



International Capitalist Economy

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International Capitalist Economy – Waiting for the Upturn

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At the end of 1975 the international capitalist economy is still dominated by recession conditions. Granted, there were many signs of upturn in the economy of the United States during the third quarter. Economic activity in West Germany and Japan has ceased to decline. A small new rise in the prices of certain raw materials may reflect the beginning of a reversal of the trend in international trade. But the persistence of very high unemployment rates and, most important, the stagnation of productive investment in all the imperialist countries have put the brakes on any genuine upturn so far. These factors even threaten to cause a “rupture” in the upturn in the United States. The overall verdict is clear: the inflationary “pump-priming” measures

of most of the imperialist governments have not had the desired effects within the time lapses counted on. A real general upturn of the international capitalist economy will probably not take place until well into the first half of 1976, perhaps not until the third quarter of 1976.

Recession & upturn

During the summer of 1975 industrial production continued to drop in all the imperialist countries without exception, driving home and intensifying by its cumulative effects the nature of the 1974-75 recession as a *generalized economic recession*. During autumn, industrial production turned up in the United States and registered a slight upturn in West Germany and Japan. While the fall in industrial production remains broadly inferior to the decline that occurred during the 1929-33 crisis and while the decline will be of shorter duration (which justifies designation of the present conjunctural phase as “general recession” rather than "slump”), it nonetheless goes considerably beyond any reductions in industrial production registered since the end of the second world war:

Fall in Industrial Production During the Year (in %)

	in August	in November
	1975	1975
United States	- 12.5	- 8
Japan	- 14	- 10.5
West Germany	- 12	- 3
France	- 9	- 3
Britain	- 6	- 9
Italy	- 12.2	- 15

As of November 1975 forecasts on gross national products (in real terms) for the whole of the year 1975 were as

follows:

United States	- 4.0%
West Germany	- 3.5%
Japan	+ 1.5%
France	- 2.0%
Italy	- 3.0%
Britain	- 0.7%
Netherlands	- 2.5%
Canada	- 1.0%
Sweden	0.0%
Belgium	- 1.8%

(Source: *The Economist*, November 15, 1975, except for Canada and Belgium, for which: National Institute Economic Review, November 1975.)

Moreover, these predictions seem overly optimistic, especially with respect to Japan, Britain, and Italy, where there have been no signs of a recovery of the GNP during the last few months of 1975 that would be sufficient to neutralize the much more sharply pronounced rate of decline in economic activity during the first half of the year.

Granted, the upswing was lively in the United States during the third quarter of 1975. There is talk of a GNP growth rate of 11% between July and September 1975. But half of this increase results from so-called technical factors — that is, a deceleration of industrial inventory liquidation — and not from an increase in sales to the “final consumers.” In spite of Gerald Ford's victory cries at the summit conference of the imperialist world in Rambouillet November 15-17, most capitalists (and their ideologues) remain skeptical about short-term prospects for an upturn in the United States, for the moment at least.

Moreover, this skepticism is justified by the appearance of contradictory signs in the American economy during the months of November and December, as well as by the

retardation of the upturn in West Germany and Japan. In the United States, consumer demand ceased to grow during the autumn. Retail sales amounted to only \$50,000 million in October (and \$26,000 million for the first two weeks in November), compared with \$49,000 million in July. The volume increase in comparison to October-November 1974, when the recession was at its height, was only 4%.

In West Germany, industrial production increased slightly; it was 2% higher in September 1975 than in August 1975 and 1.5% higher for the two months August-September than for the two months June-July. (These indices are adjusted to eliminate seasonal fluctuations.) Industrial orders increased 12% in September compared with August. But this increase is very slow. As far as domestic orders are concerned, *they are still below 1970 levels*. As for foreign orders, they have developed as follows (based on an index, 100=1970):

Fourth quarter 1974:	135
First quarter 1975:	119
Second quarter 1975:	115
Third quarter 1975:	122

In Japan, production increased 6% from March to September but remained far below its 1974 level.

The pump-priming policies of various governments have had incontestable effects. These policies have erected a backstop to the classical cumulative development of the crisis of overproduction. They have permitted a certain upturn in domestic consumption. This has especially been the case in the United States, Japan, West Germany, and France, less so in the other imperialist countries. This priming of consumer expenditures has permitted some upturn in the automobile industry, one of the two key branches racked by the recession. In the

United States auto sales of 8.5 million are forecast for 1975. In West Germany auto sales on the domestic market are expected to exceed 2 million units, close to the record year of 1973. Auto production in West Germany in September 1975 was 25% higher than in September 1974; for the first nine months of 1975, however, it was still 4.6% below the figure for the first nine months of 1974. Production also increased in Japan in 1975 (by 14%), but a 10% decline is anticipated for the first half of 1976 because of strong price increases.

The automobile industry is in more uncertain condition in France and Italy. In Britain it is in crisis. Imports are gaining a growing share of the domestic market, but exports are progressing at nearly equivalent proportions. During the first nine months of the year, imports increased 50%; exports grew 41% (in large part, however, due to sales of trucks and spare parts). As far as private cars are concerned, production has fallen back to 1962-63 levels!

On the other hand, the second branch that acted to detonate the recession, the construction industry, continues to founder in pronounced stagnation. For the moment, this branch is being hit by both sides of the coin of *slumpflation*, the coincidence of recession and inflation. The recession is giving rise to caution among the middle classes and the best-paid layers of the proletariat, and this is reducing orders for housing construction. (Treasury difficulties and the fall in company profits are having similar effects in the realm of construction of industrial facilities and office buildings.) Moreover, inflation is maintaining long-term interest rates at high levels, which weighs down on mortgage credits.

Thus, in October 1975 the number of housing units on which construction had begun (1.46 million) was 15% higher than the October 1974 level (but was still far below the record level of August 1973, which was 2 million units).

Nevertheless, the number of construction permits had fallen from a monthly average of 1.26 million during the third quarter of 1975 to only 1 million in October 1975. (*Neue Zürcher Zeitung*, December 2, 1975.) The October 20 issue of *Business Week* commented:

“Except for a very modest upturn in single-family houses — from a horrendously low base — the real estate market is still deeply depressed. Apartment starts this year will be at their lowest level in fifteen years. Unsold condominiums amount to 150,000 to 200,000 units and, by one estimate, are still being completed faster than they can be sold. Millions of square feet of prime office space are going begging in cities like New York, Atlanta, Houston, and Los Angeles. Half-finished or half-empty shopping centers, hotels and housing developments dot the country. . . . Condominiums and apartments represent the most serious problem area. Demand exists for rental apartments, but high interest rates push required rentals far beyond what the market will support.”

