that governments rarely are willing to make fiscal policy and monetary policy restrictive enough to assure an unchanging price level because the attainment of that objective may conflict with the objective of reducing unemployment. Some students have in fact concluded that price stability could only be assured at the cost of high unemployment. In this connection, it will be recalled that the relative stability of the general price level from 1958 to 1964 occurred during a period of unemployment and low levels of capacity utilization and that prices began to move up as we approached fuller utilization of resources. To the extent that there is a basic conflict between the two goals of price stability and reduction of unemployment, public policy might seek to moderate the upward tendencies of prices during periods of high level activity rather than to seek the goal of price stability.

In any event, if the goal of full utilization of resources is to be attained by expansionary fiscal and monetary policies, the wage-price guideposts can not achieve price stability. However, they may act to prevent needed adjustments in some sectors as when prices are held down under conditions of severe shortage (e.g. copper) or to encourage unbalanced increases in wages and prices as when they are held down in some highly visible industries but not in other parts of the economy.

Paradoxically, the guideposts may appear to be effective when there is minimal pressures for price inflation—and hence the guideposts are not needed. However, they cannot prevent increases in the general level of prices when there are strong pressures for price rises and the containing forces have been weakened. Thus, they are an unnecessary appendage when prices are stable and a futile device to prevent rises when there are strong upward pressures. In any event, it seems evident that price stability can not be achieved through the guidesposts. Nevertheless, the hope that the guideposts can be effective may slow up the implementation of tighter monetary and fiscal policies.

It is practically a truism that for the *entire* economy the real income of labor (wages plus nonwage benefits deflated by the consumer price index) must increase *over long periods of time* about in line with the increase in output per manhour. In fact, the average level of living can only increase when a larger quantity of goods and services is produced per worker. Mass production requires mass consumption.

In order to sell millions of automobiles, radios, television sets and huge quantities of other products, they must be bought by a broad cross-section of the consuming public representing an overwhelming majority of the population. Such purchases may be made possible, however, either by higher incomes, lower prices, or some combination of both. In the past, each of these alternatives has been important.

Although the general average rise in labor income has been in line with average gains in output per hanhour, diversity of change has characterized wages and non-wage benefits among industries. In the dynamic and expanding American economy, diverse changes in labor incomes help to play a role in steering available manpower. Expanding areas and industries tend to have larger than average increases in wages in order to attract the additions to the labor force they require. Conversely, lagging industries should have less than average increases since they face a declining need for labor.

The diversity of wage changes is a response to a myriad of pressures, economic and political, which affect the magnitude and nature of settlements for different industries and often result in different changes for individual companies within an industry. These underyling forces are still operating and will continue to do so in the future.

In its initial analysis, the CEA indicated that exceptions could be made from its general guideposts for the above situations. But in 1964, the CEA stated that such exceptions should apply to "only a relatively few cases." (*Economic Report of the President*, January 1964, p. 119) Thus, an important element of flexibility in the 1962 guideposts was modified since ordinarily the exceptions have been very numerous.

The CEA has made a constructive contribution to public understanding by emphasizing that fringes as well as wages must be considered in measuring labor's gains and by indicating that regardless of the name given to a wage increase, whether it is a cost of living adjustment or a productivity increase, it