

Note that the price effect of deviations from the wage guideposts was positive in every year of the period and cumulated over the decade to more than 12 percent. Contrast this with the effect of deviations from the price guideposts, which were positive in some years, negative in others, and cumulatively negative for the period as a whole.⁴⁰

The moral

The Siamese twins of wage restraint and price restraint, invariably bound together in the great semantic balancing act to which we referred earlier, are neither equal nor inseparable. Their union is a political, not an economic, necessity.

Even if it were in the power of exhortation to secure universal compliance with the price (profit) guidelines, this would have very little anti-inflationary effect. The normal variations in profit margins produce temporary and minor price movements, without lasting effect either way. The real key to sustained inflation is the rise of costs, principally, of course, labor costs. Exhortation will get nowhere unless it is effective in controlling them.

Chapter 4

THE GUIDEPOSTS IN APPLICATION

No serious effort was made to promote, and none to enforce, the general prachments that appeared intermittently in the Economic Report before the promulgation of the guideposts. For the guideposts themselves, however, there was an intensive educational campaign, together with an enforcement effort in the form of selective intervention. Although both have apparently been abandoned by the new administration (a matter for later comment), it is worthwhile to review the operation.

I. PROMOTION AND ENFORCEMENT

We shall let the former Council of Economic Advisers describe it in its own words:

"Three major types of activities have been undertaken. First, the members of the Council of Economic Advisers, various Cabinet and sub-Cabinet officials, and the President himself have made numerous addresses about the guideposts to business and labor groups and to the general public. As might be expected, the Council of Economic Advisers has taken a leading part in this activity, with literally dozens of speeches, articles for the popular press, and radio and television appearances. Many of these have received substantial coverage in both the general press and in the specialized press of a number of industries.

"The second type of activity has been an increasing number of private communications and meetings between Government officials and leaders of business and labor designed to underscore the public interest factor in wage and price decisions and to solicit the cooperation of union and corporate leadership in specific situations. With labor organizations, most of this activity has been

⁴⁰ It is interesting to note that the computed cumulative price impact for the two deviations combined, nearly 12 percent, is close to the actual rise in the price index for the (nonfinancial) corporate product (gross product deflator) which was less than 14 percent.