It is only in Japan that a serious upturn is taking place in the construction of private housing.

A note on terminology

Marx presented the process of capitalist commodity production as a unity of two distinct processes — the labor process through which labor-power produces use-values, and the *valorization* process through which labor-power produces additional value over and above its own value. This surplus-value, created during the process of production, must be realized through the sale of commodities before capital can appropriate it and therewith actually increase its own value. In the English translation of *Capital*, the term referring to this process (*Verwertung* in German) is usually rendered “self-

expansion of capital.” This is misleading, because it abstracts both from the labor process that materially creates value and from the process of realization that is necessary if capital is actually to achieve its “expansion,” which is not at all self-created. The term “valorization” is thus used instead of the term “self-expansion.”

A similar problem arises in the English rendering of *Entwertung*, the process whereby capital loses a part of its value, which takes two main forms during a capitalist crisis. First, as a result of the decline in value (price of production) of commodities, the capital invested in these commodities loses value. Second, as a result of commercial bankruptcies and firms going out of business, much of the value of their capital is destroyed. This capital was part of total social capital, which thereby loses part of its aggregate value. The German expression *Entwertung* may be translated simply as “devaluation.” But since this term may easily be confused with the devaluation of currency (a different phenomenon), and since “devaluation” does not convey the sense of oppositeness to “valorization” (present in the German), the term *devalorization* is preferable.

The English edition of the book *Spätkapitalismus (Late Capitalism)*, by Ernest Mandel, New Left Books, (7 Carlisle Street, London W1, Britain) 1975, £9.501 contains an extremely useful glossary, from which the above notes have been adopted.

The same disparate image emerges from a branch-by-branch examination of the major industrial sectors. Petrochemicals (and especially synthetic fibers) have been experiencing a certain upturn for several months now; but this branch had suffered a particularly serious fall in production during the first half of 1975. The textile and clothing industries also seem to be benefiting from the

upturn in consumer spending. On the other hand, the electrical appliance industry continues to suffer the effects of the stagnation in construction and of the tendency for consumers to hold off on nonessential spending out of fear of future income declines. The machine-tool industry is suffering the effects of the sharp decline in productive investment. The persistent recession in these branches causes a serious crisis in the steel industry and in most of the nonferrous metals sectors as well. Thus, the conclusion here confirms the results drawn from a country-by-country examination of the situation: Although there may be signs of upturn, it cannot yet be said that the recession has been overcome.

In general, government predictions have sinned by blind faith in the *automatic character* of the pump-priming effects produced by classical neo-Keynesian techniques. The growth in the volume of demand was supposed to be more or less immediately proportional to the increase in the money supply, and was then supposed to rebound favorably on overall economic activity by acting as a multiplying factor. But as we have often stressed[1], there are quite a few channels out of this complex of interconnecting pipelines; consequently, a more or less considerable portion of the expected growth in national income through the simple inflation of the money supply can escape without producing significant effects on the level of economic activity.

In the first place, a portion of the supplementary monetary incomes placed at the disposal of consumers may not be consumed immediately, but instead saved up for postponed consumption staggered over time. This has actually happened in nearly all the imperialist countries, where the savings of lower-income layers have increased rather than diminished since the recession began. (Should

the recession continue and provoke a pronounced fall in the mass of real wages, this effect will obviously disappear.)

Second, upturns in domestic consumption may not be accompanied by proportional increases in economic activity if they are accompanied by declines in exports. In a period of recession and of decline in the volume of world trade, the imperialist countries cannot all increase their exports simultaneously. It has been this factor in particular that seems to have prevented a real upturn in West Germany during the second half of 1975.

Third, priming of domestic consumption leads to an upturn in productive investment by capitalist enterprises only if it is accompanied by the prospect of an expanding market and a rise in the rate of profit. Now, in this area the existence of high excess production capacity constitutes an obstacle that is less easily overcome than the bourgeois and reformist economists generally imagine.

Finally, even when productive investments are primed under the impetus of state aid, this priming may not contribute to a cumulative move toward upturn if what are involved are rationalization investments that eliminate more jobs than they create in the sectors of machine construction and production of raw materials. In that event, the persistence of high unemployment levels can lead to a rapid ceiling on the growth of the domestic consumption that was supposed to be generated by the expansion of productive investment.

It is significant that all these truths (rather commonplace on the whole), which had long since been developed by the Marxist critique of Keynesian and neo-Keynesian conceptions, have suddenly been discovered by bourgeois economists in the midst of a generalized recession. These economists have confessed their theoretical impotence in

handling the problems of slumpflation. The bankruptcy of bourgeois economic theory seems to be even deeper than the crisis of the capitalist economy itself.[2]

Achilles heel of the upturn: excess capacity & productive investment

It clearly appears that the existence of exceptionally high excess capacity in most industrial branches in all the imperialist countries now constitutes the major obstacle to an upswing in capitalist productive investment, postponing the upturn in consumer spending that occurs under the impetus of the antirecession policies of governments.

Thus, in the United States, investigators for McGraw-Hill expect that expenditures on private investment in 1976 will grow by only 9% compared with 1975, which represents a stagnant *volume* of investment if the expected rate of inflation for capital goods is taken into account. An inquiry undertaken by the Lionel D. Edie Co. even predicts a declining volume of investment, since expenditures will grow by only 5%, according to this study. (See *Neue Zürcher Zeitung*, December 2, 1975.) In West Germany, private investment rose by 2% for the second quarter of 1975 after having fallen 1.5% during the fourth quarter of 1974 and 5.5% during the first quarter of 1975. But the volume of private investment still stands 6% lower than the quarterly average in 1970!

In Japan, the volume of private investment dropped 1.8% between April and September 1975. The government expects an upturn of 5.4% for the period October 1975-March 1976. But the Structural Industry Council, which conducted an inquiry of 1,886 leading firms, forecasts a 3.8% decline in

total private investment for the period April 1975-March 1976. (*Neue Zürcher Zeitung*, November 28, 1975.)

As for Britain, the situation there is even more desolate. During the third quarter of 1975 capital spending fell

6% in manufacturing industry; this came on top of successive declines of 8% and 7% respectively during the first and second quarters of 1975. Other estimates speak of a decline of 11.5% for 1975 as a whole compared with 1974. (*Financial Times*, November 28, 1975.) Under these conditions, the machine-tool industry is experiencing a dangerous recession. One of the directors of British Leyland expressed himself with brutal frankness: "Unless the present downward trend of the British machine tool industry is arrested, there could be a very real danger that British machine tools will no longer be available." (*The Times*, December 2, 1975.)

