Recommendation 5 (1951)

Common Policy of Full Employment

Parliamentary Assembly

The Assembly

Recalling the terms of its Recommendation on Full Employment adopted in August 1950, the general principles of which were subsequently endorsed by the Committee of Ministers,

Noting with regret that many Member Governments did not transmit their replies to the questionnaire concerning full employment, contained in the above Recommendation in time for the Assembly's consideration,

Referring to the Report on "Full Employment Objectives in relation to the Problem of European Co-operation" which, on the instructions of the Committee on Economic Questions, has been prepared by the Secretariat-General in consultation with a number of eminent economists,

Recognising that the successful pursuit of the aim of closer economic co-operation between Member States, to which the Council of Europe is pledged, presupposes that each Member Government individually will endeavour to maintain full employment and monetary stability in its internal economy and to establish good neighbourly trading relations with other Member States of the Council of Europe, and that these good relations require that there should be the greatest possible harmonisation of monetary policies,

Emphasising that the maintenance of full employment and monetary stability should in any event constitute main objectives of the internal policies of Member States,

Wishing to put on record its firm conviction that the inflationary pressure which at present exists in most Member States and in the rest of the world represents the greatest danger to internal and external economic stability, threatening to distort the economic and social structure of Member States and to disrupt trading relations between them,

1. Approves the general aims of the Report, and takes note of the techniques recommended,

2. Recommends to the Committee of Ministers that a conference be convened jointly by the Council of Europe and the O. E. E. C. for the purpose of preparing a General Agreement on Full Employment and Monetary Stability.

3. Expresses the wish that it shall be represented at the Conference,

4. Proposes to the Committee of Ministers that a consideration of the following questions shall form the framework of the Conference :

a. Each Member State should endeavour

to ensure that there are at all times sufficient employment opportunities available for all men and women seeking work so that unemployment may be kept at the minimum dictated by the organisation of the labour market ; and to this end to declare a full employment target the attainment of which will constitute the aim of national employment policy ;

to ensure internal monetary stability by maintaining total expenditure at such a level that neither inflationary nor deflationary tendencies emanate from the side of demand ; and by maintaining a stable domestic price level to the extent permitted by movements in import prices ;

to declare annually a target for its expenditure on imports from other Member States as a means of stabilising trading relations within the group of Member Nations.

b. The E.P.U. system should be improved and amended along the lines indicated in the said Report so as to meet more adequately the need for harmonising the requirements of internal stability and intra-European co-operation. In particular the following measures should be considered :

measures to provide the E. P. U. on a continuing basis with more adequate credit resources ;

measures to increase the effective powers of the EPU in formulating recommendations on policy and in regulating the amount of credit provided to borrowers in various circumstances,

the adoption of the principle that in restoring equilibrium in the balance of payments Member States should refrain from the application of measures which discriminate between various Member States except at the initiative or with the explicit consent of the E.P.U.,

the institution of so-called "convertible accounts" within the E.P.U. to replace partially or entirely the present system of paying in gold a proportion of the surplus which a country has incurred with the E.P.U.

c. The Consultative Assembly shares the opinion expressed in the Report that the industrial development of the poorer and less developed areas of Europe is one of the most urgent problems to-day facing the Member States. In consequence the above-mentioned conference should study the possibilities of eliminating unemployment in these areas by a great co-operative effort, whose purpose would be the early establishment of a European Investment Bank, attached to the Council of Europe and the O. E. E. C. and with the functions set out in the report.

d. In view of the present lack of accurate statistics on employment, prices and international trade conditions, and having regard to the fact that a European policy for internal and external stability requires access to statistics which are reliable and can be used as the basis for comparative studies, Member Governments should take the necessary action to arrive at uniformity in statistics taking into account work already accomplished in this sphere by other international organisations.

e. A European Advisory Board should be set up, consisting of independent experts with the right to examine and comment on the extent to which governments are fulfilling the different obligations which Member Nations would undertake in accordance with the terms of this Recommendation. The Advisory Board, working in close collaboration with other interested Organisations, would also give its advice to the O. E. E. C. and the E.P.U. and voice its opinion on the activities of those organisations. The Board would submit twice a year reports on all these matters to the Consultative Assembly and the Committee of Ministers.

f. The Consultative Assembly, after outlining above the general terms of reference of the conference, wishes to make the following observations on particular points raised in the above-mentioned Report.

1. In its opinion devaluation as a method for restoring equilibrium in the balance of payments should be used only in exceptional cases, where it has been established beyond doubt that the costs and price level of the country concerned have permanently risen in relation to those of other countries. It is, therefore, suggested that the opinion of the European Advisory Board on this point should always be sought before a Member State introduces an adjustment in its exhange rates.

2. In view of the great risks to the maintenance of full employment implied by the present worldwide shortage of raw materials, Member States should make every possible effort to increase intra-European trade in primary products and foodstuffs and should accelerate the work already undertaken within the framework of the O. E. E. C. to increase production of these commodities.

3. It should be emphasised that the problem of full employment and of the industrialisation of the under-developed countries of the Council of Europe is intimately linked to the agricultural situation in these countries. Their economie development raises in fact a two-fold problem : first, that of finding opportunities for new employment (in the country itself, on the territory of Member States or in their overseas dependencies) for persons deprived of their livelihood through the mechanisation and modernisation of agriculture, which in turn calls for investment of fresh capital in the extractive and manufacturing industries of the above home and overseas territories ; secondly, that of finding reliable export markets for such surplus agricultural output as may arise from the mechanisation of farm production or result from new industrial investment.