I do not think the Council of Economic Advisers should be asked to perform this function of hearing and judging. Nor, with all due respect, do I think that this excellent Committee is the appropriate body to do the job. This task is likely to be accomplished more expertly and fairly outside the halls of Congress. I would recommend, therefore, that it be given to the agency charged with formulating the industry-wide policies. This agency will thereby gain experience with particular situations which will help it in formulating these policies. In turn, its experience in elaborating these policies will help it to judge specific cases.

Advance notice of proposed wage and price actions

Furthermore, because it is always difficult to secure the rescission of action that has been taken, Congress should require labor and management to give this agency advance notice of any proposed wage or price increase. This requirement will apply, it should be recalled, only to those industries in which labor and management have a substantial measure of discretion in setting wages or prices. The agency should then be relied upon to institute hearings in those cases in which it thinks that a proposed wage or price increase may threaten national economic stability. After hearing, the agency should be required to publish its findings and recommendations in the case.

The Council of Economic Advisers reports that "the greatest failure of observance of the price guidepost lies in the failure to reduce prices on a considerable number of the product lines of a large number of industries." [53] For this reason, it is important to authorize the agency to initiate hearings in those cases in which it thinks price decreases are called for by the stabilization policies and the failure to make them threatens national economic stability.

Securing compliance with wage-price policies

The government's past interventions to secure compliance with the guideposts raise serious questions of propriety. Too often, they have become public tests of strength between the President of the United States and the executives of a great industry or a great labor union. "In any such confrontation with the President," Alcoa's President Harper has said, "there can and should be only one outcome." [54] Precisely here is the difficulty. In such a test of strength, the President must not lose. But this necessity itself creates the danger that the outcome may be arbitrary.

Furthermore, whenever, in order to have his way, the President must resort to means other than persuasion—such as selling stockpiled materials, awarding contracts to producers who have not raised their prices, instituting tax or antitrust investigations—he will subject himself, inevitably, to criticism for allegedly abusing his authority.

Equally troublesome, there can be no certainly in this situation that the President will deal even-handedly with all those who are similarly situated. Not only is the fairness of this system of enforcement in question, but the haphazard quality of president intervention also makes it an ineffective way to enforce stabilization policies. Finally, in time, labor and management will appreciate that even the powers of the President are limited and begin to flout the President's policies with impunity. I am afraid that the President's 1967 Economic Report reflects his estimate that this time has already come.

The suggestions that I have put before this Committee may make it possible to carry out the overall wage-price policy adopted by Congress effectively and equitable without the personal intervention of the President.

At this time, I do not suggest that Congress should impose any sanctions for non-compliance with the wage-price policies that will be elaborated under the authority of the legislation I have outlined. I would hope—and I expect—that Congressional adoption of a wage-price policy, subsequent administrative implementation of the policy on an industry-by-industry basis and public hearings to determine whether particular wage-price decisions accord with the policies formulated—will maximize the possibility of securing the voluntary cooperation of labor and management and, if necessary, of mobilizing public opinion to induce such compliance.

I would not object, however, if Congress decides to impose some sanctions; if, for example, it specifically authorizes and directs the President to manage the

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[53] Id. at 125.
[54] Harper, A Businessman's View of Guideposts, in Committee for Economic Development, Managing a Full Employment Economy 39 (1966).