The scope of the excess capacity, which causes a decline in investment, is considerable; in fact, it often goes beyond anything ever seen in the past. In the United States excess capacity for the whole of manufacturing industry reached 35% in the middle of 1975; it was still 28% during October. Fiat in Italy claims that it is running at only 60% of capacity. (*Business Week*, November 10.) Time magazine (November 17) affirms that Italian industry as a whole is working at less than 70% capacity. The November 28 issue of the *Far Eastern Economic Review* cites the same percentage for Japan. Exxon (formerly Standard Oil of New Jersey), the world's largest oil refiner, is working at 77.6% capacity (and only 60% in facilities outside the United States), according to the July 14, 1975, *Business Week*. The two major Japanese steel companies, Nippon Steel and Nippon Kokan, have respectively reduced their production to 30-40% and 28% beneath maximum capacity. (*Newsweek*, November 17.) According to the November 8 issue of *The Economist*, "not

one of Britain's six yards that construct oil platforms has a follow-on order to replace the platforms already being built." The September 1, 1975, *Business Week* refers to a similar tendency on a world scale. Capitalist shipyards now have a total of 167 million tons of ships under construction, compared with 227 million tons in October 1974; but new orders are so low that for the first three quarters of 1975 in Britain they cover only 4.7%(!) of the tonnage under construction during the first nine months of the preceding year. (*The Economist*, October 25, 1975.) And even in the United States, where, according to the August 25, 1975, *Business Week*, half of all tonnage under construction depends on orders from the U.S.Navy, net profits have fallen from 5% to 2% of annual turnover. In the chemical industry excess capacity rates of 40-50% are mentioned for Höchst (*The Economist*, September 13, 1975) and of 30% for Dupont de Nemours in the United States (*Business Week*, July 7, 1975).

Under these conditions, there is something of the unreal in the discussions of "capital shortage" opened by sensationalist studies by two teams of American economists — Bosworth-Duesenberry-Carron for the Brookings Institution and Brinner-Sinai for Data Resources, Inc.[3] — and later taken up by both U.S. Treasury Secretary William E. Simon and certain commentators claiming to be Marxists.

Of course, there is never "absolute" overproduction of capital under the capitalist system. Overproduction of capital always relates to the immediate possibilities of valorizing this capital. Overproduction — and overcapacity is simply a manifestation of overproduction — always means that there is too much capital to rake in the anticipated average profit.

But that said, excess capacity rates of the scope mentioned above obviously reflect an enormous excess and not some

kind of “shortage” of productive capital available for investment. The ideologues confuse shortage of capital with shortage of surplus-value, that is, shortage of profits. There will be a serious upturn in capital accumulation, that is, a new “boom,” only if the conditions for valorizing capital (that is, the total mass of surplus-value relative to the total mass of capital) improve dramatically. And there can be no question of this in the short or medium term. Cautiously, *The Economist*, which had predicted a new boom for 1976, has already pushed its prediction back to 1977. Since the rise in productive investment has yet to occur, even this 1977 boom becomes increasingly open to question.

Priming & unemployment

A capitalist crisis of overproduction has a twofold objective function in improving the conditions for the valorization of capital. It is supposed to permit a new rise of the rate of profit, first by massively devaluating total accumulated capital, second by causing a net increase in the rate of surplus-value (that is, of the rate of exploitation of the productive workers).[4]

Let us first examine this second condition. It is incontestable that from the standpoint of the class struggle, any serious overproduction crisis appears as a massive aggression by capital against wage labor. Massive layoffs, lack of jobs for youth leaving school, and the fear of unemployment that takes root among the working class are supposed to permit a freeze on, if not reduction of, real wages, greater “labor discipline” in the factories, and an intensification of the labor process.

But above all, during the recession the exacerbation of competition impels companies to step up their efforts in the realm of *rationalization investments*. In fact, each capitalist

firm tends to aim investment at reducing the labor force rather than at creating new jobs.

Right from the moment that all the imperialist governments (including those administered by the Social Democratic leadership) proclaim that the number one long-term goal remains “the struggle against inflation” and not the struggle against recession, we see the *tacit abandoning of the myth of the priority of full employment*, which had dominated economic and social policy in the imperialist countries since the end of the second world war.[5] The priming measures (which feed inflation) remain limited to a level at which the elimination of unemployment is not even aimed at any more, let alone achieved. The turn in imperialist economic policy has been universal on this score.

Good liberal souls are upset by this. In an article in the October 15 *Le Monde* analyzing the Giscard d'Estaing pump-priming plan, Edgard Faure, Speaker of the National Assembly, cried, “Employment (has been) attacked!” And this is true everywhere. Although the recession is no longer worsening and the first signs of upturn are appearing, unemployment is nonetheless getting worse in all the imperialist countries. Here are the estimates for winter 1975-76, compared with the situation during winter 1974-75:

Number of Total Unemployed (in millions)

	winter 1974-75	winter 1975-76
United States	7.5	8.2
Britain	0.8	1.5
Japan	1.0	1.5
Italy	1.5	1.5
France	0.8	1.3
West Germany	1.0	1.2
Canada	2.0	0.7
Spain	(total for all three)	0.6
Small imperialist countries		1.2

All imperialist countries ±15.0 ±17.5

If the figure for part-time unemployment is added in (despite the lack of rigor in this addition), the threshold of 20 million unemployed in the imperialist countries would be rapidly attained if not surpassed. *It is certain that the delay in reabsorbtion of unemployment will powerfully retard the industrial upturn and that this retardation will in turn slow down a return to a boom.*

And here we hit upon the real dilemma of the capitalist governments, which reflects a real contradiction of the capitalist mode of production. “To turn the cycle up again, the rate of profit must be improved,” some say. And they are not wrong. From this they conclude, a bit too hastily, that austerity must take hold in the hearts (and the stomachs) of the working class. That is the ideological function of the “great fear of capital shortage.” “No,” respond the reformists of the workers movement and the bourgeois reformers of all stripes, “to reabsorb excess productive capacity, consumption by the 'final consumers' must be jacked up and not held down.” And they are not wrong either. The trouble is that both sides are half right, which means that they are both wrong. A genuine capitalist boom requires both a serious upturn in the rate of profit and a serious expansion of sales to “final consumers.” It is not easy to bring about a coincidence of these two conditions, especially when capital markets are weighed down by enormous excess capacity and by a combative working class that is not demoralized.

