Chairman PROXMIRE. No, thank you, Senator Percy; you may go ahead.

Senator PERCY. Dr. Backman, I would like to preside over "burial" of wage-price guidelines with you and just simply say "amen," because as I recall my economics some years back at the University of Chicago, the term I always heard my professors use was "other things remaining equal," and then they go on to some theoretical dissertation. I never found in the economy things did stay equal, and the price guidelines assumed a uniform condition in every part of the country, uniform demand for labor without any change. In a dynamic economy you have the forces and pressures of that marketplace which constantly have to respond, and in a totally and entirely different way. I, many times, would like to have just had a simple slide rule solution to wages. It is easy to figure 3.2. You wouldn't need management. You wouldn't need labor leadership. You would just need a clerk who could compute out what these increases should be each year. And I think the totally unrealistic concept we had there was that 3.2 was the magic formula that applied to everything.

It constantly pushed wages up to that level that didn't belong up there, and tended to hold down others that should have gone well above that, because of changing conditions.

I would like, however, to get your view on the previous testimony as to how you would stand on the establishment of a price-wage review board established by industries with a prior notification by any basic industry or any major industry or an industry that had a major impact on the economy, of 60 to 90 days before they could raise any prices, and what effect this would have on the economy.

Mr. BACKMAN. I think this is a highly unrealistic proposal. Your earlier illustration of meat is a good one. If we were to require prenotification of 60 to 90 days or any other period, even if it's 2 weeks, the first effect on the part of customers would be to rush in and buy, so they could get the benefit of the lower price still prevailing.

The distortion such buying patterns could create are rather apparent.

Is this an area on which prior approval or prior notification is one that is desirable? I don't think it is. I think that the market power has been tremendously overexaggerated and I will tell you why.

Much of this reasoning and many of the conclusions are based upon our earlier postwar experience which was significantly affected and confused by the effects of inflation. Let me illustrate in an area about which I testified recently before another committee, the question of price leadership.

Up through about 1959, whenever any big company raised the price, they were followed by other companies and this was viewed as an indication, of what has been called tacit collusion. However, between 1959 and 1964, time and again large companies raised prices, and when other companies didn't follow, they were forced to rescind the increases. Now why were the leaders followed in the earlier periods? Because of market power? No. The main reason was a period of inflation.