A Reassessment of Deindustrialization and the Case of Atlantic Steel

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A REASSESSMENT OF DEINDUSTRIALIZATION AND THE CASE OF ATLANTIC STEEL

by

TIMOTHY LAWRENCE

Under the Direction of Dr. Jared Poley and Dr. Marni Davis

ABSTRACT

This thesis seeks to understand the causal factors of deindustrialization in the steel industry during the late twentieth century and uses the former Atlantic Steel Company mill in Atlanta, Georgia as a case study. Using company records and secondary sources from a variety of social science disciplines, I explore the roles of neoliberalism, government foreign and domestic policies, and the world economic crisis of 1973 to reassess contemporary understanding of the concept of deindustrialization.

INDEX WORDS: Deindustrialization, Steel industry, Neoliberalism
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by

TIMOTHY LAWRENCE

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DEDICATION

To my daughter Penelope
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INTRODUCTION

The Atlanta Steel Hoop Company was incorporated in 1901 on a large plot of land near downtown Atlanta, Georgia. The company was initially started to manufacture wire for cotton bales and steel hoops for the naval stores industry, mainly for turpentine barrels. Unlike its closest competitors to the west in Birmingham, Alabama – which were founded and funded by steel magnates from Pittsburgh, Pennsylvania – the Atlanta Steel Hoop Company was started by locals to supply the local demand for steel products. From the outset it was a corporation, capitalized with fifty-thousand dollars divided into five-hundred shares and sold at one-hundred dollars apiece.¹ The company, not having a furnace yet, originally purchased billets² from Carnegie Steel Company of Pittsburg and Tennessee Coal, Iron and Railroad of Birmingham. Within a few short years Atlantic Steel (the name was changed within the first decade) employed over 120 men, and had sales in Georgia, Alabama, and South Carolina. In 1905, the company invested five-hundred thousand dollars on an open-hearth furnace and a blooming mill. This capital investment allowed for greater product range, and drastically reduced costs by eliminating the need to purchase billets from outside sources. The company continued to expand and diversify in the first part of the twentieth century. Atlantic Steel developed a strong presence in the agricultural, merchant, and commercial construction steel markets in the southeast.³ The firm contracted with the U.S.


² A billet is a piece of semifinished iron or steel that is nearly square and is longer than a bloom. Bars and pipe are made from billets. A bloom is a semifinished product, large and mostly square in cross section. Blooms are shaped into girders, beams and other structural shapes.

³ The term “steel industry” is confined to producers of new, standardized, alloy steel products including a wide range of plates, sheets, coils, bars, tubes, I-beams, channels, wires, and rods. The industry is divided between two distinct
government during WWI, WWII, and the Korean War to supply steel for armaments and other projects. The company also supported the war efforts by leading War Bond drives and sponsoring patriotic parades. Over the 1950s and 1960s the company was fairly stable, both in terms of management, and growth. By the mid-1960s, the company had over three thousand employees and regularly operated three shifts per day. The plant production workers formed a local union of the United Steel Workers of America (USW) in the earlier twentieth century, and by the 1960s, workers enjoyed decent wages and benefits, though there were occasional strikes and work stoppages.

At first glance, the history of a steel mill in Atlanta might seem a strange choice for a focus on industrialization/deindustrialization, but the Atlanta mill—by well-timed adoption of technology in the late 1950s—was representative of the future of the industry in a couple of important ways. First—unlike the steel town Birmingham, Alabama—Atlanta is not situated in close proximity to most of the natural resources needed for integrated steel production. Iron ore, coal, limestone, and abundant fresh water are all keys to producing steel in open-hearth and basic oxygen furnaces. The original open-hearth furnace served the company well for many years, but in a move to become more competitive, installed a state-of-the-art electric arc furnace in the late 1950s. The electric arc furnace required only a good supply of cheap electricity and scrap iron; Atlanta had both. Being located at a major railroad hub, Atlantic Steel had access to railroad lines with which to quickly transport scrap from all areas in the region or nation, and Georgia Power had an extensive network of hydroelectric and coal-fired plants able to supply Atlantic Steel with reliable and cheap sectors, integrated mills and minimills. Integrated producers—derived from vertical integration—process raw iron ore into steel in massive mills, and require a great deal of coordination between processes. Minimills are generally much smaller operations that produce new products from melted steel scrap.
electricity. Atlantic Steel was an early adaptor to the electric furnace (minimill) method of steel production and it created a niche market based on flexibility and access to their regional market.

After Atlantic Steel modernized with the new electric arc furnace in 1956, they expanded into the prefabricated building market, which complimented their other product lines. The company grew, modernized, and managed to survive the Great Depression of the 1930s and financial crises of the 1950s, 1960s, and 1970s. The company built a second plant in Cartersville, Georgia in the mid-1970s with cutting edge technology and an expanding market presence. Then the company was acquired by a Canadian firm in the late 1970s and was part of two more corporate consolidations before the Atlanta plant ceased operations. This thesis addresses the question of why Atlantic Steel closed, and it probes the question of whether or not the shuttering of Atlantic Steel is a moment in the historical development of deindustrialization. We will consider how Atlantic Steel fit into the global steel market, and how that market changed over the course of the late twentieth century. At its heart, the thesis seeks to use the study of Atlantic Steel to examine the historical evolution of capitalism in the developing world in the late twentieth century.

The process of deindustrialization became a focus of academic study during the early 1980s and began in earnest with the publication of Barry Bluestone and Bennett Harrison’s *The Deindustrialization of America*. Bluestone and Harrison define deindustrialization as “a widespread, systematic disinvestment in the nation’s basic productive capacity.”⁴ Their influential book challenged the hypothesis of “creative destruction” popularized by Joseph Schumpeter which maintains that capitalism inherently destroys certain modes of production, and that this is

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ultimately beneficial because they will be replaced by new, innovative and more productive alternatives. Bluestone and Bennett argue that large proportions of workers who lose their jobs due to plant closings remain unemployed for years, and many never find comparable jobs again. This thesis will analyze the work of Bluestone and Bennett thirty years later to see if their arguments are valid today, and to see if what happened with Atlantic Steel should be considered deindustrialization.

Using Atlantic Steel as a case study, this thesis will apply the theoretical models of social theorist David Harvey to the globalization of the steel industry and in the process put his work into conversation with deindustrialization theory. The story of Atlantic Steel (and its transformations after 1950) provides cogent evidence of the validity of Harvey’s arguments, namely that there was a sea change in the ways in which large business entities sought capital accumulation. The tipping point for that change occurred as a result of the global financial crisis of 1973-1975. Prior to the ’73 crisis, the vast majority of firms in the democratic industrialized world (the US, Western Europe, Japan, etc.) sought capital accumulation through production and market dominance for their products. This system was exemplified by the Fordist model, and it was particularly prevalent in North America. But Harvey shows that after the shift in 1973, accumulation became synonymous with specialty niche markets, decentralized conglomerates which dispersed production globally, and a large-scale decrease in government intervention marked by privatization schemes and deregulation. In addition, businesses increasingly turned toward nonproductive methods of capital

\[\text{Ibid, 10.}\]

\[\text{David Harvey, } \text{Spaces of Capital: Towards a Critical Geography} \text{ (New York: Routledge, 2001), 123.}\]
accumulation such as mergers and acquisitions. All of these factors were present in the case of Atlantic Steel.

Research for this paper relies heavily on the Atlantic Steel Company archives which are housed at the Kenan Research Center of the Atlanta History Center; the United Steelworkers of America, District 35 papers; and the Voices of Labor Oral History Project which are both located in the Southern Labor Archives of Georgia State University.

In addition, I have located many secondary sources concerning the steel industry, globalization, and deindustrialization. Two sources of particular usefulness are an Atlantic Steel Company history written by a member of their board of directors which is very management-centric; and a PhD dissertation that analyzed Atlantic Steel’s business practices and provides a great deal of company data and economic analysis. In addition I have located a few oral histories of former plant workers and union officials which provide a social angle to this thesis as well.

There are many ways in which to analyze the Atlantic Steel Company, but no one theory fits or describes the company’s story adequately. Instead of forcing a square peg through a round hole, so to speak, I will introduce the theorists whose work can benefit an analysis of ASC, but I won’t force ASC’s story to conform to a specific theoretical framework. Bluestone and Harrison’s theory of deindustrialization tells some of the story, as do David Harvey and Judith Stein with flexible accumulation. Rowthorn and Ramaswamy provide some convincing economic arguments that can shed some light on the ASC story as well, but no one theory fully explains why Atlantic Steel no longer exists.

In this thesis I will argue that there were three important factors which enabled the process of deindustrialization to occur at Atlantic Steel and the larger U.S. Steel industry. These were
growing affluence, the spread of neoliberal ideology, and the crisis of 1973-75. This thesis will explore the role of these factors in the process of deindustrialization in the U.S. and specifically Atlanta.
CHAPTER 1. A SYSTEMATIC DISINVESTMENT

What is Deindustrialization?

The public perception of deindustrialization seems to be fairly clear; manufacturing plants close permanently, leaving workers and municipalities struggling with high unemployment and a diminished tax base. But social scientists and other academics do not agree on the causes or implications of deindustrialization. In this chapter I seek to describe some of the arguments explaining the phenomenon, to get a picture of the process in one specific location, Atlanta, Georgia. There are three important questions that must be answered in order to look at the long-term consequences of the loss of Atlantic Steel. What is deindustrialization? What causes deindustrialization? And finally, is what happened at the Atlantic Steel Company representative of deindustrialization?

