In some cases it has had a notably therapeutic effect on more aggressive product development. Further relaxation in constraints on the availability of alternative foreign products and services would make a useful contribution to the Nation's price-cost performance, and it would also make for better jobs and a stronger economy. The administration is to be commended for its insistence on adjustment assistance for hardship cases as trade barriers are relaxed, rather than the route of blocking tariff reductions.

Things which might increase the ease with which capital could be substituted for labor must also be classed in the category of broadening alternatives. It is a grisly thought, but the labor cost per unit of classroom output might be under less severe upward pressure if a teaching machine could more readily be substituted for professors. Capital budgeting came upon the industrial scene belatedly, but it has made great strides. If the capital budgeteers and the capital goods engineers could increase the substitutability of capital for labor, we would come close to getting the best of three worlds—an upgrading of jobs; a more stable cost-price level; and an accelerated rate of economic progress.

IV

Suppose that even with appropriate fiscal and monetary policy, supported by as much marginal help from other policies and programs as it is reasonable to expect in this world, the price level is still not quite stable. This is probably a reasonable expectation. The last sustained period of full employment, vigorous economic growth, and a stable price level was the period from about 1922 to 1929. And for the entire period from 1900 to 1929 (excluding the war periods), 80 percent of the expansion years saw some rise in the price level.

The objective of a stable price level is an important one, but it does remain a facilitating and not a fundamental objective. It is important largely to the extent that it is essential for full employment, vigorous economic growth, and high and rising levels of incomes widely and equitably shared. We must not be so obsessed by building the bridge over the Kwai that we lose sight of the larger picture. It would be better to retain the motility and adaptability of our free-market economy, for example, than to contract economic arthritis through extensive direct intervention into the specifics of economic life—out of zeal for a flat price index. It is possible, however, that emergent inflation-mindedness may become a problem. We must in that case contemplate occasional episodes of disinflation. These might briefly reduce the proportion of the labor force employed by perhaps a percentage point. It should, however, be quite possible to achieve results through short periods of moderately reduced growth, still avoiding any significant recedence in the economy. Episodic disappointed inflationary expectations would probably be enough to serve as a reminder that caution is appropriate even if the general trend is up because it is also necessary to survive shorter run contingencies.

It is to be hoped that a stable price-cost level becomes possible with full employment. The fact is that with the existing state of the arts of economic policy severe insistence on price-cost stability is a recommendation for the distortions of suppressed inflation that enervate the economy—and probably for a lower trend rate of growth. Obviously we cannot close down the economy until we know more about achieving a stable price level without retarding the economy's growth. We therefore face the inevitable problem of feeling our way along with a mix of real growth, high employment, and some concession to the price level—with the mix itself changing a bit from time to time—if we are to achieve the maximum rise over a long period of time in widely diffused levels of living.

V

Since the act which we honor today was signed, every President has explicitly recognized the importance of a reasonably stable price level to the performance of our economy and to the quality of our Nation's economic life. This clearly continues to be the case, and it is wise. As is true of our objectives for employment, production, and purchasing power, we sometimes fall short of our price-level goal, and we shall probably have our shortfalls in the future. We can, however, say of this goal what Beardsley Ruml said of the Employment Act's objectives two decades ago when he told a Senate committee that "this statement of the goal of our sincere efforts to attain it will make the reality much closer to the ideal than if the ideal had never been expressed."