

### 3 International Markets Newsletter

system in Italy. One tier is the postwar "rationing" system, imposed on food, gasoline, oil, and newsprint. The other tier will be an exorbitantly priced black market. The IMF has canceled a previously pledged \$530 million bailout loan to Italy citing the lack of an incomes policy which excludes cost of living completely. Naples is facing imminent cutoff of milk supplies, because city funds were siphoned off to pay the state debt instead of the milk suppliers. Italy's "new" health care rules, as the disease rate climbs, make hospital care above the budget of Italian workers who now must pay the "initial costs of hospitalization" and medical care before the state assumes any costs. Turin banks and the Chamber of Commerce are printing up their own plastic money for circulation.

France follows close on the heels of Italy and Britain. Meanwhile, the conservative West German press warns that EEC social and regional fund subsidies, as well as the all-important Common Agricultural Program (CAP) Fund, will be in no position to be applied if the currency crisis continues. Until now, the CAP subsidies have supported French farm production and allowed Italy to import crucial food supplies at pre-January 21 exchange levels.

For Britain, the Atlanticist-linked Cambridge Economic Policy Group recommends a 40 per cent devaluation of the pound sterling to spur lagging exports. Workers' wage increases have been frozen at \$12 for the entire year. Unemployment continues to soar while inflation rages at 25 per

cent per annum. In France, Prime Minister Chirac announced a plan that will gut unemployment benefits, health care, and pension funds.

There are a few Atlanticist sympathizers who like the Wall Street Journal editorial board member, boast that they will easily "Italianize" the entire advanced sector, citing 1943-45 Italy as an example. But most top-level Atlanticist spokesmen know that today's correlation of forces is vastly different. Only outright fascist governments can implement the targeted levels of austerity, as Helmut Schmidt is well aware. The Soviet Union, possessing thermonuclear capability today in contrast to the 1943-45 period, will not hesitate to launch a nuclear first-strike the minute it has determined that the process of imposing fascist governments in Western Europe or North America is irreversible.

More immediately, Mexican President Luis Echeverria's April public call, an unprecedented denunciation of Wall Street's Argentina and Chile solutions for the Third World, will serve as a rallying point for political forces in both the Third World and the advanced sector. Echeverria's statement is also a lesson to the vacillating anti-Atlanticist forces in Europe that there is a political alternative to byzantine games. This significant development, coming simultaneously with a mass-strike buildup in Europe and North America, has brought the fight for the International Development Bank out into the open.

## World Industry In Worst Collapse In History

April 3 (IPS) — The world capitalist sector is junking its industrial plant.

Western European steel orders fell by half during 1975. In West Germany, Europe's largest capital goods producers, orders for new machine tools fell by 17 per cent from foreign and 10 per cent from domestic buyers. Electrical machinery orders in January stood 22 per cent below their level of a year before, with current production 10 per cent lower.

Japan's three largest export categories, chemicals, steel, and ships, fell by 31.7 per cent, 31.8 per cent, and 23.2 per cent respectively between January 1975 and January 1976.

Swedish heavy industry is in worse condition. Orders for Sweden's three largest industries — primary metals, paper and pulp, and shipbuilding, fell respectively by 37 per cent, 31 per cent, and 25 per cent between the fourth quarter of 1974 and the fourth quarter of 1975.

Europe's chemical industry is shutting down production of fertilizer in response to the debt-strangulation of the Third World. The chairman of West Germany's chemicals giant BASF reported this week that expected sales to Latin America had fallen off by 40 per cent and sales to Africa by 25 per cent. Rhone-Poulenc, France's largest producer of fertilizer, began mass layoffs this week.

In the United States, where spending on plant and equipment is falling at a ten per cent annual rate, industrial capacity is shot to pieces. During 1975, U.S. capitalists cheated on over \$50 billion worth of expenditures required merely to maintain present levels of plant and equipment at current levels of capacity. This rate of looting — compared to total corporate profits of \$30 billion during 1975 — means the immediate scrapping of huge chunks of industrial capacity.

Over the last 18 months of recession, industrial capacity has fallen faster than the fall in current output!