It must also be added that nothing guarantees the success of the worldwide offensive of capital against the living and working conditions of the industrial proletariat. There is no automatic link between employment levels on the one hand and wage levels and workers combativity on the other hand, not in the short term at least. The interaction between these two factors is mediated by other specific factors, such as: the

degree of organization of the working class; the workers' average level of consciousness; their degree of confidence in their own strength, resulting notably from the past duration of unemployment and from the outcomes of previous workers struggles; the scope and weight of the broad vanguard; the weight the revolutionary Marxist organization has already acquired within the working class and the organized workers movement, etc.

Taking all these factors into account, we predicted, from the very beginning of the recession, that this recession would not be accompanied by a general ebb in workers combativity.^[6] Up to now, events have proven us right.

The working class of the imperialist countries has not rested with folded arms, neither in the defense of real wages nor in the struggle against unemployment. The reactions have been much more massive and effective and have reflected a much higher level of consciousness than those of the 1929-32 period.

Granted, there has been a temporary ebb in workers combativity in West Germany, and, after a period laced with struggles, disarray and temporary retreat have marked Britain for six months now. But signs of a new rise in combativity are beginning to be seen in both countries (notably in the powerful demonstrations against unemployment: more than 50,000 in Dortmund in early November and more than 20,000 in London in late November). And although the upturn in struggles and in trade-union radicalization remains modest in the United States, its existence is nonetheless undeniable. In conjunction with the explosive rise of struggles in Spain, Portugal, and Italy, with the new rise of the strike movement in France, Japan, and Australia, and with the growing resistance of the Belgian, Dutch, Swedish, and Finnish trade unions to any form of freeze on or reduction of wages, these

phenomena give an overall picture of the major difficulties the international bourgeoisie faces in carrying out its plans through the present recession.

The rising cycle of workers struggles is still in its initial phase. Its culminating points lie ahead of us, not behind us, even if this or that country may be an exception to the general rule. And the signs of the transformation of this ascending march of workers struggle into an explosive social and political crisis are rapidly multiplying in several countries.

Inflation and devalorization of capital

The second objective function of a crisis of overproduction is the devalorization of capital, which is supposed to permit an increase in the rate of profit, with the mass of surplus-value remaining more or less unchanged (the increase in the rate of surplus value compensating for the reduction in employment). In practice, such de-valorization of capital occurs through:

- a) The sharpening of competition, which eliminates the less profitable firms at an accelerated rate;
- b) The fall in the value of commodities and plant and equipment.

Incontestably, these two phenomena have occurred during the present generalized recession of the international capitalist economy. The number of bankruptcies has increased by more than 30% in the United States and by more than 60% in Britain. There were 7,500 bankruptcies in West Germany in 1974 and 8,600 in Japan in 1975, which represented a considerable increase. Raw materials price scales and the wholesale prices of a fair number of manufactured products have dropped. We have previously

mentioned the crashes of some banks and finance companies, in general caused by speculation.^[7] To this must be added some no less spectacular failures of big trusts: W.T. Grant & Co. in the United States (the biggest U.S. bankruptcy since the collapse of the Penn Central railroad company — more than a thousand million dollars in debt); the Japanese textile trust Kohjin (\$500 million in debt), and its subsidiary, Sakamoto Spinning Co. (\$213 million in debt). Moreover, it is known that an even larger trust, the automobile corporation Chrysler, is in serious difficulty. We may also mention the difficulties of the Slater Walker financial group in London and Singapore and of Hutchinson International Limited in Hong Kong. Even the venerable and mysterious Crown Agents, who manage the London holdings of some ninety foreign governments, lost £129 million in imprudent loans.

Nevertheless, what is striking in examining the overall effects of this recession is precisely the relatively small dimensions of this process of devalorization of capital in light of the considerable scope of the fall of production and profits. It is not difficult to discover the explanation for this apparent paradox. Inflation, which is continuing full force during the height of the recession, contributes to attenuating the effects of increased competition on the less solid trusts. The banking system continues to extend credit. “If we weren't living in a country that so totally respects secrecy when it comes to business, the press would long since have been writing that Rhone-Pouleuc would have trouble meeting its obligations were it not for the banking cooperation that continues to be extended,” asserted Paul Fabre in the November 6, 1975, *Le Monde*. The state and the central banks are continuing to bail out companies in danger of going under. The case of Kohjin is especially illustrative. This corporation is still doing business as though nothing

had happened. Enormous credits were granted a company that had in fact failed. As far as the European automobile trusts are concerned, some of which were in a very bad way, let us note a no less forthright statement by Christian Gobert of the French Ministry of Industry to *Business Week* (September 1): “Indeed, the guarantee of the state is already implicit now for all large European car manufacturers. The governments cannot abandon them.”

The consequence of this is twofold. First, there is more and more pronounced indebtedness among the great trusts, which obviously slows down the rise of the rate of profit. For nonfinancial companies in the United States, the proportion of sources of internal financing to sources of external financing was 2-to-1 in 1968; in 1975 the proportion fell to 2-to-3. This means that for each dollar of nondistributed profits, there are now three times as many external resources for financing current investments as there were seven years ago. (See *Business Week*, September 22, 1975.)

Ten years ago, the stock-exchange value of these companies was more than four times the size of their debts. Today, the volume of these debts, the total of which now stands at \$1.3 million million (200% higher than in 1965), has already risen to more than 50% of the stock-exchange value of nonfinancial companies, and the proportion is rising rapidly. In 1959 service charges on debts represented only 9% of gross receipts of companies; today they represent 33%. (*Bulletin du Credit Suisse*, April-May 1975.) In West Germany, the proportion of the debts of firms to their capital passed from 1.5-to-1 in 1968 to 2-to-1 in 1975. Nevertheless, German companies — virtually alone in all imperialist countries — were able to increase their rate of self-financing (although at a low level of investment), from 72% in 1970 to 94% in 1975. In the year 1974 alone, the 700 largest Italian companies had to borrow a sum equivalent to

57% of all they had borrowed during the entire period 1968-73.

Second, there is ever greater pressure on the banking system each time a big client can no longer pay its debts. The bankruptcy of W. T. Grant cost the system dearly, for this trust had borrowed \$640 million from the banks. The firm's debts to three of the major banks in New York, Chase Manhattan, First National City, and Morgan Guarantee Trust, amounted to nearly \$100 million to each bank.

