

The way to revitalize the Pennsylvania-Ohio steel belt

by Mary McCourt

U.S. civilian and military steel requirements will be so acute that there can be no question, in the interest of the nation, that U.S. Steel Corporation must rebuild its capacity immediately. If its management is unwilling to do so, *EIR* founder Lyndon LaRouche, Jr. stated on March 17, there is more than one historical precedent for a President to demand that the steel industry produce steel.

In January 1952, in an effort to end a steel strike by forcing the industry to meet certain demands, President Harry Truman announced that he was taking two actions: "First I am directing the Secretary of Commerce to take possession of the steel mills and to keep them operating. Second, I am directing the acting director of defense mobilization to get the representatives of the steel companies and the steel workers down here to Washington at the earliest possible date, in a renewed effort to get them to settle their dispute." The strike was ended, despite court action brought by the companies to prevent the seizure.

In April 1962, President John Kennedy was confronted with a steel price increase just after the steel unions had accepted a contract without any wage increase. "The simultaneous and identical actions of United States Steel and other leading steel corporations in increasing steel prices by some \$6 a ton," Kennedy stated at a press conference, "constitute a wholly unjustifiable and irresponsible defiance of the public interest. In short, at a time when they could be exploring how more efficiency and better prices could be obtained, reducing prices in this industry, in recognition of lower costs, their unusually good labor contract, their foreign competition, and their increase in production and profits which are coming this year—a few gigantic corporations have decided to increase prices, in ruthless disregard of their public responsibilities."

The President threatened to shift all defense production orders exclusively to those corporations which had not raised their prices; the steel giants yielded and rescinded the \$6 per ton increase.

Now, the needs of the infrastructural repair and military build-up required for national defense make it impossible to postpone tackling the steel question.

On March 17, LaRouche addressed the citizens of Pennsylvania in a statewide prime-time television broadcast, sponsored by his Democratic presidential campaign organi-

zation, on the measures that he, as President, would take to restore the depression-devastated industrial heartland of the United States. The Pennsylvania half-hour television address was followed by an NBC-TV speech to the entire nation contrasting his own commitment to take up Franklin Roosevelt's policy of leading a community of developing nations to Henry Kissinger's commitment to the devastation of the underdeveloped sector.

The role of Pennsylvania

Pennsylvania, where LaRouche is an important contender in the April 10 Democratic presidential primary, has historically been a "keystone" of economic and political power for the United States as a whole.

Beginning with the development of the iron industry in the second half of the 18th century in Pennsylvania, industry spread through Ohio, Indiana, and Illinois, into Michigan and along the Great Lakes, creating the industrial heartland of the United States.

But at the end of the 20th century, the situation is very different. In the post-war period, starting with 1947, seventy-six percent of the workforce was employed in high-technology manufacturing. Services—which constitute overhead expenses for the economy—represented 24% of employment of the state.

Under the influence of approximately 20 years of "post-industrial-society" policy introduced by Lyndon Johnson in 1966-67, Pennsylvania is being gradually turned into a desert. In 1967, as LaRouche's broadcast stressed, 62% of the workforce was employed in manufacturing; 31% employed in services; and 7% was unemployed. By 1979 manufacturing had dropped from 62% to 47% of employment of the labor force as a whole. But from 1979 to 1983, the years of Paul A. Volcker's reign at the Federal Reserve, a disaster struck the state. Unemployment rose to 21%, while, as services have not dropped significantly as a source of employment, there was a critical collapse of manufacturing employment. By 1983, services represent 54% of total employment, whereas manufacturing employment is only 46%.

Pennsylvania's unemployment figures show only a part of the casualties. As *EIR* has demonstrated, there has been consistent, massive fraud in official unemployment statistics.

In the first part of 1983 alone, the government dropped 1 million people from the labor force.

The figures reported for Pennsylvania are gross underestimates of real unemployment—their real significance is to show the concentrations of current unemployment in the state. The unemployment impact has been less in Philadelphia, which has shifted to a service-oriented economy in the post-war period; the official figure was 7.2% for fourth-quarter 1983. Pittsburgh is ostensibly “adjusting” to the post-industrial society following the collapse of the steel industry. Unemployment figures there fell from 17.1% in the first quarter to 12.1% by the fourth quarter 1983. But the smaller steel cities, including Johnstown and Altoona, have no resources to enable them to adjust to the post-industrial society. Reported unemployment in Johnstown was 25% in the first quarter and held at 15.3% by the fourth quarter; Altoona’s was 13% by the end of 1983.

