three times as fast as wholesale prices generally. No other major sector shows a similar record." (*Report to the President on Steel Prices*, April 1965, pp. 8–9).

(3) As the tables attached to this statement show in detail, this persistent upward trend in steel prices continued into the 1960's. Thus, since 1962, the domestic producers have been engaged in an unbroken round of "selective" price hikes. In a kind of ritual dance, the leadership in initiating increases shifts from one company to another—"chacun à son tour"—while each product successively gets its turn at a price boost. To cite only two examples: an important item like hot rolled sheets, imported in large volume, was increased by $4.00 a ton in 1963, and $3.00 a ton in 1966. Carbon bars were raised $5.00 a ton in 1963, and bar prices went up again in 1967.

(4) This pattern of constant escalation of steel prices has had both domestic and international consequences. In the domestic market, steel has lost ground not only to imports, but also to substitute materials. The reason is not hard to find: following an almost uncontrollable suicidal instinct, steel was pricing itself out of the market. "On a comparative basis," according to the Council of Economic Advisers, "the price of basic steel products rose substantially relative to the prices of competing materials. Relative to plastics, the price of basic steel products was over twice as high in 1963 as it was in 1947. The prices of cement, glass, plastic materials, and aluminum all rose substantially less than steel. [See Table below] With this sharp deterioration in the relative price position of steel products vis-a-vis other materials, failure of iron and steel production to keep pace with the growth of the economy is not surprising." (*Report to the President on Steel Prices*, p. 28)

PRICE CHANGES IN STEEL AND COMPETITIVE MATERIALS, 1947–64

Material	Percentage change in wholesale price, index, 1947–64	Price in 1964 relative to steel (percent) [1]
Steel mill products	113.3	100.0
Cement	65.9	77.8
Glass, flat	46.1	68.5
Plastic materials	−5.6	44.3
Aluminum ingots	70.8	80.1

[1] Based on 1964 prices on a 1947 base.

Source: Council of Economic Advisers, "Report to the President on Steel Prices," April 1965, p. 29.

(5) Constant price escalation has, of course, inevitably encouraged increased importation of steel. *Fortune*, for example, finds it curious that, "while complaining about the low costs and the low prices of foreign steel, leading steel companies have chosen this particular time, of all times, to *raise* their own domestic prices when their mills are still working at well under full capacity. Put all this together and one is reminded of that old British march to which Cornwallis surrendered at Yorktown called *The World Turned Upside Down*." (October, 1967) If imports have caused concern for the domestic steel industry, this is clearly a case of self-inflicted injury.

The only explanation we have been able to find for this insensitive (and apparently irrational) pricing policy vis-a-vis imports is the possibility that the domestic steel industry is applying a squeeze against independent, nonintegrated American steel fabricators. Thus, during the recent wire-rod dumping case, an independent fabricator testified that U.S. Steel charged him $6.00 per ton more for the raw material than the price at which he had to sell the finished product in competition with his giant supplier-competitor. In other words, the major steel companies may be trying to maintain their vertical oligopoly by maintaining or raising prices of basic steel—despite import competition—while lowering or maintaining prices of finished steel products. But this strategy of squeezing the independent fabricators can work for any prolonged period of time only if the major companies succeed in their drive to shut off imports—which have become the lifeline of the independents. (See "Steel Imports and Vertical Oligopoly Power," *American Economic Review*, September 1964)