

SECOND SESSION OF THE PREPARATORY COMMITTEE OF THE
UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

Czechoslovak observations to Articles 3 - 5 of the
Draft Charter

Czechoslovakia would like to base her comments to the wording and interpretation of Articles 3 to 5 on two observations made during the present session: first, by the Chief Delegate of New Zealand and second, by the Secretariat:

I. The Chief Delegate of New Zealand observed that it would be desirable to allow sufficient latitude in the discussion of any Chapter to enable representatives to refer to related points in other Chapters without going into the general subject of the other Chapters. The Chairman agreed with this observation.

II. The Secretariat pointed out in document E/PC/T/W/87 Rev. 1 on page 3, that in the D.C. report the objective in respect of "effective demand" is stated in different terms in para. 1 of Article 3 /line 6 - "high and steadily rising"/ and in para. 1 b/ of Article 1 /lines 4 and 5 of sub-para. b "high and steadily rising levels"/ as compared with the expression of this objective in para. 1 of Article 4 /line 3 - "high and stable levels"/. In view of that the Secretariat expressed an opinion with which Czechoslovakia agrees that the objective is the same in all three cases and that it is therefore desirable to employ uniform language to express that objective.

As the discussion is now going on on Articles 3 - 5 and not yet on Article 1, Czechoslovakia considers that to this discussion of Articles 3 - 5 the observation of the Chief Delegate of New Zealand should be applied, namely that the representatives should be able to refer to related points in Chapter I /that is to say in Article 1/ without going now and in this stage into the general subject of Chapter I. In this sense therefore Czechoslovakia - in agreement with the above mentioned Secretariat's view - refers to the related point in Chapter I, namely to the term used in Article I "high and steadily rising levels of effective demand and real income" and would like to state that she reserves her detailed and full comments on the interpretation of the just mentioned point of Article I when this Article 1 will be brought under discussion. But she desires to state already now that she entirely agrees with the opinions expressed by several representatives as well as by the Secretariat that there should be a uniform language employed and a uniform interpretation given to this objective, namely to the notion of "effective demand". It is obvious that the main and

loading device to the interpretation of the notion of "effective demand" should be given in Article 1, dealing under the heading "general purposes" with all the main and leading devices which should govern the whole Charter /that is all subsequent articles which - in Czechoslovakia's view - can in no way be interpreted in conflict or in disagreement with these leading devices contained in Article 1/. It seems therefore proper to reserve the main weight of the discussion on the notion of "effective demand" when Article 1 will be brought under general consideration. At the present stage therefore Czechoslovakia desires to present only the following comments and remarks on the wording of the notion of "effective demand" in Article 3 and 5:

1. The Subcommittee for the Consideration of Articles 3 and 5, improved already considerably the contradictory language used in the D.C. report in this respect and is now using in Article 3 the term "large and steadily growing volume of ... effective demand for goods and services" and in Article 4 the term "large and growing demand". The question which arises now first is whether the language used by the Subcommittee in substituting the original words "high and steadily rising" by "large and steadily growing" means a substantial improvement of the original language. The Subcommittee followed here the amendment of the U.S. delegation. It is the opinion of Czechoslovakia that the term "large and steadily growing" is more appropriate than the original language, because by using the word "large" instead of "high" it stresses - in Czechoslovakia's view - the broad distribution of the demand and by using the word "growing" instead of "rising" it stresses the steady and therefore more spontaneous growth than the word "rising".

2. The second question which has to be considered is whether the words "effective demand" should be used in Article 3 as well as in Article 4 or whether it suffices to use only the simple word "demand" as it is employed by the Subcommittee in Article 4. It is Czechoslovakia's view that it is useful to use uniformly throughout the whole Charter the same wording "effective demand". The Czechoslovak delegation is aware that it could be argued that the term "effective" is pleonastic and superfluous, because any demand that has to have any practical meaning at all should and must be "effective". But in view of what was in recent years discussed in the economic theory in respect to this question, Czechoslovakia would prefer the use of the notion "effective demand" which is now so current and clear that it can be considered to be already a technical term.

3. The third question which appears to be of importance is the question whether the term "effective demand" should be broadened and specified by addition of the words "real income" used in Article 1 but used neither in Article 3 nor in Article 4. Here Czechoslovakia is again of the opinion that the language of Article 1 should be used throughout the Charter. The term "real income" has an important sense and is stressing the same aspect of the problem which was already stressed - in Czechoslovakia's view - by the word "large" /see above/. The effective demand must be reflected in the real income of the whole population so that it has to be clear that the effective demand concentrated either in the hands of the State only or in the hands of a few only is not the demand meant by the Charter.

In this connection the Czechoslovak delegation would like to stress what was so aptly brought to fore by the Chief Delegate of New Zealand. In the same connection Czechoslovakia would like to add that in her view the term "large and steadily growing effective demand and real income" has to be interpreted in accordance with Article 5 speaking of fair labour standards.

4. The last comment in this respect refers to the term "stable levels of effective demand" used in the D.C. report's wording in Article 4. Czechoslovakia agrees here entirely with the wording of the Subcommittee which following the U.S. and New Zealand amendments is leaving out entirely the terms "stable" and substitutes it by the term "large and growing". Czechoslovakia wishes to state that in her opinion a stable level of effective demand is not an objective consistent with the just principles of modern economic life. On the contrary this term as a matter of fact is in contradiction with the objective set up in Article 1 of the Charter and, of course, in Article 55 a of the Charter of the United Nations, namely, with the objective of higher standards of living. It goes without saying that the deletion of the term "stable" does no harm to the objective of "economic stability" used at various places in the Charter. The economic stability is - in Czechoslovakia's views - not a stationery objective but it is a dynamic objective which means that the proper and desirable economic stability is a stability of a large and steadily growing effective demand and real income.

These are the comments to the question of "effective demands".

The next comment of Czechoslovakia is concerned with the term "other purposes and provisions of the Charter" in para.2 of Article 4. Czechoslovakia is of the opinion that all purposes and provisions of the Charter have to represent a harmonious and unified whole and that there should be no contradiction and disagreement among these purposes and provisions and that they have to be consistent with each other. It is of course clear that there are purposes which are main and leading and which as a matter of fact govern the secondary and tertiary purposes and objectives. It would therefore seem appropriate to stress this hierarchy or sequence of objectives and purposes by saying in para.2 of Article 4 either "with the general purposes" /the term used as heading of Article 1/ or at least by saying "with other and particularly with the general purposes".

The last comment refers to the term used in Article 3 para.1, line 5 "willing to work". It is Czechoslovakia's interpretation that this objective is the least one and that those countries which are providing useful employment by a system of inducements such as vocational training, selection and direction and so increasing the number of those who are willing to work are even more pursuing the purposes of the Charter than those countries which contend themselves with providing of employment only to those who are willing to work - no question whether the unwillingness to work is rationally or reasonably justified or not.