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Wall Street Demands Union Busting, 1945 - 47 Style

Credit Shutoff In Western Europe

April 3 (IPS)—The critical March 31 international debt rollover deadline arrived with no institutional International Development Bank-type solution to the worldwide monetary and economic collapse in place or on the verge of being implemented. The barring of the total financial and political bankruptcy of U.S. and Western European Atlanticist forces has impelled them to launch a crash effort for open fascist austerity and police state regimes throughout the advanced sector.

The rapid transformation of the continous international monetary crisis into a full-scale social crisis and political class confrontation was made official at the end of the European Economic Community (EEC) summit in Luxembourg.

Speaking for Wall Street bankers at the EEC summit yesterday, West German Chancellor Helmut Schmidt demanded brutal wage cuts and a European-wide clampdown on credit. If implemented, Schmidt's formula will immediately plunge Western Europe into the horrors of the 1945-47 pre-Marshall Plan period.

The sharpness of Schmidt's words reflects the Atlanticist's fear that the imminent collapse of the dollar empire leaves no room for tinkering with any international or regional monetary patchwork arrangements. Schmidt instructed his EEC colleagues, "There is no alternative to economic discipline." His brute-force prescription laid out four "disciplines" as prerequisites for any West German financial assistance: European governments were to enforce vigorous policies on (a) the volume of money and credit, (b) the costs of production, (c) budget deficits **including wages**, and (d) the balance of payments.

"Bust Unions, Break Strikes"

The austerity now, slave-labor full employment later tactical turn in Wall Street policy for Europe outlined by Schmidt at Luxembourg becomes effective immediately. In the United States, the push to bust unions, in general, and municipal unions, in particular, is in full swing. There is an open assault on worker's pension funds, unemployment insurance, and social security payments. Wage-gouging is the norm. New York's Emergency Finance Control Board has still to accept a teacher's union contract negotiated earlier this year.

An aid to Emergency Finance Control Board chairman Felix Rohatyn, in an unusally frank interview March 31, divulged the untarnished view of Felix "the Fixer" on the present conjuncture:

"We don't have a monetary system....The only way available under the circumstances is confrontation with labor. We've no choice. Specifically on the U.S. we've got no choice but to bust unions and break strikes...You are right about a worker upsurge and mass strikes...but we've no choice."

More than anything else, events immediately leading up to the March 31 payments deadline impressed the New York bankers with the vulnerability of the dollar and the the dollar sector banking structure to a panic collapse.

The Plan That Failed

To guarantee Western Europe's $90 billion debt overhang, the Atlanticist financial houses demanded 15 to 30 per cent devaluations of the currencies of debtor nations. Starting with the Jan. 21 run against the Italian lira, and culminating with the forced devaluation of the French franc March 15, the New York financiers stagemanaged a series of currency crises. The effect of these devaluations is to force up the cost of imported consumption goods and raw materials in the victim country as an austerity measure.

When the Western European central banks stood together last week and refused to let this "realignment" of the European currency system continue, the banks determined to push through their policy with raw financial muscle. At this point, the West German Bundesbank, to avoid the obliteration of that country's export markets in Europe, threw its weight to the side of the French, Belgian, and Danish currencies, forcing Wall Street to retreat.

Having crippled the dollar, Europe must consider how to avoid the financial collapse of Western Europe and fascism. Consistently, the Bundesbank and other European central institutions have rejected U.S. demands to employ the West German mark as an "international reserve currency" to finance Western Europe. In plain terms, the Atlanticists advised the West Germans to use their currency reserves, swollen through inflows of unwanted U.S. dollars, to pay the cost of servicing the debt of France, Britain, Italy, and other European countries.

Who Paid for March 31

Following a sequence of events that might have occurred in a Monte Carlo gambling casino, the U.S. banks and corporations will finish this week with a $5 to $10 billion speculative loss. On paper, this gives Western Europe a margin of breathing room through the quarterly payments deadline — but no respite from fascist looting of industry and lives. Without a political follow-up the Europeans have, at best, postponed the worst of the crisis for a few weeks — perhaps only a few days. The underlying **cause** of the

European payments crisis, the collapse of Europe's export markets, is continuously worsening as the Atlanticists continue their drive for more austerity. (see next section)

To force devaluations on the unwilling Europeans, U.S. corporations dumped European currencies on the open market to drive down their parities against the U.S. dollar and West German mark. When the Belgian, French, and other central banks responded by matching every sale of their currencies with a purchase, the corporations and banks began to **borrow** all the European currencies they could get their hands on for immediate sale.

By last weekend, the U.S. banks and corporations had borrowed over a **hundred billion** dollars worth of Belgian francs, Danish kroner, and other weaker currencies, and dumped them in the open market — without succeeding in forcing devaluation. Interest costs on these "short positions" ran to $10 million per day for the New York banks alone: in the speculative hysteria, the banks bid up interest rates on French and Belgian francs to annual rates of several hundred per cent.

