I am just curious whether that wouldn't increase the cost of the product that is now not competitive in world trade because of price.

Mr. PATTON. It would very well increase the cost of products, because by pouring back into our new equipment our retained earnings, we are keeping the amount of interest that we have to pay and the amount of money that we have to pay back to people who would loan us the money, at a lower level, so that should tend to keep down our costs and not increase our costs.

Mr. BATTIN. I would think the suggestion here would have two effects, and that is, No. 1, it would increase your cost, and the fact that the steel industry might go into the money market would also have a tendency to create more competition for the available dollars.

Mr. PATTON. It would do that, and when you stop to consider that the steel industry is not the favorable industry of the financial community because in a study that was made by the National City Bank of the earning ability of industries, steel stood 39th out of 41 industries surveyed.

We made on our net worth 7.4 percent, whereas the average for all industry was about 12½ percent. So that steel is one of the lowest earning industries in the country, and it is not as easy for it to borrow at favorable rates or to sell securities at good prices as it is for other industries.

One of the things we wish to do is to get steel to a situation where it will be looked on by the investor as a good industry in which to put his money. Today, it is not.

Mr. BATTIN. There is a third one I don't understand very well, that there should be an introduction of an aggressive and flexible price policy designed to expand the steel market position both at home and abroad.

Our domestic steel prices have risen 51 percent since 1952, compared with 19 percent in Germany, and a 30-percent decline for Japan.

In the long run, greater price stability depends on cost-reducing measures. And he goes on to talk about the competitive position of the industry.

What has happened in Japan is that there has been a decline in steel prices. Is that because of Government subsidy, or because of some other reasons?

Mr. PATTON. Japan had no steel industry in 1945, and as its volume grew, its costs came down, and it has all new equipment, and they get good productivity out of the workers, so the cost has come down.

The American steel industry, if you will look back to, say, 1958, you will find that there has been very moderate increases in the price of steel since 1958.

As a matter of fact, the index indicating the steel increase since that period is lower than the general wholesale index or the retail index, and the price of steel in recent years hasn't gone up very much at all.

When you add to that the fact that the steel we are selling year by year is of a very superior quality, each year better than the year before, our customer is getting a better product at the same price—in effect, he is getting a lower price, because he is getting a better steel.

Mr. BATTIN. I was interested in both your statement and Mr. Abel's concerning the need to have a healthy steel industry in terms of the national security.