

to me it is the kind of thing that to give a very meaningful, short-run answer, and that is what we are dealing with, you need to do a lot more work on what the implications are than I have done.

I will say this, that barring a catastrophically long strike—and I don't know what time period I would put on catastrophic—I think experience would show it primarily would affect, giving everything else in the economy, the timing of developments within the year, rather than the fundamental strength with which you end the year.

Some years ago I did a little work on looking at the impact of steel strikes in particular on the economy, taking periods when we had them. As a general proposition, I would say they tended to effect very short-term changes, not longer term changes, when you end up.

So, from the point of view of the domestic economy, it clearly would affect the pattern of the year. You would be very strong for a while, in anticipation of it, very weak for a while, during it, and then make up.

From an international standpoint, from the point of view of the balance of payments, it could be, at least a relatively long steel strike could be, I think, very damaging, because it would, I think, switch long-term procurement from domestic to foreign steel on the grounds, strangely enough, of security of supply, which we might not be able to get back again.

So, in short, from the domestic standpoint, it would affect the pattern of the year, not the way you end the year up. From a national standpoint, I think it could be fairly difficult. I think it could hurt.

Mr. WESTON. I would like to add a comment to that.

Senator JORDAN. Please do.

Mr. WESTON. To go back, in connection with your question to Mr. Saulnier, about in circumstances such as this, where it is difficult to reach decisions in negotiation by voluntary arbitration, it seems to me again this takes specific things out of perspective.

In an environment where you have excess aggregate demand, and workers seeing their real income position eroded by substantial price increases, this does in fact make it very difficult to negotiate an appropriate wage settlement, because the counterpart is if you get wage increases that protect the real income position of workers, the consequences of this is that if they are not passed on in various degrees, that business firms in turn don't earn their cost of capital, so you get pressures on prices as a consequence.

It seems to me that it is inappropriate to take out of context the difficulties of reaching viable settlement in an atmosphere of excess aggregate demand.

It seems to me that you work first at the remedy at its source, and that is to bring aggregate demand into balance.

This is a necessary first step before considering a range of specifics, like voluntary arbitration and wage and price controls and other interferences with the operation of the price system.

Senator JORDAN. Thank you.

Mr. Ture, I would like to hear especially from you on this.

Mr. TURE. I simply would like to make a comment on what Professor Weston observed.

That is, it is first clear in this discussion among the three of us—I regret Dr. Saulnier is not here to participate—it is perfectly clear that what distinguishes among us here is that Messrs. Schultze,