industry shipments, was down to between $460 and $480 a ton, from a high of $560 a ton in spring 1989. Nucor Corp. had cut its domestic selling price to $320 a ton on 40% of its products. Analysts expected shipments in the last half of the year to decline by about 15%, costing U.S. steel companies at least $700 million in lost revenues. Shipments for 1990 are expected to fall another 8-10 %, to 75 million tons.

Not surprisingly, the financial situation of U.S. steel makers is looking bleak again. Bethlehem Steel Corp., the second largest U.S. steel maker, saw its profit drop 39% to $245.7 million in 1989, from $403 million in 1988. LTV, the third largest steel maker, which is still operating under bankruptcy protection, posted a 49% drop in its operating income in 1989, $230 million compared to the $452 million of 1988. Fourth-quarter earnings at Inland Steel, the nation's largest operator of steel service centers as well as fourth largest steel maker, plunged 63% to $6.7 million, from $57.5 million in the same period a year ago. For 1989, Inland's profit of $119.7 million was 46% below its 1988 profit of $262.1 million.

Apparently, Inland is taking the only possible road to survival, given the Anglo-American elites' refusal to even consider a change in their suicidal economic, financial, and banking policies. In December 1989, Inland announced that it was selling 185,000 newly issued shares of preferred stock to Nippon Steel for $185 million, giving Nippon a total 14% stake in Inland. Inland is following the lead of other major U.S. steel makers, who have sold out significant parts of their operations to foreign control. National Intergroup Inc. has sold 50% of National Steel Corp. to Japan's NKK Corp. Armco has sold 40% of its eastern steel making capacity to Kawasaki Steel Corp. And corporate leech Carl Icahn, with an 18% stake in USX, the largest U.S. steel maker, is now waging a proxy fight to force USX out of steel making altogther.

Certain factions in the U.S. are now attempting to find even cheaper labor to gouge, and may be eyeing Mexico's national steel industry. Mexico's Planning Secretary Ernesto Zedillo announced in early March that the Salinas de Gortari regime has decided to sell to foreigners the Lázaro Cárdenas and Altos Hornos de México steel-making complexes, rather than spend $2.33 billion to modernize them. Observers familiar with how Salinas is controlled by the Anglo-American establishment suspect the denationalization may be part of a recent secret deal in which the United States doubled the quota for steel imports from Mexico.

Moving steel production overseas appears to be the ultimate aim of the Anglo-American "post-industrial" lunatics: The new Clean Air Act will shut down what is left of the U.S. steel industry. Walter Williams, chairman and chief executive officer of Bethlehem Steel, has warned that the second round of emissions cuts would shut every single coking plant in the U.S., even after steel makers had installed over $5 billion in new emissions controls.

Clash builds between Brazil and bankers

by Peter Rush

Less than two weeks after the administration of new Brazilian President Fernando Collor de Mello took office, Bankers Trust Senior Vice President Lawrence Brainard issued a savage warning that Brazil had better change its policy on payment of interest on the foreign debt, or face dire consequences. His attack was a response to the announcement by Brazilian Finance Minister Zelia Cardoso that Brazil would only pay about $5 billion in interest in 1990, and would not pay $5 billion in arrears. With the sparks already flying in public, it now remains to be seen if the stance taken by the new government will prove to be just a bargaining position, or whether it constitutes a decision to force the banks to take a back seat, and to put economic growth ahead of interest payments.

In his inaugural speech on March 15, Collor clearly stated that he intended to put growth before debt payment. "Our proposal to renegotiate [the $115 billion foreign debt] is based on a fundamental principle," he said. "For us, it is not a question of knowing how much we can grow after servicing our debt, but of knowing how much we can pay after guaranteeing our economic growth at levels that are in keeping with our traditional growth rates and with our projects for promoting development and justice, which will guide our future actions."

He continued that "one of the main obstacles in our way is undoubtedly the servicing of our foreign debt at current levels." Emphasizing that he did not want confrontations with Brazil's international creditors, he nonetheless said, "I will not accept contracts establishing unilateral solutions," in apparent reference to high interest rates now being charged.

Three days later, on March 15, Finance Minister Cardoso announced in a televised interview that the new government "does not intend to make any agreement on the $5 billion of back interest." The next day, she told a group of Brazilian businessmen that the foreign debt policy of the country was to pay no more than 2% of the Gross National Product in interest on the debt, which she estimated would come to between $4 and $5 billion a year.

