about the prospects for 1967, it seems to me that I take a different position.

Mr. BACKMAN. In the early part of the year we still had large unemployment among these groups, despite the high rate at which the economy was operating. I merely call attention to that to indicate that there are limits beyond which you can't solve this unemployment problem by stepping up the rate of economic activity.

Chairman PROXMIRE. Now let me get into something here with regard to the wage-price guideposts, because I have been a strong believer in this. I have argued many times on the floor of the Senate and around the country that the wage-price guideposts have been a great contribution, and you admit in the course of your testimony that they did hold down prices, although you seem to think there is some price that we pay in having had them.

Mr. BACKMAN. Pardon me, I think my testimony will show that I said that in the 3 years before we enunciated the truism involved in the wage-price guideposts, there was stability of prices, and in the first 3 years afterward, there was stability, but these were also periods of idle capacity and unemployment.

Chairman PROXMIRE. What I understood you to say was this. In the absence of guideposts, we would have had bigger increases in prices in these particular areas, but you didn't think they would have contributed very greatly.

Mr. BACKMAN. That is right, there would have been somewhat larger increases for some products.

Chairman PROXMIRE. I think that is an element, an admission, particularly in view of the fact that we were having something of a demand-pull inflation at that time.

In your summary you say "There is little value to a program which educates the public to believe that unit labor costs determine prices." I am certain that Gardner Ackley and Duesenberry and Okun would all disagree that unit labor cost determines price, only productivity determines wages, real wages can increase at a uniform annual rate, the general price level can be stabilized by controlling increase in labor costs. They don't make statements of that kind. This is a strawman.

I ask you to show me any place in here where they don't qualify greatly their references to wage-price guideposts saying this is only one part of stabilization policy. It is a limited part. It is an important part.

Mr. BACKMAN. Senator, I give the citations throughout my prepared statement. In every one of the Council's reports, the essence of the guideposts has been that if you can stabilize unit labor costs, you won't have a price rise. This is what they mean when they say "If you have an increase in wages and labor costs equal to productivity, you will have no change in unit labor costs, hence price stability."

This is what they mean when they say "If you get above average increases in some places, you must get offsetting below average increases in others." This is the essence of what they have been talking about for 4 or 5 years.

Chairman PROXMIRE. I want to call your attention to the qualifications later, but my time is up. Senator Percy?

Senator PERCY. If you want to carry on, you go right ahead.