Stop the plot to blow up America's blast furnaces

by Richard Freeman

On Feb. 18, one hundred trade unionists, farmers, ministers, and elected officials, including the mayor of Medford, Pennsylvania, rallied under the banner of the Schiller Institute in McKeesport, a suburb of Pittsburgh to stop the biggest threat to American national security since the Japanese bombing of Pearl Harbor. These forces rallied to spearhead national resistance to the blowing up of over 15 steel blast furnaces in America's steel heartland—Chicago, Pittsburgh, Cleveland—and in California.

The rawest recruit in the Red Army's officer training school could reach the conclusion: Shut down America's steel-making capacity and it can build nothing. Blow up America's blast furnaces, and its economic power—as well as its ability to mobilize for war—are irrevocably destroyed.

But it is not terrorist commando squads deployed by the Soviet General Staff that are blowing up the blast furnaces—it is the steel companies themselves! Three American companies are now involved in demolishing their own plants: Bethlehem Steel, Republic-LTV, and U.S. Steel. Slated for immediate demolition are:

- **Republic-LTV, Campbell Works, Youngstown—** four furnaces;
- **Bethlehem Steel, Lackawanna-Buffalo—**According to Bethlehem headquarters, the company will be demolishing four or five blast furnaces sometime during the next three months, after having demolished one in November 1984;
- **U.S. Steel, McKeesport—**four furnaces;
- **U.S. Steel, Duquesne—**the Dorothy Six furnace;
- **U.S. Steel, Chicago—**A temporary restraining order against demolition has been obtained by the union.
- One report from U.S. Steel indicates that the former Kaiser plant in Oakland, California is facing demolition. According to sources in the building trades, the modern steel facility in Fontana, California, may be dismantled and sent to China. The pattern may extend to the Cleveland and Warren, Ohio plants of LTV-Republic.

A matter of national security

The rally's organizers stated that emergency measures must be taken, as in a war, to counteract this crime of blowing up two centuries of American growth. The historical precedent exists for this, since when President Truman in 1952 directed the secretary of commerce to take possession of the steel plants and to keep them running, his Executive Order stated: "A continuing and uninterrupted supply of steel is also indispensable to the maintenance of the economy of the United States, upon which our military strength depends." Truman described steel production as necessary for the supply of weapons and materiel as well as for carrying out programs to develop the peaceful uses of nuclear energy.

Schiller Institute chairman Helga Zepp-LaRouche has called upon President Reagan to use his authority immediately to stop the demolitions. An expanding steel productive capacity is, after all, critical for the success of the Strategic Defense Initiative, as it is for the health of the economy as a whole. If Reagan were to initiate an emergency defense mobilization for the SDI based on the 1939-44 model, he could follow the explicit policy mandate of the Defense Production Act, which authorizes "the expansion of productive capacity and supply level beyond the levels needed to meet the civilian demand, in order to reduce the time required for full mobilization in the event of attack on the United States."

The plan to destroy steel production

Who could possibly have proposed a suicidal policy to blow up blast furnaces? The plan was devised by the oligarchical families of Europe and their American confreres, with the aim of smashing industry, reducing wages, and ushering in a feudal, "post-industrial" society. It has been proceding, step by step, for at least 25 years.

In 1970, the European Commission's industrial commissioner, Guido Colonna di Paliano, authored a plan for cartelizing and shutting down over 50% of Europe's steel-making capacity. Colonna is a representative of one of the most powerful and evil oligarchical families of Italy, tracing its lineage back 2,000 years. The "Colonna Report" has today evolved into the EC's infamous Davignon Plan, named after Colonna's successor, Viscount Etienne Davignon. It has set the conditions for trade warfare, for nations to accuse each other of producing too much steel and dumping on each others' markets. Lost in the mutual recriminations is the plain fact that there is not too much production, but too little to meet the world's real steel needs in industrializing Africa, Ibero-America, Asia, and in rebuilding America.

The Colonna-Davignon plan set specific quota limits on steel production by 1980: If a European country produced "too much steel," its steel companies would be heavily fined. The plan took another step, when it was agreed in 1981 that by the end of 1985, all state subsidies to European steel industries would cease. Since steel subsidies in Europe, where steel companies are at least partially state-owned, represent the margin for capital investment, cutting back on subsidies means cutting back capital formation and leveling future and current production.

