

The above table illustrates some of the problems of the microeconomic approach. With the data, matrices may be made of the influence on prices, wages, or profits or changes in production at different levels of concentration. These matrices show that, for increases in production, price rises would be larger, but not uniformly so. For the same increases in production, larger increases in hourly earnings result in larger price rises, but not in a consistent fashion. Profit changes are most directly connected with increases in output, but numerous exceptions are found. Increases in production have a greater influence on price increases than the average level of concentration in manufacturing industries. Small production increases are associated with lower levels of concentration and large production increases are associated with higher levels of concentration. This explains why the incautious or determined will find with selected data an association between levels of concentration and price level changes.

Also impressive is the clustering of wage increases during the period at the 40- to 45-percent level, except for industries where production (sales) increases have been small. Where production increases have been lower, wage rises have also been smaller.

These data show that the many simple generalizations explaining recent price changes are subject to considerable reservation. Cost push does not explain price increases, because hourly wage increases and price increases have been smaller where production increases have been smaller. Administered prices do not explain price increases, since price increases are small even among concentrated industries where production increases have been small—for example, tobacco manufacturers.

In a study of rate of increase and straight time hourly earnings and changes in employment in durable and nondurable manufacturing, for the years 1947–57, Professor Eckstein finds a rise in employment in durables by 27 percent and in nondurables virtually no change. Yet the increase in wages was very similar. This suggests that the increase in wages in one segment of the economy tends to spread to other industries, even where the pressure on employers is not nearly so great. As others have noted, also, the increase according to Eckstein was larger in good times than in bad. Wages tend to rise more when employment rises and rise less when employment increases little or is shrinking. Eckstein also finds that wages tend to move up with consumer prices. The explanation of this, of course, may be that the rise of wages brings about higher consumer prices, and higher profit margins are also a stimulus to wage increases. Eckstein also notes a higher association between increases in productivity and a rise of wages, a rise associated with increasing investment in plant and equipment. Variations in productivity are very large, varying from 9.7 percent in 1950 to 0.4 in 1956 over a period of 10 years from 1948 to 1957. Obviously, wage movements do not move closely with productivity. Therefore, if there is a large rise of productivity, the net effect, despite a wage increase, may very well be declining prices; but where wages rise, despite small increases in productivity, prices tend to rise. When productivity rises by 9 or 10 percent, wage rates will not rise by a corresponding amount; but, when it increases by only less than one-half of 1 percent, wage rates will tend to continue to increase, though not as much as in the earlier years.⁸²

According to Dr. Hickman of the Brookings Institution, the large rise of demand for durable goods was especially accompanied by large increases in wages and prices. This held in the early postwar period and also in the years 1956–58. These wage increases were then spread, with a lag, to other industries. Hickman also claims that

⁸² Compendium, op. cit., pp. 364–369.