

THE WAGE-PRICE ISSUE: THE NEED FOR GUIDEPOSTS

WEDNESDAY, JANUARY 31, 1968

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The joint committee met at 10:05 a.m., pursuant to call, in room 1202, New Senate Office Building, Hon. William Proxmire (chairman of the joint committee) presiding.

Present: Senators Proxmire, Javits, and Jordan; and Representatives Reuss, Griffiths, and Rumsfeld.

Also present: John R. Stark, executive director; James W. Knowles, director of research; and George R. Iden, staff economist.

Chairman PROXMIRE. The committee will come to order. I understand Mr. Sheahan is on his way and will be here shortly, but since the hour of 10 o'clock has arrived and passed and we have three distinguished economists here and another one coming, I think it is best to get underway.

Today the committee will explore in a 1-day hearing the need for revival of the wage-price guideposts. The usefulness of the guideposts from their formulation by the Council of Economic Advisers in 1962 to their virtual abandonment by the administration in 1967 has been a recurrent subject of discussion before this committee in its annual hearings on the President's Economic Report. Our reason for holding this particular session is the belief that there may be a pressing need to revise the guideposts.

We are all conscious of the fact that prices have been rising too rapidly—during the last 6 months the rate of increase has been about 4 percent on an annual basis. This unacceptable rate of increase has occurred in spite of the fact that total production increased only 2½ percent last year, and capacity utilization in manufacturing was less than 85 percent during the last three quarters of 1967.

At this point in the record, I will insert the press release announcing this hearing, and listing the witnesses.

(Press release follows:)

[Congress of the United States: Joint Economic Committee, Jan. 25, 1968]

SENATOR PROXMIRE ANNOUNCES HEARINGS ON WAGE-PRICE GUIDEPOSTS

Senator William Proxmire (D-Wis.), Chairman of the Joint Economic Committee, said Thursday that the Committee would explore at a one-day hearing January 31 the need for revival of the wage-price guideposts.

In announcing plans for the hearing, Chairman Proxmire said: "The key economic issue is now to reduce inflation without paying the price of higher unemployment and increased idle plant capacity. The wage-price guideposts, introduced by the Administration in 1962 but abandoned in 1967, seemed to be one constructive step.

"The time has come to examine the evidence very closely to see if the guideposts did exert a stabilizing influence when they were in effect.