

We believe that in broad outline the philosophy behind the wage-price guidelines is sound. The idea is that if the overall level of increase in productivity is x percent, the worker can share proportionately in that general overall increase in productivity. In those industries where the tools of production are not as efficient, such wage increases may require price increases. These price increases would be offset by price decreases in industries where the increase in productivity is abnormally high. That is the theory of it.

It is a sound theory, but it breaks down in practice, not on the wage front, but on the pricing policy front, because giant corporations which are immune to the forces of the marketplace, which really have an administered price structure, have been keeping a disproportionate share of the increase in productivity and both wage earners and consumers have been shortchanged.

This is where it has broken down. Now if you take the automotive industry, with which I am very familiar, we are using the fantastic tools of automation and the new technology. Labor productivity has gone up very fast, much faster than the average in the whole economy. But what has happened to that tremendous increase in productivity?

The workers have gotten some of that increase, but they have not gotten their equity, and the consumers have not gotten their equity. We believe that what we need to do to achieve the dynamic qualities of expansion and growth and full employment is to establish equity among investors, workers, and consumers. When any group is shortchanged, you begin to feed the forces of imbalance into the economy.

If you look at the Big Three as an example, in 1965, which was our peak production year, the Big Three together had an earning rate after taxes of 24.1 percent on net worth or almost double the earning rate for industry generally. General Motors made 28-percent return on its net investment after taxes. Ford made 17.5 percent. Chrysler made 20.8 percent.

We have advocated, and continue to advocate, that corporations enjoying an abnormally high increase in productivity, because of the tools of science and technology, share their gains with American consumers by meaningful price reductions. We advocated a \$100-per-car-price reduction in the auto industry. This would have made a tremendous contribution toward the stabilization of our price structure. It would have helped to offset the upward price pressures in the service industries, where technology has not improved productivity as much. And we pointed out that the General Motors Corp. could have cut the price of every U.S.-made car in 1965 by \$100, and still would have made a profit of \$3.6 billion before taxes, or \$1.9 billion after taxes, after the \$100 price reduction.

General Motors profits in 1966 have come down slightly, but they were still the second highest profits in the history of the corporation, and they yielded a return on investment after taxes of 21.8 percent.

We will be sitting at the bargaining table, Mr. Chairman, in a few months. In 1967, I, along with my colleagues in the leadership of the UAW, will be representing at the bargaining table roughly 850,000 to 900,000 wage earners and their families, and we say now, not for public relations purposes, but because we believe American consumers have been shortchanged, we now urge the automobile industry to cut the price of its cars. We have written the Chairman of the Council of Economic Advisers urging him to spend more of his time trying