And while America's steel company owners howl about the "unfair trade practices" of state subsidies of the European steel companies, helping Davignon close down capacity in Europe (a U.S. Commerce Department suit was enforced against European steel subsidies in 1982), Europe's and Japan's "threat" of "dumping" steel is used to discipline American steelworkers and rationalize U.S. steel output. Steelworkers' wages are held hostage and slashed "to keep up with the competition."

While the United States is not officially subject to the provisions of the Colonna-Davignon Plan, its participation was undoubtedly secretly agreed upon, and we are seeing now the implementation of its final phase in America's steel belt. The American "Davignon Plan" was drawn up in two steps: Phase I was the cut-off of all capital investment to the steel industry, and Phase II, once the steel industry had been made outmoded, was its destruction through economic warfare.

The favorite think tank of the British Royal Household, the Royal Institute of International Affairs, affiliated to the New York Council on Foreign Relations, heralded the secret existence of an American "Davignon Plan" as early as 1982. In a July 6 interview that year, RIIA steel expert Michael Hodges proclaimed brazenly: "America does not need a steel industry. It can import steel from the newly industrialized countries and produce steel from electric furnances by recycling scrap."

The policy was amplified several weeks later by Peter Anker, steel analyst for the Boston Brahmin/organized crime money-laundromat, First Boston Securities Corp. Anker dictated: "U.S. steel-making capacity will be reduced by 32-40% over the next several years, and 25% of the 1978 workforce will never be rehired. The union doesn't know what is going on, or else it knows, but doesn't want to tell its members."

Finally, the steel analyst at American Express-Shearson-Lehman stated: "[Federal Reserve chairman] Paul Volcker has created the market conditions that are forcing the American steel industry to make changes that will reduce capacity. You will get the 'market' to do the work for you. This is not a recession in America, it's a restructuring. . . . We're going to have to have the steelworkers' wages cut by 20% and a further reduction in workforce size."

Thus, the spokesmen for the combined forces of London-Geneva-Zurich-Wall Street and their allies in Moscow had come to a collective decision. And the means chosen to implement it were purely American, catering to the American "free market" ideology. A "free market" version of the plan was instituted under the stern "invisible hand" of the American steel industry management—the evil Mellons, Morgans, Harrimans, and Moores—who implemented Phase I, and Volcker, whose deadly high interest-rate program initiated Phase II.

Deliberate obsolescence

The American steel industry is the product of Jonathan Logan's and Benjamin Franklin's industrializing faction in Pennsylvania, Alexander Hamilton's network which developed cannon out of the bog iron in the Pine Lands of New Jersey, and the spread of iron- and steelmaking capacity westward. The genius of that early steelmaking, as of all American industrial prowess, was based on the dirigistic approach of real American System economics—which has nothing to do with "free enterprise"—under which cheap and abundant credit was funneled into mining, manufacturing, farming, energy production, and construction. The result was exponential growth. Already by the time of the American Revolutionary War, the 13 colonies produced one-seventh of the world's iron.

By the time of Abraham Lincoln's sweeping reforms, taken under the exigency of the Civil War, and extending that period through the end of the century, America had become the world's leading steelmaker.

But two centuries of development were undone in 25 short years.

The effect of the first phase of the American Davignon Plan can be appreciated by comparing America's obsolete steel industry with the Japanese. This illustration also demolishes the argument that Japanese dumping causes American steel production to drop.

The owners of the U.S. steel industry follow the dictum of former U.S. Steel President Speer, who announced in the mid-1970s that "the objective of U.S. Steel is making money, not making steel." If that comment seems to reflect the warped thinking of a banker, look no further: U.S. Steel is not a company, but a corporate fiction. It is actually a branch of the House of Morgan, which set up U.S. Steel in 1901 after buying out the Carnegie Works and merging them with the Moore Works. Five members of U.S. Steel's current board are members of Morgan or a Morgan company, including former Morgan Guaranty Trust chairman Walter Hines Paige III. The Mellons, the Harrimans (National Steel), and other junior oligarchs of the East Coast Establishment run the steel industry as a plaything. Under the whip of President Roosevelt during World War II, the steel companies were ordered to produce and add 11 million tons of capacity—which they did.

