Senator PERCY. Do you know of any European countries where price-wage boards have actually worked and proved to be a constructive force in the economy?

Mr. BACKMAN. In every European country where they have had an income policy the price increases have been greater than in this country. This is true in England, West Germany and in other countries where they have attempted this. I have a couple of citations in my testimony.

Senator PERCY. I think it is also interesting to note that in recent years the index of durable goods, the price index has actually declined slightly. Now, these are certainly durable goods industries that have power and impact on the economy, and we have had a very strong economy, and yet their prices have actually declined. Doesn't this then in your judgment conflict with the thought that market power is the main reason why wages and prices rise before we have full employment?

Mr. BACKMAN. This is a very important observation, because the centers of so-called market power are largely in the heavy goods industries, and it is true that at the retail level the prices of appliances and other durable goods have not gone up as much as other prices, and in some years have gone down. There are at least a half a dozen years (1953, 1954, 1955, 1960, 1961, 1965) in the postwar period when durable goods prices actually went down. In 1965 and 1966, despite the rise of almost 5 percent in the Consumer Price Index, durable goods prices recorded practically no change.

Senator PERCY. Mr. Chairman, even though I may disagree with you occasionally, I would like to commend the Chair once again for bringing two very provocative witnesses, and for balancing out these meetings, so that we have a chance, in the same meeting, to hear opposing points of view, which I think is the essence of seeking the truth in these complex matters.

Chairman PROXMIRE. Thank you very much, Senator Percy, and I would certainly agree that Dr. Backman has done a fine job. I have some other questions for you.

You seem to refer, and Senator Percy did, too, to the so-called 3.2 percent guideline. I would agree that that was very badly misstated. It was grossly unjust. It was unfair. It couldn't be sustained, and I certainly wouldn't favor that at the present time.

On the other hand, you say in your prepared statement that:

> By emphasizing long-term gains in output per manhour, and the accompanying rise in living standards. they encourage unions to seek increases large enough to equal the past rise in CPI and the rise in real wages. This combination means increase in labor costs of 7 percent or more and would result in a substantial rise in unit labor costs.

I would agree with your inveighing against a 7 percent guideline. I don't know anybody, though, who has ridden on that tired dead horse and said we ought to have a 7 percent increase, or made proposals that would result in that. Walter Reuther didn't, Goldfinger didn't, and certainly Alvin Hansen didn't. His position was that we ought to forget about the past, that if you try to catch up, you are in trouble, and that seemed to be the position supported by the labor people who are here.