

APPENDICES

APPENDIX A

SOURCES OF DATA AND DERIVATION OF BASIC SERIES FOR COST INDEXES

This appendix describes the sources and treatment of data used to obtain the basic annual series for the cost indexes presented in this study. Appendix B describes how these series were adjusted for the fact that three of them are based on data which is reported on a company basis rather than an establishment basis.

The necessary series for each industry are (1) wages and salaries, (2) net business income, (3) capital consumption allowances, (4) indirect business taxes, and (5) an index of physical output. Each of the first four must be industry totals on an annual basis and in current dollar values. The output index must be consistent with the other four and is used with them to obtain the cost indexes as described in the text of the study.

The basic data source for this study was "U.S. Income and Output," published by the Department of Commerce, November 1958. For the year 1958, the continuation of tables found in "Income and Output" in the Survey of Current Business, July 1959, was used.

WAGES AND SALARIES

Wages and salaries are reported by industry in table VI-2, "Income and Output." The only problem in this series arises from a change in the industrial classification made in 1948. This reclassification affected lumber and wood products, furniture and fixtures, chemicals, petroleum and coal products, primary metals, fabricated metals and ordnance, instruments, miscellaneous manufacturing, nonelectrical machinery, and electrical machinery. Estimates for the affected industries were published for 1948 under the old classification as well as the new. The percent changes in the data on the old classification, from 1947 to 1948, were applied to the 1948 data on the new classification to get estimates for 1947 on the new basis. These estimates were then adjusted to conform to certain given totals. It was apparent that some error existed in the final estimates. Therefore 1947 estimates for the affected industries are not as accurate as those for subsequent years.

Wages and salaries are reported on an establishment basis and therefore need no further adjustment before being used to obtain the cost indexes.

NET BUSINESS INCOME

Net business income was obtained by indirect methods. Table I-10, "Income and Output," provides estimates of national income originating in each industry. The national income originating in an industry is the sum of net incomes originating within the industry. For manufacturing industries, the incomes originating within an industry are wages and salaries, corporate profits, income of unincorporated business, and interest. We have combined the last three and called them net business income. Therefore to obtain net business income, wages, and salaries were simply subtracted from the reported national income.

The same reclassification problem exists in 1947 for national income as for wages and salaries. The method used to obtain 1947 estimates was the same as that described in the section above on wages and salaries.

Since profits and interest are reported on a company basis, rather than on an establishment basis, the series obtained by subtracting wages and salaries from national income must be adjusted before it can be used in the construction of the cost indexes. Appendix B describes this adjustment.