Deindustrialization generally conjures up images of shuttered factories and long lines of people signing up for unemployment benefits. The term is synonymous with places like Youngstown (Ohio), Flint (Michigan) and Leeds in the U.K. Scholars Bluestone and Harrison define deindustrialization as a “widespread, systematic disinvestment in the nation’s basic productive capacity.”¹

Atlantic Steel’s historical development after WWII indicates the ways deindustrialization unfolded in the southeastern United States. From 1969 onward Atlantic Steel began to reduce the size of its production workforce, but overall output generally increased due to gains in productivity. This phenomenon was fairly consistent across the manufacturing sector from

1970-1990 where adaptation of new technologies and workflow planning caused huge gains in productivity. The company made capital investments in new technologies, but those investments were tempered by tax regulations, particularly equipment depreciation schedules.

Yet Atlantic Steel did not divest in itself in the way that Bluestone and Harrison describe the manufacturing sector doing. In 1970 the company decided that it would relocate its mill in Atlanta in order to build a more modern facility. Company management soon decided upon relocating about forty-five miles to the northwest in Cartersville, Georgia. Unlike many steel mill expansions in Europe, the Cartersville plant was not located to stimulate a depressed labor market; it stayed close to its core market, and drew from the same labor pool as the original plant.

The move from Atlanta to Cartersville did not generate huge cost savings for Atlantic Steel, at least in the short run. Company documents related to long-range planning assumed that the costs of operation for the Cartersville plant were roughly the same as for Atlanta. Costs of rail shipping of scrap were slightly higher, but ad valorem and sewer taxes were much less in Cartersville. The company did not cite direct cost savings as a major factor in its decision to relocate, but instead felt that “The best gain in moving will be the opportunity to cut direct operating cost by rebuilding facilities with lower manpower requirements and improved material handling opportunities.” Atlantic Steel was not specifically seeking to escape union contracts or find substitute workers at a far lower pay scale, they were looking to modernize and seek cost savings through gains in productivity. This was not downsizing in the short run, but it contributed to what David Harvey refers to as “technology induced unemployment” in

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2 Atlantic Steel Company records, Boxes 38/2,43/4-5
3 Atlantic Steel Company records, Box 43/5.
the long term. In essence, increased productivity means making more with fewer people, and that is exactly what the U.S. manufacturing sector did over the course of the twentieth century. While some firms in the manufacturing sector found huge cost savings in plant relocations during the 1970s, this was not the case with U.S. steel mills, specifically Atlantic Steel.

Although Atlantic Steel was a much smaller operation than many of its competitors, because it was a minimill it had its advantages too. Flexibility in the steel industry can override the benefits of economy of scale, especially when the cost difference of building a large integrated mill vs. a smaller minimill is considered. To demonstrate the advantages of a minimill Howell, et al. show that in 1988, “a 500,000 TPY [tons per year] minimill shipping 450,000 TPY of merchant bar is estimated to cost $284 million, or $631 per ton of shipment capacity. In contrast, a 6 million TPY steel plant shipping 5 million TPY of typical integrated mill products...is estimated to cost $7.33 billion, or $1,465 per ton of shipment capacity.”

Cost savings tend to be linked more to the level of operating capacity the facility is running at, more so than the overall economy of scale.

Employment rates in U.S. manufacturing, specifically in the steel industry, plummeted in the latter half of the twentieth century. According to the Bureau of Economic Analysis, U.S. manufacturing in the broad Durable Goods sector has shown steady declines. In 1945, 15,360,000 workers produced durable goods; by 1980 the number had dropped to 12,237,000, and by 2011 had fallen to 7,309,000. The U.S. was not alone in the loss of manufacturing jobs. In Britain, according to Dambisa Moyo, “between 1979 and 2006, the numbers employed in the

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4 David Harvey, The Enigma of Capital (New York: Oxford University Press, 2010), 96.
manufacturing industry fell 50 per cent from 7 million, to just under 3.4 million." In the U.S., the steel industry saw an even greater decline than the larger manufacturing sector. Employment in the Primary Metal Industries in 1945 was 2,079,000 workers; that number fell to 1,137,000 in 1980, and 380,000 by 2011. Considering the population growth rate during this period, this is a precipitous decline in employment, yet productivity gains allowed for robust output.

The economists Allen Collard-Wexler and Jan De Loecker show that while the U.S. steel industry shed about 75 percent of its workers, output per worker grew by a factor of five, or a total of about 38 percent in the period 1962-2005. Furthermore, U.S. steel plants generated over 100 billion dollars’ worth of product in 2007, which make this sector one of the fastest growing sectors of manufacturing. This strange combination of huge job losses and massive productivity gains allows us to see a different side of deindustrialization.

Job losses in the steel industry were not evenly spread across the industry, either geographically or technologically. Steel mill closings in the 1980s were primarily concentrated in the integrated sector. Integrated steel production requires more steps, each requiring more manpower, than minimills. The integrated sector in the U.S. generally upgraded their technology in the 1950s and 1960s, and they missed a wave of new technological development in the late 1960s and early 1970s. This left U.S. producers with outdated equipment by the late 1970s and early 1980s, and high inflation rates at the time made it difficult to retool. This put

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7 This designation includes the aluminum industry, which is a totally separate sector from steel.
U.S producers at a disadvantage to their Western European and Japanese competitors who had upgraded at a more advantageous time. All of this contributed to plant closings in the U.S. integrated sector.

Atlantic Steel did not relocate its mill outside of the country or even the region, so off-shoring was not an issue. Atlantic Steel’s second mill in Cartersville, Georgia was initially represented by the same Steelworkers Local Union and contract as the Atlanta mill, so this is not a case of a runaway shop or a blatant union busting initiative. Instead, Atlantic Steel fell victim to successive waves of corporate buyouts by ever-larger international conglomerates. The company became a node of production within an enormous economy of scale; an outpost of supply for a centralized, yet globally dispersed, corporate giant. The remaining vestige of the former Atlantic Steel Company is the lone Cartersville mill, now a subsidiary of the Brazilian firm Gerdau, “the leading supplier of long steel in the Americas.”

Many Shades of Causation

There are many theorists who consider deindustrialization necessary, if not good, for the capitalist system. Collard-Wexler and De Loecker do not use the term deindustrialization, but their work is also not concerned with job loss or plant closures, they use the term “reallocation”. Other social scientists and business people use the benign term “restructuring” when discussing crisis-induced changes in the market. These phrases harken back to Joseph Schumpeter’s concept of creative destruction, which advocated transferring capital investment from industries with shrinking or flat growth rates, and investing in new, innovative ones. Schumpeter wrote that:

11 http://www.gerdau.com/longsteel/ accessed 10/10/12
The opening of new markets, foreign or domestic, and the organizational development from the craft shop and factory to such concerns as U.S. Steel illustrate the same process of industrial mutation ... that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one. This process of Creative Destruction is the essential fact about capitalism.\(^\text{12}\)

When one looks at Atlantic Steel, the destructive element of capitalism can be seen as a loss of control, more specifically ownership. There are no domestically owned steel mills in Georgia currently. I will address the idea of the creative aspect of capitalism in chapter two.

Other economists such as Robert Rowthorn and Ramana Ramaswamy explicitly use the term deindustrialization, but find it a necessary part of capitalism much like Schumpeter. In fact there seems to be no academic argument rejecting the existence of deindustrialization, rather there are opposing arguments about its causation and necessity.

In The Deindustrialization of America, Barry Bluestone and Bennett Harrison found that changes in corporate strategy led to large conglomerates acquiring firms, reallocating profits, and then refusing to reinvest capital back into the infrastructure of its old-style divisions such as steel production. They shifted capital away from, often profitable, production and into new sectors such as finance and further acquisition where greater short term profits could be had. Bluestone and Harrison state that:

Deindustrialization is the outcome of a worldwide crisis in the economic system. The very successes of the long postwar expansion generated conditions that ultimately turned the normal, and often healthy, disinvestment process into a torrent of capital flight and wholesale deindustrialization. During the boom years, U.S. economic expansion abroad generated enormous short-run profits, but in the course of doing this it helped to establish excess (unused) productive capacity in one basic industry after another. Through their multinational subsidiaries and the profitable sale of patents and licenses to foreign enterprises, the leading American firms even helped to generate their own future competition. In the 1970s this competition came back to haunt them in

virtually every major industry: steel, automobiles, shipbuilding, and electronics, to name a few.\textsuperscript{13}

Bluestone and Harrison’s groundbreaking study was first published in 1982, right at the height of U.S. plant closings, and during a period of high unemployment. This was also a point of crisis at Atlantic Steel when company management were seeking to eliminate benefits and reduce wages. Hindsight reveals that while plant closings did put a large proportion of steelworkers out of work, the extremely low levels of unemployment a decade later suggests that many of those laid off as a result of deindustrialization found other jobs. Whether those new jobs provided comparable wages and benefits is another question altogether. In terms of the physical space in which Atlantic Steel operated, the jobs that currently exist are mostly low-wage retail sales for corporations like H&M clothing and Publix supermarkets.

In a more contemporary analysis sociologist Christopher Kollmeyer identifies three primary explanations for deindustrialization within the social science literature: unbalanced productivity growth, growing affluence of consumers, and economic globalization. While Kollmeyer does not find that these three explanations are mutually exclusive, he does find that they are weighted differently. In fact, Kollmeyer states that previous studies of deindustrialization causation are inaccurate because they fail to analyze all three hypotheses together. It is useful to consider Kollmeyer’s argument in regards to Atlantic Steel.

