

The Economic Report of the President

TRANSMITTED TO THE CONGRESS

January 1948



THE ECONOMIC REPORT OF THE PRESIDENT

To the Congress, January 14, 1948



UNITED STATES GOVERNMENT PRINTING OFFICE
WASHINGTON : 1948

LETTER OF TRANSMITTAL

THE WHITE HOUSE,
Washington, D. C., January 14, 1948.

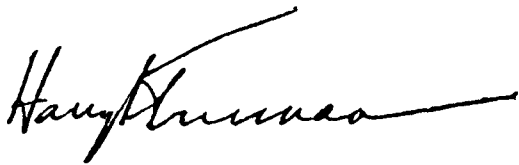
The Honorable the PRESIDENT OF THE SENATE,

The Honorable the SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIRS: I am presenting herewith my Economic Report to the Congress, as required under 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.

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:

IN my first Economic Report to the Congress, presented a year ago in accordance with the provisions of the Employment Act of 1946, I foresaw a bright prospect for the year 1947. In large measure that prospect has been fulfilled.

However, my Midyear Report recorded the fact that agricultural prospects had become less favorable, that certain price adjustments were not proceeding satisfactorily, and that the need for foreign aid would probably be greater and more prolonged than had been anticipated. During the six months since that report, the country has maintained a high level of prosperity but on a wave of inflation which has already caused serious hardship and presents grave concern for the future.

In this second annual Economic Report, I shall set forth the difficulties of the situation by which the Nation is confronted as it enters 1948. At the same time, I have great confidence in our ability to surmount these difficulties and to show another year of splendid achievement for the welfare of our own people and the meeting of our responsibilities in the family of nations.

I. Foreword and Summary

THE year 1947 has afforded a new demonstration of the tremendous productivity of the United States when our natural resources, our accumulated capital, and our able and enterprising labor force are used at high levels of activity. Looked at from another point of view, the year has revealed the previously unmeasured size of the profitable market which is furnished when nearly 60 million workers are steadily employed with modern equipment and organization. With high pay rolls and relatively few work stoppages and with a new high record in farm income, most of the people were able to enjoy a level of consumption far above prewar standards. We were able also to satisfy many of the wants for durable consumers' goods whose production had been curtailed during the war and to extend the conveniences of life and modest luxuries to a larger percentage of our homes than had ever shared them in the past. In addition, we were able to provide aid to war-torn and distressed countries abroad.

The main features of last year's economic activity may be summarized as follows:

THE RECORD OF ECONOMIC ACTIVITY DURING 1947

Employment during 1947 made a new record, passing the mark of 60 million civilian jobs in June and, even with seasonal dips, averaging about 58 million for the whole year. This was almost 3 million more than in 1946 and about 10.5 million more than in 1940. Unemployment was even lower than in 1946, and reached what is probably the practical minimum.

Production measured as total physical output of goods was about 7 percent above 1946 and 76 percent above the 1935-39 average. A slight drop in agricultural production was more than offset by larger production in manufacturing, minerals, construction, transportation, and public utilities. The first Economic Report set up as an objective for 1947 a total output of goods and services about 5 percent above 1946. This goal was not quite reached. The increased output of goods was partly offset by a decline in services.

Productivity per man-hour increased slightly over 1946. In manufacturing, production increased somewhat more than numbers employed. Output of the average farm worker declined somewhat because of bad weather conditions but remained far above prewar levels.

Consumer income after taxes reached a new high in 1947. It was running at the annual rate of \$1,264 per capita in the last quarter of 1947, compared with a rate of \$1,074 in the first quarter of 1946. However, the rapid rise in prices caused the purchasing power of the consumer's dollar income to decline by nearly 8 percent during the same period. This did most injury to people with low incomes and moderate fixed incomes. Total spending for consumption was maintained by reduction in the rate of current saving, drawing on past savings, and the rise of consumer credit to a new peak of 13.3 billion dollars at the end of 1947.

Business investment and income throughout 1947 remained consistently above the level of any previous year. Investment in plant, equipment, and increased inventories amounted to over 25 billion dollars contrasted with 21 billion dollars in 1946. Some part of this increase reflected higher prices. Dividend payments reached a new high although corporations retained five-eighths of their profits after taxes to plow back into the business. Retained corporate earnings were double those of the war years and four times those of 1929. Flotation of securities, mostly of fixed-interest types, provided 4 billion dollars of new capital as against 3.3 billion in 1946. Commercial bank loans to business increased about 4.2 billion dollars in 1947, with credit expanding so rapidly in the last half year as to cause grave concern as to its inflationary effect.

Housing units completed in 1947 were nearly double the number in 1946, but high costs raised the question whether this rate could be continued.

Exports of goods and services ran at the annual rate of 20 billion dollars in the early part of the year but declined later. Imports were much less than exports resulting in an export surplus of more than 11 billion dollars for the year. The ability of foreign countries to finance imports declined in the latter part of the year and the future of our international balance will depend in considerable measure on the size of Government aid and private credits extended.

Government expenditures were reduced to 41.3 billion dollars in the calendar year 1947, leaving a balance of cash receipts of 5.6 billion dollars which was used primarily to reduce bank holdings of Federal debt. This was a counterinflationary factor during a year of mounting inflation.

The Nation's Economic Budget for the second half of 1947 indicates a gross national production at an annual rate of 237 billion dollars, contrasted with about 204 billion for 1946. Investment for construction, equipment, and inventories increased by 24 percent over 1946, and net foreign investments increased by 83 percent, while consumer expenditures increased by only 14 percent. The increase in consumer expenditures was 3.5 billion dollars more than the increase in their incomes. The continuance of such a relationship would not enable consumers to absorb, with their current incomes, the output of a maximum employment economy when the extraordinary volume of business reequipment, net exports, and the use of credit level off at more permanently sustainable rates. The relationships within the Nation's Economic Budget permitted maximum employment and high production through 1947 but did not include all the adjustments required for permanent prosperity and growth.

The maintenance and stabilization of such a high level of production and consumption will require proper adjustment among money, price, and income relationships. While changes in price and income relationships during the past year have not disrupted activity in any serious way as yet, they have brought us progressively into a more unstable situation. As we enter the new year, the American people are keenly aware that inflation is the dominant problem in our economic affairs. •

PRICES, WAGES, PROFITS, AND INFLATION IN 1947

At the time of the first Economic Report a year ago, I warned against the danger of advancing prices, which would undermine our structure of national prosperity. I strongly urged businessmen to bring prices into line with the requirements of a stabilized economy. I called upon workers to limit their demands for wage increases to those situations where wages were substandard or where wage increases would not necessitate higher prices.

I called for the holding of public works down to the minimum of necessity and called upon procurement agencies to avoid practices that would stimulate price increases.

Prices in the first quarter of 1947 continued the upward trend of the last quarter of 1946. In its first-quarter review to me, the Council of Economic Advisers stressed the fact that the faster rate at which prices were beginning to move up constituted a serious danger. During the following weeks, I emphasized in several public statements the need for all groups in the business world to adopt policies and follow practices which would halt this inflationary trend.

There then followed several months of a remarkably stable price level. One cannot say how far this was due to the voluntary action of the many businessmen who deliberately withheld price advances and in a few cases reduced prices, or to what extent the cessation of price increases was the result of the widespread resistance of retail merchants to higher wholesale prices or was due to the spread of a generally more cautious attitude among businessmen and individual consumers.

Although the upward movement of prices had apparently been checked when I presented my Midyear Economic Report, I warned that there were strong new inflationary forces. I endeavored again to impress businessmen with the great need for price stability and I again asked labor to refrain from demands for such wage increases as would require price advances. Unfortunately, even as the Midyear Report was presented, unfavorable developments in agriculture, industry, and the international situation started changes in incomes and prices quite different from those recommended in my first Economic Report. Businessmen were in the main finding it easy to pass added costs on in price advances of like or greater amount.

Since June, wholesale prices have risen at an annual rate of 20 percent and consumer prices at an annual rate of about 12 percent. Retail food prices have risen at an annual rate of about 15 percent. Rent, since the modification of rent control, has been rising at an annual rate of about 13 percent. At the wholesale level, textiles during the second half of 1947 were rising at an annual rate of 12 percent, fuel and lighting 36 percent, and building materials 18 percent.

Wages, too, were moving up. Wage earners had in the first half of the year sought to obtain increases in rates that would maintain their take-home pay at or near the wartime level and thus enable them to buy the enlarged product of goods and services that a high-production peacetime economy could turn out. Wage advances during 1947 kept up generally with the cost of living trend during the year but did not gain the ground lost when price increases exceeded wage increases in 1946.

The renewed rise in the cost of living during the second half of 1947 brought demands for further wage increases. At the end of the year there was a continuing prospect of a fruitless and dangerous spiraling of prices and wages.

Profits were substantially above the 1946 level, and remained high through the year as increased costs were covered, and in many cases exceeded, by higher prices. Corporate profits before taxes rose to 28 billion dollars, contrasted with 21 billion in 1946, and profits after taxes rose to 17 billion dollars, compared with 12.5 billion in 1946. Corporate earnings after taxes represented about 9.5 percent on net worth, and 5.5 percent on sales. Unincorporated non-farm enterprises earned 23.5 billion dollars before taxes, an increase of 2.5 billion. Total business income before taxes increased by 22 percent during the year. Net farm income before taxes rose from 15.2 billion dollars in 1946 to 18.3 billion in 1947.

The record of prices, wages and profits during 1947 shows how they fed upon one another in a developing process of inflation. In spite of the heartening production record of the year, this inflationary trend was profoundly disturbing. It not only produced great inequities among our people, but also created the danger of a serious setback.

The purposes of the Employment Act are beginning to meet their first real test. Unless we as a nation show an ability to impose restraints upon ourselves and to utilize the machinery of our representative government to devise well-considered regulatory measures, we stand in great danger that runaway prices, overextended credit, and unbalanced developments will lead to an economic recession. We cannot be sure that such a recession would not be severe and recovery slow and painful.

OBJECTIVES FOR 1948

The first objective for 1948 must be to halt the inflationary trend. On November 17, I recommended to the Congress a ten-point program for this purpose. Every point in that program is essential.

The nature of the inflation from which we are suffering arises in part from the total excess of buying power over the available supply of goods and in part from relative scarcities at strategic points in the economy which give impetus to particular price-wage spirals.

To deal with these two phases of inflation, my ten-point program divides into three main parts. First, it proposes appropriate restraints upon business credit and consumer credit and commodity speculation. Second, to deal with the scarcities at strategic spots in the economy, it calls for authority to allocate to their most efficient and necessary uses those scarce commodities and services which enter basically into the cost of living or industrial pro-

duction. And third, it calls for the extension and strengthening of rent control, and for authority to impose rationing and price control on a highly selective basis on items of outstanding importance to industrial production or to the cost of living so that these powers may be used promptly to protect the public if other measures prove inadequate.

As I have made clear in a statement on December 29, the three points in my ten-point program which were enacted in the special session of the Congress are necessary but insufficient. The other seven points are needed, needed badly, and needed promptly.

This program, which the situation requires, does not lessen the need for voluntary restraint. This applies both to those who price goods and those who buy goods. No program undertaken by the Government can succeed unless it is accompanied by public cooperation based upon a realization of common dangers and common objectives.

Taxes at present are providing revenues substantially larger than expenditures. It is important to maintain this favorable balance as long as the inflationary trend continues. However, certain adjustments need to be made immediately in order to protect those in the lower income groups hit hardest by inflation.

Our second main objective for 1948 should be to maintain maximum employment, achieve maximum production, and adjust the price-income structure so as to stop the inflationary spiral without production cutbacks or extensive unemployment.

More production this year will help in combatting inflation, but there is no possibility of enough additional production this year to overcome inflation without other measures. In fact, if these other measures are not undertaken, inflation may cause such disruption of our economy as to drive production and employment downward.

With healthy adjustments in our economy achieved during the year, our employment objective should be to absorb in useful work the net increase of 700,000 additional people in the labor force. This would mean an average of nearly 59 million jobs for the year as a whole, contrasted with about 58 million as the year's average for 1947.

Our objective for production should be to increase the total output of goods and services by some 3 percent above 1947.

Our third main objective for 1948 should be to establish firmer foundations for the long-range growth and prosperity of our economy in the years ahead.

LONG-RANGE OBJECTIVES

The economic growth and stability of the United States cannot be achieved by dealing with problems merely from day to day. We must have

a sufficiently long-time perspective to do also those things which require some time for their planning and organization.

Our total annual national production has increased since 1939 by 53 percent. We cannot expect such rapid advance within the next 10 years because we are now at a fuller use of our resources than we were in 1939. Yet we should within 10 years be able to increase our annual national output by 35 percent. Progress at this rate would bring the per capita real income of our people to 27 percent above the level of 1947 and 80 percent above the level of 1937.

But our record of periodic depressions in the past warns us that we cannot have stabilized prosperity at this rate of progress without carefully considered and well-directed efforts.

The Nation's long-range economic programs should be geared to three major purposes: conserving and developing our natural resources and capital equipment, enabling our human resources to become fully productive and thus provide richer and more satisfying lives, and improving our economic institutions and practices so as to utilize free enterprise and representative government effectively toward maximum production and sustained general prosperity.

Development of natural resources and capital equipment

Development of natural resources in land, water power, minerals, and forests requires that we make up as soon as possible for the lapses in many of these efforts during the pressures of war and postwar reconversion. Wise conservation and development efforts are now all the more needed because in many respects these resources were subjected to excessive drains to supply wartime production.

One-half of the Nation's crop and pasture land needs to be put under improved soil management. Programs for flood control and power need to be expanded. Further construction of multipurpose dams and related facilities is desirable. Our sustained yield of saw timber should be doubled. With regard to minerals for industrial and strategic purposes, we need increased emphasis upon research, development of substitutes, and importation and stockpiling.

There are areas of the country which, for a combination of reasons, have been underdeveloped or retarded economically. We must push regional development through improved agricultural methods and land use, further industrial expansion and diversification, and lifting the levels of health and education.

All of our resource development activities will require the alert interest of the people, vigorous private enterprise, and a wise pooling of the efforts of Federal, State, and local governments.

Our business plant and equipment need to be expanded to sustain continuous maximum employment and production. We shall require more capacity in steel, petroleum, coke, electricity, and other industries.

We can rely mainly upon business for this expansion, if business adjusts its plans to an economy of continuous maximum production instead of adjusting its plans to an economy of recurrent low resource utilization.

Government has the responsibility of providing favorable conditions for adequate and well-balanced private investment in productive facilities, with prudent use of Government initiative when private resources lag. Both private and public policy must, however, impose restraints on boom-time overdevelopment and overcapitalization.

In transportation, at least 45 percent of our highways leading into cities need to be rebuilt within 10 years, financial aid to airlines should be continued, railroad consolidation should be carried out with increasing vigor, and national policies should recognize the need for protecting the credit of the railroads.

Urban redevelopment and housing afford an immense challenge. The blight and deterioration of our cities have created grave problems of municipal taxation and management, and have damped the rate of investment in rebuilding. This problem is closely related to the inadequacy and instability of house production. As a start toward the objective of a decent standard of American housing within 10 years and for the release of investment opportunities over a decade of as much as 75 billion dollars—mostly private funds—in urban redevelopment, there should be prompt enactment of comprehensive housing and urban redevelopment legislation.

Development of human resources and productivity

Within 10 years, maximum employment will mean 64 million jobs or more.

To raise the individual to the highest practical level of productivity, and to provide an outlet for the increasing part of the labor force which technological changes may displace from the mass-production industries or from agriculture, we need improved services in education, health, and social security.

For education, the first step, which should not be deferred, is to provide Federal aid for elementary and secondary education to help remedy the deplorable shortages and the maldistribution of school facilities and teachers. At present, our ten poorest States are spending about \$64 annually for each school child, while our ten wealthiest States are spending about \$177. Federal aid should be given not only to this educational effort but also to research work both in basic principles of natural and social science and in their practical application.

Our health standards are not being met because of the inability of millions of families to purchase adequate medical care with their incomes, and also because of the great disparities in the resources of different areas of the country available for investment in hospitals and other health services. We need a comprehensive national health program, including prepaid health insurance and aid to hospitals and health centers.

Social security, both in its unemployment insurance and its old-age insurance aspects, should be increased and its coverage should be made more general.

Development of institutions and practices for a high-production economy

We have learned from experience that the capacity to produce does not alone assure continuous maximum employment. The distribution of purchasing power determines whether there will be enough funds available to provide adequate investment for maximum production and enough buying power to absorb the output.

Industrial price-wage-profit policies, arrived at without compulsion in a free, competitive economy, play an important part in preserving or destroying balance in our economy. In those areas where businessmen and workers make conscious decisions about prices, wages, and profits, we must seek through education and understanding to adjust these decisions ever more closely to the broad needs of the whole economy.

At the same time, the adaptability of the economy to changing circumstances requires the maintenance of active competition which, through amendment and improved enforcement of the antitrust laws, must be preserved where it exists and revived where it has languished. Collusive monopolistic practices must be eradicated and the trend toward concentration of economic power reversed.

For balanced expansion, our economy requires a larger flow of income to consumers. Comparing 1939 with today in dollars of constant purchasing power, annual expenditures for producers' durable equipment have increased by 170 percent, while annual consumers' expenditures have increased by only 48 percent. When the export surplus and business retooling and the use of savings and credit level off or are reduced, we shall need more consumer income to sustain maximum production.

More consumer income must be accompanied by better income distribution. In 1946, the lowest-income fifth of our families had an average annual income before taxes of only \$835. The second fifth had an average annual income of only about \$2,000. The top fifth had an average annual income of almost \$9,000.

Agricultural and food policy throughout the decade ahead should be based on the expanding needs of a maximum production economy. With improvements in the incomes and living standards of wage earners, and with continued concentration upon improving nutrition, our agricultural output should within 10 years reach a level about 10 percent above the present level. This would mean a crop output about 25 percent, and a livestock output nearly 50 percent, above prewar levels.

Soil conservation activities should be intensified. Capital investment per farm worker will need to be increased, and there is need for three times as many tractors on farms as before the war. There are 2 or 3 million farmers with too little land or whose land is too poor or whose equipment is inadequate.

We shall continue to need the farm programs that have been developed to advise farmers in adjusting their production patterns to the changing patterns of demand, and to offset in some degree the special hazards affecting their industry through crop insurance and price support for major farm commodities.

Tax policy for the long run should have two major elements: first, a level of revenue above expenditures in all except depression years which will permit systematic reduction of the public debt; and, second, a tax structure which will promote stabilized prosperity through adjustment of particular taxes to stimulate or to check consumer expenditure or business expenditure as circumstances require.

Debt management policies should be so conducted that appropriate restraints on bank credit can be applied without abandoning or impairing the sound principle of Government price support of bonds which the people have bought as an expression of their faith in the Government's financial security.

Our international economic relations should be such as to aid in the restoration of Europe under the European Recovery Program. We are now seeking, and should seek always, to negotiate with other nations better standards for the conduct of world trade so that each country may be facilitated in producing the things which it can produce best and buying the things which can be produced more economically elsewhere. In a framework of increasing world prosperity, our country can move forward most confidently to meet the problems of our domestic economy.

II. Levels of Economic Activity in 1947

THE COURSE OF EMPLOYMENT AND PRODUCTION

Employment

NINETEEN forty-seven was a record year for civilian employment. In June, civilian employment passed the sixty-million mark for the first time. Allowing for seasonal variations, employment in December (57.9 million) was at about the same level. Employment averaged 58 million for the year contrasting with an average of 55.3 million in 1946 and 47.5 million in 1940. (See appendix B, table VIII.)

This increase in employment was most pronounced in the manufacturing industries, with construction and mining registering sizeable percentage gains. Employment increased slightly in trade, finance, and services, and decreased in government.

Compared with 2.3 million in 1946, the number of unemployed averaged 2.1 million during 1947. In November and December, it dropped to 1.6 million, the lowest figure in two years.

Production

The total physical output of the economy in 1947 was about 7 percent above 1946, and about 76 percent above the 1935-39 average.

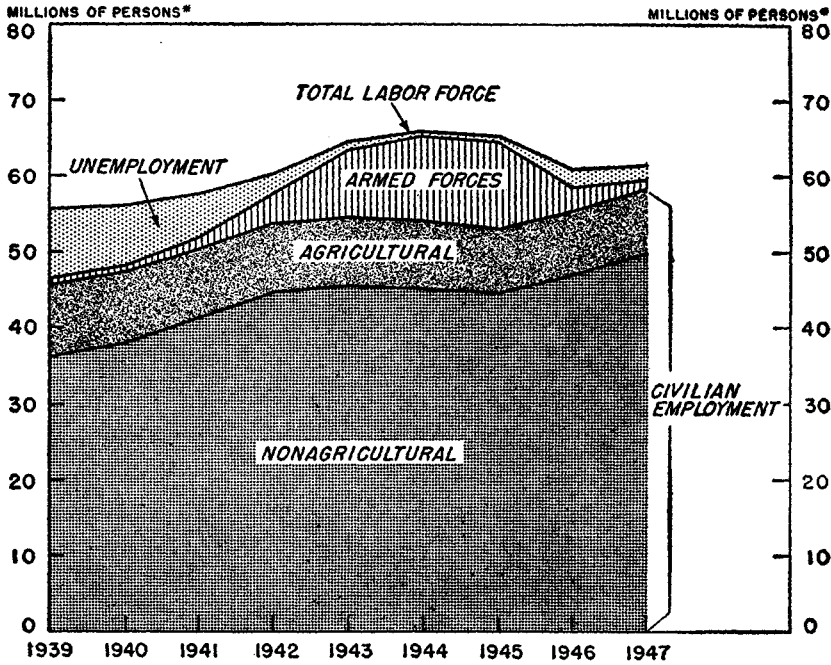
From 1946 to 1947 increased output was registered in each major category except agriculture. The total output of farm products dropped 3 percent due to the disappointing corn crop. The slight drop in agricultural output was more than balanced by increased production in manufacturing, minerals, construction, transportation, and electric and gas utilities. This is shown in chart 2 and appendix B, table XVI.

The above figures do not fully account for all changes in economic activity, since they do not include services such as trade, finance, and government. It is obviously impossible to measure precisely the production of such services in physical terms, but a rough indication is given by employment in the service industries. The number of persons in nongovernmental services in-

CHART 1

THE LABOR FORCE

Civilian employment was at record levels in 1947.



*14 YEARS OF AGE AND OVER

SOURCE: DEPARTMENT OF LABOR (1939) AND DEPARTMENT OF COMMERCE (1940-47)

creased moderately from 1946 to 1947, but this increase was more than offset by a sharp drop in government employment, particularly military, as a result of demobilization.

With an increase of 7 percent in the physical output of goods and with a drop in services, it appears that the total increase in the output of goods and services together from 1946 to 1947 was less than 5 percent. Similar results are obtained by adjusting the gross national product for changes in prices.

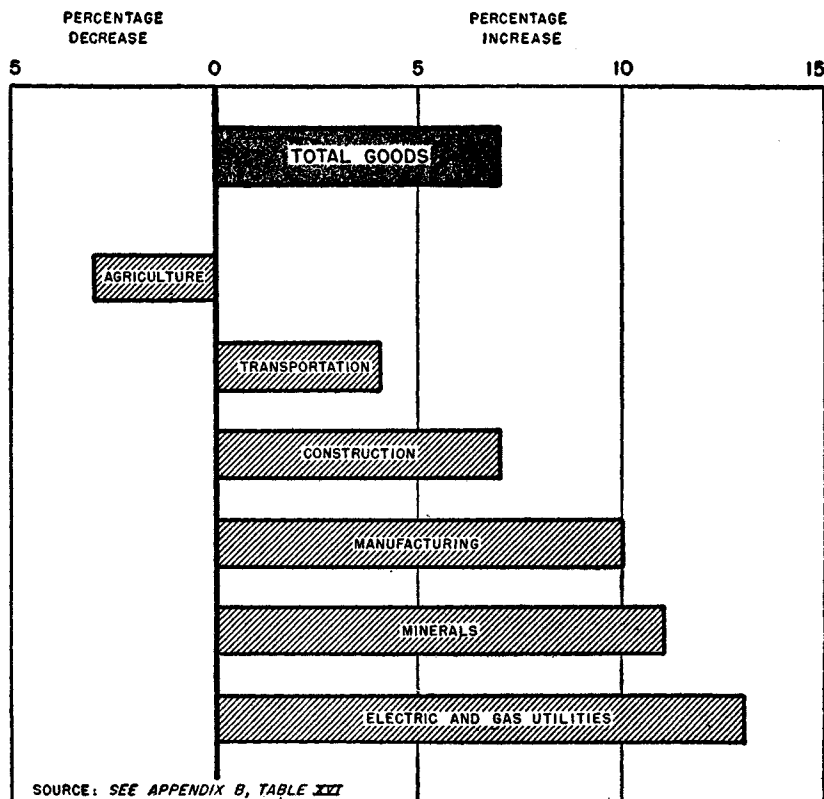
The first Economic Report stated the objective of increasing the total output of goods and services by about 5 percent from the end of 1946 to the end of 1947. Apparently the actual increase was below that objective.

Production trends were uneven during the year. The second quarter of 1947 marked a period of hesitation by individual consumers and business,

CHART 2

CHANGES IN PRODUCTION OF GOODS

Physical output in 1947 averaged 7 percent above 1946 — an increase for all industries except agriculture.



explicable partly by high prices and the expectation of early price reductions. The temporary drop in production was prolonged partly by the fact that many plants were shut down entirely during workers' vacation periods in July and August instead of attempting to stagger vacations over the year.

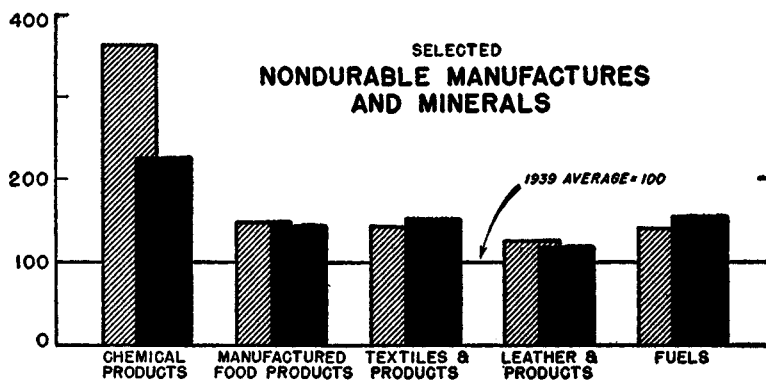
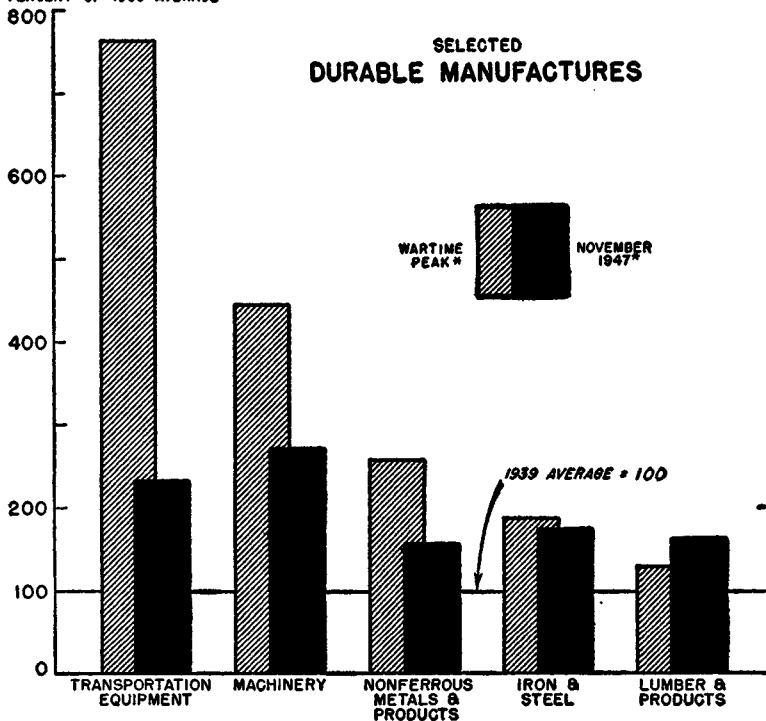
In the fall, restraining forces gave way to new forces of expansion. Steel, automobile, printing, and fuel output rose above the peaks reached early in the year. However, a number of industries continued to operate at lower levels, some because of a shortage of raw materials, some because of lagging demand. (See appendix B, table XV.)

CHART 3

INDUSTRIAL PRODUCTION

Output in 1947 was far above prewar in all major industries, and exceeded wartime peaks in some industries.

PERCENT OF 1939 AVERAGE*



* CONVERTED FROM PUBLISHED BASE, 1935-39 = 100.

* SEASONALLY ADJUSTED.

SOURCE: BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.

Productivity

Output per man-hour was somewhat higher in 1947 than in 1946. The increase in production for the economy as a whole was primarily the result of an increase in capital equipment and in employment. Since both capital equipment and employment expanded in manufacturing, the capital equipment available per worker (the most important single factor affecting productivity), increased slightly, if at all. In agriculture, even though capital equipment increased in 1947 over 1946 and employment remained almost constant, bad weather was primarily responsible for a decline of some 3 percent in output per farm worker. Output per worker was still far above prewar levels.

THE FLOW OF GOODS AND PURCHASING POWER

Purchasing power over the economy as a whole remained high throughout 1947, with resultant high demand for goods and services. The significance of this strong demand and high purchasing power, and particularly their bearing upon prices, can be more fully understood by tracing the flow of goods and income to domestic consumers and exports, to business and government.

Consumer income, expenditure, and saving

Full employment, high wages, and large proprietors' incomes—both industrial and agricultural—pushed consumers' incomes to record levels during 1947. Most of this money was spent, and a decreasing proportion went into net saving. Consumers drew increasingly upon credit to supplement their current earnings. Real purchasing power per capita has remained above prewar levels, but the sharp rise in prices has caused it to decline during the past 2 years. (See table 1.)

Consumer income. In 1946, total personal incomes were 177.2 billion dollars. Increases were registered in each quarter of 1947, reaching the annual rate of 205.3 billion dollars in the fourth quarter. Disposable personal income (total personal incomes minus taxes and similar payments) increased from 158.4 billion dollars in 1946 to an annual rate of 183.0 billion dollars in the last quarter of 1947. (See appendix B, tables III and IV.)

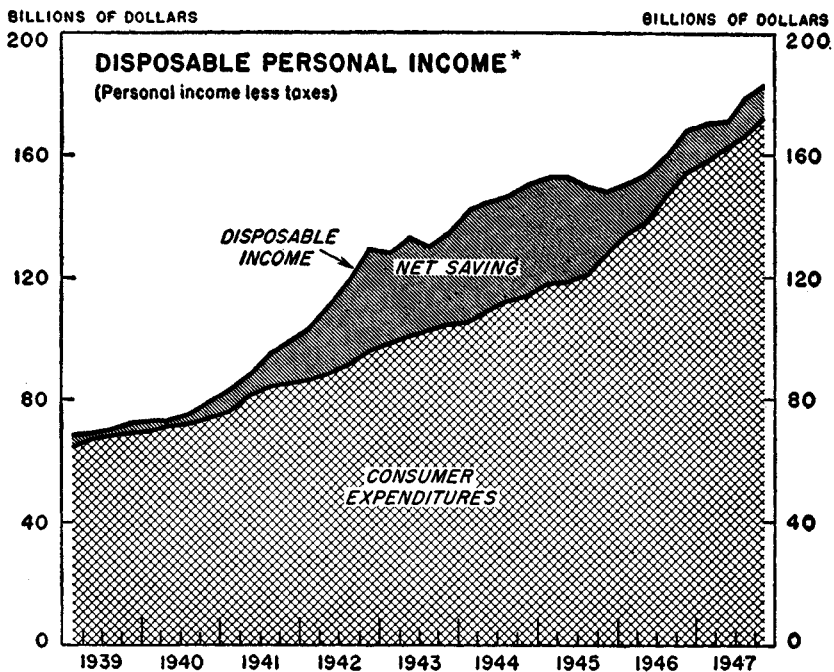
Although the disposable dollar income of the average American consumer reached a new high in 1947, the rapid rise in prices during the last 18 months caused its purchasing power to be less than in 1946. Consumption, however, was maintained by liquidation of past savings, a reduction of the saving out of current incomes, and the extensive use of consumer credit.

