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Domestic Markets Newsletter

Commodity Speculation Moves U.S. Economy Into New Phase of Hyperinflationary Bust

NEW YORK, June 12 (NSIPS) — Commodity speculation took off at a 180 per cent annual rate in the U.S. this week, moving the U.S. economy into the next phase of a hyperinflationary bust. Reflecting the accelerating cost pressure generated by increases in the prices of their materials, key sectors of the economy, including auto, announced price increases. Meanwhile, spending by consumers and business continued to decline, with May retail sales falling and capital spending plans for 1976 revised downward. Despite the steadily mounting evidence that the "consumer-led" U.S. recovery is "kaputt," as knowledgeable West Germans are now admitting, the chairman of the Council of Economic Advisors and Wall Street's voice in the Ford Administration, Alan Greenspan, made a public spectacle of himself by upgrading his projections for real GNP growth in 1976.

With the question of the direction (up or down) of the economy settled for all intents and purposes, the key question has become labor policy. NSIPS has uncovered a well-concealed scheme in New York City being coordinated by the Budget Director's Office which would force unionized construction workers to sign a pledge card agreeing to a 50 cents per hour checkoff from their wages to fund the project they are working. In the Ohio state legislature a model "Arbeitsdienst" law which would have set up Civilian Conservation Corps work-camps for young adults has been sucessfully tied up in committee due to a U.S. Labor Party mobilization, signalling an important victory over slave-labor policies in the Midwest.

Commodities

Trading on the Chicago Board of Trade, the largest commodities exchange in the U.S., broke a one day record June 8 when 136,578 contracts were made, topping by nearly 30,000 the previous mark. The exchange opened a half hour late the next day as statisticians completed processing of the previous day's sales. Record numbers of corn and soybeanmeal futures, livestock-feeding commodities, were traded. Wheat and soybean futures were also sold heavily.

Guessing about the possibly devastating effects on crops of a worldwide dry spell fueled the speculation. Weather forecasts continued to stress the probability of hot, dry Midwestern weather, while news wires carried both reports and rumors of crop losses in France, Poland and elsewhere. The U.S. Agriculture Department's release of its upwardly revised estimates of a 20 million metric ton shortfall in Soviet grain production, increasing the likelihood of heavy Soviet purchases of U.S. grain, was another incentive for speculation.

While the speculation was fueled in part by impending agricultural disasters, its root cause clearly cannot be laid at the feet of the Soviets, the "overpopulated" third world and other bogeymen likely to be dredged up by the Rockefeller faction. It is the collapse of world produciton due to Lower Manhattan's insistence on the preservation of it's debt which has caused the accelerating speculation and inflation.

As NSIPS predicted in January and February, the March 31 deadline for the rollover of due international debt payments was the final key inflection point in the collapse of the world's monetary system, and with it international trade and production. From approximately that date onward, funds which normally would have gone into useful or at least less cancerous areas of the economy were released to float around in the international money markets, commodities markets, etc.

The Dow Jones Commodity Index graph reveals this very plainly. From mid-January to March 31, commodity prices were rising at approximately a 3.5 per cent annual rate. From exactly March 31, the graph leaped upward at a 60 per cent annual rate up through last week. This week's incredible upburst brought the post-March 31 rate up to over an 80 per cent annual rate. Soybean meal rose 16 per cent the last week alone, presaging higher meat prices as soymeal is a key livestock feed. On news of higher feed prices, eggs advanced their 2 cents a dozen limit three consecutive days, Maine potatoes hit their limit on reports of Idaho flood losses, trading volume on the New York Cotton Exhange hit the highest level since 1955, etc.

Underlining the purely financial reasons behind the speculation is the fact that prices on the London commodity exchanges are increasing even faster than in the U.S. as a result of the collapse of the British pound. Since March 1, the price of copper has risen 38 per cent (a 150 per cent annual rate), tin 31 per cent, lead 52 per cent, zinc 25 per cent, soy meal 56 per cent, silver 33 per cent, coffee 83 per cent, rubber 42 per cent and cocoa 71 per cent.

One grain company trader quoted in Thursday's Wall St. Journal appropriately summed up the hectic week: "Time will tell if it's set the stage for what we saw in 1973" — a reference to wild shoot-up of prices.

Price Increases

Responding to previously announced steel price boosts, General Motors notified its dealers in a recent letter that they could charge up to 6 per cent for new model cars and trucks (about a $300 per auto increase). Ford Motor announced that effective this week pre-sale prices on its 1977 model heavy-duty trucks will reflect a 6 per cent increase, or an average of about $750 per vehicle.

