

If it was correct in its assessment of the role of collective bargaining in wage dynamism, its failure to offer any remedy but voluntary restraint leaves the prospect for long-range improvement rather cloudy.

V. CONCLUSION

We have chronicled the failure of the hortatory approach to anti-inflationary action, and the abandonment of the wage and price guide posts. While the passing of guideposts enforcement efforts is unlamented, we should like to record the hope that the campaign of public enlightenment of the criteria of noninflationary wage policy—specifically, the productivity principle—will continue to be pressed. If it does nothing more than inhibit the proliferation of fallacious doctrines in this field, it will serve a useful purpose.

One thing is clear. If general preachments on wage and price behavior are to enlist any significant degree of voluntary restraint they must be actively endorsed both by labor and by management. This means that both must have a voice in their formulation. They cannot be imposed externally as the revelation of a government agency, even as distinguished a body as the Council of Economic Advisers. If there are any possibilities in the idea of voluntary restraint—and we consider them limited—their realization will require a fresh start on a new basis.

These possibilities are limited in part because of the structure of the American labor movement. Not only is it fragmented at the top; the major federation leaves collective bargaining to its individual unions and disavows any responsibility for the results. Even if it were to assent to a national wage policy, it could implement it only by moral suasion—better than nothing, perhaps, but unlikely to prove very effective.

A final comment on our present predicament. If we are right that the principal inflationary dynamic of the past few years has been rising labor costs, if exhortation has failed to restrain them, and if direct controls are out, only one effective remedy remains: relaxing the labor market. So long as we continue to have a drum-tight market in the major wage-determining category—adult males—the chance of slowing down the advance of hourly compensation, and with it the advance of prices, is slim.

It is slim, be it noted, no matter what the explanation of the predicament. We observed earlier that it is not necessary to determine the proportionate contribution of collective bargaining to the wage dynamism that now afflicts the economy. Neither, we may add, is it necessary to decide the relative importance of “cost push” and “demand pull” in the current inflation. The answers to these questions may be relevant to the longrun solution of the problem, but the remedy for the present situation is the same no matter how they are answered.

It is fervently to be hoped that in time we can work down the excessively high unemployment rates for certain sectors of the labor force—juveniles, slum dwellers, to a lesser extent women—and thus lower the overall unemployment rate consistent with reasonable price stability. It is no less to be hoped that we can gradually abate the extravagant expectations that have developed in recent years for increases in compensation. But until these objectives are achieved, there is no feasible alternative to labor-market relaxation. It is the *sine qua non* of inflation control.