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Globe Democrat.
Short Work Week No Solution

The conservative Midwestern daily, the St. Louis Globe-Democrat, *editorially scored the shorter work week proposal Oct. 27 in the editorial reprinted below.*

Get Back to Basics

The collective wisdom of the labor leaders in Detroit who called for a shorter work week as a solution to unemployment could be put on the head of a pin.

Seldom have so many strained to hard to come up with so little.

This is the same nonsense that President Franklin D. Roosevelt came up with in 1933. Forty-four years later it makes no more sense than it did then....

There are three essential ingredients in a healthy economy. One is the availability of an ample supply of capital. (...It takes $40,000 in capital to create just one job.) Second is an adequate supply of labor. Third is a government that will promote the effective use of both capital and labor. (Emphasis in original.)

The problem in this country is that it has only one of the three — an adequate supply of labor. Real profits, from which capital comes, have been about cut in half in the last 10 years. The government is a thorn in the side of both labor and capital investment because it inflates the economy to pay for its huge deficits, imposes costly, time-wasting regulations and levies income tax rates that are much too high.

What is needed is enough pressure to force the federal government to change its economy-killing policies.

This is why labor and management should join forces because their interests are identical. Separately they probably don't have enough muscle to bring about a change. (Together) they could help increase employment as well as improve business....

Fight Emerging Over U.S. Steel Policy: The Good, The Bad, And The Stupid

SPECIAL REPORT

As the crisis of the world steel industry deepens, two distinct approaches to the crisis have emerged. Some forces here and abroad recognize that the solution to the steel industry's problems lies in the very opposite direction of protectionism: in the rapid industrialization of the Third World, which will require massive inputs of advanced sector capital goods. The other side, typified by the United States Steel Corporation, is calling for retrenchment: rationalization of existing capacity to prepare for a period of slow or negative growth combined with protectionist measures.

Expressing the progrowth viewpoint, Hans Birnbaum, chairman of Salzgitter AG, the state-owned West German steel complex, outlined a real recovery program for West German industry at a business conference in Baden-Baden, West Germany last week. According to a report in the *Frankfurter Allgemeine Zeitung* Nov. 1, Birnbaum called for a five-point approach: 1) development of new markets, especially in the Third World; 2) meeting the Japanese challenge — which is not underpriced exports but high levels of productivity; 3) export of high-technology products produced by West Germany's highly skilled engineers and advanced research and development sector; 4) continuous modernization of West German industry; and 5) constant upgrading of the skills of workers and managers.

This approach has been echoed in recent weeks on this side of the Atlantic by former Texas Governor John Connally, who called for a high-technology export orientation for U.S. industry and agriculture at a meeting of the Republican National Committee in Salt Lake City at the end of October.

Steel Communities Coalition

On the steel issue proper, a spokesman for the Steel Communities Coalition told a reporter recently: "Any orientation to solving the steel crisis eventually must come from an increase in the world market for U.S. exports."

The Steel Communities Coalition held its first working meeting on Oct. 25 in Pittsburgh where it began formulating a policy for halting the collapse of the industry. William Sullivan, who is the staff director of the Niles, Ohio-based coalition, made clear the group's orientation: "If the Administration continues to look at this as an industry problem instead of a national one, there can be no solution. This country must either develop a national goal to have a competitive, clean and independent steel industry or suffer the consequences of wasting one of our greatest resources, the steel communities which have made this country strong."

Fordham University's Father William Hogan, one of the nation's leading steel economists, and his staff in the Industrial Economics school at Fordham are formulating a program for modernizing the steel industry in Ohio's Mahoning Valley, the cradle of U.S. steel production and one of the areas hardest hit by layoffs in recent months. Father Hogan's program will include the construction of a giant new coking oven which would be utilized jointly by the steel companies operating in the

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valley. Father Hogan sees the program as part of the effort to meet increased demand for steel in the future. However, to date the Coalition has not put sufficient emphasis on the need for expansion of the industry or the question of new markets, thus leaving the door open for the rationalizers. One spokesman for the Coalition said recently that the group is considering a $2 billion program of bridge building as the answer to faltering demand for steel.

On the financing side, some members of the Coalition have proposed the idea of a "steel bank" which would funnel $800 to $900 million in direct, low-interest loans to the steel industry for modernization. This is far short of the actual capital requirements for rebuilding the steel industry — the $50 billion specified in the U.S. Labor Party's steel program — but a step in the right direction.

U.S. Steel Corp. True to its Traditions

A spokesman for the Coalition also charged that the giant U.S. Steel Corporation is a major obstacle to the formulation of a positive national policy. The corporation is contentedly sitting back and waiting for the smaller companies to go bankrupt, so that it can move in and "gobble" up their markets.

Two spokesmen for the board of directors of U.S. Steel told U.S. Labor Party representatives at a meeting in Pittsburgh on Nov. 1 that the nation's largest steel producer is opposed to the development of external markets for U.S. capital goods, the export of U.S. nuclear technology, and "government intervention" to provide low-interest credits to the nation's steel industry. "That's what got us into trouble in the first place," they claimed.

U.S. Steel has a long-tradition of opposition to progrowth policies, as the company which led the way in trustifying the U.S. economy and subverting the country's traditions of technological growth in the first years of the twentieth century. In the fall of 1975, when R. Heath Larry, former vice chairman of the company, was approached on the U.S. Labor Party's International Development Bank proposal, he said that the company had no interest in producing more steel for world development. "We're in this for the paper," Larry said. "You can't eat steel." Since J.P. Morgan took over the company in the early twentieth century, the corporation has been run by a bunch of bankers who make steel as a sideline. According to the corporation spokesmen in Pittsburgh, the company's response to the present steel industry crisis is to diversify out of making steel. U.S. Steel is putting all new investment in areas like real estate, coal, and petrochemicals.

U.S. Steel, along with Bethlehem, has led the way in depression planning in recent months by closing down high-cost, marginal facilities in an effort to improve profitability over the medium term. Bethlehem's decision over the summer to reduce operations at its Johnstown, Pa., and Lackawanna, N.Y., plants, laying off 7,300 workers, showed up in its third quarter profit figures. The write off resulted in a $477 million loss — the worst quarterly loss in U.S. corporate history. Lewis Foy, Bethlehem's chairman, commented that as a result of reduced operations the company will be "leaner but stronger" in the future.

Mr. Foy, like the board of U.S. Steel, has mistaken the accounting notion of paper profits for a notion of real profitability. The latter would be generated by the type of combination described by Salzgitter's Birnbaum: expanded markets, modernization and introduction of new technologies, and the constant upgrading of labor power. This approach would result in lower production costs all around, and the generation of absolute surplus for reinvestment in productivity-increasing technologies. The U.S. Steel-Bethlehem view is presented in extreme form in the new Council on Wage and Price Stability report on the steel industry. The report, which had visible input from the Council's new head, former Brookings economist Barry Bosworth, analyzes the industry purely in terms of prices and wages, and comes to the conclusion that the construction of new "greenfield" plants would do nothing to alleviate the U.S. industry's cost disadvantage versus Japan's modern industry.