Changes in the purchasing power of the disposable income of the average consumer during 1946 and 1947 show the inability of incomes to keep pace

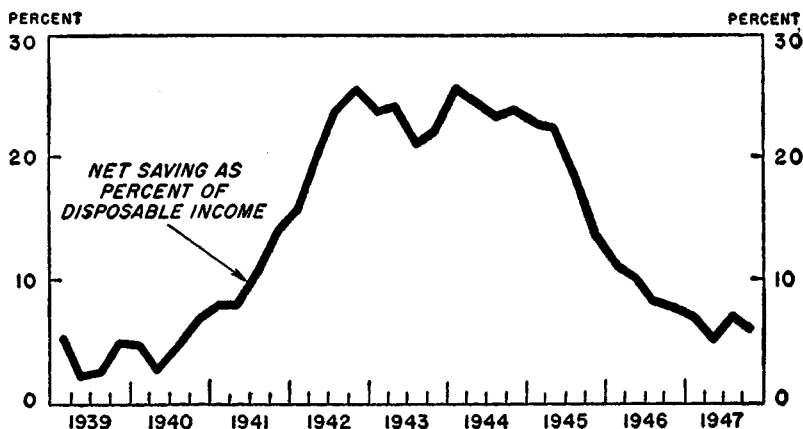
CHART 4

CONSUMER INCOME, SPENDING, AND SAVING

Spending increased more than income.



Rate of net saving continued to drop.



*SEASONALLY ADJUSTED ANNUAL RATES
SOURCE: DEPARTMENT OF COMMERCE.

with the inflationary rise in prices. Average disposable income, in terms of current dollars, has increased steadily since the first quarter of 1946, rising from \$1,074 then to \$1,264 in the fourth quarter of 1947, an increase of 18 percent. Yet its real purchasing power declined nearly 8 percent during the same period. The decline in real purchasing power was much greater for the millions of people whose incomes were fixed or lagged behind the increase in average incomes.

The initial impact of the elimination of price controls caused a substantial decline in real disposable income of consumers in the second half of 1946. The rate of decline slowed up in the first half of 1947, as the price rise tapered off and as incomes continued to increase owing to wage increases and a higher level of employment. During the third quarter, the cashing of veterans' terminal leave bonds, counted as addition to disposable income, halted momentarily the decline in real purchasing power in spite of the rapid rise in consumer prices.

TABLE 1.—*Per capita disposable income*
Personal income after taxes

| Period | Current dollars | First half of 1947 dollars ¹ |
|-----------------------------------|-----------------|---|
| 1935-39 average..... | 513 | 797 |
| 1941..... | 691 | 1,021 |
| 1944..... | 1,057 | 1,308 |
| 1946..... | 1,122 | 1,251 |
| 1947 ² | 1,219 | 1,190 |
| Seasonally adjusted annual rates: | | |
| 1946—First quarter..... | 1,074 | 1,285 |
| Second quarter..... | 1,091 | 1,284 |
| Third quarter..... | 1,133 | 1,225 |
| Fourth quarter..... | 1,181 | 1,211 |
| 1947—First quarter..... | 1,186 | 1,194 |
| Second quarter..... | 1,190 | 1,183 |
| Third quarter..... | 1,238 | 1,196 |
| Fourth quarter ² | 1,262 | 1,188 |

¹ Deflated by the consumers' price index, which cannot fully reflect changes in the quality and relative availability of higher-priced and lower-priced goods.

² Estimates based on incomplete data.

Source: Department of Commerce and Department of Labor. (See appendix B, table V)

The decline in the purchasing power of the average consumer's income since the middle of 1946 reversed a very desirable trend in the distribution of real income. High levels of employment and production during the war and postwar period had raised per capita disposable incomes, measured in first half of 1947 dollars, from an average of \$797 in 1935-39 to \$1,021 in 1941, and \$1,251 in 1946.

Not only did average incomes increase during this period, but also important changes occurred in income distribution. The relative increase in income (before taxes) was greatest for families in the lower- and middle-income groups. For example, the increase in incomes between 1941 and

1946 was over 60 percent for the lowest 40 percent of families and only 20 percent for the highest 20 percent of families. This is shown in the following table.

TABLE 2.—*Average family income*¹

Money income before taxes, 1946 dollars

| Families grouped from lowest to highest income ¹ | Money income before taxes, 1946 dollars | | | Percent increase | |
|---|--|-------|-------|--------------------|-----------------|
| | 1935-36 | 1941 | 1946 | 1935-36 to 1946 | 1941 to 1946 |
| Lowest fifth..... | \$446 | \$498 | \$835 | 87 | 68 |
| Second fifth..... | 969 | 1,275 | 2,023 | 109 | 59 |
| Third fifth..... | 1,515 | 2,243 | 3,050 | 101 | 36 |
| Fourth fifth..... | 2,284 | 3,225 | 4,201 | 84 | 30 |
| Highest fifth..... | 5,928 | 7,418 | 8,921 | 50 | 20 |
| Average for all families ¹ | 2,229 | 2,932 | 3,806 | 71 | 30 |

¹ Includes single individuals.

Source: See appendix A, section III.

The table shows the increase in money incomes before taxes. If personal income taxes were taken into account, the relative improvement in the lowest income group would be more marked.

The greater increase in incomes in the lower and middle groups during this period is to be explained principally by the fact that more people were working in 1946, that more jobs were on a full-time basis, and that many families now had more than one person gainfully employed. Thus, the relative gain of these groups was mainly due to a greater availability of jobs. A second cause of the pronounced shift in distribution was that the share of the national income going to farmers, whose cash income was low relative to urban groups, had increased. Third, wage increases from 1941 through 1946 were greatest in the lower wage brackets.

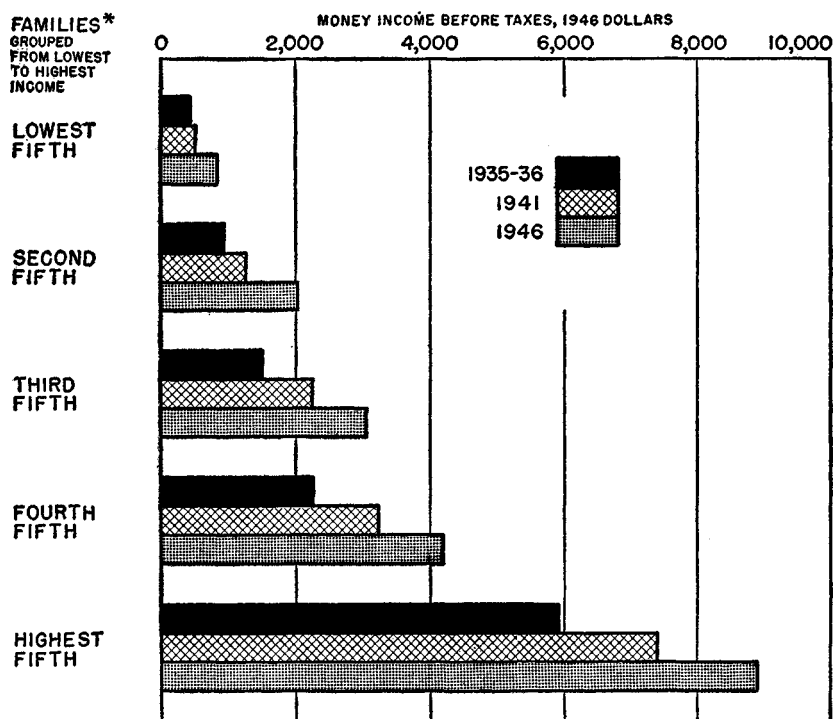
Under the influence of these trends, there has been a pronounced change in the type of family which constitutes the poorest 20 percent of the population. Many persons formerly unemployed, or farmers formerly operating at marginal levels, have moved out of the lowest group, while persons living on small fixed incomes have moved down relative to others. These trends undoubtedly continued in 1947, as the effects of inflation continued to raise the incomes of many groups, leaving others behind.

The number of persons living on relatively fixed incomes is large. Veterans living on pensions number about 3 million. Survivors and social-security beneficiaries total about 2 million persons, and veterans living on educational allowances, without other jobs, about 2 million. The number receiving public assistance at the end of 1946 was about 4 million, and this number is increasing. Some of these persons, of course, receive income from more than one of these sources, and some have other sources of income.

CHART 5

AVERAGE FAMILY INCOME

All groups received more income in 1946 than before the war. Greatest relative increases were in the lower and middle groups.



*INCLUDES SINGLE INDIVIDUALS.

SOURCE: SEE APPENDIX A, SECTION III.

Even in 1946, many families had incomes below what can be considered an adequate standard: 28 percent of the families had money incomes less than \$2,000, and 48 percent less than \$3,000. This is shown in the following table.

TABLE 3.—Percentage distribution of families, by income levels in 1946

| Civilian money income classes (1946 dollars) | Percent of families ¹ | Cumulated percent of families ¹ |
|--|----------------------------------|--|
| Under 1,000..... | 12.8 | 12.8 |
| 1,000 to 1,999..... | 15.4 | 28.2 |
| 2,000 to 2,999..... | 19.5 | 47.7 |
| 3,000 to 3,999..... | 18.4 | 66.1 |
| 4,000 to 4,999..... | 13.0 | 79.1 |
| 5,000 to 7,499..... | 13.0 | 92.1 |
| 7,500 and over..... | 7.9 | 100.0 |

¹ Includes single individuals.

Source: See appendix A, section III.

Consumer expenditures. Since consumers as a whole spend most of their income currently, high levels of income have been accompanied by high levels of expenditure. Consumers were spending at a record annual rate of 172 billion dollars in the fourth quarter of 1947, compared with 144 billion dollars during 1946. This high rate of spending was a very important factor in the rise of prices.

The widespread expectation of price declines during the first half of 1947 caused many prospective purchasers to delay buying houses and durable goods. But for the year as a whole, minor shifts in patterns of demand were far overshadowed by the willingness and ability of consumers to buy.

Whether this willingness and ability to purchase will continue at current levels will be strongly affected by two factors emphasized in prior Economic Reports—consumer saving and consumer credit.

The decline in net saving. During 1947 consumers saved only 6.3 percent of their disposable incomes, a larger proportion than was saved in prewar years but well below the 1946 level of 9.3 percent. Desire to buy durable goods, the increased use of consumer credit, the pressure on low-income groups to retain wartime and immediate postwar living standards reduced the rate of net saving. (See appendix B, table IV.)

The decline in the rate of net saving was especially significant since families with high incomes and large accumulations tended to add to their holdings, while many low-income families reduced their holdings. Recent studies indicate that more than one-quarter of all spending units and almost half of those with incomes under \$2,000 a year held no liquid assets in 1947. Consumers who are drawing upon accumulated assets are now using these substantially for general living expenses and medical care, rather than for durable goods and housing. Such use of savings for current living expenses is an ominous sign for the economy as a whole.

Consumer credit. A gradual increase in consumer credit has bolstered the current purchasing power of consumers. The credit outstanding totaled 13.3 billion dollars at the end of 1947, an increase of 3.1 billion dollars over the level at the end of 1946, and 3.2 billion dollars higher than the previous peak reached in September 1941.

Consumers are using larger amounts of all forms of credit than they did a year ago. Total instalment credit increased over 50 percent, charge accounts, 11 percent, and other types of consumer credit, 19 percent. (See appendix B, table VII.)

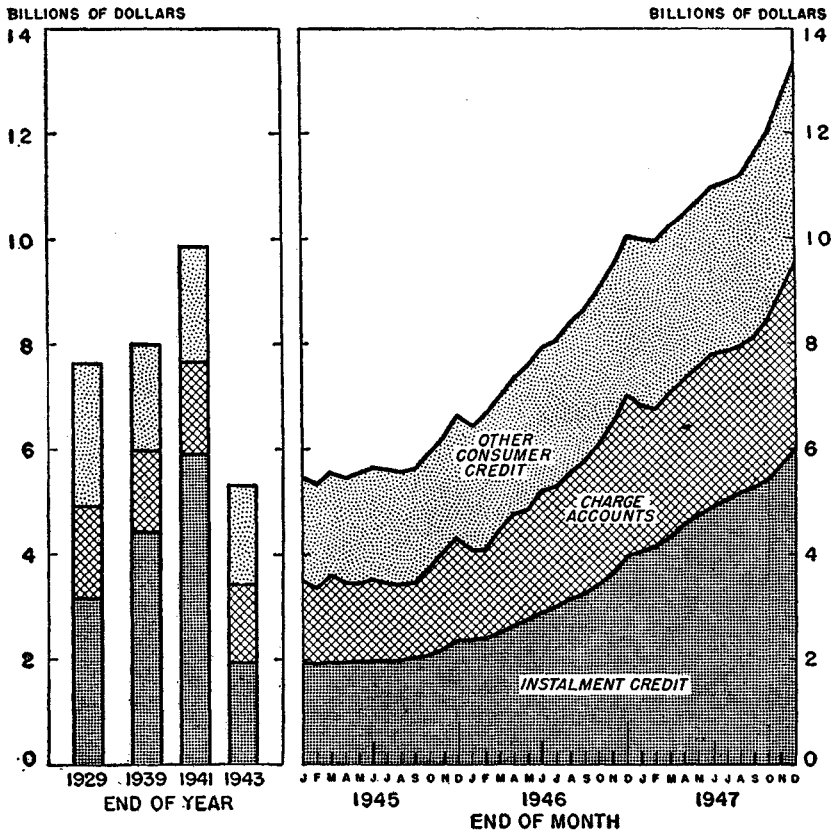
Although the present levels of credit are not alarmingly high in relation to the size of our economy, the increase that has occurred during the past two years has been adding to inflationary pressures.

This survey of consumer income and expenditures during 1947 points

CHART 6

CONSUMER CREDIT

Consumer credit continued its sharp rise in 1947.



SOURCE: BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.

to two causes for concern. On the one hand, with supplementation of current incomes through the use of past savings and the extension of consumer credit, total consumer demand exceeded the portion of the total national output available for consumers after allowing for business and foreign demand. This excess added to inflationary pressure. On the other hand, the rapid rise in prices reduced the real purchasing power of consumers to the point where it will not be adequate to take the consumers' share of the national output at present prices when certain abnormal demands are reduced and when the rate of consumer saving cannot be further reduced. Since adjustment to meet conditions of this kind take time to

make, this underscores the need for prompt action to halt the rising cost of living. The present situation is particularly serious for consumers who have low incomes or who live on fixed incomes.

Business investment, income, and financing

The record level of business investment in 1947 was another major source of demand for goods and services, swelling the pressure upon our available resources. Business expenditures for plant, equipment, and additional inventories amounted to over 25 billion dollars in 1947 compared with about 21 billion in 1946. Nonfarm residential construction increased from 3.2 billion dollars in 1946 to 4.9 billion in 1947. These high levels of investment and residential construction in part reflected the effects of higher prices.

Domestic business investment: producers' goods. Business outlays for productive equipment were at record levels during the last three quarters of 1947 despite continued shortages of many basic materials and machinery items. Total outlays for new equipment in 1947 were about 40 percent greater than in 1946, with about a third of this increase representing higher prices. These heavy expenditures for producers' goods were a direct and important stimulus to the economy. Plant and equipment outlays were high in every major field, but were particularly noteworthy in utilities, transportation, and those lines of manufacturing, such as textiles, which had not undergone a normal rate of expansion or modernization of facilities during the war period.

Most types of industrial equipment were in considerably easier supply at the end of the year than at the beginning, as equipment manufacturers expanded capacity, completed their reconversions from wartime production, and balanced their inventories. In some fields, primarily utilities and transportation, the backlog of commitments for new facilities was still great at the year's end. This was also true of some important manufacturing industries such as steel, coke, and oil, where expansion programs extending beyond 1948 were announced.

Although the rate of replacement and improvement of productive equipment will vary in response to the outlook for demand, prices, and costs, it appears that total plant and equipment outlays may be leveling off. Industrial construction contracts have remained well below the high levels of 1946. In many industries, postwar expansion programs for capacity are nearly completed. According to the latest quarterly survey by the Securities and Exchange Commission and the Department of Commerce, all major categories of business plan to spend less on plant and equipment in the first quarter of 1948 than in the preceding quarter, though more than was actually spent in the first quarter of 1947. (See appendix B, table XIX.)

Inventories. Accumulation of business inventories, which had been a substantial supporting factor in the demand for goods through 1946 and the early part of 1947, was interrupted in the middle of the year but resumed in the fall. After allowance for normal seasonal variation, the rate of accumulation in physical terms during the last quarter of the year was about the same as that of the first quarter of 1947, but well below that of the fourth quarter of 1946. The book value of all nonfarm business inventories rose about 8 billion dollars during 1947, a substantial part of this amount representing price increases.

Initial programs of postwar restocking in nondurable lines had been substantially completed early in 1947, and expectations of a decline in sales and prices led to a more than seasonal cutback of inventories in the second quarter. In durable goods lines, with considerable backlogs of consumer demand, accumulation was only slowed. As business optimism revived during the latter part of the year, inventories were again built up at increasing rates in nondurable lines, particularly at the retail level.

Short stocks of some durable items continue to hamper industrial activity. But in contrast to the inventory accumulation of a year ago, which represented restoration of war-depleted stocks, the recent wave of accumulation appears to have been based largely on the expectation of further price rises in lines where stocks are already adequate. Though overall ratios of inventories to sales are still below prewar ratios, liquidation of inventories in case of a decline in sales raises a greater potential threat to the maintenance of production and employment than has been the case at any time since the war began. (See appendix B, tables XX and XXI.)

Private construction. The construction industry expanded less in 1947 than most major sections of the economy in terms of physical activity. Though its dollar volume was high, the physical volume was actually less than it had been in any year from 1923 to 1930. There was a sharp increase in construction costs in 1947, with average costs reaching a level double what they were in 1940. In the decade following the first World War the construction industry represented about 10 percent of the economy. It now represents only about half that percentage. Unless important changes are made in present methods and prices, its relative importance may continue to decline. This problem, as it relates to housing, is discussed more fully in Section V. (See appendix B, tables XVII and XVIII.)

The number of housing units completed in 1947 was nearly double that of 1946, and the backlog of houses under construction was as great by the end of the year as at the beginning despite the reduction in construction time and the increased volume of completions. Current high costs, however, raised question as to the ability of the industry to continue to operate at current levels, in the residential field at least. A promising development

was the ability of many construction companies to shift from nonresidential to residential construction. Men and materials which were producing factories and commercial construction in 1946 were producing housing in 1947.

Business income and financing. Business income in 1947 remained consistently above the level of any previous year. The need for business funds, however, was also unprecedented due in large part to higher prices. Business spent about 25 billion dollars during the year on plant, equipment, and increase of inventories, exclusive of almost 5 billion dollars devoted to residential construction. In addition, the increased cost of inventories due simply to rising prices amounted to about 6 billion dollars.

Business corporations, while paying out a record amount in dividends, retained the remarkably high proportion of five-eighths of their profits after taxes in 1947. (See appendix B, table XXII.) Consequently, reinvested corporate earnings were a much more important source of business funds in 1947 than ever before, providing 10.3 billion dollars compared with 6.9 billion the previous year. Retained corporate earnings in 1947 were about double the annual retention during the war years and four times those of 1929. The general profit situation is discussed more fully in Section III.

Accruals to depreciation and similar reserves were higher than in 1946. Due to increased costs, these allowances were generally insufficient in themselves to finance replacement of plant and equipment.

In addition to the internal financing from current receipts, business also drew upon its previously accumulated liquid assets, though to a much smaller extent than in 1946. Nonfinancial corporations, for example, reduced their liquid assets by around 1.5 billion dollars in 1947 compared with 5.5 billion dollars in 1946. This drop was substantial even when allowance is made in the 1946 figure for the elimination of the excess profits tax which permitted firms to begin holding a smaller volume of liquid assets as a reserve for tax payments.

Flotation of securities for new capital provided around 4 billion dollars in 1947, compared with 3.3 billion in the previous year. The increase was in fixed-interest types of securities, reflecting particularly a great increase in the proportion of the total offerings made by utilities. The securities markets furnished less equity capital. Further, it is interesting to note that, while in 1947 the issues for new capital amounted to only around one-sixth of total financial requirements of business, in 1929 they amounted to around 60 percent. Moreover, only about 30 percent of the 1947 new capital issues were of the equity type rather than fixed-interest-bearing securities, compared with about 75 percent in 1929.

Another important outside source of funds to finance the investment program of business was bank loans. Banks furnished almost as much new

credit to business in 1947 as in 1946. Most of the expansion of bank credit took place in the second half of 1947.

Commercial bank loans to business, including the purchase of open market paper and excluding agricultural loans, increased during 1947 by about 4.2 billion dollars, compared with an increase of 4.6 billion dollars during 1946. Agricultural loans, which had remained stable during 1946, increased in 1947. Although outstanding loans declined temporarily during the second quarter, the rise in commercial credit in the latter part of the year was so rapid as to cause concern in the prevailing inflationary situation. (See appendix B, table XXVII.)

In residential construction, the estimated mortgage indebtedness upon one- to four-family structures increased about one-half billion dollars in 1945, 4.5 billion in 1946, and 5.5 billion in 1947. Thus, for the last two years, mortgage indebtedness has been rising faster than the construction expenditures on new housing. There has been no important shift in the source of funds for this financing. Saving and loan associations accounted for about one-third of the value of mortgages recorded, banks for about one-fourth, individuals for over one-sixth, and miscellaneous groups for the remainder. The size of the average mortgage has been rising and is now about 30 percent higher than it was two years ago. Veterans' loans guaranteed by the Government increased from 17 percent of the total number of recorded residential loans in 1946 to 21 percent in the first 10 months of 1947. The proportion of new housing started which has been financed with FHA insurance increased from 10 percent in 1946 to 26 percent in the first 11 months of 1947.

During 1947, as in other years, the situation regarding business investment, income, and financing was not uniform for all firms and industries. Some businessmen experienced difficulties in floating new capital on the security market. Others reached the limit of what they regarded as the safe use of bank credit. Most business required large amounts of additional working capital for carrying inventories at increasing prices and for meeting payrolls at higher wage rates. But after making allowance for these factors, it remains clear that the extraordinary rate of business income in general allowed investment to proceed at record levels. Even greater expansion was prevented mainly by lack of material rather than by lack of intention to invest or lack of financial resources.

International transactions

Our international transactions during 1947 were characterized by a very rapid expansion of exports of goods and services in the early part of the year, followed by a decline. Since imports of goods and services did not change much during the year, the export surplus rose and then fell corre-

spondingly. For the year as a whole, exports of goods and services exceeded imports by more than 11 billion dollars, compared with 8.1 billion in 1946. The lack of balance in our trade was thus intensified. Quarterly movements are shown in the following table:

TABLE 4.—*United States exports and imports of goods and services*

| [Billions of dollars, annual rate] | | | |
|------------------------------------|--|--|----------------|
| Period | Exports of goods and services ¹ | Imports of goods and services ¹ | Export surplus |
| 1936-38 average..... | 4.1 | 3.6 | 0.5 |
| 1946—First quarter..... | 14.3 | 7.2 | 7.1 |
| Second quarter..... | 16.4 | 6.5 | 9.9 |
| Third quarter..... | 15.0 | 7.1 | 7.9 |
| Fourth quarter..... | 15.3 | 7.6 | 7.7 |
| 1947—First quarter..... | 18.7 | 8.0 | 10.7 |
| Second quarter..... | 21.0 | 8.2 | 12.8 |
| Third quarter..... | 18.6 | 8.1 | 10.5 |
| Fourth quarter ² | 19.6 | 8.0 | 11.6 |

¹ Includes income on investments.

² Estimates based on incomplete data.

Source: Department of Commerce.

The increase in the export surplus during the first part of 1947 reflected shipments of goods not only to Europe but also to the countries of this hemisphere and to other continents. (See appendix B, table XXXII.) It resulted primarily from an increased physical quantity of exports of manufactured products, although increased shipments of grain and higher prices for all types of exports contributed to the rising dollar total. There was an intense need for goods in Europe, and high demand and purchasing power in other countries.

Since foreign countries were able to increase their sales of goods and services to us only slightly, they had to utilize the aid extended by the United States Government and their gold and dollar assets much more rapidly than in 1946. As table 5 shows, these two forms of financing, which were being utilized at a combined annual rate of 7.6 billion dollars in the last quarter of 1946, were drawn on at a rate of 11.7 billion in the second quarter of 1947.

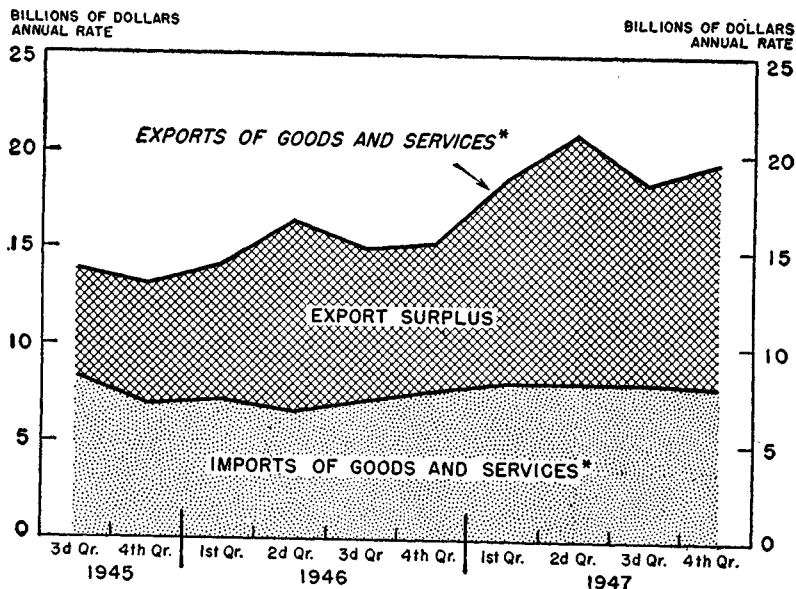
The rate at which foreign countries were utilizing United States credits and their own gold and dollar assets was depleting these resources rapidly and the ability of some countries to import from the United States was being exhausted. Many of these countries were forced to put more rigid restrictions upon their purchases from the United States.

During the first half of 1947, the increase in the export surplus accounted for about half of the total increase in the money value of total national production. Exports of nonagricultural commodities directly and indirectly provided employment for nearly 2.5 million workers in nonagricultural

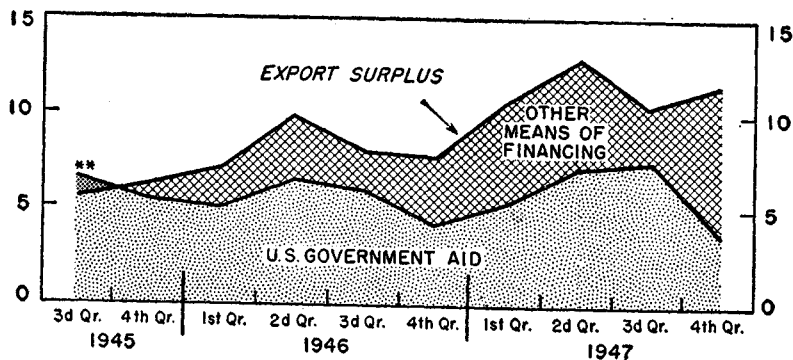
CHART 7

EXPORTS AND IMPORTS OF GOODS AND SERVICES

Exports increased much more than imports in 1946 and 1947, resulting in a larger export surplus.



U. S. Government aid continued to be a major factor in financing the export surplus



* INCLUDES INCOME ON INVESTMENTS.

** IN THIS QUARTER, OTHER MEANS OF FINANCING WERE NEGATIVE. FOREIGN COUNTRIES ACCUMULATED GOLD AND DOLLAR BALANCES BECAUSE U. S. CASH PAYMENTS FOR IMPORTS EXCEEDED U. S. CASH RECEIPTS FOR EXPORTS.

SOURCE: DEPARTMENT OF COMMERCE.

TABLE 5.—*Financing the excess of goods and services supplied to foreign countries*

[Billions of dollars, annual rate]

| Period | Total excess of exports of goods and services ¹ | Means of financing | | | |
|-----------------------------------|--|-----------------------------------|---|-------------------------------------|---|
| | | Government aid (net) ² | Liquidation of short-term capital and gold by foreign countries (net) | Private gifts and remittances (net) | Other means of financing (net) ³ |
| 1936-38..... | 0.5 | ----- | 1.1 | 0.2 | -0.8 |
| 1946—First quarter..... | 7.1 | 5.0 | .9 | .6 | .6 |
| Second quarter..... | 9.9 | 6.5 | 2.1 | .7 | .6 |
| Third quarter..... | 7.9 | 5.8 | .8 | .6 | .7 |
| Fourth quarter..... | 7.7 | 4.2 | 3.4 | .7 | -.6 |
| 1947—First quarter..... | 10.7 | 5.3 | 4.6 | .6 | .2 |
| Second quarter..... | 12.8 | 7.0 | 4.7 | .7 | .4 |
| Third quarter..... | 10.5 | 7.6 | 3.4 | .6 | -1.1 |
| Fourth quarter ⁴ | 11.6 | 3.5 | 4.5 | .8 | 2.8 |

¹ Includes income on investments.² Excludes investment in International Bank and Monetary Fund. See appendix B, table XXXI for types of Government aid.³ Includes disbursements by International Bank and Monetary Fund, movement of private long-term capital and private and U. S. Government short-term capital, and errors and omissions.⁴ Estimates based on incomplete data.

Source: Department of Commerce.

industries. In some of the durable goods manufacturing industries, the employment resulting from exports approached 20 percent of the total. It is clear from these facts that our exports during the first half of the year had an important bearing upon total levels of employment and production and upon the level of prices. Foreign demand for certain products in relatively short supply, such as grain and steel, when added to high domestic demand, continued to exert inflationary pressure at these strategic spots in the economy throughout the year. (See appendix B, tables XXXIV and XXXV.)

Government transactions

Expenditures. During 1947, the Federal Government reduced its spending. Federal cash payments to the public in 1946 and 1947 are shown in table 6.

The largest items of expenditure in 1947 were for defense, veterans, international affairs, interest, tax refunds, and social security. These accounted for about 85 percent of total cash expenditures. (See appendix A, table X.)

