

satisfaction, some of the issues on which conflicting opinions have been expressed before this committee. But any wage-price policy also raises questions as to what is a "fair" wage and a "fair" profit and an "equitable" distribution of the national income on which opinions and interests will remain in sharp conflict.

The conflicts of interest become apparent when we turn to the burning question whether wage rate increases should be limited by the trend rate of productivity growth, even in the face of significant increases in the cost of living. Whether unions whose contracts will be renegotiated in 1967 will be satisfied with only a partial and gradual adjustment for cost of living increases—as in effect the President urges—may well depend upon whether they are persuaded that the stabilization program will be applied equitably to all groups in the population. But obviously, there is no agreement in the country on what the principle of equality of sacrifice requires under present circumstances.

When it erected the original guideposts in 1962, the Council recognized that, if adhered to, they would perpetuate the existing "relative shares of labor and nonlabor incomes in total output." So it emphasized that "there is nothing immutable in fact or in justice about the distribution of the total product between labor and nonlabor incomes." It thought it desirable that labor and management "should bargain explicitly about the distribution of income of particular firms or industries," so long as they did so within the framework of a stable price level. In 1964, the Council further explained that such bargaining should take place in an industry "whose trend productivity is growing more rapidly than the national average" only after prices were reduced "enough to distribute to the industry's customers the labor-cost savings [the industry] would make under the general wage guidepost." But since then the Council has vacillated on the desirability of bargaining about the distribution of income.

This year, for example, the Council warns that "attempts on the part of the unions to redistribute income from profits to wages through excessive wage increases in high-profit industries results primarily in higher prices in those industries," and in the redistribution of "real income from the rest of the community—who are mostly other wage earners—to the workers in question, with very little redistribution from profits to wages."

But of course, this is true only because management in high-profit industries has been unwilling to reduce prices and no means have been found to compel it to do so.

Recognizing that it is unfair to ask workers to restrain their wage demands if their restraint will only result in higher profits, the Council appeals for forbearance on the part of management. It asks producers to "absorb cost increases to the maximum extent feasible, and take advantage of every opportunity to lower prices."

But there is no agreement in the country on any standard of "reasonable" profits that would tell us to what extent producers should absorb cost increases and how much lower profit margins should be. For this reason, we cannot tell whether a wage increase higher than that permitted by the wage guideposts should have the effect of redistributing the industry's income or should justify a price increase or a smaller price decrease than the guideposts call for.