

Domestic Credit by Anthony K. Wikrent

Production drop: no 'soft landing'

Every sector of the productive economy is in decline—and issuing new flaky credit will just make things worse.

If you ignore the "adjusted statistics" of the U.S. government, and look at what is really happening to the productive base of the American economy, a frightening picture of devolution leaps out. Leading the rush into the abyss is the auto industry, with sales in the second ten days of November down 7.5% from last year at General Motors, 12.7% lower at Ford, and 4.5% down at Chrysler.

"When sales came in for October, and when inventory [figures] came in, I heard a feeling of panic in the voice of people from GM," one analyst said. Unsold inventories at GM are now 18% above normal; Chrysler inventories are 17% above normal.

Following auto into disaster is the machine tool industry. Orders are down 19%, compared to the same period last year, according to the Association for Manufacturing Technology. The AMT reports that October orders were \$205 million, down 22% from October 1988, and down 32% from the \$302.6 million of September 1989.

Japan has so far resisted the demands of the "post-industrial" yahoos who demand "free markets" and banking deregulation. September orders for metal-cutting machine tools in Japan were up 5.5% from August, and up an incredible 22.8% from September 1988, to 104.8 billion yen (\$732 million). September orders of numerically controlled machine tools in Japan were up 4.9% from August, and an enviable 27.9% from September 1988, to 87.7 billion yen.

U.S. shipments of home appliances are shifting downward, according to the latest monthly figures re-

leased by the Association of Home Appliance Manufacturers. Total industry shipments in October decreased 3.6% in October, to 4.0 million units, while 41.1 million units have been shipped in the first ten months of 1989, a 0.3% decrease from the same period last year.

The units showing the largest declines can be considered those more susceptible to changes in disposable income. Shipments of garbage compactors collapsed 25.4% from levels of October 1988; room air conditioners plunged 25.0%; and chest and upright freezers dropped 14.0%. Shipments of microwave ovens fell 14.7%, to 957,600 units, from 1,123,200 units in October 1988, and this was the item with the largest number of units shipped. The next largest, refrigerators, dropped 1.8%, to 613,700 units.

Shipments of industrial electrical equipment were down 0.76% in 1989, led by a 3.0% decline in manufactured graphite, according to the National Electrical Manufacturers Association.

U.S. cotton production collapsed 21.4% in 1989, according to revised Department of Agriculture estimates, the National Cotton Council of America reported. Total production was 12.102 million bales, compared to 15.412 million in 1988. Only 9.566 million acres of cotton were cultivated in 1989, 19.9% below the 11.943 million acres in 1988.

Construction contracting fell 6% in October. For the first ten months of the year, total contracts are now almost the same as levels for 1987 and 1988. Sales of existing homes in Oc-

tober were down over 4% from last year, according to the latest news release from the National Association of Realtors. The preliminary seasonally adjusted annual rate of existing single-family home sales was 3,520,000 units in October, compared to 3,680,000 units in October 1988. The revised September figure was also 3,520,000 units.

Since 1982, the reality of economic collapse has been hidden by issuing more shaky credit to fuel speculation. The disintegration of this game led to the shocks of October 1987 and October 1989. The collapsed productive base simply cannot support new layers of indebtedness. There were no buyers for the financially crippled B. Altman's department store chain in New York, which is now being liquidated. At one point, only \$12 million and a commitment to spend another \$100 million over two years to upgrade the stores and perform deferred maintenance, was needed to gain control, but with the chain losing \$800,000 to \$1 million every day, there were no takers.

GM sold off 2% of its 40.2% stake in Isuzu Motors Ltd., the Japanese automaker, for 19.7 billion yen, or about \$138 million. An Isuzu spokesman said that GM will use the cash to finance sales incentives to U.S. new car buyers.

Despite all the signs, the idiots running the United States are about to commit the final rite of *hara kari*. Cutting \$180 billion from the defense budget over the next few years, will crush the last sector of the economy that generates scientific and technological advances—aerospace and defense. "An awful lot of engineers and scientists will be driving taxis," one analyst said. If that happens, it will be nearly impossible for the United States to pull out of its nosedive to catastrophe.