

the incentives to deal with the underlying factors which have prevented the steel industry from participating fully in the unprecedented growth in the American and world economies.

I ask you to look at table 1 of the paper before you. The key to the problem of the American steel industry is summarized in table 1.

TABLE 1.—STEEL, PRODUCTIVITY, WAGES, PRICES, AND OUTPUT

	1957-66 as percent per annum	
	Steel industry	All manufacturing
Output per man-hour.....	2.8	3.6
Compensation per man-hour.....	3.4	3.8
Unit labor costs.....	.6	.2
Prices.....	.7	.7
Output.....	3.4	5.0

Source: U.S. Senate, Public Finance Committee, Steel Imports (December 1967) pp. 466-468.

Labor productivity in the steel industry has risen more slowly than that of the manufacturing industry, in general—2.8 percent per annum compared to 3.6 percent per annum for all manufacturing in the period 1957-66. While average hourly labor compensation has grown more slowly—3.4 percent for steel compared to 3.6 percent per annum for all manufacturing—it is not enough to offset the slower growth in productivity with the result that unit labor costs in the steel industry have risen on the average of 0.6 percent per annum compared to 0.2 percent per annum for all U.S. manufacturing industry. While unit labor costs have risen faster than the average, for manufacturing industry, prices have risen on the average about the same, so that a profit squeeze has developed. Output has increased only 3.4 percent per annum compared to 5 percent per annum for all manufacturing industry.

The steel industry has focused its attention on the second item, labor costs, in table 1 as the cause of all its problems. In fact the available statistical evidence indicates that the average cost of imported steel at U.S. ports is greater than the average cost of American steel at the mill.

Mr. Holliston R. Wood, chairman of the board of Alan Wood Steel, said in 1966 that "With the possible exception of the Japanese I don't think anybody has substantially lower costs than ours," and he added the only reason he was leaving out Japan was a lack of information.

This statement was seconded by Harvey Lee Allen, vice president and general manager of operations of Republic Steel Corp. When speaking of costs he said, "I don't think anybody is doing better than the United States if as well." These statements are confirmed by a research study of my own which I am appending to my written statement.

I maintain that the first item, productivity, is of equal, if not greater, importance. If the steel industry had been able to maintain a rate of growth in productivity equal to that of all U.S. manufacturing industry, its unit labor costs would have declined. If this was passed on to the consumer of steel in the form of lower prices more steel would have been sold, output would have risen faster and profits would