Many scholars have made the argument that unbalanced productivity growth has caused deindustrialization.\textsuperscript{14} The basic premise of this argument is that the manufacturing

\textsuperscript{13} Bluestone and Harrison, 15.
\textsuperscript{14} Colin Clark developed this hypothesis in his book \textit{The Conditions of Economic Progress} in 1957. For a more contemporary application of this argument see Robert Rowthorn and Ramana Ramaswamy’s “Deindustrialization: Causes and Implications.”
sector has experienced far greater gains in productivity than most other sectors of the economy, which can be measured as a yearly increase in the output of goods or services for each worker. Because highly productive companies can produce the same or greater output with their existing workforce (as Atlantic Steel did), Kollmeyer writes that the macroeconomic ramifications of this are “that if one sector consistently outpaces other sectors in productivity growth, and if the pattern of demand among these sectors remains constant, then employment growth should contract in the dynamic sector, where demand for labor is shrinking, and expand in the less-dynamic sector, where the demand for labor remains robust.”\textsuperscript{15} But Kollmeyer cites statistical studies from the 2000s that refute this claim and instead show that increasing productivity actually increases jobs in the manufacturing sector by driving down prices through international competition, whereby these lower prices create greater demand from consumers.\textsuperscript{16} One problem with applying this argument to steel production is that steel prices are inelastic. Howell et al. illustrate that steel is a component of a durable good—sometimes called an intermediate good—but that lowering the price of steel does not in itself lower the cost of the final durable good. In other words, lowering the price of steel does not increase the demand for steel.\textsuperscript{17} That being said, some intermediate goods have more influence on final price than others. For instance, steel prices would likely have a greater impact on a municipality planning infrastructure upgrades than on the manufacture of microwave ovens. Since Atlantic Steel’s main market was the construction industry, Kollmeyer’s correlation seems applicable to the historical evidence provided by the case of Atlantic Steel.

\textsuperscript{15} Kollmeyer, 1647.
\textsuperscript{16} Kollmeyer, 1648.
Another popular explanation for deindustrialization is growing affluence among consumers. This means that as the relative affluence of a society increases, there is a shift in spending away from manufactured products and toward services. This is sometimes referred to as Engel’s Law. To illustrate this point hypothetically we can look at tools. In a less affluent society, individuals might be obligated to provide all the maintenance on their own homes and vehicles, thus necessitating tool purchases. In a more affluent society there is a tendency to pay other people to perform those same maintenance services, and thus less of a demand for those tools, as one tool might service many clients. As metro Atlanta became more affluent, there was a decrease in agricultural land use in the outer areas (which were suburbanized), and this led to a reduction in Atlantic Steel’s sales in its agricultural products. Atlantic Steel’s sales in the residential and commercial construction sector increased along with the growth of Atlanta’s suburbs. Additionally, the greater the affluence in a particular society, the less likely workers are going to want to perform jobs which have the stigma of being reserved for the lower class. A recent *New York Times* article found that this is a growing problem in China were affluence has increased dramatically in recent years.  

The final common explanation for deindustrialization is economic globalization. This is the most popular explanation among social scientists since the 1980s, and it is the basis of Bluestone and Harrison’s argument. In this hypothesis, the “classic international division of labor” is reversed. In the classic model, economically advanced countries manufactured products from raw materials obtained from less advanced countries and then sold the finished

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product back to them. According to globalization theory, sometime in the 1960s this pattern morphed into a “new international division of labor,” where multinational corporations relocated their means of production in order to take advantage of low wage scales in less economically advanced regions (the South). These relocated facilities moved to low-income areas in the U.S., particularly the south and the west or overseas to the “global south.” The term “global south” was coined in 1980 by Willy Brandt, former chancellor of West Germany. The term is a reference to the huge economic disparity that exists between countries in the northern and southern hemispheres. The southern hemisphere contains a large percentage of the world’s population, yet it is the countries of the global north that dominate most aspects of the world economic system. Though there are outliers such as China and Brazil, the disparity remains in the early twenty-first century.  

The shift of production to the global south was aided by the technology of the information revolution, which made it possible to compress geographical space and time. Companies sought to enhance their organizational “flexibility” by dispersing their business operations across a worldwide network of smaller and ever-changing business units, each of which performs a specific task within a much larger chain of business activities ... outsourcing certain non-essential business functions to third-party service providers, which assume these duties on a contractual basis.

Globalization therefore siphoned off low-skilled manufacturing jobs from the technologically and economically advanced countries (the global North) and rapidly industrialized some areas of the global South. The shift of production to the global south was not done without help from the industrialized north, Howell et al. show that:

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19 For more on Brandt’s concept, see: http://www.stwr.org/special-features/the-brandt-report.html

20 Kollmeyer, 1649-1650.
In the mid and late 1970s, as the steel recession unfolded, substantial new steelmaking capacity began to become operational in the developing countries. These expansion projects were facilitated by Western world suppliers who sought to offset stagnant steel sales at home by providing state-of-the-art steelmaking equipment and technical assistance to developing nations. The projects, which generally could not attract indigenous private capital, were financed through a combination of developing country government subsidies and loans, concessional export financing by export-import banks in the industrialized countries, international development institutions like the Inter-American Development Bank and the World Bank, and perhaps most importantly, private banks in the industrialized nations eager to recycle petrodollars. Loans to developing country steel projects, backed by the guarantees of the local government, were so attractive to foreign banks that credit was made available on a virtually unlimited basis. Between 1974 and 1986, gross steelmaking capacity in the developing Western world grew from 54 to 122 million metric tons, but at the same time, countries like Mexico, Brazil and Argentina incurred a huge burden of foreign debt.\(^{21}\)

While the globalization of the developing world is commonly held as leading causes of deindustrialization, Kollmeyer found that this was not the most important factor in deindustrialization.

Using regression analysis modeling to simultaneously study all three causal factors with numbers provided by eighteen Organization of Economic Cooperation and Development (OECD) countries, Kollmeyer determined that while all three factors have impacted deindustrialization, the most significant impact came from rising affluence in Northern countries.\(^{22}\) Furthermore, he finds that:

With or without globalization, the OECD countries were going to experience a considerable move toward postindustrialization during the last decades of the 20\(^{th}\) century... more than half of the deindustrialization occurring in these countries is associated with levels of national affluence and unbalanced productivity growth that would have prevailed in the absence of globalization.\(^{23}\)

Of course this does not eliminate globalization as a cause of deindustrialization entirely, but it does suggest that steel industry jobs were reduced more as a result of productivity and growing

\(^{21}\) Steel and the State, 5.
\(^{22}\) Kollmeyer, 1667.
\(^{23}\) Kollmeyer, 1668.
affluence than of offshoring, which is solidified by the fact that there are still a considerable number of steel mills currently operating in the U.S. In fact, Atlantic Steel is a good example of Kollmeyer’s argument because the mill did not relocate to the global South, but was purchased by a foreign firm. American capitalists looked to other areas in which they could invest their surplus capital, perhaps because they understood that growing affluence would continue to erode domestic demand for steel. It is also important to note that Kollmeyer uses the terms \textit{postindustrialization} and \textit{deindustrialization} interchangeably, whereas I do not. Postindustrialization implies an end to manufacturing that has not yet come, and deindustrialization suggests the decline of jobs and spaces dedicated to manufacturing. Though Atlanta’s economy became increasingly diverse it did not lose industrial production altogether.

Kollmeyer made one more observation that is important to a study of the steel industry, and that is the hidden side of outsourced job loss. For instance, as companies increase productivity, there is a tendency to outsource non-core plant operations to third party subcontractors. These could include anything from cleaning of the plant to product engineering, among other things. Prior to deindustrialization, plant employees carried out most of these functions, and therefore those jobs would be counted along with the rest of the production jobs of a manufacturing company. Where these jobs have been subcontracted they would no longer appear as steel manufacturing jobs, but as service sector jobs. If Atlantic Steel had a production workforce of nearly 3000 in 1965, but only 550 during the mid-1990s, it is clear that much of the difference may be attributed to subcontracting.

While sociologists like Kollmeyer provide tangible evidence as to the causes of deindustrialization, they do not tell the whole story. Historian Judith Stein has written about
the role of U.S. government public policy, both foreign and domestic, in the workings of the steel industry. Stein writes, “Because the steel industry was judged to be fundamental, affecting the whole economy, the government often used the industry as a lever to effect changes in the macro economy.” Stein shows that the government manipulated such factors as capacity, prices, wages, industrial structure, and employment practices in order to meet the goals of domestic policy. Government economists felt that maintaining a steady supply of inexpensive steel was necessary to hold down rising inflation. But government foreign policies had both directly and indirectly supported the growth of foreign steel industries, particularly in Japan. Company documents citing the dangers of foreign competition date to the 1950s, and articles in the company newsletter *The Ladle* discussing the dangers foreign steel posed were a constant.

The government also encouraged foreign steel imports into the U.S. both to support the economic stability of allies, and to maintain the steady supply of cheap steel in the U.S. Stein effectively demonstrates that there was a disconnection between Cold War foreign policy goals and federal economic planning which impacted the oil and steel industries. She states that “At the outset of the Cold War, reconstructing or creating steel industries abroad was a keystone of U.S. strategic policy, and encouraging steel imports became a tool for maintaining vital alliances.” These measures hurt the profitability of U.S. manufacturers, which in turn, reduced their capital outlays for new equipment. This negative feedback loop had the far reaching effect of lowering the overall capacity of U.S. steel output, thus making the U.S. more

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25 Stein, 4.
dependent upon foreign imports, and leaving it with aging productive technology. All of these factors contributed to deindustrialization in the U.S.

