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Basile Clerc

2024-11 Document de Travail/ Working Paper

EconomiX - UMR 7235 Bâtiment Maurice Allais
Université Paris Nanterre 200, Avenue de la République
92001 Nanterre Cedex

Site Web : economix.fr
Contact : secreteriat@economix.fr
Twitter : @EconomixU

Université Paris Nanterre

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Author: Basile Clerc[2]

Abstract: Why do some economists support price controls in the face of inflation during peacetime? Our thesis is that, in the history of economic thought, understanding the role of profits in inflationary dynamics is the crucial variable. To demonstrate this, we investigate the extensive literature on incomes policy, insofar as much of the thinking on macroeconomic price controls in peacetime is part of this literature. This corpus is crossed by a major schism: some advocate price and wage controls while others limit control to wages alone. We show that the defense of price controls is always based on the thesis that profits play an autonomous role in inflationary dynamics. Conversely, the advocates of an incomes policy reduced to wage controls see margins as mere transmission belts for excessive wage increases into prices. Price controls are thus rejected *ex ante,* even before any criticism of the consequences of their application.

Keywords: Price controls - Wage controls - Incomes policy - Inflation - Unemployment

JEL Codes: B22; E64; E12

[1] We thank Roger Backhouse, Alexandre Chirat, Jérôme Deyris, James Forder, Julien Grandjean and Laurence Scialom for their comments. The usual disclaimer applies.
[2] Institut National du Service Public, Université Paris Nanterre, EconomiX, 41014404@parisnanterre.fr

Introduction :

The resurgence of inflation in the wake of the Covid-19 pandemic and the consequences of the war between Russia and Ukraine have led to a debate over using price controls instead of recession-prone interest rate hikes to combat inflation[3]. While price controls are currently the subject of heated debates, Hughes Rockoff, the main historian of price and wage controls in the United States, considered in the 1980's that "a consensus exists among mainstream economists that in the right circumstances temporary controls can make a positive contribution to the fight against inflation" (Rockoff, 2004, p. 4). However, Rockoff refers to a very specific form of control - short-term stabilization, aimed at breaking inflation expectations – and doesn't really document this claim. Alongside this short-term approach, one can find a whole body of literature advocating a more structural approach to price controls[4] from the late 1950s to the first half of the 1980s, not only in the United States (Ackley, 1959, 1972, 1978; Galbraith, 1979, 1983; Lekachman, 1974, 1975; Means, 1975a, 1975b, 1983) but also in other OECD countries, particularly France (Delors, 1965; Lecaillon, 1965; Brochier, 1966; Gruson and Dominique, 1976) where price controls were an integral part of macroeconomic policy between 1945 and 1986 (Dumez and Jeunemaître, 1990). No study has attempted to examine this corpus of authors in a comprehensive way, to grasp the elements that unite the advocates of structural price controls in peacetime, and those that bind their detractors. A global study is even more relevant in that all these authors express their proposals within the same frame: that of incomes policy.

In its broadest meaning, incomes policy can be defined as the set of public interventions aimed at guiding income formation *ex ante* - i.e., prior to the mobilization of fiscal instruments - through direct interventions on wages and/or prices.[5] Thought of as an alternative to a restrictive policy in the face of inflation, or at the very least as a mean of limiting as much as possible the scope of restrictive fiscal and monetary policies, incomes policy aims at reconciling economic growth and price stability, by improving the conditions of the inflation/unemployment trade-off.

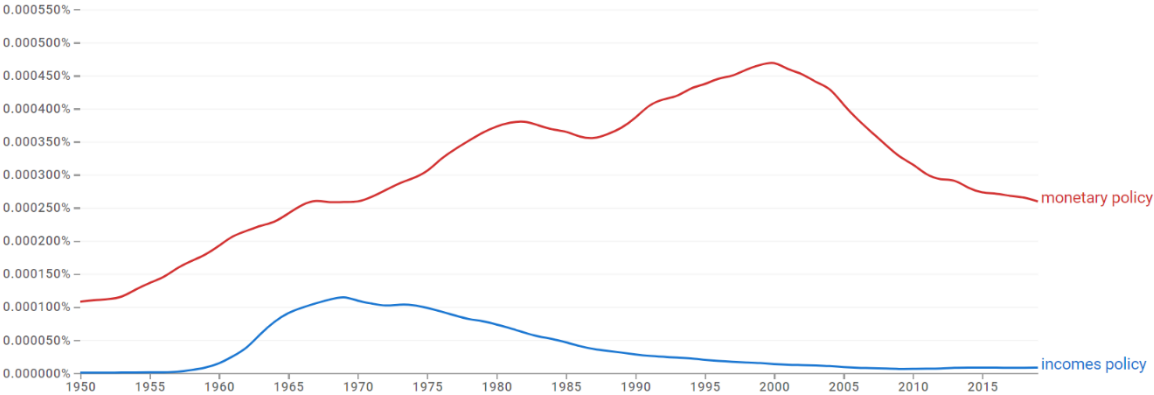
[3] See for example Isabella Weber, *Could strategic price controls help fight inflation ?,* the Guardian, december 29th 2021; James Galbraith, *Price controls set off heated debate as history gets a second look,* The New York Times, january 13th 2022; Paul Krugman, *the football game theory of inflation,* The New-York Times, 3rd January 2023; David R. Henderson, *Saying no (again) to wage and price controls,* Hoover Institution, january 2nd 2023.

[4] As opposed to short-term controls lasting only a few months, as describe by Rockoff.

[5] We differ here from the definition used by Setterfield (2007) who understands incomes policy "as formal and/or informal institutions that frame and mediate aggregate wage and price setting behaviour in such a way as to reduce conflict over income shares and better reconcile conflicting income claims" (p. 129). The author himself acknowledges that "this definition of incomes policies is broader than that conventionally adopted, in which incomes policies are identified exclusively with formal institutions". The nature of this definition stems from the author's approach as a historian of economic facts - and not as a historian of thought - which leads him to consider "the important role that informal institutions (including social norms and conventions) are also likely to play in any set of arrangements that successfully ameliorates distributional conflict" (ibid.).

Empirically, this policy, widely deployed in the major OECD countries from the late 1950s onwards (Fallick and Elliott, 1981) took very different forms, depending on the historical and institutional contexts.[6] From a theoretical point of view, a large body of literature accompanies these multiple experiments of incomes policy. Indeed, one can observe a marked increase in the number of occurrences of the expression "incomes policy" from the 1960s onwards, followed by a slow disappearance from the 1980s, as can be seen at first glance from the Ngram Viewer tool based on the Google Books text database. The popularity of incomes policy can be approximated by comparing "incomes policy" with "monetary policy".[7] While monetary policy is unsurprisingly much more widely discussed in quantitative terms, incomes policy acquired very significant importance in the literature between the 1960s and 1980s.

Figure 1. Percentage of English books that mention 'incomes policy' and 'monetary policy'

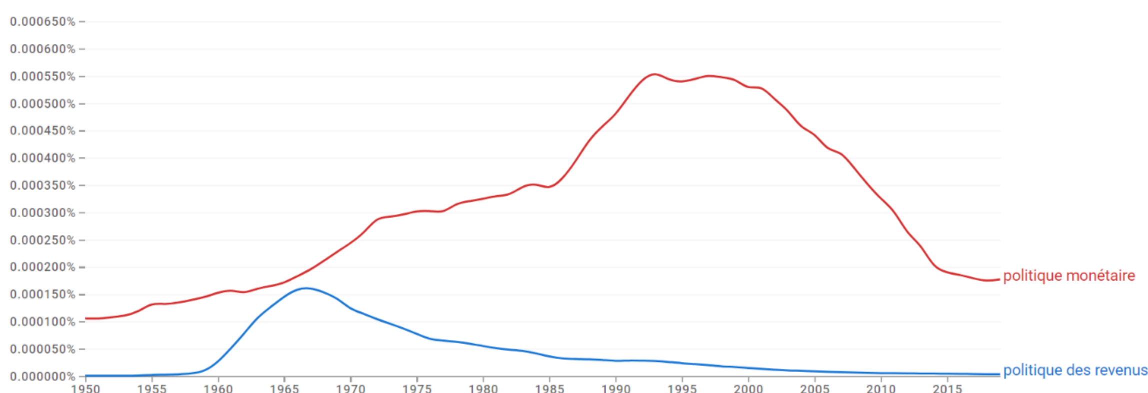


This interest in incomes policy is far from being limited to the English-speaking world. In France, particularly in the 1960s, the debate took hold with great vigor. Here again, we give an approximation of the general apprehension of the concept of "politique des revenus" through Ngram Viewer, by comparing it with "politique monétaire":

[6] On the diversity of European experiences, see Addison (1981). For specific examples, see Mire (1977) on the Austrian experience, Pen (1964) on the Netherlands, Schwerin (1982) on Norway, or Kiander et al, (2011) on Finland. In France, an incomes policy project was launched in the 1960s, but was never implemented (Margairaz and Tartakowski, 2019). What these experiments have in common is that they propose a structural policy - intended to last - and a high level of control. In contrast, in the 1960s, the United States developed a form of incomes policy that was non-binding and much less concerted through "guideposts".

