

Steel Tariff Paradox Blooms

by Lyndon H. LaRouche, Jr.

This statement was released by LaRouche's Presidential campaign committee, LaRouche in 2004, on March 9:

Around the world, many victims of the so-called "Baby Boomer" generation are threatening to go stark raving mad, in reaction to the recent announcement of a U.S. return to "fair trade" in the matter of steel prices.

The news is, that the cause for their acute anxieties over this matter, is not the matter of the price of steel as such. The psychiatric problem we are witnessing in the case of some nationally known columnists and others, is explained as the fact that most "Baby Boomers," and many among their present-day, college-age children, refuse to cope with any paradox, simply for the reason that it is a paradox.

The new steel tariff posed a classical, textbook form of ontological paradox. It can be summarized as follows.

A fellow says, in the usual mantra: "Free trade" is good for the economy, and we must continue to adhere to that policy." However, the same fellow says: "Steel is also necessary for the economy, and steel will not survive without 'fair trade.'" Hearing this paradox, some people in the U.S.A. and abroad, are suddenly transformed from apparently sober citizens, into something like a creature performing a "geek act" in a cheap carnival.

Why the psychopathological reaction? It is like the case of the man who smashed the headlights of his automobile, because "it refused to start!"

The majority in the Congress, and the President, have reacted to the fact that the continued existence of the U.S. steel industry is a prime national-security issue, both for the economy as such, and for national-defense requirements as well. However, typical "Baby Boomers" and certain newspaper columnists, hate to be reminded that reality exists. Like the wild-eyed mechanic who reacts with rage, smashing the headlights because the automobile he "just fixed, refuses to start," they lash out with fury against a world which insists that they behave reasonably.

The objectors hate real paradoxes. Therefore, many in the U.S.A. and Europe have reacted as extremely upset to the news on the steel tariff. One might fear, that live chickens who fall within their reach might come suddenly to a horrible end.

As in the case of any true ontological paradox, the paradox forces the mind to meet the challenge of discovering some universal physical, or similar quality of principle, such as Johannes Kepler's original discovery of universal gravitation,

which solves the paradox, and thus causes it, in effect, to disappear.

Why Joe's Wife Drowned Her Baby in the Bath Tub

For more than 35 years, two generations of Americans, those then in adolescence and their children of today, have been conditioned to welcome what was called, back then, a "post-industrial society." Beginning then, educational institutions, mass media, and employment policies have combined forces to brainwash the majority of those generations into belief in an anti-scientific world, in which the "consumers" are triumphing, like contemporary Luddites, over the hated "producers."

Among the psychological weapons typically used to accomplish that mass brainwashing of two generations of our people, have been a combination of measures, headed by the drummed-in mantra "we must fight for and defend free trade." "Protectionism," "production technology," "physical science," "industry" and "farmers," became "downers," ideas fit only for the lower classes who should be, preferably, cheap labor used as "out-sources" from other nations. It was said, over, and over, and over again, "Prices must be driven to the lowest level, even if that means shutting down our farms and industries."

Added to this roster of mantras was the campaign to eliminate the nation-state, through the introduction of such forms of economic lunacy as NAFTA, "globalization," and establishing the "world rule of law" as a weapon for destroying all sovereign nation-states, including the U.S.A. itself.

Such was the list of mantras headed by the name of "free trade."

Meanwhile, approximately 1995, lunacies such as NAFTA were aggravated by the addition of a psychotic dream called "the new economy," which just recently went bankrupt, around the world. The "new economy" was heralded as the alternative to farming and industry, which would, aided by out-sourcing, free us all from everything good the U.S. economy used to be. Now, the "new economy" has gone kerplunk, as all sane and intelligent people always knew it would; we, like the spectators at the parading of the Emperor's New Suit of Clothes, suddenly realize that we, like that Emperor, have next to nothing on!

