I think that it is incumbent upon the proponents of this office to spell out in some detail the planned modus operandi of such an office, how it would select cases for review, what criteria it would use for evaluating whether given wage or price increases were excessive, the methods of persuading and applying pressure in cases in which the increases were judged to be excessive, and so on. I think that only after there has been this kind of careful planning and thought should the decision be made a as to whether the office should be created.

In conclusion, I would like to read the final paragraph from a review which I wrote for the September 1967 American Economic Review of the volume which contains papers given at a conference at the University of Chicago in 1966, "Guidelines, Informal Controls, and the Marketplace."

> The problems discussed at the Chicago Conference (about guidelines and so on) remain a challenge to the creative thinking of economists. There must be a better means or combination of means of restraining inflationary tendencies in fully employed free economies than any suggested so far. The important thing, however, is that any new method which is tried should preserve the great advantages inherent in market direction of resource use.

Chairman PROXMIRE. Thank you, Professor Kendrick.

I want to apologize for not fully identifying both you and Professor Fromm. Mr. Fromm is a senior fellow at the Brookings Institution. Mr. Kendrick is a professor of economics at George Washington University.

Our next witness is Professor Perry, professor of economics at the University of Minnesota. Professor Perry, go ahead, please.

STATEMENT OF GEORGE L. PERRY, ASSOCIATE PROFESSOR OF ECONOMICS, UNIVERSITY OF MINNESOTA

Mr. PERRY. Mr. Chairman and members of the committee: My remarks divide into three sections. The first is a summary of some econometric research designed to measure what influence the guideposts have had. Then there are briefer sections dealing with their effect on resource allocation, and with what we can expect from guideposts in today's economy and in the future.

Mr. Fromm has summarized some of what I say in the first two pages. This is the portion that deals with estimating from an aggregate relationship what wages would have done without guideposts and what wages did with them.

INFLUENCE OF THE GUIDEPOSTS

Despite repeated reports—and complaints—about the Government's use of the guideposts in various critical wage and price situations, starting with the showdown over steel prices in 1962, many observers have alleged that these efforts had no effect. In an attempt to test the guideposts' actual impact, I undertook in 1966 to explore this question with data available at that time. In brief, that study indicated guideposts had had a decided influence on wages in some manufacturing industries. With almost 2 more years of data available now, I have brought that analysis up to date and can report on it today. The original study, which gives a more extensive discussion of the analysis, will be included at the end of the proceedings, with the permission of the chairman. (See p. 75.)