

higher costs per ton, and unless tonnage increases to absorb the increases in fixed costs, profit margins will actually fall." This, of course, would make further financing more difficult.

C. Despite the current level of capital expenditures by the American steel industry, such expenditures cannot be expected to lead to significant reductions in unit costs because existing technology, including that presently approaching adoption, does not point the way to massive reductions in unit material and labor requirements. Certainly, it will not reduce substantially the difference between the low unit labor costs of Japanese producers and the much higher unit labor costs of American producers. In fact, to equalize those costs without reducing hourly employment costs in this country, it would be necessary to cut immediately the man-hours required to produce 1 ton of steel from the present level of about 13 to a presently unattainable 4—a decrease of about 70 percent. Even if new technologies were developed which could quickly and profitably effect this substantial reduction, there would of course be no technical barrier to prevent their concurrent installation by foreign steelmakers.