

# The Ongoing Crisis in the Steel Industry and the Coming Capitalist Offensive

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STRUGGLESSESSIONS



## **The Ongoing Crisis In The Steel Industry and The Coming Capitalist Offensive**

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In the context of the general transformations of US imperialism during the most recent economic crisis, the owners of US Steel are carrying out a program of restructuring in a renewed attack on steel workers. US Steel is the second largest integrated steel producer in the US. With the pretext of low profits due to declining steel prices from the economic crisis, restructuring will look like the shutdown of investments, increased exploitation in the mills, and finally an outright attack on jobs and wages. Even as the economy begins to recover from the economic crisis, US Steel and the rest of the steel industry in the US will continue running under capacity in the long term due to the ongoing global crisis in steel production.

Steel production and finishing is a basic industry relying on capital-intensive labor, and holds a strategic importance in the US economy along with other basic industries—energy, mining, auto and military production. It therefore cannot be totally exported to the oppressed countries and still plays a significant role in the US economy. The position and activity of the proletariat working in the steel industry will therefore play an important strategic role in

the economic and political struggles of the US proletariat generally, and will invariably become a strategic locus in the struggle for power against US imperialism.

Workers are up against the combined political might of the capitalist class, though it seems at first like simple economic adjustments are taking place. Faced with the onslaught of the capitalist ruling class, the now-dominant forms of struggle where the union bureaucracy negotiates defeat after defeat while the unorganized workers compete with each other in a race to the bottom is untenable.

The key deadline for the US Steel workers in Gary, Indiana and the steel region of western Pennsylvania will be the contract in the autumn of 2022. This is something that CEO David Burritt and his statisticians working in labor management are aware of, and they are already preparing to reach that deadline in a strong position. Analyzing the movements of the capitalists in preparation for such a deadline is absolutely necessary to prepare an organized counter-attack from the workers.

## **The Economic Depression**

The 2020 economic crisis was a crisis of overproduction, which is a basic feature of capitalist production. Its roots lie in the contradiction between the social nature of production and the individual accumulation of profit by private owners who enter competition with each other in the market using their workers as soldiers. In this competition, each monopoly tries to gain an edge over their competition by introducing new techniques to produce ever greater volumes of the commodity, resulting in a decrease of the purchasing power of the workers as they are replaced by machines and greater automation. The capitalist economic system does not have any unified plan to determine the necessary amount of slab needed, and instead production is determined by a few hundred individuals who treat their investments as their private business and their business as a war machine against other capital-owning individuals.

This anarchy of production results eventually in the contradiction between production and consumption reaching fever pitch: the capitalists, in their drive to increase sales and drive down the costs of doing so, produce too much product which the masses of workers, increasingly pushed downward, cannot buy. Consequently, the capitalist class is forced to drastically shutter operations and annihilate the wages, benefits, and jobs of the workers to restore profitability while waiting for prices to go back up.

Workers of course do not buy steel slabs directly. But the relationship and interdependence of economic sectors results in slab being hit. For instance, global automobile production dropped by 16% last year and most US production was halted as people could not afford to buy cars and appliances. [1] Likewise, building construction stopped in many parts of the country, leaving half-completed homes, offices, and retail space. Natural gas and oil drilling halted as the price of oil dropped. [2] All of this meant that coils, beams, and slabs of steel were stockpiled in the yards of mills throughout the US and, following the crisis, will mean an accelerated attack on steelworkers.

In 2019—before the crisis “officially” began—US Steel announced the idling of the Great Lakes Works, laying off 1,545 workers on Zug Island near Detroit. In response to the declining demand for steel piping for gas drilling, it closed its tube mills in Lorain, Ohio and in Lone Star, Texas and announced it would idle its tubular operations elsewhere. It idled its blast furnaces and mills at the Gary Works in Indiana and its Granite City Works in Illinois. Cleveland-Cliffs, their main competitor, laid off 343 workers and idled two of its iron mines, in spite of claiming the newly acquired facilities would not have layoffs at them. For their part, US Steel said that these were temporary shutdowns before announcing that it had no plans of reopening them.

