in recent weeks for abandoning the wage-price guideposts. Yet this criticism is too general and, therefore, unfair. This Committee will come to grips with the difficult problems of economic stabilization we face this year only if it is clear about the specific nature of the changes in the Administration's wage-price policy.

HAVE THE GUIDEPOSTS BEEN ABANDONED?

The President regards the restoration of price stability as "one of our major tasks." [1] the accomplishment of which will require "the responsible conduct of those in business and labor who have the power to make price and wage decisions." [2] The President is also quite definite about what conduct of business and labor would be irresponsible. "If unions now attempt to recoup in wages all of the past or anticipated advance in the cost of living—in addition to the productivity trend" and "if businesses now seek to pass along rising costs when it would be possible to absorb them or do not reduce prices when costs fall," then, the President warns, the result will be a wage-price spiral "damaging to business, damaging to labor, and disastrous to the Nation." [3]

Furthermore, the Council of Economic Advisers has attempted to define the affirmative requirements of responsible conduct on the part of labor and business. So far as wage policy is concerned, the Council is still firmly of the opinion that the "only valid and noninflationary standard for wage advances is the productivity principle." [4] Nothing in its Report gives any indication that the Council has abandoned its position that the trend of productivity which should govern wage movements is 3.2 percent a year.[5] "If price stability is eventually to be restored and maintained in a high-employment U.S. economy", the Council insists, "wage settlements must once again conform to that standard." [6]

Those who seek a specific wage guidepost figure in the Council's Report will find that it continues to be 3.2 percent a year. But as a practical matter, the Council—and the President—recognize that the 3.3 percent increase in the cost of living in 1966 and the unusually high profits earned in recent years make "it unlikely that most collective bargaining settlements in 1967 will fully conform to the trend increase of productivity." [7] And the President obviously thinks it would be futile for him to try to see that these settlements do so conform.

Since the Council, even under current conditions, adheres to the productivity principle, it "sees no useful purpose to be served by suggesting some higher standard for wage increases, even on a temporary basis." [8] It calls for "restraint in wage settlements" and defines "restraint" to mean "wage advances which are substantially less than the productivity trend plus the recent rise in consumer prices." [9] It also calls upon producers to "absorb cost increases to the maximum extent feasible, and take advantage of every opportunity to lower prices." [10] In like vein, the President appeals "to business and labor—in their own interest and that of the Nation—for the utmost restraint and responsibility in wage and price decisions." [11]

HOW HAS ADMINISTRATION POLICY CHANGED?

In my opinion, the most significant change in the Administration's policy is not that it has refused to specify a single figure as the wage guidepost for 1967. Neither President Truman, who originated the guidepost policy, nor Presidents Eisenhower and Kennedy, who further elaborated it, ever specified such figures. It is more significant that President Johnson has apparently abandoned the policy—which on occasion was also of President Kennedy—of using the influence and prestige of the Presidency to assure that particular wage and price decisions satisfy the requirements of the public interest as viewed by the President.

Gone from the President's 1967 Economic Report are his 1964 and 1965 pledges that he would "not hesitate to draw public attention to major actions by either

[1] 1967 Economic Report of the President, at 11.
[2] Id. at 12.
[3] Ibid.
[4] 1967 Annual Report of Council of Economic Advisers, at 128.
[5] See id. at 123.
[6] Id. at 128.
[7] Ibid.
[8] Ibid.
[9] Id. at 129.
[10] Id. at 133.
[11] 1967 Economic Report of the President, at 13.