[7] The following graphs only list occurrences in books, and do not include research articles or reports. Therefore, they only give an approximation of the evolution of the popularity of "incomes policy". Although unrelated to our subject, the decline in the number of occurrences of "monetary policy" from the 2000s onwards may at first appear surprising. It can certainly be attributed to the accelerating growth in the total number of books published.

Figure 2. Percentage of French books that mention 'politique des revenus' and "politique monétaire"



The popularity of incomes policy - as described above - contrasts with the small number of works by historians of thought dedicated to it. The many debates surrounding incomes policy are never mentioned in major works or textbooks on the history of economic thought (Backhouse, 2002; Backhaus, 2012; Roncaglia, 2017). There are only two exceptions that we are aware off. In their study of British literature, Backhouse and Forder note that "in so far as arguments in favor of incomes policy are offered, they amount to the assertion that incomes policy was intended to control 'cost push' inflation" (2013, p. 29), through some sort of wage controls. This analysis is extended by Forder to the American literature in his 2014 book. Ultimately, incomes policy would designate an economic policy proposal aimed at controlling the evolution of wages. We complete this analysis by showing that this approach is not the only one, and that considering another incomes policy modality can prove to be theoretically relevant.

Indeed, the extensive literature over incomes policy is crossed by a structural schism: some defend a control limited to wages alone, while others advocate price controls symmetrical to wage controls. We call the first approach "asymmetrical", since prices remain free while wages are controlled, and the second "symmetrical", since prices are controlled symmetrically with wages. Understanding what leads economists to defend or reject price controls within the framework of this literature could provide a significant element of explanation of economists' relationship to price controls in peacetime, in the history of economic thought. To do so, we must answer the following question: why are some incomes policy proposals limited to wages alone, while other also advocate extending price controls?

Our thesis is that it is the understanding of the role of profits in inflationary dynamics that is the decisive element to explain the schism over the symmetry of incomes policy. The key hypothesis lies in assumption over the stability of the mark-up. Authors who advocate an incomes

policy reduced to wages alone reject price controls *ex ante* - before any criticism of their economic or political consequences - because of their analysis of profit as a simple transmission belt of wage trends into prices. Conversely, price controls' defenders justify their use because of the need to control profit trends, which are likely to become an independent driver of inflation – a situation labeled today as "greedflation".[8] The symmetry of incomes policy is therefore based on a symmetrical analysis of the inflationary process, in which inflation originates in both wages and profits. Conversely, the asymmetry of incomes policy is based on the hypothesis of a constant mark-up: only wages are the source of inflation. If the authors whose opposition we are reconstructing here have not openly confronted each other on this hypothesis, we intend to show that it remains central to understand their divergence. We thus hold a typical example of a case where the framing of an economic problem conditions the relevant economic policy answers.

In addition to the literature on the history of thought of incomes policy that we have already exposed, the paper contributes to the history of price controls theories (Bartels, 1983; Colander, 1984; Rockoff, 2004 ; Laguérodie, 2008; Paesani and Rosselli, 2017; Weber, 2021; Chirat and Clerc, 2023). Unlike Rockoff (2004) or Paesani and Rosselli (2017), we here focus on peacetime price controls. Moreover, we consider price controls from a macroeconomic angle: it is their effects on aggregate variables such as inflation or employment that are at the heart of the analysis, whereas a whole section of the literature on price controls remains dedicated to the analysis of their microeconomic effects.[9] This is referred to as "macroeconomic price controls", as opposed to "microeconomic price controls". This study of the literature on incomes policy allows us to reassess the importance of the mark-up question in the inflationary dynamic vis-à-vis the position towards price controls, already raised by Laguérodie (2008, p. 588) and Chirat and Clerc (2023, p. 11-14). Finally, by studying the forgotten literature on incomes policy, we feed contemporary debates, at a time when the policy of raising interest rates in the face of inflation is increasingly debated. We return briefly in conclusion to the contemporary implications of the theoretical elements we have drawn from our historical study.

To carry out this work, we study the major works on incomes policy, mainly in English, but also in the French literature.[10] The inclusion of French-language literature is justified for several reasons. First, by including French writings on incomes policy, which have never been studied as such, we increase the size of the corpus studied and thus the scope of our results. Second, the

[8] We note that this term is never used in the literature of the time, although reasonings are consistent with it.
[9] This line of reasoning begins with Pigou (1924) and Robinson (1933) for monopoly situations, then in broader imperfect competition since Bronfenbrenner (1947). This work is continued, among others, by Eichberger and Harper (1987), Bös and Nett (1990) or by Chang, (2004).
[10] All quotations in French have been translated by the author.

French-language literature is characterized by a highly symmetrical theoretical approach to incomes policy; it is therefore particularly interesting to compare the reasoning underlying such an approach, in order to identify potential theoretical peculiarities.

The paper is organized as follows. First, we show how asymmetric approaches to inflation lead to the rejection of *ex ante* price controls, and the defense of an asymmetric incomes policy (1). We then show that considering profit dynamics as a driver of inflation is the key element that determines support for a price controls policy within the framework of symmetric incomes policy (2).

1. The asymmetric approach to inflation and wage-centered incomes policy

Economists who defend the idea of an incomes policy involving wage controls cannot be considered members of a unique school of thought. On the one hand, we find several post-Keynesian economists, such as Nicolas Kaldor (1958; 1971), Sidney Weintraub (1971; 1972), Abba Lerner (1972; 1978) and Alfred Eichner (1976; 1983). On the other hand, authors such as William Nordhaus (1972; 1981), Arthur Okun (1978), Richard Layard (1982), James Tobin (1983) and Franco Modigliani (1978) can all be linked to the neoclassical synthesis movement.[11] Despite their heterogeneity, all these economists defend a similar wage-centered incomes policy to fight inflation (1.1). This defense can be linked to their theoretical assumptions regarding mark-up stability within the inflationary dynamic (1.2). We examine alternative explanations that can be opposed to our thesis and show that these do not disqualify our approach (1.3).

1.1 Incomes policy as an alternative to depression in the face of wage inflation

The advocates of a wage-centered incomes policy always share two things in common. First, they reject solutions involving a contraction in aggregate demand - a point also shared by advocates of an incomes policy encompassing prices. The desire to determine an alternative anti-inflationary policy to economic slack, which is seen as too costly and ill-suited to the challenges of wage-led inflation, motivates economists to defend a form of wage controls. Controlling wages by reducing the level of aggregate demand is rejected because of the disastrous side-effects this policy could cause in terms of unemployment and increasing the output gap (Kaldor, 1971, p. 3; Okun, 1978, p. 351; Modigliani, 1978, p. 518; Layard, 1982, p. 235; Nordhaus, 1983, p. 266). As Richard Layard puts it: "The more we actually experience of the real costs of unemployment, the more compelling

[11] We note that these economists remain far from being on the edge of the economic field, which testifies to the level of popularity of the incomes policy debate.

becomes the case for fighting inflation some other way" (1982, p. 232). Wage controls by the public authorities are then a less costly alternative, insofar as it does not lead to increased unemployment and reduced production.

