"Our experience surely tells us that increasing excess capacity is not the answer and may even accelerate price advances in some of the most important sectors of the economy.

"The guideposts raise a number of controversial issues. First, what would be the implications for economic efficiency if the guideposts were followed?

"Second, once prices begin to increase, can the guideposts, or some modification, be of any practical usefulness? This, of course, brings up the related issues of equity. Since prices have been rising, how much, if anything, should be added to the productivity increment to determine the guideposts; and if so, how can the economy move toward greater rather than less general price stability?

"The panel of eminent scholars will also be asked to comment on suggestions set forth in the *Joint Economic Report* of 1967. The Committee offered some suggestions which they believed would make the guideposts more adaptable, effective, and fair. Among these was the proposal for a high level unit in the Government which would assemble and analyze data bearing on prices, productivity, output, inputs, and incomes, at both the aggregate and industry levels. This Price, Productivity and Income Office would be assisted by industry-wide boards composed of representatives of labor, management, and consumers. The purpose of this machinery would be to improve our understanding of decisions which affect us all."

SCHEDULE OF HEARINGS

The Wage-Price Issue: The Need for Guideposts, January 31, 1968, 10:00 a.m., Room 1202, New Senate Office Building.

Panelists:

Gary Fromm, Senior Fellow, The Brookings Institution.
John W. Kendrick, Professor of Economics, The George Washington University.
George L. Perry, Professor of Economics, University of Minnesota.
John Sheahan, Professor of Economics, Williams College.

The committee is fortunate to have the counsel of four very knowledgeable witnesses who, in their professional careers, have given long and careful thought to the questions and issues under discussion today. These include such matters as (1) the need for guideposts, (2) their actual impact on costs and prices in general, (3) their impact on efficiency and equity, and (4) the extent to which they or some modified version might be useful in the present context.

I wish to welcome you gentlemen. I suggest that each member of the panel confine his oral statement to about 15 minutes so that there will be time for discussion. You are, of course, invited to file a longer statement or exhibits for inclusion in the printed record of the hearing.

Let us proceed alphabetically, beginning with Mr. Fromm.

I might add that all of you gentlemen are distinguished and welcome. Mr. Sheahan, we are particularly impressed by the recent study that you did for The Brookings Institution which, as I understand it, has not yet been published, but which has been reviewed most favorably, and indicates that it has been acknowledged as one of the most definitive and exhaustive studies of guidelines that have been made, and that was one of the occasions for calling this meeting.

Representative REUSS. Just briefly, Mr. Chairman, I want to commend you for calling these hearings. The wage-price income issue has been much too much honored in the breach in last year or two. While, of course, you need sound fiscal and monetary policies in order to bring about full employment without inflation, it seems to me that the record is quite convincing that in both the United States and abroad cost-of-living increases would have been less than they otherwise have been in times when there has been an intelligent wage-price policy. So I hope we can get some new light and learning on the problem this morning.