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U.S. Representative in Committee II on the Report of Economic and Social Council

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Statement by Senator Michael J. Mansfield, United States Representative in Committee II, on the Report of the Economic and Social Council, and economic development of underdeveloped countries.

One of the most widely held convictions of our time is that sustained growth of the world economy is not only possible, but imperative. Of course, no one argues that such growth can be uniform in pace or in its application. New products and techniques appear. Demand changes for different commodities and services. Some industries expand; others lose their momentum, or even recede. Economic growth throughout the world has been characterized in the past by the unevenness of its pace.

In the United States, we have experienced during the last several months such a temporary break in economic expansion. At the last session of the Economic and Social Council, fears were expressed that this slackening of economic activity in the United States might seriously impair prospects for the continued advancement of the world economy over the next few years. It was feared that even the gains achieved since World War II might be in danger. In part, these apprehensions reflected the view expressed in the World Economic Survey for 1957 that neither we nor the country with maximum impact on the world economy - the recession will be as brief or as mild as in 1948-1949 or 1953-1954."

At that time, the United States Representative in the Economic and Social Council summed up the prospects as he saw them in these words: "we have solid grounds for confidence that we shall resume economic progress without extended interruption . . . There is strong reason to believe that the decline has been altered and will soon be followed by recovery."

Events since last summer have demonstrated that this confidence was justified.

The business contraction through which the American economy has just passed displayed two major characteristics.

First, it was short. The decline in economic activity lasted only eight months. The previous peak was reached in the third quarter of 1957. The bottom of the recession was reached in the second quarter of 1958. One-half of the decline in industrial production suffered during the preceding eight months was erased in the four months from May through August of this year.
Second, the recession has been relatively mild. The maximum drop in gross national product was 4 percent. The maximum drop in personal income was 2 percent.

During the third quarter of this year, goods and services were being produced at an annual rate of about $440 billion dollars. This compares with a rate of about $428 billion dollars for the first two quarters of this year and $440 billion dollars for 1957.

Personal income is at an annual rate of about $357 billion dollars - up 6 billion dollars from a year ago.

The seasonally adjusted figure of total employment was 64.2 million in October, compared with the low point of 63.7 million during the recession.

As has been the case since the end of World War II, our economy has continued to show strength and resiliency. It has provided the American people with the highest standard of living ever achieved. It has enabled the United States to assume heavy commitments designed to assist the economic development of the less developed countries and to bring greater strength and unity to free nations. It has come closest to achieving the purported communist goal of prosperity for all in a classless society - not by expropriation, not by abrogating individual freedom, but by providing greater opportunities to ever-increasing numbers to share in a constantly expanding volume of goods and services.

True, the expansion of our economy has been interrupted three times in the post-war period. In each case, however, the halt was brief. The record of the American economy since the war demonstrates that a free society can achieve sustained economic growth with reasonable stability.

But the American people are not content to rest on what has already been accomplished. Recovery has not yet reached the point where our existing productive facilities are being fully utilized. Nor has the rise in employment been sufficient to reduce the level of unemployment to the lowest point of the previous boom, despite a reduction of 400 thousand from the peak of unemployment last August.

Moreover, the vigor of the current economic recovery has raised again the possibility of upward pressure on prices as a result of such factors as rising demand and increased raw material prices. By September, the demand for capital had lifted many long-term interest rates above their 1957 peaks.

We are alert to the fact that inflation has been a persistent and pervasive feature of the post-war world economy. The United States remains acutely sensitive to the dangers of inflation. One of the most serious threats to a healthy recovery would be the recurrence of general price increases. The central aim of our domestic economic policy continues to be the promotion of economic growth without reviving inflationary pressures.

It is, of course, the impact of American economic developments on the international trade and reserve position of other countries that is of greatest interest to the rest of the world. An analysis of developments over the last few years suggests the following points:

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First, when consumer expenditures in the United States have been well maintained, as has been the case in each of our postwar recessions, our demand for many types of imports—notably food and manufactures—has remained strong. During 1957 and 1958, our imports of some types of consumer goods—such as automobiles—were actually larger both in volume and in value.

Second, our demand for imports of industrial raw materials may be more adversely affected by fluctuations in economic activity, but even the reduction in the volume of these imports over the last few months was relatively mild. The decline in the value of our imports of metals and certain other basic materials was in large part a function of the fall in the prices of these commodities.

