

primary attention was directed at the impact of advertising outlays because they are generally considered to influence profit rates and we wished to examine the net effect of advertising on profits after the influence of these other factors had been accounted for.

The statistical analysis is founded largely on tax return data which are compiled by the statistical division of the Internal Revenue Service. It is based on industries as defined by the IRS and refers to average values for the years 1954 through 1957. Averages were taken so that the results would not be influenced by the particular business conditions which happened to exist in a given year, and the years chosen refer to a complete business cycle.

The statistics on profit rates and advertising-sales ratios which are used in the empirical analysis are presented in table A-1 attached to my statement.

(The statistics referred to follow:)

TABLE A-1.—AVERAGE PROFIT RATES AND ADVERTISING-SALES RATIOS IN 41 CONSUMER GOODS INDUSTRIES, 1954-57

[In percent]

	Profit rate	Advertising sales ratio
1. Soft drink.....	10.0	6.2
2. Malt liquors.....	7.2	6.8
3. Wines.....	7.3	5.2
4. Distilled liquors.....	5.0	2.1
5. Meat.....	4.6	.6
6. Dairy.....	7.9	2.2
7. Canning.....	6.4	2.9
8. Grain mill products.....	7.0	1.9
9. Cereals.....	14.8	10.3
10. Bakery products.....	9.3	2.9
11. Sugar.....	5.8	.2
12. Confectionery.....	10.6	3.5
13. Cigars.....	5.3	2.6
14. Cigarettes.....	11.5	4.8
15. Knit goods.....	3.8	1.3
16. Carpets.....	4.5	2.0
17. Hats.....	1.6	2.2
18. Men's clothing.....	5.9	1.2
19. Women's clothing.....	6.1	1.8
20. Millinery.....	-1.3	.8
21. Furs.....	5.7	1.0
22. Furniture.....	9.7	1.5
23. Screens and venetian blinds.....	9.3	1.6
24. Periodicals.....	11.7	.2
25. Books.....	10.1	2.4
26. Drugs.....	14.0	9.9
27. Soaps.....	11.7	9.2
28. Paints.....	9.9	1.5
29. Perfumes.....	13.5	15.3
30. Tires and tubes.....	10.2	1.4
31. Footwear.....	7.6	1.5
32. Handtools.....	11.4	4.2
33. Household and service machinery (not electrical).....	7.3	1.9
34. Electrical appliances.....	10.3	3.5
35. Radio, TV, and phonograph.....	8.8	2.2
36. Motorcycles and bicycles.....	5.2	1.1
37. Motor vehicles.....	15.5	.6
38. Instruments.....	12.0	2.0
39. Clocks and watches.....	1.9	5.6
40. Jewelry (precious metal).....	5.3	3.2
41. Costume jewelry.....	1.4	4.0

Dr. COMANOR. A significant correlation exists between these two variables. While high profit rates may be and frequently are associated with relatively low advertising-sales ratios, such as instruments which include cameras, industries with high advertising-sales ratios