

without the necessary coordination which was needed to hold the economy in check.

Does this mean that the administration recognizes the very extreme importance of tying the two together?

Mr. ACKLEY. I think we do fully recognize the great importance of coordinating monetary and fiscal policy. I think it would not be fully correct to say they have not worked together in the past. Indeed, during the whole period from 1961 through 1965 both were working together to promote expansion, to promote a restoration of our economy to reasonably full employment of its resources.

Last year they both worked in the same direction of restraint. The President proposed several fiscal measures which the Congress accepted. The Federal Reserve was working in the direction of restraint last year. I think your reference may be to the unfortunate dispute that took place a year ago in December about the timing and the nature of the particular action which the Federal Reserve System took at that time.

I think we still feel it would have been possible to have had better coordination at that time between monetary and fiscal measures. But I think it is correct to say that both the Federal Reserve System and the administration share the same objectives of a sound and healthy and noninflationary economy, and that our coordination is close and, I think, effective.

Representative WIDNALL. Are you consulting more frequently than you used to?

Mr. ACKLEY. Perhaps more frequently this year, though certainly there had been frequent consultations in the prior period as well.

Representative WIDNALL. So that you indicate a better rapport between the Federal Reserve and the administration than you have had in the past?

Mr. ACKLEY. I certainly hope that that rapport will continue to be as good as it has been in the past year.

Representative WIDNALL. Many newspapers have read the Council's report and concluded that the guideposts are dead. Are they really dead or merely in the "deep freeze" ready to be revived when the economy cools down?

Mr. ACKLEY. Senator Javits was interested in the same question. I think they are not dead and they are not in the deep freeze. The one thing that is in the deep freeze is the expectation that, for this year at least, wage increases can in general hold to the trend of productivity in the economy. I think it is impossible to expect that. We do not expect it. But it is very clear that if we are to have stability of costs and prices, in the longer run wage increases cannot on the average exceed the trend of productivity.

That principle we have stated as firmly and clearly as we know how and we expect to have the cooperation of labor and business in returning as rapidly as is feasible to a condition of price stability.

Representative WIDNALL. Are you not really saying that when consumer prices go up, an effort to hold wage increases to the guideposts is futile? In other words, when the guideposts are most needed they are ineffective.

Mr. ACKLEY. The fact that consumer prices rose in 1966—and undoubtedly will rise further in 1967, although by less—is certainly one