COUNCIL'S WAGE POLICY NEGATIVE

A second negative aspect of the policies advocated by the Council is its wage policy—which has contributed to imbalance in the distribution of income and, in consequence, to other distortions in the economy. There is no need to repeat here at this time the battle of the guideposts. Suffice it to say that the Council has consistently insisted that, in order to achieve price stability, labor must be prepared to accept an annual rate of increase in current dollar wages no greater than the trend rate—variously defined from time to time as suits the Council's purposes—in national output per man-hour.

True, in this year's report the Council does admit that:

In calling for restraint in wage and price decisions, the Council recognizes that, in 1968, as in 1967, it would clearly be inappropriate to set the trend of productivity as a numerical target for wage increases. In the face of the 3-percent increase of consumer prices that occurred during 1967, it would be patently unrealistic to expect labor to accept increases in money wages which would represent essentially no improvement in real hourly income."

However, the Council continues:

Nevertheless, despite the justification for compensation increases in excess of the productivity trend, such increases are inevitably inflationary. As the Council stated in its 1967 Report:

"The only valid and noninflationary standard for wage advances is the productivity principle. If price stability is eventually to be restored and maintained in a high-employment U.S. economy, wage settlements must once again conform to that standard."

In other words, the Council reaffirms, price stability can be restored and maintained only if labor is prepared to permit its share of productivity advance to be eroded away by the price increases currently taking place. Behind its position lies the implicit assumption that, although money wage increases in excess of the rate of productivity advance must push prices up, the reverse is not necessarily true—price increases need not be reflected in corresponding wage increases.

This insistence that labor must bear all the sacrifices required to restore price stability has been a cornerstone of the Council's wage policy. It continues to be so. Thus, for example, although the Council in this year's report discusses the guidepost question under the heading, "Incomes policies," and in the opening paragraphs gives passing recognition to the principle that such policies should apply to "industry, labor, and possibly other groups," as soon as it gets into the substance of the discussion, everything is focused on wages, and the necessity for a policy that will apply to the incomes of "other groups" than labor is forgotten. The Council continues to ignore the crucially important point made by the President's Advisory Committee on Labor-Management Policy, which, on August 18, 1966, in a report on the Council's guideposts, said:

We believe that in a free society any policy to achieve price stability will be acceptable and effective only if it bears equitably on all forms of incomes.

The Council's contrary attitude is best illustrated in the bland, nonjudgmental manner in which it describes the sharp and sustained increase in cost of medical services. Treating the doctors as tenderly as any doctor ever treated a patient, the Council makes elaborate detours to avoid arriving at the essential point: physicians as a group—although with honorable exceptions—seized upon the introduction of medicare and medicaid to increase their fees unconscionably. The Wall Street Journal for February 27, 1968, recites in appalling detail how