Inventories, Layoffs Soar As Economy Dives

Oct. 22 (IPS) — Across the country, front-page headlines are telling workers that the U.S. recovery is underway. According to White House press releases, the $1.3 billion rise in business inventories in the month of August, according to Dept. of Commerce figures, signals that the depression has ended. Nothing could be further from the truth.

The fact is that the massive rise in inventories signifies the next ratchet in the accelerated dismantling of the U.S. economy. The slight improvement in industrial production and employment which occurred between April and September, has succeeded only in filling up wholesalers' and retailers' shelves. Consumer sales have stagnated; nobody can afford to buy.

The inventory pileup, hailed as the precursor of recovery, is now the immediate cause of thousands of layoffs in the steel, electrical, and rubber industries, inaugurating the second phase of the worst depression since the Black Death of the 16th century.

Field reports received by the U.S. Labor Party Continental Operations center reveal that, since the beginning of October, a minimum of 30,888 steel workers were laid off or are scheduled for layoff shortly in the Pennsylvania-Ohio-Illinois-Michigan steel centers. Electrical layoffs monitored total at least 10,888, including 935 at Pittsburgh Westinghouse, 4,000 at Youngstown Packard Electric, 2,000-3,000 at Philadelphia Western Electric, and 2,000 at Philadelphia General Electric. Firestone Rubber just announced it will permanently shut down its 1,000-man Reading plant and consolidate it with its Akron operations, where another 100 workers were laid off. Hundreds of workers are also slated for the unemployment line from both Goodrich and Goodyear rubber plants in Akron.

This is the news the national capitalist press won't print.

A natural gas shortage contrived by Rockefeller now threatens to force even greater production cuts. North Carolina state officials report that natural gas-related layoffs in the state could reach 72,000 this winter. Armco Steel claims the gas shortage will necessitate the closing of seven of its largest plants. The manager of General Motors' Energy Department has warned that 36 per cent of the company's production is dependent on natural gas.

The blight of the auto industry is shocking disproof of the White House claims. Due to a huge 98-day inventory overhang, the bankrupt Chrysler Corp. has declared, its entire 60,888-man operation will close down for the month of December. Chrysler recently handed over its accounts receivables to its creditors, most notably Chase Manhattan. Auto analysts give the corporation little chance of survival.

In total, the overhang for 1975-model cars is now 835,000 — 22 per cent above the level of a year ago, when inventories were considered abysmally high. Poor sales are the reason behind huge layoffs expected at the Ford Wixom plant this month, where overtime work has already been cut. The Ford Rouge Assembly plant is rumored to be on the verge of shutdown; it is likely that its labor force will be recycled to other plants.

The auto overhang stems from the collapse of sales during the June-September period, which the auto companies failed to anticipate. The only way the companies can hope to sell off these heavy inventories now is through heavy price discounting. Chrysler, which holds the largest inventories of 1975 models, will be pushed to the edge of bankruptcy, as forced discounting will only exacerbate its cash-flow crisis. Another auto analyst predicted 10 per cent production cuts for the industry as a whole during the fourth quarter. However, he admitted that his "optimistic" forecast was based on the unjustified assumption that car sales will increase.

The situation in steel is no better. The National Association of Purchasing Managers reports that, following this summer's brief surge in steel orders as a hedge against announced price increases, orders are now collapsing. The steel industry has been forced to extend to December its "gentlemen's agreement" with customers, under which it has been charging the old prices or even resorting to price cuts. Steel users are still so heavily overstocked that NAPM does not expect their inventories to decline to normal levels until the end of the first quarter of 1976!

Accelerating Collapse

Heightened liquidity pressures on corporations will make the current round of production cuts even more severe than those of a year ago. The crumbling U.S. banking system, now under siege by threatened Third World debt moratoria, the New York City default, and the bankruptcy of W.T. Grants and the Real Estate Investment Trusts, is continuing to curtail drastically its loans to productive industry and commerce while stepping up pressures for debt repayment. The drying up of credit forces manufacturers to cut their production to improve short-term cash-flow. This only thrusts them deeper into the quicksand as they strangle the very productive base upon which future earnings depend.

This second round of production collapse now threatens to utterly decimate the vital machinery and machine-tool sector, the heart of the U.S. economy. The Commerce Department reports that, during August, new orders for non-electrical machinery fell $466 million, a 6.3 per cent decline from the July level. No one is much interested in buying new equipment when existing plant and equipment is running at only 65 per cent capacity. The non-electrical machinery sector also has the worst inventory pileup, a three-month supply. U.S. banks appear to have totally written off the machinery industry, cutting their loans to this sector by nearly $1 billion in the third quarter and another $196 million in the first two weeks of October alone.

These auto body parts stockpiled at the Linden GM plant will never be used.