

lowed we probably would not be here even considering this bill today, which is pretty much of a fly-swatter approach to killing a tiger.

I would like to get to something that you said earlier that disturbs me. It disturbs me because I see nothing now except optimistic verbiage with regard to results of the Kennedy round.

Pointing out as you did that while salaries in certain industries abroad may have increased percentagewise faster than they have in the United States, the fact still remains that dollarwise since the beginning of the GATT negotiations in basic industries U.S. wages have increased faster than they have abroad.

You have seen the prime example of steel. If that is going to continue to be the trend, as it appears to be, then what effect are we going to accomplish in the reduction of tariffs on some 60,000 commodities that we negotiated, in attacking the narrowing advantage that we have been able to enjoy in our trade balances?

Mr. DANIELIAN. I agree with you that the tendency of labor to demand, and often secure, increases in wages beyond that permissible by increased productivity is inflationary, and, of course, this is furthered by the inflation in the Consumer Price Index due to budgetary deficits and inflation in the United States. There is no escape from that, however, in a protectionist approach. That merely makes it possible for them to keep on favoring themselves by organized negotiations.

So that we here are really dealing with another problem. I think in the long run the developed countries must gradually reach a level of comparable real income for comparable productivity and often I have thought that if some of the imaginative American labor leaders would undertake that job abroad maybe our problems here would diminish. So my own feeling is that tariffs are not necessarily the answer to the question of preventing wage-price spiral or preventing price inflation because of a large budgetary deficit.

Mr. COLLIER. I wasn't implying, Dr. Danielian, that protective tariffs were the answer. I am merely trying to find out what roads we are traveling, where are we going if we continue to have the situation which works counterclockwise to what we are trying to do by liberalizing through GATT negotiations our tariffs, or do we merely assume that at some given point this advantage we now enjoy if the trend continues will no longer be an advantage?

Mr. DANIELIAN. Presumably the negotiations are reciprocal in their concessions. Now, I have not studied the schedules commodity by commodity to be able to report that we have achieved reciprocity in these negotiations.

I would have been much happier, for instance, if after the negotiations tariffs on American cars in Europe were down to U.S. levels, 6¼ percent instead of 11½ percent.

I don't consider that reciprocity. They certainly can absorb more imports in the form of the smaller American cars that are comparable to theirs. I do not think, for instance, we achieve reciprocity of any kind in the field of agriculture, and, therefore, I foresee that our trade surplus in agriculture is likely to diminish in the future.