During the year, expenditures of State and local governments rose above 12 billion dollars, compared with 10 billion dollars in 1946. Part of this increase resulted from payment of bonuses to veterans by the States, totaling almost 400 million dollars in 1947, as compared with only a few million dollars in 1946. Receipts and expenditures of State and local govern-

TABLE 6.—*Federal cash payments to the public*
[Billions of dollars]

| Group receiving payment and type of payment | Calendar year 1946 | Calendar year 1947 ¹ |
|---|--------------------|---------------------------------|
| Individuals: | | |
| Salaries and wages of Federal personnel: | | |
| Military ² | 6.7 | 3.5 |
| Civilian..... | 6.5 | 6.1 |
| Pensions and other payments to veterans ³ | 6.9 | 6.9 |
| Social welfare beneficiaries..... | 2.0 | 1.9 |
| Loans to home owners..... | 4-.3 | 4-.1 |
| Interest on Federal debt..... | 1.2 | 1.4 |
| Refunds of taxes..... | 1.6 | 1.6 |
| Total..... | 24.6 | 21.3 |
| Business: | | |
| Payments for purchases of goods and services ⁴ | 12.8 | 8.5 |
| Subsidies and other payments to farmers..... | .9 | .8 |
| Loans and subsidies to business..... | 6-.5 | .1 |
| Interest on the Federal debt..... | 2.4 | 2.3 |
| Refunds of taxes..... | 2.4 | 1.0 |
| Total..... | 18.0 | 12.7 |
| International: | | |
| Loans to foreign governments..... | 1.5 | 3.6 |
| Subscriptions to and membership in international organizations ⁵ | .3 | 1.9 |
| Total..... | 1.7 | 5.5 |
| State and local governments (grants-in-aid, interest on Federal debt, and loans)..... | 1.2 | 1.6 |
| Adjustment to daily Treasury statement basis..... | -.4 | .2 |
| Total, Federal cash payments to the public..... | 45.3 | 41.3 |

¹ Preliminary estimate based on incomplete data.

² Includes dependency allowances.

³ Includes mustering-out pay and cash terminal-leave pay.

⁴ Repayments exceed loans.

⁵ Includes purchases made by this Government for occupied areas and other overseas relief.

⁶ Repayments exceed loans and subsidies.

⁷ Includes subscriptions to the International Monetary Fund and Bank, membership in the United Nations and other international organizations.

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

ments were probably in approximate balance for the calendar year 1947 as a whole, but during the second half of the year expenditures began to outrun receipts, thus adding somewhat to the inflationary pressure. (See appendix A, table V.)

Construction expenditures of 1.2 billion dollars by the Federal Government in 1947 were somewhat higher than in 1946, although the physical volume of work performed declined. Similar outlays by State and local governments were about 1.8 billion dollars, an increase of about two-thirds above the 1946 level in dollar terms.

Despite the war-created shortage of urgently needed public facilities, State and local governments, as well as Federal agencies, have shown commendable restraint in refusing to undertake new construction activities in the face of high prices. Both State and Federal public-roads officials have been meeting constantly with engineers and contractors to hold down costs by simplifying their designs and improving their working methods. Other Federal agencies are also employing these techniques.

Receipts and debt management. While cash payments to the public were being reduced, Federal cash receipts during 1947 were at the record peacetime level of 46.9 billion dollars and exceeded payments by over 5.5 billion. The sources of these receipts were as follows:

TABLE 7.—*Federal receipts from the public other than borrowing*

| [Billions of dollars] | | |
|---|--------------------|---------------------------------|
| Source | Calendar year 1946 | Calendar ¹ year 1947 |
| Personal taxes..... | 18.8 | 21.0 |
| Corporation taxes..... | 11.0 | 9.2 |
| Employment taxes ² | .5 | .7 |
| Excises and customs..... | 7.7 | 7.7 |
| Miscellaneous receipts..... | 3.5 | 4.7 |
| Total budgetary receipts..... | 41.5 | 43.2 |
| Receipts of trust accounts ² | 4.0 | 3.7 |
| Total cash receipts..... | 45.5 | 46.9 |

¹ Estimates based on incomplete data.

² Net appropriation to Federal old-age and survivors insurance trust fund is excluded from employment taxes but included in trust-account receipts.

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

The cash surplus of over 5.5 billion dollars in 1947 was used primarily to reduce the volume of Federal debt held by the banks. Retirement of securities owned by commercial banks, and especially Federal Reserve Banks, has been emphasized in order to secure a maximum deflationary effect from the Federal program of debt reduction. Total bank holdings of Federal securities were under 92 billion dollars at the end of the year. This is 25 billion dollars below the peak in February 1946 and more than 6 billion dollars below the level of bank holdings at the end of 1946.

At the present time the gross national debt is under 257 billion dollars, as compared with a peak of 279.8 billion dollars on February 28, 1946. However, the Treasury cash balance at the present time is under 3 billion dollars, although when the debt was at its highest point, the balance was about 25 billion dollars. At the present time about 34 billion dollars of the Federal debt is held by Government agencies and trust funds with the remaining 223 billion dollars in private hands. (See appendix B, table XXX.)

In addition to the cash basis for recording Federal expenditures, receipts, and surplus used in this Report, there is the conventional budgetary concept used in the Budget Message. A detailed reconciliation between these two methods is shown in appendix A, section II.

The difference between the cash surplus of over 5.5 billion dollars and the budgetary surplus of about 2.5 billion dollars in 1947 is accounted for largely by the increase in social security reserves. Appropriations to social security funds, whether used for payments of benefits, or for reserve accumulation are a charge on the budget, thereby reducing the budget surplus in

the conventional definition. Using the cash concept, however, the excess of social insurance contributions over benefit payments appears as an addition to the Government surplus. Such surplus has a counter-inflationary effect, as it comes out of labor and business incomes, thereby decreasing demand.

This survey of Government transactions during 1947 indicates that high taxes and reduced expenditures have partly offset the powerful inflationary pressures in other sectors of the economy.

Summary: The Nation's Economic Budget

The Nation's Economic Budget summarizes in a few broad figures the flow of goods and purchasing power through the main sectors of the economy: consumer households, business, Government activities, and the international area. The following table portrays our economy in action and transition during 1946 and 1947:

TABLE 8.—*The Nation's economic budget, calendar years 1946 and 1947*

| Accounts | [Billions of dollars, current prices] | | | | | | | | |
|---|---------------------------------------|------------------------|------------------------------------|---|------------------------|------------------------------------|---------------|------------------------|------------------------------------|
| | Calendar year 1946 | | | Calendar year 1947, seasonally adjusted annual rates ¹ | | | | | |
| | Re- ceipts | Ex- pend- itures | Excess (+) or deficit (-) | First half | | | Second half | | |
| | | | | Re- ceipts | Ex- pend- itures | Excess (+) or deficit (-) | Re- ceipts | Ex- pend- itures | Excess (+) or deficit (-) |
| Consumers: | | | | | | | | | |
| Disposable income..... | 158.4 | | | 170.3 | | | 180.8 | | |
| Expenditures..... | | 143.7 | | | 160.0 | | | 169.0 | |
| Saving (+)..... | | | +14.8 | | | +10.3 | | | +11.8 |
| Business: | | | | | | | | | |
| Undistributed profits and reserves..... | 13.3 | | | 17.4 | | | 17.8 | | |
| Gross domestic investment: | | | | | | | | | |
| New construction..... | | 8.5 | | | 10.0 | | | 11.2 | |
| Producers' durable equip- ment..... | | 12.4 | | | 17.2 | | | 18.0 | |
| Change in inventories..... | | 3.7 | | | 2.1 | | | 2.5 | |
| Total..... | | 24.6 | | | 29.3 | | | 31.7 | |
| Excess of receipts (+) or investment (-)..... | | | -11.3 | | | -11.9 | | | -13.9 |
| International: | | | | | | | | | |
| Net foreign investment..... | | 4.8 | | | 9.4 | | | 8.2 | |
| Excess of receipts (+) or in- vestment (-)..... | | | -4.8 | | | -9.4 | | | -8.2 |
| Government (Federal, State, and local): | | | | | | | | | |
| Cash receipts from the public..... | 56.5 | | | 59.7 | | | 58.7 | | |
| Cash payments to the public..... | | 55.2 | | | 54.2 | | | 52.7 | |
| Excess of receipts (+) or pay- ments (-)..... | | | +1.3 | | | +5.5 | | | +6.0 |
| Adjustments to arrive at gross national product..... | -24.5 | -24.5 | 0 | -21.4 | -26.8 | +5.4 | -19.8 | -24.1 | +4.3 |
| Total gross national product..... | 203.7 | 203.7 | 0 | 226.1 | 226.1 | 0 | 237.4 | 237.4 | 0 |

¹ Estimates based on incomplete data.

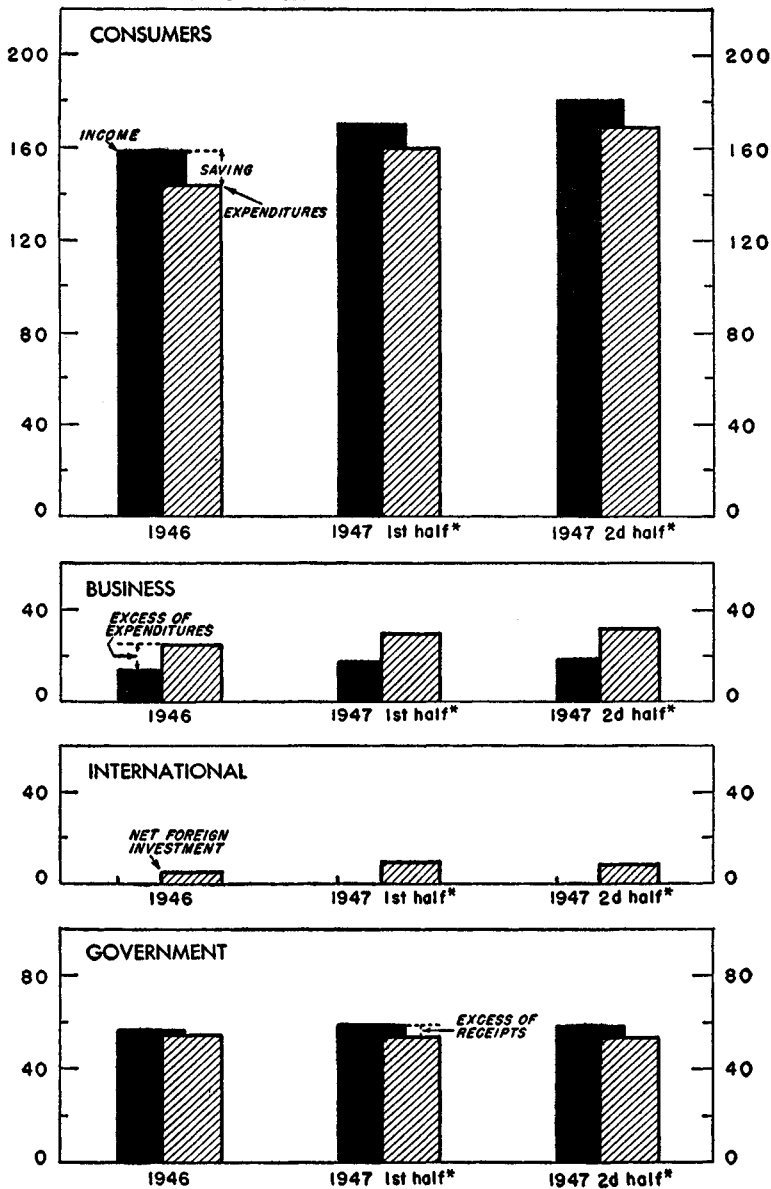
Note.—Detail will not necessarily add to totals because of rounding.

Source: See appendix A, section I.

CHART 8

THE NATION'S ECONOMIC BUDGET

BILLIONS OF DOLLARS - CURRENT PRICES



*SEASONALLY ADJUSTED ANNUAL RATES.
 NOTE: THE COMPONENTS DO NOT ADD TO THE GROSS NATIONAL PRODUCT BECAUSE OF CERTAIN ADJUSTMENTS. SEE APPENDIX A.
 SOURCE: SEE APPENDIX A.

The changes in the Nation's Economic Budget between 1946 and 1947 showed increases in all major categories except government expenditures. While a higher price level enlarged the dollar size of these increases, the fact that they were not the same in all categories indicated significant shifts in the composition of the economy in action.

While consumers' expenditures increased 14 percent, investment expenditures for construction, equipment, and inventories increased 24 percent, and net foreign investment by 83 percent. Thus, in the expansion of the Nation's Economic Budget from 1946 to 1947, the relative increases in outlays by business and net foreign investment were much greater than the increases in consumer expenditures. This is all the more significant as the rise in consumers' disposable income was 3.5 billion dollars less than the increase in consumers' expenditures, which indicates that consumers financed a growing part of their purchases by consumer credits, use of past savings, or a smaller rate of new saving. Consumers saved about 11 billion dollars in 1947 while net exports plus the excess of domestic investment over retained corporate earnings and reserves totaled about 22 billion dollars. A considerable portion of the increase in personal incomes and profits was absorbed by taxes, while government cash expenditures declined. The large tax collections functioned as a kind of forced saving, supplementing individual saving and business saving in financing the huge net outlays for domestic capital formulation and the export surplus.

A comparison of the estimates for the first and second halves of the year 1947 shows substantial changes in the component sectors of the economy. Outlays for producers' durable equipment, which increased very rapidly during the first half of 1947, expanded only slightly in the second half of the year. The rate of increase in inventories dropped in the first half of 1947, and rose again in the second half of the year. The export surplus declined somewhat in the last half of the year. Consumer expenditures and new construction increased all through the year in dollar terms.

Viewed as a whole, the adjustments within the economy during 1947 were sufficient to maintain maximum employment and high production throughout the year. That this should have occurred during a year of considerable flux indicates the flexibility and strength of the economy.

This, however, does not necessarily mean that capital investment, exports, and domestic consumption grew in balanced proportion or that the factors which maintained high-level activity through 1947 can be regarded as the ordinary and permanent elements of economic growth. Price increases operated to hold the purchasing power of consumers at levels which would have been insufficient to permit absorption of the full output had it not been for the extraordinary export surplus, the use of savings and credit at abnormal rates, and the continuance of backlog business demands.

III. Price and Income Trends and the Course of Inflation

BACK of the income and expenditure totals whose trends have just been traced lies a whole network of price, wage, and profit relationships which determine whether or not we move toward economic stability. The changes in these relationships during 1947 have not accomplished that end, nor have they assured the maintenance of high production and employment in 1948. It becomes necessary, therefore, to examine the underlying facts more carefully and to uncover the dangerous tendencies which they include.

PRICE TRENDS

A review of price movements during 1947 cannot ignore the events of the last half of 1946. The abolition of OPA raised the question how the economy would adjust itself to freedom from price controls. The answer was soon read in the sharp rise of wholesale prices between June and December 1946. This was at an annual rate of almost 50 percent, one of the steepest rises ever recorded. Consumers' prices rose at an annual rate of 30 percent during the same period.

The dangers of this situation were emphasized in the first Economic Report and, when prices continued to rise during the first quarter of 1947, it was found necessary to repeat the warnings about high prices late in March and in April, urging businessmen to exert every effort to "hold the line" and help check the spiraling forces of inflation.

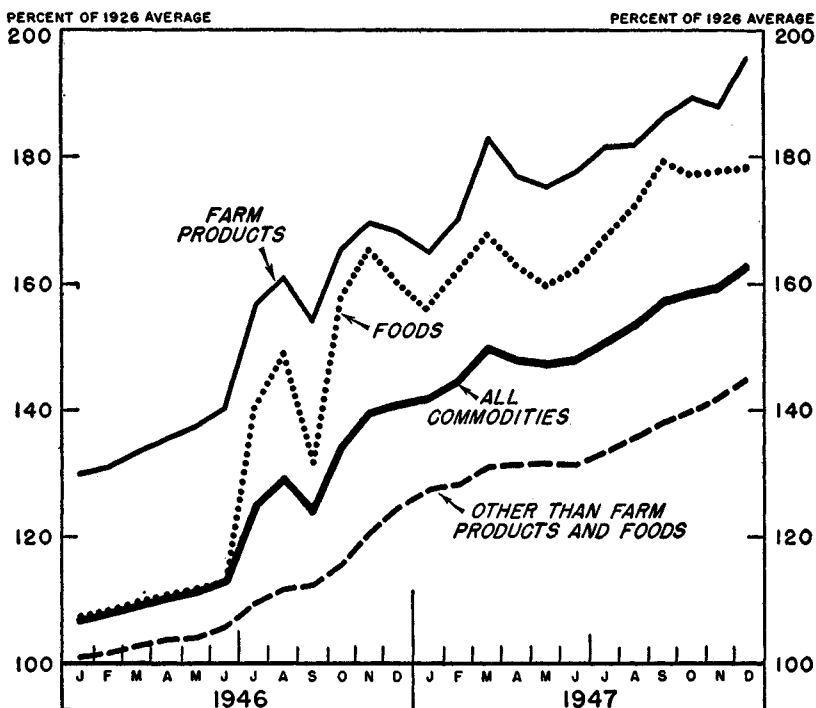
Prices leveled off in the second quarter of 1947. Business was pursuing a much more cautious inventory policy. Sellers of a number of commodities found that backlogs of demand had dwindled. There was evidence that many sellers were seeking to hold prices below the maximum that the traffic would bear. However, the pressure which many distributors put on manufacturers to lower their prices had little effect.

In the early summer of 1947 substantial price increases in coal, steel, and steel products took place, following the increase in freight rates and after the new wage contracts negotiated in the coal industry. There also com-

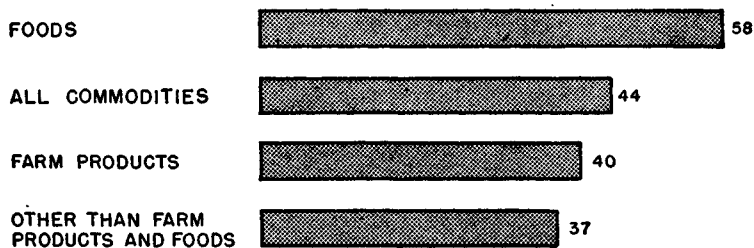
CHART 9

WHOLESALE PRICES

Wholesale prices, after leveling off in the second quarter of 1947, resumed their sharp rise in the second half of the year.



PERCENTAGE INCREASE SINCE JUNE 1946



SOURCE: DEPARTMENT OF LABOR.

menced a sharp rise in the prices of meats, dairy products, eggs and poultry, due to a normal seasonal downturn in the marketings of these products, and to a rise in the level of consumer demand growing out of increasing incomes and the larger number of people at work. And in the middle of August, grain prices began to move up rapidly. Although our wheat crop was of record-breaking size, our corn crop was poor. This put additional pressure on our domestic supply of wheat to supplement the deficiency in corn for animal-feeding purposes. It also became clear that foreign requirements for wheat would be large because of the poor crop in Europe. The large rise in wheat and corn prices caused increases in the prices of flour and cereal products. Led by these specific price increases, there developed during the third quarter a general upward movement of prices which continued through the rest of the year.

Since June 1947, wholesale prices have risen at an annual rate of 20 percent and consumers' prices at a rate of 12 percent.

The behavior of wholesale prices is shown in table 9 by commodity groups and by periods:

TABLE 9.—Percentage changes in wholesale prices since June 1946

| Commodity group | June to December 1946 | December 1946 to March 1947 | March to June 1947 | June to December 1947 | June 1946 to Decem- ber 1947 |
|---|-----------------------------|-----------------------------------|-----------------------|-----------------------------|------------------------------------|
| All commodities..... | 24.8 | 6.1 | -1.3 | 10.2 | 44.1 |
| Farm products..... | 20.0 | 8.6 | -2.6 | 10.2 | 39.9 |
| Foods..... | 41.8 | 4.7 | -3.5 | 10.4 | 58.3 |
| All other than farm products and foods..... | 18.1 | 5.1 | .2 | 10.1 | 37.0 |
| Hides and leather products..... | 44.4 | -1.2 | -.8 | 18.9 | 68.3 |
| Textile products..... | 23.4 | 3.6 | -.5 | 6.1 | 35.0 |
| Fuel and lighting materials..... | 9.5 | 4.8 | 3.2 | 18.2 | 39.9 |
| Metals and metal products..... | 20.1 | 3.9 | 1.9 | 6.5 | 35.3 |
| Building materials..... | 21.5 | 12.5 | -1.7 | 9.0 | 46.3 |
| Chemicals and allied products..... | 30.4 | 5.2 | -9.1 | 14.0 | 42.1 |
| Housefurnishings..... | 8.9 | 4.7 | 2.7 | 3.7 | 21.4 |
| Miscellaneous..... | 10.6 | 5.9 | -2.3 | 7.5 | 22.9 |
| Special groups: | | | | | |
| Raw materials..... | 21.3 | 6.5 | -1.8 | 12.9 | 43.2 |
| Semimanufactured articles..... | 28.9 | 7.1 | | 8.1 | 49.2 |
| Manufactured products..... | 26.5 | 5.6 | -1.1 | 8.8 | 43.7 |

Source: Department of Labor (see appendix B, table XIII).

Wholesale prices during the second half of 1947 advanced at a slower rate than during the first quarter of the year. The character of the two movements differed fundamentally. During the first quarter, the price rise represented a tapering off of the broad upward thrust of prices following the removal of price controls. It was followed by a period of relative stability, when it appeared possible that the inflationary pressures had spent themselves. But the recent sustained rise in prices represents a renewal of inflationary pressures.

In response to the factors described above, consumer prices, too, have been rising rapidly on a broad front. This is shown in the following table:

TABLE 10.—*Percentage changes in consumers' prices since June 1946*

| Item | June to December 1946 | December 1946 to March 1947 | March to June 1947 | June to November 1947 | June 1946 to November 1947 |
|---------------------------------|-----------------------------|-----------------------------------|-----------------------|-----------------------------|----------------------------------|
| All items..... | 15.0 | 2.0 | 0.5 | 5.0 | 23.7 |
| Foods..... | 27.7 | 1.9 | .5 | 6.4 | 39.2 |
| Apparel..... | 12.3 | 4.4 | .8 | 2.4 | 21.0 |
| Rent..... | .3 | .2 | .2 | 5.5 | 6.2 |
| Fuel, electricity, and ice..... | 4.5 | 1.8 | .1 | 7.8 | 14.8 |
| Housefurnishings..... | 13.5 | 2.9 | .2 | 3.5 | 21.0 |
| Miscellaneous..... | 6.4 | 1.5 | .7 | 2.8 | 11.8 |

Source: Department of Labor (see appendix B, table XII).

One notable aspect of the rise in consumer prices since June 1947 is that, unlike the movement of wholesale prices, they have been rising at a faster rate than during the first quarter of the year. In the first quarter, consumer prices rose at an annual rate of 8 percent. Since June, they have been rising at the rate of 12 percent per annum. Two factors contributed to this acceleration. In the first place, foods, which represent 43 percent of the total consumers' price index, have risen much more since June than they did during the first quarter of 1947. In the second place, rents rose from June to November at an annual rate of about 13 percent. Since June, they have risen more than they had over the previous eight years.

Although November is the latest month for which complete data are available, preliminary reports indicate that consumers' prices rose over 1 percent between November and December.

WAGE TRENDS

Efforts of labor unions in 1947 were concentrated on wages rather than on security issues because the employment situation was good and because of the over-riding importance of the rise in the cost of living.

Wage adjustments in early 1946, largely to compensate for reduced hours, had brought about a reasonably stabilized wage situation by the middle of that year. But this stability was shortly disrupted by the rapid rise in the cost of living. By late 1946 and early 1947, industry in general seemed willing to offer, and unions to accept, wage increases approximating the advance in consumer prices which had taken place following the lifting of price controls in June. Some of these wage contracts contained escalator clauses to compensate automatically for further rises in the cost of living.

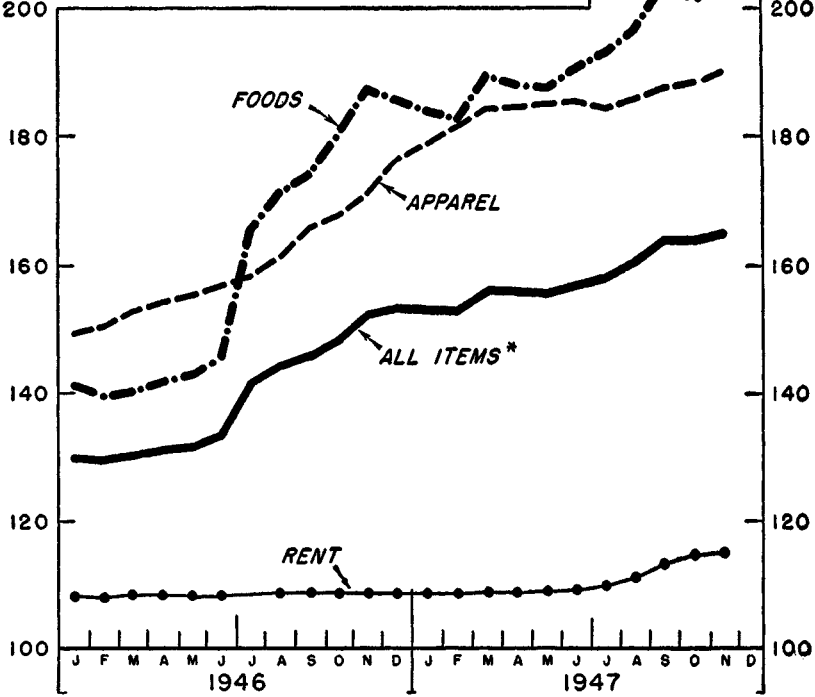
An examination of the early "second round" contracts of late 1946 shows relatively few wage increases above 15 cents per hour, most of them falling

CHART 10

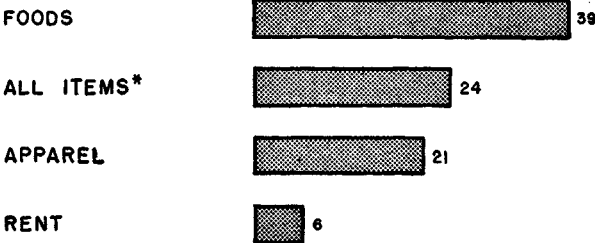
CONSUMERS' PRICES

The upward trend in retail prices continues, with food prices in the lead and rents beginning to increase.

PERCENT OF 1935-39 AVERAGE



PERCENTAGE INCREASE SINCE JUNE 1946



SOURCE: DEPARTMENT OF LABOR.

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

within the range of 10 to 15 cents. Contracts negotiated later, mainly in April and May 1947, in rubber, steel, automobiles, electrical equipment, and other metal products were similar to the fall contracts. These settlements were dubbed the "15-cent package," which included an evaluation of fringe benefits such as paid holidays and occasional retirement or insurance plans. Wage earners during this period, however, generally preferred wage increases, and pressure was concentrated on these rather than on fringe issues.

The 1947 wage "pattern" was less widely adopted than the 18½ cents of the "first round." Numerous contracts were negotiated at a figure below the pattern, while many wage and particularly salary workers received no increases. On the other hand, some other groups of workers, notably in the bituminous coal, construction, and printing industries, won wage increases in excess of the pattern. An examination of the second round contracts indicates that workers in the lower paid industries made smaller gains, both absolutely and on a percentage basis, than did higher paid workers.

The effect of the wage settlements in late 1946 and 1947 was to raise wages—both rates and earnings—to an all-time high. For the first time, average weekly earnings in manufacturing have exceeded \$50, and throughout most of the wage sector of the economy average weekly earnings have become twice what they were in 1939. The wage increases which took place in 1947 expanded consumers' money income by approximately 3.5 to 4 billion dollars during the year.

The 1947 rise in prices left wage earners in no better position at the end of the year than they were at the beginning. The real income of many groups, such as government workers, teachers, and the white-collar class generally, was substantially less.

From June 1946, following the "first round" of wage increases, to October 1947, the cost of living rose 23 percent compared with an increase of 18 percent in weekly earnings in manufacturing. Earnings in nonmanufacturing industries during the same period registered diverse gains: 12 percent in bituminous coal mining, 20 percent in private construction, 8 percent in telephones, 10 percent in wholesale trade, 14 percent in retail trade, and 14 percent in hotel services. In general, earnings lagged behind living costs.

Though labor as a whole through wage gains was as well off at the end of 1947 as at the beginning, workers had lost ground steadily in terms of real income during the last half of 1946. This, primarily, explains the "second round" of wage increases. It also helps to account for the present movement for further wage advances unless an effective anti-inflation program is adopted. (See appendix B, tables X, XI, and XII.)

Several other 1947 wage developments should be noted. There was an extension of the practice of providing paid vacations and holidays to wage earners. One of the results of these practices was to cause a sizable reduc-

tion in the number of man-hours worked during the summer, particularly in July and August. Increasingly, it is becoming industry practice to shut down operations for one week during that period.

Efforts to standardize job classifications and to develop an equitable wage-payment program have been carried on by industry for a good many years. One of the most notable developments in this area took place last January when, following two years of joint effort, a wage rationalization agreement was concluded in the steel industry. This was the culmination of a major job-reclassification program designed to eliminate wage inequities both within and among the plants. This scientific approach to a complicated wage problem is a commendable development that could well be adopted more widely.

PROFITS

Profits during 1947 reached a new peak. They also maintained remarkable stability throughout the year despite considerable increases in wages and raw material costs. Compared with 1946, corporate profits rose from 21.1 billion dollars to 28 billion dollars before taxes and from 12.5 billion dollars to 17 billion dollars after taxes. In 1947 they averaged, after taxes, about 9.5 percent on net worth and 5.5 percent on sales. The income of unincorporated nonfarm enterprises rose during the same period from 21 billion dollars to 23.5 billion before taxes. Total business income before taxes in 1947 exceeded the 1946 total by 9.4 billion dollars, or 22 percent. Net farm income before taxes rose from 15.2 billion dollars to 18.3 billion dollars.

Not only profits for industry as a whole, but also profits for most industry subgroups were exceptionally high. There were, however, some divergencies in trend. Some industries, such as food, beverages, tobacco, and iron and steel, showed a downward trend, although profits continued high, while other industries, such as oil-producing and refining, and automobiles, showed an upward trend as well as a high rate. For profit data, see Appendix B, tables XXII to XXVI. Individual firms within each industry also showed divergent trends.

This stability of profits throughout the year indicates that business generally reacted to increases in costs by increasing prices rather than by absorbing them in whole or in part by reducing profits. It is also noteworthy that high and stable profits continued even where there was no appreciable expansion in production. In some categories where exceptionally high profits persisted, we were very close to a temporary ceiling on production due to physical limitations of capacity and shortages of raw materials and certain classes of skilled labor. While industrial production reached a postwar peak in March, receded to a low point in July, and has

since recovered to approximately the March level, profits in manufacturing continued at approximately peak levels throughout the year.

In appraising profit trends, allowance should be made for the fact that business, like every other group, finds that the purchasing power of money has declined considerably. To maintain the same physical volume of inventories requires large additional amounts of capital funds. Furthermore, replacement costs have risen substantially, while profits are usually calculated by basing depreciation allowances on original costs rather than replacement costs. Although a portion of the large profits earned during 1947 merely compensated for changes in prices, profits on the whole were above the levels necessary to furnish incentives and funds for the expansion of business and to promote the sustained health of the economy.

THE NATURE OF INFLATIONARY PRESSURES

The movements of prices and incomes during 1947 constituted a strong inflationary trend. Increasingly through the second half of the year the total demand for goods was in excess of the amount of goods and services available at current prices to satisfy the combined requirements for final consumption, private capital formation, Government services, and exports.

The question has been raised as to whether we had inflationary pressure because of large exports, because of the very high rate of business investment, because of the large amount of residential and commercial construction, or because of the high level of consumer spending. The answer is that we had inflationary pressure because the sum total of these combined factors exerted too great a demand on available supplies. No one factor can be singled out as the principal cause.

Moreover, these factors could not have become fully operative without funds to make them effective. In addition to funds growing out of current incomes, there were several large special sources of funds in 1947. The major ones were: (1) the liquidation of dollar balances and sales of gold by foreign countries and spending by foreign countries of loans and grants provided by the United States; (2) the spending of liquid funds accumulated by business firms during the war; (3) the liquidation of private savings; (4) the increase of bank credit to finance inventory accumulation, capital expansion, and construction; (5) the increase of consumer credit; and (6) the cashing of veterans' terminal-leave bonds. Some of these sources of liquid funds are being exhausted and are nonrecurring, so that further expansion must increasingly be financed out of current income credit.

