

By David Bensman

**W**HEN PRUDENTIAL Bache economist Edward Yardeni addressed the annual convention of the American Iron and Steel Institute in New York on May 24, his advice was stark and simple: your best hope is collusion, he told the steelmen. Discuss how you can close down excess capacity and raise prices, Yardeni said, because there's no other way the steel industry is going to revive.

Collusion is illegal, but if the spirit of J.P. Morgan were to return, and steelmen were to revive the "gentlemen's agreements" of an earlier era, their actions would be understandable, for theirs is a desperate situation.

Consider the case of Donald Trautlein, whose resignation as chairman of Bethlehem Steel on May 31 was treated by the *Wall Street Journal* as a joke. His fatal flaw? Believing optimistic projections of his company's economists, Trautlein reinvested his company's earnings to modernize steel production. He also wasted his time lobbying Congress and the Reagan administration to protect the steel industry from subsidized imports.

Unfortunately for Trautlein and America's steel industry, the "Reagan recovery" never brought domestic steel sales up to projected levels: steelmakers shipped nearly 20 percent less steel in 1985 than in 1981. Why? The defense industry boom didn't consume much steel, and the strong dollar not only made imports of steel and steel-containing imports like cars and machine tools cheap, it also made America's exports expensive. Demand for domestically-produced steel has

## How to escape steel's quagmire

remained low, and steel prices are still 8 percent below 1981 levels.

U.S. Steel's David Roderick had a different vision. A trained financial analyst, Roderick saw clearly from the beginning of his reign in 1979 that steel production was unlikely to yield the profits other enterprises took for granted: steel's average profit rate was 7 percent, while the average for manufacturing as a whole was 15 percent. So Roderick began to sell off the vast reserves of coal, iron ore and land that J.P. Morgan had amassed when he put "The Corporation" together in 1901. And with the billions of dollars Roderick obtained from those sales, he bought into what looked like a more promising market: oil.

When OPEC collapsed, an oil glut turned U.S. Steel's acquisition of Marathon Oil in 1982 and Texas Oil and Gas in 1986 into sad jokes. U.S. Steel took a \$351 million charge in just the first quarter of 1986 to write down oil inventories. Roderick now acknowledges that his company is reappraising the long-term outlook in oil and gas. That's why U.S. Steel—now USX Corporation—is dropping the word "Steel" from its name. In short, Roderick's policy of diversifying is proving as disastrous as Trautlein's attempt to modernize.

Roderick and Trautlein are not alone. Armco diversified into insurance and almost went bankrupt; Inland's modernization has produced only red ink; and LTV's much-applauded takeover of Republic Steel produced a crippled giant. Neither those who tried to "take on" the foreign competition nor those who fled the field have much to show for their efforts.

### Will steel rise again?

Emblematic of the industry's woes is a cold-rolling mill that Inland Steel would like to build at its East Chicago, Ind., plant. The mill is based on advanced Japanese engineering, and Inland even plans to build the mill in partnership with Nippon Steel, a Japanese company. If it's ever completed, the mill would be the sole domestic supplier of high-quality sheet steel for the auto industry, and General Motors has already indicated strong interest in the mill's output. Nevertheless, the rolling mill may never be built. Inland is broke, and no lender wants to lend an unprofitable, highly indebted steel company hundreds of millions of dollars.

Without projects like Inland's cold-rolling mill, American steel will never be able to compete. But some steel companies, like Inland and Bethlehem, are losing the ability to make such investments. And others, like U.S. Steel, no longer have an incentive to make them. Is domestic steel production doomed?

Many analysts argue that steel will revive. Decreased oil prices are cutting production costs, and the strong dollar is boosting the price of imports—not just imported steel, but also Japanese cars containing Japanese steel. Furthermore, the Reagan administration promises that its Voluntary Restraint Agreement (VRA) program, announced in September 1984 (to nullify Democratic attacks on the president's free trade position) will finally begin to make a dent on subsidized imports. Eventually, these optimists believe, costs should fall and prices rise, and America's steelmakers should be profitable once again.

