

an enterprise economy, we can be sure that profit improvement will not go far beyond what is reasonable before it is translated into lower prices.

But in order to achieve profit margin increases and price reductions, production cost increases must be kept well within productivity improvements, not equated to them. The guideline, in my judgment, should be revised to this effect.

It would be helpful also to have a better understanding as to how these guidelines are to be enforced. Certainly it is clear that there is very little to be gained from enforcement procedures of the sort that were employed in the steel incident. I have four suggestions to make in this connection.

First, on the application of wage-price guidelines, I suggest that the executive branch limit its role to (i) annual descriptive and analytical reviews, presented in the Council's year-end Economic Report, of the major developments affecting wages, prices, and profits; and (ii) a critical evaluation by the President, in his year-end economic message, of wage-price-profit developments during the year.

If it should be the President's judgment that developments have not been consistent with the national interest he could state the respects in which he believes mistakes have been made and the lines along which adjustments should be made. There is ample opportunity in the medium of these two messages for the facts to be set forth and analyzed for their meaning and significance and for guidance, which I believe should be couched in general terms, to be given for the year ahead.

Short of emergency conditions, and in these connections I would interpret "emergency" quite restrictively, I believe our economy will work better if the executive branch avoids direct intervention in specific wage-price decisions. In the meantime, efforts should be pressed, as I believe they are by the President's Special Commission on Labor-Management Relations, to explore ways of improving the balance of bargaining power in labor markets.

Second, I suggest that conferences such as the one sponsored this spring by the Secretary of Labor on national economic issues be held regularly every year. Conferences of this kind are an excellent way to encourage discourse and to improve understanding among labor, management, and Government on economic policy questions.

Third, it would also be helpful to provide for the expression of views from the public on wage-price-profit developments. To this end, the Joint Economic Committee or possibly the Council of Economic Advisers might plan to have open hearings every January or February devoted specifically to this range of questions and in particular to the guidelines, if these continue to be set out by the Council and the President. As far as possible, the effort should be to give an opportunity to be heard in these hearings to all those who have potentially useful contributions to make to the discussion.

This would be a kind of annual economic town meeting. I come from New England, and I know that it is sometimes not as easy to get such meetings stopped as it is to get them started, but I think this can be managed and, in any case, the open discussion of stated public policy is always a healthy thing in a democracy. Open discussion is certain to help us find our way to an understanding of the kind of wage-price