turing sector of the economy, unit labor costs actually declined 1.6 percent during the same period.

Despite this remarkable stability of labor costs, prices moved upward. The Consumer Price Index rose 6.6 percent—more than twice as much as unit labor costs in the entire private economy, and wholesale prices of manufactured goods rose by about as much as the decline in manufacturing unit labor costs.

The result has been—in spite of a faster rise in employee compensation and unit labor costs in 1966—a redistribution in the share of national income in favor of profits, dividends, and capital gains.

Workers have not shared equitably in the gains made possible by increasing productivity in recent years—not even by the Council of Economic Advisers' guidepost standards. From 1960 to 1965 real hourly compensation of all employees in the private economy, including executives and supervisers, went up only 2.6 percent—not the 3.2 percent wage guidepost figure. And in 1966, real hourly compensation of all employees rose 2.9 percent.

In manufacturing, the real increases in hourly compensation were even less than in the total private economy. They were 2.2 percent annually during 1960 to 1965 and 1.9 percent last year.

Even more striking is the fact that in 1966, when the real gross national product rose by 5.4 percent, the buying power of the average factory worker's weekly take-home pay actually declined, and for construction workers and miners, it was hardly any greater.

Estimates of the AFL-CIO research department indicate that for the 6-year period, from 1960 to 1966, the cumulative total compensation of all employees in the private economy fell more than $50 billion short of the amount which they would have received if their incomes had risen sufficiently to provide them with real hourly increases of 3.2 percent a year—a short fall of about $8 billion a year.

The Council of Economic Advisers shows at least a partial recognition of the shortcomings on both equity and economic grounds of the current relationship between wages, prices, and profits. In a steadily expanding economy, it declares:

> The profit margins which were feasible only in the boom stage of a boom-bust economy . . . are inappropriate. In fact—

It continues—

> profit margins not only should be lower than in the boom phase of a cyclical economy, but should be reduced on the average because operations in such an environment carry lesser risk.

And, in keeping with this principle, the Council urges employers to absorb increased costs to the "maximum extent feasible" and to lower prices "at every opportunity."

The CEA also realistically dropped the specific-figure wage guideline—in recognition of the 3.3 percent rise in living costs between December 1965 and December 1966.

But the CEA in my opinion turns its back on the collective bargaining measures that can possibly begin to restore a better balance in the private economy. The Council rejects cost-of-living escalators and other collective-bargaining measures to offset the impact of an increased price level on workers' earnings.

However, as Prof. Alvin Hansen indicated in Challenge magazine a couple of months ago—and as I understand he indicated very clearly