The inflationary impact of spending was strong in all fields—capital expansion, exports, and consumption. The high level of domestic business investment and construction aided in unfolding a total demand which in-

creased prices, individual incomes, business profits, and Government receipts. The supply of consumer goods was limited by the large amount of resources devoted to capital goods and exports. Consumer demand, swelled by wage increases, by high farm earnings, by the use of consumer credit, and by the cashing of terminal leave bonds, was in excess of the supply at current prices.

The general excess of demand does not fully explain the resumption of the price rise in the second half of the year. In an important degree, the rise stemmed from actual and anticipated shortages of specific commodities, which caused price rises at particular points and from there spiraled into higher costs and prices all through the economy.

The most important specific shortage developed in the grains. This led to higher prices of many food products. New wage demands resulted from the increased cost of living. These in turn presented the prospect of higher costs transmitted into higher prices. The specific shortage was thus generalized into a broad increase of prices at many points, and often these increases were greater than were necessary to meet increased costs.

The spiraling of prices from a specific point of shortage was not confined to the case of food products. It also existed in the case of key industrial products, particularly steel.

The inflationary forces arising out of generally excessive demand and those arising at points of specific shortages are interacting. If general demand were not so great, the upward pressure on the prices of specific commodities in short supply would be less and could not so easily spread to other commodities. Moreover, the mere prospect of higher prices at particular points gives rise to strengthened general demand. Expectation of higher prices, for instance, stimulates the demand of business for inventories and of consumers for goods. Expectation that higher wages will follow higher costs of living may cause the increase in prices to take place even before wages have been adjusted upward.

In the face of the special and general factors outlined above, the precarious basis of the restraint and stability which had developed in the second quarter became evident. The fears of a recession subsided, the spiral effect of wage and other cost increases got under way, the increased cost of living gave rise to expectations of further wage demands, and the impact of expected foreign aid programs received wide attention. Such influences induced an upsurge of speculative activity superimposed upon the already great strength in most markets. In addition, there occurred a collateral development which had great significance. The high business demand in the earlier part of 1947 was financed almost wholly out of current revenues and liquid assets, with only moderate use of bank credit. After the middle of the year, when business expectations ran in the direction of higher

prices, and as higher prices actually emerged, business borrowing underwent a rapid increase.

The year's end brought no evidence of an early weakening of inflationary forces. Unless anti-inflationary steps are taken, the prospect is that, in view of the grain shortage, prices of food, especially meat, will go still higher. Business sentiment now appears to entertain the expectation of strong markets for as far ahead as it can see. There is added to the forward outlook the possibility that, even though other sources of excessive demand diminish and a substantial budget surplus is continued, the inflationary spiral will be supported by funds from credit sources.

While the export surplus, even with our foreign-aid program, may be smaller than in 1947, exports are heavily concentrated on commodities that are subject to especially strong domestic demand. This makes it desirable that foreign aid funds be used as far as possible to finance purchases from other countries. The fact that foreign aid presents problems provides no reason to doubt the wisdom of a foreign-aid program which meets essential requirements of other nations within the limits of our own resources. The effects upon other countries directly, and upon us indirectly, of not providing this aid would be calamitous. Upon broad grounds of national policy, it is essential that the program go forward. But it must be recognized that carrying it out will make it all the more important that we invoke the measures required to stop the inflation.

WHY INFLATION IS DANGEROUS

During the course of an inflationary movement there are many who find it difficult to think that anything is wrong. There is a ready market, everyone is employed, wages are good, production is high, profits are good, and industrial capacity is being expanded.

There are some, indeed, who find real merit in the situation. They say that the cure for specific shortages is still higher prices. They expect that these will stimulate larger output and restore balance. But this is a vain hope. The stubborn and intractable fact about an economy already operating at peak levels is that output cannot be expanded except by slow degrees.

Nor are the immediate consequences of inflation as favorable as superficially appears. Some people are gaining at the expense of others. The heavy weight of higher costs of living bears down upon the millions of families who are unable to keep up with advancing prices. Economic relations degenerate into a hectic struggle to catch up or keep ahead. No firm basis can be established for orderly and stable progress.

But what most fully justifies every effort to halt an inflation is the certainty that, if it runs its course unimpeded, it will spread in its wake the

disaster of falling markets, unemployment, and business losses. A rapid general rise in prices has the effect of unduly bunching investment in inventories and equipment at early dates and according to distorted calculations of possible profit. It induces investments, many of which will not pay out.

Rising prices breed upon easy access to credit, which supports the trend. They introduce speculative activities which also support the trend. They produce a price structure which is increasingly sensitive and precarious and vulnerable to changes in business and consumer expectations, spending, and investment.

At whatever point these developments induce a reversal of business sentiment or a withholding of consumer demand, some markets weaken, with a spreading impact. Caution dictates the withholding of demand. Buying for inventory, capital expansion, and consumption declines. A decline of production necessarily follows, spreading unemployment and loss of income from point to point in a widening and deepening downward spiral.

These developments are not inescapable. A well-designed program of measures to combat the inflationary trend will permit us to reach a state of economic stability without an interlude of severe depression. Such a program is presented in Section IV.

IV. Levels of Activity and Adjustments Needed in 1948

IN spite of some disappointments on the supply side and serious inflationary distortions on the demand side during 1947, we enter 1948 on a high tide of economic activity and with prospects for another prosperous year if we handle our economic affairs wisely and firmly. The Employment Act calls upon the President at the opening of each year not merely to review current trends but also to state what levels of employment, production, and purchasing power during the ensuing year are needed to carry out the policy declared in the act and to recommend measures by which these objectives may be attained. These two requirements will be met in this section.

We face in the months and years immediately ahead a test of whether we have the foresight and courage to safeguard our economy against a return to the devastating sequence of boom and depression. If we are to complete safely the transition from a war economy to a stable peacetime economy and clear the way for the great progress which lies within our reach, we must, promptly, take vigorous measures to check the course of inflation which now has the economy in its grip.

NEEDED LEVELS OF EMPLOYMENT, PRODUCTION, AND PURCHASING POWER

Employment objective

The American economy is now operating at a level of employment which may be regarded as a practical maximum. It is estimated that the labor force will increase by about 700,000 persons during 1948. If we provide them as well as the present labor force with opportunities to work, this would mean an average civilian employment of almost 59 million for the coming year.

Production objective

This labor force will have at its disposal expanded and improved capital equipment and there should in general be a better flow of raw materials. During the past year, business expended 23 billion dollars for plant and

equipment, approximately one-half of which represents a net addition in excess of wear and tear and obsolescence. Since there are still some shortages of materials, particularly in metals, some of the new plant and equipment may begin operating at the expense of somewhat less production in older plants.

It should be our objective to open up most of these bottlenecks in the course of 1948, with the use of new capacity to produce materials and components which are now scarce. Assuming that new capital equipment and other efficiency factors raise nonagricultural productivity somewhat more than 2 percent, our objective should be to increase the output of goods and services in this sector of the economy to a level somewhat more than 3 percent above 1947.

For farm production, the Department of Agriculture has announced production goals for this year which call for an increase of 3 percent in the acreage of crops. Reduced feed supplies, however, will inevitably cause some decrease in the output of livestock and livestock products. Balancing this against a possible increase in crop production, it appears doubtful that total agricultural production this year can surpass that of 1947.

For the economy as a whole, an increase of total output by about 3 percent above 1947 is a feasible objective. To reach this objective will require skillful management, the maintenance of good labor-management relations, and some improvements in the geographical distribution of labor.

Purchasing power objective

Our purchasing power objective for 1948 should be to effect the economic adjustments which are necessary to afford adequate protection against increasing inflation. The view has been expressed that the only cure for inflation and the only means of providing maximum real purchasing power is more production. Certainly the continuation of full employment and the removal of impediments to maximum production will provide the surest long-run remedy for scarcity prices and the exploitation of monopolistic situations. But we cannot increase industrial and agricultural production enough within the next few months to catch up fully with market demands or to surmount the inflationary dangers of the coming year.

Weather will be a major determining factor in our farm output. The reduction in the corn crop of 1947 has required drastic revision of livestock producers' operations and makes it certain that supplies of meat, poultry, and dairy products will be less abundant in 1948 than in 1947.

On the industrial side also, the inability to re-equip producers and to fill pipe lines, while simultaneously turning out enough consumers' goods for all

the demands of a fully employed population and providing needed foreign aid, will result in some relative shortages during 1948. The basic shortages in coke, in steel, and other metals, in petroleum and petroleum transport facilities, and in railway cars and motive power will not fully be made up during 1948.

This leads to the conclusion that, even were our employment and production goals for 1948 fully realized, this would not of itself meet our purchasing-power objective nor substantially dispel the need for other affirmative anti-inflation measures. More than this, we face the danger that the continuance of maximum employment and production will be impossible unless we achieve the necessary purchasing-power adjustments in the price-wage-profit structure. When a price-wage spiral breeds business uncertainty and impairs confidence, employment and production go down instead of up.

The affirmative measures which I have proposed to the special session of the Congress, and which I shall here reaffirm, are not a substitute for more production, but rather constitute the only assurance of maintaining high and increasing production.

FISCAL POLICY TO COMBAT INFLATION

It is well established that a substantial excess of Government receipts over expenditures is counter-inflationary.

The Federal agencies will have to make cash payments to the public in calendar year 1948 of over 40 billion dollars. This is about 1 billion dollars less than cash payments to the public in calendar year 1947. It includes proposed expenditures under new legislation, mainly foreign aid, of about 3 billion dollars. (These figures and those below represent cash payments and receipts and apply to the calendar year. They differ in both respects from the conventional Federal Budget, as is explained on page 30 and in more detail in appendix A, section II.)

Over 40 percent of the total is required for defense and for veterans. Most of the remainder represents expenditures to carry out the provisions of existing law and to meet the Government's commitments, such as interest payments on the public debt, refund of taxes, loans to foreign governments, social-security payments, and expenditures under previously authorized contracts.

On the basis of receipts from present taxes and of expected payments, the excess of receipts over expenditures for calendar year 1948 will be substantial. With inflationary pressures a major threat to the stability of the American economy, no action should be taken now to reduce this excess.

But while waging war against inflation, we should not neglect the casual-

ties. Certain tax changes now will help those millions of families whose disposable incomes have lagged more and more behind the increased cost of living during the past year and a half.

I therefore propose that the Congress enact legislation extending a cost-of-living tax credit of \$40 for each taxpayer and each dependent.

To offset this decrease in government revenues, corporate taxes should be increased sufficiently to yield an equivalent amount. Corporations were given early relief after the war in very substantial amount through repeal of the excess profits tax. While present corporate income taxes are very high by all prewar standards, they have permitted both high business activity and an unexampled addition to capital investment. An increase in corporate taxes would not cause production to fall below the highest output that available materials, capacity, and labor will permit. It would, however, have an anti-inflationary effect which would wholly or in large degree offset the inflationary influence of the reduction in individual income taxes.

Any net change one way or the other in the effect of these tax revisions upon inflation is outweighed by the manifest equity of the revisions proposed. In any event, these equitable adjustments will not interfere with success in our anti-inflationary efforts if the other anti-inflationary measures which I shall now discuss are promptly adopted and vigorously applied.

THE REGULATION OF CREDIT

In the process of inflation, one of the most potentially dangerous sources of excessive demand is the expansion of credit. This applies to consumer credit, commercial credit, real estate credit, and credit on securities.

I again recommend that the power of the Board of Governors of the Federal Reserve System to regulate consumer credit be restored. Even under the controls which existed, and which expired only on November 1, 1947, the volume of instalment consumer credit outstanding had increased from 4 billion dollars on January 1, 1947, to 5.5 billion dollars on November 1. Since the lapse of control, and due only partly to seasonal influences, the rate of increase has moved sharply ahead. A further rapid expansion at this time can only contribute to inflationary price increases. (See appendix B, table VII.)

Also dangerous is the mounting volume of mortgage debt, urban and rural. The longer-run interest of the people requires careful consideration of the present financing policies of both private and governmental agencies.

More dangerous than the expansion of consumer credit is the over-rapid expansion of commercial loans by banks. During the first half of 1947, commercial credit expanded only moderately, but during the second half it rose at an annual rate of almost 10 billion dollars, a much more than

seasonal increase. This increase coincided with the upsurge of inflationary developments.

The increase of bank credit was both a result and a further source of inflationary pressure. The increase in bank loans reflected a growing demand for funds that arose from a variety of sources. In adapting their operations to a rising cost and price structure, business firms needed a larger volume of credit for working capital, and borrowed additional amounts to maintain and expand expenditures on plant and equipment. Farmers increased their borrowing to purchase real estate and to acquire farm machinery and finance other capital improvements. Increased consumer buying of durable goods, payments for the purchase and modernization of homes, and outlays to meet current living expenses were financed in part by expanded bank loans.

When demand from other sources is already pressing against the price structure, the injection of large amounts of bank-created funds to support business, real estate, and consumer expenditures necessarily contributes to further inflation. The impact of this additional supply of money is felt first, of course, in those markets in which the borrowers are direct participants. But as the funds are used by the borrowers to purchase the goods and services they want, they become part of an enlarged general income stream. As other temporary sources of demand decline, the expansion of bank credit could potentially keep the inflationary trend rising and interfere with the gradual transition to a stable situation. Among the strategic points at which to curb the inflation movement, none is potentially more powerful than the restriction of bank credit.

The control of bank credit is not a simple task, nor is it free from dangers. Unwisely exercised, it could overplay its role and precipitate an undue liquidation of credit and a lowering of economic activity. Furthermore, the problem is complicated by the relation of credit to the administration of the public debt. Limitation of the amount of commercial lending would probably be accompanied by higher interest rates. Except as special devices may be introduced which can partially insulate the public debt, two unfortunate developments might take place: a decline in the value of Government bonds held by the public, and an increase in the cost of servicing the debt as refunding takes place. But these difficulties can be surmounted through the wise exercise of restraints upon excessive bank credit.

In view of their central relation to the control of inflation, current proposals for credit control, especially those which have been presented by the Board of Governors of the Federal Reserve System for the increase of bank reserve requirements, should be given close study by the Congress, and legislation should be enacted of a sufficiently comprehensive character to make available all the powers that may be needed.

Within the last fortnight the leaders of our commercial banking system have taken positive organized action to secure the curtailment of inflationary expansion of bank credit by their members. I commend this far-sighted action. If they succeed in this voluntary effort, they will be curtailing credit at the points where it is most likely to exercise inflationary influence and further general action might not be required.

As part of our program for restraining excessive credit expansion, the Federal bank supervisory agencies have already announced policies designed to confine extension of private bank credit to legitimate production requirements. The credit standards of the Government lending agencies have also been reviewed with the objective of checking inflationary influences from this source. It is essential that the major Government credit agencies in making direct loans and in guaranteeing private loans shall pursue policies consistent with a national anti-inflationary policy.

THE NEED FOR SELECTIVE CONTROLS

While the credit controls and budget policies discussed above are essential instruments for halting the inflationary trend, there have arisen specific situations which, in all probability, cannot be dealt with adequately by these measures.

The most important of these special situations is the shortage of grains and the related mounting price of food. In the case of meat, for example, the shortage will almost certainly be greater next spring. The use of credit and budgetary controls to the point where they could halt the rise of meat prices would probably cause widespread unemployment. Depriving people of their livelihood in order to cause a decline in the cost of food is obviously not an acceptable alternative. Nor is it an acceptable alternative to let mounting prices ration the short supply at the expense of millions of families of modest income.

In meeting this situation, consumer rationing of selected commodities would not only relieve the demand pressure, but would also provide for a more equitable distribution of the available supply. There should also exist limited powers of price control to be used for combating rising prices at those points where they bear most disastrously upon the cost of living. I have already recommended to the Congress that such powers be authorized. It is also necessary to authorize, and to use if necessary on a selective basis, price control of a few vital industrial products that are in short supply, since we have had ample demonstration that these areas of shortage are also a focal point of spreading inflation.

There should also be set up powers for dealing with the distribution of basic industrial and agricultural products where scarcity threatens to

impede production or raise prices unduly. These should not subject business firms to a detailed plan of operation prescribed by the control agency, but merely provide a check on such distribution of scarce supplies as is found to be impeding domestic production, defeating the purposes of the foreign aid program, or working inequities as between legitimate users of the scarce commodity.

In areas where price control might be employed, its workability might be impaired by excessive wage increases. I therefore repeat my recommendation to the Congress that authority should be granted to prevent wage increases where such action is necessary to maintain any price ceiling that may be established. This is a power which should be restricted in its use, and might not need to be used at all. Its existence would not supersede the general practice of fixing wages by voluntary agreement, nor would it relieve labor of any of the responsibility it now bears for moderation in wage demands to help curb inflationary pressures.

I also repeat my recommendation that rent control be continued and strengthened. Nothing could be more disastrous to the standard of living of millions of people, or better calculated to initiate another spiral of wages and prices, than the continuation of the sharp increases in rents now under way. This is particularly true because relaxation of rent control could not effect a rapid increase in the supply of housing.

The measure enacted by the Congress toward the end of its recent session extended the Export Control Act, and also extended the authority to allocate transportation facilities and equipment. In addition, it authorized measures to increase the production of food in non-European foreign countries and to encourage conservation practices in this country. While these steps are desirable, they constitute only a small part of an effective anti-inflation program.

The same measure also provided for voluntary agreements among businessmen, relating to the allocation of transportation facilities and scarce commodities and relating also to the regulation of speculative trading on commodity exchanges. While I have stressed many times that certain types of appropriate voluntary action are important, the experience reviewed in this Report, and the facts which it sets forth, demonstrate conclusively that governmental action along the lines that I have recommended is absolutely essential.

THE NEED FOR VOLUNTARY RESTRAINT

The need for some government controls does not lessen the need for voluntary restraint. Only with the voluntary cooperation of the American people can any controls be made to work effectively, and the more effective voluntary restraint becomes, the less will controls be needed.

I have already urged consumers to restrict their purchases of scarce products. The Federal Government is deferring many public works projects and following procurement policies designed to minimize their effect upon price increases. I urge State and local governments to do likewise. Businessmen should defer expansion that does not immediately augment production. They should also strive to maintain inventories at the lowest efficient working levels.

The campaign to sell savings bonds will be intensified. Voluntary savings of all types should be encouraged. The new bond buyers and millions of loyal Americans who enabled their country to finance the war are assured that the power which their Government possesses to maintain the value of their bonds will be exercised wherever necessary.

Most important of all, businessmen should hold the line against price increases and reduce prices wherever they can, foregoing a quick and dangerous excessive profit in favor of long-run stability. And labor should be moderate in its wage demands, mindful of recent experience which demonstrates the impossibility of registering real gains in an inflationary spiral.

I cannot too strongly emphasize that every self-imposed voluntary restraint, in the making of purchases, in the setting of prices, and in the demand for wages, contributes to the restoration of economic stability and prolonged prosperity. But to the extent that the result is not achieved by these means, it is essential that proper agencies of Government be given and that they use powers to restore the balance.

When an inflation is in progress, there is no way of predicting when it will break of its own accord. One can only be certain that, if permitted to run its own course, it will break with destructive force. How serious or prolonged such a situation would be in the current instance cannot be foretold. Whatever its character, if a depression occurs, it will be far more costly in human welfare and will involve the Government in far more pervasive intervention in the economic life of the country than the measures which are necessary to prevent it. I therefore urge that the Congress consider with the utmost speed the nature of the problem which we have to meet and adopt the measures that are appropriate to its solution.

V. Long-Range Objectives for the American Economy

OUR ABILITY TO GROW

WHILE striving to overcome the inflation of today, we cannot safely neglect the problems of tomorrow. No great nation lives for the moment alone. In restraining the excessive demand which is now apparent, we must not cripple the market for an expanding output of American industry and agriculture. Our whole history shows that unless we go forward we shall slip backward. Our economy should be stable, but nonetheless it must continue to grow.

We cannot set aside long-range considerations while we deal with the immediate task of combating inflation. The Employment Act requires that we set objectives for the needed levels of employment, production, and purchasing power. Such objectives require that we look ahead and appraise our economic potentials in the perspective of long-range economic growth.

The best way to realize the growth that we can achieve is to look at what we have recently done. The Nation's Economic Budget has already been used in this Report as a summary device to depict the present state of our economy. In table 11, it is used to show the enormous strides that we have made since just before World War II, with the figures adjusted to allow for price changes.

No one can fail to be impressed by the fact that, within 8 years, our annual national product has increased by about 53 percent measured in constant prices. Some part of this increase is explained by the fact that our economy in 1939 was not running at maximum employment or production. The relentless pressure of the war speeded up certain economic developments. The American people hold a profound conviction that our war-time production record furnishes a significant demonstration of what we can do with maximum employment and effective economic policies.

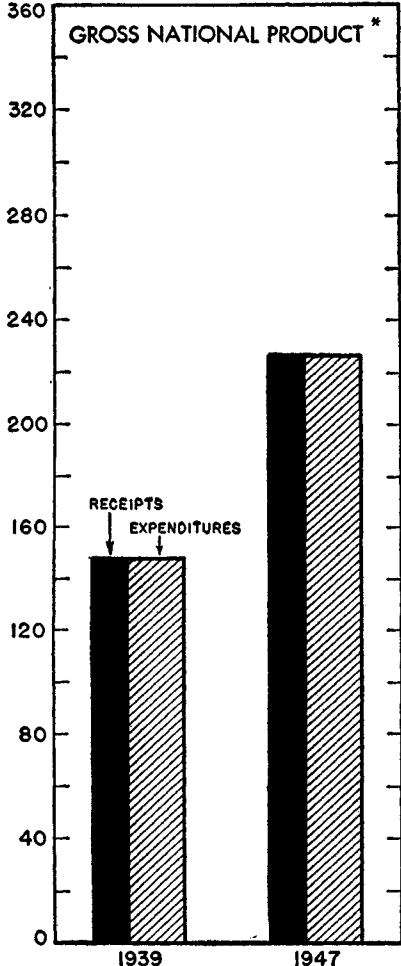
In recent years, a number of attempts have been made by private and public research agencies to measure the growth that lies ahead if we are successful in maintaining maximum levels of economic activity. These

CHART 11

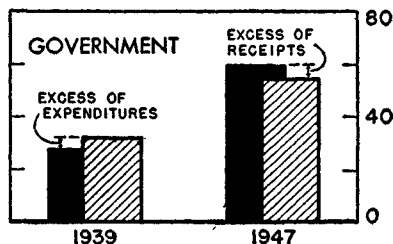
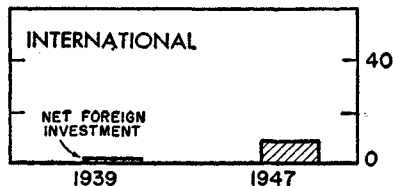
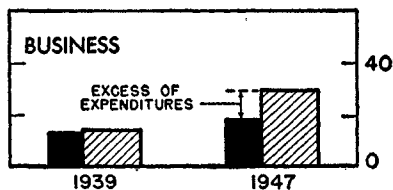
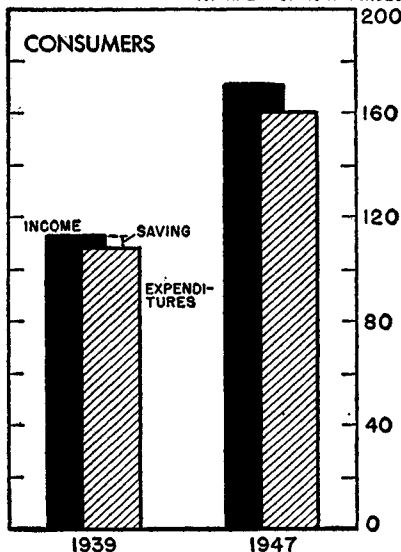
THE NATION'S ECONOMIC BUDGET IN CONSTANT DOLLARS

.... Showing our economic growth from 1939 to 1947, with adjustments for changes in prices

BILLIONS OF DOLLARS
1st HALF OF 1947 PRICES



BILLIONS OF DOLLARS
1st HALF OF 1947 PRICES



*GROSS NATIONAL PRODUCT IS NOT EXACTLY THE SUM OF THE COMPONENTS BECAUSE OF CERTAIN ADJUSTMENTS. SEE APPENDIX A.
SOURCE: SEE APPENDIX A.

TABLE 11.—*The Nation's Economic Budget in constant dollars, calendar years 1939 and 1947*

| Accounts | Billions of dollars, first half of 1947 prices | | | | | | Percent increase 1939-47 |
|---|--|-------------------|------------------------------------|---------------------------------|-------------------|------------------------------------|-----------------------------|
| | Calendar year 1939 | | | Calendar year 1947 ¹ | | | |
| | Re- ceipts | Expend- itures | Excess (+) or deficit (-) | Re- ceipts | Expend- itures | Excess (+) or deficit (-) | |
| Consumers: | | | | | | | |
| Disposable income..... | 112.5 | | | 171.0 | | | 52 |
| Expenditures..... | | 108.2 | | | 160.2 | | 48 |
| Saving (+)..... | | | +4.3 | | | +10.8 | 151 |
| Business: | | | | | | | |
| Undistributed profits and reserves..... | 13.1 | | | 17.1 | | | 31 |
| Gross private domestic investment: | | | | | | | |
| New construction..... | | 7.4 | | | 10.2 | | 38 |
| Producers' durable equipment..... | | 6.4 | | | 17.3 | | 170 |
| Net change in inventories..... | | .6 | | | 2.1 | | 250 |
| Total..... | | 14.4 | | | 29.6 | | 106 |
| Excess of receipts (+) or invest- ment (-)..... | | | -1.3 | | | -12.5 | 862 |
| International: | | | | | | | |
| Net foreign investment..... | | 1.3 | | | 8.4 | | 546 |
| Excess of receipts (+) or invest- ment (-)..... | | | -1.3 | | | -8.4 | 546 |
| Government (Federal, State, and local): | | | | | | | |
| Cash receipts from the public..... | 27.0 | | | 59.4 | | | 119 |
| Cash payments to the public..... | | 31.7 | | | 53.6 | | 69 |
| Excess of receipts (+) or pay- ments (-)..... | | | -4.7 | | | +5.8 | |
| Adjustments to arrive at gross national product..... | -5.1 | -8.1 | +3.0 | -21.2 | -25.5 | +4.3 | |
| Total gross national product..... | 147.5 | 147.5 | 0 | 226.3 | 226.3 | 0 | 53 |

¹ Estimates based on incomplete data.

Source: See appendix A, sections I and II.

studies recognize that foresight is not perfect and that our knowledge of technological trends and economic relationships is still limited. Further improvements in these measurements are needed. But even now, they can serve to furnish us at least with some broad outlines of our prospects and problems.

Ten years from now, if we maintain maximum employment, we should reach a level of nearly 64 million jobs. This allows for population growth. It also allows for withdrawal from the labor force of some women to their homes and for longer school attendance of some of our young people.

Output per man-hour for our economy as a whole has increased by approximately 2 percent annually in recent decades. The war brought many technological advances which have not yet been adopted fully by peacetime industry. Assuming even the very conservative estimate of 2 percent annual increase in productivity, and allowing for population growth, maximum production 10 years hence would mean an increase of about 35 percent in our total output of goods and services if average weekly hours of work remain unchanged. This would mean per capita disposable income about 80 percent above the level of 1937 and 27 percent above the level of 1947 in

terms of constant dollars. Some part of this possible increase may, of course, be taken in the form of increased leisure.

We have within our reach an economic environment that would make it unnecessary for masses of people to be undernourished or ill-housed, to work in obsolete plants and shops, or to lack essential medical care, social security or education. No one would need to go without adequate rest and vacation after hard work. Attainment of these economic objectives would afford ever-increasing opportunities for individual initiative and greatly strengthen the cherished free institutions of American life.

But these gains will not come by accident. They would not be registered in an economy characterized by a period of idle or wasted resources after any period when for a few years we attain full utilization of our plant and labor force, or in an economy running at only three-quarter capacity even in "fairly good times." The attainment of our objectives will depend upon the best efforts of industry, agriculture, and labor, working with sympathetic understanding of one another's problems and of the common good. It will depend on a clear appreciation of maladjustments in the relationships among production, prices, and purchasing power; it will depend upon the willingness of all concerned to make necessary adjustments, and upon vigorous and forward-looking government.

DEVELOPMENT OF NATURAL RESOURCES AND CAPITAL EQUIPMENT

In the perspective of balanced economic expansion for the future, our first attention should be concentrated upon our productive resources, developed and potential, and the ways in which these resources are utilized. Since the beginning of the war, we have been forced to forego at many points development of our basic natural resources and the essential maintenance and improvement of our capital facilities.

Improvement of the country's natural resources and its capital equipment is a cooperative effort. Private groups and individuals, State and local governments, as well as the Federal Government, are challenged by the task. An expanding base of natural resources and capital equipment is necessary for the realization of increasing production and a rising standard of living.

Natural resources

Land. To meet the needs of a population of perhaps 175 to 185 million persons by 1975 living in an economic environment of sustained maximum employment and production with a considerable volume of agricultural exports, would require an increase of about 30 percent in agricultural production. It would also require a substantial shift in the pattern of agricultural land use to meet changes in demand.

The yield of present cropland can be enlarged by improvements in plant breeding, increased use of machinery, supplemental irrigation, increased use of fertilizers, and more efficient marketing. To some extent, we can also increase production by adding to cropland through drainage, clearing, and irrigation.

Erosion of top soil and depletion of soil fertility are becoming more and more serious. About 60 million acres now cultivated should be used for grass and trees. Despite significant progress in soil conservation in recent years, half the Nation's cropland and pasture still needs to be put under improved soil-management practices as rapidly as possible. Expanded research, education, and demonstration programs are required. We need a Nation-wide program for increased application of fertilizers to depleted soils.

About half our acreage of farm pastures and range land has been impaired seriously by overgrazing, fires, and other abuses. Large tracts of land which should be ranges have been plowed for wheat. Higher levels of meat consumption can be met only if individual farmers and stockmen who own two-thirds of the country's range-land adopt better grazing practices. The 300 million acres of western grazing land controlled by the Federal Government, much of it organized in grazing districts, is being improved, but a large part of it requires further rehabilitation.

Water. Bound up as they are with land uses, water resources should be developed and controlled as an integral part of a broader national and regional resources-development program. Expanding programs are needed to prevent floods, provide for navigation, furnish urgently needed power, promote recreation, control pollution, conserve fish and wildlife, and maintain and improve underground and surface water supplies needed for agriculture and other uses.

An impressive example of the interrelated nature of water and land resources is provided by large multiple purpose dams and accompanying watershed programs. Such integrated programs should be stepped up, as soon as economic conditions permit, in a number of our larger river basins.

Forests. The estimated 461 million acres of private and public commercial forest land in the country ultimately will grow all the timber products we are likely to need, provided they are well managed. The problem is most acute in saw timber. Our present saw-timber stand is less than half that in 1909, and is poorly distributed and deteriorating in quality and size. Better forest practices would provide the greatest assurance of adequate supplies for the future. Achievement of better practices may be furthered by strengthening and expanding technical and other assistance to private forest landowners, including farmers. In addition, multipurpose

development of the national forests and other Federal forest land should be pushed to help meet national needs.