But steelmakers like Donald Trautlein have been singing this refrain for three years only to be disappointed again and again. For example, hopes that the president's VRA program would cut steel im-

ports to 20 percent have already been dashed. U.S. trade representatives have negotiated agreements that would permit imports to take 24 percent of the market. Moreover, Ed Yardeni believes, there's such a glut of steel capacity in world markets that lower oil prices, stronger dollars and VRA's together will not be enough to rescue steel unless significantly more mills are shut down.

Now is the time any sane administration would step in to save the U.S. steel industry. Just a bit of encouragement—such as federal funding for research and development, strict enforcement of trade laws against dumping, firm resolve to bring down the dollar, and loan guarantees for modernization projects like the Inland cold-running mill—and the steel industry could make profits once again.

The United Steelworkers of America (USW), caught in difficult negotiations with U.S. Steel, is promoting just such a program. Last winter union negotiators demanded as a pre-condition for the concession bargaining to come that the steel companies agree to cooperate in a lobbying campaign to enlist federal support for the steel industry. All but U.S. Steel agreed to do so. Subsequently, money from the USW and the steel companies paid for ads in newspapers throughout the country calling on Washington to save steel and other basic industries. Then on June 21 "Save American Industry and Jobs Day" rallies were held in union halls in 65 cities.

### The union's plan

The USW's program for saving steel—the focus of the nationwide event—is remarkably sensible, as far as it goes. It includes implementing the VRAs to hold steel imports down to 20 percent, restricting indirect metal imports through legislation giving priority to U.S.-manufactured products and rebuilding the nation's roads, tunnels, bridges, dams and other public structures. Such public investment would boost demand for steel.

The USW's program is a step forward from previous efforts that treated the steel industry as a special and separate problem. On "Save American Industry and Jobs Day" the union and its invited guests made it clear that steel's future is inextricably linked to the future of other manufacturing industries.

What the Steelworker program lacked was a framework that would join its separate planks together. For example, federal action to restrain imports makes no sense if steel companies use their profits to diversify into other industries. Explicit *quid pro quos* would have to be part of any effective program to save steel. Further-

more, it would make little sense for the federal government to enforce the VRAs, thereby forcing steel-using manufacturers to pay higher prices for steel, if at the same time the federal government continued to dump hundreds of billions of dollars into high-tech military products. They consume little steel but spur other industries to grow, usually capital-intensive industries that employ few workers. In short, the Steelworkers' program should be part of an industrial policy.

Although conservatives denounce the idea of an industrial policy, the Reagan administration is carrying out an unannounced industrial policy of its own, and it's one that is forcing corporate America to abandon industrial manufacturing. High tech and financial services, on the other hand, will benefit.

Consider tax reform, the administration's major domestic initiative, for example. In the name of simplicity, and fairness, the new tax bill eliminates the investment tax credit, which will make it much more expensive for capital-intensive firms to finance new plants and equipment. Lower corporate tax rates will help high-tech firms and banks, however. Similarly, the administration's dogmatic adherence to its first economic principle, "free trade," renders enforcement of our trade laws ineffective. It's true that the "free trade" policy will make it easier for IBM to export computer technology and for Citicorp to expand its financial web in Europe. But steel, autos, textiles and farm equipment are being sacrificed on the altar of economic principle.

Finally, there is the military buildup. Hundreds of billions of dollars are being diverted from the civilian economy, where it might be used to make cars, build bridges or repair highways—all activities that consume large quantities of steel—and the money is being used instead to build high-tech weapons. And the federally-funded research that makes such weapons possible is quickly spun off to civilian uses by high-tech firms, while steel companies cut back on their research funding annually.

In short, the Reagan administration's unannounced industrial policy drives nail after nail into the coffin of steel and other heavy industries. Despite the fact that current economic conditions offer the steel industry hope for recovery, the federal government's economic programs are closing that "window of opportunity." Donald Trautlein is gone, but his nightmare lingers on.

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BLACKLISTED NEWS

No other book to date conveys the atmosphere—the people, places and events—which turned those dreams and schemes of the 1960's into the unbelievable realities of the 1980's.

The immediate post-war era was an exciting time to be alive. The CIA waged secret wars in Jamaica. In South Africa, mass riots drew the attention of the world. Washington rocked with demonstrations, protests and smoke-ins. The women's movement gained full momentum. Long hair turned into spiked hair. Native Americans had the Black Hills blown wide open, while anti-nuclear protesters hoped Diablo Canyon wouldn't be.



