Corporate Strategy by Leif Johnson

Joining the Davignon Plan

General Motors' new steel-procurement policy will further contract the sector, in line with world reorganization.

The American steel cartel is being dissolved. Assembled by the the Morgans, Mellons, Meyers, and Moores as leading American agents of the Anglo-European financial oligarchy in the years 1898 to 1904, the steel cartel was slated for dissolution as early as the end of the 1950s. The present dismantling of steel production is the second and final phase of the shutdown that began in 1977-79.

The announcement dooming as much as 50 percent of American basic steel production was made by General Motors Corporation, another Morgan company, on March 23. GM announced that they would suspend all contracts with existing steel suppliers. Instead, the company will open up all steel procurement to competitive bidding.

GM is the largest single user of steel in the United States, buying about 8 percent of the total product. The announcement will trigger a wild round of price-cutting as companies seek to maintain their share of, or break into, the GM market.

As intended, this will throw great patches of red ink on the major steel producers' books, making the final conversion of these companies to non-steel, financial, energy, and insurance conglomerates appear financially and economically acceptable.

General Motors has in essence "deregulated" the U.S. steel industry. As under other forms of deregulation, the result will be to push America into a "postindustrial society".

The shakeout of American steel production is being conducted, not by the lower level financial agents in New York, Boston, Cleveland, or Pittsburgh, but at the leading agency of the European financial oligarchy, the Organization for Economic Cooperation and Development (OECD). According to a steel expert connected to the British Fabian Society's Heritage Foundation in Washington, D.C., both Secretary of Commerce Malcolm Baldrige and Special Trade Representative William Brock have sent staff members to attend "informal meetings" with the OECD Steel Committee. It is this Committee that directs the work of the European Community's Davignon Plan for the shutdown of "excess capacity." These "informal meetings" are the "working group" for carrying out decisions made at the December meeting between Davignon and Baldrige, Brock, Agriculture Secretary John Block, and Secretary of State Alexander Haig. At the December meeting, held in Brussels, the high-ranking U.S. officials agreed to put U.S. steel production under the umbrella of the European Community's Davignon plan. That plan, named for Count Etienne Davignon, the EC Commissioner in charge of steel, has separated European carbon-steel production from that of specialty steel, and then ordered the shutdown of carbon-steel production, causing economic depression in Europe's industrial heartland.

In the United States, capacity utilization was already down to 58 percent as of March 20, 1982. If adjusted for capacity that was shut down and not replaced with modern facilities since 1977, the capacity utilization figures would show a present production level less than half 1977's. According to the American Iron and Steel Institute, the industry trade group, the total of 252,000 blue-collar workers still employed is lower than for any year since 1932, the first year that industry-wide employment figures were kept.

Why should the steel industry allow its own dissolution?

First, the steel companies are no longer steel companies, and secondly, the steel cartel, like any cartel, works on a financial basis rather than a production basis.

Indeed, the controllers of the cartel are among the most ardent proponents of the post-industrial society. Only 8 percent of U.S. Steel's 1982 revenues will come from steel production. The steel industry is the second largest holder of coal lands—after the Morgan-controlled railroads—in the nation. Beginning with Armco Steel's 1977 creation of an offshore re-insurance company, designed to convert assets from steel to paper, steel companies have moved into minerals, oil, coal, timber, insurance, banking, trading companies, and other financial services.

As Edgar Speer, the former chairman of U.S. Steel, often boasted, "the purpose of U.S. Steel is not to produce steel, but to make money."