of the reasons why it is difficult to expect that labor will restrain its wage settlements to the trend in productivity.

I would point out that the increase in the cost of living last year was primarily concentrated in a couple of areas that are largely unrelated to guidepost activity; namely, prices of food and prices of services. Our report attempts at some length to explain what happened in both of these areas.

In part they reflected the unfortunate timing of the hog production cycle, and some bad weather in farming areas. Some of it reflected the fact that, as we returned to full employment, it was necessary and unavoidable that there should be certain adjustments in the relative wages of lower paid unorganized workers in services as compared with the higher wages in manufacturing, mining, and transportation. This gave us a bulge in service prices which was unfortunate in terms of its impact on the cost of living.

Perhaps in terms of what it has done to the wage structure it was a good thing, an appropriate thing; but it is not something that has to be repeated every year.

Representative WIDNALL. Well, how will the 11-percent increase in minimum wage that goes into effect this year affect other wage increases? What industries will be principally affected by that?

Mr. ACKLEY. The effect of minimum wage increase this year will undoubtedly be to raise labor costs and prices in a few lower paid manufacturing industries, in services, hotels, restaurants, and laundries. It undoubtedly will have some impact on both labor costs and prices. The impact of the minimum wage is not entirely limited to those wages which have to be raised to meet the new minimum. There is also a "bumping" effect upon wages above the minimum. This is one of the factors which must be recognized as part of the cost and price picture in 1967.

Representative WIDNALL. I have a series of questions I am going to ask Secretary Wirtz when he appears before this committee dealing with teenage unemployment, and that is supposed to be the greatest factor in unemployment today. One of those questions I would like to ask you.

Has the increase in minimum wage limited teenage employment?

Mr. ACKLEY. Let me ask Mr. Duesenberry to take a crack at that one

Mr. DUESENBERRY. We have very little direct evidence of an adverse effect of the minimum wage on employment. And we do have evidence, I think, that the relatively high level of teenage unemployment is mainly due to demographic factors.

If you compare teenage unemployment rates now with teenage unemployment rates in earlier periods of generally high employment, you do find that teenage unemployment rates are much higher compared to the unemployment rates for, say, married men and men over 25 than they were in the midfifties, even more in the early fifties.

If you look at the age distributions, you find that during the Korean period when teenage unemployment was much lower than it is now, that the teenage labor force was actually declining, and that a very high proportion of those in that age group were in the armed services. If you go to the midfifties you find that the teenage labor force was increasing but at quite a slow rate, whereas in the last couple of