It should be noted that while the U.S. was deindustrializing, other nations were industrializing. This term is necessarily a regionally-determined one. Steel production has always seen growth somewhere in the world, even in the worst economic downturns. The growth of nation states or conceptions of national belonging grew alongside industrialization in the nineteenth and twentieth centuries. Likewise, deindustrialization is a product of the nation state, and dependent upon constructs of collective experience. Therefore, the whole concept of deindustrialization is bound to conceptions of nationalism. Only by looking at the steel industry as a collection of discrete autonomous producers operating within proscribed borders can we see deindustrialization as it is generally understood. The problem with looking at the global steel industry in nationalistic terms is that the industry has not been confined by the boundaries of the various nations. The U.S. steel industry had become fully engaged in the world capitalist system, perhaps to a greater extent than any other nation. Since the 1970s there has been a steady advance toward consolidation in the steel industry, and this has led to ever larger and more diversified conglomerates. Atlantic Steel was absorbed into a multinational corporation in 1979. These conglomerates are increasingly global in scale. The world’s largest steel producer, ArcelorMittal, has operations in more than sixty counties.26

Deindustrialization as a national concept, or at least the conventional wisdom associated with the process, does not hold up in a global context. Deindustrialization might be better labeled industrial migration or industrial evolution because there continues to be growth

26 http://www.arcelormittal.com/corp/who-we-are/interactive-map
within the industry, particularly in China. But growth in the steel industry has been generally far out of proportion to domestic needs. Growth projections and expansion schemes have sometimes been tied to purely domestic factors, but this has not been the norm since the 1970s. Industry that modernized in one nation thirty years ago may only now have reached full taxable depreciation on their equipment, and may soon be revamping. In some cases, manufacturing depletes natural resources in one area and it becomes financially prudent to relocate in closer proximity to more abundant resources, as happened with the production of wooden ships in the 18th century, moving considerable production from Europe to the U.S. In the integrated sector supplies of ore dictate this. In other cases a declining birthrate among workers limits the renewal of a cheap labor force. This, in turn, diminishes the market for said products in that particular region, further lowering its geographical importance.

While individual nation states do have an impact upon the steel industry, particularly when the state is a direct patron of the industry through trade protections or direct investments, such as with China and Brazil, understanding deindustrialization comprehensively requires a more global perspective. For this, David Harvey’s critique of capitalism is very useful.

The geographer David Harvey has written many analyses of capitalism that are helpful to understand the process of globalization. Harvey is particularly insightful in his explanation of the political shift from the social democratic (the Keynesian model) towards the neoliberal (monetarist model) and its emphasis on the market solving social problems. Harvey shows that the political turn toward neoliberal ideology occurred during the 1970s, and has dominated the discourse in the U.S. and Britain since. The timing of this neoliberal turn had important implications for the steel industry, particularly the ideological emphasis on deregulation and
free trade. This policy argument is very similar to Stein’s, but he also goes more to the root causes of the ideology behind political policies. Harvey points to contradictions and structural problems inherent within capitalism, such as the constant tendency toward monopoly coupled with the need for competition. The steel industry has seen a steady march toward monopoly, with fewer and fewer large players dominating the market since the neoliberal turn in the 1970s. This is especially true in the U.S. market, where the zealous application of free market ideology has been implemented. Like Bluestone and Harrison, Harvey addresses the concept of creative destruction, and he writes, “The Schumpeterians have all along gloried in capitalism’s endless creativity while treating the destructiveness as mostly a matter of the normal costs of doing business.”\footnote{David Harvey, \textit{The Enigma of Capital} (New York: Oxford University Press, 2010), 46.} It should be noted that Harvey does not completely disagree with Schumpeter in regards to capitalism’s nearly limitless creativity.\footnote{Harvey comes to a different conclusion than Marx and many contemporary Marxists in that he feels that capitalism might be able to overcome its flaws and contradictions because of its adaptability. But Marx argued that capitalism was doomed due to the Law of the Tendency of the Rate of Profit to Fall, which he enumerated in \textit{Capital vol. III}.}

One of the problems of capitalism that Harvey discusses that is applicable to deindustrialization is the problem of surplus capital. Surplus capital must be constantly reinvested, but an ever-decreasing amount of that capital has been reinvested in production because global competition has lowered the profit margins.\footnote{Harvey, 28.} Instead, many manufacturers looked for non-productive means of capital accumulation, what Harvey refers to as flexible accumulation. For example General Motors turned to financing, not just for their cars, but home mortgages as well. In 1986, U.S. Steel Corporation changed its name to USX after
diversifying into the insurance business, and when the chairman of the board was asked what the X stood for he replied it “stands for money.”

Another form of flexible accumulation is acquisition. Acquisition and merger were the dominant forms of growth in the steel industry since the 1970s. Rather than using surplus capital to build new mills, larger conglomerates bought existing ones. The Canadian firm Ivaco, which was rapidly expanding into the U.S. market by acquiring mills, bought out Atlantic Steel in 1979. The United Steelworkers Union, which represented Atlantic Steel employees, voiced concern to the Justice Department that Ivaco was developing a monopoly on the drawn wire market. The Justice department looked into the possible monopoly not because there was a problem with Ivaco controlling the wire market, but because they felt there could be a problem with the supply a raw material for other products like nails, but the neoliberal deregulation drive was well under way and no action was taken. Eventually, surplus capital would no longer be invested to produce steel at the Atlanta mill at all. The property would be converted to a space built expressly for flexible accumulation where the profit margins could be far greater.

Most literature on deindustrialization focuses on the massive plant closings of the 1970s and 1980s, and while Harvey and company raise some valid points as to why it begins in earnest at that point, other scholars maintain that the process started much earlier, or has been a perpetual companion of industrial production in the first place. While not expressly focused on deindustrialization, Giovanni Arrighi showed a cyclical pattern to capitalism with nation states arising to dominance and then entering a period of decline in roughly one hundred year

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30 Harvey, A Brief History of Neoliberalism, 32.
31 United Steelworkers of America, District 35 records, 2886/8
cycles. Arrighi demonstrated this with the nation states of Venice, Holland, England, and the United States. Interestingly, the U.S. domestic steel industry and Atlantic Steel dominated their markets for roughly one hundred years as well.

Jefferson Cowie and Joseph Heathcott show that New England’s textile industry went into serious decline in the 1910s, and that subsequent large-scale plant closings also occurred during the Great Depression and immediate post-war period. In Cowie’s Capital Moves, he goes on to show that the Radio Corporation of America (RCA) had initiated a strategy of globalization as early as the 1930s. All of this suggests that the process of deindustrialization is nothing new. I would argue that since the U.S. experienced considerable expansions in manufacturing facilities, and jobs in the 1920s, and again in the post-war period, that this is a moot point. The Atlantic Steel Company experienced most of its growth during the 1950s and 1960s, and experienced most of its job losses during the 1970s and 1980s. This timeline coincides with most of the literature on deindustrialization, so while I have found value in Cowie’s work, the events of the 1970s remain integral to this study. Let us now return to our previous theoretical frameworks to see how they line up with Atlantic Steel’s history.

To consider whether the case of Atlantic Steel exemplifies deindustrialization the company’s ownership must be considered. Prior to the Ivaco buyout in 1979, ASC’s business model was based on classic accumulation by production. The company built a brand new, state-of-the-art production facility at a cost of over $36 million dollars. Many of the corporate buyouts and mergers that were occurring in the industry were leveraged, meaning that the

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33 Box 38/2, Atlantic Steel Company records.
buyer uses the projected value of the firm it is purchasing in order finance the acquisition. This can mean that the actual capital outlay needed for a buyout could be substantially less than building a new facility. ASC’s huge capital outlay reveals that it was committed to its traditional production structure in its existing region, and was not overly burdened by its existing contract with the United Steelworkers Union. This indicates that the company was not seeking to globalize operations, though they seem to have had the access to capital to do so. They were continuing to invest in production, so it does not seem that they were divesting or reallocating; yet there is one specific instance where they may have been looking beyond traditional production.

In 1970, right after ASC corporate officers committed to building the new plant in Cartersville, the company commissioned land use studies for their existing property in midtown Atlanta. Internal company documents relating to these studies suggest that the company was not looking to merely sell the land, but to develop it themselves into something else. The 1970 Annual Report stated, “For the past year, a group of consulting firms–Hammer, Green, Siler Associates; Barton-Aschman; and Toombs, Amisano and Wells–have been developing a comprehensive Land Plan for the Company... A master Land Plan is evolving which, over a period of time, has the possibility of resulting in one of the most advanced conceptual developments in urban multi-purpose commercial and residential use in the country.”34 ASC management considered options such as a technology park, residential housing, and mixed-use business development.35 It is unclear if management favored one particular plan, and the

34 Atlantic Steel Company records, Box 1 /4.
35 Atlantic Steel Company records, Box 43/5.
concept was soon shelved after a downturn in the economy altered the Cartersville transition plan.