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# ASHES & DIAMONDS

By Alexander Cockburn

## Give Me Liberty, Give Them Death

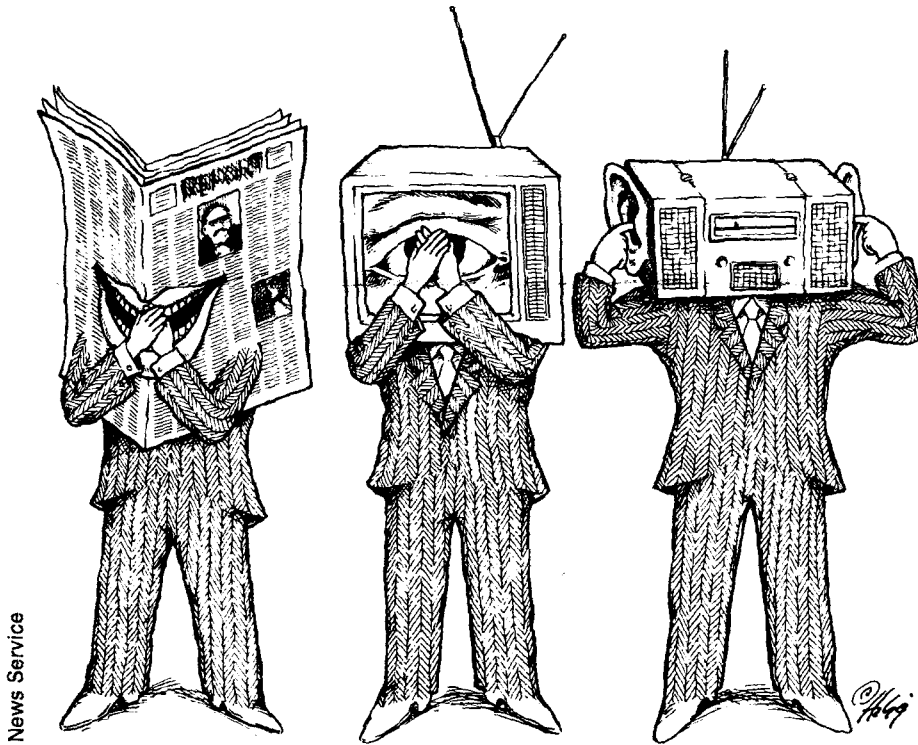
Shortly after 10 o'clock in the morning of July 3, a truck headed along a muddy little road from the Nicaraguan village of San Jose de Bocay, about 30 miles from the Honduran border and 160 miles northeast of Managua. The truck carried 33 people, all of them civilians, including 12 women and 12 children (of whom two were infants). Thirteen of the passengers came from the family of Castillo Lopez. The land mine that detonated under the truck killed 32 of the passengers instantly, blowing their bodies into the surrounding woods and leaving only a portion of the engine block intact. One person survived. The shock wave from the blast was felt in villages 15 miles away. Soldiers of the German Pomares unit of the Nicaraguan armed forces, hastening to the scene from Jinotega, were unable to find a detonating device. Nicaraguan officials later said they reckoned the land mine had been a U.S.-made M15 contact mine.

Consider for a moment what would have been the reaction in the U.S. media if such a land mine had exploded under a busload of Israelis—including 12 children—driving along a road in the northern Galilee. And having made such a consideration, now ponder what *did* appear in U.S. media. On July 3, TV screens and newspapers were saturated with material about the celebration of the Liberty Cult, a series of extravagant rites before an immense graven image erected a hundred years ago in New York harbor. As the Nicaraguan soldiers were picking up fragments of human flesh and bone from the woods on either side of the road from San Jose de Bocay, fragments blown there by a mine placed by men to whom the United States had just given \$100 million, President Reagan gazed at some ancient sailing craft, including a Chilean torture ship, and said, "Perhaps, indeed, the vessels embody our conception of Liberty itself—to have before one no impediments, only open spaces to chart one's course, to take the adventure of life as it comes."