Second, they share a same understanding of the inflationary dynamic as being mainly the result of a "wage-price" loop. Indeed, these economists do not consider firms as drivers of the inflationary dynamic since they simply pass on wage increases - which result from an uncompetitive labour market - in their prices. As we noted in the introduction, Backhouse and Forder consider that this "wage-inflation" approach underpins the defense of incomes policy in the British literature (2013). In addition to the British authors studied by Backhouse and Forder, we can add Nicholas Kaldor who, considers "wage inflation" to be "the most important internal economic problem facing the United States (and other Western countries)" (Kaldor, 1958b, p. 35, quoted by King, 2016, p. 125) and thus defended that "incomes policy was the only way of obtaining price stability without economic stagnation or regression" (King, 2016, p. 125). Taking a broader look at the literature on the inflation/unemployment relationship in the 1960s-1970s, Forder takes up the same idea (2014, pp. 40-41). The same rationales can be found in Nordhaus (1981, p. 7), Modigliani (1978, p. 515) or Weintraub to whom "we cannot escape the implications of the wage-cost mark-up (WCM) equation in which price moves are generated by unit wage costs", and thus logically sees incomes policy as "the euphemism for wage and salary restraint" (1972, p. 116). The market power of wage earners thus remains at the heart of inflation analysis. Conversely, in section 2, we shall see that proponent of a symmetrical incomes policy place greater emphasis on the market power of large firms in the inflationary dynamic.

To clarify the discussions that follows, it is necessary to introduce a particular type of approach that almost all the authors cited above endorsed in the 1970s: the idea of a "market incomes policy". This concept emerged from a proposal by Weintraub and Wallich (1971), then Weintraub (1972; 1980), for an "incomes policy relying on market forces over those that do violence to the market", (1971, p. 1). The initial idea was to "levy a surcharge on the corporate profits tax for firms granting wage increases in excess of some guidepost figure" (1971, p. 2), the aim being to increase firms' incentive to reject requests for wage increases. This proposal for a "tax-based incomes policy" (TIP) was the subject of much academic discussion in the 1970s and early 1980s, garnering a growing number of supporters and launching numerous debates on the form that market incomes policy should take. Okun, for example, put forward the idea of a "reward TIP" - involving a tax cut when the wage norm is respected, rather than the "penalty TIP" presented by Weintraub which

takes the form of a tax increase when the norm is transgressed (Okun, 1978).[12] Nordhaus (1978), Tobin (1983, p. 299-300), Layard (1982) or even Layard, Jackman and Nickell (1991, pp. 68-71, pp. 483-490) advocate a "penalty TIP". Modigliani meanwhile calls for a temporary form of TIP[13], which he saw as "a variant of the Weintraub-Wallich plan" (1978, p. 514).

To give an idea of the variety of market incentive policy options considered, we can mention Lerner's proposal (1978, 1980; Lerner and Colander, 1982). Inspired by the idea of Seidman (1976) - who considered inflation to be a problem similar to pollution, a form of externality - Lerner proposed a market mechanism capable of internalizing the negative externality resulting from wage increases exceeding productivity growth. Assuming productivity growth of 3% per year, the government would distribute "wage increase permits" equal to 3% of the wage bill to companies. Companies wishing to increase wages by more than 3% would then be forced to buy back permits from companies that had increased wages by less than 3%. Thus, even if the average level of wage increases were maintained at 3%, the exchange of WIPs would enable decentralized agents, through the interplay of the market, to decide "how much to increase particular money wages in accordance with the complications of demand and supply on the different markets" (1977, p. 405). However, Lerner's iconoclastic proposal did not garner as much support as the more easily implemented TIP idea.

No matter their specific design, we now show that economists who defend wage controls share a similar approach to the role of mark-ups in inflationary dynamics. This position is decisive in understanding their relationship to price controls.

1.2 The constant mark-up hypothesis: the key to the *ex-ante* rejection of the price controls option

The logical consequence of this analysis of inflation is that firms' mark-ups are unlikely to play a significant autonomous role in inflationary dynamics. Firms simply pass on wage increases in their prices to preserve their mark-up; they are merely the transmission belts of wage inflation, not its drivers. This theoretical framing justifies a lack of interest in price controls, regardless of their economic consequences. The price controls option is indeed implicitly rejected *ex ante, i.*e. before any argument about price controls itself, because of the framing of the problem facing economic policy. Weintraub and Wallich, who originated the "market incomes policy" idea, are extremely clear on the link between the assumption of a constant mark-up and the *ex-ante* rejection of the

[12] On the debate on "reward TIP" or "penalty TIP", see Nordhaus (1981, pp. 18-19), Modigliani (1978, p. 515), Perry (1978, p. 523).
[13] But over an extended period, Modigliani referring to a period of 3 years (1978, p. 516).

price controls option. They claim that while "it could be argued that under the present proposal, prices, too, should be controlled in some form", such a device is unnecessary, as "on the historical evidence, the average mark-up of prices over unit labor costs has been remarkably constant", so that "if prices are in this form tied to wages" (...) "no separate control of prices is required" (1971, p. 3). This idea stems from Weintraub's work on long-run prices, notably in his 1959 book, in which he established "the law of k" (1959, p. 33), according to which the mark-up (k) remains remarkably constant irrespective of the business cycle.[14] Based on such an approach, it is understandable that the authors find no need to bear the weight of "the harmful effects and administrative difficulties of a price freeze" (1971, p. 4).[15] Economists who have adopted Weintraub's proposal all share - more or less explicitly - this approach, without, however, referring to Weintraub's empirical work. Thus, when Nordhaus or Okun present their "wage-price" inflation model, they both retain the assumption of a constant mark-up (Nordhaus, 1981, pp. 3-4; Okun, 1978, p. 351). Similarly, Layard, Jackman and Nickell in their 1991 book mainly consider a constant mark-up as part of their famous WS-PS model. The authors do, however, consider that the mark-up could depend on the level of economic activity, although they are uncertain about the direction of the relationship and consider that the effect is certainly weak (1991, p. 367). It is therefore wage pressure that should ultimately be regulated (1991, p. 19), which justifies the defense of a tax-based incomes policy.[16]

This idea can also be found in the most widely quoted empirical study on incomes policy by Richard Lipsey and Michael Parkin (1970).[17] Interestingly, they briefly discuss the hypothesis of a mark-up increasing with demand. Considering this hypothesis leads them to acknowledge that "a prices policy may be necessary merely to prevent margins from widening" (1970, p. 124). However, they quickly discard this possibility based on a rather weak circular argument which amount to saying that the hypothesis of increasing mark-up contradicts "the theory on which the [price] equation is based" (p. 124). Indeed, they initially postulate as a "basic pricing hypothesis" that the mark-up is a constant (1970, p. 116, p. 124). In line with the chosen mark-up hypothesis, the

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[14] Weintraub writes about the constancy of k: "This is perhaps as close as we are ever likely to come to finding a constant in the world of economic phenomena" (1959, p. 43).

[15] We note that the authors argue that controlling wages would actually make it easier to combat firms' market power over their prices. Indeed, once wage-inflation was under control, "it would be an easier matter thereafter to clarify our understanding of the impact of monopoly on price making without our vision being clouded (...) by the facts on wage movements" (Weintraub and Wallich, 1971, p. 6). Aware of the difficulty of getting workers to accept their proposal - to which we shall return - the authors finally argued that such an operation "could ultimately contribute to improving labor's income share" (ibid.).

[16] It is noticeable that the authors are not really concerned about the control of firms' mark-up, and never consider policies aimed at using this lever. In particular, we find no mention of competition policy, even though the WS-PS model remains often associated with this idea in economics textbooks.

[17] Forder notes that "there was a considerable debate over this paper" (2014, p. 127). We read elsewhere that this study constitutes "one of the better-known investigations of this type" (Artis, 1981, p. 9).

authors conclude by excluding price controls from their recommendations and focusing solely on wage controls. Relying on Lipsey and Parkin's paper, the authors of a book on incomes policy recognize that the constant mark-up hypothesis is shared by a "majority of models of price determination" (Holden et al. 1987, p. 51-52). Subsequently, they only considered price controls from a microeconomic perspective or in the short term to regulate inflationary expectations, as described by Rockoff. Eloquently, their book is named "the economics of wage controls" rather than price controls.

