

## « Guideposts » for Wage-Price Behavior

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Article abstract

The Annual Report of the Council of Economic Advisors, which President Kennedy submitted to the Congress on January 20 is required reading for anyone who wants to keep abreast of current economic developments in the United States.

The Council starts from the premise that since wage and price decisions in many crucial segments of our economy directly or indirectly affect the progress of the whole economy, « there is legitimate reason for public interest in their content and consequences. »

publique chez nous. Il ne faut plus, à aucun prix que l'état de tutelle (pour reprendre l'expression du carrefour) dans lequel elle a vécu depuis des temps immémoriaux, se prolonge. Pour ce faire, il faut, non seulement que le patronage « bon ou mauvais », disparaisse de nos moeurs politiques; que non seulement l'objectivité préside au recrutement et aux promotions; il faut en outre que seule la compétence et une compétence dont l'excellence ne puisse être mise en doute, serve de critère au recrutement et à l'élévation dans les degrés hiérarchiques de l'Administration; ceci s'applique à la fois aux services gouvernementaux et aux services dispensés par les différents corps publics, dans quelque secteur que ce soit.

Mais pour recruter un personnel compétent, encore faut-il le rémunérer suffisamment et lui donner les garanties de sécurité et de statut nécessaires, aptes à supporter victorieusement la concurrence offerte par les secteurs privés de l'économie. Ainsi conçue et organisée, la fonction publique ne sera plus ce dont on l'a accusée d'être dans le passé, le refuge en grande partie de la médiocrité et de l'inefficacité.

En ce qui concerne les relations entre l'Etat et ses employés il faut se rendre compte que l'évolution qui s'est produite dans la notion et la réalité de l'Etat et de ses différents organismes, ainsi que l'accaparement graduel par ce dernier de fonctions jadis réservées au secteur privé de l'économie, ont fait qu'il est devenu le plus grand employeur des temps modernes, et qu'à ce titre il entre en concurrence directe, sur le marché du travail, avec le secteur privé. Ceci emporte comme conséquence que ses relations avec ce qu'on appelait traditionnellement les serviteurs de l'Etat, doivent être repensées afin de reconnaître à ces derniers les avantages et l'exercice des droits fondamentaux reconnus communément à ces derniers en droit du travail. Soulignons ici que la plupart des grands pays occidentaux, sauf peut-être nos voisins du Sud et nous-mêmes, se sont éloignés passablement et depuis déjà plusieurs années, des vieux concepts du droit administratif traditionnel afin de réaliser pour leurs employés de la fonction publique en général un régime de relations du travail de plus en plus semblable à celui des autres secteurs. Une évolution de cette sorte est essentielle chez nous si nous voulons que par l'association et l'exercice des droits qui en découlent, les employés publics puissent vraiment contribuer à la revalorisation de la fonction publique et éviter qu'elle ne retombe très vite dans cet état de tutelle que le récent carrefour a fustigé à juste titre.

## "GUIDEPOSTS" FOR WAGE-PRICE BEHAVIOR

MGR. GEORGE G. HIGGINS

*The Annual Report of the Council of Economic Advisors, which President Kennedy submitted to the Congress on January 20 is required reading for anyone who*

*wants to keep abreast of current economic developments in the United States.*

*The Council starts from the premise that since wage and price decisions in many crucial segments of our economy directly or indirectly affect the progress of the whole economy, « there is legitimate reason for public interest in their content and consequences. »*

#### NO SIMPLE TEST

But how is the public to appraise the content and consequences of crucial wage and price decisions? How is it to judge whether a particular wage or price decision is in the national interest?

The Council's answer is that while « no simple test exists, » the question is nevertheless of great importance to the strength and progress of the American economy and deserves widespread public discussion.

Pages 185-190 of the Council's Report are intended as a contribution to this discussion. In summary, the Council makes the following points:

1) Compulsory wage and price controls in peacetime are neither desirable nor practical.

2) On the other hand, it is highly desirable and necessary that labor and management take account of the national interest in determining wage and price decisions.

3) Free collective bargaining between labor and management over the distribution of income of particular firms or industries is desirable, but collective bargaining over the general price level is undesirable.

« Excessive wage settlements which are paid for through price increases in major industries, » the Council points out, « put direct pressure on the general price level and produce spillover and imitative effects throughout the economy. Such settlements may fail to redistribute income between that industry and other segments of the economy through the mechanism of inflation. »

4) There are several guideposts (which, of course, are rough approximations and are not to be regarded as rigid rules) that may be used in judging whether a particular price or wage decision may be inflationary; (a) the general guidepost for wage behavior is that « the rate of increase in wage rates (including fringe benefits) in each industry be equal to the trend rate of over-all productivity increase. » (b) The general guidepost for price behavior « calls for price reduction as the industry's rate of productivity increase exceeds the over-all rate . . . ; it calls for an appropriate increase in prices if the opposite relationship prevails; and it calls for stable prices if the two rates of productivity increase are equal. »

### NEED FOR FLEXIBILITY

The Council, in advancing these tentative guideposts for non-inflationary wage and price decisions, explicitly recognizes the need for flexibility to take account of special cases.

More specifically, the Council points out that « there is nothing immutable in fact or in justice about the (present) distribution of total production between labor and nonlabor incomes. » For this reason, among others, the productivity yardstick is, at best, a guide rather than a rigid rule for appraising wage and price behavior.

Some experts in the field of labor-management relations are of the opinion that the Council of Economic Advisors should not expect labor and management to worry about the impact of their wage and price decisions on the national economy.

Others maintain that while labor and management should, in all fairness, gear their wage and price decisions to the requirements of the common good, the Council of Economic Advisors is wasting its time in calling upon them to do so.

In view of these misgivings about the usefulness of the Council's approach to the problem of inflation, it is all the more significant that the Communications workers of America met recently with Walter W. Heller, chairman of the Council of Economic Advisors, to discuss the Administration's wage-price guidelines in the light of conditions in their own industry.

After their unprecedented session ended, CWA president Joseph Beirne and other union officials said that they were impressed by Mr. Heller's presentation and agreed that their exchange of views with Mr. Heller will condition the atmosphere of CWA's forthcoming negotiations with the telephone industry.

Mr. Beirne and his associates in the top leadership of CWA are to be congratulated very sincerely on their constructive and statesmanlike approach to collective bargaining. Their willingness to take an objective look at the economics of collective bargaining in advance of their negotiations is most refreshing. Let us hope that other unions and employers will profit by their example.