portion to the overall rise in prices. * * * There is also a danger that inflation can set in motion speculative behavior that will cause further acceleration of price increases, with serious consequences for economic and social stability. * * * Finally, inflation may have adverse consequences for our balance of payments. If prices rise more rapidly in the United States than in other countries, our competitive position in world markets can be seriously undermined."[58]

Obviously, this poses the problem, but it does not identify the trade-off point between unemployment and inflation. If that has been indicated at all by the recently retired administration, it is only by implication, in its adherence to the 4-percent unemployment target.

One-way target

It is evident that when this target was nominally in effect it tended to become more and more a one-way street. Although the concept of a target implies that there are deviations on both sides, and that policy works toward the norm from either direction, it has never been so applied.

No politician who values his neck would even hint that he considers unemployment too low, much less that he favors its increase. Rarely, we may add, would an economist in political office. Thus when the unemployment rate was above the target, the Council of Economic Advisers spoke of bringing it down to that level, but when it was below, the language turned evasive. The objectives of policy were couched in other terms: cooling off an overheated economy, reducing pressures on capacity, preventing undue rates of expansion, and so forth. Even when the main engine of inflation was an excessively tight labor market, the fact that a correction involved more unemployment was suggested only by indirection.

While this may reflect semantic asymmetry rather than unsymmetrical policy, it raises the question whether a target that can be publicly invoked only from one side has much value as an anti-inflationary device. It may, indeed, be positively detrimental. Increasingly the 4-percent unemployment rate has become identified in the public mind as a ceiling, upside deviations from which are unacceptable. Thus it operates as a restraint on the flexibility of economic policy and a barrier to achievement of a rational trade off with inflation.

Absence of an inflation target

Since unemployment and inflation are in substantial degree alternative, hence call for a trade off, it is legitimate to ask why there should not be targets for both. Yet there has been none for inflation comparable to that for unemployment.

The reason may be that the inflation target was assumed to be zero. Indeed, the CEA once implied as much: "The guideposts must continue to aim at complete stability of average domestic prices."[59] If it was the target at that time, however, it was subsequently abandoned as impracticable, at least for consumers' prices:

"A realistic stabilization policy cannot expect to hold down to zero the average change of prices of consumer goods and services. From 1961 to 1965, although wholesale prices remained virtually

[58] Economic Report, 1969, pp. 62–64.
[59] Economic Report, 1966, p. 93.