By April 2020 steel mills were only operating at 56 percent capacity, with US Steel reporting losses of \$591 million and sending layoff notices to 5,600 workers. [3][4] New production was soon completely postponed as a response to the decline in demand. Even prior to the announcement of coronavirus quarantine restrictions, the price of hot-rolled coiled steel, an industrial

benchmark for how commodities overall are doing in this sector, fell to as low as \$468 per ton at the end of 2019. It would remain at below \$500 a ton until August, as prices further dropped as demand dried up. Revenue fell from \$12.9 billion in 2019 to \$9.7 billion in 2020. [5]

Today steel prices are reaching new highs yet US Steel continues to run at a cautious capacity and are remolding operations—why is this?

## **The Permanent Crisis In Steel**

While the recent economic crisis lasted over a year and is now just starting to recover, another one had been happening for decades. The high productivity of the steel industry—caused by the introduction of machinery, longer workdays and a higher pace of work, increasing the time the worker spends on the boss rather than on his or herself—has progressively devalued steel. This has sharpened competition nationally and internationally with imperialist contention. Straight from the mouth of the capitalists themselves, ArcelorMittal noted in its 2015 United States Integrated Report how the industry has changed:

“Steel-making processes have transformed at a rapid pace, reflecting the industry’s improvement in operating practices and investment in state-of-the-art equipment to increase productivity,” the report stated. “In 2015, one employee accounted for approximately 1,000 net tons of raw steel production, an increase of 20 percent.” [6]

It is necessary to quickly review history to understand the current situation better. When US Steel was started as Carnegie Steel, industrialist Andrew Carnegie approached the antiquated production process known as the puddling process involving hard, skilled hand labor by replacing it with the Bessemer and Open Hearth furnaces, along with a rationalized system to dump whole carloads of coal, limestone and ore into capacity boats to freight all the requisites of steel into the mill itself. Carnegie and his partner, Henry

Clay Frick, presided over the mills with open terrorism and through complete control over steel towns in the courts and city governments. The conditions of the mills were poor and dangerous, with seven-day work weeks and 12-14 hour work days resulting in 20% of all deaths in the 1880s coming from accidents in their buildings. [7] The Homestead strike, in which the steelworkers took up arms to fight off Pinkerton thugs before state militiamen were sent to squash the rebellion, represents one of the first great clashes in the class struggle in the US.

Soon, however, Carnegie Steel would be acquired by J.P. Morgan, a finance capitalist who would come to own more than half of the iron mines and iron and steel-making facilities in the US, renaming the company the US Steel Company. This was followed by a constant increase of production, or productive capacity, with the addition of more machinery. Production increased alongside the development on US imperialism's international hegemony, first with the war against Spain where the US won the rights to exploit the colonies and semi-colonies of the Pacific and Caribbean, then with the First World War where the US became a global imperialist power.

With the development of rationalization and automation at the start of the 1920s, there started to be signs of over-capacity as the inescapable introduction of new machines produced ever greater amounts of steel while the rate of profit produced seemed to be lowering.

In 1898 there were 16 million tons of steel produced. In 1908 this increased to 38 million tons, representing a 137.5% rate of increase. In 1918 there were 59 million tons (55% rate of increase); in 1929, 71 million tons (16%); in 1939 there were 82 million tons (15%); and in 1949 there were 95 million tons (16%). While still expanding during this time, the rate of economic growth steadily declined as the rate of profit fell. Carnegie and Morgan engorged themselves with floating stock and issuing bonds by promising investors that capitalism would expand forever, while the declining rate of profit, representing the increased weight of dead labor on living labor, continues to more sharply spell doom to the industry.

