impressed that these can have a substantial and particularly a *continuing* effectiveness.

I do believe myself that the enunciation of the guidelines had some value. It certainly had some educational value. In the hearing this committee conducted commemorating the 20th anniversary of the Employment Act I stated in a paper——

Senator PROXMIRE. They had a great record of performance 1962 to 1966. We had reasonable price stability in a time of falling unemployment, and remarkable production gains.

Mr. McCRACKEN. And there was also slack in the economy. But the difficulty there is that once your price level comes unstuck, as it did after 1965, it becomes then extremely difficult to know what the operational rules of the game are. It is significant that in the Economic Reports the specific figures then were dropped out. There was a retreat to the more general language that people should take into——

Senator PROXMIRE. There is a new proposal to modify that perhaps with a 5 percent guideline.

Mr. McCRACKEN. Yes, to have wage agreements such that the national average would be a little less than 5 percent and a corresponding rule on the other side for pricing. But the difficulty there once again is that in pricing a specific commodity and in a specific wage negotiation it is very hard to know what is right for this specific price or wage to be consistent with the overall average.

Now, looking at this basic problem, I would approach it a little like this. I think we have here a parallel to discussions in the early 1960's as to whether unemployment was a structural problem or whether it was a deficiency of aggregate demand.

My view at that time was that I really didn't know what the proportions were, but it was perfectly clear that there was unemployment as a result of a deficiency of aggregate demand. And, therefore, one had to attack the problem from that point of view.

Now, at the current time our problem happens to be the reverse, and clearly a significant part of our problem in recent years has come about because we have had an excessively rapid rate of demand.

Senator PROXMIRE. Do you see anything in the situation now that is so different from the situation in the 1950's—will we be able to turn around inflation or slow it down without going to a high level of unemployment, 6 percent or so, as we did before, and if so what is it?

Mr. McCRACKEN. I think we have to feel our way along here. We have to deal with the basic fundamental always of an inflationary demand for output. This is the problem we must deal with first.

Senator PROXMIRE. Now, the Business Council is said to believe we might have to go to a level of 5½ or 6 percent of unemployment in order to secure a reasonable degree of price stability. If this estimate turned out to be true would you actively—in the councils of the President—oppose economic policies designed to achieve price stability at that cost in unemployment?

Mr. McCRACKEN. I would take into account both. In the determination of policy unemployment, price level developments, rate of growth in output, the unemployment problem—I would be concerned about all of them.

Senator PROXMIRE. I certainly hope so, because, Dr. McCracken, you are our hope on this score. We look at the Quadriad, they are wonderful people, I am sure they have big hearts and they are sym-