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# Final Business Cycle: Production Shutdown to Hit in Mid-Oct.

Sept. 17 (IPS) — A group of 800 American business leaders was asked yesterday whether the upcoming "business recovery" would be "big," "small," or "aborted." The businessmen had gathered at the prestigious Conference Board meeting on "Business in 1976" at New York's Waldorf Astoria Hotel to find out whether they should expand or cut orders, increase or decrease production, or simply throw in the towel.

In response to the question, 40 raised their hands to signify that they expected a "big" recovery, 100 predicted a "small" recovery, and 40 indicated that they foresee an "abortion" of the recovery.

### The Last Business Cycle

U.S. government sources flatly confirmed this week that the widely heralded 3-month upturn in production is based on hot air, and that by mid-October American industry will shut down. Millions of workers will pour out of the factory gates, marking the end of the last capitalist business cycle.

Commerce Department figures on business inventory trends released yesterday afternoon show conclusively that the present production boomlet — based on the myth of a consumer-led economic recovery — is a complete psychotic episode. During the last three months retailers such as car dealers, department stores, and discount centers have been running up orders with wholesalers and manufacturers in anticipation of a sharp spurt in consumer sales. With no real sales actually taking place, inventory liquidation at the manufacturing level — the main reason for the pickup in industrial production — has simply reappeared in the form of inventory accumulation by retailers.

The Commerce Department's announcement that retail sales in August plunged by 1 per cent because of a collapse in worker income pulls the rug out from under the "consumer-led recovery" delusion and sets the stage for the massive levels of inventory dumping that sparked last year's depression shutdown of industry. Retailers will slash orders from wholesalers who in turn will cancel orders and shipments from manufacturers who will then stop production.

If the 1.3 per cent August increase in industrial production is an indication, manufacturers have not yet awakened to the psychotic game they are caught up in. The jump in industrial output was concentrated in steel, auto, and household goods (appliances, furniture), precisely those sectors which are without a market.

Steel production, which has surged by more than 10 per cent in the last five weeks, is related to two short-lived phenomenon: hedge purchases by steel consumers in anticipation of a price increase scheduled to go into effect in two weeks, and buying by such consumers of steel as auto in response to their own baseless boomlets. Once higher prices go into effect and the auto industry shuts down, steel demand will collapse and so will the industry.

The auto boom, meanwhile, is about to enjoy its fate of one year ago, when assembly lines were mothballed. Present production schedules are running at a rate equal to one year ago, but sales are down by 10 per cent. Unlike last year workers are not even hedge buying! It is not surprising, therefore, that stocks of unsold new cars have reached a near record 1.45 million units, several hundred thousand greater than a year ago.

It is a matter of weeks before the U.S. steel and auto industries — the twin pillars of the world's largest national economy—shut down and spread their misery throughout the rubber, transportation and machine sectors.

This second depression collapse of production will bear striking resemblance to the one which ripped through the continent one year ago, in all but one important respect. The squeeze on corporate profits, state, and municipal tax revenues, and personal income will precipitate uncontrolled chain reaction defaults and bankruptcies and bring down the entire banking and credit system once and for all.

Despite the evidence, much of it compiled by government agencies, Council of Economic Advisers Chairman Alan Greenspan told the Conference Board meeting yesterday that the August rise in industrial output was evidence that the "economic recovery" had gained momentum, and concluded that an economic boom was due in 1976, complete with a 7 per cent growth rate! Afterwards Greenspan was asked by an IPS reporter "What do you think of the August drop in retail sales, from the standpoint of the consumer-led recovery?" The CEA chairman's eyes went glassy, and he shouted, "I've got to go now," and ran out. Our reporter could not catch him.

Interestingly, earlier last week Greenspan's Wall Street consulting firm, Townsend-Greenspan, from which he is temporarily on leave, candidly admitted to IPS that should the vaunted consumer sales upswing fail to materialize the entire economic upswing would be "blown to pieces." Quiet rumors are now circulating throughout Wall Street that Greenspan's firm will refuse to rehire him after he is relieved of his present duties.



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