

CHAMBER OF COMMERCE OF THE UNITED STATES

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The Chamber of Commerce of the United States welcomes the opportunity to submit written comments on the Economic Report of the President and the annual report of the Council of Economic Advisers. Like their predecessors, these reports are highly useful and of excellent quality. Both the text and the appendix tables contain valuable economic information.

Traditionally, these documents provide a rationale connecting social and economic policy covering a wide range of issues. The chapter titles of the Council's report indicate the range and importance of these questions: sustaining prosperity, the strategy of stabilization policy, the problem of rising prices, economic development and individual opportunity, and the international economy.

But a careful reading of the reports brings all of these aspects of the economy into sharp focus on one overarching problem of national economic policy: because of past errors in national economic decisions, the chief policy aim, both at home and abroad, must be defense of the dollar.

It is no longer possible—if it ever was—to view domestic economic developments as though they occur in a “closed economy” insulated from the rest of the world. The pressures of our international commitments and recent balance-of-payments moves and raids on our stock of gold have awakened the country to the fact that domestic inflation, fed by a persistently large Federal budget deficit, “spills over” into international trade and finance, threatening not only to worsen an already serious balance-of-payments problem, but even to upset the international monetary system.

THE EXTENT OF U.S. INFLATION

Although moderately prosperous by most standards, 1968 is expected to suffer from consumer price increases of 3 to 3½ percent. This further inflation follows rises to 2.8 percent last year and 2.9 percent in 1966. Nor are upward movements restricted to consumer prices: the average price of final goods and services produced (the “GNP deflator”) rose even more—by 3 percent in both years. And the more sensitive wholesale price index, after remaining virtually unchanged from 1958 through 1964, rose 2 percent in 1965 and 3.3 percent in 1966 before leveling off during the minicession of last year. But in January of 1968 the wholesale index stood almost a full percentage point higher than in January of 1967; and in February rose further, so that its upward course has been resumed.