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Article

Great Britain: Standstill on incomes and prices

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One wonders whether the attitude adopted by the USA and Germany, who are both big cocoa buyers, will not subject the developing countries to yet another handicap. Avoidance of excessive cocoa price fluctuations and guarantee of a minimum price might be of greater help to the cocoa-producing developing countries than some of the development aid projects of these two industrial countries. Exports of cocoa certainly occupy an important place in many of these states; one need only mention African countries like Ghana and Cameroun. The agreement could also be of benefit to the Federal Republic: Hamburg was being considered as seat of the International Cocoa Council. Annoyance with the German attitude however has meanwhile, understandably, grown so much that another locality will probably be preferred. It is still to be hoped that the USA and the Federal Republic of Germany will reconsider their attitude so that the cocoa market can be stabilised after all. iwe.

Great Britain

Standstill on Incomes and Prices

Amidst laughter from the Labour benches the British Prime Minister, Mr Heath, on November 6, introduced his Counter-Inflation (Temporary Provisions) Bill in the Commons. It imposes an absolute standstill on wages, prices, rents and dividends for at least 90 and possibly 150 days. The opposition had good reason to laugh, for the Conservative leader was resorting to a measure which he himself had castigated not so long ago as an ideological aberration and political misjudgment by his socialist opponents which could not beat inflation but merely delay it.

Under the pressure of economic circumstances Mr Heath felt last year already compelled to make the first voluntary inroads into his own ideology of letting the commonsense of the market economy prevail. He had to appeal to industry and trade unions to join the Government in pursuing a prices and wages policy of limited rates of increase. The industrialists' organisation, the CBI, was indeed right up to the end willing to restrict the price increases to the proposed 5 p.c. The trade union organisation, the TUC, however would not accept the Government's latest proposal of limiting wage rises to £ 2.60 a week even as a basis for discussion.

It remains to be seen whether Mr Heath's Government will now, buttressed by the new enactment, succeed in stemming the current upsurge of prices and wages. Such laws usually leave too many loopholes, and human ingenuity can always discover new ones. It is possible, for instance, to raise wages through regrading, which in the

long run gives the general wage level a substantial hoist. Similar possibilities exist in the price sector. Besides, there is no knowing how artificially pegged prices, wages, rents and dividends will spurt once the 90 or 150 days are over and whether the Heath Government will manage to remove the real causes of the inflation before then. kw.

USA

Nixon's Second Term of Office

President Nixon has gained the expected overwhelming election victory, thereby proving the truth of a remark he made in 1968: It does not matter whether a politician is popular or not but that he is respected. Nixon has earned the respect of his nation. Apart from his unquestionable efforts to bring the disastrous US engagement in Vietnam to an end and apart from the impressive achievements of his foreign policy including the détente with the other super-powers, it was his acceptance of calculated risks in particular which won him the respect of the voter. Twice in his first term in office he had the courage to make decisions which could have cost him the reelection, The wage-price controls, which were an abrupt departure from his previous economic theories, and the blockade of Haiphong, which could have put the summit meeting in Moscow in jeopardy, were such calculated risks and proved successful.

Certain strategies to be followed in the second term can be discerned already. Nixon's main concern is with foreign affairs where he hopes, according to Henry Kissinger, to build an "enduring monument of his Presidency". The great outlines of this monument are: an end to the Vietnam war, diplomatic recognition of China, substantive commercial and armament agreements with the Soviet Union, a détente in the Middle East and in Korea, and a new order in international economic relations.

In regard to economic and social policy the USA may find the President to be conservative: he need no longer extend his basis to the left. A stricter fiscal policy and the fight against inflation are likely to come to the fore. Nixon is now also in a stronger position for standing up to protectionist tendencies in Congress. That however will depend on the extent to which the trading partners of the USA will be ready to make concessions in monetary and trade policy. The European "friends" of the USA will be up against a much harder Nixon. He will demand more from them than an offset for military burdens. He will apply the dictum of General de Gaulle whom Nixon admires: "Great powers have no friends but only interests." hg.