[Excerpted from H. Rept. No. 2231, 89th Cong., 2d sess., "Strengthening Wage-Price Guideposts," Forty-first Report by the House Government Operations Committee: 1966]

ADDITIONAL VIEWS OF HON. FLORENCE P. DWYER, HON. DONALD RUMSFELD, HON. JOHN N. ERLENBORN, HON. JOHN W. WYDLER, HON. ROBERT DOLE, HON. CLARENCE J. BROWN, JR., AND HON. JACK EDWARDS

The undersigned hope that the Republican members of the Joint Economic Committee will find aid and comfort in this support of their efforts to secure a full-scale study of the administration's wage-price guidepost policy by that committee.

Before, during, and after the January hearings on the President's Economic Report, Republicans on the Joint Economic Committee called in vain for such a study. Perhaps their Democratic colleagues will be more amenable to suggestion now.

We have not lost sight of the fact that current inflationary pressure can be reduced only through monetary policy, reduction of Government spending, increases in taxes, or an appropriate mix of these actions. The revitalization of the guideposts would only provide a supplementary weapon, even though an imperfect one, in the fight against inflation. The danger in relying on the guideposts is that it may direct attention away from the basic monetary and fiscal actions needed to combat inflation. In fact, we feel that the administration's inexcusable delay in moving against rapidly rising prices was caused in part by a vain hope that the guidepost approach alone would suffice.

As Chairman Ackley of the Council of Economic Advisers testified before the subcommittee:

"* * * a policy for stable prosperity has to proceed on a number of fronts.

"Perhaps the most vital of all of them is a fiscal and monetary policy that does not overheat the economy, that does not allow aggregate demand to be too large for our productive capacity * * *.

"* * * Fiscal and guidepost policy are complementary tools, necessarily complementary * * *."

It will be recalled that the guideposts at first were not directives, but were general guides for the private sector of the economy. As such, to the extent that they reduced price and wage pressures and contributed to an intelligent public appraisal of particular price or wage decisions, they have been useful.

However, the guideposts that were only rhetoric in the President's 1962 Economic Report somehow became a specific numerical formula in the 1964 Report. What was a contribution to public discussion in 1962 became a standard in 1964. The idea of a definite guideline captured the imagination of the concerned public and this fact was not lost on the President and his Council of Economic Advisers. Though the members may or may not have learned anything new about economics in the interim between the two reports, they apparently learned something about politics. In a desire to focus public attention on a general rule, they ignored in its application the vast compexities of the economy which require modifications and exceptions to the rule.

To make a long story short, the guideposts, too narrow for the Nation's diverse industries, progressed all the way from mere enunciation to exhortation to extralegal enforcement—strict enforcement against price increases in certain industries, indifferently applied against wage demands in other cases, or ignored altogether when considered expedient.

The damage this inequitable application of the guideposts can do to the mechanism of our economic system is incalculable. We believe that the optimum allocation of material and human resources can best be accomplished through operation of the market system and the emphasis should be on the maintenance and improvement of the system, until it has been proven that it is ineffective.

We feel it is more to the point to work at improving the market rather than hide its imperfections under Government control. Better antitrust action and a more enlightened import policy, for example, would tend to neutralize any private market power capable of thwarting the working of the supply-demand price system. Whether or not some firms and labor unions are powerful enough in their industry to exercise some determination of prices and wages can be disputed. It is doubtful if there is any real private ability to administer prices in the face of foreign competition, customer controls, substitutes, new firms, etc., but the question has never been fully explored by the Joint Economic Committee. Some economists question the ability of even an omnipotent government to adequately administer the finite detail of a controlled economy—let alone a free economy.