I call your attention to the publication of the Department of Labor, Monthly Labor Review, for December, which says 3.1 million workers are subject to renegotiation, substantially more than normal, whose contracts are scheduled for revision during 1966. This includes automobiles, farm equipment, meatpacking, and also the deferred wage increase in steel and in many other industries.

At a period when you have the settlements and you are abandoning the specific figure, would you not feel that we can expect and anticipate that we would have more cost-push inflation in the present year than we had in the last? Just a matter of simple logic?

Mr. ACKLEY. Yes, sir. I think that is right. On the basis of our judgments and forecasts of the economy for the year ahead, there should be very little pressure from the site of excess demand. There will probably be, as we have tried frankly to recognize, an increase on the average in unit labor costs as a result of wage settlements in excess of the productivity trend. The emphasis which has been given here and elsewhere to the so-called abandonment of the 3.2 percent guidepost number has been somewhat exaggerated. You may recall that when the guideposts were first formulated there was no specific numerical standard.

Chairman PROXMIRE. I think the 3.2 wage guideline number was wrong, and I said so last year. You cannot hold labor to a 3.2 percent in the face of a cost-of-living average increase of 3.3. This would mean a reduction in real wages. It is impossible. You cannot have a 3.2 guideline that makes any sense when you have that kind of inflation. But it would seem to me that it would be sensible to try to reconcile the situation by perhaps having a compromise.

Could you not take part of the increase in the cost of living, maybe 50 percent of it, maybe 60 percent of it, and the private productivity increase, and have a benchmark of 5 percent or something like that—3.2 is grossly unfair?

Mr. ACKLEY. Senator, we certainly considered the possibility of having a temporary guidepost number higher than the productivity trend. Our judgment, on the basis of discussions with labor and management and with independent experts, was that this would probably not be a useful thing to do. It would create more problems than it would solve.

Whether that is a correct decision, I do not know. But it certainly was made after full consideration of the possibility of suggesting a compromise figure.

Chairman PROXMIRE. You see, a look at the fine record that you had in wage increases between 1962 and 1965 and the record of very stable unit labor costs during that period as you have on pages 81 and 83 of your report,[1] 2.9 percent in 1962, 3 percent in 1963, 3.2 in 1964, 3.8 in 1965, these are the increases in straight-time hourly earnings. Then you look at unit labor costs and the only new element in this situation that I can see was the wage-price guideline. And whereas between 1947 and 1965, the whole period, you had increased unit labor cost of 1.6 percent, and 1960 to 1964 you had an increase of only four-tenths of 1 percent, this was the period, especially 1963 and 1964, of

[1] Economic Report of the President together with the Annual Report of the Council of Economic Advisers, January 1967. U.S. Government Printing Office.