

ductive to the needed acceleration of economic growth, the Federal Reserve System would negate that choice by its "independent" monetary policy, and that an unwise fiscal policy (i.e., tax increases now) might do less damage than an even more unwise monetary policy. If this be the case, I feel that CEA should vigorously challenge the prevalent monetary policy of the Federal Reserve Board during the past decade or longer, instead of yielding supinely to it, thus making the "independent" monetary authorities veritable arbiters of both fiscal and monetary policy.

But perhaps it may be too charitable to assume that CEA is still clamoring for tax increases only in order to avoid something even worse. It may be closer to the truth that CEA does not have that top-priority commitment to maximum resource use, optimum economic growth, and minimum unemployment which the times call for—and is instead erecting concern about inflation into a blinding obsession rather than treating it as only one facet of a well-rounded national economic policy. This comment brings me to the next chapter of the CEA report.

III. THE PROBLEM OF RISING PRICES

This long chapter in the CEA report, crammed with statistical trees which make it hard to see the forest, tends to corroborate the view that the Council's preoccupation with the one problem of rising prices prevents it from viewing in just proportions the problems of the economy at large. And ironically, this narrow preoccupation militates against correct diagnosis and cure of the inflationary *malaise* itself.

Price trends are not very meaningful per se

First of all, it is palpably erroneous to regard a stable price level, or even avoidance of inflationary trends in the magnitudes that we have recently experienced them, as objectives at all comparable with the objectives of optimum economic growth and maximum resource use. The real wealth of nations, and their ultimate capacity to prosper and advance and even to protect themselves against external dangers, reside in their ability to increase the output, and particularly the output *per capita*, of the goods and services which minister to practically all material requirements and aspirations.

The Council would undoubtedly admit, in purely logical discussion, that its concern about rising prices is prompted by its belief that these interfere with or threaten attainment of the more ultimate objective states above. But CEA's virtual assumption that rising prices necessarily have these unfortunate consequences are rooted more in theoretical preconceptions than in empirical observation of the American economic performance over the decades. This is clearly revealed by the nature of the Council's discussion (pp. 97–102) of why rising prices are bad.

For example, the argument is advanced that inflationary trends redistribute income regressively, and impose a "cruel tax" upon those who need help most. This would be an impregnable position, if price trends were unaccompanied by other trends. But the fact is that they are, and these other trends may outweigh the significance of price trends. Certainly, the millions currently unemployed are infinitely