of production (from agriculture to industry during the 19th century) may provide some part of the explanation.

John Maurice Clark pointed out that the relationship between the price level and economic expansion is not a simple one.[11] He maintained that it is inherently probable that a demand-induced inflation is more favorable to expansion than one pushed up from the cost-price side, and that a spontaneously stable price level may be more favorable to growth than creeping inflation. Clark also stated that a mild inflation is a more stimulative condition than one marked by such drastic restrictions as would be necessary to stamp it out.

There is no universally accepted tradeoff between avoiding inflation and achieving an acceptable rate of economic growth and thus a high level of employment.[12] To many persons, a 4-percent unemployment rate is considered to be close to the maximum rate of labor utilization which can be achieved without such strain on the Nation's resources as to create severe inflationary pressures. However, it needs to be acknowledged that some observers think that a lower rate of unemployment, somewhere in the vicinity of 3 percent, would be a more desirable target either because they believe that inflationary pressures can be contained, or that some price level increases are an acceptable "price" to pay for reducing unemployment.

Conversely, some persons contend that serious inflationary pressures arise prior to the Nation reducing unemployment to 4 percent. One school of thought maintains that "structural" deficiencies in the economy are the obstacles; education, retraining, and other programs designed to enhance labor skills and promote labor mobility are considered necessary in this case.

Despite manifest difficulties in designing public and private policies to deal with the problem of inflationary pressures developing under maximum employment and rapid economic growth, the appropriate objective is clear. Economic policy should be directed at improving the economy so as to eliminate *both* structural inflation and structural unemployment.

In view of the increased level of economic literacy since the passage of the Employment Act over 20 years ago, it is a bit surprising to find economists still talking about the appropriate "tradeoff" between rising prices and unemployment.

Policy should not be directed at determining how large a general price rise to trade for so many jobs for the unemployed, nor at agreeing on the increase in unemployment to accept for added price stability. Rather, the task is to comply fully with section 2 of the Employment Act, by designing policies which will lead to realization simultaneously of a stable general price level and jobs for all those able, willing, and seeking work.

It should be noted that the rates of aggregate price increase assumed in the economic projections presented earlier are lower than those which have accompanied similarly rapid periods of economic growth in recent years—in the absence of the direct controls which have been imposed during wartime periods.

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[11] John Maurice Clark, "The Wage-Price Problem," New York, American Bankers Association, 1960, pp. 16–17.

[12] Cf., Paul A. Samuelson and Robert M. Solow, "Analytical Aspects of Anti-Inflation Policy," American Economic Review, May 1960, pp. 177–194; A. W. Phillips, "The Relation Between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1861–1957," Economica, November 1958, pp. 283–299.