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# Midyear Economic Report of the President

TRANSMITTED TO THE CONGRESS

July 1948





# THE MIDYEAR ECONOMIC REPORT OF THE PRESIDENT

To the Congress, July 30, 1948

Together with a report  
**THE ECONOMIC SITUATION  
AT MIDYEAR 1948**  
by the  
**COUNCIL OF ECONOMIC ADVISERS**



UNITED STATES GOVERNMENT PRINTING OFFICE  
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## LETTER OF TRANSMITTAL

THE WHITE HOUSE,  
*Washington, D. C., July 30, 1948.*

The Honorable the PRESIDENT OF THE SENATE,

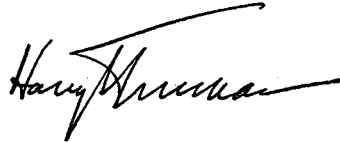
The Honorable the SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIRS: I am presenting herewith a Midyear Economic Report to the Congress. This is supplementary to the Economic Report of the President of January 14, 1948, and is transmitted in accordance with section 3 (b) of the Employment Act of 1946.

In preparing this report I have had the advice and assistance of the Council of Economic Advisers, members of the Cabinet, and heads of independent agencies.

Together with this report, I am transmitting a report, The Economic Situation at Midyear 1948, prepared for me by the Council of Economic Advisers in accordance with section 4 (c) (2) of the Employment Act of 1946.

Respectfully,

A handwritten signature in dark ink, appearing to read "Harry Truman", with a long, sweeping horizontal stroke extending to the right.



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*To the Congress of the United States:*

ON January 14, 1948, I transmitted to the Congress my annual Economic Report under the Employment Act of 1946. At the present stage in economic affairs it is again desirable that the Congress and the country be presented with an up-to-date survey of the economic situation, the difficulties it presents, and the solutions called for. This Midyear Economic Report is transmitted to the Congress for that purpose.

## A Time for Action

IN the years since the end of hostilities in World War II, the American economy has offered an impressive display of inherent strength and elasticity. More than 10,000,000 veterans have been smoothly absorbed into the activities of the business world. Month after month, the labor force has been employed at a level which but few were willing to forecast. In spite of high living costs, our people continue to enjoy high standards of living. The income of American consumers, and the resources of American business, furnish the basis for sustained markets. Our financial condition is strong. A national debt of tremendous size has been managed so skillfully that we are prone to treat too lightly the problems which it still offers.

But our present prosperity should not blind us to the growing threats to our well-being. Repeatedly, I have called attention to the developing inflationary conditions which endanger both our domestic strength and our place in world affairs. In addition, recent events have forced us into a preparedness program adding to the strains upon our home economy, and making it even more imperative that we act with courage and dispatch. In my recent message to the Congress upon the opening of the special session, I again advised the Congress of the dangers that we face, and made recommendations to meet them.

I must emphasize that the course of inflation does not run according to any set schedule. Until the very eve of an economic collapse many people are apt to grow more and more confident about the soundness of the economy and the indefinite continuance of the boom. It may not be true that "a boom is always followed by a bust," as many students of business

affairs frequently say. But it would be reckless to assume that the bust will not happen if we neglect action to control the boom.

For 2 years, it has been asserted that if matters were left alone there would be so great an increase in production that it would take care of prices. Increasing the supply of goods is, indeed, to be sought through every practicable means. But, historically, no important inflation has been cured in that manner. Nor has this one, despite the fact that every factor of high profits, heavy market demand, and large funds available for investment has been favorable to the expansion of production.

The policy proclaimed in the Employment Act requires us to devise and adopt positive measures to stop this inflation and secure relative stabilization. It is not too late for preventive measures, and we are not yet forced by the tragic consequences of depression to adopt measures which would interfere with our free economy far more than would any or all of the measures I have proposed. I realize that the anti-inflationary program I have offered will impede some business plans, will curb some profit opportunities, and may limit some wage advances. It is of the very essence of a plan to counteract inflation that this be done. All groups will ultimately benefit when it is done.

## The Economic Situation in Summary

THE recommendations that I have made for dealing with inflation are based upon a candid look at the whole economic situation as it has developed over the past 6 months, and upon a careful analysis of where this situation may lead us if we do not act in time. Below I summarize what seem to me to be the points of greatest significance in this situation and this analysis. A more detailed examination of the facts, and a more extended analysis, is contained in a report on The Economic Situation at Midyear 1948, prepared for me by the Council of Economic Advisers, which I am transmitting to the Congress along with this Midyear Economic Report.

*Employment* in the first half of this year ran continuously above the level of a year ago. Some 850,000 workers were added to the labor force, yet unemployment in June was only 2.2 million—400,000 less than a year earlier. June civilian employment set a new record of 61.3 million.

*Industrial production* reached a new postwar peak in February and, after the work stoppage in coal mining, approached it again in June. Improved

industrial relations and high business confidence reinforced by increased Government commitments for foreign aid and defense give promise of continuing high-level output for the rest of the year.

*Agricultural production* ran below the level of the first half of last year because smaller numbers of livestock and tight feed supplies have reduced the output of most livestock products. At midyear, our second largest wheat crop was being harvested, and generally favorable crop reports were highlighted by an indicated production of over 3.3 billion bushels of corn—a new record. While such a crop could not remedy the meat shortage during the rest of this year, it would provide the basis for more ample supplies of livestock products in 1949 and thereafter.

*Gross national product* reached a new high of 246.5 billion dollars per year during the first half of 1948, reflecting some increase in production but mostly the rise in prices.

*Consumer income* ran at an annual rate of about 208 billion dollars, compared with 195 billion in 1947. Consumer income after taxes increased from a rate of 174 billion dollars to a rate of 186 billion.

*Consumer expenditure*, as a result of some buyer hesitation in the first quarter, increased less than disposable income, leaving a small increase in net consumer saving.

*The distribution of income*, according to the most recent data, has changed but little since 1946. A survey of families, however, showed half the Nation's consumer spending units falling substantially behind in the race of incomes with living costs during 1947. One-fourth of the family units spent more than they earned. Low-income people were spending past savings predominantly for current expenses, higher-income people more often spending theirs for durable goods or converting them into residential or business investments.

*Consumer credit* continued to expand during the first half of 1948.

*Business investment* took a larger share of the national output in the first half of 1948 than during 1947. Equipment outlays have been exceptionally high since the war; plant construction expenditures have increased less strikingly. Present indications are that such outlays will continue high throughout the rest of the year. Nonfarm inventories increased markedly during the first quarter of the year, when sales lagged, but leveled off in the second quarter as sales picked up.

*Profits* exceeded last year's average, reflecting high prices for a high volume of output. First quarter data, however, indicated a drop in profits of small manufacturing firms.

*Residential construction* is expected to increase the total supply of dwelling units by more than a million during 1948. This high output has

been accompanied by an increase in costs that is outrunning consumers' ability to pay for the housing they need.

*Net foreign investment*, at less than half the rate of the last quarter of 1947, in part reflected decreases in exports and increases in imports in our trade with all continents. The foreign aid program will increase our surplus of exports during the rest of the year.

*The Federal cash surplus* during the first half of 1948 amounted to 7.6 billion dollars. Receipts ran 7 percent higher than last year, payments 9 percent lower. The reduction in income taxes and the increase in expenditures for defense and foreign aid will virtually eliminate the surplus for the second half year. The Federal debt was reduced about 5 billion dollars during the first half of the year, bringing it down to 252 billion dollars.

*State and local government expenditures* have overtaken revenues, and deficits are likely to increase.

*Prices* rose after a decline in February. Many farm prices regained or surpassed their earlier levels and industrial prices resumed their climb. By midyear, price increases appeared to be accelerating. The index of consumers' prices has now reached an all-time high.

*Wages* continued the third round of increases that began last fall though interrupted by the break in commodity prices. Most of the third round increases have roughly corresponded to the rise in cost of living since the previous contract.

*Foreign aid and defense expenditures* during the present fiscal year will increase pressure on the domestic economy. New defense expenditures will not be great during the next few months, but will rise thereafter. Both programs have a special impact upon such short-supply items as steel, other metals, and farm machinery, and will draw increasingly upon our already fully employed labor force. More adequate allocation authority is needed if we are to avoid progressively more serious disruptive effects of these programs upon supplies, prices, and the organization of production.

*The reduction in income taxes* will reduce Federal revenues by about 5 billion dollars at the same time that expenditures will be substantially increasing under the new programs. The deflationary influence of recent Government cash surpluses will thus be replaced by the inflationary influence of additional expenditures on the part of consumers whose tax burdens are reduced.

*The general outlook as to inflation* shows conflicting influences. On the one side, the supply situation in a number of industries is improved over a year ago. Bountiful crops are in prospect. Postwar expansion programs are nearing completion in many lines of production, and we should experience a gradual increase in output from an enlarged and modernized

industrial plant. Commendable caution continues to be shown by business in avoiding speculative overexpansion, and many leaders in both industry and labor can be applauded for the conscious restraint they have exhibited in their pricing policies and wage demands.

The immediate situation is dominated, however, by three interacting processes making for continued inflation. First, consumer demand for goods and services, business demand for investment goods, and demands arising from expanding Government defense and foreign aid programs press strongly upon production. Second, we are currently in the midst of a round of substantial wage and price increases in major basic industries. These developments foreshadow continuing and ramifying effects on cost structures and prices in many related lines of production, on the cost of living, and on further wage demands. Third, credit expansion, partly a cause and partly a result of inflation, still persists.

The facts add up to a clear and disconcerting conclusion. In spite of some favorable factors, we are in the very midst of gathering inflationary forces, which day by day are imposing additional hardships upon countless families, and day by day are undermining the foundations of the remarkably high level of postwar prosperity that we have thus far maintained.

The hard facts of today leave no room for complacency. Though most people are optimistic about the immediate business outlook, lasting prosperity is not assured. Even in the midst of the present prosperity, the average American sees that the value of his accumulated savings has declined, and that many of his neighbors living on pensions or fixed salaries are actually worse off than they were a year ago. Looking abroad, we see that, despite great progress, many countries are still far below the living standards needed for sustained production and are dependent on outside help for any hope of further advance. We must be on our guard lest our national prosperity and security be undermined by inflation at home or by misery abroad.

Our American prosperity depends in part on world events, but far more on our own action or inaction right here at home. More than 90 percent of all the goods and services that we produce are for domestic purposes.

But thus far we have shown a blind disregard of the dangers that beset our path. Despite my repeated warnings and recommendations, we have not adopted adequate legislation for controlling inflation. The failure to control inflation effectively in the past makes it increasingly urgent that we adopt and apply vigorous measures to guide us safely from the uneven postwar boom to an era of sustained and stable prosperity.

We are now challenged to carry out the pledge to the American people contained in the Employment Act of 1946 that it shall be the policy of our Government to "utilize all its plans, functions, and resources \* \* \* to

promote maximum employment, production, and purchasing power," in an economy of free competitive enterprise.

It is no less important to take action to forestall a business collapse than it is to use Government measures to overcome a depression once it has arrived. Our success in this effort is essential for the reconstruction of a peaceful world.

# Recommended Program

(Excerpt from the President's Message to the Congress, July 27, 1948)

Positive action by this Government is long overdue. It must be taken now.

I therefore urge the Congress to take strong, positive action to control inflation. I have reexamined the anti-inflation program I proposed to the Congress 8 months ago. In its essentials that program is as sound now as it was then. It has been revised and strengthened in the light of changing circumstances. The program I now propose is as follows:

First, I recommend that an excess-profits tax be reestablished in order to provide a Treasury surplus and provide a brake on inflation.

Second, I recommend that consumer credit controls be restored in order to hold down inflationary credit.

Third, I recommend that the Federal Reserve Board be given greater authority to regulate inflationary bank credit.

Fourth, I recommend that authority be granted to regulate speculation on the commodity exchanges.

Fifth, I recommend that authority be granted for allocation and inventory control of scarce commodities which basically affect essential industrial production or the cost of living.

Sixth, I recommend that rent controls be strengthened, and that adequate appropriations be provided for enforcement, in order to prevent further unwarranted rent increases.

Seventh, I recommend that stand-by authority be granted to ration those few products in short supply which vitally affect the health and welfare of our people. On the basis of present facts, and unless further shortages occur, this authority might not have to be used at all.

Eighth, I recommend that price control be authorized for scarce commodities which basically affect essential industrial production or the cost of living. I have said before, and I repeat, that many profit margins have been adequate to absorb wage increases without the price increases that have followed. Rising wages and rising standards of living, based on increasing productivity and a fair distribution of income, is the American way. Noninflationary wage increases can and should continue to be made

by free collective bargaining. Where the Government imposes a price ceiling, wage adjustments which can be absorbed within the price ceiling should not be interfered with by the Government. The Government should have the authority, however, to limit wage adjustments which would force a break in a price ceiling, except where wage adjustments are essential to remedy hardship, to correct inequities, or to prevent an actual lowering of living standards.

The measures I have recommended make up a balanced program to attack high prices. They are all necessary to check rising prices and safeguard our economy against the danger of depression. If they are made the first order of business by the Congress, as they should be, they can be promptly enacted. Every week of delay will mean additional hardship for the American people.



**THE ECONOMIC SITUATION  
AT MIDYEAR 1948**

**A REPORT TO THE PRESIDENT  
BY THE  
COUNCIL OF ECONOMIC ADVISERS**



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## LETTER OF TRANSMITTAL

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COUNCIL OF ECONOMIC ADVISERS,  
*Washington, D. C., July 22, 1948.*

THE PRESIDENT:

SIR: The Council of Economic Advisers herewith submits a report, The Economic Situation at Midyear 1948, in accordance with section 4 (c) (2) of the Employment Act of 1946.

Respectfully,

*Edwin G. Hume*

Chairman.

*Leon Keyserling*

Vice Chairman.

*John D. Clark*



# I. Employment, Production, and Purchasing Power

WE enter the second half of 1948 with our labor force fully employed, with total production high, and with inflationary pressures continuing. A review of some major economic events of the first half of 1948 will indicate where we stand and what trends can be foreseen.

## THE COURSE OF EMPLOYMENT

The employment situation has continued strong, with the demand for labor so active that a relatively large inflow of additional workers was readily absorbed. There were about 850,000 more workers in the labor force in the first half of 1948 than a year ago, nearly double the rise that would have been expected on the basis of population changes and prewar trends. This increase was due mainly to the abundance of job opportunities at good wages, but it also appears that the pressure of living costs induced many housewives and teen-agers to seek jobs.

Total nonagricultural employment rose to record peacetime levels, while agricultural employment was somewhat below 1947. In June, civilian employment stood at 61.3 million, compared with 60.1 million a year earlier. (See chart 1 and appendix C, table 7.) Thus, "sixty million jobs" becomes a floor to be protected by every means possible in the future, no longer an objective that the faint-hearted said our business enterprise could not attain.

With more than 61 million in civilian employment, the unemployment figures have continued low. There were 2.2 million persons unemployed in June of this year, compared with 2.6 million in June 1947. While some workers in certain areas had difficulty in finding suitable work, there has been no general unemployment problem. In fact, some employers have continued to have trouble in securing the types of labor they needed.

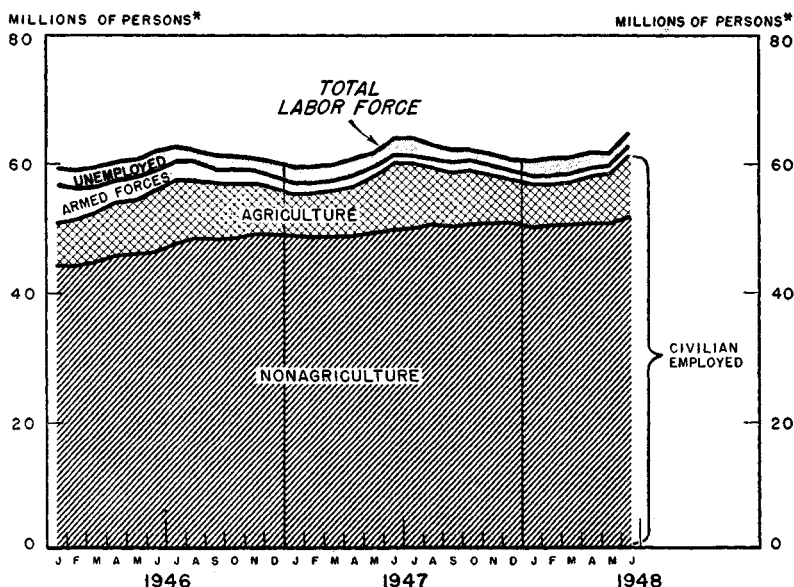
The broad underlying demand for additional workers has been felt in almost all major lines. Construction has been setting the pace, but significant gains have occurred also in manufacturing, finance, and services. Employment in mining, transportation and public utilities, and government has changed little. (See appendix C, table 8.)

On the other hand, the leather industry experienced a greater than usual seasonal downturn this spring, followed by a substantial recovery in June. Employment in the rubber industry has been declining steadily, averaging about 10 percent below the first half of 1947.

CHART 1

## LABOR FORCE

Civilian employment in June exceeded 61 million for the first time. Unemployment continued at a very low level.



\* 14 YEARS OF AGE AND OVER.

SOURCE: DEPARTMENT OF COMMERCE.

## THE COURSE OF PRODUCTION

Total production has maintained very high levels. The output of industrial goods (including minerals and manufactured goods) for the 6 months was not quite 3 percent above the 1947 average level. (See chart 2 and appendix C, tables 11 and 12.) As to particular industries, the volume of construction and the output of electric and gas utilities have both been running considerably higher than last year. Transportation just about equaled the levels of a year ago. Basic industries such as steel, chemicals, and construction have operated close to present capacities. The petroleum industry has had difficulty keeping up with demand even though



running with wide open throttle. Consumers' goods continued, in general, at high-level production.

The short corn crop of 1947 resulted in a tight feed situation and, in combination with declining numbers of livestock, led to reduced marketings of livestock products in the first half of 1948. The total volume of farm marketings in the first half of this year was about 7 percent below the level of a year earlier.

The output of goods would have been even higher but for certain specific shortages—notably of fuel, electric power, freight cars, and steel. These shortages continue to impede expansion, but there has been some improvement over 1947.

While industrial disputes, particularly in coal mining, reduced output considerably in March and April, the return of coal mining to normal operation has resulted in a substantial improvement in industrial output during May and June. By midyear, industrial production approximately regained the postwar peak reached in February. The fragmentary evidence available indicates some improvement in labor productivity during the first half of 1948.

#### PRODUCTION PROSPECTS

The heavy demands of consumers, business, government, and foreign buyers for the output of American farms and industries emphasize the urgent need to expand production. The production outlook for the coming half year is good, but not significantly better than in the last half of 1947 or the first half of this year.

Since we are currently operating at maximum employment and maximum capacity in most fields, any further increase in production is dependent largely upon increased efficiency and improved technology. Such gains cannot be very great in the short span of a few months or a single year. Other factors such as weather, industrial relations, and business psychology are likely to have a far more influential short-run effect.

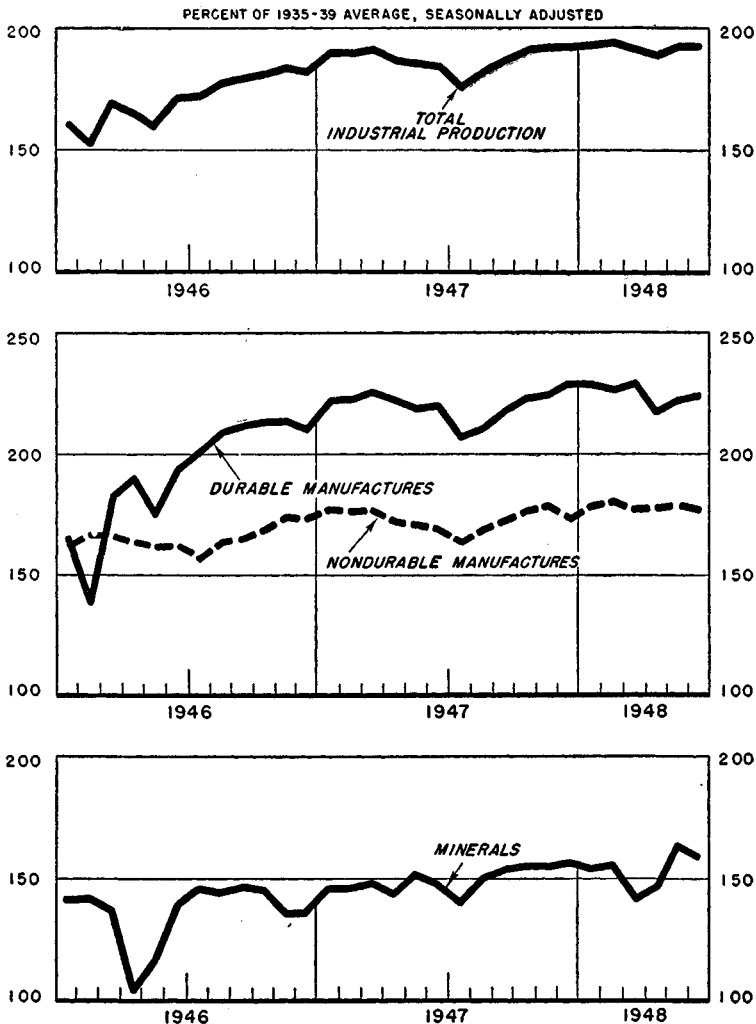
On these counts, the immediate prospect seems promising. Industrial relations, while disturbed in some industries, promise to be better than they were in the first half of the year, particularly since relatively few major wage contracts come up for negotiation in the late summer and fall. Forward commitments under the foreign aid and defense programs, added to the vigor of the domestic market, give confidence to merchants, manufacturers, and bankers.

In June 1948, there were 2.2 million more persons working in nonagricultural employment than a year ago. The flow of materials, while still not adequate in the durable goods fields, should permit production to proceed with fewer interruptions than we have witnessed during the past

CHART 2

## INDUSTRIAL PRODUCTION

Industrial production has remained fairly steady since last September.



SOURCE: BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.

year. There is a likelihood that nonagricultural production in the second half of the year may be slightly higher than it was in the first half.

In agriculture, the season of damaging floods is past, and present crop prospects are excellent. If the favorable weather we have enjoyed so far this season should continue, we may hope for a record-breaking corn crop and a general level of crop production rivaling 1946, the best previous year.

Animal products present a different picture. The number of cattle on farms and ranches has been declining since 1945. Dairy-cow numbers are down to prewar levels. Sheep numbers are the lowest in over 75 years. There are fewer hogs on farms than last year, and the spring pig crop was down 3 percent. The numbers both of laying hens and of young chickens are lower than a year ago. The combination of the reduced livestock population and the continuing tight feed supply means inevitably that the output of most livestock products will continue to run less than last year, until some months after the new corn crop comes in this fall.

Favorable crops may more than offset the unfavorable livestock prospect to make the total output of our farms somewhat higher than last year. But in the case of crops especially, much of this year's production does not come to market until next year. A bumper corn crop may even reduce this year's meat production by encouraging holding animals over for heavier feeding. Consequently farm marketings, in physical terms, will continue to run less than a year ago. For 1948 as a whole, they will probably be down 3 or 4 percent. Domestic consumption of food for 1948 will show about the same decrease, around 3 percent on a per capita basis. Food exports will be down somewhat, but the reduction will be chiefly in cereals and, to a smaller degree, in edible fats and oils. Meat and most other livestock products, the shortage of which will be most keenly felt in coming months, have been exported in only relatively minor amounts.

Domestic food consumption will continue above prewar levels. But in relation to postwar levels of demand we must expect, during the remainder of 1948, a relatively tight supply of food, which is the largest component in the workers' cost of living.

#### THE FLOW OF GOODS AND PURCHASING POWER

The gross national product, that is, the total value of goods and services, which ran at an annual rate of 227.4 billion dollars during the first half of 1947, and 235.9 billion during the second half, rose to an annual rate of 246.5 billion during the first half of 1948. (See appendix C, table 1.) The increasing flow of income and expenditures can best be shown in the accounts of consumers, domestic business, international transactions, and government.

### *Consumer income, expenditure, and saving*

*Consumer income.* Personal income, which expanded at an annual rate of nearly 10 billion dollars from the first half of 1947 to the second half, leveled off in 1948 at approximately the December rate of 208 billion dollars. (See appendix C, table 4.) Employment and wage rates continued to increase, but the upward trend in cash farm income was very slight.

TABLE 1.—*Per capita disposable income, current dollars and 1947 dollars*

Personal income after taxes		
Period	Current dollars	1947 dollars <sup>1</sup>
1939.....	536	859
1946.....	1, 127	1, 288
Annual rates, seasonally adjusted:		
1947—First half.....	1, 179	1, 208
Second half.....	1, 229	1, 200
1948—First half <sup>2</sup> .....	1, 274	1, 200

<sup>1</sup> Deflated by the consumers' price index, which does not fully reflect changes in the cost of living of all groups of consumers.

<sup>2</sup> Estimates based on incomplete data.

NOTE.—The figures in this table are based on revised estimates and are different from those published in previous Economic Reports of the President.

Sources: Department of Commerce and Department of Labor. (See appendix C, table 6.)

Real per capita purchasing power dropped from 1946 to 1947, as stated in earlier reports. No measurable change occurred in the first half of this year, the rise in the overall average of money income per person being just about offset by the rise in retail prices.

In a period of rising prices and high living costs, the distribution of consumer income becomes increasingly important. Of particular significance is the progressive deterioration in the economic position of those individuals and families whose dollar incomes have fallen far behind in the race with rising prices. Comprehensive statistics on income distribution for the first half of this year are not available. A survey comparing 1946 and 1947 showed that 30 percent of all families (spending units) had no appreciable increase in dollar incomes and almost 20 percent suffered a reduction, during a period when consumer prices increased nearly 15 percent.

While the disappearance of large-scale unemployment and the increase in the number of gainfully employed persons per family tended to narrow the disparity among incomes during the war period and immediately thereafter, this trend has been arrested more recently. As there are relatively more people with fixed incomes in the lower income brackets than in the higher brackets, the favorable effects of full employment upon the distribution of income have been offset by the unfavorable effects of inflation during the past year. Of the family units whose dollar incomes remained

stationary between 1946 and 1947, according to the same survey, two-thirds were in income brackets of \$3,000 or less. (See appendix B, table 3.) In addition, old people were found more frequently among those with stable or declining incomes than among those with increasing incomes.

*Consumer expenditures.* Consumer expenditures were at an annual rate of about 174 billion dollars during the half year, compared with about 168 billion during the second half of 1947. The increase was slightly less than the increase in income after taxes, indicating a small increase in saving.

The first quarter of 1948 was a period of consumer hesitation, in which purchasing of both durables and nondurables lagged. In the second quarter, there was a general strengthening of consumer demand. This reaction was due only in minor degree to price adjustments, and resulted mainly from a general feeling that prices were again headed upward and that scarcities might develop from the unsettled international situation. Tax reduction exerted some further stimulating effect, although the full effect on consumer disposable income will not be felt until the second half of the year. The upturn in expenditures was marked in the field of household appliances, although it applied generally to all types of consumer purchases.

*Consumer saving.* Previous reports have stressed the decline in the rate of net consumer saving since the war years. They have pointed out that as consumers spent an increasing proportion of their incomes, they contributed to inflationary pressures that pushed up the price level. At the same time, the process of inflation was itself causing many families to save less in order to prevent serious impairment of their standard of living.

Estimates for the past 12 months seem to indicate that the postwar downward trend of saving has been interrupted, although the nature of the statistical methods by which these estimates are derived is such that no great importance can be attached to small changes in percentages. (See chart 3 and appendix C, table 5.) An appraisal of the significance of this change requires an analysis of the composition of saving and dissaving. The estimates include in saving such items as the purchase of homes and noncorporate business investment, and it is chiefly into these categories that the increasing volume of saving appears to be flowing. The rate of accumulation of liquid assets—cash, bank deposits, and Government bonds—may actually have decreased. (See appendix B, table 4.) It is savings of this latter type that are most clearly anti-inflationary.

Furthermore, aggregate figures of net consumer saving do not reveal the numbers of families who spend more than they earn. The rise in the cost of living is causing this practice among many low-income families, as well as many large families and families of fixed income in the middle-income groups. In the immediate postwar period, spending in excess of income was

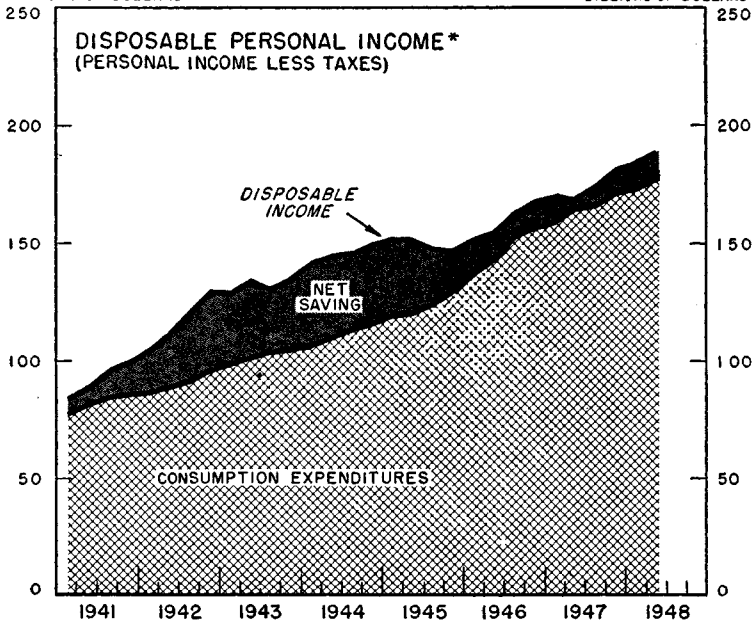
CHART 3

# CONSUMER INCOME, SPENDING, AND SAVING

Consumer income rose more than spending in the first half of 1948

BILLIONS OF DOLLARS

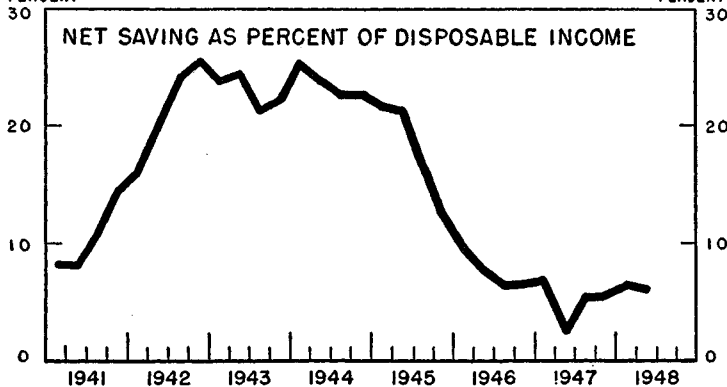
BILLIONS OF DOLLARS



resulting in an increase in saving.

PERCENT

PERCENT



\* ANNUAL RATES, SEASONALLY ADJUSTED

SOURCE: DEPARTMENT OF COMMERCE.

concentrated among families with incomes of \$3,000 or less. More recently, as durable goods have become available, an increasing number of families with incomes up to \$5,000 or even \$7,500, have become dissavers. In 1947, more than one-fourth of all families were spending more than they earned.

Closely related to the rate of and distribution of saving out of current earnings is the ownership of liquid assets. Personal holdings of liquid assets, including currency and deposits in banks and savings and loan companies, and Government bonds, were 172 billion at the beginning of this year. This is nearly three times as high as at the beginning of the war in dollar terms. Of the total of 172 billion dollars of personal holdings, about 22 billion were in the control of trust funds, and about 150 billion in the hands of individuals. The equity of individuals in private insurance is now over 51 billion dollars, compared with 27 billion at the end of 1939, while the equity in the Government social-security funds has risen from only 6 billion dollars to over 33 billion now.

Between 1946 and 1947, there was a small increase in the proportion of the population owning no liquid assets at all. The median size of the holdings of all spending units was \$350 in early 1948, compared with \$470 in 1947. As shown in appendix B, table 8, less than one-half of persons with incomes under \$1,000 had either liquid assets or life insurance, and 42 percent of the Nation's spending units had no liquid assets or less than \$200 worth of liquid assets, early this year.

Declines in liquid asset holdings or increases in debt should not be interpreted as indicating distress in all cases. In fact, the largest reduction in liquid assets has been made by families in the middle and high-income brackets. However, available data indicate that families in the lower-income groups in 70 percent of the cases reduced their liquid assets for the purchase of nondurable goods and services, while in the upper-income groups the purchase of houses and other investments were a particularly important component. Thus to a considerable extent the assets at the lower end of the income scale are being dissipated by current living expenses, while those in the upper-income groups are being converted into other types of property. (See appendix B, table 7.)

In line with recent trends in the distribution of saving and liquid assets, consumer credit has continued to expand rapidly. At the end of June 1948, the total amount of consumer credit outstanding reached the record total of 14 billion dollars, almost 3 billion higher than a year ago. (See appendix C, table 20.) Although the amount of outstanding consumer credit is not large in comparison with the current level of consumer incomes, the rapid expansion of consumer credit continues to add to inflationary pressures.

### *Business investment, income, and financing*

Business investment as a whole absorbed an even greater share of the total national output of goods and services in the first half of this year than in 1947. The expansion, improvement, and replacement of productive facilities and housing, and the enlargement of business working capital to support record levels of output and sales, continued to swell the demand for goods and services in competition with the demands of consumers, Government, and the export market.

While postwar replenishment of depleted inventories is by and large accomplished, and productive capacity has been adequately expanded in a large number of industries, there is no general speculative overexpansion of inventories, plant and equipment, or housing. All indications for the remainder of this year at least are that the volume of business investment will continue more than adequate to make the total demand for goods and services match the supply at current prices. Shortages and inflation will continue to be the dominant concern. This will be true even if inventory policies remain cautious and nonspeculative.

*Plant and equipment.* A decade and a half of subnormal business expansion, resulting in part from depression and war, set the stage for heavy postwar business investment. The upward trend brought plant and equipment outlays to a peak in the latter part of 1947. In the first 6 months of 1948, such outlays totaled 8.9 billion dollars. This represented an annual dollar rate nearly double that of 1929, 25 percent above the first half of 1947, and 3 percent below the second half. (See appendix C, table 14.)

The postwar plant and equipment boom has shown significant changes of pattern. During the first stages of reconversion, the intense pressure to replace facilities and to restore civilian output took precedence over the introduction of innovations. More recently, there has been increasing emphasis upon cost reduction and the substitution of new products and techniques. As table 2 shows, expenditures for equipment alone have accounted for an exceptionally high portion of total plant and equipment outlays and of gross national product in the postwar period. Plant construction expenditures, on the other hand, are now smaller relative to gross national product than in any year from 1920 through 1931. Some of this increased emphasis on equipment reflects a long-standing trend. Some reflects the fact that plant construction costs have risen much farther above prewar levels than equipment prices.

