EIRNS/Andrew Spannaus

An abandoned Bethlehem Steel plant in 1999. Scavenger Wilbur Ross picked up parts of the company, which once employed 13,000 workers.

pany, with over 6,000 employees.

From that point on, the basic trajectory of Weirton was downward, punctuated by layoffs and cutbacks. When the company finally filed for bankruptcy in 2003, it was down to 3,500 employees, and it had gone through two major reorganizations, which reduced wages, froze pensions, and slashed health benefits.

What remained of Weirton was ultimately acquired by senior Rothschild figure Wilbur Ross's predatory International Steel Group, and was then handed over to the London-based Mittal Steel, which promptly shut down the mill's blast furnaces and reduced the work force to under 900.

Weirton's parent company, National Steel, declared bankruptcy in January 2003, and was subsequently acquired by U.S. Steel, which then announced that it was planning to lay off over one-fifth of the employees of the augmented company, and would not assume the contractual obligations for retiree health benefits. Lazard was National Steel's investment advisor during the bankruptcy proceedings.

LTV/Bethlehem

Lazard's early involvement with Cleveland-based steelmaker LTV is of particular interest, since this paved the way for Wilbur Ross's purchase of LTV, as his first step toward creating the International Steel Group (ISG).

LTV Steel was the nation's second-largest steelmaker in 1984, a result of Ling-Temco-Vought's takeover of the Pittsburgh- and Cleveland-based Jones & Laughlin steel company, and then a merger with the Cleveland-based Republic Steel. In 1986, the United Steel Workers of America hired Lazard to initiate an audit of LTV—conducted by the Arthur Young accounting firm—which pronounced the company bankrupt! By the end of the year LTV had filed its first Chapter 11 bankruptcy. While in Chapter 11, LTV pioneered the practice of dumping its pension obligations onto taxpayers, as well as cutting back on health benefits.

In 1989, Lazard, working with the USWA, designed an ESOP for the bar steel division of LTV, which was then spun off as Republic Engineered Steel.

After LTV emerged from bankruptcy in 1992, it took a U.S. Supreme Court decision to force it to reassume its pension obligations. Over the decade after its 1984 bankruptcy, LTV reduced its steel-making capacity from 24 million tons a year, to 10 million.

Bankruptcy Code Revamped To Wreck Industry, Labor

Reorganization of a distressed company under Chapter 11 of the U.S. Bankruptcy Code—once an instrument for the protection of the General Welfare—has become perverted in recent years into a tool by which "vulture capitalists" and foreign financiers such as Felix Rohatyn's Lazard Frères, can take over industrial firms, dump their pensions and health-care programs, tear up union contracts, and then sell off the assets at a handsome profit.

The modern form of corporate reorganization under Chapter 11 came into being as part of New Deal legislation under Franklin Roosevelt. The intention was to provide an equitable mechanism, by which the dead weight of old debt could be put aside, allowing an otherwise-viable firm to continue in business and to keep its employees working—for the benefit of the common good. The priority was put on keeping the factory's doors open and its workers employed, if the company was viable but for the burden of past debt.[1]

Today, as the case of Delphi shows, this has been turned on its head. The 1978 Bankruptcy Reform Act allows the management to continue operating a company

1. "A Short History of Chapter 11: Model for a Bankrupt Economy," *EIR*, Jan. 25, 2002.

In 2000, LTV declared its second bankruptcy, and, as part of its liquidation, it sold its Cleveland and Chicago production facilities in 2002 to the vulture fund WL Ross & Co., which soon became the International Steel Group. Bottom-feeder Ross, executive managing director of Rothschild Investments LLC for 26 years, specialized in "distressed" companies.

In the short time that Ross owned ISG, it was used as an instrument to decimate what remained of the U.S. steel industry and its workforce. After Ross acquired the assets of LTV, the scavenger then rapidly picked up pieces of Acme Steel, Bethlehem Steel, Weirton Steel, and Georgetown Steel, all between 2002 and 2004.