The networks, in the days preceding Liberty Weekend, had not ignored Nicaragua. They had found time to mention the closing of *La Prensa*, and the exile of Father Bismarck Carballo and Bishop Vega. They did not find time to mention the murder of 32 men, women and children by the *contras*. CBS said later that there had been a foul-up and that no film had been available. NBC said that it had been preoccupied with the coverage of Liberty Weekend. ABC said nothing at all. Many newspapers similarly ignored this striking example of state-sponsored, U.S.-exported terrorism. Some ran a brief UPI story. The *Washington Post* and the *Boston Globe* both ran a story from Julia Preston, filed from Jinotega on July 4.

A familiar excuse of TV and newspaper editors for not covering an event is that deadline pressure or inaccessibility of the site prevented adequate reporting. Such excuses are invariably false. If a network or a newspaper wants to cover an event, it will do so, even if it means carrying a picture of Dan Rather talking on the telephone or talking to himself.

Bill Kenkeler of the *National Catholic Reporter* was one person who was stunned by the lack of coverage. He called around trying to find out what happened. Warren Hoge, foreign editor of the *New York Times*, told him, "It sounds to me like I made a mistake. I ran out of here July 3 for a long weekend. How many fatalities?" Kenkeler told him, and Hoge said, "Obviously, that's major. Let me check with Stephen Kinzer what happened to that story." In fact, the *New York Times* had run the UPI snippet on July 4 under the headline, "Nicaraguans Claim 31 Killed," and next to a long Kinzer story about the closing of *La Prensa*. On July 11 it ran



Pacific News Service

another story by Kinzer, presumably the result of Hoge's check. After noting that one of the immediate causes of the expulsion of Bishop Vega had been the failure of the Catholic hierarchy to condemn the explosion, Kinzer devoted himself to the task of trying to suggest that (a) the land mine may have been placed by Nicaragua's own armed forces, and (b)—contradicting the first supposition—"at least the victims of the explosion...were members of the Sandinista militia who may have been wearing olive green clothing." Sources for the allegations quoted by Kinzer included "diplomats" (i.e., the U.S. embassy), "a Latin American diplomat," and "reports circulating in the diplomatic community." Thus did the U.S. media celebrate Liberty.

## The World Court and the Bishop

Coverage of the World Court decision that found the U.S. guilty of violating international law by supporting the *contras* had some predictable convolutions. Here's how Tom Brokaw led off the *NBC Nightly News* on June 27: "Tonight's top story...involves a dispute over international law, the U.S. and Nicaragua. A beginning quote: 'We consider our policy in Central America to be entirely consistent with international law.' That was the Reagan administration response to a ruling of the World Court...." With this sense of news values, Brokaw would have started coverage of the Nuremberg verdicts with a quote from Hermann Goering's attorney.

Media coverage of the closing of *La Prensa* generally ignored the CIA's support of the paper, as well as its \$100,000 grant from the National Endowment for Democracy, a bipartisan project overseen by the U.S. Congress and, in practice, controlled in its daily operations and disbursements by Schachtmanite fanatics from the Social Democrats U.S.A. One may deplore the less-than-adroit timing of the Nicaraguan government in closing down *La Prensa* on a day when U.S. media might otherwise have been entirely preoccupied with the World Court decision. Some remarks by Peter Marchetti, S.J., longtime resident of Managua, quoted in a recent *Update* from the Washington, D.C.-based Central American Historical Institute, are worth considering: "In my opinion, the government didn't need to shut down *La Prensa* for reasons of internal security.... The suspension of *La Prensa* is clearly a message from the Sandinistas to the liberals [in the U.S.]

that [these same liberals] can't allow the Reagan administration to continue shattering international law while demanding that Nicaragua's government behave as if the U.S. were not waging war against the Nicaraguan people."

Coverage of the expulsions of Carballo and Vega was similarly vague as regards what prompted Nicaragua to throw Bishop Vega out of the country and prevent Father Carballo from returning from Miami. Meeting with foreign journalists in Managua on July 3, just as news of the land mine was reaching the capital, Vega justified U.S. aid to the *contras* and said, "The invasion of one side [the U.S.] is legitimated by the invasion of the other side [the Soviet Union], and by not taking into account the will of the people.... The blame for an eventual invasion would be in the hands of those who have sought support from a single bloc." Bishop Vega had recently made trips to Washington at the invitation of the Heritage Foundation and Prodemca, one of the major lobbying organizations behind the drive to win U.S. congressional support for the \$100 million.

