

Mr. PERRY. Yes, I see no reason why the President shouldn't do that if he has a good case.

Senator PROXMIRE. How about you other gentlemen, would you agree with Perry or with Shultz?

Mr. KLEIN. I think while we can agree on a lot of things, like academic economists we have our disagreements, and we probably get different votes. I am dead set against the guidelines and I think I would agree with Professor Suits that they—

Senator PROXMIRE. I didn't say "Suits," I said "Shultz."

Mr. KLEIN. Well, they are both against.

Senator PROXMIRE. Yes.

Mr. KLEIN. And they are for a theoretical economy and not for the real facts of life.

I think I would agree with Professor Perry's calculations for 1961, 1962, and 1963, but I think you can attribute much of the present inflationary pressure to a great effort on the part of companies to make up for all the ground they lose in that period. There was restraint, and now they have boiled over. I would say overall, to take a long view, that it didn't do any good.

Senator PROXMIRE. Mr. Williams, what would be your position?

Mr. WILLIAMS. I think I am closer to Dr. Okun in his position.

Senator PROXMIRE. To Okun and Perry?

Mr. WILLIAMS. Yes, Okun and Perry. I think the guidelines approach might be useful again in particular situations; maybe not very useful, but I certainly wouldn't throw them away. I think the administration and the President have great moral power to bring to certain wage and price situations, and use of this power certainly has to be selective; but I think they may return to some such system in the future.

I might say while I am speaking that other things might be done to help with the inflation problem. I mentioned reducing restrictions on entry into certain trades. In addition I think Dr. McCracken mentioned that antitrust policy could be useful and should be enforced vigorously to the end of maintaining more stable prices.

Senator PROXMIRE. Houthakker, McCracken, and Stein, the three members of the Council of Economic Advisers, appeared before our Senate Banking Committee for confirmation. Houthakker said he thought antitrust policy would help in the long run, but he was talking about 10 years, he felt the antitrust action instituted this year, you have to win a court case or two or three to set a pattern and that takes a long time in their view.

Mr. WILLIAMS. In any case I think it is important to the long run.

Senator PROXMIRE. And it may well be in its psychological effect. If business knows that there is a stern, meaningful antitrust policy they are more likely perhaps to make their decisions within the public interest in stabilizing prices.

Mr. WILLIAMS. Right.

That is absolutely correct.

Finally, I would say that tariff policy gives us some opportunity to get more competition into industries which are in a position to control their prices. I would consider lowering tariff rates where this would have a beneficial effect, and I would certainly look very closely at demands for import quotas in industries where they might have an unfavorable effect on domestic prices.