Bethlehem was the big plum of Ross's acquisitions, with its 13,000 workers and a large portion of the remaining U.S integrated steel-making capability. Earlier, in 1996, when talk of at least a partial shutdown of Bethlehem was already in the air, the USWA had hired Eugene Keilin to represent its interests.

Lazard Is Steve Miller's Daddy

In 1984, Felix Rohatyn co-authored, along with AFL-CIO President Lane Kirkland, and DuPont CEO Irving Shapiro, a policy paper called "Restoring American Competitiveness: Proposals for an Industrial Policy." The report states at the outset that "Professor Lewis B. Kaden of the Columbia University School of Law served as the Director of our Study Group. We are also grateful to the assistance provided by Eugene Keilin and Josh Gotbaum, Lazard Frères & Co."

Kaden, who joined the old-line Wall Street law firm of Davis Polk & Wardwell at that time (1984), was brought onto the Board of Bethlehem Steel in 1994; during his decade on Bethlehem's Board, its stock price plunged from $24 a share, to nine cents. Then, in 2001, Kaden recruited Steve Miller—now the CEO in charge of destroying Delphi (see below)—to become CEO and Chairman of Bethlehem Steel. Miller, naturally, knew nothing about the steel industry, but he knew a lot about what the bankers wanted. Within three weeks,

as a "debtor-in-possession" (DIP), rather than having a court-appointed trustee run the firm, and its gives an almost absolute priority for repayment, to interim loans made to a company in Chapter 11 reorganization, over all other creditors, including employees. Today, any big firm going into Chapter 11 reorganization already has new financing from major banks lined up at the point of filing its Chapter 11 petition.

Utilizing these changes in the law, Wall Street law firms and investment banks have taken over bankruptcy proceedings involving large industrial corporations. By using "debtor-in-possession financing," and/or by buying up claims, they are scooping up manufacturing firms at the heart of the U.S. economy, trashing union contracts, dumping health-care and pension plans, and then stripping their assets and selling them off to the highest bidder.

In an interview last year with *EIR,*[2] professor and author Mark Reutter described how this looting process emerged. "This began in 2001 in the steel industry, and resulted in major changes in that industry, and then has spread to the airline industry—where today, four of the seven major U.S. carriers are in Chapter 11—and is now spreading, in recent weeks, to the auto-parts industry," Reutter said. "And the people who are involved in the voluntary bankruptcy of auto-parts maker Delphi Corp., are the very same people who profitted enormously from the Chapter 11 bankruptcies of the steel industry three years ago."

Reutter spoke of "a new breed of corporate manager," personified by Steve Miller, now the head of Delphi, who "makes his living taking large companies in and out of bankruptcy." Reutter noted that Miller had previously put Bethlehem Steel in and out of bankruptcy, and that he was also instrumental in putting Eastern Airlines into bankruptcy.

And on the "receiving end" of the bankruptcy, Reutter pointed out, are "vulture capitalists" such as Rothschild's Wilbur Ross, "a billionaire, who made well in excess of $500 million buying Bethlehem Steel from Steve Miller, and then selling it, several months ago, to the Mittal Steel Corp. in the Netherlands."

"Delphi has millions of dollars of cash flow coming through its system every week," Reutter said. "These vulture capitalists want to get that flow directed to them."

In the accompanying article, we cite the case of the bankruptcy of Hawaiian Airlines, run by Joshua Gotbaum, where the *sole purpose* of the bankruptcy was to break existing leases and contracts; creditors got paid in full, stockholders saw their shares *increase* in value, and Gotbaum and other parasites running the reorganization walked away with millions in their own pockets.

But there is more than mere greed at play here.

In the case of Lazard's Rohatyn, and Rothschild's Wilbur Ross, we are looking at evil operatives who are literally agents of a foreign power: the Synarchist financial oligarchy which is strategically committed to destroying the United States as an industrial power.

—Edward Spannaus

2. "The Delphi Case and the Misuse of Bankruptcy Law," Interview with Prof. Mark Reutter, *EIR,* Nov. 11, 2005. An expanded version of the *EIR* interview is posted on Prof. Reutter's website: www.makingsteel.com.