It is thus understandable why after the near panic provoked last year by the collapse of the Herstadt banking house in Cologne, there was even greater near panic this autumn when the threat of bankruptcy of the city of New York loomed on the horizon. The twelve major New York banks hold more than \$4,000 million in "bad debts." (\$2,000 million in obligations of the city of New York; \$1,000 million in loans to airlines; \$400 million to loans to W.T. Grant; more than \$500 million in loans to other municipalities threatened by bankruptcy). To this are added nonguaranteed real estate loans on the order of \$7,600 million and loans of \$4,000 million to real estate investment trusts in difficulty.

If it is kept in mind that available reserves for losses through unpaid debts are only \$1,800 million and the resources of the banks themselves are only \$9,500 million, it can be seen that the risks of a collapse of the credit system are real. That is why Ford had to come to the rescue and promise that the federal government would bail New York out. In the case of some banks, the total amount of operating capital plus reserves available to cover lost loans is less than the obligations held from the city of New York and the real estate investment trusts. (Chemical Bank and Bankers Trust are two examples.) Midland Marine has already suffered an absolute loss for the fourth quarter of 1975. Other "bad

loans” held by the big New York banks include loans to airline companies (several of which may go bankrupt) and loans granted to finance the construction of giant oil tankers. The Federal Reserve Board has promised to aid all big banks and is closely watching nearly 546 banks, most of them small ones, that hold portfolios of New York municipal bonds in amounts exceeding 20% of their operating capital. The losses of the banks arising from the real estate investment trusts alone could run as high as \$600 million-1,800 million.

The situation of the British banking system is scarcely any better. According to *The Economist* of August 9, 1975:

“The collapse in the property market posed a bigger threat to Britain's financial system than the withdrawal of deposits from the secondary banks. On realistic property valuations, a number of banks are insolvent in all but name. . . . By the end of 1974, bank lending to the property and construction industries had reached £5 billion. That's more than half(!) the banks' commitment to all of British manufacturing, although the ratio had been a little more than one-fifth early in 1970. . . . How much property is overhanging the market? Over £1 billion at 1973 values, including the portfolios of the private Stern and Lyon groups, and the quoted Guardian Properties (Holdings), which collapsed last year, is probably in the hands of receivers and liquidators.”

This time, the banks managed to squeak by. As we had estimated in our analysis at the end of the first half of 1975, the reserves of the capitalist system in the richest imperialist countries have not yet been exhausted by inflation. They still enable the merry-go-round of “indebtedness-inflation-greater indebtedness” to make a few more turns.^[8] But by the same token, the recession cannot play the objective role it is supposed to play. The devalorization of capital remains marginal. The increase in the rate of profit will be mediocre. The conclusion is clear: This recession will not lead to a

powerful boom, but instead to a limited upturn leading rather rapidly to a new recession.

Priming, inflation, and the international monetary system

The priming of internal consumption and the bailing out of firms in difficulty through budget subsidies (and deficits) means priming through inflation. Bourgeois opinion, which rejoiced at a certain slowdown of inflation during 1975, seems not to be aware of the fact that the continuation of the increase in the cost of living in the midst of a recession, coinciding with a reduction in material production on the order of 5-10% in most imperialist countries, in itself constitutes an extremely serious phenomenon that suggests that there will be a new inflationary explosion as soon as the cycle is seriously turned around.

Table I. Retail Price Increases (in %)

	From 2nd quarter 1974 to 2nd quarter 1975	From Sept.1974 to Sept.1975
United States	9.7	7.8
Canada	10.2	10.6
Japan	13.2	10.3
France	12.7	10.7
West Germany	6.3	6.1
Italy	19.8	13.0
Britain	24.8	26.6
Belgium	13.5	10.8
Netherlands		10.4
Sweden		12.0
Switzerland		5.4

But priming through the vehicle of increasing public expenditures has another effect on the conjuncture.

Enormous budget deficits have appeared: some \$70,000 million in the United States; \$35,000 million in West Germany; \$20,000 million in Britain; \$10,000 million in Japan; \$9,000 million in France; the total for all imperialist countries probably comes to something like \$160,000 million! Covering these deficits necessitates a growing volume of borrowing on capital markets. In Japan alone, nearly \$18,000 million in public loans are expected. Hence, at the very moment when the growing indebtedness of capitalist firms obliges these firms to increasingly resort to financial markets in order to finance their investments, this market is under pressure from demands for capital on the part of governments. This provokes an increase in long-term interest rates before the industrial upturn has really taken hold.

Moreover, this increase in long-term interest rates corresponds to inflation, that is, to the appearance of a nominal interest rate that in reality represents *in addition* of the real interest rate plus the rate of inflation. Thus, Conjoncture, the monthly economic bulletin of the Banque de Paris et des Pays-Bas, published the following graph in its October 1975 issue showing the evolution of the long-term interest rate for credit in the private sector:

Furthermore, the attack on real wages is being accompanied by enormous pressure from the bourgeoisie for a “pruning down” of public spending, which is reflected primarily in a reduction of social spending, which means yet another attack on the standard of living of the toiling masses.

The strongly discordant inflation rates among the major imperialist powers has influenced the reciprocal relationships among the major currencies, which continue to be governed by the system of floating exchange rates. The dollar has been strengthened relative to other imperialist

currencies; this is also true of the French franc and the Italian lira, although to a lesser extent. On the other hand, the Japanese yen and the Belgian franc have declined somewhat, and the pound sterling is in free fall. The pump-priming policy of the Japanese government, after first being subordinated to the imperative of stabilizing the balance of payments and the yen, is now turning toward boosting exports. In this context, a certain decline in the yen in comparison with the dollar is obviously not displeasing to the Japanese ruling class.

Rates of Major Currencies as of July 17, 1975

	compared with monetary accord of Dec.1971	compared with Feb.15, 1973
US\$	- 14.85%	+ 1.6%
German mark	+13.83%	+11.53%
Japanese yen	+ 0.24%	- 12.23%
French franc	+ 6.37%	+ 2.91%
£ sterling	- 32.48%	- 18.59%
Italian lira	- 29.18%	- 23.89%
Dutch florin	+ 8.03%	+ 5.96%
Belgian franc	+ 2.52%	+ 0.56%
Swiss franc	- 26.11%	+ 18.77%
Can\$	- 4.26%	+ 1.60%
Aus\$	+ 5.99%	- 3.45%
Swedish crown	+ 3.70%	+ 2.49%

(Source: *Neue Zürcher Zeitung*, August 19, 1975.)

