IMF policy fuels speculation in U.S.

In a confidential memo dated May 29, but released in summary form by the *New York Times* this week, the International Monetary Fund (IMF) called for the U.S. to pursue pro-austerity, anti-inflation policy. "The anti-inflation effort," the IMF memo states, "would be aided a great deal if the Government would resist forcefully the pressures of cost- and price-raising measures of the kinds just mentioned"—referring to agricultural price supports, minimum wage adjustments, and protectionist quotas.

The IMF memo is the kick-off for a "controlled U.S. recession" that would not hit across the board or be "free-falling," but would rather selectively wipe out targeted heavy industry while promoting the broadest forms of speculation. This policy was emphasized by the *New York Times* in a lead editorial Aug. 17 titled "Fighting Inflation With a Dull Knife," which stated that the U.S. government must pursue deregulation in the food, trucking and maritime industries. The deregulation of the trucking industry would not halt inflation, but would, as a forthcoming special study by this news service details, have a devastating effect on the U.S. transportation net and economy. The *Times* stated that this broad, sweeping deregulation would be a phase in what the *Times* labeled a "fundamental restructuring of the U.S. economy."

Clarifying what this "restructuring" will look like, ultra-liberal Keynesian economist James Tobin from Yale University has proposed that the U.S. government should pursue a tight budget, but loose monetary policy. While not stating this, the actual purpose of Tobin's policy is to create enough monetary volume for financing British corporate takeovers of American companies and for financing speculation, while crunching needed budget items.

The way this restructuring of the U.S. economy is proceding was indicated by the announcement in the Aug. 21 *Wall Street Journal* that Thomas Tilling, Ltd., which is a $2 billion conglomerate that specializes in buying up U.S. companies, is launching a massive acquisition campaign in the U.S. In barely two years, Tilling has accumulated 11 companies worth $216 million in the U.S. Tilling has targeted auto parts producers; oil rig companies; electronics companies—companies which made it through their first 7 to 10 years of difficulties and are now about to take off, and, as Tilling explains, will yield 20 percent return on investment per year. The deputy manager of Thomas Tilling, Colin Draper, said Aug. 21: "I've been interested in invading the U.S. since" World War II.

Speculative markets

At the same time, money is pouring into highly speculative forms of money market instruments which emphasize the capability of disintermediating funds from one hot paper-pyramiding operation into another, on a moment's notice. For example, the 65 money market funds, which totalled only $10 billion in assets at the end of 1978, now total $31.48 billion, growing at the rate of $1 billion per week. The money market fund is a mutual fund that, for a small monthly share investment by a small investor, buys positions in large denominated instruments, such as mortgage issues, commercial paper and Treasury bills—all short-term, but high yielding. A second hot item is the new twist on the housing market, which emphasizes the money to be made not only from trading on the secondary mortgage market, but now the loan shark role of pooling mortgages from many banks and selling them to institutional investors. This is underwritten by the *off-budget* U.S. government agencies like Fannie and Ginnie Mae. Thirdly, it is now profitable to invest in railroad cars, the front end of a package that also includes leasing them. For a $50,000 investment, states Lucille Boston, a former fashion buyer, one gets a one-time tax deduction of $2,000; an investment tax credit of 10 percent; and then depreciation for a span of years.

This speculative game remains lucrative only as long as the rate of inflation is higher than the cost of borrowing, meaning that a negative interest rate exists, and inflation marginally outstrips the amount of interest one has to pay back. This game is being skillfully rigged by new Fed chairman Paul Volcker.

Industrial side

On the industrial side of the economy, with a few notable exceptions, the economy is being force-fed a recession, beginning with the British targeting of Chrysler Corp. Layoffs in the U.S. auto sector reached 80,000 Aug. 18, making the total already half the level of depth of the 1974 collapse. Chrysler Corporation's announcement of a further 1,900 layoffs followed General Motors' revelation that it had dropped 28,000, or more than double the figure released last week.

At the same time, the new orders received by manufacturers of durable goods fell in July to a seasonally adjusted $71.92 billion, a drop of $4 billion from a month earlier and more than $10 billion below the level of spring of this year.

Nor, gloats the London *Economist*, will the U.S. be able to resist this restructuring. States the weekly's Aug. 11 issue: "The Carter Administration, like the Nixon, Ford and Johnson Administrations before it, does not have an industrial policy. This freedom (sic) is an American strength."

—***Richard Freeman***