
ECONOMICS, LABOR & BUSINESS

Phantom Crisis

"What Oil Crisis?" by Richard J. Myers, in *The American Spectator* (June 1987), P.O. Box 10448, Arlington, Va. 22210.

Many energy analysts have warned in recent months that another oil crisis, along the lines of those which stalled the U.S. economy (among others) in 1973 and 1979, might well occur. In March 1987, the Department of Energy issued a report arguing that America's increasing dependence on oil imports means that a resurgent Organization of Petroleum Exporting Countries (OPEC) can force petroleum prices to soar in the future. Energy Secretary John Herrington warns that rising oil imports "have serious implications for national security."

Myers, former editor of *Energy Daily*, says that the "doomsday rhetoric" of Herrington and other authorities is unwarranted. The United States "is not likely to face a 1970s-style energy crisis again."

The nation is much better prepared to face a future oil embargo, Myers says, for the following reasons:

- The Strategic Petroleum Reserve, established in 1977, now contains 530 million barrels of oil, or more than 100 days' worth of imports.

- Major oil users are increasingly capable of switching from oil to natural gas on short notice. As a result of the partial decontrol of natural



Some history that won't repeat? California motorists lining up for gasoline on the first day of the state's "odd-even" fuel rationing plan in 1979.

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gas prices in 1978, Myers notes, "the gas surplus soared to about 4.5 trillion cubic feet in 1983 . . . and stands at about three trillion cubic feet even today." According to the American Gas Association, between 1.2 and 2.5 trillion cubic feet of additional natural gas (equivalent in energy to 214 million barrels of oil) could be brought into production within a year.

- Thanks to energy conservation, growth in demand for all fuels has declined. Expansion in electricity use has dropped from an average of seven percent a year during the early 1970s to two percent a year today.

- While 150,000 jobs in the oil and gas industry were lost last year (30 percent of the total), this simply reduces oil industry payrolls to levels in effect before the price hikes of 1979. Moreover, Myers argues, at least 2.4 million new nonagricultural jobs were created in fiscal year 1986, due in part to "the salutary effect of low oil prices on the economy."

Myers concludes that proposed measures such as oil import fees are solutions to a problem that does not exist. The nation, he says, "does not face an imminent energy crisis or a threat to its security."

High-Tech Steel

"Can Advanced Technology Save the U.S. Steel Industry?" by Julian Szekely, in *Scientific American* (July 1987), 415 Madison Ave., New York, N.Y. 10017.

Steel is one of the strongest materials that man can make. But will the U.S. steel *industry* ever again be as sturdy as the product it turns out?

Szekely, who teaches materials engineering at the Massachusetts Institute of Technology, has his doubts.

Since 1982, he notes, U.S. steel manufacturers have sustained losses totaling \$6 billion; the number of steel workers has fallen from 500,000 in 1975 to fewer than 200,000 today. "Poor management, self-serving labor unions, outdated technology, competition from overseas and the replacement of steel by materials such as aluminum and fiber-reinforced plastics" have all been cited as causes for U.S. industry's decline—although, Szekely adds, Japanese and Western European producers have experienced many of the same drawbacks and difficulties. In any case, the slide seems fated to continue. Between 1985 and 1990, U.S. steel production is expected to decline by three percent, while that of developing countries where labor costs are low (e.g., Korea and Taiwan) is predicted to increase by 20 percent.

Szekely argues that if the American steel industry is to survive, it must soon start to employ new technologies. Large "integrated" mills, which process iron ore into the metal in great quantity—and account for roughly 70 percent of all U.S. ordinary grade steelmaking—should adopt the less energy- and labor-intensive method of "direct ironmaking," which bypasses conventional blast furnaces and cokemaking facilities. Minimills, which convert scrap into a variety of low-quality products (roughly 25 percent of U.S. steel production), can benefit from such new processes as "direct casting"—turning molten steel straight into thin sheets, say, rather than first making 50- to 100-ton ingots that are later rolled out.