

Under these circumstances little is gained by asking management to adopt a principle of profit minimization or even to blame it for trying to maximize profits.

Yet the fact remains that unless agreement is reached on some standard of "reasonable" profits to guide price policy in the administered-price industries, organized labor cannot reasonably be expected to acquiesce in absorbing any part of the cost of living increases due to the rise in prices in other sectors of the economy—in farm products and services, for example. Nor can it be expected to heed the Council's advice that it pay for the higher minimum wage by accepting lower wage increases than the average permitted by the productivity standard.⁴⁴

A proposal for congressional formulation of a wage-price policy

I shall not try to suggest answers to the many questions I have raised. The point I wish to make is that the issues raised by the guideposts—or any wage-price policy—are the kind that are resolved in our democracy only by an accommodation of conflicting claims which all concerned find tolerable. To each such an accommodation, labor and management must be given the opportunity to participate in the formulation of a wage and price policy. Furthermore, since any bargain that these groups may strike will affect the life of the ordinary citizen more than much legislation passed by Congress, Congress must be the final arbiter.

Accordingly, I urge this Committee to institute hearings immediately to determine what our wage-price policy should be in the period ahead. Representatives of labor, management, the public—and of course the Administration—should be heard. This Committee should then write a report which would enable the appropriate legislative committees of Congress, if they approved it, to draft a bill setting forth the components of an overall wage-price policy.

It has been objected that it is unwise to legislate a wage-price policy because that will give it "legal status and a flavour of compulsion" and destroy its voluntary character.⁴⁵ But if it is agreed that representatives of labor, management and the public should participate in formulating a wage-price policy, some way must be provided for settling controversies that may arise. Only the President or Congress can do so; I think Congress should do so but that it should act in a manner that will require it to run the gauntlet of a possible Presidential veto.

Furthermore, I do not see why congressional formulation of a wage-price policy, by itself, will destroy the voluntary nature of labor-management compliance with the policy.

Translating the overall wage-price policy into specific policies for particular industries

Flexibility was the key to the 1962 formulation of the guideposts. In addition to the factors making for flexibility which I have already mentioned, the 1962 formulation recognized exceptions in the interests of "efficiency and equity."⁴⁶ Exceptions from the general wage guidepost were envisaged for an industry which was unable to attract sufficient labor and for one which was unable to provide jobs for its entire labor force; and for industries in which wage rates were either exceptionally low or exceptionally high compared with those earned elsewhere by similar labor.⁴⁷ Similarly, exceptions from the general price guidepost were expected in industries in which the level of profits was insufficient to attract the capital required to finance a needed expansion in capacity or in which the relation of productive capacity to full employment demand showed the desirability of an outflow of capital; in industries in which costs other than labor costs had either risen or fallen; and in which excessive market power had resulted in rates of profit substantially higher than those earned elsewhere on investments of comparable risk.⁴⁸

In 1964, for the first time, the Council announced that the general guideposts could "cover the vast majority of the wage and price decisions" and that the exceptions recognized in 1962 were "intended to apply to only a relatively few cases."⁴⁹ The Council affirms this position in its 1967 report. While it con-

⁴⁴ *Id.* at 130.

⁴⁵ Hearings on H.R. 11916 Before a Subcommittee of the House Committee on Government Operations, 89th Cong., 2d Sess. 91 (1966) (statement of Chairman Ackley objecting to the Reuss bill which would not go as far as the suggestion made above).

⁴⁶ 1962 Annual Report of Council of Economic Advisers, at 188.

⁴⁷ *Id.* at 189.

⁴⁸ *Ibid.*

⁴⁹ 1964 Annual Report of Council of Economic Advisers, at 119.