

Second, the price guideposts. I want again to skip most of what I have in my prepared testimony. I tried to make the case as to why in my opinion the guideposts are essential in our economy of imperfect competition, and in which—and here again I differ with my friend, Henry Wallich—adjustments via unemployment take such a long time to work themselves out. If we relied on that mechanism, we would have unemployment of such a size and duration as I think our society would not accept as tolerable.

Chairman PROXMIRE. Thank you very much. Are you through?

Mr. COLM. Mr. Chairman, if you will give me 2 minutes.

Chairman PROXMIRE. You are such a brilliant economist and you are such a help to this committee that I hate to interrupt you, but you are 10 minutes over. So you go ahead and finish up if you can within 2 minutes.

Mr. COLM. The guideposts in my opinion are essential but I think the administration had no choice except to drop their numerical aspect. This means a weakening and a retreat, at least that is the way it has been interpreted. The administration apparently counts on continuing the policy of talking to business and labor. The Council in its report is proud of the fact that they have been involved in perhaps 50 cases of price increases during the last year.

I believe that shows the need for a more orderly procedure for implementing the guideposts. I recommend again what I discussed before Congressman Reuss' subcommittee at one time, that we need a mechanism, for instance, the establishment of a price-wage-productivity board, possibly under the policy direction of the Council, but with administrative independence, or possibly as is now being discussed, in the Commerce-Labor Department. This board would make a study whenever the President declares an industry is crucial for stability, and then submit a factfinding report to the President, who with his recommendations could submit this to the Congress. Then possibly a subcommittee of this committee could examine the application of the guideposts to specific industries and thereby strengthen the procedure.

I think at the moment the guideposts, in spite of good language in the report, have become weak. I think only with such an implementation, will it make sense to have no general numerical guideposts, but something spelled out for individual industries.

Thank you.

(The prepared statement and appendix of Mr. Colm follow:)

PREPARED STATEMENT OF GERHARD COLM¹

I appreciate very much that the Chairman of this committee has asked me to participate in this year's hearings. In accord with his wishes I shall concentrate particularly on the public policy issues raised in the 1967 Economic Report of the President.

It is relatively easy to give advice on economic policy when there is a clear threat of a recession or when there is a clear threat of inflation. Ours is presently a situation in which we have at the same time recessionary and inflationary tendencies. We are in the position of a surgeon whose patient has appendicitis and heart trouble. If he operates on the appendix the patient may die of his heart trouble. If the surgeon takes care of the heart trouble and does not risk

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