GOVERNMENT POLICY RELATING TO WAGES AND PRICES, WITH PARTICULAR REFERENCE TO WAGE-PRICE CONTROLS

(A Selected Bibliography)
This bibliography contains selected references covering a wide range of policy analyses and recommendations concerning the problem of inflation control in the United States. Part I covers material relating to the American experience from early 1970 through October 1971. There has been widespread interest in the various methods used by other nations in their efforts to combat inflation in recent years. Part II of this bibliography cites selected references on this subject published since 1968.


In a speech delivered before the annual conference of the American Statistical Association in New York on April 23, 1971, author "examines and answers seven formidable objections raised by opponents to incomes policy."

Ahearn, Daniel S. How will an incomes policy affect bond yields? Commercial and financial chronicle, v. 214, Sept. 23, 1971: 1, 19. "A successful Presidential program, Mr. Ahearn says, would reduce the price inflation rate to possible 3-1/2 percent and high grade utility yields to as low as 7-1/2 percent. A breakdown in incomes policy would, however, shoot yields up to as high as 9 percent—drawing strength away from stocks caught between the way prices are controlled vis-a-vis wages and other costs."

Study examines response of industry to various governmental pressures, 1962-1968, and hypothesizes as to reasons.


"OEO pamphlet 3250-3"

"This paper will also be published in a Committee Print of the Senate Subcommittee on Employment, Manpower, and Poverty."


Author suggests "a positive program that the National Commission on Productivity or some similar agency might recommend as a first step toward a national policy for accelerating productivity."


Key passages from testimony by the chairman of the Federal Reserve Board, before the Joint Economic Committee of Congress on February 19.


In a statement presented before the Joint Economic Committee on July 23, 1971, Dr. Burns says the solution to current economic problems requires direct presidential intervention in the setting of wages and prices, and that traditional monetary and fiscal policies cannot accomplish the task of halting inflation in the midst of unemployment. Full text of statement also appears in U.S. news & world report, v. 71, Aug. 9, 1971: 49-52."
Committee for Economic Development. Research and Policy Committee. 
Further weapons against inflation: measures to supplement 
Partial contents.--Scope and limitations of 
general demand policies.--Structural impediments to 
price stability, productivity, and supply.--The role 
of voluntary wage-price policies.--Cushioning adverse 
impacts of general demand policies.

Conlon, Don R. Implications of an excess profits tax. Commercial and 
"In facing up to the possibility there might be 
one going into effect when the 90-day freeze ends 
November 13, Mr. Conlon shows that corporate profits 
subject to an excess profits tax using 'profit margins,' 
instead of insufferable dollar totals, as a baseline 
would not materially affect projected corporate earnings 
through 1973."

Connally, John Bodwen. The post freeze - economic stabilization program. 
Washington, U.S. Dept. of the Treasury, Office of the Secretary, 
Full text of the Secretary's press conference held 
on October 8, 1971.

Construction wages and the government's options. First National City 
"The Administration is trying to restrain wages in 
the building trades. And the path it has chosen to temper 
union demands has a slim chance of working. Leaving con-
struction costs to the play of free-market forces is more 
likely to yield dividends."

Consumer Federation of America. Economic policy recommendations of 
Consumer Federation of America, presented by CPA national president 

Containing inflation: two concepts. Business in brief, no. 97, Apr. 1971: 
[2-3]. 
Concepts described are the full-employment budget and 
incomes policy.
"Control of prices and, by implication, profits is not needed and would be both harmful and administratively impossible. But there would be control of dividends because they are a form of individual income. Control of compensation will bring fairly rapid results in slowing inflation without price controls, is largely self-enforcing and might be more 'politically acceptable' than it would appear at first glance."


Authors project (through econometric models) effects of income guidelines that restrict profit as well as wage increases to rate of increase in labor productivity, the excess, captured by taxes, to be returned to the economy immediately through transfer payments or government purchases. Their simulations predict GNP growth equal to rate projected without controls, along with stable prices and reduced unemployment.

The study, somewhat abridged, is published in the Wharton economic newsletter, summer 1971, p. 20-24.

Includes subsections on "standby authority" under the Economic Stabilization Act, and on "the labor lobbyists," texts of White House statement outlining roles of Cost of Living Council, Pay Board, and Price Commission, and of Nixon's "Phase Two" address; and excerpts from Treasury Secretary Connally's Oct. 7 press conference.

"...to develop the law in a manner compatible with the objectives of our national labor policy, the Board in its decisional process should, (1) avoid shaping the law so as to arbitrarily increase union bargaining strength, thereby distorting the normal bargaining power relationship between unions and employers, and (2) avoid shaping the law so as to retard management's ability to rapidly initiate the many changes which must occur if productivity improvement is to be maintained at a rate high enough to cushion the effect on prices of the annual wage and benefit increases and thereby permit the standard of living of American workers to rise."
Author asserts that 7-8% growth target is undesirable even if achievable, that slower growth can accomplish a lower rate of inflation and satisfactory, though more gradual, reduction of unemployment.


