

Representative REUSS. In your discussion of income policy, you indicated that you thought labor should get not only the productivity increase trend adjustment, but some sort of profit sharing. In that event, what happens to the consumer in terms of his price?

Mr. REUTHER. In 1958 the UAW made a serious collective-bargaining proposal to General Motors and the other auto corporations for profit sharing. We proposed in that document that the General Motors Corp., after it had met all of its fixed operating costs, its payroll, its taxes, et cetera, and had paid its investors a certain fixed amount, which would have been a very liberal amount in terms of their basic dividend, would then share the excess profits beyond that basic dividend with the stockholders through a special dividend, with the workers through shares in the profits, either in stock or a combination of stock and cash payments, and, through a rebate, with the American consumer.

Representative REUSS. On a one-third, one-third, one-third basis?

Mr. REUTHER. I don't recall the exact details, but at the breaking point it was on a one-third basis. I don't recall, specifically, the exact breaking point where we would draw the line of demarcation, but we can get that information for you.

Representative REUSS. I would appreciate it if you could.

Mr. REUTHER. We will get that.

(The information referred to was subsequently furnished by the witness and follows:)

The profit sharing plan proposed to the major automotive corporations by the UAW in 1958 was, in part, an adaptation of the bonus plans provided by those corporations for their executives. The Ford Motor Company, for example, provided (and still provides) that 6 percent of all profits before taxes in excess of an amount equivalent to 10 percent on net capital would be available for payment of bonuses to executives. (The General Motors bonus formula was calculated on an after-tax basis but yielded essentially the same results.)

The UAW proposal, similarly, provided that a basic 10 percent of net capital must be earned for stockholders before others would share in the profits. Profits in excess of 10 percent on net capital were to be shared three ways. Half of that excess was to be retained by the corporation for the benefit of its stockholders and managers; it would be available for additional dividends, executives' bonuses, and reinvestment in any proportions decided upon by the corporation. One-fourth would go to wage and salary workers employed by the corporation (excluding salaried personnel covered by the executives' bonus plan) to be used for wage increases and fringe benefits. UAW members were to decide by democratic vote on the allocation of their share of the profits as among wage increases and various types of fringe benefits. The remaining fourth was to go to consumers who had bought the corporation's products during the year in the form of a rebate on the prices they had paid. (The first Henry Ford had once paid profit sharing rebates to buyers of Ford cars.)

The share of the corporation in the excess of profits over 10 percent on net capital was fixed at 50 percent, as compared to 25 percent for workers and consumers, respectively, in recognition of the fact that amounts paid out in dividends or reinvested (but not the amount paid in executives' bonuses) would be subject to the corporate profits tax which was then 52 percent. Thus, the end result would have been approximately an equal three-way sharing among stockholders, workers and consumers.

Representative REUSS. Is that your proposal today? This was true in 1958. Is that what you mean by profit sharing today?

Mr. REUTHER. No. I raised the profit-sharing concept in this testimony this morning not as it relates to that specific proposal that we made in 1958. I raise it with respect to a broader consideration.