

Table of Contents

Chapter	Page
	Preface ii
	List of Tables vi
	List of Figures vii
1	Introduction and summary 1
2	Interindustry Macroeconomic Modeling 5
	Early Development: Input-output Economics
5	Development of Interindustry Macro Approach 9
	A Closer Look at the Price-income Side 13
	Approaches to Modeling Return to Capital
17	Approaches to Industry Equations 20
	Evaluating Equations to be Used in a Model
23	
3	Industry Profit Income: Equation Specification 25
	Definition of Corporate Profits 25
	Role of Profits in an Interindustry Macroeconomic Model 33
	Determining Industry Profits in a Set of Equations 41
	Variable Definition and Measurement 42
	Long-run Forecasting Properties of Equations 47
	Conclusions 49
4	Industry Profit Income: Equation Estimation 50
	Sample Estimation Results: Wholesale and retail Trade
50	Corporate Profits Equations for All Industries 55
	Profit Equations by Industry 60
	Group 1: Lagged Costs 63
	Group 2: Lagged Costs - Input and Labor 75
	Group 3: Input Costs and Demand 84
	Group 4: No Input Costs 94
	Group 5: Regulated Industries 99
	Group 6: Construction-related 107
	Group 7: Special Industry Profit Equations
115	Conclusions 130

5	Non-profit Income Equations	131
	Proprietor Income	131
	Non-profit Capital Income	138
	Conclusions	144
6	The LIFT Model	145
145	The Real Side of LIFT (Product determination)	
	The Price-income Side of LIFT	150
	The Accountant in LIFT	154
	Exogenous Variables	156
	Conclusions	157
7	Properties of the LIFT Model	163
	Base Forecast with LIFT	163
	Oil-price Shock in LIFT	184
	Productivity Shock in LIFT	199
	Fast Growth of Money Supply in LIFT	214
	Exchange-rate Simulation	222
	Conclusions	236

Table of Contents (continued)

Chapter	Page	
8	Interindustry Macroeconomic Modeling and Social Accounting Matrices: An Application to Agriculture	237
	SAM Modeling	237
	Value-added Shock to Agriculture	241
	Value-added Shock to Agriculture in LIFT	243
	Conclusions	248
9	Conclusions and Suggestions for Further Work	250
	References	255

List of Tables

Table Number	Name	Page
3.1	Before-tax Corporate Profits	31
4.1	Summary of Equation Results	56
6.1	LIFT Product Side	147
6.2	LIFT Price-income Side	151
6.3	LIFT Return to Capital by Industry	153
6.4	Exogenous Assumptions for LIFT	158
7.1	Government Assumptions for LIFT	166
7.2	Base Forecast with LIFT Model	169
7.3	Base: Output by Producing Sector	173
7.4	Base: Exports by Producing Sector	175
7.5	Macroeconomic Results of Oil-price Shock	188
7.6	Industry Effects of Oil-price Shock	191
7.7	Effect of Oil-price Shock on Profit Margins	194
7.8	Macroeconomic Effects of Productivity Shock	200
7.9	Long and Short-run Effects of Productivity Shock	202
7.10	Industry Effects of Productivity Shock	207
7.11	Industry Effects of Productivity Shock: 2000	209
7.12	Effect of Productivity Shock on Profit Margins	212
7.13	Macroeconomic Effects of Fast Money Growth	216
7.14	Industry Effects of Fast Money Growth	219
7.15	Effect of Fast Money Growth on Profit Margins	221
7.16	Macroeconomic Effects of Dollar Appreciation	228
7.17	Industry Effects of Dollar Appreciation	232
7.18	Effect of Appreciation on Profit Margins	235
8.1	Results of Value-added Shock to Agriculture Using SAM Multiplier Model	243
8.2	Macroeconomic Effects of Agriculture Value-added Shock in LIFT	246
8.3	Industry Effects of Agriculture Value-added Shock in LIFT	247

List of Figures

Figure Number	Name	Page
2.1	Profits/Output for Motor Vehicles	19
3.1	Definition of Profits	26
3.2	Capital Consumption Adjustment	28
3.3	Inventory Valuation Adjustment	28
3.4	Change in Profits and Unemployment	34
3.5	Corporate Profits and Dividends	38
4.1	Estimation of Wholesale and retail trade Profits	51
4.2	Static Forecasts Wholesale and retail trade	54
4.3	Percent Change in GNP "Dynamic Forecast"	55
4.4	Profit Margin Estimations	59
4.5	Estimation of Motor vehicles Profits	64
4.6	Estimation of Apparel Profits	66
4.7	Estimation of Metal industries Profits	69
4.8	Estimation of Metal products Profits	71
4.9	Estimation of Chemicals Profits	74
4.10	Estimation of Food and tobacco Profits	76
4.11	Estimation of Miscellaneous manufacturing Profits	77
4.12	Estimation of Instruments Profits	79
4.13	Estimation of Movies and amusements Profits	81
4.14	Estimation of Medical/educational Profits	83
4.15	Estimation of Finance and insurance Profits	85
4.16	Estimation of Business services Profits	87
4.17	Estimation of Auto repair services Profits	88
4.18	Estimation of Utilities Profits	90
4.19	Estimation of Electrical machinery Profits	92
4.20	Estimation of Printing Profits	93
4.21	Estimation of Textiles Profits	95
4.22	Estimation of Paper Profits	97
4.23	Estimation of Hotel Profits	98
4.24	Estimation of Communication services Profits	100
4.25	Estimation of Air transportation Profits	102
4.26	Estimation of Railroad Profits	104
4.27	Estimation of Trucking Profits	106
4.28	Estimation of Construction Profits	108
4.29	Estimation of Furniture Profits	110
4.30	Estimation of Real estate Profits	111
4.31	Estimation of Lumber Profits	113
4.32	Estimation of Stone, clay, and glass Profits	114
4.33	Estimation of Plastic Profits	117
4.34	Estimation of Transportation equipment Profits	119
4.35	Estimation of Petroleum refining Profits	121

4.36	Estimation of Agriculture Profits	123
4.37	Estimation of Crude oil Profits	124
4.38	Estimation of Mining Profits	125
4.39	Estimation of Nonelectrical machinery Profits	127
4.40	Estimation of Leather Profits	129
5.1	Equation Estimation for Proprietor Income	134
5.2	Equation Graphs for Proprietor Income	135
5.3	Net Interest Payments	140
5.4	Inventory Valuation Adjustments	142
5.5	Business Transfer Payments	143

List of Figures (continued)

Figure Number	Name	Page
7.1	Labor Force Growth Rate	164
7.2	Elderly Population Age 40+ as Percent of Total	164
7.3	Exchange Rate Assumptions	167
7.4	Average Effective Relative Price of Exports	167
7.5	Growth in Foreign Demand	168
7.6	Composition of GNP in Base Forecast	171
7.7	Forecast of Profit Margins in Base Forecast	178
7.8	Profits as Share of GNP	177
7.9	Interindustry Flows for Crude petroleum Industry	185
7.10	Assumption for Oil-price Shock	186
7.11	Difference in GNP Due to Oil-price Shock	189
7.12	Output for Finance and insurance Industry	196
7.13	Price of Finance and insurance Industry	196
7.14	Price Effects of Oil-price Shock	198
7.15	Labor Productivity Shock	199
7.16	Multipliers for Productivity Shock	204
7.17	Assumption: Percent Change in M2	215
7.18	Exchange Rate Assumption and Implications	223
7.19	Summary of Effects of Appreciation of Dollar	229
8.1	Schematic for Social Accounting Matrix	239