political subjection of other countries, the discriminatory foreign trade and credit policy, the armaments drive—all this is undermining normal international economic cooperation.

The Union of Soviet Socialist Republics delegation trusts that these observations will be given due consideration in the preparation of the final report and in subsequent reports on the world economic situation.

#### The PRESIDENT

Of the eighteen members of the Economic and Social Council, sixteen have already taken part in this debate. I have been informed that it is not the intention of the Chinese delegation and of the Byelorussian delegation to participate; therefore, so far as first contributions to this discussion are concerned, they have been completed. But I understand that two or three other delegations wish to make some further remarks.

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

I must apologize to the members of the Economic and Social Council for taking the floor again but the policies of the United States have been subject to comment for some three hours during this debate and I do feel that it is necessary for me to make a few remarks.

The charges which have been made with respect to the United States have been made before. They have been made in this Council. They have been made in the meetings of the General Assembly. They have been replied to by the United States and by other countries, particularly those in

Europe who have similarly been involved with respect to the charges.

I wish that I felt that I could rest entirely upon the replies which have been made in the past. They obviously have not been effective, because the same mis-statements of fact, the same mis-interpretations of motives which have appeared in the past have appeared again.

Today, rather than to repeat in terms of American policy the controversies which we have had in the past, I should like merely to call to the attention of the Council some replies and some confusing statements which have been made in connexion with these charges. It may be that the replies which have come from the same people who made the charges may have more effect than my feeble efforts have had in the past.

For example, we were told yesterday that the countries of western Europe have food shortages deriving in part from lack of seeds and fertilizer. We were told that the European Recovery Program was designed to meet the needs of the American economy. However, as evidence of the pernicious form of American aid, Dr. Katz-Suchy denounced the fact that "... out of the grand total of \$4,044 million ... \$1,384.3 million was used for food and fertilizers ... " This would seem to be an answer to the charge.

We were also told that an inadequate amount of machinery had gone to western Europe. I might remind the representative from eastern Europe—and on this they certainly have experience—that it takes much longer to provide machinery than it does to provide immediate items such as food. I know that they would be greatly relieved in their concern to know that the programme of the Economic Cooperation Administration for the next year includes substantially higher percentages of machinery and capital goods than did that of last year.

Dr. Katz-Suchy said, "The United States has hampered the growth of European industry" and he also said, "Today the physical after-effects of the Second World War are almost completely overcome in the countries of western Europe". Dr. Katz-Suchy said, "The Second World War has

made the problem of food especially acute. The Food and Agriculture Organization reports that only seven nations, excluding the Union of Soviet Socialist Republics and the new democracies, raised enough food to meet their own needs", and at another point, he described the consumption of bread, sugar and meat in Poland as exceeding pre-war foods. At almost exactly the same moment, the Polish representative in the International Children's Emergency Fund told a rather different story as he urged that Poland should receive the largest aggregate assistance of any single country from that fund.

We are told that the United States is dumping its products in countries in the Organization for European Economic Co-operation—that it wants a wider market. At the same time, we are told that "... devaluation of the franc was dictated from Washington as part of the Marshall plan". I suggest that someone might check the dates, as a matter of fact, if these two things are to be put together. I deny the actual fact that is here alleged, but even accepting it, it would be a new form of dumping—to make American products more expensive in France and French products cheaper in the United States.

As to counterpart funds, we are damned if we do and we are damned if we don't. "In Austria ... the Economic Cooperation Administration's financial policy of releasing blocked schillings from sales of relief goods would drive the country into catastrophic inflation", but, "The Economic Cooperation Administration rejected a French proposal anticipating the availability of more than \$1,000 million of franc counterpart funds desired to avoid new taxation. . . ."

We have a repetition of the debate in the General Assembly with respect to American export policy. We are told (1) United States policy is directed at establishing an embargo against eastern Europe, and (2) the United States controls the export policies of the countries in western Europe. (Incidentally, that is not in any bilateral agreement, as was stated before.) We are told, you see, that United States policy is directed at establishing an embargo and that the United States controls the export policies of the countries in western Europe, but then again we are told the volume

of trade in eastern and western Europe is steadily increasing.

We are told "Another feature of economic development during 1948 was the clear emergence of the attempt to rebuild western Germany as a centre of economic power in Europe." But we are also told, "The removal of two main competitors, Germany and Japan, has served to increase the exports of the United States."

We are told, "Very large profits are being derived from Germany" by the United States. We are also told capitalists are deriving profits from Germany. And then, at the same time, we are told "... from January to October 1948 Germany received \$737.8 million, which is more than one-fifth of the total Economic Cooperation Administration exports to Europe. During the first quarter of operations, appropriations under the programme for western Germany were 100 per cent in the form of grants." This is a wonderful technique for deriving profits from a country!

We are told that the United States is not carrying out reparations and we are told of the tragic dismantling of two instrument plants in connexion with the reparations programme. We are told "... Bizonia is being made into an American island . . ." At the same time there is objection to United States assistance in the form of grants; there is objection to establishing German trustees in the Ruhr; there is objection to the return of certain former United States owners into Germany; and there is no mention of the new project for the control of the Ruhr by the Ruhr Control Authority.

We are told, and this is certainly information which required some sort of psychological insight, that American owners of the Hugo Stinnes industries are planning to increase their share of the Ruhr coal. Yet the fact is that the reorganization of the Ruhr coal industry into a number of medium-sized enterprises specifically includes the Stinnes properties in accordance with the deconcentration policy. Of course, the fact is that the only increase in foreign ownership in all of Germany—and that has been tremendous—is the increase of Russian ownership in the Russian zone.



We are told that the American post-war policy includes the forcing of exports in order to stave off the impending crisis and the Katz-Suchy poll of American business opinion concludes that such a crisis may now be imminent. If this statement of policy is true and the results of his poll are correct, then the logical conclusion would be that the export gap in the United States balance of payments would be rapidly increasing. The fact is that it is rapidly decreasing.

I am particularly interested in the suggestions which have been made by two of the speakers with respect to comparisons of the operations of economies. These comparisons have been primarily in terms of what might be called the production tests and the increase in percentage of production. Anyone knows that increases can be spectacular when they start from a low level. Any anyone knows that as a country becomes more mature and more developed the production test is no longer an adequate test of the capacity and character of its economy. Consider, for instance, whether it would be a correct comparison to say that the United States economy is not effective because it has not increased its production 27 per cent as compared with last year. As a matter of fact, we would regard that as a most unfortunate test to apply to our economy. We have, for example, 35 million of the world's 45 million automobiles in the United States. I suspect all of us would live even more in the fear of our lives if we moved ahead with the process of a greatly expanded production of automobiles. The tests in a mature economy are not only production. There are tests with respect to continually improved quality and there are tests with respect to continually reduced costs. In the United States economy we give great emphasis to the continued production of goods with less and less burden upon our labouring group.

There has been mention of the high levels of the United States economy in its production of 1943. I think all of us around the table should regard that as a most fortunate fact. It is a demonstration of the ability of the American economy to expand when necessary. However, that production was done on the basis of much longer hours of work, a much greater burden on the labouring population; in our judgment, one has to take into

account the degree to which the benefits of an economy are obtained through burden upon the labouring forces.

There have been some comparisons merely limited to 1948 over 1947 or over 1946. This is an even more unsatisfactory basis of judging the performance of economies. In fact, if one uses this basis—and I certainly am not endorsing that idea—the ideal economy in the world must be the economy of Germany—and the desirable thing is to submit oneself to an occupying force because that is the area in which according to the statements which we have heard—and it is true—the percentage of increase during this period has been most extraordinary.

Actually, in comparing economies, there are many different elements which must be taken into account. I am sure if one were making an objective review, one could not disregard the achievements of the United States economy and the levels which its population has reached in its standard of living. We are very proud of the United States economy. We are not distressed by the fact that our production is no longer increasing 27 per cent each year. The United States economy is a free economy. It is one which has the full opportunity for initiative, for invention, for imagination, to express themselves.

In the short run, it may well be true that an authoritarian economy, a totalitarian economy, may be able to make the greatest advances, but in the long run we are quite prepared to pin our faith on a free society in which all individuals have a full chance to express themselves and to make their fullest possible contribution to the development of that society. So far as the United States is concerned, we are working most happily in what we regard as a thoroughly constructive relationship with other free societies. That brings me to one quotation from a speech with which I can thoroughly agree, as follows:

“Relations between the Union of Soviet Socialist Republics and, let us say, Poland are quite different from those between the United States of America and Marshall plan countries.”

