

leads to those conclusions. This is essentially what you are saying; isn't that correct?

Mr. SHEAHAN. I am coming as close as possible to saying that; yes.

Representative RUMSFELD. You have agreed with Mr. Reuss' point that fiscal and monetary devices are the most important in achieving non-inflationary goals, and that this wage-price question is really at best a supplemental tool.

Does it concern you that this office would not have the decision-making power, control, enforcement power in the area of fiscal and monetary matters? We would have a relatively separate, according to you, independent office that had this one tool, supplementary tool, that was fairly easy to implement, according to the outline you have sketched for us. Therefore, it could be implemented, apart from, according to each of you four gentlemen, and the individual who asked the question, Mr. Reuss, fiscal and monetary matters. Does that bother you?

Mr. SHEAHAN. No; on the whole I would say that an office to study particular industries' productive problems, organizational problems, and behavior, should not be given any important monetary or fiscal policy. The Council of Economic Advisers was well designed for that, and they do it beautifully. Mr. Perry is right; if you had that power linked up with somebody guarding the price index—

Representative RUMSFELD. Guarding the what?

Mr. SHEAHAN. If you had that power of monetary and fiscal policy recommendation in an office chiefly concerned with keeping the price level relatively stable there would be great danger that it would lean toward excessive deflation.

Representative RUMSFELD. So, you are saying, then, that monetary and fiscal policy would be handled and then as an adjunct to it, when instances of individual case problems came up, this office would react within the fiscal and monetary policy framework as existed at that moment.

Mr. SHEAHAN. That would be my idea. I think the British Prices and Incomes Board is set up this way. It has no role in national planning. It has no role in treasury policy in defining tax policy and so on. It is designed to make particular industries work better. It takes the context as given and focuses on the long-term characteristics of the industry. That, I think, is what would be useful to add on. That is what we don't have here.

Representative RUMSFELD. Mr. Sheahan, I believe you mentioned several cases where the administration applied restraints contrary to the best considerations of efficiency. And you have indicated this board should be aimed at efficiency and not the converse.

Would you elaborate on these instances and tell us whether you think the increased inefficient application of the guideposts could ever be completely ruled out and why if it happened then it would not happen under this control?

Mr. SHEAHAN. If you were to apply to the U.S. Government the rule that any office which might make a mistake could not be allowed to exist, you would change the operation of this Government very considerably.

Representative RUMSFELD. I am not suggesting it, I am asking for some instances.