

Exclusive: Secret auto memo warns of 300,000 layoffs by Christmas

A secret policy memorandum issued by chairmen of the nation's auto corporations—yet to be released—warns the industry's top-most management to expect a 20 percent decrease in auto production by no later than December. The memorandum, called a "blue letter," tells corporate executives to "brace yourselves." The collapse in the auto industry will produce 300,000 layoffs by December or absolutely no later than January.

The memorandum further reveals that by no later than April the effects of the collapse of auto will bring about similar devastation in the feeder industries of steel, glass, and rubber.

This report, which *Executive Intelligence Review* has authenticated, leaves no question that the depression emerging in the aftermath of Federal Reserve chairman Paul Volcker's Oct. 5 announcement of "fiscal austerity" is on a scale of severity more comparable to the 1929-1931 depression than to any postwar recession. The "blue letter" demonstrates that unless the policies of the Fed chairman are reversed, the United States will be in a depression by Christmas.

In our last issue, the first analysis of the Volcker program using *EIR's* Riemannian model projected an aggregate 15 percent dropoff in the economy's tangible output by the end of 1981, or a trough twice as low as that of 1975.

The Riemannian model was specifically designed to analyze major points of economic discontinuity which conventional economic models utterly fail to address. The model was developed on a proposal from economist Lyndon H. LaRouche, Jr., now a Democratic candidate for President.

The projected cutback in the auto industry—that is, the backbone of the U.S. economy—confirms the model's results. It indicates more: that that aggregate reduction will take place in the first half of the new year. Mack Truck already announced Nov. 1 new production cutbacks, bringing its overall level to *20 percent lower than two months ago*.

Ford announced the same day another 10,000 so-called temporary layoffs, putting the total volume of auto layoffs to date close to 100,000.

The news from Detroit, furthermore, puts the administration's proposed \$1.5 billion in loan guarantees for Chrysler Corporation in a somewhat different light. It is not a bailout of Chrysler. Whether or not Chrysler is able to avoid bankruptcy during the next few months, it is clear that the company will not be producing many automobiles.

The package for Chrysler outlined at a Nov. 1 press conference is one sign that the current administration is prepared to let the auto industry go. According to Treasury Secretary G. William Miller, Chrysler employees will have to contribute \$400 billion up front to activate the federal guarantees, in the form of wage postponements and contributions from the union's pension funds. By the end of the year, most of these employees will not be working for the company they helped bail out.

Most large corporations have given Volcker grudging support during the last several weeks, but the ferocity of the collapse now pre-programmed for the next two months is beginning to shake up some corporate headquarters.