

## EUROPEAN ECONOMY FACES NEW YEAR ON EDGE OF TOTAL COLLAPSE

Jan. 1 (IPS)--The economic avalanche which has steadily gained momentum all year, and which has been obliterating the U.S. economy since mid-November, is now sweeping across Western Europe. The long-expected collapse of the key West German export sector has begun, converting the steady erosion of production in the major European national subsectors into outright catastrophe. The landscape of the European economy now approaches the outlines of the 1931 crash.

Until late November, there was still talk of a "selective collapse" at least in the dominant West German economy; steel and chemicals would be maintained by exports while auto, textiles, and construction are devastated. Now such talk has disappeared. In the last month, West German exports have plummeted 8 per cent, an astonishing drop for a single month, which does not even figure in the effects of inflation!

The steel industry has been hard hit: Third World orders have slackened markedly as redevelopment slave-labor projects slow down. Overall export orders for steel have fallen "extremely seriously" in the past two months, according to the Frankfurter Allgemeine Zeitung, and as a result, steel prices have been slashed, in some cases by as much as 50 per cent.

### The West German Linchpin

The beginning of the end for the export sector, inevitable in light of the dire economic straits in all countries which receive West German exports, cuts the last supports out from under the European economy as a whole. The BRD itself relies on export business for more than 25 per cent of total national product and employment. With domestic demand rapidly disintegrating, the prop of export demand for all industries is critical. Equally important, the rest of Europe's economy is oriented to supplying the needs of West German industry, especially West German exports. During November, BRD imports dropped 6 per cent, almost as rapidly as exports.

This export debacle is being superimposed on an already catastrophic domestic situation. Construction in West Germany, as elsewhere, is a disaster area, with losses of 10 billion DM expected. Unemployment in the industry, now at 100,000, is expected to double by February. Auto, even with U.S. exports down 30 per cent, has laid off more than 80,000. The electrical goods and manufacturing industries have dumped more than 70,000 workers, textiles more than 45,000. With these sectors rapidly contracting, the investment goods industry has seen its orders also rapidly cut back, with plant construction down 32 per cent from a year ago with another 45,000 workers on layoff.

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Overall, unemployment has risen this month to 800,000, the highest in 15 years, with another 460,000 on short-time.

In the face of this situation, practically everyone in West German industrial and banking circles is panicking and screaming for reflation to prevent complete breakdown. The West German financial daily Handelsblatt headlines "No Tax Increases," as the Federal budget heads for a 48 billion DM deficit. The ultra-right daily Die Welt pleads for the government to bail out threatened companies, such as the rescue last week of the Gehlen-Gruppe construction and machine tool firm. But the Bundesbank is vacillating like the rest of the cabal between the threat of deflation and a hyper-inflationary style collapse. Cautiously, it is allowing only an 8 per cent rate of annual increase in the money supply, a wholly inadequate amount even to allow the financing of the gigantic Federal deficit (which is equivalent in impact to a more than \$60 billion deficit for the U.S. government).

### Periphery Collapses

With the heart of Europe being gutted, the more peripheral economies of France, Italy, and Great Britain are in even worse shape. Even in the light of the recently released October production figures, the French economy is in the midst of an unprecedented contraction. Electrical power production has dropped fully 20 per cent below peak levels earlier in 1974; steel is down nearly 10 per cent, including a 35 per cent drop in the steel production for the auto industry. The tremendous credit squeeze of French and other European peasants has led to a 40 per cent drop in the demand for tractors over a three-month period, a major blow to French exports and an important indicator of the collapse of worldwide food production.

As in the case with West Germany, imports are dropping in tandem with the fall in domestic production and exports; steel imports fell 33 per cent in a few months.

The collapse of the British economy far exceeds the downward spiral of the French and West German economies. The Net Current Assets (assets minus liabilities) of the top 200 firms is now a negative 453 million pounds, a fall of more than half a billion from last year. Without the \$1.2 billion loan from the Shah of Iran, this de facto bankruptcy of British industry would have been realized during December. As it is, the situation remains critical, since the secondary (non-deposit) banks are loaning out more and more to keep their corporate customers afloat while their deposits decline.

The dilemma which faces all the debt-strapped subsectors of the European economy is the same. To the extent that credit restrictions continue, increasing numbers of firms will be forced to contract purchases and slash production in order to maintain

the cash needed to pay debts. However, this means that their suppliers are in turn faced with a drop in cash income, forcing more cutbacks in orders right down the lines. On the level of national economies, each country sees its balance of payments collapsing through export contraction, even as it curbs its imports. With the continued drain of oil payments out of the European sector, the collapse can only gather steam unless massive reflation, and expansion of credit, is implemented--soon. And as is the case with the U.S. sector, such worldwide reflation in the present situation can only spell three-figure inflation rates.

#### LABOR PARTY COURT HEARING AGAINST FBI

Jan. 1 (IPS)--Monday, Jan. 6, the U.S. Labor Party will be in court in Detroit arguing for the prosecution of the FBI on the grounds that the FBI illegally attempted to infiltrate, disrupt, and sabotage the Labor Party's recent electoral campaigns in the Midwest.

An aspect of the Labor Party's case--which the FBI is moving to have dismissed--is the attempted infiltration by FBI agent Vernon Higgins into the Detroit organization during the electoral campaign. Higgins was uncovered as an infiltrator by Labor Committee Security personnel last June.

With the court hearing coming up, the Ku Klux Klan--probably in an attempt to distract attention from the Labor Party's suit--announced that it will hold a press conference in Detroit tomorrow to "disclaim" the Klan's role in the 1970 busing riots in Pontiac, Michigan. The conference is apparently a response to evidence published by the Labor Committees documenting FBI infiltration of the KKK, as well as the conviction of an FBI-KKK member in one Pontiac bombing case. The Klan has already admitted to knowing that its former member Vernon Higgins was simultaneously an FBI agent.

#### UAW PUSHING RED SCARE TO BACK UP SUIT AGAINST LABOR PARTY

Jan. 1 (IPS)--The United Auto Workers bureaucracy this week made use of its friends in the press to issue anti-Communist calls against the U.S. Labor Party. Along with its \$30 million legal blunder against the Labor Party, this comes as part of the UAW's campaign to stop the Labor Party and save its own skin as Rocky's chief overlord in the labor movement.