pushed Britain's cost of living up by an annual rate of 24 per cent. In Italy, the cost of living increase at an annual rate was 41 per cent in October.

To stop inflation, IMF teams in Britain and Italy have proposed further cuts, and Citibank suggested this week that France, West Germany's single largest trading partner importing 14 per cent of its exports, may need full import controls.

Such trade policies, if implemented, would close off one of the last remaining markets for Japanese industrial goods. After a "recovery" earlier this year, based on shipping 85 per cent of its steel, automobiles, appliances and other goods to the U.S., the Japanese were slapped with a block-off by Washington trade officials this summer; the outcome intersected the West European trade downturn. New steel orders within the European Economic Community dropped by 10 per cent during October as the Japanese routed into West European nations over 6 million tons of steel at below-cost discounts during the first three quarters of the year — up 70 per cent over 1975. European steelmakers have less than four weeks of work left on their books, the *Financial Times* reported last week. West Germany, once the steel exporter to Europe became a net importer for the first time in 20 years this fall.

In this situation of exacerbated competition, industrial production in the basic capital goods sectors, so heavily dependent on exports in both Japan and West Germany, began to collapse this fall.

West German machine tools, 75 per cent of which are exported showed a 12 per cent drop in orders and 10 per cent in production during January through September. Japanese machinery orders and production fell 10 per cent and 5 per cent during that time.

Both the West German and Japanese chemical industries have announced substantial short-time work hours, layoffs and production schedule cuts in September and October.

West German steel production fell in September and October by 5 per cent per month. While domestic orders fell during August and September by 12 per cent per month, export orders from the EEC fell by 25 per cent per month. European threats of trade war forced Japanese steelmakers to cut back by 4-5 per cent in the October-December quarter.

That this vicious circle could produce global economic decay and currency panic was enunciated in this week's *London Economist*. In an article titled "The First Competitive Devaluation," the *Economist* described the 17.5 per cent devaluation last week of the Australian dollar as the result of a crisis of confidence in the economy leading to a capital flight. Devaluations are supposed to cut trade deficits by cheapening exports and reducing imports, the *Economist* says, but this time Australia will get nothing but more inflation while the rest of the world devalues along with it to sell their exports, too.

Capital Spending Collapse Sends U.S. to Brink of New Depression

BUSINESS OUTLOOKS

Dec. 8 (NSIPS) — U.S. industrialists have sharply cut back their spending plans for new plant and equipment in the first half of 1977, according to a Commerce Department report released Dec. 6. Taken in conjunction with the collapse of Western Europe, a vital export market for critical sectors of the U.S. economy, the latest news emphasizes that the U.S. must either quickly join negotiations for a new world economic order or face a new deep depression starting the beginning of next year.

The collapse of business confidence in the U.S. since Carter's fraudulent victory is staggering. Last month, McGraw-Hill, a private forecaster predicted that spending for plant and equipment would increase 9 per cent next year. The just-released Commerce Department report shows that no growth is planned in capital spending by business in the first half of the next year.

Yet even this report, which the nation's business press headlined as devastating, understates the case. By the third quarter of 1976, capital spending in the U.S. had risen a scant 5 per cent above the depths of last year and remains a full 10 per cent below the levels reached in 1973-74. In terms of the potential and need for expansion of this singularly important sector of the economy, capital spending is at least *100 per cent* below what it should be.

From this pitiful level, spending will not only fail to increase, as the Commerce Department report indicates, but will begin to plummet sharply.

A report released by the Conference Board, a major business organization, on Dec. 1 makes this clear. Capital appropriations, which are authorizations to spend money in the future compared to capital expenditures, which are actual outlays, were down 9 per cent in the third quarter for the nation's 1,000 largest manufacturers, 18 per cent excluding the petroleum companies. Since appropriations are the first step in the investment process, a sharp downward revision in future spending is likely.

Industrialist Logic

The dumb logic of austerity assures sharper cutbacks. The latest sharp revisions of capital spending plans is the result of the following calculations in the minds of industrialists. First, industrial capacity utilization has been falling — e.g., steel reached 68 per cent last week — as final sales have dropped with income. Second, prices have continued to skyrocket — the wholesale price index for industrial commodities has hovered around double digits for months. This assures that future costs will be driven up while markets shrivel up. Finally, business regards with fear the threat of a Carter Administration.

