willing to pay. The CEA recognizes this development in its observation that various statements by the Council "have been interpreted as treating the guideposts as firm, though voluntary, rules, and those who fail to adhere to them as "violators." (P. 123.) This was inevitable and should have been recognized in advance particularly since the CEA says the guideposts "were designed to define more precisely to labor and business" the government policy. (P. 125.)

The recent abandonment of the announced guideposts of 3.2% was a constructive move. It was a mistake to have announced any number in the first place. The proposed modifications which were supposed to be a part of the guideposts were largely ignored except to justify above average increases. Some labor settlements above the target figure became subject to public criticism by the Council and the basis for White House intervention. (Illustrations include the airlines and the New York Transit Authority, p. 127). Similar actions attended reported price increases, as was illustrated by steel, copper, aluminum, molybdenum, cigarettes, and gasoline. (P. 127.)

The CEA hasn't abandoned the guideposts; it has only abandoned the numerical yardstick which it had established to indicate when selected collective bargaining settlement or price actions were in the ballpark. The CEA Report indicates that it is still wedded to the guidepost approach. Thus, after discussing its activities in connection with the price guidepost, it specifically states that "this activity will be continued by the Council." (P. 127.) On February 11th. the *New York Times* reported that in line with the guidepost policy, the Interior Department had requested a rollback of a 1 cent a gallon increase in gasoline prices.

4. *The assumption that real labor income should or could increase at uniform annual rates.*—The guidepost approach attempts to substitute relatively uniform annual increases in real wages for the irregular pattern of growth experienced in the past. Real wages have reflected a composite of changes in income and in the consumer price index and necessarily have risen irregularly rather than at an uniform rate over time. Real labor income can rise in any year as a result of five combinations of changes—

(1) No change in labor income and a decline in the CPI.
(2) An increase in labor income and little or no change in the CPI.
(3) A small *rise* in labor income and a small *decline* in the CPI.
(4) A decline in both with the CPI recording the larger decline.
(5) A rise in both with labor income recording the larger rise.

Table 1 shows the annual changes in average hourly earnings and in the CPI for the 46 years between 1919 to 1966. The number in the last column is related to the five alternatives noted above. It must be recognized that the exact relationships shown might have been a little different if fringe benefits could have been included in the hourly earnings. Nevertheless, it is instructive to note that:

1. There were no years in which the hourly earnings remained unchanged and the CPI declined (Alternative 1) (Actually 1949 was such a year but this is not shown by the annual data because the unchanging earnings in 1949 averaged higher than in 1948).
2. There was only one year (1929) in which hourly earnings rose and the CPI remained unchanged (Alternative 2).
3. There were six years (1927, 1928, 1938, 1939, 1949, 1955) in which hourly earnings rose and the CPI declined (Alternative 3).
4. There were four years (1921, 1922, 1931, 1933) when the CPI declined more than hourly earnings (Alternative 4).
5. There were 29 years (including every year except two between 1948 and 1966) when hourly earnings rose more than the CPI (Alternative 5).

There is a sixth alternative, namely that real labor income may decline in some years so that the increases obtained under the first five assumptions must average more than the long term average annually in order to achieve such an average over time. There have been six such declines since 1919 (1925, 1926, 1932, 1945, 1946, 1947).

Despite this record, the CEA in its guideposts, relied upon alternative (2), an unchanged CPI and a rise in labor income. Its success would have imposed a fixed mold during good times and bad and during periods of stability and