

is, that we can expect during the next year for unemployment to increase, No. 1. We can expect during the next year for the rise in the cost of living to go on at an unacceptable rate. We can expect also to have high-interest rates maybe not quite as high as at present but high, but maybe just as high as they are now, and I get it from you that, as Mr. Suits put it, there is nothing we can do about it in terms of global action.

Now, having said that, however, we look around the world, and we see Germany, quite a different economy, of course, but with better price performance in the last couple of years, far lower unemployment than we have, and there are a few other small countries that perhaps have—Sweden—that perhaps have a similar performance.

What is it that we can do to help solve this problem? Mr. Suits, you were the one who indicated that you can't do it globally. How can we do it?

Mr. SUTTS. Well, first of all, when we look at the German case, there are some very special factors, as you know. They export part of their unemployment so their rate really isn't quite comparable to ours, but many of the other countries are—

Senator PROXMIRE. You might put it the other way, too, they are importing workers.

Mr. SUTTS. That is right. So when they no longer have the total demand, they export them and their unemployment never shows up in the records. That is a very special problem with respect to Germany, but it wouldn't be the same thing, let's say, for the Netherlands or for Sweden.

What they have there is a much more homogeneous, much more highly trained, much more mobile labor force than we have.

Senator PROXMIRE. We have to make our labor force better trained, we have to make them more mobile, we have to break down the terrible racial barriers we have had, we are making progress in those directions, but I take it as we do this we can begin to have greater price stability with a lower level of unemployment; is that right?

Mr. SUTTS. Exactly, exactly.

Senator PROXMIRE. Now, how about the wage guidelines, they have been battered and beaten and kicked out by this administration. They don't seem to feel they want it yet. We have a statement by Arthur Okun, just a couple of days ago, saying if the administration is going to dismiss the guidelines, that they had better find some way of bringing some consideration in the private area, in unions and in management, of the policy effects of their price decision. Do you share Mr. Okun's position? Is there another way, are guidelines this ineffective under present circumstances?

Mr. SUTTS. I see no real mechanism for making wage-price guidelines effective other than some form of legal price-wage control.

Senator PROXMIRE. Well now, how about the administration's proposals before they went out of office that you compromise them? In other words, you provide for a guideline of around 5 percent which would be somewhat more than the expected increase in the cost of living, and take into account some of the productivity increase. I should say all the productivity increase and some of the increase in the cost of living. In addition to that they would ask the management, in the administered price areas, to absorb the first 1-percent increase in costs. Is this a practical formula?