

Anti-Rockefeller Capitalists Launch Attack On Austerity as Inflationary

June 7 (IPS) — What the London Times recently identified as the “Physiocrat” tendency in capitalist circles — concerned primarily with production rather than the circulation of debt — will have tied down its authority in capitalist affairs generally once the dust settle on next week’s gathering of the International Monetary Fund in Paris.

West Germany’s veto of a hairbrained scheme to flood the world economy with the IMF’s bad check, the Special Drawing Right, fielded by the British delegation and quietly backed by the U.S., marked the last time that broad layers of the capitalist class will listen to anything that mouthpieces for the Rockefeller financier faction have to say.

Banca Commerciale Italiana director Gaetano Stammati, a leading spokesman for economic link-up between Western Europe and the East Bloc, identified the key polemic which the “Physiocrat” tendency will wage against the Rockefeller faction at a conference this week: austerity, Stammati said, was inflationary, attacking Central Bank chief Guido Carli, whose austerity budgets in the name of “fighting inflation” have shut down a quarter of Italy’s industrial output.

Stammati has made the distinction between real and fictitious capital a fighting issue on the Italian, and implicitly, the international political scene. To the extent that austerity destroys production, without eliminating the cancerous debt-burden on industry and the public sector, it demands a general re-financing of outstanding debt, and consequent hyperinflation. This is precisely the policy which Carli put forward earlier this week, re-hashing Nazi Finance Minister Hjalmar Schacht’s Mefo-Bill scheme in the annual report of his Bank of Italy.

Capitalist Horror of Inflation

The tendency which Stammati represents has taken the hatred of business circles generally for inflation, and made the “anti-

inflation” argument the basis for a controlled environment in capitalist deliberations for its own views. Ultimately, inflation, a symptom of the growth of fictitious capital demands on shrinking real output, is a losing proposition for the capitalist class. As debt levels increase relative to production and new industrial investment, each capitalist firm attempts to pass off the extra cost either to other capitalists further down the production chain, or to the final consumer. In Karl Marx’s terms, the capitalist class relies more and more on the extraction of relative surplus value, predatory price increases, rather than absolute surplus value, the creation of real new wealth or services related to the creation of wealth.

At a certain point the inflationary spiral “takes off,” as new money capital goes towards speculation in goods such as raw commodities like copper, coffee, tin, or steel, which are expected to increase in price, rather than to investment in new productive capacity. This has been fueled by the military-aerospace pork-barrel, which creates demand for machine tools, steel, and so on on the input side, while leaving an output which is pure waste from the standpoint of use-value.

Under the rubric of “inventory liquidation” (see article this issue), a general point of reckoning for capitalists engaged in this process threatens to devastate all markets. Either sufficient new credit must be extended to continue to circulate existing inventories of unsold goods at prices which include a whopping fictitious-value price component, or capitalists must find a way to eliminate existing debt-burdens and continue to produce.

The normal way to wipe out debt burdens is to put the capitalist class through a general bankruptcy, the alternative which beckons around the June 30 deadline for many international

payments. In this respect, the British-U.S. proposal to pump the monetary system full of SDR funny-money was aimed at giving banking reserves a liquidity buffer to re-finance critical sectors of international debt.

But the effects of such refinancing are showing up in a devastating fashion throughout industry. In Japan, for example, where industry as a whole supports extremely high debt levels with very high levels of growth of output, the decline in world trade has compelled Japan’s big trading firms to keep up their sales through export price-slashing, or “dumping” on the international market. As a result, their output prices have fallen by 20 to 50 per cent with respect to their input prices over the last year. Corporate profits have fallen straight through this gap, raising the prospect of a general bankruptcy of Japanese industry in the very-short term.

In varying degrees, the same applies to industry elsewhere. As a result, most Wall Street analysts say that “business is more afraid of renewed inflation than anything else.”

Drawing the Lines

This week, the Rockefeller program for inflation and austerity came under violent attack from some of the worst of the post-Occupation carpet-baggers in Western Europe. Said West German Federal Bank President Karl Klasen, “We should be careful that stimulative measures in foreign countries are not so strong that the upswing takes off too fast, with a consequent increase in inflation.” Such statements reflect less an agreement among broad European capitalist layers on specific program than simply drawing the line against Rockefeller’s hyperinflationary madness. These are the same elements who canned the SDR plan last week in Washington. But the Stammati tendency is de facto hegemonic

within this discussion, since they are the only ones with anything to offer their brother capitalists; the Rockefeller faction can offer nothing besides hyperinflation and nuclear war.

Indeed, opposition to the hyperinflation policy among sections of the European bourgeoisie reflects a willingness to go through a process of bankruptcy, if need be, provided that production can be re-started afterwards. The Germans went bankrupt during the Great Inflation of 1923, and again after the Kreditanstalt collapse of 1931, and once again after the Second World War, as a precondition for the revival of industry in each case. The British were put through bankruptcy in the form of a devaluation of the pound sterling by 40 per cent after the Second World War. It is considerably easier for European industrialists to tolerate financial collapse when the primary impact is absorbed by someone else's currency, that is, the U.S. dollar. New credits from an In-

ternational Development Bank, or, in the interim, through a European payments system using the transfer ruble, could restart production on the basis of a general repudiation of dollar-denominated debt, without more than momentary inconvenience to European manufacturers.

U.S. Capitalists Follow the Lead

Certain financial elements, typified by Bank of America in this country, have an interest in stopping the strangulation of real output. This week, B of A's president A.W. Clausen attacked his fellow financiers for refusing loans to industry, insisting that new credits for production were the only way to prevent further deterioration of economic activity. This represented a frontal assault on the Federal Reserve of Arthur Burns, which has been pumping money into banks' reserves which never again sees the light of day. Bank of America is in a special position in American finance: it became the largest bank in the world by

dominating the area of the U.S. where real economic growth went fastest, California. This is Clausen's reference point for a pro-production factional position.

Strictly speaking, the pro-production tendency is no faction, but a collection of creatures with similar markings in the capitalist bestiary, who, under the right circumstances, can be persuaded to stampede in the same direction. Economic policy, on a day-to-day basis, is the province of the working class and its institutions, including the International Caucus of Labor Committees, the Soviet Union, the French Communist Party, and others. What has happened in the past week is that the leading elements of the capitalist herd, such as Stammati, have accepted a plan for their interim survival on the working class's terms; others, like Thomas Murphy of General Motors and A.W. Clausen of Bank of America have grunted their assent and trotted off behind them.