

The critical role of monetary and fiscal policy in stemming the price spiral was emphasized by two of the economists testifying on the guideposts issue before the Joint Economic Committee on January 31 of this year.

Prof. John Kendrick, of George Washington University, stated:

The guideposts obviously cannot replace noninflationary monetary and fiscal policy.

Prof. George Perry, of the University of Minnesota, elaborated further:

If present price prospects require a remedy * * * the main burden must fall on restraining total demand through conventional fiscal and monetary means * * * If, with all the benefit of hindsight, we could rewrite the history of the past 2½ years, applying fiscal restraint when the surge of demand first appeared in late 1965, I believe we could operate at today's output and employment levels with less inflationary risk than we actually face.

What are the operative results of wage guideposts, whether officially or unofficially enunciated as a decimal point ceiling?

Those sectors which have contributed most to the rise in consumer prices are food and services—both areas where guideposts pressure can seldom be brought to bear, due largely to the fragmented nature of price decisions in these industries.

In effect, the situations which receive the most concentrated attention from the Government's guidepost activities are the "visible" industries—those organized industries whose negotiations involve, at one time, all or a substantial portion of the workers in a particular industry.

Thus the wage guidepost stratagem seeks from organized labor a special sacrifice—in the form of hold the line—to cure a general economic problem of which labor is the victim, not the instigator.

In addition to a catchup in purchasing power, the labor movement will gear its bargaining in 1968 to assure to its members recognition of their contribution to rising productivity in the industry in which they work.

It is in this context that CWA approaches its negotiations this year with the communications industry. From 1959 to 1966, output per man-hour—productivity—grew more rapidly in communications than in any other industry, increasing 5.3 percent per year. The 1968 Council of Economic Advisers' report points out what CWA has been saying for a number of years:

* * * public utilities (communications and electric, gas, and sanitary services) have not passed the full benefit of improved productivity on to their customers. Although their capital costs per unit of output have undoubtedly risen, their profits have increased at an exceptional rate.

The Bell System is an excellent example of just how exceptional the rate of profit in the public utilities industry has been. Between 1962 and 1967 A.T. & T.'s profits grew 47.6 percent, or better than 9½ percent per year. The Council's choice of the word "exceptional" is clearly not an attempt to understatement.

During the period 1959 to 1966, output per man-hour in the communications industry rose an average of 5.3 percent per year, while compensation per man-hour rose only 4.3 percent—and thus unit labor costs declined 1 percent per year. The correlation between declining unit labor costs and burgeoning profits in the communications industry is clear and direct.