layoffs, disappearing profits and vanished capital gains shrinking the states' income.

In the words of NGA executive director Raymond Scheppach, "states' current fiscal condition is already worse than the recession of the early 1990s. As unemployment and state revenues lag changes in the overall economy, states' fiscal situation will likely deteriorate further."

Scheppach said that a combination of "dramatic" fall in revenues, soaring health care costs, and the costs imposed by the terror attacks of Sept. 11 have resulted in state budget shortfalls of $40 billion so far for fiscal year 2002 (which in most states ends on June 30, 2002), and could reach $50 billion by the end of the fiscal year. *This clearly conservative estimate is equal to a loss of 10% of the total of all state spending*. It compares with a total peak shortfall during the early 1990s recession of $19.2 billion. So far, 16 states have had to cut their fiscal 2002 budgets in the midst of spending them, pointing to worse, for all the states, in the fiscal 2003 budgets which are being planned.

The NGA offered no remedy, simply calling on the Federal government to take a larger share of Medicaid spending. This, they argue, would make $5.5 billion immediately available for stimulating the economy and help the states cover 3 to 4 million people who are expected to become Medicaid eligible this year.

Steel Industry Must Build Out Of Collapse

by Patricia Salisbury

Democratic Party Presidential pre-candidate Lyndon LaRouche stated on Dec. 9 that we need a National Recovery Planning Act, centered around the infrastructure requirements of the United States and world economies. This policy, LaRouche stressed, is in sharp contrast to the current clamor for bailouts by representatives of various disintegrating sectors of the U.S. economy.

No sector of the economy needs to heed the candidate's advice more urgently than the American steel industry and its trade union leadership.

Between Dec. 9 and Dec. 12, five percent of the remaining steel-making capacity in the United States was shut down. Short of the adoption of LaRouche policy recommendation and leadership, it is unlikely that it will ever be restarted. The wipeout occurred when LTV Steel Company placed its mills employing 7,500 workers in Cleveland, Ohio; East Chicago, Indiana; and Hennepin, Illinois on "hot idle" status, pending a final determination by a Federal bankrupcty court on Dec 19. This means that while the plant is being maintained in a way that production could be restarted, no steel is actually being produced, and the workforce is being laid off in waves, until only a small maintenance crew remains.

LTV had filed for Chapter 11 bankrupty in December 2000, and requires a $250 million Federal loan guarantee to remain in existence. Various industry analysts are freely expressing the hope that LTV's plant will be sold piecemeal, and its blast furnaces dynamited.

The shutdown of LTV is occurring despite a seemingly fierce mobilization of the United Steel Workers of America (USWA), community leaders—including the Bishop of the Roman Catholic Church in Cleveland, who filed an *amicus* ("friend of the court") brief in bankruptcy court—and the office of U.S. Rep. Dennis Kucinich (D-Ohio), who got a restraining order against an irreversible "cold shutdown." The closure is proceeding despite the resignation under fire of LTV president William Bricker, who was presiding over the dismantling of the company.

USWA members held marches, rallies, and candlelight vigils at their plant gates, and travelled on Dec. 12 to Washington to establish a "tent city," which they vowed to maintain as long as Congress is in session. They plan to lobby

Shades of the Great Depression: Steel workers from LTV plants closing in the Midwest, pitch a "tent city" outside Washington on Dec. 13, to beg Congress for relief. Their Achilles' heel is their "patriotic" insistence on blaming the American steel collapse on "foreign steel."

Congress and the Bush Administration to bail out LTV with a Federal loan guarantee, raising the slogan "Let's Make Steel."

Despite this dramatic gesture—clearly intended to echo the tent city encampments of the Depression of the 1930s—union and industry leaders continue to blame the problems of the industy on the alleged "overproduction" of steel by other countries on the world markets, and to ignore the leadership offered by the LaRouche Presidential campaign. This myth of overproduction was the oft-stated premise of the action brought by the Bush Administration at the behest of the USWA and powerful Congressional delegations from the steel-producing areas, seeking a finding from the International Trade Commission that steel is being illegally dumped on U.S. markets. On Dec. 8, the commission made its long-awaited recommendations for a remedy, and while badly split, did recommend a 20% tariff on the categories of steel product it found to be harmed by dumping practices. This tariff level, while falling far short of what had been sought by the union, was welcomed by the USWA, and an immediate mobilization was announced to assure that the Bush Administration would adopt this aspect of the bailout.

Making Steel Or Making Deals

Meanwhile, yet another round of wheeling and dealing is under way, which can only result in a further ratchet down in capacity and production. On Dec. 4, as the union and community groups were launching the militant phase of the fight to save LTV, U.S. Steel announced that it is developing a comprehensive plan for "consolidation" of the domestic steel industry, and specifically that it is carrying on merger talks with bankrupt Bethlehem Steel, and other major steel companies.

The consolidation scenario was clearly intended as a response to the administration's repeated announcements that there will be no bailout of the steel industry, unless a consolidation plan which addressed the alleged problem of "world overproduction" was part of the deal. U.S. Steel's President Thomas Usher, who is masterminding the scheme, made it clear that one condition of consolidation was that the administration—which is currently mulling over various schemes to turn the Social Security Fund over to financier looting—pick up the "legacy" costs of the steel industry. These are billions of dollars in health-care costs guaranteed to steel industry retirees, as a sop to sweeten the endless rounds of production cutbacks and layoffs that the union had conceded over the years.

Usher also made it clear, that a new labor agreement which lowers employment and operating costs would be a condition of any merger.

Speaking at the tent city, USWA President Leo Gerard revealed the shocking state of steel in the United States. Only 40 blast furnaces remain in the entire country. If something were to happen to the Golden Gate Bridge, no American steel firm could produce the wire grade needed for its reconstruction. And even more telling: No American steel plant can produce the steel grade needed for high-speed rail track, even as high-speed rail corridors are a necessity with the shrinkage of air travel.

Gerard, while leading the way in applauding the various bailout aspects of the merger, weakly demurred on the implied layoffs and wage cuts. "There may be too many steel companies, but there are not too many steel workers," said Gerard illogically, while welcoming the U.S. Steel consolidation proposal in general terms.

Behind the unconvincing window dressing of militant marches and tent city expressions of union solidarity, it is clear there is a dog-eat-dog scramble in the steel sector to be included in some aspect of the consolidation. This includes the not-so-secret hope that the shutdown of LTV will be a sacrificial lamb, sufficent to keep the financier wolves at bay for awhile.