## Suffer the Little Children

The use of small children is a standard feature of Reaganite festivities. At one point during Liberty Weekend, Henry Winkler conferred on ABC-TV with a small girl who presented pennies she'd saved while her father, a pilot, had been fighting for "justice" in Vietnam. Assuming her father had been bombing the peasants of Laos and Cambodia—activities which lasted as late as 1975—and assuming that the little girl began saving pennies no earlier than at three years of age, we have to reckon that she could be no younger than 14. The little girl with whom Winkler spoke was a lot younger than 14, which leads us to suppose that the words about her father fighting for justice may not have been hers alone.

Since the president and Mrs. Reagan are fond of reading out messages from small children, they might care to deliver this one on the next appropriate occasion: "Dear Mr. Reagan: Why did you kill my only sister Rafa and my friend Racha, she is only nine, and my baby doll Strawberry? Is it true you want to kill us all because my father is Palestinian and you want to kill Khadafy because he wants to help us go back to my father's home and land? My name is Kinda." This note was given to Charles Glass, ABC's correspondent in the Middle

East, when he was in Tripoli. He printed it in the *London Spectator*. Kinda al-Ghusein, age seven, was buried alive in the rubble of her family's house in Tripoli's Sharieh bin Ashour neighborhood when a U.S. bomb fell on it at 2:00 a.m. on April 15. The bomb killed her 18-year-old sister Rafa, who was home for the holidays from her school in England. Her father, Bassam, is a Palestinian engineer with Occidental Petroleum, and her mother is Lebanese. Both parents are American-educated.

After the public reading of Kinda's letter, Mr. and Mrs. Reagan might care to ask for a minute's silence for the children blown up in northern Nicaragua on July 3, and for the two children, five and 12 years old, who were killed on July 1 when *contras* threw a hand grenade into their home during an attack on the Pan-America Cooperative. The attacking *contras* made the victims' mother get the matches that were then used to burn down the house.

## Double Your Standard

Even at the time of the Soviet nuclear accident at Chernobyl, it was evident that our old friend the Double Standard was hard at work. Now a useful article by Tom Gervasi in *Deadline* makes a thorough review of the record. The Soviets took two days to disclose the accident, which was two days too long. The Western media lashed them for it, and spoke sonorously about Soviet traditions of secrecy.

It took 10 days for the U.S. to tell the world that American servicemen and Marshall Islanders had been exposed to high radiation from the first H-bomb test at Bikini in 1954; it was 45 days before the Atomic Energy Commission announced that a fire had taken place at Rocky Flats in 1969. Two earlier fires at Rocky Flats, one of which involved the release of a quarter of a ton of plutonium, were never reported to the public at all. It took more than a year to disclose the partial meltdown of the Fermi reactor near Detroit in 1966, though officials had secretly discussed the possible evacuation of 1.5 million people. It took 23 years for news to be disclosed of the meltdown that began at Atomic International's Sodium Reactor, 35 miles north of downtown Los Angeles. It took 37 years for the Department of Energy to release news of deliberate release of a radioactive cloud containing 5,000 curies of iodine 131 from the Hanford Nuclear Reservation in Washington state. The cloud ultimately drifted toward Canada, which was not apprised of the situation. Nor were Canadians alerted to partial meltdown of the same facility in 1966.

Contrary to U.S. reports, the Soviets did disclose details of the radiation releases. To this day there has been no satisfactory official data on the radiation released at Three Mile Island. The U.S. press said complacently that at Chernobyl there was no containment building surrounding the core, unlike the presumably safer and "more advanced" U.S. nuclear plants. It finally emerged that the Chernobyl plant did indeed have a containment structure designed to withstand pressures up to 57 pounds per square inch, making it stronger than one-third of all U.S. reactors.

Gervasi makes the important point that a directive from the White House in the wake of Chernobyl had forbidden officials from the Departments of Energy and Agriculture and from the Nuclear Regulatory Commission to discuss the accident. This was to be handled by the newly organized Inter-Agency Task Force. Having thus monopolized all government discussion of the disaster, Reagan's men hammered home the propaganda theme: "[The world] now sees not only how callously the Kremlin has handled this episode, but also, by extension, how dangerous it is to trust their good will on other questions, like arms control."