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Slight Production Increase Produces Inventory Glut

NEW YORK, March 21 (IPS) — New York banks reduced their commercial and industrial loans by $368 million for the week ending March 17, bringing the total decline since January 1 to $3.1 billion. At the same time, Federal Reserve Board reports issued this week indicate that industrial production increased slightly in February, though it still remains about 10 per cent below 1973-74 levels. With the New York banks cutting off credits to industry at a faster rate than 1975, when production collapsed precipitously, the February increase was solely financed by unprecedented rates of looting of workers' wages and savings, and speed-up. This Schachtian looting process determined the nature of the production increase — everything went into inventories since final sales are precluded from rising by the looting process itself.

The latest drop in industrial loans occurred during the week which corporations pay their taxes. Loans normally rise by at least $200 million during this period as corporations borrow to meet their tax payments. The large decline indicates that New York banks are shutting off credit to U.S. industrialists as they are doing to Third World puppet regimes and W. European industrialists, thereby forcing "belt tightening" austerity.

Numerous bankers and money market dealers, when confronted this week with their continued cut-off of industrial credits, replied that whatever production occurred in the U.S. would have to be financed from corporations' "internal funds." In other words, industrialists would be forced to squeeze funds to pay debt service and meet capital requirements through speed-up and cost cutting, since no loans would be forthcoming — a policy of forced disinvestment. These statements were echoed by Chase Manhattan, in a blunt report titled "Labor Costs Are Critical" in its latest "Business in Brief," which says that U.S. industrialists must hold the line on wages and extract even more "productivity."

Similar sentiments were expressed in a Wall Street Journal editorial of March 2 which explicitly called for elimination of all income transfer payments to "non-productive" individuals and the elimination of impediments in contracts to "increased productivity." This then is the capitalist bargaining position for the upcoming contract negotiations — a bargaining position demanded by the Wall Street bankers. Giving the corporations no bargaining leeway, by closing off capital flows, Wall Street is setting the stage for a final mass strike confrontation with labor in the U.S.

With the banks refusing to even roll-over the short-term debt with new loans, corporations are also continuing to sell bonds at unprecedented rates to tap workers' savings to repay their bank loans. Almost $3 billion will be floated in March alone, the highest monthly total since last July, bringing the total for 1976 to nearly $8 billion.

The Production Rise

Any production increase generated by this primitive accumulation self-cannibalization process is unrealizable. It is not surprising, therefore, that in February production of materials, which accounts for almost 40 per cent of total production, increased much faster than final products. These materials are now sitting in manufacturing inventories. The latest report of the National Association of Purchasing Agents revealed that corporations are attempting to increase their stocks of industrial markets as a percentage of sales.

Most of the increase in final products itself was accounted for by a 7 per cent rise in auto assemblies on the basis of inventory accumulation and consumer debt expansion. This rise in auto production, in turn, provided a boost to rubber, steel, glass, chemicals, etc. A much smaller reported rise in non-durable consumer goods production was likely a statistical fraud. The Federal Reserve Board, after similarly initially reporting non-durable production rises in both December and January, later greatly revised downward the increase. To the extent there was any actual increase, it went into inventories, since non-durable final sales remain at about the same depressed level of last year.

To the extent any manufacturer did increase production, he probably did so on the basis of interpretations of the government's seasonally adjusted data. Such data, as we have previously demonstrated, are totally fraudulent. As a result, manufacturers will shortly find themselves holding seemingly "unsaleable" inventories in anticipation of a "Spring" upturn which can never come.