Chairman PROXMIRE. Maybe I should try again because this is so important. You are telling us that you feel we might as well sit out the wage-price situation this year, with some efforts on the part of the President and the Council to say restrain yourself to labor and restrain yourself to management. Keep wages down as low as you can. We aren't going to zero you in on a figure. And then maybe next year try again.

But next year won't we have a worse situation, or at least the same kind of a situation? If prices rise, as predicted, by 2½ percent, it is going to be unreasonable to expect labor to take a 3-percent or 3.2-percent increase. Just how long can this go on? Don't we have to, (a), be realistic and recognize the increase in prices and, (b), be specific enough so that there is some basis for holding an accountability?

After all, when you read the Council's report, they say 6 percent is better than 8 percent. Eight percent is better than 10 percent. I suppose that you can find some construction union that is going to get 15 percent this year, and all the settlements that are less than that are better, or more statesmanlike.

So if you throw away any specific national guideline here that takes into account productivity, takes into account to some extent the increase in the cost of living, you are building in, I think, a much worse engine of inflation.

Mr. HELLER. This is just a terribly hard thing to judge. You may be right. At the same time, if we had a 5-percent average rate of settlements this year—let's say 3-percent productivity and 2-percent price increase—and then next year it became apparent that we were going to go back to our sort of traditional inching up of prices of maybe a half to three quarters of a percent per year, there is no reason for setting 5 percent as a precedent for succeeding years. It is in their attempt to find a way out of this dilemma at the same time that they exercise continued restraint that the administration reach this conclusion. I am not trying to defend the administration. I am trying to say that it looked to me like about as good a solution as you could come to under the circumstances that prevail, even though it is regrettable that it leaves us without a more solid criterion for judging wage increases.

Chairman PROXMIRE. But even under the kind of price stability we had from 1961 to 1965 or through 1965, we had a rise in the Consumer Price Index of 1.4 percent on the average. Labor's productivity was around 3 percent. The guideline was around 3 percent.

Now wasn't labor being cheated in terms of their real income? Those who stuck to the wage-price guidepost had approximately a half—close to a half—of their increase in real income eroded by a price increase.

Now to acknowledge this and recognize it, it would seem to me that a fair adjustment would be to have had the productivity increase together with a cost of living written into it, and there it is true that that would have had some degree of inflationary impact, but it would have been realistic, and it would have been fair, and I am not sure in the long run that it wouldn't have provided for a greater price stability than what we are doing now. Isn't that a possibility to consider in the future?