It follows, quite contrary to the thesis of the Council and entirely in accord with my thesis, that the cost-push aspects of inflationary pressures would be overcome most effectively by restoring the actual rate of productivity gains to levels consonant with the potential productivity gains representing technological trends, in which event real wage-rate increases tends to lag behind, rather than to exceed, productivity gains (see again my chart 8). And the surest, in fact the only, road toward this achievement would be to lift the economic growth rate to 5 percent or better.

Other flaws in CEA cost-push thesis

The line of reasoning which I have just advanced should not be misinterpreted to imply acceptance on my part of the CEA implication that recent price increases in the main have been caused, or even justified, by cost push. Even rising labor costs do not justify price increases, when both profit margins and aggregate profits are as high in general as they still remain. And the Council is woefully derelict, and even biased against labor, when it does not accompany its cost-push analysis with any real examination of relevant profit levels.

Further, as I demonstrated earlier in my analysis, over any period of recent years long enough to be highly meaningful, real-wage rate gains have lagged seriously behind productivity gains, which disposes entirely of the legitimacy of the cost-push argument in general (see again my chart 8).

Of course, the Council in table 18 on page 123, and in its reassertion of the "productivity principle" on page 126, reaffirms its position that productivity trends would need to be related to changes in current (money) wage rates rather than to changes in real wage rates, if cost-push inflation is to be reasonably restrained.

This position is indefensible, not only on institutional and social grounds, but also on narrower economic grounds. Viewed as a factor in maintenance of adequately expanding consumer purchasing power, real wage buying power should rise pro tanto with productivity gains which represent a physical concept of growth in output per hour per worker. Indeed, this is at least half of the whole rationale of linking productivity gains and wage-rate gains. Even from the viewpoint of business costs, which is the other half of the rationale adjusting wage-rate gains to price increases which have already occurred (in addition to allowance for productivity gains), can hardly be regarded as exercising large legitimate cost-push pressures. For all experience indicates that, to the extent that the price level has already risen, industrial concerns in general have already attained their fair share, or more than their fair share, of the increases in dollar incomes resulting from these upward price movements. They are therefore not unjustly hurt, when asked to make cost-of-living adjustments.

Comment on new Cabinet Committee on Price Stability

It is too bad, in a way, that a Council which has been so deficient in its entire analysis of the inflationary problem should now come forward (pp. 127–128) in support of a new Cabinet-level committee to deal with this problem. There may be nothing wrong per se in establishing still another committee. But committees cannot take the place of analysis, and they cannot forge viable policies without analysis. I maintain that it is essentially CEA's job, within its own confines, to