waste than unemployment, and less inequitable than policies that seek to hold the rise in real wages below the increase in productivity.

Until relatively recently, the main reason usually advanced in support of price stabilization policies was that inflation is inequitable in its impact, unfairly enriching some groups in the population at the expense of others. For some years now, equity has been receding into the background and the adverse effects of price increases on the balance of payments have replaced it as the main reason for combating inflation. In fact, there has been an increasing tendency to sacrifice equity in order to protect the balance of payments. The tendency is evident in the promulgation of and adherence to a wage guidepost applied to money rather than real wages which, in the face of rising prices, disadvantages workers and benefits other groups at their expense. The sacrifice of equity is even more starkly evident in the adoption of restrictive fiscal and monetary policies to curb inflation which inflicts the ultimate economic inequity—unemployment—on the least favored groups in the population.

That these sacrifices are wholly unnecessary should be readily apparent to anyone who takes the trouble to look at the facts. To begin with, it must be remembered that wages have relevance to the balance of payments only insofar as they may affect prices; and prices, in turn, are relevant only to the trade component of the balance of payments. The facts show that wage movements in this country, relative to those of the other industrialized countries with which we compete on the world market, far from being adverse, have been favorable to the competitive position of the United States. A recent BLS study showed that U.S. unit labor costs in manufacturing rose less between 1957 and 1965 than those of all eight other countries examined, except Canada, by a wide margin. Even the comparison with Canada would have been favorable if not for that country's devaluation of its dollar. As BLS said:

"From the standpoint of labor cost per unit of output, American manufacturers in the mid-1960's have achieved a better competitive position relative to foreign producers than they held in the late 1950's. This conclusion emerges clearly from an inspection of the time series indexes in all nine countries, taking account of changes in the exchange rates in four of the countries."

Money wages and fringe benefit costs per hour increased somewhat faster in 1966 than in earlier years because of prior increases in consumer prices, and there was a small increase in unit labor costs in manufacturing. The Council of Economic Advisers noted, however:

"Even so, unit labor costs in manufacturing have risen less rapidly in the United States during 1966 than in most other industrial countries."

Secretary of the Treasury Fowler was able to testify in these hearings that "on the export side, the U.S. competitive position was maintained" in 1966. He pointed out that "unit value of U.S. exports in the second quarter of last year showed a decline from the comparable quarter of 1965, whereas the movement was upward for most advanced countries."

U.S. exports actually rose during 1966. The Council's Report notes that they "were more than 10 percent greater than in 1965, even after adjustment for the effects of the 1965 dock strike." Particularly significant with respect to the influence of labor costs is the fact that exports of *manufactured* goods also rose 10 percent during 1966. The decline in the U.S. trade surplus last year was the result of a number of special and temporary factors which caused a sharp increase in imports which, as Secretary Fowler said "can be expected to taper off." He mentioned a number of those factors in his testimony, including "additional imports resulting from higher defense spending at home."

The Council's Report calls attention to the increase of 50 percent in imports of capital goods which accounted for more than 20 percent of the total increase in imports in 1966. Foreign-made capital goods were in such heavy demand, obviously, because the spectacular rise in profits fueled an investment boom that strained the capacity of U.S. producers of such goods.

Inflated imports of capital goods inspired by and financed out of grossly inflated profits, however, are only one element in the contribution of corporations to the payments deficit—a deficit which workers are called upon to correct by the sacrifice of job opportunities and their equitable share in the fruits of the nation's growing productivity. A far bigger factor is the sizable and continuing export of U.S. capital to already developed countries in total disregard of the payments deficit.

It is possible that the so-called "voluntary controls" program has had some effect on some forms of capital outflows. But there is little statistical evidence of