The industrialists' inevitable conclusion is that capital expenditures must be sharply curtailed. The result is a further fall in income, another drop in sales and a capacity utilization etc., in a vicious cylce. As some ignorant but well-meaning government economists have recently realized, from the point of view of austerity, the economy seems to be stuck with an insoluble chicken-and-the-egg problem, where what gets cut first, workers' living standards or capital spending, becomes the question.

The real world results of such nonsense are criminal, both in terms of real production of goods and because the spiralling downslide of the economy leaves the door wide open for Carter's Schachtian advisors to ram through a fascist reorganization of the economy.

And Its Consequences

The latest figures show that key sectors of the economy are on the verge of total breakdown — precisely these areas which the Carterites have pinpointed as the first for liquidation. For example, Commerce Department figures show that capital spending by railroads will drop 26 per cent between the third and the fourth quarters of 1976; that total spending in 1976 will be over 11 per cent lower than last year; and that no improvement is expected in 1977! These figures mean that the nation's railroads, especially in the Northeast, will simply fall apart, since it comes on top of a situation where railroad expenditures for roadway and structures has declined over 60 per cent per gross ton mile in the past 25 years and over 140 million ties alone need to be replaced.

According to a plan for a U.S. Rail Trust proposed by Pennsylvania Governor Milton Shapp at last month's Saratoga, N.Y. governors conference, ghetto youth would be hired with pick-and-shovel at $5,000 per year to "solve" this problem.

Similarly, under the rubric of the Regional Energy Development Corporation and the Humphrey-Hawkins bill, the fascist backers of Carter want to reorganize other sectors set to collapse, clustered in the vital U.S. industrial corridor. The bottom is about to fall out of the coal mining industry. Coal inventories at utilities, which are operating at 66 per cent of capacity, and steel companies are high, while inventories of metallurgical coal in Japan, to which the U.S. ships 40-45 per cent of its exports, are prohibitively high. The electronics industry, which realizes a third of its sales of semiconductors abroad is plagued with inventory problems and will fare miserably due to the recent downturn in Europe. A similar situation exists with the computer industry, which derives half its earnings overseas. Aerospace is operating at 60-70 per cent capacity, and this figure is being reached simply due to military exports.

The electrical equipment sector is severely depressed; appliance factories are running at 70 per cent of capacity and have recently announced heavy layoffs. Shipments of gas turbines to utilities are running 50 per cent or more below the peak levels reached in 1973. Farm machinery manufacturers plan lower production schedules in 1977. The farm sector, the U.S. second biggest exporter after machinery, is now in a make-or-break situation due to rapidly declining income. Overall, machinery inventories are excessive, and with an average 45 per cent of their sales outside the U.S., most major machinery producers will shortly be in serious trouble. Auto and steel, of course, will soon totally collapse. Finally, construction, the singlest largest sector of the economy, simply doesn't exist anymore in many parts of the country, particularly the Northeast.

As a result of this rapidly deteriorating situation, the U.S. population must now make a fundamental decision: will we continue to progress as a nation dedicated to industrial and agricultural technological advancement, or will the Carter fascist forces be permitted to deindustrialize ?

Wheat Leads World Grain In Trade Tailspin; Dollar Crisis Blocks Market Expansion

AGRICULTURE

Dec. 10 (NSIPS) — Last week, the Commonwealth Secretariat in London announced an estimated 11 per cent collapse in world grain trade for 1976-77. According to the projections the trade downturn will be paced by a 14 per cent drop in wheat trade, with coarse grains falling 8 per cent. Corroborated in the main by most official and unofficial parties to the international grain trade, these projections have already created explosive pressures in the U.S. farm sector, where plunging export demand for wheat and the lockstep price collapse has reduced farm income by 45 per cent since June — despite steadfast producer withholding of stocks.

Taking a quick glance past the end of his nose, the typical bourgeois commentator observes that Canada,