By the 1940s there was a struggle within the imperialist ruling class, with President Truman threatening the nationalization of the steel mills so that capacity could increase in order to save other productive sectors—such as automobile production—which were constantly threatened by the lack of steel available. US Steel on the other side worried of the terrible weight that increased capacity would put on their profits. Dr. Louis Bean, the Secretary of Agriculture, correctly remarked that unemployment would spike in auto plants and other areas that use steel products if output wasn't markedly increased. Given that Europe's steel industry was devastated in war and regrowing under the NATO alliance, there was little steel to import initially. [8]

The principal cause of the crisis in steel is therefore capacity itself—the organic composition of capital was constantly rising. As new machinery and automation is developed and increasing capital is invested in the industry, the production process becomes more capital-intensive which decreases the value of the final product, as more can be produced with less labor. This results in the tendency for the rate of profit to fall over time. While forced by competition to endlessly increase production and lower prices, the fall in profits which results makes this unsustainable in the long-term. This basic contradiction is the cause of the ongoing crisis in steel, and its resolution will only be found in attacks on workers, halting production and, in turn, resistance among steel workers to defend their gains.

### **Developments in Productive Technology**

The transformation from integrated mills to electric arc furnaces in the new US Steel factories is a prime example of this development. The furnaces in integrated mills first depend on preparation of raw materials, iron and coal which is turned into coke, and then involves iron-making in a blast furnace, and finally moves on to an oxygen furnace which takes the hot metal and oxygen to create the product. This process involves many workers at different steps of production and is ultimately profitable only when performing in market conditions where demand for steel is high.

The company property at integrated steel facilities includes machinery so massive that it is often built right on site, with bridge cranes being an example. The blast furnace is a giant that costs millions to build and must be operated at full operation for enough time for value to be realized over what it originally cost to build. Several iron mines and limestone quarries have to be operated to supply the integrated mills, and there must be railroads to pull car loads of ore to the site, or a whole fleet of lake and river ships to keep the cost of transportation down. The ore and other products are unloaded by million dollar machines and then raked by others into a furnace. From there begins a dash to realize the sale of steel in the amount of values that will be eaten up by what has already been stockpiled by rust or corrosion. This means that the value of steel produced in integrated mills is likewise connected to the extraction of iron, limestone, and coal and thus to their values as well.

This stands in contrast to electric arc furnaces, also known as “mini-mills,” which take recycled metals and melt it, completely removing raw iron ore from the equation and involving far less workers. US Steel is now gambling on the enduring profitability of electric arc furnaces.

Producing from scrap lowers costs, permitting electric arc operators to be more profitable. The operators are able to be more mobile than blast furnaces, the latter of which, in contrast, involve sprawling, geographically-concentrated capital. electric arc furnaces are likewise able to pause themselves with oscillations in demand, making such mills objectively more efficient since they become more productive over time. The ability to start and stop operations lowers the amount of labor needed to operate them and allows capitalists to take advantage of the intra-sectoral mobility of many workers, with the crisis leaving them unemployed and moving from job to job, in order to extract surplus value from workers when they need them and to “let them go” when they cannot be exploited profitably.

## **US Steel's Plan**



Though the capitalist economists have been talking about a recovery with the prices of slab going up and profits rebounding, continued layoffs and closings are part of a strategy to reorient production along new lines [9]. Indeed, the prices of steel products has been rallying and quarterly reports are at record high rates. In spite of this, US Steel announced that its \$1.5 billion upgrades would no longer have a combined casting and rolling line or cogeneration power plants installed, while the \$750 million upgrades at the Gary Mill—which uses a traditional blast furnace—will no longer occur at all. Likewise the iron mines have been idled in spite of increased demand for production.

Production is moving from one place to another. Both integrated mills, Gary and Mon-Valley represent the first and third top producing plants respectively—with Gary producing 7.5 million tons and Mon-Valley 2.9 million tons per year. US Steel has announced it would be building an electric arc furnace at its Fairfield Works mill in Birmingham, Alabama and that it would be focusing production at the newly purchased Big River Steel facility, which is likewise an electric arc furnace that uses artificial intelligence and the programming and automatic control of entire production processes which previously required scores of workers. Big River Steel will be able to produce 3.3 million tons and Fairfield 1.6 million tons per year. New orders as prices rebound are being relocated to these facilities. [10]

Big River is innovative compared to most electric arc furnaces in that it can produce 5,000 tons of steel per worker, up from 3,000 in a standard integrated mill. [11] CEO David Burritt has told investors that the industry must ready for a “transformation” and that the “best of two worlds” with both integrated mills and electric arc furnaces being utilized at “competitive” levels is the company’s future. [12]

US Steel in their current plans are therefore not simply responding to the woes of a bad year, but are in a desperate gamble along with all the metal and steel syndicates of the world with the hope of restoring profitability. Although steel prices are going up they are likely to fall again by the end of this year for this

reason, as each monopoly advances its productive capacity to gain an edge the others.

