monetary-gold opposition.

So, if gold is dumped in the effort to drive down the price, *buy*. If it goes above the price-trend through purchase by speculators, let them hold it *for as long as they are able*. In general, "average" the purchase-price for all secular movements caused by gold purchases for monetary use, and stay away from price rises caused by purchases for speculation or counter-measures. In sum, if price rises up toward a stable price of production of gold for world monetary needs are caused by purchasers for monetary purposes, the upward price movement tends to be sound. If the monetarist speculators move up the price, bring down the market. The tactic works as long as the approach is based on purchases of gold production as the primary approach.

Have fun. It's all for the good of the world economy, anyway. Doing the right thing for humanity can also be a source of pleasure.

Steel: The 'Over-Capacity' Delusion

STEEL

The U.S. steel industry's loud cries for government action against foreign steel imports stem from motives exactly opposite to those which prompted Federalist Alexander Hamilton's 1791 proposals for a tariff system to protect developing U.S. industry from the encroachment of British monetarism. The leaders of the current protectionist drive aren't interested in producing steel or anything else. These monetarists are out to protect the equity values attached to their decrepit plant and equipment, through artificially high steel prices and effective cuts in steelworkers' wages.

The same steel industry monetarists who today are screaming for protection against Japanese and European steel actually promoted a policy of developing steel industries abroad — to save themselves the cost of developing a modern steel industry and expanding the skilled workforce in the United States. Now that this policy is collapsing, along with world consumption of steel, and threatening their price and profit structure, they want the government to save them from "cheap imports." Moreover, they are calling on U.S. steelworkers to voluntarily descend to the level of "cheap foreign labor" in the interest of making the industry "competitive."

In documents such as the American Iron and Steel Institute's recently released white paper on "The Economics of International Steel Trade," these steel producers point to the threat of the government-assisted development of steel industries around the world. This, they protest, has led to an "oversupply" of steel capacity worldwide and now to the "dumping" of steel on U.S. shores.

Underconsumption

Yet it could not be plainer that the problem facing the world steel industry is one of *underconsumption* of steel, not surplus capacity to produce it.

Between the peak year of 1973 and 1976, steel consumption in the U.S., Japan, and Western Europe collapsed by over 20 percent, in tandem with a comparable decline in the output of capital goods for use in the advanced sector and for export to the developing countries. In the developing sector, the part of the world where steel consumption should be accelerating the fastest, consumption in 1976 was no greater than in the peak year of 1974, thanks to the import-slashing austerity programs imposed by the same New York-based financial interests that dominate the steel industry itself.

Throughout most of the post-war era it was U.S. monetarist policy to develop the Japanese and West German steel industries on the basis of cheap labor, while systematically allowing the U.S. industry to fall into ruins. Thus it was no accident that in 1951 the U.S. produced roughly 45 percent of the world's steel output, while in 1976 it produced barely 15 percent. If Japanese and European steel imports hadn't been available in the peak consumption years of 1973 and 1974, there would have been a severe shortage of steel in the U.S., and U.S. industry would have ground to a halt.

It was only when world steel consumption fell off the precipice in 1975 that the howls about cheap imports went up. In fact, throughout the 1971-1974 period the U.S. was actually importing more steel than it is now — some 19.6 million tons in both 1971 and 1972, compared with around 15 million tons in 1976, the year of the "Japanese invasion" and the current annual rate of 13 million tons.

And while U.S. steelmakers now portray themselves as innocent victims of government-subsidized foreign steelmakers, it should be noted that in the peak consumption years of 1973 and 1974, when the U.S. imported 17.0 and 17.9 million tons respectively, U.S. producers were taking advantage of the devaluation of the dollar, turning wage-price controls into a virtue, and sharply increasing their exports to the rest of the world. During those years many U.S. industries were forced to buy imported steel, which was selling for as much as $100 a ton or 25 percent more than domestic steel.

As late as 1974 the New York banks and related institutions were clamoring for the development of steel industries in the Third World, based on the same monetarist logic as the decision to develop the Japanese and West German steel industries over against that of the U.S.

But today the American Iron and Steel Institute is inveighing against the rampant expansion plans of the Brazilian, Mexican, South Korean, South African, and Spanish state-owned or state-assisted steel industries — now that those industries are out of New York's control and world steel consumption has been forcibly depressed.

