

(6) Constant price escalation has also had international consequences. American steel has, by its own actions, effectively priced itself out of world markets. In the process, it has seriously damaged the U.S. balance of payments position. Whereas in 1955 the United States exported four times as much steel as it imported, by 1966 it imported five times as much tonnage as it exported. In a dozen years, the industry's trade balance was radically reversed.

This phenomenon is largely explained by the divergence between the price policy of domestic and foreign producers. Whereas U.S. steel companies maintain or raise their prices in the face of competition, foreign producers follow a much more flexible price policy designed to get additional business. Thus, economists for the National Bureau of Economic Research, after surveying four main product groups (iron and steel, nonferrous metals, and non-electric machinery), found that the largest changes in international competitiveness "have taken place in iron and steel." Between 1953 and 1963, there was an almost 20 percent decline in the price competitiveness of American steel relative to European producers. Although a reversal of the trend began to appear in 1964, the price posture of U.S. steel in world markets "remained considerably worse than in 1953 and 1957." (*American Economic Review*, May 1967, p. 486)

Professor Egon Sohmen, an international steel authority, came to the same conclusion. After surveying steel prices and output in the United States and in six ECSC countries (see Table VI-1), he found "that steel prices were almost completely rigid in the United States (for all practical purposes, they were adjusted only in an upward direction) while they were remarkably flexible in Europe. Largely as a consequence of this, the level of production suffered major setbacks in the United States whenever business activity receded so that steel works operated at less than two thirds of capacity for many years. Steelmakers in Europe, on the other hand, were able to operate near capacity more or less continuously."