



# NEW SOLIDARITY International Press Service

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LATE EVENING REPORT  
JAN. 22, 1976  
2100 EST

## I. SPECIAL BULLETIN ON AUSTERITY

### FORD BUDGET MEANS CONTINUED UNEMPLOYMENT, NO GOVERNMENT RELIEF FOR WORKERS

WASHINGTON, D.C. JAN. 22 (IPS) — PRESIDENT FORD'S BUDGET MESSAGE FOR FISCAL 1977 CONFIRMED THAT THE PRESENT ADMINISTRATION HAS NOW COMPLETELY ABANDONED EVEN THE TOKEN COMMITMENT OF PREVIOUS ADMINISTRATIONS TO FEDERALLY FUNDED SOCIAL PROGRAMS. THE ZERO-GROWTH BUDGET PROPOSED BY THE PRESIDENT ALLOTS A BIGGER SHARE OF THE SHRINKING BUDGET PIE (WHEN INFLATION IS TAKEN INTO ACCOUNT) TO DEFENSE AND ENERGY PROGRAMS.

IF IMPLEMENTED, THE BUDGET WILL CUT DEEPLY INTO WORKING CLASS STANDARDS OF LIVING, WHICH ACCORDING TO IPS LABOR INTELLIGENCE CALCULATIONS, HAS ALREADY BEEN REDUCED BY A FULL 49 PERCENT SINCE AUG. 15, 1971 (SEE THE FORTHCOMING ISSUE OF THE IPS WEEKLY AND NEW SOLIDARITY FOR A FULL REPORT). PRESIDENT FORD PROPOSED A "CONSOLIDATION" OF SOCIAL PROGRAMS, WHICH, ACCORDING TO POLITICIANS AND OFFICIALS CITED BY THE NEW YORK TIMES, WILL RESULT IN GREATLY REDUCED PER CAPITA FEDERAL EXPENDITURE ON HEALTH, EDUCATION, AND OTHER SOCIAL SERVICES. FIFTY-NINE PROGRAMS, MANY SET UP AS PART OF PRESIDENT JOHNSON'S "GREAT SOCIETY" PUSH, WILL BE CONSOLIDATED INTO FOUR BLOCK GRANTS TO THE STATES TOTALLING \$18.2 BILLION; THE AREAS ARE HEALTH, EDUCATION, SOCIAL SERVICES, AND CHILD NUTRITION. DEPARTMENT OF HEALTH, EDUCATION AND WELFARE OFFICIALS SAY THAT THE \$10 BILLION THAT WOULD BE TURNED OVER TO THE STATES FOR HEALTH IS ABOUT \$600 MILLION LESS THAN IS CURRENTLY BEING SPENT ON PUBLIC HEALTH PROGRAMS.

IN WELFARE, THE PRESIDENT IS CALLING FOR STRICTER FEDERAL GOVERNMENT SUPERVISION—STANDARDIZATION OF ELIGIBILITY AND PURGES OF "INELIGIBLES" FROM THE WELFARE ROLLS. FORD ALSO PROPOSED TO PUT A CEILING ON THE AMOUNT MEDICARE PATIENTS (THE ELDERLY AND THE DISABLED) HAVE TO PAY TO HOSPITALS AND DOCTORS FOR CARE DURING "CATASTROPHIC ILLNESS." THE BURDEN OF FINANCING THIS WILL BE PUT ON THE REST OF THE PROGRAM'S BENEFICIARIES, WHO WILL HAVE TO PAY HIGHER INSURANCE FEES AND TAKE ON MORE OF THE COSTS NOW PAID BY MEDICARE. DOCTORS' FEES PAID BY MEDICAID WILL BE LIMITED TO

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INCREASES OF 4 PERCENT ANNUALLY—WHICH WILL NOT STOP DOCTORS FROM SENDING HIGHER BILLS TO PATIENTS. THE ADMINISTRATION ADMITS THESE CHANGES WILL PREVENT THE FEDERAL MEDICARE BILL FROM RISING AS FAST AS THE COST OF MEDICAL CARE.

THE IMPLICATIONS OF THESE CHARGES ARE CLEAR. APPROXIMATELY 65 WEEKS AGO THE BIGGEST WAVE OF LAYOFFS HIT U.S. INDUSTRY. IN FEBRUARY AND MARCH THOSE WORKERS' UNEMPLOYMENT COMPENSATION WILL RUN OUT. THE ABSENCE OF ANY ECONOMIC RECOVERY MEANS THOSE WORKERS WILL NOT FIND NEW JOBS. AT THE SAME TIME, GOVERNMENTS AT ALL LEVELS ARE ALREADY TIGHTENING UP ON WELFARE, SO IT IS QUESTIONABLE WHETHER WORKERS WHO HAVE RUN OUT OF UNEMPLOYMENT BENEFITS WILL EVEN BE ABLE TO GET ON WELFARE. PERHAPS THEY WILL BE ADMITTED AND OTHER "CHRONIC" CASES THROWN OFF THE ROLLS.

