wage decisions as an example) of "inequities," "ability to pay," costs of living," and so forth.

I support strongly the general provisions of H.R. 11916 because it will permit the fuller and more effective development of this principle of sound reason and good sense.

First, it will offer larger assurance that the right answers will be developed to some still unresolved problems about the productivity guidepost principle.

Second, it will work into this policy-formulation process an element of broader *participation*, which will increase the acceptability of the answers which are worked out. A good deal of the objection to the Council's formulation is that it seemed to constitute stabilization without representation.

Third, this proposed procedure may be expected to focus additional public attention on this matter and to increase public understanding—both of what guideposts are and of what they are not.

There *are* hard problems regarding the productivity guideposts which remain to be resolved. I mention some of them briefly here, but only for the relevance their identification has to the subject of the effectiveness of the type of governmental procedure proposed in H.R. 11916.

If the wage-price guideposts are to be more than statements of an ideal—and therefore unreal—set of facts, they have to include provisions for adjustment when the facts get out of kilter.

There is the problem right now of what to do when prices for food and services (and for goods in general) go up by more than the overall increase in productivity. For the guideposts assume that *real* wages will increase as productivity does—and this would require significantly more than 3.2% wage increases today.

What account is to be taken of the fact that wages have been traditionally—but irrationally—lower in agriculture and food processing and in a good many service trades than in most durable manufacturing industries? If these wages are to go up, by more than the productivity "par" for the economy as a whole, is this to mean lower increases for manufacturing workers—whose cost of living increases as a result of higher prices for food and services?

Is there a place in guidepost theory for the inevitable effect on wages and prices of a shortening of the supply of skilled workers in certain industries as unemployment rates drop—but still stay at about 4%? Does this theory contain some unarticulated or even unrealized assumption that a certain *unemployment* figure constitutes "full *employment*"—because anything below that will create upward price and wage pressures? If so, it is wrong.

There is also the practical question, obvious in the light of present circumstance, as to whether it is the more advisable public policy to press the guideposts in terms of a specific decimal point conclusion or in more general terms. They appear to have more utility right now as the basis for a defense in depth rather than as a Maginot line.

There are *hard* questions—that warrant the fullest possible consideration in a variety of forums.

There has been legitimate objection that the CEA's development of the productivity guideposts has included too little participation by those whose experience includes fuller participation in the functions of price and wage determinations. The point is made both in terms of the quality of the policy formulation and in terms of the pragmatics of general acceptance of the conclusions which are reached.

It could also be expected that the type of proceeding contemplated in Section 2 of H.R. 11916 would result in a much fuller public understanding than there is today of how the productivity guideposts actually operate in practice—and particularly of what is involved when they don't operate.

The general public impression today is that "the guideposts were broken" in a series of several specific cases, principally cases involving wage settlements. They were broken in fact (if that form of statement is permissible regarding the working of an over-all principle rather than a specific rule) when food and service prices went up so that the *real* earnings of workers were not advancing in line with increased productivity. The rest was inevitable. The importance of an understanding of this is that it affects materially the direction of the force of public opinion in connection with repairing the "breach."

All of these considerations point to the advisability of the kind of procedure proposed in Section 2 of H.R. 11916 for the participation by representatives of the Congress in the kind of policy development represented by the productivity guideposts.