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More Public Relations Activities by Entrepreneurs

This year the entrepreneurs' public relations activities are to be changed. The Community founded some time ago and called "Studiengruppe der Unternehmer in der Gesellschaft" (Study Group of Entrepreneurs within Society) will take various initiatives in 1972. This Community of Entrepreneurs is described as a loose working group that will closely cooperate with similar communities in eight West European countries. All these communities are united in the *Fondation Européenne pour l'Economie* (PEE).

The initiative for this international association originated mainly from France and is based on the general perception that in the Free World the entrepreneurs increasingly fall victim to serious attacks, against which they should defend themselves by a new interpretation of their functions in a free society.

This Community underlines the fact that by no means new organisations or employers' asso-

ciations are to be promoted. It is planned to arrange unbureaucratic contacts between like-minded entrepreneurs who have realised the great importance of offensive public relation activities.

Foreign Stock Companies In the FRG

After several years of continuous growth the number of foreign promotions of joint stock companies in the Federal Republic stagnated in 1971 for the first time. In 1970 262 of such companies were established, while in 1971 new foreign enterprises numbered 252. Conspicuous is the change in the promoting countries. The Americans are still heading the list with a share of more than 25 p.c., but the number of their promotions has declined. The Britons advanced to the second place holding a share of about 13 p.c. Their newly founded enterprises, probably due to Britain's joining the EEC, increased by almost 40 p.c. French promotions of new firms, however, declined by almost the same percentage. With that France has lost its second place and became third, followed by the Netherlands, Switzerland, Japan, Belgium and Italy.

Industrial Real Profits Already Declining in 1970

The "Jahresabschlüsse von Aktiengesellschaften in der Industrie für 1969 und 1970" (Annual Balance Sheets of Joint Stock Companies in Industry for 1969 and 1970) reveal the fact that the genuine profits made in 1970 rose by only 2.9 p.c., in nominal terms. The statistics is based on the balance sheets of 895 joint stock companies in industry and thus comprises 76 p.c. of all industrial joint stock companies as well as 90 p.c. of their capital stock. In view of the considerable price increases in 1970 the profit growth by 2.9 p.c. actually is a profit decrease in real terms. Thus capital goods prices rose by 8.5 p.c. in 1970 vis-à-vis 1969, the raw material and producer goods prices by 5.5 p.c., industrial producers' prices by 5.8 p.c. and the cost-of-living index by 3.8 p.c.

Since the entrepreneurs use not-distributed profits for investment, the result is a decline in profits in real terms by 5.2 p.c. For the receivers of distributed profits, who in 1970 got on average a 4.5 p.c. smaller dividend than in 1969, the decline in real terms was even 8 p.c. The extent of

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this decrease in profits is shown even more drastically by the fact that the enterprises get depreciation allowances for their fixed assets only at acquisition prices, not at replacement prices. Thus in 1970 alone more than half of the not-distributed profits had to be used, together with the depreciation allowances, to maintain the substance of the enterprises.

Cost-of-Living Prices Increased by 5.8 p.c.

The cost-of-living index of all private households rose by 0.4 p.c. from November to December, 1971, (1962: 100) and at 133.1 was by 5.8 p.c. higher than a year ago. Excluding goods sub-

ject to seasonal influences, i.e. flowers and fuels, the increase was 0.3 p.c. and 5.7 p.c., respectively. Excluding seasonal goods, in November the index surpassed by 5.6 p.c. and in October by 5.8 p.c. the previous year's corresponding level. The index of four-persons' households of employees and public officials with a higher income increased by 0.3 p.c. and 5.6 p.c., and that of four-persons' households of the employed with a medium income rose by 0.5 p.c. and 6.3 p.c. From November to December foodstuff-prices climbed by 0.7 p.c. and those of services and repairs by 0.2 p.c. Prices of rents as well as of the other consumer goods increased by 0.3 p.c.

Services More Important to the East than Goods

The State Secretary in the Federal Ministry of Defence, Dr Ernst Wolf Mommsen, thinks it to be necessary to start trade negotiations with the East with the same dynamics

as had been applied in creating the foreign trade relations with the West after World War II. In his opinion it is very disappointing that also in 1971 the foreign trade turnover with the socialist countries did not surpass considerably the 4 p.c. share in the Federal Republic's total foreign trade. However, the readiness for developing new forms of cooperation and long-term economic team-work is growing not only in Yugoslavia and the USSR but also in the other neighbour countries in the East.

Business in the Federal Republic is still concentrating too much on trade in products and often ignoring the East's immense demand for services, e.g. organisation and system technics, tourism and hotel engineering. According to Dr Mommsen, the Federal Republic requires an enormously increasing intellectual performance and the knowledge that production is only part of economic

life. Only then will it be possible to achieve a genuine economic interrelation between the East and the West — beyond today's import and export relations.

Hamburg's Economic Development in 1971

Measured by the GNP growth rate, Hamburg's economic development slowed down distinctly from 1970 to 1971 vis-à-vis the preceding years. From the year of recession 1967

up to 1970 Hamburg's Gross Domestic Product (GDP) on an annual average and in real terms—i.e. excluding price developments—increased by about 5 p.c., but from 1970 to 1971 only by about 2.5 p.c. This slowing down corresponds to the development in the Federal Republic, which 1970/71 will show a growth rate of 2.5 to 3.0 p.c. vis-à-vis an average rate of more than 6 p.c. from 1967 to 1970.

Nevertheless, the last year registered such an economic growth that the Hamburg GDP in real terms of 1971 surpasses that of 1967 by more than 20 p.c. The Federal Republic's GNP is even 25 p.c. higher than in 1967. But a comparison between the growth rates of Hamburg and the Federal Republic is problematical because much of the Hamburg economic area's development is registered beyond the city's borders.

Professor Biedenkopf Demands Export Promotion

At the Annual Conference of the Cologne Trade Fair, Professor Kurt Biedenkopf, Bochum, analysed the effects of the international monetary situation on the German foreign trade policy.

He believes that due to the unpleasant domestic situation the Federal Government would be well advised to include also export promotion measures into its stimulation efforts.

According to Professor Biedenkopf, manager of the Henkel GmbH, the monetary decisions of Washington will relieve the German export economy to a certain extent, but on the whole a considerable growth rate of German exports is hardly to be anticipated. Taking the revaluation rate of 1969 (9.3 p.c.) into consideration, the DM-parity after Washington has risen by not less than 28.6 p.c. vis-à-vis France and 24.2 p.c. vis-à-vis the USA. According to Biedenkopf the accumulated revaluation rates vis-à-vis the six most important partner countries alone caused losses in proceeds by about DM 12 bn, DM 3 bn of which are the result of the Washington decisions.