

inflation and "reversing the money pump" drastically enough to prevent inflation produces intolerable unemployment. The continued rise in industrial prices and service rates during the 1957-58 recession while unemployment persisted or even mounted has now caused attention to shift to this field. This has given us the catch phrase "cost-push" inflation. I myself have been moved to label the phenomenon "institutionalized" inflation; that is, an inflationary trend built into the market process through the institutions of the large corporation, the big union, and big government sensitive to the political pressures of special-interest groups. This institutionalized inflation embraces not only the conditioning structures of business, labor, and government but also personal attitudes and group practices—the mores or ideologies of the elite groups which, as corporation executives, union leaders, Administration and Congressional officials, constitute our effective cadre of policymakers.

To grasp the complex realities of institutionalized inflation and gauge the possibilities of achieving sustained high production without periodic disruption of price-and-income alignments, our American "mixed" economic system may be visualized as a global process comprising a hemisphere of private business administration and a complementary hemisphere of public economic administration. This public hemisphere is divided into quarter-spheres of credit administration and spending-taxing administration. The private hemisphere is similarly divided into quarter-spheres of capital administration or price-investment policy and labor resource administration and wage negotiation. These four quarter-spheres of the economy, though separable for many purposes of analysis, are intricately intermeshed in actual operation. Thus, there cannot be an effective demand-pull that is independent of the cost-pushes of speculative business enterprise and resource-owners' opportunism. Nor can there be an effective cost-push that gets very far in defiance of the power of appropriation committees and credit agencies to "advise and consent." Fiscal policy is a powerful initiating and guiding force as it injects funds here and drains them off there. But also it is strongly conditioned by the price or cost situations brought about by the speculative and innovating activities of management and by the offensive and defensive strategies of organized labor.¹ For example, cost of government payroll and procurement and the yield of any tax structure are markedly affected by the level and structure of prices and of incomes brought about by the administrative policies of management and of organized labor and their articulations through collective bargaining.

To a very important extent, therefore, both fiscal policy and monetary policy are the captives of market policy or, stated more precisely, captive to market behavior, with its decisive administrative component. To recognize this fact of our economic life today is to realize the sterility of the aggregate demand formula in the unique causative, explanatory, and correctional sense in which it has been so freely used in recent years. The tough questions ultimately raised by the Employment Act are not primarily or dominantly those of public action to compensate for failure of the private economy to effect sustained high production. They are basically questions of how to forestall such failure by improving the institutions of the market—for goods, for services, and for funds—and how to raise the mores of individual and administrative responsibility² to a level compatible with the character of modern industry and trade. While permitting and indeed facilitating such concentrations of private economic power as are needed for efficiency in handling our fast-advancing technology, we need also to effect disciplines (i.e., group behaviors) in a domain that we have debouched into but by no means mastered. Our objective should be to preserve that "free competitive enterprise" premised in the Employment Act, not as a mere abstract ideal, but to make that freedom and the competition among larger operating units that results therefrom achieve the high economic goal of maximum consumer real purchasing power better than atomistic competition ever served the much less ambitious objectives of Smith's, Ricardo's, and Malthus' time. Big-

¹ While recognizing the withering of the Invisible Hand and moving to repeal Say's Law, we should take some care not to throw out realism's baby with the theoretical bath water. Labor's wage advances and management's markups are income generating, and pro tanto demand creating or fortifying—so long as the Fed and/or the fisc continue to put up the chips—and productive capacity is not allowed to breach the dam of price maintenance.

² I do not say social responsibility because I believe that the economist qua economist should keep his analysis on the operative or technological rather than the moralistic plane.