

guideline efforts with other programs that are also intended to keep prices generally stable. Specifically, the restatement below exposes a common policy frontier along which the Council of Economic Advisers, the other Executive agencies, and the Federal Reserve need to cooperate continually. It points toward an all-season, master criterion for countering *both* cost-push and demand-pull inflationary pressures. Thus, avoidance of cost-push inflation requires that payrolls or total factor costs (preferably for the whole economy) rise no faster than the real net output (of the economy or the greater part thereof).¹⁵ Meanwhile, the quantity theory of money, which relates to the classical demand-pull situation, roughly prescribes that the growth of the money supply and the expected gain in real output should remain in balance. The composite policy standard becomes this: *To maintain general price stability by keeping the annual percentage growth in the money supply within the anticipated rate of expansion for real output, which in turn should govern the rate of increase for payrolls or total factor payments (expressed in current dollars).*

With the conclusion of this brief agenda for guideline review, we also bring to a close our exercise in the formulation of a posture toward price-wage monitoring in general. The above discussion has touched on both more formal and less formal alternatives to, and variants of, a guideline program; on the need for government, as well as private, "responsibility" in behavior; and on the key contributions that information and education could make to voluntarism and diversity in private action and to flexibility in administration. Stress has been placed on macropreachment, which ought to become a still more prominent feature of any future continual stabilization effort. The founders of our Republic did not believe in "systems so perfect," according to T. S. Eliot's wonderful line, "that no one will need to be good." It is to be hoped that the next guideline program or any alternative monitoring system will also be conceived in the same tradition of instrumental imperfection and of dependence on the informed and voluntary cooperation of the citizenry for achievement of the common good.

POSTSCRIPT

The editors have kindly granted an opportunity to add a brief comment acknowledging the latest *Economic Report of the President*, published after this paper was submitted. The 1967 *Report* has some features that are ob-

¹⁵ Control of cost-push pressures also requires that long-term supply bottlenecks be eased while less fundamental inflation-supporting remedies are applied. Persistent increases in the cost of services that, year and year out, figure significantly in the rise of the consumer price index make it harder for workers to accept small pay adjustments in the "public interest."

For a brief recent discussion of the Council-Federal Reserve interface, see John Stark, "Coordination of Monetary Policy: Unfinished Business," *George Washington Law Review* (December, 1966), pp. 318-328.