

carried on by the Secretary of Labor and his associates. With industry, the Council of Economic Advisers, the Secretaries of Commerce, Treasury, Agriculture, Interior, Defense, and others have participated. However, since the largest number of these contacts has been made by the Council of Economic Advisers, it seems appropriate that the Council should provide a report on these activities.

"In the past year (1966), the Council became involved in regard to perhaps 50 product lines for which price increases were either imminent or had been announced by one or more firms. In the typical case, the Council learned in one way or another of a price increase that was contemplated or that had been announced by one or more producers. In some instances, companies contemplating price changes themselves brought the subject to the Council's attention. Where the Council learned of an important actual or impending price increase, its procedure was to send letters or telegrams to all principal producers of the product. In urgent cases, telephone calls substituted for letters or telegrams. If some firms had already announced price increases, they were asked to reconsider. Those who had not so announced were asked to avoid them if possible. In all cases, an invitation was extended to meet with the Council to discuss the matter."⁴¹

Three aspects of enforcement

There are three aspects of this enforcement technique on which we should like to comment.

The first has to do with the voluntarism of compliance. We cited the guideposts system as an example of the hortatory approach to wage and price restraint, but in candor should add that it has not always been applied in the genteel fashion suggested by the official account. On the side of industry, the record discloses occasional resort to crude coercion—bitter denunciations in the press, threats of antitrust action, threats of withdrawal or withholding of government business, countervailing stockpile releases, restrictions on exports, etc.—and even in one or two cases there were threats against unions, but in view of the waning of such actions in recent years, and the evident disposition of the authorities to regard them as aberrations, we shall say no more about them.⁴² It would be naive, however, not to recognize that there is an element of duress in the armtwisting of large public corporations by the Federal Government even when it is done with more subtlety.

The second aspect concerns the basic character of the system. It is highly arbitrary in the selection of cases for intervention and makes no adequate provision for investigation and factfinding. One observer has commented on this as follows:

"The actual administration of the guideposts, not in the form of general preachment but rather in the mobilization of governmental pressures in particular cases, raises two groups of questions of deep concern. (a) Why were particular situations selected for confrontation rather than others, and what criteria are to be used

⁴¹ Economic Report, 1967, pp. 125-126.

⁴² The Council may have had these earlier episodes in mind when it admitted in its 1967 Report (p. 125) that "Undoubtedly some mistakes have been made." For the particulars see John Sheahan, "The Wage-Price Guideposts," The Brookings Institution, 1967, chs. IV-VI.