

As might be expected, especially where there has been relatively small rises of productivity, the gains of real earnings have been especially large in relation to that in productivity. Where the gains of productivity have been very large, the rise of earnings in relation to gains of productivity have been low. The variations in rise of hourly real earnings vis-a-vis that in productivity were as high as 50 to 1. There seemed to be, from this small sample, almost an inverse relationship, the greater the gain of productivity, the smaller the rise of real earnings versus that in productivity.

THE SHARE GOING TO LABOR

It is clear, from all kinds of statistics, that the rise of wage rates has exceeded the increase in man-hour output, and, moreover, the rise of wage rates has exceeded the increase in prices. Hence, if, on the average, productivity rises by 2 percent and prices rise a little more than 1 percent, then we may well expect an annual increase in hourly money earnings of about 3 percent, or an increase, say, of real earnings of 2 percent. Insofar as labor's share increases, the wage rise would exceed the gains suggested by rising productivity and prices. A rise of wage rates in excess of that in productivity suggests that wages lead the rise of prices and to that extent contributed to inflation.

If wages rise more than man-hour output and more than the percentage rise of man-hour output and prices, it might be expected that other shares in the national income might be squeezed. The evidence is that over the last few decades, this has actually happened. For example, Dean Bach writes:

Thus overall wage costs have risen somewhat more rapidly than selling price with the result that profits have been squeezed. Indeed, wages throughout the western industrial world seem to be increasingly mobile upward in many instances linked to rising prices through built-in escalator clauses * * *.⁹⁵

In general, Dean Bach seems to believe that this trend will persist so long as the Government continues to guarantee fiscal and monetary policy that will make it possible for each group in society to demand higher income payments in dollars.⁹⁶

Professor Kendrick comes to somewhat similar conclusions. He finds that between 1919 and 1953 the gross private domestic product rose by 3.3 percent a year on the average in current prices in relation to the physical volume of resource inputs. The general level of product prices rose only 1.2 percent, however, and this is explained by an annual rise in the rate of total productivity of 2.1 percent. But it should be noted that the average hourly labor compensation in this period from 1919 to 1953 rose by 3.8 percent a year on the average, as compared with 1.9 percent for the annual increase in compensation per unit of capital input. The 1.8 percent increase largely reflects the rise in the price of capital goods, including land. Because the stock of capital per worker increased greatly during this period, it was possible for the average total compensation per man-hour, including all fringe benefits, to go up approximately twice as fast as the price of capital. Despite the declining input of labor, the large relative

⁹⁵ Joint Economic Committee, "The Relationship of Prices to Economic Stability and Growth," compendium of papers, 1958, p. 37.

⁹⁶ *Ibid.*, pp. 35-37.