ments for optimum economic growth, sustained maximum employment and production, and social justice, is the core problem of rational economic policy. The Council's proud and continuous neglect of this problem, under a claim of "neutralism," thus neglects the core economic problem. In reality, no powerful changes in key national economic policies are "neutral." They all serve to redistribute income profoundly, and the main question is whether they do so in sound or unsound directions.

My additional data

Many of my charts, to which I have already referred, have a direct bearing upon my immediately foregoing comments. In addition, my chart 13 depicts the relative trends in economic growth, industrial production, unemployment, and prices during 1952–1966. This chart brings quantitative support to the theory of price change which I set forth above in general terms. The failure of the Council of Economic Advisers to undertake this kind of long-term analysis, whether or not it would leak to exactly the same results as I have obtained, is a vital gap in the work of the Council which should promptly be corrected.

The Council should also, instead of fanning the fires of excessive preoccupation with the inflationary danger, take more trouble to point out how remarkably stable the price level of the U.S. economy has tended to be in the long run, except under wartime conditions of a nature not now existent and not foreseeable in the context of the development of current economic policies. This is shown on my chart 14.

My chart 15 compares the rates of change in productivity and in wage and salary rates in the total private nonfarm economy during 1947–1966. It depicts, from 1957 or 1961 forward, the serious and even dangerous lag in wage-rate gains behind productivity gains. The chronic imperviousness of the Council to this extremely important problem is both inexplicable and indefensible.

Chapter III. Maintaining Price Stability and Reducing Unemployment

Stable prices is not the top priority

The very caption of this chapter is unfortunate. It erects into a datum the unsavory proposition that maintaining price stability and reducing unemployment are goals of the same nature and are of equal importance; indeed, it seems to give higher priority to absolute price stability. Reducing unemployment is an ultimate value goal, not only for human and social reasons, but also because the larger output which the reduced unemployment brings means larger capacity to lift living standards and to service national priorities. Price stability, on the other hand, is a means rather than an ultimate goal. It is desirable only insofar as it advances the ultimate goals of growth, priorities, and justice. Further, all our economic history shows that a stable price level is not automatically conductive to these ulitmate goals. Except for falling farm prices, the U.S. economy had a remarkably stable price level during 1922–1929. And yet, within the environment of this stable price level, there developed imbalances in incomes and economic activities which brought on the Great Depression.

I have indicated earlier in my statement why empirical observation does not support the conclusion that there is a direct correlation be-