Mr. GOLDFINGER. Oh, because there was a huge backlog of pent-up demand after World War II, backed up by wartime savings, which moved quickly into the market, as soon as the war was over, and it moved in fast. The controls and regulations were dropped in 1946, and they were dropped before productive capacity was coming onstream, so that there was an inflationary outburst for a period of about a year and a half or 2 years, running into the end of 1947 or early 1948.

I do not think those kinds of conditions exist now. We don't have that backlog of pent-up demand. We don't have the backlog of wartime savings, certainly nothing to compare with the World War II situation.

Senator MILLER. Well, if, as you said in your statement, we must be concerned about preventing economic stagnation in the longer run I am sure you would agree that we must therefore be careful about inflation, even though you recognize or even though you say deflationary results may be the major threat. At the same time if we are interested in preventing stagnation, it would seem to me that we must be interested in preventing inflation.

Mr. GOLDFINGER. I would agree with you, sir, that we shouldn't push demand to the point of creating widespread general shortages of manpower, productive capacity and goods, but I do think that the possible problem of any kind of deescalation and subsiding of international tensions would be inadequate demand rather than excessive demand.

Senator MILLER. Whether it is inflation induced by excessive demand or any other factor, you would agree that we should, among other things, do what we can to prevent stagnation arising as a result of inflation, would you not?

Mr. GOLDFINGER. I am not sure that I follow you on the subject of stagnation resulting from inflation.

Senator MILLER. I have always been told that inflation, certainly serious inflation, can result in a decline in business activity and unemployment, and I would consider that, certainly, economic stagnation.

Mr. GOLDFINGER. Well, that is true, and I would agree with you there, but I don't think that this is a realistic look into the future. When you look back at the postwar period, Senator, or at least when I look back, I find just two very brief periods of inflation after the end of World War II, and it lasted for about a year and a half or 2 years. Then, I find about 8 months of an inflationary rise in the price level after the outbreak of the Korean war.

In your statement you recommend going to the general fund of the its tremendous flexibility and tremendous productive capacity, are inflationary shortages.

We showed, only within the past year or year and a half, the great flexibility of this economy in adapting to sharp increases in demand.

Senator MILLER. I certainly hope you are right, but it seems to me that in outlining a program which, among other things, is going to prevent economic stagnation in the longer run, that even if this is not the major threat, we ought to, among other things, make sure that the inflation—the prevention base, is covered.

Mr. GOLDFINGER. I would agree with you there, sir.