

Do you feel the Federal Government itself is contributing to the wage price spiral by such action?

Secretary WIRTZ. I believe the form of the question, Mr. Widnall, implies administrative action to the exclusion of legislative action.

I think it was unfortunate that Congress has finally, on the recommendation of the administration, sent that case to that settlement.

If the question is whether I think that kind of answer to labor issues is a good thing, the answer is "No; I do not."

If your question is, Do I think that the administration contributed to inflation by the taking of that action. The answer is "No." The settlement which was finally reached was so close to what everybody knew would have been the settlement if the parties had settled it themselves, that all we did was to make up for their failure to discharge their responsibility.

But I do not count that settlement a material factor as far as inflation is concerned.

Representative WIDNALL. What bothers me a great deal is that for several years there was a firm effort on the part of the administration to have management and labor adhere to a 3.2-percent guideline. And all of a sudden that guideline was abandoned, and there does not seem to be any real guideline now. An appeal is made to a voluntary effort on the part of labor and management to hold increases and changes in benefits within reason.

Now, isn't there some goal, isn't there some maximum that the administration has in mind that would be beneficial to the economy, and really noninflationary?

There must be something that is reasonable.

Secretary WIRTZ. You are talking only about wages—because the breakdown was on the price side first.

Do I properly interpret your question as meaning there should be a specific rule for prices as well as for wages? Because if—

Representative WIDNALL. There is the same reason existing today that I take was in existence at the time the 3.2 percent guidelines was issued.

Secretary WIRTZ. My partial answer is this.

The reason for departing from the 3.2 percent was that the departure from the productivity, especially on the price side, made that no longer a tenable figure—because it meant when productivity went up 3.2 percent, and when wages went up by the same amount, there was no gain, because the prices had gotten out of hand. And, so, I have got to answer you that because there is apparently—there proved to be no way to keep the price factors in line—that 3.2 productivity thing did not work, in fact. Therefore, I would have to answer you that absent any way of keeping prices in line, I do not believe that we can fairly or effectively, either way, attach ourselves to a decimal point reflex of the productivity.

So, it is a long answer, but the answer is "No," I do not think we can.

Representative WIDNALL. Isn't it true, in recent months, productivity has not gone up?

Secretary WIRTZ. That is right. Prices have.

Representative WIDNALL. In comparison to prices?

Secretary WIRTZ. That is right. You say it has not gone up. It has