Like the innocent boy-hero of that story, Senator Daschle said, in effect, "I dearly love 'free trade,' but saving the steel industry means adopting 'fair trade.'" That paradoxical statement by Daschle, echoed by Republican Trent Lott, and by the U.S. President's acting as Lott promised he would, has suddenly changed the whole blessed world. The keystone of the economic insanity which has ruled the world increasing for about 35 years, just went kerplunk. For those among two generations who succumbed to brainwashing in "post-industrial" ideology, it seemed to them that their universe, the fantasy universe in which their minds had lived, suddenly came to an end, in the moment President Bush confirmed the CNN

discussion featuring Senators Daschle and Lott.

The paradox is a true one, from which all sane people and recovering lunatics will learn the appropriate conclusion. Contrary to the mantras of consumerism, the wealth which will exist is the wealth which we produce. The world, if it is to survive, is now on a short trip back to protectionism. It is about time!

Naturally, those who had been successfully brainwashed up to that point, went more than a little bit crazy. You better watch out. That guy with the funny look around his eyes, might be about to smash the headlights on your parked automobile.

Next Steel Myth To Debunk: Overproduction

by Anita Gallagher

President Bush's March 5 break with the insane "free trade" doctrine of recent decades, to impose tariffs of 8-30% on ten categories of steel imports, has shaken the world. The President's decision signals what Lyndon LaRouche on March 7 called the "immediate inevitability of a necessary, global change from the follies of a 'consumer society,' back to that of a 'producer society.'"

What are the next steps? President Bush and leading Democrats disagree on Federal assistance for the stranded health and pension costs of 600,000 steel worker retirees (so-called "legacy costs"); but agree that there must be a "consolidation" of the American steel industry.

Bush, the Democrats, the United Steel Workers, the corporations, and all "authorities" seem to agree on demands to restructure the global steel industry, to force cuts in capacity because of supposed "world steel overproduction." Only LaRouche, among leaders and economists, has debunked this. For now, other producing nations are opposing the U.S. tariff action, fearing their own steel production will have to be cut, and jobs lost. But the dynamic is such that any agreements made to cut steel production around the world will be abandoned as quickly as you can say "fair trade." After the shock wears off, other nations will come to their senses, bolt the globalization agreements, and move quickly toward tariff and other protection of steel.

There is no overproduction of steel in the world; world production has been slowly *falling* for decades (see **Figure 1**). The American steel industry has suffered because it has refused to attack the feeding of the financial bubble at the expense of the productive economy, and because its forces failed to back LaRouche's 2000 candidacy for the Democratic Presidential nomination. That protected financial bubble he warned of, is now bursting, as typified in the collapse of financial derivatives dealer Enron. The fact that steel is at its

lowest price in 20 years is a symptom of the rigged collapse of prices of all physical commodities, in favor of hyperinflating "the funny money" sector.

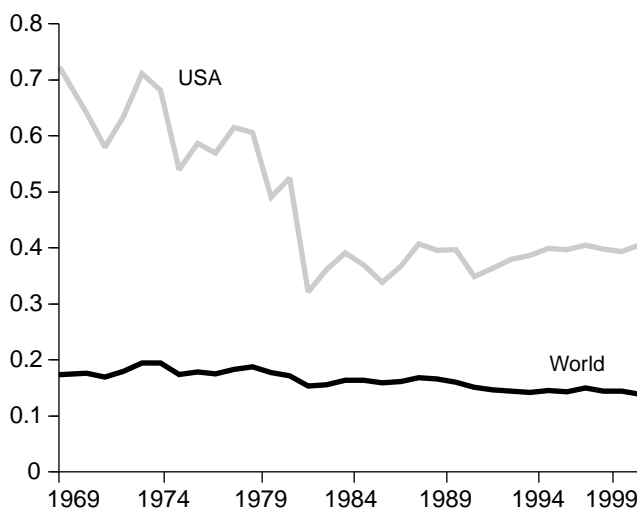
Russia, Brazil, and other nations have been under orders of the International Monetary Fund and World Trade Organization to produce steel and other goods and export them at below cost-of-production prices, to get the money to make debt payments, and pay investor-pirates. While imports increased, American steel companies downsized to "adjust" to free markets. American steel production per capita was almost cut in half from 1969-99; world steel production also fell over the same 30-year period.