Mr. MAYHEW, United Kingdom

Like our United States colleague, I am reluctant to speak again, and yet in this debate, as in a similar debate last year, the high level and constructive tone of the debate has been somewhat marred by two speeches from delegates of communist countries, in which a number of tendentious charges were made against a number of countries, including my own. Some of the true facts relative to these charges have been referred to by our United States colleague, but I would like, if I may, to make some comment on the speeches we have heard from the representatives of Poland and the Soviet Union.

Before I come to the precise criticisms and charges which they made, I would like to draw the Council's attention to a fact which has already been referred to, notably by our colleague from France and our colleague from the United States—the absence from the survey before us of basic figures of economic statistics of the Soviet Union. Over and over again in these tables, we find world figures “excluding USSR”, world averages “excluding USSR”.

I raised this matter at the last session—at the latest debate of this kind at the Economic and Social Council—and, indeed, at that time the Soviet representative himself admitted the truth of what I was saying. As the summary record notes, Mr. Arutiunian said that the series of reports prepared by the Secretariat were an important contribution to the study of the problems of economic development. They did not, strictly speaking, constitute a survey of world economic trends, since they failed to include a description of the post-war development of the national economy of the Union of Soviet Socialist Republics. Mr. Arutiunian repeated that he spoke at some length because the Secretariat's reports had not included sufficient information about the Union of Soviet Socialist Republics.

This year, again, we are faced with the same problem, namely, the lack of information about the Soviet Union in the report before us.

It is true, of course, that there is no obligation at all on Member nations to produce this informa-

tion if they are not willing to do so. Let us make that quite clear immediately. I think none of us will doubt, however, the usefulness of having the information. I think we can say also that when the achievements of the Soviet Union are used in order to disparage the efforts of the countries of western democracy, then there is a certain moral obligation on those who used the alleged achievements of the Soviet Union, which may indeed have great substance. When they use it as a means of attacking socialist democratic countries such as mine, or capitalist countries such as the United States, then there is a certain moral obligation on those people to produce the facts and figures to substantiate what they are saying.

The speech we heard from the Soviet representative, of course, quote a large number of figures. He quoted, regarding output, prices and wages, twenty-eight separate figures. Of these figures, however, twenty-five were percentage figures, without any base figure on which to base the percentages. We were told, for example, that coal output had increased by such and such percentage, but no information was given about the coal output of the Soviet Union. The only three absolute figures that were given related to grain, to trees and to some lakes.

I feel that this is a matter of some importance. The publication of concrete economic, demographic and other statistics has virtually ceased in the Soviet Union. The only statistical material released is either fragmentary, for a particular unit or region, or percentages of an unknown base. Very few statistics are related to each other. No statistical abstract is produced, and I would like to give the Council a list of the statistics which, to the best of our information, are not available.

First, basic production statistics. Apart from percentages, no figures are available either in the reports of the United Nations, or elsewhere in the western world, for basic items, such as the output of coal, the output of electric power, the output of non-ferrous metals, the output of oil, the output of pig-iron, the output of steel, the output of synthetic rubber or the output of chemicals. No statistics have been produced for many years for foodstuffs and many basic consumer goods.

No regular statistics of consumption have been published since the last issue of *Socialist Construction in the Union of Soviet Socialist Republics* which was last issued in 1936. No references are made to *per capita* consumption of goods or to total consumption, except for these vague references to over-all consumption which are to be found in a report on the fourth year of the five-year plan.

No basic statistics, apart from plan figures, are provided for the average space per head of the population in housing, or for the average in large industrial centres, such as Moscow or Leningrad, where it is well known that workers' housing conditions are among the worst in Europe.

Until 1927 not only were total statistics of health published, but also detailed statistics on such subjects as abortions, infantile mortality in backward areas and incidence of highly infectious diseases. These are no longer given. No material statistics affecting health have been published since 1927. No figures are given for the incidence of venereal disease, typhus, leprosy, bubonic plague, beriberi, chicken pox, scarlet fever and other diseases of that kind. The Soviet Union no longer furnishes the International Drug Control with statistics or any other assistance.

No population statistics have been published since the results of the 1939 census were given. There are no figures for present population, war casualties or civilian casualties.

I would mention too, the question of unemployment to which our Soviet colleague made reference. He complained that there were insufficient figures in the report before us on the subject of unemployment, or concealed unemployment, as he said. Of course we know the official party line is that no unemployment exists in the Soviet Union. I would reply, if that is so, I would like to know the definition of unemployment which is used in this context by Soviet spokesmen. For example, I will give the Council the method of calculation and definition of unemployment which is used in the United Kingdom. We include in our figures of unemployment a large proportion of transitional unemployment. That is to say, if a man loses his job on a Monday and finds another job on

Wednesday, he is counted as unemployed if the day of the count is on Tuesday. This means that if any worker changes his job, he is in effect, liable to be counted for a short period of time as unemployed, and in a large economy with a large turnover of labour, unemployment is absolutely inevitable. We know that in the Soviet Union there is an enormous turnover of labour, of hundreds of thousands of workers every year; the question I want to ask our Soviet delegate is, when these workers or a proportion of them suffer transitional unemployment, are they counted or are they not? If they are counted, what is the figure for unemployment in the Soviet Union? If they are not counted, what is the definition of unemployment, when we are told there is no unemployment in the Soviet Union? And before he complains about the lack of statistics on this point in the report before us, I submit that unemployment statistics in the Soviet Union should be submitted along with the rest.

I need not say, too, that no statistics on the cost of living have been issued in the Soviet Union since 1926. Further important fields of development on which no statistics are published and of which no public mention is made include the production of gold and other precious metals, industrial activities of the MVD, particularly at Dalstroy, man-power in the armed forces, forced labour and the cost of a large number of non-ministerial bodies directly controlled by the Soviet of Ministers. We are bound to ask ourselves—why this secrecy? If, as we have been told, in effect, this afternoon, the Soviet Union is pre-eminent in social and economic progress, if it is, in fact, a form of worker's paradise, why are we not allowed to know the fact? Maybe we shall be told it is a matter of military security. Yet it is hard to think that figures on the cost of living are a matter of military security, or that housing space or that the number of abortions in a year are a matter of military security. Or else we shall be told that the economy of the Soviet Union is so different that it is impossible to reconcile the figures we use with the figures of the so-called capitalist world, as expressed in the Secretariat's report. Again it is hard to believe that a basic figure like the output of coal, even if it is being hewed under communist conditions, cannot be reconciled with the output of coal in a country like social democratic Britain.

It is hard to believe that it is impossible to reconcile the figures of infantile mortality in the Soviet Union with the figures of infantile mortality in the British Commonwealth, especially when we remember that these figures were published up to 1927, even in the communist state of Soviet Russia. Indeed, there are other communist countries which publish more figures than the figures published by the Soviet Union. The reason for this secrecy is, I am afraid, quite clear. It is because the Soviet Union considers that it must keep alive the communist propaganda myth—of the Soviet Union as pre-eminent in democratic and progressive advance. The myth that the Soviet Union, which has just about the lowest workers' standards in Europe, has, in fact, just about the highest; that the Soviet Union which is just about the most totalitarian country in Europe is, in fact, the most democratic. This myth is essential to the Soviet Union in its campaign of political warfare against the western democracies.

In his speech, the Soviet representative also referred to the standard of living of British workers. He quoted a figure I gave yesterday about the increase in the money wages of British workers and related it to an increase in the cost of living in Britain. As a matter of fact, the period to which I was referring was different from the period to which he was referring, but I will let that pass. If, however, this is to be held against the United Kingdom, I must clearly make some statement about the relation between the standard of living of the British workers and the standard of living of the Soviet workers.

I would not do this if I had not been directly criticized for my own country's standards in this matter. The Soviet Union started in the days of the Czar as a great backward State and has only recently fought a tremendous war, gallantly and at great sacrifice, and I would be only too willing to say that all my sympathies were with the Soviet Government in its drive to increase the living standards of its workers. If, however, the living standards of Soviet workers are used in order to attack the workers in my country I feel I am justified in making some comparisons.

I will not go into this in detail. It is a task made difficult, as I have explained, by the absence of

Soviet statistics, but I will just quote an authoritative comparison which was made, not by the British Government, but by an authoritative British publication, the *Economist*—a comparison which bears out the information at the disposal of the British Government.

The best contrast that can be made is to compare how many hours or minutes of work the average male worker would need in the Soviet Union, on the one hand, and in the United Kingdom, on the other hand, in order to earn certain staple consumers' goods. It takes an adult male worker in the United Kingdom some seven minutes' work to earn a pound of bread. In the Soviet Union, it takes the Soviet worker 70 minutes. It takes the United Kingdom worker 37½ minutes to earn a pound of butter; it takes the Soviet worker 315 minutes. It takes the British worker 22½ minutes to earn a pint of beer; it takes the Soviet worker 171 minutes. It takes the British worker 450 minutes to earn a cotton dress; it takes the Soviet worker 1,911 minutes. And finally, it takes the British worker 2,700 minutes, and the Soviet worker no less than 34,515 minutes to earn a man's woollen suit. I have explained the reasons which have prompted me to make this comparison. I repeat that that is an estimate which has been worked out by an authoritative British newspaper and which bears out the information at the disposal of the United Kingdom Government.

