

On top of all this, the material which I have thus far presented measures actual wage rate increases against actual increases in productivity. But the actual increases in productivity have been repressed by the large economic slack and consequent inefficient use of plant and manpower. Wage rate increases, to fulfill their proper consumption function, should be related to the technological changes in productivity, which means the changes in productivity which would occur under conditions of reasonably full utilization. My chart 20 demonstrates this proposition by comparing rates of actual productivity growth under varying degrees of economic utilization, and therefore substantiates my conclusion that the lag of wage rate increases behind technological change has been severe indeed, and thus has been one of the main factors in the poor character of our overall economic performance.

Chairman PATMAN. They will all be in the record.

Mr. KEYSERLING. The main point is that there is nothing wrong with our productivity, whenever there is adequate ultimate demand. One day we hear that our productivity is increasing so fast that we are never going to be able to expand ultimate demand enough to use all the labor force because technology and automation are advancing so fast. The next day we hear from the same people that productivity and technology are increasing so slowly that we are at a competitive disadvantage all around the world. Both statements can't be generally true.

The fact of the matter is that productivity and technology are increasing faster than we dare to realize, both in the factory and on the farm, and the great problem is to expand distribution apace. There is nothing wrong with American productivity, or American inventiveness, or American managerial skills. This is an economic problem and not a technological problem.

This brings me back to the question about profits that Congressman Reuss asked. My 21st chart shows profits in some key industries, showing in the final bar of each box the first quarter of 1962. This does show iron and steel profits, up again in the first quarter of 1962, although not above the alltime peaks of some of the earlier years.

In the case of motor vehicles, as we have all read in the papers recently, the profits are enormously above any previous time, and in the case of other key industries they are either at or above or very near alltime peaks.

Let us remember that there is at the same time a very low utilization of capacity, as I showed.

My 22d chart bears upon this. When you look at profit sales ratios, you see that they have held up very well, and that most of them have increased, which simply means that, if there were a higher level of operations, if there were a higher level of ultimate demand, profits would soar, and quite properly would soar, far above their recent levels, which in themselves have been very rewarding and quite high.