At midyear, the short-run outlook is for continued high outlays on plant and equipment. The foreign aid and defense programs, though slow to affect requirements for capital goods, have firmed up business confidence and have extended expansion plans further into the future. Unfilled orders



of equipment producers, while substantially lower than in the middle of last year, are still unusually high in relation to sales and are being whittled down very slowly. Conditions in individual industries vary, but the overall rate of investment in plant and equipment seems limited not so much by demand or funds as by the supply of materials. Surveys of business intentions indicate that the dollar rate of plant and equipment investment in the second half of 1948 will be about the same as in the second half of 1947 and the first half of 1948.

The longer-range outlook is less clear. Whether or not the present rate of plant and equipment investment is larger than could or should continue over the long run is a question to be answered only by a comprehensive and detailed analysis of long-term needs. The Council of Economic Advisers is now making such a study.

TABLE 2.—*Private outlays for new nonfarm plant and equipment as percent of gross national product*

Period	Percent of gross national product		
	Total plant and equipment	Industrial, commercial, and public utility new construction	Nonfarm producers' durable equipment
1919-29 average.....	7.9	3.0	4.9
1929.....	9.2	3.5	5.7
1930-39 average.....	5.7	1.5	4.2
1939.....	3.9	1.0	2.9
1940-45 average.....	3.8	.8	3.0
1946.....	7.5	2.0	5.5
1947.....	8.8	2.0	6.8
1948: First half <sup>1</sup> .....	9.0	2.0	7.0

<sup>1</sup> Preliminary estimates based on rate of increase from 1947 to the first half of 1948 in the plant and equipment expenditures made jointly by the Securities and Exchange Commission and the Department of Commerce. (See appendix C, table 14.)

NOTE.—The plant and equipment expenditures on which the percentages in this table are based differ from the Securities and Exchange Commission-Department of Commerce series primarily because certain plant and equipment outlays charged to current account are included in the former and excluded from the latter series.

Source: Department of Commerce (1919-47).

**Business inventories.** During the first quarter of 1948, the book value of nonfarm business inventories increased about 3.8 billion dollars, compared with 4.4 billion in the first quarter of 1947. Allowing for seasonal factors, the increase in physical volume amounted to about 1.7 billion dollars or an annual rate of nearly 7 billion. Stocks of finished goods increased not only at the retail level, but also in the hands of producers. The principal cause of these increases was a more than seasonal decline in sales. (For detail on inventories and sales, see appendix C, tables 15 and 16.)

In the second quarter of 1948, more favorable market conditions and the restriction of some supplies terminated the rise in the volume of nonfarm inventories, and such stocking-up as had occurred earlier in the

year was overtaken by rising sales. The total physical volume of nonfarm inventories, adjusted for seasonal variation, showed practically no change. Present business policies and expectations indicate the reestablishment of a moderately rising trend. But although business sentiment has improved, caution in forward buying has continued. There is little indication that inventories generally are either excessive or deficient in relation to current sales levels, though they would soon become excessive if sales should decline materially.

*Business income.* Profits for the first half of 1948 were at levels above the average of 1947, the previous peak year. Preliminary data for the first half year indicate that corporate profits before taxes were at a seasonally adjusted annual rate of about 30.5 billion dollars, compared with 29.8 billion in 1947 and a seasonally adjusted annual rate of 32.4 billion in the fourth quarter of that year. Corporate profits after taxes thus far in 1948 have been at an annual rate of 18.6 billion dollars, compared with 18.1 billion in 1947 and 19.7 billion after seasonal adjustment in the fourth quarter. (See appendix C, table 24.) These profits after taxes in 1948 represented a return of about 9 percent on net worth and about 5 percent on sales, compared with about 9.5 percent on net worth and about 5 percent on sales in 1947.

The net income of unincorporated business and the professions in the first half of 1948 was at an annual rate of 26.2 billion dollars, compared with 24.4 billion for 1947 as a whole and an annual rate of 25.9 billion in the fourth quarter. (See appendix C, table 3.) In addition net farm income was running at an annual rate of 18.1 billion dollars during the first half of this year, compared with about 15.6 billion for 1947 as a whole and an annual rate of 16.5 billion in the fourth quarter. These estimates of net farm income reflect an unusually large statistical adjustment for changes in farm inventories on account of the small corn crop and the reduction in numbers of livestock last year. Net income actually realized by farm operators during the first half of 1948 (without allowing for changes in inventories) is estimated to have run slightly below the 18-billion-dollar record level of 1947.

The sharp price advances during the second half of 1947 and the maintenance this year of high levels of production and sales despite unusually bad weather conditions and work stoppages in some critical areas have accounted for the high level of profits thus far in 1948. With the outlook bright for a sustained level of production during the remainder of this year, aggregate profits are likely to continue at high levels.

A development to be watched is an apparent drop in the profitability of small manufacturing corporations in the first quarter of this year, while profit ratios for the largest corporations rose. Average profits after taxes

of manufacturing corporations with assets under \$250,000 dropped from 3.9 percent on sales in 1947 to 2.0 percent in the first quarter of 1948. (For further details on corporate profits, see appendix C, tables 24-29.)

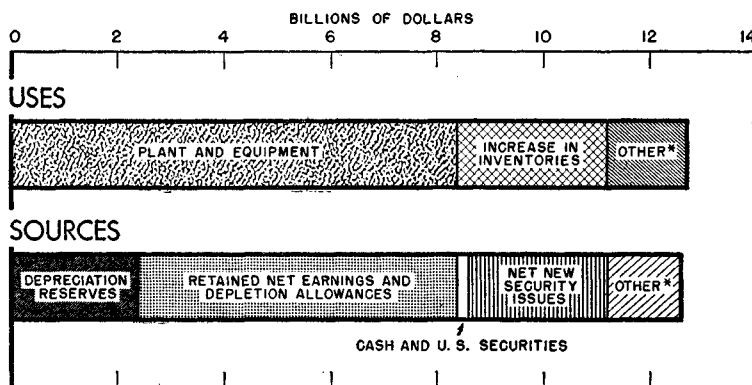
*Business financing.* Chart 4 and appendix C, table 30, show the principal ways in which corporations used their funds during the first half of 1948, and also the principal sources from which these funds were obtained.

Corporate outlays for plant and equipment and for the expansion of inventories and customer financing amounted to about 12 billion dollars in the first half of this year. This represents outlays at a rate somewhat

CHART 4

## SOURCES AND USES OF CORPORATE FUNDS

Internal sources, mainly retained net earnings and depreciation reserves, continued to supply the major part of corporate financial requirements during the first half of 1948.



\* SEE APPENDIX C, TABLE 30.

SOURCES: DEPARTMENT OF COMMERCE (PRELIMINARY ESTIMATES BASED ON SECURITIES AND EXCHANGE COMMISSION AND OTHER FINANCIAL DATA).

lower than for the year 1947 as a whole. A small decline in the use of funds for expanding inventories and a large decline in the rate of expansion of customer financing more than offset the increase in expenditures on plant and equipment.

It is significant that the major source of corporate funds has continued to be those sums retained from current receipts as offsets to depreciation and depletion charges and as undistributed net earnings. Indications are that this source will be even more important in 1948 as a whole than during last year.

Net new security issues during the half year, amounting to 2.6 billion dollars, have risen in importance compared with the first half of 1947, when they provided 1.7 billion. The proportion of new issues represented

by common stock has continued at about the same low level that prevailed last year, reflecting in part the heavy participation of those business groups, chiefly utilities, which characteristically make greater use of debt financing. Although the current ratio of common stock to total net new issues is low by prewar standards, the average ratio for the whole postwar period to date has not been. Moreover, corporate equity/debt ratios in general still compare quite favorably with those prevailing in prewar periods.

As a corollary of the high degree of internal financing through retained earnings and additions to depreciation reserves, and of the volume of security issues, the use of corporate reserves of cash and securities represented a relatively minor source of financing during 1947 and during the first half of 1948.

There was no net expansion of bank credit to corporations as a group in the first half of 1948. The total of such loans outstanding showed a decrease for the half year, in contrast with a small increase during the first half of 1947. In appraising this decline in corporate use of bank credit, however, the high rate of expansion of such credit in the latter part of 1947 must be borne in mind. (See appendix C, table 21.)

While there are disparities in the ease with which businesses of different types and sizes can acquire funds, the overall picture does not indicate a present or impending insufficiency of such funds so long as the fundamental business outlook remains good. If that outlook becomes less favorable, the originating point of the downturn is likely to be found elsewhere than in the availability of funds.

*Residential construction.* About 450,000 new residential units in new buildings were started during the half year. Counting also conversions and alterations, more than a million units will probably be added to the residential supply during 1948.

This volume of residential construction is already straining the capacities of the construction industry in many areas and of producers of some construction materials, and is unquestionably competing with other primary national needs. (See appendix C, table 13.) This situation highlights what has become the chronic necessity of developing and applying new methods and substitute materials to the house-building industry.

On the demand side, a distinction needs to be drawn between essential need and capacity to pay current costs. The basic housing needs of a growing population in the face of a serious and cumulative shortage would be sufficient to sustain the present level or even a higher level of home building for many years to come. But only a few years at most would be required to saturate the demand of those who can acquire houses at current costs, and that saturation would portend a serious downswing in residential construction. The unusually high level of current demand

for houses has combined with the unique character of the building industry to push homebuyers' costs far more above those prevailing after World War I than consumer incomes have risen in the same time span. During the past year, the average price of new houses has risen about 20 percent, while average family income after taxes was only about 8 percent higher during the first half of 1948 than during the same period in 1947.

Another way of looking at the effect of high residential prices on the economy is to examine the trend in outstanding mortgage debt on one- to four-family residential properties. This type of mortgage debt has risen about 65 percent since the end of 1945, while nonfarm family incomes after taxes have risen only about 25 percent and the number of dwelling units has increased less than 10 percent. It is highly significant that the volume of new mortgages of less than \$20,000 placed since 1945 amounts to approximately 26 billion dollars, which is about 80 percent of the face value of all outstanding mortgages on one- to four-family residential properties. Even after allowance for payments already made on these new mortgages, this means that a high proportion of indebtedness on residential properties has been placed on the basis of current prices. Even at the high level of current incomes, high housing costs have imposed excessive burdens on many families. These burdens, hard to carry in good times, would impose a serious strain indeed with any downturn in employment or incomes. The problem of housing costs is important in the short run, and of central significance to the longer-range aspects of general economic stability.

*Farm investment and finance.* Production and domestic sales of farm machinery have continued to expand. Wheel-type tractor production for 1948 as a whole is expected to exceed the record 1947 production by at least 20 or 30 percent. Demand for most types of farm tractors and some other machinery and equipment items continues to outrun supply, but the situation is more spotty than a year ago and for many items production has caught up with demand at present prices. The progress of construction on farms reflects the higher incomes of farm families.

Preliminary indications are that the boom in farm real estate has tended to level out in most regions, following the break in commodity prices early this year. The amount of farm mortgages recorded in the first quarter of 1948 was slightly larger than in the first quarter of 1947, but the number of new mortgages decreased. Total farm mortgage debt is still much below prewar levels. Non-real-estate loans to farmers, however, apparently are continuing to expand in response to the higher level of farm costs.

#### *International transactions*

The net foreign investment component of the Nation's Economic Budget dropped from an annual rate of 8.2 billion dollars in the last quarter of

1947 to 3.9 billion in the first half of 1948. This figure represents the portion of the excess of exports over imports of goods and services that is financed by loans and investments and by net liquidation of foreign dollar assets and gold. It does not include the portion financed by gifts and other unilateral transfers made by the United States Government and the general public. When these are included, the decline was much less: from an annual rate of 10.5 billion dollars to about 8 billion, the lowest level since 1946. The excess of exports over imports of goods and services reached its low point in the first quarter of the year and rose only slightly in the second quarter, as shown in table 3.

TABLE 3.—*United States exports and imports of goods and services*  
[Billions of dollars, annual rate]

Period	Exports of goods and services <sup>1</sup>	Imports of goods and services <sup>1</sup>	Surplus of exports of goods and services
1936-38 average.....	4.1	3.6	0.5
1946.....	15.0	7.2	7.8
1947—First quarter.....	19.3	8.1	11.2
Second quarter.....	21.1	8.6	12.5
Third quarter.....	19.2	8.3	10.9
Fourth quarter.....	19.4	8.9	10.5
1948—First quarter.....	17.8	9.9	7.9
Second quarter <sup>2</sup> .....	17.9	9.7	8.2

<sup>1</sup> Includes income on investments.

<sup>2</sup> Estimates based on incomplete data.

Source: Department of Commerce. (See appendix C, table 31.)

The decline in the export surplus reflected chiefly changes in the exchange of goods rather than services. Lower exports and higher imports of goods characterized our trade with every continent. While the value of exports fell, their average prices continued to rise. The sharp decline in value thus reflected an even greater decline in the physical quantity of goods shipped to foreign countries. The physical quantity of goods exported in the first half of this year was at a rate 11 percent less than in the last quarter of 1947 and 26 percent less than in the second quarter of 1947. (See appendix C, tables 33-36.)

More than half of the increase in imports reflected a rise in physical quantities. (See appendix C, table 38.) Production of exportable goods has increased in some of the areas that supply us. There is increased pressure in many countries, moreover, to divert to the United States goods that might otherwise be sold in the home market or in foreign countries that do not pay for them in dollars.

The depletion of foreign gold and dollar assets, which was an important cause of the decline in our export surplus, was reflected in the reduced role that liquidation of these reserves played in its financing. As table 4 shows,

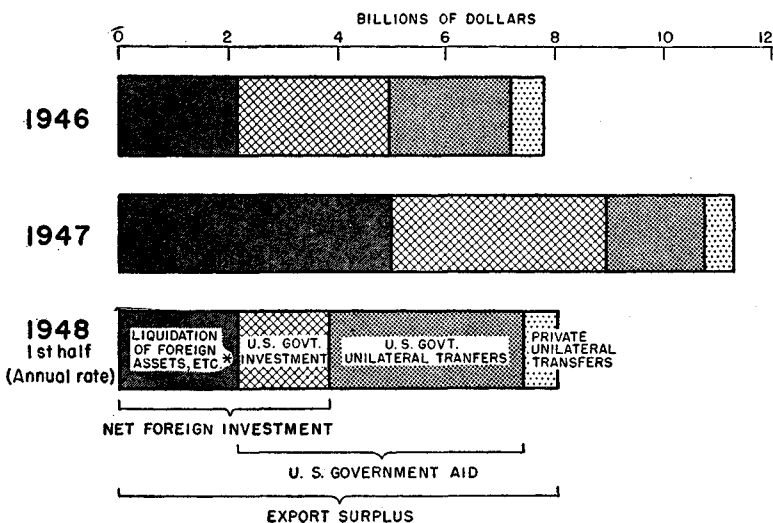
these resources were being liquidated at a rate of only 2 billion dollars a year in the first half of 1948, less than half the 1947 rate. (See chart 5.) Foreign countries' spending of gold and dollar balances was one of the important factors in the expansion of our domestic money supply and bank reserves in 1947.

There was an increase in the rate of utilization of Government aid in the first half of this year compared with the last quarter of 1947, but it was

CHART 5

## FINANCING THE EXPORT SURPLUS

A sharp drop in the liquidation of foreign assets was the main financial factor in reducing the export surplus from the average level of 1947 to the first half of 1948. U.S. Government aid dropped slightly.



\* INCLUDES ALSO MOVEMENT OF U.S. PRIVATE CAPITAL, NET DOLLAR DISBURSEMENTS BY THE INTERNATIONAL BANK AND THE INTERNATIONAL MONETARY FUND, AND ERRORS AND OMISSIONS.

SOURCE: DEPARTMENT OF COMMERCE.

largely aid to Europe and did not ease the dollar position of other areas, which accounted for the major decline in our export surplus.

Our international transactions in the first half of the year involved less drain and exerted less inflationary pressure on our economy than they had in 1947. The undertaking of new foreign aid programs in the past 6 months, however, presages an increase in the export surplus in the second half of this year.

TABLE 4.—*Financing the surplus of goods and services supplied to foreign countries*

[Billions of dollars, annual rate]

Period	Surplus of exports of goods and services <sup>1</sup>	Means of financing		
		Government aid (net) <sup>2</sup>	Liquidation of foreign gold and dollar assets (net) <sup>3</sup>	Other means of financing (net) <sup>4</sup>
1936-38 average.....	0.5	-----	0.8	-0.3
1946.....	7.8	5.1	2.0	.7
1947—First quarter.....	11.2	5.2	4.8	1.2
Second quarter.....	12.5	8.0	4.6	-.1
Third quarter.....	10.9	6.8	3.4	.7
Fourth quarter.....	10.5	2.9	5.3	2.3
1948—First quarter.....	7.9	5.8	1.5	.6
Second quarter <sup>4</sup> .....	8.2	4.7	2.6	.9

<sup>1</sup> Includes income on investments.<sup>2</sup> Includes grants and loans, but excludes subscriptions to the International Bank and Monetary Fund. For detail, see appendix C, table 32.<sup>3</sup> Excludes assets held by the International Bank and the International Monetary Fund.<sup>4</sup> Includes private gifts and remittances, movement of United States private capital, net dollar disbursements by the International Bank and the International Monetary Fund, and errors and omissions.<sup>5</sup> Estimates based on incomplete data.

Source: Department of Commerce.

*Government transactions*

During the first half of the calendar year 1948, Federal cash receipts from the public, under the impact of rising prices and incomes, continued their upward trend. Allowing for seasonal influences, receipts during these 6 months were running at an annual rate of 50.2 billion dollars, or 7 percent above the 1947 figure of 46.9 billion. Thus for this period the cash surplus was running at a seasonally adjusted annual rate of 12.6 billion dollars, compared with the 1947 surplus of 5.7 billion.

Actual cash taken in during the first 6 months of 1948, the magnitude of which partly reflected the heavy concentration of income tax collections in the spring, amounted to 27.2 billion dollars or 7.6 billion greater than actual cash payments in this period. The surplus during the second half of this year, however, will be drastically reduced. This change is due mainly to the reduction in income tax rates and to the increase in payments on account of the defense and foreign aid programs. Even after seasonal adjustment to allow for the fact that receipts are normally substantially greater during the first half of any calendar year than during the second, it is certain that the cash surplus will drastically decline from the first half of the year to the second.



TABLE 5.—*Federal cash receipts from and cash payments to the public*

[Billions of dollars]

Calendar years	Cash receipts other than borrowing	Cash pay- ments	Surplus (+) or deficit (—)
1946.....	45.5	45.3	+0.2
1947.....	46.9	41.1	+5.7
Annual rates, seasonally adjusted:			
1948—First half <sup>1</sup> .....	50.2	37.6	+12.6
Second half <sup>2</sup> .....	44.7	40.8	+3.9
Totals for half years, not adjusted for seasonal:			
1948—First half <sup>1</sup> .....	27.2	19.6	+7.6
Second half <sup>2</sup> .....	20.3	19.7	+0.6

<sup>1</sup> Based on incomplete data.<sup>2</sup> Estimates.

Source: Bureau of the Budget.

State and local government spending continued to rise during the first half of 1948 so that the cash surplus of 1947 has disappeared. This trend in State and local transactions is likely to continue so that a cash deficit must probably be expected for the rest of this year.

TABLE 6.—*Cash receipts from and cash payments to the public by State and local governments*

[Billions of dollars]

Calendar year	Cash receipts other than borrowing	Cash pay- ments <sup>1</sup>	Surplus (+) or deficit (—)
1946.....	11.0	9.9	+1.1
1947.....	13.1	12.1	+1.0
1948—First half (annual rate, seasonally adjusted) <sup>2</sup> .....	13.8	14.4	—0.6

<sup>1</sup> Excludes Federal grants-in-aid.<sup>2</sup> Estimates based on incomplete data.

Source: Department of Commerce.

In connection with the foregoing discussion, it should be noted that governmental cash transactions differ considerably from receipts and expenditures as shown in conventional budgetary accounts. While some of these differences tend to balance out over a period of years, the analysis of cash transactions presents a more comprehensive and a more accurate basis for appraising the immediate economic impact of Government operations. The conventional budget accounts, however, are more significant if the long-range financial position of the Government is to be shown. As an example, transfers from budget accounts to trust accounts are not shown as payments to the public, while they do reflect an increase in Government liabilities which will result in payments in later years. (For further explanation, see appendix A, tables 6 and 7.)

*Payments.* During the first half of this year, total Federal cash payments to the public were running at a seasonally adjusted annual rate of about 37.6

billion dollars, or some 3.5 billion dollars (8 percent) below the rate for 1947. The decline was chiefly in payments for national defense and international affairs, and represented a shrinkage of certain extraordinary payments rather than a reduction in continuing programs. In national defense, the decrease was accounted for in part by the tapering off of the cashing in of terminal leave bonds. The falling off of cash payments in the international field was due to the exhaustion of the British loan, and to the fact that payments to the Bretton Woods organizations were heavily concentrated in 1947.

Payments under foreign aid and other international programs are expected to expand from an annual rate of 5.2 billion dollars in the first half of 1948 to 6.3 billion in the second half. This will still be below the 1947 level. Payments for defense likewise will rise because of increased procurement of equipment and some expansion of the armed forces. Thus, after declining for the past 2 years, Federal payments are now expected to rise; during the second half of 1948, they will probably reach an annual rate of 40.8 billion dollars, which is about 9 percent higher than during the first half of the year, and slightly less than in 1947. (See appendix A, table 10.)

The major changes in payments by functions, discussed in the preceding paragraphs, are reflected somewhat differently in payments classified by type of recipient. (See appendix A, table 11.) Federal purchases of goods and services from business, for example, were at an annual rate of 10.6 billion dollars during the first half of this year, or 20 percent above the 1947 level, and they are expected to average during the second half of this year about 50 percent above last year's rate. The increase during the second half of the year is accounted for largely by the increasing defense and foreign-aid programs. Some of the increase in 1948 over 1947 is simply a statistical reflection of the shift from loans to outright grants in support of foreign aid. Federal salaries and wages during the first half of 1948 were a little below the 1947 level of 7.7 billion dollars, but are expected under the influence of pay increases and expansion of the armed forces to return to their 1947 level during the second half of the year. The aggregate of payments other than purchases from business, Federal salaries and international loans and other payments changes only moderately.

Payments of State and local governments have continued to rise steadily, reflecting increases in costs and also the expansion of activities to make up for the restrictions of the war period and to meet new needs. The average rate of cash payments during the first half of 1948 was about 14.4 billion dollars, or 2.3 billion above the 1947 level, and this rising trend is expected to persist during the second half of the year.

State and local construction activity is continuing its rapid expansion in response to the pressure of urgent needs for new schools, streets and highways, and water and sewer systems. (See appendix C, table 13.) In terms of dollar volume, State and local construction during 1948 is expected to be about 45 percent above the 1947 level, compared with increases of about 30 percent for private construction and about 10 percent for Federal construction. In view of rising costs, these dollar figures considerably overstate the expansion in construction. The physical volume of Federal construction, for example, will probably be little different from the 1947 level, and the real expansion in the private and State and local sectors is correspondingly lower than indicated by the dollar figures.

*Receipts and debt management.* Actual Federal cash receipts during the first 6 months of 1948 were 27.2 billion dollars, which is equivalent to a seasonally adjusted annual rate of 50.2 billion. For the second half of the year, the prospect is for a decline in actual cash receipts substantially greater than seasonal, from 27.2 billion dollars to 20.3 billion dollars or a seasonally adjusted annual rate of 44.7 billion. Over a full year's operation the new tax bill might be expected, provided present income levels were not pushed upward by the forces of inflation, to reduce revenues by about 5 billion dollars. Assuming some increase in present income levels, the tax reduction accounts for the largest part in the expected fall in total cash receipts. Most of this decline is in personal income taxes, only a small fraction being due to reductions in estate and gift taxes. Receipts from sales of surplus property are also expected to fall sharply during the second half of the year, while other receipts will show little change.

The annual rate of cash receipts of State and local governments during the first half of 1948 was somewhat higher than in 1947. These increased receipts reflected higher tax rates, introduction of new taxes (especially sales taxes), and rising incomes, sales, and property valuations. Revenues from sales taxes during the first quarter of 1948, for example, were 20 percent above the same period of 1947. State and local governments continue to seek new sources of revenue to meet expenditures which are mounting faster than receipts.

About 4.6 billion dollars of the Federal budgetary surplus during the first half of 1948 was used to retire public debt. Furthermore, the net increase in the public debt holdings of Federal trust funds and the net increase in the amount of savings bonds and notes outstanding made additional funds available to retire marketable debt held outside of the Government. In consequence, the marketable debt was reduced by about 5.4 billion dollars during the first half of 1948. Debt held by commercial and Federal Reserve banks was reduced by about 4.9 billion dollars. The gross public debt, which was just under 257 billion dollars at the end of

1947, was thus reduced to about 252 billion at the end of June 1948, while the Treasury cash balance increased from about 3 billion dollars to nearly 5 billion during that period. (See appendix C, table 23.)

The reduction in bank-held debt was an important factor in the decline of about 4.5 billion dollars in the money supply which occurred during the period. (See appendix C, table 22.) Throughout the period, public debt retirements were concentrated in the first instance on debt held by the Federal Reserve banks. However, the restrictive effect of debt retirements was offset in considerable measure by the gold inflow, by return of currency from circulation, and by open-market purchases of Government securities by the Federal Reserve System. Such purchases were necessary to support the prices of bonds as banks and others sold securities in order to maintain reserves and to obtain funds for other purposes. Nevertheless, the budget surplus and debt retirement placed some pressure on commercial bank reserves and were to some extent a contributory factor to the slow-down of commercial bank loan expansion which occurred during the period.

State and local debt continued to expand. It was possible during war years, with high revenues and severely limited activities, to retire a substantial fraction of outstanding debt; but the pressure of new needs since the war has brought a return to the prewar picture of steadily growing physical assets and indebtedness. State and municipal securities issues to secure new capital were 2.2 billion dollars in 1947, or more than twice as great as in 1946. A substantial amount of borrowing was for the purpose of securing funds for payment of veterans' bonuses.

This survey of the transactions of Federal, State, and local governments indicates that during the first half of 1948 their combined effect continued to serve as a strong factor of restraint on the force of inflation. During the second half of the year this restraining influence will be almost wholly lost. The Federal Government is faced with the prospect of decreased revenues and increased expenditures. While State and local governments are raising tax rates and levying new taxes, their expenditures continue to expand faster than their revenues.

#### *Summary: The Nation's Economic Budget*

The Nation's Economic Budget is a convenient way of summarizing the main trends in the flow of goods and purchasing power, and of relating these trends to possible future developments.

The Nation's Economic Budget total, representing gross national income or expenditure, in dollar terms increased by 7 percent from 1947 to the first half of 1948 (annual rate). (See chart 6.) This is a rate of increase somewhat below the rise that took place in the preceding year.

A large part of the increase in 1948, as in 1947, reflects the rise in prices and wages; there was, however, also some increase in the real flow of goods and services. The inflationary tendencies that prevailed particularly in the second half of 1947 continued in 1948, though at a reduced rate.

TABLE 7.—*The Nation's Economic Budget*

[Billions of dollars]

Account	Calendar year 1947			Calendar year 1948, first half, annual rates seasonally adjusted <sup>1</sup>		
	Re- ceipts	Ex- pendi- tures	Excess of receipts (+) or expendi- tures (-)	Re- ceipts	Ex- pendi- tures	Excess of receipts (+) or expendi- tures (-)
Consumers:						
Disposable income.....	173.6			186.0		
Expenditures.....		164.8			174.4	
Saving (+).....			+8.8			+11.6
Business:						
Undistributed profits and reserves.....	19.4			21.4		
Gross private domestic investment.....		30.0			37.2	
Excess of receipts (+) or investment (-).....			-10.6			-15.8
International:						
Net foreign investment.....		8.9			3.9	
Excess of receipts (+) or investment (-).....			-8.9			-3.9
Government (Federal, State, and local):						
Cash receipts from the public.....	59.9			64.0		
Cash payments to the public.....		53.2			52.0	
Excess of receipts (+) or payments (-).....			+6.7			+12.0
Adjustments.....	-21.3	-25.2	+3.9	-24.9	-21.1	-3.8
Total gross national product.....	231.6	231.6	0	246.5	246.5	0

<sup>1</sup> Estimates based on incomplete data.

NOTE.—Detail will not necessarily add to totals because of rounding.

Sources: See appendix A for sources and explanatory material.

Comparing the composition of the Nation's Economic Budget in the first half of the current year with the preceding year, the similarities appear more significant than the changes that have occurred. The largest items in the Nation's Economic Budget are consumer income and expenditures. Their share in the Nation's Economic Budget total remains approximately constant with 75 percent and 71 percent for consumer income and consumer expenditures, respectively. These percentages, large as they are, are somewhat below those that prevailed in most peacetime years in the past. Large national and international government programs and large business investment compete with consumer expenditures for limited national resources. The sum of business, international, and government accounts in the Nation's Economic Budget maintained a relatively large share in the total; but there were quite substantial changes in the relationship among these accounts.

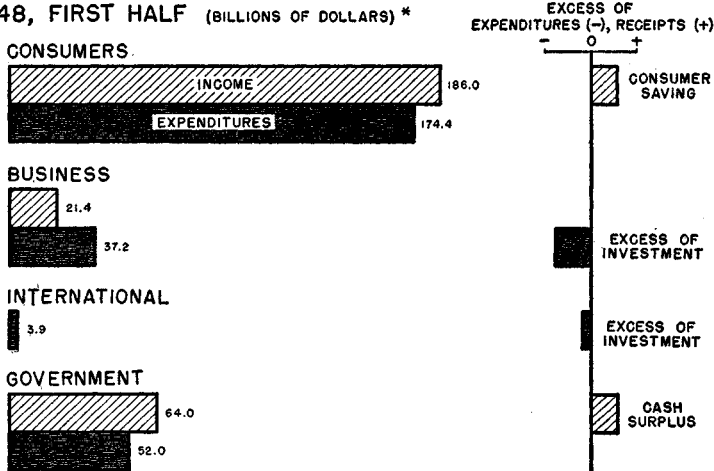
Gross private domestic investment increased relatively more than any other major category in the Nation's Economic Budget. This was due to

CHART 6

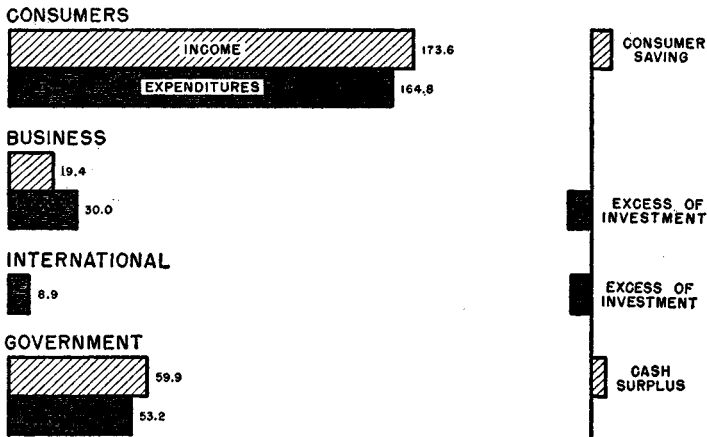
# THE NATION'S ECONOMIC BUDGET

Consumer saving and the Government surplus increased between 1947 and first half of 1948, while the excess of business and foreign investment declined.

1948, FIRST HALF (BILLIONS OF DOLLARS) \*



1947, CALENDAR YEAR (BILLIONS OF DOLLARS)



\* ANNUAL RATES, SEASONALLY ADJUSTED.

NOTE: THE COMPONENTS DO NOT ADD TO THE GROSS NATIONAL PRODUCT BECAUSE OF CERTAIN ADJUSTMENTS. SEE APPENDIX A.

SOURCE: SEE APPENDIX A.

increases in new construction and inventory accumulation. Present indications are that domestic investment will continue on a high level during the remainder of the year.

Net foreign investment declined by more than half during the first 6 months of 1948. The increase in Government foreign assistance during the second half of the year will in large part take the form of grants, which are recorded in government expenditures rather than in net foreign investment. For this reason, the net foreign investment component of the Nation's Economic Budget will probably not rise, even though the total excess of exports of goods and services increases.

Government payments have been declining since the war peak, and showed a further slight decline during the last 6 months. Because of the increase in Federal outlays for defense and foreign aid, and the continuing increase in State-local payments, this trend is likely to be reversed. An increase in government payments therefore appears certain for the coming 6-month period.

Thus it seems likely that expenditures for private domestic investment will continue at a high level, while the decline in government payments will be reversed. In the present situation of full employment and capacity production, this makes for a situation of inflationary pressure.

The picture of an unstable economy is presented even more clearly when attention is focused upon the excess of receipts or expenditures as presented for each year in the third column in table 7.

Both in 1947 and during the first 6 months of 1948, the excess of investments and exports in the business and international accounts was largely offset by consumer net saving plus the government cash surplus. Between these two periods, the excess of business investment increased by nearly 5.5 billion dollars, as did the Government surplus. The most important change in the Nation's Economic Budget that is bound to occur under present legislation for the coming period is that this Government cash surplus will be drastically reduced. This means that by necessity other items of saving or excess of investment must adjust themselves correspondingly.

It should be recognized that the large dollar amounts of individual saving and Government cash surplus that helped to balance the large excess investments and excess exports during the last 2 years were partly a result of the inflationary process. When incomes and prices are inflated, the amounts of saving and taxes tend to increase. Thus we have in our economic structure a kind of automatic emergency brake that helps to slow down inflation. By reducing tax rates despite inflationary prospects, we have acted like an engineer who releases his emergency brake—in the face of an emergency. The question for the coming months is whether once

again we will permit a price rise to balance the Nation's economic accounts in the precarious manner that is characteristic of an inflationary movement.

Looking at the Nation's Economic Budget from the long-range aspect of economic stability, it appears also that major adjustments still remain to be made if a peacetime economy of sustained prosperity is to be achieved. The sum total of business investment, net foreign investment, and government expenditures will probably require a smaller share in the Nation's Economic Budget total than in recent years. That means that, in a future expanded economy, consumer income and expenditures will require a larger share in order to assure markets for everything that can be produced. Adjustments that must be made eventually in order to assure sustained prosperity are not appearing in the course of unchecked inflation. By permitting further inflation, we render the future task of transition to a condition of sustained prosperity that much more difficult.



## II. Prices, Wages, and the Impact of Three Government Actions

THE first half of 1948 has shown several important developments—and at times cross currents—in the process of market competition, collective bargaining, and price making through which our system of free enterprise operates.

### THE COURSE OF PRICES

As 1947 closed, both wholesale and consumers' prices were at postwar peaks, after sharp advances in the second half of 1947 which carried wholesale prices to 47 percent and consumers' prices to 29 percent above the mid-1946 level. Early this year, this trend was broken by a sharp downturn in commodity prices, but during the second quarter prices again marched forward. At midyear of 1948, the level of wholesale prices was 1.8 percent higher and the level of consumers' prices was 2.8 percent higher than at the start of the year. As we enter the third quarter of 1948, price rises are occurring on a broad front, though somewhat more selective in character than a year ago.

