

such discussion would be essentially the same as those I draw from discussion of the trends in consumer prices.¹⁵

Viewing this performance sensibly, I do not see how we can conclude that our economy has been threatened or will be threatened in future by anything approximately a “runaway” or even unusual amount of price inflation in any fair perspective. This fair perspective is further reinforced by comparisons with other countries. During the 5-year period 1962–67 (1968 not comprehensively available to me), compared with the 2.6-percent average annual increase in consumer prices in the United States during the 5-year period 1963–68 (and only 2.0 percent during 1962–67), the average annual increase in consumer prices was 3.3 percent in the United Kingdom, 3.2 percent in France, 2.7 percent in Germany, 4.7 percent in Italy, 2.7 percent in Canada, and 5.4 percent in Japan. Comparisons of the wholesale price trends in these countries with those in the United States would lead broadly to the same conclusions.¹⁶

CEA has not probed deeply into actual consequences of rising prices

Coming to the second phase of this aspect of my analysis, at no time during the past 8 years has the CEA undertaken anything approximating a definitive nor even substantial analysis of the economic or social consequences of price trends in the United States during this period. Nor has CEA attempted to evaluate what the alternative consequences of more restrictive price policies would have been. A mere regurgitation of the word “inflation” as a horror signal, or of the charge that inflation is “the cruelest tax of all” provides no substitute for such empirical analysis, especially when in the long run the American experience indicates strongly that periods of rising prices (with rare exceptions) have been periods where production, employment, and income distribution have behaved more satisfactorily than during other periods.

The CEA has gravely misjudged the causes of inflation

Coming to the third phase of this aspect of my analysis, which is the most important of all, the CEA’s entire approach to the problem of inflation throughout has been based entirely upon the rather prevalent assumption that a more rapid rate of real economic growth is more conducive to price inflation than a lower rate, and/or that a lower level of unemployment is more conducive to price inflation than a higher rate of unemployment, and/or that an economy operating close to reasonably full or optimum resource use is more prone to inflation than an economy with a larger amount of economic slack.

The empirical evidence irrefutably refutes these unalloyed assumptions, even more though it may not conclusively prove the contrary.

During 1952–55, the average annual rate of consumer price inflation was only 0.3 percent, when the average annual rate of real economic growth was 3.5 percent, and unemployment as officially counted averaged 4 percent. During 1955–58, the average annual increase in consumer prices was 2.6 percent, although the average annual rate of real economic growth was only 0.8 percent, and unemployment averaged 4.9 percent. During 1956–58, the average annual increase in consumer prices was 3.1 percent, while the average annual rate of real economic

¹⁵ See charts 15 and 16, following text.

¹⁶ See again chart 15, following text.