

responsible. In fact this is the case. Table 3 reports the employment change ratios calculated in the same way as the wage change ratios of table 2. The mean employment change ratios for the invisible group consistently exceed the ratios for the visible group. Thus between the 1960's and 1950's, wage changes in the visible group slowed relative to those in the invisibles despite a greater relative increase in labor demand. In appendix A there is a somewhat more formal treatment of this connection between wage and employment behavior. I omit it here to save time; the data now available would give much the same results as in the appendix.

TABLE 3.— R^E : RATIOS OF EMPLOYMENT CHANGES IN THE 1950'S TO EMPLOYMENT CHANGE IN THE 1960'S¹

Industry	Periods used for ratios			
	1954 to 1957 1963 to 1966	1954 to 1956 1964 to 1966	1955 to 1957 1965 to 1967	1954 to 1955 1964 to 1964
Visible group:				
Ordnance and accessories.....	0.789	0.730	0.734	0.722
Primary metals.....	.985	1.010	.999	1.052
Fabricated metal products.....	.962	.964	.974	.979
Machinery.....	.948	.968	.964	.951
Electrical equipment.....	.939	.921	.954	.927
Transportation.....	.952	.907	.946	.967
Chemical and allied products.....	.981	.989	.957	1.013
Petroleum and related products.....	1.006	.993	.976	1.012
Rubber and plastic products.....	.955	.970	.933	1.032
Mean.....	.946	.937	.932	.963
Invisible group:				
Lumber and wood products.....	.972	.995	.965	1.037
Furniture and fixtures.....	.975	.987	.983	1.009
Stone, clay, and glass products.....	.993	1.030	.995	1.052
Tobacco manufacturers.....	.996	1.045	.957	1.058
Textile mill products.....	.952	.957	.954	.971
Paper and allied products.....	.999	1.001	.985	1.016
Leather and leather products.....	.989	.985	.999	1.020
Mean.....	.982	1.000	.976	1.023

¹ The ratio shown in the table, R^E , is defined as follows for any time interval:

$$R^E = (E_t/E_{t-1})_{1950's} \div (E_t/E_{t-1})_{1960's},$$

where E_t is the employment level in a given year and E_{t-1} is the level a year earlier. The ratios were actually calculated using different years in the 1950's and 1960's as shown in the column headings. Where more than 1 year is spanned, R^E has been formed as the average of the (E_t/E_{t-1}) 's for each year in the interval.

To me all these results taken together are fairly convincing. While the tests are necessarily rough ones and cannot preclude explanations other than guideposts for the observed behavior of wages, the results seem plausible and more compelling than any contrary evidence I have seen. But one should not push them too far. In particular, one has to place very wide bounds on any numerical estimate of just how much guideposts have done. Finally, one should remember that this analysis offers no evidence on how the price side of guideposts has worked.

RESOURCE ALLOCATION

Accepting these results, the next question is, Have guideposts been desirable? Since I take it we all want less inflation rather than more, other things equal, doubts on this must have to do with whether guideposts cause distortions in resource allocation or inequities between labor and capital sufficiently bad to outweigh whatever gains they offer for price stability.