TABLE 1.—*Wage and price relations, all manufacturing, annual data, 1954 through 1966*

Average hourly earnings of production workers, manufacturing

1. $$\frac{\Delta AHE}{AHE_{-1}} = -0.0009 + \underset{(1.8445)}{0.3911}\left[\frac{\Delta CPI}{CPI_{-1}}\right] + \underset{(3.8107)}{0.0017}\left[\frac{1}{RU}\right]$$

$$+ \underset{(1.4749)}{0.9396}\left[\Delta\left(\frac{Z_{AU}}{EQUITY}\right)\right] \underset{(-3.1546)}{-0.0102}\, DMY_{GP}$$

$\bar{R}^2 = 0.722$ $\quad S_e = 0.0046$ $\quad DW = 1.12$

Unit labor cost, manufacturing (compensation of employees per unit of real gross product originating)

2. $$\ln ULC = -1.1987 + \underset{(6.7467)}{1.7523} \ln AHE \underset{(-5.3167)}{-0.0471}\, TIME$$

$$\underset{(-6.0175)}{-0.3424} \ln UC_{FRB}$$

$\bar{R}^2 = 0.973$ $\quad S_e = 0.0090$ $\quad DW = 2.83$

Wholesale price index, total manufactures, 1957–59 = 1.00

3. $$\frac{\Delta WPI}{WPI_{-1}} = -0.0768 + \underset{(5.5368)}{0.4841}\left[\frac{\Delta ULC^N}{ULC^N_{-1}}\right] + \underset{(5.2212)}{0.4302}\left[\frac{\Delta ULC^N_{-1}}{ULC^N_{-2}}\right]$$

$$+ \underset{(2.8952)}{0.0909}\, UC_{FRB} + \underset{(2.7708)}{0.0980}\left[\frac{\Delta P_{CM}}{P_{CM-1}}\right] + \underset{(2.3031)}{0.0139}\left[\Delta\left(\frac{O_U}{S}\right)\right]$$

$\bar{R}^2 = 0.910$ $\quad S_e = 0.0039$ $\quad DW = 2.77$

NOTE.—Numbers in parentheses are 't' statistics.

DEFINITION OF SYMBOLS

(Unless otherwise indicated, all monetary variables are in billions of dollars and all monetary flow variables are at annual rates.)

AHE = average hourly earnings of production workers in manufacturing, dollars
CPI = consumer price index, all items, 1957–59 = 1.00
Δ = first difference operator
DMY_{GP} = dummy variable
= 1.0, 1962 through 1966
= 0.0 all other years
DW = Durbin-Watson statistic
$EQUITY$ = total stockholders' equity, manufacturing corporations excluding publishing of newspapers
O_U = unfilled orders, all manufacturing, end of year
P_{CM} = index of the price of materials input to manufacturing, 1967–59 = 1.00
$\bar{R}^2$ = proportion of explained variance corrected for degrees of freedom
RU = rate of unemployment, 16 years and over, fraction
S = shipments by all manufacturing industries, monthly rate
S_E = standard error of estimate
$TIME$ = time trend, 1947 = 1.00
UC_{FRB} = Capacity utilization, Federal Reserve Board, fraction
ULC = unit labor costs, manufacturing (compensation of employees per unit or real gross product originating), dollars per dollar
ULC^N = normal unit labor costs, dollars per dollar (defined by predicted values of equation 2 using the mean value of ULC_{FRB})
WPI = wholesale price index, total manufactures, 1957–59 = 1.00
Z_{AU} = corporate profits after federal and state profits tax liability (excluding inventory valuation adjustment), manufacturing