IN THE LONG RUN—WHEN THE NEXT FISCAL YEAR ROLLS AROUND—WORKERS WITH DWINDLING INCOMES AND SAVINGS WHO FIND THEMSELVES MORE AND MORE DEPENDENT ON PUBLIC HEALTH CARE AND OTHER SOCIAL SERVICES WILL FIND THAT THOSE PROGRAMS HAVE BEEN CONSOLIDATED OUT OF EXISTENCE.

#### AUTO LAYOFFS SCHEDULED

JAN. 22 (IPS) — CHRYSLER CORP. AND THE FORD MOTOR CO. HAVE JUST ANNOUNCED PLANS TO TEMPORARILY LAY OFF 8,800 WORKERS NEXT MONTH, WITH 1200 CHRYSLER WORKERS SCHEDULED TO PERMANENTLY LOSE THEIR JOBS IN MARCH, ACCORDING TO TODAY'S WALL STREET JOURNAL. THESE LAYOFFS, COMING ON TOP OF PREVIOUSLY ANNOUNCED PLANS BY AMERICAN MOTORS CORP. TO SHUT DOWN PRODUCTION AT TWO PLANTS, MAKE A MOCKERY OF GOVERNMENT CLAIMS THAT AN ECONOMIC RECOVERY IS UNDERWAY. THE COMMERCE DEPARTMENT HAS BEEN CLAIMING THAT INCREASING AUTO PRODUCTION WILL ACT TO SPUR INCREASED PRODUCTION IN OTHER INDUSTRIAL SECTORS.

AUTO SALES, WHICH HAVE BEEN TEMPORARILY PROPPED UP BY ALL TYPES OF CREDIT GIMMICKRY, ARE NOW GOING SOFT AS WORKERS FEEL THEIR REAL INCOMES DROP UNDER THE IMPACT OF AUSTERITY AND INFLATION. THE DROP IN AUTO SALES HAS LED TO A HUGE PILE-UP IN INVENTORY OF SEVERAL LINES OF AUTOS, ESPECIALLY SMALL CARS.

ALL INDICATIONS ARE THAT THESE LAYOFFS WILL BE FOLLOWED BY OTHERS. AS AUTO COMPANY OFFICIALS SAY THEY ARE NOW EVALUATING THEIR PRODUCTION PLANS ON A WEEK-TO-WEEK BASIS. JUST SEVERAL WEEKS AGO, FORD HAD ANNOUNCED THAT IT DID NOT EXPECT ANY LAYOFFS THIS YEAR. PLANTS AFFECTED BY THE LAYOFFS INCLUDE CHRYSLER'S JEFFERSON AND LYNCH ROAD PLANTS IN DETROIT, CHRYSLER PLANTS IN WARREN, MICHIGAN AND BELVEDERE, ILLINOIS, FORD'S METUCHEN, N.J. PLANT, AND AMERICAN MOTORS' KINOSHA AND MILWAUKEE, WISCONSIN PLANTS.

#### NEW YORK BANKS CONTINUE INDUSTRIAL BRIAGE

NEW YORK, JAN. 22 (IPS) -- THE WEEKLY BANKING STATISTICS RELEASED THIS AFTERNOON BY THE NEW YORK FEDERAL RESERVE BANK INDICATE THAT THE TEN LARGEST NEW YORK BANKS ARE CONTINUING THEIR POLICY OF

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TERMINATING CREDIT FOR U.S. INDUSTRIAL PRODUCTION, AS COMMERCIAL AND INDUSTRIAL (C AND I) LOANS BY THE BANKS DROPPED ANOTHER \$300 MILLION THIS WEEK. IN THE LAST THREE WEEKS THESE LOANS HAVE DROPPED AN INCREDIBLE \$1.7 BILLION.

WITH THE COLLAPSE OF C AND I LOANS, THE BANKING SYSTEM IS UNABLE TO FIND ANY OUTLET FOR SAFE, INCOME-PRODUCING INVESTMENTS. EVEN HOLDING OF U.S. TREASURY SECURITIES, WHICH PREVIOUSLY HAVE BEEN A GUARANTEED SOURCE OF SPECULATIVE PROFIT FOR THE BANKS, DROPPED \$750 MILLION DUE TO THE COLLAPSE OF SHORT-TERM INTEREST RATES, THE FED REPORTS. MOST OMINOUS, LARGE CERTIFICATES OF DEPOSITS OF \$100,000 OR MORE, WHICH ARE A MAJOR SOURCE OF BANK FUNDS, HAVE DECLINED \$650 MILLION IN THE LAST WEEK, AND OVER \$2 BILLION IN THE LAST THREE WEEKS. THIS REFLECTS A COMPLETE LACK OF CONFIDENCE IN THE STABILITY OF THE NEW YORK BANKS BY LARGE DEPOSITORS WORRIED ABOUT THE WELL-PUBLICIZED BAD LOANS ON THE BANKS' BOOKS.

WITHOUT SWIFT PASSAGE OF DEBT MORATORIUM AND INTERNATIONAL DEVELOPMENT BANK-TYPE PROPOSALS, THESE TRENDS WILL CONTINUE TO WORSEN.

END SECTION I, SPECIAL AUSTERITY BULLETIN.