

In general, the rise of wages over the last 60 years or so has exceeded that of productivity, and the combined rise of productivity and of prices, suggesting relative gains of wages against property income. Part of these gains are associated with the changing structure of industry; that is, gains for those employments where labor especially profits. These improvements have not been uniform, however. There were periods when labor lost as well as gained. But more recent movements suggest consistent gains for labor, exclusive of early post World War II. In a depression period, wage rates increasingly tend to fall less or even rise as prices fall. Hence gains may be substantial in depression periods. But increased rigidity of prices tends to rob workers of gains in such periods in recent years and, of course, they lose jobs.

Over long periods of time one finds little association between wage movements and productivity in individual industries. In fact, the largest gains in real earnings seem often to come to those industries which have experienced the smallest gains in output and productivity, e.g., lumber and anthracite coal, and the smallest gains to workers in those industries where output and productivity rose a maximum, e.g., electric light and power. For example, the real hourly earnings in anthracite coal rose 5.58 times as much as productivity from 1899 to 1953, whereas in electric light and power the increase was 0.11 percent as much as that in productivity—a 50 to 1 relative advantage for anthracite coal.

In general, the wage share in total income tends to rise. This is often held to be part of the explanation of the inflation. But Dr. Ruth Mack and Professor Ruggles have also stressed the rise of other costs and the increased outlays on marketing, administration, research, and the like.

The gains of labor are also associated with the much larger increase in supplies of capital than of labor and hence the depressing influence of rises in supply of capital on property income.

In periods of rising prices, profits are lower than they seem to be, for replacement costs of inventories and plant and equipment exceed acquisition costs on the basis of which depreciation is measured. One estimate put replacement costs of structure and equipment in manufacturing industries at 1.58 of acquisition costs in 1948 and 1.38 in 1955.

CHAPTER 11. ATTEMPTS TO BEAT INFLATION

Increasingly the public is aware of the dangers of inflation. Government officials and others proclaim the probability that creeping inflation will result in galloping inflation, thus tending to encourage the use of protective devices against inflation. It would be well if the Government instead of proclaiming the dangers of inflation would bring to the attention of the public that over a period of 120 years the rise of prices averaged a little more than 1 percent. But whatever the explanation, there is an increased tendency to take measures to protect against inflation. This is evident, for example, in the large rise in the stock market, and the desertion of the Government bond market in recent years. It is also evident in the doubling in the number protected by cost-of-living escalator clauses in wage contracts since 1955. According to the Department of Labor, they now cover