protection to how high your wages already are," it would have that effect.

I don't know that this is equitable or enforceable.

Representative GRIFFITHS. Each one of these remedies advanced by a different group of people has obviously some merit and we ought to do something. But it seems to me in many of the suggestions people are advancing a remedy that hurts the person who is advancing that remedy the least of any remedy advanced.

Thank you very much, Mr. Chairman.

Chairman PROXMIRE. Thank you, Mrs. Griffiths.

I would like to turn to the question I asked before, which was related to what kind of fiscal and monetary policy you have to have to make guidelines effective, and the stress that Congressman Reuss and others have put on the importance of fiscal and monetary policy and look at it the other way. I think the fundamental question really before us is the extent to which wage-price guidelines can permit us to have more expansionary fiscal and monetary policy and the question we have right now is that we do have substantial vacant capacity, 85 percent, or we are operating at 85 percent of capacity or even less. Our unemployment is 3.7 percent, but many, many people feel that this is largely because, at least to some extent, of the forward buying in steel, because of the recovery from the Ford strike, and that it might well be a little more than that in the first half of the year and substantially more than that in the second half of the year when a tax increase would have its effect.

Now, the argument, it seems to me, on the importance of wage-price guideposts is the extent to which a strong and effective wage-price guidepost policy can enable us to follow fiscal and monetary policies that will so expand the economy that we reduce unemployment without getting as much inflation as we would have without that wage-price guidepost policy.

Or, to put it another way, we could have a given amount of unemployment, say 3.7 percent, 3.5 percent, without runaway inflation.

At any rate, I guess the technical term is we want the best possible Phillips curve, and if you have an economy in which you have a bad Phillips curve, that is one in which you have no wage-price guideposts policy and in which you have the kind of administered prices which characterize every mixed economy in the world, including ours, then you are going to have inflation at fairly high levels of unemployment.

If you have a good Phillips curve where you have an effective wage-price guidepost policy or a greater degree of competition, then you can have less unemployment and, of course, less inflation.

I would like to ask each of you to tell me whether or not you feel this year, now, 1968, by the application of a specific number, 4.5, 5, 5.5, whatever you think would be correct, the application of a specific number would significantly reduce inflationary pressures to the point where we could have less unemployment and more growth to a significant degree.

Let's start off with Mr. Kendrick.

Mr. KENDRICK. One preliminary point about trying to shift the Phillips curve is that there is greater inflationary pressure or a greater tendency for unit costs to rise when you are going, say, from 4 percent unemployment to 3 percent unemployment than when you are going from 6 percent to 5 percent.