

out by Alexander Hamilton and his intellectual descendant Henry Carey, the two union leaders demonstrate in their interview that the Japanese, by taking the American System as their own, have emerged, almost in the place of the United States, as the major political force and spokesman for the Hamiltonian principles of progress and technological development everywhere.

The drivel that the Japanese success is based on exploited, low-wage workers is just not true, the two steel labor leaders explain, pointing out that the Japanese steelworker enjoys a standard of living comparable to that of his counterpart in the United States. The interview, a remarkably frank acknowledgement by U.S. labor leaders of the grossly deteriorated condition of a basic U.S. industry, asserts in so many words that the U.S. must return to the American System principles by adopting the Japanese model for upgrading and modernizing its industry.

Its appearance in the recent issue of the Steelworkers' paper signals to American business and industry forces the possibility of building a visible mass-based constituency for policies of industrialization and high-technology exports.

What the two steel labor leaders propose, in fact, is diametrically opposed to the official trade war and protectionist ravings of the AFL-CIO. AFL-CIO Secretary Treasurer Lane Kirkland and Industrial Union Division head Jacob Clayman have repeatedly called for Smoot-Hawley tariff measures against particularly Japanese steel imports to "protect" American jobs and safeguard the American steel industry. As is indicated by the example of the Japanese case, the Kirkland-Clayman formula spells not prosperity, but disaster for the American worker and U.S. industry.

The publication of the Petris-Marnati interview signals an intensification of the bitter struggle between growth-oriented USWA forces grouped principally around Vice President Joseph Ordersich and sections of the USWA leadership, including President Lloyd McBride, which are manipulated by Kirkland. McBride, since his election last year, has become an increasing disappointment to especially those sections of the Steelworkers who supported his candidacy on the basis of his explicit commitment to industrial development policies. McBride's recent mouthings of Kirkland's protectionist and deindustrialization formulas,

exemplified by his public support for solar energy, is producing a crisis in the union's leadership.

The factional situation in the USWA parallels the fracturing of the allied Building Trades and Teamsters unions along the same lines. The factional lineups in these giant labor organizations are as sharply drawn as those inside the Steelworkers, with the major notable difference being that a greater portion of IBT and Building Trades leadership has moved publicly in favor of technological development and economic growth. USWA, IBT and Building Trades leaders have collaborated, albeit in a limited and unofficial fashion, on such important U.S. policy questions as nuclear energy development. The results of this allied activity, however, have been undercut by these officials' on-the-record endorsement of Kirkland's policy line.

In the USWA, McBride's backtracking is preventing the potentially powerful union from linking up with its allies in industry and among the American public generally. Under these circumstances, Vice President Ordersich, who has led the Steelworkers' fight for nuclear energy development and the Clinch River breeder reactor, has become increasingly vocal against Kirkland's policies. However, Ordersich has so far refrained from taking on the problem of McBride's misleadership, preferring to conduct his fight behind the scenes. If continued, this tactic will at best simply perpetuate the crippling stalemate between the AFL-CIO's Kirkland and the sections of the Steelworkers' leadership manipulated by him, and those USWA leaders committed to growth and modernization.

In the long run they will ensure defeat for Ordersich.

McBride is by no means committed to Kirkland's policies; his unseemly behavior on behalf of Kirkland is no doubt prompted by a considerable amount of armtwisting and intimidation. To get McBride back on the track of a sound Hamiltonian strategy, a position McBride is known to be personally committed to, requires a move by Ordersich and his allies outside the USWA to bring the policy struggle in the Steelworkers union into full public view where the full weight of the Steelworkers' membership and their allies in industry can be brought to bear. Under these conditions of support McBride can be forced to speak openly on behalf of his own personal commitment to growth, and in the broader interest of the trade union movement.

— Matthew Moriarty

Japan's Steel Industry: An Ultra Modern Complex

Following is the full text of the Petris-Marnati interview from the May 1978 edition of Steel Labor Today.

Los Angeles — By far, the most spectacular growth in steel-making capacity of the world has been attained in Japan, which now has an estimated 11.5 per cent of the world's steel production but which consumes just a bit more than one-half of this steel tonnage domestically,

relying heavily on export to nations like the United States. But it restricts most foreign products from its market.

Imports are a major concern of American industry and the USWA, whose members have experienced considerable unemployment and underemployment attributable to increased steel imports from Japan.

