

have been higher since, as the steel producers have pointed out, most of their profit is in the marginal tons of steel sold and imports would not be the problem they are today.

The basic problem of the steel industry of lagging productivity has been compounded by an excessively rigid price policy in regard to imports which has made the U.S. market a "sitting duck" for foreign steel exporters.

In order to stop imports, the steel industry should embark on a program embracing three basic points:

1. Increase expenditures on research, and the development of new products in order to step up the rate of cost reducing innovations and expand its market. The steel industry spent only \$0.60 of every \$100 of sales on R. & D. compared to \$1.90 for all manufacturing industry. Only the textile and wood products industries spent less on R. & D. than the steel industry, a shocking performance, I maintain.

2. Maintain the present high level of investment over the next decade. This requires greater use of outside finance. The steel industry has self-financed 85 percent of its investment expenditures from its own resources (almost 100 percent if working capital is excluded) compared to the 61 percent figure for all manufacturing companies.

In short, when business is good steel investment goes up. When business is bad it goes down and this type of investment behavior hasn't been adequate for steel to attain the type of growth and productivity that it needs to remain competitive, not only with imports but with domestic substitutes for steel. If steel wishes to increase its rate of growth and step up its productivity it must make greater use of American capital markets, one of the great advantages we have over our foreign competitors.

3. The introduction of an aggressive and flexible price policy designed to expand steel's market position both at home and abroad. Our domestic steel prices have risen 51 percent since 1952 compared to 19 percent for Germany and a 30-percent decline for Japan.

While in the long run greater price competitiveness depends on cost reducing innovations and investment, even at present cost levels a great deal can be done to improve the competitive ability of the industry. I have gone into this in greater detail than I can do today in an article appearing in *American Metal Markets* for February 7, 1968.

Any government assistance to the steel industry should support this self-help program. Steel quotas or increased tariffs do not. To the contrary, they eliminate most of the incentives to make any changes at all.

Any Government program to assist the industry should include:

1. Research grants to the steel industry and universities for research in steel and a stepped up program of the Bureau of Mines in steel research. Actually the Bureau of Mines' program has been cut back.

2. Special accelerated depreciation allowances to the steel industry for a period of 5 years to allow and encourage the industry to undertake an intensified modernization program to make up lost ground.

In a very real sense the problem of today's imports was made in the late fifties and early sixties when the level of steel investment was approximately one-half of what it is today.

3. Streamlining of our antidumping laws to make the criteria for foreign dumping clearer and the legal process for securing relief less complicated and time-consuming.