Minerals. Ample supplies of all essential minerals are vital to an expanding economy and for the Nation's security. Those minerals with which we are well endowed, such as coal and phosphates, should be mined and utilized efficiently. Those minerals for which we depend on foreign sources, such as tin, antimony, chromite, and strategic mica, will continue to require stockpiling and intensive search for substitutes and alternative sources of supply. Finally, those minerals for which we depend partially on foreign sources, such as zinc, lead, copper and, increasingly, high-grade iron ore, call for policies which emphasize stepping up the rate of discovery, improving mining methods, and developing commercial processes for the utilization of low-grade ores. For petroleum, new techniques and sources of supply from coal, natural gas, and oil shale will have to be increasingly relied upon to prevent the reserve situation from deteriorating and to meet the rapidly growing demand.

Regional development. Some large regions in the country possess the basic raw materials, population, and locational advantages to support a much higher standard of living, but are below the national average in material well-being. They require large-scale developmental efforts both for their own benefit and to contribute in larger measure to the national welfare. The objective should be to narrow such differentials by raising productivity and incomes in the lagging regions, particularly through improvement in agricultural methods and land uses, further industrial expansion and diversification, and lifting education and health levels.

In recent years, large parts of the West have been growing, in terms of per capita income and production, at rates well in excess of national averages, but they are so meagerly equipped with capital and population that they may accurately be termed underdeveloped. Programs for the development of these regions are practical and productive, and should be continued.

The Territory of Alaska furnishes a special case. Because of its resources and its strategic location as our last northwest frontier, a concerted and expanded effort on the part of public and private agencies and individuals for the rapid economic and social development of Alaska is required.

Regional development requires integrated programs of business, labor, agriculture, and all levels of Government. The Council of Economic Advisers, in cooperation with other agencies of the Government, is studying this problem.

Business plant and equipment

Productive capacity. A growing economy requires balanced expansion of our capacity to turn out consumer goods and crude and semi-finished materials and equipment.

For the greater part of the last two decades, business expansion has been irregular. In the worst depression years of the 30's, outlays were insufficient even for normal replacement. Table 12, which covers producers' durable equipment, shows how the rate of expansion varied from decade to decade before the war.

TABLE 12.—*Gross and net outlays for producers' durable equipment, by decades, 1869-1938*

| Decade | Billions of 1929 dollars, average annual rate | | | Percentage of gross national product | | |
|----------------|---|-------------|---------------|--------------------------------------|-------------|---------------|
| | Gross outlays | Replacement | Net expansion | Gross outlays | Replacement | Net expansion |
| 1869-78..... | 0.48 | 0.27 | 0.20 | 4.6 | 2.7 | 1.9 |
| 1879-88..... | 1.03 | .58 | .45 | 5.3 | 3.0 | 2.3 |
| 1889-98..... | 1.42 | 1.03 | .40 | 5.3 | 3.8 | 1.5 |
| 1899-1908..... | 2.58 | 1.54 | 1.04 | 6.2 | 3.7 | 2.5 |
| 1909-18..... | 3.88 | 2.52 | 1.36 | 7.0 | 4.5 | 2.4 |
| 1919-28..... | 5.48 | 3.88 | 1.60 | 7.0 | 5.0 | 2.0 |
| 1929-38..... | 4.77 | 4.47 | .30 | 5.9 | 5.5 | .4 |

Source: Simon Kuznets, *National Product Since 1869*, National Bureau of Economic Research, New York, 1946.

New stimulus to business investment came with the defense program of 1940-41. But during the war, though certain critical facilities were expanded, we had to curtail many lines of civilian goods and expansion of all facilities not contributing to war production. After 15 years of depression and wartime restriction, productive capacity was highly unbalanced and generally inadequate to meet the peacetime demand. The high rate of investment in new equipment during the past 2 years reflects in part the efforts of producers to make up the deficiencies.

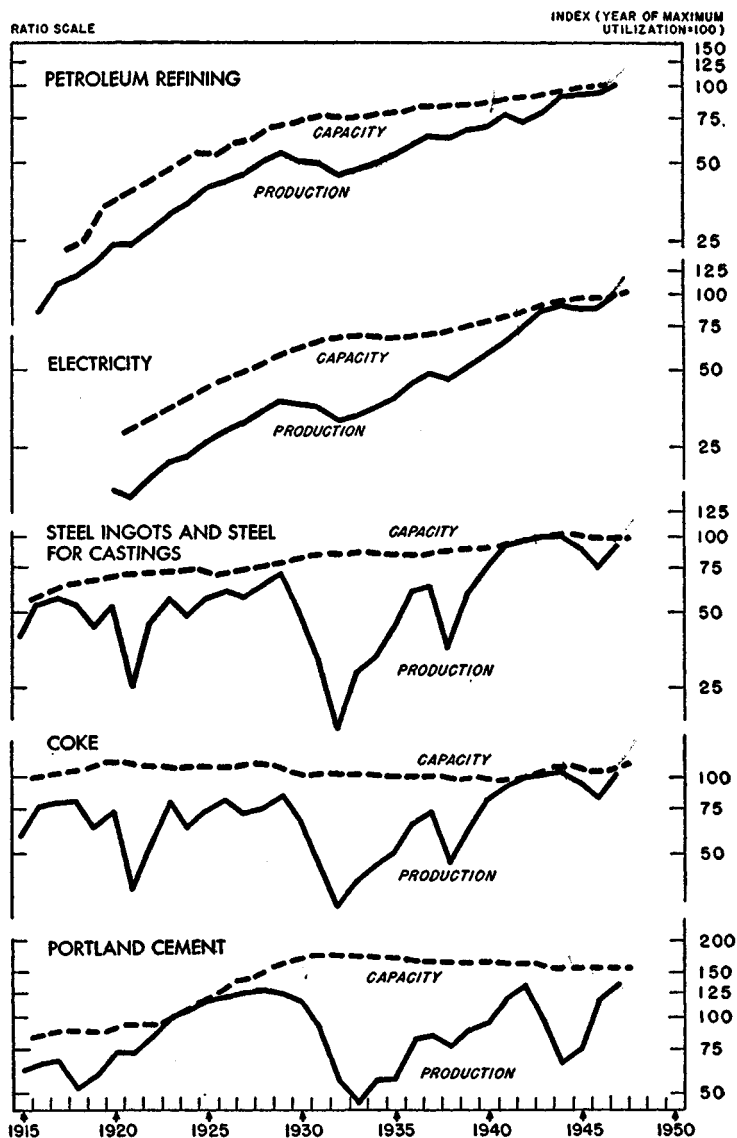
In some industries, present capacity appears adequate for the near future. In others, such as electric power and petroleum refining, expansion of capacity is substantial and is likely to continue for a considerable period until a better balance between demands and capacity has been reached. In a few industries, net capacity expansion during 1947 was less than that required annually to sustain maximum production and employment.

The best available studies indicate that to attain the levels of employment and output we hope to reach, we shall need substantial increases in the output of such basic commodities as steel, petroleum products, coke, and

CHART 12

CAPACITY AND PRODUCTION

Many industries are operating at close to practical capacity.



NOTE: CAPACITY AND PRODUCTION FOR EACH INDUSTRY HAVE BEEN PLOTTED SO AS TO TOUCH AT THE YEAR WHEN THE RATIO OF PRODUCTION TO CAPACITY REACHED ITS MAXIMUM. SUCH POINTS CORRESPOND APPROXIMATELY TO OPERATIONS AT THE LIMIT OF PRACTICAL CAPACITY, THOUGH RATED OR THEORETICAL CAPACITY WOULD IN MOST CASES BE HIGHER. ALL 1947 FIGURES ARE ESTIMATES BASED ON INCOMPLETE DATA.

SOURCES: BUREAU OF MINES (COKE, CEMENT, AND PETROLEUM), FEDERAL POWER COMMISSION (ELECTRICITY), AND AMERICAN IRON AND STEEL INSTITUTE (STEEL)

electricity. For these industries, the needed increases during the next 10 years range from 20 to 50 percent. Though such studies make no claim to precision, the only reasonable expectation is that continued high-level production will require large increases of capacity in the industries mentioned and in many others.

Chart 12 gives the historical perspective of expansion of capacity relative to output in several important industries. The tightness of present capacity is apparent. Potential stringencies are even greater than might appear from the chart. For example, if either freight cars or steel were more plentiful, demand for many other commodities would increase, disclosing further deficiencies in capacity. In fact, there are some industries where present capacity is inadequate for current output, providing less elbow room than management considers desirable for continuously efficient operation, satisfactory servicing of the market, and emergencies. Dependable reserve capacity of electric power generating facilities, for example, is normally at least 15 percent of peak load for any system. Near the end of 1947, it dropped to below 1 percent for the United States as a whole; in most areas no reserve capacity was available and in some areas acute shortages exist.

The needed capacities for various industries are related. There is no point in having capacity to make more automobiles unless we have capacity to supply steel and other materials. The output of steel is limited by supplies of coke, scrap, steel furnace capacity, blast furnace capacity, finishing capacity, and rail transportation.

The same principle applies to the development of raw-material-producing and raw-material-consuming industries. There is a serious question, in particular, whether our capacity to produce fuels and energy is being expanded fast enough to meet the fuel and energy demands indicated by expansion in other lines.

If the whole level of output is to rise steadily and rapidly with minimum waste of capacity, the balancing of expansion in different industries calls for considerably more thorough study than it has been given in the past.

Modernization of facilities. The amount of business capital required is only partly measured in terms of scaling up capacity to meet enlarged demands. As table 12 indicates, a large and increasing share of outlays for business equipment is devoted to replacement. The rate at which this renewal and improvement proceeds is set not so much by physical wear and tear as by the profitability of setting up facilities of new types, or for new kinds of products, or at new locations. Industrial equipment and structures are often obsolete long before they are worn out.

In deciding upon replacement, business has not felt it could afford to substitute new types of equipment for old as rapidly as the pace of technological advance would make possible. This lag was accentuated during the war.

At its close the progress of industrial and business technology had accumulated a reservoir of potentially profitable opportunities for modernization. If still more rapid technical advances are made and if prospective production economies justify the costs of accelerated modernization, both business investment and the rate of increase of productivity will exceed past rates.

Programs and responsibilities. In a period of far-reaching economic change, an adequate investment program of expansion and modernization taxes the vision and initiative of business management. This is especially true of the long-range planning of business expansion in a manner which preserves proper relationships among the productive capacities of various industries.

In a free enterprise system, business investment rests on profit expectations, which in turn reflect the outlook for consumer spending, costs of production and investment, availability of improved techniques, availability of funds, and the degree of uncertainty and risk involved in gauging these and other factors. The investment "program" is essentially the sum of a great many private programs—privately planned, financed, and executed. Government investment and operation, in special cases such as hydroelectric power and atomic energy development, clearly serve the public interest. More generally, the Government can help to develop a favorable climate which will encourage business to adopt adequate investment programs.

As the task of making up obvious war-accumulated deficiencies in productive capacity is completed, and as inflation is reduced, increasing attention will have to be given to fostering favorable conditions for balanced expansion and for aggressive development of new fields of investment. The most essential condition is continued acceptance and determined implementation of the national policy laid down in the Employment Act of 1946. A policy of sustained maximum production requires that the actions of business, labor and Government be based on broad agreement as to our over-all economic goals and on a reasonable degree of assurance that appropriate action will be taken to achieve them.

Transportation

In our far-flung economy, transportation needs are so obviously related to the development of natural resources and industrial production that the people long ago undertook through their Government to encourage and in many cases to participate in the building of extensive transportation facilities.

Shipping. Maintenance of a healthy shipbuilding industry, capable of rapid expansion, and the continued operation of an efficient and competitive merchant marine, are not only necessary to national security but are also

essential elements in the achievement of a continued high level of employment in the United States. Except for a few ships which are urgently needed now, construction of new vessels can well be deferred until inflationary demands have eased and materials are more readily available. Our present needs for shipping should be met basically by the use of existing war-built vessels. Meanwhile, the shipbuilding industry, by virtue of repair and conversion of war-built ships, is operating at levels considerably above the prewar average.

Highways. In the field of highway transportation, the Congress more than 30 years ago created what is now the Public Roads Administration. At that time, the Congress gave top priority to the problem of getting the farmers out of the mud—providing access to our agricultural resources and to markets for these resources. Although substantial progress has been made in this direction, much remains to be accomplished. In addition, major tasks before us are the efficient maintenance of rural roads, and their reconstruction as age or increased traffic dictate.

The second objective, making it possible to get to and from cities, was well on the way to attainment before the war, but we have lost ground in the last 7 or 8 years. Costs of maintaining many of our highways are so high that it is more economical to rebuild them. Maintenance and traffic records indicate that within 10 years at least 45 percent of existing highways will have to be rebuilt.

A third task, providing adequate facilities for intra-city traffic and healthy urban growth, is one we have hardly begun to tackle. The Congress has recognized the national importance of this problem by authorizing the expenditure of 125 million dollars per year out of the 500 million dollars Federal-aid funds for building through arteries in cities. This is an important undertaking and deserves continued attention.

Air transportation. The Government has undertaken a program of financial aid to air lines through mail payments under which rates of payment are related to the operating income and operating expenditures of the air lines and to the volume of the mail and the value of the service. Those charged with the administration of this program are constantly testing its effectiveness.

Government aid is most effective when it stimulates the resourcefulness and inventiveness of private enterprise in developing and applying technological advances in aviation.

The Government has also expedited the construction of necessary airports by sharing costs of construction of many publicly owned fields. The Federal Airport Act of 1946 authorized Federal expenditures aggregating 500 million dollars over 7 years. While that program is being completed, growing experience will furnish a basis for further decision as to the pattern of

the aviation network which national prosperity requires and how far it is desirable to go in multiplying air lines and in furnishing to a multitude of communities air transportation facilities with their accompanying burdens of maintenance costs.

Railroads. A most urgent national problem in the field of domestic transportation is the maintenance of an expanding and efficient railroad service. Large earnings of the war period permitted the more prosperous lines to fortify their financial position and brought about the financial rehabilitation of many railroads which for years had been in receivership. These great improvements in their financial position are rapidly being dissipated by the effects of inflation, and the railroads will benefit as greatly as any part of our business institutions from a successful effort to end the inflationary movement.

It is in the national interest to insure the continuance of efficient rail transportation. Consolidation of facilities, though it has shown but little progress after nearly 30 years of study and effort, offers such possibilities of convenience and economy that it should be steadily pursued. We can be optimistic about technical improvements helping to offset the rising costs of wages and goods if management and labor are alert to the opportunities which their introduction offers. The need must be recognized to protect the credit of the roads in order to enable them to finance the heavy expenditures which are necessarily involved in these technical changes.

Urban redevelopment

Approximately three-quarters of our population and three-quarters of our wealth are now essentially urban. Our cities, both large and small, make up an integral part of the productive plant that we need for maximum growth. Improved planning and redevelopment of these cities will not only enhance their physical usefulness as facilities for manufacturing and commerce, but will also increase workers' productivity in a living environment more conducive to good health and high morale.

When land is assembled in suitable blocks to facilitate economic redevelopment, extremely large investment opportunities become available. The construction industry will be called upon to supply management, labor to supply skills, and manufacturers to supply building materials and all the products and services which go into residences, schools, factories, offices, stores, and the other elements which constitute the communities of today. Moderate government outlays in redevelopment of urban areas will provide large investment opportunities for private capital. It has been estimated that over the next decade as much as 75 billion dollars—mostly private investment—could profitably be employed in these redeveloped areas. This is in addition to general urban public works.

It is none too early for basic planning of land acquisition and the working out of financial arrangements for urban redevelopment. This will permit rapid progress when there is less pressure on certain materials in short supply, and when additional investment opportunities will aid in maintaining maximum levels of employment and production.

The present acute housing shortage requires a large amount of new construction in outlying areas before we can engage in slum clearance and urban redevelopment on the large scale that will be needed. Some of this suburban construction needs to be located in whole new communities with adequate provision for municipal services, commercial facilities, and available employment opportunities. These need to be carefully integrated with better planning of our present urban areas. Otherwise urban congestion will be aggravated and local governments, both central and suburban, will be faced with ever-mounting costs.

Private enterprise and local initiative alone cannot rebuild and modernize our cities. Private developers lack both the resources and the legal powers to acquire land in large enough blocks to permit sound profitable redevelopment. Local governments are obtaining powers of land assembly but lack financial powers to undertake the task on the scale needed to encourage private investment and to permit cleared land to be made available at economically feasible prices.

Local governments should take the initiative in providing for site assembly and for area planning, and for streets, schools, and water, sewer, and other connected facilities. State governments should provide enabling and fiscal legislation. Under existing State powers, some worthy redevelopment projects have been undertaken, but most informed sentiment is in general agreement that some Federal aid is also required. The Federal Government is also concerned with highways, airports, Federal buildings, and other facilities as well as with slum clearance and low-rent housing.

I again urge that the Congress consider Federal aid to urban redevelopment along the general lines I have previously recommended.

Housing

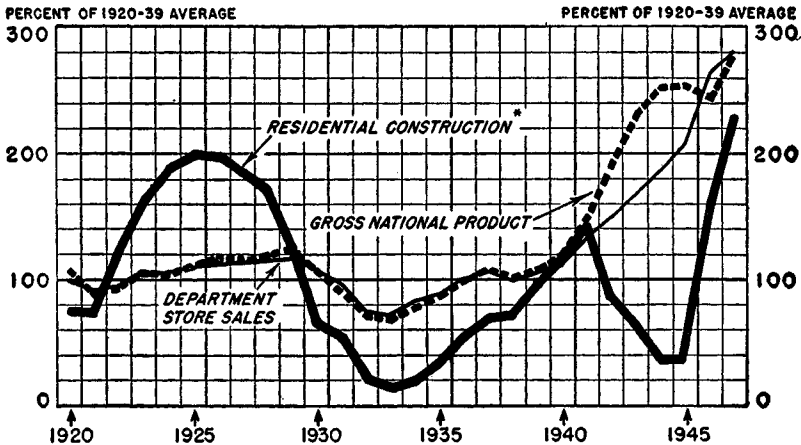
We must maintain residential construction at much higher than present levels in order to eliminate the quantitative shortage and also to replace urban slums and rural shacks with an American standard of housing within a reasonable period of time.

From the viewpoint of economic stabilization, there is a compelling reason for maintaining residential construction at consistently high levels. In the past, the volume of housing production has fluctuated more violently than any other major segment of economic activity. This is shown in chart 13. The instability of housing has contributed significantly to the

CHART 13

RESIDENTIAL CONSTRUCTION AND ECONOMIC ACTIVITY

Residential construction has fluctuated more widely than other economic activities.



* INCLUDES PRIVATE FARM AND NONFARM AND PUBLIC.

SOURCES: DEPARTMENT OF COMMERCE (CONSTRUCTION AND GROSS NATIONAL PRODUCT 1929-47), BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (DEPARTMENT STORE SALES), AND HOUSING AND HOME FINANCE AGENCY (GROSS NATIONAL PRODUCT 1920-28).

instability of the economy as a whole, and stabilizing residential construction would be a powerful factor in helping to stabilize the general economy. The importance of housing in the national economy is shown in chart 14.

A reasonably steady flow of house production, starting at a high level and increasing gradually from year to year, is essential during the next decade. Taking account of our growing population, the urgent desirability of replacing substandard units as rapidly as possible, and the amounts of home building that will help to maintain maximum employment for the economy as a whole, we need an average of more than a million new urban dwelling units a year for the next 10 years. The needs of rural areas are also great.

During 1947, more than 850,000 new permanent nonfarm dwelling units were started, and conversion and temporary units brought the total to more than 900,000. Measured by volume and allowing for shortages of materials and the unusual strength of competing demands, this was a good start for a 10-year program. But the record cannot be measured by volume alone. When examination is made of the relationship between the cost of this housing and our income structure, it is clearly apparent that most of

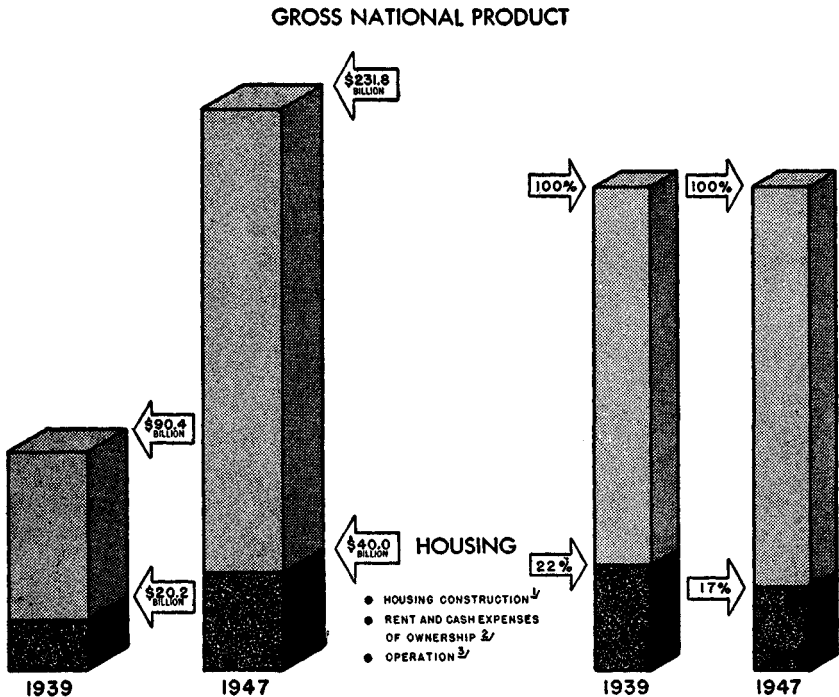
the housing is being built for families in the higher income brackets. To the extent that families of low and middle income are being served, the high cost is placing an excessive financial strain upon them.

The cost of housing has been getting further and further out of line with incomes. Only a small minority of our families can afford to purchase new houses of satisfactory size and quality. This is true despite the fact that we have maximum employment and a high national income, and a better income distribution than we had before the war. Unless housing costs drop, the volume of private residential construction will almost certainly decline in coming years, placing new difficulties in the way of our

CHART 14

HOUSING EXPENDITURES IN RELATION TO GROSS NATIONAL PRODUCT

Housing expenditures, doubled since 1939, have increased less than the gross national product.



¹ NEW CONSTRUCTION, REPAIRS, ADDITIONS, ALTERATIONS, AND MAINTENANCE.

² RENT OF TENANT-OCCUPIED UNITS AND RENTAL EQUIVALENT OF OWNER-OCCUPIED UNITS.

³ FURNITURE AND HOUSEHOLD EQUIPMENT, FURNISHINGS, AND OPERATION SERVICES SUCH AS FUEL AND UTILITY AND DOMESTIC SERVICES.

SOURCE: DEPARTMENT OF COMMERCE AND HOUSING AND HOME FINANCE AGENCY.

maintaining maximum employment. The poor adjustment of housing costs to income in the 1920's is precisely what caused a sharp and increasing decline in home building which commenced four full years before the general depression to which it contributed.

Industry and labor and local governments need to bend ever-increasing efforts toward the abolition of obsolete practices and restrictions. Many of these restrictions have developed as protective devices for individuals or organizations caught in the insecurity of an industry subject to wide fluctuations. The fluctuations have caused the restrictions far more than the restrictions have caused the fluctuations. Only an affirmative program for stabilizing housing construction can clear the way for the elimination of restrictions, reduction in costs, and adequate provision of housing.

Even the minimum housing program required embraces a number of items. These include research and experimentation to devise better building techniques and concerted efforts to modernize building codes; land assembly programs as an aid to housing; the use of Federal insurance to stimulate longer term investment with lower financing charges both for home ownership and for rental housing; special forms of insurance to amplify the interest in large-scale projects already being shown by builders and institutional investors who have the resources to lay the foundation for the reorganization of the housing industry along more modern lines; and the provision of publicly-aided housing in urban and rural areas—on both a rental and home ownership basis—for families of low income.

On several occasions, I have recommended the enactment of comprehensive, long-range housing legislation. Postponement of this action represents postponement of attention to a problem of utmost economic importance.

DEVELOPMENT OF HUMAN RESOURCES AND PRODUCTIVITY

Even with modern factories, fertile fields, abundant sources of power and raw materials, and smoothly flowing arteries of commerce, the growth of our economy will depend ultimately upon the men and women whose mental and physical energies constitute its greatest wealth. We have learned that those programs which make people healthier and more secure also make them more efficient. In this light, the educational and health and social security programs which were once thought of as purely "social" take on a deep economic significance.

Size and composition of the labor force

Our total population, now about 145 million, will continue to grow for a number of decades at a rate exceeding prewar estimates. This is due to an unusually high rate of marriages and births during and since the war together

with a steadily declining death rate. As a result of population growth and plentiful job opportunities, the labor force, and particularly the employed segment of the labor force, has expanded during and after the war. Civilian employment is now 6 percent higher than the war peak and 26 percent above the 1939 level.

One result of the war has been to increase the employment of teen-age workers, and of men and women in the older age groups. The exacting economic demands of modern employment, no less than social considerations, should impel us gradually to reverse this trend. Educational and retirement programs thus influence the optimum use of our labor force.

While these considerations should increasingly determine the size of the labor force, there is the further question of its quality. The progress of industrialization has led to the use of more complicated equipment although much of it is more automatic in its operation. This reduces both the physical exertion and the need for manual skill of operatives generally. At the same time, it increases the proportional demand for engineers and supervisors of higher technical training. And while many operatives have their task reduced to a simple routine, they assume new responsibilities for the proper handling of expensive machinery.

As members of labor unions voting on strike action and other union issues, and as citizens reacting to economic policies and candidates for office, they need a higher degree of economic and civic education. The general requirements of intellectual competence are steadily moving upward.

Moreover, the progress of modern technology, both industrial and agricultural, means that a smaller proportion of the population is required in manufacturing and farming and more people are available for the service callings and professions, where even higher levels of training are required. This trend is reinforced because some of these areas will suffer from shortages of trained personnel for some time to come—teaching, medicine, and nursing being the chief examples.

The adjustment of the labor force to the changing character of our economy thus commences with the problem of education.

Education for the modern economy

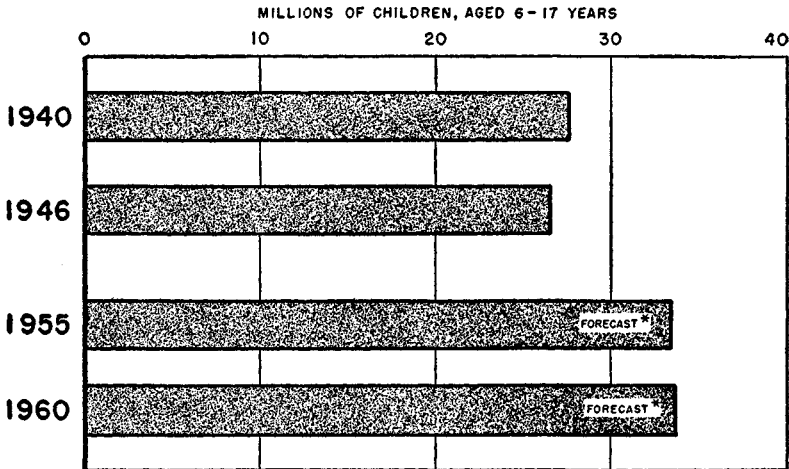
With a higher average of competence required by our economy, the most urgent educational problems now center in the elementary and secondary schools. It is here that boys and girls receive their basic training and prepare themselves to absorb more specialized training.

The number of children of school age is increasing far more rapidly than had been estimated before the war. In 1940, there were 27.6 million children between the ages of 6 and 17; by 1955 there will be more than 33.3

CHART 15

THE SCHOOL-AGE POPULATION

More children will require increased school facilities.



* BASED ON TOTAL POPULATION FORECASTS MADE ON THE ASSUMPTIONS OF HIGH FERTILITY, LOW MORTALITY, AND NET IMMIGRATION OF 1 MILLION PERSONS EVERY 5 YEARS AFTER JULY 1, 1945.

SOURCE: DEPARTMENT OF COMMERCE.

million. By 1955, school enrollment should be more than one-third above the 1940 level.

In the face of this need, our educational plant is desperately inadequate. State school officials report minimum needs for 7.5 billion dollars of capital outlays for elementary and secondary schools—twice as great as total construction expenditures for all levels of education during the decade of the 20's. Due largely to low salaries, the number of trained teachers is not keeping up with the increasing need. These shortages in plant and personnel are much more serious in some regions than in others. While the 10 States with the highest per capita incomes are spending about \$177 annually for each school child, the 10 States with the lowest per capita income are spending only about \$64.

This maldistribution of educational opportunities is both result and cause of differences in wealth and income in the several areas. Some of the States that are paying least per capita for education are devoting a higher percentage of their total revenues to educational purposes than others with higher per capita outlays. Federal aid to elementary and secondary education should contribute to that equalization of opportunity in various parts of the country which will fit our youth for living and working in the kind of economy that we shall have when they are grown.

CHART 16

EDUCATIONAL EXPENDITURES IN HIGH AND LOW INCOME STATES

Low per capita income means low educational standards even with equal effort to finance schools.

EDUCATIONAL EXPENDITURES PER PUPIL

HIGH PER CAPITA
INCOME STATES

\$ 176.91

LOW PER CAPITA
INCOME STATES

\$ 64.09

EDUCATIONAL EXPENDITURES AS PERCENTAGE OF TOTAL PERSONAL INCOME

HIGH PER CAPITA
INCOME STATES

1.6 %

LOW PER CAPITA
INCOME STATES

1.8 %

SOURCE: FEDERAL SECURITY AGENCY.

A large proportion of the young people who are now crowding the elementary schools will progress through high school and enter college after 1955. They will replace the veterans who are now in college. Compared with an enrollment of 1.4 million when the war started and a current enrollment of 2.4 million, we should now plan for an enrollment by 1960 of 4 to 5 million students in an expanded and improved system of higher education.

I urge the Congress to consider a comprehensive program of Federal aid to education and to enact immediately assistance to elementary and secondary schools.

Research

The expansion of national output, as well as national security, depends increasingly upon scientific accomplishments. Before the war, we drew

heavily upon the basic discoveries of scholars all over the world. The war impeded this free flow of knowledge from other lands, and destroyed much of it at the source. During recent decades our own progress in industrial and agricultural research has been tremendous, but we cannot afford to rest on our laurels. There is need for enlarged research, both in basic principles of physical, biological, and social science, and also in their practical application.

Part of the expansion required to meet a reasonable goal of research development will occur as part of the long-range growth of our economy. Considerable growth in industrial research may be counted on. Existing universities and research institutes will continue to make important contributions. But it is clear that the required expansion in research into scientific principles and their application will be impossible without a comprehensive program in which Federal aid should play a part.

Good health and productivity

Study of health records affords another example of the connection between the economic objective of maximum production and the humanitarian objective of improved well-being. With the labor force at its present size, the annual cost of illness, long-term disability and accidents is about 3,500,000 man-years. A part of this loss arises from improper working conditions. Occupational diseases and industrial accidents also take their toll. An even greater charge upon productivity are the millions of people who are physically substandard without being disabled. Inadequate diet is impairing the strength of too many workers. Our goal should be the establishment of safe working conditions and an increase in the physical standards of the whole population.

This problem has economic aspects, not only because health standards below the maximum attainable reduce productivity, but also because the lifting of these standards requires economic measures which remove the incapacity of many communities to support and of millions of individuals to purchase adequate medical care.

On these grounds, I again urge the Congress to enact a comprehensive national health program of the character I have already recommended.

Security and productivity

Job security. No matter how stable a particular business, industry, or region may be, it can rarely avoid unemployment in the event of a serious depression. A national policy of vigorously promoting maximum employment will be the longest step toward the sense of individual security which is conducive to high productivity.

There is no substitute for this national policy, but it should be supple-

mented with planning by individual firms and industries for the stabilization of their own activities. Wage security plans have been proposed, and a report on this subject is being prepared by the Council of Economic Advisers. Training programs, an adequate and efficient public employment service, and other improvements of the labor market can all play their part. For those who will be temporarily unemployed despite our best efforts, unemployment compensation should be increased in amount and duration, and extended in coverage.

