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France: Cold spell

Intereconomics

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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,

which Britain had previously blocked probably made it easier for France to fall in with the idea of energy coordination between western industrialised countries, and later the French Government went along with the suggestion of energy cooperation extending beyond the confines of the EC. At the Washington energy conference in February France had still, with an eye on French-Arab relations, declined to join the coordination group for energy questions, but when it encountered ever greater difficulties in paying for its oil imports, France was forced to accept closer co-operation with the rest of the western world. The French Ministers of Foreign Affairs and Finance demonstrated at the recent energy summit in Washington that their country was adopting a new attitude. Major differences remain only concerning the mode of procedure against the oil producing countries: the French will not entertain any kind of pressure or counter-measures. It is however by now considered certain that France will participate in the OECD coordination group for energy questions.

It will be interesting to see whether unity makes for strength in this instance, for the oil countries have already lodged new and bigger claims in time for the winter season. zz.

Mozambique-Portugal

Difficult Joint Future

The transfer to Frelimo of the governmental power in Mozambique has shown to the whole world that Portugal is in earnest with its policy of autonomy for the colonial territories. The attachment of a Portuguese diplomat of ministerial rank has likewise made clear that the Portuguese Government intends to help the new rulers in Mozambique by word and deed to solve their problems. Lisbon however cannot give more than limited support to the provisional government in Lourenco Marques. Such would be the case for instance if the Portuguese section of the population of Mozambique were to give battle to Frelimo and the decolonisation policy of the Concalves Government. Since exit visa for South Africa are no longer issued the situation of the white settlers in Mozambique is almost beyond remedy. For most of them the alternative of return to Portugal means unemployment. Yet few white people are likely to respond to Frelimo's appeal to them to stay in the country. On the contrary, after the first militant demonstration of white settlers further incidents of this kind cannot be ruled out, the less so as they would probably receive the moral support of at least some circles in Portugal. Faced with an unstable domestic situation in the mother country, the Government in Lisbon

would hardly be able to do anything effective against another rising of the settlers.

Relief can only come from a quick economic uplift in Mozambique and in Portugal which would give the white settlers a prospect of safe employment either in Africa or in the mother country. For this however capital is needed, and neither country can provide it out of its own resources. There is urgent need therefore for increased aid for Mozambique and support by other countries for Portugal's further economic development. mk.

Great Britain

Slim Majority for Labour

After a campaign in which public apathy and confusion was pronounced the British Prime Minister Harold Wilson and his Labour Party were returned to power by the voters, though with a hairline margin of victory over all other parties. It seemed as if the voters wanted to let Wilson know that they were willing to give him more time but not a resounding mandate for fear of encouraging Labour Party extremists to move too far to the left. Indeed, it may be expected that the narrow margin will strengthen the party's moderates, those likely to oppose an extension of nationalisation in private industry and the withdrawal of Britain from the EC. On the other hand, in its manifesto the Labour Government had pledged that, within 12 months of the elections and after efforts to change Britain's membership terms, it would give the British people the final say on whether they wanted to remain in the Common Market. For Labour there is a severe danger of a party eruption over this issue, the more so since a rejection by the voters cannot be ruled out even if the Labour Party urged them to vote "yes" on remaining in the Community.

A more immediate test, that will have to be passed by the Wilson Government, is its handling of the economy and the stability of its "social contract" with the unions on curtailing inflationary wage demands. During the electoral campaign Wilson had stressed that this voluntary agreement was the only way to avoid a "wage explosion". His emphasis on the contract and his pledge of industrial peace appeared to sway many voters who remembered the dark days of last winter and the Conservative Government's struggle with the coal miners. Evidence of whether the contract works could come this winter when coal miners and other important groups of workers make their demands. In any case the British population has to resign itself to a further decline of its standard of living. For how long it will and can accept this decline will be the victor's greatest problem. ch.