

sources of steel thousands of miles away;" imports are a serious drain on the U.S. balance of payments; imports are the inevitable consequence of the world's highest wage structure which makes it impossible for America to compete with foreign-made products in world markets; and finally, imports must be severely restricted in order to give the American steel industry time to modernize so that it can meet foreign competition.

These arguments, we submit, are spurious and deceptive. As we demonstrate in the appendixes to this statement, steel employment is not correlated with imports but with rising productivity—both in the United States and in leading steel producing nations like the European Coal and Steel Community. The level of U.S. steel prices is uncompetitive not because of high labor costs, but because of an insensitive, monopolistic, and suicidal pricing policy, on the one hand, and technological lethargy, on the other. The balance-of-payments deficit, reflected in rising imports and lagging exports, is indeed a stark reality, but this again is explained by the industry's noncompetitive behavior. According to the calculations of Prof. Egon Sohmen, of the University of Saar in Germany, an international steel authority, the U.S. balance-of-payments deficits during the early 1960's could have been eliminated, if the steel industry had priced its products to assure operations at full capacity, and if it had exported the additional steel produced at world market prices. Sohmen says:

Moreover if steel prices in the United States had uniformly been at the lower world-market levels, many important American industries using steel—the automobile or the machinery industries, to name only a few—could have reduced their prices. This would have entailed a rise of exports of these industries and a fall of competing imports, further improving the U.S. trade balance.

Finally, as the record of the last 15 years conclusively shows, technological progress will not come about by shielding the steel industry from foreign competition, but by subjecting the industry to the regulatory discipline and competitive compulsions which such rivalry provides. In short, a strong steel industry, with a viable national defense posture, is a competitive steel industry—not an industry operating in its monopoloid and lethargic manner under the umbrella of government protectionism.

Despite its poor performance in the past, however, there are signs that the industry has begun to respond to import competition, and that it can prosper without the crutch of government aid. According to the Wall Street Journal:

The steel industry, long plagued by heavy modernization costs and rising imports, nonetheless seems poised on the brink of a spectacular long-term surge in profits.

The modernization program, induced by import competition, is beginning to pay off. The new oxygen furnaces at Republic's Cleveland plant have shaved \$10 per ton from previous production costs. National's continuous casting machine at the Weirton plant will save an estimated \$2 a ton in operating costs, which would mean an annual saving of \$6 million, or nearly 6 percent of National's pretax profit of \$105 million last year. McLouth, a leader in new steel technology, is likely to be earning \$27 million by 1970, up from \$10.8 million last year. In addition, of course, the price increases announced last year on