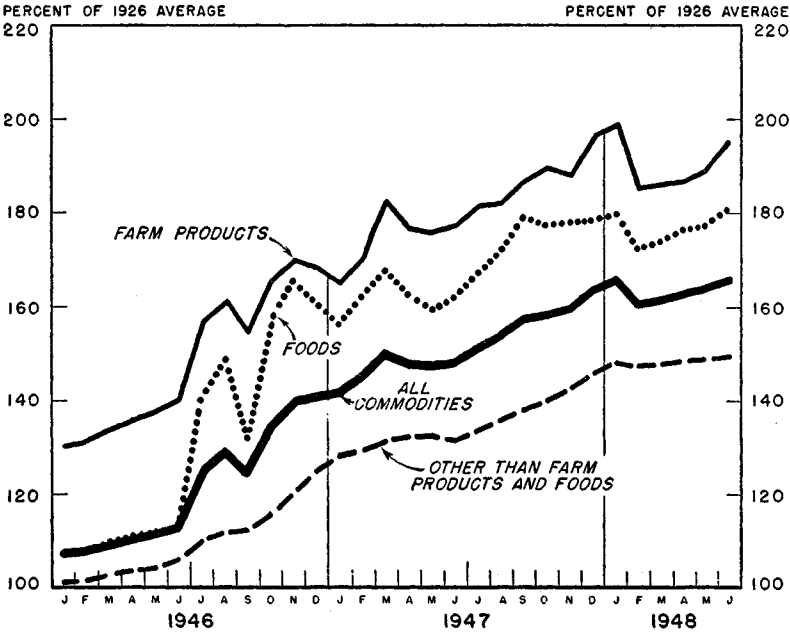
The course of wholesale prices and consumers' prices has varied considerably. During the first quarter, there was a sharp break in farm products and foods, which carried the wholesale price index substantially downward. In the second quarter, farm products almost regained, and foods more than regained, the ground lost earlier in the year. (See chart 7 and appendix C, table 18.)

Wholesale prices other than farm products and foods were strong, with a slight upward movement. Three commodity areas in particular showed advances in wholesale prices in response to strong pressures of manufacturing and construction demand. (See chart 8.) These were fuel and lighting materials (notably coal), metals and metal products, and building materials. The second quarter saw prices increase for such important nonferrous metals as lead, tin, and aluminum. At the same time, weakness in a number of cotton-textile products reflected a reduction in demand and a much easier supply position. The one major industrial price index which showed a net decline for the whole period was hides and

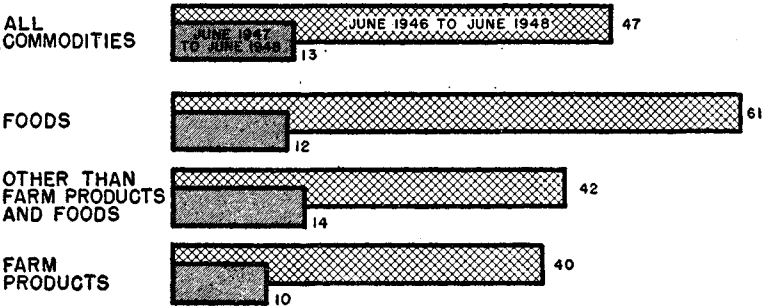
CHART 7

# WHOLESALE PRICES

Wholesale prices showed little net change during the first half of 1948 because of the break in farm prices during February. Prices during the second quarter moved forward again.



PERCENTAGE INCREASES SINCE JUNE 1946 AND SINCE JUNE 1947



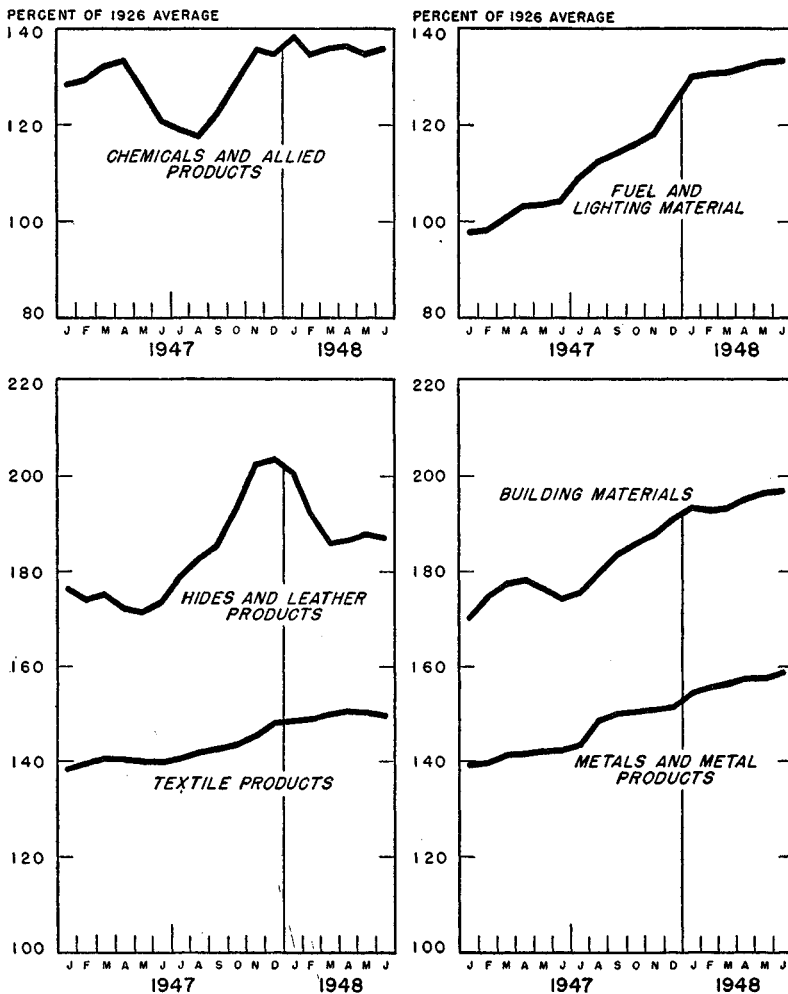
SOURCE: DEPARTMENT OF LABOR.

CHART 8

## WHOLESALE PRICES

(COMMODITIES OTHER THAN FARM AND FOODS\*)

Price advances during the first half of 1948 were marked for basic metals, fuel, and building materials. Hides and leather products showed a substantial drop.



\* HOUSEFURNISHING GOODS AND MISCELLANEOUS ITEMS NOT SHOWN.

SOURCE: DEPARTMENT OF LABOR.

leather products. This resulted from the better supply position and the reduction in market demand for shoes.

Consumers' prices advanced somewhat more than wholesale prices during the half year. (See chart 9 and appendix C, table 17.) There was a temporary dip in food prices which reflected the February break in the prices of farm products. Thereafter, food prices rebounded and still continued upward, reaching new peaks. The growing effects of the decline in the supply of meat were reflected in a substantial rise in meat prices. Even during the dip in food prices, other consumer goods continued to advance as the increases in wholesale prices in the last quarter of 1947 were passed through to the retail level. Rents, which rose some 5 percent with partial decontrol in the fall of 1947, showed a slight continuous advance this year.

A significant aspect of advancing consumer prices lies in their effect upon wage demands, while wage increases in turn are reflected in industrial prices.

The course of prices in 1948 has been highlighted by several spectacular events. First came the unusually sharp break in grain prices in early February, following noticeable weakness in the last half of January. The decline affected cattle, hog, cotton, and other farm prices, as well as grain. The readjustment of farm prices was of unusual severity. It raised fears in some quarters of a widespread break in prices, production, and employment similar to the 1920-21 collapse.

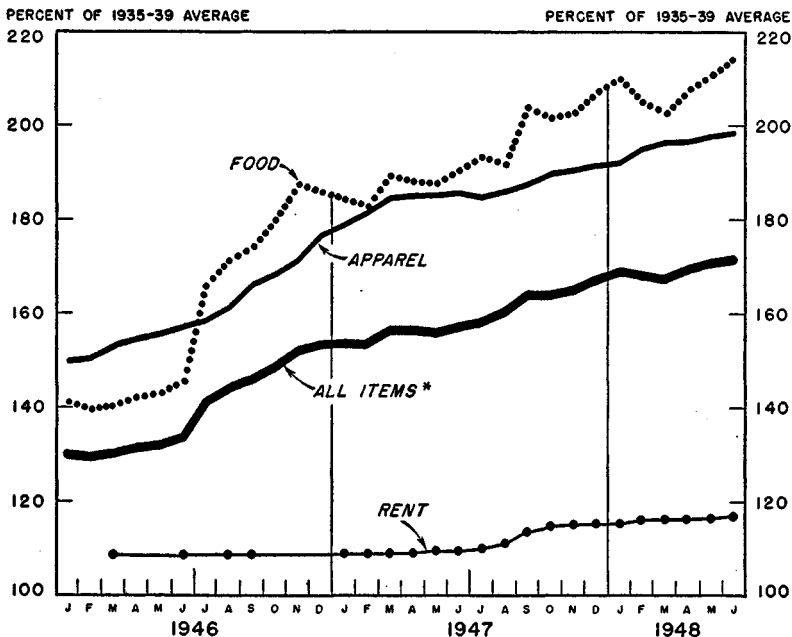
In this instance, however, the break was isolated, and did not have the feared effect upon industry and commerce. The existence of agricultural price supports set a limit to the possible extent of the fall and gave reassurance that there would be no agricultural collapse. Grain prices remained above the support levels for the 1947 crop, but wheat prices fell to about the level of the prospective supports for the 1948 crop. Furthermore, owing to the nature of the agricultural industry, the break in farm prices did not lead to curtailment of production or discharge of workers. A high level of investment in plant and equipment was being maintained, construction activity was expanding, and there was a large export movement and a high level of consumption. All these factors continued to enable the economy to localize weakness in one sector, and even in that sector prices soon resumed their rise.

Nevertheless, the recession in grain prices acted as a warning signal to business generally that price movements are no one-way street. Insofar as it damped down the spirit of inflation, its effect was salutary. Hope was generated in some quarters that prices were about to level off and that necessary price adjustments could be made in an orderly fashion in response to an improving demand-and-supply situation. There was belief, too, that

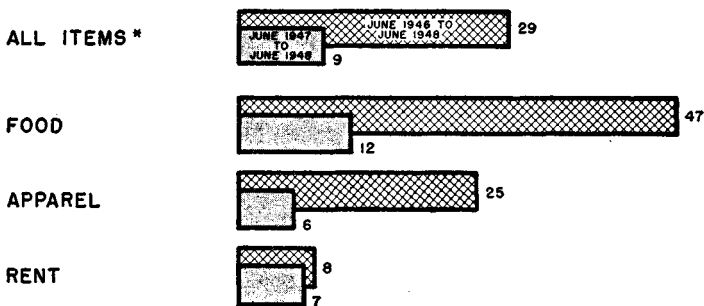
CHART 9

## CONSUMERS' PRICES

After some hesitation in the first quarter of 1948, consumers' prices resumed their upward climb, with food prices in the lead.



### PERCENTAGE INCREASES SINCE JUNE 1946 AND SINCE JUNE 1947



SOURCE: DEPARTMENT OF LABOR.

\* ALSO INCLUDES HOUSEFURNISHINGS, FUEL, ELECTRICITY, ICE, AND MISCELLANEOUS GOODS AND SERVICES NOT SHOWN ON CHART.

such developments on the price front would have a restraining influence on the forthcoming wage negotiations in major industries.

A second major price development which took place in the first quarter of the year was the gradual advance in numerous steel prices, culminating in the mark-up of semifinished steel on February 12. This rise gave notice that, whatever the readjustments in the farm area, demand pressures were still very strong in the area of basic industrial materials, and that the boom in capital goods was continuing unabated.

Late in April, it is true, the leading company in the steel industry announced a series of price cuts and joined with other large employers in stating that the continuation of the price-wage spiral was harmful both to management and to labor. But this attempt to hold the price and wage line was short-lived. It was soon followed by both price and wage increases in many industries. Automobiles, aluminum, rubber products, and electrical equipment and appliances, and finally coal and steel, were prominent examples. Recently announced price increases for steel average more than \$9 per ton, or about 11 percent.

The price situation at midyear was thus dominated by the emergence of a new impetus to the wage-price spiral. The substantial increase of coal and steel prices, in conjunction with recent and prospective increases in transportation and public utility rates, represents a broad upward movement in the cost structure of industry at large, and forms the potential basis for a dangerous general spiraling of prices.

#### THE COURSE OF WAGES

Wage trends during the half year have corresponded fairly closely to the course of the economy as a whole. As the year opened, the inflationary tide of the second half of 1947 was running very strong, and this was reflected in wage settlements. When the break in commodity prices engendered a less inflationary sentiment, there appeared for a time a strong resistance to wage increases, revealing in part the feeling that they could not be passed on to the consumer through higher prices. When the pulse of inflation again quickened and the cost-of-living trend again became clear, the resistance to wage increases abated, and an upward spiral of prices and wages again developed. For the entire first half of the year, this spiral has not been as extreme as in the second half of 1947, but its momentum increased rapidly during May and June.

By the beginning of this year, most union workers had received at least two postwar wage increases, and a sizable fraction had received three or more. Available information indicates that unorganized workers did not fare quite so well. The third round of increases was well under way last fall, and the signing of new and significant wage agreements continued as

the new year began. Increases were negotiated in woolen textiles, west-coast lumber, building construction, part of the meat-packing industry, and other fields. Arbitration awards gave increases to maritime workers on both coasts and to some ladies' garment workers in New York. Interspersed with the third-round increases were many minor and some major second-round contracts.

These wage settlements, like those of 1947, were dominated by the rising cost of living. Higher living costs had by early 1948 largely dissipated the monetary gains of the second round. Hence, organized labor was seeking new advances to restore its purchasing power. The third round settlements averaged somewhat less than those of the second round, and were more closely adjusted to particular situations, following somewhat less of a "pattern" than in previous years.

When the price break in the commodity markets induced a widespread hope that inflation was losing its force and that the cost of living might be stabilized or reduced, coupled with the belief that the economy might not stand further advances in industrial prices, it seemed that the third round of wage increases might not extend to the major industrial concerns whose contracts were to be negotiated in the spring. The major electrical companies sought to hold wages and to lower prices. Negotiations in that industry had been practically deadlocked for weeks when, in April, the United States Steel Corporation refused the demand of the steel workers for a substantial increase, and made moderate reductions in prices of finished steel products. Following this action, major negotiations in other branches of industry were suspended, and several major companies in the automobile industry appeared to be standing firm in their opposition to wage demands.

After the commodity price break had been arrested without spreading to other segments of the economy, and after the defense program was announced, it appeared to workers that costs of living would not decline and might advance and to employers that the passing on of wage increases in higher prices would be possible. Since profit prospects were good, and the denial of wage increases carried the threat of suspended operations, there were by May widespread settlements at higher wages, even in the metal-working field. The General Motors settlements of May 25 cast the die in favor of wage advances in the mass-production industries. In relatively short order, settlements were then reached in most of the automobile, electrical, aluminum, rubber, coal, and steel industries.

Automobile contracts generally provided for around 13 cents increase in hourly wages, rubber 11 cents, and steel an average of 13 cents. In the major electrical companies, except for General Motors where the automobile contract applied to the electrical workers, the wage increase was 8 percent, and in aluminum an average of 10 percent. By June, the average weekly

earnings for manufacturing as a whole were nearly \$53. (See appendix C, tables 9 and 10.)

The terms of the General Motors settlement were noteworthy, since they embodied the principle of adjustment up or down at short intervals in response to changes in cost of living and also provided for a future rise in dollar income to reflect technological progress. This formula has been adopted in very few subsequent contracts.

On March 15, the bituminous coal miners stopped work in a conflict over the welfare fund. This stoppage resulted in a loss of steel output by about 1½ million tons. Work was resumed on April 12, but new strike threats arose in May, when negotiations were opened for the new year's contract. This was settled on June 25 by the granting of a \$1 a day wage increase and doubling the welfare fund royalty—from 10 cents to 20 cents per ton. On July 4 the anthracite companies accepted a similar contract. The steel companies also reached an agreement covering their captive mines on July 14. As a result of the new contract, bituminous coal miners' average weekly earnings will rise to approximately \$80, assuming a continuation of a full 40-hour workweek.

Earnings in the building construction industry have risen only somewhat less steeply than in coal mining in recent years. Wage rates for construction workers have been adjusted upward periodically since VJ-day. Skilled construction mechanics in metropolitan areas today average nearly \$2.25 an hour. Bricklayers are at the peak with an hourly wage running from \$1.75 to \$3.20 an hour. Weekly earnings for all construction workers average slightly more than \$68 a week. (See appendix C, table 9.) This figure reflects the short average workweek in construction and the low earnings of many unskilled and semiskilled workmen, particularly in non-metropolitan areas.

The fact that many wages have advanced sharply should not overshadow the fact that millions of workers, who have not participated in the regular rounds of postwar increases, have seen their real earnings decrease as the cost of living has mounted. Such unevenness of wage movements has a disturbing effect upon the whole wage structure, upon relationships among the various cost factors in production, and upon interindustry relationships as well.

Most third round increases have been roughly comparable, percentage-wise, to the increase in the Consumers' Price Index since the previous contract. With few exceptions, bargaining has been concentrated this year on wage changes, rather than on pension and other security benefits. The limited fringe benefits have consisted largely of additional paid holidays and medical or hospitalization plans. Also, a significant number of



contracts have been signed for a 2-year period, thus improving the prospect for industrial peace.

Despite the substantial wage rate increases in particular industries, neither average weekly earnings nor total wage and salary incomes have risen significantly. This was partly because of the delay in settlements in the February-May period, and partly because the effects of recent contract adjustments have not yet been reflected in the statistics. It was also partly because many workers have not had their wages raised, and partly because the hours worked per week have been somewhat reduced. The workweek in manufacturing industries, which averaged 40.4 hours in the last half of 1947, fell to an average of about 40.1 in the first half of this year. Similar decreases occurred in construction, telephones, electric power, trade and service industries. On balance, weekly earnings have been relatively stable throughout the early months of 1948, with increases in hourly earnings about offsetting reduction in hours.

#### THE IMPACT OF THREE GOVERNMENT ACTIONS

While these price and wage developments were going on, three important new factors were introduced into the price picture. The seriousness of the European situation led to an expanded defense program. The Congress approved an increase of approximately 3.5 billion dollars above the January budget recommendations of 11 billion dollars in support of national defense. At about the same time, the Congress authorized a new foreign aid program and set up an Economic Cooperation Administration to carry the program into effect. On April 2, Federal taxes were reduced in an estimated amount of 5 billion dollars a year. The impact of these three actions will be analyzed before evaluating the whole prospect for inflation.

##### *Foreign aid and domestic supply*

Under the Foreign Assistance Act and other aid programs, the Congress has, over the past 6 months, provided funds for foreign aid in an aggregate amount of over 7 billion dollars. Over 6 billion is intended for aid to Europe, primarily through the European recovery program. These funds are for use not later than the middle of 1949.

The Economic Cooperation Administration was established by the Congress to administer the major new foreign aid programs. The ECA is insisting that the programs of the individual participating countries be screened by their joint organization before being submitted, so that the ECA will receive a unified program for all of western Europe. This procedure should serve to encourage a high degree of cooperation among the participating countries.

Programs for the third quarter of 1948, allotting over 1.1 billion dollars of ECA funds, were recently announced. Programs for later periods have not yet been finally determined. Procurement of commodities and services including freight, amounting to over 800 million dollars, had been authorized by the ECA up to July 19, 3 percent of this being for China and the rest for European countries. In accordance with the Government's policy of maximizing the use of private channels of trade, three-quarters of these authorizations were for procurement directly from private industry and only one-quarter, representing chiefly agricultural commodities, was for procurement through United States Government agencies. About half of the total consisted of authorizations to procure goods outside the United States, primarily in Canada, but including also the participating countries. Such "offshore procurement" constitutes the bulk of the authorizations in the cases of such commodities in tight supply in the United States as petroleum, nonferrous metals, meats, inedible oils and fats, fertilizer, and lumber and newsprint.

The foreign aid program is not designed to put props under our current business boom. The unfilled demands of the American market, with its enormous purchasing power, would sustain our prosperity for the present even if foreign markets were sharply reduced. We are deliberately subjecting ourselves to inflationary pressures on the domestic economy in the short-run, in order to contribute to international security and economic stabilization in the long-run.

Stabilizing the world political situation and restoring peaceful world trade is vital to maintaining our domestic economy on a high level of production and employment in the years to come. After accumulated demands at home have been successfully met and supply lines filled up, the American economy, to continue to operate at high speed, requires that the world in which we trade shall likewise be active and prosperous. Further recovery in western Europe will progressively remove the need for further assistance from the United States Government. Moreover, if we pursue proper policies in international trade, it will promote a beneficial flow of goods to the United States and support foreign demand for our products.

These deferred advantages, however, do not eliminate nor even reduce the present problem resulting from stimulated exports of goods while our own markets are still not fully supplied. It is true that the total export surplus in the coming 6 months will probably not attain the average rate of 1947, even if our aid is utilized at a higher rate than last year. The reason is that foreign countries will not be able to liquidate gold and dollar assets in anything like the amounts they did in 1947 because these resources have been greatly reduced; and the funds made available through private

sources, through the International Bank, and through the International Monetary Fund are not likely to make up the difference. The excess of exports over imports may, however, be expected to rise from the level reached during the first half of this year, when operations under the Economic Cooperation Act had hardly begun.

Even more significant than the total is the composition of the bill of goods required. Earlier reports on the impact of foreign aid upon the domestic economy have emphasized that the pressure upon a few key spots is more troublesome than the impact would appear to be when measured in aggregate dollar terms. This will continue to be the case, with an important difference between the impact upon agricultural supplies and the impact upon industrial supplies.

In the case of agricultural supplies, exports of wheat from this country are now expected to be below the 480 million bushels exported during the past crop year. This reflects the prospects of unusually good cereal crops in western Europe this year compared with an extremely low yield last year. This easing of foreign pressure on our grain supplies comes at a time when our own 1948 wheat crop is estimated at a high figure of 1.2 billion bushels (120 million below last year's record crop). Meanwhile, the preliminary outlook for corn offers hope of a record crop of 3.3 billion bushels compared with last year's 2.4 billion. In addition, most of the agricultural commodities which are expected to be shipped abroad in larger quantities this year than in 1947, such as cotton, tobacco, and some other products, are available at home in adequate supply. Thus, the impact of the aid program in the agricultural area, with its important bearing upon domestic food prices, is unlikely to be as serious as it has been. Nonetheless, it will have a substantial continuing effect in view of the extraordinarily high domestic demand.

In the case of some key industrial products, the foreign aid program will continue to exert great pressure against tight supply. Although major decreases are expected in the total export of fats and oils, freight cars, electrical machinery and apparatus, petroleum products, and coal, the high domestic demand for these products in relation to supply will require the most careful screening of exports.

The rate of steel exports during the remainder of this year, while lower than in 1947, is expected to be higher than in the first part of this year because exports to western Europe are expected to increase more than exports to the rest of the world will be reduced even with drastic controls. Agricultural machinery, in great demand at home, is not expected to be exported at higher rates in the second half of this year than in the first half, although it will be exported at a higher rate than in 1947.

While increased production will make somewhat larger amounts of such important commodities as steel, agricultural machinery, and fertilizer available for domestic use, it may be said in summary that the foreign aid program as a whole will exert a somewhat greater pressure upon the domestic economy in the second half of this year than in the first half, although somewhat less than during 1947.

*Defense demands and civilian supply*

The original recommendations last January in the Budget Message called for only a slight expansion of our national defense program. The total authority to obligate funds for national defense during the fiscal year 1948 was 10.4 billion dollars, and the Budget Message requested a total authorization for the fiscal year 1949 of 10.9 billion. This increase was accounted for mainly by the universal training program proposed at that time and by a larger stockpiling program.

Unhappily, the course of events made it clear that a prudent regard for maintaining the peace called for expanded programs in all areas of national defense. Following recommendations for an enlarged program, the Congress approved such expansion during the last session. For the fiscal year 1949, total appropriations and contract authorizations in the amount of about 14.4 billion dollars have now been approved—about 3.5 billion dollars above the amount recommended last January. Included in this increased program is 525 million dollars authorized for the stockpiling of strategic and critical materials. In addition to the defense program, about 100 million dollars have been authorized for related expansion for the merchant shipbuilding program, and 84 million not obligated last year has been extended. The largest increase in defense expenditures is accounted for by a very rapid stepping-up of the aircraft program. There will also be a substantial increase in the personnel of the Armed Forces and in procurement for the Army and the Navy.

These increased authorizations, it is true, in the main provide the basis for future expansion, and will have relatively little effect on cash payments for defense programs during the last half of this year. During the first half of the calendar year 1948 cash payments in support of national defense were running at an annual rate of about 10.9 billion dollars. With the new programs, it is estimated that during the second half of this year the annual rate of payments will increase by about 800 million dollars. (See appendix A, table 8.) Most of the additional cash payments will be made in subsequent years. Looking at the matter only for the short run, it might be thought that such an increase in expenditures for defense does not have very significant consequences in an economy where the gross national prod-

uct is running at almost a 250 billion dollar level. There are, however, two reasons why the impact on the national economy will be substantial.

The first reason is that the commitments involved in this stepping-up of the military establishment represent a rising trend. This does not mean that new defense proposals will be made; whether or not that will be necessary no one can now say. It means simply that the program now under way will involve an increasing rate of outlays over the next 3 years. The planning and contracting for these rising expenditures will have economic impacts in advance of actual expenditures. They support anticipations of high business volume and high consumer incomes. They equally support anticipations of pressures upon the labor supply and shortages of raw materials and key industrial products. Some of these effects are already beginning to appear.

The second reason for the substantial impact of the defense program upon the domestic economy is that there is now little slack in the use of our productive capacity. Particular industries of great importance to the defense program are already severely overburdened, and particular materials are in short supply.

On the side of materials, the program for the stockpiling of strategic and critical materials will give rise to important impacts. To carry out this program, the Congress has to date provided funds and contract authorizations totaling 800 million dollars. Of this amount, 500 million dollars were in appropriations and 300 million in contract authorizations.

The big impact of stockpile procurement is yet to come; a major fraction of the funds available will not be spent until later years. Purchases thus far have been limited, since the needed materials have been in short supply even for current industrial use. Actual payments for deliveries from new procurement through June 30, 1948, were less than 100 million dollars. While there is no absolute certainty about the rate of stockpiling procurement in the future, the funds available are sufficient, if rapidly spent, to have a sharp impact in the basic materials markets. The rate at which the balance of about 700 million dollars already authorized will be spent during the next 12 months is still to be determined, but it will be stepped up considerably.

The direct requirements of the military, maritime, atomic energy, and foreign aid programs in the next 12 months will absorb significant percentages of the prospective supply of such materials as copper, zinc, and lead. Attainment of the stockpile goals deemed necessary to our national security would require setting aside additional amounts annually for several years. As it will not be possible to increase supplies of these materials substantially in the near future, the removal of considerable amounts of them from the market for stockpiling purposes would encroach upon the

level of industrial production at many points. One serious consequence would be a substantial, and possibly in some instances drastic, rise in prices. Another would be the impairment of current civilian production. To hold the economic impact to the minimum consistent with satisfactory stockpiling progress, it will be necessary to keep the procurement program flexible, to give careful attention to its impact on other essential programs and to stimulate new production.

The shortages which the national defense program will in due course accentuate are not limited to materials marked for stockpiling. Aluminum is a case in point. In view of the increased requirements for aircraft, military requirements for aluminum in the fiscal year 1948-49 amount to more than 4 percent of the supply. Further expansion of aluminum production draws heavily on the electric-power supply in regions where it is already short. Although electric-power capacity was greatly expanded during the war, the peacetime load of a civilian population with steady work and good incomes promptly took up the whole electric capacity and as a result an expansion program running several years ahead was launched. The electric-power shortage cannot easily be relieved by turning to fuel oil and natural gas, because of shortage of pipe and drilling equipment; nor by turning to coal, because of shortage of cars and generators.

Steel is another case in point. The principal voluntary allotments already made or under consideration under Public Law 395 (military, atomic energy, housing, freight cars, barges, and oil and gas industry equipment), together with ECA and maritime program requirements, would absorb in this fiscal year nearly a quarter of the total supply of steel mill products and more than half the supply of some specific products such as plates and pipes and tubing.

For steel and most of the other strategic materials, the task in hand is not simply to assure adequate supplies for the defense program and a few others of top priority. Expanded allocations to specific programs, if effectively accomplished, reduce the remaining supply available for all other needs. Most consumers of steel outside the present and contemplated voluntary allocation categories will have less steel in the next 12 months than they had during the past 12 months. Consumers who have been able to acquire their own steelmaking facilities will be in a preferred position. Many of the uses of strategic materials not included in the preferred programs are essential directly for the maintenance of civilian output, and indirectly for meeting our military and foreign aid commitments. These needs cannot be indiscriminately reduced. Nor can the fulfillment of these needs, without great damage, be left to a scramble for supplies by unlimited bidding-up of prices, or handled on the basis of historical trade quotas bearing little relation to essentiality.

The instruments now available for the domestic allocation of commodities in short supply do not afford adequate safety in the face of present and prospective pressures. There are, for example, provisions for the domestic allocation of antimony, tin and tin products, and mandatory power under the Selective Service Act to allocate steel for military requirements and to assign priorities for materials and products procured for the military and atomic energy programs. These mandatory powers, however, apply to only a small portion of the demand for the materials which they cover.

Thus generally under the legislation now in force, only voluntary allocation procedures are available to distribute the supply of scarce commodities. This results in two grave difficulties. The first of these difficulties is that rapid progress toward our stockpiling goals would require curtailment of domestic civilian consumption to a greater extent than voluntary programs can accomplish. If either stockpiling or other procurement programs should be substantially accelerated, there is serious doubt of the ultimate adequacy of existing measures to meet the problems of inflation, disorganization of production, and harm to small business which would arise from aggravated specific commodity shortages. The second difficulty is that, with the weak tools now available, the orderly handling of essential stockpiling and procurement programs may be jeopardized in an effort to avoid disruption of the general economy.

One further impact of the expanded defense program derives from its manpower requirements. These will not be very great in 1948, but it is estimated that new defense needs will, within a year from now, call for the services of about 1 million persons as additions to the armed forces, civilian employees of the armed forces, and workers for producing military equipment. These manpower requirements of the defense program can only in part be drawn from new accessions to the labor force. There will arise numerous labor shortages in some areas of the country. Some plants undergoing a marked expansion will experience manpower shortages, particularly of key skilled and professional personnel, such as tool and die makers, instrument makers, physicists, chemists, and aeronautical engineers. This will cause disturbances in some spheres of civilian production, and upward pressures on wages and other costs.

#### *The impact of tax reduction*

As shown in the discussion of government transactions on page 18, the consolidated cash surplus of Federal payments over receipts during the fiscal year 1948 amounted to 8.9 billion dollars, of which 7.6 billion came in the first half of the calendar year 1948. Under reduced taxes, it now appears that in the second half of the calendar year 1948 there will be only a small

surplus, if any, although a sharp rise in prices and incomes under the pressure of inflation might operate to increase Treasury receipts materially.

The drastic reduction in the surplus from the level prevailing during the first half of the calendar year 1948 is not due solely to tax reduction, but is due in part to increased expenditures, especially those resulting from the enlarged defense program. The decline in the surplus attributable to the adoption by the Congress of the Tax Revenue Act of 1948 would amount, over a full year's operation at present income levels, to about 5 billion dollars. This tax reduction will strengthen consumer expenditures. Taxpayers with net incomes of \$5,000 or less will receive a total tax reduction of about 3 billion dollars; a total of 2 billion dollars of tax reduction will accrue to those in the higher-income brackets. In the light of these figures, it seems reasonable to estimate that the tax reduction bill will result in an increase in the annual rate of consumer spending of somewhere between 3 and 4 billion dollars.

The tax reduction occurred at a time when the international situation impelled us to adopt additional programs for national defense and foreign aid. It sharply reduces the large surplus at a time when inflationary forces are still present and thereby removes our principal protection against the strengthening of these forces.



### III. The Issue Between Inflation and Stabilization

**I**N the preceding pages, the problem of inflation has stood at the center of the picture. The upsurge of various elements in the price and income structure has introduced unsettling factors which are clearly incompatible with stable prosperity and increasing national security. At the very heart of sound economic policies must be the desire to help achieve greater stability and more permanently workable relationships as rapidly as possible.

From time to time since the war, there have been brief periods when we appeared to be moving toward such stabilizing relationships. But each time this prospect was soon upset by some new factor of curtailed supply or expanded market demand which unleashed again the unsettling forces of inflation. Effective adjustment policies have been hard to devise and harder to get accepted and applied.

We appear now to be once more at a stage of renewed instability, with many prices reaching for the easy dollars that a still undersupplied market is ready to yield; with recent and prospective wage settlements contributing to the upward process; with market demand again being stimulated by the accelerating procurement programs of foreign aid and national defense; and with continuing scarcities of numerous key materials. Tax reduction has added to consumer and business demand in the market, but it is incapable of stimulating a proportionately larger flow of goods from our already overloaded plants, fully employed labor force, and still overstrained supply lines.

The presence of these inflationary factors does not mean that we are on the threshold of an inflationary orgy of the "run-away" kind. While alarmists refer to our present currency as "printing press money," sober students do not see in the present monetary situation any real analogy with Continental and Confederate currency episodes or the more recent collapse of the currencies of numerous countries in Europe or elsewhere after both World Wars.

Of course, the United States dollar has had its real value lowered in the course of the economic readjustments induced by World War II. And

there is no likelihood of a near-time restoration of that former value. But there is nothing sacred about the price marks of 1939 or 1926, and the attempt to restore them would probably create more hardship than it would alleviate.

To be sure, we want to achieve reasonable steadiness of the dollar, although at a price level necessarily higher than in prewar times. But the process of monetary adjustment is only one ingredient, and in a sense only a byproduct, of adjusting relationships within the price-income structure so as to facilitate and maintain maximum production and employment. The practical question now is how these adjustments may be wrought, primarily in the context of the bargaining and compromising through which the parties at interest work out their rival claims in a free economy, but subject to the guiding influences of appropriate public policies.

In this process as it is now unfolding, there are complex forces some working to lessen and others to intensify inflationary pressures. In attempting to judge what balance these competing forces may work out, we begin by examining some of the factors that reduce the pressure of inflation. Outstanding among these is the fact that, in many fields of production, the supply situation is greatly improved.

One such development was dramatized by the Department of Agriculture crop report of July 9. It opened with these profoundly significant sentences:

Crop production in 1948 promises to surpass that of the outstanding year of 1942, and the record set in 1946. \* \* \* a record [corn] production of 3,329 million bushels is now indicated. The wheat prospect 1,242 million bushels is an improvement of 4 percent over earlier forecasts and will be the second largest crop in our history. \* \* \* Cotton acreage is 10 percent larger than in 1947. \* \* \* All-crop prospects are reported above the average of the past ten years and as good as in 1946. Current estimates indicate an aggregate production about 128 percent of the 1923-32 average, compared with 123 percent in 1942 and 126 percent in 1946.

