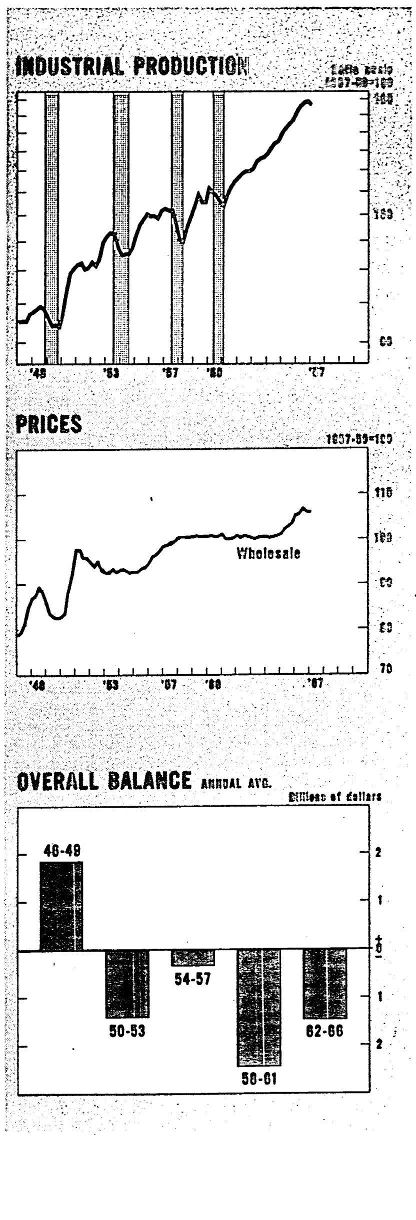

agement, both at banks and at nonbank financial institutions. At the central bank, these developments also call for increased capability on the part of policy-makers to recognize, and to adapt to, policy impacts that are not only becoming more prompt but also more pervasive.

In conclusion, let us discuss the implications of our analysis for the formulation of policy.

CONCLUSION

Recognizing that there is still much to be learned about stabilization policy, we can all take some pride in the performance of the economy in the postwar period to date. Industrial output has more than doubled since 1947. In long-run perspective, the four recessions appear as brief hesitations in the general advance. Though production has turned down recently, the rapid and prolonged expansion since 1960 suggests that we may have learned something about maintaining steady growth. But even a casual look at broad economic indicators reveals unsolved problems.

For example, the unsatisfactory price record reflects mainly sudden bursts of demand, the effects of which are seldom reversed. For prices, what goes up usually does not come down. The stability of wholesale prices between the periods of strong surge indicates what can be accomplished if balanced and orderly expansion is maintained.

Improvement in our record of prices is needed in part because of the effect of inflation on our balance of payments. International payments disequilibrium has been a problem for nearly a decade. In recent years we have made some progress in reducing the disequilibrium by improving our competitive position and by using such measures as restraints on capital flows. But a problem still