But since 1950, the steel barons maneuvered to allow only two greenfield integrated steel plants (plants encompassing the entire production process from coke facilities and limestone to iron and steel blast furnaces and rolling or extruding mills) to be built in the United States: U.S. Steel's Fairless Works in eastern Pennsylvania and Bethlehem Steel's Burns Harbor plant on Lake Michigan. U.S. Steel shelved its plans to build a 4-million-ton facility in Conneault, Ohio in the mid-1970s.

America's record on new technologies shows that the steel barons left the United States technologically backward and at a disadvantage even to the rest of the world's declining industry. In 1969, the United States had 2.9% of its steel continuously cast, while Japan had 4.0%, and Italy had 3.1%. Continuous steel casters produce semi-finished steel shapes from hot liquid steel, eliminating the time, energy, and raw steel wasted in producing ingots and then reheating the metal and rolling it into the desired shapes.

According to American Iron and Steel Institute information, today Japan has put continuous casting into four-fifths of its plants; Italy three-fifths; but America does not have continuous casting in even two-fifths of its plants.

Further, 43.0% of America's open hearth furnaces are more than 30 years old; 40.8% of its plate mills are more than

Who's shutting down the steel industry?

by Warren J. Hamerman

It is by no means accidental that the new "industries" slated for former steel towns such as Pittsburgh and Buffalo are casinos. Organized crime is intending to move into "post-industrial" areas in a very big way.

Cui Bono? 1) The old family oligarchs of Europe and America's Eastern Establishment who wish to impose their "post-industrial society" program upon the West; 2) the Soviets and their allies who oppose Reagan's Strategic Defense Initiative; 3) the organized-crime and Dope, Inc. profiteers themselves.

In short, the enemies of American national security are the forces behind dynamiting the blast furnaces.

A U.S. Department of Commerce official with oversight of the steel industry recently admitted: "We will see a net contraction of the steel business, a net shutdown of another 10 million tons, probably within the next few years through the end of the decade. . . . In any case, there is significant *overcapacity* of steel, in terms of *need* for steel. The world economic situation is stunted. . . . You have to start from the premise now that there is too much damned steel-making around."

The London magazine *The Economist,* associated with the **Rothschilds** and the notorious asset-stripping bankers **Lazard Frères,** ran a major policy story the week of Feb. 18 headlined: "Should steel be helped? Answer: No." The article announced: "The only lasting remedy for Europe's state-owned dinosaurs and America's private-sector disasters is more surgery and innovation, not more protection from reality."

The Economist, traditional mouthpiece for the British oligarchy, argues that "the steelmakers of Europe and America can start by recognizing reality." The magazine praises as "showing the way" Luxembourg's Arbed and the Republic Steel-Jones & Laughlin merger which was recently arranged by the notorious **Crédit Suisse**-connected **First Boston Corporation,** a New York-based investment bank associated with the Weld family fortune. Corrupt U.S. Attorney William Weld of Boston is the son of the chief executive at White Weld who, before his death 14 years ago, arranged a merger with Crédit Suisse in London.

According to a senior First Boston official, "We were the first ones to get this reduction-capacity going. . . .

30 years old; and 54.1% of its cold strip mills are more than 20 years old.

The technological obsolesence is nowhere more evident than in the fact that between 1957 and 1976, the United States and Japan spent an equivalent amount of funds on steel investment, but the Japanese added 100 million tons of new greenfield capacity, while the United States added only 11 million tons, spending most of its money on squeezing the last ounce of usefulness out of old mills which should have been modernized from top to bottom. The result: In 1964, an American worker produced 81 tons of steel per hour; a Japanese worker produced 39 tons. In 1980, the American worker produced 97 tons of steel per hour, while the Japanese worker produced 136 tons.

And please don't blame wages: When corrected for the real Consumer Price Index, as adjusted by *EIR* and put in 1979 real dollars, the 1981 take-home pay of a Japanese steelworker was $5.65 per hour, while that of an American is $6.85. Since that time, American steelworkers have taken 5 to 10% cuts in pay.