In March, a delegation of USWA officials and local union officers visited Japan as guests of the Tekko Roren

steel union federation to its convention. While in Japan, they visited the most modern of its steel plants, the Ohgishima facility of NKK Nippon Kokan Corp.

Two in this USWA party, Robert J. Petris, director of USWA District 38, and Al Marnati, president of USWA Local 2869, Kaiser Steel, Fontana, Calif., were interviewed about their experiences by a STEEL LABOR reporter upon their return from Japan.

"What general impression did you gain about Japan's steel industry during this visit that you didn't have before?"

Petris: "It's unbelievable! The way they are making steel at the new works we visited appears to me to be at least five to 10 years ahead of anything we can build here in America even if we start right now."

Marnati: "Where I work, Kaiser Steel in Fontana, it's one of the more modern mills in America. The big mill I visited in Japan is ahead in every way of anything we

have at Kaiser. We're way behind and I don't know why."

"You, Mr. Petris, worked in the Bethlehem plant in Seattle. How would you describe the Japanese way of making steel with what you experienced as a worker and now as a union director?"

Petris: "Whatever else, the biggest single difference is the kind of engineering, plant technology, the size of the blast furnaces and the computerized processes that they employ compared with what I was used to working with and what I see here in America today. They must pour far more money into the steel business than our American companies do. I don't see how we can compete with such a modern steel complex with our worn-out facilities."

"Are you saying that they make steel at a lower unit cost than we do?"

Petris: "I'm not an economist, but when I see a

Md. Rep.: Build Counterpole for "Era of Prosperity"

Maryland legislative delegate Casper Taylor (D-Allegheny-Washington counties) released a press statement on June 12 calling for the formation of a progress oriented counterpole to "maximize the thrust of Maryland's economic and industrial development."

Taylor cosponsored, with the U.S. Labor Party, a resolution calling on the federal government to expand the Export-Import Bank and increase the production of nuclear energy (HJR-95), which passed the Maryland legislature and was signed in May by Governor Lee. Since this time, Delegate Taylor has emerged in Maryland as a leading spokesman on energy and economic policy.

In the press release reprinted below, Delegate Taylor urges the legislature to work with private sector leadership in energy and economic policy, including cabinet-level participation by labor, industry, and energy experts like the Fusion Energy Foundation.

"I see these three steps as necessary to the implementation of Governor Lee's Five Part Strategy for Economic Development. For success, the executive Branch, the legislative branch and private sector leadership must work together."

Step one is a proposal to President Hoyer and Speaker Briscoe that a conference on "Energy, Industrial Development and Environment" be held for the new legislature prior to the 1979 session. "The legislature must be exposed to private sector leaders in industry, energy and environmental programs in order to properly legislate for a future of sound growth."

Step two is a proposal to the Department of Economic and Community Development regarding the cabinet-level council on the economy. In a letter to Secretary Cahan Delegate Taylor said "I would hope that those executive-branch leaders involved in economic development, environment, energy and transportation will be joined in a cabinet-level council by pro-

portionate representatives of the Legislature and a representative of the Chamber of Commerce, the AFL-CIO, The Metro Center, the Fusion Energy Foundation, the Greater Baltimore Committee and the Regional Planning Council." Delegate Taylor argues that the private sector and the legislature must be a part of the economic effort from "the top down" if Maryland is to pull together all of its talents and resources.

Step three is a proposal to President Hoyer and Speaker Briscoe that the scope of the Joint Committee on Energy be expanded. Delegate Taylor states "from my experience as a member of the Energy Committee I see an opportunity for the legislature to address the issue of energy in a broader context. When the committee dealt with HB1164 (the air quality control standards bill) it was dealing with energy in a context involving environment, and economic/industrial development. The experience made us aware that energy legislation necessarily has major impact on economic development, the economy in general and the environment. The technical and scientific community must be a part of this legislative effort. Since the committee combines both Senate and House members as a standing unit, its mandate should be enlarged to the "Joint Committee on Energy and Development."

Governor Lee acted correctly in signing HB1164 relaxing air quality standards to match the federal standards. He also acted correctly in proposing the Five Part Strategy for Economic Development. It has the potential for creating a new era of sound growth and prosperity in Maryland. "In my judgment, the above three steps are necessary to unify all branches of state government with the private sector to insure our success in expanding industry and jobs, and enlarging the tax base so the individual tax burden is reduced."

straight-line system of production from the self-contained harbor, where the basic ingredients arrive from literally thousands of miles away, to the final product shipments by Japanese-owned freighters, it tells me that they haven't missed a single trick in increasing their productivity."

