

It seems to me you are saying we have virtually no policy at all. Is this true?

Mr. ACKLEY. I hope it is not true, Mr. Brock. The guidepost policy has several purposes. I suppose the most basic purpose is an educational one. I think in this it has been partly effective. I think it is important that America labor, American business, and the public understand that we can only take out of the economy as much as we produce and that the effort to do more than that is bound to produce inflation; and that in general it is essential for price stability, for wage increases not to exceed the trend of productivity in the economy.

It is essential that labor unions and business managers in making their wage and price decisions consider not only the immediate, direct shortrun interest of the members of the union or the profits of the firm but their impact on the total balance of the economy.

In this educational purpose, as I say, I think we have had a good deal of success. It is obviously nothing that will be accomplished overnight or even in a few years. But I believe there is a much greater realization on the part of labor unions, for example, that if they attempt to achieve larger increases in real income than the growth of productivity by getting large money wage increases, that is in the end self defeating. It is going to raise prices and they will not get any more real income than if they had made more moderate settlements in the first place.

That is one purpose of the guideposts.

The second was to provide a standard which would affect specific behavior by specific people at specific times, and which would provide some kind of a standard on the basis of which the Government could express the public's interest in wage settlements or price decisions, and to call the attention of the parties to their responsibilities.

Now, the specific guidepost formula, as it was laid out in the Economic Reports of 1962 through 1965, really assumed that the guideposts in fact would work and that prices in general would be stable. In a climate of general price stability it certainly was not unreasonable to ask labor unions to keep their settlements close to the trend of productivity.

Well, that basic assumption simply has been violated by the facts. Under those circumstances we think that it is unrealistic, meaningless, probably counterproductive to say that we insist that wage settlements this year not exceed 3.2 percent. To try to do that would not accomplish the purpose.

So, for the present, we have abandoned that specific a standard for wage increases. We have not abandoned, and do not intend to abandon, the effort to get the maximum degree of restraint that is feasible through persuasion, through education. And we would hope that once price stability is restored, we can, in a climate of price stability, again have a more specific standard for wage increases.

Representative BROCK. I could not agree more that the great advantage of guideposts is not in fact a holding down so much as it is educational, but I wonder how much you are educating people when you state we want restraint and you do not give them any standard by which to measure that. You have refused to apply standards on a broad basis, and you say it would be disastrous to apply standards on an industry-by-industry basis.