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USA: The root of the evil

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COMMENTS

USA

The Root of the Evil

Do presidents also work according to the dubious success recipe: "Make all things the other way round as your predecessor"? Regarding the US President Nixon, one could really have this impression. Being confronted with the burdening trade balance problem and the danger of a new great balance-of-payments deficit, he corrected the reconstruction measures of his predecessor Johnson considerably. Instead of maintaining or sharpening the coercive measures for diminishing the capital outflow, he steered the anti-course especially with regard to foreign investment. The hitherto taken restrictive measures are being loosened, direct investment in the USA is to be increasingly promoted in future.

It would, however, be premature to judge this shift as an adherence to the "liberalisation policy". It rather seems to be an indication of the insecurity about the actual effects of foreign investment. For scientists and men of practice are still disputing, whether they can this way really influence or even control the capital flows in the longer run. But maybe Nixon only thinks that the brakes Johnson tightened now could have too strong an impact after a certain starting period.

Insofar one can naturally follow the President's ideas; but not his assertion that now he is finally eradicating the balance-of-payments problem, whereas all his predecessors were only curing symptoms. The planned revision of the foreign exchange equalisation, too, will not serve this purpose. For, the root of the evil is much deeper — Vietnam. All politicians know, but who would admit it?

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South Africa

Gold is not Everything

The economic policy of South Africa faces a dilemma. True, the country enjoys a rate of economic growth which after Japan is the highest in the world. But this pleasure is marred by an inflation which has by now assumed alarming proportions.

The catastrophic drought of the last months has aggravated the situation still further in that it caused food prices to rise by leaps and bounds despite efforts by the authorities to control them.

One of the most important causes of the inflationary trend is South Africa's distinctly protectionist economic policy. The official justification for this policy is that South Africa is still at a relatively early stage of industrialisation and that therefore protective measures are necessary to shield young industries. The true reason is however political. Because of its racial policy the South African Government must at all times expect that sanctions and boycotts are imposed against their country. This is why South Africa endeavours to become economically independent as quickly as possible and to the largest possible extent. But this protectionism costs the country dearly. It prevents genuine competition with foreign competitors and thus enables the home industry to produce and sell at high costs.

A temporary opening up of the frontiers would intensify competition and close the gap between demand and home supply. Owing to the fact, however, that export possibilities have been severely curtailed by the drought South Africa would be compelled to fall back on its gold reserves. But this is precisely what the South African Government cannot do. Larger gold sales would cause the free market price of gold to fall and thus thwart South African gold policy.

Pakistan

Democracy in Asia?

Once again fortune has deserted a great man. After a long illness Ayub Khan's authority vanished. His decision not to run for the presidency soon made it clear that the many opposition groups had only one aim in common: his downfall. In these circumstances a parliamentary system as such would have been unable either to stamp out corruption or to prevent the old discord from flaring up again which seemed to have been overcome when Ayub assumed power. It would therefore appear only logical that once again the army should have taken control with its Com-