A simple statistic cuts through all the globaloney. In 2001, steel consumption in the United States was 863 pounds per capita—far *lower* than 1965's 1,032 lbs. per capita, or the 1,154 lbs. per capita of 1973. In many nations, per-capita steel consumption is shockingly low: In 1999, it was 35 lbs. per capita in Bolivia, and 5 lbs. per capita in Cameroon (International Iron and Steel Institute, U.S. Census Bureau).

Rather than fighting over the dwindling remains of global economic "road kill," the United States, Europe and others must go back to producing desperately needed infrastructure. The American Society of Civil Engineers (ASCE) recently reported that America needs to spend \$1.3 trillion over the next five years to reach the grade of "standard." For example:

- Schools: Due to aging, 75% of America's school buildings are inadequate. The average cost of capital investment needed is \$3,800 per student. \$127 billion is needed for school buildings;
- Drinking water: The nation's 54,000 drinking water

FIGURE 1
World And U.S. Steel Production Per Capita
(Short Tons)



Sources: American Iron & Steel Institute, U.S. Census, *EIR*.

facilities need \$11 billion annually to replace aged equipment and comply with Federal regulations;

- Wastewater: Some of America's 16,000 wastewater systems are 100 years old. There is a \$12 billion shortfall in annual funding for replacement.

- Bridges: In 1998, some 29% of the nation's bridges were listed deficient or obsolete. It will cost \$10.6 billion annually for 20 years to bring all bridges up to standard.

Rail transport creates entire corridors of development. For railroad upgrades worldwide (see Senate testimony, page XX), 3,170 miles of new double-tracked rail are needed in North America, which would require 2.8 million tons of steel. American steel produces only 500,000 tons of rail a year. This does not meet domestic requirements, let alone the worldwide additions which require 28.6 million tons of steel. The new technology, magnetically levitated trains for 200-300 mph travel, require 5,000 tons of steel *per mile*.

Sen. Jay Rockefeller (D-W.V.), Chairman of the Congressional Steel Caucus, called on President Bush in a March 6 Open Letter, to work with him to pass legislation for the government to take over the health and pension benefits of 600,000 steel worker retirees. But Senate Minority Leader Trent Lott (R-Miss.) stated that he will oppose any such legislation.

Since 1997, bankruptcy has claimed 32 steel companies, 17 of them liquidated. While the Pension Benefit Guaranty Corporation pays a portion of the pension, all health benefits are lost. The health benefits of 100,000 retirees and their surviving spouses have been lost already. On March 31, 85,000 retirees of bankrupt LTV, formerly the third-largest integrated steel producer in America, will lose theirs—despite LTV's takeover by WL Ross & Co. LLC. Rockefeller's legislation is expected to be introduced shortly.

Meanwhile, Bethlehem Steel, which declared bankruptcy in October, held an emergency meeting on March 13 to discuss finding a joint venture partner or selling itself piecemeal. CEO Steve Miller explained that Bethlehem had abandoned the idea of a U.S. Steel merger, because "They made it plain that they could not continue without legacy cost relief. Because we can't count on legacy cost relief, we are going to proceed with other alternatives."

The Free Trade Area of the Americas negotiations—co-chaired by Brazil and the United States with an October deadline—may be doomed, according to Brazil's ambassador in Washington, Rubens Barbosa. The FTAA is a scheme for kind of North American Free Trade Agreement in Ibero-America. But such a sane shift away from "free trade" is feared many quarters. Nationally syndicated neo-conservative George Will snarled in a March 7 column, "This [tariff] policy reflects the triumph of the Bush political advisers who trumpet their admiration for President William McKinley, that paragon of Republican protectionism. . . ."

After McKinley's 1901 assassination, those policies were next resurrected by Franklin Roosevelt.