

(3) The gross-profit increase in durables includes depreciation allowances. This avoids the problem of distortion in the profits-depreciation split which is inherent in the use of historical costs and changing amortization procedures. It has been suggested, however, that the rising gross-profit share in basic steel especially is due to the necessity to finance replacement and expansion at continually higher prices. Given the apparent tie between wages and profits and the nature of cost-push, it is at least questionable that increasing profit margins provide the most satisfactory, i.e., least inflationary, method of financing steel changeover and expansion.

(4) The detailed industry data do not give any support to the simple demand-pull hypothesis and limited support to the cost-push explanation. Combined with the overall stability of shares and the alternating pattern of profit and wage gains, the inflationary cost push should be interpreted as a profit-and-wage push, at least in the manufacturing sector.

(5) The results of this study, limited to manufacturing and to specific industry demand pressures, do not bear upon the likelihood that demand pressures elsewhere in the economy might spill over into wage setting in manufacturing. Such a possibility, especially in the pricing of services, could very well set off the inflationary profit-wage alternation described here.

