

As stated earlier, a normal level of steel consumption in a year around 1975 is expected to be 115 million product tons. During a general non-nuclear war, current Office of Emergency Planning studies indicate that direct and indirect military needs would raise steel requirements by at least 20 percent above a normal peacetime level. Thus, during an emergency period in the mid-1970's, domestic steel consumption would be about 140 million tons. This level of requirement would be roughly 30 million tons higher than the domestic industry's current all-out productive capability of about 110 million tons. Even assuming that facilities projects already committed and under way may add another 5-10 million tons by the early 1970's, there is a question of how much further than that steel companies can proceed.

The Office of Emergency Planning further assumes that, under these war conditions, non-contiguous imports of perhaps about 30 million tons would not be available to fill any short fall. Thus, under these conditions, a short fall of some 20 million tons seems likely by the mid-1970's, unless the industry can find valid reasons to continue its building program.

In the early 1970's steel consumption during an emergency would be only 5-10 million tons lower than that expected in 1975. Thus, only a few years in the future, the demand for steel under conditions of an anticipated national emergency could exceed the domestic industry's capacity at that time by some 10-15 million tons.

Since it takes at least 3 to 5 years to plan, construct, and bring onstream a major steelmaking facility, it is evident that steel companies must now be planning for the facilities that will be required in the crucial early and mid-1970's.

In 1967, with imports already supplying 12 percent of the total domestic steel market, there has been some curtailment of operations of facilities which produce products whose markets are now most heavily eroded by imports. Such curtailments usually result also in the loss of the skilled crews who operated these facilities. In a national emergency, with most imports shut off and the American steel industry's productive capacity having been atrophied from inactivity, there would not be time to create all the required facilities and hire and train employees for rapidly expanding direct and indirect defense steel requirements. Thus, imports must be held at a reasonable share of the market if domestic steel companies are to have the incentive to continue to expand capacity so that we will be able to supply the entire steel needs of our country in times of emergency in the future.

B. Economic strength and national security

There is a close relationship between the nation's economic strength and the nation's security. This point was emphasized by Raymond J. Saulnier, Chairman of the Council of Economic Advisors, in 1959:

"In today's international context, the nation's safety depends heavily on the vigor and efficiency of the economy . . .

"A sound and vigorous United States economy is essential not only to maintain the confidence of friendly and uncommitted nations; it is essential also to the deterrence of potential aggressors."

Thus, a country with weakened basic industries or with reduced job opportunities has uncertain national security; and so also does a nation whose currency is undermined by a chronic deficit in its balance of payments. The effects of steel imports will be evaluated, first, on the future welfare and growth of the domestic steel industry; and second, on the nation itself.

1. The steel industry

The domestic steel industry faces the prospect of losing to foreign producers apart, all, or more than all of the growth in the domestic market for steel. This fact has two major implications for capital investments by the steel industry.

First, investments of steel projects will become much less attractive if the growth of imports continues unchecked. Investments in steel facilities depend on reasonable assurance that the markets for products will grow in proportion to increases in productive capacity. Otherwise, capital would be tied up in idle facilities which add to costs but not to revenues. If imports continue to increase their share of the domestic market at a rate equal to *only half* that of the last decade, the desirability of investments in steel facilities would be gravely threat-