When the Bundesbank circulated its warning that speculators would lose their shirts over the weekend, the banks found themselves billions of dollars short of the European currencies they owed, and unable to sustain the immense costs of speculating. They were forced to borrow funds in European currencies on a slightly longer-term basis to cover themselves and take their losses. But this enabled European coporations who could not raise dollars to make their March 31 payments with their own national currencies, which were lent out at high interest to the New York banks!

Seen from the trading floor of the foreign exchange market, the war of paper disguises a much deeper problem: Europe's trade is in a state of collapse, and Europe's debtors have obtained no more than one month's refinancing. Certain New York financial spokesmen are predicting, somewhat tremulously, that the European collapse they planned has merely been postponed until the end of April.

"Social Welfare

Not satisfied with the current rate of devastation of European and U.S. industry and wage-gouging (see accompanying brief on economic lapse), the Atlanticists are demanding "social welfare" as a must merely to allow them to muddle through from crisis to crisis.

New Attack

The Wall Street banks had therefore by no means "unwound" the many billions of dollars they had tied up in speculation prior to March 31. So late this week they were at it again attempting to break the European joint float, the so-called European Snake by forcing devaluation of one or more of its weaker currencies. With the collusion of the NATO-controlled Bank of England, Wall Street engineered a run on one of its favorite patsies, the British pound sterling. Though the pound exists outside the float, the strategy of Wall Street was to use a sharp drop in sterling to precipitate a general run on European currencies and thus force their devaluation. The move, like the previous Wall Street market manipulations, failed to achieve its actual objective and instead appears to have backfired. While the pound fell uncontrollably to a new historic low of $1.85 per pound leve, the other European currencies didn't budge an inch. Meanwhile, the U.S. dollar under dumping pressure from European central banks hit an eight month low against the West German deutschemark.

By week's end, a funeral dirge-like commentary on the prognosis for the success of devaluation schemes was coming from Wall Street-linked sources on this side of the Atlantic.

"The snake just cannot be widened — the French cannot politically impose the necessary economic policies," added the West German expert at the State Department. "Sure, Bundesbank director Emminger may say 'tighten the belt'— he's a regular Arthur Burns (the U.S. Federal Reserve Chairman) — but the German government must say no to austerity. They have to help their allies because of their tremendous concern about the cohesion of the Atlantic Alliance — Italy, France, the whole southern flank is vulnerable" to Communist sentiment among anti-austerity workers.

"Germany, Italy, the U.K. — no one is buying a new snake," lamented the Treasury British desk.

Yale Professor Robert Triffin, the NATO-allied consultant to the International Monetary Fund, was perfectly blunt about the chances of the bankers scheme.

"The concept of a stable dollar-deutschemark relationship under severe European currency depreciation elsewhere is finished," Triffin said in an interview "It will be totally impossible to get the Europeans together behind this. The West Germans will resist absolutely any major European devaluations. (French President) Giscard brought some plans for the realignment of the European currency "snake" to the EEC meeting — so what. There will be no new snake."

New York bankers most immediately concerned with Britain, Italy, and France, no longer mince words about their immediate goals. Chemical Bank's solution for Britain and Italy, according to a bank spokesman, is nothing "short of dictatorship" — no more dilly-dallying with fascism with a human face.

For Britain, Manufacturers Hanover Bank insiders prescribe: "Politics as normal can't continue... We have to excise the left and declare war on the unions. It's not a social contract we need, it's social warfare."

Wall Street's demands are now outstripping even the ability of ever-consenting European politicians to enforce. West Germany's Helmut Schmidt, Europe's chief cop, is well aware of the problem. "The trouble," said Schmidt in Luxembourg, "is that governments are all to weak at home to overcome the difficulties...The economics won't work if the politics are bad."

Schmidt rejected the British Prime Minister's call for the use of the EEC Fund which is predominantly financed by the West Germans, for labor-intensive jobs to ameliorate the Common Market total of more than 5 million officially unemployed. Instead the West German Chancellor called for sanctions against those countries that fail to meet centrally dictated disinvestment quotas.

Italianization

Only through the "Italianization" of Western Europe and North America can the dollar empire be maintained beyond June 30 on Wall Street's balance sheets. Today's New York Times quotes an Atlanticist in Luxembourg recalling Churchill's "where there's death, there's hope" to make the point that as long as even the present abysmal levels of consumption continue the dollar empire is doomed. By Italianization, Atlanticists mean the pursuit of policies that have reduced Italy to the postwar rubble of 1945-47.

Under International Monetary Fund dictates, the Italian Council of Ministers on April 1 set up a "two-tiered" pricing system in Italy. One tier is the postwar "rationing" system, imposed on food, gasoline, oil, and newsprint. The other tier will be an exhorbitantly 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