But the imperialist powers remain deeply divided over the future of the international monetary system and over the

effects that the monetary disorder resulting from the collapse of the Bretton Woods system has on the capitalist economic situation as a whole. The American and British imperialists generally remain advocates of the system of floating exchange rates. This system above all permits the dollar to be maintained as an exchange reserve in central banks outside the United States while simultaneously avoiding a return to the dollar's convertibility for gold. Many European imperialist powers, beginning with France and Switzerland, oppose the system of floating exchange rates for that very reason. They believe that this system introduces more and more disorder and speculation into international trade and that it progressively puts the brakes on the expansion of trade. In addition, they see this system as a permanent source of inflation, since it permits the United States to maintain a balance of payments deficit ad infinitum. The flow of depreciated dollars to the rest of the world, which results from this, feeds and swells inflationary pressures everywhere.

The system of floating exchange rates has not at all prevented violent fluctuations in currency exchange rates. (The dollar fell by nearly 25% in 1973 relative to the German mark and the Swiss franc; this was followed by a complete reestablishment of the rate six months later.) This has stimulated both speculation and the elimination of "bad speculators." But as was noted in a February 1975 bulletin of the journal *Banque*: "The damage wreaked by this aspect of the generalization of floating exchange rates is measured not only in the figures of losses registered . . . or in the disappearance of some banks, but above all in the *deterioration of the general atmosphere of confidence between bankers and their depositors.*"

The discussions that preceded and took place during the "imperialist summit" at Rambouillet in large part revolved

around this debate. The results were mediocre. The November 19 *Le Monde* observed that the Western leaders were “counting on a more stable dollar.” In practice, this would mean that France pretty much gave in to the United States. Nevertheless, the imperialist governments also decided to reduce the amplitude of the fluctuations in exchange rates, that is, to adopt an intermediary solution between the systems of fixed and floating exchange rates. It seems too risky to rely exclusively on the stability of the dollar in view of the financial situation of American capitalism as we have outlined it above and as it is certainly viewed by the international bourgeoisie.

In truth, the difficulty in bringing “order” to the international monetary system derives above all from the fact that there is still no alternative to the dollar. The “ECU,” the European-wide currency that was supposed to be born of a more advanced monetary and financial integration of the Common Market countries, is still but a dream. Under these conditions, regardless of all the pressure of the American government, the plans to “demonetize” gold have scarcely any chance of being applied in practice, even though a good number of governments support such plans, or at least give lip service to them. In the absence of a means of exchange and payment universally accepted by the private owners of commodities and creditors and in the absence of a “world bourgeois government,” which is unrealistic under conditions of interimperialist competition, which is still going on full steam, gold continues to play its role as a last-resort means of payment and refuge value (the major means for hoarding). The violent fluctuations in the price of gold — including, at times, downward fluctuations (the price of gold fell from \$200 an ounce at the end of 1974 to \$126 at the end of September 1975, after the decision of the International Monetary Fund to sell 25 million ounces of

gold; it rose back to \$146 an ounce at the beginning of November) — far from demonstrating the elimination of this metal from the international monetary system, demonstrate the opposite. The government of the United States will have to give in on this point, having already admitted that the central banks that desire to do so (especially those of capitalist Europe) have the right to mutually exchange gold at market prices and not at an artificially low price.

Further, we are now witnessing a significant reversal of the trend toward the hoarding of gold. The London precious metals brokerage firm of Samuel Montagu and Company, Ltd. estimates that 55% (that is, 800 metric tons) of the total quantity of metal placed on sales markets last year was absorbed by European speculators and that unloading is now going on in India and other Asian countries, traditional hoarders of gold. This fact further strengthens the trend toward the return to gold as a last-resort objective base for the international monetary system.

The contraction of world trade

According to a report of the GATT (General Agreement on Tariffs and Trade), the volume of world trade declined 10% during the first half of 1975 compared with the volume during the corresponding period of 1974. We do not yet have figures on trade volume for the third quarter of 1975, but everything indicates that it continues to stand at a lower level than during the third quarter of 1974, even though the differential may well be smaller. In any case, the exports of the major imperialist powers have not yet returned to their pre-recession levels, as is shown by the following figures:

Table II. Exports (in thousands of millions of \$)

	USA	W. Germany	Japan
3rd quarter 1974	23.4	22.0	15.0

4th quarter 1974	27.1	24.2	16.5
1st quarter 1975	27.2	22.5	13.3
2nd quarter 1975	26.7	23.6	13.6
3rd quarter 1975	27.0	22.2	13.4

Taking account of the fact that the prices of the manufactured products mainly exported by these countries have continued to rise, the fall in the volume of exports is even greater than the decline by value.

Nevertheless, the various sectors of the world market have evolved unevenly during the last half of 1975:

The U.S. market is expanding under the effects of the beginning of upturn. Imports are increasing slightly and certain branches are clearly profiting from this. For more than six months, European and Japanese automobile manufacturers (especially Volkswagen, Toyota, and Datsun) have been able to sensationally increase their share of the American market, which has risen from 15% to 20%. It is true that toward the end of 1975 this share dropped back to about 15%. But it is not certain that this was due to the greater competitiveness of American "subcompacts." It is possible that inventories and transport were simply unable to keep up with demand. (Moreover, Volkswagen is once again considering its project of manufacturing automobiles in the United States for sale on the U.S. market.)

The markets of the major imperialist countries of Europe and of Japan are continuing to stagnate, although small signs of expansion began to appear toward the end of the year. In most of these countries, the share of imports relative to gross domestic product tends to stagnate or even decline. This was especially the case for Japan. The exception is Britain, where foreign competition (especially from Europe and Japan) is more effective because of the explosion in the sales prices of British products. The contraction of the Japanese market has been a disaster for

the capitalist countries of Asia, for whom the Japanese market constitutes the buyer for one-third of their exports. Thus, Japanese imports (other than oil) had diminished by nearly 30% during the first quarter of 1975. In August-September Japan still imported 20% less iron ore and 33% less wood than during the same months of the preceding year. (*Far Eastern Economic Review*, October 31, 1975.)

The market in the semicolonial countries that are not oil-exporters is contracting seriously because of the fall in the prices of raw materials that took place throughout the second half of 1975 through the month of November (see table 3).