At current levels of looting internationally, the capitalist economies will disintegrate before September 1976. The mass destruction of the world economy's physical capacity to produce was the outcome of the long unravelling of the world monetary system towards its expiration over the March 31 payments deadline. During the next weeks and months all the built-up potential collapse throughout world industry will explode into general breakdown. It is under these circumstances that the capitalists now talk openly of reducing the working class to the beggary of Europe in 1945.

### U.S. Breakdown

The direct outcome of this looting is that real labor productivity has been gutted. Despite the ever more vicious "productivity" drive, the annual rise in what the U.S. Department of Labor calls productivity fell from 13-14 per cent during the second and third quarters of 1975 to 8 per cent during the fourth quarter.

This occurred while actual production fell by about 3 per cent during the fourth quarter — despite the official lie that productivity fell because the "recovery" brought order and less efficient plant and equipment onto line. On the contrary: the so-called "recovery" in the U.S. is a 12 per cent annual rate of production collapse since last September, against a 20 per cent rate of production collapse during the six months following October 1974. No amount of speedup U.S. capitalists think they can enforce can prevent the disintegration of U.S. industry into a situation like Nazi Germany in 1937, after four years of Nazi disinvestment and speedup.

The European and Japanese economies which depend on

the export of investment goods are already in ruins. During 1975, 40 per cent of French output, 30 per cent of West German output, and 40 per cent of Swedish output piled up unsold in warehouses, according to figures just released by the United Nations' Economic Commission for Europe. The governments of these countries issued credit at an annual rate of 25 to 30 per cent, and subsidized limited capital-spending programs, to finance the monstrous growth of inventories. The inventory pileup grew even worse during the first months of this year. West German inventories bloated by 12 per cent during the first two months of 1976, an annual rate of 72 per cent. According to business sources, the inventory buildup is even worse in other industrial sectors, especially France.

Europe's accumulation of unsold goods, which temporarily disguised the actual pace of industrial collapse, is already coming to a quick halt. The austerity program which West German Chancellor Helmut Schmidt demanded for Europe at last week's meeting of Western European heads of state means a shutoff of credit to industry. Schmidt's "guidelines" for Europe will merely enforce what the March 31 collapse of the monetary system has already set into motion: no more credits for production. The 40 to 50 per cent pileup of inventories will therefore become a 40 to 50 per cent collapse of production throughout Western Europe by the end of the summer.

This level of worldwide collapse of the producer-goods industry merely sums up the impact of the previous period of industrial decline. As of March 31 there is no financial system left to finance world trade. The impact of the economic breakdown between now and June 30 will be staggeringly worse.

#### **Gutting Consumption**

The 30 to 40 per cent cut in working-class incomes which the Atlanticists are pushing for means the extinction of the consumption-goods industry, which has provided the last

support for industrial production in the capitalist sector. The banking creditors of Britain and Italy want an immediate 40 per cent reduction in imports — a level specified for Britain by the Cambridge Economic Policy Group on behalf of New York financiers. The London Economist rejoined this week that import cuts of this magnitude would not be necessary if Britain cut working-class consumption by an immediate 20 per cent, on top of a 25 per cent cut in living standards through inflation during the first three months of this year.

In West Germany and France, the Atlanticist governments are wiping out consumer credit, which disguised the precipitous drop in real working-class income over the past year. France's finance ministry is slapping a "ceiling" on further loans to consumers, which ballooned by 18 per cent since last August. West German banks which specialize in loans to consumers are going through a chain-reaction bankruptcy. Of the three consumer-lending banks that failed this year, one, the Pfalz-Kreditbank, triggered a costlier bankruptcy than the 1974 failure of the Herstatt Bank, which nearly brought down the international monetary system with it.

European and Japanese production of consumer goods durables is shrinking along with the income of U.S. workers. During February, U.S. imports, particularly such items as autos and television sets, fell off by \$500 million, destroying the last illusions abroad about the U.S. "recovery." By this time, inventories of the key European and Japanese export item, autos, had risen to a 120-day supply, twice the level of U.S. automakers' inventories. More than half of French, German, and Japanese auto production is exported.

By next September, the redoubled rate of breakdown of both the capital goods and consumer goods sectors will destroy a minimum of 40 per cent of the world economy. This rate of collapse is several times worse than the worst previous depression: the capitalists have declared their intention to wipe out industrial capitalism.