

Hamburg Institute of International Economics (HWWA) (Ed.)

Article — Digitized Version  
Comments

Intereconomics

*Suggested Citation:* Hamburg Institute of International Economics (HWWA) (Ed.) (1970) : Comments, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 05, Iss. 1, pp. 4-5, <https://doi.org/10.1007/BF02928247>

This Version is available at:  
<https://hdl.handle.net/10419/138296>

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# COMMENTS

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## *India*

### **Struggle for Power Hampers Progress**

The advance of Indian industry's productivity is held up by its wage bill—in spite of low yet rising wages—and even more so by labour unrest that is spreading throughout the huge country. This will probably compel the Indian government to continue granting subsidies to exports, which now are at a level of at least 20 p.c. and were to be gradually reduced from 1970 onwards. Exports had shown a hopeful growth over the last two years, but now it is feared that, without further subsidies, this rising trend threatens to be reversed. Continued subsidies, on the other hand, will drain the investment funds which had been earmarked for essential spending on developing the infrastructure of India. And without improved road, rail and transport vehicle equipment, the sorely needed growth of trade may not happen.

Devastating industrial strife, as it spreads now through the country but affects most adversely West Bengal, the coal and steel area which is under communist local government, is caused less by low wages but by irresponsible demarcation fights of rivalling trade unions, whose leaders lust for power. Their "class struggle" has led to the reverse of what they claim to work for: the disastrous social situation has not been improved but labour costs have, in some instances, increased by up to 66 p.c., without raising productivity. This again has led to a complete standstill in investments in the affected industries. Westerners naturally will not be attracted by such conditions to invest their money in Indian industries, because who would like to pay wages for three workers doing just as much work as one operator in a western factory?

As long as the central government in Delhi, with the support of the trade unions, does not find anything better to do than to indulge in intra-party factional quarrel, or perhaps, it must be feared, in mere personal strife for position, the present situation, which may already be described as pretty hopeless, cannot possibly improve but will deteriorate further. rd.

## *Mexico*

### **Successful Industrialisation**

In 1965, the Mexican government enacted a large investment programme, which will be completed in 1970. The practical aim of the programme was to ensure an annual growth rate of the economy of 6 p.c. at prices that were to be kept as stable as possible. Unlike earlier investment

programmes, which had favoured expenditure for purposes of better education, the improvement of the infrastructure, and social security, the new plan envisaged mainly modernisation of both industry and farming. The investment programme has been financed from public funds to the extent of about one third. It is possible now to state that it has been successfully carried out: its aims have, by and large, been fulfilled—and this is important, not in spite of, but through the operations of, the five-year old programme.

Admittedly, Mexico has remained a predominantly agricultural country, but industrial production has developed a steep growth. The most spectacular rise has been registered by petrochemicals: their output has gone up by about 60 p.c. from 1964. The growth of the Mexican capital market and the steady increase of foreign investments in the country are proof for the confidence of both local and foreign investors in its future. Additional evidence of the stable character of Mexico's economic development is provided by the fact that it shows itself more independent from economic growth trends in the United States than many other national economies in the two Americas. The attempt to operate a mixed economy in Mexico under government tutelage, which ensures social equilibrium, has been successful. Southern neighbours of Mexico can only be strongly advised to study the lines along which Mexico has built up its economic policy. crm.

## *Italy*

### **Clouded Outlook**

Italy has been passing through such a stormy autumn that even Signor Pietro Nenni, the veteran former leader of the Italian Socialists, made no secret of his concern lest future developments will get completely out of control. This is the more surprising as the Italian "economic miracle", until very recently, dominated the foreground of the stage and effectively masked the causes of the present unrest. It seemed only too easy to forget about the underdeveloped "mezzogiorno", the backward southern part of the country, the miserable conditions under which workers who had migrated from the south to the north had to exist in their new abodes, and the severe neglect of the housing problems by the authorities.