Maximum production must be based upon proof that it is not self-defeating. Only by providing alternative jobs for those who suffer displacement, and by ironing out the fluctuations in business, can we convince both labor and industry that restrictive tendencies are unnecessary for them as well as hurtful to the economy as a whole.

Old-age security. The retirement problem has economic as well as social aspects. Those who have withdrawn from productive activity because of age continue to require goods and services, and to make expenditures which flow into the general income stream. A systematic national program which provides for regularity and certainty in the basic income of those who have retired is a more efficient economic policy than the haphazard treatment of this problem which preceded the establishment of old-age insurance. Such a system has the further advantage that it helps to regularize the saving habits of workers during their productive years.

There are now more than 10 million people in the United States, about 8 percent of the total population, who have reached the age of 65. (See appendix B, table XXXVI.) By 1960, about 15 million people, or about 9 percent of the population, will have reached that age. Our systems of protection against the economic hazards of old age and dependency are inadequate. There are now some 17 million jobs in which workers cannot build up wage credits for old-age retirement. The coverage of old age and survivors' insurance should be extended, and benefits should be adjusted upward with a higher limit upon earnings which may be received after retirement without loss of benefits.

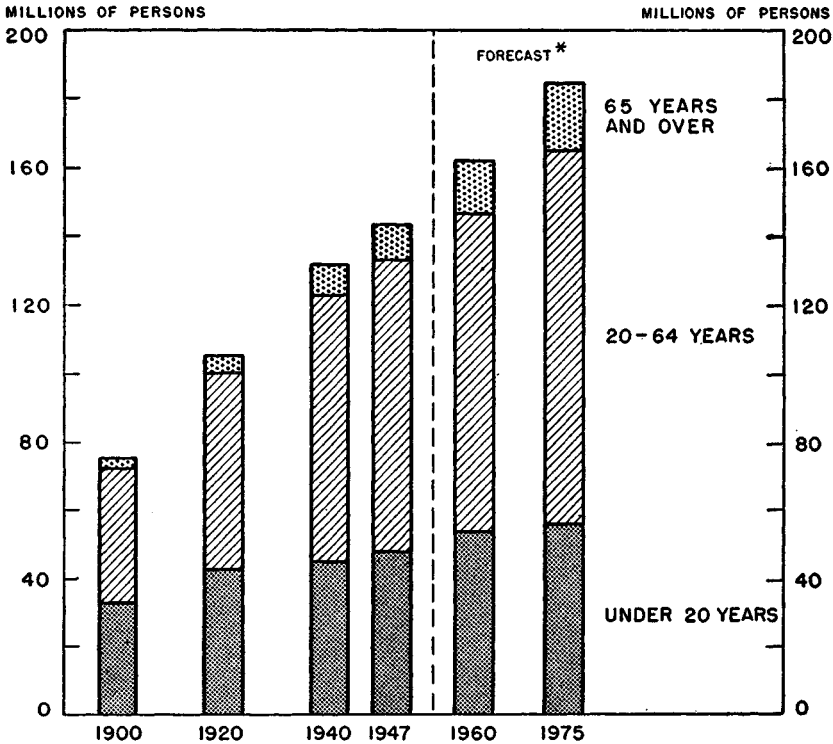
A lowering of the retirement age will be feasible in future years as we attain the levels of national output that sustained maximum employment and production will bring. At the same time, industry should provide opportunities for the efficient employment of those older people who are able and willing to work although they have earned the right to retire.

Public assistance. The social insurances are supplemented by public-assistance programs financed by States with the aid of Federal grants. The public-assistance programs are now more significant, both in terms of the number of people aided and in terms of total expenditures, than the social insurances. About 4 million people now depend on public assist-

CHART 17

THE AGING POPULATION

The total population continues to increase rapidly, with relatively more people over 65.



* FORECAST BASED ON ASSUMPTIONS OF HIGH FERTILITY, LOW MORTALITY, AND NET IMMIGRATION OF 1 MILLION PERSONS EVERY 5-YEAR PERIOD AFTER JULY 1, 1945.

SOURCE: DEPARTMENT OF COMMERCE.

ance, in part because existing social insurances, particularly old age and survivors' insurance, are deficient and because there is no national health insurance program. Expansion of social insurance will decrease the need for public assistance expenditures, but those who must still rely on public assistance should receive adequate payments. The Federal Government should make grants to States to help them finance general-assistance payments, and all public-assistance grants should take account of variations in the ability of the States to finance adequate assistance programs.

Freedom from discrimination. Maximum employment and production cannot be maintained when men and women are discriminated against because of race or color, creed or national origin. An effective system which will assure fair employment practices should be established.

Fiscal aspects of benefit programs

The whole question of benefits cannot be divorced from the question of the cost of the payments and how these costs are borne. It is of paramount importance to bear in mind that the costs of unemployment, old age, and sickness are borne by the community whether social security measures exist or not. Social security measures involve a change in the distribution of money, goods, and services among consumers only to the extent that the existence of the measures diverts additional funds to the support of the aided groups. This diversion does occur, but the additional funds are far less than the total volume of benefits provided under the programs.

Nevertheless, the fact that wage earners' risks are met under social security measures through payments derived from taxes rather than directly from private sources in itself has economic implications. The social insurances are now financed by employees' contributions and employers' payroll taxes; the public assistance payments are financed from general revenues. Employees' pay-roll taxes place a heavy drain upon mass purchasing power while the employers' share of these taxes adds to costs of production. In financing an expanded social-insurance program, these economic aspects should be considered.

DEVELOPMENT OF INSTITUTIONS AND PRACTICES FOR A HIGH-PRODUCTION ECONOMY

Preceding sections have discussed the means by which our natural resources, our capital equipment, and our human resources may be developed to support a maximum level of well-being. But the ability to produce will not alone assure economic stability and growth. Recurrent periods of recession or depression have led to the realization that maximum resource utilization depends upon many adjustments within our complex economy. It is necessary for us to apply systematic forward thinking to the shaping of our economic institutions and the practices of the men and women whose behavior determines how those institutions will in fact operate.

The problem of progressively improving these institutions, policies, and practices so as to attain balanced growth of the economy divides naturally into four main parts: first, in the industrial area we need price-wage-profit policies which maintain balance between the output of industry and the ability of consumers to buy that output. Second, in the agricultural area, we need balance between city and farm income and between farm and industrial prices. Third, the fiscal policies of the Government, such as taxation and debt management, need to be so contrived as to afford maximum incentives to production and to improve the balance within the economic system generally. And fourth, we must strike a wise balance between our internal economic activities and our international trade.

Industrial price-wage-profit policies

The national purpose of maximum employment, production, and purchasing power enunciated in the Employment Act of 1946 includes a declaration "to foster and promote free competitive enterprise and the general welfare." Discussion of industrial price-wage-profit policies may therefore quite properly begin with the problem of maintaining a truly competitive system of free enterprise.

Maintenance of competition. To operate effectively without a high degree of Government intervention, a free enterprise economy must adjust itself to changing conditions through appropriate movements of prices, costs, and production. In a very vital way this depends on the maintenance of fair competitive rivalry among business enterprises. This is recognized in the long-standing policy embodied in the antitrust laws, the central purpose of which is to prevent monopolistic control of markets, and, in the words of the author of the Sherman Act, to gain for the people the advantage of "the natural competition of increasing production."

Unregulated private monopoly tends to undermine independent enterprises and to create exaggerated extremes of wealth and power within the country. Strong monopoly elements are likely to retard seriously the cost-price-output adjustments necessary to economic stability with full employment. For these reasons, as well as for the other counts against unregulated monopoly, there must be a strong and continuing pressure by the Government to keep alive the competitive characteristics of the business system. If this were not to be done, we should have to look forward, first, to a great increase of private monopolistic control of American business, and thereafter, since this would be intolerable, to a great increase in the public regulation of business activity, if not actual public operation in some fields.

In considering the character of competition in the future, it is impossible to ignore the tremendous changes which have occurred in the organization of business control over the past 50 or 60 years. From a situation in which industry was typically organized on a small scale basis, we have arrived at a situation in which there exist corporations of gigantic size. In many industries one, two, three or four companies control a major fraction of production. In many areas of industry, modern technology requires that firms be of a very considerable size. The best opinion is, however, that the largest enterprises in many industries are larger than is necessary to secure the benefits of technical efficiency. In the future amendment and enforcement of the antitrust laws, the principle should be followed of checking the further excessive concentration of industrial control and, by protecting the position of smaller competing enterprises, of reversing the past trend toward concentration.

Much of the adaptability of the American economy stems from the initiative and enterprise which give rise to small business concerns throughout the Nation. They should have the opportunity to develop and prosper. The existence of the antitrust laws, although not a sufficient basis for a healthy development of new enterprises, is an essential condition. Beyond this, we must insure that no artificial barriers to their growth exist either through the tax laws or otherwise, and in particular that credit suited and adequate to their needs is made available.

The present degree of concentration of economic power and the existence of other monopolistic elements pose very grave problems. It was in recognition of this fact that the Temporary National Economic Committee was set up in 1938 to engage in a far-reaching inquiry into business organization and practice. The central problems have not been altered by economic changes in the intervening years and it is important that in the light of the findings of the TNEC we move forward to a clear enunciation of public policy and a program of public action.

The problem of price policies. The effect upon prices of corporate bigness and collusive monopolistic practices is only one aspect of a much wider pricing problem. Many a business manager fears that the use of price reductions to expand his share of the market will merely result in retaliatory price changes by other firms. Business therefore has sought, as far as possible, to place the competition for markets which it must meet upon some other basis than price competition. The pricing system is thereby deprived of much of the elasticity needed to adjust relative changes in cost and demand.

Moreover, in the effort to realize profits through the ups and downs of business, prices and profit margins are geared to the expectation that full use of capacity is not a normal situation. This means that, in periods of high production, pricing policies and practices are followed that produce a level of profits designed to protect the individual company during future declines in business activity rather than to contribute to the prevention of such declines. Such policies are not conducive to the continued health of the business community because they act on the assumption that it will not continue.

The price mechanism may serve either to promote or to prevent a safe balance among prices, wages, and profits. The greater the success of our free enterprise system in maintaining this balance, the less need there will be for direct governmental intervention in the economic system. This imposes a heavy responsibility upon those business managers whose decisions importantly affect the levels of prices, wages, and profits. Management must recognize that sustained maximum production requires that gains in productivity be passed on through lower prices and better wages to the

fullest extent consistent with adequate incentives to business enterprise.

The collective bargaining process to determine wages also plays a vital part in the determination and maintenance of healthy price-wage-profit policies. It cannot fulfill its function if it is used merely as a test of the sheer force which one party or the other can exert in the pursuit of immediate self-interest. Collective bargaining must be based upon a better understanding of the long-range interests of management and labor in the context of the interests of the whole economy.

The greatest opportunity for bringing about economic betterment lies in achieving and maintaining a proper balance among prices, wages, and profits. One of the purposes of the Employment Act is to provide a new climate for pricing policies. The act contemplates that the combined resources of business, labor, agriculture, and the Government will be used to do away with business fluctuations of the violence known in the past. To determine what price and wage policies and practices are appropriate to this objective, a reexamination of the problem is necessary.

Therefore, I have instructed the Council of Economic Advisers to continue its work on this problem with the assistance of representatives of all groups concerned. The results of such a study should contribute to the development of sound legislative proposals. But its most important outcome should be a wider and deeper understanding on the part of the Government, business, labor, and consumer groups as to the price, wage and production policies and practices which will contribute most fully to the maintenance of high levels of consumption and investment.

Markets and income distribution. During the postwar period, our economic balance has thus far been maintained in the sense that we are still operating at maximum levels of employment and very high levels of production. But the situation is precarious to the extent that the balance cannot be maintained indefinitely without changes in the current pattern of economic relationships.

The Nation's Economic Budget, in constant dollars, for 1939 and 1947, shown on page 55 of this Report, indicates changes in the relationships of the major components of the economy. At the present time, an unusually large proportion of the market demand for goods and services results from business investments, net exports, and Government outlays. These have attained a level relatively higher than consumer expenditures, compared with the prewar period. In terms of 1947 prices, annual expenditures for producers' durable equipment have increased by 170 percent, while annual consumers' expenditures have increased by only 48 percent above the prewar level.

We cannot regard the relationship between capital formation and consumption either in 1939 or in 1947 as a model for the future. Domestic

capital formation in 1939 was not sufficient. On the other hand, we are now in the stage where the improvement and modernization of our national productive plant has a high priority claim on our resources. Nonetheless, after the most urgent deficiencies in our national plant have been overcome, and the extraordinary export surplus has been reduced, a very substantial increase, both absolute and relative, in individual consumption will be possible and necessary. Without this substantial increase in the general standard of living, we would not be able to sustain an expanding economy of full resource utilization.

The increases in consumer incomes and expenditures which have taken place over the last decade are the result not only of the general increase in national income, but also of significant changes in income distribution. On page 18 of this Report, estimates are presented which show the trend toward better distribution of family incomes. This trend needs to be continued if ready and constant markets are to be available for a potential increase of 35 percent in total output of goods and services within a decade. The trend should be continued also because there are still millions of families whose incomes are too low to provide a decent standard of living. A substantial part of our increasing productivity should be devoted to the betterment of these families.

An increase in full-time employment and in the number of employed persons per family were important elements contributing to creating equality of income during the past decade. But with maximum employment now virtually achieved, further increase in these factors can no longer be expected. Already, recent trends in the real incomes of individuals and families indicate that we are losing some of the gains registered before price inflation gained momentum in the middle of 1946. This price inflation presents in a new and aggravated form the old and unsolved problem of assuring continuous maximum production by maintaining the maximum real purchasing power which must go with it without relying too long upon the depletion of savings, extraordinary use of credit, and an abnormal export surplus.

Our central problem is to make gradual readjustments so that the conditions for permanent stability are reached without generating a recession of employment and business activity in the process.

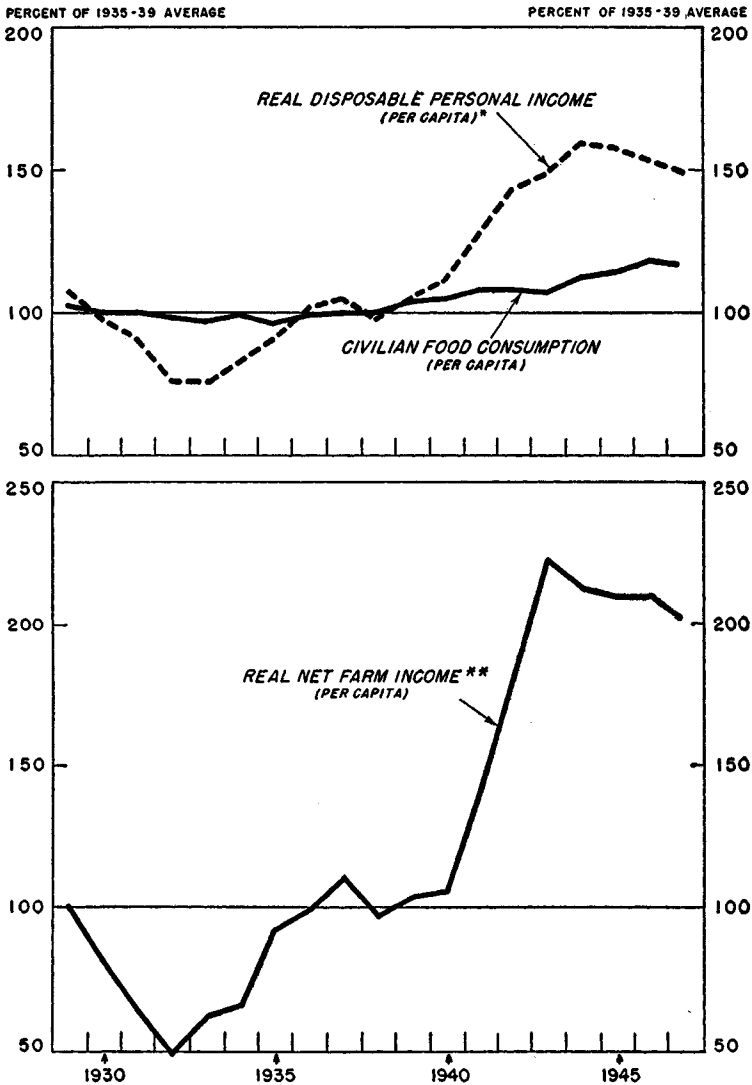
Agricultural and food policies

The new farm problem. For two full decades after the first world war congressional and executive policy was dominated by "surpluses" and low prices for farm products. The trends in our economy since the start of World War II have changed basic conditions so markedly that the farm

CHART 18

CONSUMER INCOME, FOOD CONSUMPTION, AND FARM INCOME

Increased consumer income has brought higher food consumption, and has raised farm income.



* ADJUSTED FOR CHANGES IN CONSUMERS' PRICES

** NET INCOME OF PERSONS ON FARMS, FROM FARMING, ADJUSTED FOR CHANGES IN PRICES PAID BY FARMERS FOR COMMODITIES USED IN FAMILY MAINTENANCE.

SOURCES: DEPARTMENT OF AGRICULTURE (FOOD CONSUMPTION, FARM INCOME, AND PRICES PAID BY FARMERS). DEPARTMENT OF COMMERCE (DISPOSABLE INCOME AND POPULATION). DEPARTMENT OF LABOR (CONSUMERS' PRICES).

problem of today is not to dispose of surpluses but to get enough production to prevent inflated prices. (See appendix B, tables VI and XIV.)

If we succeed in our efforts to maintain industrial stability, we can look forward to many years of large markets and agricultural prosperity. Farmers have a large stake in this endeavor. The farm problem today and in the foreseeable future should be stated in terms of a maximum production economy. Farm policies should aim at continuing expansion.

To achieve stabilized farm prosperity, there will need to be changes in the traditional patterns of farm production. Increased efficiency will be required to enlarge the total production of a farming industry which cannot be materially increased in acreage. The depletion of our soil resources during the war years calls urgently for the extension of conservation programs.

Needed levels of farm production. The greatly increased demand for food on the part of our civilian population was a remarkable feature of our wartime economy. This profound change in eating habits, founded upon higher and better-distributed national income, has continued since VJ-day. In 1947, per capita food consumption was about 17 percent above the 1935-39 average. Among the items increasing more than the average were chickens and turkeys, 33 percent; eggs, 28 percent; meats, 24 percent; and fluid milk and cream, 18 percent. (See also appendix B, table XXXV.)

In view of the growing population and expanding income, we should seek within a decade to raise agricultural production about 10 percent above present levels. This would mean that crop production would be about 25 percent, and livestock production nearly 50 percent, above prewar levels.

Increasing farm productivity. Achievement of the high objectives set for agriculture will require efficient use of resources. This means increasing emphasis upon research and education to improve technology. It will necessitate an increased capital investment per worker, to raise the individual's productivity about 50 percent above the prewar level. It will also mean using two or three times as much fertilizer as before the war, about three times as many tractors on farms, and more of other types of machinery and equipment.

There are still tremendous variations in the efficiency of farm manpower use. Many farms are well organized. But some 2 or 3 million are too small or have poor land or have inadequate buildings and equipment. There is need to increase the efficiency of labor on such farms, and to help some farmers and farm laborers find other, more profitable, employment. More adequate educational and financial aids should be provided for this purpose.

Security for agriculture and the farm market. Both farmers and con-

sumers should be protected from the feast-and-famine cycle that the vagaries of nature impose from time to time on farm production. Technological progress will reduce this problem, but there will be continuing need for crop insurance and for storage programs for staples and marketing programs for perishables. Orderly marketing and the widest possible distribution of bumper crops call for educational and service work with industry and consumers in moving large supplies.

Great opportunities exist for further advances in marketing farm products through intensified research and through educational and service programs. From the farmer's standpoint, marketing improvements mean wider outlets and more adequate returns for his product. From the consumer's standpoint they mean both savings in costs of these products and better, more adequate, and more conveniently available supplies.

Commodity price supports are desirable as assurances against special dislocations which might arise in case of recession. I emphasize, however, the need for keeping support levels flexible. I am glad to note the effort currently being made by various groups, outside as well as inside the Government, to modernize and improve the parity formula.

I also realize the stake of many American farmers in maintaining a stable and satisfactory foreign market. Our farmers should continue to export substantial quantities of wheat, cotton, tobacco, rice, and fruit. Though export demands, especially for grain, are now at a high level, some of our more difficult long-term problems are in the foreign trade field.

Interdependence of farm and city. Maintaining an expanding demand for farm products depends not only on maximum employment for the whole economy, but also upon raising the incomes and living standards of those portions of the urban population who have suffered from excessively low incomes even in times of prosperity.

So long as 13 percent of our total families have incomes under \$1,000 a year, and 28 percent have incomes under \$2,000 a year, as is shown in table 3 on page 19, the dietary standards of these low-income families cannot comport with the true meaning of maximum production for agriculture. Studies made in 1941 indicated that the families and single individuals having incomes of \$2,000 or more—enough to satisfy their food wants fairly liberally at the price level then prevailing—bought 60 percent more fruit, 25 percent more vegetables and meats and milk, and 10 percent more eggs than the average for the population as a whole. This means that minimum wage and other programs designed to encourage a better income balance throughout the wage-earning population should be regarded by the farm population as serving their interests also. The farmer is a prime beneficiary of well-distributed prosperity.

High and stable levels of food consumption are essential to a prosperous

agriculture. When demand is high there is little need for direct price supports. Programs to maintain food consumption can go far to prevent economic recessions, to maintain good markets for farmers, and to safeguard the diets and health of the public. Our agricultural and food program should therefore give increased emphasis to measures designed to protect the diets of such groups as school children and low-income families.

Just as the farmer sells to the city and depends upon urban prosperity, so also the products of industry are sold to farmers in larger quantities when there is farm prosperity.

The relatively low income of farmers before the war was proverbial. Its effects on the demand for industrial products are equally striking. This is shown in the following figures comparing per capita net income from farming of farm people with what they bought, in three significant years:

Farm income, per capita: 1929—\$223; 1933—\$90; 1947—about \$725.

Farm implement sales: 1929—519 million dollars; 1933—177 million dollars; 1947—around 850 million dollars.

Mail-order sales: 1929—447 million dollars; 1933—220 million dollars; 1947—over 1,100 million dollars.

Feed and farm supply store sales: 1929—1,119 million dollars; 1933—463 million dollars; 1947—nearly 3 billion dollars.

Despite recent gains, the purchasing power of many farmers is low compared with that of nonfarm people. The average per capita income of farm people derived from all sources was \$779 in 1946, while the income of nonfarm people was \$1,288. This low average for farm people reflects, not low farm prices—prices were high—but the low productivity of many farmers.

The more widespread enjoyment of satisfactory incomes in farm areas will provide enormous new outlets for industrial products. As recently as 1945, only 58 percent of all rural homes had refrigerators or ice boxes; only 46 percent had electric irons, and only 28 percent had running water. Since then, the installation of these conveniences in farm homes has given businessmen and wage earners some conception of the large stake they have in the maintenance of farm prosperity and its extension to an ever-increasing number of farm families. Electrification, particularly, is providing for farmers a vast range of labor-saving equipment and living conveniences and is creating an increasing market for industrial products.

Our economy is indivisible. Maximum production and purchasing power in the city and on the farm are inseparably connected. As shown by the relative instability and inadequacy of farm income in the past, and the impact of this upon the whole economy, the economic future of the country as a whole will require concentration upon those policies which

will enable the farm population to share equitably in economic growth and in the improvement of living standards.

Taxation and debt management

Taxation. The first feature of our long-range tax policy must be the maintenance of tax revenue which, except in years of depression, will balance the Federal budget and provide a substantial surplus for debt retirement.

It is a remarkable feature of the postwar period that there has been so little fear of the effects upon the national credit or upon the national well-being of a public debt ten times as large as the debt which a dozen years ago was causing much uneasiness in the financial world. But although we have learned that an enormous public debt is not necessarily ruinous to public credit nor destructive of national prosperity, we should never forget that within it is a sleeping danger. If less propitious conditions arise within the economy, the public debt may indeed be found a serious burden upon the process of readjustment. Every consideration of prudence with respect to future problems of the national economy and of the national credit in critical circumstances requires a firm and sustained policy of reducing the public debt.

The second requirement of our long-range tax policy is that the tax rates and the character of the taxes be such as to help sustain prosperity. This cannot be done by a tax structure that remains the same regardless of changing economic circumstances. Lowering particular taxes on business may at one time be needed as a means of stimulating business expenditures when they are inclined to lag, but maintaining or advancing taxes at another time may be needed as a means of checking overexpansion or overcapitalization. These adaptations can be made without the injection of uncertainties into businessmen's calculations greater than those they are already accustomed to deal with. Similarly, the abatement of taxes on consumers or certain classes of consumers may at one time be important as a means of supporting their purchasing power, whereas at another time the maintenance or increase of taxes may be the most effective means of damping an inflationary tendency.

There is an obvious conflict between the desire of consumers to have taxes upon their incomes reduced and the desire of business to be relieved of taxes which figure in operating costs or which lessen the funds that they have for reinvestment and business expansion or that large income receivers have available to invest as equity capital. This conflict of private interests must, in the consideration of tax policy, be resolved by the Congress through adjustments which will promote the most prosperous and stable economy. There is no formula by which the best distribution of the tax burden can

be determined. However, the lessons of wartime and early postwar experience seem to indicate that for the sustaining of an economy of maximum production and a market commensurate with this rate of production, more concern will need to be directed during the years just ahead toward easing the tax burden on the consumer than toward accelerating the rate of capital formation.

Debt management. The vast increase in the public debt has not created the difficulties that many people feared, partly because our national debt is owned by our own citizens, and partly because of the technical skill with which the debt has been managed jointly by the Treasury Department and the Federal Reserve System.

A most important part of our debt-management policy has been the program to support the market for Government securities. During the war period, when it was vitally necessary to maintain a market which would absorb vast issues of securities at low interest rates, the Federal Reserve stabilized the market through its open market operations in buying and selling short-term Government securities at low rates of interest. Now that it is no longer necessary for the Government to increase its debt, short-term interest rates have been permitted to rise. A decline has also been permitted in prices of bonds from the premium prices to which they had risen as a result of market demands in the early postwar period. No bonds, however, have been permitted to fall below par and it is the declared purpose to continue active support of Government bonds for the purpose of maintaining an orderly and stable market at a low level of long-term interest rates.

The established policy of supporting the market for Government securities makes it possible for banks to obtain additional reserves, on the basis of which to expand credit, by selling part of their large holdings of securities to the Federal Reserve. This policy, therefore, does not permit the Federal Reserve to make effective use of the traditional method of limiting inflationary movements in the economy by requiring banks to borrow in order to obtain additional reserves and by raising the discount rate charged on such borrowings. The result of such a policy would be an increase in general interest rates. If the rate of interest upon other investments rose, they would become more attractive than Government bonds, both to banks and to other investment holders, who would call upon the Federal Reserve banks to buy bonds. Any purchases by the Reserve System would offset the effects of the restrictive discount rate policy.

In the recent congressional hearings there have been proposals to solve this dilemma by abandoning the support policy and freeing the Federal Reserve banks to bring about an anti-inflationary contraction of credit by increasing the discount rate, as was done in 1920. No such change in

policy should be considered. The financial world should rest easy that the investment market will not be subjected to the demoralization which swept over it in 1920 when the unsupported market for Government bonds fell about 20 percent below par.

Affirmation of a policy of supporting the Government bond market as a continuing program of the Government requires the use of other and less dangerous methods to restrain inflationary bank credit. Voluntary but effective restraint by the banks of inflationary bank credit expansion may prove adequate to the problem. If it does not, more direct action by the Federal Reserve banks will be required. Such actions as may be taken will not involve withdrawing support from the Government bond market.

International economic relations

The far-reaching effects of World War II upon the use of economic resources and upon the trade and business relations between nations will be felt for many years. The enormous destruction of the physical and organizational basis of production spread over most of Europe and parts of Asia, while elsewhere many new industries were developed and old ones stimulated. In the reconstruction process many alterations in the patterns of economic organization and trade relations are taking place. Great Britain is engaged in a difficult task of industrial and trade rehabilitation, while two other former leading industrial nations, Germany and Japan, are now thrust into minor roles.

The relative importance of the United States in the world economy has been greatly enhanced, partly because some of the older great nations have suffered adversity, but primarily because of our own increase in production. Although other nations fortunately possess most of the resources which they need for reconstruction, certain critical resources, such as food and machinery, which are needed to revitalize their productive energies, can be supplemented only by supplies from the United States and other countries of the Western Hemisphere. The program which I have asked Congress to authorize in order to assist European recovery over the next 4 years may make the difference between success and failure of world reconstruction.

The changing economic position of the other industrial nations is of great significance. During the war and its aftermath, many areas that formerly looked to these nations for industrial products have become intent upon their own industrial development. They cannot secure supplies sufficient to meet their increased requirements for capital goods from their traditional trade sources, and they are beckoning increasingly to American machine makers, to American capital, and to American skill in management and production.

A development which we cannot yet evaluate is the growth of the policy of state control of foreign trade in many countries. Because of critical shortages throughout the world there has been little relaxation of the war-time controls over exports, imports, and foreign exchange, and the course of action in some countries indicates a purpose to continue these controls. Our experience, however, shows that the difficulties of trade between a nation with state control and a nation with free enterprise can be surmounted and they can be expected to diminish as goods become more readily available in world markets.

Other developments bound to affect the course of trade are the occupation of Germany and Japan and the emergence of several new independent and self-governing states.

Against this background of new developments we can place the more familiar consideration of our own requirements. For some commodities we must have foreign markets or undertake a serious task of shifting our resources. A substantial part of agricultural and industrial employment is in production for export. On the other hand, our need for imports, especially of raw materials, will increase, notwithstanding our progress in the production of substitutes for such materials as natural rubber and silk, two of our most important prewar imports. The great enlargement in national production which has been portrayed in this Report requires a corresponding increase in those raw materials which come from abroad and in many other goods and services supplied by foreign countries. The heavy drain of war production upon our own natural resources must be remedied by a conservation policy supported by heavier imports, and the national security must be fortified by stockpiles of strategic materials which we do not produce at home.

Undeterred by the uncertainties arising from new political and economic conditions, this Government has been striving consistently to promote recovery and reconstruction efforts which would eventually contribute to mutually profitable and harmonious international economic relations. In addition to relief and reconstruction aid, we have supported within the framework of the United Nations a series of international organizations, such as the International Bank for Reconstruction and Development, the International Monetary Fund, and the Food and Agriculture Organization, to cope with the different categories of economic problems. This vast effort is now well advanced and many of these international organizations are already operating.

Still in process of creation is the International Trade Organization. The draft charter of this organization lays down a code of fair play in the international trade field. Nondiscriminatory and multilateral trade unhampered by high barriers, is the central aim of the proposed organization.

A major step toward this long-range goal is the General Agreement on Tariffs and Trade, recently concluded between ourselves and 22 other countries. This agreement reduces or eliminates preferences affecting a large part of our trade with the British Commonwealth. It provides for reductions of many tariffs and the maintenance of a low rate or free entry on other products. These concessions are protected by provisions designed to prevent participating countries from resorting to alternative means of restriction or discrimination. Like the proposed charter of the International Trade Organization, this agreement will help establish conditions under which world trade can flourish in less troubled times and under which the present reconstruction efforts can be carried forward.

The recovery of foreign production and ability to export, our own high demand for imports, and the international agreements to reduce obstacles to trade may be expected to help other countries buy our products in the future without depending upon the extraordinary financial assistance that is now required. Nevertheless, it is natural and desirable that we maintain some surplus of exports in the years ahead by the steady investment abroad of private capital. It is desirable both from our point of view and that of other countries that we, a country rich in capital, make some of our savings available to areas where capital is needed and where properly safeguarded private investments can earn a good return.