This theoretical position stance can also be identified in the work of many post-Keynesian economists, who analyze inflation as an asymmetric distributional conflict, i.e. one in which wage dynamics are more decisive for inflation than margin dynamics. First, we note that the defense of incomes policy remains widely shared by post-Keynesians. Janet Yellen considers that incomes policy as a solution against inflation "is supported by all Post-Keynesians" (1980, p. 19). Second, the asymmetrical perspective is widely shared, as one can read in Marc Lavoie (1982, p. 208), according to which the Post-Keynesian position can be summed up by the idea that "a reduction in the rate of inflation depends on the willingness of wage earners to accept a downward adjustment in the rate of growth of money wages".[18] This last point effectively suggests that firms do not contribute autonomously to the dynamics of inflation, since only wages need to be controlled. To give more substance to this thesis, we can illustrate it by studying the positions of Alfred Eichner and Abba Lerner.

If Eichner develops an original approach of oligopolistic pricing, in which the dynamics of margins remains mainly determined by the firm's rate of growth and its expectations of this rate (Lee, 1999, p. 182-183; Melmiès, 2021), at no point does Eichner considers the mark-up as an autonomous driver of inflation. On the contrary, he explicitly rejects this approach as being "simplistic" (1976, p. 103), to the extent that inflation rather results from a distributive conflict "*with first trade unions* and then megacorps seeking to regain whatever ground has been lost" (1976, p. 271).[19] Therefore, if anything is to be "given" to employees in return for wage controls - to make them acceptable - it is not price controls, but rather the right to co-determine the decisions influencing the future pace of firms growth, and thus *ultimately* the mark-up. For Eichner, an incomes policy must therefore be subordinated to a longer-term planning process in which the

[18] Our traduction. While this position is indeed in the majority among the post-Keynesian authors studied, we will see that several post-Keynesian authors nevertheless oppose this asymmetrical approach to incomes policy, notably Galbraith ([1979] 2024; 1983) and Means (1975a; 1975b; 1982).
[19] Emphasis added.

unions would be involved, responsible for determining long-term expansion. He thus came to defend what he called a "planning-subordinated incomes policy (PIP)" (Eichner, 1983, p. 604)[20].

Finally, Lerner represents a relatively special case, as his concept of 'seller-induced inflation' (Lener, 1958) shows that he does consider that profits can acquire an autonomous inflationary dimension. However, this point does not invalidate our thesis insofar as mark-up dynamics remains for Lerner a totally secondary issue in inflationary dynamics, compared to wage evolution. This may seem surprising, given that his concept of sellers' inflation, popularized by Weber and Wasner (2023), refers nowadays to an inflation driven by the market power of product sellers, i.e., large firms[21]. Originally, the concept had another meaning. For Lerner, the term "sellers" refers not only to product sellers, but also to sellers of labor power who push up wages beyond the level of productivity growth.[22] Lerner is much more concerned about this last point than by the dynamics of margins, in particular insofar as he considers that the market power of firms decreases as the economy approaches full employment, unlike the bargaining power of unions, which increases (Chirat and Clerc, 2023, p. 12-13). Lerner considers that "for the purpose of an anti-inflationary incomes policy, by far the most important regulation concerns wage administrators" (Lerner 1972, p. 68). In Lerner's view, the question of firms' market power should be treated as completely independent from an anti-inflationary policy.[23] As David Colander - who wrote articles with and on Lerner - puts it, for Lerner "control of wage inflation is sufficient to control price inflation." (1980, p. 359). From the point of view of the history of economic thought devoted to inflation and price controls, Weber's reference to Lerner's Seller's inflation therefore seems rather inappropriate to support the idea of inflation driven mainly by the market power of firms. We shall see below

[20] This planning process would be indicative and conceived on a national scale (1976, p. 9).

[21] Weber and Wasner write that "We conceptualize this inflation as what Lerner (1958) called a 'seller-induced inflation' driven by the pricing decisions of firms" (2023, p. 186).

[22] Lerner is particularly clear in his 1972 book when he writes that "the term sellers' inflation was invented to include both workers and employers, the sellers of labor power as well as the sellers of product, as responsible for inflation" (1972, p. 53-54). See also (1957, p. 196).

[23] In 1958, Lerner did indeed advocate a form of price regulation. The aim of price regulation is to prevent "a restrictive price", i.e. a price that leads to "the demand for a product falling below capacity output". Authorities would thus have to authorize or implement price cuts depending on the level of production capacity utilization. Lerner sought to distinguish this idea from price controls at all costs: "price regulation is not price control" (1958, p. 13). Price controls "consists of an attempt by authority to establish a price below that which clears the market", whereas price regulation seeks to prevent the firm from setting the price "above the level that would clear the market at the optimum output" (ibid.). Price regulation consists in enforcing the price that would have been reached by a perfectly competitive market, whereas price controls consists in setting a price below this market price. However, Lerner never defended this proposition again, and in the 1970s he renounced it, considering that "diminishing the degree of monopoly in the economy is a separate objective which deserves to be pursued quite independently of whether there is any inflation problem or not" (Lerner 1972, p. 68), mainly through competition policy. While competition policy helps to combat the market power of firms, the excessive price-setting power of unions remains unchecked. This asymmetry explains why Lerner places so much emphasis on wage control.

that Gardiner Means' analysis of administered inflation could be a far more fruitful reference than Lerner's to support Weber's main claims.

1.3 Discussion of two potential criticisms

We have argued that the understanding of the role of profits in inflationary dynamics determines the positioning of economists regarding price controls. Our thesis could be challenged in two ways. First, it could be argued that it is the attachment to the market mechanism, and therefore to free price formation, which determines why these economists only target wages. Second, our argument could be weakened by the presence of economists adopting a wage-led inflation theory while arguing for price controls. We attempt to show in this discussion that none of those two elements call into question our thesis.

Attachment to the market mechanism is likely to play a role but remains theoretically less decisive insofar as it is only mobilized at a second stage of the reasoning. As we showed above, considering margins as a transmission belt for wage increases in prices leads to the rejection of price controls ex ante, *i.e.* even before considering their negative consequences on market efficiency. This tool is considered irrelevant insofar as it does not correspond to the nature of the economic problem as formulated. Thus, while arguments based on an economic critique of price controls - relating to administrative impossibility in view of the complexity of the market - can sometimes be advanced, they remain very rare in relation to the breadth of the literature on incomes policy. Nordhaus claims that the problems associated with a tax-based incomes policy (TIP) applied to prices "seem insurmountable" (Nordhaus, 1981, pp. 16-17), but this point doesn't really seem decisive, given that he had previously argued that wage controls were sufficient to keep inflation under control. Modigliani also insists on this dimension[24], but his analysis of inflation remains the main factor leading him to believe that "TIP is really promising because it can be applied fundamentally to wages" (Modigliani, 1978, p. 515). If price controls are rarely considered in these works, it is because the shared analysis of inflation leads to believe that wage controls are sufficient in themselves.

[24] Modigliani's insistence is understandable, given that he wrote his doctoral thesis on Italian price controls under fascism in 1935 (see Read, 2015). If he considered a posteriori that these controls "were a nightmare" (1978, p. 515), in the 1930s, he did not appear strictly opposed to the idea of price controls. In a 1937 article, Modigliani defended the idea of flexible price controls - which take account of market fluctuations - as opposed to rigid controls (price freezes), notably as a means of fairly distributing the cost of an increase in the price of an imported commodity between firms and consumers (Modigliani, 1937).

It would indeed be wrong to assert that price controls are strictly never considered as a potentially useful tool by proponents of an asymmetrical approach to inflation. Two types of approach must be distinguished here. Neither approach, however, contradicts our thesis. First, there is the idea that very short-term price controls could be useful in breaking inflation expectations. This idea was presented as consensual among mainstream economists by Rockoff. We emphasize that this point does not invalidate our thesis insofar as the "price freeze" must remain strictly limited in time, and thus departs from the incomes policy proposals formulated by previous authors, which are intended to be more structural.[25] In fact, this position is rarely presented as part of an "incomes policy" - which remains thought of as more structural - but rather as a "wage and price freeze" (or "wage and price control"). The determinants of the debates surrounding this type of policy, its ins, and outs, is not fully addressed here, as this is a separate issue from our focus on structural price controls.

