

a tendency for the equations to predict *larger* average wage increases than were occurring began to show up and persisted through the following years. Table 1 summarizes these results, showing the difference in percentage points between the *actual* percentage wage change between a given quarter and four quarters earlier, and the *predicted* wage change from the historical relations. The pattern of these prediction errors certainly mirrors the use of guideposts: The overpredictions grow gradually from 1962 to 1966, the period when the unemployment rate fell and the urgency with which the administration pursued guideposts increased. Then in 1967, when guideposts were largely abandoned, the errors decline abruptly as actual wage changes approach the predictions.

Now, this part of my results conform to what Mr. Fromm reported.

These results, based on aggregate numbers, are highly suggestive. Yet, I would be the first to admit that economic science is not well developed in its ability to analyze short term price movements; and the time series used in the analysis just described defy definitive explanation by any summary model. Accordingly, as a second step in exploring the impact of guideposts, I have made some comparisons among different industries. This involved separating manufacturing industries (as disaggregated at the two-digit classification level) into two groups. One group I call visible because their wage negotiations are more likely to have received attention from the Government's guidepost activities; the other I call invisible because they are unlikely to have been subject to such attention. The division into visible and invisible industries represents a consensus of several experts in this area. As a result of indecision or disagreement on their part, some industries appear in neither group. The list does not conform to any one objective measure such as degree of unionization or industrial concentration, although it bears some resemblance to a list one could devise from such criteria.

To test whether guideposts were doing anything, I have compared, for each industry, the ratio of wage changes in periods before guideposts to wage changes in periods after them. If guideposts have had an effect, this ratio should be higher for the visible industries than for the invisibles. Because so many other things affect wage changes, I have computed the basic ratios for periods that were as similar as our economic history would allow: 1954-57 and 1963-66. (Also, a ratio is computed with 1967 in it to see if the industry breakdowns offer any support for the declining prediction error reported for the aggregate wage equation.)

Table 2 summarizes the results of this analysis. The basic ratios, shown for 1-, 2-, and 3-year intervals, support the hypothesis that guideposts slowed wage changes in the industries where we could expect them to be applied. They support the results from aggregate relations which are set forth in the beginning of the full statement, and which Mr. Fromm has reported. I should emphasize that these results do not directly tell us anything about the actual rate of wage change in the two groups, only about which industries' wage behavior changed most between the 1950's and 1960's. However, it is true that from 1964 to 1966, annual wage increases in the visible industries averaged only 3.2 percent compared with 3.9 percent in the invisibles. And by contrast in the high employment years of the mid-1950's, wages rose more in the visible industries.