

of variables in production from weather to price, and to impose over it a controlled economy in the field of wages and profits and government policy, is to sentence agriculture to bankruptcy and then see the decline in the major market for American industrial products due to the decline in purchasing power seriously and adversely affect our total economic structure.

Only an expanding economy can hope to absorb the growing number of people who are coming into the employment age. This is particularly pertinent when we have estimates of an increase in our population of 50 percent in 23 to 32 years. New wine can no longer be poured into old goatskins in terms of our economic life, and the answers of 50 years ago, when we had a more stable population and economy, simply do not fit the expanding population picture which we have today.

THE INTERNATIONAL PICTURE

If we may return to the expanded profits and wages to which we previously referred, we would like to discuss it in a different context. This is its effect upon our international trade and the rise of protectionism in the United States. With labor contracts expiring in the steel industry this summer, and with already announced goals of increases of 8 percent or more being sought, it is pertinent to relate this to the attempts to impose import quotas on foreign steel.

This would simply lock-in our inefficiencies in the competitive steel business and charge these inefficiencies to the consumer. While agriculture has been at the head of the technological revolution, producing its products to sell on world markets at competitive prices, making the greatest contribution to our net balance of payments of any industry, the steel industry by and large is still engaged in producing by the Bessemer process of the last century.

I spent two weeks in Germany in November of last year surveying the results of the use of Marshall Plan money for rebuilding the German economy. I was particularly interested in the pragmatic economic decisions being made by the Germans. These include reducing their yearly coal output from 143 million tons to 80 million tons, increased dependence on U.S. coal which is cheaper to import into Bremen than German coal is from the Ruhr, and the development of technically advanced steel production as a means of maintaining their share of the world market and increasing their growth, if possible. At the time we were there, the German Federal Republic laborers in the steel industry and the owners of the steel mills were pounding out an agreement under which they would freeze wages and profits at the present level in order not to undermine their competitive advantage overseas. They have been bringing into production new steel mills with the most advanced production techniques in the world. The same is true of Japan. As a result, these two countries are able to deliver their steel to automobile plants which are within two hundred miles of our basic steel complex at a cheaper price than U.S. steel can be delivered.

One of the main reasons is that most of the U.S. companies have been more interested in expanded profits, as previously noted, than in modernization of their plants. Although integrated steel production is relatively well advanced in both Japan and Germany, in the United States there is only one facility which has incorporated into a single large-scale operation the basic oxygen furnace, vacuum degassing and continuous casting—the latest and most important advances in steel making technology.

The National Steel Corporation will soon open its new \$100 million facility in West Virginia, following hard upon the first basic oxygen furnace and the first 80 inch computerized hotstrip mill in the Nation. The last two gave National a three year jump on its competitors and the new facility is suppose to trim production costs by \$10-\$12 a ton.

This is the proper way to meet the competition from Japanese and German steel, not by restrictive tariff laws which serve to reduce our international trade and, at the same time, reduce the possibility of maintaining an expanding economy to serve the needs of a rapidly growing population.

We interject this into our testimony by way of stating our support for the treaty which the Senate must consider establishing tariff cuts during the Kennedy Round of Negotiations in the GATT.

Without discussing textiles which are basically in the same situation as steel, we would recommend the November 1967 issue of "Textile World" for information relative to textiles.

We use the example of the German steel industry to suggest to our friends in the rest of the U.S. economy that, at this time of intense competition, some statesmanship is in order. This includes both the willingness to accept lower