The evidence suggests that the level of our imports is less affected by moderate variations in our industrial production than has commonly been supposed. During the last recession, the annual rate of our imports was maintained at about twelve and a half billion dollars, nearly equal to the record year of 1957.

Third, United States Government transactions—foreign assistance and other governmental expenditures abroad—are now a significant part of our total payments to foreign countries. In the days before World War II the dollars made available through United States Government expenditures abroad accounted for only two or three percent of the total. In 1958, including dollars made available through international organizations, it was about 28 percent. This supply of dollars has not been directly responsive to changes in domestic business activity.

The International Bank and the International Monetary Fund are two of the principal agencies through which other countries, particularly under-developed countries, have been able to obtain dollars both to finance investments and for more general purposes. Both agencies recorded sizable increases in their loans during the last year. In 1957, the funds made available by the Monetary Fund to under-developed countries in balance of payments difficulties totaled more than three times that of 1956, exclusive of standby arrangements. During the last fiscal year the International Bank made loans of almost $600 million to under-developed areas—a record figure.

Support of these mechanisms continues to be an essential element of American foreign policy. Recently this support was again demonstrated by the initiative taken by the United States substantially to increase the resources of the Bank and Fund in order to permit continued high levels of lending for economic development and to provide greater international liquidity to avoid hampering the growth of world trade.

Finally, our own exports have become more sensitive to developments abroad. After responding vigorously at times of peak foreign demand, they have fallen off sharply as foreign demand has slackened. For example, our merchandise exports, which had increased to a rate of 20 billion dollars annually early in 1957 in response to demand from abroad, fell by 20 percent to a rate of 16 billion dollars early in 1958. Thus far, our exports have played no part in the current recovery. Clearly, developments abroad which affect the demand for our exports can have significant effects upon our economy.

These various factors indicate that the impact of an American recession on other countries may well be less than has been feared. In fact, the continuing high level of our imports, together with the outflow of American capital, enabled many Western European countries, as well as some in other parts of the world, to add substantially to their reserves of gold and dollars. During the first eight months of 1958, foreign reserves increased through transactions with the United States at a record annual rate of about 3 billion dollars.
The conclusions to be drawn are clear. The fear of a so-called dollar shortage should no longer be allowed to impede our common effort to move toward a fully liberalized multilateral trade and payments system. In this connection, it is relevant to note the judgment of Mr. de Seynes in his opening statement on this item that the current recessionary phase in western Europe "was not determined nor even directly influenced by developments in the United States."

At the same time, we appreciate the serious difficulties facing some of the less developed countries. Declining prices for primary commodities—a trend already evident in some cases prior to the beginning of the recession in the United States—and a higher level of internal demand than could be sustained by the resources at their disposal were important contributing causes. The foreign exchange earnings of some countries have been sharply cut and exports reduced. Many have had to draw deeply into their reserves.

In this connection, I must point out, as have other delegations at this Assembly, that the dumping of tin by the Soviet Union has served to disrupt the economy of Bolivia and to deal severe blows to the hopes of the peoples of Malaya and Indonesia for an improvement in their economic well being. The dumping of textile products by Communist China is severely affecting the export markets of India and Japan. It is making far more difficult the achievement on schedule of the second five-year plan of India and hampering the economic growth of Japan.

The field of commodity problems is difficult and controversial. As the distinguished representative of Argentina correctly reminded us, there are no easy solutions. This view is underlined by the growing tendency of governments to broaden the scope of international study and discussion of economic problems to cover not only price instability as such, but also the underlying causes and economic effects and the possible means of dealing with them.

Over the long term, the maintenance of stable growth in all nations and the diversification of the economies of the under-developed countries is of greater significance for the well being of primary producers than are efforts to regulate production, prices, and trade in particular commodities. This view, often expressed by the United States in past sessions of the General Assembly, was also reflected in the statement last week of the distinguished representative of Poland.

We feel that we can make our best contribution to this end by assisting primary producing countries to diversify their economies and by maintaining a healthy and expanding economy at home. We note that the Haberler Report, which has been submitted to the 12th Session of the GATT, also gives high priority to measures designed to maintain economic activity in the industrialized countries and the provision of greater international liquidity.

There may be particular commodity situations which require examination of what measures might be desirable and possible to deal with them. The United States is—as noted by President Eisenhower in Seattle a few days ago—now prepared to join in discussions of such commodity problems on a case by case basis. We are glad to note that much the same view was expressed by the Commonwealth countries at the recent Trade and Economic Conference at Montreal.