I come now to some of the other attacks that have been made by the communist delegates in the course of this debate. We heard the familiar attacks about the imperialism of the Marshall plan. Let me say that the Marshall plan has been and continues to be vital to the economic recovery of western Europe. As I stressed in my speech yesterday, my country could not do without it. However, we have had the usual attacks upon the plan. The hypothesis that the Marshall plan is United States imperialism is one of those hypotheses, bearing no relation to the facts which the Soviet Union considers politically advantageous.

There are a number of these hypotheses: that Marshall aid is United States imperialism; that Marshall aid involves a boycott of east-west trade; that Marshall aid hinders recovery in western

Europe; and that the capitalist west is on the verge of collapse. These theories bear no relation to the facts but assist the Soviet Union in its campaign of political warfare to undermine western democracy. Having chosen these hypotheses, then—and only then—the search for facts to support them begins. Authoritative statistics of the United Nations Secretariat, British White Papers, the public statements of responsible political leaders in the west—these are usually brushed aside, or else facts are picked from them. Instead, the newspapers of the world are ransacked. The same newspapers which in other contexts are described as “the capitalist press”, “inaccurate” and “hysterical” are quoted at this Council in order to prove these hypotheses. The less responsible utterances of the less representative public figures are quoted at length. Even the circulating libraries are not overlooked; where facts are not obtainable, they are invented.

However, almost any facts can be made use of, somehow, in supporting these hypotheses. If the output of an industry in western Europe falls, that fact is quoted; British coal output and British textile output were quoted by our Soviet colleague. But if the output of industries in western Europe rises, that fact is ignored. If the price level rises, the effect on workers' wages is duly noted; if the price level falls, a depression is forecast. If German production rises, as our Polish colleague alleged yesterday, quite truthfully, then it shows that the Marshall plan is building up Germany against the Soviet Union. But if western European production also rises, then it is in spite of the Marshall plan which is hampering the recovery of western Europe. If two capitalist countries agree, they are ganging up; if they disagree, they illustrate the eternal struggle and friction in the nature of capitalist systems.

A number of these contradictions have already been referred to by our United States colleague. Clearly, I could continue this list indefinitely. I happen to remember that in the first part of his speech our Soviet colleague complained that United States consumer goods under the Marshall plan were causing serious competition with similar products in western Europe. I also heard him, at the end of his speech, stating that the effect of the Marshall plan was to raise the cost of living in the

western European countries. These contradictions are, I know, painfully evident to members of the Council. I would say this: I have listened to communist propaganda for a large number of years, but the reality of western Europe's recovery, the reality of the success of the Marshall plan, is making their hypotheses more and more wild and extravagant; it is compelling them to search further and further afield for the unrepresentative facts with which to substantiate them. It is notable to compare the sources of information which are used by communist propagandists today with the sources which they were able to use before the war—and did use to a large extent and with greater effect.

I do not wish to detain the Council for long, but I must refer to the question of trade discrimination, about which criticisms were made by the communist delegates, and to the question of alleged United States imperialism in western Europe. Reference was made to article 117d of the United States Foreign Assistance Act. This provision merely prevents the United States Economic Cooperation Administration from assigning products of the Organization for European Economic Cooperation which are used to manufacture certain war-like supplies for sale to other European countries which the United States would refuse to sell direct for security reasons. It is not included in bilateral agreements despite the report of the Secretariat on this point. I notice that on page 24 of this report the Secretariat states that this provision is written into the bilateral agreements which the United States has with countries of the OEEC. That is not true, and I understand the Secretariat regrets the mistake. Of course, this hypothesis of the trade boycott could much more readily be maintained if it was not perfectly clear to everyone that since the Marshall plan began, trade between eastern Europe and western Europe has steadily increased.

Quite recently the United Kingdom signed a trade agreement with Poland providing for a total trade turnover of not less than £260 million for five years. That is the extent of our boycott of trade with Poland. The Polish prime minister in his speech on 10 January this year makes specific reference to Poland's economic relations with Sweden, France and Great Britain.

Last year, too, the United Kingdom took first place in the foreign trade of Hungary. Our trade in the first ten months of last year with the Union of Soviet Socialist Republics was £31,113,000; with Poland, £16,340,000; with Hungary, £6 million; and with Czechoslovakia, £12,074,000. These countries, of course, also trade profitably with other countries of western Europe, including France.

If the Marshall plan is intended as a boycott of trade between the east and west, it seems to be totally unsupported by the results. On the contrary, we know that right from the beginning it has been regarded as an essential part of the European Recovery Program—an essential factor in its success—that trade should expand between the east and west of Europe.

For a few more minutes, I would like to detain the Council to talk about the reality of trade discrimination which does in fact exist in Europe today. Not the propaganda myth—the communist propaganda myth—but the reality. I would like to begin by drawing attention to the trade relations between the Soviet Union, on the one hand, and Yugoslavia, on the other, and between the trade relations of Poland, on the one hand, and Yugoslavia, on the other. I want to make clear that I am not entering into this quarrel—the rights and wrongs are no affair of the United Kingdom Government—but I wish to make some comment to the Council since the question of trade discrimination has been raised by the Polish delegate and has been alleged against countries in the west.

In its recent trade agreement with Yugoslavia, the Soviet Union cut its trade to one-eighth for 1949, compared with what it was in 1948. On 27 December last year Marshall Tito spoke "... of concrete economic pressure ...", and "... of crude violation of various agreements and obligations...". "Such practices", he said, "have been uncommon even in the capitalist world." He goes on, "Our plans for industrialization did not suit many States which had expected Yugoslavia to remain a source of raw materials for their industry." The official Moscow radio and Press announcement of 31 December 1948 stated, "In view of the unfriendly policy of the Yugoslav Government towards the Soviet Union, a protocol

has been signed reducing mutual exchange of goods in 1949 to one-eighth of 1948". The Warsaw paper *Tribuno Lidu* said on 20 January this year in explaining the cut in Polish trade, "The answer is to be found in Yugoslavia's breaking away from the solidarity of these countries."

Perhaps, again since our Polish colleague has raised this question, I may read an extract from a Yugoslav paper. On 9 February, the Yugoslav paper *Borba* published a long article on discrimination in trade. The article stated that:

"During the recent trade talks, the Polish delegation, clearly in accordance with a directive, attempted to cause the greatest possible harm to Yugoslavia by buying up its most precious products, thus preventing Yugoslavia's using them to buy what was essential for Yugoslav industry in other countries, and at the same time refusing to sell to Yugoslavia valuable goods in return. The conditions demanded by the Polish delegation were far more severe than those demanded by them from other countries, including the capitalist lands with which Poland traded. Thus the Polish delegation demanded an impossible increase in Yugoslav exports of lead, zinc and copper, but refused to increase its own exports of coke and rolled metal, even though Yugoslavia had in the new agreement increased its exports so far as possible to meet Polish demands. At the same time, the Poles refused to import such articles as maize, chrome, wine and consumer goods of which it was clear that Poland stood in need. The Polish attitude was perhaps best shown by the stubborn demand of the leader of their delegation that all clauses expressing the desire of the two parties to increase their mutual trade be struck out of the new agreement."

The article continued by declaring that:

"Even before the Cominform resolution, Yugoslavia's allies had shown themselves opposed to Yugoslav plans for industrializing their country, and had begun talking of the nationalism allegedly displayed by the Yugoslav five-year plan which they declared to be a sign of the Yugoslav desire for autarky. Such criticism could only be explained by their critics' desire that Yugoslavia should remain a backward producer of raw materials for the use of other more industrialized countries which lack sufficient raw materials."

I will not continue with this article except to say that it makes questionable the moral right of our Polish colleague to come forward with his quite unfounded accusations of trade discrimina-

tion against the countries of the west. I will refrain from carrying this argument to too great length and thus wearying the Council. I have here a number of facts and figures regarding the economic penetration of eastern Europe by the Soviet Union. Perhaps the most interesting evidence of the technique of Soviet economic imperialism is given in the now public and official statement of Yugoslav leaders on the technique of exploitation from which Yugoslavia suffered before leaving the Cominform. There is, of course, no reason whatever to suppose that the same technique is not being practised on those members of the Cominform who remained within the Cominform. Indeed, as the United Kingdom representative to the General Assembly last year showed, there was a great deal of evidence to show that the same technique was at work. Thus, we can contrast the reality of economic imperialism with the communist propaganda myth about the Marshall plan; I am sure that no country of western Europe would tolerate, for one moment, one small part of the economic exploitation publicly and officially stated to have been suffered by Yugoslavia at the hands of the Soviet Union.

