



# NEW SOLIDARITY International Press Service

DOMESTIC MARKET NEWSLETTER

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## LOOKING AHEAD TO 1976: FANTASIES OF RECOVERY ARE ALL BURSTING

Dec. 20 (IPS) -- While the press was touting car sales for the first 10 days of December as cause for Christmas cheer, the industry analysts this week were pointing out that the 43 per cent gain in sales when compared with last year's figures were deceptive. The large increase was over "rock bottom," -- the worst sales in industry history; Sales levels are still not anywhere near normal.

Nevertheless, both General Motors and Ford have just made optimistic -- if simplistic -- predictions about further pick up in sales in 1976. GM Board Chairman Thomas Murphy said 1976 would be the third best sales year in auto history, while Henry Ford II was only slightly more conservative in his optimism. Furthermore, GM announced that it is planning increased production runs for the first quarter of the year, while Ford will increase its capital spending -- particularly in the U.S. At the same time, however, American Motors and Chrysler, the auto companies that have suffered the worst losses ever in the last two years, announced temporary plant closings to work off backed up inventories.

Analysts indicated that GM's predictions and revised production schedule were based on expectations of "what usually happens after recessions" and anticipated increase in disposable income -- in other words, not even on any empirical trends. While the compromise over the tax cut bodes well for "consumer confidence," that magical ingredient which is supposed to trigger the recovery, it is still very likely that the stepped up auto production will end up sitting unsold in the lots of dealers and factories. Ford has already announced that it is ready to retract its just-announced minimal price increases on 1976 models, if they threaten sales.

The higher sales in November and December are explained by the fact that banks are once again making auto loans, at better terms. The banks last year, which provide over 70 per cent of auto credit, withdrew from the market. People who put off replacing their dilapidated cars -- are now buying -- at least for the time being.

A much more significant economic indicator -- orders for durable goods -- provides no cause for rejoicing. The Commerce Department announced on Friday that new orders to manufacturers declined by 1.2 per cent in November, with cutbacks hitting the primary metals industries the hardest. In addition, unfilled orders declined by \$868 million. This trend, which began October of 1974, leaves manufacturers without a backlog of orders to work on.

The outlook for the capital goods sector, which is crucial to the future growth of the economy, is miserable. While analysts console themselves by noting that there is normally a six to nine month "lead time" between a pick up in the economy and a pick up in orders for machinery, they admit that they have no idea when orders will

start rolling in or where they will come from. Machine tool orders are virtually non-existent. No one wants to get stuck with inventories of highly specialized machinery that they foresee no use for -- a testament to the faith the industrial sector has in "recovery."

The machinery sector has held up through 1975 primarily by foreign -- primarily-Arab -- orders. For example, Caterpillar, produced 56+ per cent of its yearly output for foreign markets. Without these orders, it would have been severely hurt, according to industry analysts. Now, with the shrinking of oil revenues, even the Arabs have stopped buying.

In addition to foreign demand, orders for farm machinery -- in particular large tractors and combines -- helped support the entire industry. Most of the buyers were U.S. farmers, who had a good year because of the Soviet wheat deal. John Deere's farm sales (more than 75 per cent of their business) compensated for a 20 per cent decline (in dollar terms--unit sales were down much more) in sales of construction machinery; there were virtually no orders for some lines of small construction machines, while sales of larger machines were buoyed by Arab demand.

Orders for farm machinery still look good heading into 1976. However, any moves toward economic warfare by Rockefeller could completely wreck this sector as well.

It is therefore not surprising that the big midwestern machinery producers, including Caterpillar, Ingersoll-Rand, Deere, and International Harvester, the industrial base of the Chicago faction, are vehemently opposed to the Rockefeller's economic warfare-anti-development policy.

#### THE WATERGATING OF FORD -- THE ECONOMIC ANGLE

One of the immediate effects of three pieces of legislation now sitting on Ford's desk is to place Ford in a "damned if I do, damned if I don't" vise. He will be further discredited on economic policy, whether he signs or vetoes the bills.

If Ford vetoes the construction bill, he will bring down the wrath of Rockefeller operative John Dunlop, his Secretary of Labor, the labor movement, and the Democrats. The most publicized part of the bill -- the so-called "common situs" section -- amends the secondary boycott law to permit construction workers to picket an entire construction site, where more than the struck contractor may be operating. This provision has been fought for by the building trades unions for 25 years. If he signs the bill however, he will alienate himself further from the mainstream of the Republican Party who will charge him with "yielding to labor."

Taken as a whole, the bill is decidedly anti labor -- fascist legislation. The "pro-labor" common situs provisions are a hoax. They will not go into effect until the end of this year on many sites and will go into effect in 1978 on others. In addition, Title II of the bill, known as the "Dunlop Bill" after its author, establishes a corporatist, tripartite "Construction Industry Collective Bargaining Committee," with industry, labor, and so-called public members. The Committee is empowered to intervene into local construction contracts, cancel strikes, and authorize the national construction unions to bypass local union officers and members in imposing wage settlements.

Ford is in the same situation with respect to the Energy bill, written by Federal Energy Administration (FEA) chief and Rockefeller man Frank Zarb.

