

The statement was fairly complex. It provided two apparently straight-forward touchstones: (1) average wage increases should keep pace with average increases in productivity for the economy as a whole, and (2) price changes should reflect changes in productivity, so that, for example, prices would decline in industries in which productivity advanced more rapidly than the average of the economy. But then a series of shadings and possible corrections were added that make the application of these principles anything but mechanical. The exceptions were not given any quantitative limits and no weights were suggested. The package was presented, not as a set of solutions, but as a basis for public discussion of what an operative strategy should be.

The guideposts were not a totally new idea. Previous administrations had appealed to business and labor for responsible behavior in those industries where discretionary wage and price decisions could affect the national economy, and several foreign countries had experimented with similar approaches. But the 1962 statement provided a more explicit formulation of policy and implied a specific quantitative criterion. Moreover, it appeared in a new historical context: a determined president; evidence of greater government initiative; a difficult balance-of-payments problem; and a realization that rapidly rising prices could block both a return toward full employment and the administration's program of major social reform.

Evolution of the Guideposts

The guideposts have evolved with successive re-statements and case applications. The original 1962 statement gave no numerical measure of the long-term productivity trend that was to serve as the basic guide. The 1964 statement was more specific, stating the figure as the five-year moving average of output per man-hour in the private economy. This worked out to 3.2 percent.

This five-year average provided an unsustainable standard. In 1966, it would have meant a jump of 3.6 percent in the wage standard. The Council decided that its own measure was an overstatement of long-range productivity gains and clung to the 1960-65 figure of 3.2 percent. The switch caused considerable and understandable protests from organized labor.

The year 1966 was a poor one for price and wage stabilization. The original idea of balancing increases in wage rates with the trend of pro-