marksmanship. The CEA reports it is still wedded to the guidepost approach, and although Mr. Auerbach suggested that the President and the Council may have abandoned their policy of intervention, I call your attention to the experience in gasoline in the last few days. In this situation, the Department of the Interior has indicated that, at the suggestion of the Council, it is attempting to roll back the price increase announced for gasoline. There has been an abandonment of a number, but not of the process used to implement the number.

The fourth error, underlying the guideposts is the assumption that real labor income can or should increase at some uniform annual rate. I checked the changes in real hourly earnings over the past 46 years. Now real hourly earnings can increase in one of five ways. The data are contained in my statement.

You can have no change in wages and a decline in living costs. You can have no change in the cost of living and a rise in wages, and this is the combination which the Council has selected. You can have both going down with the cost of living going down more, and you can have both going up with the wages going up more, or you can have wages going up a little and the Consumer Price Index down a little.

In the past 46 years there was only 1 year in which the combination which the Council has chosen was the actual way in which real wages increased in the economy: in 1929, there was no change in the Consumer Price Index, and there was a rise in real hourly earnings because wages went up a little. And, incidentally, even these figures don't tell the whole story, because in 6 years, real wages went down, which means that in other years we must have larger than long-term average increases in order to achieve the average.

Incidentally, under the guidepost policy, real labor income has risen irregularly and has fallen short of the goal of the guideposts. If anyone had gotten 3.2 percent a year in each of the years since 1962, although that figure wasn't in effect for the whole period, he would have found a significant part of this increase eroded by the rise in living costs, which was 1.7 percent in 1965 and 2.9 percent in 1966.

The actual increase in real hourly earnings during this period—and this includes fringes—was approximately 2 percent in manufacturing and 2.5 percent for trade, or short of the guidepost standards.

Much was said about the control which some companies have of our economy. In fact, the CEA has assumed, that if the highly visible industries conform to price guideposts, "the average of prices would also be stable in the other highly competitive industries, including agriculture and most services, where firms had no discretion." This is a naive view of the relationship between prices of agricultural products and services on the one hand, and those for industrial products on the other.

The assumption that prices of farm products and, in turn, food, would maintain a fixed relationship to other prices has not worked out, nor was there any reason to expect that it would, on the basis of the history of these price relationships.

The objective of stabilizing the price index could not be attained because of the inability to control or to prevent a rise in the prices of