

ductivity improvement was calculated to yield, on average, constant labor costs per unit output. The expectation was that real wages would rise at the same rate as money wages and productivity. But the previously slow rise in the consumer price index speeded up so much that money wage increases equal to the gain in productivity during 1966 would have left real wages lower at the end of the year. Most of the pressure on prices came from food and services—areas not readily governed by major industrial or union decisions and therefore unreached by the guideposts.

Thus, as a practical matter, it became increasingly difficult for the government to maintain business and labor cooperation with the guideposts, and in the 1967 Annual Report, the Council omitted the presentation of a specific numerical guide for wage increases. Many outside the government regarded the guideposts as a lost cause. Several industries that had previously accepted pricing restraints went ahead with increases, and labor unions began to win higher settlements.

Nonetheless, the 1967 statement cannot be regarded as a denial of the guideposts philosophy. On the contrary, it moved toward greater precision on several tough issues. It discussed the problems created by increases in consumer prices. It gave new attention to the importance of restrictions on entry in some labor markets. It set up the framework for a possible reconciliation of choices calculated to restore greater stability. And it advanced the discussion at the same time that it retreated from immediate operational pressure.

Implications of Experience

During the early years of the guideposts, there were a number of well publicized direct actions by the government against proposed price increases in key industries. Notable confrontations occurred in steel, aluminum, copper, and shoes. At the same time, the administration worked behind the scenes to keep in touch with business and labor, and sometimes took an active role in calling meetings to underline interest in making them conform to the objective of overall price stability.

These unrecorded negotiations provoke serious questions about government-industry relations. In particular, conferences bringing together representatives of leading firms in an industry to discuss prices might seem doubtful practice for a government committed to enforcement of the antitrust laws.