I have managed in considerable space of time to answer only a small part of the charges that have been made against the countries of the west. I hope I have done enough to show, however, that these charges are not based on a careful and objective survey of the available facts drawn from authoritative sources, but are in fact slogans of political warfare to which the facts are attached afterwards by a process of selection, distortion and invention.

Mr. BORIS, France (*translated from French*)

The French delegation would like, first of all, to pay tribute to the high standard of this discussion or, at least, of the greater part of this discussion on the world economic situation. Without exception, all the delegations have submitted general opinions of the highest interest and, in particular, many of them are agreed on some principles which deserve special attention. Equilibrium, they said, must be sought upwards, that is, on the basis of a higher rate of production. It would be dangerous to admit a decrease either in production or in trade.

Several delegations presented a picture of their own countries' position and this picture has often been very instructive. The French delegation does not complain about the possible lengthening of the discussions on this account.

Some delegations have seen fit to refer to the situation in other countries. Whilst they were entirely within their rights in doing so, it allows us to make certain necessary adjustments to statements which have been made concerning us. The representatives of Poland and of the Union of Soviet Socialist Republics, in particular, have in their speeches made a certain number of remarks about my country to which I must refer.

The distinguished representative of Poland has made several statements which, I am obliged to inform him, are incorrect and has interpreted facts in a way which I must describe as biased. I shall give a few brief examples of his inaccuracies.

For example, Mr. Katz-Suchy stated that the devaluation of the franc—a subject mentioned a short while ago by the United States representative—which took place at the beginning of 1948 had been forced on our country by Washington. I should have thought it only fair to recognize the fact that the devaluation of the franc was forced upon us by circumstances: the franc had lost a large part of its purchasing power and if we wanted to restore our trade balance, which had been endangered by the rise in prices expressed in francs and if we wished, consequently, to render French economy independent—and this is our aim—we had to correct the price levels for our export commodities.

Further, the Polish delegate might have realized, from the smiles with which the audience greeted his statement, that he was not being very convincing. Indeed, nobody has forgotten that when France decided to devalue the currency, the measures which were decided upon and were taken aroused controversies and objections in Washington itself, the echoes of which must surely have reached the ears of the Polish representative, who is usually so well informed, and who does not fail to read our newspapers and even to quote them when the opportunity offers. I will say no more on this point.

Another inaccurate statement, to which reference has already been made, is this: it was alleged that the United States refused to release the franc counterpart of our imports under the American aid plan. This again is untrue. The sums were released when the French Government so requested.

A third example: the bilateral French-American agreement was said to contain clauses forbidding France to make certain exports to eastern Europe. An error on this subject in the Secretariat's report has already been pointed out. The French delegation, during a long discussion in the Economic and Financial Committee of the General Assembly, made a formal denial of such allegations.

The bilateral agreement may be read; it has been published. It contains no such clauses. The Polish representative must be aware of the fact; that is why he goes so far as to say that some secret protocol must surely be annexed to the bilateral agreement. That is entirely untrue. There are no secret clauses; there is no secret protocol supplementing the bilateral agreement.

I shall now deal with certain biased interpretations.

The Polish representative juggled percentages. The method of using percentages as a basis for argument without giving concrete figures is well known; it is a well-tried method for proving whatever one wishes to prove and obtaining any result one desires.

I should not like what I am going to say to be interpreted as in any way implying a desire to minimize Poland's efforts to increase production. I have had an opportunity of admiring, on the spot, the efforts of the Polish Government and the Polish people towards the reconstruction of their country.

However, any comparison between the production figures of pre-war Poland and those of present-day Poland must, if the slightest degree of objectivity is to be attained, mention that the frontiers of Poland have been changed, and that the country now includes great industrial areas which did not belong to it before the war.

Application of the percentage method to other countries is naturally useful for propaganda, but has nothing to do with objectivity. This is also true of any attempt to deduce anything from the increase in German production in 1948 as compared with the increase in other countries in western Europe. It would, however, be legitimate to define the basis for comparison.

When the Polish representative says that the increase in German production in 1948 was considerable in comparison with the increase in production in other countries of western Europe, it would be only fair to indicate that this production was much lower at the end of 1947, hence much easier to step up—and quite natural for it to be developed further. What in fact happened was that in 1948 Germany went through a stage through which other nations had already passed in 1946.

I must note in passing a discrepancy between the remarks of the representatives of Poland and of the Union of Soviet Socialist Republics. Whereas the Polish representative complained about the rapid increase in German production, the representative of the Union of Soviet Socialist Republics complained that the recovery of ex-enemy countries was being hindered; he gave examples to show that the western Powers were deliberately hampering the development of German industry.

I now come to certain statements on events in France, concerning which a biased interpretation has been made.

The outstanding fact, as regards France in the year 1948, was the very bad harvest of 1947, which had disastrous results on our position. The representatives of Poland and the Union of Soviet Socialist Republics saw fit to argue that these difficulties are to be traced back to the Marshall plan, as if the Marshall plan could have caused the drought which occurred in France during the spring and summer of 1947.

This is an easy way of producing an effect, but it is not convincing. Moreover it is a method which, in altered circumstances, can lead to very different conclusions. For example, this year we are reaping the benefits of an excellent harvest



and my country's position is at this moment improving very rapidly; the situation will be entirely changed. For instance, the cost of living is now falling. When, in a few months' time, these changes become even clearer, will our Polish colleague blame the Marshall plan?

I pose the question, but I really know the answer. Mr. Katz-Suchy has revealed to us the secret of his dialectic. Whenever something unpleasant happens in a country in receipt of Marshall aid, that is due to the Marshall plan; but when something pleasant happens, and some improvement must be admitted, then it is in spite of the Marshall plan.

Our Polish colleague is a man with a good sense of humour, but I hope he will allow me at this moment to explain one of his best jokes for the benefit of those who perhaps did not realize at the time that it was a joke.

Let us now turn to more serious matters. The Polish representative spoke of a fall in real wages in France, which is said to have taken place during the first nine months of 1948. I must first give particulars of the facts, on the basis of the figures published by the United Nations.

The real situation is as follows: the *Monthly Bulletin of Statistics* published by the United Nations gives figures for six-month periods ending April and October. Accordingly, I must compare the figures for October 1947 with those for October 1948. This is what I find: as regards wages, table 63 of the *Monthly Bulletin* for January-February 1949 shows that the rate of hourly wages in France rose from 57.93 francs in October 1947 to 87.54 francs in October 1948, an increase of 50 per cent.

During the same period, the cost of living index, given in table 64, rose from 1,515 to 2,203, an increase of 45 per cent. I must add that this index refers exclusively to foodstuffs, that is, the commodities for which the increase in prices has been most noticeable.

If we take the cost of living itself, as measured by the cost of a number of items, including basic consumer goods other than foodstuffs, in the

*Statistique générale de la France*, the figures for November 1947 and November 1948 are 1,501 and 2,024, respectively, and the increase is only 34 per cent. (I do not have the figures for October, which must be roughly the same.) Consequently real wages cannot be said to have dropped during the year October 1947 to October 1948; on the contrary, they rose slightly.

Yet I know well that it is very easy, when an inflationary situation exists in a country, to take as a basis either the period immediately preceding an increase in wages—and that period only—or the period immediately following a sharp rise in prices and to show that wages are lagging behind the cost of living. It is a well-known method. We are familiar with it, and presumably our Polish colleague used this method.

I can tell him that I heartily agree that if one takes, for example, the first seven or eight months of 1948, one will find that on the whole the purchasing power of wages in France has decreased. But this development was not confined to the purchasing power of workers' wages. During the same period, the purchasing power of all French people, with very few exceptions, decreased. The reason is simple. This was the period, I repeat, when we were all suffering from the consequences of the very poor harvest of 1947.

I do not want to pile up a mass of figures, but if the Council will refer to table 5 of the world economic indices, in part II of the publication, *Major Economic Changes in 1948*, it will see that the grain production index for France fell in 1947/48 to 51 (taking 1934-1938 as 100). This is one of the most disastrous figures ever recorded. The harvest of 1947/48 has been compared to a particularly bad harvest in the Napoleonic period.

Such a decline could not fail to affect the living conditions of the French people. Their standard of living was bound to reflect the consequences. If this is what our Polish colleague meant, I see no objection to granting him his point. But one question arises: what would have happened if we had not received Marshall plan aid, if we had not been able to turn to United States aid for the means of meeting an unprecedented deficit in French production?

