

70 percent of all steel mill products will yield more than \$350 million annually—that is, roughly twice the \$170 million increase in labor costs effective last August. Finally, as an Allegheny Ludlum spokesman observed, the steel industry can take a hell of a lot more business without adding more people. Its rising productivity is reflected in the fact that in the first quarter of 1968, the industry produced 37 million tons with an average employment of 432,000 people, whereas in the first quarter of 1965, the output was 35 million tons with an employment of 463,000. (Wall Street Journal, May 31, 1968, p. 6.) This is hardly the time, therefore, to impose import quotas, or to short circuit the market forces which have compelled the steel giants to modernize and increase efficiency.

In conclusion, we note that even if (steel) import quotas could be justified in theory, which they cannot, they would still be an unwise policy in practice. In a chess game, it is foolhardy to assume that our opponent will play dead—that our moves will not be met by counter-moves which neutralize a seemingly brilliant forward thrust. Trade restrictions by the United States will inevitably and predictably invite massive retaliation, leading to a further loss of export sales and an aggravation of the balance-of-payments crisis. Let us remember that a large volume of American steel is exported in the form of machinery, metal fabrications, vehicles, aircraft, and similar products, and that the dollar value of these exports is 10 times larger than the dollar value of steel imports. Let us also remember that some 2.9 million jobs in the United States are attributable to exports—accounting for 20 percent of the employment in engines and turbines; 24.9 percent in construction machinery; 16.9 percent in special machinery; 15.6 percent in chemicals; 13.8 percent in plastics; 12.1 percent in office machinery, et cetera. Is it in our national self-interest to penalize these progressive, competitive, and aggressive export industries in order to protect some inefficient, lethargic, monopolistic giants? We submit, Mr. Chairman, that this would be a bad trade off.

Import quotas for such industries as steel are, therefore, unwise and self-defeating. Aside from their deleterious effect on world trade, they are against the best interests of the United States—the employment of our workers, the efficiency and competitiveness of our industries, the stabilization of our balance-of-payments position, and our industrial strength for national defense.

Mr. Chairman, we should be delighted to answer any questions the committee may have.

(The appendixes referred to follow :)

APPENDIX I

MALTHUSIANISM, PROTECTIONISM, AND STAGNATION: A CASE STUDY OF FRENCH COMMERCIAL POLICY

(By William James Adams, Harvard College)

To the American, malthusianism is a theory of population growth. To the Frenchman, by contrast, malthusianism is a theory of entrepreneurial behavior: it is an attempt to explain why French economic values crystallized about the goals of security and conservation rather than those of creation and innovation. Although French in origin, the concept of economic malthusianism (as I shall refer to the second usage to distinguish it from the first) can be used to analyze certain strident strains in our own economic attitudes. It is important, then,