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spending stays at such depressed levels — and this will be absolutely guaranteed by Carter's energy program. In reporting his company's miserable first quarter results, Edgar Speer, chairman of U.S. Steel, cited the industry's recent contract with the United Steel Workers and "other continuing cost increases that exceed expected gains in productivity." The real reason for the lagging productivity in the steel industry is the wretched condition of the industry's plant and equipment and the fact that it has continually postponed even desperately needed new equipment outlays because of its low earnings. Needless to say, with steel mills currently operating at around 80 percent capacity, the steel industry is scrapping its own plant expansion plans left and right. National Steel recently cancelled a $1 billion plant in Portage, Ind. U.S. Steel said recently that it was going ahead with plans to build a new $3 billion steel plant on Lake Erie, but after the announcement of Carter's energy program, that plan may well be put off indefinitely.

Declining productivity and rising unit labor costs are a problem for the entire manufacturing sector. No one in industry was impressed by the Labor Department's report last week that productivity in the total private sector rebounded to a 3.2 percent annual rate in the first quarter of the year. In the manufacturing sector, productivity dipped at a 0.1 percent annual rate, following a 0.2 percent rate of decline in the fourth quarter of 1976. As a result, unit-labor costs in the manufacturing industries soared at an 11.2 percent annual rate in the first quarter, following an 8.2 percent rate in the prior quarter.

Given these conditions, Lacey Hunt, chief economist at Fidelity Bank in Philadelphia, thinks manufacturers will have to make greater equipment outlays in the coming quarters — even though business confidence is thoroughly shaken by the Carter Administration's "regulatory mentality" — the energy program, its moves to slap down price controls in health care, etc. Hunt rules out of the question any new investment in plant expansion.

At present, the most optimistic of the economic forecasters are merely predicting a continued buildup of business inventories from present low levels. However, it

CORPORATE AFFAIRS

'Washington Forum' Panel Blasts Carter Energy Program

U.S. Chamber of Commerce chief economist Jack Carlson attacked Jimmy Carter's "anti-industry" Administration at an April 27 conference organized by the Washington Forum, a Washington-based consulting subsidiary of Drexel Burnham Lambert. Carlson joined other panelists in giving a unanimous thumbs-down evaluation of the Carter energy program.

"Practically every policy this Administration has offered is anti-investment," Carlson told an audience of investment managers. He warned, "Investment will be discouraged or be less productive because of higher interest rates; crowding out of private investors in good times because of higher government deficits, and more investment required for the same level of energy usage."

Carlson, a former Office of Management and Budget official, added that much of the 18 percent of industrial capacity on the books not in utilization can not be run profitably at current energy prices. A managed rise in energy costs, Carlson said, could permanently reduce capacity by a further margin.

Another panelist, Sen. McClure's energy aide Mike Hathaway, was even more emphatic. "You don't have to start off with a joke — there's already a joke built into" the Carter program, he said, attacking Carter's position on conservation as "misleading." Calling the program an "anti-energy message," Hathaway attributed the low energy growth rate perspective of the report to the Ford Foundation's statement, "A Time to Choose." He warned that "staff reports now circulating in the Carter Administration are saying that we don't need an energy growth rate at all...a fairy-tale land of conservation promises."

Energy Daily editor Llewelyn King, another panelist, said that Carter's energy message "is not an energy message. Energy is a matter of supply. Carter's program does little except bring together various conservation suggestions. On the supply side there is hardly anything, and what there is is very suspect. It does nothing for the electricity industry except burden it with enormous capital costs."

Hathaway gave a flat prediction that the Carter package would "collapse" in Congress. "The House package is going to be different from the Senate package, which is going to be different from the conference package," he said.

But the panel was less sure about the Administration's motives for presenting a program that seemed so dangerous and incompetent. *Energy Daily* editor King attributed the Carter program to the fact that Carter "has institutionalized those elements who are against energy supply, the environmental movement, the consumer movement, the counterculture..."

Cocktail conversation following the panel indicated that King's explanation was not sufficient. "It's amazing how little we know about the guy," a very senior official of a very large brokerage firm said of Carter. "Maybe he's paranoid. Maybe he's got ego problems. Did you see the *Times* article comparing him to (Admiral Hyman) Rickover? I don't know what to make of it..."

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