

Representative REUSS. How would you handle the absorption or pass-on-ability of that in the price?

Mr. HANSEN. That would not cause an increase. The price increase is an administered price increase in excess of the normal differential increase of consumer prices over the Wholesale Price Index. The fact that the excessive price increase has occurred means that the wage earner has been gypped of the real wages he was supposed to get.

There is a lag there. This means that the employer has been getting excessively large profits. It means that the balance, the income distribution balance, has been disturbed. The escalator corrects that.

If now correcting it only means that profits are brought back to where they ought to be, to be in line with the normal income distribution balance, if now, however, the employer arbitrarily says, "I have been enjoying these extraordinarily high profits so much I want to keep these extraordinarily high profits, and so now I must raise prices in order to keep them at that level," then you do get the spiral.

What I am saying is that the escalator is not the cause of this spiral. It only brings back the proper balance. But if now in the administered price area they step in now and say "We want these extravagant prices we have been getting, so we must now raise the price," then you are getting into the wage-price spiral, and this is a problem that we can't solve by guideposts, and so on.

It is a problem of the power of economic blocs and how do you manage that? Well, you can bring pressure to bear upon the whole economy by increasing unemployment. But it is a bad way to handle it.

Apart from that, you can only handle it by getting right over into price and wage controls, which we don't want. So that therefore the importance of the kind of educational projects that the Council of Economic Advisers has been engaged in. In this last report they tell about scores of conferences they have had with employers and trade unions trying to persuade them of the general overall picture, and how it defeats even the individual industries in the long run, if you violate the precepts that you learn from the general overall economy.

After all, in the long run you can't get blood out of a turnip, and the educational process is, therefore, certainly an important one. I don't know, many people, of course, are inclined to laugh it off and say that it doesn't mean anything. I think it has meant something.

It has played some role, especially if it is limited pretty much to the key industries, the key agreements. You can't manage everything, but the Government could insist that in the key industries it must sit in at the bargaining table and all facts must be disclosed to the public. The Government could insist on that.

It doesn't do so, so far. They do something of it, but more or less to the extent that industries are prepared to invite Government in and listen to them for a while, but there should be a more orderly and systematic machinery by which governments sit in at the key wage bargains.

I see no other solution for this matter of economic power blocs stepping in and just running away with the thing. These guideposts won't help us and the escalator won't, either. Nothing helps you if the economic blocs are going to step in and run it.