Our knowledge in this area is still very fragmentary, and a suggestion for improved information is made below. Some preliminary calculations concerning the magnitudes of these components have been made, however, perhaps the best study being the one by Bach and Ando.[2]

The results of Bach and Ando are particularly remarkable in that they throw much doubt on a popular preconception concerning the effects of inflation. They do not find any great difference between the experiences of such groups as business and labor or creditors and debtors. Although some groups may temporarily lag behind others during periods of rapidly rising prices, on the whole the distribution of income appears to be determined by much stronger forces than merely monetary ones. These conclusions are surprising, but I see no reason for doubting their substantial accuracy. What Bach and Ando do find—and here they agree with public opinion—is that inflation has benefited working people at the expense of retired people, the young at the expense of the old. If such a transfer of wealth took place once and for all, it would certainly be a reason for concern, but less so if inflation were a continuous phenomenon, for them the children who have robbed their parents will one day be robbed by their children. The war and postwar years during which this transfer occurred also saw a considerable extension of the old-age and survivor's insurance program which wholly or partly offset the losses of the aged.

A PROPOSAL FOR IMPROVED STATISTICS

Illuminating though the calculations just referred to are, they do not provide a sufficiently comprehensive picture of the impact of inflation. For that purpose a more systematic and continuous effort, undertaken by a Government agency, is necessary. Such an effort could best be conceived as an extension of the national income accounts, or of what is now emerging as their financial twin: the flow-of-funds system of the Federal Reserve Board. Two things are especially needed:

(*a*) To measure the gains and losses due to different rates of increase of income (the second type of redistribution discussed earlier) the existing data on income flows should be calculated both at current and at constant wage rates, just as expenditures are calculated both at current and at constant prices. Although this will not be possible for all types of income, it should not be too difficult to do for many important sectors; extensive data on wages and hours worked are already in existence. A breakdown by industry would be especially helpful. As a result, there would not only be new information on differential trends in real and money wages, but also on the closely related and even more important subject of labor productivity. This extension of the national accounts would not call for any fundamental changes in present practice, and could probably be introduced at short notice.

(*b*) Measurement of gains and losses on account of assets and claims requires a rather more ambitious approach. It would mean the introduction of a national balance sheet in addition to the national in-

[2] Review of Economic Statistics, February 1957.