If Ford vetoes the bill and fails to get alternative legislation enacted, then full oil price decontrol will go into effect immediately, and the Democratic congress will be at Ford's throat blaming him for the resultant economic dislocations. Ford also runs the risk of a major cabinet crisis: the bill was designed by Rockefeller agent Zarb and there has been speculation that Zarb could resign in the event of a Ford veto -- the same situation exists with respect to the construction bill, where a Ford veto would pit him against Dunlop.

If he signs the bill, the oil industry will start screaming, because of the initial roll back of the prices provided for in the bill.

The final version of the energy legislation includes the provision for the creation of a national petroleum reserve of up to one billion barrels (compared to current crude oil reserves of 260 million barrels in private hands) to cushion against an Arab embargo. In addition, the bill would enable the President to assume primary authority for allocation of these supplies in the event of an emergency - with no Congressional approval necessary.

Such top-down control of energy supplies is essential for Rockefeller to carry out the economic warfare-energy embargo sub routine of the now operational Hilex 75 NATO exercise.

Ford's apparent compromise on the tax bill has already been interpreted as a major retreat -- in much the same way that his New York City compromise was. Rep. Al Ullman (D-Ore), chairman of the House Ways and Means Committee, commented that the spending control language that was written into the bill was a "far cry" from the commitment to a \$395 million spending ceiling for fiscal 1977. The President told us for three months that that (the 395 ceiling) was the only thing he would take," Ullman said. The New York Times took the opportunity this morning to blast both Ford, for doggedly insisting on the spending ceiling and vetoing the original bill -- risking a tax increase in the face of a new slowdown in the economy, and the Congress, especially the House Democrats, for stalling on accepting the compromise. As the bill stands now, the 1975 tax cut is extended through the first half of 1976, and Congress "commits itself" to holding down federal spending.

#### AND THE MORATORIUM AGAIN

The New York debt moratorium which went into effect last week on 1.6 billion in city notes was again causing problems for the New York banking community. Just when they thought that they could keep the moratorium hushed up, the banks were placed in a rather strange position of having to defend the moratorium in Manhattan Supreme Court from a legal challenge by a small local bank.

If they are successful in their defense, the banks and their operatives in the Municipal Assistance Corporation (MAC) will have firmly established the legal sanctity of the debt moratorium -- a powerful weapon that could at any moment be turned against them.

MAC counsel and Rockefeller-lawyer Simon Rifkind termed the Flushing National Bank "sinister" for having brought up the suit in the first place. Stressing that no one, especially the large New York

banks and MAC really wanted the moratorium, Rifkind said that it had been forced upon them. "The city's inability to meet principal payments is a fiscal, if not legal fact," he told Judge Baer. (Under the terms of moratorium the city must still make 6 per cent interest payments to its note holders. A plan to have the note holders swap for MAC Securities has failed to produce any takers.)

"Alone among all the banking institutions in the city" Rifkind said angrily, "Flushing National has mounted a campaign to propel this metropolis into bankruptcy towards financial disaster."

Judge Baer apparently sympathetic to the plight of MAC and the Rockefeller banks, interrupted counsel for Flushing National several times asking what relevance his arguments had to the case. Finally, exasperated he asked, "what benefit would be served if you win this case?" "The first thing is the upholding of the constitution," the Flushing counsel replied.

The New York banks however remain nervous that the Judge might just rule in Flushing's favor on the constitutional argument that the moratorium discriminates against classes of debtors (ie. bondholders vs. note holders). If that happens, the bankers would have no option left but to extend the moratorium to cover all New York paper-bonds, notes, everything — or face what they had tried so hard to avoid -- full-scale unmanaged default and an immediate collapse of the Rockefeller New York banks.

As one observer noted, "Whatever its outcome, the New York banks, are going to lose more than they gained in this trial."

The Judge will make his decision next week.

#### ALBANY LEGISLATURE TURNED INTO REICHSTAG

While the banks were having their problems in court, they were also having their problems in Albany securing a state tax-austerity package to guarantee their debt repayment.

In the face of a full-scale Republican revolt in the assembly, the banks austerity-floor managers, were forced to revert to Gestapo tactics to insure the passage of a portion of the new taxes.

With the agreement of State Senate Majority leader Warren Anderson (R-Binghamton), a Rockefeller Republican, Assembly Speaker Stanley Steingut (D-Bklyn) called in State Police armed with riot sticks and pistols to prevent the anti-austerity revolt in the Assembly from spreading to the Senate. Assembly Minority Leader Perry Duryea (R-Montauk) had assembled a phalynx of several burly Republican to take the word to the Senate GOP that they must not pass the \$600 million in new business taxes that had just squeaked through the lower house. After a scuffle, Duryea's men overpowered Assembly guards and were about to make their way out, when Steingut, a supporter of the New York banks' austerity floor manager, Gov. Hugh Carey, made his move. The pistol toting State police sealed the doors, keeping the angry legislators locked up while the Senate voted. As a precaution, the State Police, who are under the command of the governor, sealed the doors of the Senate as well. The legislation squeaked through the Senate and was immediately signed into law by Gov. Carey.

The legislators around the country were thus given a foretaste of the tactics the banks intend to use to secure their debt.

Already the move by the banks to turn the legislature into a replica of the Nazis' Reichstag is beginning to backfire.

Duryea has said that he will approve no more taxes, no more cuts -- under any circumstances -- and will organize to make sure that the legislators have the right to speak their peace.