

cent excluding the petroleum industry, which has been artificially boosted by the high rigged price of oil. The fourth quarter will be even worse than the third, as business conditions have only recently sharply deteriorated. The announcement yesterday of a continued rapid rise in the wholesale price of industrial commodities will further increase fears and cutbacks. With these cutbacks, the bottom of the economy will have fallen through.

The only ameliorating factor which has prevented a Fall, 1974 collapse from already having occurred is the improved liquidity position of nonfinancial corporate business. Although the inventory position of industry in Fall, 1974 was slightly better than today, the liquidity position was considerably worse, and under tremendous pressure to repay billions of dollars of short-term debt to the large commercial banks, industry panicked, slashing production at an incredible rate to get instant cash to pay off their loans.

Although industry has considerably improved its liquidity position by liquidating huge amounts of bank loans while floating record amounts of bonds, greatly improving their cash position, several points are relevant. First, industry's cash position can degenerate very quickly during a downturn. In the third quarter, the annual rate of increase of liquid assets of nonfinan-

cial corporate business fell precipitously, from a seasonally adjusted average rate of \$21.5 billion over the last five quarters and \$20.2 billion in the second quarter of 1976 to \$4.5 billion. Second, industry is determined not to get into the liquidity bind that it did in 1973-74, and for that very reason will slash production and cut capital expenditures as if the liquidity ratios, which by historical standards are bad enough, were even much poorer.

That, of course, is essentially what has been going on throughout the so-called "recovery," when industry tried every trick in the book to avoid getting caught in a financial bind — the result being, inevitably, that there was actually no recovery and the new downward wave of activity is starting from a much lower base than 1974.

The other side of this process is that it would take absolutely massive amounts of credit creation by the Carter Administration to have any significant effect on economic activity. One major econometric firm has calculated that something on the order of a \$50 billion tax cut, i.e. a \$120 billion-plus Federal Deficit, combined with a 9 per cent growth in M1 would be needed. This is obviously insanely hyperinflationary, but gives a good idea of the parameters of the problem. If Carter goes with such a "solution," the cure will be worse than the disease. Otherwise, the collapse will proceed apace.

The Last Annual Congress of American Industry

NEW YORK, Dec. 4 (NSIPS) — The National Association of Manufacturers held its 81st Annual Congress of American Industry here over Dec. 2-3, with no notice from the press. Indeed, the purpose of the Congress was purely internal. The meeting was a thorough brainwashing session conducted by leading anti-business agents such as Fabian Buckley "Conservative" George F. Will; vice chairman of U.S. Steel R. Heath Larry, a life-long "industrial relations" expert; and Fabian Congressman Brock Adams (D-Wash.), head of the House Budget Committee. These men and others to follow hammered away at the same demoralizing themes: the election is over; the Republican Party is dead; business will forever be held in low esteem after Watergate; and businessmen can live with Jimmy Carter.

This pathetic spectacle culminated in the travesty of the installment of R. Heath Larry as NAM's chairman for 1977. A lawyer and industrial relations man and participant in the Council on Foreign Relations and in the agent-dominated International Labor Organization, Larry is a dubious representative of the interests of the U.S. manufacturing industries. Earlier this year Larry told NSIPS that he had no interest in seeing world production and trade expanded through an International Development Bank arrangement. "We're in this for the paper," he quipped, blithely adding, "You can't eat steel."

The only rips in this tightly controlled environment were the acute indictment of Keynesian paper creation by James T. Lynn, President Ford's director of the Office of Management and Budget, and the discussions on the vote fraud investigation between representatives of the Committee for a Fair Election and a handful of businessmen who asked, "Can it really be done?" In contrast to all the other speakers, Lynn had only one thing to say about Carter's "victory": "I ask people not to call me Jimmy any more."

The NAM conference is one staged effect in a broad public relations campaign by the Carter forces to cajole, lull, seduce,

and otherwise dupe businessmen into accepting a Carter Administration. At his press conference Dec. 3, the free-wheeling peanut farmer said repeatedly that he would not ask the Congress for the power to impose mandatory wage and price controls, thereby backing off from his warning to the steelmakers who raised prices on flat-rolled steel on Dec. 1 and doing a 180 degree turnaround from his position throughout the campaign. "I believe in a free market system and always have," Carter reassured the business community.

Some businessmen may have been conned into thinking that Carter's reversal was a victory for business; but Carter's preference for "quiet" talks with business and labor on "voluntary" restraint is the foot-in-the-door for the full range of anti-business, anti-labor programs that Carter is committed to imposing on behalf of his backers in Lower Manhattan. In a personal note to New York Governor Carey, Carter recently expressed his desire to meet the governor to hash out how to act on the Felix Rohatyn plan for the Northeast. This plan — which sane industrialists would regard as decisively unfriendly — would phase out technologically advanced productive industry and usher in labor-intensive railroad building and inefficient energy "development" schemes.