THE TIMING OF ECONOMIC PROGRAMS TO PROMOTE STABILIZATION

While it is most urgent now that we combat inflationary dangers, we cannot wait until the tide turns before considering affirmative measures that will be needed in the future. Economic conditions may turn rapidly, but the formulation, enactment, and initiation of economic and fiscal programs require a considerable amount of time. Prudence demands that we look ahead and prepare for tomorrow while we act for today.

In timing the adoption of measures for long-run prosperity we must give careful consideration to the following principles:

- (1) Certain programs related to national security and foreign policy, to promotion of urgently needed production, and to protection of our natural and human resources against serious economic hazards must go ahead even though Government outlays for foreign or domestic programs contribute to the necessity of anti-inflationary measures.

- (2) Certain adjustments, such as the increase in minimum wages and tax adjustments, are needed in order to mitigate the hardship imposed on those who are the hardest-hit victims of the inflationary price rise.

- (3) Major parts of the proposed expansion in the social security program will be deflationary in the first period after inauguration. Therefore,

there is no reason to postpone the adoption of these urgently needed measures.

(4) Federal, State, and local public works in general should still be deferred wherever feasible. We need, however, certain initial steps immediately to prepare these measures for future years. For instance, the Federal Government and State and local governments should be preparing drawings and specifications for public-works projects to be undertaken when needed. In my budget for the fiscal year 1949, I have included appropriation requests and estimated expenditures in amounts sufficient for the initial steps of new public works.

(5) When the inflationary pressure subsides, we should speed up the programs of resource development, transportation, and urban rehabilitation, and further expand the social security, health, and education programs.

Since our first experience with the Employment Act is occurring under conditions that give priority to measures needed to counteract inflation, we are given time to consider carefully the measures that will aid in meeting the threat of unemployment at some time in the future. But we must not fritter away the time thus granted us. We must not be complacent and believe that the job of employment stabilization has been solved. A boom carries in it the seeds of its own destruction. We must be prepared to act in time if we want to make good our promise and prove to the world as well as ourselves that an economic system of free institutions can be made to work steadily as well as efficiently.

Appendix A

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I. The Nation's Economic Budget

Explanation of the tables

Table I presents the Nation's Economic Budget for calendar years 1939, 1946, and the first and second half of 1947.

TABLE I.—The Nation's Economic Budget

Calendar years 1939, 1946,¹ and 1947

[Billions of dollars, current prices]

| Economic group | 1939 | | | 1946 | | | 1947, seasonally adjusted annual rates | | | | | |
|--|----------|--------------|-------------------------|----------|--------------|-------------------------|--|--------------|-------------------------|--------------------------|--------------|-------------------------|
| | | | | | | | First half | | | Second half ¹ | | |
| | Receipts | Expenditures | Excess (+) or (-) | Receipts | Expenditures | Excess (+) or (-) | Receipts | Expenditures | Excess (+) or (-) | Receipts | Expenditures | Excess (+) or (-) |
| CONSUMERS | | | | | | | | | | | | |
| Disposable income..... | 70.2 | | | 158.4 | | | 170.3 | | | 180.8 | | |
| Expenditures..... | | 67.5 | | | 143.7 | | | 160.0 | | | 160.0 | |
| Saving (+)..... | | | +2.7 | | | +14.8 | | | +10.3 | | | +11.8 |
| BUSINESS | | | | | | | | | | | | |
| Undistributed profits and additions to reserves..... | 8.6 | | | 13.3 | | | 17.4 | | | 17.8 | | |
| Gross private domestic investment..... | | 9.0 | | | 24.6 | | | 29.3 | | | 31.7 | |
| Excess of receipts (+) or investment (-)..... | | | -0.4 | | | -11.3 | | | -11.9 | | | -13.9 |
| INTERNATIONAL | | | | | | | | | | | | |
| Net foreign investment..... | | 0.9 | | | 4.8 | | | 9.4 | | | 8.2 | |
| Excess of receipts (+) or investment (-)..... | | | -0.9 | | | -4.8 | | | -9.4 | | | -8.2 |
| GOVERNMENT | | | | | | | | | | | | |
| (Federal, State, and local) | | | | | | | | | | | | |
| Cash receipts from the public..... | 15.0 | | | 56.5 | | | 59.7 | | | 58.7 | | |
| Cash payments to the public..... | | 17.6 | | | 55.2 | | | 54.2 | | | 52.7 | |
| Excess of receipts (+) or payments (-)..... | | | -2.6 | | | +1.3 | | | +5.5 | | | +6.0 |
| ADJUSTMENTS (To arrive at gross national product) | | | | | | | | | | | | |
| For receipts..... | -3.3 | | -3.3 | -24.5 | | -24.5 | -21.4 | | -21.4 | -19.8 | | -19.8 |
| For payments..... | | -4.5 | +4.5 | | -24.5 | +24.5 | | -26.8 | +26.8 | | -24.1 | +24.1 |
| Total Gross National Product..... | 90.4 | 90.4 | | 203.7 | 203.7 | | 226.1 | 226.1 | | 237.4 | 237.4 | |

¹ Based on incomplete data.

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

Sources. The Nation's Economic Budget is based on the estimates of national income and product by the Department of Commerce, and of

Government cash receipts and payments by the Bureau of the Budget. Corporate profits before and after taxes in the last half of 1947 are the tentative estimates of the Council of Economic Advisers. All estimates for the second half of 1947 are preliminary and subject to revision.

A number of the principal series comprised in the national income and product estimates are shown in appendix B, tables I through IV (by calendar years from 1929 through 1945 and by quarters for 1946 and 1947). Those desiring more detailed information are referred to the National Income Supplement to the Survey of Current Business, published in July of 1947. Appendix A of the Economic Report of January 1947 contains a general description of the income and product flows depicted in the Nation's Economic Budget.

Change in treatment. For purposes of statistical simplification a minor change in treatment has been incorporated in the present estimates of the Nation's Economic Budget from that used in previous reports to the Congress. The Nation's Economic Budget presents Government receipts and expenditures on a cash basis. In estimating business and personal income and expenditures the Department of Commerce does not reckon the transactions of individuals and businesses with the Government on a cash basis; e. g., corporate taxes correspond to liabilities rather than payments. Adjustments were formerly made in the income of business and consumers, as estimated by the Department of Commerce, to place these accounts on a cash basis as far as transactions with the Government are involved, thus making them consistent with the Government accounts in the Budget.

It has been decided, however, that the advantage of conceptual consistency in the Nation's Economic Budget table is outweighed by the complication of having two sets of estimates of income which are similar in purpose and differ only for technical reasons. Consequently, all adjustments are now consolidated in the "adjustment" item at the bottom of the Nation's Economic Budget table, and the consumers' and business account correspond with the Department of Commerce concepts.

The simplification is most important in the business income account. The latter has formerly included a considerable number of adjustment items, mostly representing transactions with the Government, which made the adjusted total differ markedly from the accounting concept of business income. For example, the difference between business tax liabilities and payments to the Government, as well as receipts from the sale of surplus property, were formerly adjustments in business income. The present treatment of business income, which corresponds more closely to business usage, is described below.

The Accounts

Consumer account. Table II below shows the principal sources of personal income, personal taxes, and a break-down of expenditures by important classifications. Consumer income includes the net profits of unincorporated business. Expenditures exclude purchases of new homes but include imputed rent on owner-occupied dwellings.

TABLE II—Consumer account
Calendar years 1939, 1946, and 1947
[Billions of dollars]

| Receipts or expenditures | 1939 | 1946 | 1947 seasonally adjusted annual rates | |
|---|-------------|--------------|---|-----------------------------|
| | | | First half | Second half ¹ |
| Receipts: | | | | |
| Personal income..... | 72.6 | 177.2 | 191.6 | 202.9 |
| Labor income ² | 45.7 | 110.8 | 119.8 | 126.2 |
| Proprietors and rental income..... | 14.7 | 41.8 | 47.1 | 49.0 |
| Dividends and interest..... | 9.2 | 13.3 | 14.0 | 14.8 |
| Transfer payments ³ | 3.0 | 11.3 | 10.8 | 12.9 |
| Veterans ⁴ | | 6.9 | 6.2 | 7.6 |
| Other..... | | 4.4 | 4.5 | 5.2 |
| Less: Personal tax and nontax payments..... | 2.4 | 18.8 | 21.3 | 22.0 |
| Equals: Disposable income..... | 70.2 | 158.4 | 170.3 | 180.8 |
| Expenditures—Total..... | 67.5 | 143.7 | 160.0 | 169.0 |
| Durable goods..... | 6.7 | 14.9 | 18.9 | 20.5 |
| Automobiles and parts..... | 2.1 | 3.6 | 5.7 | 6.4 |
| Household equipment and furniture..... | 3.4 | 7.7 | 9.4 | 10.2 |
| Other..... | 1.2 | 3.6 | 3.9 | 3.9 |
| Nondurable goods..... | 35.3 | 87.1 | 96.6 | 101.7 |
| Food ⁵ | 19.3 | 41.7 | 58.3 | 61.6 |
| Clothing and shoes..... | 7.0 | 18.9 | 19.5 | 20.4 |
| Other nondurable goods..... | 9.0 | 16.5 | 18.8 | 19.7 |
| Services..... | 25.5 | 41.7 | 44.6 | 46.8 |
| Housing..... | 8.9 | 12.7 | 13.1 | 13.9 |
| Other..... | 16.6 | 29.0 | 31.6 | 32.9 |
| Saving..... | 2.7 | 14.8 | 10.3 | 11.8 |

¹ Preliminary estimate based on incomplete data.

² Includes employer disbursements for wages and salaries minus employee contributions for social insurance plus other labor income.

³ Includes business transfers.

⁴ Includes military pension, disability and retirement payments, mustering-out pay, readjustment, self-employment and subsistence allowances, terminal leave bonds, and other miscellaneous payments.

⁵ Includes alcoholic beverages.

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

Business account. The business income account is shown in table III. Business income includes undistributed corporate profits, and the adjustment for corporate inventory valuation, plus capital consumption allowances for all business. Because there is no information on entrepreneurial withdrawals, it is impossible to include an estimate of retained earnings for unincorporated business. Thus the true amount of business saving is understated and personal saving over-estimated by an equal amount. Since investment includes the investment of all business, including the investment of individuals in homes, business income and expenditures are not entirely comparable.

TABLE III—*Business account*

Calendar years 1939, 1946, and 1947

[Billions of dollars]

| Receipts or investment | 1939 | 1946 | 1947 seasonally adjusted annual rates | |
|--|------|-------|---|--------------------------|
| | | | First half | Second half ¹ |
| Receipts: | | | | |
| Corporate profits..... | 6.5 | 21.1 | 28.2 | 27.8 |
| Less: | | | | |
| Corporate profits tax liabilities..... | 1.5 | 8.6 | 11.2 | 11.1 |
| Dividends..... | 3.8 | 5.6 | 6.3 | 6.8 |
| Equals: Corporate undivided profits..... | 1.2 | 6.9 | 10.7 | 9.9 |
| Plus: Capital consumption allowance..... | 8.1 | 11.0 | 12.0 | 12.3 |
| Less: Corporate inventory valuation adjustment..... | .7 | 4.7 | 5.4 | 4.4 |
| Equals: Undistributed profits and additions to reserves..... | 8.6 | 13.3 | 17.4 | 17.8 |
| Domestic gross investment: | | | | |
| Construction..... | 4.0 | 8.5 | 10.0 | 11.2 |
| Residential, nonfarm..... | 2.1 | 3.3 | 4.3 | 5.3 |
| Nonresidential..... | 1.9 | 5.2 | 5.7 | 5.9 |
| Producers' durable equipment..... | 4.6 | 12.4 | 17.3 | 18.0 |
| Change in business inventories..... | .4 | 3.7 | 2.1 | 2.5 |
| Total..... | 9.0 | 24.6 | 29.3 | 31.7 |
| Excess of receipts (+) or investment (-)..... | -.4 | -11.3 | -11.9 | -13.9 |

¹ Preliminary estimate based on incomplete data.

The adjustment for inventory valuation arises out of the definition of gross national product or income. The increase in the physical volume of inventories, measured in current prices, is included as part of the gross output of the economy, and the income derived therefrom as part of the gross national receipts. When prices are rising, the value of inventories increases more than the increase in physical volume, since the value of the existing stock rises as units are sold and replaced at higher costs. Income arises in the form of "windfall" profits which are not derived from current production. The inventory valuation adjustment measures this income. By deducting this adjustment from retained corporate profits, income and output are obtained on a comparable basis. (It should be noted that an adjustment for noncorporate inventory valuation is made in business and professional income by the Department of Commerce.)

The investment items shown in the business account cannot be totaled to indicate 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 any increase in the 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. In addition, some investment in equipment is financed through depreciation allowances and some is charged to current expense. Agricultural equipment is fre-

quently 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.

International account. Net foreign investment equals the excess of goods and services supplied to foreign countries, including income on capital supplied to them, over goods and services received, minus the excess of unilateral transfers to foreign countries over transfers to the United States.

The net balance of unilateral transfers or gifts to foreign countries by the United States Government is included in Government expenditures for goods and services, while private gifts to foreign countries are included under consumers' expenditures in the Nation's Budget. Such transfer expenditures are therefore deducted from exports in order to avoid double counting.

Unilateral transfers do not constitute the entire means of financing exports made available by the Government, but only that portion which is a gift and which consequently does not constitute investment abroad. The total of Government aid used in financing exports in 1946 and 1947 is shown in table 5 page 28 of the text and in greater detail in appendix B, table XXXI. The derivation of net foreign investment from the excess of exports of goods and services is shown in table IV below.

TABLE IV.—*Net exports and net foreign investment*

Calendar years 1939, 1946, and 1947

[Billions of dollars]

| Exports and investment | 1939 | 1946 | Annual rates 1947 | |
|---|------|------|----------------------|-----------------------------|
| | | | First half | Second half ¹ |
| Net exports of goods and services..... | 1.1 | 8.1 | 11.8 | 11.1 |
| Less: Net balance of unilateral transfers: | | | | |
| Government..... | | 2.4 | 1.8 | 2.2 |
| Private..... | .2 | .7 | .6 | .7 |
| Equals: Net balance of payments on current account..... | .9 | 5.0 | 9.4 | 8.2 |
| Less: Adjustment for expenditures in United States territories..... | | .2 | | |
| Equals: Net foreign investment..... | .9 | 4.8 | 9.4 | 8.2 |

¹ Based on incomplete data.

Government account. A break-down of Government cash receipts and payments to show Federal, State, and local governments separately is shown in table V. (The derivation of Federal cash receipts and payments from budgetary receipts and payments, as well as a break-down of Federal payments by functional classification and Federal receipts by source are shown in section II of this appendix.)

Adjustments to receipts and expenditures. The gross national product for any period is the current output of the economy valued at prices to the final user. Gross national expenditure is confined to expenditure for that output, and gross national receipts to income arising from that output. Expenditures or receipts arising from the sale of assets existing at the be-

TABLE V.—Government cash receipts and payments to the public
Calendar years 1939, 1946, and 1947
[Billions of dollars]

| Receipts or payments | 1939 | 1946 | 1947 seasonally adjusted annual rates | |
|------------------------------------|------|------|---------------------------------------|--------------------------|
| | | | First half | Second half ¹ |
| Receipts: | | | | |
| Federal..... | 6.6 | 45.5 | 47.7 | 46.1 |
| State and local ² | 8.4 | 11.0 | 12.0 | 12.6 |
| Total receipts..... | 15.0 | 56.5 | 59.7 | 58.7 |
| Payments: | | | | |
| Federal..... | 9.5 | 45.3 | 42.7 | 39.9 |
| State and local ² | 8.1 | 9.9 | 11.5 | 12.8 |
| Total payments..... | 17.6 | 55.2 | 54.2 | 52.7 |
| Surplus (+) or deficit (—)..... | −2.5 | +1.4 | +5.5 | +6.0 |

¹ Based on incomplete data.

² Excludes Federal grants in aid.

ginning of the period are not included in these concepts, nor are sums transferred in the form of gifts, pensions, annuities, etc.

Tables VI and VII show the deduction which must be made from the sum total of receipts and of expenditures to eliminate capital transactions, transfer payments, and double counting in the estimate of the gross output or income.

TABLE VI.—Adjustments to receipts (or income) in the Nation's Economic Budget
Calendar years 1939, 1946, and 1947
[Billions of dollars]

| Description | 1939 | 1946 | 1947 seasonally adjusted annual rates | |
|---|-------|-------|---------------------------------------|--------------------------|
| | | | First half | Second half ¹ |
| Total receipts (or income)..... | 93.8 | 228.2 | 247.4 | 257.3 |
| Less: Income not derived from current production of goods and services: | | | | |
| (a) Net interest payments by government..... | 1.2 | 4.5 | 4.5 | 4.5 |
| (b) Transfer payments to individuals..... | 2.5 | 10.8 | 10.3 | 12.4 |
| (c) Subsidies less current surplus of Government enterprises..... | .5 | .8 | ----- | −.1 |
| (d) Receipts from sale of surplus property..... | ----- | 1.3 | 4.1 | 2.1 |
| Adjustments to Government cash receipts ² | −.4 | 5.0 | 0.0 | .5 |
| Statistical discrepancy..... | −.5 | 2.1 | 2.5 | .4 |
| Equals: Gross national receipts..... | 90.4 | 203.7 | 226.1 | 237.4 |

¹ Based on incomplete data.

² Includes excess of Government receipts over liabilities on corporate income taxes, and of Government receipts over personal tax payments, minus contributions to Government retirement funds, National Service Life Insurance, and Government Life Insurance. The last 3 items are noncash in nature and consequently are not included in cash receipts of the Government, but must be included in the gross national income.

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

The constant dollar estimates

Transforming the current dollar estimates in the Nation's Economic Budget into constant dollar equivalents necessitated the use of special price

TABLE VII.—*Adjustments to expenditures in the Nation's Economic Budget*

Calendar years 1939, 1946, and 1947

[Billions of dollars]

| Description | 1939 | 1946 | 1947 seasonally adjusted annual rates | |
|--|------|-------|---|-----------------------------|
| | | | First half | Second half ¹ |
| Total expenditures of consumers, business, and government..... | 95.0 | 228.3 | 252.9 | 261.6 |
| Less: Government transfer payments— | | | | |
| To individuals ² | 2.5 | 10.8 | 10.3 | 12.4 |
| To business ³ | 1.1 | 2.6 | .8 | .6 |
| Abroad ⁴ | — .2 | 3.6 | 9.0 | 5.3 |
| Government cash interest payments..... | 1.4 | 4.3 | 4.1 | 4.4 |
| Tax refunds..... | .1 | 4.0 | 3.2 | 2.0 |
| Other adjustments ⁵ | — .5 | — .9 | — .7 | — .6 |
| Equals: Expenditures for gross national product..... | 90.4 | 203.7 | 226.1 | 237.4 |

¹ Based on incomplete data.² Includes payments to social insurance beneficiaries, veterans' pensions, and readjustment allowances, etc. Agrees with the Commerce concept of transfers to individuals.³ Includes Government subsidies, domestic sales of consumer-type surplus property, net receivables, and capital transactions. (Purchases of consumer-type surplus property are included in consumer expenditures. Hence a deduction is made to avoid double-counting.)⁴ Includes loans to foreign governments and subscriptions to the International Fund and Bank, and sales of surplus property abroad.⁵ Includes the net expenditures of Government corporations which do not represent capital formation, plus payments from deposit accounts set up by military and civilian personnel overseas, less noncash expenditures for goods and services.

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

indexes because of the variety of types of incomes and expenditures involved. (See page 55 of text.) These indexes were constructed by breaking expenditures down into a large number of components, and deflating each by the most appropriate price index. The implicit index of price change for each account, consumers, business, and Government, could then be determined from the sum of the deflated components. This "implicit" index was used to adjust the income in each account.

The usefulness of the estimates of National Income and Product would be greatly increased if it were possible to present the key series in terms of constant as well as current dollars in all recent years. However, at the present time no price indexes adjusted to take account of the differences in the composition of war output and civilian type output are available. Comparisons between 1947 and 1939 are more satisfactory since the present composition of production is more similar to that of 1939 than to that of the war years.

II. The Federal Budget

Table VIII shows the Federal cash surplus for calendar years 1946, 1947, and the anticipated surplus for calendar 1948. The 1948 estimate is based on the assumption of continued high levels of employment and income, no changes in tax legislation, and the enactment of the Presidential recom-

mendations for new legislation as set forth in the budget message for fiscal 1949. Estimates of the main sources of cash revenue for the same years are shown in table IX, while table X shows expenditures by function insofar as this was feasible with available information.

Tables XI and XII contain a reconciliation between budgetary receipts and cash receipts and between budgetary payments and cash payments, respectively. The budgetary accounts contain some receipts and expenditures, which have no immediate economic impact, being merely accounting entries from the standpoint of the economy as a whole. For example, funds may be transferred from the general and special accounts to the trust accounts without affecting transactions with the public, or funds may be set aside for interest accruing but not yet payable. The cash receipts and payments, on the other hand, present Government operations on a consolidated basis. Transactions between various types of accounts are eliminated, as well as various types of expenditure which do not involve receipt or payment of cash. The estimates of cash receipts from and payments to the public are more informative for purposes of economic analysis than are the conventional budgetary concepts; the cash concepts are consequently used in the Nation's Economic Budget.

TABLE VIII.—*Federal cash surplus*

Calendar years 1946, 1947, and 1948

[Billions of dollars]

| Receipts or payments | 1946 | 1947 ¹ | 1948 ² |
|----------------------|------|-------------------|-------------------|
| Receipts..... | 45.5 | 46.9 | 49.2 |
| Payments..... | 45.3 | 41.3 | 40.4 |
| Cash surplus..... | + .2 | +5.6 | +8.8 |

¹ Based on actual data through mid-December.

² See footnote 2, tables IX and X below.

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

Calendar years 1946, 1947, and 1948

[Billions of dollars]

| Source | 1946 actual | 1947 estimate ¹ | 1948 estimate ² |
|-------------------------------------|----------------|-------------------------------|-------------------------------|
| Personal income taxes..... | 18.8 | 21.0 | 23.1 |
| Corporation income taxes..... | 11.1 | 9.2 | 10.1 |
| Employment taxes ³ | .5 | .7 | .9 |
| Excises and customs..... | 7.7 | 7.7 | 7.6 |
| Miscellaneous receipts..... | 3.4 | 4.7 | 3.6 |
| Receipts of trust accounts..... | 4.0 | 3.7 | 3.9 |
| Total cash receipts..... | 45.5 | 46.9 | 49.2 |

¹ Based on actual data through mid-December.

² Assumes no changes in tax legislation and continued high levels of employment and income.

³ Excludes amounts transferred to trust accounts.

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

TABLE X.—*Federal cash payments to the public*

Calendar years 1946, 1947, and 1948

[Billions of dollars]

| Payment | 1946 actual | 1947 estimate ¹ | 1948 estimate ² |
|--|----------------|-------------------------------|-------------------------------|
| Budget account: | | | |
| National defense..... | 21.1 | 12.8 | 11.0 |
| Veterans' services and benefits..... | 5.2 | 6.6 | 6.4 |
| International affairs and finance..... | 3.0 | 5.9 | 6.9 |
| Interest on the public debt..... | 3.9 | 3.9 | 3.9 |
| Refunds of receipts..... | 4.0 | 2.6 | 2.0 |
| Other..... | 4.4 | 5.6 | 7.1 |
| Trust accounts..... | 5.1 | 2.8 | 3.0 |
| Exchange Stabilization Fund..... | | 1.5 | .3 |
| Deductions from Federal employees' salaries for retirement..... | — .3 | — .2 | — .2 |
| Clearing account for outstanding checks and telegraphic reports..... | — .4 | + .2 | |
| Adjustment to daily Treasury statement basis..... | — .7 | — .3 | |
| Total payments to the public..... | 45.3 | 41.3 | 40.4 |

¹ Based on actual data through November 1947.² Includes anticipated Presidential recommendations for new legislation.

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

TABLE XI.—*Reconciliation of Budget receipts with cash receipts from the public*Calendar year 1947 ¹

[Billions of dollars]

| Description | |
|--|------|
| Net budget receipts..... | 44.0 |
| Trust account receipts..... | 6.7 |
| Total recorded receipts..... | 50.7 |
| Less: Intragovernmental transactions: | |
| Payments to U. S. Treasury (miscellaneous receipts) by Government enterprises..... | .7 |
| Transfers from general fund to trust accounts..... | 1.5 |
| Interest received by trust funds on investments in United States securities..... | .6 |
| Receipts from sale of surplus vessels transferred to U. S. Treasury (miscellaneous receipts) but also recorded as a trust account receipt and expenditure..... | .6 |
| Less: Recorded receipts not paid in cash by the public: | |
| Deductions from Federal employees' salaries for retirement funds..... | .2 |
| National Service Life Insurance premiums paid with terminal leave bonds prior to general redemption date..... | .1 |
| Equals: Cash receipts from the public ² | 46.9 |

¹ Based on actual data through November.² Excluding borrowing.

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

TABLE XII.—*Reconciliation of Budget expenditures with cash payments to the public*Calendar year 1947¹

[Billions of dollars]

| <i>Description</i> | |
|--|------------------|
| Budget expenditures..... | 41.5 |
| Trust account expenditures..... | 7.0 |
| Exchange Stabilization Fund expenditures..... | 1.8 |
| Total recorded expenditures..... | 50.3 |
| Clearing account for outstanding checks and telegraphic reports..... | .2 |
| Adjusted total, recorded expenditures..... | 50.6 |
| Less: Intragovernmental transactions: | |
| Payments to U. S. Treasury (miscellaneous receipts) by Government enterprises..... | .7 |
| Transfers from general fund to trust accounts..... | 1.5 |
| Interest received by trust funds on investments in United States securities..... | .6 |
| Investments of trust funds and Government enterprises in United States securities..... | 3.5 |
| Receipts from sale of surplus vessels transferred to U. S. Treasury (miscellaneous receipts) but also recorded as trust account expenditure..... | .6 |
| 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..... | 1.4 |
| Subscriptions in non-interest-bearing notes to Bretton Woods Organization from General and Exchange Stabilization Funds..... | 2.1 |
| Plus: Cash payments not recorded as expenditures: | |
| Redemption of excess profits tax bonds and adjusted service certificates..... | (²) |
| Terminal leave bonds redeemed for cash..... | 1.2 |
| Redemption of notes by Bretton Woods Organizations..... | .8 |
| Expenditures of Government enterprises from proceeds of sales of obligations in the market..... | — .2 |
| Equals: Cash payments to the public..... | 41.3 |

¹ Based on actual data through November.² Less than 50 million dollars.

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

III. The Distribution of Income, Prewar and Postwar

There has been little opportunity to compare the distribution of income in the United States over a number of years because the results of various surveys are not readily comparable. Sample studies of income, national in scope, were made in 1935-36, 1941, 1944, 1945, and 1946. The estimates presented in this report are the result of an attempt to revise and arrange the data to make them as nearly comparable as possible. Distributions for the wartime years were not included in the present analysis because the pattern of family structure and income was abnormal during the war period. The following paragraphs describe the procedure that was used to compare the income distribution in the years 1935-36, 1941, and 1946. The results obtained are still subject to further refinement and revision but they are probably reliable enough to indicate the general changes that have taken place in the distribution of income and are believed to substantiate the conclusions presented in the text.

Income distributions used for prewar and postwar comparisons

The estimates for 1946 used for these comparisons are based on the second Survey of Consumer Finances by the Board of Governors of the Federal Reserve System. This survey, covering a national sample of 3,000 households, shows the distribution of money income for the civilian population by income level for the calendar year. The results are presented both for spending units and for family units. Family units, including single individuals, form the basis of classification used in the present analysis. (*Federal Reserve Bulletin*, July 1947, pages 791 and 802.)

While the small Federal Reserve survey is sufficient to derive useful estimates on an over-all basis, larger surveys by the Bureau of the Census and the Bureau of Agricultural Economics in 1946 include distributions by family size, occupational group, size of community, and other breakdowns, significant both in themselves and for general income analysis. These data have not been utilized in the present report since the results are not yet available on a national basis. Preliminary tabulations from the Census sample of urban families, however, appear to substantiate the findings of the Federal Reserve study.

For 1941 the distributions shown here are derived from the Study of Family Spending and Saving in Wartime, conducted jointly by the Bureau of Labor Statistics and the Bureau of Human Nutrition and Home Economics. This survey also covered a national sample of about 3,000 households, with distributions for families and single individuals by money-

income levels. (Bureau of Labor Statistics, Bulletin 822, tables 1 and 3, pp. 68 and 71, and pp. 22-34.)

For 1935-36, use has been made of unpublished distributions prepared by the Research Division of the Office of Price Administration, based on the National Resources Committee's study, *"Consumer Incomes in the United States."*¹

Adjustments for comparability of population coverage

In each of these basic studies, the results are presented in terms of national coverage, with estimates showing the total number of family units in the population. The population weights used in expanding the sample data differ in coverage and are otherwise not on a comparable basis.² They were therefore revised to insure comparability, and now include the total number of families and single individuals at the end of each year; that is, on June 30, 1936, and December 31, 1941 and 1946.³

¹ The revision of the original distributions (which in turn were based on the large-scale sample survey of consumer purchases and on income-tax statistics) involved the following steps: (1) Eliminating imputed items of income to give estimates by levels of money income; (2) Revising the "tail" of the distributions on the basis of Treasury income-tax tabulations not available when the NRC report was prepared; (3) Revising the distributions for single individuals on the basis of further analysis of incomes of occupational groups; (4) Adjusting the distributions to cover revised estimates of the total number of families and single consumers, based on the 1940 Census; and (5) Adjusting the distributions below the "tail" to bring the total income for all family units up to the total derived from the Department of Commerce monthly series on income payments to individuals. The revisions were carried through separately for families and single individuals.

² The studies for 1941 and 1946 were limited to families and single individuals in private households, excluding those living in rooming houses, hotels, clubs, labor camps, and other types of quasi households. Both of these reports, moreover, under-represent the number of single individuals in private households. The estimates for all three years differ in the treatment of the time period covered; the 1946 figures apply to the population at the end of the year (or the beginning of 1947), those for 1935-36 to the average for the 12-month period, and those for 1941 to the yearly average with part-year families and individuals converted to a full-year-equivalent basis.

³ These estimates were based on the results of recent sample surveys by the Census Bureau, on the decennial censuses of 1930 and 1940, and on monthly or semiannual estimates of the civilian noninstitutional population and the number of primary families in private households, issued currently by the Census Bureau.

The definition of the family used in preparing the weights conforms to that used by the Census Bureau for family units of two or more persons; individuals classified by the Census as one-person private families are included with other single individuals—that is, with those living as lodgers or paid help in private and quasi households. The estimates cover all persons in the continental population except inmates of institutions and Armed Forces personnel in military posts or overseas.

The resulting figures for the three years are as follows:

| Year | Families and single individuals | Families (2 or more persons) | Single individuals |
|--------------|---------------------------------|------------------------------|--------------------|
| 1935-36..... | 38, 410, 000 | 30, 430, 000 | 7, 980, 000 |
| 1941..... | 41, 030, 000 | 32, 880, 000 | 8, 150, 000 |
| 1946..... | 43, 330, 000 | 35, 860, 000 | 7, 470, 000 |

The basic income distributions for each year were then adjusted to cover the revised population weights. For 1935-36 the revisions required in the OPA estimates were minor. For the two later years, however, the adjustments involved a substantial increase in the number of single consumers, with some reduction in the number of families for 1941 and some increase for 1946. For lack of evidence to the contrary, the changes were allocated by income level so as to maintain the original percentage distributions of family units.⁴

Adjustments of aggregate income covered

The adjustments for population coverage resulted in some increase in the aggregate amount of income accounted for in the distributions for each year studied. Nevertheless, the revised figures still fell short of the national totals of civilian noninstitutional money income derived from the personal-income series prepared by the Department of Commerce.

