Our Changing Economy

Will D. C. Business Feel Strike's Sting?

By Philip Stoddard Brown

"IN a year or two, we in Washington will look back at the steel strike and conclude that it had a more lasting effect upon the economy of Washington than upon that of Chicago or Pittsburgh."

No reader is expected to accept this statement in one jump, so let's proceed step by step and question each step. If at the end, some readers conclude that what seemed ridiculous is reasonable, and others are given reason to prove it's ridiculous, that's because people are differently constipated, as Mrs. Malaprop might have said.


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Production has been merely deferred, not lost, by the long steel strike. The amount of steel consumed over time has not been changed appreciably. Few end-products, such as machinery and household appliances, are in short supply. New-car stocks in the aggregate were the highest they have ever been in early November, except in 1955. Used-car stocks are the highest so far this year. Where supplies are short and have caused factory shutdowns and construction lags, these shutdowns and lags will be offset by the stepped-up pace in the months ahead.

What's consumed has to be produced. Strike-induced imports and strike-deterred exports don't add up to more than a couple of days' output of domestic mills.

On the other hand, it is argued that people will not buy as many cars and trucks, or build as much machinery and as many ships, roads and offices, as they would have bought and built in 1959 and 1960, had there been no strike. One auto executive, when asked if the steel strike would cause a permanent loss in the industry's sales of new cars, replied: "Yes, like the minute that just went by, you'll never see it again."

Payrolls, in the aggregate, will be as large and may even be larger than they would have been without a strike. The strike simply compressed into a four months' period a decline in payrolls that would have lasted well into 1960. Steel inventories in mid-July were huge, far in excess of what is economic in normal times. The strike also borrowed from the future. Payrolls in 1960 will be greater because of the deferred demand and the inventory build-up.

Wages paid to skeleton crews while plants were idle, and for repair of furnaces, are additional. In New York, 25,000 steelworkers drew unemployment benefits. Premium pay to operate mills at absolute capacity, and to stockpile as much iron ore as possible before the Great Lakes freeze over, will tend to increase payrolls.

The opposing view is that total payrolls will be less because less steel will be produced, all in all.

The long steel strike has been very inflationary. The steel industry's costs of shutting down and resuming operations, repairing furnaces and carrying its message to the public will be passed along. More important, threatened shortages have increased the costs of steel users. Costs have been raised by gray-market buying, by the necessity of cross shipments, by conversion of steel from one form to another, by short runs to balance out inventories or parts, by slowdowns and, in some cases, by shutdowns. Distributors' margins have risen, as every Washington resident who has bought or traded a car in recent weeks knows.

Some argue that the inflationary effect is temporary and that prices will be forced down by the pressure of competition.

Inflation hurts Federal workers more than industrial wage earners. Government workers get no automatic cost-of-living adjustments. Neither do the many retired people who live in Washington . . . In Chicago and Pittsburgh, employment will be high in the months ahead, and wages will be above their pre-strike rates.

The worst is yet to be, maybe. The amount of steel produced during the 80 days of compulsory work will scarcely equal the amount of steel consumed in this period. Consequently, if the mills go down again on Jan. 29, shortages will become really widespread, and it's shortage and threats of shortages that boost prices.

"Yes," it's said in rebuttal, "but the alternative is even higher wage rates and continued featherbedding" . . . "No," is the rejoinder, "It would have been less inflationary for the steel companies to have yielded a few cents more and avoided a long strike."

The Federal budget will be tighter in 1960-61, because of the steel strike. Revenues this fiscal year will be less than previously estimated. The cost of construction and defense hardware has increased. Also, the assured high rate of activity next spring will give budget pruners the advantage. Consequently, Congress will be more tight-fisted in its 1960-61 appropriations for the District . . . On the other hand, it might be argued that expectations of higher revenues in 1960-61 will have the opposite effect.

The steel strike has changed the probable outcome of the elections in November, 1960. By creating a backlog of demand for steel products, and deferring some construction, the boom will be prolonged three to six months. Prosperity insures the election of a conservative, sound-money type of Administration . . . "Pooh," say others, "Just because people have jobs, they aren't going to elect an Administration opposed to more spending for schools and national defense; that isn't being conservative."

If the Steel mills go down at the end of January, Congress will act. It will act in such a way as to give the Government a more active role in the settlement of labor-management disputes. This will enlarge the role of Government and cause an expansion in the Federal payroll, and in the Washington payrolls of trade associations and many large firms.

Not necessarily. The Taft-Hartley Act has been invoked before—15 times in fact—and six disputes were not settled during the 80 days that injunctions were in effect. In four cases, workers went on strike after the 80-day period; in two other cases, disputes continued but strikes weren't resumed. Congress may not act even if new contracts aren't signed by the steelworkers and longshoremen during the period of compulsory work.