

# COMMENTS

---

*Monetary Policy*

## **Impracticable Parallel Currency**

Parallel Currency“ is the new magic formula for the realization of the European Economic and Monetary Union. In spite of all the verve with which this idea is being advocated by its creators, there are, however, deep-grounded doubts which let its chances of success appear hardly any more favourable than those of the foundered Werner Plan.

The additional costs and efforts required by double currency bookkeeping, calculation, and price marking in production and trading firms alone give rise to doubts in the practicability of this concept. Moreover, the consumer, too, would have to make double calculations – at any time he would have to be aware of the current exchange ratio in order to be able to check, and secure, the promised stability of value of the parallel currency. Even if the consumer should be capable of matching this task, there remains the question, whether the stability of value, which was meant as an incentive, would not immediately force the new currency out of circulation since its attractiveness as a store of value is considerably higher than as a medium of exchange.

However, it is not only doubtful whether the parallel currency could be imposed on day-to-day economic processes; it seems equally unlikely that the economic authorities will agree to this plan. True, it is expected of them “only” that they permit the use of the new currency, but this would also mean a gradual giving up of their monetary autonomy in favour of a unified monetary policy. The latter would have to be accompanied with a harmonization of economic policies. As in the case of the Werner Plan, however, nobody is willing and prepared to take such a step. Should the will exist, there would surely be a simpler way to achieve the Monetary Union than through the introduction of a parallel currency. bk

*Greece*

## **A Long Way to Europe**

The wish of Greece, officially formulated by Prime Minister Konstantin Karamanlis last summer, to exchange as soon as possible its status of an Associate of the European Community for full membership has met – at least outwardly – with a friendly reception. It was only recently that Giscard d'Estaing and Harold Wilson promised Greece their support in this matter. Yet, quite apart from political considerations such as for instance that it can hardly be in the interests of the Community to allow itself to become entangled in the Greek-Turkish conflict, particularly in

the Cyprus problem, Greece's full membership would in the foreseeable future raise considerable economic problems for the Community as well as for Greece itself.

For one thing, Greece's admission would lead to a further increase in the supply of various agricultural products on the Common Market. Moreover, the relatively poor country would also gain access to the Community's regional, social and agrarian funds, and this would mean that a country like Germany would have to accept responsibility for the development of Greece to the same extent as for its own backward regions. Besides, one may ask, would Greece's industrial structure, characterized as it is by a great preponderance of small family enterprises, be in a position to stand up to the competition of the other EC-countries? Under the terms of the present agreement, Greece may export all its industrial and farm products into the Community duty-free, whereas it is still entitled to impose duties on a number of imports from EC-countries. After due consideration of all these problems, even optimists must come to the conclusion – dulcet tones from the mouth of politicians notwithstanding – that it should still be a long way to Greece's full membership of the EC. ch

*EC*

## **A Common Bazaar?**

Once more, the EC has survived only by the skin of its teeth when it proved possible to bridge the chasm yawning between the UK and the other Eight. Yet the results produced by the deliberations of the European Council in Rome are much less than enjoyable – because the whole meeting was only a continuation of the perennial European poker game, pointing to the weakness of the foundations upon which the EC of the Nine rests. Helmut Schmidt described the outcome as a “wise compromise” – and in so far as Bonn succeeded in making a deeper impression with its insistence on the Community operating more economically, he may have been right, for restrictions of the EC budget, a budget commissioner and a comptroller's commission will soon teach the EC's institutions to spend their monies more modestly. It is also the declared intention of the Nine to call a European Parliament through direct elections as from 1978, and to issue a European passport.

However, the main burden was the question of a common energy policy, the determined refusal of Harold Wilson – understandably from his point of view – to operate in a common front with his eight partners during the forthcoming energy dia-