be noted that the unexplained gap is a very small sum indeed compared to a total cash flow of about $50 billion a year.

On the basis of this analysis, the corporate cash flow in recent years has been, if anything, high by historical standards, rather than low as many have suggested. Furthermore, at least part of the excess in recent years can be accounted for by the change in depreciation schedules in 1954. It also suggests that the ratio of corporate cash flow to GNP would be higher if the economy were growing vigorously and resources were being used more nearly in line with optimum conditions such as are measured by the potential GNP.

This analysis does not take into account any impact on corporate cash flows from the newly announced revision in Bulletin F which provides new guidelines for business deductions for depreciation under the tax code. These provisions would apparently have a potential at present levels of investment and GNP of adding perhaps as much as $3.5 billion to corporate depreciation charges. This would add between $1.5 and $2 billion to the total corporate cash flow, allowing for the effects on corporate profits and tax liabilities. On this basis, the gap of $4 billion between actual and calculated, that has appeared in recent years, would be enlarged by about one-half, and a 7-percent investment credit, if enacted, would further expand this excess.

Analysis of total corporate cash flow, therefore, provides little basis for attributing low investment in recent years to reduced profit margins, or to a "profits squeeze" in other words. What seems to have happened has been a lower volume of operations and a lower cash flow, but with the same or even higher profit margin, if, by "profit margin" we mean what is ordinarily meant—the margin that would be realized at a standard or optimum volume of operations.

The share of corporate business in gross national product, 1929–61

[Ratios derived from data measured in current prices]

Year	Ratio of national income originating in corporations to—		Ratio of national income originating in corporations plus their capital consumption allowances to—	
	Actual GNP	Potential GNP	Actual GNP	Potential GNP
1929	0.433	0.441	0.475	0.483
1930	.423	.366	.471	.407
1931	.371	.295	.427	.340
1932	.315	.213	.383	.259
1933	.309	.203	.377	.247
1934	.360	.256	.415	.295
1935	.372	.285	.423	.325
1936	.391	.391	.435	.370
1937	.414	.362	.456	.399
1938	.379	.307	.424	.343
1939	.397	.338	.440	.374
1940	.421	.379	.461	.415
1941	.448	.452	.484	.488
1942	.458	.497	.490	.532
1943	.458	.528	.486	.561
1944	.426	.504	.456	.539
1945	.386	.437	.417	.473
1946	.410	.414	.434	.439
1947	.447	.444	.474	.470
1948	.464	.468	.494	.498
1949	.447	.432	.480	.464
1950	.465	.471	.498	.504
1951	.466	.488	.499	.523
1952	.457	.475	.492	.511
1953	.463	.481	.501	.522
1954	.450	.442	.493	.485
1955	.463	.471	.510	.518
1956	.466	.461	.513	.509
1957	.458	.442	.507	.490
1958	.440	.404	.492	.451
1959	.457	.430	.508	.477
1960	.452	.421	.503	.468
1961	.444	.407	.497	.455

Source: U.S. Department of Commerce, and staff of the Joint Economic Committee.