Table III. Prices of Major Raw Materials

Index in \$	Sept.23, 1975	Sept.9, 1975	Nov.25, 1975
	compared with Sept.23, 1974	compared with Aug.23, 1975	compared with Oct.25, 1975
All products	- 9.4%	- 2.8%	zero
Food products	- 11.7%	- 2.0%	+ 0.1%
Industrial fibers	- 9.7%	- 2.4%	- 0.2%
Metals	- 20.5%	- 7.7%	- 1.1%
Index in £			
All products	+ 2.6%	+ 0.2%	+ 1.4%
Food products	zero	+ 1.1%	+ 1.5%
Industrial fibers	+ 2.3%	+ 0.6%	+1.2%
Metals	- 10.0%	- 4.8%	+ 0.3%

(Source: *The Economist*, September 27 and November 29, 1975.)

Obviously, it is the prices in dollars that are significant; the prices in pounds sterling reflect the devaluation of this currency, which exceeds the amplitude of the fall in the prices of raw materials.

The fall in the prices of the major raw materials, combined with the contraction of the volumes exported as a result of the fall in demand resulting from the recession, has

severely reduced the buying power of the countries that export raw materials on the world market, with the exception of the oil-exporting countries. These countries have been compelled either to seriously increase their debts in order to pay for imports or to reduce the volume of their imports. Some big orders from the imperialist countries that had been anticipated have thus disappeared temporarily. The total trade deficit of these countries, which had already risen to the impressive figure of \$40,000 million in 1974, threatens to rise still higher in 1975.

The markets of the oil-exporting countries have expanded more rapidly than expected, since these countries have spent a greater portion of their oil revenue than originally expected on imports in various forms (arms, infrastructure development projects, industry and agriculture, luxury consumption, etc.). In fact, the combined balance of payments surplus of all the oil-exporting countries was no more than \$17,000 million for the first half of 1975 (*Neue Zürcher Zeitung*, September 19, 1975), compared with a surplus of more than \$33,700 million for the second half of 1974. Estimates of the U.S. Treasury Department evaluate the value of these imports as rising from \$20,000 million in 1973 to \$37,000 million in 1974 to \$55,000 million in 1975. (*The Economist*, September 20, 1975.) The rise of these imports has been such that certain oil-exporting countries are even in debt once again, the balance of payments surpluses have been practically exhausted. Other countries have had to re-examine some of the projects that had already been initiated, which has inflicted some setbacks (perhaps temporary) on the exporting imperialist countries.[9] We should also mention that oil production itself diminished 14% during the first half of 1975 compared with the first half of 1974; the decline

even reached 27% in Kuwait and 41% in Libya, according to the September 1975 *Middle East Economic Review*.

The market in the bureaucratized workers states is continuing to expand from the standpoint of foreign trade with capitalist countries. But the expansion has been more modest than anticipated, notably because the recession has reduced the absorption potentials of the capitalist markets for products coming from the countries of the East and because these countries are beginning to experience serious shortages of western currency. Several of the workers states have had to resort to the capital markets of West Europe to finance import projects; they have generally been successful in these endeavors.^[10] We should also mention the tendency toward long-term barter agreements, which are designed to guard against too strong fluctuations in world market prices. The barter of American wheat for Soviet oil and the barter of Japanese steel for Chinese oil are examples.

Generally speaking, the atmosphere of recession and sharpened interimperialist competition has stimulated a rise of nationalism and economic protectionism in all the imperialist countries. In the United States unfair competition suits have been initiated against importers of automobiles and of European and Japanese steel products, while watch manufacturers are attacking importers of digital and electronic watches. In the Common Market countries, accusations of dumping have been made against importers of Soviet trucks and Japanese steel. In Japan the “liberalization” of automobile import rules was held up by so many bureaucratic obstacles that the Common Market ordered Japan to open its borders or the EEC would begin to place restrictions on the import of Japanese autos. Australia set import quotas on automobiles, which resulted in the reduction of these imports by 55% during the period July-

October 1975. Britain accused Spain of dumping its steel products. Sweden placed restrictions on shoe imports, and the Common Market retaliated by enacting restrictions on the import of Swedish paper. France imposed restrictions on the import of Italian wines, contrary to the spirit of the Treaty of Rome. And so on.

The most typical case can be seen in the steel industry. This industry has been especially hard hit by the recession, as is indicated in the following figures:

Decline in Steel Production During the First Eight Months of 1975

Belgium	- 29.0%
West Germany	- 21.0%
United States	- 18.4%
France	- 18.0%
Japan	- 11.6%
Britain	- 10.1%
Other capitalist countries-	12.8%

More generally, Britain is preparing to introduce controls (and thereby limitations) on imports. And as was written in a recent supplement to the review *Eurépargne*, published in Luxembourg: “Manifestly, in the present situation it is improbable that the principle of Free Exchange such as it is practiced by the western countries alone will be able to be preserved without corrections” (September 1975.)

More long-term prospects

The more long-term development trends of the international capitalist economy — unless all the present factors are overturned by the breakthrough of the socialist revolution in West Europe — may now be sketched out.

It appears certain that because of the decline in the average rate of profit, the economies of the imperialist

countries will no longer experience the average growth rates they did during the 1950s and 1960s. Some major monopolies are already acting on the basis of such a prospect, which tends to make it a self-fulfilling prophecy. For example, according to the October 21 *Le Monde*:

“In steel, as elsewhere, something has changed in the past year. The ambitious extrapolations based on a planned growth of 5% and more have been abandoned without a real consensus being reached . . . on a progression figure.” And the Japanese Ministry for International Trade and Industry predicts a 2.1% per year increase in domestic demand for private cars and trucks for the period 1972-1985, compared with a 15% annual increase for the period 1965-1972. (*Far Eastern Economic Review*, November 28, 1975.)

Those branches especially affected by the turnabout in *long-term trends* will experience a “pruning down” through the elimination of a series of less adept competitors. In spite of the intervention of governments, this “pruning down” is now inevitable, notably in the automobile industry. The reaction of the most “dynamic” monopolies (especially in Europe) will be to move in the direction of diversification. Classic automobile trusts like Fiat and Renault are counting on carrying out slightly less than 50% of their total turnover in the auto industry itself. U.S. Steel already draws 43% of its profits from sources other than steel.

The branches that have experienced exceptional growth rates during the “long wave of the tendency toward expansion” of 1940(1948)-1967 will now experience less rapid expansion. They will lose the exceptional rates of superprofits they have enjoyed up to now. The most important case will undoubtedly occur in the computer industry. Competition has been particularly lively in this field ever since the recession began.[\[11\]](#) The market for large-scale calculating machines is increasingly saturated.

