POLITICAL ECONOMY

World Trade in 1975 Means Either Hyperinflation or Debt Moratoria

by Dave Goldman

NEW YORK, March 26 — Figures for world trade in 1974 released last week provided a critical insight into the dimensions of the Rockefeller hyperinflation policy. From 1973, the cash value of international trade jumped by 44 per cent to $895 billion. The real volume of goods increased by only 5 per cent.

In other words, every one per cent increase in actual goods traded places an additional demand of 9 per cent on world trade financing. During the previous decade, world trade volume grew by less than 100 per cent, while prices quadrupled. Now the fictitious capital associated with international trade is growing by a geometrically increased rate.

Since the Second World War, international trade has grown faster than industrial production, because the expansion of scale and widening of the division of labor of the world economy are the preconditions for any expansion of productivity and output within the individual economic sectors.

Starting in the early 1960s, however, and reaching critical proportions last year, the network of world trade has been forced to assume the burden of propping up fictitious capital values in the major trading countries. The productive sector of the world economy, reflected in trade, has been forced to charge double; once for the reproduction of necessary goods and services involved in trade, and again to re-finance the debt attached to the unproductive sector of the economy, which has mushroomed past all control in the dollar sector of international credit.

During 1974, the $80 billion increase in the world's oil bill accounted for about one-fourth of the total price rise. This looting operation, exercised by the Rockefeller "Seven Sisters" oil cartel and its Persian Gulf client states, sufficed to re-finance the outstanding unproductive debt of the dollar sector for one year, at the expense of the working population of the advanced sector, as well as underdeveloped countries. It was channeled, in turn, into the shaky Eurodollar market, the state debt of the United States and Great Britain, and other deserving capitalist sectors.

The remainder of the preposterous rise in world export prices represents mainly price increases of goods from the advanced sector. (A certain amount of speculative increase in raw materials prices from the first half of 1974 is reflected in the increase. But the height of commodity speculation came during 1973, and the 1974 increase did not have a major impact on world trade as a whole). Ironically, the Arabs have complained that the prices of their imports have risen by 30 to 40 per cent over 1974, eroding a large portion of their oil-based checking accounts at Chase Manhattan.

Either Collapse of Debt or Weimar

These increases provided the exporting industries of Western Europe and Japan with a means of paying higher levels of debt service on the basis of a stagnating volume of real commodity circulation. But the grotesque rise over 1974 in the levels of debt refinancing required to sustain trade of commodities shows that the world trading structure demands either a collapse of outstanding debt, or a takeoff into Weimar inflation.

The explosive situation of world trade financing represents an exact parallel to the present situation of the U.S. Federal government, now forced to print paper to meet Federal payrolls, as this newspaper has exhaustively documented.

Behind this is the deterioration of absolute surplus value, i.e., the real output of industry and its replacement by what Karl Marx called "relative surplus value," i.e., pure price increase. This is the equivalent of the entire capitalist class attempting to raise the prices at which they take in each others' washing.

Every major political faction on the world scene is jumping from this problem. David Rockefeller's position is clear: refinance the dollar sector through all means necessary. In an interview with the French magazine Le Point this week, Rockefeller admitted that a continued piling up of oil deficits, would reduce currencies to "monkey money." At last night's meeting of the American Council on Germany, Rockefeller's predecessor at Chase Manhattan, John McCloy, Sr., asked former West German Chancellor Willy Brandt whether the entire world would not have to go through a hyperinflation similar to Germany's in 1923 before achieving monetary stability. Social fascist Brandt choked and said nothing.

German Resistance

As New Solidarity reported last issue, the leading West German industrialists — the Schlossbaronen or smokestack barons — are momentarily determined to resist the destruction of the deutschemark credit structure. Rockefeller's policy, voiced by the State Department, is to armtwist the Germans into absorbing masses of dollars from the Treasury printing presses, "reflating their economy as fast as we are reflating ours," in the words of one high official.

Rather, the Schlossbaronen look toward expanded East-West trade as a means of "stabilizing the German economy," as Economics Minister Friderichs reluctantly admitted last week. But the German capitalists cannot use the existing, bloated structure of trade finance to expand exports to the East. This is precisely what the Rockefeller faction relies on. The line trickling out from Trilateral Commission banker George Ball's office, for example, is that financing problems "limit" the possibilities of expanded trade.

French Prime Minister Chirac, under pressure from French industrialists to obtain export contracts during a trip to Moscow this week, ran into this barrier before inking a $3 billion trade contract with the Soviet Union. Negotiations stalled when the two sides failed to agree on financing terms. The French wanted oil and cash, which the Soviets are short on; the Soviets wanted to pay with manufactured goods, which the recession-strapped French economy cannot absorb.

Any fresh attempt to finance East-West trade on what is euphemistically called a "hard-currency basis" will run into the same dilemma, identified by the West German newspaper Handelsblatt two weeks ago. To borrow funds for outside purchases, the Soviets must accept a proportional share of the huge looting burden associated with real world trade, paying wildly inflated prices with funds borrowed at wildly inflated interest rates.

"The ideal solution to this dilemma," Handelsblatt wrote, "is the fill or even the partial convertibility of the Comecon's transfer ruble." From any sane economic standpoint, the Soviet Union should be encouraged to run a substantial trade deficit for several years, importing the technology it requires to make a leap in productivity, and a potential immense contribution to the world economy as a whole.

Two Steps Necessary

Two things are required to accomplish this: First, a flow of ruble payments to Western Europe and Japan to replace the dollar as a reserve asset; secondly, a freezing of all Europe's dollar debts, to remove the inflationary pressure on its export trade.

This has become one of the most urgent tactical questions on the European agenda. Apart from this program, even the existing channels of East-West trade will start to fold, and political opposition to the Rockefeller faction among German industrialists will fold with it. Already, the decline in German industrial turnover has pushed corporate profits for the fourth quarter of 1974 down to near zero, and threatened an American-style budget deficit for the Federal government. If the West German industrialists, who still balk at the ruble, are not compelled to take immediate measures in the right direction, they will be forced to accept the Weimar inflation alternative. To continue paying debt service on the basis of depression levels of real trade, the Europeans will have to accept the same inflationary explosion that the Rockefeller faction has launched in the U.S.

Already, Europe's weak link, Italy, has had to reduce constraints on import-financing imposed last May as an austerity measure. Without this move towards credit expansion, Italy's ability to conduct international trade would have been shattered. There is not much time, measured on the scale of world politics, to turn Rockefeller's psychotic policy to our advantage. The Rockefeller objective is to swamp his opposition with a flood of paper, to gain political breathing time. But it is also the riskiest and stupidest policy ever offered by a leading political faction at a moment of world crisis.