imbalance, plus the dislocations and pressures of the Vietnam conflict, which provided the initial impetus for spiraling prices—not reckless union demands.

Between 1962 and 1965 corporate after-tax profits increased 45 percent. The 1966 profit take was 9 percent above that of 1965. During the slowdown in late 1966 and the first half of 1967, when there was substantial idle plant capacity, business firms were still attempting to maintain the record-breaking profit levels of earlier years. To do so, faced with a lower level of total demand, the businessman sought to maintain his inflated "share" via a boost in the price structure in his particular bailiwick.

Prices did not decline during the "plateau period" in 1966—and profits are now rising again. A Dow Jones survey of 581 corporations indicated that profits in the fourth quarter of 1967 were 5.2 percent above the same period in 1966. The consensus of business forecasters is for a rosy and profitable 1968.

To compound the squeeze on the worker, interest rates for consumer credit have recently broken 40-year record highs. Food prices jumped 9 percent from January 1965 to December 1967. Even more dramatic has been the skyrocketing in the price of consumer services. In 1967, increases in the cost of consumer services accounted for almost half the total rise in the Consumer Price Index. The fantastic increase in the cost of medical care has been the primary contributing factor. Physicians' fees and hospital service costs rose 8.1 percent during 1966 and another 7.9 percent during 1967.

Meanwhile, wages have lagged. Average hourly earnings of nonfarm workers increased only 10.4 percent from 1962 to 1965, and 4 percent between 1965 and 1966—while productivity was increasing at a rate of 3.6 percent annually.

In short, wages have, in fact, stayed within the guidelines, but the rise in the price of essential goods and services has wiped out real wage gains—while corporate profits were taking a larger share of the economic pie. It is not surprising, then, that by late 1966 unions found the situation intolerable; it was imperative that union members catch up to the rise in the cost of living. And catch up is all that they did.

A recent Labor Department study found that, although average hourly earnings of nonfarm workers increased more sharply in 1967 than in any other year in the last decade, real earnings (earnings adjusted for price changes) were about the same in December of 1967 as in the previous two Decembers.

In our view, the proper method for maintaining a balanced growth in GNP without inflation is through the use of monetary and fiscal tools—not special "controls" directed at specific groups. CWA supports, in the area of fiscal policy, a wartime surtax, geared to the ability-to-pay principle and coupled with urgently needed reforms to close tax loopholes under which substantial amounts of income escape the kind of tax burden assessed on wages and salaries. This kind of tax policy can prevent a monetary crisis, and help keep at least one important price down—the cost of credit.

Orderly, noninflationary growth cannot be achieved so long as the purchasing power of wage earners does not keep up with the increase in profits and other forms of income.