"Is it all just more modern technology or does labor work harder in Japan?"

Marnati: "Our workers at Kaiser work just as hard and maybe are even more adept but we just don't have the wonder tools of technology they use in Japan. There is no doubt that they rely on machines far more than on human effort."

Petris: "Let me add. For instance, the older works of Keihin, which is now being replaced by the new wonder-mill on the man-made island, used to have 18,000 workers. The new mills will employ less than 9,000 and put out more steel. That's at least a 50 per cent reduction in manpower."

"But it's been said that Japan steel workers have a full employment guarantee?"

Marnati: "They get them to retire earlier than we do here. I think at 55 you have to retire in Japan. They also spread the workers around to other industries. In the last couple of years, the number of steelworkers went down in Japan. They are having somewhat of a depression there, too. They use attrition as a factor for maintaining the level of employment. Somewhat like we do in this country. The only difference is that their government plays a bigger part in the industrial process."

"What about the government of Japan, does it play a more dominant role in the industrial development and in labor relations than ours does?"

Petris: "It's very difficult to compare the two systems but it's obvious that the Japanese government acts differently towards industry and labor than ours does. Many of the benefits the workers receive, for instance, come from direct government programs. Far more than in this country, the Japanese government assists industry and encourages growth and development. But Japan's government probably has a bigger voice in decision-making than our industry would allow. As for labor relations, the Japanese unions have been doing quite well for their members and maybe are less dictated to by government than we are here with such laws as the Taft-Hartley."

Marnati: "The unions are different there. They have several unions in a single steel plant. I didn't learn too much about their strikes but I understand that the steel workers protest in a different way than we do. They get the message across to management by wearing a red cloth around their forehead during breaks. That just wouldn't get any attention from Kaiser management."

"Did you feel that there was a spirit of competition between the Japanese steel workers and yourself, the American workers?"

Petris: "Not at all. They want to maintain a close friendly relationship with our union and they do. The problem of trade is something that can't be resolved by the unions. That's something our industry and government must address itself to."

"But if they can produce high quality steel at a lower

cost than we can why won't they soon get a bigger part of our market and cause more job losses here at home?"

Petris: "I feel we can match their technology if we start pouring some of the capital into steel making rather than into some of the other side businesses our domestic steel companies have been going into. We may need some help from the government in form of loans, but once we modernize our mills we will have a competitive advantage over Japan, and, for that matter, over any other nation as far as steel making goes."

"We will also need to concentrate on exports just as Japan does now. For that reason and because we import much of our resources from abroad, we need an American merchant marine fleet. We gave up that advantage years ago and we have lost as a result the advantage Japan now enjoys with its efficient cargo hauling. When we do catch up with the rest of the modern steel-producing nations, however, we may have a new problem on our hands."

"What problem is that?"

Petris: "Obviously a more technologically advanced industry means more automation and less workers per unit of production. I believe we can match the growth in technology with a full employment economy but it will take a different attitude on the part of our industry and our government."

Marnati: "The Japanese workers have almost caught up with us on wages and benefits if we add everything together — what they get from their government, from their company. They have such things as family allowances, housing grants, and others. They do pretty well. They work about the same total hours as we do and have a lot of paid time off. I don't think it's the wage or benefit differences that makes them able to sell for less on the American market."

"Is it your opinion that Japan will continue to automate even more and will be able to outproduce even our best effort?"

Petris: "Well, they've done wonders but there are limits to any growth potential and certainly to theirs. One big one, in my opinion, is energy. They import almost every bit of their energy and it's very costly to them. By automating their steel making and having industry run by computers, Japan is substituting energy, which it doesn't have a lot of, for labor, which it has plenty of. The equation is already strained. Unless I see things upside down, Japan is far more vulnerable to any energy crises than even we are. What goes for energy also goes for natural resources needed to make steel. We are in a better position to maintain our competitive advantage."

"It is often said that the Japanese don't have the rigid safety laws or the tight pollution requirements that we have and that those are big savings for their steel industry as compared with ours."

Marnati: "That's a myth. The mills are newer in Japan and they are far, far cleaner than ours. As for pollution, they have us beat a hundred times over. They use more efficient ways of collecting the dust, smoke, and they quench their coke with a dry system that we don't have. Believe me, they have cleaned up their workplace, inside and out in the mill we visited. As for safety, I don't have any figures but I can see that their

setup would be safer than under our more antiquated processes."

