

blems of Government wage policy arose. While the nationalized industries are supposed to be more or less autonomous with respect to wage policies, it proved impossible for the Government to avoid responsibility for and participation in wage decisions in those industries. The railway workers were perhaps the prime movers in forcing the issue. Having already forced ministerial action on their wage demands in 1949, the railway unions in 1951 succeeded in forcing the Government to grant a 7.5 percent increase instead of the 5 percent which had been awarded by the special court of inquiry convened to settle the dispute. Again in 1953 the Ministry of Labor intervened to get the transport commission to raise its offer to the railway employees in order to avoid a strike. Upon the pressing of additional demands by the railway unions and a court of inquiry ruling in 1955 that the transport commission could not claim large prospective deficits in operating the railroads as a defense against wage claims, it is not surprising that the railway executive has shown weakened resistance to wage demands in the years since. The wage settlements on the railroads in setting a pattern for others have represented a perverse type of Government wage policy contributing to, rather than restraining, the upward pressures on wage rates.

With respect to other Government employees as well, there has been no concerted effort to introduce direct fixing of wages as a focal point of a national wage policy. The disapproval of a recommended wage increase for employees of the national health service in the fall of 1957 (apparently intended to set a "good example" after ministerial statements to Parliament emphasizing the necessity for stage stability) was successful primarily in arousing resentment and irritation.

Conditions for effective national wage policy

Against the background of these cursory individual sketches of experience with national wage policies in four different economies, certain common features in those countries may be used to formulate some tentative general conclusions about the conditions necessary for effective governmental intervention to control the general level of wages. The most obvious of these conclusions is that a centrally coordinated wage policy at best, can only be a partially effective means of controlling inflation under conditions of generally excessive aggregate demand. Even in the Netherlands and Norway national wage policy cannot be said to have been successful in accomplishing more than a moderation or temporary postponement of wage-price movements in the presence of demand inflation—which is not to say that such delaying processes have been unimportant or without crucial significance at times. In this, European developments simply confirm what has been our own experience with wage stabilization efforts during World War II and the Korean war.

Direct evidence of the limitations of general wage controls is furnished by the phenomena of "wage drift"—the tendency of earnings to increase in excess of changes in contractual wage rates. Statistics for Norway and Sweden (table 6) indicate that changes outside collective agreements have consistently added at least 2 percent a year to average earnings since 1948. In the Netherlands and United Kingdom there is evidence in the spread between the indexes of industrial wage rates and earnings that the same phenomenon has been present though perhaps less quantitatively important. To a certain extent