After the Ivaco buyout in 1979, there is much clearer evidence that the company engaged in strategies that led to the process of deindustrialization. Ivaco was a firm originating out of Quebec, Canada that was rapidly expanding into the U.S. market through a string of acquisitions that had a strong presence in the drawn wire market. In the late 1970s, Ivaco did not build any new facilities, but expanded purely by acquisition. This demonstrates a desire to move to a more flexible organizational model that can disperse production across a wider collection of facilities, which Bluestone and Harrison suggest is a hallmark of globalization. Furthermore, within three years of the buyout, Ivaco sent out a memo to the Atlanta and Cartersville employees seeking large wage and benefit concessions in direct violation of their collectively bargained contract. The firm’s new managers were not content with mere productivity gains; they sought lower wages as well. Ivaco eventually sold the Cartersville plant, but retained the Atlanta mill property because of its immense value as real estate. In 1998 the Atlanta property was sold to developers who transformed it into the nation’s largest brownfield renovation project; the live, work, shop complex called Atlantic Station. Ivaco management saw the midtown property as a valuable non-production means of capital accumulation, like Atlantic Steel’s former management did, yet did not develop the property themselves.

Georgia was a small niche market, yet a profitable one. Between 1975 and 1998 there were only two steel mills operating in Georgia; the Atlanta and Cartersville plants. Although ASC
had some major sales in New York and the Caribbean, its core market was in the southeast.\textsuperscript{36} One reason the Atlanta area is an isolated market is its distance from an ocean port or navigable waterway. In the 1990s, new technologies were developed for electric arc furnaces, which would allow these mills to compete in the market dominated by the integrated producers. Minimills began using “alternative irons” such as directly reduced iron (DRI), which improved the quality of sheet and plate products. Additives like DRI are generally imported from foreign producers like Brazil, thus necessitating access to a port facility. The added cost of rail transport to Atlanta may have kept Atlantic Steel and its later incarnations from competing in the plate and sheet sectors, but it may also have made it less desirable to locate a directly competing mill close by. Either way the Atlanta market remained relatively isolated when compared to the Midwest.\textsuperscript{37}

It is difficult to determine the extent of deindustrialization of the steel industry in Georgia specifically with so few examples, but after 1979, both the Atlanta and Cartersville plants were owned by foreign conglomerates, and after 1998, only the Cartersville plant was still in existence. In 2001 the Cartersville plant became part of an even larger conglomerate, Gerdau, currently the fourteenth largest steel producer in the world.\textsuperscript{38} Additionally, the Cartersville plant is no longer unionized. In essence by 1979 Atlantic Steel had become an example of globalization. But, as Kollmeyer showed, globalization is not the most significant factor in deindustrialization.

\textsuperscript{36} Giarratani, Gruver, and Jackson indicate that minimills like ASCO “natural market radius” of around three hundred miles from the plants. Beyond this transportation costs begin to limit competitiveness.


\textsuperscript{38} World Steel Association http://www.worldsteel.org/statistics/top-producers.html
Kollmeyer maintains that affluence is the heaviest weighted factor in deindustrialization, and there are several indications that the metro Atlanta area experienced a pronounced increase in affluence in the latter half of the twentieth century. Economists generally use Gross Domestic Product (GDP) per capita to determine affluence in a nation; the formula is: affluence = GDP divided by total population. According to the Bureau of Economic Analysis, per capita real GDP in metropolitan Atlanta increased steadily over the preceding twelve-year period of 2000-2012. If this statistic is consistent over the period 1965-1995—as it is nationally—then it is fairly certain that the Atlanta metropolitan area experienced increasing levels of affluence, which Kollmeyer has linked causally to deindustrialization.

Deindustrialization is a complicated process. It is more than lost jobs and plant closings; it represents a shift in the ideology and practice of capitalism. Though the creative aspect of Schumpeter’s argument remains to be seen, it is clear that the destructive part is real. Jobs were lost, mills closed or swallowed up by globalization, and capital was reinvested elsewhere. What is more difficult to determine is if these factors represent a disinvestment in the productive capacity in regards to the greater Atlanta area. Overall, the data shows that all of the contributing factors to deindustrialization were present in the context of Atlantic Steel. In the following chapters I will utilize a cross section of social science literature to determine some of the less empirical aspects of deindustrialization, and analyze the extent of the damage this process may have caused, and possibly will continue to cause in the future.

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39 Bureau of Economic Analysis [http://www.bea.gov/iTable/iTable.cfm?ReqID=70&step=1&isuri=1&acrdn=2](http://www.bea.gov/iTable/iTable.cfm?ReqID=70&step=1&isuri=1&acrdn=2)
Table 1. Evolution of the Steel Industry.

CHAPTER 2. A CLOSER LOOK

The Crisis of 1973-1975

In October of 1973, the Yom Kippur War erupted after Egypt and Syria attacked Israel. This attack was retaliation for the 1967 Six-Day War, in which Egypt and Syria had both lost territory. Israel was victorious in the Yom Kippur War, but the country had received material support from the United States. The U.S. support of Israel angered Arab nations who quickly organized under the Organization of Petroleum Exporting Countries (OPEC). The resulting oil embargo drove prices to record levels within a short period. The embargo exacerbated the existing economic malaise in the U.S., which was already facing high inflation and low growth (stagflation). Petroleum shortages were rampant around the U.S. and the ubiquitous photos of long lines of cars streaming from gas stations have become a cornerstone of the cultural memory of the era. The Yom Kippur War was not, by itself, the source of the 1973-1975 Crisis, but it proved to be the tipping point.

In January of 1973 the U.S. stock market crashed and caused the worst losses since the 1930s. This crash was a result of destabilized currency markets brought on by the demise of the Bretton Woods System. Bretton Woods was a system of static exchange rates that were tied to the U.S. dollar’s convertibility to gold at a set rate. It was Richard Nixon who made the decision to take the U.S. off of the gold standard, and the resulting chaos in the currency markets was dubbed the “Nixon Shock.” The change in currency structure allowed the newly liberalizing China a way in which to enter the world steel market, and the country successfully pegged its

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1 Harvey, A Brief History of Neoliberalism, 10.
currency to the U.S. dollar in order to build its unprecedentedly successful trade advantage with the world’s largest economy. In 1972, Nixon had set out to normalize relations with China, and was the first U.S. president to visit the country. Nixon’s strategy with China was an example of Cold War foreign policy that was aimed to force the hand of the Soviets, in this case isolating them further from their already tense relationship with China in order to encourage the evolving Strategic Arms Limitations Talks. Nixon’s opening relations with China is yet another example of foreign policy harming domestic production in that the resulting trade imbalance has always worked in China’s favor. Though the Chinese did not become major players in the world steel market until the 1990s, the events surrounding the 1973 crisis helped to pave the way for future success.

1973 also marked the beginning of the end of U.S. engagement in the Vietnam War. As a military supplier of steel, Atlantic Steel must have been impacted to a certain degree by the drawdown of forces and the resulting reduced military spending as it was after the Second World War, but this is difficult to prove with the existing company records.

The early 1970s company records and oral history of a company employee show that there was a considerable amount of social conflict that occurred at the Atlanta plant. Former employee Charlie Orrock revealed that there were company and union initiatives to increase the number of women and African Americans working in production jobs. Orrock says that this resulted in considerable conflict with older white workers, particularly since the company had been in a virtual hiring freeze since the late 1960s. During the late 1960s and 1970s racial division among white and black workers tested union solidarity. Judith Stein’s work is

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2 Charles Orrock interview, Voices of Labor Oral History Interview Project, 18-19.
particularly focused upon the ways in which racial tensions played out within the ranks of the steel industry. It is clear that racial prejudice did have an adverse effect upon union cohesion at a time when unionized steel workers were under attack. There were many examples of wildcat strikes (strikes that started without the approval of union leadership) that occurred because African American union members felt that they were not being represented by union leadership or adequately promoted within the union. Atlanta experienced several such wildcat strikes during the 1970s, such as at the Mead plant, Atlanta sanitation workers, and Nabisco plant. Atlantic Steel did not experience a wildcat strike—the last strike had the full support of the steelworkers union and occurred in 1969—but the Atlantic Steel local experienced racial strife. Orrock stated that union meetings were divided with whites and blacks sitting on opposite sides of the union hall. While racism is not a primary factor in deindustrialization, it needs to be considered as something that weakened the labor movement at a critical juncture in its waning influence.

The events that started in 1973 did not have an obvious immediate impact upon Atlantic Steel and the company was able to downplay the economic crisis in their annual shareholders reports for a couple of years. Despite fairly rosy outlooks in ’72, ’73, and ’74, the annual shareholders report for 1975 stated that:

The year 1975 was a disappointing one for Atlantic Steel Company in many respects, yet some accomplishments were especially noteworthy, and we enter our 75th Anniversary Year with confidence and enthusiasm. Most disappointing were sales and profits, particularly when compared with the previous year’s all-time highs. This, of course, was the result of the faltering economy and perhaps the worst depression in the steel industry since the 1930s.”

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3 Charles Orrock interview, Voices of Labor Oral History Interview Project, 13-14.
4 Atlantic Steel Company records, box 1/5.
Despite the optimism, 1975 and 1976 were very bad years for the company, which lowered its value, and ultimately made it vulnerable for corporate takeover. The faltering economy had a pronounced effect upon the construction industry in the Atlanta area, particularly the residential sector. The massive growth in Atlanta’s suburbs came to a halt as financing dried up and high gas prices made commuting a dubious choice for those seeking to leave the city. Because of the company’s focus on the residential and light commercial markets the downturn in construction severely hampered company sales.

