below-average variation, and that for services, which aren't ordinarily included in the guidepost, you would continue to honor them in the breach and not say much about them. Is that a fair statement of what you think would be a useful wage-price policy for 1967?

Mr. HANSEN. Congressman Reuss, not quite.

Let me try to state briefly what my proposal was. I am afraid it is more applicable to a longer term trend than one single year.

It is a little difficult to apply these things to the next year, because productivity changes considerably from one year to another, and you have to take, as the Council has done, a rather long-run period to obtain your guidepost.

My guidepost that I am suggesting is not the productivity increases in the entire total private economy, which includes both commodities and services, but excludes the Government, and that is what the Council has used. They base their guideposts on productivity increases in the private, total private, economy.

I would base it on a more generous scale, and therefore, what I am proposing is somewhat in line with what you have suggested, Congressman Reuss. I would base it on the productivity increases in all commodities industries. It happens that that is not very high this past year, but over the long run, over the period 1960–65, it was about 4¼ percent, and I think that makes a more realistic guidepost, because it would then aim at stabilizing the commodities Wholesale Price Index, not the Consumer Price Index.

Representative REUSS. By the commodity-producing industries, you mean everything but services?

Mr. HANSEN. Yes, everything except services, that is right, and Government. That gives you a higher figure. Your figure is five. My figure would be lower than that, based at least on the experience that 1962 to 1965. That is the guidepost.

This ought to give you stability in the wholesale price index, but maybe it won't turn out that way, perhaps because of the power of economic blocs, administered prices, and wage unions pushing up their wages.

We may not succeed in holding it where we would theoretically hold it on those guideposts. So then, attached to the wage bargain is an escalator clause. The net effect of that is that you can keep the wages that you immediately now propose in the wage bargain lower because you are not taking account of excessive future increases. That is taken account of in the escalator. You are basing it on facts of productivity now, now on speculations about excessive price increases in the future. Those are taken care of by your escalator.

Representative REUSS. Where you say something like 4.1 percent.

Mr. HANSEN. That might be the guideline, 4¼ or 4½ percent as in the period 1960–65.

Representative REUSS. Plus the cost of living.

Mr. HANSEN. No, not plus. Plus an escalator, but not plus a fixed amount. Some people have advocated that next year they should take the guidepost and add on the cost-of-living increase of the past year. I am opposed to that for the reason that the wage increases in 1966 already took care of the price increases of that year, and yielded an extraordinarily high real income of 4 percent in 1966. We don't need, to go back and add that on, and I don't want to add on a speculative increase for the future, because I don't know what that would be. I