

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

Article — Digitized Version

German prism

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1970) : German prism, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 05, Iss. 9, pp. 292-294, <https://doi.org/10.1007/BF02928916>

This Version is available at:

<https://hdl.handle.net/10419/138391>

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GERMAN PRISM

Growth Rate of GNP Below OECD-Average

According to a forecast of OECD the GNP of seven major industrial member states of OECD calculated in prices of 1968, in 1980 will surpass that of 1970 by 96 p.c. Japan will be at the top with a growth of 160 p.c. Far behind follow France with 79 p.c., Italy with 72 p.c. and Canada with 69 p.c. The anticipated growth rates of the US (58 p.c.), the Federal Republic of Germany (57 p.c.) and Britain (37 p.c.) will remain below average. In the case of Germany and Britain the lowest increase by 2 p.c. of the number of persons employed is being expected as compared with an average of 11 p.c. for the seven countries.

New World Bank Loan of DM 200 mn Signed

Between the World Bank and a syndicate of German banks headed by Deutsche Bank AG, with the cooperation of Dresdner Bank, an agreement on the floatation of a new DM-loan has been signed on July 22, 1970. The nominal value of the loan, which will be offered for sale to the public, amounts to DM 200 mn. The rate of interest is 8.5 p.c. (six months coupon), the selling rate is 99.25 p.c. Thus the rate of return will be 8.8 p.c.

The loan is non-redeemable and will be repaid at its nominal value on August 1, 1980. It will be quoted at all German stock exchanges. The proceeds will be spent within the scope of the World Bank's general activities.

20 Million Motor Vehicles Need High- ways up to 1985

Today 14 mn passenger cars are driven on Germany's highways and streets. Up to 1985 there will be 20 mn of them. Therefore a comprehensive expansion of the highway system has top priority among the Federal Government's long-term plans.

Today's super-highway net of 4,500 kilometers (km) is to be enlarged to 10,000 km. The present 800 km of double-track Federal highways are to be extended to 3,000 km, so that a total of 13,000 km of double-track Federal highways will

be available. By that time a total number of 20 mn cars—i.e. one car for three persons—will be on the roads, and the demand for cars will be about satisfied in the Federal Republic. The extension of highways planned for this final stage should also meet long-term requirements. Even if one does not believe that this year's price boom will continue for the next 15 years, DM 125 bn will be required for this plan, of which DM 93 bn will be provided for by the mineral oil tax earmarked to 50 p.c. for road building. The hitherto lacking billions must be found yet.

DM 9 bn Earmarked for Educational Reform

At a press conference on July 30, the Federal Minister for Education and Science, Professor Hans Leussink, explained his Ministry's financial planning for the next years:

As a start the Ministry's expenditure on education and science is to grow from DM 2.8 bn in 1970 to DM 9 bn in 1974, i.e. by at least DM 6.2 bn. This is an increase by more than 200 p.c. The share of expenditure on education, science and research in the total budget will nearly double from 5.3 p.c. to almost 10 p.c. within a period of 5 years.

In the past years Federal expenditure on education and universities has been relatively small and will therefore grow faster than expenditure on science and research. But also the latter will grow considerably more than the Federal Republic's total budget. Expenditure on education and universities in 1971 will nearly reach 40 p.c. of the Ministry's total expenditure and in 1974 will surpass 50 p.c.

Guidelines for German Development Aid

The Federal Minister for Economic Cooperation, Dr Erhard Eppler, in July explained the Federal Government's development policy. Among other things he said that the medium and smaller nations' responsibility for development policy is growing steadily. Regarding its total performance in absolute terms the Federal Republic is second after the USA, and relative to its GNP it is at the top of all donor countries. This, however, does not apply to public aid. According to a report to DAC there has been an increase of total contributions by approx.

30 p.c. from DM 6,654 mn (1968) to DM 8,646 mn (1969). The share in the GNP was 1.44 p.c. More than two thirds of all performances are private capital transfer, hardly one third public development aid.

A public hearing of the Bundestag Committee for Economic Cooperation showed a far-reaching agreement between experts and the Federal Ministry for Economic Cooperation as regards tasks and points of emphasis. The target of giving 0.7 p.c. of the GNP as public aid before the end of the decade is acknowledged by a majority. Tied-up deliveries are to be further reduced. Softer credits are to counteract increasing indebtedness. Technical aid, above all training aid, is to enjoy priority. A.o. the following measures are to realise these guidelines: Development aid is to get priority in the budget. The total increase of authorisations establishing an obligation is to amount to 11 p.c. In the multilateral field the following measures are provided for from 1971 on: increased contribution to the development programmes of the UN, population control, World Food Programme, expansion of the EEC-fund through the new association agreement, capital increases for World Bank and IDA, and a German monetary contribution to the special fund of the Asian Development Bank.