Backing up his minister, Collor made the government's position clear once again in a press conference on March 27. Studiously avoiding the term "debt moratorium," and specifying that "at no time do we want confrontation . . . with banks, or with the international financial system," Collor called on the creditor banks to make concessions, especially in regard to interest rates, beyond what they have offered to Mexico, Venezuela, and other debtor countries.

"It has become clear that the foreign debt of the Third World, not just that of Brazil, is absolutely unpayable under the current terms," he said. "We must therefore find ways and terms to renegotiate it in a way that would promote the economic growth of debtor countries, and make the creditor banks understand that it is much better to have a customer with affordable interest rates—not those abusive, outrageous rates that have been charged especially throughout the past decade—who can pay the debt under terms and interest rates established through that renegotiation."

"Our negotiators will at no time allow our economic growth to be affected or our domestic market be weakened, because this would bring about many problems," the President added.

Bankers respond

Response from the international banks has not been long in coming. The March 28 edition of Folha de São Paulo quoted unnamed U.S. bankers demanding two things of Brazil immediately: a "symbolic" payment on the interest arrears, and the restarting of talks on renegotiating the foreign debt. The next day, Allistair Tedford, vice president of Salomon Brothers, and Peter McPherson of the Bank of America, called on Finance Minister Cardoso to discuss the foreign debt situation.

Two days later, Brainard of Bankers Trust, clearly speaking for many other top banks, showed his fangs in interviews with two Brazilian papers. He told *Estado do Brasil* that Brazil had better immediately begin making interest payments, or else "the country is headed for the abyss, just like Argentina. The next step," he threatened, "is that the IMF will pull out, the American government will wash its hands of the problem, the World Bank also won't get involved. No one will want to touch the country." On the proposal to limit interest payments to $5 billion a year, he replied, "I don't think it's a good idea. This is derived from the principle that the payment of interest endangers the country's growth. . . . It's proven that countries which reduce, or fail to pay their foreign debts, will not attain acceptable levels of growth."

Speaking to *Gazeta Mercantil,* Brainard was even harsher, threatening that "there's nothing Brazil can do to hurt us, but there are many things we can do to hurt you."

Undeterred, Cardoso reiterated to a conference of the Inter-American Development Bank in Montreal on April 2 that Brazil would no longer let foreign creditors dictate the country's economic policy. "The fact is that every time that this has happened, it has resulted in failure. We now await from the international financial institutions and the international financial community a response commensurate with the sacrifices now being undertaken by Brazilian society," she said.

The city of Houston: a terminal case of 'free enterprise'

by Carol Hugunin

Since the onset of the Reagan-Bush "economic recovery," the city of Houston has been transformed from what passed for an economic miracle, to a nightmare of poverty, homelessness, and disease. This is the legacy of the Gramm-Rudman budget-slashing policy, which has devastated the nation's productive capacities and its infrastructure—ports, roads, bridges, water management—in the name of Donald Trump-style "free enterprise." The story of Houston, is the story of what happens to all those thousands of unemployed, once their unemployment checks run out.

In 1979, when the auto industry began massive layoffs, thousands migrated to Sunbelt cities like Houston, sporting bumper stickers like: "Will the Last One Out of Michigan Please Turn Off the Lights." Shanty towns and soup kitchens sprang up. Since the Sunbelt was a boom area, many of these blue-collar families found new jobs.

But then in 1983, the price of oil collapsed, ruining first the local oil industry, then feeder industries, then real estate, and finally, in the past year, even the banks around Houston. Adverse weather further set back local farming. Homelessness was on the rise, along with tuberculosis (TB), acquired immune deficiency syndrome (AIDS), and measles—at precisely the time that supportive infrastructure collapsed, from homeless shelters and hospital emergency wards, to railroads, bridges, and roads.

In December 1989, McKinsey and Co. released a study of homelessness in Houston and the surrounding Harris County area, which had been requested by the Coalition for the Homeless of Houston/Harris County. On any given night, 10,000 in Houston/Harris County are homeless, including 1,500 children. Almost 40% of these have been victimized by crime since becoming homeless. In addition, 150,000 more people are marginally homeless: These double up with relatives or friends for as long as the host will tolerate them, then move on to visit somewhere else. More than 30,000 of these marginally homeless are children growing up under highly adverse conditions, constantly changing schools.

In addition to these, 250,000 more citizens are just one paycheck away from becoming homeless; just one illness, or even the temporary loss of a job, would move them into the streets. So, on any given night in the Houston/Harris County area, there are 10,000 homeless plus 150,000 marginally