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Stabilisation policy: Theory's impotence

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COMMENTS

World Conference on Population

Controversial Family Planning

It has taken many years of preparations to convene a conference sponsored by the UN on the problems of world population, which took place in Bucharest between 19th and 30th August last. The main points on its agenda referred to general relationships between, on the one hand, world population growth and economic and social development and, on the other hand, available resources and the environment. It was hoped, in the end, to draft a worldwide plan for action on population growth. All these questions had already been discussed during the period of preparation but, in industrialised countries, this discussion largely circled round population policies and/or the swift expansion of the population in LDCs, which is frequently believed to be the fundamental cause of their poverty.

Delegates who had travelled to Bucharest full of such expectations were bound to be disappointed because most of the 135 states that were represented there refused to see the reduction of birth rates through family planning as the key for overcoming poverty but recommended instead the promotion of social and economic growth. It did not come, therefore, as a surprise that LDCs demanded a fairer distribution of wealth and the establishment of new rules for world trade. This led the Population Conference — as had happened at all the other giant world conferences — to a revival of the old conflict between industrialised countries and LDCs.

In the end, a programme for action was adopted which strays far from the original UN draft on cutting down the rates of population growth. It encompasses a number of declarations of principle and of recommendations setting up new impulses for the discussion of development policy, enshrined in numerous policy statements. But these are bare of all practical proposals suitable for dealing with the problems to which the Conference was to be devoted. na.

Latin America

Influence of Arab Capital

Arab activities in Latin America have been growing for some time in the most variegated fields. There is, of course, the influence of sizeable groups of population of Arab origin but more important are two forces that press upon the Latin American republics the need for pro-Arab policies: the need for oil imports and finance.

Bare self-sufficiency in crude has been achieved by Bolivia, Colombia and Mexico, whilst Venezuela and Ecuador are net exporters. All the remaining Latin American nations have always been, to a greater or lesser extent, net importers of oil, which implies that they cannot afford to antagonise the Arabs. Anyway, Latin American and Arab oil producers are closely linked already within the OPEC cartel. Latin America, moreover, is in dire need of capital imports for investment. At the same time, there is widespread fear lest credits from the US and from multi-national concerns cement their growing dependence on the United States, and therefore they are keen on obtaining a slice of the billions of dollars now earned by Arab countries. They do not seem to be unduly worried by the fact that the Arabs, too, make credits conditional on political conditions, frequently in far more outspoken forms than any US Federal Administration would dare to put them today.

The pressure of oil requirements and of the need for money in Latin America have had adverse effects especially for Israel. Growing political leverage acquired by the Arabs has led to a general weakening of Israel's position, and this effect presumably increased because the US are the main supporters of Israel. But it is more important to see the advantages for the Latin American economy arising from loosening the strong dependence of Latin America on the US. But the Latin American republics would be well advised to prevent the replacing of old one-sided dependences on foreign powers by new ones. iwe.

Stabilisation Policy

Theory's Impotence

This year's conference of the *Gesellschaft für Wirtschafts- und Sozialwissenschaften, Verein für Socialpolitik* (Society for Economics and Social Science, Association for Social Policies) took place in Zürich from September 2 to 5. Members of the oldest and perhaps most venerable association of economists in German-speaking countries were dealing in 1974 with the general subject of "Stabilisation Policies in a Market Economy". The choice of subject betrayed a lively interest in highly topical questions, because stabilisation policy, in practically all western industrialised countries, is given high priority treatment. Consequently, the interest in this subject has, long ago, burst its confinement to the narrow circle of experts.

However, it must be doubted that meetings like this one can do much to fill practical economics with new life, for it is neither the main difficulty, nowadays, for theoretical economists to analyse the causes and forms of inflation nor to develop models and tools for fighting it. In the struggle between opposing political and economic vested interests, inflation with its disastrous effects on employment and economic growth has become a contest of power, which inevitably poses for the responsible politicians the question what is politically possible.

Therefore, it is of poor benefit that economic research has made available a multitude of policy tools which, depending on the actual situation in different countries, might be applied in varying combinations, as long as governments dare not use these instruments without flinching. It is the sad truth that inflation cannot be fought without sacrifices, which threatens the governments in power with electoral defeat. And this risk, which is the ultimate obstacle to applying an efficient stabilisation policy, cannot be lifted from the shoulders of the politician by economic research workers.

Ethiopia

Downfall of the Lion

After almost half a century of an absolute rule the Ethiopian emperor Haile Selassie, the Conquering Lion of Judah, was dethroned by the Armed Forces Coordinating Committee. His power taken away by the military for weeks already, the final cause for his downfall was his refusal to place the billions of dollars deposited abroad by himself and his family at the disposal of his country. His departure from the political scene resembled that of an arrested criminal and the population called him a thief and demanded his head.

Haile Selassie, who was in the public eye for the first time in 1935, when Italy attacked his country and when he made a remarkable speech in the League of Nations, after World War II achieved much for the decolonisation and unification of Africa. He was a tireless fighter for the independence of the African countries and an advocate of the thesis that every inch of Africa should be liberated from white minority rule.

As much as he distinguished himself on the international stage, in his own country he ruled like an absolute monarch of the Middle Ages. He obstructed any attempts at reforms and did not undertake anything against the people's exploitation by the large landowners, the omnipresent corruption and particularly by the highest government

quarters. During the last famine in Ethiopia he prevented quick aid for fear that the country's image abroad might be impaired. For all these reasons Ethiopia with its minimum of infrastructure and industry, with an illiteracy rate of 95 p.c. and a per-capita income of less than DM 200 belongs at present to the poorest countries in the world. The military have entered a very difficult heritage indeed.

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Europe

A New Start for the Community

For many years Western Europe lived in a "fine weather" community. The worldwide boom and the steady growth of GNP had veiled the true picture. Since 1973, however, conditions have changed dramatically and a period of bad weather has finally arrived. When the oil crisis broke out, the EC member states seemed to have forgotten all about their "Community" and stuck to the device of *saute qui peut*. And the wars in the Mediterranean area simultaneously unveiled Western Europe's political weakness.

Now, however, things seem to begin improving. It all started with the German Chancellor's visits to Rome and Paris. With its loan to Italy Bonn proved its will to cooperate and to stand by the weaker members of the Community. And the meeting between President Giscard d'Estaing and Chancellor Schmidt indicated that at least two of Europe's leading politicians have recognised the need for a trustful cooperation in order to solve common problems.

Then followed the informal meeting of the EC heads of Government and the conferences of the Ministers of Finance and of Foreign Affairs. Meetings at the highest level are useful for at least they should enable the leading men to understand each other's domestic political problems and should help to create a greater mutual understanding and perhaps consensus.

The Ministers *inter alia* discussed the problem of stability without recession, balance-of-payments matters, particularly the recycling of the oil-billions, a common energy policy and a common trade policy concept vis-à-vis Eastern Europe, since from the end of the year on there will be no bilateral trade agreements between Eastern and Western states anymore.

Although all these new trends and efforts do not give occasion for exaggerated euphoria, a moderate optimism about the Community's future is quite justified because so far it was only in times of need that the European nations were able to act in unison.

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