tions of the entire equilibrium thesis which I have set forth for so many years, and restated in earlier portions of my discussion above.

Moreover, and again in substantiation of my basic thesis, this private investment in plant and equipment did not turn down so sharply during 1967–68 because of any general inadequacy of profits or other investment funds. It turned down because relatively excessive profits in earlier years contributed powerfully to the various disequilibrium which brought about the sharp investment reaction during 1967–68.

Equally or even more seriously, the relatively excessive and disequilibrating profit binge continued on into 1968, and so did the price increases which fed them, despite the ominous warning signal in the sharp downturn in private investment in plant and equipment. During 1967–68, measured in constant dollars, while wages and salaries grew only 5.6 percent, labor income only 6.5 percent, and farm proprietors' income only 1.4 percent, corporate profits and inventory adjustment grew 7.1 percent, or considerably more rapidly than the average annual rate of advance (allowing for compounding) during the 7-year period 1961–68 as a whole.[5]

In short, the disturbing inflationary trends during 1967 and 1968 have been very clear demonstrations of profit inflation. This is one of the most dangerous and disequilibrating kinds of inflation. One must be deeply concerned that this whole matter has been so completely disregarded in the 1969 CEA report, and equally so in the whole range of policies which emerge from the highly defective CEA analysis. Instead, the CEA urges that real hourly wage rate increases be held to 2.0 percent during 1969.

To reinforce this profit point by returning to the 1961–68 analysis in another aspect: From 1960 to 1968 (measured in current dollars, which is satisfactory for the purpose), prices in total manufacturing rose 7.5 percent, contributing to an advance of 111.6 percent in profits after taxes. Reflecting in part the profit yield, investment in plant and equipment grew 84.9 percent, but wage rates grew only 33.1 percent. In motor vehicles and equipment, prices rose 3.8 percent, profits after taxes 89.4 percent, investment in plant and equipment 71.9 percent, and wage rates only 34.4 percent. In three other key industries shown on the same chart, the respective trends told essentially the same story. My utilization of wage rates rather than aggregate wage payments in this exercise appears to me to be justified for a variety of technical reasons which I shall not cover at this point, although much light is shed upon this problem by my subsequent discussion of the comparative trends in productivity and hourly wage rates.[6]

*CEA neglect of economic equilibrium problem*

The poverty of economic analysis displayed by the CEA throughout the years, with respect to the whole issue of economic equilibrium, is genuinely distressing. Considering the resources available to the Council and the importance of the problem, and the rich experience made manifest in the performance of the American economy under widely different sets of circumstances, one would have thought that by now the CEA would have developed and made available a thorough

[5] See chart 6, following text.
[6] See chart 7, following text.