short of mandatory and specific controls to induce businesses and labor organizations to hold price and wage increases below the amounts that would naturally occur in the prevailing market conditions, market conditions, by the way, it is worth repeating, which reflect the Government's basic fiscal and monetary policy. The United States has had recent experience with this kind of policy under the name of wage-price guideposts. We question whether these should play much of a role in the period ahead.

The concept of incomes policy has strong fascination for policymakers. It seems to promise the advantages of controls, which many people want, without the disadvantages, which almost no one wants. But in fact the benefits sought have been realized only to a minor degree, if at all, and never for very long, whereas the policy has brought many of the disadvantages of a controlled system and some of its own. This has been true in the United States as elsewhere. As a result the short life of incomes policy has become as predictable as the attempts to use it.

Probably the chief reason for the general ineffectiveness of incomes policy is that it can apply only to a limited segment of the economy. This is the segment of centralized national unions and large corporations. Even within that segment the distribution of the Government's influence is quite uneven. And those upon whom the influence is exerted become resentful and resistant, for understandable reasons. They have been singled out by no relevant criterion but only by vulnerability. They are asked to follow rules of behavior that are arbitrary and become more arbitrary as the policy is pushed harder. The rules have not been established by due process of law. They are sometimes enforced by the threat of using Government powers not given for that purpose. All of this undermines the moral basis on which the policy originally rested. For its part the Government has set up rules of voluntary behavior and is torn between seeing its rules violated and making the behavior less voluntary.

The President has the right and duty to use the moral leadership which goes with his office to achieve major national objectives. He cannot forswear such action. But he must use this leadership judiciously and not dissipate it by using it in circumstances where it is unlikely to be effective or where the moral basis is not clear.

There are, however, a number of areas where the necessary and legitimate activities of government affect labor or product markets and where these activities should take into account the national interest in price stability and high employment. This includes, for example, international trade policy, measures to promote competition, the Government's management of its own procurement, and those cases in which the Government sets minimum wage rates or maximum rates or prices. The Council of Economic Advisers is interested in the effects of all of these decisions on economic stability. We have not had an opportunity to bring ourselves abreast of policy in these areas, however, and will say nothing more about them here.

Our present main concern is with slowing down the rate of growth of aggregate demand in a way that will not cause an unacceptable increase in unemployment. And beyond that we are concerned with maintaining steady growth of aggregate demand at a rate that will be consistent with continued high employment and reasonable price