The agents at the NAM conference first concentrated on selling Carter by defeating any notions that he might not be the only available product on the line. George F. Will, formerly of Rockefeller-agent William Buckley's National Review and now a columnist for Newsweek, the Washington Post, and other leading Atlanticist publications, drummed into everyone's head the litany that the election is over and the Republican Party has lost — howbeit with honor! "Sometimes I ask myself why I am a Republican. I guess it is because I liked to be on the losing team when I was young." Will then cited the "rich precedent" of John F. Kennedy, the Democratic president who gave business a tax cut — which Jimmy Carter is now talking about doing — and

who appointed as his Treasury Secretary Douglas Dillon, the conservative investment banker, another Rockefeller-family ally.

With the first punch delivered, R. Heath Larry issued a zero-growth apologia, telling the assembled manufacturers that high on their list of priorities should be the problems posed by "our growing industrialization" and "our growing population."

NAM Washed Up

The NAM was once the stronghold of production-minded conservative Republicans, but it has come increasingly under monetarist control. A complete merger of the NAM and the New York and Washington-oriented Chamber of Commerce of the U.S. was forestalled this year because of the uproar from traditional NAM members, but the NAM as a spokesman for the interests of manufacturers has been destroyed. "Now we have banks, beauty parlors and insurance companies in here," complained one disgruntled member from Nebraska. This is the last annual conference the NAM will hold, a spokesman for the organization explained, because most companies are now run by professional managers who are constantly travelling around and in touch with each other.

Outgoing chairman Richard Kautz, chairman of Grain Processing Corporation in Muscatine, Iowa, opened the conference with a completely contentless speech, overflowing with rhetoric about "inventing the future" and the glories of the free enterprise system. Agents like Will and Larry easily manipulate the members by injecting a few references to excessive government spending, the hundreds of billions of dollars of unfunded liabilities in the social security system, or the communist menace.

One important function of this NAM conference was to screen businessmen out of real politics and involve them in trivial local issues. This conference attested to the fact that the watertaking of Richard Nixon and the witchhunt against corporations that followed was deliberately designed to get U.S. businessmen out of politics and to pave the way for the massive vote fraud that took place at the polls this Nov. 2. Publicly at least, all but a select handful of NAM members were swallowing the line that this was the cleanest election in history, because post-Watergate election "reform" took big corporate money out of politics. This line was put forward explicitly at a session misnamed "Business and Politics" by David Ignatius, writer for the Wall Street Journal, the paper which "molds" the opinion of businessmen across the country.

Ignatius opened his remarks with the incredible statement, "No one has yet written the story of how we happened to have such a clean election, the question of the gentleman at lunch aside" (referring to a representative from the Committee for a Fair Election — ed.). John Sears, former campaign manager of Citizens for Reagan, which is now encouraging a divisive split off of conservatives from the mainstream of the Republican Party and discouraging the vote fraud investigation, urged businesses to set up "PACs" (Political Action Committees legalized under the new Federal Election Law) to foster "permissible" campaign fund raising and other political ac-

tivities within their corporations. Sears stressed the importance of involvement in local races and local issues.

Fabian Congressman Brock Adams was present to reassure the audience on the immediate economic front. He told the audience that his Budget Committee was engaged in a continual effort to discover whether the spending shortfall in the 1976 budget had been responsible for the recent "pause" in the economic recovery. Oozing with false sincerity he said, "You should not be fearful. You are dealing with a pragmatic man, with an engineering background... We're going to be very cautious."

The majority of the businessmen present were falling for this line too. On the second day of the conference the NAM enthusiastically circulated the results of a questionnaire on economic expectations. Of those members responding, 94 per cent said they believed the "uptrend in business activity will prevail into next year." These businessmen are in for a big shock at the end of this month when the bottom falls out of the auto market and the economy enters a new collapse phase.

James Lynn, who has been working continuously on the 1978 budget with President Ford in recent days, injected some reality into the proceedings. He said the deficit in the current year's budget would not be the \$50 billion originally projected by the Congressional Budget Office, but closer to \$60 billion (even that is a very conservative estimate — ed.); and that the deficit in the 1978 budget could be as high as \$60 billion even without any new spending programs. "We are practically at the point where ten cents of every dollar the government spends goes to pay interest on old debt," Lynn said. "This interest is financed through ever-increasing taxes on income." Lynn laid out other aspects of the inflationary mess produced by three decades of Keynesian deficit spending: investors can get a higher yield putting money into savings and loan institutions than investing in corporate equity; the real profits of corporations, as opposed to the earnings they report to enhance their price-earnings ratios, are abysmal and insufficient to allow any increased investment in new plant and equipment.

Beginning...

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an exclusive column prepared by the *NSIPS* Washington Bureau on the watergates you won't read in the press