II. Recommendations

A. That in the near future and at least once a quarter thereafter an objective evaluation should be made of the economy by the Council of Economic Advisers to determine the extent to which the economy as a whole is achieving the goals reflected in the guideposts.

B. That if the evaluation indicates that the overall economy is falling short of the goals reflected in the guideposts, the following steps be taken:

1. The Council of Economic Advisers should identify the nature and apparent chief causes of the major problems or shortcomings.

2. To the extent that the causes may relate to matters within the purview of the President's Advisory Committee on Labor-Management Policy, representatives of that Committee and the Council of Economic Advisers should discuss those problems to determine whether any appropriate corrective action can be recommended.

3. The President's Advisory Committee on Labor-Management Policy should submit to the President a report identifying the problems or shortcomings and including recommendations for corrective action.

III. Conclusion

A. We believe that it is essential to the continued economic growth and health of the country that the present inflationary trends be stopped, and that maximum efforts should therefore be made to restrain, through voluntary procedures, unjustified wage or price behavior.

B. We believe that the goals reflected in the guideposts as set forth in the 1962 report of the Council of Economic Advisers providing for the alinement of wages and prices with productivity in the economy as a whole need and deserve support.

C. We believe that the procedures set forth in the section headed "Recommendations" will assist in providing such support in that they will help to develop a more general understanding of why voluntary restraints serve both the national and private interests.

D. We also believe that it is impractical, if not impossible, to translate the goals reflected in the guideposts into formulas for application to every particular price or wage decision.

E. We believe that in a free society any policy to achieve price stability will be acceptable and effective only if it bears equitably on all forms of incomes.

Representative Reuss. On the price side, a year ago when we had our colloquy, I pointed out that while the price guidelines had for some years had in them a clause saying that where the productivity increase in a particular industry exceeds the average, there should be price reductions there. I noted with disappointment that nothing seemed to have been done about this, and I asked you to file with the committee, which you did, a list of industries where productivity exceeded the national average, so that I might inquire whether they had increased prices. You did file such a list, which is found on page 31 of our last year's hearings, pointing out that oil, mining, copper, gas and electric utilities, iron, cement, malt liquors, manmade fibers, paper, petroleum, aluminum, tires, tobacco products, plastic materials, motor vehicles, dairy products and railroads, had all achieved productivity increases greatly in excess of the national average, and hence were eligible to do the noble act of reducing prices, but as your record showed, most of them had actually increased their prices.

(The table referred to by Mr. Reuss was included in pt. 1 of hear-