The Crisis of 1973 had a profound impact upon the steel industry. 1973 marked the end of what some historians have dubbed the “golden years” of American economic progress. Howell, et al. indicates that this was the year where growth shifted from the industrialized nations of Europe and the U.S. to the developing nations because “the changes in patterns of world steel production can be partially related to changes in consumption and trade patterns. Consumption in the United States, the EC and Japan peaked in 1973 and reached a peak in the following year for the other western economies. Consumption has not yet [1988] peaked in the developing nations.” For Atlantic Steel the peak seems to have come in 1974.

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The Spread of Neoliberalism

In a speech given at the 1976 Georgia College Luncheon, Robert J. Buckley, president and CEO of the steel company Allegheny Ludlum Industries speculated that a new economic ideology was forming. He stated that:

To one who observes and reflects upon economic developments and the political and intellectual trends which accompany them, the first signs of a completely new departure in patterns of thought and action are becoming dimly visible. Something fundamental is happening. We may be in the very earliest stages of a revolution in economic thinking, and in the style of government economic action, which will be comparable in importance to the Keynesian revolution. Keynes is ready to be dethroned—as soon as a possible successor can be found.  

Buckley may not have known exactly what changes were on the horizon, but he and other corporate leaders must have sensed that any viable alternative to Keynesian economic thought originating in the business community would be enthusiastically supported by those in positions of power. Buckley correctly forecasted the neoliberal turn, which was in the process of transforming political, economic, and social ideology in the United States and other industrialized nations. Just two years later, Jimmy Carter appointed Paul Volcker to head the Federal Reserve, and within a few short months Volcker would start a dramatic shift in U.S. monetary policy.

This neoliberal turn represented a shift from New Deal liberalism, which emphasized maximum employment through Keynesian economic schemes, to a faith in market based solutions epitomized by the policies of Ronald Reagan and Margaret Thatcher. Reagan and Thatcher are both associated with supply-side economics, although Thatcher may have been

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6 Robert J. Buckley, “The Power of Positive (Economic) Thinking,” from a speech at the Capital City Club, Atlanta, GA. 21 January 1976. Atlantic Steel Company records, box 50/1
7 Volcker was considered a monetarist, meaning that he wanted to combat inflation by reducing the amount of curacy in the economy. This is not the supply-side strategy used in the Reagan Administration, but both strategies fall under the neoliberal mantle.
more of a monetarist like Volker. Economists such as Robert Mundell, Arthur Laffer, and Victor Canto championed supply-side economics, and they asserted that by lowering marginal taxes and capital gains rates and freeing private industry from restrictive regulations, new investment would increase supply which would, in turn, increase aggregate demand. Supply-side economics are a clear example of a neoliberal economic policy. Harvey writes that:

Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices.  

But Harvey goes on to point out that, in practice, restoring or maintaining elite power often trumps ideology, and that the history of neoliberalism is not as static and ideologically pure as its supporters might suggest. In the case of Reagan, supply-side theory was unevenly applied, while marginal and capital gains taxes were lowered, payroll taxes actually increased and deficit spending skyrocketed. Neoliberal policies seem to have helped to reduce high levels of inflation, but have not created growth; see table 2. But how did neoliberal thought come to dominate modern discourse in the 1970s and 1980s?

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Source: Harvey, A Brief History of Neoliberalism, 155.

There are several explanations for the rise of neoliberal thought. The Atlantic Steel records are filled with documents produced by the U.S. Chamber of Commerce. The Chamber of Commerce (COC) was a prolific producer of tracts espousing neoliberal ideology, though not often using that term. The Robert Buckley speech cited earlier was sponsored by the Atlanta Chapter of the COC, and was aimed at influencing students and academics. The upper-level management of Atlantic Steel was heavily involved with the COC, supporting the organization financially and through calls for political action. There are numerous examples of correspondence between company officials and Georgia politicians concerning bills that the COC was resisting or promoting. There are several pieces of correspondence between Atlantic

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9 Atlantic Steel Company records, Box 41/4-9
Steel management and former U.S. House member Newt Gingrich that indicate their cooperation on bills.\(^{10}\)

Atlantic Steel corporate leaders supported the Chamber of Commerce by hosting many conferences. The company brought industry and political speakers to events in Atlanta, and provided plant tours for other conferences which the COC was a part of. Many industry conferences were centered on the nearby campus of Georgia Tech, which had a close relationship with Atlantic Steel. COC literature featured political action bulletins which advised members of pending bills and strategies for promoting or defeating them. Many of these bulletins focused on actions with a clear neoliberal agenda such as reducing regulation and oversight, lowering corporate taxes, and blocking environmental initiatives.

Other sources of neoliberal ideology in the company records can be found in literature from the National Association of Manufacturers, and the American Iron and Steel Institute, but both of these organizations were more pragmatic than the ideological COC, and supported protectionist legislation in certain instances.\(^{11}\)

Judith Stein identifies five common narratives in the social sciences to explain causal factors in the shift toward neoliberalism:

The first narrative ... [states] that by 1945 the reforming impulse of the New Deal had ended. The second claims that the excesses of the 1960s produced a reaction that undid the political coalition sustaining liberalism. The third inverts the second; that is, defenders of the social movements of the 1960s argue that the conservatism and racism of the populace, both predating the 1960s, produced the reaction against liberalism. A forth asserts that the political culture of the 1950s and 1960s faltered when faced with stagflation of the mid-1970s. The fifth concludes that imperial overreaching downed the postwar order.\(^{12}\)

\(^{10}\) Atlantic Steel Company records, Box 48/5

\(^{11}\) Atlantic Steel Company records, box 36/5-6, and Box 45/7

\(^{12}\) Stein, 3.
Stein argues that it was actually the “foreign commitments and economic policies of liberalism,” and not radical 1960s reforms or racism, which ultimately brought down New Deal liberalism.\(^{13}\) Considering the anti-government sentiment brought on by the Vietnam War and double-digit inflation of the mid 1970s, it is not surprising that public opinion of government foreign and economic policies was very low and susceptible to radical challenges. Stein’s argument that liberal imperial policies overreached and damaged the U.S. steel industry holds true for Atlantic Steel in the sense that U.S. foreign policies valued Cold War political alliances more than the domestic steel industry. In other words, the U.S. government failed to protect the U.S. domestic steel market from dumping and other unfair practices that were perpetrated by our political allies like West Germany and Japan.

In some ways, the ideologies of the neoliberals and the ‘68er’s converged over their mutual distrust of government. The New Left movement coalesced over U.S. imperialism in Southeast Asia, as well as structural racism and sexism domestically. Ideologically—if not in practice—neoliberals were on the road toward a “post racial “society where government policies would not hinder minorities, in theory anyway. As far as foreign policy was concerned, neoliberals were not interested in foreign interventions, except in the interest of forcing open markets or accessing raw materials. I mention this mutual distrust of government between the New Left and the neoliberals because it could explain the rapid spread of neoliberal ideology in the late 1970s and early 1980s. It seems no coincidence that the 1980s were dubbed the “me” generation. Focus on individual freedom was common to both groups, yet in very different ways. For the New Left, individual freedom was about free speech and anti-authoritarianism,

\(^{13}\) Stein, 6.
but for the neoliberals, the focus was on private property and defining businesses and corporations as “individuals.” Would the Reagan Revolution have been possible without some crossover anti-government sentiment from former student protesters who had marched demanding more individual freedoms? According to Charles Orrock, the union workers at Atlantic Steel voted for Reagan in both elections.\(^\text{14}\)

Neoliberal ideology was also able to permeate the ranks of the working class despite the clear conflicts between the demands of workers and core tenants of the ideology. A partnership between the Republican Party and Christian conservatives emerged during the early 1980s, which was able to make abortion and a supposed attack upon religious freedom important issues for the working class and others. Neoliberal politicians in the Republican Party were able to exploit resentments of white workers toward social policies like Affirmative Action, which they perceived as benefiting minorities at the expense of white taxpayers.\(^\text{15}\) Charles Orrock mentioned that even within the union at Atlantic Steel, many of the older white workers were ideologically very conservative in the early 1980s. Exploiting the fears and economic instabilities of white workers enabled neoliberal ideology to enter into the former exclusive domains of the traditional left, namely trade unions such as the United Steelworkers of America.

There are also instances of neoliberal ideology present before the 1970s. Harvey finds anti-Keynesian thought in the immediate postwar period, particularly with Austrian political philosopher Friedrich von Hayek, and with Chicago School economists such as Milton Freidman. Perhaps the most widely read critique of Keynesian economic policy was John Kenneth Galbraith’s *The Affluent Society* first published in 1958.

\(^{14}\) Charles Orrock interview, Voices of Labor Oral History Interview Project, 34.  
\(^{15}\) Harvey, *A Brief History of Neoliberalism*, 49-50.
While a search of the word “neoliberal” in the *Oxford English Dictionary* shows its use as far back as the nineteenth century, its current meaning does not become consistent or stable—if that is possible for language—until the 1980s. It is at that point that the word corresponds with the definition presented earlier in this paper.

The early critique of Keynes and the practices of the liberal democracies were that economic decisions made by the state were bound to be politically biased and subject to influence by interest groups such as trade unions or environmentalists. These critics also claimed that state decision making about investment and capital accumulation would not be made based on market signals.16 While the first argument seems valid, the second one is perplexing, particularly if applied to an industry like steel, where government offices generate much of the economic data. For men like Robert Buckley, these arguments against Keynesian thought were secondary in the face of the continued stagflation of the mid-1970s. To them, Keynesianism had failed to maintain economic growth and stability, and the solution had to come from the markets themselves.

