Click here for Full Issue of EIR Volume 12, Number 30, August 2, 1985

Wheeling-Pitt failure poses security threat

by Marianna Wertz

Wheeling-Pittsburgh Steel Corporation, the nation's seventh-largest steel producer with nine plants in West Virginia, Pennsylvania, and Ohio, filed for Chapter 11 bankruptcy reorganization on April 16 of this year.

On July 21, more than 8,000 Wheeling-Pittsburgh employees struck the company, the first strike against a major steel company since 1959 when the United Steelworkers of America (USWA) idled top steelmaking firms for a record 116 days. The strike was called in opposition to Wheeling-Pittsburgh's abrogation of its contract with the USWA, arranged under federal bankruptcy court proceedings, and to stop the company's announced intent to cut labor costs from $21.40 per hour to $17.50 per hour, with take-home pay averaging $8.10 per hour. The company has stated publicly that a prolonged strike will force it into liquidation.

The Wheeling-Pittsburgh story is nationally significant, not only because it is the first such strike in a quarter-century, and ends the no-strike pledge that USWA exchanged for higher-than-average wages in the 1970s. It is important because the firm has been virtually alone in the industry in its commitment to plant modernization, a commitment which so outraged its competitors and the international banking crowd, that they forced Wheeling-Pittsburgh into bankruptcy.

But most important, the bankruptcy and threatened liquidation is a national security concern for the United States. The adequate defense of America against ongoing Soviet war preparation, requires the building of Strategic Defense Initiative technology, as proposed by President Reagan in 1983, and the building of at least 1,000 MX missiles per year, as Lyndon LaRouche has recently proposed. None of this can be done with currently existing American steel capacity, let alone the capacity remaining should Wheeling-Pittsburgh be allowed to close its doors.

According to Wheeling-Pittsburgh's *1984 Annual Report,* a combination of a record surge in imports and "unprecedented price discounting" created its three consecutive years of losses, totaling more than $172 million. Only "drastic cost reductions," affecting Wheeling-Pittsburgh's unprecedented $500 million modernization effort, forestalled heavier losses.

The price discounting was carried out by U.S. Steel, Republic-LTV, and Bethlehem Steel, all engaged in "rationalization" of their own capacity, a polite term for blowing up blast furnaces and shutting down plants.

When Wheeling-Pittsburgh embarked on a comprehensive modernization program in 1979, including the installation of continuous slab-casting and bloom-casting capacity, it threatened the steel giants, and the big investment money behind them, enough that they launched the price war which brought Wheeling-Pitt to its knees.

Wheeling-Pittsburgh's creditors include 11 major U.S. and Canadian banks, and 13 insurance companies. The firm owes $514 million to what could properly be called "Dope, Inc." of North America. Four of Canada's five largest banks, all documented by *EIR* and other sources to be heavily involved in financing the international drug trade, hold over $184 million of that debt. Three Morgan-money insurance companies, Prudential, Metropolitan, and Aetna, lead the insurance creditors cartel now dictating policy to Wheeling-Pittsburgh.

An inside operation run by the top New York investment firm, Lazard Frères, actually forced the firm into bankruptcy, despite the union's and Wheeling-Pittsburgh's better intentions. The USWA hired Lazard Frères as its financial consultant during initial negotiations with the company. Lazard Frères representative David Supina counseled the USWA "not to rush" into a new contract agreement—which he knew to be the sine qua non of Wheeling-Pittsburgh's survival.

On April 15, the union, on Supina's advice, rejected a proposal by the creditors' cartel that attempted to restructure the debt and mortgage the firm's current assets, an estimated $300 million. One day later, Wheeling-Pittsburgh declared bankruptcy.

On July 23, Wheeling-Pittsburgh's majority stockholder, Alan Paulson, who is also president of Aerospace Technologies in Savannah, Georgia, successfully petitioned the court to form a stockholders' committee in opposition to the board's efforts to pay off its creditors in company stock, which would effectively liquidate the company. His petition was joined by the USWA and the Securities and Exchange Commission.

Short of success in such an intervention, the question must be asked: Cui bono? The union is being asked to self-destruct; the firm is close to liquidation; $500 million in modern plant and equipment is threatened with sale for scrap. The real loser, should Wheeling-Pitt go under, is the United States and its national security. The real winner is the Soviet Union.

EIR readers will recall that Lyndon LaRouche, in his 1984 presidential campaign, pointed to precisely this kind of problem emerging in the steel industry, and called for nationalization under the National Defense Preparedness Act, based on the precedent of the World War II American defense mobilization. What must now emerge if American interests are to be served is a unified management-trade union coalition that will define itself in support of such a federal intervention, in contrast to the current USWA/Dope, Inc. position.

© 1985 EIR News Service Inc. All Rights Reserved. Reproduction in whole or in part without permission strictly prohibited.