Most recently, we have participated in discussions with respect to coffee, copper, and lead and zinc. Coffee, of course, is a commodity which we do not produce in the United States, but which we consume in great quantities. We recognize the serious difficulties confronting coffee producers in Latin America and Africa and we have joined with them in trying to work out a means of ameliorating these problems.

The case of lead and zinc has already been mentioned by previous speakers. Here we are not only consumers, but producers as well. As producers we were caught in thesqueeze of falling prices and accumulating inventories—a situation familiar at one time or another to almost every primary producing country.
Our domestic industry cut back production by about 25 percent. However, our imports continued at high levels, while in some countries the production of lead and zinc continued to expand. Mines were shut down; others curtailed production to un-economic levels. We experienced growing unemployment. The plight of our lead and zinc industry affected not only those directly employed in the mines and smelters but entire communities dependent on them.

The lead and zinc problem is not just an American problem. We are acutely aware of the importance to other countries of lead and zinc exports to the United States. In some countries, the industry constitutes a more important segment of the total economy than is the case in the United States. For some, already beset with serious problems of declines in prices and demand for other primary commodities, trade in lead and zinc can be a decisive factor in their ability to maintain growing economies.

In this situation, we sought to deal with the problem by cooperation among importing and exporting countries. When we found that there was no early prospect of dealing multilaterally with the problem, we were compelled to apply import restrictions to these commodities.

This action had to be undertaken quickly to meet the emergency which was developing. The basic fact which I want to emphasize is this: We are not trying to push onto the rest of the world the whole burden of the adjustment that must be made. We are in fact sharing it. Even with the quota system which has been put into effect, there is substantial idle capacity in our domestic industry.

The United States continues to be prepared to participate in the search for a multilateral solution to this problem. We are prepared to take part in an international study group for lead and zinc which we hope will be organized early in 1959.

We are not oblivious to the fact that we live, more than ever before, in an interdependent world; that trade barriers can impede economic recovery; and that the policy of devil-take-the-hindmost practiced in the 1930's can only have disastrous consequences.

This is the spirit in which we shall continue to work with others to try to meet the difficult problems which are bound to arise in the commodity field. I shall not at this time review in detail the many ways in which we have joined in the consideration of commodity problems and in the pursuit of measures looking toward their solution. They include participation in commodity arrangements, study groups, technical committees and ad hoc conferences. They involve the conduct of our stockpiling programs so as to avoid disruptive effects on world prices. They relate to the precautions taken in the disposal of our agricultural surpluses so as not to displace normal commercial trade.

Of particular interest in connection with our review of the work of the Economic and Social Council is the reconstitution of the Commission on International Commodity Trade — an action designed to make it a more effective forum for the study of developments and trends in commodity trade. The United States was happy to accept election to the Commission and we look forward to participating actively in its work. We are convinced that, given the broader and more practical responsibilities assigned to the Commission in Council Resolution 691, the Commission can be a most useful organ to all Member States in their approach to commodity problems.

One of the most significant actions taken by the Economic and Social Council during 1958 was the establishment of the Economic Commission for Africa. My delegation welcomes this important addition to the organs of the United Nations — this symbol of the rapid economic growth that is taking place in Africa and of the other changes that are occurring in that continent.
The Commission is more than a symbol. It is intended to be an important means of encouraging cooperative action by the countries of Africa to deal with their problems of economic development. The Regional Economic Commissions for Latin America and for Asia and the Far East have assisted the countries of these regions to understand and deal with their economic problems. There is every reason to be confident that the new Commission will prove fully equal to what is likely to be an even more challenging task.

Our attitude toward the Commission is motivated by the deep interest of the people of the United States in the progress of Africa. To many of the African countries and territories, the United States has since the end of the war made available — directly and indirectly — technical and financial assistance. We shall continue to try to help the peoples of Africa further their economic development so long as it is clear that our help is sought.

In particular, my Government will follow closely the work of the African Commission and will cooperate with it in every appropriate way.

Mr. Chairman, I have touched on only a few aspects of the work of the Economic and Social Council during 1958. My delegation will speak to others insofar as subsequent discussion of draft resolutions under this item makes it desirable. Before concluding, my delegation would like to commend the officers and secretariat of the Council for the comprehensive report which provides the essential background for this discussion.