That the adoption, by statute, of new procedures for reviewing wage and price developments in the economy warrants consideration, but is not required by present circumstance;

That there should be continuing efforts by the administration and by everybody informed and concerned to press the common interest reflected in the guidepost principle; and

That these efforts will be more successful if it is not attempted to develop a specific guidepost figure for prices and wages. There aren't such figures which take proper account of the applicability of the productivity principle to present circumstances, and its necessary relationship to other operative facts and principles.

I commend to the committee's consideration the unanimous report of the tri-partite President's Advisory Committee on Labor-Management Policy, dated August 18, 1966. It seems to me to state the key and relevant facts and considerations here exceedingly well. I attach copies for this committee's convenience.

(The document referred to follows:)

PRESIDENT'S ADVISORY COMMITTEE ON LABOR-MANAGEMENT POLICY

REPORT SETTING FORTH THE COMMITTEE'S VIEWS ON THE GUIDEPOSTS FOR NONINFLATIONARY WAGE AND PRICE BEHAVIOR, AUGUST 18, 1966

I. Introduction

A. The purpose of this memorandum is to provide the President with the Committee's views on what are referred to in the 1962 Annual Report of the Council of Economic Advisers and subsequent reports of the Council as "guideposts for non-inflationary wage and price behavior."

B. In our judgment the 1962 report of the Council relative to the guideposts is of particular significance. A copy of the relevant portions of the 1962 report is attached. We desire to emphasize the following portions of the report:

1. "Productivity is a *guide* rather than a *rule* for appraising wage and price behavior for several reasons. First, there are a number of problems involved in measuing productivity changes, and a number of alternative measures are available. Second, there is nothing immutable in fact or in justice about the distribution of the total product between labor and non-labor incomes. Third, the pattern of wages and prices among industries is and should be responsive to forces other than changes in productivity."

2. "These are not arbitrary guides. These describe—briefly and no doubt incompletely—how price and wage rates would behave in a smoothly functioning competitive economy operating near full employment. Nor do they constitute a mechanical formula for determining whether a particular price or wage decision is inflationary. They will serve their purposes if they suggest to the interested public a useful way of approaching the appraisal of such a decision."

3. "These are advanced as general guideposts. To reconcile them with objectives of equity and efficiency, specific modifications must be made to adapt them to the circumstances of particular industries. If all of these modifications are made, each in the specific circumstances to which it applies, they are consistent with stability of the general price level. Public judgments about the effects on the price level of particular wage or price decisions should take into account the modifications as well as the general guides."

C. Consistent with this approach we have agreed on the recommendations that follow.