of the speed of inflation. Putting this in "cost-push" terms, we should say that the speed with which workers are able to respond to cost-of-living changes and entrepreneurs to changes in wages and the cost of materials will determine the rate at which prices rise in the ecenomy. The cost-push theories imply that once any major cost has gone up and stayed up, other prices will respond, creating a second round of cost increases, and so on round again. The novelty in such explanations has been that they explicity do not require that demand for commodities or labor be increasing or pressing upon capacity. Indeed, we know that it is possible for prices to continue rising in a period of falling output and increasing unemployment. The cost-push theories have been developed to explain the experience of declining industries and the rigidity of prices in recessession years in the post-war inflation. If it is true that trade unions are responsible for the major cost-push, then we should expect the wage share in produced income to increase. Only if prices were raised in proportion, not simply in absolute amount, to compensate for the wage increase would the wage share remain stable. That is, if gross profits are also going up, the wage share will not increase significantly, and the trade union cost-push explanation must be held in serious question. As a matter of fact, this is precisely what the study shows: the share of wages in manufacturing value added remained remarkably stable from 1947 to 1956.

5. In the orthodox demand-pull explanation, an increase in demand more rapid than the increase in productive capacity causes prices to rise. Then, especially if the money supply is allowed to increase rapidly, or people are willing to hold money substitutes, incomes will increase and, subsequently, so will expenditures. If wages do not respond quickly to the consumer-price rise, profits and investment demand will increase. If this explanation, taken alone, were true, *declines* in employment and demand would be sufficient to stop the rise in prices. The aggregate demand-pull theory implies that the wage share declines as wages lag behind prices.

6. On the individual industry level, the demand hypothesis is less simple. We may interpret it to mean that wages and prices in specific industries responds to demand pressures upon the industries. Or, we may interpret the wage-price behavior asymmetrically over the cycle; that is, during economic expansion wages everywhere follow the increase in the most rapidly expanding sectors, while in the downswing, only severe overall unemployment will make specific wages responsible to specific industry demands.

7. Neither the simple cost-push nor the simple demand-pull explanation is wholly satisfactory. Once inflation starts, especially if there are downward rigidities in important wages and prices, it is almost impossible to say how the inflation got started or is maintained. The discussion tends to break down into a chicken-or-egg controversy or—and this is more important—into a struggle for public policy aimed at one or another set of villains. Actually, both processes are likely to be going on simultaneously, each feeding the other, in different parts of the economy. Operationally, the question of cause and effect should not be one of relative villainies, but of what policy weapons will be effective in stopping the steady rise in prices. Unless we are willing to impose direct controls on wages and prices, the way to stop inflation must be found by influencing those economic