

I would hope that the government's economic experts would always be careful to give the public a carefully balanced presentation on all important issues. I submit, however, that Mr. Ackley's statement of the auto industry's side of the case was out of balance with the inadequacy of his statement of the public interest side of the case.

This year, for the first time in any of its Reports, the Council has finally taken public notice of price abuses by the auto corporations. It says:

"It is clear that some significant price reductions which the guidepost would have suggested have not occurred. *Automobile prices are doubtless such a case.*" [emphasis added]

The UAW will welcome and support any action the Council takes to bring about reduction of auto prices. Reductions of auto prices would not only be a contribution to overall price stability. They would result in increased sales and production of cars and thus in increased employment not only for auto workers but for others in the steel, rubber, glass, electrical, copper, aluminum, plastic and many other industries that supply the auto corporations.

The Council notes also that "automobile wages advanced at a rate much above the guidepost." But, it fails to note that, not only were part of the auto wage increase needed to protect the industry's workers against the rise in the price level; the additional above-guidepost amounts gained by the workers were fully in accord with the Council's own principle that the auto corporations had "no justification on either economic or equity grounds" for distributing their above-average productivity gains "exclusively through the profits channel."

In 1965, the automobile industry, including the parts supplier, *could have increased the wages, salaries and fringe benefits of all its employees by a staggering 29.1 percent and it would still have had profits after taxes equal to the 12.9 percent reported by all U.S. manufacturing corporations other than those in the auto industry.*¹

The UAW has repeatedly committed itself publicly to take account in negotiations of price reductions that might be put into effect by the auto corporations and to confine its demands to amounts that could be paid without creating any necessity for restoration of such price cuts, and without reducing profits below a reasonable level. That commitment is still in effect.

Income policy

It is apparent that the guideposts have ceased to be of any practical value. An examination of the causes of their breakdown may be useful in the formulation of a new, sounder, more equitable, and therefore more viable stabilization policy. For a policy there must be. While fears of inflation in the United States have been grossly exaggerated and have led the Nation into unduly restrictive actions, the fact remains that the United States is not immune to the problems that beset all other industrialized nations as they try to reconcile full employment and price stability.

The guideposts broke down, in my opinion, primarily for three reasons:

1. *The manner of their inception was unsound.* Instead of being formulated with the active participation of the parties who were expected voluntarily to comply with them, they were promulgated from on high by the Council of Economic Advisers. Secretary of Labor Wirtz has aptly described them as "stabilization without representation."

2. *The wage guidepost has been interpreted and applied rigidly and inflexibly without regard to the facts of the specific situation.* As the President's Advisory Committee on Labor-Management Policy found it necessary to remind the Council in a statement adopted August 18, 1966, the original presentation of the guideposts included numerous qualifications and exceptions based upon considerations of equity and flexibility. In practice, 3.2 percent became the magic touchstone by which all wage settlements were judged, evoking from the President's Committee the obvious but necessary comment that:

" * * * it is impartial if not impossible to translate the goals reflected in the guideposts into formulae for application to every particular price or wage decision."

¹The Commerce Department employee compensation data and the FTC-SEC profit and net worth data on which these calculations are based are not strictly comparable but the result shown above is undoubtedly reasonably within range of the facts. Figures for 1966 are not yet available.