

labor costs as shown by the constant weighted index with the change shown by the aggregate index (i.e., aggregate wage and salary bill divided by aggregate output). The difference between the two indexes shows the influence of shifts between low and high unit labor cost industries.¹⁷ Over the period 1947-57 the two indexes rose by almost the same percentage. Practically all of the rise in unit labor costs shown by the "aggregate" index was due to changes in unit labor costs in each industry; very little was due to shifts in the composition of output.

TABLE 15.—Comparison of 2 indexes of unit labor costs, all manufacturing industries
[Percent change]

	1947-57	1948-49	1953-54	1957-58
'Aggregate' index.....	36.5	0.9	1.3	2.2
"Constant weight" index.....	37.7	2.2	2.6	4.1

On the other hand, in each recession of the postwar period, the increase in unit labor costs shown by the aggregate index was substantially less than the increase shown by the constant weighted index. In other words, the rise in unit labor costs in each industry was partly offset by a decline in the relative importance of high labor cost industries. Both indexes show that the rise in unit labor costs during the 1957-58 recession was somewhat larger than the rise during earlier recessions. While we have not fully investigated the factors which might have been responsible for this greater increase in unit labor costs during the recent recession, two factors suggest themselves immediately; first, the decline in output was larger during the 1957-58 recession than during the prior ones; and secondly the proportion of total labor costs represented by the relatively fixed salary component was larger in 1957 and 1958 than in earlier years.

PRICES AND COSTS IN RECESSION AND RECOVERY

In this section we will examine the behavior of the prices of the products of manufacturing industries in the course of recessions and recoveries. Concerning their behavior during recessions, a very interesting comparison may be made between the behavior of these prices and other prices in the economy. The price indexes which have been constructed in this study are, it will be remembered, indexes of the price of gross product originating in each industry. The price of gross product originating in any industry is conceptually equivalent to the price of the product minus the unit cost of materials and supplies purchased from other firms. For the manufacturing industry as a whole, the price of gross product originating is equal to the price of products sold minus the unit cost of materials and supplies purchased from nonmanufacturing industries.

If we examine the behavior of market prices of manufactured goods during postwar recessions, we find that in the 1949 recession prices declined, in the 1954 recession they rose slightly, and in the 1958 recession they rose somewhat more. A similar pattern was exhibited by the wholesale and consumer price indexes. These changing pat-

¹⁷ More correctly, we can isolate the effect of shifts in the composition of output among our 20 industries. Shifts in the composition of output within each industry are still reflected in our individual industry indexes.