

What would you evaluate as the effect that the labor disputes might have, the effect of increasing contracts above the guidelines that you have abandoned?

Mr. ACKLEY. It is correct that there have been a number of labor disputes this year and there has been a strike in the rubber industry now for, I think, over 2 months. There is the possibility that the negotiations in the automobile industry could also result in a strike. That possibility has been referred to by the participants in those negotiations. Surely a major and prolonged strike would have significant implications for the economy. This possibility can't be ruled out, and it is one of the uncertainties of which we must take account.

The level of wage rates and benefits which has been achieved in this year's bargaining appears so far to be somewhat higher than those which resulted in the bargaining last year. I think Mr. Duesenberry may have some figures on that which perhaps he could give you.

Senator JORDAN. I would like to have them.

Mr. DUSENBERRY. I can only give you the figures for manufacturing, but straight-time hourly earnings in manufacturing increased from December 1965 to December 1966 by 4.3 percent. From December 1966 until May 1967, the increase is 1.9 percent, which is an annual rate of 4.6 percent. So if we continued the rate of increase which we had in the first 5 months through the year, we would show 4.6 percent for 1967 as against 4.3 percent for the year 1966. That is for straight-time, hourly earnings.

Of course, the gross earnings are different, because there have been changes in overtime; but the straight-time figure is the one that is most relevant to employers' cost calculations. There has been some acceleration, but not at a pace which shows any explosion of wage increases.

Senator JORDAN. My time is up, but the examples you have cited do show an inflationary trend as measured against your accepted guidelines of a year ago, do they not?

Mr. DUSENBERRY. They are above the guideposts.

Senator JORDAN. Thank you, Mr. Chairman.

Mr. ACKLEY. If I might add one other set of figures that is perhaps relevant here relating to new settlements during 1966, excluding construction, the average settlement, including both wages and fringe benefits, was either 4.1 or 4.5 percent, depending on how you wish to figure it. For the first quarter of this year the corresponding figures are 4.8 or 4.9 percent, again depending on how you want to figure it. So, again, there is a reflection of some increase in the level of current settlements. It is not, however, as large an increase as is sometimes suggested by the rather misleading stories that have appeared in the press evaluating the settlements that have been achieved.

Senator JORDAN. Thank you.

Chairman PROXMIRE. Senator Talmadge?

Senator TALMADGE. Thank you, Mr. Chairman. Chairman Ackley, I was very much impressed with your clear and lucid testimony in chief. I want to ask a few questions about some areas that you didn't touch on directly in your testimony. As I recall, we have had unbalanced budgets now for some 27 or 28 years with the exception of about 3 years. How much longer can our country contend with unbalanced budgets year after year?