Despite our high degree of industrialization, the tremendous importance of agriculture cannot be overlooked. The world shortage of foods and other products of agricultural origin, continuing up to this year, has had an immense inflationary impact upon the whole price structure through the relations that farm prices have to the cost of living and to industrial wages, prices, and profits. Although the full effects will not be felt for some time, greater abundance in basic agricultural crops should be of signal aid in the checking of inflation and the progressive working out of reasonably stable relationships.

That end would not be promoted if the enlargement in supply of farm products were to coincide with some serious curtailment of demand to produce a collapse of farmers' incomes. Such a collapse shortly after

World War I spread to rural merchants and bankers, to manufacturers of farm equipment and consumer goods, and to other commodity markets. But the repetition of such a debacle today is precluded by a policy of farm income supports, implemented by procedures worked out and tested over the past twenty years, though not yet perfected.

A second factor which should significantly work against further inflation is the increase in industrial expansion. We appear to be nearing the end of the strong impact of war-created shortages of plant and inventory. While industrial output has increased less rapidly than extremely favorable production conditions had led us to expect, it should progressively show the effect of nearly 3 years of added capital investment upon a vast scale. As an enlarged and modernized industrial plant gets shaken down and its crews trained to maximum efficiency, domestic backlogs of orders will be worked down, and the increased flow of final products will permit the great demands upon the productive system to be met more easily and will ease the pressure on prices.

These favorable factors on the physical side are reinforced by numerous indications of improved economic understanding and broader objectives on the part of those who operate our business system. It cannot fairly be said that they have rushed blindly ahead in the boom spirit of past expansionary periods. A sense of caution has been attained by industrialists, merchants, and bankers with regard to inventories, credit expansion, and construction plans. Some unions have applied moderation to their wage demands, and some manufacturers and distributors have sought to hold prices against further advances or have initiated reductions, as a means of doing something positive to stem inflation.

If international tension lessens, the lightening of both the physical and psychological impact on our economy, with its great productive potential, would sharply reduce inflationary pressure at important points. We might then rather promptly be put to the test to show whether our producers and distributors could make price and cost adjustments fast enough to continue employment and production without serious cutbacks.

In spite of the counterinflationary factors enumerated, it remains true that inflation is still very much with us. The nature of this continued inflation has been treated in detail in the preceding sections of this report. It can be summarized briefly as three interrelated phases of one complex process.

First, there is the fact that demand in most categories has been expanding and may expand further. Consumer demand is running high, particularly under the impact of tax reduction and wage increases. Rising residential construction and heavy investment, fed by high profits, add to business demand. Government expenditures are rising. Thus the sum

total of effective demand of all types still continues to press against a supply that increases only slowly. This excess of demand may not be as general as it was when postwar shortages were at their peak. The inflationary pressure is perhaps more selective than it was, but it is still a major factor in the price situation.

Second, the inflationary effects have been multiplied through the price-wage spiral. Developments of the last few months have had a cumulative effect of great importance at the very base of our industrial structure. The recent attempt to hold industrial wages and reduce prices of industrial goods has evaporated. Substantial wage increases, which often have been made in order to catch up with previous price increases, have been accompanied in turn or promptly followed by substantial rises in the prices in industrial goods. Production costs are still rising, and while many businesses can pass them along in higher prices, there are others that are obviously squeezed. Capacity to pay for high-priced materials is not necessarily distributing them in the way most consonant with economic efficiency. Railroad freight and passenger rates have been materially increased, and utilities in many instances have been granted advances by public utility commissions while others have requests for such advances pending. This upward movement of prices is linked on the one side to the third round of wage increases and linked on the other to active talk of a fourth round.

The rising cost of living is imposing intense hardship upon millions of individuals who are not strategically located to participate in the upward movement. Meat prices continue to rise, while the prospectively large supply of grain will have little power to enlarge the supply of meat throughout the remainder of this year and indeed may operate somewhat to reduce it. While improved grain stocks next year will have important effects on the prices of livestock products, they cannot in the immediate future counteract the strong inflationary forces which control our markets.

Third, credit expansion, partly a cause and partly a result of inflation, still persists. The spiraling increase in prices and wages can continue only so long as business can replenish its working capital from bank credit or through the conversion of liquid assets.

Almost as significant in its disturbing effect as the statistically demonstrable evidences of inflation is the persistent uneasiness which it breeds, an uneasiness which could expand into a profoundly disruptive force if it is not removed by dealing with the specific factors which are its causes. The deep significance and reality of this uneasiness in the presence of inflation was clearly illustrated by the conditions surrounding the break in commodity prices early in 1948. A tremor of uncertainty, even of fear, ran through the whole economy, and for a short time there were many who

thought that we were close to a serious and general downturn in employment and production.

Fortunately, that particular break turned out to be corrective rather than disastrous. But this should not blind us to the fact that there were special circumstances, already referred to, which isolated its significance and which could not be counted upon to protect us under other circumstances. Besides the farm price-support program, which gave assurance to the business community at large, the break was shortly followed by other events in the economy which fortified optimistic business sentiment.

But we cannot ignore the prospect that unworkable relationships in the price structure, necessarily the outgrowth of unconquered inflation, may lead to a break in some other sector of the economy where the consequences would not thus be isolated. If attendant developments which cannot be foreseen did not serve substantially to counteract it, this break well might carry our highly sensitive economy into a general recession of serious proportions.

In short, we have this very year had a significant warning while there has still been opportunity to act in time. Far from being satisfied because the lack of action thus far taken has not yet reaped the ultimate consequences of inflation, we should profit by this warning and vigorously seize the additional grant of time that circumstances have accorded to us. The most dangerous error that could overtake us as a nation would be to assume that the problem has disappeared, or that our efforts should be abated because we have thus far avoided serious reverses or because the basic conditions for continued prosperity appear to be sound. It is typical for inflationary and speculative booms to collapse while business sentiment is still confident.

It is not enough to be satisfied with quick and crude adjustments by which our economy can "get by" from month to month or year to year, still under the momentum of forces engendered during the 4-year war period. No one can foretell precisely when some event or series of events might touch off a change in the economic situation more rapidly than we were prepared to deal with it. It is of ever-increasing importance that the policies and actions of private business, labor, agriculture, and Government should move toward economically sound relationships so that the postwar boom may be succeeded by a sustained prosperity based on the maximum reasonable use of our productive resources.

In the Employment Act of 1946 the Congress declared the continuing policy of the Government to "coordinate and utilize all its plans, functions, and resources" to bring about and maintain maximum production and employment and to preserve and strengthen our economy of free competitive enterprise. This plan of action requires that we shall always look to the

independent factors in our business world to adjust their policies so intelligently that the imbalances which are inevitable in our highly dynamic economy shall be temporary and shall not accumulate until they destroy business stability.

The role of the Government as contemplated in the Employment Act ordinarily is to develop its own activities and organize the policies which affect business in such a way as to facilitate these needed voluntary adjustments. But if economic maladjustments become so serious that the voluntary action is clearly inadequate to halt threatening trends in the economy, the power of Government must be used where the President and the Congress deem necessary to forestall serious damage to the public interest.

The comprehensive wartime controls over business were rapidly removed after the close of hostilities. Voluntary action has been increasingly relied upon to maintain business activity at a high level without permitting serious maladjustments to arise. The files of our business journals show that wide attention has been given to the desirability as well as the need for every business firm to adjust its own policies so that it may contribute its share to stabilization. The attitude and effort of thousands of less conspicuous firms deserve to be recognized along with the better publicized actions of a few of our most important business corporations which have held down or actually reduced prices in a boom market for the express purpose of furnishing leadership in an effort to halt the inflationary movement.

The same attitude has been exhibited by a large number of the most important leaders of organized labor, who have earnestly and with some success postponed or moderated the urgent demands of members of their labor unions for wage increases to meet the rising cost of living. Farmers have frankly expressed their uneasiness about the situation which was being created by rising prices even though they have been beneficiaries thereof, but the nature of this industry gives them little opportunity to take positive measures. Consumers have reserved large amounts of their savings bonds and, despite the pressure of high prices, have made large annual additions to current savings.

While this spreading sense of responsibility and of caution promises much for the success of our economy in meeting problems of adjustment in the future, the forces with which we now contend have proved to be too strong for the countervailing efforts of individual factors in the business world. The workers have seen the cost of living continue to mount, and to them it seems that any restraint they have shown has only brought them sacrifice without corresponding benefits to the public. The business firms which have held down their prices can only feel that they have permitted others to increase their profits, and they have not halted the inflation.

A real difficulty with the wholly voluntary solution is that it requires simultaneous action by workers, businessmen, and consumers. But no individual or group can have firm assurance that the inflation will be stopped. It is therefore necessary that the Government should have and use powers in the interest of economic stability, to supplement the strength of individual actions, to give them common direction, and to prevent their dissipation through mutual conflict of purpose. Only with the support of wise and vigorous Government action can the effectiveness of voluntary actions be assured.





# Appendix A

## The Nation's Economic Budget

### *Tables*

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# The Nation's Economic Budget

## Explanation of the tables

Table 1 presents the Nation's Economic Budget for the calendar year 1947 and the first half of 1948.

TABLE 1.—*The Nation's Economic Budget*

Calendar year 1947 and January-June 1948

[Billions of dollars, current prices]

Economic group	1947			January-June 1948 annual rates, seasonally adjusted <sup>1</sup>		
	Receipts	Expenditures	Excess (+) or deficit (-)	Receipts	Expenditures	Excess (+) or deficit (-)
<b>CONSUMERS</b>						
Disposable income.....	173.6			186.0		
Expenditures.....		164.8			174.4	
Saving (+).....			+8.8			+11.6
<b>BUSINESS</b>						
Undistributed profits and additions to reserves.....	19.4			21.4		
Gross private domestic investment.....		30.0			37.2	
Excess of receipts (+) or investment (-).....			-10.6			-15.8
<b>INTERNATIONAL</b>						
Net foreign investment.....		8.9			3.9	
Excess of receipts (+) or investment (-).....			-8.9			-3.9
<b>GOVERNMENT</b>						
(Federal, State, and local)						
Cash receipts from the public.....	59.9			64.0		
Cash payments to the public.....		53.2			52.0	
Excess of receipts (+) or payments (-).....			+6.7			+12.0
<b>ADJUSTMENTS (To arrive at gross national product)</b>						
For receipts.....	-17.9		-17.9	-21.1		-21.1
For payments.....		-25.2	+25.2		-21.1	+21.1
Statistical discrepancy.....	-3.4		-3.4	-3.8		-3.8
Total gross national product.....	231.6	231.6		246.5	246.5	

<sup>1</sup> Estimates based on incomplete data.

NOTE.—Detail will not necessarily add to totals because of rounding.

### *Nature of the accounts and sources*

The Nation's Economic Budget is designed to give a general picture of significant movements or changes in the economy, and their relation to the economic decisions of consumers, business, and government. The principal flows of income and expenditures, and the net additions to and absorption of saving are interrelated in an overall way in the Budget.

The estimates of consumer receipts and expenditure, business receipts and domestic investment, and net foreign investment are based on the income and product accounts prepared by the Department of Commerce.<sup>1</sup> Government receipts and payments are based on cash receipts from and payments to the public as estimated by the Bureau of the Budget.<sup>2</sup> The cash receipts and payments series is used because it gives a more complete picture of the immediate economic impact of Government operations than other available series on Government expenditures.

The adjustments to receipts and expenditures are made to reconcile the total of the accounts with the gross national product or expenditure. The latter includes only receipts or expenditures arising from the current production of goods and services, while the accounts of consumers, business, and government, include certain other types of transactions. The nature of these adjustments is discussed more fully in the section, "Adjustments to receipts and expenditures." A brief description of the accounts with explanatory and supplementary tables follows.

#### *Consumer account*

Table 2 below shows the principal sources of personal income, personal taxes, and a breakdown of expenditures by important classifications. Consumer income includes the net profits of unincorporated business.

Personal saving is a residual derived by deducting expenditures from disposable income. Because of statistical imperfections, difficulties of adjusting for seasonality, etc., too much significance should not be attached to small variations in this figure. Expenditures for dwellings are considered as a business investment rather than a consumer expenditure.

<sup>1</sup> A number of the principal series comprised in the national income and product estimates are shown in appendix C, tables 1 through 6 (by calendar years from 1929 through 1946 and by quarters for 1947 and the first half of 1948). Those desiring more detailed information are referred to the *National Income Supplement to the Survey of Current Business*, published in July of 1947 and to the *Survey of Current Business*, July 1948.

<sup>2</sup> See p. A121 of the *Budget of the United States* for fiscal year 1949.

TABLE 2.—*Consumer account*  
Calendar year 1947 and January–June 1948  
[Billions of dollars]

Receipts or expenditures	1947	January–June 1948, annual rates, seasonally adjusted <sup>1</sup>
<b>Receipts:</b>		
Personal income.....	195.2	208.1
Salaries, wages, and other labor income <sup>2</sup> .....	121.9	128.7
Proprietors' and rental income.....	46.0	51.1
Dividends and personal interest.....	15.6	16.7
Transfer payments <sup>3</sup> .....	11.7	11.6
Veterans <sup>4</sup> .....	7.3	6.2
Other.....	4.4	5.4
Less: Personal tax and nontax payments.....	21.6	22.1
Equals: Disposable income.....	173.6	186.0
<b>Expenditures:</b>		
Durable goods.....	21.0	22.0
Nondurable goods.....	96.5	102.4
Services.....	47.3	50.1
<b>Total</b> .....	<b>164.8</b>	<b>174.4</b>
<b>Saving</b> .....	<b>+8.8</b>	<b>+11.6</b>

<sup>1</sup> Estimates based on incomplete data.

<sup>2</sup> Includes employer disbursements for wages and salaries, minus employee contributions for social insurance, plus other labor income.

<sup>3</sup> Includes business transfers.

<sup>4</sup> Includes military pensions, disability and retirement payments, mustering-out pay, unemployment, self-employment, and subsistence allowances, terminal-leave bonds, and other miscellaneous payments.

NOTE.—Detail will not necessarily add to totals because of rounding.

### *Business account*

The business account is shown in table 3. Business income includes undistributed corporate profits, and the adjustment for corporate inventory valuation, plus capital consumption allowances for both corporate and noncorporate business. Because there is no information on noncorporate entrepreneurial withdrawals, it is impossible to include an estimate of retained earnings for unincorporated business in business income. On the other hand, investment includes not only the investment of all business, but also the investment of individuals in homes. Business income and expenditures are therefore not entirely comparable.

The investment items shown in the business account do not show completely the amount of funds required for financing. For example, investment includes only that part of an increase in the value of inventory arising from an increase in physical volume, while the whole amount of the increase in the book value of inventories must be financed. Needs for capital also arise in connection with the transfer of fixed assets, though such transfers are not reflected in the gross national product, and in connection with an expansion of accounts receivable. On the other hand, some investment in equipment is financed through depreciation allowances and some is charged to current expense. Agricultural equipment is frequently

financed out of farmers' current income and residential construction by the owner-occupant. Thus these investments do not give rise to financing requirements in the usual sense even though they do absorb saving.

For the corporations alone, financing sources and requirements are shown in table 30, appendix C.

TABLE 3.—*Business account*  
Calendar year 1947 and January-June 1948  
[Billions of dollars]

Receipts or investment	1947	January-June 1948, annual rates, seasonally adjusted <sup>1</sup>
Receipts:		
Corporate profits.....	29.8	<sup>2</sup> 30.5
Less:		
Corporate profits tax liabilities.....	11.7	11.9
Dividends.....	6.9	7.4
Equals: Corporate undivided profits.....	11.2	11.2
Plus: Capital consumption allowance.....	13.3	14.1
Less: Corporate inventory valuation adjustment <sup>3</sup> .....	5.1	3.9
Equals: Undistributed profits (excluding inventory valuation adjustment) and additions to reserves.....	19.4	21.4
Domestic gross investment:		
Construction.....	11.7	14.4
Residential, nonfarm.....	5.2	7.0
Nonresidential.....	6.5	7.4
Producers' durable equipment.....	17.6	19.6
Change in business inventories.....	.6	3.3
Total investment.....	30.0	37.2
Excess of receipts (+) or investment (-).....	-10.6	-15.8

<sup>1</sup> Estimates based on incomplete data.

<sup>2</sup> The estimate of corporate profits for the second quarter of 1948 is that of the Council of Economic Advisers.

<sup>3</sup> This adjustment is required because corporate income is reckoned inclusive of changes in the book value of inventories, as is customary in business accounting, whereas only the value of the real change in inventories is counted as current output in the national product.

NOTE—Detail will not necessarily add to totals because of rounding.

#### *International account*

Net foreign investment, as included in the Nation's Economic Budget, does not reflect the entire export surplus shown in table 3, page 16, of the text. It consists only of the portion financed by means that add to this country's net claims abroad during the period under consideration. Gifts, grants, and other unilateral transfers, therefore, are not included. Government unilateral transfers, whether in cash or in kind, are included in the Nation's Economic Budget as a Government payment; private unilateral transfers are included in consumer expenditures.

In 1946 and 1947 these two types of unilateral transfers had a net value of nearly 2.9 and 2.4 billion dollars, respectively. In 1948, however, this total, and consequently the difference between the total export surplus and net foreign investment, is expected to become considerably greater owing to the large proportion of Government aid to foreign countries that will take the form of grants rather than loans. As a result, net foreign invest-

ment is expected to remain much lower than in 1947, and the major portion of the total export surplus will be included in the Government component of the Nation's Economic Budget.

The composition of the total excess of exports of goods and services and the means of financing it are shown in appendix C, table 31. The derivation of net foreign investment from this total is shown in table 4 below.

TABLE 4.—*The export surplus and net foreign investment*

Calendar year 1947 and January-June, 1948

[Billions of dollars]

Item	1947	January-June 1948, annual rates <sup>1</sup>
Surplus of exports of goods and services.....	11.3	8.0
Less: Net unilateral transfers:		
Government.....	1.8	3.5
Private.....	.6	.6
Equals: Net foreign investment.....	8.9	3.9

<sup>1</sup> Estimates based on incomplete data.

NOTE.—Detail will not necessarily add to totals because of rounding.

### *Government account*

Table 5 provides a breakdown of the cash receipts and payments of Federal and State and local governments which are combined in the Nation's Economic Budget. Tables 6 through 11 are supplementary tables on the Federal budget. The first two of these show the derivation of cash receipts and payments from budgetary receipts and expenditures. Table 8 shows the Federal cash surplus and tables 9, 10, and 11 provide additional analytical material on cash receipts and payments, including estimates for the second half of calendar year 1948.

a. *Derivation of Cash Receipts and Payments from Budgetary Receipts and Expenditures.* The basic sources of information concerning Federal Government receipts and disbursements are Government Budget and Trust accounts. Such accounts present the financial position and operations of the Government in accordance with conventional governmental accounting techniques.

From the standpoint of depicting the current flow of funds to and from the Government, however, and hence the immediate economic impact of Government operations, Federal receipts and expenditures as stated in conventional Budget and Trust accounts are deficient. In the first place, as is desirable for purposes of long-range financial control, they show receipts and expenditures in many fields on an accrual rather than on a current cash basis. Terminal-leave bonds issued to veterans, for example, are

recorded as a budgetary expenditure at the time of issue rather than at the time they are redeemed although it is probably not until the latter moment that their direct economic impact is felt. Secondly, conventional Budget and Trust account data contain, in the aggregate, a considerable amount of double counting when considered from the standpoint of the Government as a whole. For example, transfers from the Treasury general fund to trust accounts are, in order to present a complete picture of Federal financial operations, recorded both as expenditures and receipts. From the standpoint of the Government as a whole, however, the transaction is purely one of intragovernmental accounting.

TABLE 5.—*Government cash receipts and payments to the public*

Calendar year 1947 and January-June 1948

[Billions of dollars]

Receipts or payments	1947	January-June 1948 annual rates, seasonally adjusted <sup>1</sup>
Receipts:		
Federal.....	46.9	50.2
State and local <sup>2</sup> .....	13.1	13.8
Total receipts.....	59.9	64.0
Payments:		
Federal.....	41.1	37.6
State and local <sup>2</sup> .....	12.1	14.4
Total payments.....	53.2	52.0
Surplus (+) or deficit (-):		
Federal.....	+5.7	+12.6
State and local.....	+1.0	-.6
Total.....	+6.7	12.0

<sup>1</sup> Estimate based on incomplete data.

<sup>2</sup> Excludes Federal grants-in-aid.

NOTE.—Detail will not necessarily add to totals because of rounding.

In order to derive the Government Account in the Nation's Economic Budget, therefore, it is necessary (i) to place the conventional data on a current cash basis, and (ii) to eliminate double counting. Tables 5 and 6, on page 19 of the text, show the cash transactions of Federal and of State and local governments on such a consolidated basis.

Tables 6 and 7 show a reconciliation of Federal Budget receipts and expenditures with cash receipts from and payments to the public. A detailed reconciliation of Federal Budget and cash transactions appears monthly in the *Treasury Bulletin*. A fuller explanation of the differences between budgetary and cash receipts and expenditures may be found in the 1949 *Budget of the United States* (p. A121).

TABLE 6.—*Reconciliation of Budget receipts with cash receipts from the public*

Fiscal year 1948 [Billions of dollars]	
Receipts	Fiscal Year 1948 <sup>1</sup>
Net budget receipts.....	44.7
Trust account receipts.....	9.6
Total recorded receipts.....	54.3
Less: Intragovernmental transactions:	
Payments to U. S. Treasury (miscellaneous receipts) by Government enterprises.....	.7
Transfers from general fund to trust accounts.....	4.2
Interest received by trust funds on investments in United States securities.....	.8
Receipts from sale of surplus vessels transferred to U. S. Treasury (miscellaneous receipts) but also recorded as a trust account receipt and expenditure.....	.8
Other.....	(?)
Less: Recorded receipts not paid in cash by the public:	
Deduction from Federal employees' salaries for retirement funds.....	.2
Other.....	(?)
Equals: Cash receipts from the public <sup>2</sup> .....	47.7

<sup>1</sup> Estimates based on incomplete data.<sup>2</sup> Less than 50 million dollars.<sup>3</sup> Excludes borrowing.

NOTE.—Detail will not necessarily add to totals because of rounding.

TABLE 7.—*Reconciliation of Budget expenditures with cash payments to the public*

Fiscal year 1948 [Billions of dollars]	
Expenditure or payment	Fiscal Year 1948 <sup>1</sup>
Budget expenditures.....	39.3
Trust account expenditures.....	6.8
Total recorded expenditures.....	46.1
Clearing account for outstanding checks and telegraphic reports.....	.5
Adjusted total, recorded expenditures.....	46.6
Less: Intragovernmental transactions:	
Payments to U. S. Treasury (miscellaneous receipts) by Government enterprises.....	.7
Transfers from general fund to trust accounts.....	4.2
Interest received by trust funds on investments in United States securities.....	.8
Investments of trust funds and Government enterprises in United States securities.....	3.0
Receipts from sale of surplus vessels transferred to U. S. Treasury, but also recorded as a trust account expenditure.....	.8
Other.....	(?)
Less: Recorded expenditures not paid out in cash:	
Deduction from employees' salaries for retirement funds.....	.2
Interest on savings bonds (net increase in redemption value of outstanding issues).....	.5
Terminal leave bonds issued.....	.2
Plus: Cash payments not recorded as expenditures:	
Redemption of excess profits tax refund bonds and adjusted service certificates.....	(?)
Terminal leave bonds redeemed for cash.....	1.5
Redemption of non-interest-bearing notes by the International Bank and Monetary Fund.....	.9
Expenditures of Government enterprises from proceeds of sales of obligations in the market.....	.1
Equals: Cash payments to the public.....	38.8

<sup>1</sup> Estimates based on incomplete data.<sup>2</sup> Less than 50 million dollars.

NOTE.—Detail will not necessarily add to totals because of rounding.



*b. Supplementary Tables on Federal Cash Transactions.* Table 8 shows the Federal cash surplus for recent and current periods. The major sources of Federal revenues are shown in table 9. Table 10 analyzes Federal cash payments according to major governmental function. Table 11 differs from table 10 by classifying cash payments not according to function but according to the major groups *initially* receiving such payments, so far as can be done on the basis of the available data. Civilian salaries and wages, for example, are grouped in a single category, although in the functional table they are distributed among virtually all categories. Similarly, "payments to business for purchases of goods and services" include a large volume of purchases financed by grants from the Federal Government in support of our foreign aid programs, although these would fall under "international affairs and finance" in the functional classification.

TABLE 8.—*Federal cash surplus*

Calendar years 1947 and 1948

[Billions of dollars]

Receipts or payments	1947 actual	1948 annual rates, seasonally adjusted	
		January- June preliminary	July- December estimate
Receipts.....	46.9	50.2	44.7
Payments.....	41.1	37.6	40.8
Surplus (+) or deficit (-).....	+5.7	+12.6	+3.9

NOTE.—Detail will not necessarily add to totals because of rounding.

TABLE 9.—*Federal cash receipts from the public other than borrowing*

Calendar years 1947 and 1948

[Billions of dollars]

Source	1947 actual	1948 annual rates, seasonally adjusted	
		January- June preliminary	July- December estimate
Direct taxes on individuals <sup>1</sup> .....	21.0	23.0	19.0
Direct taxes on corporations.....	9.1	11.5	11.2
Employment taxes <sup>2</sup> .....	.7	.8	.8
Excises and customs.....	7.7	7.9	8.0
Miscellaneous receipts.....	4.7	3.5	2.1
Receipts of trust accounts.....	3.6	3.6	3.7
Total cash receipts.....	46.9	50.2	44.7

<sup>1</sup> Includes personal income taxes and estate and gift taxes.

<sup>2</sup> Excludes amounts transferred directly to trust accounts.

NOTE.—Detail will not necessarily add to totals because of rounding.

TABLE 10.—Federal cash payments by function

Calendar years 1947 and 1948

[Billions of dollars]

Payment	1947 actual	1948 annual rates, seasonally adjusted	
		January-June preliminary	July-December estimate
<b>Budget accounts:</b>			
National defense.....	12.9	10.9	11.7
International affairs and finance.....	6.1	14.9	13.4
Veterans' services and benefits.....	6.6	6.6	6.6
Interest on the public debt.....	3.8	3.9	3.9
Refunds of receipts.....	2.6	2.4	2.4
Other.....	5.3	5.5	7.6
<b>Trust accounts:</b>	2.6	3.3	5.5
Exchange Stabilization Fund.....	1.4	.3	.4
Deduction from Federal employees' salaries for retirement.....	-.2	-.2	-.3
Clearing account for outstanding checks and telegraphic reports.....	.2	.1	-.6
Adjustment to daily Treasury statement basis.....	-.3	-.2	.....
<b>Total payments to the public.....</b>	<b>41.1</b>	<b>37.6</b>	<b>40.8</b>
<b>Addendum (included in above):</b>			
Total payments relating to international affairs and finance:			
Budget accounts.....	6.1	4.9	3.4
Foreign economic cooperation trust fund.....			2.5
Exchange Stabilization Fund <sup>1</sup> .....	1.4	.3	.4
<b>Total.....</b>	<b>7.5</b>	<b>5.2</b>	<b>6.3</b>

<sup>1</sup> Excludes payments of foreign economic trust fund, see addendum.<sup>2</sup> Includes payments from foreign economic cooperation trust fund, see addendum.<sup>3</sup> Redemption of notes by International Monetary Fund of portion of United States subscription made from Exchange Stabilization Fund.

NOTE.—Detail will not necessarily add to totals because of rounding.

TABLE 11.—Federal cash payments by type of recipient

Calendar years 1947 and 1948

[Billions of dollars]

Payment	1947	1948 annual rates, seasonally adjusted	
		January-June preliminary	July-December estimate
<b>Individuals:</b>			
Salaries and wages of Federal personnel:			
Military (excluding terminal-leave pay to en-			
listed personnel).....	3.1	3.0	3.3
Civilian <sup>1</sup> .....	4.6	4.3	4.6
Allowances to dependents of military personnel.....	.3	.3	.3
Readjustment benefits, pensions, and other pay-			
ments to veterans <sup>2</sup> .....	7.3	6.2	5.9
Social insurance beneficiaries.....	1.8	1.8	2.0
Loans to home owners <sup>3</sup> .....	-.2	-.1	-.1
Interest on the Federal debt.....	.8	1.0	.9
Refunds of taxes <sup>4</sup> .....	1.6	1.7	1.7
Other <sup>5</sup> .....	.4	1.1	.7
Total.....	19.7	19.3	19.1
<b>Business:</b>			
Payments for purchases of goods and services.....	8.8	10.6	<sup>6</sup> 13.3
Subsidies and other payments to farmers.....	.8	.2	.7
Loans and investments <sup>7</sup> .....	.1	( <sup>8</sup> )	( <sup>8</sup> )
Interest on the Federal debt.....	2.9	2.9	2.9
Refunds of taxes <sup>4</sup> .....	1.0	.7	.7
Subsidy arising from postal deficit <sup>9</sup> .....	.2	.3	.6
Home mortgage purchases from financial institutions.....	.1	.1	.4
War-damage insurance claims and participants' profit.....	( <sup>8</sup> )		
Total.....	13.9	14.7	18.5
<b>International:</b>			
Loans to foreign governments.....	3.6	1.0	.8
Subscriptions to the International Monetary Fund and Bank.....	1.8	.6	.6
Membership in other international organizations and unilateral cash transfers.....	.1	.1	.2
Total.....	5.5	1.8	1.6
<b>State and local governments and public agencies:</b>			
Grants-in-aid.....	1.7	1.6	2.0
Interest on the Federal debt.....	.1	.1	.1
Loans.....	( <sup>8</sup> )	( <sup>8</sup> )	( <sup>8</sup> )
Total.....	1.8	1.8	2.2
Clearing account for outstanding checks and telegraphic reports.....	.2	.1	-.6
Total Federal cash payments to the public.....	41.1	37.6	40.8

<sup>1</sup> Civilian wages and salaries exclude payroll deductions for Federal employees' retirement benefits and Post Office wages and salaries. Post Office wages and salaries are estimated at 1.2 billion dollars in calendar year 1947 and at annual rates of 1.2 billion and 1.5 billion in the first and second halves of calendar year 1948, respectively. The total Federal civilian pay roll, including the Post Office, is estimated to be 6.0, 5.8, and 6.2 billion dollars in the same periods.

<sup>2</sup> Also includes cash terminal-leave pay to enlisted personnel, cashing of terminal-leave bonds, mustering-out pay, and payment of Government and national service life insurance benefits to veterans' beneficiaries.

<sup>3</sup> Repayments exceed loans.

<sup>4</sup> Refunds to individuals include refunds to unincorporated business.

<sup>5</sup> Consists of cash trust account payments other than payment of social insurance benefits and Government and national service life insurance. Such items as repayments of personal funds of military and civilian personnel located overseas which were deposited in trust accounts and payments of earnings to prisoners of war are included.

<sup>6</sup> Includes payments of foreign economic cooperation trust fund for goods and services of 2.5 billion dollars.

<sup>7</sup> Includes a small amount for subsidies to business.

<sup>8</sup> Less than 50 million dollars.

<sup>9</sup> In cash payments to the public the Post Office is included on a net basis. The whole deficit is shown here as a subsidy and included in the business category since the deficit arises primarily because of the subsidy to mail other than first class.

NOTE.—Detail will not necessarily add to totals because of rounding.

### *Adjustments to receipts and expenditures*

The adjustments to receipts and expenditures shown in table 1 reconcile the sum of the accounts of consumers, business, government, and net foreign investment with the gross national product. The latter includes only expenditures for the current production of goods and services. The Government account, however, includes total Government cash payments, whether involving purchase of the current output of goods and services, purchases of existing assets, or merely transfers of purchasing power to certain groups in the economy. Private transfers, such as gifts, have by and large not been taken into account. Receipts in the various accounts again include income arising from Government transfers and are not comparable with income arising from transactions in goods and services.

The adjustments include transfer payments, purchase or sale of existing assets, and other transactions which must be deducted to arrive at the gross national product. Details of the adjustments are shown in tables 12 and 13. According to table 12, "Adjustments to expenditures," transfers to individuals, including social-security benefits, veterans' bonuses, pensions and allowances, and similar payments account for a large part of the total. Cash payments of interest on the Federal debt, which are also defined as a transfer of purchasing power, are a second large item. Loans to foreign governments or subscriptions to the International Fund or Bank are similar to domestic transfers since they involve an addition to the purchasing power or ability of foreign countries to obtain goods from the United States.<sup>2</sup> In addition to transfers of purchasing power, discrepancies in timing between the time cash payment is made and the time production is directly affected must be eliminated.

Government transfer payments to individuals and interest payments must be eliminated from receipts as well as payments. Receipts from the sale of surplus property must also be deducted since sales of surplus involve only transfers of existing assets rather than current production. In addition a number of adjustments must be made for the difference between the time taxes accrue from current production and the time the Government records receipts. A summary of the adjustments to receipts is shown in table 13. Table 14 details the reconciliation between cash receipts and the estimates of taxes used by the Department of Commerce in developing estimates of gross national receipts and expenditures.

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<sup>2</sup> Sales of surplus property are included among the adjustments for a somewhat different reason. Such sales are included as part of net foreign investment and since they do not involve current production, an offsetting entry must be made to arrive at the gross national product.

TABLE 12.—*Reconciliation of cash payments to the public with Government expenditures for goods and services*

Calendar year 1947 and January-June 1948

[Billions of dollars]

Description	1947	January-June 1948 annual rates, seasonally adjusted <sup>1</sup>
Cash payments to the public (Federal, State, and local).....	53.2	52.0
Less: Adjustments.....		
Transfers to individuals.....	11.1	11.0
Tax refunds.....	2.6	2.4
Cash interest payments to the public.....	4.1	4.4
Transfers to business <sup>2</sup> .....	.6	.6
Loans to foreign governments.....	3.6	1.0
Subscriptions to the International Bank and Monetary Fund.....	1.8	.6
Sales of surplus abroad <sup>3</sup> .....	1.0	.8
Adjustment for Government enterprises <sup>4</sup> .....	.2	.2
Miscellaneous trust account payments.....	.8	1.0
Adjustments for time lags <sup>5</sup> .....	.7	—1
Noncash expenditures for goods and services <sup>6</sup> .....	—1.5	—1.0
Plus: Clearing account for outstanding checks and telegraphic reports.....	—2	—1
Total adjustments.....	25.2	21.0
Equals: Government expenditures for goods and services.....	28.0	31.0
Plus: Expenditures of consumers, business and net foreign investment.....	203.7	215.6
Equals: Gross national product or expenditure.....	231.6	246.6

<sup>1</sup> Estimates based on incomplete data.

<sup>2</sup> Includes Government subsidies, domestic sales of consumer-type surplus property, and capital transactions. Domestic sales of consumer-type surplus property are deducted because they are included in consumer expenditures for goods and services.

