What the report seems to say is that there cannot be a signifiicant decline in retail unless there is an unusually large decline in farm prices. If stable retail prices are the objective of the council, then it necessarily follows that reduced farm prices are an essential part of this equation.

The council speaks with approval on page 93 of the overall profit record in manufacturing, stating:

During the first three quarters of 1966, after-tax profits for all manufacturing averaged 5.6 percent of sales, the same as in the first three quarters of 1965. As a percentage of equity, however, they were higher—13.4 percent for the first three quarters of 1966 against 12.7 percent a year earlier.

Again we would point out that this was taking place while farm equity was declining by about the same percentage.

Quoting from the report which indicates that stable farm prices is the desirable goal for the country, we note on page 97:

Average wholesale prices in the farm and food sector should be relatively stable, if weather is normal, with advances for some items approximately balanced by reductions for others. However, retail food prices will probably continue to rise, although more slowly than in 1966.

A further inconsistency is revealed in the council's wage-price guideposts beginning on page 120:

The Council proposed a set of standards for this purpose as a contribution to public discussion.

These standards—like those more generally described in the statements quoted above—are based on certain arithmetical relationships among output per man-hour (productivity), wage rates, and prices. These relationships show that, if wage rates increase in line with output per man-hour, prices can be stable while the distribution of income between labor and others contributing to production remains unchanged.

On page 121, the report states the exception to the council's 1962 guideposts.

The Report proposed as a general rule that hourly labor compensation should advance in accordance with the trend increase in productivity in the entire economy. No specific estimate was given of that trend, although a summary of statistical evidence on the long-run growth of output per man-hour was provided.

The general guidepost rule was subject to various exceptions—some explicitly stated and others only suggested. The stated exceptions were these: In the interest of *equity*, wages of workers who are underpaid because of weak bargaining power (or other reasons) should rise faster than the average, while wages of workers who are overpaid because of exceptionally strong bargaining should rise more slowly than the average. In the interest of *efficiency*, wages should rise somewhat faster than the average in industries with a rapidly growing employment (in order to aid recruitment), and more slowly in industries with labor surpluses. Moreover, workers who contributed to an extra rise in their own productivity—for example, by consenting to the relaxation or removal of restraints on the freedom of their employers to change work rules or introduce new methods—should be allowed to share in the benefits of that extra productivity gain.

The Grange respectfully suggests that the action of the Government in relationship to farm prices was in direct violation of the principles laid down by the 1962 guideposts. Not only were farm prices, which had lagged far behind the rest of the prices for the nonfarm sector, not allowed to rise more rapidly in order to be able to obtain some equity, but they were in fact deliberately depressed by economic man-