I put the question, but I must say that the French people know the answer, and they do not forget what this help has meant to them. I say it lest our colleagues imagine that the propaganda they are trying to spread here could influence French opinion.

Now let me return to the question of the situation of France. We have had to use part of our Marshall plan credits for imports of foodstuffs—a larger part than in the preceding years. Mr. Katz-Suchy shows surprise at this. He is surprised that 1948 should, in comparison with 1947, have witnessed a decrease in the proportion of capital goods imported under the Marshall plan. The explanation, however, is very simple. In order to provide sufficient food for the French people, we had to import large quantities of foodstuffs in 1948. This meant that imports under the Marshall plan comprised a far larger proportion of foodstuffs than in 1947.

Marshall plan aid provides us with three types of goods: foodstuffs, raw materials for industry and capital goods.

As a result of our poor harvest, we had to change the proportions established for each of these three categories of goods, in order to meet our increased needs for foodstuffs. This meant that we had a choice between reducing our purchases of raw materials or of capital goods.

The purchases of raw materials have not been reduced. We needed coal, petrol, cotton, wool and non-ferrous metals, if our industries were not to be halted. All these products were imported; the result was that industrial production could be further increased and made to rise above the 1938 level, as the Polish representative himself admitted, although he added that this was in spite of the Marshall plan.

Thus the proportion of capital goods had, inevitably, to be reduced. Besides, France at that time had started producing such goods—electrical tools and tractors—and now this production is exceeding all our previously recorded results.

Next year, as the United States representative has already pointed out, we shall return to more normal quotas.

I have now finished what I may call the chapter of refutations. Fortunately, the Polish representative did not confine himself to calculations and criticisms which, as I think I have made clear, had no foundation. His speech contained more than one constructive suggestion and we were interested by all he said on the position of the countries about which our only complaint is that we are inadequately supplied with exact statistics on their actual situation.

We were also happy to note his words stressing the desire of his country, and of other countries of eastern Europe, to develop their trade with the countries of western Europe. On this point, as he must know, we agree with him. The Polish delegation cannot have overlooked France's constant efforts, both here and in the Economic Commission for Europe, as well as in bilateral negotiations, to develop trade between eastern and western Europe.

However, we must bear in mind that results do not depend merely upon the goodwill of the parties concerned. They also depend upon what each one has to offer. The exchange of goods is in proportion to production and, in the reconstruction period through which we are passing, it happens only too often that, owing to force of circumstances, offers are insufficient on either side. We ourselves have far too great a need for equipment to be able to provide others, who also need it, with all they would like to receive.

Eastern Europe, for its part, has not been able to provide us with all the goods of primary necessity which we urgently require. In other words, we have had to make great efforts to raise production; still more efforts must be made for general development before the trade between eastern and western Europe can reach the desired scale. I note that we are unanimous in agreeing that this scale should be considerable.

On the one hand, the successful development of production in the various countries of the world, due in particular to the recovery of western Europe—which our Russian and Polish colleagues wish to ignore, but which they will not always be able to ignore—on the other hand, the work which will be achieved, we hope, to hasten the develop-

ment of under-developed countries—and we are not forgetting the results obtained in countries like

Poland—all this must help us towards our common goal.

#### 25 FEBRUARY 1949, MORNING MEETING

Mr. KATZ-SUCHY, Poland

The United Kingdom representative, the United States representative and the French representative have attacked certain parts of my statement. The United States representative started his attack with a differentiation between the high levels of the discussion and the low levels of the discussion. He immediately divided the discussion into statements of high level, which included—of course, very modestly—his own, and the low-level statements, which included the statements of the Union of Soviet Socialist Republics and Poland. His line of differentiation was very simple. The measure which he used for the evaluation was still simpler. Those who joined the gratitude train after the statement of the United States representative with regard to United States grants in the past, in the present and in the future were the high levels; those who were more critical of it were the low levels. I can guarantee that I will not lower my level to the high level of the United Kingdom representative.

The United Kingdom representative used several arguments against two statements which have been made—against the statements of the representative of the Union of Soviet Socialist Republics and the representative of Poland. The first argument I have already described. The second, the third, the fourth and the fifth arguments were “communist representatives”, “communist propaganda”, “communist myths” and similar items. I am sure that these arguments were not intended for the Economic and Social Council; they were rather intended for the listening public. They had to create the proper impression on the public and not only on the Council, because I cannot believe that the United Kingdom representative’s argument for introducing the difference in development between socialist economy and capitalist economy is simply to create a communist myth. He knows much better what is a myth and what is a reality.

Let us turn to the reality he spoke about. The representative of the United Kingdom, in one of

his statements—in one of his many appraisals of the Marshall plan or of the so-called European Recovery Program—mentioned that the eastern European countries opposed the plan because they want to prevent the reconstruction of Europe but the Marshall plan is, and continues to be, vital to Europe and to the United Kingdom. One or two days earlier, with a great boast, the United Kingdom representative told us it was time to stop speaking about the recovery of the United Kingdom: the United Kingdom has already long ago recovered and is now progressing. Therefore, we are quite justified in asking the question, as it was asked in Washington yesterday: if it is so good, why is it so bad? If progress has been made so far, if recovery is proceeding with such speed, if 700 factories of an undescribed denomination have been opened, if the standard of living has been raised so high, if everything is so beautiful, why claim again the necessity for aid? Why claim the necessity for the Marshall plan? Why be a carriage in the great gratitude train to America?

Of course, Mr. Mayhew did not take special care to find facts against the arguments which he brought. He simply called them invented facts, distorted facts; and in one place he even spoke about the truthful allegations of the Polish representative. I wonder whether it was not a mistake, whether the word “truthful” was not some slip of the tongue which Freudist theory, not economic theory, could easily explain.

Mr. Mayhew accused Poland and the Union of Soviet Socialist Republics of using newspapers, instead of official statements and statistics. If, however, he would look at the statement of the representative of Poland, he would find that where figures were given, they were given on the basis of the seventh report of the Economic Cooperation Administration, the *Monthly Bulletin of Statistics* of the United Nations and others. And just to show how he quotes governmental figures—official statistics—he immediately quoted clippings from the Yugoslav Press concerning trade

relations between Poland and Yugoslavia. He quoted several newspaper clippings, giving them to us as the basis for his allegations. Were they statistics? Were they official statements? No. No one can blame him for it because I consider the newspaper a quite valuable source of information.

Another thing: Mr. Mayhew says that the Union of Soviet Socialist Republics never produces statistics. Immediately, however, he compares certain figures with regard to the value of labour and the earning capacity of workers in the United Kingdom and in the Union of Soviet Socialist Republics. He even goes so far as to give these figures to the exact minute. To earn a cotton dress, a worker in the Union of Soviet Socialist Republics needs so many minutes; in the United Kingdom she, or he, needs much less. A minute before he admitted he had no statistics. Are we not therefore justified in claiming here that these are pure inventions? Are we not justified in accusing a man who, in one and the same breath, says that he has no statistics available—that he has no statistics as to wages, as to prices, as to hours of labour and conditions of labour—but at the same time draws such exact conclusions? The reply probably will be that it was from a very good newspaper, the *Economist*, which I very gladly read every week. They were probably calculated, but was it a governmental source? What is the statistical basis on which the calculation was made? Either the representative of the United Kingdom has statistics and has based his statement on them, or he has no statistics and these figures were invented by someone.

In my statement I pointed out several salient features of the world economic situation during the year 1948. I referred in particular to certain aspects of that situation, namely the incomplete recovery of Europe—the uneven and differentiated development of European and world economy. I pointed out the activity of the United States as hampering world trade and retarding world recovery. Did anyone answer on this point?

We accused—and we do accuse, and we have accused during the General Assembly—the United States of leading economic warfare, of committing an act of economic aggression against the coun-

tries of eastern Europe by laying down an embargo. The reply is, “We have heard it before.” My reply is, “You hear it again.” Did Mr. Thorp, did Mr. Boris, did Mr. Mayhew say that the United States is not committing economic warfare? Did the United States representative say that it was not true that penicillin, streptomycin, spare parts for tractors, needles for cotton, are being prevented from being exported although they have been ordered and paid for previously? No.

Mr. Mayhew says to this that it is not true that the United Kingdom is boycotting eastern Europe. This is quite true; no one is accused. I pointed out the increase in the trade between east and west. Mr. Mayhew did the same as someone accused of robbery who claims that he did not rape a junior. We made the accusation that this action retards world recovery. Did anyone reply to it? No. I pointed out in my statement that in spite of the efforts of the United States, this trade has been increasing. I pointed to it not, as Mr. Boris says, in a joke, but I pointed to it as a victory of the sound European economic mind, because western Europe cannot exist without trade with eastern Europe. I pointed to the influence of the recovery of eastern Europe on the stability of Europe as a whole and as a guarantee that the present policy of the United States must not result in war.

