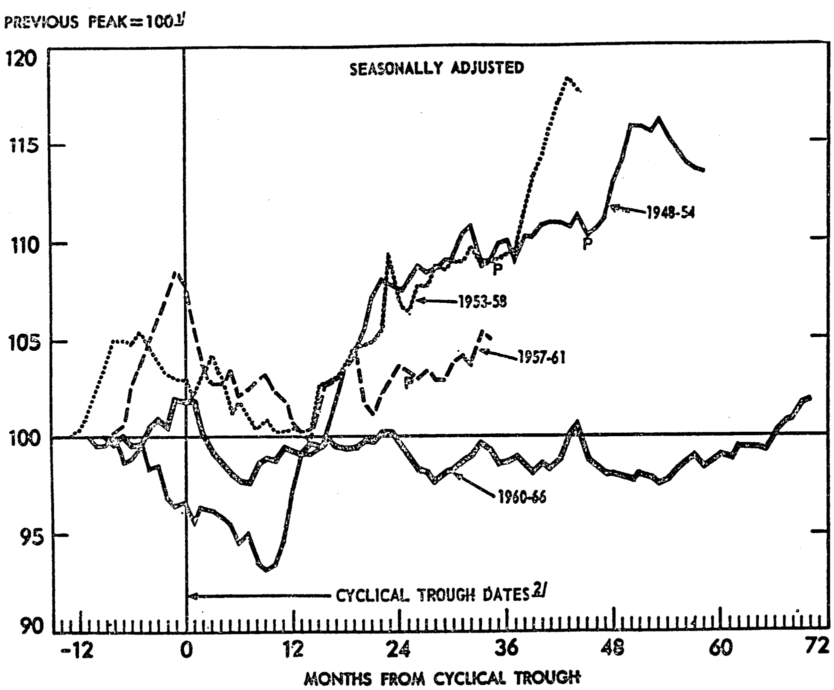
to get the industry to cut prices, and we are prepared to bargain in 1967 within the economic framework of what results from a meaningful price reduction in the prices of cars and trucks.

I think if we are going to try to make sense about how we go about achieving a more stable price structure, we need to get away from propaganda and look at the basic economic facts. We are in trouble not because wage earners are exerting tremendous pressure on the price structure. We are in trouble because large corporations have been getting a disproportionate share of the increase in productivity.

This chart, which we think is a very significant chart, indicates that starting at the peak of the last business cycle and projecting unit labor cost for the period of this cycle—the 72 months of the present business cycle—you find, as this heavy line indicates, that unit labor cost, excepting at the very end, has been lower. It was lower in 1961 and 1962 and 1963 and 1964 and 1965 and in the largest part of 1966 than it was in 1960 when this cycle began. So the pressure on prices did not derive from wage increases that exceeded the increase in productivity, because the unit labor cost was actually going down in that period. And we did not break above the line until workers began the fight to catch up with the increase in the cost of living. Now this is the Council of Economic Advisers' chart.

Unit Labor Costs in Manufacturing Since 1948



P—CYCLICAL PEAK: JULY 1953, JULY 1957, AND MAY 1960.

1/ PREVIOUS PEAKS ARE NOVEMBER 1948, JULY 1953, JULY 1957, AND MAY 1960.

2/ CYCLICAL TROUGHS ARE OCTOBER 1949, AUGUST 1954, APRIL 1958, AND FEBRUARY 1961.

NOTE.—PERIODS COVERED ARE NOVEMBER 1948–AUGUST 1954, JULY 1953–APRIL 1958, JULY 1957–FEBRUARY 1961, AND MAY 1960–DECEMBER 1966 (LATEST DATA AVAILABLE).

SOURCES: DEPARTMENT OF COMMERCE AND BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.