Monsanto and PPG Industries announced price boosts on a number of important chemical and related products.

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Retail Sales

Obviously convinced that inflation was again taking hold of the U.S. economy, Americans cut back on their retail purchases by 1.4 per cent in May — the steepest drop in 14 months. This follows a smaller decline in April, and brings the monthly level of retail sales down to the depressed July, 1975 level after adjustment for a 6 per cent inflation rate.

The only thing preventing an even greater drop in sales is the continued record growth of consumer credit to the higher-income portion of the population. Consumer installment credit rose $1.44 billion in April, the second highest increase since August, 1974. Auto loans were up $710 million, the highest since March, 1973.

One key reason for the decline in retail sales has been the rise in unemployment — official unemployment figures to the contrary. New claims for regular state unemployment benefits rose to 412,000 for the week ending May 29. The increase in new claims and the level reached were among the highest recorded this year, and brought the rise in the rate of new applicants to 20 per cent above late March. Unemployment benefits from all sources for the week, and an incredible 1.7 million since last February. Thrown off the rolls through fraudulent manipulation of the unemployment statistics, or running out of extended benefits, many of these workers simply do not exist in the eyes of Bureau of Labor Statistics statisticians.

Even more ominous for Greenspan and other "recovery" soothsayers than the collapse of retail sales was the Commerce Department's revised-downward forecast for capital spending in 1976, which shows only an 0.8 per cent gain over the miserable 1975 levels after adjustment for inflation.

Even this may turn out to be too optimistic a projection. A Conference Board survey of the 1,000 largest manufacturing firms showed that appropriations for plant and equipment fell to $11.64 billion in the first quarter from $12.16 billion in the fourth quarter of 1975.

The news that capital spending would provide no impetus to the petering-out "recovery" proved so disconcerting that the Commerce chief economist could only comment to the press, "I'm a little puzzled."

Slave Labor

With the fall off in capital spending, it's now becoming clear that future projects in the U.S. will depend on explicitly Schachtian schemes for looting workers' incomes and savings through state governments. The first sign of this was the announcement last week by Governor Schapp that he would attempt to "persuade" the Pennsylvania Teachers Pension Fund to finance the purchase of a plant from Chrysler which would then be leased to Volkswagen.

An even more hideous indication of this process was uncovered this week by NSIPS investigative reporters. As confirmed by Eric Kasten of the Mayor's Budget Office in New York City, the man in charge of handling the negotiations, the budget office is now in "very delicate" negotiations — blacked out of the press — which involve getting 12 major construction unions in the city to put up 50 per cent of the funds required from the city in road and other construction projects. In these projects, the Federal government provides 75 per cent of the funds, the city 25 per cent. The unions, whose membership ranges from 30 to 90 per cent unemployed, would thus provide 12 and one-half per cent of the total $600 million involved in these projects. This said Kasten, the man in charge of the negotiations, would be obtained through a 50 per cent per hour checkoff from the wages of those construciton workers employed on the projects.

Such local looting schemes of these types are the key to the development of a labor policy in the U.S. Forces pushing for a Schactian policy realize they are unable to presently get full-blown national schemes such as the Humphrey-Hawkins bill through Congress due to tremendous constituency pressure against such measures. Arthur Burns, chairman of the Federal Reserve Board and a key proponent of Schachtian labor policies in the U.S., said in a commencement speech at the Florida Institute of Technology yesterday where he lauded the British government-trade union wage restraint agreement but ntoed that "in our own country, I doubt that arrangements of that kind would be practical."

Thus, the pro-Schachtian forces suffered a significant defeat when the fascist child-labor bill was bottled up in the Judicial Committee of the Ohio State Senate following failure to ram it through the last three days of the session. The Legislature now convenes until September. Indicative of the pressure brought to bear by the U.S. Labor Party against the bill was the fact that no one appeared to testify in support of it when the bill came up before the Senate Labor Committee this week.

Greenspan

It seems that the only ones who took Greenspan's ludicrous performance June 10 seriously were stock market speculators, who staged a rally yesterday following six consecutive weekly declines in the Dow Jones average by parleying the first "good news" on the economy in weeks. This seems to be the only reason behind the rally — especially since the money supply figures released the day before were "bearish," showing a $1 billion rise in M1 and a $1.7 billion rise in M2, portending at the minimum a continuation by the Federal Reserve of its recent "tightening" policies.