

same trend of productivity has been maintained in those industries. Moreover, it is also relevant to point out that the guideposts relate not only—in effect—to changes in unit labor costs but to changes in other costs. In several of these industries, although labor productivity gains have been rapid, there have also been increasing materials costs. So it is not possible to go directly from the trend of productivity to the appropriate trend in prices.

Representative REUSS. What baffles me is, I do not see how you all can expect labor to sit still for taking just the increase in productivity, 3.2 percent and yet do nothing about enforcing your price guideposts with respect to price decreases, and I would commend to you some conversation and action in this coming year on this whole question.

Mr. Chairman, I am disturbed at the failure of the administration to formulate and send to the Congress intelligible wage-price guideposts, and I am going to suggest at the proper time that the Joint Economic Committee, by default, may have to take on the job of hearing labor, management, consumers and other interested parties, and itself suggest guideposts, because these guideposts are just going to cause people to get lost, since they cannot be read.

Chairman PROXMIRE. I agree wholeheartedly. There is no question that this has been the cornerstone of anti-inflationary policy in my judgment. To the extent that the fiscal and monetary policy enters into, as we all know, the coming situation, it is particularly important because fiscal and monetary policy is less likely to work in an area of less expansionary and noninflationary—

Representative REUSS. It seems to me this is just the time we need the guideposts most.

My time is up.

Chairman PROXMIRE. Thank you. Senator Jordan?

Senator JORDAN. Thank you, Mr. Chairman.

Mr. Ackley, at the beginning of your statement you say “that the economy is in a basically sound and healthy condition. We expect it to stay that way through 1967.” You go on to say, “We see an advance in the GNP this year of about \$47 billion to the neighborhood of \$787 billion.”

Your forecast is for a slowup of the growth in the first half and stepup in the second half which you claim will need to be restrained by a tax increase. Economists believe the growth for the year as a whole will be considerably less than the 4 percent you estimate and that the slowdown will come in the second half.

Would you elaborate on the reasons for your forecast?

Mr. ACKLEY. I will try, Senator. We think there are several factors that account for the within-the-year movement that we suggest.

In the first place, the revival of the housing industry, which we surely expect to occur in 1967, is something that takes a while to accomplish. The easing of monetary conditions began several months ago. But it takes a while for that to be reflected first in improved flows of funds to the thrift institutions—which are primary suppliers of mortgage credit—for them to rebuild their liquidity, for them again to be willing to lend, and for their increased willingness to make lending commitments to be reflected in construction. So we do not anticipate that the recovery in the housing industry will be nearly