<sup>3</sup> Sales of surplus property abroad are deducted because they are included in net foreign investment. The figure shown above does not correspond with miscellaneous receipts for sale of surplus abroad since the figure shown in this table includes sale of goods on credit.

<sup>4</sup> Includes net expenditures of Government enterprises which do not represent capital formation.

<sup>5</sup> Includes adjustments necessary to bring payments into conformity with the current output of goods and services. Net receivables and prepayments are deducted, and an adjustment made for military pay certificates, issue of special currency, etc.

<sup>6</sup> Includes contributions of Government and Government employees to retirement funds and Government contributions to national service life and Government life insurance.

NOTE.—Detail will not necessarily add to totals because of rounding.

TABLE 13.—*Adjustments to receipts (or income) in the Nation's Economic Budget*

Calendar year 1947 and January-June 1948

[Billions of dollars]

Description	1947	January-June, 1948 annual rates, seasonally adjusted <sup>1</sup>
Total receipts (or income).....	252.9	271.4
Less: Adjustments.....		
Receipts of Government transfer payments.....	11.1	11.0
Receipts of Government interest payments <sup>2</sup> .....	4.4	4.6
Subsidies less current surplus of Government enterprises.....	—1	—3
Adjustments to Government cash receipts <sup>3</sup> .....	2.5	5.8
Total adjustments.....	17.9	21.1
Less: Statistical discrepancy.....	3.4	3.8
Equals: Gross national receipts.....	231.6	246.5

<sup>1</sup> Estimates based on incomplete data.

<sup>2</sup> These figures do not agree with cash interest payments by Government (table 12) since net interest payments are included in consumer income.

<sup>3</sup> These adjustments, which reconcile cash receipts from the public with the tax series used in estimating business and personal income, are shown in table 14.

NOTE.—Detail will not necessarily add to totals because of rounding.

TABLE 14.—*Reconciliation of cash receipts with tax series arising from current production of goods and services*

Calendar year 1947 and January-June 1948

Receipts	1947	January-June 1948, annual rates seasonally adjusted <sup>1</sup>
Cash receipts from the public.....	59.9	64.0
Less:		
Excess of business tax receipts over liabilities.....	-1.4	1.4
Excess of personal tax receipts over payments.....	1.8	3.4
Receipts from sales of domestic surplus property.....	2.8	1.5
Receipts from sales of foreign surplus property.....	.3	.3
Other receipts from abroad <sup>2</sup> .....	.4	.2
Miscellaneous trust account receipts.....	.3	.1
Plus: Noncash receipts <sup>3</sup> .....	1.5	1.0
Equals: Tax receipts arising from current production of goods and services.....	57.4	58.2

<sup>1</sup> Estimates based on incomplete data.

<sup>2</sup> Primarily reimbursable lend-lease.

<sup>3</sup> Includes contributions of Government and Government employees to retirement funds, and Government contributions to national service life and Government life insurance funds.

NOTE.—Detail will not necessarily add to totals because of rounding.

# Appendix B

## The Distribution of Consumer Income and Ownership of Liquid and Other Assets

### *Tables*

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## Distribution of Consumer Income and Ownership of Liquid and Other Assets

The following appendix is intended to supplement the text section, "Consumer income, expenditure, and saving," page 6, mainly by presenting factual material from which the conclusions of the text are drawn. Topics relate to changes in the equality of the distribution of income between 1946 and 1947, the distribution of income before and after income tax, income increases and decreases between 1946 and 1947, saving and dissaving, and the distribution of ownership of liquid and other assets by consumers.

### *Equality of the distribution of income*

The degree of equality in the distribution of money income has remained substantially unchanged between 1946 and 1947, according to a survey of consumers made early in 1948.<sup>1</sup> This is indicated by the fact that when the Nation's spending units are ranked according to their incomes, from lowest incomes to highest, the proportion of the total money income of the Nation going to each tenth of the spending units has remained almost constant.<sup>2</sup> This is shown in the following table:

The stability of the above distributions between 1946 and 1947 is in contrast to the significant decrease in income concentration from 1935-36 and 1941 to 1946 described in the Economic Report of January 1948. The reasons for the increase in the degree of equality over the war period have not been completely analyzed but the following factors were probably the most important: (1) The decrease in unemployment and underemployment, (2) the increase in the number of families with more than one earner, (3) the rise in farm income relative to the total, and (4) the narrowing of wage differentials.

<sup>1</sup> The 1948 Survey of Consumer Finances conducted for the Board of Governors of the Federal Reserve System by the Survey Research Center, of Ann Arbor, Mich. This survey was made for the third consecutive year. Extensive data on distribution of income, liquid asset holdings, consumer purchases of durable goods, etc., drawn from these surveys have been published in the *Federal Reserve Bulletin* during the last 3 years.

<sup>2</sup> A spending unit consists of related persons who live together and pool their incomes for their major items of expense.



TABLE 1.—*Share of total money income received by each tenth of the Nation's spending units when ranked by size of income, 1946 and 1947*<sup>1</sup>

Spending units ranked from lowest to highest income	Percent of total money income before taxes			
	By tenths		Cumulative	
	1946	1947	1946	1947
Lowest tenth.....	1	1	1	1
Second tenth.....	3	3	4	4
Third tenth <sup>2</sup> .....	5	4	9	8
Fourth tenth.....	6	6	15	14
Fifth tenth.....	7	7	22	21
Sixth tenth.....	9	9	31	30
Seventh tenth.....	10	10	41	40
Eighth tenth.....	12	12	53	52
Ninth tenth.....	15	15	68	67
Highest tenth <sup>2</sup> .....	32	33	100	100

<sup>1</sup> Income data for 1947 are based on interviews in January-March 1948; for 1946 on interviews in January-March 1947. It is possible that the proportion of income received by the highest tenth of income receivers is underestimated by several percentage points in all years. Samples of approximately 3,000-3,500 spending units have been used in these surveys; owing to the dispersion of higher incomes it cannot be expected that a completely representative sample of the highest dollar incomes was obtained.

<sup>2</sup> The slight change in concentration in these deciles may be due to sampling variations.

Source: Based on data from the 1948 Survey of Consumer Finances, conducted for the Board of Governors of the Federal Reserve System by the Michigan Survey Research Center. The methods used in the survey are described in the *Federal Reserve Bulletin*, June 1948, p. 643.

Between 1946 and 1947, some of the reasons for the previous trend toward an increased degree of equality continued, such as a continued rise in farm incomes and a further increase in employment. In the light of the development during previous years, it might have been expected that this trend would result in a continued improvement in the income distribution. However, the Survey of Consumer Finances indicates that the distribution of income by deciles has remained the same. An explanation may be that the favorable effect of employment conditions was offset by the unfavorable effects of inflation. Inflation *per se* tends to increase the inequality of income distribution, since many families, particularly in the lower brackets, have relatively or entirely fixed incomes.

#### *Distribution of income before and after tax, 1947*

The distribution shown above and the distributions shown for 1946 in the Economic Report of January 1948 relate to money income before tax. For some purposes, however, it is of more interest to know the distribution of income after tax. Until the present, data have been inadequate to present reliable distributions on an "after tax" basis. Through the co-operation of several agencies, distributions of families and of spending units by income level, before and after Federal income tax, are now presented for 1947 in table 2.

Families as well as spending units are included in table 2 for the sake of comparability with distributions for other years and from other sources. The family consists of related persons living in the same dwelling (persons

living alone are considered as separate families), and may comprise more than one spending unit if some of the members of the family manage their income separately.

TABLE 2.—*Distribution of families and spending units, by income level, before and after Federal income tax,<sup>1</sup> 1947*

Money income class	Percent of families and single individuals		Percent of spending units	
	Before tax	After tax	Before tax	After tax
Under \$1,000.....	13	14	14	15
\$1,000 to \$1,999.....	18	20	22	25
\$2,000 to \$2,999.....	20	22	23	25
\$3,000 to \$3,999.....	17	18	17	17
\$4,000 to \$4,999.....	11	10	10	8
\$5,000 to \$7,499.....	13	11	9	7
\$7,500 and over.....	8	5	5	3

<sup>1</sup> Estimated 1947 Federal income tax liability, excluding the tax on capital gains.

Source: See table 1.

#### *Technical notes to Table 2*

Preliminary investigations indicate that the survey data as presented in table 2 are sufficiently reliable to show the approximate effect of Federal income-tax liabilities on the distribution of families by income level. In this connection, it should be mentioned that the tax liability was not based directly on information obtained in interviews or on tax returns, but on an estimate of the 1947 tax liability made from comprehensive data concerning family composition and income assembled in connection with the Survey of Consumer Finances. Further work must be completed to relate the distribution after tax to the adjusted distribution before tax for 1947 (see Table 2-a below), and to determine more precisely the effect of the tax on the concentration of income.

Study of available prewar data on the distribution of taxes by income level is also under way with the object of presenting in a future report a comparison of the effect of the Federal income-tax on the distribution of income between a current and a prewar year.

The distribution of families before taxes shown above is not comparable with that presented for 1946 on page 19 of the Economic Report of January 1948. The 1946 distribution was based on survey data which had been adjusted in such a way as to make it agree with certain independently determined national aggregates of income and of family numbers. For purposes of comparison, both adjusted and unadjusted distributions are shown below for 1946 and 1947:

TABLE 2-a.—*Distribution of families by income level, adjusted and unadjusted basis, in 1946 and 1947*

Money income before taxes	Percent of families			
	1946		1947	
	Survey data	Adjusted survey data <sup>1</sup>	Survey data	Adjusted survey data <sup>1</sup>
Under \$1,000.....	15	12	13	11
\$1,000 to \$1,999.....	20	16	18	16
\$2,000 to \$2,999.....	22	20	20	18
\$3,000 to \$3,999.....	18	18	17	17
\$4,000 to \$4,999.....	10	13	11	12
\$5,000 to \$7,499.....	9	13	13	16
\$7,500 and over.....	6	8	8	10
All units.....	100	100	100	100

<sup>1</sup> Revised.

<sup>2</sup> Preliminary.

For a description of the methods of adjustment for 1946 and 1947 incomes, see the January Economics Report, page 102. As stated in that report, the estimated number of families and single individuals in the civilian noninstitutional population on December 31, 1946, was 43,330,000. The comparable figure for December 31, 1947, is 44,620,000, according to a preliminary estimate. Total civilian money income was 165.7 billion dollars in 1946 and 185.5 billion dollars in 1947, according to recently revised data. The percentage expansion of the distributions after adjustment for population coverage was 17 percent in 1946 and 10 percent in 1947. The adjusted distributions for both 1946 and 1947 are preliminary, since both the income aggregates and population numbers are subject to further revision.

Table 2 shows that about two-thirds of families (including single individuals) had money incomes under \$4,000 before taxes and 31 percent had money income below \$2,000. After payment of taxes, there was an increase in the number of families in all income brackets under \$4,000 and a decrease in all brackets above this. Nearly three-fourths of the families had incomes of less than \$4,000.

#### *Increases and decreases in income, 1946-47*

Although there was a general rise in personal incomes between 1946 and 1947, many families did not share in the increase. Of the spending units having increases in income, only 26 percent were in the under \$2,000 group, which includes 36 percent of total spending units. Only 50 percent were in the under \$3,000 group, which accounted for 59 percent of the spending units. Thus income increases were somewhat more frequent in the higher income groups in relation to the number of people in those groups.<sup>1</sup>

<sup>1</sup> In evaluating table 3 it should be remembered that spending units have been grouped according to income received in 1947. Units with income increases between 1946 and 1947 are now classed according to the higher incomes received in 1947, while units whose income decreased are classed according to the lower income to which they moved. Thus the basis of classification exaggerates somewhat the impression that income increases were more concentrated at levels above \$2,000 or \$3,000.

Units with relatively fixed incomes are found most frequently in the lower income brackets. The proportion of persons in the lower brackets whose income is fixed, such as pensioners and annuitants, widows, etc., has undoubtedly increased over the war period and during the subsequent inflation. The income of low-wage earners and marginal farmers has increased in relation to that of retired persons and those receiving Government stipends or allowances, changing the composition of the lowest income groups.

TABLE 3.—*Distribution of spending units by income level and type of income change, from 1946 to 1947*<sup>1</sup>

1947 money income before taxes	Percent of spending units			
	Total	Change in income, 1946 to 1947		
		Increase in income	Same income	Decrease in income
Under \$1,000.....	14	8	20	18
\$1,000 to \$1,999.....	22	18	23	27
\$2,000 to \$2,999.....	23	24	23	22
\$3,000 to \$3,999.....	17	20	16	15
\$4,000 to \$4,999.....	10	12	6	8
\$5,000 to \$7,499.....	9	12	8	6
\$7,500 and over.....	5	6	4	4
All units.....	100	100	100	100

<sup>1</sup> Based on changes in amount of annual income received as reported by spending units in early 1948. Income which had not changed by more than 5 percent in either direction was considered to "remain the same."

Source: See table 1.

### *Saving and dissaving*

In 1947, almost three-fourths of all spending units saved, while one-fourth spent in excess of income. The proportion of families dissaving was not very different from that of 1946, but the amounts involved increased considerably. Since saving on the part of people who saved remained fairly constant, net saving declined between 1946 and 1947. (See appendix C, table 5.) Saving took the principal forms of an increase in currency and bank deposits, life insurance, corporate securities, and in homes and other direct investments. Purchasers of durable goods such as automobiles are not considered as saving. Dissaving was mainly in the form of an increase in consumer debt and decreases in holdings of liquid assets such as Government bonds and bank deposits. The amounts of selected components of personal saving or dissaving in 1946 and 1947 were as follows:

TABLE 4.—*Selected components of saving, 1946 and 1947*

[Billions of dollars]

Item of saving	Amount of saving	
	1946	1947
Currency and bank deposits <sup>1</sup> .....	+10.4	+4.4
U. S. Government securities <sup>1</sup> .....	-3.2	+2
State and local government securities <sup>2</sup> .....	-4	+3
Corporate and other securities <sup>2</sup> .....	+4	+1.0
Private pension and insurance reserves.....	+3.4	+3.3
Liquidation of debt:		
Mortgage debt <sup>3</sup> .....	-3.3	-3.8
Installment debt <sup>4</sup> .....	-1.6	-2.2
Other consumer debt <sup>5</sup> .....	-1.9	-1.0
Nonfarm dwellings <sup>6</sup> .....	+3.9	+5.8

<sup>1</sup> Excludes holdings by unincorporated business and trusts.<sup>2</sup> Includes holdings by unincorporated business and trusts.<sup>3</sup> Debt on 1- to 4-family non-farm-residential structures.<sup>4</sup> Installment sale credit and installment loans.<sup>5</sup> Single-payment loans, charge accounts, and sale credit.<sup>6</sup> Construction of 1- to 4-family nonfarm dwellings, less net acquisition of properties by non-individuals. Also includes a small amount of construction by nonprofit institutions.

NOTE.—Minus items indicate dissaving.

Sources: Board of Governors of the Federal Reserve System (currency and bank deposits, U. S. Government bonds, installment debt, and other consumer debt). Securities and Exchange Commission (insurance, reserves, State and local and corporate securities, mortgage debt, and nonfarm dwellings).

*Ownership of liquid and other assets*

The accumulation of liquid assets is only one form of saving, but, as the text of this report states, it is the form of saving which is most clearly anti-inflationary. Furthermore, a cushion to future downward fluctuations in demand is provided by a wide dispersion of liquid-asset holdings among all groups of the population and all income levels. The distribution of liquid assets by income level is at present very unequal, although substantial amounts are held by families at every level. As shown in table 5, 31 percent of the families whose incomes were less than \$2,000 had only 13 percent of the liquid assets in 1947.

TABLE 5.—*Proportion of liquid assets held by spending units and family units in early 1948, by income level <sup>1</sup>*

1947 annual money income before taxes	Family units		Spending units	
	Percent of families	Percent of liquid assets held	Percent of spending units	Percent of liquid assets held
Under \$1,000.....	13	5	14	6
\$1,000 to \$1,999.....	18	8	22	10
\$2,000 to \$2,999.....	20	9	23	12
\$3,000 to \$3,999.....	17	10	17	13
\$4,000 to \$4,999.....	11	9	10	9
\$5,000 to \$7,499.....	13	19	9	16
\$7,500 and over.....	8	40	5	34
All units.....	100	100	100	100

<sup>1</sup> The 1947 income data and early 1948 liquid assets data are based on interviews in January-March 1948. For comparable spending unit data in early 1947 and 1946, see the Federal Reserve Bulletin, July 1947, table 14, p. 801. Comparable family unit data are presented in table 18, p. 802.

Source: See table 1.

The proportion of spending units with no liquid assets increased from 24 to 27 percent between 1947 and 1948, and the proportion with no assets or less than \$200 worth of assets increased from 38 to 42 percent. In early 1948, 55 percent of spending units had less than \$500 in liquid assets, as show in Table 6.

TABLE 6.—*Distribution of spending units by size of liquid asset holdings in early 1947 and 1948*

Amount of liquid assets <sup>1</sup>	Percent of spending units	
	1947	1948
None.....	24	27
\$1 to \$199.....	14	15
\$200 to \$499.....	12	13
\$500 to \$999.....	14	12
\$1,000 to \$1,999.....	14	12
\$2,000 to \$2,999.....	7	6
\$3,000 to \$4,999.....	7	6
\$5,000 to \$9,999.....	5	5
\$10,000 and over.....	3	4
All units.....	100	100
Median holdings of all units.....	\$470	\$350
Median holdings of units with assets.....	\$890	\$820

<sup>1</sup> Includes all types of U. S. Government bonds, checking accounts, and savings accounts in banks and savings and loan associations, postal savings, and shares in credit unions.

Source: See table 1.

Table 7 presents an analysis of decreases in asset holdings over the past year. The main reasons for decreasing asset holdings are shown for three income ranges, under \$2,000, \$2,000 to \$5,000, and \$5,000 and over. Purchases of nondurable consumer's goods and services (living-expense items) were given as the sole reason for reducing liquid assets by 70 percent of the under \$2,000 groups, and by 48 percent of the \$2,000 to \$5,000 income group. Of those having over \$5,000 income, living-expense items were less important than acquisition of durable goods, homes, and other investments. Thus, in a large proportion of cases in the upper income groups, liquid assets were converted into other types of saving.

TABLE 7.—*Proportion of spending units reducing liquid assets in 1947, by purpose of withdrawal and by income level*

1947 money income before taxes	Percent of spending units reducing liquid assets				
	All purposes	Non-durable goods and services <sup>1</sup>	Automobiles and other durable goods	Houses and investments <sup>2</sup>	Several purposes <sup>3</sup>
Under \$2,000.....	100	70	7	7	16
\$2,000 to \$4,999.....	100	48	15	14	23
\$5,000 and over.....	100	28	16	24	32
All units.....	100	54	13	13	20

<sup>1</sup> Includes living expenses, emergencies and sickness, repair of houses, and other nondurable consumption (repairs of automobiles and other durable goods, purchase of luxury goods, moving, travel, amusement, education, and taxes).

<sup>2</sup> Includes purchases of real estate, investment in business or securities, and repayment of debt.

<sup>3</sup> The distribution of spending units reducing liquid assets for several purposes is as follows:

	Percent
Nondurable consumers goods, etc., and durable goods.....	8
Nondurable consumers goods, etc., and houses and investments.....	5
Durable goods and houses and investments.....	4
Other combinations.....	3
Total.....	20

Source: See table 1.

Table 8 presents data on ownership of various types of non-liquid assets in early 1948 by income groups. The ownership of almost all types of assets increases as income rises, with the exception of homes. The proportion of persons owning homes appears to be larger in the under \$1,000 group than in the \$1,000 to \$2,000 to \$3,000 intervals. In the lowest income group, only 45 percent of spending units have life insurance and only 44 percent own any kind of liquid assets.

TABLE 8.—*Distribution of spending units holding various types of assets, by type of asset held in early 1948 and by income level*

1947 money income before taxes	Percent of spending units holding assets					
	Liquid assets <sup>1</sup>	Life insurance	Automobile	Home <sup>2</sup>	Unincorporated business	Stocks and bonds <sup>3</sup>
Under \$1,000.....	44	45	24	43	2	3
\$1,000 to \$1,999.....	59	67	29	35	5	5
\$2,000 to \$2,999.....	73	84	50	36	8	5
\$3,000 to \$3,999.....	83	90	61	45	8	8
\$4,000 to \$4,999.....	90	89	65	46	11	10
\$5,000 to \$7,499.....	97	93	75	53	21	21
\$7,500 and over.....	99	91	80	73	36	49
All units.....	73	78	50	43	9	9

<sup>1</sup> Checking accounts and savings accounts in banks and saving and loan associations, postal savings, and shares in credit unions, and U. S. Government bonds.

<sup>2</sup> Percent of non-farm population occupying their own homes.

<sup>3</sup> Excluding U. S. Government bonds.

Source: See table 1.





# Appendix C

## Statistical Tables Relating to Employment, Production, and Purchasing Power

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# Statistical Tables Relating to Employment, Production, and Purchasing Power

TABLE 1.—Gross national product or expenditure, 1929–48<sup>1</sup>

[Billions of dollars]

Period	Gross national product	Personal consumption expenditures	Gross private domestic investment	Net foreign investment	Government purchases of goods and services
1929.....	103.8	78.8	15.8	0.8	8.5
1930.....	90.9	70.8	10.2	.7	9.2
1931.....	75.9	61.2	5.4	.2	9.2
1932.....	58.3	49.2	.9	.2	8.1
1933.....	55.8	46.3	1.3	.2	8.0
1934.....	64.9	51.9	2.8	.4	9.8
1935.....	72.2	56.2	6.1	-.1	9.9
1936.....	82.5	62.5	8.3	-.1	11.7
1937.....	90.2	67.1	11.4	.1	11.6
1938.....	84.7	64.5	6.3	1.1	12.8
1939.....	90.4	67.5	9.0	.9	13.1
1940.....	100.5	72.1	13.0	1.5	13.9
1941.....	125.3	82.3	17.2	1.1	24.7
1942.....	159.6	90.8	9.3	-.2	59.7
1943.....	192.6	101.6	4.6	-2.2	88.6
1944.....	212.2	111.4	6.4	-2.1	96.5
1945.....	213.4	122.8	9.2	-1.4	82.8
1946.....	209.3	147.4	26.5	4.7	30.8
1947.....	231.6	164.8	30.0	8.9	28.0
Annual rates, seasonally adjusted					
1947—First half.....	227.4	161.2	29.5	9.5	27.3
Second half.....	235.9	168.4	30.5	8.3	28.7
1948—First half <sup>2</sup> .....	246.5	174.4	37.2	3.9	31.0
1947—First quarter.....	226.4	158.1	32.6	8.8	26.9
Second quarter.....	228.3	164.2	26.4	10.2	27.6
Third quarter.....	227.9	165.6	25.6	8.4	28.3
Fourth quarter.....	243.8	171.1	35.4	8.2	29.0
1948—First quarter.....	246.0	172.3	40.4	3.9	29.4
Second quarter <sup>2</sup> .....	247.0	176.5	34.0	4.0	32.5

<sup>1</sup> The figures for 1944–48 are based on the revised series of national income and product of the Department of Commerce. For detail, see the *Survey of Current Business*, July 1948.

<sup>2</sup> Estimates based on incomplete data.

NOTE.—Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE 2.—Disposition of gross national product, 1939-48<sup>1</sup>

Period	Total gross national product	Disposition of gross national product				
		Export surplus of goods and services <sup>2</sup>			Government war or national defense expenditures	Product for domestic civilian use
		Total	Financed by Government aid	Financed by other means		
Billions of dollars						
1939.....	90.4	1.1	( <sup>3</sup> )	1.1	1.2	88.1
1940.....	100.5	1.7	0.1	1.6	2.2	96.6
1941.....	125.3	2.3	1.3	1.0	12.8	110.2
1942.....	159.6	6.1	6.4	— .3	43.2	110.3
1943.....	192.6	10.7	12.8	—2.1	67.1	114.8
1944.....	212.2	12.0	14.0	—2.0	73.7	126.5
1945.....	213.4	5.7	7.7	—2.0	67.2	140.5
1946.....	209.3	7.5	5.1	2.5	15.9	185.9
1947.....	231.6	11.3	5.7	5.6	10.0	210.3
Annual rates:						
1947—First half.....	227.4	11.8	6.6	5.3	10.2	205.4
Second half.....	235.9	10.7	4.8	5.9	9.8	215.4
1948—First half <sup>4</sup> .....	246.5	8.1	5.3	2.8	9.6	228.8
1947—First quarter.....	226.4	11.2	5.2	6.0	9.4	205.8
Second quarter.....	228.3	12.5	8.0	4.5	10.9	204.9
Third quarter.....	227.9	10.9	6.8	4.1	9.2	207.8
Fourth quarter.....	243.8	10.5	2.9	7.6	10.3	223.0
1948—First quarter.....	246.0	7.9	5.8	2.1	9.3	228.8
Second quarter <sup>4</sup> .....	247.0	8.2	4.7	3.5	10.0	228.8
Percentage of total						
1939.....	100.0	1.2	( <sup>3</sup> )	1.2	1.3	97.5
1940.....	100.0	1.7	0.1	1.6	2.2	96.1
1941.....	100.0	1.8	1.0	.8	10.2	87.9
1942.....	100.0	3.8	4.0	— .2	27.1	69.1
1943.....	100.0	5.6	6.6	—1.1	34.8	59.6
1944.....	100.0	5.7	6.6	— .9	34.7	59.6
1945.....	100.0	2.7	3.6	— .9	31.5	65.8
1946.....	100.0	3.6	2.4	1.2	7.6	88.8
1947.....	100.0	4.9	2.5	2.4	4.3	90.8
1947—First half.....	100.0	5.2	2.9	2.3	4.5	90.3
Second half.....	100.0	4.5	2.0	2.5	4.2	91.3
1948—First half <sup>4</sup> .....	100.0	3.3	2.2	1.1	3.9	92.8
1947—First quarter.....	100.0	4.9	2.3	2.7	4.2	90.9
Second quarter.....	100.0	5.5	3.5	2.0	4.8	89.8
Third quarter.....	100.0	4.8	3.0	1.8	4.0	91.2
Fourth quarter.....	100.0	4.3	1.2	3.1	4.2	91.5
1948—First quarter.....	100.0	3.2	2.4	.9	3.8	93.0
Second quarter <sup>4</sup> .....	100.0	3.3	1.9	1.4	4.0	92.6

<sup>1</sup> The figures for 1944-48 are based on the revised series of national income and product of the Department of Commerce. For detail, see the *Survey of Current Business*, July 1948.

<sup>2</sup> U. S. Government transfers to foreign countries are included in the export surplus and are excluded from the Government war or national defense expenditures.

<sup>3</sup> Less than \$50,000,000.

<sup>4</sup> Estimates based on incomplete data.

<sup>5</sup> Percent not shown because dollar figure was less than \$50,000,000.

NOTE.—Detail will not necessarily add to totals because of rounding.

Sources: Department of Commerce and Bureau of the Budget.

TABLE 3.—National income by distributive shares, 1929–48<sup>1</sup>

(Billions of dollars)

Period	Total national income <sup>2</sup>	Compensation of employees <sup>3</sup>	Proprietors' and rental income				Corporate profits and inventory valuation adjustment					Net interest
			Total <sup>4</sup>	Business and professional <sup>4</sup>	Farm	Rental income of persons	Corporate profits					
							Total	Profits before tax <sup>5</sup>	Tax liability <sup>5</sup>	Profits after tax <sup>5</sup>	Inventory valuation adjustment	
1929-----	87.4	50.8	19.7	8.3	5.7	5.8	10.3	9.8	1.4	8.4	0.5	6.5
1930-----	75.0	46.5	15.7	7.0	3.9	4.8	6.6	3.3	.8	2.5	3.3	6.2
1931-----	58.9	39.5	11.8	5.3	2.9	3.6	1.6	—8	.5	—1.3	2.4	5.9
1932-----	41.7	30.8	7.4	3.2	1.7	2.5	—2.0	—3.0	.4	—3.4	1.0	5.4
1933-----	39.6	29.3	7.2	2.9	2.3	2.0	—2.0	—2	.5	—4	—2.1	5.0
1934-----	48.6	34.1	8.7	4.3	2.3	2.1	1.1	1.7	.7	1.0	—6	4.7
1935-----	56.8	37.1	12.1	5.0	4.9	2.3	3.0	3.2	1.0	2.3	—2	4.5
1936-----	64.7	42.7	12.6	6.1	3.9	2.7	4.9	5.7	1.4	4.3	—7	4.5
1937-----	73.6	47.7	15.4	6.6	5.6	3.1	6.2	6.2	1.5	4.7	(9)	4.4
1938-----	67.4	44.7	14.0	6.3	4.4	3.3	4.3	3.3	1.0	2.3	1.0	4.3
1939-----	72.5	47.8	14.7	6.8	4.5	3.5	5.8	6.5	1.5	5.0	—7	4.2
1940-----	81.3	51.8	16.3	7.7	4.9	3.6	9.2	9.3	2.9	6.4	—1	4.1
1941-----	103.8	64.3	20.8	9.6	6.9	4.3	14.6	17.2	7.8	9.4	—2.6	4.1
1942-----	136.5	84.7	28.1	12.1	10.6	5.4	19.8	21.1	11.7	9.4	—1.3	3.9
1943-----	168.3	109.1	32.1	14.1	11.8	6.2	23.7	24.5	14.2	10.4	—8	3.4
1944-----	182.4	121.1	34.1	15.4	11.9	6.7	24.0	24.3	13.5	10.8	—3	3.1
1945-----	181.7	122.9	36.0	16.8	12.3	7.0	19.8	20.4	11.6	8.7	—6	3.0
1946-----	179.3	117.3	41.8	20.4	14.6	6.7	16.8	21.8	9.0	12.8	—5.0	3.4
1947-----	202.5	127.5	46.0	23.2	15.6	7.1	24.7	29.8	11.7	18.1	—5.1	4.3
Annual rates, seasonally adjusted												
1947—First half-----	198.3	125.2	45.5	22.6	15.9	7.0	23.5	28.9	11.4	17.5	—5.4	4.2
Second half-----	206.7	129.9	46.5	23.9	15.4	7.3	25.9	30.8	12.1	18.7	—4.9	4.5
1948—First half <sup>7</sup> -----	216.3	134.0	51.1	25.5	18.1	7.5	26.6	30.5	11.9	18.6	—3.9	4.6
1947—First quarter-----	197.3	125.0	46.4	22.5	16.9	7.0	21.8	28.9	11.4	17.5	—7.1	4.1
Second quarter-----	199.3	125.3	44.6	22.7	14.9	7.0	25.2	28.8	11.3	17.5	—3.6	4.2
Third quarter-----	200.6	127.6	44.4	23.0	14.3	7.1	24.3	29.1	11.4	17.7	—4.8	4.4
Fourth quarter-----	212.8	132.2	48.6	24.7	16.5	7.4	27.5	32.4	12.7	19.7	—4.9	4.5
1948—First quarter-----	215.5	134.0	50.6	25.0	18.0	7.5	26.3	31.4	12.2	19.2	—5.1	4.6
Second quarter <sup>7</sup> -----	217.1	134.0	51.6	26.0	18.1	7.5	26.9	29.5	11.5	18.0	—2.6	4.6

<sup>1</sup> The figures for 1944–48 are based on the revised series of national income and product of the Department of Commerce. For detail, see the *Survey of Current Business*, July 1948.

<sup>2</sup> National income is the total net income earned in production by individuals or businesses. The concept of national income currently used differs from the concept of gross national product in that it excludes depreciation charges and other allowances for business and institutional consumption of durable capital goods.

<sup>3</sup> Includes wage and salary receipts and other labor income (see appendix C, table 4), and employer and employee contributions for social insurance.

<sup>4</sup> Net income after inventory valuation adjustment. This adjustment was —1.2 billion dollars in 1947, —1.2 billion (annual rate) in fourth quarter of 1947, and —0.7 billion (annual rate) in the first half of 1948.

<sup>5</sup> Federal and State income and excess-profits taxes.

<sup>6</sup> Less than \$50,000,000.

<sup>7</sup> Estimates based on incomplete data; profits by Council of Economic Advisers and all others by Department of Commerce.

NOTE.—Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce (except as noted).

TABLE 4.—*Personal income, 1929-48*<sup>1</sup>

[Billions of dollars]

Period	Total personal income	Salaries, wages, and other labor income <sup>2</sup>	Proprietors' and rental income <sup>3</sup>	Dividends and personal interest income	Transfer payments	Nonagricultural personal income <sup>4</sup>
1929.....	85.1	50.5	19.7	13.3	1.5	76.8
1930.....	76.2	46.2	15.7	12.6	1.5	70.0
1931.....	64.8	39.2	11.8	11.1	2.7	60.1
1932.....	49.3	30.5	7.4	9.1	2.2	46.2
1933.....	46.6	29.1	7.2	8.2	2.1	43.0
1934.....	53.2	33.8	8.7	8.6	2.2	49.5
1935.....	59.9	36.7	12.1	8.6	2.4	53.4
1936.....	68.4	42.1	12.6	10.1	3.5	62.8
1937.....	74.0	45.9	15.4	10.3	2.4	66.5
1938.....	68.3	42.8	14.0	8.7	2.8	62.1
1939.....	72.6	45.6	14.7	9.2	3.0	66.3
1940.....	78.3	49.5	16.3	9.4	3.1	71.5
1941.....	95.3	61.5	20.8	9.9	3.1	86.1
1942.....	22.2	81.2	28.1	9.7	3.2	108.7
1943.....	149.4	104.4	32.1	10.0	3.0	134.3
1944.....	164.5	116.1	34.1	10.6	3.6	149.0
1945.....	170.3	116.7	36.0	11.4	6.2	154.3
1946.....	173.1	111.4	41.8	13.5	11.4	159.4
1947.....	195.2	121.9	46.0	15.6	11.7	174.9
Annual rates, seasonally adjusted						
1947—First half.....	190.3	119.1	45.5	15.1	10.6	169.8
Second half.....	199.9	124.7	46.5	16.0	12.8	179.8
1948—First half <sup>5</sup> .....	208.1	128.7	51.1	16.7	11.6	184.8
1947—First quarter.....	190.9	119.0	46.4	14.9	10.7	169.4
Second quarter.....	189.6	119.2	44.6	15.3	10.5	170.2
Third quarter.....	196.7	122.3	44.4	15.8	14.3	177.8
Fourth quarter.....	203.1	127.1	48.6	16.1	11.2	181.8
1948—First quarter.....	207.3	128.6	50.6	16.6	11.5	184.4
Second quarter <sup>5</sup> .....	208.8	128.7	51.6	16.8	11.7	185.2

<sup>1</sup> The figures for 1944-48 are based on the revised series of national income and product of the Department of Commerce. For detail, see the *Survey of Current Business*, July 1948.

<sup>2</sup> Differs from "compensation of employees" in appendix C, table 3, in that it excludes employer and employee contributions to social insurance. Includes wage and salary receipts and other labor income—compensation for injuries, employer contributions to private pension and welfare funds, pay of military reservists not on full-time active duty (pay for full-time active duty included in military wages and salaries), directors' fees, jury and witness fees, compensation of prison inmates, Government payments to enemy prisoners of war, marriage fees to justices of the peace, and merchant marine war-risk life and injury claims.

