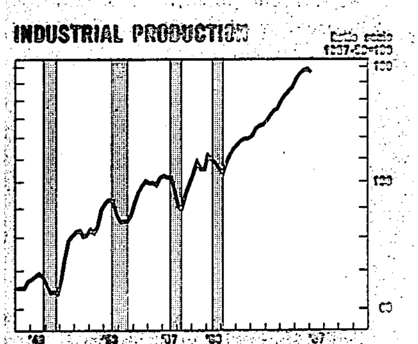
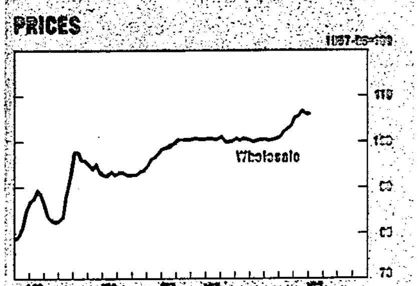
INDUSTRIAL PRODUCTION



PRICES



Unemployment during these recessions rose sharply—to a high of over 7 per cent during the recession of 1957–58. But there were also periods between recessions when the unemployment rate was too high, and capacity use was too low. Our problems of resource slack in the late 1950's and the early 1960's resulted from inadequate longer-run growth as well as from recessionary declines.

It is some comfort that the duration and amplitude of recessions have been reduced relative to the prewar period. Measured by the decline in industrial production, the four postwar recessions ranged in magnitude from 7 to 14 per cent. By contrast, declines of the 1920's and 1930's were much deeper and were generally longer. The current expansion since 1960 has been especially encouraging, with industrial output rising over 40 per cent between 1961 and 1966. Like compound interest, the cumulative return from steady growth is surprisingly large.

With recessions relatively short and mild, the postwar years have been free of the major price deflations of earlier periods in our economic history. Postwar periods of inflation have been episodic—usually war-induced. Wholesale prices rose sharply after World War II ended and during the early stages of the Korean conflict. The rise in 1956–57, by contrast, reflected mainly a peacetime investment boom with rising unit labor costs. After 1957, wholesale prices were stable for about 7 years, as unit labor costs leveled off, but then the pressures of Vietnam, superimposed on expanding private demands, touched off new price increases. The recent price rise, however, has been milder than those of earlier inflationary periods.

In the early postwar years consumer