Europe Relives Nazi Economics

April 17 (IPS) — Western European and Japanese capitalists have adopted the methods of Nazi finance minister Hjalmar Schacht in the wake of the March 31 payments crisis.

Under the immediate direction of the New York banks and their Eurodollar outlets, credit to European industry is being rationed out to firms who meet the criteria of wage-busting and "rationilization," i.e., junking of "excess" plant and equipment. Immediately, European and Japanese workers face mass layoffs and a centrally-directed speedup binge.

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In the period since March 31, European industry took these giant steps toward Schachtian re-organization:

* French steel and chemical producers began mass layoffs.
* French steel, chemical, and auto firms began cartels for the purposes of "rationalization."
* West Germany's largest industrial firms announced they would junk huge amounts of plant capacity and make up the difference with speedup.
* French, German, British and Japanese capitalists issued demands for across-the-board cuts in real wages.

These are only the first steps in the Nazi economic Blitzkrieg, top Atlanticist policy makers stated this week. The West German central bank declared publicly that current economic conditions are literally those of 1939, the height of the threatened breakdown crisis that overtook Hjalmar Schacht's "miracle economy." Next week, the French parliament will vote on a point-by-point revival of Schacht's looting machine, labelled "The French Seventh Economic Plan."

"Central bank policy faces the same considerations as in 1939," declared West German Bundesbank director Helmut Schlesinger in the Frankfurter Algemeine Zeitung April 10. The hyperinflationary 20 per cent annual rate of growth in the money supply "is virtually irreversible," Schlesinger said, "and the consequences of wage negotiations for central bank policy cannot go unnoticed."

This means: the collapse of the output, orders, and profits of European industry have forced central banks to increase the money supply at a hyperinflationary pace to refinance the debt of European economies. Money supply has been rising at annual rates of 23 per cent in West Germany, 25 per cent in France, 28 per cent in Japan, 40 per cent in Italy, and 6 0 per cent in Britain — sufficient to blow the roof off the European and Japanese economies. Behind this is an underlying rate of industrial collapse of 40 per cent — the rate at which unsold industrial inventories have been piling up in Europe during the past year, and the rate at which orders for major categories of heavy industry products have collapsed during the last few months.

To make up the difference in real profits and pay for the cancerous expansion of credit, the European Atlanticists demand an accelerated looting of the workforce and of means of production. This is the explicit content of the French Seventh Plan: the Finance Commission that wrote it called on April 15 for "reducing wages and related labor expenses for corporations." The Commission added, "wage costs already represent more than 50 per cent of the added value of corporate production, which is really to much." The Seventh Plan's Development Commission added April 16, "it is absolutely necessary to reduce the costs of production through an increase in the productivity of labor ... It is necessary to organize voluntary regulation of wage revenues."

The Seventh Plan includes Brazilian-style indexation of the entire economy; shifting the tax burden from corporations to workers; and the compulsory use of workers' savings to finance state-directed investments. To a letter, this is the form and content of the Nazi economy.

Hjalmar Schacht created a "miracle economy" by milking workers' incomes through every variety of taxation swindle and controls; using massive state credit to "rationalize" industry and finance public-works and armaments production; and imposing brutal speed-up. This economic monster, always subject to inflationary explosion, broke down in 1939 and led directly to World War II.

Western Europe is turning into this monster right now.

Productivity — For What?

In West Germany today, industrial rationalization is underway according to Atlanticist demands for real wage cuts and worker productivity. "Last year, (West) Germany's real Gross National Product declined 4 per cent and the government predicts a 4 per cent rise this year," a U.S. State Department specialist on the West German economy said recently. "That's an 8 per cent jump, and how do you think they will do it, when unemployment is expected to **increase**? And plant capacity reduced? Productivity! A huge rise in workers' productivity. We're doing a study now."

The actual "jump" the State Department refers to will be from a 15-20 per cent fall in West German production last year to a 40 per cent collapse in 1976. But the speedup continues anyway.

Volkswagen, the state-owned industry originally set up by Schacht for Hitler, has set crash targets for "rationalization" and "productivity." Toni Schmueker, the firm's productivity expert, has announced that the breakeven point of the firm — the scale of production at which it is able to produce a profit— will be reduced this year from 70 per cent of capacity utilization to 60 per cent. To do this, he intends that units produced per worker per year will rise from the present 10 to 15. "We need a bloodletting," commented Schmueker, whose plans have been given rave notices by the NATO-linked Die Welt. Schmueker, under the postwar U.S. occupation, was the productivity expert for the Rheinstahl armaments complex, which the occupation absorbed intact from the Hitler war machine.

