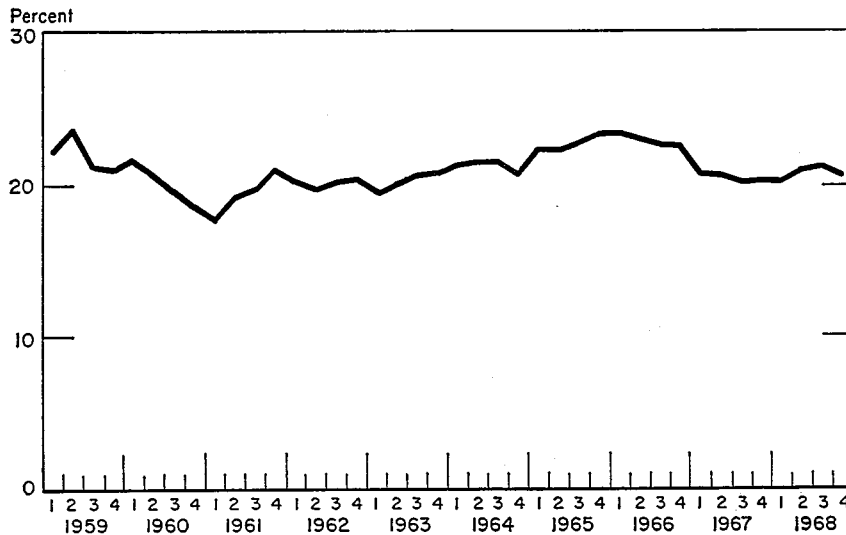


Chart 4

Corporate Profit as a Percentage of Costs*
(Seasonally adjusted quarterly data)



* Costs exclusive of purchases from unincorporated business. Profit is before tax and after inventory valuation adjustment. See Appendix C.

The basically horizontal movement of the profit-to-cost ratio is evident at a glance. While there were fairly substantial variations, the ratio finished the decade slightly lower than it started.³⁸

Hypothetical calculation

We shall consider later the extent to which the guideposts have actually affected wage and price behavior, but in the meantime should like to offer an hypothetical calculation, again for the corporate system.

Suppose that the guideposts had been in effect over the entire past decade, the wage target being the "trend increase" in man-hour output over the period, 2.8 percent per year.³⁹ What would have been the price effects of (1) the excess of actual wage increases over this standard (deviations from the wage guideposts), and (2) variations in relative profit margins (deviations from the price guideposts)? The results appear in chart 5 (p. 33).

³⁸ This was true also of the preceding decade.
³⁹ For the private nonfarm economy.