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Have Guideposts Helped To Stabilize the Economy?

THE WAGE-PRICE GUIDEPOSTS, a highly controversial innovation of the Kennedy Administration, were designed to promote responsible wage and price behavior on the part of labor and business management. They raised many technical economic issues and many questions concerning the relationship of the federal government to the private sector. In *The Wage-Price Guideposts,* John Sheahan has analyzed the objectives of the guideposts, experience with them, and the questions that must be faced in considering their possible role under conditions of full employment. Highlights of his study are presented below.

The American economy has been less troubled by inflation than most others, but since World War II it has encountered great difficulties in maintaining price stability. Wholesale prices, which in 1940 appeared to be no higher than they were at the beginning of the nineteenth century, increased 50 percent in the 15 years from 1946 to 1961. Even deliberate deflation and rising unemployment did not succeed in stopping the persistent rise in consumer prices during the last half of the 1950's. In that period, the problem became compounded by lagging exports of manufactured goods and a serious balance-of-payments deficit, leading many economists—and government officials—to doubt that it would be feasible to adopt more expansionary policies and return toward full employment.

The guideposts were presented publicly in the January 1962 Annual Report of the President's Council of Economic Advisers at the end of the first year of John F. Kennedy's presidency. They were based on the