

and other areas that are notorious for low productivity advance. This is a constructive part of the function of such an office, and if it were primarily a productivity-increasing type of operation I would be more for it than if it is purely a restraining type of operation. Those are my main thoughts.

Representative REUSS. Thank you.

Mr. FROMM?

Mr. FROMM. I would like to second Professor Kendrick's suggestion and the one made by Mr. Sheahan, on a productivity-increasing agency. We have had a few abortive attempts within the Government to start such an operation. Each time it has foundered for one reason or another. If we had had such an effort, then many of our problems which you have indicated would not exist today.

In terms of your specific points, it is true, of course, that fiscal and monetary policy must bear the brunt of regulating demand and getting desirable wage and price behavior. But, on the other hand, a guidepost policy might well be considered at the same time as a complementary tool. One wants to be able to trade off to some extent between guideposts and fiscal and monetary measures.

In terms of industry and labor participation, I am slightly worried by your proposal, because it is a little vague. I don't know in what sense they should be participants. Certainly I can see—

Representative REUSS. As in the United Kingdom, for example, where representatives of industry and labor were brought into consultation with the Government, and worked out a formula which was agreed to by both industry and labor, and which combined a Professor Perry-like compromise on wages with some governmental promises to become energetic in specific action to improve productivity and to level out the consumer price index. It was done there and it was done quite successfully.

Mr. FROMM. Yes. But the danger I see is that in certain cases that kind of collaboration can result in higher wages and prices than the Government would actually desire. That is, you have to have compromises between two negotiating groups. One knows that the compromise has got to be in between desired goals. It may be that the Government could actually force, through other measures, more reasonable wage-price behavior. It could decide that, notwithstanding that labor and management in the steel industry were willing to settle for a 6-percent wage increase and a 2-percent price increase, from the standpoint of national goals those increases should be reduced by half or by three-fourths, et cetera.

Representative REUSS. Mr. Chairman, I have taken my full time and Mr. Perry and Mr. Sheahan haven't had an opportunity to answer.

Chairman PROXMIRE. With unanimous consent I think they might go right ahead and answer it.

Representative REUSS. Or in the alternative—this depends on Mrs. Griffiths and Mr. Rumsfeld—I would be very happy to have Mr. Sheahan and Mr. Perry add their comments for the record.

Chairman PROXMIRE. Your meticulous courtesy is appreciated, but I think on the basis of the custom of this committee it may be oral.

Mr. PERRY. I can be very brief. I agree that the present situation is not good now. The Council must have some help. We need to change the present procedure somewhat. Without being specific as to how I