In a highly flexible, perfectly competitive economy, there would be no place for guideposts, or for any special Government office concerned with decisions on prices and wages in particular industries. If guideposts or any other techniques of administrative restraint are to be used in the United States, they should be designed to offset departures from competition in the limited number of cases in which such departures are serious, rather than to control the whole economy. They should be designed to complement market forces rather than to fight against them.

The American economy is probably more flexible and more competitive than any other in the world. The case for any form of government intervention in pricing and wage determination should be weighed with great reserve. I have the impression that there is, at the moment, little danger that the country will be carried away by excessive enthusiasm about guideposts. They may have helped to restrain price and wage increases for several years—most of the evidence available so far indicates that they probably did—but they made few friends in the process. That may be just as well. If both business and labor were happy with them, it would suggest that they had not worked. And if people thought that it was easy to accomplish a great deal in this field, there might be real danger of trying to control too much.

I take it that there is little such danger at present, and turn instead to the other side of the question. If it were decided to establish a new office with powers to investigate and make recommendations on behavior in particular markets, how might it be designed so as to raise economic efficiency and permit fuller utilization of productive potential? What rules, or what general guidance as to procedure, would make it most likely that such an office might minimize mistakes and make a positive contribution?

To start with the most general suggestion, it would seem desirable that any such office aim primarily at raising efficiency, *not* at preventing inflation.

Primary reliance for preventing inflation must remain with aggregate monetary and fiscal policy; if monetary demand exceeds the capacity to produce, any direct measures to block price and wage increases can only add to the confusion. If monetary demand is kept close to the limits of productive capacity, but not higher, then no significant inflation is likely in any case. But in this second situation—with demand adequate for high employment and not excessive—experience indicates that prices and wages in some markets tend to get out of line, and to pull up the general price level. Sometimes this is caused by real limitations on particular resources, in which case the price should simply be allowed to rise. Sometimes it is a matter of poor organization within the industry, as has often been suggested with respect to some branches of construction. Sometimes it is a matter of excessively well organized unions or groups of firms, ready to take maximum advantage of favorable markets even though supply is not in any objective sense inadequate.

The problem is to pick out cases in which intervention can aid the market, and act on them, rather than to try to hold back prices and wages in general. Wages for nurses, farm labor, and southern textile workers *should* be rising rapidly, both for reasons of equity and reasons of allocative efficiency. Doctors' fees, automobile prices,