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## Monetary policy: Unending crises?

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# COMMENTS

## *Argentina*

### **President: Cámpora or Perón?**

The general elections in Argentina ended with a surprise: The candidate of the Peronistas Dr Héctor Cámpora had such a big lead vis-à-vis the other competitors that General Lanusse decided not to have a second election within one month — although such a ballot had been planned if no candidate received a majority of 50 p.c. during the first round, Dr Cámpora failing this target by only a couple of votes. The nevertheless overwhelming victory of Dr Cámpora was a result of a coalition of leftist political parties, trade unions and the youth who remember Perón not as a dictator who left the country 1958 in a state of economic chaos but as the social reformer and widower of the still very popular Evita Perón. This "image" was used by Dr Cámpora to mobilise the masses with his campaign slogan: Cámpora for President — Perón to Power. It will be interesting to see whether the grand old man of the Peronist movement, whose return to Buenos Aires from his Madrid exile is certain, will in fact take over or if he will only be used by the younger leaders of the movement as a figure-head.

The problems facing the new government are enormous: Although Lanusse was able to improve Argentina's infrastructure through the construction of roads, power plants and dams, and to restructure the economy through an enforced industrialisation policy, the rate of inflation increased to over 60 p.c. per annum, unemployment rose to a high level and social disequilibrium became an even greater problem. Dr Cámpora is therefore faced with the double task of introducing social reforms while at the same time inducing a process of economic recovery at a lower rate of inflation. Whether he will succeed depends upon his ability to unite the country and become the leader of Argentina's strive towards development.

## *France*

### **Turning More European**

The outcome of the French parliamentary elections was typical of the country. In the first ballot the French like to be revolutionary and to show the Government their discontent and misgivings; in the second electoral round, remembering the risks inherent in an abrupt change, they are inclined to turn conservative. The popular-front coalition of François Mitterand's French Socialist Party and George Marchais's Communist Party did not yet appear to them as a tempting alternative. And President Pompidou did everything he possibly could to change their minds.

But although the Gaullists succeeded, it was more or less a Pyrrhic victory, and they are seriously shaken by the loss of their 139-seat majority. The political topography of the country has fundamentally changed, and although the end of Gaullism is not yet in sight, the end of its orthodox shape has come anyway. The Gaullists are now aware that they have to reform their country if they want to win the next elections, too.

How they will open their ranks to more reform-minded parties and new ideas is still a rather moot question. In domestic policies the new focal points seem to be already recognisable. Pompidou himself spoke of the necessity of more social justice and of "bold reforms". A more democratic style of government seems to be inevitable, perhaps with less concentration of power in Paris in favour of local government. In foreign affairs Pompidou may cautiously continue the policy he has already followed in the past three years, i.e. Paris will go on abandoning its stubborn independence and enlist with more enthusiasm in the cause of European integration. Taken all in all, after these elections France has become more European in the programming of its domestic policy, and more European, too, in its foreign policy objectives. And this might improve the prospects for a future United Europe. hg.

## *Monetary Policy*

### **Unending Crises?**

Two monetary crises within a few weeks delivered the monetary system of Bretton Woods the death-blow. None of its constituting features is still in existence, in particular not that of fixed exchange rates. Nine European countries are floating against the dollar — although between them the exchange rates are still fixed —, three EEC countries are floating against all other states, the yen is floating in "friendly accord" with the European bloc, the dollar is inconvertible, and Canada and Switzerland had already tried in advance their luck with free exchange rates.

With so much "flexibility" one might believe that until a reform of the international monetary system the countries involved could anticipate calmness at the monetary front — in connection with which, incidentally, the expression "reform" represents an understatement, since in principle the construction of a new international monetary system is at stake.

But this calm is deceptive, since in the above mentioned solution conflicts are arranged for in advance. Decisive in this context is the continuing existence among the nine European countries of the Bretton Woods system together with its old

shortcomings, although on a smaller scale. For, even if the exchange rate relations should be realistic, they will by no means remain this way, since neither a homogenous economic development nor similar economic policy targets, let alone a uniform economic and monetary policy are in prospect.

Furthermore, mainly at the instigation of France a true floating of the exchange rates against the dollar could not be resolved on. With that, however, a second conflict is in the offing. For, who will decide on the admissible scale of the revaluation of European currencies against the dollar — France, which does not want to jeopardise its exports, or the Federal Republic, which for stability reasons would not mind a check to economic activity? It is therefore not a question of "whether", but "when" the next monetary contest will occur. ogm.

### *Bangla Desh*

## **First Elections without Surprises**

Fourteen months after winning their war of independence against Pakistan, the people of Bangla Desh have elected their first parliament. Sheik Mujibur Rahman's Awami League which since its overwhelming election success in 1970 has been governing the country has once again emerged victorious from the polls. This result — which surprised no one — was due solely to Sheik Mujibur's personal charisma and the absence of any political alternative. The only choice the 35 mn East Bengali voters had was between the Awami League and a motley collection of opposition groups at war with one another. The election platforms of these parties made even less sense than the programme of the Awami League which simply repeated previous promises to consolidate "Mujibism".

The progress made so far by the Awami League in the fields of administration and reconstruction hardly deserved to be rewarded by such an overwhelming success at the polls. On the contrary, the people of Bangla Desh are still waging a daily desperate battle against starvation. True, they are being supported in this fight, mainly by India and the USA. But, in spite of this help, supplies of even the most vital foodstuffs are far from assured. Domestic food production was hit hard by the war, and the scarcity of food is reflected in the prevailing prices which within one year soared by 300 p.c. The jute industry, formerly East Bengal's most important industrial sector, is recovering very slowly because of the shortage of raw material.

True, Mujibur Rahman has consolidated Bangla Desh politically by giving it a new constitution

and, through the elections, a parliamentary democracy. Now it is to be hoped that he will take the necessary steps to help the citizens in their struggle for their very existence, to improve their living conditions and to give the country a more efficient administration. bw.

### *Eastern Europe*

## **Parity Changes after the Dollar Crisis**

The East European countries have once more adjusted their official exchange rates following the most recent devaluation of the dollar. The adjustments were to a large extent of a technical nature. If one did not want to alter the gold parity, the Eastern exchange rates had to be up-valued in terms of the devalued dollar. Apart from the resulting distortions in the foreign trade statistics, which are compiled in Eastern currencies, the only effect of the dollar devaluation on the Soviet economy will be felt in the field of tourism, for here the official and the tourist rates are identical. In the other East European countries, the tourist rates are either only indirectly linked to the official exchange rate (by way of percentage premiums) or they are completely independent of it.

As far as East-West trade as a whole is concerned, exchange rate manipulations are of no practical importance. In most Eastern countries, domestic and foreign trade transactions are still kept completely separate, and none of their currencies is convertible. Parity changes only affect the balances entered on the price equalisation accounts. They make no difference to either suppliers or consumers in Eastern Europe as these settle their accounts at domestic prices with their respective state monopolies for foreign trade. The Western trading partners are likewise unaffected by these parity changes for their deliveries are invoiced in Western currencies — mostly dollars. Moreover, in view of the fact that in East European countries imports and exports are practically insensitive to price fluctuation, no marked changes in the flow of goods may be expected. Some restructuring may, however, occur in countries like for instance Hungary and Poland where the results achieved in foreign trade are directly incorporated in the trading accounts of individual enterprises inasmuch as the "internal rates" used as a basis for calculating the results of foreign business done are not adjusted. No information is available, however, which would throw light on the position in these countries because the extent of the change in parity is regarded as a state secret, for any regional differentiation would give some indication about the country's foreign trade policy. hc.