I pointed out at the same time that there are attempts—and Mr. Anderson, in the discussion before the United States Senate Banking Committee, has quite clearly admitted that there are attempts—to force upon the European countries participating in the Marshall plan an embargo to eastern Europe. I pointed out his reply to Senator Taylor. And may I point out now, Mr. Mayhew, a statement which was made immediately afterwards by Harold Wilson of the British Board of Trade, stating that the United Kingdom was thinking of a list of embargoes of its own. Since Mr. Anderson, speaking in the Senate of the United States, pointed to the secret negotiations which are going on between the United States and the participant countries within the Economic Cooperation Administration, I pointed out that there must therefore be certain secret clauses which are attached to the ECA. I believe I was

quite justified in saying so because the point of the ECA agreement which I quoted spoke of the increase of exchange among the participant countries, both among themselves and with other countries. Therefore, the introduction of certain additional clauses, about which Mr. Anderson is so excited, shows that an attempt is attached, to introduce an additional agreement which will force upon the western European countries an embargo against eastern Europe.

This is, from every point of view—from the point of view of the Geneva convention on tariffs, from the point of view of the Charter and from the point of view of the sound economic mind—a violation of certain principles.

Mr. Mayhew has another reply to it. He does not deny that the United States is committing an act of economic aggression. He claims that Poland is committing it, and quotes newspapers. I believe that Mr. Mayhew served my purposes very well by quoting that article. That article shows how Poland drives a treaty. We are hard bargainers. We bargain for treaties as we bargained in London, as we bargained with you in Warsaw. We are not prepared to accept what is given us. We are not prepared to accept the dictatorship of Mr. Hoffman. We are not prepared to accept peanuts, as we are not prepared to accept maize or wine. It is the right of every country, when concluding a treaty, to demand that the country be given what it most needs—what the country most needs and what is the most scarce. We demanded certain metals and raw materials from Yugoslavia in exchange for raw steel. That was our right; it was our way of bargaining. We demanded the same materials which have been offered for sale to the United Kingdom and the United States. We shall continue to bargain in that way whether the counterpart in the bargaining is the United States, the United Kingdom or any other country. We are not prepared to accept what is given us. If we offer, we want a counter-offer and we can offer only to a counter-offer.

The same concerns western Europe. I pointed out that there is a certain limit beyond which we may not be prepared to go in supplying western Europe, if what we consider a fair share for us is not reciprocally met.

The representative of the United States tried to show, by quoting certain parts of my statement, certain contradictions which I made in the statement. First of all, he quoted them out of context; maybe they could confuse any listener but probably if the United States representative listened to the statement again he would see that he was confirming that which I stated by these very quotations.

The representative of the United States says "... we are damned if we do [release counterpart funds], and we are damned if we don't [release them]". I made the basic argument that the Marshall plan and the European Recovery Program are adjusted and built on the needs of the United States economy to meet certain difficulties, and not on the needs of European economy. Therefore when, for United States economy, for United States interests, it is convenient in Austria to release counterpart funds—whether it serves the purpose of Austrian industry or not, whether it will help in the increase of inflationary pressures or not—these funds are being released. When, however, the French Government approaches the United States administrator of the European Recovery Program for the purpose of releasing a certain amount of francs in order to avoid new taxation or to avoid any increase of inflationary pressures, it is refused because at that moment it does not suit the interests of United States industry and of United States exports to Europe.

Mr. Thorp found another contradiction in my statement. We say that they are dismantling plants; they stopped dismantling plants in the western zones of Germany. We say that they are building up industry; the Union of Soviet Socialist Republics says they are destroying industry. That is a very simple thing, Mr. Thorp. They are destroying and dismantling those parts of German industry which are in competition with certain United States industrial firms, so that these firms may continue the export of their products to Germany; while the industrial potential with regard to the military industry is being increased.

Mr. Thorp found another contradiction with regard to Germany. The representative of Poland allegedly has said that the programme was in grants, 100 per cent in grants, and then he said

that huge profits have been derived. That is quite simple; that is quite possible. It only depends from whom the grant comes and to whom the profit goes: who gives the grant and who takes the profit. The grants have been given but the use of the profits has gone to the various firms who were granted concessions—who were granted monopolies in the western zones of Germany.

May I make it completely clear that in my statement I did not oppose the reconstruction of Germany as an economic part of Europe; I did not say Germany should be left in its present state without attempts to remove the influences of the war. I pointed out—and it was pointed out several times by my Government—that we will fully support any economic policy in Germany which will help to bring back Germany as a part of European economy, because European economy cannot be stabilized with a vacuum like Germany in the middle. We pointed out, however, that this reconstruction must be based on the removal of Germany as the centre of the economic power which existed before the war—by the removal of war industries, so that Germany never again can menace the peace of the world.

May I draw the attention of the United States representative to that part of my statement which I shall quote:

“Of course the above-described tendency has nothing in common with the reconstruction of German economy as a part of the reconstruction of Europe, nor with the needs of other countries; it is not accompanied by political and social reforms which would guarantee the peaceful character of future Germany. The real menace is not so much the revival of German industry, which could be a constructive programme if it were used for the benefit of the people of Europe as a whole. What we are witnessing today is an attempt by the United States to create in the centre of Europe an economic basis which could be used as an instrument for the economic dictatorship of the United States over Europe.”

That is something quite different from what I have been accused of saying by the representative of the United States.

There was one point which, the representative of France reminded me, was met with smiles. This was when I spoke of the devaluation of the franc. Mr. Boris, I am sure, knows that smiles have never yet been arguments, and smiles have never yet been convincing. I wonder whether Mr. Boris has ever heard of a pamphlet which was published by the United States State Department shortly before the devaluation of the franc, which spoke of the necessity for the devaluation of the franc. Mr. Thorp says that I am accusing the United States first of devaluating the franc and then of dumping. I do not see any contradiction, because the policy of weakening the franc has as its very basis the attempt to eliminate the franc as an international currency from world markets. There was no dumping, Mr. Thorp says. Mr. Boris said, when I quoted the figure about the division between capital goods and goods for immediate consumption, that that was according to the need of French economy. Let me make one thing perfectly clear. We never stated that United States loans within the Marshall plan were without influence for the reconstruction of Europe. In the very first words of my statement, I pointed out the necessity for the reconstruction of Europe. What we were fighting against was not aid; we were fighting against the economic and political conditions which were attached to that aid.

That is where the danger lies, and that is what is dangerous for all European economy. The Marshall plan has been built, not as a plan for European recovery, but as a plan for United States domination over world economy. Therefore, variations in the division of supplies will be made, not in accordance with the needs of European economy, but primarily in accordance with the needs of the United States market.

Mr. Boris pointed out that in the next year of the Marshall plan there will be an increase in the supply of capital goods. Somehow, this goes together with the request which has been made by the American Machine Tool Builders Association, who complain that their share is too small. We all know that when the Marshall plan was inaugurated, machine industries in the United States still had very large backlogs of orders and were indifferent to European business. That is one of the reasons why the Marshall plan included

only a small proportion of industrial machinery. Now that industry has advanced, the backlogs have diminished and machine tool manufacturers have suffered a very sharp decline in their business. For this reason, the American Machine Tool Builders Association has asked the Economic Cooperation Administration to put pressure on the European countries to validate these orders under the Marshall plan. This is not because there was a bad harvest in France, or because there will be a good harvest this year—it is the need of United States economy.

This year there will be an increase in the deliveries of machinery under the Marshall plan. Next year, maybe, there will be an increase in the delivery of peanuts. Another year there may be an increase in the delivery of tobacco. The delivery of tobacco last year totalled \$109 million. This year, the deliveries of tobacco may be smaller. For the week ending 11 October 1948, a shipment of 12 million shelled peanuts was made to Bizonia. That shipment has provided every inhabitant of western Germany with one bag of peanuts for every day for a month. A similar shipment was made in Austria, but that shipment was so large that it provided every inhabitant with one bag every day for two months. I do not know how big the shipment of shelled peanuts to France will be next year but, whatever it is, it will not be because the French children like peanuts. I do not think they do. It will be because maybe in the year 1950 there will be a huge surplus of peanuts in the United States markets.

That is our criticism of the Marshall plan. We consider, as I have said, that there is no need to oppose sound economic aid. The United States representative will agree that it was the delegation of Poland which asked for the continuation of the United Nations Relief and Rehabilitation Administration and which asked that all grants of aid be made through the agency of the United Nations. It was the Polish delegation which spoke against the Marshall plan for by-passing the United Nations and for by-passing the Economic Commission for Europe. We believe that this should be done on the basis of world recovery and on the basis of the needs of world economy. Then it would be beneficial.

