

December 1962. Preliminary analysis of these data indicates that, despite all the talk of a "people's capitalism" in the United States, *little more than 1 percent of all consumer units owned approximately 70 percent of all such stock.* Fewer than 8 percent of all consumer units owned approximately 97 percent—which means, conversely, that the total direct ownership interest of more than 92 percent of America's consumer units in the corporation-operated productive wealth of this country was approximately 3 percent. Profit sharing in a form that would help to correct this shocking maldistribution would be highly desirable for that reason alone.

The UAW and profit sharing

It may be of interest in this connection that the UAW formally proposed profit sharing to the major automobile corporations as early as 1958. In addition to profit sharing for workers, the proposal included a provision for profit sharing rebates to consumers on the prices they paid for the corporations' products. In essence, the UAW proposed that, after meeting their basic wage costs and basic salary costs, and after paying basic dividends to stockholders, the corporation share the remaining before-tax profits, with one-half to go to stockholders and executives, one-fourth to go to wage and salary workers, and one-fourth to be rebated to consumers.

The UAW pointed out at the time that its proposed method for compensating workers was already being applied to executives and stockholders. The amount available for payment of executives' bonuses, in addition to their basic salaries, was and is determined by applying a percentage figure to profits in excess of a specified basic rate of return on investment. Stockholders received and continue to receive basic "regular" dividends which, in profitable years, are augmented by "extra" dividends.

It is certainly reasonable to ask: *Why should this method of compensation not be applied to workers as well as to stockholders and executives?* Why should not workers receive, in addition to their basic compensation reflecting the factors normally considered in negotiating wages and fringe benefits, a share in the profits that their labor helps to create?

The UAW was unable to persuade the corporations to agree to profit sharing in 1958. Their top management spokesmen reacted to the proposal hysterically and ideologically although they participated lavishly in the profit sharing plans for executives maintained by their respective corporations. General Motors described the UAW proposal as "foreign to the concepts of the American free enterprise system"—which, perhaps, explains why it has for years provided profit sharing for GM blue collar workers in Great Britain but not for those in the Corporation's home country.

The UAW did, however, negotiate a profit-sharing agreement with American Motors Corporation in 1961. Anticipating recent discussions in Europe, that agreement provided for part of the workers' share of the profits to be paid to them in the form of stock in the corporation. That American Motors is currently suffering losses rather than enjoying profits is neither attributable to profit sharing nor a reflection on its merits.

I commend profit sharing to the consideration of this Committee, the Congress, and the public as a potentially valuable feature of a sound and equitable incomes policy. This Committee might want to explore the possibility of developing legislation to encourage the negotiation of collective bargaining agreements providing for profit sharing.

Profit sharing and collective bargaining

If profit sharing is to be an element in stabilization policy, it will take on that role through collective bargaining.

At the same time, acceptance of the profit-sharing principle could greatly facilitate the collective bargaining process.

One of the most serious problems with which collective bargaining must contend—particularly now that long-term contracts are a common phenomenon—is uncertainty about the future. The parties to negotiations attempt to divide up a pie whose actual size cannot be known until after the end of the two, three or more years during which the contract will be effective.

The economic environment in which negotiations take place may provide a temporary advantage to one side or the other which it feels necessary to press to the limit, knowing the other party would do the same if the situation were reversed. Thus, if a contract is negotiated at the peak of prosperity, the workers