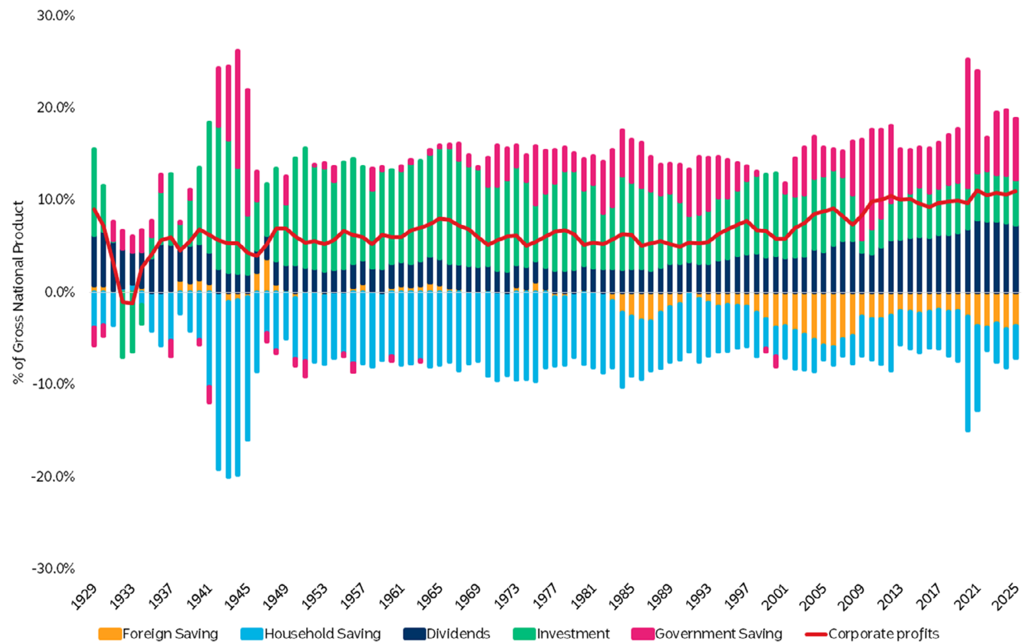
Global Matters Weekly

20 Apr 2026

Profit Source

Tom Delic



Source: Source: Bureau of Economic as at March 13, 2026.

What do the charts show?

The chart tracks the components of the Kalecki–Levy profit equation since 1929. This equation is a macroeconomic accounting identity that explains the sources of aggregate corporate profits in the US economy. To allow comparison over a long historical period, all figures are expressed as a percentage of gross national product. Bars above 0% represent positive contributions to aggregate profits, while bars below 0% represent drags.

The breakdown shown in the chart is an extension and rearrangement of Kalecki and Levy's core principle: that all newly accumulated wealth in an economy (savings) must equal the new wealth that the economy creates (investment). The chart shows how these components, or profit sources, sum to the wealth accumulated by the business sector, after subtracting the wealth accumulated by other sectors, primarily government and households.

Viewed this way, corporate profits are not simply a function of firm-level efficiency or competitiveness, but the outcome of economy wide financial flows between sectors.

Why this is important?

The Kalecki–Levy profit equation provides a powerful framework for understanding the impact of fiscal and monetary policy on aggregate profits. The long term decline in corporate tax rates, for example, has mechanically supported higher corporate profits, and the equation shows exactly how this effect operates. Had the US government reduced spending to offset lower tax revenues, the two effects would have largely cancelled out, leaving aggregate profits unchanged. Instead, governments have persistently run budget deficits, funded through additional borrowing. Those deficits have flowed back into the corporate sector via transfer payments and consumer spending on goods and services. As a result, budget deficits have become a major driver of aggregate profits over the past 15 years.

A useful extension of the Kalecki–Levy framework is to focus more closely on the net investment component. While higher investment always adds to aggregate profits ex post, it is the quality of investment that determines whether those profits are sustainable. Net investment captures spending that genuinely expands the economy's productive capacity, such as new plant, equipment, software, and logistics systems. When this investment aligns with underlying demand and is financed by real savings rather than credit expansion, it supports durable profit growth. By contrast, malinvestment driven by loose financial conditions or inflated demand expectations can temporarily boost profits while eroding their long term foundations. In this sense, net investment is not just an accounting item, but a forward looking signal of profit durability.

Belvest 研富

20 Apr 2026

For more information, please contact your adviser or alternatively contact:

Belvest Investment Services Limited
研富投資服務有限公司
9th Floor, Centre Mark II
305-313 Queen's Road Central
Sheung Wan, Hong Kong

Tel +852 2827 1199
Fax +852 2827 0270
belvest@bis.hk
www.bis.hk

Important notes

This communication is issued by Belvest Investment Services Limited and/or Belvest related companies (collectively, and individually Belvest) solely to its clients, qualified prospective clients or institutional and professional investors. Unless stated otherwise, any opinions or views expressed in this communication do not represent those of Belvest. Opinions or views of any Belvest company expressed in this communication may differ from those of other departments or companies within Belvest, including any opinions or views expressed in any research issued by Belvest. Belvest may deal as Distributor or Agent, or have interests, in any financial product referred to in this email. Belvest has policies designed to negate conflicts of interest. Unless otherwise stated, this e-mail is solely for information purposes.

This message may contain confidential information. Any use, dissemination, distribution or reproduction of this information outside the original recipients of this message is strictly prohibited. If you receive this message by mistake, please notify the sender by reply email immediately.

Unless specifically stated, neither the information nor any opinion contained herein constitutes as an advertisement, an invitation, a solicitation, a recommendation or advise to buy or sell any products, services, securities, futures, options, other financial instruments or provide any investment advice or service by Belvest.

No representation or warranty is given as to the accuracy, likelihood of achievement or reasonableness of any figures, forecasts, prospects or return (if any) contained in the message. Such figures, forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies. The assumptions and parameters used by Belvest are not the only ones that might reasonably have been selected and therefor Belvest does not guarantee the sequence, accuracy, completeness or timeliness of the information provided herein. None of Belvest, its group members or any of their employees or directors shall be held liable, in any way, for any claims, mistakes, errors or otherwise arising out of or in connection with the content of this e-mail.

This e-mail and any accompanying attachments are not encrypted and cannot be guaranteed to be secure, complete or error-free as electronic communications may be intercepted, corrupted, lost, destroyed, delayed or incomplete, and/or may contain viruses. Belvest therefore does not accept any liability for any interception, corruption, loss, destruction, incompleteness, viruses, errors, omissions or delays in relation to this electronic communication. If verification is required please request a hard-copy version. Electronic communication carried within the Belvest system may be monitored.

Belvest 研富