Neoliberalism shows a history of private sector profits supported by the public sector guarantee of risk. “State power has often been used to bail out companies or avert financial failures, such as US savings and loans crisis of 1987-8, which cost US taxpayers an estimated $150 billion, or the collapse of the hedge fund Long Term Capital Management in 1997-8, which cost $3.5 billion.” Of course, the recent bailouts of Goldman Sachs, General Motors, and AIG

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16 Harvey, *A Brief History of Neoliberalism*, 21.
during the 2008 crisis are probably the best example of all.\textsuperscript{17} All of this was at odds with neoliberal thought, but not in practice.

**The Reality of the World Steel Market**

The spread of neoliberal thought in the industrialized nations did not translate into a free and open, global steel market. Despite the fact that government intervention in the global steel industry had been increasing for decades—particularly in the global south—U.S. foreign trade policy increasingly acted as if market forces were maintaining a level playing field. From the outside it appears as if during the early 1980s the U.S. had no steel policy at all. Howell, et al. write that, “In a world market where government intervention is persuasive, the lack of a coherent [U.S.] trade policy—other than reliance on the market and reaction to the practices of other nations—has allowed foreign government actions to influence the shape of the U.S. steel industry”.\textsuperscript{18} Since the U.S. had essentially abandoned the price trigger points established during the Carter Administration, the country became the largest market for global steel surpluses produced elsewhere. In Japan and Brazil, government investments in steel manufacturing infrastructure had increased their productive capacities way beyond the needs of their domestic markets. The Japanese conglomerate Hitachi even opened a steel service center in Atlanta in the 1980s, in direct competition with Atlantic Steel.

I stated earlier that steel production became ever more efficient in the late twentieth-century, but that is only true in a micro sense. Individual plant production saw huge productivity gains, but on the macro or industry wide level there was widespread inefficiency.

\textsuperscript{17} Harvey, *A Brief History of Neoliberalism*, 73.

\textsuperscript{18} Howell, et al., *Steel and the State*, 493.
Howell, et al. writes that, “Investment in productive facilities has far outpaced the growth in consumption and has been largely unrelated to underlying economic conditions in the industry.” Governments have subsidized capacity growth and kept unprofitable mills in business. Capacity utilization remained low, yet more plants were built. Because mills had to operate at a fairly high capacity in order to be profitable, this was inefficient when viewed nationally or globally.

The newly developing steel production in the global south did not happen without considerable help from the industrialized nations whose domestic producers would soon become victim. Howell, et al. describes the situation:

In the mid and late 1970s, as the steel recession unfolded, substantial new steelmaking capacity began to become operational in the developing countries. These expansion projects were facilitated by Western world suppliers who sought to offset stagnant steel sales at home by providing state-of-the-art steelmaking equipment and technical assistance to developing nations. The projects, which generally could not attract indigenous private capital, were financed through a combination of developing country government subsidies and loans, concessional export financing by export-import banks in the industrialized countries, international development institutions like the Inter-American Development Bank and the World Bank, and perhaps most importantly, private banks in the industrialized nations eager to recycle petrodollars. Loans to developing country steel projects, backed by the guarantees of the local government, were so attractive to foreign banks that credit was made available on a virtually unlimited basis. Between 1974 and 1986, gross steelmaking capacity in the developing Western world grew from 54 to 122 million metric tons, but at the same time, countries like Mexico, Brazil and Argentina incurred a huge burden of foreign debt.

As stated earlier, through policies at the World Bank and IMF, the industrialized nations had the power to force free market policies onto developing nations who were in danger of defaulting on loans, but this did not have the effect of slowing dumping or erasing tariffs to the point that it protected U.S. producers.

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19 Howell, et al., Steel and the State, 19.
20 Howell, et al., Steel and the State, 5.
U.S. steel firms had few options to compete in the global market without state support. They generally have gone in three distinct directions to compete. Daniel Madar writes that:

For steelmakers in open economies such as Canada and the United States, what is at issue is survival and stability amidst global competition without the protection and patronage of the state. There are three basic options: protectionism, consolidation, and aligning in close relationships with major global customers such as the automobile industry. None of these is surefire.\(^{21}\)

Atlantic Steel faced stiff competition from imports, particularly Japanese ones, during the mid-1970s. The company could not rely on government protection, even though the U.S. industry had repeatedly filed claims against foreign importers of dumping at prices below production costs. Atlantic Steel had also sought protection in the form of export restrictions on domestic scrap steel, but those were successfully blocked by scrap metal industry lobbying efforts.\(^{22}\) The scrap dealers claimed that the nation’s supply of ferrous scrap exceeded 670 million tons in 1979, but exports were 8.9 million tons in 1978. Number one heavy melting scrap fluctuated between $90 and $100 per ton in 1978, but was running as high as $126 per ton in the spring of 1979. The US was one of very few nations that did not impose rigid controls over the export of ferrous metal scrap in the 1970s. Atlantic Steel was not a major supplier to the automotive industry despite being located close to General Motors and Ford assembly plants. The automotive industry generally utilizes sheet steel, which was not a major product line for Atlantic Steel. If Madar’s analysis is correct, Atlantic Steel’s only viable option going forward was consolidation. There is no evidence in the company records to suggest that Atlantic Steel management had come to this conclusion, and they did not seem to be seeking to consolidate at the time of the Ivaco buyout. But, the fact remains that the company was ultimately merged.

\(^{22}\) Box 38/3, Atlantic Steel Company records.
with a larger entity, which in turn was acquired by the large global player, Gerdau (at this writing, Gerdau Ameristeel). Considering that the U.S. steel industry has experienced a massive wave of consolidation, Madar is most likely correct.

The iron ore industry, which is a key link in the commodity chain of steel, has become even more concentrated than the steel manufacturing sector. As of 2007, three global companies: Brazil’s Vale, the British/Australian firm Rio Tinto, and BHP Billiton together control about seventy-five percent of the world’s raw iron ore. This consolidation will most likely be mirrored by the integrated sector which is so directly linked to iron ore, but also could continue to provide flexibility to the minimill sector. The current state of the steel industry makes the decisions made by Atlantic Steel in the 1970s look fairly prophetic.

**Government Policy**

Throughout the twentieth century U.S. government policies engaged directly with the steel industry. Prior to the Second World War, the International Steel Cartel, which had kept world steel capacity in check, managed global steel production and prices but the ISC fell apart in 1939. Towards the end of the Second World War, Government analysts, fearing a return of the mid-1930s economic malaise, sought to implement a full employment economy. One of the ideas they put forth was an expansion in domestic steel capacity, but manufacturers were reluctant. Atlantic Steel must have also been reluctant because there were no major infrastructure upgrades in the immediate postwar period. Since steel production is so

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expensive, producers needed to be confident in their return on investment, and they did not feel that the increased capacity expenditures would be profitable. Consequently, they were slow to commit to any expansion plans. This prompted President Truman to threaten to nationalize the steel industry in a 1949 State of the Union Address.\textsuperscript{25}

In 1952, Truman attempted to take over the U.S. steel industry in response to a called United Steel Workers strike. Truman’s directive was found unconstitutional by the Supreme Court and a fifty-three day strike of 600,000 workers ensued.\textsuperscript{26} Atlantic Steel employees were involved in this strike. The government was motivated to keep steel worker’s wages low in order to keep overall steel prices low, believing that high steel prices would cause inflation.\textsuperscript{27} In 1962, the Kennedy Administration played a large role in contract negotiations between steel industry management and the USW. Kennedy thought he had achieved a balance by getting the union to agree to a modest wage increase while also maintaining an agreement for steel price restraints from industry leaders. The chairman of U.S. Steel balked after the labor agreements were signed and announced that they were raising the price of steel by $6.00 per ton, other companies quickly followed. This placed Kennedy in a difficult position and he went on the offensive against the price increases through the media. Shortly thereafter, Bethlehem Steel, then U.S. Steel relented and announced price rollbacks and the industry retreated back to the original agreement.\textsuperscript{28}

\begin{flushright}
\textsuperscript{25} Congressional Record, Vol. 95, Pt. 1, 81\textsuperscript{st} Congress (1949): 75.
\textsuperscript{27} Stein, Running Steel, Running America, 316.
\end{flushright}
In 1967, Lyndon Johnson threatened to veto pending protectionist legislation of which a coalition, that included the steel industry, was in favor. Despite President Johnson’s opposition, a steel import quota bill was introduced in the legislature, but German and Japanese steel companies were able use political connections in the House Ways and Means and Senate Finance Committees to make some of the guidelines voluntary. This logjam morphed into the three-year *Voluntary Restraint Agreement* (VRA). The VRAs were not effective at slowing foreign steel imports, and by 1971, foreign steel producers had captured 17.9 percent of the market share. In 1972, the Nixon administration established a second set of VRAs, but they were not necessary because a spike in global demand drove the import market share back down to 12.4 percent. VRAs did not stem the flow of imports, but they represented a different strategy from the manufacturers. Harland Prechel indicates that, “although VRAs did not establish import quotas, they signified the transition from corporate revenue generating legislation to an indirect form of protectionism by regulating imported steel.”


For a clearer view of these acts see table 3. As the names imply, a majority of these acts

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30 Prechel, 657.
were written specifically for the steel industry. It is interesting to note that many of these acts were passed into legislation during the ascendancy of neoliberal ideology.