As Italy is headed by a weak minority government which may be liable to fall at any moment, it is hardly surprising that the centres of real power are constantly shifting. 30 p.c. of all the seats in parliament are in communist hands, and the conviction grows in widening circles that their

sharing in government power will soon be inevitable. The lack of political stability and the unfavourable development of capital markets—induced, in large measure, by high interest rates abroad—have caused a flight of capital from the country of such vehemence that in spite of a high surplus of the Italian balance of trade, Italy will probably be in the red on international payment account for 1969 to the tune of about \$1,000 mn.

By calling out their members to virtually general strikes and effective mass demonstrations, the trade unions have been able to enforce acceptance of almost all their demands. They continue their war of attrition against the employers and the authorities, which has long lost all connection with the question of new wage agreements. Visualising that the wages of about five million employed persons will rise, over the next three years, by about 13 to 14 p.c. per annum, and that the new housing programme which was adopted in a great hurry will require outlays of about Lire 600,000 mn annually, even those who acknowledge the justice of the demands of a more enlightened policy of social security must put the question how all this is to be financed without inflation. For also in this context, the old English saying remains true: that you cannot have your cake and at the same time eat it.

hg.

#### *The Philippines*

### **Will the Peso Be Devalued?**

President Ferdinand Marcos of the Philippines has not only succeeded in being reelected on November 11, 1969, as the first statesman of his country to do so, he also inherited the unsolved economic problems of his previous period of office. The first Four-Year Plan of his first administration has had considerable success in achieving the focal targets of more rice, more roads, more schools, but at the expense of growing disequilibrium in the home and foreign trade.

Infrastructural projects which had no direct influence on productivity were financed mainly through the activities of the banknote printing presses and through extending credit indiscriminately. Banknote circulation, the volume of credit issued by the country's banks, and public indebtedness, all have reached all-time highs. Thus, the state budget of 1968/69 provided for a deficit of about Peso 400 mn. Deficit spending created artificially inflated private and public purchasing power which represented a demand for goods and services of a size that could no longer be satisfied by current production. Therefore, the deficit of the country's trade balance reached US \$ 241 mn in 1967, \$ 302 mn in 1968, and over \$ 200 mn during the first eight months of 1969. Already two years ago, the Central Bank of the Philippines had been compelled to introduce

physical controls to restrict imports, and other "squeezes" on the expenditure of foreign currency. Only the help by payments made by the Philippine private banks, founding operations, postponements of debt redemption, and a number of new credits granted to the country have so far prevented the open outbreak of a crisis. Today, the view gains growing acceptance (probably with full justification) that more stringent controls must be clamped down on the Philippines' foreign trade, and/or a devaluation of the Peso may lead to a solution of the problems under which balance of payments is suffering.

kw.

#### *Jackson Report*

### **In The Thicket of Organisations**

At last, we can read a more or less formal report about why the United Nations' aid programmes are so often getting into their stride only after interminable delays, why their structure leaves much to be desired, and why they are, not infrequently, complete failures. A few weeks after the Pearson Report having been published, the Australian Sir Robert Jackson produced a significant study of his own early in December. It contains a closely argued and carefully researched report on the effective contribution of the U.N. system to development aid in the past, and potentially in the future.

As was to be expected—but perhaps as a surprise to some neutral observers who may have believed to see Parkinson's Law at work among UN agencies and authorities with particular force—Sir Robert has come to the conclusion that the present system is being overstrained by much too heavy a load of work, both as regards quantity and the expected quality. Its main shortcoming, in his view, is the lack of an overall policy in dealing with individual projects, the multitude of special demands raised by creditor countries, and the near-chaotic maze of separate agencies, which were founded at different times, and which now work at cross-purposes.

It would therefore be absolutely imperative to carry out drastic reforms, beginning with an unravelling of the Gordian knot of proliferating organisations. One supreme authority ought to be endowed with the right to issue directions and give orders to the rest. The justice of this proposal is incontestable. But it is more than unlikely that existing agencies, which have acquired a high degree of independence and autonomy, will permit even the puniest reduction of the liberties and privileges which they have fought so hard to obtain. Instead of ceding vested rights to an existing organisation, it is much more probable that we shall be landed with the proposal of setting up a new body of organisational overlords, which will add again to the impenetrable thicket of competing authorities and postpone reforms till kingdom come.

ke.