think all we ought to do, is to try to stabilize the wholesale price index, not to stabilize the consumer index.

If you stabilize the consumer index, the all commodities wholesale price index would fall, and I think all experience shows that when entrepreneurs, producers are up against a proposition of falling commodity prices, then you are in trouble.

The proper goal of price stability is stabilization of the all commodities wholesale price index, and that is what we got in 1960–65, by accident, not because of the guideposts, because the employee compensation exceeded by a good deal the guideposts in those years, and gave us stability in the wholesale price index, and with an increase in consumer prices of 1.2 percent a year a real wage increase equal to the overall productivity of 3.2 percent in the total private GNP, exactly as in 1960–65. In the event that the consumer price index should rise more than 1.2 percent, the escalator would come into play.

Chairman PROXMIRE. Yes, but didn't we have a situation, too—the staff points this out to me—that the guideposts only really applied to workers in the manufacturing section, and the production workers, and their average hourly increase was only 3.6 percent, not four and a fraction percent.

Mr. HANSEN. What year is that?

Chairman PROXMIRE. This was last year. Therefore the contention that they don't have a little catching up to do wouldn't hold, because they would have in that particular area.

Now it is true that the overall compensation is increasing at 6½ percent, much of this because people were moving from low-paid, low-income work, especially on the farms, into higher incomes.

Mr. HANSEN. Right. That is involved in the rise in productivity. I think for the period 1960–65 the productivity figure is more nearly 4 percent and possibly a little bit more than 4 percent.

Your figure is quite right for last year, but for the whole of the period 1960–65, it was—I don't have the figure here, but as I remember it—it was 4 percent or a little bit more than 4 percent.

Chairman PROXMIRE. I would like to ask you, and perhaps Dr. McCracken would like to get into this too, because I noticed, Dr. McCracken, in the course of your presentation you criticized our policies in late 1965 and early 1966 as being inflationary. I thought that Professor Hansen indicated that he thought that maybe those policies at least in 1966 weren't quite so bad.

I would like to ask you, Dr. McCracken, in answer to the point that I thought Professor Hansen raised very, very well, much of the rise in prices in late 1965 and throughout much of 1966 were in food prices, which are not really sensitive or are not so sensitive to demand pressure.

Mr. HANSEN. Right.

Chairman PROXMIRE. With the results in production policies and various other factors. What is your answer to that?

Mr. MCCRACKEN. My concern with what happened in 1966 is really not so much the magnitude of the rise in the price level. I suppose we would like to have had it a little smaller, but I wouldn't consider this my major concern about the performance.

It was merely that we did generate the kind of accelerating pace of the economy which then required a reversal of policy which has brought us at least pretty close to the brink of a recession here in 1967.