The fact that protectionist bills and quotas were being implemented in the U.S. during the early 1980s seems to weaken the argument that neoliberal ideology was becoming the dominant discourse among a majority of the political and financial elites, but I argue that because steel was an integral part of the military industrial complex, protectionism—in this case—was consistent with neoliberalism. Prechel demonstrates that after 1971, there were no corporate revenue generating laws that benefited all manufacturing which were consistent with Keynesian policy such as the Revenue Act of 1962; the lone exception being the ERTA in 1981. But, between 1971 and 1989, there were many protectionist laws designed specifically to benefit the steel industry.\(^{31}\) These protectionist schemes were far less effective—perhaps by design—than any in place in the other major steel manufacturing nations. But, they were also reactionary in the sense that most of them, like the trigger price mechanisms, were designed to force foreign steel producers to act according to some kind of free market model, which in itself is not in accordance with free market principles. Atlantic Steel management seemed to support schemes on both sides of the free market/government regulation divide. Neoliberal dogma generally supports military spending, particularly in regards to anti-communist operations like the Cold War. Domestic steel production is an important element of military preparedness, so if anything, it is surprising that neoliberals in policy making did not advocate more for steel industry protectionist schemes than they did, particularly in the 1980s arms race with the Soviet Union.

\(^{31}\) Prechel, 657.
Table 3. State Business Policy That Affected the Steel Industry, 1940-1989.

Source: Prechel, 657.

<table>
<thead>
<tr>
<th>Legislation</th>
<th>Corporate Revenue Generating</th>
<th>Voluntary Agreements</th>
<th>Protectionist Legislation</th>
<th>Designed to Benefit</th>
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<td>Revision of the Internal Revenue Code (WWII)</td>
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<td>Defense Production Act of 1950</td>
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<td>Revenue Act of 1962</td>
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<td>1969-71 VRAs (1968)</td>
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<td>Revenue Act of 1971</td>
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<td>1972-4 VRAs (1971)</td>
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<td>Trade Act of 1974</td>
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<td>Soloman Plan</td>
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<td>Trigger Price Mechanism (1978)</td>
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<td>Trade Agreement Act of 1979</td>
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<td>ERTA (1981)</td>
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<td>Steel Industry Compliance Act (1981)</td>
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<td>Fair Trade in Steel Act of 1983</td>
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<td>Steel Import Quotas (1984)</td>
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<td>Steel Import Quotas (1989)</td>
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The contradiction of ideology does not lay with neoliberal policies toward protectionism in the steel industry, but between the government’s foreign and domestic policies themselves. “To secure and sustain strategic alliances,” writes Stein,” the government resurrected and created steel industries abroad and then encouraged imports into the United States... the resulting diminished market for domestic steel raised the cost of modernization and reduced the number of jobs in the U.S. steel industry.”32 This plan was not terribly destructive to U.S. domestic steel producers in the 1950s when foreign productive capacity was still in its postwar shambles and the vacuum was being filled with U.S. exports. But sticking with this policy became disastrous for domestic production by the mid-1960s.

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32 Stein, 197.
Not all capitalist countries saw the free market in the same way. Eric Hobsbawm points out that sometimes capitalism can function in an irrational manner when it is not driven by Adam Smith’s “habits of labour.” Hobsbawm explains:

This happened during the fashion for piratical ‘take-overs’ of business corporations and other financial speculations which swept the financial districts of the ultra-free-market states like the U.S.A and Britain in the 1980s, and which virtually broke all links between the pursuit of profit and the economy as a system of production. That is why capitalist countries which had not forgotten that growth is not achieved by profit maximization alone (Germany, Japan, France), made such raiding difficult or impossible.33

Countries like Japan and Brazil have extolled the virtues of the free market while maintaining protection over their domestic markets to the point that they have been able to dominate the U.S. steel market while staying in the good graces of U.S. policy makers.

**Atlantic Steel to Atlantic Station**

It seems no coincidence that today the skyline above Atlantic Station is dominated by the bank chains BB&T and Wells Fargo. The core anchor tenant for the development is the Swedish retail giant Ikea, known for selling inexpensive imported furniture and housewares. The site of the former Atlantic Steel is no longer a productive space, but a consumptive one. There retail sales, financial services, and entertainment are now the main economic drivers.

There are beneficial elements of the transition from manufacturing space to service industry and residential space. There are far more people employed now within the geographic boundaries once occupied by the steel mill. Atlantic Station contains numerous houses and condos, which have the potential to provide a vastly larger tax base to the city than the former mill ever could. The retail and white-collar jobs performed at Atlantic Station present very few

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life-threatening circumstances, unlike the former steel mill. In the past five years alone, there have been two fatalities at the Gerdau Cartersville mill. The adverse health effects associated with having a steel mill in such a high-density residential area as midtown Atlanta need no further explanation. But, despite all the positive aspects of the development of Atlantic Station, something fundamental was lost in the transition.

The retail sales and food service jobs that currently make up a high percentage of the workforce in Atlantic Station do not provide the same level of lifestyle that the former mill jobs did. According to the Bureau of Labor Statistics, food preparation workers earn an annual mean of $21,380, and retail sales workers $23,610. The average annual wage of a U.S. steelworker in 1975 was $22,032; adjusted for inflation this figure would equal $95,075 in today’s dollars.

The live, work, play slogan of Atlantic Station held far more truth to the former surrounding neighborhood during the mid-twentieth century than it does today. The neighborhood surrounding the mill, Home Park was once filled with houses occupied, and often owned, by steelworkers. There were a number of businesses catering to those workers needs and income level. The average price of a single family home in Atlantic Station in 2013 is $357,605, a figure far beyond the means of a dual income family employed in retail sales or food production at the development. The former steelworkers often owned their own homes in close proximity to the mill. It is doubtful that the low wage workers that service Atlantic Station can afford to live, or possibly even “play” in this new urban “livable” space.

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36 Coldwell Banker website, [http://www.coldwellbankeratlanta.com/real_estate/Georgia/Atlanta/Atlantic_Station.htm](http://www.coldwellbankeratlanta.com/real_estate/Georgia/Atlanta/Atlantic_Station.htm) accessed 4/1/13.
In a revealing study of Atlantic Station, Katherine Hankins and Emily Powers document the invisibility of the state from the country’s largest urban brownfield development project. There are no schools, public squares, government buildings or institutions, save a lone police station. Hankins and Powers argue that the state relationship with civil society has shifted under neoliberal policies away from its role of protecting rights and representing individual interests, and toward a “heightened alignment with capital.” Atlantic Station is a fulfillment of neoliberal ideology in tangible form. It is designed to be a space of orderly consumption managed and controlled by private industry, despite the fact that the project received federal funding. The roads and green space within the complex are private property, primarily patrolled by private security tasked with maintaining a pleasant commercial experience. Gone are the unionized workers and the political public.

Atlantic Station also represents one of the paradoxes of neoliberalism. Despite the concept of Atlantic Station being a private development, the land purchase and initial construction loan were financed by the sale of tax allocation bonds, the first such bonds issued in Georgia. The project was a joint development between Jacoby Development Inc., and AIG Global Real Estate Investment Corp who worked with the Environmental Protection Agency to transform the brownfield site. Not only did public tax revenue underwrite the land purchase and building costs, but it also financed the construction of a major bridge and highway infrastructure connecting the—relatively isolated—project to the central business district. Public investment in the project appears to be roughly $100 million. Public dollars covered the risk

\[38\] Matt Gove, “Money Gets Atlantic Station Rolling,” \textit{Atlanta Business Chronicle}, November 2, 2001, 3A.
while private entrepreneurs reaped the profits. AIG was the recipient of a huge federal bailout in the wake of the 2008 financial crisis, just a few short years after the Atlantic Station deal. The neoliberal rhetoric claiming that government gets in the way of private industry does not seem to fit in this case.
CONCLUSION

Atlanta’s loss of the Atlantic Steel plant happened largely due to timing. American corporate leaders and politicians have, time and again, acted against the ideological paradigm of neoliberalism, but since the 1970s, only in a reactionary way. Since the 1970s, there has been a refusal among decision makers to proactively address the structural problems and uneven playing fields inherent to capitalism, and this has led to a widespread deindustrialization within the U.S. Other factors such as affluence are certainly at play, but these are harder to address with policy changes.

The loss of the domestically owned iron and steel industry is more important than the globalization of television or clothing production because steel is an intermediate good used in manufacturing durable goods from a variety of sectors. Because steel is a key element in so many commodity chains its use will continue to adapt and flourish, but for the time being, U.S. companies will have to depend primarily on large global conglomerates to supply their iron and steel requirements.

Atlantic Steel and a large portion of the former U.S. steel industry are gone because of three important factors. The first being that the successes of the American economy during the latter half of the twentieth century lifted so many and created such unprecedented opportunities that the country experienced a wave of affluence that had the effect of unraveling the industrial domestic economy. The slumping domestic demand for steel was exacerbated when manufacturers sought greater profits from overseas production and more industrial workers shifted to the service sector. Secondly, the many events that comprised the crisis of 1973-1975 weakened the U.S. steel industry at a time when it was vulnerable to foreign
competition and takeover. And thirdly, the spread of neoliberal ideology convinced policy
makers that policies which protected manufacturing, including steel production, were
detrimental to the free-market system, and the process of creative destruction was cathartic,
and generally necessary. The three factors coalesced in the mid-1970s and created the
environment which made deindustrialization in the steel industry and at Atlantic Steel possible.
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