And these fourth-quarter figures are questionable. The state showed a “very unusual decrease” in statewide “adjusted” unemployment figures: While the unadjusted rate fell from 10.2% to 10.1% statewide, the adjusted rate went down to 8.3%. This was accompanied by an unusual drop in the total labor force of 60,000 persons.

The Pittsburgh figures are also doubtful. An editorial in the March 5 *Pittsburgh Business Times* stated that “the real rate of unemployment locally is much higher than the 12.5% reported.” In a survey of business and civic leaders, 78% in Pittsburgh considered unemployment the most important problem the city faces. The Pittsburgh area *Labor Market Newsletter* reported in November: “Conditions in the manufacturing sector continue to be set by the primary metals industry. Employment in primary metals reached a low point of 47,100 in February 1983, after losing 55,000 jobs from the pre-recessionary peak of 102,100 in July 1979.” Volcker was appointed Federal Reserve chairman in August 1979.

The Federal Reserve, LaRouche asserted, in its present form is unconstitutional. It is in direct, explicit violation of Article I, Sections 8 and 9 of the federal Constitution. In immediate steps after his inauguration, LaRouche stated, he would ask the Congress to issue gold-reserve currency, with gold priced at about \$750 an ounce, this currency to be loaned through the Federal Reserve system to private banks, for lending for infrastructure building, for maintaining agricultural production, for development and maintenance of U.S. industrial capacity to put out physical goods. Those loans will be made to private banks at rates of between 2 and 4%; these are the sorts of actions President Franklin Roosevelt used during 1939 to 1943, to enable the nation to produce what it needed to win World War II.

A program for rebuilding the region

LaRouche made three proposals for Pennsylvania and the adjoining states. The first is a program for **fresh-water management**, including the key Delaware area, to meet the im-

minent water crisis.

Second is **production of a U.S. flag fleet of high-speed modern merchant vessels**, in the range of between 50,000 and 100,000 tons each, to carry an expanded U.S. export volume running to about \$50 billion a year more than at present. That will require immediate expansion of shipbuilding in the Philadelphia area.

Third, **a canal from Lake Erie, in the Great Lakes, down into the Pittsburgh area**, must be built, and **the locks and canal systems** along the existing rivers in that area need immediate improvement. This canal would revive not only the Pittsburgh area but also the region surrounding Youngstown, Ohio.

‘Make the steel industry produce steel’

Such projects, LaRouche stated, pose even more starkly the problem of the U.S. steel industry, particularly the effects of the long mismanagement of the dominant force in the steel industry, U.S. Steel Corporation. A comparison with Japan shows the problem.

In 1964, Japan produced 39 tons of steel per thousand manhours; the United States produced 81 tons per thousand manhours. By 1980, U.S. tons per thousand manhours had increased only from 81 to 97 tons per thousand manhours, whereas in Japan, the tons-per-thousand-manhours output has increased from 36 tons to 136 tons. The reason for this lag in the rate of increase in U.S. steel production lies squarely with mismanagement by the U.S. Steel Corporation.

During 1957-76, the United States invested \$35 billion, according to the accounting figures, and Japan only \$27 billion, in the steel industry. But the difference lies in where the investment occurred.

Japan has invested in 100 million tons’ capacity of modern technology in new “greenfield” capacity—building a plant from scratch, based on modern technology, rather than trying to improve an old plant—whereas the entire investment by the United States over this period in such plants was only 11 million tons. U.S. Steel and similar companies have been bleeding the taxpayer with tax write-offs, and have been bleeding their labor and their communities, taking the investment out of technology and putting it into real estate and other speculative areas.

In 1978, of U.S. Steel’s total revenue, 26% came from sources of income other than steel production. But now, U.S. Steel is no longer in the steel business. Overall, only 31% of the total revenue of U.S. Steel is coming from the steel business. In addition, U.S. Steel and others have been suppressing technologies, even those new technologies they developed themselves, and as a dominant force in the industry have prevented the rest of the U.S. steel industry from making these technological improvements.

It is time, LaRouche asserted, that the United States government and the U.S. taxpayer stop subsidizing U.S. Steel for mismanagement.