Does this mean they are going to shutter the integrated mills? No—certain steel products can only be made in such places. But the switch to this more mobile production shows the need to restructure in response to the over-accumulation of capital in general, which will only result in attacks on workers in both the integrated mills and the mini-mills. It also reflects that the price of steel is likely to oscillate given the overdevelopment and inter-imperialist competition.

## **US Steel and US Imperialism**

US Steel forms an important part of US imperialism's global economic strategy. US Steel along with one of their chief competitors Cleveland-Cliffs are primarily owned by Blackrock Inc., financial capitalists who have come to increasingly dominate the productive sectors in the US economy while having little connection to it. This is part of the financialization of the US economy—its increasing domination by a handful of Wall Street banks and hedge funds. Since 1980, the financial industry has developed from holding 6 percent of corporate profits to 50 percent today. [13]

The export of capital to produce steel elsewhere through direct foreign investment but also through loans and indirect forms of ownership has led to the import of cheaper steel produced internationally becoming greater than its domestic production in the US. Largely seeing that the technical level of production was too low domestically and hence too expensive, many US manufacturers owned by the same big banks and firms began importing steel and raw materials at low added value from places dominated by imperialism, such as Mexico and Brazil. The semi-colonial condition of their economies is created by such a relationship. Today most imports come from these locations. [14]

US Steel and the rest of the US steel industry is dueling with China, Brazil, France, Belgium, Germany, Japan and South Korea whose companies likewise have the same problems with capacity.

Domestic steel production has to be maintained for the purpose of military production. The ruling class cannot produce airplanes, drones, tanks, humvees, guns and other munitions without steel corporations being able to create it away from the frontlines of combat of the world wars to come. This is the objective basis for the maintenance of commodity grade steel production rather than just retaining more high value metal and technology production in the imperialist countries. But to keep it profitable for this purpose, ramping up exploitation internally is absolutely necessary, and the steel companies will be working closely with the state and the United Steel Workers international to increasingly corporativize the industry: an all-round attack against the steel workers to meet the demands of US imperialism.

President Biden's infrastructure plan is a continuation of state's policy of bailing out the steel companies to support their endless military endeavors. The infrastructure plan would invest billions into steel and metals production indirectly by financing infrastructure, stabilizing the price and creating temporary demand.

Likewise, the "trade war" has remained despite Trump leaving office; Biden has kept the tariffs on imports in order to impose stricter control on US Steel and other monopolies in its various spheres of influence in Asia, Africa, Latin America, Canada, and Europe. It is hoped, especially with Chinese social-imperialism, that this will ultimately speed up the decomposition of bureaucratic capitalism in place there, as the US imperialist forces increasingly ramp up their presence in the Pacific and partake in war games to prepare for the redivision of markets through world war. Behind such "trade war" policies is the ability to dump the commodity in ways advantageous over China, serving to enrich the stockholders but ultimately doing nothing to support the steelworkers.

In commanding this advantage, US Steel restructures carefully with the stratification in the mills kept in mind. The labor aristocracy—the ‘upper crust’ of specialized workers and the union bureaucracy who earn privileges above the majority of workers—will be ground down and reduced in size by these plans. Yet by promoting class conciliation around the conquest of new markets through the imperialist plans described above, the bosses hope to reduce conflict among the rank and file of the unions. This situation is not one they can so easily manage.

## **The Origin and Meaning of Restructuring**

The facts are that the steel industry, along with every other productive sector, is in a place of irreversible and constant crisis. The rate of profit in the industry, or the profit revenue generated relative to the total value of capital invested, has continuously decreased over time with the rate of technical progress at play. The capitalists have been compelled to plug the holes in their system of production more and more, and in their exhausting struggle for breath, they are compelled to plan and prepare for every threat to their ability to retain profitability.