West German capitalists, stung on by the U.S. State Department, are demanding blood. "There must be a reduction of real wages," demanded Atlanticist banker Ludwig Poullain last week, "or there will be more inflation and unemployment." "We already have a reduction in real wages," says the chief economist for a German finance house owned by New York's Citibank, "and we're going to get more. German workers will take it — they won't go out on the streets." Adds the international economists for the government's economic think-tank in Hamburg, "One does not have to be an old Nazi to have certain feelings about the ungovernability of the European democracies."

These Nazi remnants are in virtual panic over the building explosion of inflation in "stable" West Germany. During January and February wholesale prices took off at a 20 per cent annual rate, the immediate result of huge inflows of unwanted U.S. dollars — as Bundesbank official Schlesinger admits. Most wage contracts signed so far this year have been in the range of 5 per cent.

French Debt Crisis

But the inflationary collapse is even further advanced in France, where ballooning of industrial debt and a collapse in profits are the symptoms of general industrial breakdown. The largest French industrial firms are forming cartels, duplicating the re-organization of German industry under Hitler, to enforce mass layoffs and junking of capacity.

During the past week, two ailing French automakers, Peugeot and Citroen, merged under the guidance of Lazard Freres — the investment house of Felix Rohatyn, the founder of Big MAC in New York. The two largest chemical producers, Rhone-Poulenc and Pechiney-Ugine-Kuhlmann formed an "association" to pool capacity, while Rhone-Poulenc laid off 9,000 workers, half its textiles workforce. With fertilizer sales down 50 per cent from the previous year, the two largest fertilizer manufacturers, Gardinier and Miniere et Chemique, formed a similar "association."

These layoffs and shutdowns are the direct result of French industry's debt crisis (see chart). Of 156,000 French steel workers, 70,000 are already on short hours. French steel output fell by 22 per cent in 1975 and 23 per cent in January and February. The industry's debt is 125 per cent of its annual sales.

Already, the French government is the main financier, with backup from Lazard and the Eurodollar banks, for "rationalization." The steel and chemical shutdowns will be paid for with government grants of 1.5 billion French francs and 150 million French francs respectively. The government's Fund for Economic and Social Development will play for 40 per cent of steel's operating costs this year.

French Government to Revive Nazi Institutions

If the French parliament votes up the Seventh Plan next week, these modest efforts will give way to an all-out effort to Nazify French industry.

Under the plan the government will increase deductions from workers' incomes for pensions, unemployment insurance, health insurance, and so on, precisely what Schacht introduced in 1934. Meanwhile, payments to workers for unemployment, health costs, and pensions will be reduced.

Previously, the government-owned savings bank system made virtually all its loans for housing and municipal services. These sectors will now be discarded in favor of an "orientation of savings toward corporations." Workers' savings, under the Seventh Plan, will henceforward be used to purchase stocks in the industrial firms, to finance "rationalization." Further tax breaks will be given to private investors in stocks, adding a further burden to working-class taxes.

On the industrial side, the government has already removed all ceilings on wholesale prices, while maintaining retail price controls — an attempt to squeeze out the entire retail sector. The Seventh Plan will do more than allow firms to raise prices: it introduces Brazilian indexation of industrial capital. Companies will be able to upvalue the paper worth of their plant and equipment with inflation. This stupendous swindle will be paid out of the savings of workers.

In Japan, where "corporate debt is becoming a big problem" according to the April 10 New York Times, Koki Twata, Research Director of the Economic Planning Agency, told the press that Japanese factories are "suffering from a million surplus workers and excess inventories." The EPA, whose Director, Takeo Fukuda, is a close personal friend of David Rockefeller, decried the "sharp drop in productivity of Japanese factory workers...(which) registered a 5.5 per cent drop in 1975," according to an April 15 Journal of Commerce article, subtitled "Too Many Employed." The EPA recommends the situation be quickly reversed, to "keep exports competitive."

Denmark: National Bankruptcy

This across-the-board government bail out of industry is the content of the currency crisis. In Denmark, where direct government corporate bailout is yet to come, but where the Central Bank has been taking on banks' bad corporate debts, the result this week was national bankruptcy. Out of a Danish kroner 19.5 billion government bond issue, only 500 million kroner were sold, and some of that dumped back on the secondary market. In other words, the IOU of the Danish state is worthless and no one will take it.