tlements in the latter part of 1966 considerably have exceeded that figure. I am not only referring to the airlines settlement which was way above it, but to the settlement in the electrical machinery industry, which was somewhere between 4½ to 5 percent, and that in the communications industry, which was in the same neighborhood.

I think it would be too much to expect that most other negotiations which will occur in the early months of 1967 and throughout the year can be held to a level consistent with the productivity trend. I think it is understandable in view of the unfortunate, the lamented, increase in consumer prices which has occurred.

Representative RUMSFELD. It is possible that in dropping the 3.2 figure across the board, that you are turning more to a percentage figure relating to productivity within a given industry?

Mr. ACKLEY. No. I do not think that is correct. We tried to make it as clear as we can that we think this is a false principle. An attempt to follow it would be disastrous for the structure of wages and for the health of the economy.

Representative RUMSFELD. One last question. The administration's proposal concerning increases in social security benefits seems to almost be offset by the increase in revenues from the proposed 6-percent surcharge.

If the social security benefits are increased less than the administration request, will the tax increase be necessary?

Mr. ACKLEY. Certainly the two cannot be completely divorced. If there were no increase in social security benefits in the second half of 1966, the economy would be substantially weaker because of the absence of it. But the tax increase is not directly tied to the social security benefit increase. Indeed, after January 1, 1968, we would have a payroll tax increase as well as the proposed 6-percent surcharge.

As I recall, the 6-percent surcharge would yield on a liabilities basis, something like $5.1 billion as opposed to about $4 billion for the social security benefits.

Clearly our trust funds are so important and their expenditures and their revenues so important that fiscal policy planning has to take into account not only of general fund expenditures and taxes but also the expenditures and taxes of the trust funds. So, proposals on social security have to be considered not only on their own merits but as part of the total fiscal planning in which we must engage.

Representative RUMSFELD. Mr. Chairman, I will stop at that point.

Chairman PROXMIRE. Under the rules, the staff tells me we should revert to the next Democrat questioning, but since neither Congressman Brock nor Senator Percy have had chance to question, we will waive that rule and Congressman Brock may question.

Representative BROCK. Thank you, Mr. Chairman.

I am fascinated with this logic of yours on the guidelines, Mr. Ackley. I have a feeling that there is a certain dichotomy in the last statement that you made, that we have gone away from 3.2, we are now advocating "restraint" in your words, which nobody seems to want to define. We are not willing to apply industry guidelines on a selective basis within an industry which seems to be, to me, more logical in that some industries obviously exceed the national increase in productivity and others fall well behind it due to the nature of the industry itself.