Speech at the University of Mississippi School of Banking, June 13, 1971.


Contents.--The human price, by A. Raskin.---Labor's radical demands, by M. Harrington.---Toward an incomes policy, by R. Roosa.---Money is still the answer, by H. Segal.---Regulating private power, by A. Eichner.


Author charges that Federal Government, through wage rates on government contracts, pay raises for Federal workers, medical programs increasing demand for physicians' and hospital services, and other policies, has contributed more to inflationary pressures than corporations and unions in the private sector.

"Government needs to say clearly and forcefully that if, within existing power structures, voluntarism and free markets cannot be made adequately to serve the national interest, either the power structures will have to be modified or we will be forced to give up the concept of the free-market economy."


"The promise of cooperation in a system of wage-price restraints by labor and management—which prompted the President to reinstate Davis-Bacon's 'prevailing wage' provisions—seems to the author to be the best possible means to maintain growth without the concomitant acceleration in wages and prices."


"The question is being raised now whether traditional fiscal and monetary policies can control the most recent inflation without an exorbitant price of prolonged sluggish growth and high unemployment. Voices outside—and even within—the Administration are raised in favor of some form of 'wage-price guideposts' or 'incomes policies.'"


Partial contents.--Containing inflation in the environment of the 1970's, by M. Levy.--Wages, productivity and profits, by G. Perry.--Public policies: promises, problems and innovations, by M. Mann.--Inflation: impact on consumer attitudes and behavior, by G. Katona.--Restoring the housing market, by F. Deming.--World inflation and the international payments system, by P. Volcker.


"Just how will the sudden shift in the Administration's 'game plan' affect business, inflation, unemployment, trade, the dollar? Is the U.S. in for a long spell of federal controls? In this exclusive interview, timely answers come from a man who helped shape the new plan—and is deeply involved in running it."

In a statement presented before the Joint Economic Committee on July 8, 1971, the Economic Advisors defend the administration's economic policies being pursued, warn not to temporize with price inflation with additional economic stimulus, and explain why an income policy would not be successful.


"Inflation can't be checked by current economic forces, comments Bethlehem Steel's chairman as he analyzes the factors pushing up steel wages and prices in 1971."


Analysis of President's request for extension of Economic Stabilization Act of 1970 and addition of power to regulate interest rates and dividends.


"An urgent call for the immediate institution of a Wage-Price Stabilization Board, to forestall further cost-push inflation."


"Nationally-known early economic advocate of an incomes policy finds much that is encouraging in the President's suddenly sprung New Economic Plan as attested by greater dollar strength than expected and the dip in long-term interest rates. He warns, however, that the machinery now being erected for the post-90-day period may be undercut, and the anti-inflation policies turned into a failure, if monetary expansion is not slowed and the Federal debt is significantly increased."
Pressure within and outside his administration may force President Nixon to take more dramatic action to slow the rise of prices, wages and unemployment."

"Mr. Nixon's New Economic Policy can't work--precisely because it is aimed at the private sector, while it was the government itself that brought on the current crisis through excess money creation, oppressive taxation, bureaucratic self-indulgence," author says.

"Mr. Robertson fears that over stimulation to achieve a politically acceptable unemployment rate in 1972 will achieve a Pyrrhic victory leaving politically unacceptable price levels to confront the voters in the fall elections."

"A system of wage-price review boards is the best hope for breaking the cost-push momentum that individual unions and employers have been powerless to resist."

Stating that inflation has reached "the psychotic stage," author suggests a temporary freeze on prices and wages plus longer-term use of "three-legged stool" of fiscal policy, monetary policy, and incomes policy.

"Ex-Chairman of Council of Economic Advisers (1956-61) under Eisenhower criticizes his successors' 'game plan' capability to cope with our wage-push price inflation infliction. He calls for forceful 'jawboning' White House leadership, and summit-type labor-management meeting on the wage-productivity issue... Dr. Saulnier predicts a fairly satisfactory economic performance in 1971 with more inflation and less real growth than desirable. However, it will be followed by an even better year in 1972."
Author says success in controlling inflation and recession "will require the active and flexible use of existing demand and incomes policy instruments, as well as significant further improvements in our policy tools and procedures and substantially greater reliance on a wide range of structural measures."

Statements before the Joint Economic Committee, Aug. 20 and Sept. 1, 1971.

Shapiro, Max. Recession can't cure inflation. Dun's review, v. 96, July 1970: 54-56.
"Controls open a hornet's nest; they are onerous, difficult to administer and present all sorts of problems in implementation. But it is better to have controls than to have the destruction that a continuing inflation is bound to cause. It is no longer a matter of choices; it is a matter of survival."

