At least this is my reaction. That is why I would hope that you would reconsider now and try and give us your notion on why some figure, 5, 5½ percent, even 6 percent, isn't better than no figure.

Mr. HELLER. First of all, I have to agree with something implied in your question, Senator Proxmire, and that is that wage-price guideposts are not a substitute for fiscal and monetary policy to manage or control——

Chairman PROXMIRE. I would say that explicitly.

Mr. HELLER. Aggregate demand, and the breakdown of course of the guideposts——

Chairman PROXMIRE. I hate to interrupt again, but let me just say that the time you need them is exactly when you don't have the demand-pull inflation, but it seems to me the cost-push inflation—and this is the situation many of us feel we are getting into now—especially with so many settlements coming up this year.

Mr. HELLER. But you know this is really sort of a period of afterglow of last year's overheating. It is a period of echo inflation, so that a good part of this cost-push is really a reflection of the demand-pull inflation of last year. So it is a very tough situation to cope with.

Now if you had specified, let's say, 4½ percent or 5 percent, it seems to me that at the very least you would have to say is so-and-so-much is the productivity element and so-and-so-much is a one-time——

Chairman PROXMIRE. Cost of living.

Mr. HELLER. Catchup element. You can't build the cost of living into this thing forever, or it becomes an engine of inflation, yet the Council, the President, and the Congress, I am sure, recognize that you can't ask labor to sit back under the circumstances and stick to the productivity limit, when they have had this kind of a cost-of-living increase confronting them.

It is possible that some other formula could have been worked out as a holding position. I take it that the Council and the President are really only taking a holding action here. The Chairman of the Council, Mr. Ackley, made very clear that the productivity standard still applies. It is around 3 percent; but they didn't want to specify it because of this problem of its being flouted.

It is extremely hard to judge whether some other formula could have been put together which says:

> Look, for the longer run three per cent has got to be it, but we recognize it may be a two per cent add-on over this year or two years for cost of living purposes brings us temporarily to a five per cent standard.

Yet there is a very great danger, if they once explicitly OK 5 percent, it tends to get embedded, and it is terribly hard to retreat from.

It is much more likely that we would be able to restore something in the 3-percent range later on, not having explicitly sanctioned the 5 percent. That is the best defense that I can see for it.

Chairman PROXMIRE. I can see it is a good defense, but I am not asking for a defense. You are no longer of the administration. So that it would seem to me you can be critical and objective if you would care to be, and I take it you don't feel you are constrained.

Mr. HELLER. Not at all.

Chairman PROXMIRE. You don't feel——

Mr. HELLER. I hope the course of my testimony this morning might suggest that, that I don't feel constrained.