

I want to make just a comment or two on the guidepost issue rather than the goals question that was raised.

It seems to me that the record of other countries, besides ourselves, with formal boards of review, has not been entirely encouraging. The English record has not been good. The Dutch system, after some years of success, broke down. And I am not encouraged, in other words, by proposals to increase the formal administrative machinery for application.

There are two other comments I just want to make very briefly. One is that as is conceded everywhere, the guideposts have been, practically speaking, inoperative in the downward direction. Corporations don't reduce their prices when application of the guideposts would suggest that they do so, and this is another way of saying that there is an inflationary bias built into the guideposts, given present arrangements.

The second comment is simply this: That the guidepost mechanism, for better or for worse, is a conservative mechanism. It assumes that the distribution of income between property and labor is a reasonably satisfactory one and the guideposts in effect sanction that division.

Chairman PROXMIRE. Congressman Moorhead?

Representative MOORHEAD. Thank you, Mr. Chairman.

First, Senator Javits, I wonder if in the question that you suggested be answered in writing about the power to raise and lower taxes, that we make it very clear that it might be answered in an either/or situation. In other words, it might be that we grant the President power to raise taxes, but do not grant him the power to lower taxes or vice versa.

Senator JAVITS. Oh, yes. Mr. Moorhead, my office will write a confirming letter.

Representative MOORHEAD. Thank you.

Professor Wallich, I would like to continue the discussion that you were having with Congressman Reuss about the variable interest rates on housing mortgages. First, sir, would it be your idea that the monthly payment would, except in the case of a very wide fluctuation, remain constant, and the amount attributable to interest and principal would be the thing that would vary?

Mr. WALLICH. Yes. That is how they work it in England. A man finds that if interest rates go down, his mortgage is shortened, and if they go up, it is lengthened. If interest rates fluctuate, he doesn't much care.

Representative MOORHEAD. Do you know, sir, if under the present law the banks and/or the savings and loans in the United States could make such contracts?

Mr. WALLICH. Yes, I think they could. I have had some correspondence as a result of what I wrote about this, and if it's an overt contract and not as in the case of one California savings and loan association, something that the borrowers didn't know about, then there seems to be no reason why this should not be done.

There are some technical problems. One is that the mortgage may not be easily negotiable. But so far as I can find out, this is not a serious impediment.