German Federal Postal Administration Becomes an Enterprise

On July 30, 1970, the Federal Minister of Transport and for Posts and Telecommunications, Georg Leber, announced at the Federal Press Conference his Ministry's plans for a reform of the German Federal Postal Administration. This Administration will be reorganised as an enterprise. In future it will not be led by a minister but will be run by a managing board and a board of directors.

Regarding the economic and financial structure the draft contains a new formulation of the principles of economic operation and of the financial relations with the Federal Republic as the owner. The Federal Postal Administration is to be operated in such a way that earnings cover expenses and profits adequate to the demand for capital resources will be achieved as a contribution to the self-financing of the enormous investments above all in the telecommunications sector.

True, the Federal Government keeps the right to give directions concerning the Postal Administration's objectives and business policy. But

it is obliged to pay the balance if the carrying out of such a direction causes additional expenses or lower receipts for the Postal Administration.

Klößner-Werke Registering a Vigorous Stimulation of Turnover

During the past three months Klößner-Werke AG, Duisburg, registered an extraordinary stimulation of turnover. Total turnover in the first nine months of the business year 1969/70 rose by 20.1 p.c. as compared with the previous year's corresponding period—i.e. by 18.9 p.c. with steel production and by 21.9 p.c. with processing. The monthly average of sales to outside parties with DM 188.5 mn is higher by more than 22 p.c. than a year ago. Reasons mentioned for this year's vigorous turnover increase are, apart from the rise in production, the further shifting to better qualities of rolled steel production that has risen by 4.6 p.c. to 232,000 tons and the above average growth rate of higher quality processed products.

Promotion of Direct Investments in LDC's

The business report of Deutsche Gesellschaft für wirtschaftliche Zusammenarbeit GmbH (DEG: German Company for Economic Cooperation, Ltd.) can show a balance sheet to be proud of. With own resources of DM 100 mn it promotes direct investments in developing countries to the tune of DM 800 mn. For 1969 this is more than one quarter of all direct investments in less developed countries. Africa is the focal point of the Company's activities, closely followed by Latin America and Asia. In the last business year there have been no problems in developing countries, no participation of the Company has been expropriated. Above all the projects of the Company's affiliate, Deutsche Hotelgesellschaft für Entwicklungsländer (German Hotel Company for Developing Countries), has opened up new foreign exchange resources for LDC's, whose importance is obviously underestimated in the Federal Republic. At any rate the image of DEG still requires intensive promotion in Germany. The line between political and economic tasks must be drawn more clearly. Moreover, the DEG should be allowed to make more propaganda than hitherto for investments in the Third World. For this would help to increase private aid for LDC's considerably.

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Emphasis on Efficiency

This emphasis upon efficiency, which featured in all four judgements although as a decisive factor only in the last one, leads on to the third and last point about British merger law. This is the scope allowed by the mergers legislation for full account to be taken of the benefits of greater efficiency brought about by increased size. Merger policy does not seek to preserve external competitive pressure at all costs, as in the USA. Some reduction in this external spur to efficiency might be accepted on the grounds, presumably, that this loss would be outweighed by the gain in efficiency resulting from the larger scale of operation.

The prospects of greater international competitiveness resulting from a take-over, in other

words, might be held to outweigh the likelihood of a merger reducing competition in the home market—although the steady removal of tariffs helps to counteract this reduction in many industries. Lately, scepticism has grown in Britain about the weight of arguments based upon economies of scale—not only whether they exist in marketing, finance, management services, and research as well as in plant size but also whether they are actually fully exploited after a merger. The first result of this scepticism is the Government's proposal to seek powers to refer mergers for investigation by the Commission some time after they have taken place to see whether the alleged advantages actually out-balanced the possible disadvantages. This will be done later this year when the Monopolies Commission is itself merged with the National Board for Prices and Incomes, another investigatory agency, to form the Commission for Industry and Manpower.

PUBLICATIONS OF THE HAMBURG INSTITUTE FOR INTERNATIONAL ECONOMICS

BESTIMMUNGSGRÜNDE DER PREISENTWICKLUNG AUF DEM WELTZINNMARKT 1950—1967

(Determinants for the Price Development in the World Tin Market 1950—1967)

by Helmut Stodieck

In the world tin market the frequently abrupt price fluctuations typical of raw materials are particularly conspicuous. The present study analyses the chances for a stabilisation of this special market. Among other things the depiction of price influences on production, consumption, fluctuations of stocks and East-West trade are taken into consideration. From this and from the characterisation of the stabilising effects of international tin agreements promising starting points for a slowing down of world wide price fluctuations are resulting.

Octavo, 186 pages, DM 34.—

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