

Defense priority: Time to rebuild America's steel heartland

by Leif Johnson

For a nation that uses more steel in tin cans than it uses for all its armaments, the time has come to face rebuilding its steel heartland or else accepting Henry Kissinger's 1982 plan to reduce America's world influence to 25% of its post-war role.

The LaRouche-Riemann economic model projections for the first quarter of 1984 are that the United States requires a full 135 million tons of steel mill product capacity to fulfill our defense requirements. The Soviets currently have a capacity to produce 100 million tons, and their Warsaw Pact satellites add another 35 million tons.

The statistics of decimation

There are no unemployed steel workers in the Russian Empire—although much production there is highly inefficient. The picture in the United States is very different. Last year America produced 67 million tons, down from 100 million tons in 1979—only four years ago. In 1979, 491,000 people were producing our most basic industrial product. Last year only 242,000 were left. No one claims the reduction is due to enhanced productivity.

Examine the situation in the steel belt around Pittsburgh. From producing 24 million tons of raw steel in 1979, the furnaces in Pittsburgh, Youngstown, McKeesport, and Monongahela fell to only 10.3 million tons last year. Steel employment in the city of Pittsburgh dropped from 87,200 to 42,200.

While the 67-million-ton output of 1983 was slightly better than the 60 million tons of 1982, it turned out that the mills produced more of ordinary grades like flat rolled sheet for autos, but less of quality steels for heavy equipment, machinery, oil field equipment, and piping. Therefore, in value of product, there was a decline of as much as 5% in steel mill shipments.

This is occurring as the steel industry hastens to shut down its integrated capacity to produce high-quality steels from ore, moving towards the scavenger "mini-mills" which produce from scrap steel. At the same time, the industry is

integrating itself into a shrunken world steel market, specializing in certain product lines, but losing the capacity to produce a full range of mill products.

How much steel is needed?

Many military experts claim the United States could fulfill its defense requirements with as little as 50 million tons of steel—some say even less. Fifty thousand tanks require only 500,000 tons of steel; aircraft and missiles have even less steel; 50,000 military trucks adds up to only 200,000 tons of steel.

The fact is that only a small portion of steel required for defense goes into armaments directly. The overwhelming requirements are in what we call the "civilian sector." In order to produce and transport war materiel, vast quantities of steel are required for railroads, highways, bridges, industrial buildings, heavy construction equipment, machine tools, oil equipment, forgings, castings, stampings, merchant marine vessels . . . down to tin cans.

In World War II, far more steel was put into the Liberty and Victory merchant ships than into the entire naval fleet built during that war.

More steel went into the 3 million machine tools than went into all the jeeps produced.

Many thousands of bridges, urban water systems, railroads, and interstate defense highways now need repair or replacement. With this enormous steel deficit—hundreds of million of tons—the United States needs to produce at least 135 million tons per year.

As the LaRouche-Riemann study points out, to achieve that level of output requires the most advanced technologies like the ultra-high temperature plasma process. Where shall we locate the new steel mills?

The answer is straightforward: in the steel heartland.

America's steel industry was originally located heavily in the area around Pittsburgh and Youngstown, Ohio to draw on coal from Pennsylvania and West Virginia and iron ore and limestone from Minnesota. The transportation grid was

built up and a large skilled labor force was assembled.

With the most important ingredients, labor and infrastructure, already in place, all that is required is the new and rebuilt mills. That means that all the plants recently closed, including the 23 mills being shut by U.S. Steel and Bethlehem's Lackawanna plant, must be kept intact pending rebuilding.

Immediately, one of the biggest markets for the heartland's steel will be the steel plants themselves. Along with the bridges that must be rebuilt and the thousands of miles of rail lines refurbished, two of the nation's most strategic waterways will absorb hundreds of thousands, if not millions, of tons of steel.

The Lake Erie-Ohio River waterway

The first is the Ohio River, whose locks are in desperate disrepair. The second is the nation's most important new waterway project: the Lake Erie-Ohio River Waterway, a billion-dollar, 10-year project that will slash the costs of hauling iron ore from Minnesota to Pittsburgh.

At present, the ore is shipped from the Superior ore docks to Ashtabula, Ohio and hauled from there to Pittsburgh by rail. The 135 miles from Ashtabula to Pittsburgh, 13% of the mileage, takes 60% of the transportation charge. The new waterway, which includes a 72-mile stretch of the Allegheny River and 128 miles of the Monongehela River, would bring the iron directly by ship to Pittsburgh and beyond. It would also provide a direct water link between Cleveland and New Orleans.

The project was first seriously considered in 1947, but the Pennsylvania Railroad and R. K. Mellon of Mellon Bank—a founder, with the Rockefeller and Hanna interests, of the steel trust—killed it. In 1965 the Army Corps of Engineers made a detailed recommendation for the Erie-Ohio Interconnecting Waterway which was accepted by Ohio but defeated by then governor William Scranton of Pennsylvania.

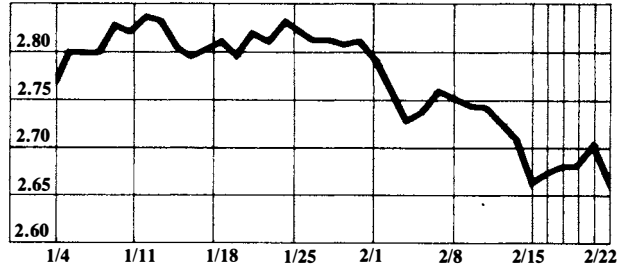
Just as the steel industry had defied President Roosevelt's World War II demand to increase output, and forced a showdown with President Kennedy in 1961 when the industry wanted to begin the "build-down" it is now engaged in, steel companies worked to block the waterway. One of the most vociferous "post-industrial society" forces demanding an end to the "smokestack industries" was the Academy for Contemporary Problems established in 1972 at the estate of Armco Steel magnate George Battelle. The Swiss Battelle family has spawned several leading anti-industry foundations including the Battelle Institute.

As exciting as reviving the steel-making capacity of the heartland is the effect on the metalworking industries in general. The machine-tool, forging, metal stamping, casting, die-making shops and factories, so desperately assaulted by the Volcker depression and flooded by imports, will instantly revive. That is fortunate, because they are just as important to national defense as are new steel mills.

Currency Rates

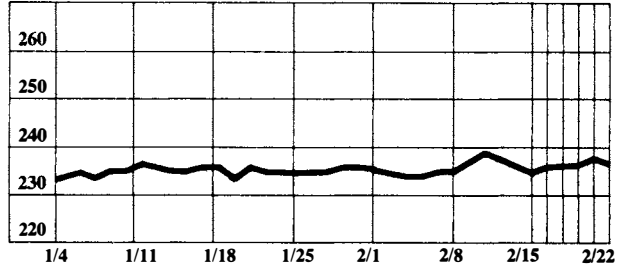
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New York late afternoon fixing



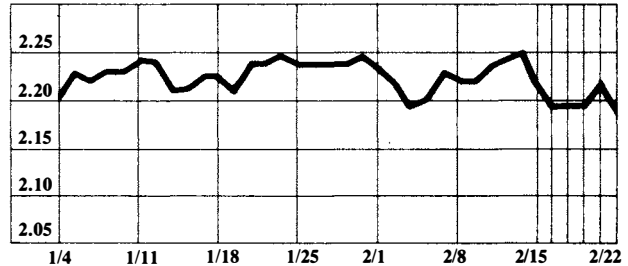
The dollar in yen

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The dollar in Swiss francs

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The British pound in dollars

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