lapping and duplicative activities, removal of outmoded programs—such as farm price support—and the possibility of changing the Government's direct domestic credit programs, which many students of the question believe operate counter to monetary policy. Above all, the cost-effectiveness approach to setting priorities and measuring the benefits of programs as is done in the Department of Defense, should be broadened to include not only older programs but also those in the Great Society category which, so far, have been accepted largely on faith as to their social and economic benefits. For a fuller treatment of this question, may I respectfully refer this committee to the findings and recommendations of the national chamber's task force on economic growth and opportunity, whose third report, the "Disadvantaged Poor: Education and Employment," will be published this month.

But, important as it is, cost-benefit analysis and resource effectiveness is only one aspect of resource use. The other aspect is the level of employment. A striking change in this year's annual report is the playing down of the high employment growth side of the economy in favor of emphasizing the resource-allocation pattern. This is especially noticeable in the section of the report devoted to the wage-price guideposts.

THE WAGE-PRICE GUIDEPOSTS

The Council again reminds us (p. 119)* that "business and unions can push prices up even when resoures are not fully utilized." This reflects its fear of cost-push in 1967. But, contrary to its reports since 1962, the Council has backed away from specifying a precise percentage figure for guideposts. Instead, we find the admonition that, (p. 133), "To assume steady movement toward price stability in 1967, the public interest requires that producers absorb cost increases to the maximum extent feasible, and take advantage of every opportunity to lower prices." But surely the public interest requires that there be moderation in wage demands in the light of the Council's own admission (p. 128) both that "the primary source of the rise in consumer prices lies in areas to which the guideposts have no applicability" and that "much of (the rise in corporate profits) would have occurred had the guideposts been precisely followed." In our estimation these statements come as close as possible to admitting what Secretary Wirtz conceded before your committee on February 7—that the precise percentage guidepost was a mistake.

The national chamber's position on the guidepost question has consistently been that as a general guide the proposition is unassailable that price and wage changes should reflect productivity gains if stable growth is to be achieved. But it does not follow that a rigid productivity formula and administrative coercion should be used as a guidepost policy. Our testimony against Mr. Reuss' H.R. 11916 last September, was based on three points that we believe are still valid: (1) That the Reuss proposal would have changed the nature and intent of the voluntary guidepost concept as first set forth in the Council's 1962 annual report; (2) it would have drastically altered the philosophy of the Employment Act and the unique and valuable role of the Joint Economic Committee under the act; and (3) by proposing an

*Economic Report of the President together with the annual report of the Council of Economic Advisers, 90th Cong., first sess, H. Doc. 28.