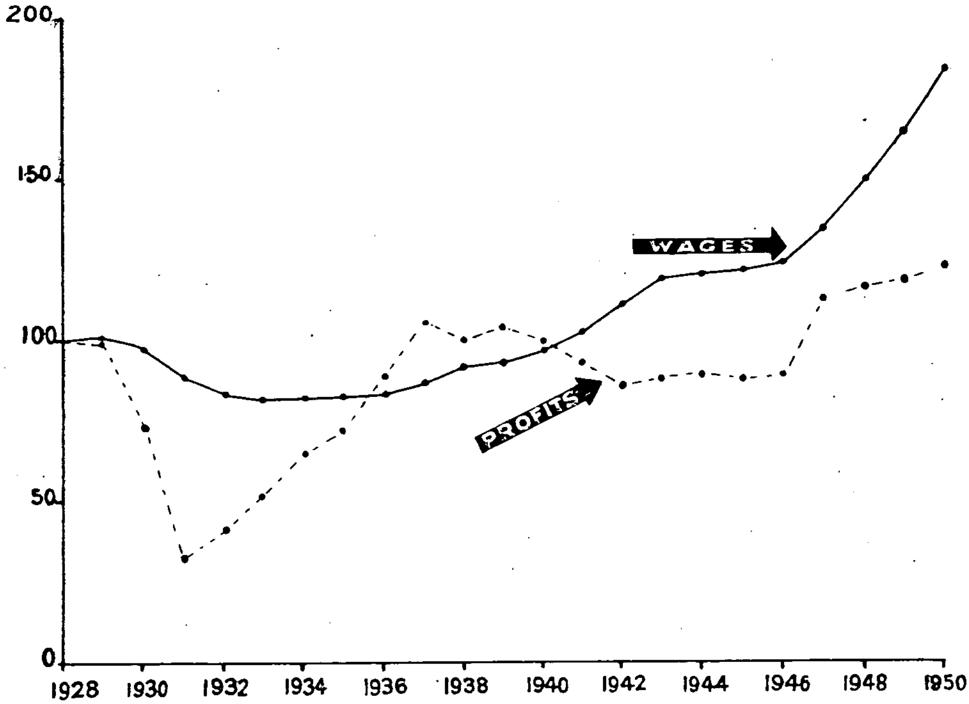
Trend of Wages and Profits, 1928-1950



Sources:

Wages: Commonwealth Statistician's figures of weekly award wages for adult males.

Profits: Data published by the Commonwealth Bank showing profits of industrial and trading companies as a percentage of shareholders' funds, after provision for taxation.

Base: Both indices are based on the pre-depression year (1928)=100.

NOTES ON THE GRAPH.

The figures for wages are before taxation, but this would make little or no difference to the trend of wages disclosed in the graph. In pre-war days the average family wage-earner on award rates paid taxation amounting to about 1 or 2% of his weekly earnings, compared with a peak of about 6% during the war and current rates of about 2%. It should also be noted that the graph covers award wages only. If bonuses and overtime etc., were included the post-war trend of wages would be even steeper. Nett profits fell during the war largely because of the heavy inroads made by taxation into company income. During the war and post-war periods companies paid taxes amounting to nearly 40% of their income compared with an average of only 20% before the war.

The graph shows very clearly that there is a positive correlation in the movements of wages and profits, with wages rising much more steeply than profits in the current boom and falling less than profits in periods of depression. The sharp decline in profits with the onset of the 1929/30 crisis as disclosed in the graph directly refutes the frequently repeated claim that depressions benefit business. In a slump wages tend to fall, but profits may fall away precipitously and shares may be worth only a fraction of their face value. Both employer and employee benefit very greatly from prosperous conditions and it is in their joint interests to guard against the possibility of any serious downturn in economic activity.