The unproved assumption of administered prices is fundamental to the viewing of guideposts as compulsory devices for application only to big companies and big unions. In view of the price rollbacks compelled by the administration in recent months, the basis for the assumption should be explored in the recommended study of the wage-price guideposts.

The weaknesses of the guideposts and the risks that their continued misuse would entail have been stated with clarity and persuasiveness by minority members of the Joint Economic Committee (H. Rept. 1334, 89th Cong., 2d sess.) and will not be reiterated here.

The Republican concern at that time was capsulated in the concluding paragraph of their discussion of the wage-price guideposts:

"We believe the guideposts have been useful in conducting a more intelligent public dialog. But we reject as inequitable and damaging to our economic system the selective, arbitrary, and punitive enforcement of what were intended to be no more than guides to private actions."

Suffice it now to say that the guideposts, originally put forth as just that—guides to private action—subsequently became a form of direct control without the benefit of legal sanction. And what happened?

The guideposts, fragile at best, now lie shattered. However, we agree that they can be reconstructed for a useful purpose, but only if used equitably as appropriate to each circumstance—only then if they are used in conjunction with more basic monetary and fiscal policies.

While the guideposts have been interesting as an exercise in "jawbone" controls, even the Chairman of the Council of Economic Advisers has admitted their limited usefulness—describing them as "an imperfect not fully effective effort" to reconcile the objectives of economic growth and price stability.

Any effort to increase public support for the guidelines should be kept in the same perspective. Public overemphasis could magnify apprehensions already abroad in the economy. Inherent, therefore, in the nature of the proposed hearings is the danger of self-defeat. This is a factor which could be weighted in any decision to hold hearings on the guidelines when inflationary or deflationary influences prevail.

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Representative RUMSFELD. Dr. Sheahan, I have a question in my mind which I would like to clarify. You say in your statement "if such an office were to have any control power." Could you, just for the record, indicate precisely what your position is? Are you recommending that they have such powers or are you simply saying as it says here, if they were to have such power?

Mr. SHEAHAN. I would think, as I believe I suggested here, if such an office were set up, and if it were guided properly to aim primarily at raising efficiency, but also, to have responsibility for getting cooperation, to have some power in that office would greatly increase the chance that it would get cooperation from unions and firms and Government agencies.

Representative RUMSFELD. So you are recommending that there be such an office and that the office have some powers along the lines you are recommending?

Mr. SHEAHAN. If the office is one primarily concerned with efficiency and coordinated with the Council of Economic Advisers then I think it would be highly desirable that it have some direct restraining powers.

Representative RUMSFELD. You are thinking of it as an adjunct to the Council?

Mr. SHEAHAN. Well, I would imagine that it would become, to a considerable degree, independent of the Council, but I should think