

negotiations. They were expecting to hold to about a 3.5-percent increase, and General Electric is often very successful in doing what it expects to do. But, at that point the airline strike was settled for something over 5, and the official of General Electric said, "We just can't go any more. It is ridiculous to ask us, the market is now 5 so we have to go there."

I think it might just as well have been held at 3.5 if one major decision had been made differently. So, I expect for next year, it is a little silly to think of going back to $3\frac{1}{2}$ or 3; it must be something higher than 4.

The alternative to setting a norm around 4 could be something around 6.

It really seems to me there is significant room for getting a slowdown by negotiated agreement along the lines I suggest with a specific figure or even a range.

Chairman PROXMIRE. Well, thank you, gentlemen, very, very much. This has been a most enlightening morning. We called these hearings because we did feel the wage-price guideposts were so important we didn't want them lost in the enormous amount of material we have to cover when we review the President's Economic Report, and I think you have done a superlative job, and we are very grateful to you and we have a fine record.

Without objection, I would like to place in the record, following today's proceedings, a study by Dr. Irving H. Siegel entitled "Guidelines for the Perplexed." Dr. Siegel, who is a member of the Joint Economic Committee's Advisory Committee, has put together a witty and stimulating essay on the wage/price guidelines. And, while I do not agree with it in its entirety, I believe it adds to the discourse on this important subject.

The committee will stand in adjournment.

(Whereupon, at 12:30 p.m., the committee recessed, subject to call of the Chair.)

(The questions of Senator Jordan, with answers subsequently received, follow:)

Mr. JORDAN. Please answer the following questions for the record:

1. Most analysis of the wage-price guideposts seems to be confined to their effect on the manufacturing sector. However, the private, non-manufacturing sector employs over half of the employed labor force. Can the guideposts be applied efficiently in the non-manufacturing sector, and has it been applied so?

2. In hearings before a subcommittee of the House Committee on Government Operations in 1966, Chairman Ackley insisted that, "firms and unions must be able in the end to violate the guideposts with impunity." The process of restraint "must—in order to be successful in the long-run—remain a matter of understanding and freely volunteered cooperation." Would you comment on this as being a very strong argument against increased formalizing of the guideposts?

3. Professor John T. Dunlop of Harvard has advocated a "bottleneck-oriented program" as an alternative to administrative restraints on prices. This program would focus on increasing supply in a limited number of bottleneck sectors which are likely to contribute most substantially to increases in wage rates and prices. Would you comment on this proposal?

4. Isn't it true that use of the guideposts may block the flexible change of prices and wages as guides to efficient decision in the economy? Even if they did help to stabilize the price level, would the cost in economic efficiency be worth it?