investment." Therefore, the backbone of the economy, the capital goods sectors — engineering, machinery, machine tools, and construction — are the most depressed. The LCC predicts as a result "renewed inflation and rising unemployment." Unemployment in Britain in fact rose by 9,200 in September to 1.266 million.

Reached after the pound's fall, CBI surveyers found industrialists even more frantic. Rising oil costs and interest rates, and general import price increases, will mean immediately rocketing unemployment, they said.

France: Overkill

Jacques Ferry, leading French steel industrialist, summed up the state of the entire European steel industry yesterday in a statement to the press. In Europe as a whole, he revealed, incoming orders have fallen a full 40-50 per cent during the first half of 1976 over 1975's already depressed first half levels, and continue to fall. Costs of production have risen 30 per cent over the same period while prices are at their lowest level in nearly three years. Ferry predicted mass unemployment, especially in the French steel sector, where the major corporations Usiner, Saciler, and others, are already paying out annually more in debt service than the magnitude of their absolute profit losses.

In response to the New York banks' speculative attack on the French franc a month ago, the Giscard government tamely issued the overkill austerity program the banks demanded. Not satisfied, the banks this week renewed heavy speculation against the franc, bringing it from close to $0.21 to $0.2020.

The industrialists' outcry inside **and outside** of France, however, indicates that even the original austerity program may be defeated. Business Week in its Oct. 11 issue lays out "New Trading Worries for France's Partners": "(The) program calls for tax changes that would sop up $3.6 billion of private and corporate money. It would also clamp down on the rate of expansion of the money supply to 12 per cent from 18 per cent.... The program is expected to bite heavily into auto sales. Gasoline prices will rise 15 per cent, and auto registration will cost from 43 per cent to 125 per cent more."

One-fourth of France's cars come from her EEC trading partners, especially West Germany, which sold $10 billion total exports to France last year. Business Week quotes industrialists from the Germany Machinery Association, the Italian Confinidustria, Belgium, and Holland, as being particularly worried about the 10-15 per cent of their exports that go to France.

Japanese Industrialists Rip Fukuda Line

Oct. 8 (NSIPS) — The fight of business leaders for a pro-development solution to the collapsing economy against the pro-Rockefeller faction headed by Deputy Premier Takeo Fukuda, smoldering behind the scenes for months, was forced into the open this week. The pro-development industrialist faction was spurred to action by economic figures just released that showed that overall production declined by 0.8 per cent in August. The Ministry of International Trade and Industry predicted further declines of 1.3 per cent and 0.6 per cent in September and October.

The primary cause of the downturn was month-to-month drops in custom-cleared exports of 10 per cent and 6 per cent in July and August, which resulted in a 2.4 per cent fall in production of autos and consumer durables. These two items have been the mainstay of the "mini-recovery" in Japan since January; their fall heralds economic disaster.

Additional bad news for September included the second highest monthly total for bankruptcies this year — 1,357, and the defaulting on $140 million in bills to small suppliers by the virtually bankrupt state-owned Japan National Railway, which has accumulated $21 billion debt. Last week, the leading business federation Keidanren issued a report saying that "Seven out of Japan's 22 principal industries are in serious difficulties that could affect the nation's economic security," including chemical fertilizers, machine tools, shipping and textiles, while others have serious problems.

Immediately after the release of the statistics, Fukuda called a press conference to say that the problems were only temporary and that Japan would continue its current policy: reliance on the "upswing" in the U.S. which has already become a strong downswing. According to the Mainichi Daily News Oct. 2, Fukuda stated his policy would be to continue concentrating on fighting inflation — the same thrust just announced by the International Monetary Fund.

Backing up Fukuda's anti-inflation poicy with a fast attack on Japan's working class, Employers Association head Takeshi Sakurada called for limiting wage increases for 1977 to a paltry 5 per cent, despite consumer inflation twice that figure, and rising. Consumer inflation rose a whopping 2.8 per cent in September. Real wages in July were 2.2 per cent below July 1975, the second consecutive year of real wage declines. In addition to pushing this severe austerity policy on wages, Sakurada has supported Fukuda's six-months' attempt to unseat pro-development Prime Minister Takeo Miki.

Leading the attack on Fukuda's disastrous policy line, MITI head Komoto — one of Miki's foremost supporters — called a press conference to announce that the economic recovery was not proceeding adequately and that his ministry would announce new measures to promote economic recovery after a review to be completed by mid-October. Two days earlier, Mitsuo Kono, a columnist for the pro-development Yomiuri newspaper whose columns often reflect the thinking of MITI officials, sharply attacked Sakurada: "Sakurada is saying that the way to save the Japanese economy from vicious inflation is to lower the living standard of the workers.... It is doubtful he can achieve (it)... If a wage rise is actually held down, there is a possibility of the economy again precipitating into a 'consumption recession.'" Kono had blamed the renewed recession in Japan on the collapse of the U.S. recovery a week earlier.

Keidanren head Toshio Doko, who will be leaving for a tour of Europe Oct. 15, announced that the trip will discuss East-West trade and that he will propose that European trade deficits with Japan be remedied by having Japan subcontract out to the European parts of capital-intensive development projects that Japan may contract with third countries — the Third World and Comecon nations.

Fuming at a hoax perpetrated on Japan by Kissinger at June's economic summit in Puerto Rico, industrial leaders have also indicated that they will push the Japanese government to abrogate the policy laid down by the U.S. at that meeting of charging the Soviet Union a special high interest rate on development loans. By following the guidelines — generally ignored in Europe — Japan lost out on at least $220 million worth of trade deals with the Soviet Union.

Contacts with anti-austerity, anti-Rockefeller business forces in the U.S. may also be solidified in the wake of a visit to Tokyo by Continental Illinois Bank chairman Roger Anderson. Anderson held a press conference in Japan to present ideas paralleling those of his Japanese counterparts, saying that the way to solve Third World payments deficits is through "far more capital to build industries ... so that these nations can generate enough revenue from exports to pay for the capital goods they must import to improve their industrial base."