

on the collecting bargaining scene. The airlines example is a key one. I think the guideposts contributed there to a higher settlement than otherwise would have taken place, and to a longer strike.

In addition, the guidepost philosophy led the Government into what I would regard as a highly undesirable type of behavior, with the President, the Council of Economic Advisers, and various Cabinet officers calling people in from industries to discuss their pricing. We have an antitrust law that says that companies shouldn't get together and conspire about pricing. In the fact of that the Government calls people in and says, let's get together, boys, and have an agreement about prices. It seems to me that that is antithetical to the kind of competitive economy we want to promote. So my view is that the guideposts lead us into no end of trouble. Furthermore, they are discriminatory.

Senator PROXMIRE. You see, the difficulty is that in some major areas we don't have competition, and we know that Antitrust will take many years to get it. And we probably will never get it in steel, nobody can pretend that pricing in steel is competitive. And nobody can pretend in some of these other areas—for example, in automobiles, where you have three companies that dominate—that pricing is as competitive as it is in many other areas. Under these circumstances there isn't any question that you have administrative decisions that have a profound effect on prices and on the price level. And of course, these are bellwether industries that do affect others.

I am sorry, if you want to proceed, go ahead, because of course you are the witness. But there are other things I want to get to. But I can do it later. But go right ahead.

Secretary SHULTZ. I wanted to follow along with your comments about steel and automobiles, because I think they are good selections from the administered price standpoint. But I point out that in both cases you have had quite an impact of competition. The picture of steel prices in the period since, say roughly 1960, is a very different one than the picture prior to that date. And I think the reason is perfectly clear.

Senator PROXMIRE. Imports.

Secretary SHULTZ. Imports is part of it, and competition from other materials is the other part. So it seems to me that the steel industry has been locked in a competitive vice, and that this competition has resulted in relative stability of steel prices compared with the earlier period; they have gone up, but not anywhere near like they had been. The reason for that was not presidential jaw-boning, not calling the companies in and giving them the word, but competition.

Now, in the automobile case I think that even there the imports of foreign cars as well as product type competition had an impact. It was well known some years ago that the Big Three auto makers didn't want to make small cars. But here they are making them. Why? Well, George Romney put them on the spot with the Rambler, as you well know.

Senator PROXMIRE. In Wisconsin.

Secretary SHULTZ. In Wisconsin. The foreign imports also put them on the spot, and competition forced them into the smaller cars, whether they liked it or not. So I think that competition and supply and demand factors are going to be the basic determinants.

Senator PROXMIRE (presiding). Senator Jordan?

Senator JORDAN. Thank you.