Second, price controls may be considered, rarely, as part of an incomes policy by economists who share an asymmetrical approach to inflation, for reasons of social acceptability. Insofar as an asymmetrical policy focuses solely on wages, with no counterpart on profits, some consider that it would be very difficult for employees to accept it without a counterpart on the price level. The implementation of incomes policy could then be politically compromised. Layard (1982, p. 512) and Modigliani (1978) both share this view. The former remains clear on the fact that price controls do not combat the source of inflation, but merely makes acceptable the device that does so (1982, p. 231). The latter writes that "if what we really need to control are wages (...) politically, it is very difficult to do so without also controlling prices. In fact, it's probably impossible" (1978, p. 515). However, Modigliani was not resigned to defending price controls, which he considered dangerous and administratively impossible to implement. To counter the idea that "the proposal sounds like an antilabor approach", but also to prevent the penalty on wage increases from being transferred to prices by companies, Modigliani wanted to combine his version of TIP with an "excess profits tax on the profit margin above some level" (1978, p. 517).

The underlying theory of inflation therefore appears as the crucial factor. Proponents of an asymmetric wage-pushed theory of inflation - i.e., firms simply transfer excessive wage increases proportionately into their prices – consider wage controls as the adequate tool and thus disqualify price controls from incomes policy reasoning. The latter are seen at best as a temporary short-term fix against inflation expectations, or as a mean of gaining political acceptance for the true solution: wage controls. As we shall see in the next section, price controls proponents build their case on a

[25] Apart from Modigliani, who argues in favor of a form of temporary TIP, but over a fairly extended period of time of about three years.

symmetric theoretical position. Indeed, they adopt a 'symmetric' theory of inflation in which profits, like wages, can be an autonomous driver of inflation.

2) Profits-led analysis of inflation: the rationale for defending structural price controls

We show here that it is a divergence in the analysis of inflation that solves the riddle of incomes policy symmetry. The defense of price controls as a tool of macroeconomic policy to combat inflation in peacetime is directly subordinated to an analysis of inflation driven by profits, as much as - or even more than - by wages. In other words, we show that it is by lifting the assumption of the constant nature of the mark-up in the face of rising wages that economists come to defend price controls (2.1). While the question of employees' market power remains most of the time present, it is now accompanied by an analysis of the consequences of firms' market power in the inflationary dynamic. This approach is shared by a minority in the American literature (Ackley, 1958, 1959, 1972, 1978; Lekachman, 1975a, 1975b; Means, 1975a, 1975b, 1982; Galbraith [1979] 2024, 1983).[26] By contrast, it is dominant in the French context. Indeed, the major French contributors to the debate taking place in the 1960s argued in favor of price controls, and shared a common understanding of inflation (Weiller, 1965, p. 79; Lecaillon, 1965, p. 530; Delors, 1965, p. 583; Brochier, 1966, p. 199; Coulbois 1967, p. 133; Massé, 1969; Gruson, 1976, p. 227).[27] The implementation of price controls as part of an incomes policy is then necessary for these authors. However, it does raise administrative and, above all, political issues (2.2).

It should be noted at the outset that, while they disagree with the authors of the first group on their analysis of inflation - and therefore on the form of incomes policy to adopt - all these economists share the same rejection of anti-inflationary policies in terms of reducing aggregate demand. Moreover, this analysis of inflation does not necessarily lead these authors to abandon the idea of controlling wages, whose evolution is still considered likely to exceed the level of

[26] What these economists have in common is that they were close to the "left wing" of the Democrats. Gardiner Means was an economic adviser in the Roosevelt's administration during the New Deal (Lee, 1998, pp. 29-33). Galbraith was one of Kennedy's close advisors and advocated fiscal stimulus through increased public spending rather than the "tax cut" advocated by the leading members of the CEA (Laguérodie, 2005; Cherrier, 2019). Ackley was a member of Kennedy's CEA, then ambassador to Italy under Johnson. Lekachman called himself a socialist and was a member of the Democratic Socialist Organizing Committee (Chernow, 1978), whose aim was to pull the Democratic Party to the left. He vigorously opposed Reagan's policies (1982; 1987).

[27] This list includes many institutionalist authors belonging to the « *réaliste* » movement, which was very powerful in the academic field at the time (Arena, 2000). Jean Marchal, Jacques Lecaillon, Jean Weiller, Raymond Barre and Jean-Paul Courthéoux are all members of this movement. Raymond Barre was also involved in devising incomes policy. He became Prime Minister between 1976 and 1981. The existence within this stream of a "realist theory of distribution" (*théorie réaliste de la répartition*), which emphasizes the behavior of social groups in determining different types of income, seems to have favored adherence to incomes policy. There were also Keynesians in positions of responsibility, such as Pierre Massé (Head of the planning commission), Claude Gruson (Director of the National statistics agency - INSEE) and Jacques Delors (then a member of the planning commission, future President of the European Commission).

productivity gains due to the level of union power. Firm concentration does, however, call for price controls that are symmetrical with wage controls.

2.1 Two distinct approaches of profit-driven inflation at the core of the defense of structural price controls

There are two theoretical lines of defense to support the idea that profits are an autonomous driver of inflation. In the first approach, it is the microeconomic price-setting procedures of oligopolistic firms that can lead the mark-up to acquire an inflationary dimension at the macro level, even in the absence of interaction with wage trends. The second approach of inflation relies on the idea of a symmetrical distributional conflict, in which the hypothesis of firms' constant mark-up in the face of "wage inflation" is lifted.

Gardiner Means[28] is the author who developed the first approach (Goode, 1994; Lee, 1998, p. 61-63). Means defended the idea of administered inflation, driven by firm mark-ups, based on his analysis of "administered prices" developed in the 1930s (Means 1935, 1936). As Richard Goode (1994) points out, Means' views evolved on the question of administered inflation. He initially only considered that "the relative inflexibility of many industrial prices could plausibly be thought to delay the onset of inflation due to excess demand" (Goode, 1994, p. 177). Means questioned this point in the 1970s, observing that inflation occurs in periods of underemployment. He then considered that inflation could occur independently of demand or wage pressure, through the price-setting procedures of large firms. While Means considers that wage increases may theoretically contribute to inflation, he observes that empirically "there is little evidence that labor contributes directly to leaping administrative inflation" (1975a, p. 65).[29] Means thus puts forward an analysis symmetrically opposed to the authors of the first corpus, who relegated the role of firm mark-ups in inflation to a constant mark-up hypothesis:

> "Apart from periods in which labor has been catching up with increased prices or unbalanced profits, most of the administrative inflation of the last 20 years has come from the side of management, with price increases periodically taking away some of labor's rightful gains from increases in national productivity, followed by a period such as the present in which labor seeks to recover its lost ground" (1975a, p. 65).

[28] We note that Means does not explicitly use the expression "incomes policy", but rather speaks of "guidelines", which is a synonym in the American literature.

[29] Means does indeed consider arbitrary wage increases to be one of the four causes of "perverse pricing" at the root of administered inflation (1983, pp. 478-479). Means acknowledges, however, that "the matter deserves more careful examination" and that his "perception should not be given too much weight" (ibid.).

According to Means, there are several reasons why oligopolistic firms can contribute to inflation. First, large firms set their prices based on a "full-cost pricing" procedure. Prices are hence not determined according to marginal cost but by three variables which "are combined to give a target price" (1983, p. 477): its variable cost, its total fixed cost and its profit target. This pricing formula is likely to become inflationary if demand falls, since "unchanged fixed costs" are "spread over a smaller number of units" (Goode, 1994, p. 178).[30] Means adds that insofar as "Management's reaction to changes in costs is not a balanced one", the passing-on of upward costs is likely to be more than proportional, since "there is a tendency (...) to make an upward price change a little larger than a particular cost increase calls for and to make a price reduction a little smaller than such a cost reduction calls for" (1975a, p. 61).[31] For Means, this point also explains why productivity increases are likely to become inflationary. Indeed, in the case of a wage increase by the same amount as productivity gains, prices are expected to remain stable insofar as the unit cost of labor has not varied. However, due to an "upward bias in administrative pricing" (1975a, p. 61), wage increases "are more likely to trigger a price increase than the (...) reduction in the hours of labor used per unit of output to prevent such a triggering" (1975a, p. 62).[32]

