

Actual trends in the next several months should provide better answers to these questions than are now available—whether the moderately expansionary fiscal policy and easing away from tight money and high interest rates will have the lifting effect on economic activities that the administration expects.

LACK OF BALANCE IN THE PRIVATE ECONOMY

A major underlying problem in the American economy is the continuing lack of balance between employee compensation, on the one hand, and profits and dividends, on the other. We are experiencing a wrong-way shift in income distribution. The record on this score is utterly clear.

Last year, much of the gain in wages and fringe benefits was washed out. The buying power of the average factory worker's weekly take-home pay was actually slightly less than it had been in 1965. And gains in the buying power of take-home pay in the previous 5 years were extremely modest, while profits soared and dividend payments to stockholders rose sharply.

Real compensation per hour for all employees in the private economy, including executives and supervisors, increased only 2.7 percent a year in the 6 years from 1960 through 1966. But real volume of output per man-hour in the entire private economy rose at a yearly rate of 3.5 percent. This is an indication, a measure, of the fact that the vast majority of wage and salary earners have not received a fair share of the benefits of the national economy's expansion.

The price level has been rising, in recent years, regardless of what happened to labor costs per unit of production. The price level advanced moderately when unit labor costs were steady or declining and it rose more sharply when unit labor costs increased.

In the manufacturing sector of the economy, unit labor costs actually fell 1.6 percent between 1960 and 1965, while the wholesale price level of manufactured goods increased 1.7 percent—about as much as the drop in the unit labor costs. In 1966, unit labor costs of industrial goods rose 1.7 percent, as a result of increased employer contributions to social security and the attempt of workers to catch up with rising living costs. But wholesale prices of manufactured goods jumped 2.8 percent.

In the 6 years, between 1960 and 1966:

Corporate profits skyrocketed 60 percent before taxes and 80 percent after payment of taxes.

Dividend payments to stockholders rose 56 percent.

Factory workers' weekly take-home pay increased merely 24 percent, and in terms of buying power, only 13 percent.

Total wages, salaries and fringe benefits of all employees in the entire economy increased only 45 percent, reflecting a substantial increase in employment as well as gains in wages and salaries.

At the peak of the last business cycle in the second quarter of 1960, corporate profits after taxes reached \$27.8 billion—an increase of more than 75 percent. Although they declined to \$46.8 billion in the fourth quarter of 1966, they were still 68.3 percent higher than at the previous business cycle peak.