The giants, IBM above all, which have up to now left the market for mini- and microcomputers to weaker competitors so that these competitors could take the field against one another and destroy themselves in a price war, will begin to penetrate this field in force. Expansion will no longer be able to be sustained through mass production and sales, that is, through small-sized models.

But the growth rate will fall rapidly in this domain as well. According to the March 5, 1975, *Financial Times*, the following expansion of world production is anticipated: from 23 million units in 1973 to 34 million in 1974 (+50%) to 50 million in 1975 (+47%) to 67 million in 1976 (+34%) to 86 million in 1977 (+27%) to 92 million units in 1978 (+8%).

Efforts to bring off spectacular “innovations” at costs of hundreds or even thousands of millions of dollars in preparations will be redoubled with the amplification of the capital surpluses that result from the long-term slowdown in growth. Many of these projects will be financial failures, as was the case with the Concorde supersonic aircraft, and as was the case with the attempt of the Gulf Oil and Royal Dutch Shell trusts to join forces and go into the nuclear industry. Some projects seem to promise a medium-term “breakthrough”: the electric car, for which Britain is well placed; the “video disk,” the major “innovation” of the electrical appliance industry in which, unlike the case with television, the Americans will no longer be alone in starting. From the initiation of mass production, Philips (Netherlands), and perhaps Decca-Telefunken, will accompany RCA.

The Japanese antipollution mechanisms industry seems headed for brilliant expansion; according to the November 28 *Far Eastern Economic Review*, “anti-pollution equipment has now become the second biggest and most profitable item for Japan's machinery makers. . . .

Investment in preventing or curbing pollution in key industries . . . has more than doubled, from US\$ 1,615 million in fiscal 1973 to \$3,380 million in fiscal 1974, according to a . . . MITI (Ministry of International Trade and Industry) survey. . . . The report predicts further steep growth in outlays for pollution control to \$4,820 million for fiscal 1975.”

The prospects for the nuclear industry are less clear and seem less expansive than had been thought several years ago. Spectacular accidents, the increased costs of supplementary security measures, the downward revision of the “energy deficit” forecast on the basis of imprudent extrapolations of increases in production and population — all these factors are now giving rise to greater caution as to the number of atomic power plants that will be operating ten years from now. [\[12\]](#) Nevertheless, this branch, as well as the electro-nuclear installation branch, will remain an important expanding sector.

From the geographic standpoint, the oil-exporting countries will continue to experience better than average economic growth rates for several years, thanks to the financial resources they have already accumulated. The export of capital goods to these countries will thus also increase more than proportionally with respect to world trade as a whole. But once the first series of factories is constructed, they will threaten to eliminate jobs in the countries that export machine tools if the slowdown in economic growth and the perturbations of world trade continue as predicted. Britain hopes for a turnabout in its balance of payments as a result of North Sea oil. Japan and West Germany are continuing to expand their direct capital exports abroad. The penetration of the countries of the Pacific and of Latin America by Japanese capital is especially spectacular. Between April 1973 and March 1975

Japanese investments were authorized in the following amounts: \$685 million in Brazil, \$360 million in Peru, \$272 million in Bermuda, \$218 million in Australia, \$174 million in the Middle East, and \$165 million in Canada. This is in addition to the nearly \$2,000 million of investments in the traditional markets of East Asia and the \$1,300 million in investments in the United States. (*Financial Times*, November 12, 1975.)

On the whole, all the characteristics of a “long wave of reduced growth,” and even of predominant stagnation, are progressively taking shape. Because of the strength of the working class, this implies a determined struggle for the modification of the rate of surplus-value, the only means capital commands to definitively reverse the long-term tendency of the rate of profit to decline, given the irreversible character of semiautomation and automation (that is, given the considerable rise of the organic composition of capital). Thus, all proportions guarded, the “economic atmosphere” is coming close to the atmosphere that prevailed at the beginning of the 1920s. The end of this long cycle of intense class struggle will be either the victory of the socialist revolution or real catastrophes for the human race, as was the case a half century ago: bloody dictatorships and murderous wars.

December 10, 1975

Notes

[1] See especially chapter 14 of our book *Late Capitalism* (pp. 446-7 of the English edition, New Left Books).

[2] On this subject, see especially: Victor Barrett and Richard Black, *The Deflation of The Economists*, in *Euromoney*, April 1975.

[3] A very good summary of this new exercise in extrapolation, which will experience the same fate as similar exercises in the recent past, can be found in *Business Week*, September 22, 1975.

[4] See especially Karl Marx, *Capital*, Volume III, Chapter 15.

[5] This turn in all the imperialist countries is being accompanied by a “counteroffensive” by liberal-conservative economists of the von Hayek type. Here is a characteristic formula from Professor Harry Johnson: The answer (to inflation) . . . in the long run . . . depends on the willingness of society to retreat from the welfare state. . . .” (*The Banker*, August 1975.)

[6] See *Inprecor*, No.16/17, January 16, 1975, p.12.

[7] *Ibid*, pp. 10-11.

[8] An additional threat of the collapse of the international credit system arises from the uncontrollable expansion of the Euro-exchange market. In this regard, here is the view of a well known international banker, Mr. Rennie: “. . . the overall strength of the world's monetary system depends too much on the reasonable soundness of each part for any such major collapse (in the Euro-markets) to be allowed to occur, without every effort being made, on an international scale, to avoid it. . . . If, despite maximum international cooperation, a major default were to occur, it could, in my opinion, erode the viability of the Euro-markets and remove them from their position of importance in today's world financial scene.” (*The Banker*, August 1975.)

[9] This is especially the case for Algeria, which, because of the aggravation of its trade deficit, has placed a question mark over several industrial projects involving large orders from France. (*Le Monde*, October 15, 1975.)

[10] According to the November 25, 1975, *Financial Times*, the USSR Foreign Trade Bank has borrowed some \$750 million in the West since the beginning of the year. To this must be added the loans of Poland, Hungary, and Cuba, for a total of \$590 million, the loans of the Comecon Investment Bank for a total of \$430 million, and the loans of the German Democratic Republic of \$35 million.

[11] Rank-Xerox has had to leave the branch. Rockwell is in trouble. Texas Industries has so far failed in its entry into the field of minicomputers. Siemens is clinging to the sector, despite the dissolution of Unidata, its merger with Philips; it now seems to be allying itself with the Japanese trust Fujitsu. In fact, it is expected that there will be a reduction of 12% in the value of the computers sold in the United States this year.

[12] See the study published in the November 17, 1975, *Business Week*.