<sup>3</sup> See appendix C, table 3, for major components.

<sup>4</sup> Equals personal income exclusive of net income of unincorporated farm enterprises, farm wages, agricultural net rents, agricultural net interest, and net dividends paid by agricultural corporations.

<sup>5</sup> Estimates based on incomplete data.

NOTE.—Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE 5.—Disposition of personal income, 1929-48<sup>1</sup>

Period	Personal income	Less: Personal tax and non-tax payments	Equals: Disposable personal income	Less: Personal consumption expenditures	Equals: Personal net saving	Net saving as percent of disposable income
Billions of dollars						
1929.....	85.1	2.6	82.5	78.8	3.7	4.5
1930.....	76.2	2.5	73.7	70.8	2.9	3.9
1931.....	64.8	1.9	63.0	61.2	1.8	2.9
1932.....	49.3	1.5	47.8	49.2	-1.4	-2.9
1933.....	46.6	1.5	45.2	46.3	-1.2	-2.7
1934.....	53.2	1.6	51.6	51.9	-0.2	-0.4
1935.....	59.9	1.9	58.0	56.2	1.8	3.1
1936.....	68.4	2.3	66.1	62.5	3.6	5.4
1937.....	74.0	2.9	71.1	67.1	3.9	5.5
1938.....	68.3	2.9	65.5	64.5	1.0	1.5
1939.....	72.6	2.4	70.2	67.5	2.7	3.8
1940.....	78.3	2.6	75.7	72.1	3.7	4.9
1941.....	95.3	3.3	92.0	82.3	9.8	10.7
1942.....	122.2	6.0	116.2	90.8	25.4	21.9
1943.....	149.4	17.8	131.6	101.6	30.0	22.8
1944.....	164.5	18.9	145.6	111.4	34.2	23.5
1945.....	170.3	20.9	149.4	122.8	26.6	17.8
1946.....	178.1	18.9	159.2	147.4	11.8	7.4
1947.....	195.2	21.6	173.6	164.8	8.8	5.1
Annual rates, seasonally adjusted						
1947—First half.....	190.3	21.3	169.0	161.2	7.9	4.7
Second half.....	199.9	22.0	178.0	168.4	9.6	5.4
1948—First half <sup>2</sup> .....	208.1	22.1	186.0	174.4	11.6	6.2
1947—First quarter.....	190.9	21.2	169.7	158.1	11.6	6.8
Second quarter.....	189.6	21.4	168.2	164.2	4.1	2.4
Third quarter.....	196.7	21.7	175.0	165.6	9.4	5.4
Fourth quarter.....	203.1	22.2	180.9	171.1	9.7	5.4
1948—First quarter.....	207.3	23.2	184.1	172.3	11.8	6.4
Second quarter <sup>2</sup> .....	208.8	21.0	187.8	176.5	11.3	6.0

<sup>1</sup> The figures for 1944-48 are based on the revised series of national income and product of the Department of Commerce. For detail, see the *Survey of Current Business*, July 1948.

<sup>2</sup> Estimates based on incomplete data.

NOTE.—Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE 6.—Per capita disposable income in current dollars and 1947 dollars, 1929–48

Period	Disposable personal income (billions of dollars) <sup>1</sup>	Population (thousands) <sup>2</sup>	Consumers' price index, 1947=100	Per capita disposable personal income	
				Current dollars	1947 dollars <sup>3</sup>
1929.....	82.5	121,770	76.9	678	882
1930.....	73.7	123,077	75.0	599	799
1931.....	63.0	124,040	68.3	508	744
1932.....	47.8	124,840	61.3	383	625
1933.....	45.2	125,579	58.0	360	621
1934.....	51.6	126,374	60.1	408	679
1935.....	58.0	127,250	61.6	456	740
1936.....	66.1	128,053	62.2	516	830
1937.....	71.1	128,825	64.5	552	856
1938.....	65.5	129,825	63.3	505	798
1939.....	70.2	130,880	62.4	536	859
1940.....	75.7	131,870	62.9	574	913
1941.....	92.0	133,203	66.1	691	1,045
1942.....	116.2	134,665	73.2	863	1,179
1943.....	131.6	136,497	77.6	964	1,242
1944.....	145.6	138,083	78.8	1,054	1,338
1945.....	149.4	139,586	80.7	1,070	1,326
1946.....	159.2	141,235	87.5	1,127	1,288
1947.....	173.6	144,034	100.0	1,205	1,205
	Annual rates, seasonally adjusted		Not adjusted for seasonal variation <sup>4</sup>	Annual rates, seasonally adjusted	
1947—First half.....	169.0	143,385	97.6	1,179	1,208
Second half.....	178.0	144,807	102.4	1,229	1,200
1948—First half <sup>5</sup> .....	186.0	146,035	106.2	1,274	1,200
1947—First quarter.....	169.7	143,049	96.9	1,186	1,224
Second quarter.....	168.2	143,702	98.2	1,170	1,191
Third quarter.....	175.0	144,411	101.0	1,212	1,200
Fourth quarter.....	180.9	145,150	103.8	1,246	1,200
1948—First quarter.....	184.1	145,733	105.3	1,263	1,199
Second quarter <sup>5</sup> .....	187.8	146,325	107.1	1,283	1,198

<sup>1</sup> The figures for 1944–48 are based on the revised series of national income and product of the Department of Commerce. For detail, see the *Survey of Current Business*, July 1948.

<sup>2</sup> Estimated population of continental United States, including armed forces overseas; annual data as of July 1 and quarterly and semiannual data as of middle of period, interpolated from published monthly estimates.

<sup>3</sup> Current dollars divided by the consumers' price index on the base 1947=100 to give a rough measure of changes in buying power of disposable income.

<sup>4</sup> A small part of the increase may be seasonal.

<sup>5</sup> Estimates based on incomplete data.

Sources: Department of Commerce (disposable income and population) and Department of Labor (consumers' price index.)



TABLE 7.—*Labor force, 1929-48*  
[Thousands of persons, 14 years of age and over]

Period	Total labor force (including armed forces)	Armed forces	Civilian labor force				Unem- ployment
			Total civilian labor force	Employment			
				Total	Nonagri- cultural	Agricul- tural	
Monthly average:							
1929.....	49, 440	260	49, 180	47, 630	37, 180	10, 450	1, 550
1930.....	50, 080	260	49, 820	45, 480	35, 140	10, 340	4, 340
1931.....	50, 680	260	50, 420	42, 400	32, 110	10, 290	8, 020
1932.....	51, 250	250	51, 000	38, 940	28, 770	10, 170	12, 060
1933.....	51, 840	250	51, 590	38, 760	28, 670	10, 090	12, 830
1934.....	52, 490	260	52, 230	40, 890	30, 990	9, 900	11, 340
1935.....	53, 140	270	52, 870	42, 260	32, 150	10, 110	10, 610
1936.....	53, 740	300	53, 440	44, 410	34, 410	10, 000	9, 030
1937.....	54, 320	320	54, 000	46, 300	36, 480	9, 820	7, 700
1938.....	54, 950	340	54, 610	44, 220	34, 530	9, 690	10, 390
1939.....	55, 600	370	55, 230	45, 750	36, 140	9, 610	9, 480
1940.....	56, 030	390	55, 640	47, 520	37, 080	9, 540	8, 120
1941.....	57, 380	1, 470	55, 910	50, 350	41, 250	9, 100	5, 560
1942.....	60, 230	3, 820	56, 410	53, 750	44, 500	9, 250	2, 660
1943.....	64, 410	8, 870	55, 540	54, 470	45, 390	9, 080	1, 070
1944.....	65, 890	11, 260	54, 630	53, 960	45, 010	8, 950	670
1945.....	65, 140	11, 280	53, 860	52, 820	44, 240	8, 580	1, 040
1946.....	60, 820	3, 300	57, 520	55, 250	46, 930	8, 320	2, 270
1947.....	61, 608	1, 440	60, 168	58, 027	49, 761	8, 266	2, 141
1947—First half.....	60, 920	1, 551	59, 368	57, 009	49, 033	7, 976	2, 359
Second half.....	62, 297	1, 328	60, 969	59, 044	50, 488	8, 556	1, 924
1948—First half.....	61, 770	1, 240	60, 531	58, 317	50, 753	7, 564	2, 214
1947—January.....	59, 510	1, 720	57, 790	55, 390	48, 890	6, 500	2, 400
February.....	59, 630	1, 620	58, 010	55, 520	48, 600	6, 920	2, 490
March.....	59, 960	1, 570	58, 390	56, 060	48, 820	7, 240	2, 330
April.....	60, 650	1, 530	59, 120	56, 700	48, 840	7, 860	2, 420
May.....	61, 760	1, 470	60, 290	58, 330	49, 370	8, 960	1, 960
June.....	64, 007	1, 398	62, 609	60, 055	49, 678	10, 377	2, 555
July.....	64, 035	1, 371	62, 664	60, 079	50, 013	10, 066	2, 584
August.....	63, 017	1, 352	61, 665	59, 569	50, 594	8, 975	2, 096
September.....	62, 130	1, 346	60, 784	58, 872	50, 145	8, 727	1, 912
October.....	62, 219	1, 327	60, 892	59, 204	50, 583	8, 622	1, 687
November.....	61, 510	1, 294	60, 216	58, 595	50, 609	7, 985	1, 621
December.....	60, 870	1, 280	59, 590	57, 947	50, 985	6, 962	1, 643
1948—January.....	60, 455	1, 242	59, 214	57, 149	50, 089	7, 060	2, 065
February.....	61, 004	1, 226	59, 778	57, 139	50, 368	6, 771	2, 639
March.....	61, 005	1, 236	59, 769	57, 329	50, 482	6, 847	2, 440
April.....	61, 760	1, 237	60, 524	58, 330	50, 883	7, 448	2, 193
May.....	61, 660	1, 238	60, 422	58, 661	50, 800	7, 861	1, 761
June.....	64, 740	1, 260	63, 480	61, 296	51, 899	9, 396	2, 184

NOTE.—Detail will not necessarily add to totals because of rounding.

Sources: Department of Labor (1929-39) and Department of Commerce (1940-48).

TABLE 8.—Number of wage and salary workers in nonagricultural establishments, 1929–48<sup>1</sup>

[Thousands of employees]

Period	Total wage and salary workers	Manufacturing			Mining	Contract construction	Transportation and public utilities	Trade	Finance	Service	Federal, State, and local government
		Total	Durable goods	Non-durable goods							
Monthly average:											
1929.....	31,041	10,534	(2)	(2)	1,078	1,497	3,907	6,401	1,431	3,127	3,066
1930.....	29,143	9,401	(2)	(2)	1,000	1,372	3,675	6,064	1,398	3,084	3,149
1931.....	26,383	8,021	(2)	(2)	864	1,214	3,243	5,531	1,333	2,913	3,264
1932.....	23,377	6,797	(2)	(2)	722	970	2,804	4,907	1,270	2,682	3,225
1933.....	23,466	7,258	(2)	(2)	735	809	2,659	4,999	1,225	2,614	3,167
1934.....	25,699	8,346	(2)	(2)	874	862	2,736	5,552	1,247	2,784	3,298
1935.....	26,792	8,907	(2)	(2)	888	912	2,771	5,692	1,262	2,883	3,477
1936.....	28,802	9,653	(2)	(2)	937	1,145	2,956	6,076	1,313	3,060	3,662
1937.....	30,718	10,606	(2)	(2)	1,006	1,112	3,114	6,543	1,355	3,233	3,749
1938.....	28,902	9,253	(2)	(2)	882	1,055	2,840	6,453	1,347	3,196	3,876
1939.....	30,287	10,075	4,357	5,720	845	1,150	2,912	6,705	1,382	3,228	3,987
1940.....	32,031	10,780	4,975	5,805	916	1,294	3,013	7,055	1,419	3,362	4,192
1941.....	36,164	12,974	6,485	6,488	947	1,790	3,248	7,567	1,462	3,554	4,622
1942.....	39,697	15,051	8,179	6,873	983	2,170	3,433	7,481	1,440	3,708	5,431
1943.....	42,042	17,381	10,297	7,084	917	1,567	3,619	7,322	1,401	3,786	6,049
1944.....	41,480	17,111	10,200	6,912	883	1,094	3,798	7,399	1,374	3,795	6,026
1945.....	40,069	15,302	8,477	6,825	826	1,132	3,872	7,685	1,394	3,891	5,967
1946.....	41,494	14,515	7,180	7,335	852	1,661	4,023	8,820	1,586	4,430	5,607
1947.....	43,970	15,901	8,055	7,846	911	1,921	4,059	9,450	1,656	4,622	5,450
1947—First half.....	43,337	15,713	8,022	7,691	906	1,781	4,003	9,233	1,637	4,584	5,483
Second half.....	44,603	16,089	8,088	8,002	917	2,062	4,116	9,667	1,675	4,660	5,417
1948: First half <sup>2</sup> .....	44,550	16,103	8,176	7,927	908	1,929	4,030	9,596	1,702	4,725	5,557
1947—January.....	43,063	15,677	7,949	7,728	910	1,690	4,018	9,160	1,626	4,527	5,455
February.....	43,169	15,783	8,030	7,753	907	1,668	4,016	9,143	1,628	4,561	5,463
March.....	43,410	15,826	8,071	7,755	906	1,709	4,027	9,236	1,638	4,565	5,503
April.....	43,221	15,750	8,068	7,682	881	1,798	3,845	9,255	1,636	4,552	5,504
May.....	43,345	15,569	7,962	7,607	910	1,865	3,981	9,277	1,643	4,590	5,510
June.....	43,816	15,672	8,050	7,622	919	1,957	4,129	9,324	1,650	4,711	5,454
July.....	43,686	15,580	7,874	7,706	890	2,043	4,155	9,316	1,675	4,686	5,341
August.....	44,125	15,962	7,987	7,975	923	2,096	4,163	9,356	1,688	4,619	5,318
September.....	44,513	16,175	8,070	8,105	921	2,107	4,134	9,471	1,668	4,634	5,403
October.....	44,758	16,209	8,126	8,083	922	2,099	4,097	9,684	1,671	4,662	5,414
November.....	44,918	16,256	8,194	8,062	923	2,046	4,077	9,886	1,673	4,670	5,387
December.....	45,618	16,354	8,274	8,080	925	1,978	4,071	10,288	1,676	4,688	5,638
1948—January.....	44,603	16,267	8,256	8,011	922	1,871	4,020	9,622	1,680	4,723	5,498
February.....	44,279	16,183	8,167	8,016	914	1,731	4,019	9,520	1,680	4,730	5,492
March.....	44,599	16,269	8,258	8,011	922	1,805	4,032	9,599	1,697	4,729	5,546
April.....	44,298	15,945	8,159	7,786	820	1,933	3,977	9,574	1,704	4,768	5,577
May.....	44,609	15,893	8,113	7,780	933	2,049	4,041	9,615	1,716	4,738	5,624
June <sup>3</sup> .....	44,913	16,058	8,102	7,956	936	2,182	4,092	9,648	1,727	4,663	5,607

<sup>1</sup> Includes all full- and part-time wage and salary workers in nonagricultural establishments who worked or received pay during the pay period ending nearest the 15th of the month. Excludes proprietors, self-employed persons, domestic servants, and personnel of the armed forces. Not comparable with estimates of nonagricultural employment of the civilian labor force reported by the Department of Commerce (appendix C, table 7) which include proprietors, self-employed persons, and domestic servants; which count persons as employed when they are not at work because of industrial disputes, bad weather, or temporary lay-off; and which are based on an enumeration of population, whereas the estimates in this table are based on reports from employing establishments.

<sup>2</sup> Not available.

<sup>3</sup> Preliminary.

NOTE. Detail will not necessarily add to totals because of rounding.

Source: Department of Labor.

TABLE 9.—Average gross weekly earnings in selected industries, 1929-48

Period	Manufacturing			Bitum- inous coal mining	Private build- ing con- struction	Class I steam rail- roads	Tele- phone	Whole- sale trade	Retail trade	Hotels (year round) <sup>1</sup>
	Total	Dur- able goods	Non- dur- able goods							
Monthly average:										
1929.....	\$25.03	( <sup>2</sup> )	( <sup>2</sup> )	\$25.72	( <sup>2</sup> )	\$28.49	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1930.....	23.25	( <sup>2</sup> )	( <sup>2</sup> )	22.21	( <sup>2</sup> )	27.76	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1931.....	20.87	( <sup>2</sup> )	( <sup>2</sup> )	17.69	( <sup>2</sup> )	26.76	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1932.....	17.05	\$16.21	\$17.57	13.91	( <sup>2</sup> )	23.34	( <sup>2</sup> )	\$27.72	\$20.71	\$14.25
1933.....	16.73	16.43	16.89	14.47	( <sup>2</sup> )	23.09	( <sup>2</sup> )	26.11	19.18	12.79
1934.....	18.40	18.87	18.05	18.10	\$22.97	24.32	( <sup>2</sup> )	26.37	19.86	13.17
1935.....	20.13	21.52	19.11	19.58	24.51	26.76	( <sup>2</sup> )	26.93	19.96	13.57
1936.....	21.78	24.04	19.94	22.71	27.01	28.01	( <sup>2</sup> )	28.53	20.68	13.97
1937.....	24.05	26.91	21.53	23.84	30.14	29.20	\$29.81	29.94	21.73	14.78
1938.....	22.30	24.01	21.05	20.80	29.19	30.26	31.68	29.48	21.14	14.93
1939.....	23.86	26.50	21.78	23.88	30.39	30.99	31.94	29.55	21.17	15.25
1940.....	25.20	28.44	22.27	24.71	31.70	31.55	32.44	30.39	21.17	15.52
1941.....	29.58	34.04	24.92	30.86	35.14	34.25	32.74	32.32	21.94	16.09
1942.....	36.65	42.73	29.13	41.62	41.80	38.65	38.97	35.56	23.24	17.62
1943.....	43.14	49.30	34.12	41.58	48.13	43.68	36.30	39.40	24.58	20.21
1944.....	46.08	52.07	37.12	51.27	52.18	46.06	38.39	42.29	26.58	22.65
1945.....	44.39	49.05	38.29	52.25	53.73	45.69	( <sup>2</sup> )	44.07	28.31	24.53
1946.....	43.74	46.49	41.02	58.03	56.24	51.22	44.04	48.06	32.55	26.95
1947.....	49.25	52.45	45.87	66.86	63.30	54.17	44.96	52.40	36.67	29.65
1947—First half.....	47.89	50.78	44.77	64.41	60.95	52.38	40.86	51.22	35.98	29.19
Second half.....	50.61	54.12	46.96	69.20	65.58	56.03	47.92	53.55	37.43	30.10
1948—First half.....	52.02	53.19	48.64	68.92	66.99	( <sup>2</sup> )	48.26	55.46	38.79	31.20
1947—January.....	47.10	49.60	44.47	69.54	59.97	52.70	43.37	50.05	35.02	28.62
February.....	47.29	49.74	44.67	65.30	58.92	54.10	43.31	50.87	35.27	28.91
March.....	47.69	50.30	44.89	64.90	61.23	52.43	42.51	50.80	35.31	29.09
April.....	47.50	50.34	44.40	64.14	60.53	52.03	43.26	51.13	35.93	29.41
May.....	48.44	51.72	44.88	65.51	62.38	51.30	43.13	51.57	36.50	29.23
June.....	49.33	52.99	45.31	67.09	62.68	51.72	45.58	52.88	37.82	29.85
July.....	48.98	52.19	45.61	64.87	63.30	51.16	46.51	52.22	37.99	29.26
August.....	49.17	52.46	45.78	70.23	66.97	51.68	46.92	52.05	38.14	29.50
September.....	50.47	54.06	46.80	71.19	65.22	57.47	48.02	53.65	37.06	29.86
October.....	51.05	54.69	47.29	71.91	66.14	58.44	48.77	53.68	36.74	30.45
November.....	51.29	54.86	47.56	71.77	64.55	58.38	49.44	54.70	37.14	30.54
December.....	52.69	56.48	48.72	75.22	67.31	59.02	47.83	54.97	37.51	30.89
1948—January.....	52.07	55.46	48.45	75.78	66.28	59.60	48.20	54.36	37.62	30.55
February.....	51.75	54.77	48.56	70.54	66.31	60.54	47.82	55.87	38.33	31.19
March.....	52.07	55.25	48.66	74.84	66.89	58.94	47.31	55.17	38.89	30.96
April.....	51.71	54.87	48.26	49.33	67.31	( <sup>2</sup> )	48.39	55.76	39.27	31.59
May.....	51.76	54.65	48.61	74.09	68.15	( <sup>2</sup> )	49.59	56.13	39.84	31.70
June.....	52.81	56.14	49.29	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )

<sup>1</sup> Money payments only; additional value of room, board, uniforms, and tips are not included.<sup>2</sup> Not available.<sup>3</sup> Not available. New series, beginning April 1945; includes only employees subject to provisions of the Fair Labor Standards Act and is not comparable with preceding series, which includes all employees.<sup>4</sup> Annual average includes retroactive pay increases not included in the monthly averages.<sup>5</sup> Average for 5 months.<sup>6</sup> Data for these months reflect work stoppages.<sup>7</sup> Preliminary.

NOTE.—Data are for production workers in manufacturing and mining and for all employees in other industries.

Source: Department of Labor

TABLE 10.—Average hourly earnings in selected industries, 1929-48

Period	Manufacturing			Bitu- minous coal mining	Private building con- struc- tion	Class I steam rail- roads	Tele- phone	Whole- sale trade	Retail trade	Hotels (year round) <sup>1</sup>
	Total	Dura- ble goods	Non- dura- ble goods							
Monthly average:										
1929.....	\$0.566	( <sup>2</sup> )	( <sup>2</sup> )	\$0.681	( <sup>2</sup> )	\$0.636	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1930.....	.552	( <sup>2</sup> )	( <sup>2</sup> )	.684	( <sup>2</sup> )	.644	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1931.....	.515	( <sup>2</sup> )	( <sup>2</sup> )	.647	( <sup>2</sup> )	.651	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1932.....	.446	\$0.497	\$0.420	.520	( <sup>2</sup> )	.600	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1933.....	.442	.472	.427	.501	( <sup>2</sup> )	.595	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1934.....	.532	.556	.515	.673	\$0.795	.602	( <sup>2</sup> )	( <sup>2</sup> )	\$0.528	\$0.273
1935.....	.550	.577	.530	.745	.815	.651	( <sup>2</sup> )	\$0.648	.521	.279
1936.....	.556	.586	.529	.794	.824	.659	( <sup>2</sup> )	.667	.522	.287
1937.....	.624	.674	.577	.856	.903	.676	\$0.774	.698	.551	.308
1938.....	.627	.686	.584	.878	.908	.712	.816	.700	.543	.315
1939.....	.633	.698	.582	.886	.932	.714	.822	.715	.536	.324
1940.....	.661	.724	.602	.883	.958	.717	.827	.739	.542	.332
1941.....	.729	.808	.640	.993	1.010	.751	.820	.793	.568	.348
1942.....	.853	.947	.723	1.059	1.148	.824	.843	.860	.614	.386
1943.....	.961	1.059	.803	1.139	1.252	.897	.870	.933	.670	.451
1944.....	1.019	1.117	.861	1.186	1.319	.938	.911	.985	.724	.505
1945.....	1.023	1.111	.904	1.240	1.379	.942	( <sup>3</sup> )	1.029	.773	.550
1946.....	1.084	1.156	1.012	1.401	1.478	* 1.116	1.124	1.144	.878	.612
1947.....	1.221	1.292	1.145	1.633	1.681	1.170	1.199	1.258	.991	.661
1947—First half.....	1.188	1.252	1.119	1.485	1.626	1.129	1.163	1.232	.971	.647
Second half.....	1.253	1.331	1.172	1.804	1.726	1.212	1.230	1.283	1.012	.675
1948—First half.....	1.296	1.362	1.223	* 1.836	* 1.809	( <sup>2</sup> )	* 1.240	* 1.339	* 1.051	* .699
1947—January.....	1.161	1.224	1.094	1.491	1.594	1.131	1.132	1.197	.953	.648
February.....	1.170	1.229	1.107	1.491	1.598	1.151	1.141	1.230	.957	.654
March.....	1.180	1.236	1.119	1.484	1.610	1.130	1.124	1.231	.960	.642
April.....	1.185	1.243	1.122	1.483	1.634	1.119	1.174	1.229	.974	.642
May.....	1.207	1.278	1.130	1.470	1.656	1.120	1.189	1.241	.985	.643
June.....	1.226	1.303	1.140	1.489	1.661	1.122	1.218	1.262	.996	.650
July.....	1.230	1.305	1.150	1.740	1.669	1.117	1.211	1.257	1.003	.652
August.....	1.236	1.312	1.158	1.787	1.689	1.121	1.215	1.258	1.003	.660
September.....	1.249	1.331	1.165	1.819	1.718	1.244	1.230	1.281	1.012	.672
October.....	1.258	1.337	1.175	1.798	1.738	1.233	1.241	1.289	1.013	.684
November.....	1.268	1.345	1.185	1.851	1.765	1.283	1.254	1.314	1.025	.687
December.....	1.278	1.354	1.196	1.826	1.774	1.272	1.229	1.300	1.016	.693
1948—January.....	1.285	1.355	1.210	1.847	1.781	1.279	1.241	1.309	1.044	.695
February.....	1.287	1.352	1.217	1.826	1.806	1.302	1.238	1.343	1.050	.695
March.....	1.289	1.352	1.220	1.842	1.805	1.292	1.223	1.334	1.044	.695
April.....	1.292	1.357	1.219	1.823	1.818	( <sup>2</sup> )	1.242	1.346	1.055	.699
May <sup>6</sup> .....	1.301	1.365	1.231	1.841	1.833	( <sup>2</sup> )	1.255	1.363	1.064	.710
June <sup>6</sup> .....	1.319	1.390	1.242	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )

<sup>1</sup> Money payments only; additional value of room, board, uniforms, and tips are not included.<sup>2</sup> Not available.<sup>3</sup> Not available. New series, beginning April 1945 includes only employees subject to provisions of the Fair Labor Standards Act and is not comparable with preceding series, which includes all employees.<sup>4</sup> Annual average includes retroactive pay increases not included in the monthly averages.<sup>5</sup> Average for 5 months.<sup>6</sup> Preliminary.

NOTE.—Data are for production workers in manufacturing and mining and for all employees in other industries.

Source: Department of Labor.

TABLE 11.—Physical production index, 1929-48

[1935-39=100, seasonally adjusted]

Period	Total production	Agricultural production	Nonagricultural production					
			Total	Minerals	Manufactures	Construction	Transportation	Electric and gas utilities
Weights <sup>1</sup>								
Total.....	100.0	20.6	79.4	4.9	50.8	7.6	12.9	3.2
Nonagricultural.....			100.0	6.2	64.0	9.6	16.2	4.0
1929.....	113	97	117	107	110	180	117	82
1930.....	98	95	99	93	90	153	104	82
1931.....	86	104	82	80	74	124	89	78
1932.....	71	101	63	67	57	79	73	71
1933.....	74	93	69	76	68	53	76	72
1934.....	75	79	75	80	74	58	83	78
1935.....	88	96	85	86	87	69	88	85
1936.....	99	85	103	99	104	101	101	97
1937.....	111	108	111	112	113	106	110	106
1938.....	94	105	91	97	87	101	95	100
1939.....	109	106	110	106	109	123	106	112
1940.....	121	110	124	117	126	133	116	123
1941.....	152	114	161	125	168	182	142	141
1942.....	184	128	199	129	212	202	180	159
1943.....	205	125	226	132	258	112	214	184
1944.....	201	130	220	140	252	60	224	193
1945.....	181	129	195	137	214	68	217	190
1946.....	165	134	174	134	177	127	198	192
1947.....	177	129	190	149	194	143	209	219
1947—First half.....	(2)	(3)	188	147	193	134	208	218
Second half.....	(2)	(3)	191	152	195	153	208	221
1948—First half <sup>4</sup> .....	(2)	(3)	195	153	199	160	206	247

<sup>1</sup> Computed from the Department of Commerce data of national income. The weight factors are percentages of the national income for each industry to the total for the 6 industries. The weight for construction has been adjusted to include force account and other construction done outside of the contract construction industry, the weights for other industry groups to exclude such construction.

<sup>2</sup> Not available. See footnote 3.

<sup>3</sup> Because of the extreme seasonal nature of agricultural crop production, only an annual index has been computed.

<sup>4</sup> Estimates based on incomplete data.

Sources: Based on the following data:

*Agricultural production.*—Department of Agriculture index of farm output which measures the physical volume of farm production for human use.

*Minerals.*—Federal Reserve index of mineral production.

*Manufactures.*—Federal Reserve index of manufacturing production.

*Construction.*—Department of Commerce value of new construction activity deflated by their index of construction costs and converted into relatives with 1935-39 as 100.

*Transportation.*—Department of Commerce index of transportation. The figures for 1947 and first half of 1948 are estimated by the Board of Governors of the Federal Reserve System on the basis of transportation data.

*Electric and gas utilities.*—Based on the following series: Electric power generated for public use as reported by the Federal Power Commission, and sales of gas to consumers as reported by the American Gas Association. The two series are converted into relatives with the average for the period 1935-39 as 100. The relative series are combined into an index of public utility production with electric power given a weight of 73 and gas 27, the respective percentages of the revenues by each of the utilities to the total revenues produced by both in the base period 1935-39.

TABLE 12.—*Industrial production index, 1929-48*

[1935-39=100, seasonally adjusted]

Period	Total industrial production	Manufactures			Minerals
		Total	Durable	Nondurable	
Monthly average:					
1929.....	110	110	132	93	107
1930.....	91	90	98	84	93
1931.....	75	74	67	79	80
1932.....	58	57	41	70	67
1933.....	69	68	54	79	76
1934.....	75	74	65	81	80
1935.....	87	87	83	90	86
1936.....	103	104	108	100	99
1937.....	113	113	122	106	112
1938.....	89	87	78	95	97
1939.....	109	109	109	109	106
1940.....	125	126	139	115	117
1941.....	162	168	201	142	125
1942.....	199	212	279	158	129
1943.....	239	258	360	176	132
1944.....	235	252	353	171	140
1945.....	203	214	274	166	137
1946.....	170	177	192	165	134
1947.....	187	194	220	172	149
1947—First half.....	187	195	221	173	147
Second half.....	187	193	218	172	152
1948—First half <sup>1</sup> .....	192	198	224	178	153
1947—January.....	189	196	221	176	146
February.....	189	197	222	176	146
March.....	190	198	225	175	148
April.....	187	194	222	172	143
May.....	185	191	218	170	151
June.....	184	191	219	168	148
July.....	176	183	207	163	140
August.....	182	188	210	169	150
September.....	187	192	217	172	153
October.....	190	197	223	176	155
November.....	192	199	224	179	155
December.....	192	198	229	173	156
1948—January.....	193	200	229	178	154
February.....	194	201	226	180	155
March.....	191	200	229	177	142
April.....	188	195	217	177	147
May.....	191	197	220	178	162
June <sup>1</sup> .....	192	198	222	178	158

<sup>1</sup> Estimates based on incomplete data.

Source: Board of Governors of the Federal Reserve System.

TABLE 13.—*New construction activity, 1929-48*

[Millions of dollars]

Period	Total new construction <sup>1</sup>	Private construction				Public construction					
		Total private	Residential building (non-farm)	Non-residential building <sup>2</sup>	Public utility and farm	Total public	By source of funds		By type of construction		
							Federal	State and local	Military and federally financed industrial	Highways	Other public
1929.....	9, 873	7, 476	2, 797	2, 822	1, 857	2, 397	237	2, 160	19	1, 254	1, 124
1930.....	8, 042	5, 265	1, 446	2, 099	1, 720	2, 777	338	2, 439	29	1, 505	1, 243
1931.....	5, 967	3, 375	1, 228	1, 104	1, 043	2, 592	451	2, 141	40	1, 351	1, 201
1932.....	3, 290	1, 467	462	499	506	1, 823	510	1, 313	34	961	828
1933.....	2, 376	1, 012	278	404	330	1, 364	552	812	38	809	517
1934.....	2, 805	1, 235	361	455	419	1, 570	720	850	58	826	686
1935.....	3, 230	1, 676	665	472	539	1, 554	828	726	39	709	806
1936.....	4, 836	2, 550	1, 131	712	707	2, 286	1, 262	1, 024	33	927	1, 326
1937.....	5, 487	3, 390	1, 372	1, 083	930	2, 097	1, 154	943	39	902	1, 156
1938.....	5, 186	3, 076	1, 511	764	801	2, 110	989	1, 121	74	858	1, 178
1939.....	6, 307	3, 808	2, 114	785	909	2, 499	1, 257	1, 242	148	867	1, 484
1940.....	7, 042	4, 390	2, 355	1, 028	1, 007	2, 652	1, 397	1, 255	549	882	1, 221
1941.....	10, 490	5, 426	2, 765	1, 486	1, 175	5, 064	3, 853	1, 211	2, 900	800	1, 364
1942.....	13, 412	3, 007	1, 315	635	1, 057	10, 405	9, 544	861	8, 453	616	1, 336
1943.....	7, 784	1, 744	650	232	862	6, 040	5, 614	426	4, 218	420	1, 402
1944.....	4, 136	1, 823	535	350	938	2, 313	1, 912	401	1, 344	346	623
1945.....	4, 808	2, 716	684	1, 014	1, 018	2, 092	1, 558	534	1, 160	386	546
1946.....	10, 458	8, 253	3, 183	3, 346	1, 724	2, 205	1, 074	1, 131	272	772	1, 161
1947.....	13, 977	10, 893	5, 260	3, 131	2, 502	3, 084	1, 175	1, 909	229	1, 233	1, 622
Totals for period, not adjusted for seasonal											
1947—First half.....	5, 677	4, 432	1, 935	1, 504	993	1, 245	518	727	102	426	717
Second half.....	8, 300	6, 461	3, 325	1, 627	1, 509	1, 839	657	1, 182	127	807	905
1948—First half.....	7, 684	6, 064	3, 100	1, 651	1, 313	1, 620	533	1, 087	87	558	975
1947—January.....	873	703	300	275	128	170	83	87	18	39	113
February.....	823	662	280	258	124	161	81	80	15	36	110
March.....	859	679	285	241	153	180	76	104	15	50	115
April.....	928	713	310	238	165	215	84	131	19	76	120
May.....	1, 032	790	355	242	193	242	90	152	18	100	124
June.....	1, 162	885	405	250	230	277	104	173	17	125	135
July.....	1, 264	966	455	254	257	298	112	186	21	137	140
August.....	1, 364	1, 042	500	260	282	322	120	202	23	149	150
September.....	1, 423	1, 086	540	267	279	337	121	216	23	159	155
October.....	1, 497	1, 129	590	275	264	368	128	240	24	178	166
November.....	1, 432	1, 141	630	287	224	291	99	192	19	119	153
December.....	1, 320	1, 097	610	284	203	223	77	146	17	65	141
1948—January.....	1, 157	948	500	273	175	209	71	138	15	56	138
February.....	1, 009	837	400	265	172	172	55	117	12	41	119
March.....	1, 166	940	475	266	199	226	71	155	13	57	156
April.....	1, 302	1, 015	525	263	227	287	94	193	15	98	174
May.....	1, 445	1, 106	575	278	253	339	111	228	15	136	188
June.....	1, 605	1, 218	625	306	287	387	131	256	17	170	200

<sup>1</sup> Excludes construction expenditures for crude petroleum and natural gas drilling, and, therefore does not agree with the new-construction expenditures in the gross national product.<sup>2</sup> Excludes farm and public utility; for 1929-32 includes negligible amount of public industrial and commercial building not segregable.NOTE.—Detail will not necessarily add to totals because of rounding.  
Source: Departments of Commerce and Labor.

