

The general impression gained from table 18 is that at least where short run dips in production are concerned, it is very likely that labor cost per unit will behave more like an overhead cost rather than a variable one.

SUMMARY OF CONCLUSIONS

The behavior of output in the manufacturing industries examined was quite diverse over the period 1948-56. A significant part of the diversity can be explained by the increase and subsequent cutback in the demand for military hard goods, and the continuation of the long run trend toward greater fabrication per unit of materials input.

Turning to prices and costs, we found that unit prices of gross product originating within manufacturing had risen 23 percent over 1948-56. Labor cost per unit contributed by far the greatest part of this increase; however, the contribution of labor cost to the increase was only about its proportionate share of total costs. Capital consumption per unit was the one cost per unit which contributed more than its proportionate share to the rise in total costs per unit, while net business income per unit contributed less than its share to the rise. The combination of these two costs, gross business income per unit, contributed just about its proportionate share to the price rise. As in output, the behavior of prices or unit costs for different industries was quite diverse.

The *direction* of changes in relative prices and in gross margins in most manufacturing industries appeared to conform to what would have been expected on the basis of given changes in unit labor costs and demands. There were some exceptions to this conformity, however. Behavior of labor cost per unit was far from uniform for all industries, ranging from large relative declines to large relative increases. The diversity of experience in the behavior of unit labor costs for most industries appeared to be best explained by variation in productivity gains rather than variation in wage rate increases. In industries where productivity increased most rapidly, labor costs per unit of output rose more slowly than in industries where productivity rose at a slower rate. There were, however, five significant exceptions—tobacco, primary metals, textiles, apparel, and leather—in which the variation in wage rate increases rather than productivity gains played the larger role in explaining the relative behavior of unit labor costs. Another factor which influenced the behavior of unit labor costs was the substitution of salaried employees for wage employees.

Increases in the unit labor cost for the manufacturing industry as a whole may come about because of increases in unit labor costs within individual industries or because of a shift in the composition of output from industries with low labor cost per unit to industries with high labor cost per unit. It is clear that the increase in labor cost per unit for all manufacturing is almost entirely due to actual changes in unit labor costs *within* individual two-digit industries and not to shifts in the composition of manufacturing output among these industries.

A commonly advanced hypothesis is that prices have become more likely to increase during recessions than in the past. This pattern is exhibited in both the consumer price index and the wholesale price index. For the product originating *within* manufacturing it is true that prices have risen in each postwar recession, but in this respect,