Mr. Boris says that food had been brought to France in a time of hunger: food for dollars which burdened the balance of payments of France very heavily. That food could have been bought without dollars from eastern Europe by means of barter trade. It could have been bought for French machinery, and this would have been beneficial both to eastern Europe and western Europe. It would have increased the productivity of French factories and at the same time would have established normal relations.

We could quote hundreds of examples like this from the list of goods being supplied under the Marshall plan. The discussion which took place between the United States of America and the United Kingdom with regard to the supply of tobacco is well known. The United Kingdom rightly considered that tobacco need not be bought in Virginia for good hard United States dollars, but could quite easily be bought in Greece. Finally, the United Kingdom became convinced that Virginian tobacco is much better for it and its supply of tobacco, instead of coming from Greece in exchange for goods manufactured in the United Kingdom, became a deficit in the balance of payment of the United Kingdom. Greece had a similar experience in respect of tobacco. The Greek market was flooded with American tobacco and American cigarettes, and the Greeks complained about the breakdown of their industry and the decrease of their main exporting resources. They were then told they should change and produce something other than tobacco.

Mr. Boris accused me of using improper figures by picking out special dates or special times which served my purpose. I do not know whether my example has encouraged him to do the same, but he has picked out figures which serve his purpose. He gave us a comparison between November 1947 and November 1948. I quoted figures of 31 October by which, according to French statistics, there was a decrease in the buying capacity of the Parisian worker amounting to 20 per cent and a decrease of 8 per cent for the average French worker. Mr. Boris quoted November 1947 and November 1948 figures. I do not know whether Mr. Boris was so busy at the Palais de Chaillot that he did not know that an increase in salaries was made on 14 November 1948, by

which every worker received an additional grant of 2,500 francs, and that in the previous year, 1947, a similar grant was made, of 1,500 francs. He compares these two salary figures, which have just received an immediate increase to meet the decreasing purchasing power of wages, as a counter argument in our discussion.

We all know that no responsible French statesman, either in the National Assembly or outside, would commit himself at the present time to a statement that the living standards of the French working class have been raised. I mentioned certain parts of the confidential report on the basis of which the report of the administrator of the Economic Cooperation Administration was made, in which it was stated that by 1952, with all the activities of the Marshall plan, the standard of living of the average western European worker would still be below that of 1938. Of course, the standard of living in France has not been at a standstill. We know that, as a result of action which was started by the French trade unions, the Government of France has agreed to a monthly indemnity of 1,500 francs, to be added to the wages according to the Paris level. From 15 November 1947, the French Government has refused to maintain the purchasing capacity of that new wage.

It should be pointed out that this purchasing power was far below the purchasing power of these same wages in July 1946. Right up to August 1948, real wages decreased continuously in France. All the trade unions of all political denominations—the *Confédération Générale du Travail*, the *Force Ouvrière* and the Christian Trade Unions—asked for either a lowering of prices or a revision of wages. In September 1948, the Government finally agreed to an indemnity of 2,500 francs—which came into effect later—by which the wages were raised 12 per cent. In December 1948, all French trade unions—again of all political denominations (so Mr. Mayhew cannot call it a communist myth, since I hope he will not call the *Force Ouvrière* part of the great communist myth) stated that the Government had done nothing to prevent the raising of prices and again a raise in wages was claimed. They asked for a 15 to 20 per cent rise in order that purchasing power could be restored to its previous level, since it had suffered so heavily in November 1947.

These are facts—which have been said in the French National Assembly and which are being stated in the French Press all the time. In view of this I do not know whether it is right for Mr. Boris to come here and claim that the falling standard of living—which I describe as one of the symptoms of an approaching crisis in the capitalist system—should be denied so fiercely.

I am quite convinced that if the representatives look through the substance of my statement again they will find that it was based on statistical material—on information supplied by various agencies, on United Nations materials and, of course, on the Press—and that it was not exaggerated, especially in so far as concerns the part in which Mr. Thorp accused me of exaggerating.

With respect to the symptoms of crisis in the United States, I made it quite clear that it was too early to give a definition as to their effect, either in the United States or in Europe, and too early to say whether they portended a depression, an inflation, a deflation, anti-inflation or whatever name may be invented for it. I am sure the situation will develop in one direction or another and, during the next meeting of the Economic and Social Council, members will have full figures at their disposal to enable them to discuss these new developments should the situation so require.

I quite agree as to the strength and high productivity of United States industry and commerce as described here by the representative of the United States. We know the reasons for this, and we have discussed it, but let us remember one thing: capitalism has shown itself to be always very vulnerable, even at its highest peak of development. Crises result from it, as do depressions, with very grave results. That is not a communist myth, Mr. Mayhew. Capitalist depressions existed even in the nineteenth century—or was this, perhaps, already the influence of Marxism? I do not know.

In my statement and explanations I think I made it entirely clear that in the discussion I laid stress on one main feature which I considered the most important of all, namely, the uneven and differentiating development of two systems, the capitalist system and the system of socialist planned



economy. We know only two such systems. Mr. Mayhew has told us of another system, a social democratic system, and on a previous occasion he tried to explain to us how ingeniously and cleverly the United Kingdom was building socialism with capitalist dollars. However, as I say, we know only two systems. We are approaching the half-way mark of the present century. The twentieth century has shown a victory for socialism over capitalism in many countries. In spite of the boasting as to the strength of American economy, we are confident that the twentieth century will be a century of socialism, and not of capitalism.

Mr. TSARAPKIN, Union of Soviet Socialist Republics (*translated from Russian*)

I had no intention of speaking a second time on this question, but the speech made by the United Kingdom representative yesterday obliges me to make a few observations.

I must first of all point out that the United Kingdom representative's statement is almost the twin of the statement he made at the sixth session of the Economic and Social Council, also in connexion with a speech by the representative of the Union of Soviet Socialist Republics. The same old record was played again yesterday, and the only difference was that yesterday's speech included quotations from the newspaper *Borba*.

I must observe that the hysterical statement made yesterday by the United Kingdom representative is slanderous from beginning to end. I will give examples. He asked why the Soviet Union does not provide statistics about smallpox, plague, abortion and unemployment? Really, only someone from the moon, or perhaps from Mars, could raise such questions. There have been no cases of smallpox or plague in the Soviet Union for a very long time. This should be well known to everyone. Extensive prophylactic measures have completely eradicated these diseases throughout the Soviet Union and there have been no cases of these diseases in the Soviet Union for several decades. As regards unemployment, I consider it ridiculous even to talk about unemployment in the Soviet Union, when there have been no unemployed in the Soviet Union since 1930 and all who are capable of work are working.

Mr. Mayhew has concerned himself with abortion. This too should be well known to Mr. Mayhew. What statistics do you need in this regard? I cannot understand what need Mr. Mayhew had of such slanderous manoeuvres. It seems to me that his sole aim was to shade over and distort the real state of affairs, to present everything in a false light, to turn the facts upside-down and to distract attention from the serious problems which have now arisen in the world, the problems facing the capitalist countries, whose economy, notwithstanding the Marshall plan—or, I should say, despite the Marshall plan—has not yet, in the overwhelming majority of those countries, reached the pre-war level. As for the United Kingdom, even if the pre-war level has at times been surpassed, this is true only of certain branches of industry.

What was it in my statement that so annoyed the United Kingdom representative? First of all, Mr. Mayhew was greatly annoyed by the fact that the standard of living of the workers in the United Kingdom had dropped. In my speech I quoted facts taken from the report and from Mr. Mayhew's own speech. The Secretariat's report states that in 1948 the cost of living of British workers rose 7 per cent, while Mr. Mayhew informed us in his statement that between March and December of that year the wages of British workers rose only 2 per cent. It should be clear to everyone from a comparison of these two facts—these two indices—that the standard of living of British workers has dropped. This is an indisputable fact, and in his statement yesterday Mr. Mayhew called this indisputable fact a libel on the British working class. I do not know whether the circumstances that its standard of living has actually been lowered is a libel on the British working class. It is no libel; it is the true state of affairs. Mr. Mayhew, I think, knows better who is responsible for this state of affairs and he could, if he were objectively minded, explain to us how and for what reasons the standards and conditions of life of British workers are not improving but, on the contrary, are deteriorating.

The statement by the representative of the Soviet Union which provoked such annoyance, and to which Mr. Mayhew devoted his long speech yesterday, contained facts and figures taken from official sources. By his questions about smallpox,

plague and the like, Mr. Mayhew in no way refuted the facts and figures contained in the Soviet Union representative's speech. He merely evaded them; indeed, they cannot be refuted.