Phase II: Destroy markets

In 1979, Phase II of the plan began. The Trilateral Commission put Paul Volcker into office as Federal Reserve Board chairman. Volcker had gone on record the year before, endorsing the Council on Foreign Relations' concept of "controlled disintegration"—the destruction of economies through hikes in the oil price, interest rates, and other manipulated "shocks."

In October 1979, Volcker sent interest rates into the stratosphere, never to come down below double-digit levels since. The international and domestic market for American steel and steel-products collapsed. The destruction that was wrought throughout the steel belt can be seen in the following figures:

The American steel workforce collapsed. From 339,000 hourly production workers in 1978, the workforce plunged, by June 1982, to 226,704. Through further mass layoffs, today the steel workforce is only 170,694, a halving of the workforce in a little over six years.

Raw steel capacity collapsed. In 1975, the United States had 157.4 million tons of raw steel-making capacity. Today, the American Iron and Steel Institute claims that there is 135.3 million of "usable capacity." Were all the announced blowing up of blast furnaces to occur, capacity would shrink below 110 million, and effective, real capacity would be much less.

Finished steel output collapsed. In 1979, the United States produced 100 million tons of finished steel-products. In 1984, the year of the supposed recovery, finished steel-products still totaled only 73 million tons, down by more than

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There will be capacity shutdowns, we'll lose another 20 million tons of iron-making capacity, more blast furnaces will be demolished. The steel industry is being restructured, and we've been in the middle of it since the beginning, because we advise many steel companies."

Asked whether this amounted to an American version of the Davignon Plan whereby European steel capacity is being curtailed, he said, "Look, the Davignon Plan has to hustle quite a bit to get as far as *we're* getting in the U.S. We have less political constraints, we're moving faster than they are!"

Lazard Frères, in fact, has a hands-on approach to the destruction of the steel industry since it has been involved in the financial reorganizations of various steel plants (brought in, ironically, by the steelworkers' union, USWA)—such as the National Plant in Weirton, U.S. Steel's Duquesne Works, and Wheeling-Pittsburgh Steel Company's plants in West Virginia. The particular trademark of Lazard is to include "planned shrinkage" and destruction of production facilities.

The attorney involved with Lazard in arranging the package at the Weirton Plant was none other than **Kenneth Bialkin,** the head of the organized-crime linked Anti-Defamation League of B'nai B'rith. Bialkin was fined $35 million for helping organized-crime kingpin **Robert Vesco** loot a bank in New York. Bialkin is also the attorney considered to be the leading expert in the United States for foreign takeovers of U.S. corporations.

The fact that organized-crime-linked laundering experts such as Bialkin and First Boston are involved in gutting steel is by no means tangential. According to U.S. Steel headquarters in Pittsburgh, none other than **George Stevens Moore,** the international adviser to the **Cisneros** financial empire, is a key individual in the steel picture. The powerful Cisneros banking family of Venezuela is tied into financing and facilitating Swiss, Soviet, and Cuban drug-running activities. The Cisneros international financial empire or Organization Diego Cisneros (ODC) holding company is *headed by* the same George S. Moore.

Moore was appointed an adviser to U.S. Steel on May 4, 1964, by stockholder vote, and stayed on until "retirement" on May 2, 1977. A U.S. Steel official revealed to an anti-drug investigator that Moore has "stayed on as director of one of our subsidiaries in Spain; he's a director to this day."

In 1964, Moore had been the chairman and chief executive officer of First National City Bank, later to be Citibank, at the time Laurance Stillman Rockefeller was president of the bank. Moore played a key role in building up Citibank-Citicorp into a major international lending operation in new (laundering) spheres, a shift from earlier policy.

25%. The fall in steel production gives the lie to the argument that imports are closing American mills. In 1979, imports totaled 17 million tons, the same as in 1984. But production fell 27 million tons in that period. If imports didn't change, why did steel production fall? A zero change in imports cannot displace 27 million tons of U.S. production! The answer is that Volcker's policies, not imports, are the cause of the problem.

Capacity utilization collapsed. Steel capacity utilization has plunged to 67.6% in 1984.

And today, amidst the "recovery," steel output has fallen for seven straight months and capacity utilization plummeted to 60.9%.

