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FOR IMMEDIATE RELEASE

JEROME LEVY FORECASTING CENTER PUBLISHES SPECIAL REPORT DEBUNKING MYTHS ABOUT PROFIT MARGINS

MOUNT KISCO, NY, Dec. 1 – The Jerome Levy Forecasting Center (www.levyforecast.com) has made available on their website a special report: *Mean Reversion and other Misconceptions about Profit Margins*. The report debunks misguided conventional wisdom – both empirical and conceptual – concerning aggregate profit margins.

Among the most widely-held misconceptions surrounding profit margins addressed by the report are the following:

- ***Myth: Margins tend to revert to the mean.***

The report presents empirical data from the National Income and Product Accounts which show that margins fluctuate along with the business cycle and that the average margin in any decade can deviate substantially from the postwar average. The authors conclude that investors betting that margins would revert to their historical mean "*would often have ended up waiting for many years, and sometimes for decades*."

- ***Myth: Competition drives down aggregate profit margins.***

The report explains how the influences on aggregate profit margins are different from the influences on margins of individual firms. The Levy economists illustrate how if competition reduces profits in one industry, "*profits will necessarily rise in other industries*" unless the sources of aggregate profits change. The profit sources are those specific activities, such as business investment or household saving, which affect the total amount of profits available in the economy.

- ***Myth: Wider aggregate profit margins come at the expense of wages.***

Write the authors, "*Certainly, one firm enjoys higher profits if it reduces its own labor costs because its revenue continues to flow in unaffected. However, if all firms in the business sector cut their labor costs, their revenue would fall as well as their expenses*."

The report produces data showing that, contrary to popular belief, most of the time, aggregate labor costs and aggregate profits move in the same direction, tending to accelerate during expansions and decelerate during recessions. The economists conclude, "*generally, the owners of capital and workers experience more or less together the improving or worsening of conditions that come with the business cycle*."

The authors of the report are David A. Levy, Srinivas Thiruvadanthai, and Douglas F.C. Williams. The Levy Special Report can be found at https://www.levyforecast.com/special-report/.

About The Jerome Levy Forecasting Center

The Jerome Levy Forecasting Center LLC – the world leader in applying the macroeconomic profits perspective to economic analysis and forecasting – conducts cutting edge economic research and offers consulting services to its clients. The goal of the Levy Forecasting Center is to improve its clients' business and investment performance by providing them with powerful insights into economic risks and opportunities – insights that are difficult or even impossible to achieve with conventional approaches to macroeconomic analysis. Additional information may be found at www.levyforecast.com.

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