Excerpts of five papers presented at the third annual collective bargaining forum sponsored by the Institute of Collective Bargaining and Group Relations.

In an interview, Mr. Shultz tells why President Nixon is "keeping his options open" after the wage-price freeze expires on November 13.
Author argues that "a limit on an industry's average profits would control prices without misallocating resources or creating an intolerable administrative burden."

"Six arguments for and eight against guideposts as a solution to the price-wage spiral lead to the conclusion that a panacea has not been found."

"Convinced that an incomes policy will replace the August 15 wage-price freeze come next November 12, Dr. Slesinger is unable to persuade himself that such a step will fulfill the hopes of its designers. He warns experience shows that the goal of an expanding economy becomes elusive, and entices increasingly detailed and inequitable governmental intervention in private market decisions."

Four supermarketing experts analyze what possible effects the freeze might have on the supermarketing industry, both short-term and long-term.

While useful in the short run, and a necessary complement to timely monetary and fiscal policy actions, an incomes policy cannot serve as a substitute for fundamental corrective actions to improve competition in product and factor markets, author maintains.

Overview of developments on New Economic Policy front; sections include:--Congress' role: control authority and tax program.--A primer on the international money crisis.--The new tax package: criticism from economists.--Excerpts of Nixon's remarks to Detroit Economic Club.

"If everybody plays by the President's rules and the dollar holds its own, then doctors stand to benefit heavily from a recharged economy," according to a two-part special report.


Reps. Patman, Colmer, Blatnik, Gonzales, Sullivan, and Adams speak for enactment of standby controls; Reps. Martin and Wylie, the JEC minority report, CEA chairman McCracken, the U.S. Chamber of Commerce and National Association of Manufacturers are cited against. Related articles review wage-price controls in three wars and the Kennedy-Johnson guideposts.


Guidelines or formal controls can at most affect only the timing of price increases, it is asserted; "...in the end, the overly expansive monetary policy that is at the root of inflation will have its way...."


The authors "cite studies showing price inflation is less responsive to the policies pursued than the authorities believe. As a result, the losses of GNP output, rising unemployment, near liquidity crisis, plunging profits, and a stock market debacle are held to be too expensive a price for the ends sought. The authors prefer a vigorous money supply increase policy, deficitless increased Federal spending, and wage-price guidelines implemented by supporting fiscal and monetary policies."


Hearings held June 16...July 7, 1970.


Author recommends establishment of a National Incomes Board, with regional and occupational branches, including representatives of industries and unions, to police out-of-line increases through fact-finding, persuasion, "...mediation, arbitration, informal regulatory decisions, and appropriate use of publicity."

A proposal for income maintenance with guaranteed employment, a system of refundable taxes, and a National Incomes Board, to bring about "full employment without inflation."

"President Nixon faces the 'moment of truth' over wage and price controls as protracted reluctance could sour into weakness."


Authors propound a suggestion for policing on incomes policy by levying a surcharge on the corporate profits tax for firms granting wage increases in excess of some guidepost figure, arguing that firms will be unable to shift such tax to consumer through higher prices and will therefore be motivated to resist wage demands.

"How well is the wage-price freeze working? What are the chief complaints? Have there been many violations? Is a federal crackdown coming? For answers to these and other questions, editors of 'U.S. News & World Report' interviewed the man who is running Washington's control agency."

"The President made a late but strong move to control inflation with his wage-price freeze. The inflation itself, in the midst of a glut of goods and high unemployment, may take a long time to cure, and the cure may involve fundamental reform of the price structure."

Part II: Foreign Experience, 1968-1971


National Board for Prices and Incomes. Fifth and final general report
31 p. (National Board for Prices and Incomes. Report no. 170)
A 204-page (cmnd. 4649-1) supplement contains a list of
Board members, April 1965-March 1971, and summaries of the
170 reports published by the Board.

Organization for Economic Cooperation and Development (O.E.C.D.). The
Section IV "Income Policies in Selected Countries"]

Parish, F. W. Rise and fall of incomes policy. Hobart paper, no. 47,
Institute of Economic Affairs [Great Britain], 1969. 64 p.

Pickering, J. F. The Prices and Incomes Board and private sector prices:

Shirai, Taishiro. Prices and wages in Japan: towards an anti-inflationary

Suri, Surinder K. Canada's uneasy consensus: success of anti-inflation

Thompson, Andrew W. J. Collective bargaining under incomes legislation:
the case of Britain's buses. Industrial and labor relations

Thorne, W. J. Prices and incomes board; a study in unpopularity.
Institute of Bankers journal [Great Britain], v. 90, part 5, Oct.

Wage-price guidelines: can they work here? Magazine of Wall Street,
"Pressure is growing from wage-price curbs, to control
inflation while stimulating the economy. Such a policy was
successful in Finland, but that's another world."