Restructuring is the alteration of the plans and operations of production in a way to guarantee the generation of surplus value, which ultimately results in an attack on wages and jobs for workers. In struggling to maintain the accumulation of capital and to get profits from a given commodity during the bust period of a crisis, the monopoly owners shutter production and hand out layoff notices to allow for restructuring.

In steel production, creating mobility with workers has been one way to generate the more efficient use of labor power for production objectives. In the plans of the bosses, steelworkers do not have a workplace anymore; instead, they have to operate as transients that are available and flexible, ready to move anywhere on their order, one month filing for unemployment and the next coming back to work for a few months before rinsing and repeating again.

While stripping of production in one place and moving it to another with more productive machinery is one means to create more mobile workers, it is also done through the contracting out of work and use of temp workers, or through creating two-tier agreements where there is less job security and longer probationary periods for younger workers.

This has the impact of dismembering the workers' ability to fight, reducing them lower and lower. Reducing of the productive base in one place increases the ranks of the "marginal" and more mobile proletariat, creating an ever greater need to fight layoffs and sharpen the economic struggle.

In the implementation of the "best of both" strategy along the lines of the most efficient productivist, US Steel CEO David Burritt has once more confirmed the US Steel objective: to maximize utilization of existing facilities with traditional furnaces, to maximize intensification of exploitation with work speed-ups, and to transform the new facilities to rely on highly mobile workers. Cleveland-Cliffs is following this same trajectory. This represents an unprecedented level of restructuring in that the very base of some of the more privileged workers in industry will face a social disruption unseen in recent years.

### **Conclusion: How To Fight In New Terrain**

In fall of 2022 both US Steel and Cleveland-Cliff will be positioned with "good balance sheets" and high profits having started to restructure their operations towards capital-intensive, value-adding areas. They will therefore enter into the new contract negotiations from a strong economic position, and steelworkers should expect an all-out attack through lay-offs, wage and benefit cuts, casualization of work through two-tier or three-tier systems, work speedups and so on.

Since 2015 and 2018 the opportunist leadership of the United Steelworkers (USW) has worked with U.S. Steel management to push a blatant project of

union-splitting, which represents the imperialist corrupted elements within the factories being bribed by management away from supporting the struggle of the majority of workers. This can be seen the demoralizing form of “negotiating” that the union leadership takes on, as well as the indiscriminate use of mobility, both of which have removed any capacity for union stewards to effectively exercise any degree of power.

Only action from the majority of steelworkers to resist the bosses’ attacks can be effective in winning gains. The strike is the proletariat’s main weapon against the attacks of the bosses, and along with slowdowns, sabotage and retributive actions allows the war in the factories to shift from defensive to offensive, winning gains for the class and increasing their militant organization. The no-strike policies conceded by the unions including the United Steel Workers signed away any ability of the workers to enforce their demands. In order to elevate the level of the struggle for the immediate and pressing needs of the working class, these policies of conciliation and collaboration must be abolished in practice through action independent of the union bureaucracy.

But it is not enough to develop more militant and independent action from the workers. The warfare in the factories of the strategic sectors of production must develop into a base for the warfare of the entire class-conscious proletariat against the entire monopoly class and its imperialist state. The class struggles of the workers require revolutionary leadership to orient themselves to the political struggle for power, which means the reconstitution of the Communist Party—the general headquarters of the army of the proletariat.

The facts are that the struggle at Homestead, the 1919 Steel Strike, the “Little Steel” Strike, and beyond are all a historically unsolved matter. Fights for wages and benefits are always reactive, resistance to attempts of the bourgeoisie to constantly extract more and more time from the working class. It is only the struggle for proletarian political power through socialist revolution, which is led by the proletariat, that can ultimately resolve the

matter. Only by putting the proletariat, organized as a class, in command of production can the development of production be of benefit to the people as a whole and not only a benefit to the bosses.

## Notes

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