So far as we are aware, the Council has never published an estimate of the proportion of the Nation's business handled by firms with "appreciable discretion" over their prices. Obviously, many large firms (regulated public utilities, for example) have little or none. Moreover, many concentrated industries are highly competitive, with scarcely more price discretion in individual firms than prevails where suppliers are numerous.

Apparently the principal area where the Council finds significant price discretion is manufacturing (it has not addressed its pricing admonitions to any significant extent to agriculture, public utilities, trade, service, finance, or construction). Since this area constitutes only a third of the private economy, even if we make the generous assumption that half of it has "appreciable" price discretion, we arrive at only one-sixth of the total.[48] Certainly it is a far smaller proportion of the economy than is under collective bargaining agreements, and even if the power of industry over prices, where it exists, were equal to that of unions over wages, the contrast in coverage suggests that enforcement activity should be concentrated on wages, not, as it actually has been, on prices.

The CEA has been bemused by the literature of "administered prices" and "obligopolistic competition." This is not the place to argue the issue, and we can only record our opinion that the "market power" of large firms or firms in concentrated industries has been grossly exaggerated. In any case, the Council has offered no evidence that margin fattening (violation of the price guideposts) by such firms has been greater than elsewhere, much less that it has been a significant factor in the inflation that has overtaken the economy. It is relying simply on a theory.

If we are right in the conclusion of the preceding chapter that guidepost violations by all corporations had only limited and temporary price effects during the past decade, and none for the decade as a whole, it is obvious that the jawboning of a few firms deemed to possess "market power" is an exercise in futility. It only distracts attention from the real dynamo of inflation, the rise in costs.

II. Effects

In analyzing the actual effects of the hortatory approach to wage and price control, little time need be spent on the occasional pious homilies that preceded the guideposts. As already noted, they enjoyed neither promotion nor enforcement, and while they may have had some educational value, we know of no competent observer who would accord them more than the most marginal effect on actual wage and price behavior. The real question is the impact of the guideposts.

There is one effect that is hardly debatable: a significant contribution to public enlightenment and sophistication on the criteria of noninflationary wage policy. While the "productivity principle" may be, and is, difficult to apply to individual situations, the authority it has attained as the overall norm and goal of policy has virtually eliminated from the arena of public discourse a host of fallacious argu-

[48] This is in line with other estimates of significant price discretion. Perry, for example comes up with industries having 15 percent of total employment. George L. Perry, *Hearings,* Joint Economic Committee, Jan. 31, 1968, p. 18.