a low rate of unemployment without inflation. We believe this is a desirable goal of public policy. But we do have severe reservations that the suggested procedures will achieve this end.

If one examines the history of the guideposts in the U.S. economy there are good reasons to believe that the stability of labor costs in the period 1961–65 in the United States was due more to slack in the economy than to exhortation about statesmanship in wage and price policy. The guidelines may have been innocuous, and in 1965 and 1966 when the economy reached high employment levels, insofar as the guidelines diverted attention from the basic need for fiscal restraint they may have been counterproductive. Now, with the economy producing at or above its potential for the third year in a row, with about 3.5 percent unemployment, and with very strong upward price and wage pressure, the need is for immediate and substantial fiscal restraint.

The report contains a proposal to establish a Cabinet Committee on Price Stability. One function of this Committee would be to confer with representatives of business, labor, and the public at large in an attempt to reach some consensus on appropriate general standards to guide private price and wage decisions. In most other contexts, such efforts to form a consensus on prices or wages would be considered inimical to a competitive market determination of prices and wages and therefore as undesirable and against the public interest. We seriously doubt that the findings of such a Committee, however correct, would result in the promotion of competition, efficiency, and price stability in the United States.

In addition to questioning the effectiveness of an incomes policy in achieving its stated objectives, there are other most important difficulties with these suggestions. As the CED said in its testimony on the President's Economic Report in 1964,

> At issue is the role of free, competitive markets as compared with the role of Government in the guidance of our economy. One aspect of the issue is whether there is a way of exercising Government influence over prices and wages through moral suasion and leadership that will be effective without in fact constituting Government control of a kind generally considered alien to American tradition and values. Other questions, on the assumption that such influence without control is possible, include how, by what legal processes, the Government will determine the standards of price and wage behavior to which the economy should conform. How can it be assured that the standards will bear equitably and without discrimination upon all the individuals, businesses and unions to whom they are expected to apply? If the guidepost policy is a response to a belief that competition in labor and product markets is inadequate, is it better to move in the direction of more Government influence rather than in the direction of strengthening competition?

In summary, the evidence seems to indicate that an incomes policy without fiscal and monetary restraint will not work and that with adequate fiscal and monetary policies an incomes policy is a poor substitute for improvements in labor mobility, a lessening of restrictive labor practices, and improvements in the competitiveness of product markets. We have already seen what were professed to be temporary and voluntary controls over foreign capital flows persist and actually become direct controls, because we were unwilling to adopt fiscal and monetary policies adequate to deal with our balance-of-payments difficulties. It would be most unfortunate indeed if we were to see the