Chairman PROXMIRE. Thank you very much, Congressman Reuss. Senator Jordan?

Senator JORDAN. Thank you, Mr. Chairman, I, too, am happy that these hearings are being held. Unfortunately, Mr. Chairman, I have two other committee assignments that I will have to pay some attention to, and if I am not here when my turn to question comes, may I have the permission of you as chairman and the committee to submit some questions to be answered in the record?

Chairman PROXMIRE. Very satisfactory.

(The questions put forth by Senator Jordan, and the answers subsequently supplied, appear at end of day's proceedings, beginning p. 45.)

I think it is best on the basis of staff recommendation that we proceed alphabetically, so on that basis we will ask Mr. Fromm to proceed first. I see you have a lot of hieroglyphics here, Mr. Fromm. I hope you translate those for our understanding.

STATEMENT OF GARY FROMM, SENIOR FELLOW, THE BROOKINGS INSTITUTION

Mr. FROMM. Thank you, Mr. Chairman. I hope to.

These hearings are addressed to the need for the revival of wage-price guideposts. This is an emotionally charged issue which runs the gamut of efficiency, equity, and government intervention—individual freedom considerations. It is impossible on extremely short notice and within 15 minutes to do justice to the topic. Therefore, the results and analyses that are presented below are subject to modification and are necessarily incomplete.

Before turning to the specific questions raised by the chairman, it may be well to examine an estimate of the impact of the guideposts during 1962–66. Strictly speaking, these effects should not all be attributed to the guideposts; much of the intervention which took place could have been undertaken without reference to, or rationalization by, the guideposts.

Moreover, other forces, such as imports, may partially be responsible for mitigating price pressures during this period. Therefore, the word guideposts might well be placed in quotes when discussing the empirical results of their impact.

Table I presents three equations of wage-price relations in all manufacturing estimated with annual data for the period 1954–66. The first equation relates the percentage change of average hourly earnings of production workers to, in order of appearance, the percentage change in the Consumer Price Index, the reciprocal of the national rate of unemployment, the percentage change in after-tax profits to stockholders equity, and a unitary dummy variable to reflect guidepost effects during 1962–66 (all percentages and the unemployment rate are in ratio form), that is there are numbers like 0.05.

(The information follows:)