But this does not exhaust the exclusions. It is obvious from a study of the four postwar recession years—1949, 1954, 1958, and 1961—that there is no semblance of a standard or normal relation between unemployment and wage behavior in such years. (In 1949 the increase in average hourly compensation was drastically below that of the preceding year, in 1954 moderately below, in 1958 about even, and in 1961 sharply above.) Accordingly, we exclude from our analysis of the post-1954 period the recession years 1958 and 1961, and also, for a special reason, 1960.[5] This means, of course, that *we draw no inferences as to the relation between unemployment and compensation increases during recessions.*

These exclusions leave us with only 11 annual observations, fewer than we would like, but enough to yield at least the broad outlines of the relation we are investigating.

The picture

The chart on page 3 shows on the horizontal axis the average unemployment rate for the year and on the vertical axis the percentage increase in average hourly compensation during the year. Data for the 11 years are plotted in section A. Those for the most recent 7 years are shown separately in section B.

It is obvious at a glance that increases in compensation have tended to be lower with higher unemployment rates, but equally obvious that the relation is not completely regular. There can always be an argument in such cases about the precise location of the line of central tendency and there is unavoidably some arbitrariness in drawing it. The one shown on the chart is not sacrosanct, but it is certainly somewhere "in the ball park." You can draw your own.

Suppose we tabulate the trend values of the two lines for a few pertinent unemployment rates:

Unemployment rate (percent)	Associated annual increase in average hourly compensation (percent) A	B
3.5	7.7	7.2
4.0	5.8	5.6
5.0	4.2	4.1
6.0	3.7	3.6

Note that in both cases the increase in hourly compensation associated with the official 4-percent unemployment target is *in excess of 5.5 percent a year.*

II. Relation Between Unemployment and Unit Labor Costs

Increases in hourly labor compensation do not, of course, imply equal increases in labor costs per unit of output, commonly referred to as "unit labor costs." For the latter fall short of the former by the rise of productivity per man-hour. Thus, if hourly compensation is

[5] We have defined recession years as the ones in which the movement *bottomed.* In the recession of 1958, the decline started so late in 1957 that the averages for that year were very little affected but the decline culminating in 1961 started early in 1960 and was largely completed by the end of the year. In that case the averages for both years were seriously affected by the recession, and we have consequently excluded both.