TABLE 14.—Business expenditures for new plant and equipment, 1929-48

[Millions of dollars]

Period	Total <sup>1</sup>	Manufacturing and mining			Transportation		Electric and gas utilities	Commercial and miscellaneous <sup>2</sup>
		Total	Manufacturing	Mining	Railroad	Other		
1929.....	9,165	3,596	( <sup>3</sup> )	( <sup>3</sup> )	840	( <sup>3</sup> )	( <sup>3</sup> )	4,729
1930.....	7,610	2,541	( <sup>3</sup> )	( <sup>3</sup> )	865	( <sup>3</sup> )	( <sup>3</sup> )	4,204
1931.....	4,712	1,435	( <sup>3</sup> )	( <sup>3</sup> )	360	( <sup>3</sup> )	( <sup>3</sup> )	2,917
1932.....	2,608	930	( <sup>3</sup> )	( <sup>3</sup> )	164	( <sup>3</sup> )	( <sup>3</sup> )	1,514
1933.....	2,137	992	( <sup>3</sup> )	( <sup>3</sup> )	101	( <sup>3</sup> )	( <sup>3</sup> )	1,044
1934.....	3,080	1,460	( <sup>3</sup> )	( <sup>3</sup> )	218	( <sup>3</sup> )	( <sup>3</sup> )	1,402
1935.....	3,738	1,790	( <sup>3</sup> )	( <sup>3</sup> )	166	( <sup>3</sup> )	( <sup>3</sup> )	1,782
1936.....	5,077	2,450	( <sup>3</sup> )	( <sup>3</sup> )	306	( <sup>3</sup> )	( <sup>3</sup> )	2,321
1937.....	6,730	3,330	( <sup>3</sup> )	( <sup>3</sup> )	525	( <sup>3</sup> )	( <sup>3</sup> )	2,875
1938.....	4,520	1,830	( <sup>3</sup> )	( <sup>3</sup> )	228	( <sup>3</sup> )	( <sup>3</sup> )	2,452
1939.....	5,200	2,310	1,930	380	280	280	480	1,850
1940.....	6,490	3,140	2,580	560	440	390	550	1,980
1941.....	8,190	4,080	3,400	680	560	340	710	2,490
1942.....	6,110	3,170	2,760	410	540	260	680	1,470
1943.....	4,530	2,610	2,250	360	460	190	540	730
1944.....	5,210	2,890	2,390	500	580	280	490	970
1945.....	6,630	3,650	3,210	440	550	320	630	1,480
1946.....	12,040	6,470	5,910	560	570	660	1,040	3,300
1947.....	16,200	8,150	7,460	690	910	800	1,900	4,430
Annual rates, not adjusted for seasonal								
1947—First half.....	14,200	7,220	6,600	620	760	820	1,560	3,860
Second half.....	18,180	9,100	8,320	780	1,060	780	2,240	5,000
1948—First half <sup>4</sup> .....	17,720	8,340	7,620	720	1,240	780	2,220	5,140
1947—First quarter.....	12,640	6,400	5,800	600	640	720	1,320	3,600
Second quarter.....	15,760	8,040	7,400	640	880	920	1,800	4,120
Third quarter.....	16,560	8,200	7,480	720	920	800	2,000	4,640
Fourth quarter.....	19,800	10,000	9,160	840	1,200	760	2,480	5,360
1948—First quarter.....	16,680	7,920	7,200	720	1,080	720	2,000	4,960
Second quarter <sup>5</sup> .....	18,760	8,760	8,040	720	1,400	840	2,440	5,320
Third quarter <sup>5</sup> .....	18,280	8,120	7,400	720	1,520	680	2,600	5,360

<sup>1</sup> Excludes agriculture.<sup>2</sup> Includes trade, service, finance, and communication for all years shown. Also includes prior to 1939, transportation other than railroad, and electric and gas utilities not available separately for those years.<sup>3</sup> Not available separately for years prior to 1939.<sup>4</sup> Included in commercial and miscellaneous prior to 1939.<sup>5</sup> Estimates for second and third quarters of 1948 were based upon anticipated capital expenditures of business.

NOTE.—These figures do not agree with the totals included in the gross national product estimates of the Department of Commerce, principally because the latter cover agricultural investment and also certain equipment and construction outlays charged to current expense. Figures for 1929-44 are Federal Reserve Board estimates based on Securities and Exchange Commission and other data. Detail will not necessarily add to totals because figures are rounded to the nearest 10,000,000.

Sources: Securities and Exchange Commission and Department of Commerce (except as noted).



TABLE 15.—Business inventories and sales, 1939–48

Period	Manufacturing <sup>1</sup>			Wholesale <sup>2</sup>			Retail <sup>3</sup>		
	Millions of dollars		Ratio of inventories to sales	Millions of dollars		Ratio of inventories to sales	Millions of dollars		Ratio of inventories to sales
	Inventories <sup>4</sup>	Sales <sup>4</sup>		Inventories <sup>4</sup>	Sales <sup>4</sup>		Inventories <sup>4</sup>	Sales <sup>4</sup>	
1939.....	11,516	5,112	2.25	3,609	4,606	0.78	5,502	3,504	1.57
1940.....	12,873	5,859	2.20	3,793	5,147	.74	6,011	3,866	1.55
1941.....	17,024	8,172	2.08	4,729	6,964	.68	7,620	4,624	1.65
1942.....	19,221	10,346	1.86	4,013	7,769	.52	7,874	4,796	1.64
1943.....	19,897	12,603	1.58	3,986	8,274	.48	7,350	5,307	1.38
1944.....	19,122	13,402	1.43	4,024	8,617	.47	7,396	5,790	1.28
1945.....	17,924	12,371	1.45	4,308	8,782	.49	7,502	6,381	1.18
1946.....	23,435	12,020	1.95	5,994	10,958	.55	11,049	8,355	1.32
1947.....	28,020	15,671	1.79	7,577	12,915	.59	12,953	9,810	1.32
1947—First half.....	26,479	14,948	1.77	6,864	12,572	.55	11,948	9,469	1.26
Second half.....	28,020	16,396	1.71	7,577	13,306	.57	12,953	10,152	1.28
1948—First half <sup>5</sup> .....	29,438	16,923	1.74	8,071	13,809	.58	13,753	10,566	1.30
1947—January.....	24,213	14,453	1.68	6,248	12,683	.49	11,427	9,097	1.26
February.....	24,831	14,175	1.75	6,444	12,996	.50	11,653	9,285	1.26
March.....	25,398	15,546	1.63	6,611	12,627	.52	11,832	9,399	1.26
April.....	25,853	15,398	1.68	6,778	12,218	.55	11,974	9,610	1.25
May.....	26,440	15,049	1.76	6,737	12,369	.54	11,772	9,681	1.22
June.....	26,479	15,065	1.76	6,864	12,541	.55	11,948	9,743	1.23
July.....	26,846	14,362	1.87	6,726	12,403	.54	11,925	9,730	1.23
August.....	27,051	15,258	1.77	6,886	12,523	.55	11,944	9,621	1.24
September.....	27,055	16,597	1.63	6,997	13,263	.53	12,073	10,162	1.19
October.....	27,397	18,081	1.52	6,943	13,615	.51	12,435	10,258	1.21
November.....	27,627	16,556	1.67	7,349	14,333	.51	12,621	10,485	1.20
December.....	28,020	17,524	1.60	7,577	13,697	.55	12,953	10,653	1.22
1948—January.....	28,491	16,549	1.72	7,618	14,096	.54	13,384	10,445	1.28
February.....	28,757	16,208	1.77	7,754	13,993	.55	13,751	10,381	1.32
March.....	29,053	18,100	1.61	8,054	13,426	.60	14,040	10,565	1.33
April <sup>6</sup> .....	29,149	17,212	1.69	8,049	13,684	.59	13,907	10,841	1.28
May <sup>6</sup> .....	29,438	16,547	1.78	8,071	13,847	.58	13,753	10,599	1.30

<sup>1</sup> Not adjusted for seasonal variation.<sup>2</sup> Adjusted for seasonal variation.<sup>3</sup> Book value, end of period.<sup>4</sup> Monthly average shown for year and half year and total for month.<sup>5</sup> Average of 5 months.<sup>6</sup> Preliminary.

NOTE.—Manufacturing inventories and sales, and retail inventories are recently revised series; revisions for wholesale are to be completed in the near future. The inventory figures in this table do not agree with the estimates of "change in business inventories" included in the gross national product since they cover only manufacturing and trade rather than all business, and show inventories in terms of current book value without adjustment for revaluation.

Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce (Office of Business Economics).

TABLE 16.—Sales, stocks, and outstanding orders at 296 department stores, 1939–48

Period	Millions of dollars <sup>1</sup>			Ratio of stocks to sales	Ratio of orders to sales	Ratio of orders to stocks
	Sales (total for month)	Stocks (end of month)	Outstand- ing orders (end of month)			
Monthly average:						
1939.....	128	344	(?)	2.69	(?)	(?)
1940.....	136	353	108	2.60	0.79	0.31
1941.....	156	419	194	2.69	1.24	.46
1942.....	179	599	263	3.35	1.47	.44
1943.....	204	508	530	2.49	2.60	1.04
1944.....	227	534	560	2.35	2.47	1.05
1945.....	255	563	729	2.21	2.86	1.29
1946.....	318	714	909	2.25	2.86	1.27
1947.....	336	823	553	2.45	1.65	.67
1947—First half.....	300	817	488	2.72	1.63	.60
Second half.....	373	828	619	2.22	1.66	.75
1948—First half.....	316	887	466	2.81	1.47	.53
1947—January.....	256	770	620	3.01	2.42	.81
February.....	250	835	606	3.34	2.42	.73
March.....	331	866	489	2.62	1.48	.56
April.....	321	849	388	2.64	1.21	.46
May.....	336	816	353	2.43	1.05	.43
June.....	304	768	470	2.53	1.55	.61
July.....	253	732	603	2.89	2.38	.82
August.....	274	789	622	2.88	2.27	.79
September.....	341	823	676	2.41	1.98	.82
October.....	367	912	663	2.49	1.81	.73
November.....	416	942	605	2.26	1.45	.64
December.....	584	770	544	1.32	.93	.71
1948—January.....	271	789	633	2.91	2.34	.80
February.....	263	878	575	3.34	2.19	.65
March.....	355	941	420	2.65	1.18	.45
April.....	331	938	356	2.83	1.08	.38
May.....	339	919	339	2.71	1.00	.37
June.....	337	857	471	2.54	1.40	.55

<sup>1</sup> Not adjusted for seasonal.<sup>2</sup> Not available.<sup>3</sup> Estimates based on incomplete data.

NOTE.—These figures represent retail sales, stocks, and outstanding orders as reported by a sample of 296 of the larger department stores located in various cities throughout the country and are not estimates of total sales, stocks, and outstanding orders for all department stores in the United States. Data are not available prior to 1939.

Detail will not necessarily add to totals because of rounding.

Source: Board of Governors of the Federal Reserve System.

TABLE 17.—*Consumers' price index, 1929-48*

For moderate-income families in large cities

[1935-39=100]

Period	All items	Food	Apparel	Rent	Fuel, electricity, and ice	House furnishings	Miscellaneous
Monthly average:							
1929.....	122.5	132.5	115.3	141.4	112.5	111.7	104.6
1930.....	119.4	126.0	112.7	137.5	111.4	108.9	105.1
1931.....	108.7	103.9	102.6	130.3	108.9	98.0	104.1
1932.....	97.6	86.5	90.8	116.9	103.4	85.4	101.7
1933.....	92.4	84.1	87.9	100.7	100.0	84.2	98.4
1934.....	95.7	93.7	96.1	94.4	101.4	92.8	97.9
1935.....	98.1	100.4	96.8	94.2	100.7	94.8	98.1
1936.....	99.1	101.3	97.6	96.4	100.2	96.3	98.7
1937.....	102.7	105.3	102.8	100.9	100.2	104.3	101.0
1938.....	100.8	97.8	102.2	104.1	99.9	103.3	101.5
1939.....	99.4	95.2	100.5	104.3	99.0	101.3	100.7
1940.....	100.2	96.6	101.7	104.6	99.7	100.5	101.1
1941.....	105.2	105.5	106.3	106.2	102.2	107.3	104.0
1942.....	116.5	123.9	124.2	108.5	105.4	122.2	110.9
1943.....	123.6	138.0	129.7	108.0	107.7	125.6	115.8
1944.....	125.5	136.1	138.8	108.2	109.8	136.4	121.3
1945.....	128.4	139.1	145.9	108.3	110.3	145.8	124.1
1946.....	139.3	159.6	160.2	108.6	112.4	159.2	128.8
1947.....	159.2	193.8	185.8	111.2	121.1	184.4	139.9
1947—First half.....	155.4	187.0	183.4	109.0	117.7	181.5	138.3
Second half.....	163.0	200.7	188.1	113.4	124.6	187.4	141.6
1948—First half.....	169.1	208.3	195.7	116.4	130.8	193.9	147.0
1946—June.....	133.3	145.6	157.2	108.5	110.5	156.1	127.9
1947—January.....	153.3	183.8	179.0	108.8	117.3	179.1	137.1
February.....	153.2	182.3	181.5	108.9	117.5	180.8	137.4
March.....	156.3	189.5	184.3	109.0	117.6	182.3	138.2
April.....	156.2	188.0	184.9	109.0	118.4	182.5	139.2
May.....	156.0	187.6	185.0	109.2	117.7	181.9	139.0
June.....	157.1	190.5	185.7	109.2	117.7	182.6	139.1
July.....	158.4	193.1	184.7	110.0	119.5	184.3	139.5
August.....	160.3	196.5	185.9	111.2	123.8	184.2	139.8
September.....	163.8	203.5	187.6	113.6	124.6	187.5	140.8
October.....	163.8	201.6	189.0	114.9	125.2	187.8	141.8
November.....	164.9	202.7	190.2	115.2	126.9	188.9	143.0
December.....	167.0	206.9	191.2	115.4	127.8	191.4	144.4
1948—January.....	168.8	209.7	192.1	115.9	129.5	192.3	146.4
February.....	167.5	204.7	195.1	116.0	130.0	193.0	146.4
March.....	166.9	202.3	196.3	116.3	130.3	194.9	146.2
April.....	169.3	207.9	196.4	116.3	130.7	194.7	147.8
May.....	170.5	210.9	197.5	116.7	131.8	193.6	147.5
June.....	171.7	214.1	196.9	117.0	132.6	194.8	147.5

Source: Department of Labor.

TABLE 18.—Wholesale price index, 1929–48

[1926=100]

Period	All commodities	Farm products	Foods	Other than farm products and foods								
				Total	Hides and leather products	Textile products	Fuel and lighting materials	Metals and metal products	Building materials	Chemicals and allied products	House-furnishing goods	Miscellaneous
Average:												
1929.....	95.3	104.9	99.9	91.6	109.1	90.4	83.0	100.5	95.4	94.0	94.3	82.6
1930.....	86.4	88.3	90.5	85.2	100.0	80.3	78.5	92.1	89.9	88.7	92.7	77.7
1931.....	73.0	64.8	74.6	75.0	86.1	66.3	67.5	84.5	79.2	79.3	84.9	69.8
1932.....	64.8	48.2	61.0	70.2	72.9	54.9	70.3	80.2	71.4	73.9	75.1	64.4
1933.....	65.9	51.4	60.5	71.2	80.9	64.8	66.3	79.8	77.0	72.1	75.8	62.5
1934.....	74.9	65.3	70.5	78.4	86.6	72.9	73.3	86.9	86.2	75.3	81.5	69.7
1935.....	80.0	78.8	83.7	77.9	89.6	70.9	73.5	86.4	85.3	79.0	80.6	68.3
1936.....	80.8	80.9	82.1	79.6	95.4	71.5	76.2	87.0	86.7	78.7	81.7	70.5
1937.....	86.3	86.4	85.5	85.3	104.6	76.3	77.6	95.7	95.2	82.6	89.7	77.8
1938.....	78.6	68.5	73.6	81.7	92.8	66.7	76.5	95.7	90.3	77.0	86.8	73.3
1939.....	77.1	65.3	70.4	81.3	95.6	69.7	73.1	94.4	90.5	76.0	86.3	74.8
1940.....	78.6	67.7	71.3	83.0	100.8	73.8	71.7	95.8	94.8	77.0	88.5	77.3
1941.....	87.3	82.4	82.7	89.0	108.3	84.8	76.2	99.4	103.2	84.4	94.3	82.0
1942.....	98.8	105.9	99.6	95.5	117.7	96.9	78.5	103.8	110.2	95.5	102.4	89.7
1943.....	103.1	122.6	106.6	96.9	117.5	97.4	80.8	103.8	111.4	94.9	102.7	92.2
1944.....	104.0	123.3	104.9	98.5	116.7	98.4	83.0	103.8	115.5	95.2	104.3	93.6
1945.....	105.8	128.2	106.2	99.7	118.1	100.1	84.0	104.7	117.8	95.2	104.5	94.7
1946.....	121.1	148.9	130.7	109.5	137.2	116.3	90.1	115.5	132.6	101.4	111.6	100.3
1947.....	152.1	181.2	168.7	135.2	182.4	141.7	108.7	145.0	179.7	127.3	131.1	115.5
1947—First half.....	146.7	174.7	161.8	131.0	173.8	139.7	101.2	140.8	175.2	128.5	128.7	114.1
1947—Second half.....	157.2	187.3	175.4	139.3	191.1	143.6	115.8	149.1	183.8	126.3	133.4	116.6
1948—First half.....	163.5	190.4	176.9	148.5	189.8	149.5	131.5	156.4	194.6	136.0	142.2	121.5
1946—June.....	112.9	140.1	112.9	105.6	122.4	109.2	87.8	112.2	129.9	96.4	110.4	98.5
1947—January.....	142.0	165.0	156.6	128.4	176.2	138.2	97.7	139.0	170.2	128.3	126.5	110.9
1947—February.....	145.2	170.4	162.3	129.4	174.1	139.5	98.2	139.6	174.8	129.3	128.3	111.7
1947—March.....	150.0	182.6	167.9	131.7	175.1	140.5	100.7	141.1	177.5	132.2	129.0	115.6
1947—April.....	148.0	176.9	162.4	132.4	172.1	140.3	103.2	141.3	178.1	133.5	129.1	116.1
1947—May.....	147.3	175.4	159.6	132.3	171.5	139.9	103.4	141.9	176.2	127.1	129.5	116.9
1947—June.....	147.7	177.8	161.8	131.6	173.8	139.9	104.0	142.0	174.1	120.8	129.7	113.5
1947—July.....	150.6	181.4	167.1	133.5	179.1	140.5	109.0	143.1	175.5	118.8	129.8	113.2
1947—August.....	153.7	181.6	172.3	136.2	182.8	141.8	112.6	148.5	179.6	117.5	129.9	113.1
1947—September.....	157.4	186.4	179.2	138.3	185.6	142.4	114.2	150.1	183.4	122.3	131.3	115.9
1947—October.....	158.5	189.7	177.7	140.1	193.1	143.4	116.1	150.5	185.8	128.6	132.4	117.1
1947—November.....	159.6	187.9	177.9	142.1	202.5	145.2	118.2	150.8	187.7	135.8	137.5	118.8
1947—December.....	163.2	196.7	178.4	145.5	203.4	148.0	124.6	151.5	191.0	135.0	139.4	121.5
1948—January.....	165.7	199.2	179.9	148.3	200.3	148.4	130.0	154.3	193.3	138.8	141.3	123.6
1948—February.....	160.9	185.3	172.4	147.6	192.8	148.9	130.8	155.3	192.7	134.6	141.8	120.1
1948—March.....	161.4	186.0	173.8	147.7	185.4	149.8	130.9	155.9	193.1	136.1	142.0	120.8
1948—April.....	162.8	186.7	176.7	148.7	186.1	150.3	131.6	157.2	195.0	136.2	142.3	121.8
1948—May.....	163.9	189.1	177.4	149.0	187.5	150.2	132.6	157.1	196.4	134.7	142.6	121.5
1948—June.....	166.2	196.0	181.4	149.5	186.8	149.6	133.1	158.7	196.8	135.7	143.4	121.4

Source: Department of Labor.

TABLE 19.—*Index of prices received and of prices paid by farmers and parity ratio, 1929-48*

[1910-14=100]

Period	Prices received <sup>1</sup>	Prices paid (including interest and taxes)	Parity ratio <sup>2</sup>
Monthly average:			
1929.....	149	167	89
1930.....	128	160	80
1931.....	90	141	64
1932.....	68	124	55
1933.....	72	120	60
1934.....	90	129	70
1935.....	109	130	84
1936.....	114	127	90
1937.....	122	133	92
1938.....	97	126	77
1939.....	95	124	77
1940.....	100	125	80
1941.....	124	132	94
1942.....	159	150	106
1943.....	192	162	119
1944.....	195	169	115
1945.....	202	172	117
1946.....	233	193	121
1947.....	278	231	120
1947—First half.....	270	225	120
Second half.....	286	238	120
1948—First half.....	291	249	117
1947—January.....	260	215	121
February.....	262	221	119
March.....	280	226	124
April.....	276	229	121
May.....	272	228	119
June.....	271	230	118
July.....	276	230	120
August.....	276	234	118
September.....	286	238	120
October.....	289	239	121
November.....	287	241	119
December.....	301	245	123
1948—January.....	307	251	122
February.....	279	248	112
March.....	283	247	115
April.....	291	249	117
May.....	289	250	116
June.....	295	251	118

<sup>1</sup> August 1909 to July 1914=100.<sup>2</sup> Ratio of prices received to prices paid (including interest and taxes).

Source: Department of Agriculture.

TABLE 20.—Consumer credit outstanding, 1929–48

[Millions of dollars]

End of period	Total consumer credit	Instalment credit <sup>1</sup>	Charge accounts	Other consumer credit <sup>2</sup>
1929.....	7,637	3,167	1,749	2,721
1930.....	6,829	2,696	1,611	2,522
1931.....	5,526	2,212	1,381	1,933
1932.....	4,093	1,526	1,114	1,453
1933.....	3,919	1,595	1,081	1,243
1934.....	4,396	1,867	1,203	1,326
1935.....	5,439	2,627	1,292	1,520
1936.....	6,796	3,526	1,419	1,851
1937.....	7,491	3,971	1,459	2,061
1938.....	7,064	3,612	1,487	1,965
1939.....	7,994	4,449	1,544	2,001
1940.....	9,146	5,448	1,650	2,048
1941.....	9,895	5,920	1,764	2,211
1942.....	6,478	2,948	1,513	2,017
1943.....	5,334	1,957	1,498	1,879
1944.....	5,776	2,034	1,758	1,984
1945.....	6,638	2,365	1,981	2,292
1946.....	10,166	3,976	3,054	3,136
1947.....	13,385	6,156	3,612	3,617
1947—January.....	10,024	4,048	2,764	3,212
February.....	10,019	4,156	2,602	3,261
March.....	10,379	4,329	2,768	3,282
April.....	10,631	4,536	2,782	3,313
May.....	10,934	4,739	2,835	3,360
June.....	11,230	4,919	2,887	3,424
July.....	11,302	5,045	2,786	3,471
August.....	11,433	5,179	2,755	3,499
September.....	11,682	5,290	2,864	3,528
October.....	12,055	5,463	3,029	3,563
November.....	12,636	5,733	3,309	3,594
December.....	13,385	6,156	3,612	3,617
1948—January.....	13,058	6,186	3,240	3,632
February.....	12,945	6,249	3,067	3,629
March.....	13,391	6,498	3,281	3,612
April.....	13,599	6,737	3,265	3,597
May.....	13,804	6,957	3,255	3,592
June <sup>3</sup> .....	14,100	7,200	3,300	3,600

<sup>1</sup> Includes automobile and other sale credit and repair and modernization loans insured by Federal Housing Administration.

<sup>2</sup> Includes single-payment loans of commercial banks and pawnbrokers and service credit.

<sup>3</sup> Estimates based on incomplete data.

NOTE.—Detail will not necessarily add to totals because of rounding.

Source: Board of Governors of the Federal Reserve System.

TABLE 21.—*Loans and investments of all commercial banks, 1929–48*

[Billions of dollars]

End of month	Total loans and invest- ments	Loans	Investments		
			Total	U. S. Gov- ernment obligations	Other securities
1929—June <sup>1</sup> .....	49.4	35.7	13.7	4.9	8.7
1930—June <sup>1</sup> .....	48.9	34.5	14.4	5.0	9.4
1931—June <sup>1</sup> .....	44.9	29.2	15.7	6.0	9.7
1932—June <sup>1</sup> .....	36.1	21.8	14.3	6.2	8.1
1933—June <sup>1</sup> .....	30.4	16.3	14.0	7.5	6.5
1934—June <sup>1</sup> .....	32.7	15.7	17.0	10.3	6.7
1935—June <sup>1</sup> .....	34.6	14.9	19.7	12.7	7.0
1936—December .....	39.5	16.4	23.1	15.3	7.8
1937—December .....	38.3	17.1	21.2	14.2	7.1
1938—December .....	38.7	16.4	22.3	15.1	7.2
1939—December .....	40.7	17.2	23.4	16.3	7.1
1940—December .....	43.9	18.8	25.1	17.8	7.4
1941—December .....	50.7	21.7	29.0	21.8	7.2
1942—December .....	67.4	19.2	48.2	41.4	6.8
1943—December .....	85.1	19.1	66.0	59.8	6.1
1944—December .....	105.5	21.6	83.9	77.6	6.3
1945—December .....	124.0	26.1	97.9	90.6	7.3
1946—June .....	119.4	27.1	92.3	84.5	7.8
December .....	114.0	31.1	82.9	74.8	8.1
1947—June .....	112.8	33.7	79.1	70.5	8.5
December .....	116.3	38.1	78.2	69.2	9.0
1948—June <sup>2</sup> .....	114.1	39.7	74.4	65.0	9.4

<sup>1</sup> Complete end-of-year figures are not available for years prior to 1936.<sup>2</sup> Estimates by Council of Economic Advisers.

NOTE.—Detail will not necessarily add to totals because of rounding.

Source: Board of Governors of the Federal Reserve System (except as noted).

TABLE 22.—Adjusted deposits of all banks and currency outside banks, 1929–48

[Billions of dollars]

End of period	Total deposits adjusted and currency outside banks	U. S. Government deposits <sup>1</sup>	Other deposits and currency outside banks			
			Total	Demand deposits adjusted <sup>2</sup>	Time deposits <sup>3</sup>	Currency outside banks
1929.....	54.7	0.2	54.5	22.8	28.2	3.6
1930.....	53.6	.3	53.2	21.0	28.7	3.6
1931.....	48.3	.5	47.9	17.4	26.0	4.5
1932.....	45.4	.5	44.9	15.7	24.5	4.7
1933.....	42.5	1.0	41.5	15.0	21.7	4.8
1934.....	48.0	1.7	46.3	18.5	23.2	4.7
1935.....	52.2	.9	51.3	22.1	24.2	4.9
1936.....	57.4	1.0	56.4	25.5	25.4	5.5
1937.....	56.6	.8	55.8	24.0	26.2	5.6
1938.....	59.0	.9	58.1	26.0	26.3	5.8
1939.....	64.1	.8	63.3	29.8	27.1	6.4
1940.....	70.8	.8	70.0	34.9	27.7	7.3
1941.....	78.2	1.9	76.3	39.0	27.7	9.6
1942.....	99.7	8.4	91.3	48.9	28.4	13.9
1943.....	122.8	10.4	112.4	60.8	32.7	18.8
1944.....	151.0	20.8	130.2	66.9	39.8	23.5
1945.....	175.4	24.6	150.8	75.9	48.5	26.5
1946—June.....	171.2	13.4	157.8	79.5	51.8	26.5
December.....	167.1	3.1	164.0	83.3	54.0	26.7
1947—June.....	165.5	1.4	164.1	82.1	55.7	26.3
December.....	171.4	1.5	170.0	87.1	56.4	26.5
1948—June <sup>4</sup> .....	167.5	2.2	165.3	82.6	57.1	25.6

<sup>1</sup> Beginning with December 1933, includes U. S. Treasurer's time deposits, open account.<sup>2</sup> Includes demand deposits, other than interbank and U. S. Government, less cash items in process of collection.<sup>3</sup> Includes deposits in commercial banks, mutual savings banks, and postal savings system.<sup>4</sup> Estimates by Council of Economic Advisers.

NOTE.—Detail will not necessarily add to totals because of rounding.

Source: Board of Governors of the Federal Reserve System (except as noted).



TABLE 23.—*Estimated ownership of Federal securities, 1939-48*[Billions of dollars—par values <sup>1</sup>]

End of period	Gross debt and guaranteed obligations outstanding							
	Total	Held by U. S. Gov- ernment agencies and trust funds	Held by public					
			Total	State and local gov- ernments <sup>1</sup>	Com- mercial banks <sup>2</sup>	Federal Reserve banks	Nonbank private financial corpora- tions and associa- tions <sup>4</sup>	Indi- vid- uals <sup>3</sup>
1939—December-----	47.6	6.5	41.1	0.4	15.9	2.5	12.0	10.4
1940—December-----	50.9	7.6	43.3	.5	17.3	2.2	12.5	10.9
1941—December-----	64.3	9.5	54.8	.7	21.4	2.3	16.3	14.1
1942—December-----	112.5	12.2	100.3	1.0	41.1	6.2	27.4	24.5
1943—December-----	170.1	16.9	153.2	2.1	59.9	11.5	41.2	38.4
1944—December-----	232.1	21.7	210.4	4.3	77.7	18.8	56.0	53.5
1945—December-----	278.7	27.0	251.7	6.5	90.8	24.3	65.3	64.8
1946—December-----	259.5	30.9	228.6	6.3	74.5	23.3	59.5	64.9
1947—December-----	257.0	34.4	222.6	7.3	68.7	22.6	57.5	66.6
1948—June <sup>6</sup> -----	252.4	35.8	216.6	7.2	65.0	21.4	56.3	66.8

<sup>1</sup> United States savings bonds, series A-D, E, and F, are included at current redemption values.<sup>2</sup> Includes trust, sinking, and investment funds of State and local governments and their agencies, and Territories and insular possessions.<sup>3</sup> Includes commercial banks, trust companies, and stock savings banks in the United States and in Territories and insular possessions. Figures exclude securities held in trust departments.<sup>4</sup> Includes insurance companies, mutual savings banks, savings and loan associations, dealers and brokers and investments of foreign balances and international accounts in this country. Beginning with December 1946, includes investments by the International Bank for Reconstruction and Development and International Monetary Fund in special non-interest bearing notes issued by the U. S. Government. Beginning with June 30, 1947, includes holdings of Federal land banks.<sup>5</sup> Includes partnerships and personal trust accounts.<sup>6</sup> Estimates based on incomplete data.

NOTE.—Detail will not necessarily add to totals because of rounding

Source: Treasury Department.

TABLE 24.—*Profits before and after taxes, all private corporations, 1929-48*

[Billions of dollars]

Period	Corporate profits before taxes	Corporate tax liability <sup>1</sup>	Corporate profits after taxes		
			Total	Dividend payments	Undistributed profits
1929.....	9.8	1.4	8.4	5.8	2.6
1930.....	3.3	.8	2.5	5.5	-3.0
1931.....	-.8	.5	-1.3	4.1	-5.4
1932.....	-3.0	.4	-3.4	2.6	-6.0
1933.....	.2	.5	-.4	2.1	-2.4
1934.....	1.7	.7	1.0	2.6	-1.6
1935.....	3.2	1.0	2.3	2.9	-.6
1936.....	5.7	1.4	4.3	4.6	-.3
1937.....	6.2	1.5	4.7	4.7	( <sup>2</sup> )
1938.....	3.3	1.0	2.3	3.2	-.9
1939.....	6.5	1.5	5.0	3.8	1.2
1940.....	9.3	2.9	6.4	4.0	2.4
1941.....	17.2	7.8	9.4	4.5	4.9
1942.....	21.1	11.7	9.4	4.3	5.1
1943.....	24.5	14.2	10.4	4.5	5.9
1944.....	24.3	13.5	10.8	4.7	6.1
1945.....	20.4	11.6	8.7	4.7	4.0
1946.....	21.8	9.0	12.8	5.6	7.2
1947.....	29.8	11.7	18.1	6.9	11.2
Annual rates, seasonally adjusted					
1947—First half.....	28.9	11.4	17.5	6.6	10.9
Second half.....	30.8	12.1	18.7	7.0	11.7
1948—First half <sup>3</sup> .....	30.5	11.9	18.6	7.4	11.2
1947—First quarter.....	28.9	11.4	17.5	6.4	11.1
Second quarter.....	28.8	11.3	17.5	6.7	10.8
Third quarter.....	29.1	11.4	17.7	6.9	10.8
Fourth quarter.....	32.4	12.7	19.7	7.1	12.6
1948—First quarter.....	31.4	12.2	19.2	7.3	11.9
Second quarter <sup>3</sup> .....	29.5	11.5	18.0	7.5	10.5

<sup>1</sup> Federal and State corporate income and excess profits taxes.<sup>2</sup> Minus 8 million dollars.<sup>3</sup> Estimates based on incomplete data; second quarter by Council of Economic Advisers.

NOTE.—Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce (except as noted).

TABLE 25.—*Profits after taxes, 629 large private industrial corporations, by industry groups, 1939–48*<sup>1</sup>

[Millions of dollars]

Period	Total	Manufacturing and mining										Miscellaneous services <sup>2</sup>
		Iron and steel	Machinery	Automobiles	Other transportation equipment	Nonferrous metals and products	Other durable goods	Food, beverages, and tobacco	Oil producing and refining	Industrial chemicals	Other nondurables	
Number of companies.....	629	47	69	15	68	77	75	49	45	30	80	74
1939.....	1,465	146	115	223	102	119	70	151	98	186	134	122
1940.....	1,818	278	158	242	173	133	88	148	112	194	160	132
1941.....	2,163	325	193	274	227	153	113	159	174	207	187	152
1942.....	1,769	226	159	209	182	138	90	151	152	164	136	161
1943.....	1,800	204	165	201	180	128	83	162	186	170	149	171
1944.....	1,896	194	174	222	190	115	88	175	220	187	147	184
1945.....	1,925	188	163	243	169	108	88	199	223	187	154	203
1946.....	2,545	283	171	130	127	136	165	356	281	273	302	321
1947.....	3,670	437	334	417	205	198	238	354	480	345	370	293
Totals for period, not adjusted for seasonal												
1947—First half.....	1,738	226	153	199	102	93	109	162	199	175	188	134
Second half.....	1,933	212	182	218	103	104	130	193	281	169	183	160
1947—First quarter.....	871	126	70	94	49	47	51	98	89	88	96	63
Second quarter.....	867	100	83	105	53	46	58	64	110	87	92	71
Third quarter.....	900	100	77	103	57	45	59	85	121	81	93	80
Fourth quarter.....	1,033	112	105	115	46	59	71	108	160	88	90	80
1948—First quarter.....	1,030	121	87	130	61	49	62	83	196	90	93	57

<sup>1</sup> Profits after Federal and State income and excess-profits taxes.

