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Club of rome: Mankind at the turning point

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GDR

25th Anniversary

On October 7 the GDR celebrated its 25th anniversary. A quarter of a century ago the provisional Parliament of the then Soviet occupied zone of Germany proclaimed the "first German workers' and peasants' state" — the German Democratic Republic. Long before the celebrations the brigades and factories, house-communities and individuals day after day announced extra performances in honour of this day which was celebrated with great pomp and many proud references to the economic successes.

These references are not unjustified considering the GDR's most unfavourable initial position after World War II. The disproportions within the GDR's economic structure, caused by the division of Germany, set a big problem. Besides, the adaptations necessitated by this situation had to be undertaken by this economic torso under complicating conditions as compared with the Federal Republic of Germany. It did not suffice alone to rehabilitate the capacities destroyed by the war — above all for constructing vehicles, machinery and instruments, and those of the iron and steel producing industry as well as of the precision instruments manufacture — in addition up to 1954 industrial dismantling had to be endured and reparations paid to the Soviet Union. Moreover, the GDR did not — like the Federal Republic — obtain rehabilitation loans from a third party, the Americans. And, at least up to the building of the wall in 1961, the emigration of East German citizens to the West also impeded growth policy.

Measured by this initial situation the GDR's economic development, called an economic miracle by its Government, is remarkable indeed. From 1960 to 1973 for instance the GDR's national income in real terms has grown on an annual average of 4.6 p.c. (Federal Republic 4.2 p.c. only). After five five-year plans since its foundation the GDR thus advanced to the 10th place on the world ranking list of industrialised countries — as measured by industrial production — and as the country with the highest living standard and productivity has reached a top position within Comecon.

The good production results are mainly a consequence of relatively high investments. The gross capital investments for instance from 1960 to 1972 increased annually by 6.4 p.c., in the Federal Republic by 5.2 p.c. It is true, though, that these

high investment rates did not allow for a noticeable improvement of the population's living standard — neither during the reconstruction phase of the fifties nor during the sixties. Tendential changes in this field can only be noticed since the beginning of the seventies when all Comecon-countries became more consumption-minded. But also in the foreseeable future a catching up with or even overtaking of the Federal Republic, as formerly aimed at, will be out of the question. If e.g. in 1969 the average income of employed persons in the GDR was about 29 p.c. below that in the Federal Republic, in 1971 this difference amounted already to 37 p.c. And this trend should have continued also during the last three years. It should, however, be remembered that the so-called social consumption (e.g. expenditure on cultural and social services, science and research) and public "gratuitous" performances (health service, training and education) — the latter being partly in advance of those in the Federal Republic — play a major role in the GDR.

Although the present economic development is taking a satisfactory course, two aspects must not be ignored in future. On the one hand, today just the same as 25 years ago, shortcomings in planning, preparation, management and operation of investment projects are to be diagnosed leading over and over again to production and supply deficiencies, which impair the efficiency of investments and with that the long-term growth chances. On the other hand, the last years' results have been obtained with an utmost strain on resources. Therefore the question arises for how long the population's extraordinary readiness for hard work will continue particularly since its attention is increasingly called to the fact that the problem is not only one of higher production but also of neutralising the permanent delays and faulty developments seeming to be conditional on the system. ogm.

Club of Rome

Mankind at the Turning Point

The Club of Rome, an international group of scientists, industrialists and businessmen dedicated to meditating on the future of the world, two years ago shocked the international public with a report called "The Limits to Growth". Dennis Meadows and his research team of MIT, the Massachusetts Institute of Technology, had fed statistics on population and natural resources into computers and obtained fatal results, accord-

ing to which a virtual collapse of mankind and its civilisation was unavoidable within a century, if unchecked growth would not be stopped immediately.

Now the Club had published its second report, arrived at by an American-German team of scientists, which offers a little more hope. They divided the world into ten regions defined by common features and problems. Then cross-referenced data on industry, agriculture, population and natural resources were fed into the computers. Regarding the energy crisis for instance the team concentrated on oil and explored the effects of different policy scenarios — the low price, the optimal price, the squeeze price, the retaliatory and the cooperation scenarios. Given the cooperation scenario the computers spat out a surprising conclusion — in the long run a considerable price increase of oil may help the economies of both producers and consumers.

Food, one of the other major world problems, is examined through five scenarios, ranging from the "tragic" — 500 million children starve by 2025 — to the "only feasible" solution — i.e. the developed nations tighten their belts, invest heavily in the poor countries' industries and import without limitations their export goods for enabling them to pay for food.

The opponents of such world models criticise them arguing that technical progress is not given sufficient consideration. So far, they say, the genius of mankind has always known how to manage even the worst crises. They often refer to Malthus, but since his days much has changed. Technical progress has become much more transparent and more precise forecasts are now possible. Besides, critical developments are now emerging at such an enormous speed that even an economic miracle, whose realisation requires quite a while, would hardly be in time. Therefore it would be highly desirable if those who decide on our fate would use the new instruments offered them in this report. According to "Mankind at the Turning Point", there is no other choice. hg.

Aviation

US Air Lines Crisis

Some aviation companies and especially the US air lines are facing a very precarious situation in the North Atlantic market. There are two reasons for their misfortunes — the rise of fuel prices and the emergence of huge surplus capacities. PanAm, now on the brink of disaster, was probably the one who set off the murderous competition when it ordered 25 Boeings 747 in 1966.

This was the starting signal for a world-wide run on jumbos. What followed was a scramble for larger shares of the market at fares which proved less and less adequate for covering the costs. The aim was to attract enough business for the excessive capacities which had been brought into being and, if this met with success, to generate new capacities. Meanwhile the old aircraft were sold off to charter companies which in turn entered the North Atlantic market with cut-rate services.

That these ruinous and chaotic excess capacities almost caused the market to collapse need not surprise. IATA Secretary General Hammerskjöld put the total loss of all operators on the North Atlantic route at about \$ 300 mn. Meanwhile however various efforts are under way to put the market back on its feet: the two big US companies — TWA and PanAm — are to emulate the British example and merge, and the Administration in Washington has ordered capacity cuts for the winter season and arrangements with other big aviation companies like Air France and Lufthansa.

Neither of these solutions is very satisfactory. Arrangements between different lines would strengthen the existing fares cartel by constraints on fares and scale of operations while experience shows mergers to entail large-scale staff redundancies without assuring success for the future as long as a generally new concept is lacking; for two invalids together may still not do the work of one healthy person. iwe.

France

Cold Spell

One can feel the nip of winter in the air: everybody is paying increased attention to energy requirements and supplies. So do the western industrialised countries, the EC, OECD and even France. And it is in France, which on the strength of its traditionally good relations with the Arab oil suppliers wanted to go its own way in covering its energy needs, that the barometer is pointing to gales. Despite all the courtesies observed in the French-Arab dialogue the outlook is bad for French oil supplies — as became clear at the end of September at the latest when the French Council of Ministers published its drastic energy economy programme.

France has been searching for a new energy strategy, and has found it in a policy of coordination with other oil victims. The adoption of a resolution on a new Community energy concept,