

# EPA squeezes the steel 'lemon'

A secret memorandum from the planning division of the Carter Environmental Protection Agency terms the U.S. basic steel industry a "lemon" and recommends that it be allowed to collapse. The release of the memo by Sen. Richard Schweiker (R-Pa.) occurred as President Carter announced his program to "revitalize" the steel industry on Sept. 30. "At the same time that Carter is moving to set up a new steel policy for the nation," said Schweiker on the floor of the Senate Sept. 26, "we see that top administration officials are ringing a death knell for this industry."

## Bid for votes?

An official at the Labor Department termed the Carter administration steel program "an election year plan aimed at getting votes," which will do little to revitalize the industry. Over the long run, the Labor Department official said, the industry will continue its collapse—"just like the EPA memo recommends."

The memo, drafted July 10 by a Franz Kok of the EPA planning division, is signed by assistant EPA administrator for planning and management, William Drayton, Jr. It states that "our analysis indicates that there is no need to maintain any more capacity than is required for defense purposes and to replace outmoded plants would be foolhardy—based on production cost the United States cannot compete in the raw steel market in the future.

"We therefore find ourselves at odds not only with the conventional wisdom of the time and the politically attractive point of view," the memo continues. "Nevertheless, we feel that it is vitally important that someone begin to make this argument. To offer subsidies to an industry in which the United States no longer has a competitive advantage would be the worst possible economic policy. It would be a drain on our resources and put us firmly on the road to lemon socialism. A

rational policy would allow the industry to gradually decrease in size, to inaugurate programs to provide transitional relief to workers and depressed communities and to provide incentives for diverting our resources to more promising industries.

"As I am sure you realize," the memo concludes, "espousing these policies will not make you the most popular figure around town. . . . I think that we have a great deal of groundwork to lay before we can spring these ideas full-grown onto the public."

## Administration denials

Carter administration officials deny that the memo represents official policy. "I categorically deny that these statements [in the memo] in any way whatsoever represent the thinking of anyone in the administration other than its author," said Al Brueckman, the steel officer in the Commerce Office of Policy Development.

Fred Knickerbocker, Brueckman's boss at Commerce and the senior executive in the Office of Policy Planning, said, however, that "there is widespread debate within and around the Carter administration" on the concept of shutting down what are termed "sunset" or declining industries such as steel or auto. Denials aside, memo author Kok is being "transferred" to the Commerce Department.

The EPA proposals are strikingly similar to those contained in an unpublished memo dated Aug. 4 produced by the Senate Democratic Policy Committee's Subcommittee on Industrial Policy. Aides to Sen. Adlai Stevenson (D-Ill.), who heads the committee, project a 50 percent cut in steel and auto employment over the next decade.

The latest figures for the steel industry show approximately 230,000 workers employed—less than half the employment level in 1953!

Steel industry spokesmen have steadfastly refused to commit themselves to any major capital investment program. The minor sops being thrown their way do not offset the high financing cost caused by Federal Reserve Chairman Paul Volcker's credit politics.

With the prime rate expected to soar to 15 percent and beyond, a Commerce Department official commented that "there is no basis to expect any real investment in steel. . . ."

Commerce official Brueckman, who was involved in drafting the Carter program, admitted that the basic steel industry in the United States is likely to continue its decline because of Volcker's policies. "But we are not committed to shutting down the steel industry like what is recommended in the EPA memo," he insisted. "Absolutely not. The industry may shut itself down, but it is not our policy."

Yet Brueckman staunchly defended the Volcker interest rate policy.