Output per man-hour went from 131.7 for 1966 to 132.1 for 1967 and to 134.3 for the first quarter of 1968. As a result, unit labor costs increased from 102.9 in 1966 to 108.7 in 1967 an to 111.3 in the first quarter of 1968. These increasest in cost contributed, of course, to price increases. And price increases stimulate further wage increases.

Inflationary trends hit foreign commerce with great impact. First, they raise our own selling prices and narrow our competitive ability. Second, increased prices in our domestic markets make it easier for foreign competitors to invade U.S. markets. In many areas of the world and in certain product lines we are pricing ourselves out of world markets. Our selling prices are ceasing to be competitive.

The United States has been moving ahead toward full employment and a boom-time economy, conditions which lift the demand for imports and inhibit exports.

Our increasing prosperity has put us in shape to be able to afford the purchase of imported products. And the strength of demand in the domestic market has removed some of the incentive for our manufacturers to take on the often more difficult and more competitive markets overseas. Why go overseas when profitable production and sales can be realized in the domestic market?

WHAT ARE THE ANSWERS

1. We must slow down the rate of inflation. The passage of the tax bill will aid but, even with that, the route back to price stability will be long and difficult.
2. We must endeavor to be more productive, hoping that the gains in output—increases in productivity—will more nearly equal increases in compensation.
3. We have done a good job in whittling down the tariff barriers to the free interchange of trade. But we must do a better job in eliminating nontariff barriers which limit our ability to compete and to export. Free trade is never really free trade unless there is reasonable freedom, or at least equitable treatment, in the access to markets.
4. We must become more competitive and more ambitious. The U.S. industrial machine is too big to be supported by domestic commerce alone. We must seek new markets abroad, and U.S. industry must be able to compete abroad on the basis of quality and price.
5. We should not permit conditions to originate or to continue which are likely to provoke world trade wars. We are the world's largest merchant; trade wars would damage us more than any of our competitors.

TRADE POLICY

Since the days of President Roosevelt, without exception, each succeeding President has recommended to the Congress and to the country that we continue our efforts, with the help and friendship of our trading partners, to reduce the impediments to freedom of trade between participating nations.

We have made some real progress in the reduction of barriers to free trade and other opportunities lie immediately ahead. We are on the right course, I believe, and I know of no good reason to support a belief that we should now depart from our policy or abandon our long desired objectives.