Second, falling demand increases the ability of oligopolistic firms to raise their profit targets, because new entrants are discouraged by the low level of demand[33]. Third, if large firms anticipate accelerating inflation, they know they no longer have to fear losing market share by raising their prices.[34] This reasoning according to which firms know that "extra profits made from 'beating the gun' of inflation will not add to the danger of new entrants and future loss of markets" (1975a, p. 64) is extremely close to the argument at the heart of Weber and Wasner (2023) and their analysis of post-Covid-19 inflation. Means even adds that "increases in the prices of imported raw materials

[30] Means points out that "the profit target" can be "treated as if it were a fixed cost" (1983, p. 478).
[31] While Lee (1999, p. 63) makes this point as a central argument, Goode (1994) seems to have omitted it.
[32] The reason is that "the wage increase is likely to come all at once and be very visible. The productivity increase, on the other hand, is likely to be spread out over time, to be the net result of many factors, and to be minimized or overlooked in the pricing process" (1975a, p. 62). On this point, Means adds an argument relating to sectoral productivity differentials, which can be summarized as follows. If productivity increases more in one sector than in another, and the wage increase is matched to the smaller increase in productivity, the result is a reduction in unit labor costs, which calls for a price reduction. According to Means, this price reduction is unlikely, so it is understandable that the average increase in productivity should be accompanied by a rise in prices.
[33] Means also suggests an effect of capacity utilization rate on the management of new entrants: a low level of capacity utilization - when demand is low - would be dissuasive in itself for new entrants. Means does not, however, detail the effect involved, which therefore remains unclear. We note that Bob Rowthorne, in his seminal 1977 article modeling conflictual inflation, puts forward a strictly opposite line of reasoning. According to him, when demand is weak and there is therefore a large excess of production capacity, firms adopt a "cautious pricing policy for fear that other firms, which also have excess capacity, will invade their market" (1977, p. 219).
[34] Means considers that firms' pricing decisions are the result of a trade-off between the short term and the long term. By setting a price that maximizes short-term profit, the firm exposes itself to the entry of new competitors vying for its market share, reducing its long-term profit prospects: "the management in its pricing has to balance greater profits now against the prospects of greater profits later" (1975a, p. 60). Means considers that firms usually take longer-term objectives into account, and therefore do not necessarily choose the price that maximizes profit.

can trigger price increases greater than the increased costs warrant" (1975a, p. 66). Hence, it appears that Weber and Wasner theory draws more on Means rather than on Lerner.

This approach, based on the idea that big firms have the power to dictate prices independently of wage trends, is also to be found in the OECD literature of the 1960s, albeit in a much more embryonic form. In its first report on incomes policy in 1962, OECD experts[35] rejected the idea that profit trends could be an independent cause of cost-push inflation. Price policy was therefore logically not considered in this report. In 1964, the OECD changed its position, considering that this analysis was only valid in a competitive situation.[36] We then read that:

> "Although competition (...) is undoubtedly a common feature of all Western economies, these include a good number of sectors where prices are, in one way or another, "imposed" by producers. The least that can be said is that these 'imposed' prices are potentially a factor of cost inflation". (OECD, 1964, p. 17)[37]

The authors devote the rest of the report to the defense of a "non-wage incomes policy", symmetrical to the wage incomes policy, and come to advocate an "active price policy" (1964, p. 50), which will be taken up in several subsequent reports (1966; 1971). Once again, it is the market power of firms that can lead profits to take on an inflationary dimension, thus legitimizing the introduction of profit controls - i.e., action on prices - symmetrical to action on wages. This OECD report has had a major influence on French economists who advocate incomes policies. It remains constantly quoted by French authors in support of the idea that profits should be controlled in the same way as wages, through action on prices (Weiller, 1965, p. 79; Lecaillon, 1965, p. 530; Delors, 1965, p. 583; Brochier, 1966, p. 199; Coulbois 1967, p. 133). However, the analysis of inflation shared by French economists remains closer to a second approach of inflation, as a symmetrical distributional conflict, in which the hypothesis of firms' constant mark-up in the face of "wage inflation" is lifted.

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[35] The OECD's work on incomes policy in the 1960s (1962; 1964; 1966) was the fruit of collective bodies. The first two reports were produced by a "working party on means of ensuring the general stability of production costs and prices" set up by the OECD's Economic Policy Committee. Unfortunately, the exact identity of the members of this group remains unknown. We do know, however, that the 1966 report - led by the OECD's Social Affairs Division - was written by English economist Derek Robinson, who was an economic adviser to the National Board for Prices and Incomes (responsible for implementing an incomes policy between 1966 and 1970). He then takes over as head of the "pay board" in 1973, which was tasked with identifying the salary discrepancies resulting from the government's anti-inflation measures. In its obituaries, *the guardian* qualifies him as "one of the most influential labour market economists of his generation".

[36] This theoretical turn-about seems to be largely attributable to the fact that the initial position of the 1962 report had given rise to major protests from workers' unions (OECD, 1964, p. 16-17), which testifies to the power relations at play within the institution and their influence on the content of its productions.

[37] We translate all the elements of this report from French.

This second analysis can be found first and foremost in Galbraith, the most famous advocate of price controls (Laguérodie and Vergara 2008, p. 587-588; Dunn and Pressman, 2008, p. 185-188; Chirat, 2022; Chirat and Clerc, 2023, p. 8-10). According to Galbraith, "inflation [is] caused by the competitive thrust for higher incomes" that engages "large corporations" and "strong unions" ([1979] 2024, p. 101), with the inflationary dynamic likely to be initiated by either party. A similar analysis can be found in Gardner Ackley and Robert Lekachman. The former develops an analysis of administered inflation as a symmetrical conflictual process - opposing firms and unions - as early as 1958, based on a rejection of "the usual cost inflation analysis [which] necessarily places the blame solely and squarely on labor" (1958, p. 632) and insisting on the need "to recognize explicitly that prices as well as wages are 'administered'." (1958, p. 627). Ackley draws on Lerner's concept of "seller's inflation" - which he quotes - to argue that "inflation might start from an initial 'autonomous' increase either in business or labor markups" (1958, p. 630).[38] Robert Lekachman, for his part, considers that in the face of wage increases, companies do not necessarily apply a constant mark-up, but rather that "in concentrated industries, large corporations routinely pass on their higher labor costs to the customers, *usually with a dollop of added profit for consolation*" (1975, p. 91)[39], and speaks further of "cost-push impulses from major corporations and, on occasion, from unions" (1975, p. 92). As we shall see, these two authors use this analysis to advocate direct action on the price level, in conjunction with action on wages. This same line of argument is also found in many French incomes policy defenders (Marchal, 1964, p. 854; Lecaillon, 1965, p. 542; Brochier, 1966, p. 200; Coulbois, 1967, p. 131). For example, after answering in the affirmative to the question "Is the behavior of profits likely to cause the general price level to rise?", Paul Coulbois comes to defend direct intervention on prices (Coulbois, 1967, p. 131). [40] This finding supports our thesis: in both France and United States, authors who consider structural price controls in the face of inflation in peacetime start from an analysis of profits as an autonomous driver of inflation.

This is not to say that all authors who see profits as the driving force behind inflationary dynamics necessarily advocate price controls or symmetrical incomes policy. Rather, all those who advocate structural price controls do indeed start from such an approach to inflation. Bob Rowthorne remains a typical example of an economist who analyzes inflation as a symmetrical

[38] However, Ackley assumes that "the average level of markups employed by business firms rises as total demand increases and falls as demand declines" (ibid.), whereas Lerner believes that "there is good reason to believe that the maintenance of full employment itself, by raising the break-even points, would automatically reduce the rate of markup" (Lerner 1949, 198). This divergence of hypotheses on the meaning of the relationship between mark-up and the level of aggregate demand may help to explain the opposition between the two authors on the symmetry (in Ackley's case) or asymmetry (in Lerner's) of incomes policy.

[39] Emphasis added.

