kets is conducive to long-term growth consistent with reasonable price stability.

Now, there are two possible ways in which market power in our economy may bear unfavorably upon economic growth. And I document these at considerably more length in my prepared statement.

The first is the possibility, variously described and characterized, that market power itself may be responsible for a consistent tendency for costs and prices to rise, even when the level of aggregate demand in the economy falls short of what would be necessary to maintain adequately full employment.

The significance of this tendency for economic growth is of course that our goal of price stability tends, in these circumstances, to counsel monetary and fiscal policies that are restrictive of economic expansion.

Now, I think there is no room for doubt that market power did play a significant role in the disturbing increases in the general price level during the 1955 to 1958 period. I allude in my prepared statement to a statement that I made before this committee on February 3 of 1959, on precisely the subject. As I pointed out at that time, it was a clear evidence of monopoly power in product markets and monopoly power in labor markets that the prices of automobiles and steel continued to edge upward in the 1955 to 1958 period, even when the demand for both products peaked out in 1955.

The number of cars sold in 1956 was less than in 1955. It remained well below the 1955 level throughout all the remaining years. In fact, we have just this year come to a year that is not quite as good as 1955. Yet the price of an automobile by any test—I agree completely with Professor Adams—went up continuously in this period.

The case of steel is even more clear; 1955 was the peak steel year. There was less steel sold in 1956 than in 1955, less in 1957 than in 1956, and less in 1958 than in 1957. Steel wages went up, when we had over 100,000 workers out of work; and steel prices likewise continued to go up in these circumstances.

I refer also in my statement to the excellent monograph prepared by Prof. Charles Schultze for this committee in explanation of the inflationary tendencies of these years, in which he supplies a much more sophisticated and I think valid explanation of the phenomenon. But his explanation, too, relies very heavily upon market power.

Now, while still on this one subject, the relationship of market power to the possible danger of chronic inflation, I want to bring certain qualifications of the argument to the committee's attention.

One, we really do not know to what extent 1955 to 1958 was unusual. I pointed out in my own statement 3 years ago that there were many reasons to think that these years were in fact atypical: witness, for example, the effect of the 3-year labor contract in automobiles signed in 1955, which then carried over into increasing costs of 1956, 1957, and 1958. Or the 3-year contract in steel, signed in 1956, when demand was still high, which again carried over into wage and price increases in 1957, 1958, and 1959.

Second, I think the committee should recognize that prices have not increased in the last 4 years, at least wholesale prices have not increased, that the rate of increase in the deflator of the gross national product has diminished, the rise in the consumer price index has