<sup>2</sup> Includes 29 companies engaged in wholesale and retail trade (largely department stores), 13 in the amusement industry, 21 in shipping and transportation other than railroads (largely air lines), and 11 companies furnishing scattered types of service.

Source: Compiled by the Board of Governors of the Federal Reserve System and based on published reports of various industrial corporations.

TABLE 26.—*Relation of profits before and after taxes to sales, private corporations excluding finance, insurance, and real estate, 1946-48*

Industry group	Profits before taxes as percent of sales			Profits after taxes as percent of sales		
	1946	1947	1948, first quarter <sup>1</sup>	1946	1947	1948, first quarter <sup>1</sup>
All industries, excluding finance, insurance, and real estate.....	7.9	8.6	8.6	4.6	5.2	5.2
Mining.....	11.5	14.9	16.0	8.2	10.5	11.3
Manufacturing.....	8.7	10.3	10.2	5.1	6.2	6.2
Metal industries.....	5.8	11.1	11.0	2.9	6.6	6.5
Other manufacturing.....	10.0	9.9	9.8	6.0	6.1	6.1
Wholesale and retail trade.....	5.6	4.8	5.0	3.3	2.8	2.9
Transportation.....	5.0	7.2	4.7	2.5	4.2	2.8
Communications and public utilities.....	18.5	15.7	16.7	11.2	9.6	10.2
All other industries <sup>2</sup> .....	9.0	8.3	7.5	5.3	4.9	4.4

<sup>1</sup> Estimates based on incomplete data.

<sup>2</sup> Includes agriculture, forestry and fisheries, and contract construction.

Source: Department of Commerce.

TABLE 27.—*Relation of profits before and after taxes to investment, private manufacturing corporations, by industry groups, 1947*

Industry group	Ratio of profits (annual rate) to stockholders' equity				
	1947 total	First quarter	Second quarter	Third quarter	Fourth quarter
Before Federal taxes					
All private manufacturing corporations.....	24.7	28.0	25.2	24.0	24.8
Food.....	29.5	32.4	28.0	30.8	28.0
Tobacco manufactures.....	16.2	14.8	15.2	17.2	18.8
Textile mill products.....	30.6	40.0	31.2	26.4	32.8
Apparel and finished textiles.....	31.4	36.0	28.4	34.0	29.2
Lumber and wood products.....	34.9	36.4	35.6	34.8	38.0
Furniture and fixtures.....	28.9	32.8	32.8	28.8	27.6
Paper and allied products.....	33.8	41.6	38.4	32.8	30.4
Printing and publishing (except newspapers).....	28.8	35.2	30.8	30.0	18.0
Chemicals and allied products.....	25.1	31.6	24.8	22.4	24.4
Products of petroleum and coal.....	18.8	16.8	19.2	21.2	21.6
Rubber products.....	24.2	28.4	24.4	18.8	26.8
Leather and leather products.....	23.8	34.4	21.6	20.8	20.8
Stone, clay, and glass products.....	22.7	24.4	25.2	21.6	21.6
Primary nonferrous metal industries.....	19.3	24.4	21.6	15.2	20.8
Primary iron and steel industries.....	19.2	23.6	18.4	18.0	19.2
Fabricated metal products.....	28.0	32.0	28.4	27.2	28.0
Machinery (except electrical and transportation).....	25.8	27.6	29.2	24.0	24.8
Electrical machinery.....	30.5	32.4	32.0	28.0	33.2
Transportation equipment (except motor vehicles).....	4.8	7.2	6.0	3.6	2.0
Motor vehicles and parts.....	28.2	29.2	28.4	27.2	32.0
Instruments; photographic and optical goods; watches and clocks.....	22.6	24.0	23.2	20.8	25.6
Miscellaneous manufacturing (including ordnance).....	24.3	26.8	24.4	26.4	19.6
After Federal taxes					
All private manufacturing corporations.....	15.1	16.8	15.6	14.8	15.2
Food.....	17.4	18.8	16.4	18.4	16.8
Tobacco manufactures.....	9.8	8.8	9.2	10.8	11.2
Textile mill products.....	18.4	24.0	18.8	15.6	19.6
Apparel and finished textiles.....	18.5	21.2	16.0	20.8	17.2
Lumber and wood products.....	22.0	22.4	22.4	21.6	24.8
Furniture and fixtures.....	17.3	20.0	20.0	17.6	15.6
Paper and allied products.....	20.8	25.6	23.6	20.4	18.8
Printing and publishing (except newspapers).....	17.4	21.6	18.8	18.8	9.6
Chemicals and allied products.....	15.5	19.2	15.2	14.0	15.2
Products of petroleum and coal.....	14.0	12.4	14.4	15.6	16.4
Rubber products.....	12.2	16.4	8.4	8.8	16.0
Leather and leather products.....	13.8	20.4	12.8	12.0	11.6
Stone, clay, and glass products.....	13.7	14.4	15.6	13.2	12.8
Primary nonferrous metal industries.....	11.6	14.8	13.2	8.8	10.4
Primary iron and steel industries.....	11.7	14.4	11.2	10.8	12.0
Fabricated metal products.....	17.0	19.6	17.2	16.4	17.2
Machinery (except electrical and transportation).....	15.4	16.4	17.6	14.4	14.4
Electrical machinery.....	18.4	20.0	19.2	16.8	20.0
Transportation equipment (except motor vehicles).....	.4	3.2	2.0	-----	-3.6
Motor vehicles and parts.....	15.8	16.8	16.8	15.6	16.4
Instruments; photographic and optical goods; watches and clocks.....	14.1	14.8	14.4	12.8	15.6
Miscellaneous manufacturing (including ordnance).....	14.0	15.2	14.8	16.0	10.0

Sources: Federal Trade Commission and Securities and Exchange Commission.

TABLE 28.—*Relation of profits before and after taxes to sales, private manufacturing corporations, by industry groups, 1947-48*

Industry group	Profits in cents per dollar of sales				
	1947 total	First quarter	Second quarter	Third quarter	Fourth quarter
Before Federal taxes					
All private manufacturing corporations.....	11.0	12.4	11.1	10.6	10.1
Food.....	7.1	8.1	7.0	7.3	6.3
Tobacco manufactures.....	6.7	6.8	6.1	6.8	7.3
Textile mill products.....	13.7	15.8	13.7	12.0	13.1
Apparel and finished textiles.....	7.8	8.8	7.6	7.9	6.9
Lumber and wood products.....	18.1	19.5	18.3	16.8	17.9
Furniture and fixtures.....	10.1	11.2	11.1	10.1	8.3
Paper and allied products.....	17.4	19.6	18.1	16.8	15.1
Printing and publishing (except newspapers).....	10.1	12.6	11.3	10.7	5.9
Chemicals and allied products.....	14.2	16.9	14.2	13.4	12.4
Products of petroleum and coal.....	14.6	13.8	14.4	15.5	14.6
Rubber products.....	8.7	10.8	8.7	6.8	8.8
Leather and leather products.....	7.4	10.1	7.2	6.7	5.9
Stone, clay, and glass products.....	13.1	13.9	13.9	12.4	12.4
Primary nonferrous metal industries.....	14.6	16.2	14.8	11.6	15.6
Primary iron and steel industries.....	10.9	13.6	10.1	10.1	9.8
Fabricated metal products.....	12.1	14.1	12.1	11.5	11.1
Machinery (except electrical and transportation).....	12.1	13.2	12.8	11.5	11.1
Electrical machinery.....	10.4	11.0	10.3	9.9	10.4
Transportation equipment (except motor vehicles).....	2.8	5.0	3.6	2.4	.9
Motor vehicles and parts.....	10.7	11.2	10.4	10.3	10.7
Instruments; photographic and optical goods; watches and clocks.....	12.5	13.5	12.0	12.0	12.7
Miscellaneous manufacturing (including ordnance).....	10.8	12.2	10.8	12.1	8.4
After Federal taxes					
All private manufacturing corporations.....	6.7	7.5	6.8	6.5	6.2
Food.....	4.2	4.7	4.1	4.3	3.7
Tobacco manufactures.....	4.1	4.1	3.7	4.2	4.3
Textile mill products.....	8.2	9.5	8.2	7.2	7.9
Apparel and finished textiles.....	4.6	5.2	4.3	4.8	4.1
Lumber and wood products.....	11.4	12.1	11.4	10.5	11.7
Furniture and fixtures.....	6.0	6.8	6.8	6.1	4.7
Paper and allied products.....	10.7	12.0	11.2	10.3	9.3
Printing and publishing (except newspapers).....	6.1	7.8	6.9	6.7	3.1
Chemicals and allied products.....	8.7	10.4	8.7	8.2	7.8
Products of petroleum and coal.....	10.9	10.1	10.8	11.4	11.3
Rubber products.....	4.4	6.2	3.0	3.2	5.2
Leather and leather products.....	4.3	5.9	4.2	3.9	3.3
Stone, clay, and glass products.....	7.9	8.2	8.5	7.6	7.4
Primary nonferrous metal industries.....	8.8	9.7	9.0	6.8	9.7
Primary iron and steel industries.....	6.6	8.2	6.2	6.1	6.1
Fabricated metal products.....	7.4	8.6	7.4	6.9	6.8
Machinery (except electrical and transportation).....	7.2	7.9	7.8	6.9	6.5
Electrical machinery.....	6.3	6.8	6.1	6.0	6.3
Transportation equipment (except motor vehicles).....	.3	2.2	1.1	.1	-1.6
Motor vehicles and parts.....	6.0	6.4	6.1	5.9	5.6
Instruments; photographic and optical goods; watches and clocks.....	7.8	8.3	7.5	7.5	7.8
Miscellaneous manufacturing (including ordnance).....	6.2	7.0	6.5	7.3	4.3

Sources: Federal Trade Commission and Securities and Exchange Commission.

TABLE 29.—*Relation of profits before and after taxes to investment and to sales, all private manufacturing corporations, by size classes, 1947-48*

Assets class (thousands of dollars)	Before Federal taxes					After Federal taxes					1948, first quarter <sup>1</sup>
	1947					1947					
	Total	First quarter	Second quarter	Third quarter	Fourth quarter	Total	First quarter	Second quarter	Third quarter	Fourth quarter	
	Ratio of profits (annual rate) to stockholders' equity										
All sizes.....	24.7	28.0	25.2	24.0	24.8	15.1	16.8	15.6	14.8	15.2	( <sup>2</sup> )
1 to 249.....	24.4	26.8	28.4	30.0	10.0	14.8	16.4	18.0	19.2	3.6	( <sup>2</sup> )
250 to 999.....	29.2	35.2	30.8	30.0	22.4	16.9	20.4	18.0	17.6	12.0	( <sup>2</sup> )
1,000 to 4,999.....	30.6	38.8	32.4	28.4	25.2	18.2	23.2	19.6	17.2	14.0	( <sup>2</sup> )
5,000 to 99,999.....	27.3	31.2	28.4	26.0	27.6	16.5	18.8	17.2	15.6	16.8	( <sup>2</sup> )
100,000 and over.....	20.3	20.8	19.6	19.6	24.0	12.9	13.2	12.4	12.4	15.6	( <sup>2</sup> )
	Profits in cents per dollar of sales										
All sizes.....	11.0	12.4	11.1	10.6	10.1	6.7	7.5	6.8	6.5	6.2	7.2
1 to 249.....	6.5	7.6	8.0	7.8	2.6	3.9	4.7	5.1	5.0	1.0	2.0
250 to 999.....	8.8	10.5	9.3	9.1	6.5	5.1	6.1	5.4	5.4	3.5	4.9
1,000 to 4,999.....	10.7	13.0	11.2	10.3	8.3	6.3	7.9	6.7	6.2	4.7	6.0
5,000 to 99,999.....	11.9	13.3	11.9	11.3	11.1	7.2	8.0	7.2	6.8	6.7	7.1
100,000 and over.....	11.4	12.2	11.0	10.8	11.7	7.2	7.8	6.9	6.8	7.6	8.7

<sup>1</sup> Estimates based on incomplete data.

<sup>2</sup> Not available.

Sources: Federal Trade Commission and Securities and Exchange Commission.

TABLE 30.—*Sources and uses of corporate funds, 1946-48*

[Billions of dollars]

Use or source of funds	1946	1947	1948, first half <sup>1</sup>
<b>Uses:</b>			
Plant and equipment outlays.....	11.6	15.0	8.4
Inventories (increase in book value).....	7.5	7.2	2.8
Increase in customer financing.....	5.4	5.6	.8
Net repayment of trade debt.....	( <sup>2</sup> )	( <sup>2</sup> )	.6
Net repayment of short-term bank loans.....	( <sup>2</sup> )	( <sup>2</sup> )	.1
Net repayment of RFC loans.....	.2	.1	0
Reduction in liability for Federal income tax.....	2.5	( <sup>3</sup> )	( <sup>3</sup> )
<b>Total uses of funds.....</b>	<b>27.2</b>	<b>27.9</b>	<b>12.7</b>
<b>Sources:</b>			
<b>Internal sources:</b>			
Funds retained from operations:			
Depreciation reserves.....	4.1	4.5	2.4
Retained net earnings and depletion allowances.....	6.3	10.6	6.0
Reduction in cash and U. S. Government securities.....	6.4	.3	.2
Reduction in other current assets.....	.7	.1	.2
<b>External sources:</b>			
Increase in bank loans:			
Short-term.....	1.9	1.6	( <sup>4</sup> )
Long-term.....	1.4	1.3	0
Increase in mortgage loans.....	.6	.6	.4
Net new security issues:			
Bonds.....	1.0	3.1	2.1
Stocks.....	1.3	1.3	.5
Increase in liability for Federal income tax.....	( <sup>5</sup> )	2.4	.5
Increase in trade debt.....	3.0	2.2	( <sup>4</sup> )
Other net sources.....	0	.5	.3
<b>Total sources of funds.....</b>	<b>26.7</b>	<b>28.5</b>	<b>12.6</b>
<b>Discrepancy (uses less sources).....</b>	<b>.5</b>	<b>-.6</b>	<b>.1</b>

<sup>1</sup> Estimates of total for half year based on incomplete data; not adjusted for seasonal variation.<sup>2</sup> Net increase of such debt; see sources.<sup>3</sup> Net increase of such liability; see sources.<sup>4</sup> Estimate based on preliminary first quarter data.<sup>5</sup> Net repayment of such debt; see uses.<sup>6</sup> Net reduction of such liability; see uses.

Sources: Department of Commerce estimates based on Securities and Exchange Commission and other financial data.



TABLE 31.—*The international transactions of the United States, 1946-48*

[Millions of dollars]

Item	1946	1947					1948	
		Total	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter <sup>1</sup>
Exports of goods and services:								
Recorded goods <sup>2</sup> .....	10,188	15,338	3,775	4,185	3,716	3,662	3,318	3,328
Other goods <sup>3</sup> .....	1,686	718	179	123	159	257	368	332
Total goods.....	11,874	16,056	3,954	4,308	3,875	3,919	3,686	3,660
Services.....	2,272	2,611	650	726	675	560	547	560
Income on investments.....	820	1,074	212	243	251	368	217	260
Total exports.....	14,966	19,741	4,816	5,277	4,801	4,847	4,450	4,480
Imports of goods and services:								
Recorded goods.....	4,908	5,733	1,412	1,449	1,323	1,549	1,794	1,625
Other goods.....	260	338	95	113	30	100	141	165
Total goods.....	5,168	6,071	1,507	1,562	1,353	1,649	1,935	1,790
Services.....	1,783	2,165	464	532	674	495	494	565
Income on investments.....	216	227	51	55	47	74	56	70
Total imports.....	7,167	8,463	2,022	2,149	2,074	2,218	2,485	2,425
Surplus of exports of goods and services:								
Recorded goods.....	5,280	9,605	2,363	2,736	2,393	2,113	1,524	1,703
Other goods.....	1,426	380	84	10	129	157	227	167
Total goods.....	6,706	9,985	2,447	2,746	2,522	2,270	1,751	1,870
Services.....	489	446	186	194	1	65	53	-5
Income on investments.....	604	847	161	188	204	294	161	190
Total surplus of exports.....	7,799	11,278	2,794	3,128	2,727	2,629	1,965	2,055
Means of financing:								
Net liquidation of gold and dollar assets by:								
Foreign countries.....	1,968	4,514	1,197	1,144	856	1,317	368	640
International Monetary Fund.....		464		56	148	260	132	20
Loan disbursements by International Bank.....		297		92	142	63	103	50
Net United States private capital outflow to foreign countries.....	335	727	301	207	98	121	230	185
Net U. S. Government loans.....	2,774	3,900	854	1,538	1,201	307	606	230
Net U. S. Government unilateral transfers.....	2,279	1,812	444	457	492	419	842	945
Net private unilateral transfers.....	598	568	145	119	138	166	159	145
Total means of financing.....	7,954	12,282	2,941	3,613	3,075	2,653	2,440	2,215
Errors and omissions.....	-155	-1,004	-147	-485	-348	-24	-475	-160

<sup>1</sup> Estimates based on incomplete data.<sup>2</sup> Figures for recorded exports of goods in 1946 and 1947 have been adjusted to include goods shipped to United States armed forces abroad for distribution to civilians in occupied areas in order to make them comparable with figures for 1948. Such shipments are included in exports as recorded by the Bureau of the Census in 1948 but were not so included in prior years.<sup>3</sup> Includes goods sold to or bought from other countries that have not been shipped from or into the United States customs area and other adjustments.

NOTE.—Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE 32.—United States Government aid to foreign countries, 1946–48

[Millions of dollars]

Type of aid	1946	1947					1948	
		Total	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter <sup>1</sup>
<b>A. Unilateral payments:</b>								
Straight lend-lease.....	209							
UNRRA.....	1,524	543	285	209	49			
Post-UNRRA.....		245		2	98	145	45	(?)
Civilian supplies for occupied areas.....	539	980	219	240	306	215	340	(?)
European recovery program.....								(?)
Greek-Turkish aid.....		74			38	36	86	(?)
Chinese aid.....	15							(?)
International Refugee Organizations.....		17			15	2	33	(?)
Transfers to Philippines.....	60	96	18	20	38	20	13	(?)
Interim aid.....		12				12	342	(?)
Other.....	170	305	101	113	33	58	29	(?)
Total unilateral payments.....	2,517	2,272	623	584	577	488	887	1,020
Less: Unilateral receipts.....	238	460	179	127	85	69	45	75
Equals: Net unilateral payments.....	2,279	1,812	444	457	492	419	842	945
<b>B. Long-term loans and investments:</b>								
Lend-lease credits.....	600	2			1	1		
Surplus property, including ship sales.....	841	274	96	60	53	65	234	(?)
Export-Import Bank.....	945	796	280	249	61	266	170	(?)
United Kingdom loan.....	600	2,850	500	950	1,300	100	300	
Investment in International Bank.....	317	318	159	159				
Investment in International Monetary Fund.....	5	2,745	2,745					
Other.....	12	80	28	49	1	2	2	(?)
Total, long-term loans and investments.....	3,320	7,065	3,808	1,467	1,416	374	706	255
Less: Repayments.....	90	174	51	34	40	49	46	25
Equals: Net long term loans and investments, including International Bank and International Fund.....	3,230	6,891	3,757	1,433	1,376	325	660	230
Less: Investments in International Bank and International Fund.....	322	3,063	2,904	159				
Equals: Net long term loans and investments, excluding International Bank and International Fund.....	2,908	3,828	853	1,274	1,376	325	660	230
<b>C. Short-term loans (net):</b> .....	-134	72	1	264	-175	-18	-54	
Net unilateral payments and loans and investments, excluding International Bank and International Fund.....	5,053	5,712	1,298	1,995	1,693	726	1,448	1,175

<sup>1</sup> Estimates based on incomplete data.<sup>2</sup> Not available.

NOTE.—Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE 33.—United States merchandise exports, including reexports, by continents, 1936–38 quarterly average and 1947–48

Period	Total merchandise exports, including reexports	North America	South America	Europe	Asia	Australia and Oceania	Africa
Millions of dollars							
1936–38 Quarterly average.....	742	183	69	311	125	23	32
1947 Quarterly average.....	3,835	957	588	1,421	582	80	205
First quarter.....	3,775	906	571	1,484	567	64	183
Second quarter.....	4,185	1,013	648	1,571	649	74	230
Third quarter.....	3,716	900	560	1,392	564	97	202
Fourth quarter.....	3,662	1,010	574	1,235	550	86	206
1948—First quarter.....	3,318	789	549	1,209	532	42	197
Second quarter <sup>1</sup> .....	3,328	921	534	1,080	552	35	206
Percentage of total							
1936–38 Quarterly average.....	100.0	24.7	9.3	41.9	16.8	3.1	4.3
1947 Quarterly average.....	100.0	25.0	15.3	37.1	15.2	2.1	5.3
First quarter.....	100.0	24.0	15.1	39.3	15.0	1.7	4.8
Second quarter.....	100.0	24.2	15.5	37.5	15.5	1.8	5.5
Third quarter.....	100.0	24.2	15.1	37.5	15.2	2.6	5.4
Fourth quarter.....	100.0	27.6	15.7	33.7	15.0	2.3	5.6
1948—First quarter.....	100.0	23.8	16.5	36.4	16.0	1.3	5.9
Second quarter <sup>1</sup> .....	100.0	27.7	16.0	32.5	16.6	1.1	6.2

<sup>1</sup> Based on actual figures for April and May and estimates for June.

NOTE.—Data in this table cover all merchandise shipped from the United States customs area to foreign countries including, in 1947 and 1948, goods destined to United States armed forces abroad for distribution in occupied areas as civilian supplies.

Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE 34.—United States general merchandise imports, by continents, 1936-38 quarterly average and 1947-48

Period	Total general imports	North America	South America	Europe	Asia	Australia and Oceania	Africa
Millions of dollars							
1936-38—Quarterly average...	622	150	81	177	187	10	17
1947—Quarterly average.....	1,433	536	309	204	262	39	82
First quarter.....	1,412	495	309	187	303	47	69
Second quarter.....	1,449	568	291	195	269	54	74
Third quarter.....	1,323	521	276	213	205	25	83
Fourth quarter.....	1,549	560	360	225	273	30	100
1948—First quarter.....	1,794	605	423	264	337	48	116
Second quarter <sup>1</sup> .....	1,625	613	328	247	312	25	100
Percentage of total							
1936-38—Quarterly average...	100.0	24.1	13.0	28.5	30.1	1.6	2.7
1947—Quarterly average.....	100.0	37.4	21.6	14.2	18.3	2.7	5.7
First quarter.....	100.0	35.1	21.9	13.2	21.5	3.3	4.9
Second quarter.....	100.0	39.2	20.1	13.5	18.6	3.7	5.1
Third quarter.....	100.0	39.4	20.9	16.1	15.5	1.9	6.3
Fourth quarter.....	100.0	36.2	23.2	14.5	17.6	1.9	6.5
1948—First quarter.....	100.0	33.7	23.6	14.7	18.8	2.7	6.5
Second quarter <sup>1</sup> .....	100.0	37.7	20.2	15.2	19.2	1.5	6.2

<sup>1</sup> Based on actual figures for April and May and estimates for June.

NOTE.—Data in this table cover all merchandise received in the United States customs area from foreign countries. General imports include merchandise entered immediately upon arrival into merchandising channels, plus entries into bonded customs warehouses. Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE 35.—United States merchandise exports, by economic classes, 1936–38 quarterly average and 1947–48

Period	Total merchandise exports	Crude materials	Crude foodstuffs	Manufactured foodstuffs	Semi-manufactures	Finished manufactures
Millions of dollars						
1936–38—Quarterly average.....	731	167	34	42	130	358
✓ 1947—Quarterly average.....	3,790	400	332	444	446	2,168
First quarter.....	3,713	430	322	452	384	2,124
Second quarter.....	4,140	431	333	490	485	2,401
Third quarter.....	3,683	352	347	457	478	2,049
Fourth quarter.....	3,624	389	324	376	438	2,098
λ 1948—First quarter.....	3,287	329	315	352	381	1,910
Second quarter <sup>1</sup> .....	3,295	338	241	388	365	1,964
Percentage of total						
1936–38—Quarterly average.....	100.0	22.8	4.7	5.7	17.8	49.0
1947—Quarterly average.....	100.0	10.6	8.8	$\frac{7}{8}$ 11.7	11.8	57.2
First quarter.....	100.0	11.6	8.7	12.2	10.3	57.2
Second quarter.....	100.0	10.4	8.0	11.8	11.7	58.0
Third quarter.....	100.0	9.6	9.4	12.4	13.0	55.6
Fourth quarter.....	100.0	10.7	8.9	10.4	12.1	57.9
1948—First quarter.....	100.0	10.0	9.6	10.7	11.6	58.1
Second quarter <sup>1</sup> .....	100.0	10.3	7.3	11.8	11.1	59.6

<sup>1</sup> Based on actual figures for April and May and estimates for June.

NOTE.—Data in this table cover all merchandise shipped from the United States customs area to foreign countries, including in 1947 and 1948, goods destined to United States armed forces abroad for distribution in occupied areas as civilian supplies.

Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE 36.—*Indexes of quantity and unit value of United States merchandise exports, by economic classes, 1936-38 quarterly average and 1947-48*

[1936-38=100]

Period	Total merchandise exports	Crude materials	Crude foodstuffs	Manufactured foodstuffs	Semi-manufactures	Finished manufactures
Quantity indexes						
1936-38—Quarterly average....	100	100	100	100	100	100
1947—Quarterly average.....	275	123	391	482	203	332
First quarter.....	281	130	425	494	189	341
Second quarter.....	299	127	414	523	221	367
Third quarter.....	260	101	401	504	213	303
Fourth quarter.....	249	110	336	389	191	307
1948—First quarter.....	220	87	318	364	160	275
Second quarter <sup>1</sup> .....	222	88	255	410	153	283
Unit value indexes						
1936-38—Quarterly average....	100	100	100	100	100	100
1947—Quarterly average.....	188	195	247	218	169	182
First quarter.....	181	197	221	217	157	174
Second quarter.....	189	203	235	222	169	183
Third quarter.....	194	208	252	215	173	189
Fourth quarter.....	199	210	281	229	177	191
1948—First quarter.....	204	227	289	229	184	194
Second quarter <sup>1</sup> .....	203	229	275	224	183	194

<sup>1</sup> Based on calculated indexes for April and May and estimates for June.

NOTE. The indexes of quantity are a measure of changes in the total volume of trade after the influence on values of changes in average prices has been eliminated. The indexes of unit value provide a measure of changes in the average prices at which trade transactions are reported in official foreign trade statistics, including changes in average prices that result from changes in the commodity composition of trade. The indexes for 1947 and 1948 are based on data which include goods destined to the United States armed forces abroad for distribution to civilians in occupied areas.

Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE 37.—United States imports for consumption, by economic classes, 1936-38 quarterly average and 1947-48

Period	Total imports for consumption	Crude materials	Crude foodstuffs	Manufactured foodstuffs	Semi-manufactures	Finished manufactures
Millions of dollars						
1936-38—Quarterly average....	615	190	85	95	126	120
1947—Quarterly average.....	1,410	436	254	164	311	246
First quarter.....	1,395	460	288	134	281	231
Second quarter.....	1,409	453	227	182	312	236
Third quarter.....	1,322	389	201	169	310	254
Fourth quarter.....	1,516	440	300	171	343	262
1948—First quarter.....	1,769	571	346	161	396	295
Second quarter <sup>1</sup> .....	1,612	459	275	183	382	313
Percentage of total						
1936-38—Quarterly average....	100.0	30.9	13.8	15.4	20.5	19.5
1947—Quarterly average.....	100.0	30.9	18.0	11.6	22.0	17.4
First quarter.....	100.0	33.0	20.6	9.6	20.1	16.6
Second quarter.....	100.0	32.2	16.1	12.9	22.1	16.7
Third quarter.....	100.0	29.4	15.2	12.8	23.4	19.2
Fourth quarter.....	100.0	29.0	19.8	11.3	22.6	17.3
1948—First quarter.....	100.0	32.3	19.6	9.1	22.4	16.7
Second quarter <sup>1</sup> .....	100.0	28.5	17.1	11.4	23.7	19.4

<sup>1</sup> Based on actual figures for April and May and estimates for June.

NOTE.—Data in this table cover all merchandise received in the United States customs area from foreign countries. Imports for consumption include merchandise entered immediately upon arrival into merchandising or consumption channels, plus withdrawals from bonded customs warehouses for consumption.

Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE 38.—*Indexes of quantity and unit value of recorded United States imports for consumption, by economic classes, 1936-38 quarterly average and 1947-48*

[1936-38=100]

Period	Total im- ports for consumption	Crude materials	Crude food- stuffs	Manufac- tured foodstuffs	Semi- manufac- tures	Finished manufac- tures
Quantity indexes						
1936-38—Quarterly average....	100	100	100	100	100	100
1947—Quarterly average.....	109	130	96	83	130	84
First quarter.....	113	138	116	73	126	86
Second quarter.....	107	133	85	87	129	80
Third quarter.....	102	120	78	86	126	83
Fourth quarter.....	115	134	107	87	140	86
1948—First quarter.....	126	157	119	81	154	93
Second quarter <sup>1</sup> .....	113	125	94	88	142	97
Unit value indexes						
1936-38—Quarterly average....	100	100	100	100	100	100
1947—Quarterly average.....	211	176	311	208	191	245
First quarter.....	201	175	293	195	177	226
Second quarter.....	214	179	314	220	193	248
Third quarter.....	211	170	302	208	196	256
Fourth quarter.....	215	172	330	206	194	255
1948—First quarter.....	227	191	342	210	205	266
Second quarter <sup>1</sup> .....	232	194	344	218	214	269

<sup>1</sup> Based on calculated indexes for April and May and estimates for June.

NOTE.—The indexes of quantity are a measure of changes in the total volume of trade after the influence on values of changes in average prices has been eliminated. The indexes of unit value provide a measure of changes in the average prices at which trade transactions are reported in official foreign trade statistics, including changes in average prices that result from changes in the commodity composition of trade.

Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.



TABLE 39.—Changes in selected economic series since 1939 and since the first half of 1947

Source: Appendix C; table number	Economic series	1939=100					Percent change, 1947, first half, to 1948, first half
		1946	1947			1948, first half	
			Total	First half	Second half		
1.....	Gross national product.....	232	256	252	261	273	+8.3
	Personal consumption expenditures.....	218	244	239	250	258	+7.9
	Gross private domestic investment.....	294	333	328	339	413	+25.9
	Net foreign investment.....	522	989	1,056	922	433	-59.0
	Government purchases of goods and services.....	235	214	208	219	237	+13.9
3.....	National income.....	247	279	274	285	298	+8.8
	Compensation of employees.....	245	267	262	272	280	+6.9
5.....	Personal income.....	245	269	262	275	287	+9.5
	Disposable personal income.....	227	247	241	254	265	+11.0
	Personal net saving.....	437	326	293	356	430	+46.8
6.....	Per capita disposable personal income:						
	Current dollars.....	210	225	220	229	238	+8.2
	1947 dollars.....	150	140	141	140	140	- .7
7.....	Labor force, including armed forces.....	109	111	110	112	111	+ .9
	Civilian labor force.....	104	109	108	110	110	+1.9
	Employment.....	121	127	125	129	128	+2.4
	Nonagricultural.....	130	138	136	140	140	+2.9
	Agricultural.....	87	86	83	89	79	-4.8
	Unemployment.....	24	23	25	20	23	-8.0
9.....	Average gross weekly earnings:						
	Manufacturing.....	183	206	201	212	218	+8.5
	Bituminous coal mining.....	243	280	270	290	289	+7.0
	Private building construction.....	185	208	201	216	220	+9.5
	Retail trade.....	154	173	170	177	183	+7.6
11.....	Physical production: total.....	151	162	(1)	(1)	(1)	-----
	Agriculture.....	126	122	(1)	(1)	(1)	-----
	Nonagriculture.....	158	173	171	174	177	+3.5
12.....	Industrial production index: total.....	156	172	172	172	176	+2.3
	Durable manufactures.....	176	202	203	200	206	+1.5
	Nondurable manufactures.....	151	158	159	158	163	+2.5
	Minerals.....	126	141	139	143	144	+3.6
13.....	New construction: total.....	166	222	180	263	244	+35.6
	Private.....	217	286	233	339	318	+36.5
	Residential.....	151	249	183	315	293	+60.1
	Nonresidential.....	426	399	383	415	421	+9.9
	Public utility and farm.....	190	275	218	332	289	+32.6
	Public.....	88	123	100	147	130	+30.0
14.....	Business expenditures for new plant and equipment.....	232	312	273	350	341	+25.0
15.....	Inventories, end of period:						
	Manufacturing.....	203	243	230	243	256	+11.3
	Wholesale.....	166	210	190	210	224	+17.9
	Retail.....	201	235	217	235	250	+15.2
15.....	Sales:						
	Manufacturing.....	235	307	292	321	331	+13.4
	Wholesale.....	238	280	273	289	300	+9.9
	Retail.....	238	280	270	290	302	+11.9
17.....	Consumers' price index: all items.....	140	160	156	164	170	+9.0
	Food.....	168	204	196	211	219	+11.7
	Apparel.....	159	185	183	187	195	+6.6
	Rent.....	104	107	105	109	112	+6.7
18.....	Wholesale price index, all commodities.....	157	197	190	204	212	+11.6
	Farm products.....	228	277	268	287	292	+9.0
	Foods.....	186	240	230	249	251	+9.1
	Other than farm products and foods.....	135	166	161	171	183	+14.4
19.....	Prices received by farmers.....	245	293	284	301	306	+7.7
	Prices paid by farmers (including interest and taxes).....	156	186	181	192	201	+11.0
	Parity ratio.....	157	156	156	156	152	-2.6
20.....	Consumer credit outstanding, end of period.....	127	167	141	167	176	+24.8
24.....	Corporate profits before taxes.....	335	458	445	474	469	+5.4
	Corporate profits after taxes.....	256	362	350	374	372	+6.3
	Dividend payments.....	147	182	174	184	185	+12.1
	Undistributed profits.....	600	933	908	975	933	+2.8

<sup>1</sup> Because of the extreme seasonal nature of agricultural crop production, only an annual index has been computed.

Sources: Appendix C, tables as indicated above. Data have been converted to the base 1939=100.