"Would you say that the Japanese are more advanced in living conditions than we are?"

Marnati: "You should try their traffic! It's nuts! It's brutal! They seem to eat and dress well, but they have slums like I've never seen in America. The average worker at Kaiser lives in a palace compared with the small boxes the Japanese workers live in. They have a lot of people and very little space; that makes a difference. Also, we here have a different standard that must still be the greatest in the world."

U.S. Steelworkers Meet America — In Japan

The most striking feature of the USWA leaders' reaction to Japan's advanced steel-making technology is that it is exactly the reaction that Japanese had when they visited the United States and Western Europe for the first time during the 1850s. Then, the Japanese saw buildings more than one story tall, machinery, railroads, and heavy industry, including the rapidly expanding American steel industry. They went back to Japan determined to create at home what they saw in the U.S.

They succeeded. Consciously using the ideas of Alexander Hamilton and Lincoln's advisor Henry Carey, Japan transformed itself within 100 years from a feudal backwater into the third most powerful economy in the world. What the Steelworker leaders were impressed by in Japan was the American System, which Japan adopted from this country in the middle of the 19th century.

The USWA were most impressed with Japan's technology, and for good reason. Japan's oldest steel plant was built in 1962, unlike the U.S. where many plants are 30-60 years old. Embodying the latest techniques, the furnaces are much larger than those in the U.S., providing for economies of scale. Japanese mills can produce steel using 30 percent less iron ore and coking coal per ton — Japan's answer to the zero growthers' "limits to resources" arguments.

Thus, despite a marginally lower living standard, the Japanese steelworker can produce more steel per manhour than the U.S. workers. This is not because he sweats more, but because he has been given the tools to do the job. Most amazingly, despite their huge investment, Japan now wants to shift steel making for its economy into the developing countries so that it can move on to even more skilled industries, e.g., computers and nuclear reactors.

MITI's Role

Protectionists in the U.S. have charged that Japan's government and banks subsidize its exports, thus creating unfair competition with industries that produce under "free enterprise." That charge distorts something which is quite real: Japan's postwar miracle was created by a dirigist cooperation of industry, finance, and government — characterized by government oversight of credit flows to industry — and could not have occurred without it. Without that Hamiltonian dirigism,

Petris: "For a nation that came out of a devastating war and one with very limited natural resources, Japan is a modern wonder of the world. We, of course, helped it develop. We have considerably more advantages. We must get going right now so that we can make even greater progress. I view the Japanese experience as a challenge to America and not as a threat. After all, the world needs the genius of both nations. Once we achieve fair trade and get some new fresh thinking from our industry and government moguls, we'll regain our share of the domestic and world markets."

Japan today would be an economic wreck — something like the Isle of Britain. It is no accident that "British disease" is an epithet commonly used in Japanese government documents.

Following World War II, Japan's Ministry of International Trade and Industry (MITI), led by men of the Hamiltonian tradition in Japan, targeted steel, auto, and electric power as the strategic industries to be developed as the key to postwar recovery. While some Americans wanted Japan to concentrate on textile exports, Japan viewed expansion of its textile industry as only a temporary stage on the road to more skilled industry. Low-interest government- and partially-government-backed bank loans were provided to the steel, auto, and energy sectors. As these industries grew sufficiently to "stand on their own feet," the locus of special efforts moved on to the new frontier industries. MITI set up joint public-private development corporations for nuclear power and petroleum exploration, among others. At that point the only "subsidy" established industries such as steel received was the knowledge that the government's continued dirigist policy would produce accelerating 18 percent-plus economic growth rates, ensuring a market for their products. This encouraged high capital investment by industry — leading to capital formation rates of 30 percent of GNP.

Besides the government, frontier industries are sponsored by private banks, particularly the Industrial Bank of Japan (IBJ), founded in the 1890s on the model of the anti-Rothschild French bank, the *Credit Mobilier*. The computers industry has been especially supported in recent years.

The Japanese dirigists have always recognized that the industrialization of all of Asia was integral to Japan's continued development. A business advisory group to MITI called the Industrial Structure Council — whose members include the chairman of Nippon Steel — pointed out in 1971 that Japan's ability to move to a fusion power-based economy was dependent on a global division of labor which required the industrialization of the developing countries. Now the government and banks like the IBJ are promoting export of whole factories to the developing countries. They hope to get U.S. partnership in this venture.