'Over-Capacity'

The collapse of steel consumption in the advanced capitalist countries is the direct product of the stagnation both of capital formation within the advanced sector and of capital exports to the developing world. In the U.S. the recent apparent high rate of capacity utilization in the industry reflected hedge buying in anticipation of the June 19 steel price hike and little else. Last year steel consumption was off 15 percent from 1973. Shipments of flat rolled steel, used in autos and home appliances, are still trailing 1973 levels. Shipments of structural steel and heavy plates — the types of steel used in the production of machinery, aircraft, shipbuilding, and construction — are off sharply from previous levels. Last year steel shipments to the automotive industry were 8 percent below 1973, and shipments to the machinery industry were off 19 percent. Shipments to the construction industry were off 36 percent from 1974, the peak year for that industry.

The recent Chapter 11 bankruptcy of Alan Wood Steel in eastern Pennsylvania tells the story graphically. One of Alan Wood's principal products was heavy plates for the Mid-Atlantic capital goods and construction industries and the shipbuilding industry all along the Atlantic coast. The collapse of orders from those sectors made it impossible for Alan Wood to go on servicing its debt on schedule, so the banks pulled the plug.

This is still only half of the story, however, for a critical margin of U.S. steel consumption goes into the country's exports of capital goods abroad. In volume terms, U.S. exports of machinery to the developing sector are currently down at least 10 percent from a year ago, while exports of machinery to Western Europeon and Japan are off only slightly less. In the case of Europe and Japan, this margin is far more critical. The stifling of Third World development by the International Monetary Fund and allied monetarist institutions has knocked out the Third World markets for Europe and Japan's capital goods exports and dealt a devastating blow to their capital goods and steel industries.

What's Wrong With Protectionism?

Under these conditions of collapse the American Iron and Steel Institute has suddenly discovered an oversupply of steel capacity around the world! As of this week, major steel mills around the country have sent out letters to their suppliers informing them that government-subsidized foreign steel industries are selling steel at a discount in the U.S. market, at the expense of the U.S. steel industry and its workers, and urging executives and employees to write to President Carter to save their jobs and their industry.

Protectionism — the type the American Iron and Steel Institute is demanding — was tried once before. It precipitated the 1930s depression and World War II. Any worker who thinks that protectionist import barriers will save his job is forgetting that Europe and Japan would be forced to retaliate by slapping down barriers against U.S. exports. It is a little-publicized fact that while U.S. exports to the developing sector and the East bloc have fallen precipitously over the last year, U.S. exports to Europe and Japan, taking advantage of the depreciation of the dollar, have actually increased significantly and held total exports up.

One bait the Administration is holding out to U.S. industrialists and workers alike is a series of three "tanker preference" bills, which would require that U.S. oil imports be carried in U.S. flag ships. This boon for the shipbuilding and steel industries is pure illusion. As the Norwegian Ambassador to the U.S. warned recently, these bills "could create the most serious consequences for international shipping and trade." Passage of the tanker preference bills and adoption of other protectionist measures would plunge the world into trade war and economic chaos where there would be little need for new U.S.-built tankers.

How about war production? Wouldn't the production of the B-1 bomber and so forth create a surge in demand for a full range of currently depressed steel lines? In contrast to the 1930s, the Soviet Union has made it clear that it will not tolerate an arms buildup in a fascisized United States, and that should one begin, this nation's steel capacity would be melted down by Soviet atomic weapons in a matter of seconds — a very short boom.

One of the saner voices among the protectionist din is that of President of Inland Steel, Michael Tenenbaum, who in a speech last winter spoke favorably of the forced development of national steel industries in foreign countries, and held such dirigism up as a model for the U.S. "If there is anything that stands out in the patterns that have been described," said Tenenbaum at the close of his speech, "it is the fact that the most impressive progress has been attained where a high national priority was assigned to steel expansion goals so as to promote the construction of large, completely integrated plants."

In contrast to the "impressive" expansion of foreign steel industries, the U.S. industry has stagnated under the combined weight of accumulated debt and profit obligations and government environmental regulations. Over the last quarter century, while U.S. steel production increased by a mere 30 percent, European production tripled, East bloc production increased 6 times, and Japanese production jumped by 20 times. The great danger is that this capacity will stand idle or be scrapped — by the free-enterprise method of bankruptcy in the U.S. or by planned rationalization in Europe.

— by Lydia Dittler
and Joe Stein