

administration—I think perhaps when you were in office—used the so-called Wriston Commission.

Mr. WALLICH. Senator Javits, on the guideposts, if my suggestion in the testimony looks like planning, I am certainly chagrined, because that was not my intention. On the contrary, I view the present form, or the recent form of administration of the guideposts, as a kind of near planning, because it involves confrontations of the Government with industry, and with labor. It is an ad hoc intervention, not sanctioned by legislation.

If we had a tax, and I visualize a surcharge on the income tax, not a payroll or production tax which would be passed on in the price, then the decision to abide by or disregard the guideposts would simply be a reflection of market factors. If an industry very badly needs to attract labor, if it badly needs to avoid a strike, then it will make a wage offer above the guideposts. The firm knows this will cost it something, but it will be worth it. In other words, the economic calculus would prevail.

It would seem to me that that would be closer to a market mechanism than what we have been doing in the last few years. I realize that this may be difficult to implement administratively. I am somewhat encouraged by the apparent fact that during the Korean war period, when we did have a wage freeze, which was mandatory and which in normal times one would totally reject, above-ceiling wage increases apparently were disallowed in some cases for income tax deduction.

On the economic goals, I am of two minds, frankly. I think a nation is well advised at the legislative and administrative level to know what it wants to do. I am concerned that the Government might impose upon 190 million people, or more now, some goals that the majority likes and the minority not. There are some goals that I would certainly favor.

If, for instance, price stability were to get an adequate representation among these, along with economic growth, full employment, balance-of-payments stability, I would say that would be a good distribution of goals. We ought to move in that direction.

In the long run, we should move toward a more social conception of goals, so that we would give people some minimum kind of support. I would lean toward the negative income tax rather than a fixed minimum. That is something in the future toward which we should work. If this is the concept of goals, I would certainly favor it.

Senator JAVITS. Would you then structure into the Government this guidepost idea?

Mr. WALLICH. I think the guidepost idea, Senator, is what a free market would do anyway. If the market were really free and perfect, labor would move very flexibly. It would not be possible to have high wage increases in one place and a low wage increase in another. Wages would rise equally across the board. That is what the guideposts say.

Likewise, prices would behave as the guideposts say. The big hitch is that we have a business cycle. At times demand is too strong, and pulls wages and prices up out of kilter with the guidepost rules.

It is the business cycle and market imperfection that make reality diverge from the guideposts. But I do not despair that we can move