cartels would form all over the place unless we built up commodity stockpiles.

The complaint against Japan is...it is intervening on the foreign-exchange market, buying dollars with yen. This...keeps the yen from appreciating against the dollar.

The reason this is so terrible is that if Japan wasn't buying dollars with yen, the dollar would depreciate against the yen. Japanese goods in terms of dollars would cost more, you see, and Americans would not be able to afford to buy as many of them. Americans, suddenly poorer, would have to switch to cheap American goods, and the U.S. economy would improve. The way to improve your economy, then, is arrange to make your people poorer. The way to damage your economy it to make your people richer. Right?

This fascinating theory isn't new. It has been followed assiduously by the British for generations and is periodically embraced in intellectual circles of the Eastern United States....

In aiming to stabilize the yen against the dollar, (Japan is) doing the United States a favor by mopping up surplus dollars with yen, thereby holding down price inflation in the United States....The time for Japan to let the yen appreciate is when it feels the Federal Reserve and the Bundesbank are becoming irresponsible in their rate of monetary expansion.

How many times does Britain have to sink the pound and Italy the lira before the bitter-enders concede that devaluations do not bring prosperity, only price inflation? Japan should be left alone, to fix or float against the dollar according to its own calculations....

NEW SOLIDARITY INTERNATIONAL PRESS SERVICE
Domestic Markets Newsletter

Burns' Capital Spending Hoax

by John Furlan

Aug. 7 (NSIPS) — With the jump in the government's July unemployment rate to 7.8 per cent serving as the official death certificate for the U.S. "recovery," Wall Streeet and its Washington economic rpresentative, Federal Reserve Chairman Arthur Burns, are now peddling their most incredible lie to date. In recent testimony before the House Banking and Joint Economic Committees, chaired by Fabian Rep. Henry Reuss (D-Wis) and Sen. Hubert Humphrey (D-Minn), Burns insisted that the "recovery" would resume following its recent "pause" on the basis of a pickup in business spending for plant and equipment. Wall Street harbors the insane delusion that through such lying gibberish and monetary gymnastics, it will be able to "somehow" hold the economy together until its grinning stooge, Jimmy Carter, is in a position to impose top-down controls on the inflationary bubble.

The spectacle of Burns, an out-and-out Schachtian monetarist preaching on the merits of "capital spending" is obscene. As a professed Keynesian, Burns is totally committed to the barbaric zero-growth anti-technology doctrine of Pason Malthus (as Keynes admittedly was). His economic policies over the past six years have totally eradicated the possibility of a "normal capitalist recovery" based on a cyclical improvement in capital spending; but that is essentially the picture he is trying to sell the public.

Burns' combined policies of hyperinflation and austerity have resulted in the following situation. As anyone in the market for a new home knows, long-term interest rates — i.e. the rates on investments which would finance capital-spending projects in the U.S., are at their historic high, having receded very little from their 1974 levels. At these levels, no significant investment in plant and equipment can occur. Any significant increase in short-term rates, such as the rise this spring in the Federal funds rate (the rate on interbank deposits), automatically sends long-term rates shooting up even higher. Although money market economists protest that such short-term fluctuations should not be reflected in almost simultaneous motion in long-term rates, and that long-term rates are too high in relation to demand for funds, there is a simple reason why long-term rates are where they are, and why they are so "sensitive."

Burns' inflationary expansion of the money supply domestically, and primarily through the creation and feeding of the Eurodollar market in order to turn over the growing mass of speculative debt, has meant that long-term interest rates, especially, must increase to offset inflation's discounting of longer-term credit. Under existing commitments to maintain current debt-service, nothing short of a rapid deceleration of the monetary inflation — at the expense of an immediate collapse of production — could bring about a drop in long-term rates.

In other words, short of a debt moratorium, there can be no real capital spending pickup in the U.S.

Why Produce?

The other side of Burns' policy, austerity, is collapsing whatever available markets existed for production and removing any incentive whatsoever for industrialists to expand or modernize their equipment.

Although a number of the largest corporations have raised a significant amount of long-term funds through bonds and stocks during the past year, this was done simply to retire their short-term bank debt, much like a household would try to consolidate its burgeoning short-term obligations through one longer-term loan. Rather than going into productive equipment, the bulk of long-term funds on the credit markets has been gobbled up by the burgeoning government debt. Just this week, an incredible $25 billion in foot-loose money was bid for 10-year Treasury bonds, which,appropriately enough, are referred to as "Simon's magic eights," "eights" after the exorbitant interest rates offered by Treasury Secretary William Simon to his former Wall St. colleagues, and "magic" after the dominant world-view on Wall Street.