What the Schiller Institute's planned actions are intersecting is the end-game scenario of the American Davignon Plan: after having killed the steel industry, simply blow up the furnaces.

What does U.S. Steel Corporation care? It has already long since moved out of steelmaking: While in 1978, 74% of the company's revenues still came from steel, today more than 70% comes from oil, real estate, financial investments, etc. U.S. Steel has become a financial supermarket. Along with Jones Laughlin-Republic and Bethlehem, it wants the last remains of steel capacity to be detonated.

Is it any wonder that *The Economist* magazine of London, associated with the Rothschilds and the notorious asset-stripping bankers Lazard Frères, ran a major story in mid-February headlined: "Should Steel Be Helped? Answer: No."

Rebuild the steel industry!

There is not too much steel production! The world is dying for lack of steel; the world, including the United States, has to be industrialized. There are two ways to understand the problem. First, consider the per capita steel consumption in the world. American consumption of steel is roughly 500 kilograms per person per year. That figure represents a certain standard of living, in which each American utilizes machine tools, cars, power stations, all having a certain amount of steel content. But 3 billion of the world's population uses only 0.5 kilograms of steel per year. This is a standard of living appropriate to open-fire cooking, minimal tools, and travel on foot. In today's world, that means starvation. To get the world up to America's levels of steel use, world steel output would have to be at minimum quadrupled for the next generation of 25 years. World steel output in the West is roughly 500 million metric tons per year, of which the United States, Japan, and other OECD countries produce four-fifths.

Second, look where the steel is needed. The Schiller Institute has identified 13 Great Enterprise Projects which are absolutely essential and would produce shockingly high second-derivative rates of productivity growth. Among these are:

- The construction of a second sea-level Panama Canal, as well as a canal through the 170-kilometer-long Isthmus of Kra in Thailand. These will open up great volumes of trade.
- The creation of an African central lake. The flow of the Congo River can be controlled by building a dam to create a vast lake in the Congo and Chad regions of central Africa, to improve natural and farming conditions in the area.
- Indian water management, including a series of projects involving hydroelectric power development in the Himalayas, on the upper reaches of the Brahmaputra River system; canal systems in the Punjab and other zones, utilizing monsoon rain resevoirs and radial wells. Sea barrier systems are projected for the huge Ganges-Brahmaputra delta, to retard flooding salinity.
- The North American Water and Power Alliance project (Nawapa), which would divert southward the huge volume of runoff water now flowing northward from Canada and the Yukon into Hudson's Bay. The project would provide 130 million acre-feet per year for U.S. irrigation, 100 million acre-feet per year for Canada and Mexico, and supply 50,000 megawatts of hydroelectric power.

These programs will end the African drought, feed the world, provide water for transport, industry, and mining. Each of these projects consumes 30 million tons of steel in piping, gates, the building of the construction equipment used on the project, the girders, etc.

But that is just the start of what is needed. America and the world need energy. To build one light-water nuclear reactor of 1,000 megawatts electrical generating capacity requires approximately 47,900 tons of carbon steel, 4,870 tons of alloy steel, and 2,030 tons of stainless steel (among nuclear technologies, light-water reactors are mid-range in steel usage). The United States will need 1,000 new 1,000 megawatt plants, which will require 47.9 million tons of carbon, 4.9 million tons of alloy, and 2.1 million tons of stainless steel. The Third World's need of 1,500 such plants will require 71.85 million tons of carbon, 7.31 million tons of alloy, and 3.04 million tons of stainless steel.

Building nuclear power plants alone would tie up two full years of America's steel output!

Now consider the railroad tracks, the bridges—50% of America's are structurally unsound today—the merchant ships, houses, highways, work places that have to be built in America. Now consider what has to be built in the places where people live on 1/1,000th of the per capita yearly steel intake of America.

In the United States, steel capacity will have to be expanded to 225-300 million tons per year. The existing capacity, a majority of which is obsolete, will have to be overhauled. Leaps in technology, such as plasma-fusion steelmaking, which produces a batch of steel in a few seconds, will have to be introduced.

Forget what the "economists" say. They are the ones shutting down the steel industry. Look around the world and see the need for steel! Anyone who accepts the blowing-up of blast furnaces would show himself to be as insane as he is suicidal.