

In other words, tie this into the real, as much as you can, into the real income of labor, so that their real income can be compensated for their productivity increase?

Mr. HELLER. The difficulty is that when you put in cost-of-living escalators, either in specific bargains or in a wage price guidepost, you are in effect building into your formula a certain spiral of wages and prices which, over the longer run, is going to erode the value of the dollar. In other words, it builds this result right into the formula.

Chairman PROXMIRE. If you don't do that, you are expecting labor to take the full brunt of the increase in the cost of living, which they did take to a considerable extent. The result was that profits increased by what, 80 percent during this period, wages increased by a much smaller amount, and those who stuck by the guidelines religiously didn't receive their real productivity increases. They were handicapped.

Mr. HELLER. Of course the productivity increases were very large in this period. In real terms, 19 percent per man-hour is the average productivity increase in this 5- or is it the 6-year period. That's the main point on which we should focus in the longer run; namely, to reconcile the demands for wage increases and the demands for profits by increasing productivity more rapidly.

Also it is worth noting that even though the wage rate increases per man-hour, for example, last year averaged around 4 percent, the compensation per man-hour went up by 5, somewhat over 5 percent.

Chairman PROXMIRE. Close to 6 percent.

Mr. HELLER. Yes.

Chairman PROXMIRE. But the reason it went up is because people were moving off the farms.

Mr. HELLER. Upgrading.

Chairman PROXMIRE. And so forth.

Mr. HELLER. That is right.

Chairman PROXMIRE. Into higher paying jobs.

Mr. HELLER. That is right, and upgrading of particular labor, so there is over the longer run some more or less automatic protection of the real income of the labor force as a whole by this process of upgrading. There is no neat solution.

I mean we come to that point time and time again. But if your objective is the longer run stability that sets the stage for true full employment—and by that I mean something below 4 percent unemployment over the intermediate term, not just the long term—and sets the stage for continued competitiveness in the world, you have got to be somewhat tough in setting guideposts—for both wages and prices.

Chairman PROXMIRE. That is what we are trying to do. I think Congressman Reuss and I are trying to do that.

Mr. HELLER. Yes.

Chairman PROXMIRE. My time is up. I do have other questions. Senator Symington?

Senator SYMINGTON. Thank you, Mr. Chairman. On this question of gold and its importance, Dr. Heller, let me emphasize what worries me is that the Government keeps on saying each year that it is a very serious matter and we intend to correct it in the following year. But for 18 years we haven't corrected it, with the exception of 1957. If it is a serious matter, then it should be corrected. If it isn't serious we should forget it.