[40] Coulbois is the author of a much-talked-about book on incomes policy in France. Pierre Massé – head of the planning committee - published an entire article dedicated to Paul Coulbois' book (Massé, 1969).

conflict (1977) - he is the author of the seminal article on the subject - without advocating a symmetrical incomes policy. We can understand this point by considering Rowthorne's political commitment. Being a British socialist economist, he personally set against the adoption of an incomes policy by Wilson's government during the 1960's (Rowthorne, 1965).[41] Rowthorne denounced a political project turned against workers, based on wage controls, which he strongly opposed.[42] More generally, Rowthorne was opposed to the union centralization that would result from the implementation of an incomes policy, accused of damaging the vigor of the social movement (1965, p. 10). We can thus understand the author's distrust of this type of policy. Rowthorne does not, however, appear to be opposed to the idea of price controls in themselves, when he criticizes the fact that "price controls (...) have usually been applied in a half-hearted fashion" so that firms "have been allowed to pass on all or a part of any higher costs or taxes" (1980, p. 139). In this form, controls were a "government policy to allow higher prices", hence inflation, which is a "deliberate policy designed to foster the accumulation of capital by maintaining or even raising the rate of profit" (ibid.). However, Rowthorne considers that the real alternative to demand-contraction policies, or incomes policy - limited to wages - is to build up a powerful social movement, aimed at forcing capitalists to redirect investment towards the national economy and not international expansion (1980, p. 144), and *ultimately* to bring about the socialist economic model (1980, p. 130).

It is then the dynamic concentration of economic power in the hands of large oligopolistic conglomerates that calls for the implementation of price controls, symmetrical to wage controls, as part of a symmetrical incomes policy.[43] Furthermore, implementing such a policy raises two main issues: administrative and political.

2.2. The challenges of price controls implementation in the face of administered inflation

The implementation of price controls raises two major issues for proponents of a symmetrical incomes policy. First, a practical question: is it practically possible to implement price controls and to decide which prices should be administered? Second, a political question: how can we implement a policy aimed at controlling the income of firms and employees when inflation is the result of a social conflict?

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[41] On incomes policy in the UK in the 1960s, implemented within the framework of the National Board for Prices and Incomes, see Stalley (1967) or Whitehead (1968).
[42] He denounced the fact that "the incomes policy is intended to maintain the present share of profits in the National Income" (1965, p. 4) and opposed the idea that "trade unions are assumed to be the main cause of wage increases at times of full employment" (1965, p. 5).
[43] Except for Means, who, as we shall see, has even abandoned wage controls.

On the first point, a very widespread idea is that the process of firm concentration which remains at the root of firm-administered inflation - which justifies action on prices - also facilitates the implementation of price controls. Hence, after initially rejecting the idea of direct controls, notably because this would exceed the "competence of any administrative staff" (1958, p. 636), Ackley changed his mind in the 1970s. He came to believe that only "the prices of listed basic materials and of goods and services sold by the 1500-2000 largest corporation" (1972, p. 222) should be controlled by a "Stabilization Agency", also responsible for controlling wages. Lekachman also advocates an "incomes policy based upon mandatory federal controls over the prices of large corporations"[44] (1975, p. 85), while Means defends "a price guidance program applied only to the more concentrated industries" (1975a, p. 66)[45] , i.e. "the few hundred largest manufacturing corporations (...) where most of the significant market power resides" (1975b, p. 19). In Means' view, the government should define "guidelines" setting reasonable price levels for oligopolistic firms, which could be sanctioned - with different levels of penalty - in the event of non-compliance. The level of state intervention on prices, and the appropriate type of sanction, should depend on the level of administered inflation, which Means calls for to be captured through the constitution of an "Administrative Inflation Index".[46] The government would then have had extensive power to administer prices if the level of administered inflation tended to rise.

Finally, Galbraith shares this position and considers more broadly that "it is relatively easy to fix prices that are already fixed" (1952, 17).[47] This is due to the preference of oligopolistic firms for rigid prices, set by convention rather than by a profit-maximizing objective (Galbraith 1936, 1948, 1952a, 1952b). Means and Galbraith furthermore share the same rejection of "anti-trust" policy as a means of combating inflation. Means does not believe that anti-trust policy can be truly effective against administered inflation, since it was designed to combat monopolies, not oligopolies, which remain "the current source of market power" (1975b, p. 20).[48] This policy is also part of a different

[44] Lekachman adds "physicians, dentists, lawyers and other professional workers", but never returns to this point elsewhere. It's the big firms that Lekachman primarily incriminates.
[45] In the context of stagflation in the 1970s, Means also advocated "the expansion of general demand through increasing the money stock" and "the maintenance of a floating exchange rate to minimize the effect of foreign inflation on the domestic economy" (1975a, p. 66). It's worth noting, however, that Means mentions the price controls program first.
[46] This index would be built up by compiling the wholesale price indices of the products of the major concentrated industries, weighted by the raw materials price index for these goods, as well as a cost-of-living factor to approximate the fair remuneration of labor and capital. This index could then capture "changes in prices due to a widespread abuse of market power by management or labor" (1975, p. 72).
[47] As Dunn and Pressman (2008, p. 188) write: "Monitoring such controls is made easier, according to Galbraith, by the fact that prices need to be controlled only in the oligopolistic sector of the economy, since market power exists only in this sector. Consequently, only 1000 or so firms need to be monitored. Enforcement is also assisted by the fact that large oligopolistic firms are all in the public eye".
[48] This idea recurs quite regularly in the literature on American competition policy. For example, in a 1966 paper published in the Stanford Law Review, we read that "antitrust's greatest failing is its inability to cope with the power of oligopolies" (Brodley, 1966). Richard Posner made a similar observation in his 1968 paper.

time frame. Instead, Means envisages reconciling short run types of policies like price control to temper market power with long-run measures like competition policy, then "waiting on the success of each to determine the subsequent weight to be given to each" (ibid.). Galbraith shares the same analysis, adding that competition policy risk undermining the productive efficiency associated with the techno-structure of large firms (Dunn and Pressman, 2008).[49]

Interestingly, the solution found by French authors to the question of administrative implementation differs. Instead of restricting control to a limited number of prices - those of large firms - they advocate an extended form of price controls that eliminates "inflationary risks while allowing market mechanisms to function properly" (Coulbois, 1967, p. 147). In fact, these authors advocated a contractual pricing policy, along the lines of the "stability contracts" and later "program contracts" (*contrats de programme*) that were developing in France at the same time.[50] Another French peculiarity is the idea that symmetrical incomes policy necessarily calls for a substantial deepening of public planning, because of its impact on the level of profit, and hence on investment (Brochier, 1966, p. 204; Lecaillon, 1965, p. 543; Coulbois, 1967, p. 210-211; Barre, 1970, p. 529). Price controls should lead to the development of corporate investment control, through forms of investment socialization. In the United States, only Robert Lekachman – who called himself a socialist economist - developed a similar line of thought, for whom "if these measures discourage private investment", then it would be necessary to "socialize a growing portion of the private sector" (1975, p. 85). This difference between American and French literature can be understood by considering the advanced stage of planning in France during the post-war period.[51] French economists were certainly more aware of the consequences of a symmetrical incomes policy from a public planning point of view, since the *Commissariat Général au Plan* (i.e. planning agency) already had extensive prerogatives in the 1950s-1960s. However, many authors were pessimistic about the deepening of planning required by an incomes policy, insofar as they recognized that

[49] On the intellectual proximity between Galbraith and Means on the question of large companies from the publication of Modern Corporation and Private Property (Berle and Means, [1932] 1991), see Chirat (2023).

[50] Stability contracts were introduced following the 1963 freeze, giving certain companies "the freedom to increase some of their prices on condition that their overall level remained stable, thanks to compensatory reductions" (Franck, 1979, p. 32). However, this system remains restricted to a limited number of companies. The "program contracts" introduced by a decree of March 1966, on the initiative of Michel Debré (Prime Minister, then minister of the economy under De Gaulle presidency) extended the "stability contracts" (*contrats de stabilité*) experiment to a very substantial part of the industry. Companies could "return, collectively or individually, to price freedom, but in return for contractual commitments enabling them to observe prices periodically and bilaterally, to assess productivity gains and how they are shared out, and to assess the renewal and development of fixed assets (...) and the general level of prices" (ibid. p. 33).

