Chairman PROXMIRE. Well, you see, the problem that this presents—in the first place, 300,000 jobs, I think, would be eliminated in fiscal 1969. And I think this is a conservative estimate—it could be much higher than that.

At any rate, these are not the only alternatives. Another alternative is very possible—I know that you do not approve of this at the present time, for various reasons, but it would still seem to me it is a perfectly feasible alternative—to work for a wage-price guideline figure. It is my understanding that there is a trade-off in the view of many economists between a low level of unemployment and some degree of inflation. One way of keeping that level of unemployment as low as possible, consistent with keeping prices down, is to have a wage-price guideline that is specific and definitely understood.

This worked, I think, extraordinarily well from 1962 to 1965. An excellent study by John Sheahan who is a distinguished professor at Williams, and who appeared before this committee a couple of weeks ago, together with three other top economists in this area, confirmed that we would do better if we had a precise and definite guideline figure, which we did not have last year, and we do not have again this year. It is very hard to get. It is nothing like 3.2 percent—it would have to be 4½ percent, 5 percent—but something that would help to hold down the negotiated wage increases that we are likely to get in the 6 to 7 and 8 percent range. A guideline figure of 5 percent would make it possible to keep the cost-push element of inflation under better control, make it possible, therefore, to stabilize, or come closer to stabilizing prices, while at the same time providing more jobs.

Secretary WIRTZ. I appreciate that point. I do not have much observation that is new on it. You are right—within this same forum a year ago I expressed the view which I very strongly hold, that under present circumstances the establishment of a specific adjustment point and guideline would not result in any curtailment of wage or price increases.

You will note I subscribed completely to two other propositions which are implicit or on the edges of what you have said. One, at no point am I going to support stopping inflation by what I can identify at least as a deliberate stimulation of unemployment. I know we did that for a long time. And I am against that—100 percent.

On the affirmative side, at the same time that I say I do not believe a decimal point figure guideline will help on this whole matter, you know that I think very strongly that the principle of productivity is right—not as a matter of morals, but as a matter of everybody's self-interest. Every time I see a wage increase which is higher than productivity, and every time I see a price increase which is not justified by the same principle of productivity, I know that we have lost ground. The country, as a whole, has lost ground.

Now, the particular people that got it did not. But it is going to be infectious. And I am concerned today in a very real way—we are at that point where wage increases which are above productivity, and price increases which are not required, or warranted by productivity, are having, or will have, an epidemic effect. I am very much concerned.

Chairman PROXMIRE. Aren't we much more likely to get them absent some kind of a figure that the Government will announce and fight for and make clear throughout the country?