Simon Calls IPS, Bewails Busted U.S. Economy

by Dave Goldman

NEW YORK, March 29 (IPS) — The nation's highest ranking financial official, Treasury Secretary William Simon, revealed to IPS twice within the space of this last week his growing panic and sense of isolation in his all but officially certified battle defeat against the Rockefeller policy of hyperinflation. "The point is," Simon insisted, "I'm the only one down here that's screaming about the budget and about fiscal and monetary responsibility....It's a tough business, this business down here." Hardly aware that the fight he has waged is identical to that waged by the finance ministry of the Bruening regime against the inflation-austerity policies of Hjalmar Schacht and Adolph Hitler, Simon nonetheless speaks as a man whose head is firmly and securely on the chopping block. "History is littered with the wreckage of democratic governments that could not deal adequately with inflation," he noted recently, "and I will also suggest that history is littered with the wreckage of finance ministers who spoke the way I am speaking right now."

Simon's remarks express the tensions that are beginning to emerge in capitalist layers, in the face of the Rockefeller dictate to maintain his dollar empire by accumulating massive federal debt and financing it through severe contraction of production and austerity.

This week noted world monetary expert Robert Triffin, who for the past fifteen years has outspokenly advanced the Rockefeller Special Drawing Rights as a viable medium of international exchange to prop up the worthless dollar has not only dismissed this scheme in the face of the collapse of world trade, but virtually endorsed the use of the transferable rubel as an international currency of reserve, trade and credit. "Well, yes," Triffin responded to an IPS briefing on the Euro-Ruble proposal, "if you think only of the economics involved, it would work. I'd like to see your study." Triffin himself noted that with the economic integration of Western Europe and the Communist bloc nations, "these countries might tend to a monetary agreement."

Meanwhile, it was revealed this week that a staff economist at the International Monetary Fund has completed an internal study on the Comecon's International Bank for Economic Cooperation which, according to Triffin, has become a basis for widespread discussion.

The disarray spreading among previous Rockefeller stalwarts, men such as Simon and Triffin, stems from the mounting chaos that Rockefeller's hyperinflation has already begun to spread throughout the key U.S. sector of the world economy.

Bond Market Chaos

Last week the financing of a modest 1.25 billion dollars threw the U.S. bond markets into complete chaos. Even with the purchase of over one billion dollars of Treasury notes and bills by the Federal Reserve Board, prices plunged, interest rates shot up, and several corporations and municipalities were shut out of the market.

Yet the full weight of what will be the largest financing operation in history is still in the future. Latest estimates by the White House are that the Federal Budget deficit for 1975 and 1976 will now range above 150 billion dollars, approximately twenty-five billion dollars more than the $125 billion amount Simon predicted would shatter the private capital markets.

Meanwhile, the Democrats in Congress are initiating legislation for slave-labor public works jobs such as road-building and service jobs that will send the budget deficits well beyond this amount, and require four to five times the present rate of money-supply increase over the next several months simply to finance.

The purpose of hyperinflation of the federal deficits is not the stimulation of production. The tax cut, which adds almost twenty-five billion dollars in funds to individuals and corporations, is an amount sufficient to, at best, finance presently outstanding debt. This is no secret. Top bank economists associated with the major Rockefeller financial institutions have already concluded that the tax cut would go into debt repayment or savings rather than purchases for consumption.

The tax cut is unlikely to stimulate sales. In fact, the temporary increase in sales during the months of December and January were themselves in anticipation of the funds that the tax cut would make available. Thus whatever stimulative effect it might have has already occurred! More significantly, the 16 billion dollars added to the pockets of individuals in no way restores the even greater aggregate drop in wages and salaries that has occurred in the past four months alone.

In the context of this utter collapse of final demand — combined with huge inventory accumulations, 45 per cent idle capacity, and record high debt-equity ratios — the investment tax credit for corporations will in no way encourage spending for new plant and equipment. It is not therefore surprising that on the very same day that Congress passed the tax cut bill, Ford Motor Company announced a cutback in capital spending plans by almost fourteen per cent!

All signs show that the collapse of production which since December has occurred at an astonishing annual rate of forty per cent has not even begun to let up. As previously reported in this newspaper, the long-delayed steel collapse has only recently entered its beginning phases, provoking layoffs in rail and transport. And the auto industry is now entering a new phase of collapse after the artificially-induced small upturn in sales of the past two months.

Hyperinflation will Gut Production

The tax cuts have provoked alarm and hysteria not so much because they are not stimulative, but because they are actually depressive of the economy. Their effect will be to thoroughly gut production. The huge deficits incurred from the tax cut can only be financed at the expense of production and consumption.

Even at current levels of debt financing, corporations and municipalities have been pushed out of the long-term credit markets guaranteeing further cutbacks in employment and expenditures. Municipalities faced with double-digit inflation, shrinking revenues, and shut out of the credit markets have enforced massive layoffs. Moreover an estimated forty per cent are seeking tax **increases** which will more than offset the paltry stimulative features of the Federal tax cut.

But the full effects of the Federal deficit financing on industry and local government will only be felt as the Treasury comes into the market for an estimated two billion a week for at least the next year.

The austerity which this debt service financing has induced has begun to fray the edges of Rockefeller's support from within the banking community itself. Regional banks have already been compelled to postpone interest and principal payments by customers who, faced with unemployment, would otherwise have to default. Savings banks have likewise begun to buckle under the continued collapse of the housing industry. In this context it is not surprising that the top economist of the National Association of Savings Banks responded favorably to IPS proposals for the orderly elimination of debt and the expansion of real production as outlined in the Emergency Agricultural Production Act.

The strategy of hyperinflation, in which the rapid infusion of state-issued credit into the economy for the purpose of debt-rollover is supported and financed by severe deflation of production and consumption, has all the earmarks of the mechanisms set up by Hitler's finance minister Hjalmar Schacht.

• First, all available liquidity is squeezed out of the real economy. This has taken the form of massive cutbacks in production, layoffs, and beginning inventory liquidation. The conversion of commodities into cash adds liquidity to the banking system which will be available to finance the Treasury debt. Most economists have already admitted that — at least for the next year — the commercial banking system will do little more than absorb the savings of the private sector and in turn purchase Treasury debt.

• Secondly, the issuance of State debt is then used to bail out large Rockefeller-dominated corporate and financial capital, such as Penn Central and Chase Manhattan Bank, and finance the development of profitable labor-intensive development projects and military production.

This is exactly the direction in which Rockefeller has moved over the last several days. Ford stated in his tax-cut speech yesterday that increased government spending would only be accepted for the advancement of Project Independence and National Security. This combined with the shift of Morton to the Department of Commerce for the explicit purpose of encouraging coal gassification and oil shale development by private industry (and his replacement in Interior by a strict coal man) indicates the open commitment to this thrust.

• Third, the enforcement of austerity throughout the working class by means of "national planning" and corporativism. The appointment of John Dunlop as Secretary of Labor, a self-professed advocate of Woodcock's Initiatives Committee for National Economic Planning and longtime pervayor of fascist collective bargaining and incomes policies, is exemplary of this thrust. It is already Dunlop's stated function to contain the inflationary explosion caused by the soon-to-be monetized Federal debt through the "enforcement of wage restraint."

The Rockefeller gameplan of hyperinflation amounts to nothing more than the transfer of the Rockefeller-held debt to the public sector where it can be guaranteed by the armed looting power of the State. This requires a thug like Dunlop and a butcher like Rockefeller, not a mere bond trader like William Simon.