[51] On this point, see Kindelberger (1967), Ashford (1988).

employers were unlikely to accept state interference in firms' investment choices (Brochier, 1966, p. 205; Coulbois, 1967, p. 228).[52]

This brings us to the second issue, which concerns the political conditions under which price controls policy, and more broadly incomes policy, can be implemented when inflation is understood as the result of social conflict. This point, which goes beyond the strict question of price controls, must be addressed to grasp the political issues underlying reflections on structural price and wage controls. It is indeed central to many advocates of incomes policy, but particularly to those who approach inflation as the result of social conflict, whether seen as symmetrical (Ackley, 1972, p. 221; Galbraith, [1979] 2024 p. 104; Lekachman, 1975, p. 86) or asymmetrical (Lerner 1972, p. 77; Eichner, 1983, p. 605). A very telling example is given by Eichner, for whom "the key problem of any incomes policy [is] the obtaining of agreement, among the affected parties, as to what is a fair rate of increase in money compensation" (Eichner, 1983, p. 605). Several critics of incomes policy consider this stake as a key point, including Albert Rees (1979, p. 220[53]), or James Rakowski (1983).

The latter points out a paradox in the post-Keynesian defense of an incomes policy, in the face of inflation, which they analyze as the result of a distributional conflict. If social conflict remains at the heart of inflation, and a broad social agreement on income distribution must necessarily precede the establishment of an incomes policy, then controls in themselves become perfectly useless, as the cause of inflation disappears. Moreover, since social conflicts remain inherent to the dynamics of capitalism, Rakowski questions the claim that "the best short-term solution to inflation is merely to have capitalism change its colors and free itself of that fatal flaw which has bedeviled it since the industrial revolution [?]" (1983, p. 595). The idea that the implications of incomes policy imply defending a form of capitalism overcoming is echoed here. This point is nowhere more explicit than in the opposition between the two main economists responsible for drawing up the incomes policy project in France: Claude Gruson (Director of the National statistics institute between 1961 and 1967) and Pierre Massé (head of the planning agency between 1959 and 1966). The former felt that "when you think about the logical requirements of an incomes policy, you quickly see that it is not compatible with the market economy". At the same time, he felt that such a policy "implies a profound, quasi-revolutionary political change" (Fourquet, 1980, p. 278-280).

[52] Indeed, the employers' union (*Conseil National du Patronat Français*) has remained opposed to price controls as part of the incomes policy debate, arguing that their margins are too low, and that it would have an impact on the level of investment. Such a position has been described by one advocate of incomes policy as a "crisis blackmail" (Courthéoux 1966, p. 302).

[53] "Business and labor are now firmly opposed to wage and price controls, and they consider TIP as another form of control" (Rees, 1979, p. 77).

Massé is strictly opposed to this perspective, insofar as he deems that such a policy must be based not on authoritarian controls but on the consent of the interested parties, which leaves room for a capitalist market economy (ibid.). The latter, however, misses Gruson's point that it is not the controls themselves that are revolutionary, but the social agreement that presides over their adoption. Gruson states elsewhere that

> "In order to admit the simple idea of an effective incomes policy, which would make it possible to control inflation, it is necessary to conceive of a social system which would not involve class struggle. This is a very big question; for I do not believe that class struggle will disappear any time soon" (1976, p. 227).

Under this approach, incomes policy requires extensive and permanent collaboration between employees and employers, which almost seems to sketch out an overcoming of capitalism, towards a corporatist form of organization. We might then consider the influence of the writings of a major corporatist economist, François Perroux[54], on the intellectual construction of the incomes policy project in France. His influence can be found in the writings of a number of actors at the heart of this project, starting with Pierre Massé (1965, p. 104), Raymond Barre, who will later become prime minister (Barre and Teulon, 1995, p. 218), and even Charles De Gaulle.[55] It is hardly surprising to learn that experiments in incomes policy have been widely analyzed by political scientists as a corporatist phenomenon (Wolfe, 1985; Marks, 1986; Panitch, 1977; Woldendorp and Keman, 2006; Kiander and Sauramo, 2011). Several "neo-corporatist" authors also defended incomes policy, some even going as far as to consider that "incomes policy is the vital step in the development of neo-corporatist patterns in a given country" (Wilson, 1983, p. 114).

CONCLUSION:

This study has led us to explore a literature that, despite its importance, has rarely been studied in the history of macroeconomic thought. We have highlighted the rallying of a significant number of economists to the defense of incomes policy in the 1970s-1980s, notably through the idea of a "market incomes policy", which seems to have been particularly popular in the US. Cross-referencing the French literature has enabled us to give greater weight to our central thesis: the

[54] On the influence of Perroux on the reorganization of economic discipline in post-war France, see Cohen (2006). In the 1930s and 1940s, Perroux developed a corporatist theoretical approach of price controls. From this perspective, a third party (mainly representatives of the state) would be responsible for arbitrating disputes over prices and wages within the corporation (Perroux, 1938). At the end of the war, Perroux cleansed this approach of all its corporatist references (a theory deligitimized by the Vichy regime) while retaining the substance of his analysis and developed the idea of the "arbitrated price" (Perroux, 1945). It is this analysis that underlies many works on incomes policy in France.

[55] Corporatism played an important role in De Gaulle's thinking (Jackson, 2019), so it is not surprising to learn that he had numerous exchanges of letters with Perroux (Chavagneux, 2003, p. 44).

debate surrounding price controls is largely rooted in theoretical oppositions over the role of profits in inflation. We have shown that the analysis of the role of profits in inflation can predict the nature of the incomes policy advocated: symmetrical if profits play a driving role, asymmetrical if profits are merely a transmission belt for wage increases in prices. Considering the literature on incomes policy as the main body of writings on the question of structural control of prices and wages in peacetime, it can be argued that this element was historically a decisive factor in understanding economists' relationship to price controls.

Insofar as this theoretical debate is based on an empirically testable hypothesis, it is surprising to note that the authors in the corpus very rarely base their position on the role of mark-ups in inflation on empirical studies. Except for Weintraub, who bases his rejection of the price controls option on an empirical study of the evolution of the mark-up over a long period - from the 1920s to the 1950s – economists do not mobilize empirical studies in support of this hypothesis. Today, many empirical studies tend to objectify the reality of profit-driven inflation over the recent period (Vinod, 2022; Bivens, 2022; Weber and Wasner, 2023; Storm, 2023; Bilbiie and Känzig, 2023), while others point to a longer-term trend towards increasing levels of economic concentration (Gutierrez and Phillippon, 2017; Phillipon, 2019; Grullon *et al.* 2019; Autor et al. 2020; Davies, 2021). The concordance of these two phenomena seems to be in line with the arguments put forward by proponents of a symmetrical incomes policy: the concentration of the economy could make some form of price controls necessary, while at the same time making it possible to implement by lowering the bureaucratic costs of its implementation. Added to this is the fact that multiple supply-side tensions are likely to emerge in the context of the ecological and climate crisis[56], likely to encourage higher levels of inflation. According to Weber and Wasner (2023), profit-driven inflation is likely to be triggered by a cost shock as well as supply bottlenecks, with this initial shock then likely to give rise to more sustainable inflation. This type of inflation could be difficult to fight with the traditional weapon of higher interest rates, as high levels of employment and investment are required to ensure the ecological transition.

While this observation may lead us to reconsider the relevance of a symmetrical incomes policy, we need to measure the stakes involved. To manage the distributional issues at the heart of the inflationary process, incomes policy remains subordinate to the achievement of a significant social agreement between capitalists and workers. It would also be appropriate to question the impact of extensive price controls on the level of investment, in the context of a rent-dominated

[56] Not least because of the accelerating occurrence of extreme weather events and the resulting disruption to global supply chains, or the availability of the metals needed for the ecological transition. On this point, see the speech by ECB board member Isabel Schnabel (2022).

capitalism (Cordonnier, 2006; Baragar and Chernomas, 2012; Cordonnier and Van de Velde, 2015; Mazzucato *et al.* 2023) within which investment tends to become an adjustment variable for preserving, or even increasing, capital income. A certain degree of investment control would then be required following the introduction of controls. Finally, although our study focused on peacetime controls, we note that the current situation is closer to the economic issues raised by the application of wartime controls (Chirat and Clerc, 2023, p. 35-36). Like economies facing climate crisis, inflation in wartime results from a structural misalignment between constrained supply and expanding demand, due to the need for full employment of labor power. The theoretical justifications put forward to defend the implementation of price controls therefore go beyond the strict question of profit-driven inflation. While a study of the history of economic thought can help to reassess the value of intervention mechanisms that have been neglected in the past, more empirical and theoretical work is needed today to determine the actual conditions under which price controls may or may not become a useful tool in the face of future challenges.

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