role in achieving maximum resource use, the Council has persistently forgotten all about wages as a factor in consumer buying-power, and has dealt with wages only as a factor in business costs. The concern has been only to avoid such wage rate increases as might result in cost-push inflation.

This CEA preoccupation has been misplaced, in terms of the realities of recent economic developments. Based upon my aggregate analysis, I estimate that, measured in 1965 dollars, the deficiency in wage and salaries ranged from $42.6 to $55.1 billion during every year from 1960 through 1967, and was $45.1 billion in 1967 (see my chart 7).

This aggregate analysis is fortified by comparative trends in wages and productivity. During 1960–1966, when the economic growth rate in real terms averaged annually 5 percent, productivity or output per man-hour in the private nonfarm economy grew at an avearge annual rate of 3.2 percent, while real wages and salaries per man-hour in the private nonfarm economy grew at an average annual rate of only 2.7 percent, representing a very serious lag in real wage-rate gains behind productivity gains.

During 1966–67, preliminary estimate indicate that productivity in the private nonfarm economy grew only 1 percent, while real wage and salaries per man-hour grew 2.8 percent. But it is entirely fallacious to regard this wage-rate gain as "too high" relative to the productivity gain. For the productivity gain of only 1 percent did not represent a break in the technological trend toward increasing rates of productivity gains, but rather reflected the response of actual productivity to the underutilization of the labor force resulting from the economic growth rate of only 2.5 percent in real terms. To have attempted to repress the rate of gain in wages and salaries to this artificially repressed productivity growth rate would have been institutionally difficult, if not impossible. And it would also have compounded the difficulties of inadequate expansion of demand, in terms of restoring an adequate economic growth rate.

Any attempt at thorough equilibrium analysis would have revealed to the Council that the low economic growth rate and the terribly low productivity growth rate in 1967 stemmed in large degree from the lag in consumer buying power and wages behind the productivity growth-rate during 1960–66. But ignoring all this, the 1968 report of the Council misappraises the real difficulty, and heightens its expression of concern about wage-rate gains exceeding productivity gains.

Beyond all this, when 1966–67 is included, the average annual increase in productivity or output per man-hour during 1960–67 in the private nonfarm economy was 2.9 percent, while the average annual increase in real wages and salaries per man-hour was only 2.7 percent.

The true nature of the disparities to be dealt with is demonstrated even more clearly by looking at total manufacturing. Here, during 1960–66, productivity grew at an average annual rate of 3.8 percent, while real wages and salary gains per man-hour lagged at 2 percent. During 1960–67, when the productivity gain dropped to 0.9 percent in consequence of the economic stagnation, real wages and salaries per man-hour grew 2.7 percent; these disparate trends should be inter-