Further, the CEA report says this (p. 97):

> But historically, unemployment rates of 4 percent or below have been associated with a price performance that most Americans considered unsatisfactory * * * price increases at the rate recently experienced clearly impair our international trade performance, cause a haphazard redistribution of income and wealth, and may jeopardize sustained prosperity. * * * The first line of defense against inflation must be fiscal and monetary policies that avoid excessive pressure on a productive capacity.

My criticisms of the foregoing statement are explicit in all that I have said. They combine an incorrect analysis of the causes of recent and current price inflation with a very curious set of values as to the relative importance of the balance-of-payments problem and the problem of unemployment, inadequate economic growth, and social disequilibrium at home. It is incredible to propose, or even accept, the proposition that the unemployed should be asked to protect the affluent from paying the allegedly higher prices which more jobs might cause. As for impact upon income distribution, the CEA has not examined that at all.

In line with its analysis, the CEA urges, as a measure against inflation, an "increase in money wage rates a little better than 5 percent" for 1968 (p. 59), which would mean an increase of about 2 percent in real terms. I suggest that no economist could meet the challenge of developing a responsible economic equilibrium model based upon an increase in the hourly-earned purchasing power of wage earners of only 2 percent a year, less taxes paid.

In consequence of these deficiencies in its entire analysis of the inflationary problem, the programs to deal with inflation which the CEA sets forth are in the main a medley of relatively minor and traditional approaches, for example, increased mobility, training, promotion of competition, antitrust activity, etc. (pp. 99–122).

VI. Problems of Monetary Policy

General considerations

My views with respect to the prevalent monetary policy during the past 15 years or longer have been diametrically opposed to those of the CEA and of most of the "New Economists."

Generally speaking, their view is that tight money and rising interest rates help to contain inflation. My view is that tight money and rising interest rates exacerbate inflation, and are in themselves highly inflationary.

My view is that tight money and rising interest rates powerfully inhibit optimum real economic growth and contribute to economic instability (for the reasons stated above, these consequences are in themselves inflationary). Their view on this subject is not made explicit, and is certainly not advanced in the in the 1968 CEA Report, because it seems to be worried about the fantasy of too high a rate of real economic growth and too much employment rather than about the ominous reality of too low a rate of real economic growth and too much unemployment.

My view is that tight money and rising interest rates have been monstrously inequitable and adverse to social equilibrium and plain justice; they appear entirely impervious to this aspect of the problem.

My view is that we need a much more selective monetary policy,