Spending on equipment is higher than new plant expenditures — e.g., non-residential private construction fell 3.2 per cent in

June from May, according to the Commerce Department, even without discounting the 15 per cent annual increase in construction costs. Although sales of used machine tools are now slightly above their year-ago level, new machine tool shipments are running at two thirds of capacity — i.e., pure-and-simple junk is going into the factories, where anything in going in at all. Furthermore, any machinery additions, new or old, are being used to "rationalize" production, i.e., add to the already back-breaking speed-up rate. The leading New York banks meanwhile gloat over the continued improvements in "productivity."

Nazi Labor Policy

Where new plants are announced, and they are few and far between nowadays, they are modeled on the Alaska pipeline — in the past several years, even compared to consumer goods notorious case recently involved a deal between Pennsylvania's Governor Milton Shapp, Volkswagen and the banks, under which the Pennsylvania State Employees Pension Fund will be looted to pay for a new Volkswagen plant in Pennsylvania. Pennsylvania was chosen over an alternative site in Ohio because the latter was populated with unionized, skilled workers, while in Pennsylvania, a subsidized scheme was being worked out which would enable the area's unorganized, unskilled workforce to work in the plant. Similarly, Business Week, a pro-Carter publication, recently ran a feature story on the French tire manufacturer, Michelin, extolling the virtue of low-wage, unorganized southern labor as the reason for opening its new plants in the South.

The costs of new plant and equipment have risen enormously in the last several years, even compared to consumer goods inflation, due to the generally higher costs of skilled labor and machinery energy, etc. in this advanced sector relative to the rest of the economy. Therefore a major attempt has been underway to reduce costs through destroying construction union wage scales and work rules. Most recently, under the growing pressure of the open-shop takeover of construction, the building trades unions in both New York and Philadelphia agreed to a government plan which would put union members to work on residential rehabilitation projects at up to 25 per cent below union scales, a pilot program for all future construction which essentially carries out Burns' call for the destruction of the Davis-Bacon Act mandating prevailing wages on construction projects.

Otherwise, where such Schachtian-type schemes can't be hatched, projects are canceled. This is widespread in the steel industry which is drastically scaling back previously announced expansion plans — Bethlehem Steel, for example, only spent $181 million in the first half of 1976 on its equipment compared to $312 million last year.

NEW SOLIDARITY INTERNATIONAL PRESS SERVICE
Labor Newsletter

UMW, USWA Leaders Point Finger at Rauh, Sadlowski In Carter Nazi Labor Front

Aug. 6 (NSIPS) — There are strong indications this week that "traditionalist" forces in the United Steelworkers and the United Mineworkers are preparing to "name the names" of the Institute for Policy Studies and Joseph Raub-organized wreckers who have been sent into their unions to destroy their capability to defend the living standards of their members and incorporate the labor movement into the planned "Nazi Labor Front" of Jimmy Carter and Leonard Woodcock.

Well-placed sources in the United Mine Workers, who oppose Institute for Policy Studies-stooge Arnold Miller, have revealed to this news service the names of employees on the payroll of the Mineworkers, Woodcock's United Auto Workers, and an inside man in the Steelworkers officialdom, who, they said, are working in the effort of Rauh-Victor Reuther protege Ed Sadlowski to illegally seize the presidency of the United Steel Workers of America in next year's union election. The identities of these agents have subsequently been independently confirmed by other sources in both the Mine Workers and the Steel Workers. Named were:

Ed James: carried on the UMW payroll as a $100 per diem consultant to Arnold Miller, James is actually working full-time for Sadlowski's campaign for the USWA presidency, the sources charge. James is a member of the Executive Committee of the Institute for Policy Studies-controlled "Democratic Socialist Organizing Committee," which, Institute agent Staughton Lynd, a key Sadlowski backer admitted to NSIPS earlier this year, constitutes the basis of Sadlowski's support. UMW sources also charge that James has used UMW funds to hire three lawyers to aid Sadlowski.

Don Stillman: Former editor of the UMW journal under Miller, Stillman is now working full-time on the Sadlowski campaign from a position within the United Auto Workers, the sources said. Stillman, a graduate of the Institute for Policy Studies-associated Columbia Journalism School, also helped boost Sadlowski during his tenure with the UMW the sources said.

Robert Hoffman: A high-level USWA official, UMW sources identified Hoffman as a key, inside man in the USWA bureaucracy who is working secretly for Sadlowski's election.

At the same time, top officials of the USWA indicated this week that they are also preparing to move on the connection between Sadlowski and Rauh. Noting a big play given to violence against Sadlowski supporters in the New York Times and similar anti-labor press, one USWA official commented that "there have been three major acts of violence within the labor movement in the past decade, the Yablonski killing, the death of Walter Reuther, and the recent stabbing of a Sadlowski supporter. Joseph Rauh was connected to every one of them." The official indicated that the USWA is preparing intelligence on the Sadlowski operation, including specific reference to Rauh, which would be ready at or before the steelworkers constitutional convention scheduled for the end of August.