tion expenditures of U.S. consumers increased by approximately 3.5 percent per year."

The profits of domestic carpet and rug manufacturers are at record levels and are still climbing (see Appendix A), despite the fact that the average carpet price today is lower than it was in 1932, at the depth of the depression. Most predictions for future industry growth estimate the probable rate to be between 8 and 10 percent per year. Clearly, this is a booming industry with a very bright future during the coming years.

3. U.S. carpet and rug imports

With these basic facts in mind, we can now turn to an examination of floor covering imports. To describe the situation briefly, imported floor coverings do not have a meaningful share of the dynamic, growing, and lucrative U.S. market for large volume sales, either for residential or for contract installations. This market is served largely by tufted floor covering, and tufted technology is far more advanced in the United States than abroad. Moreover, even if foreign tufters could develop a comparable technology, they would have great difficulty competing in the United States market. Labor costs are such a minute factor in the production of tufted floor coverings that any advantages which foreign manufacturers may obtain from reduced labor costs will be far outweighed by high yarn and shipping costs, plus the substantial U.S. tariff. Even more importantly, no foreign manufacturer or U.S. rug or carpet importer is equipped with either a sufficiently large and specialized nationwide sales force or adequate warehouse facilities or the capability to make the necessary inventory investments in order to compete effectively in the American market.

The evidence to support these statements is clear. In 1966, imports of tufted rugs were responsible for slightly over 1 percent of domestic consumption, and according to the Tariffi Commission, "consisted largely . . . of types not produced domestically in significant quantities."

As for those types of floor coverings in which imports play any role, the key descriptive term is specialty items. This category consists of the following kinds of rugs and carpets:

(a) *Machine-woven and machine knitted pile floor covering.*—In 1966, imports of these types of machine-made ruge—consisting of Wiltons, velvets, Axminsters and chenilles to name just a few types—were valued at $6 million. The quantity of these imports was 1,700,000 square yards which was less than 5 percent of the machine-woven and machine-knitted pile floor coverings manufactured in the United States. Moreover, it was less than 20 percent of the quantity of machine-made floor coverings imported into this country during 1961.

(b) *Handmade oriental and Persian rugs.*—In 1966, about $15 million of imports or some 850,000 square yards consisted of handmade pile floor coverings, predominantly oriental rugs. As the Tariff Commission reported: "There is little or no commercial production of handwoven or hand-knitted floor coverings in the United States. . . ." In short, these are specialty rugs which sell in this country on the basis of novel designs, color, and prestige. They retail at relatively high prices—more than $18 a square yard for many oriental rugs—and obviously serve only a limited number of fashion-conscious and prosperous customers who want and are willing to pay for the handmade products.

(c) *Tubular braided rugs.*—In 1967, some 12.8 million square yards of tubular braided rugs were imported into the United States, with a total value of these rugs of $16.1 million. This represents a decrease in value of 26.8 percent from the 1966 level. Tubular braided rugs appeal only to a very small part of the residential market. They sell—essentially on a price basis—to the householder who seeks a serviceable rug at the lowest cost. Their distinctive oval, flat-surface style limits their use in many applications and makes them only marginally competitive with other kinds of rugs and carpets.

(d) *Miscellaneous rugs and carpets.*—A few miscellaneous types of floor coverings—such as druggets, which are woven on hand looms and usually have filling yarns of various colors, and numdahs, which are felt rugs ornamented in most cases with embroidery—are imported into the United States. The quantity of such imports has declined from 1.4 million square yards in 1964 to less than 1.1 million square yards in 1966. These imported rugs take up less than 7 percent of the United States market for miscellaneous carpet and rug products.