It is now clear to all that there are two groups of countries in the world, in whose economic development there is an obvious difference. One group, developing very quickly, have restored their economy and are forging ahead in industrial development, agricultural development and economic advancement. The second group of countries are still in a state of uncertainty—are, so to speak, marking time. In some cases their economy is retrogressing and an uneven development is to be observed. This is an indisputable fact and no slanderous distortions, no attacks against representatives who have spoken here, can eliminate it. This fact exists whether Mr. Mayhew likes it or not.

I do not want to hold the Council's attention any longer and should like to sum up the question as follows:

The United Kingdom representative—if I used the dictionary to which he resorted yesterday, I might call him the “representative of the capitalists” since he called me the “representative of the communists”—attempted to distort the real state of affairs and distract attention from the serious economic problems and difficulties which face the capitalist countries and which show that one system is superior to the other. The attempt will not, in my opinion, succeed, since the facts which were quoted are contained in my speech and anyone can study them. Not one of these facts or figures was refuted by Mr. Mayhew. Powerless to refute them, Mr. Mayhew resorted to a peculiar sort of attack, using such nonsensical assertions as his statement about the existence in the Soviet Union of smallpox, plague and unemployment, which for a long time now have been unheard of there and which the young people living, working and studying there cannot even imagine.

It seems to me that the discussion which has taken place here in the Council on the report by the Department of Economic Affairs has shown that the economic situation in the capitalist countries is not as favourable as Mr. Mayhew has tried

to suggest. Speeches have been made here, not only by the representatives of the Soviet Union and Poland, but by many other representatives who have pointed out precisely the alarming symptoms and unsatisfactory state of their economy which are causing them to speak out and to give warning of the further consequences of the economic situation of these countries. These representatives have claimed that it is essential to take effective steps to avert catastrophe in these countries.

Did Mr. Mayhew not hear these speeches? Were they not made in this Council? Were they not made by the representatives of countries not connected with the “communist” countries, to use Mr. Mayhew's expression? These facts can, of course, be ignored, but they do not thereby cease to exist. They do exist, and everyone, including Mr. Mayhew, should and must take account of them.

Mr. BORBERG, Denmark

The old Greeks had a conception of discussion which is evidently not the one we have been following. They tried to find, by dissecting words and by stating facts, the real objective truth. When you are dealing with government representatives it cannot be helped if they tend towards a variation of that concept. I think we have now had what I should like to call the anti-Marshall plan ceremony.

We all know the attack is recurrent, and we all know at least the essence of the attack and the essence of the answer. However, since the ceremony has taken place and all the Marshall plan countries have been criticized for accepting the plan, I wish to remind members that last year I explained our gratitude to the United States for the help which they gave us. Since then, the Foreign Minister of my country, during the general discussion at the last session of the General Assembly, gave a full statement of the point of view of my Government and of the overwhelming majority of Parliament and the people of my country.

Since then, conditions in Denmark have further improved, owing in no small measure to the Mar-

shall plan. It is obvious that, from our point of view, we have no reason to be affected by this discussion.

Therefore, as the representative of Denmark, I gladly and with good conscience enter the gratitude train, as one representative called it. But I am glad that I am the last speaker, because I do think that there is no use continuing this discussion.

#### The PRESIDENT

If there are no further speakers, I take it that we have reached the end of this discussion.

As members know, two draft resolutions have been circulated: one has been circulated by me and is contained in document E/1180; the other has been circulated by the delegation of the United Kingdom and is contained in document E/1190.

Before coming to the consideration of these draft resolutions, I should like to call on Mr. Owen for a brief comment on some of the statements that have been made and on the general nature of this debate.

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

I am very grateful for the opportunity of saying, on behalf of my colleagues in the Department of Economic Affairs, how encouraged we are by the reactions of delegations to the report which we have placed before you. We are very encouraged by the complimentary remarks which have been made, and we have been very much helped by the comments and criticisms made by the delegations.

We should like to apologize for a number of errors which have crept into the report at various points and which have been pointed out to us by delegations. We are very much aware of certain limitations of this preliminary report, due to its hurried composition at such an early point in the year and due to the fact that we have in mind the preparation of the much more comprehensive report which we shall make available to the Council when it meets in July. At that time we shall have before us the reports of our regional commissions in Europe, in the Far East and in Latin America,

and I think we shall be able to give a much more balanced geographical treatment of the economic data in that report. At the same time we shall be mindful of those who hope that, at that time, with a mature consideration of the data before us, we shall be able to give a more thorough analysis of the economic trends, if it is possible, than has been possible at this stage of the year.

The last thing I should like to say is that the work of the Secretariat depends very largely upon the co-operation of governments in the submission of economic data which we can embody in our reports and make the basis of our analysis. If our report suffers from certain limitations, in some respects it is due to the lack of comparable data. The more co-operation we can get from members of the Council and from other Members of the United Nations, by having them submit data at an early stage, the better will be the work which we can submit to you.

#### The PRESIDENT

Before I come to the draft resolutions to which I have drawn your attention, I should like to make just a brief statement.

When I introduced this item, I recalled a statement made by Mr. Malik—who was then the President of the Economic and Social Council—that when we had a similar debate here a year ago he felt it was the best debate he had ever attended. My feeling is that the debate that has just now closed has been even better than the one in which we participated twelve months ago. As I have listened to it from this Chair, the feeling has crossed my mind several times that I was listening to the Economic and Social Council at its best. I congratulate members on the high level at which this debate has been maintained. In general, members have confined themselves to an analysis of the publications made available by the Secretariat, to a statement of problems as they see them and to proposals by which improvements in the world economic situation can be made. What has particularly pleased me is that the speeches have been couched in language which generally excluded denunciation and insinuation. There have been very few lapses as to that. We can expect serious differences of opinion here, but we have no right to

object when members take attitudes, and take them very firmly, with which some may disagree. But if what is said is expressed in the spirit of reason and conviction, discussion can hardly be other than helpful.

In the results of this debate a picture has been presented by members' contributions, in which those who are interested may see the problems that exist. This should assist authorities the world over to prepare themselves against possible developments and to correct the weaknesses that have been revealed in our prevalent world economy. By such debates, the Economic and Social Council fulfils one of its great purposes, and I should say that governments, and the other organizations mentioned in the resolution I shall introduce to the attention of the Council in a moment, will be thankful for the guidance this discussion affords them.

In conclusion, I personally should like to thank the Secretariat for the diligence and the capacity with which it has prepared these documents for our consideration. This work must have been done under very great stress, and the fact that it has been done in these circumstances puts us very deeply in the debt of some devoted international civil servants.

As members know, I have circulated a draft resolution. It is a very simple one and it should not arouse any controversy.

It reads like this:

*"The Economic and Social Council*

*"Taking note of the Secretary-General's report, Major Economic Changes in 1948,*

*"Draws the attention of Member States, of the Economic and Employment Commission, of the regional economic commissions and of the specialized agencies to the views expressed by members of the Council concerning the world economic situation."*

There is another resolution, but I suggest that the one I have just now read might be put and carried without further discussion.

Mr. TSARAPKIN, Union of Soviet Socialist Republics (*translated from Russian*)

Nevertheless I consider it expedient to put the resolution to a formal vote.

The PRESIDENT

Very well. As the representative of the USSR has asked for a vote, we shall have a vote.

*The resolution was adopted by 15 votes to none, with 3 abstentions.*

The PRESIDENT

The other resolution has been submitted by the delegation of the United Kingdom.

Mr. MAYHEW, United Kingdom

I think that the resolution of the United Kingdom is largely self-explanatory, and I do not propose to introduce it in anything more than a formal speech.

I would, however, draw the Council's attention to the fact that the information asked for by the resolution refers only to such information as the Secretary-General normally collects. It does not concern such information, for instance, as the specialized agencies collect—in case there should be any misunderstanding about it. I think the resolution is self-explanatory. We all agree about the need for supplying information for the Secretary-General's report.

We heard from the Secretariat this morning of the importance of co-operation in this field, and I formally move my resolution.

The PRESIDENT

I shall now read the resolution:

*"The Economic and Social Council*

*"Urges all Member Governments, subject to the requirements of security, to give the greatest pos-*

sible co-operation to the Secretary-General, in making available data required for the regular monthly and annual publications of economic and social statistics and for reviews of world economic conditions.”

As no one wishes to speak, I shall put the resolution to the vote.

*The resolution was adopted by 15 votes to none, with 3 abstentions.*

The PRESIDENT

That brings us to the end of the consideration of this most important item and I thank you very sincerely for your co-operation.

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