

the censure of public opinion," labor and management are "able in the end to violate the guideposts with impunity."¹⁵

It would seem that the advocates of a policy which depends for its effectiveness upon the voluntary action of labor and management should have tried to enhance its acceptability by affording these groups an opportunity to participate in its formulation. Yet there is no evidence that representatives of labor and management—or even the President's Advisory Committee on Labor-Management Policy—participated in the formulation of the original guideposts in 1962 or in their subsequent elaboration. It is interesting in this connection that the only reference to the President's Advisory Committee on Labor-Management Policy in the current Economic Report is the Council's statement that its activities in 1967 included meeting formally with a number of advisory groups, one of which was the President's Advisory Committee.¹⁹

Both the AFL-CIO and spokesmen for various industry groups have attacked the guidepost policy. Secretary of Labor Wirtz thinks that a "good deal of the objection to" the guidepost policy "is that it seemed to constitute 'stabilization without representation'."²⁰

Lack of consensus about wage-price policy

The failure to recognize the necessity for participation of the major interests affected by the guidepost policy in its formulation is due, in my opinion, to the technocratic attitude of the Kennedy and Johnson Administration toward this policy. President Kennedy most clearly expressed this attitude in his celebrated 1962 Commencement Address at Yale University when he called for "more basic discussion of the sophisticated and technical questions involved in keeping our mighty economic machine moving steadily ahead."²¹ The present Council is fond of speaking about the "arithmetic" of the guideposts.²² But, in truth, the problems of stabilization are not merely "sophisticated" and "technical" and "arithmetic" alone will not solve them.

The participation of labor and management in the formulation and administration of a wage-price policy might nevertheless be unnecessary if general agreement existed on what this policy should be and how it should be applied. But I need not tell the members of this Committee that there is no such consensus.

How much unemployment should be tolerated in the interest of price stability?

There probably is agreement in the country that full employment, rapid economic growth and price stability are all desirable. Probably there is also agreement that uncontrolled inflation of long duration not only will interfere with the process of production itself, thereby jeopardizing the possibility of full employment, but also will result in inequities that will threaten to undermine our social and political structure. But there is no agreement about how much price instability at any particular time may be tolerated in the interest of fuller employment or for how long such price instability may be endured without risking uncontrollable inflation. There is no shared understanding of when employment is "full" or how rapidly our economy should grow.

Paul A. Samuelson and Robert M. Solow wrote in 1959 that the country has a "menu of policy choices" which involve the balancing of different levels of employment and output against varying degrees of price instability.²³ Those of our people who live on fixed or relatively fixed incomes, those with secure jobs, savings depositors, owners of life insurance and mortgagees would like to see the balance struck in favor of price stability. The unemployed—and all who are troubled about the social costs of unemployment—would like to see the balance struck in favor of still higher levels of production and employment. It is the purpose of a wage-price policy to "lessen the degree of disharmony between full employment and price stability."²⁴ But the disharmony cannot be avoided completely.

¹⁵ Hearings on H.R. 11916 before a subcommittee of the House Committee on Government Operations, 89th Cong., 2d Sess. 67 (1967) (statement of Chairman Ackley).

¹⁶ 1967 Annual Report of Council of Economic Advisers, at 206.

¹⁷ Hearings on H.R. 11916 before a subcommittee of the House Committee on Government Operations, 89th Cong., 2d Sess. 93 (1966) (statement of Secretary Wirtz).

¹⁸ Wall Street Journal, June 12, 1962, p. 20, col. 1.

¹⁹ 1967 Annual Report of Council of Economic Advisers, at 120; Hearings on H.R. 11916 before a subcommittee of the House Committee on Government Operations, 89th Cong., 2d Sess. 82 (statement of Chairman Ackley).

²⁰ Samuelson and Solow, Our Menu of Policy Choices, in *The Battle Against Unemployment* 74 (Okun ed., 1965).

²¹ *Id.* at 75-76.