A further adjustment of the distributions was therefore required to place them on a more comparable basis with respect to income coverage. This adjustment also was necessarily made on an arbitrary basis, by assuming that incomes at all levels were under-reported by the same percent. While there is evidence that some under-reporting is apt to occur at all income levels, it is probable that the proportion tends to be greater at the higher levels. In both the 1941 and the 1946 studies special measures were adopted to minimize this bias as fully as possible, but with the information now at

⁴For 1941 (and 1935-36), it was possible to handle the adjustment for families and single consumers separately. This procedure, however, was not possible for 1946, since the Federal Reserve estimates were available only for all family units combined. Thus, while the results for 1941 are probably fairly reliable, the adjustment for 1946 involves some upward bias, since the original distribution used to allocate the additional single consumers by income level was heavily weighted by families of two or more persons.

hand it is impossible to evaluate the success of these measures.⁵ Pending the completion of detailed analysis of these survey data and comparison with data from the 1946 income surveys of the Bureaus of the Census and Agricultural Economics and with income-tax returns and other statistical series, it seems inadvisable to attempt differential adjustments by income levels.

The percentage expansion of the total amount of income at each income level was made for each year on the basis of the combined distributions for families and single consumers. For 1946, the expansion (after adjustment for population coverage) was 16 percent, for 1941 it was 13.5 percent, and for 1935-36, due to the refinements already made in the distributions, it was only about 1.5 percent.

Comparison of shares of income

From these adjusted income-level figures, the proportion of the total income going to each fifth of families and single individuals ranked in order of their cash income was estimated for each year. These percentages are shown below.

| Families and single individuals grouped from lowest to highest income | Percentage of total civilian money income | | |
|---|---|------|------|
| | 1935-36 | 1941 | 1946 |
| Lowest fifth..... | 4.0 | 3.4 | 4.4 |
| Second fifth..... | 8.7 | 8.7 | 10.6 |
| Third fifth..... | 13.6 | 15.3 | 16.0 |
| Fourth fifth..... | 20.5 | 22.0 | 22.1 |
| Highest fifth..... | 53.2 | 50.6 | 46.9 |

An average income for each fifth of the population may be obtained from these proportionate shares of income for each period. Comparisons of income among various years require a further adjustment, however, since the purchasing power of income changes from year to year, altering the real value of money incomes. This was especially marked over the period we are considering. To adjust for changes in purchasing power, the aggregates of income were raised in 1935-36 and 1941 to the price

⁵ For methods of sampling at high income levels in 1946, see pp. 662, 663, *Federal Reserve Bulletin*, June 1947. The adjustments made for refusal rates by income level and for mean incomes at higher levels in the 1941 study are described in Bureau of Labor Statistics bulletin 822, pages 22 through 28.

level of the year 1946. By applying the percentages shown in the table above to the aggregates expressed in 1946 dollars, and dividing by the number of families in each fifth, average family income in constant dollars for each fifth of the population was obtained. The aggregate money income of civilians for each period, in current dollars, and after adjustment for price change, is shown below.

| Year | Aggregate money income of civilians | |
|---------------|--|---|
| | Billions of dollars in current prices ¹ | Billions of dollars in 1946 prices ² |
| 1935-36 | 58.9 | 85.6 |
| 1941 | 88.3 | 120.3 |
| 1946 | 164.9 | 164.9 |

¹ Derived from the personal income series of the National Income Division, Department of Commerce. Represents money income of civilian noninstitutional population.

² Adjusted for price changes according to the BLS consumer price index.

The estimates for 1946 are also presented in the form of a distribution of families and single individuals by money-income level in table 3, page 19 of the text.

Appendix B

Statistical Tables Relating to Employment, Production, and Purchasing Power

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Statistical Tables Relating to Employment, Production, and Purchasing Power

TABLE I.—*Gross national product or expenditure, 1929-47*

[Billions of dollars]

| Year or quarter | 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..... | 210.6 | 110.4 | 5.7 | -2.1 | 96.6 |
| 1945..... | 213.1 | 121.7 | 9.1 | -.8 | 83.1 |
| 1946..... | 203.7 | 143.7 | 24.6 | 4.8 | 30.6 |
| 1947 ¹ | 231.8 | 164.5 | 30.5 | 8.8 | 28.0 |
| Seasonally adjusted annual rates | | | | | |
| 1946—First quarter..... | 191.7 | 134.3 | 18.6 | 3.3 | 35.4 |
| Second quarter..... | 197.0 | 138.2 | 22.3 | 6.1 | 30.3 |
| Third quarter..... | 207.5 | 147.3 | 27.0 | 4.5 | 28.6 |
| Fourth quarter..... | 218.6 | 154.9 | 30.4 | 5.2 | 28.2 |
| 1947—First quarter..... | 223.1 | 158.0 | 29.4 | 8.3 | 27.4 |
| Second quarter..... | 229.1 | 162.0 | 29.1 | 10.5 | 27.5 |
| Third quarter..... | 232.3 | 166.0 | 30.4 | 7.7 | 28.2 |
| Fourth quarter ¹ | 242.5 | 172.0 | 33.0 | 8.5 | 29.0 |

¹ Estimates based on incomplete data.

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

Source: Department of Commerce.

TABLE II.—National income by distributive shares, 1929–47

[Billions of dollars]

| Year or quarter | Total national income ¹ | Compensation of employees ² | Proprietors' and rental income | | | | Corporate profits and inventory valuation adjustment | | | | | Net interest |
|-----------------------------------|------------------------------------|--|--------------------------------|--|------|--------------------------|--|---------------------------------|----------------------------|--------------------------------|--------------------------------|--------------|
| | | | Total ³ | Business and professional ³ | Farm | Rental income of persons | Total | Corporate profits | | | Inventory valuation adjustment | |
| | | | | | | | | Profits before tax ⁴ | Tax liability ⁴ | Profits after tax ⁴ | | |
| 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 | -1.8 | .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 | -1.4 | -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..... | 182.3 | 121.2 | 34.4 | 15.3 | 12.4 | 6.7 | 23.5 | 23.8 | 13.9 | 9.9 | - .4 | 3.2 |
| 1945..... | 182.8 | 122.9 | 37.1 | 16.7 | 13.5 | 7.0 | 19.7 | 20.2 | 11.3 | 8.9 | - .5 | 3.1 |
| 1946..... | 178.2 | 116.8 | 41.8 | 19.7 | 15.2 | 6.9 | 16.5 | 21.1 | 8.6 | 12.5 | -4.7 | 3.2 |
| 1947 ⁶ | 203.0 | 128.5 | 48.1 | 22.5 | 18.3 | 7.3 | 23.1 | 28.0 | 11.1 | 16.9 | -4.9 | 3.4 |
| Seasonally adjusted annual rates | | | | | | | | | | | | |
| 1946—First quarter..... | 168.2 | 111.5 | 39.4 | 18.5 | 14.1 | 6.9 | 14.2 | 15.2 | 6.1 | 9.1 | -1.0 | 3.1 |
| Second quarter..... | 173.5 | 114.0 | 39.2 | 18.6 | 13.8 | 6.8 | 17.2 | 19.4 | 8.0 | 11.5 | -2.3 | 3.2 |
| Third quarter..... | 179.9 | 119.2 | 41.9 | 19.9 | 15.2 | 6.8 | 15.6 | 22.9 | 9.3 | 13.5 | -7.3 | 3.2 |
| Fourth quarter..... | 191.0 | 122.2 | 46.7 | 22.0 | 17.8 | 7.0 | 18.8 | 27.1 | 11.0 | 16.1 | -8.3 | 3.2 |
| 1947—First quarter..... | 197.6 | 124.9 | 47.0 | 22.4 | 17.6 | 7.0 | 22.4 | 29.0 | 11.6 | 17.4 | -6.6 | 3.3 |
| Second quarter..... | 200.1 | 126.3 | 47.2 | 21.9 | 18.0 | 7.2 | 23.3 | 27.4 | 10.8 | 16.6 | -4.1 | 3.3 |
| Third quarter..... | 203.3 | 129.7 | 47.3 | 22.1 | 17.9 | 7.3 | 22.9 | 27.4 | 10.8 | 16.6 | -4.5 | 3.4 |
| Fourth quarter ⁶ | 211.1 | 133.0 | 50.7 | 23.5 | 19.5 | 7.7 | 23.9 | 28.2 | 11.4 | 16.8 | -4.3 | 3.5 |

¹ 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 excluding depreciation charges and other allowances for business and institutional consumption of durable capital goods.

² Includes wages and salaries, employer contributions for social insurance, and other labor income.

³ Includes noncorporate inventory valuation adjustment.

⁴ Federal and State income and excess-profits taxes.

⁵ Less than 50 million dollars.

⁶ Estimates based on incomplete data.

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

Source: Department of Commerce.

TABLE III.—*Personal income, 1929-47*

[Billions of dollars]

| Year or quarter | Total personal income | Wage and salary receipts ¹ | Other labor income ² | Proprietors' and rental income | Dividends | Personal interest income | Transfer payments |
|-----------------------------------|-----------------------|---------------------------------------|---------------------------------|--------------------------------|-----------|--------------------------|-------------------|
| 1929..... | 85.1 | 50.0 | 0.5 | 19.7 | 5.8 | 7.5 | 1.5 |
| 1930..... | 76.2 | 45.7 | .5 | 15.7 | 5.5 | 7.1 | 1.5 |
| 1931..... | 64.8 | 38.7 | .5 | 11.8 | 4.1 | 7.0 | 2.7 |
| 1932..... | 49.3 | 30.1 | .4 | 7.4 | 2.6 | 6.6 | 2.2 |
| 1933..... | 46.6 | 28.7 | .4 | 7.2 | 2.1 | 6.2 | 2.1 |
| 1934..... | 53.2 | 33.4 | .4 | 8.7 | 2.6 | 6.0 | 2.2 |
| 1935..... | 59.9 | 36.3 | .4 | 12.1 | 2.9 | 5.7 | 2.4 |
| 1936..... | 68.4 | 41.6 | .5 | 12.6 | 4.6 | 5.6 | 3.5 |
| 1937..... | 74.0 | 45.4 | .5 | 15.4 | 4.7 | 5.6 | 2.4 |
| 1938..... | 68.3 | 42.3 | .5 | 14.0 | 3.2 | 5.5 | 2.8 |
| 1939..... | 72.6 | 45.1 | .5 | 14.7 | 3.8 | 5.4 | 3.0 |
| 1940..... | 78.3 | 48.9 | .6 | 16.3 | 4.0 | 5.4 | 3.1 |
| 1941..... | 95.3 | 60.9 | .6 | 20.8 | 4.5 | 5.4 | 3.1 |
| 1942..... | 122.2 | 80.5 | .7 | 28.1 | 4.3 | 5.4 | 3.2 |
| 1943..... | 149.4 | 103.5 | .9 | 32.1 | 4.5 | 5.5 | 3.0 |
| 1944..... | 164.9 | 114.9 | 1.3 | 34.4 | 4.7 | 6.0 | 3.6 |
| 1945..... | 171.6 | 115.2 | 1.5 | 37.1 | 4.8 | 6.8 | 6.2 |
| 1946..... | 177.2 | 109.2 | 1.6 | 41.8 | 5.6 | 7.7 | 11.3 |
| 1947 ³ | 197.2 | 121.2 | 1.8 | 48.1 | 6.6 | 7.9 | 11.8 |
| Seasonally adjusted annual rates | | | | | | | |
| 1946—First quarter..... | 168.7 | 102.6 | 1.6 | 39.4 | 5.1 | 7.6 | 12.5 |
| Second quarter..... | 172.5 | 107.0 | 1.6 | 39.2 | 5.4 | 7.7 | 11.6 |
| Third quarter..... | 179.5 | 111.8 | 1.6 | 41.9 | 5.6 | 7.7 | 10.9 |
| Fourth quarter..... | 187.5 | 115.4 | 1.6 | 46.7 | 5.9 | 7.7 | 10.3 |
| 1947—First quarter..... | 190.9 | 117.4 | 1.7 | 47.0 | 6.2 | 7.8 | 10.9 |
| Second quarter..... | 192.3 | 118.7 | 1.8 | 47.2 | 6.3 | 7.8 | 10.6 |
| Third quarter..... | 200.4 | 122.7 | 1.8 | 47.3 | 6.5 | 7.9 | 14.2 |
| Fourth quarter ⁴ | 205.3 | 126.0 | 1.9 | 50.7 | 7.2 | 8.0 | 11.5 |

¹ Total employer disbursements less employee contributions for social insurance.² Includes 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.³ Estimates based on incomplete data.

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

Source: Department of Commerce.

TABLE IV.—Disposition of personal income, 1929-47

| Year or quarter | Personal income | Less: Personal tax and nontax payments | Equals: Disposable personal income | Less: Personal consumption expenditures | Equals: Personal saving | 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 | - | - |
| 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..... | 164.9 | 18.9 | 146.0 | 110.4 | 35.6 | 24.4 |
| 1945..... | 171.6 | 20.9 | 150.7 | 121.7 | 29.0 | 19.2 |
| 1946..... | 177.2 | 18.8 | 158.4 | 143.7 | 14.8 | 9.3 |
| 1947 ¹ | 197.2 | 21.7 | 175.6 | 164.5 | 11.1 | 6.3 |
| Seasonally adjusted annual rates | | | | | | |
| 1946—First quarter..... | 168.7 | 17.8 | 150.9 | 134.3 | 16.6 | 11.0 |
| Second quarter..... | 172.5 | 18.7 | 153.8 | 138.2 | 15.5 | 10.1 |
| Third quarter..... | 179.5 | 19.1 | 160.4 | 147.3 | 13.1 | 8.2 |
| Fourth quarter..... | 187.5 | 19.5 | 168.0 | 154.9 | 13.1 | 7.8 |
| 1947—First quarter..... | 190.9 | 21.2 | 169.7 | 158.0 | 11.7 | 6.9 |
| Second quarter..... | 192.3 | 21.4 | 170.9 | 162.0 | 8.9 | 5.2 |
| Third quarter..... | 200.4 | 21.7 | 178.7 | 166.0 | 12.7 | 7.1 |
| Fourth quarter..... | 205.3 | 22.3 | 183.0 | 172.0 | 11.0 | 6.0 |

¹ Estimates based on incomplete data.

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

Source: Department of Commerce.

TABLE V.—*Per capita disposable income in current dollars and first half of 1947 dollars, 1929-47*

| Year or quarter | Disposable personal income (billions of dollars) | Population (thousands) ¹ | Consumers' price index, 1st half of 1947=100 | Per capita disposable personal income | |
|-----------------------------------|--|-------------------------------------|--|---------------------------------------|---------------------------------------|
| | | | | Current dollars | 1st half of 1947 dollars ² |
| 1929..... | 82.5 | 121,770 | 78.8 | 678 | 860 |
| 1930..... | 73.7 | 123,077 | 76.8 | 599 | 780 |
| 1931..... | 63.0 | 124,040 | 69.9 | 508 | 727 |
| 1932..... | 47.8 | 124,840 | 62.8 | 383 | 610 |
| 1933..... | 45.2 | 125,579 | 59.5 | 360 | 605 |
| 1934..... | 51.6 | 126,374 | 61.6 | 408 | 662 |
| 1935..... | 58.0 | 127,250 | 63.1 | 456 | 723 |
| 1936..... | 66.1 | 128,053 | 63.8 | 516 | 809 |
| 1937..... | 71.1 | 128,825 | 66.1 | 552 | 835 |
| 1938..... | 65.5 | 129,825 | 64.9 | 505 | 778 |
| 1939..... | 70.2 | 130,880 | 64.0 | 536 | 838 |
| 1940..... | 75.7 | 131,970 | 64.5 | 574 | 890 |
| 1941..... | 92.0 | 133,203 | 67.7 | 691 | 1,021 |
| 1942..... | 116.2 | 134,665 | 75.0 | 863 | 1,151 |
| 1943..... | 131.6 | 136,497 | 79.5 | 964 | 1,211 |
| 1944..... | 146.0 | 138,083 | 80.8 | 1,057 | 1,308 |
| 1945..... | 150.7 | 139,586 | 82.6 | 1,080 | 1,306 |
| 1946..... | 158.4 | 141,229 | 89.6 | 1,122 | 1,251 |
| 1947 ³ | 175.6 | 144,002 | 102.4 | 1,219 | 1,190 |
| | Seasonally adjusted annual rates | | Not adjusted for seasonal variation ⁴ | Seasonally adjusted annual rates | |
| 1946—First quarter..... | 150.9 | 140,549 | 83.6 | 1,074 | 1,285 |
| Second quarter..... | 153.8 | 140,985 | 84.9 | 1,091 | 1,284 |
| Third quarter..... | 160.4 | 141,547 | 92.5 | 1,133 | 1,225 |
| Fourth quarter..... | 168.0 | 142,288 | 97.4 | 1,181 | 1,211 |
| 1947—First quarter..... | 169.7 | 143,030 | 99.3 | 1,186 | 1,194 |
| Second quarter..... | 170.9 | 143,672 | 100.6 | 1,190 | 1,183 |
| Third quarter..... | 178.7 | 144,356 | 103.5 | 1,238 | 1,196 |
| Fourth quarter ⁵ | 183.0 | 145,013 | 106.2 | 1,262 | 1,188 |

¹ Estimated population of continental United States, including armed forces overseas; annual data as of July 1 and quarterly data as of middle of quarter.

² Current dollars divided by the consumers' price index on the base first half of 1947=100 to give a rough measure of changes in buying power of disposable income.

³ Estimates based on incomplete data.

⁴ A small part of the increase may be seasonal.

⁵ Interpolated from published data.

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

TABLE VI.—*Real disposable income, food consumption, and real farm income, per capita, 1929–47*

[1935–39=100]

| Year | Real disposable income ¹ (per capita) | Civilian food consumption ² (per capita) | Net income from farm marketing to persons on farms ³ (per capita) |
|-----------|---|--|---|
| 1929..... | 108 | 102 | 101 |
| 1930..... | 98 | 100 | 81 |
| 1931..... | 91 | 100 | 64 |
| 1932..... | 77 | 98 | 49 |
| 1933..... | 76 | 97 | 62 |
| 1934..... | 83 | 99 | 65 |
| 1935..... | 91 | 96 | 92 |
| 1936..... | 102 | 99 | 99 |
| 1937..... | 105 | 100 | 110 |
| 1938..... | 98 | 100 | 96 |
| 1939..... | 105 | 104 | 103 |
| 1940..... | 112 | 105 | 105 |
| 1941..... | 128 | 108 | 141 |
| 1942..... | 144 | 108 | 182 |
| 1943..... | 152 | 107 | 222 |
| 1944..... | 164 | 112 | 213 |
| 1945..... | 164 | 114 | 209 |
| 1946..... | 157 | 118 | 210 |
| 1947..... | 149 | 117 | 201 |

¹ Computed from the deflated dollar figures in appendix B, table V.² Based on the retail weight equivalent, weighted by average retail prices for the base period, 1935–39. Consumption is for total population, 1929–40; civilian only, beginning 1941.³ Realized net income of farm operators plus adjustments for inventory changes and wages to hired workers living on farms divided by farm population of the United States as of January 1 was adjusted for changes in prices paid by farmers for family maintenance and then expressed as an index.

Sources: Based on Department of Agriculture, Department of Commerce, and Department of Labor data.

TABLE VII.—*Total consumer credit, 1929–47*

(Estimated amounts outstanding)

[Millions of dollars]

| End of year or month | Total consumer credit | Instalment credit ¹ | Charge accounts | Other consumer credit ² |
|-----------------------------|-----------------------|--------------------------------|-----------------|------------------------------------|
| 1929..... | 7,637 | 3,167 | 1,749 | 2,721 |
| 1933..... | 3,929 | 1,605 | 1,081 | 1,243 |
| 1937..... | 7,491 | 3,971 | 1,459 | 2,061 |
| 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..... | 6,637 | 2,365 | 1,981 | 2,291 |
| 1946..... | 10,157 | 3,976 | 3,054 | 3,127 |
| 1947 ³ | 13,300 | 6,100 | 3,500 | 3,700 |
| 1947—January..... | 9,982 | 4,048 | 2,764 | 3,170 |
| February..... | 9,939 | 4,156 | 2,602 | 3,181 |
| March..... | 10,255 | 4,329 | 2,768 | 3,158 |
| April..... | 10,464 | 4,536 | 2,782 | 3,146 |
| May..... | 10,729 | 4,739 | 2,835 | 3,155 |
| June..... | 10,992 | 4,919 | 2,887 | 3,187 |
| July..... | 11,055 | 5,045 | 2,786 | 3,228 |
| August..... | 11,191 | 5,185 | 2,755 | 3,251 |
| September..... | 11,671 | 5,284 | 2,859 | 3,528 |
| October..... | 12,050 | 5,454 | 3,035 | 3,561 |
| November..... | 12,700 | 5,700 | 3,300 | 3,700 |
| December ³ | 13,300 | 6,100 | 3,500 | 3,700 |

¹ Includes automobile and other sale credit and repair and modernization loans insured by the Federal Housing Administration.² Includes noninstalment single-payment loans of commercial banks and pawnbrokers, and service credit.³ Preliminary estimate based on incomplete data.

Source: Board of Governors of the Federal Reserve System.

TABLE VIII.—*The labor force, 1940-47*

(Thousands of persons 14 years of age and over)

| Year or month | Total labor force including armed forces | Civilian labor force | | | | Unemploy- ment |
|---------------------------|--|-------------------------------------|------------|----------------------|-------------------|-------------------|
| | | Total civilian labor force | Employment | | | |
| | | | Total | Nonagri- cultural | Agricul- tural | |
| 1939 monthly average..... | 55,600 | 55,230 | 45,930 | 36,320 | 9,610 | 9,300 |
| 1940 monthly average..... | 56,030 | 55,640 | 47,520 | 37,980 | 9,540 | 8,120 |
| 1941 monthly average..... | 57,380 | 55,910 | 50,350 | 41,250 | 9,100 | 5,560 |
| 1942 monthly average..... | 60,230 | 56,410 | 53,750 | 44,500 | 9,250 | 2,660 |
| 1943 monthly average..... | 64,410 | 55,540 | 54,470 | 45,390 | 9,080 | 1,070 |
| 1944 monthly average..... | 65,890 | 54,630 | 53,960 | 45,010 | 8,950 | 670 |
| 1945 monthly average..... | 65,140 | 53,860 | 52,820 | 44,240 | 8,580 | 1,040 |
| 1946 monthly average..... | 60,820 | 57,520 | 55,250 | 46,930 | 8,320 | 2,270 |
| 1947 monthly average..... | 61,608 | 60,168 | 58,027 | 49,761 | 8,266 | 2,142 |
| 1946—January..... | 59,490 | 53,320 | 51,020 | 44,300 | 6,720 | 2,300 |
| February..... | 59,130 | 53,890 | 51,240 | 44,300 | 6,940 | 2,650 |
| March..... | 59,630 | 55,160 | 52,460 | 44,930 | 7,530 | 2,700 |
| April..... | 60,300 | 56,450 | 54,120 | 45,950 | 8,170 | 2,330 |
| May..... | 60,570 | 57,160 | 54,850 | 45,970 | 8,880 | 2,310 |
| June..... | 62,000 | 58,930 | 56,360 | 46,350 | 10,010 | 2,570 |
| July..... | 62,820 | 60,110 | 57,840 | 47,870 | 9,970 | 2,270 |
| August..... | 62,200 | 59,750 | 57,690 | 48,550 | 9,140 | 2,060 |
| September..... | 61,340 | 59,120 | 57,050 | 48,300 | 8,750 | 2,070 |
| October..... | 61,160 | 58,990 | 57,030 | 48,410 | 8,620 | 1,960 |
| November..... | 60,980 | 58,970 | 57,040 | 49,140 | 7,900 | 1,930 |
| December..... | 60,320 | 58,430 | 56,310 | 49,100 | 7,210 | 2,120 |
| 1947—January..... | 59,510 | 57,790 | 55,390 | 48,890 | 6,500 | 2,400 |
| February..... | 59,630 | 58,010 | 55,520 | 48,600 | 6,920 | 2,490 |
| March..... | 59,960 | 58,390 | 56,060 | 48,820 | 7,240 | 2,330 |
| April..... | 60,650 | 59,120 | 56,700 | 48,840 | 7,860 | 2,420 |
| May..... | 61,760 | 60,290 | 58,330 | 49,370 | 8,960 | 1,960 |
| June..... | 64,007 | 62,609 | 60,055 | 49,678 | 10,377 | 2,555 |
| July..... | 64,035 | 62,664 | 60,079 | 50,013 | 10,066 | 2,584 |
| August..... | 63,017 | 61,665 | 59,569 | 50,594 | 8,975 | 2,096 |
| September..... | 62,130 | 60,784 | 58,872 | 50,145 | 8,727 | 1,912 |
| October..... | 62,219 | 60,892 | 59,204 | 50,583 | 8,622 | 1,687 |
| November..... | 61,510 | 60,216 | 58,595 | 50,609 | 7,985 | 1,621 |
| December..... | 60,870 | 59,590 | 57,947 | 50,985 | 6,962 | 1,643 |

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

Sources: Department of Labor (1939) Department of Commerce (1940-47)

TABLE IX.—Number of wage and salary workers in nonagricultural establishments, 1939-47¹

[Thousands]

| Year or month | Total wage and salary workers | Manufacturing | | | Mining | Construction | Transportation and public utilities | Trade | Finance and service | Federal, State, and local government |
|---|-------------------------------|---------------|---------------|------------------|--------|--------------|-------------------------------------|-------|---------------------|--------------------------------------|
| | | Total | Durable goods | Nondurable goods | | | | | | |
| 1939 monthly average..... | 30,287 | 10,078 | 4,357 | 5,720 | 845 | 1,150 | 2,912 | 6,705 | 4,610 | 3,987 |
| 1940 monthly average..... | 32,031 | 10,780 | 4,975 | 5,805 | 916 | 1,294 | 3,013 | 7,055 | 4,781 | 4,102 |
| 1941 monthly average..... | 36,164 | 12,974 | 6,485 | 6,488 | 947 | 1,790 | 3,248 | 7,567 | 5,016 | 4,622 |
| 1942 monthly average..... | 39,697 | 15,051 | 8,179 | 6,873 | 983 | 2,170 | 3,433 | 7,481 | 5,148 | 5,431 |
| 1943 monthly average..... | 42,042 | 17,381 | 10,297 | 7,084 | 917 | 1,567 | 3,619 | 7,322 | 5,187 | 6,049 |
| 1944 monthly average..... | 41,480 | 17,111 | 10,200 | 6,912 | 883 | 1,094 | 3,798 | 7,399 | 5,169 | 6,026 |
| 1945 monthly average..... | 39,977 | 15,302 | 8,477 | 6,825 | 826 | 1,082 | 3,872 | 7,654 | 5,274 | 5,967 |
| 1946 monthly average..... | 40,712 | 14,365 | 7,102 | 7,263 | 836 | 1,493 | 4,023 | 8,448 | 5,953 | 5,595 |
| 1947 monthly average ² | 42,401 | 15,515 | 7,850 | 7,664 | 884 | 1,730 | 4,049 | 8,645 | 6,187 | 5,392 |
| 1946—January..... | 38,745 | 13,499 | 6,601 | 6,898 | 864 | 1,085 | 3,932 | 8,056 | 5,696 | 5,613 |
| February..... | 38,148 | 12,751 | 5,731 | 7,020 | 864 | 1,101 | 3,943 | 8,090 | 5,776 | 5,623 |
| March..... | 39,184 | 13,433 | 6,324 | 7,109 | 857 | 1,203 | 3,933 | 8,197 | 5,840 | 5,671 |
| April..... | 39,908 | 14,045 | 6,904 | 7,141 | 842 | 1,356 | 3,991 | 8,329 | 5,984 | 5,661 |
| May..... | 40,258 | 14,159 | 7,035 | 7,124 | 753 | 1,438 | 3,946 | 8,302 | 5,965 | 5,695 |
| June..... | 40,680 | 14,371 | 7,172 | 7,199 | 864 | 1,532 | 3,996 | 8,342 | 5,961 | 5,614 |
| July..... | 40,877 | 14,526 | 7,307 | 7,219 | 873 | 1,627 | 4,051 | 8,337 | 5,975 | 5,488 |
| August..... | 41,466 | 14,876 | 7,486 | 7,390 | 886 | 1,713 | 4,103 | 8,402 | 5,984 | 5,502 |
| September..... | 41,848 | 15,035 | 7,590 | 7,445 | 884 | 1,747 | 4,064 | 8,523 | 5,990 | 5,605 |
| October..... | 42,065 | 15,064 | 7,623 | 7,441 | 883 | 1,753 | 4,093 | 8,667 | 6,054 | 5,551 |
| November..... | 42,439 | 15,271 | 7,721 | 7,550 | 883 | 1,713 | 4,101 | 8,898 | 6,098 | 5,475 |
| December..... | 42,928 | 15,348 | 7,731 | 7,617 | 874 | 1,644 | 4,071 | 9,234 | 6,119 | 5,638 |
| 1947—January..... | 41,803 | 15,372 | 7,781 | 7,591 | 883 | 1,527 | 4,014 | 8,552 | 6,071 | 5,384 |
| February..... | 41,849 | 15,475 | 7,857 | 7,618 | 880 | 1,502 | 4,011 | 8,507 | 6,107 | 5,367 |
| March..... | 42,043 | 15,510 | 7,892 | 7,618 | 879 | 1,534 | 4,020 | 8,565 | 6,120 | 5,415 |
| April..... | 41,824 | 15,429 | 7,892 | 7,537 | 856 | 1,619 | 3,836 | 8,552 | 6,106 | 5,426 |
| May..... | 41,919 | 15,237 | 7,781 | 7,456 | 884 | 1,685 | 3,970 | 8,545 | 6,151 | 5,447 |
| June..... | 42,363 | 15,328 | 7,863 | 7,465 | 893 | 1,768 | 4,115 | 8,582 | 6,278 | 5,399 |
| July..... | 42,201 | 15,233 | 7,691 | 7,542 | 866 | 1,847 | 4,140 | 8,558 | 6,276 | 5,281 |
| August..... | 42,624 | 15,595 | 7,795 | 7,800 | 896 | 1,894 | 4,144 | 8,596 | 6,221 | 5,288 |
| September..... | 43,036 | 15,798 | 7,881 | 7,917 | 894 | 1,904 | 4,114 | 8,684 | 6,217 | 5,425 |
| October..... | 43,298 | 15,832 | 7,938 | 7,894 | 894 | 1,895 | 4,102 | 8,880 | 6,248 | 5,447 |
| November ³ | 43,449 | 15,851 | 7,984 | 7,867 | 896 | 1,852 | 4,077 | 9,081 | 6,264 | 5,428 |

¹ Number of wage and salary workers in nonagricultural establishments 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. Proprietors, self-employed persons, domestic servants, and personnel of the armed forces are excluded. Not comparable with estimates for nonagricultural employment of the civilian labor force derived from data in appendix B, table VIII, because latter include self-employed, proprietors and domestic servants and are based on population enumeration whereas estimates in this table are based on establishment reports.

² Average of 11 months.

³ Preliminary.

Source: Department of Labor.

TABLE X.—Average gross weekly earnings in selected industries, 1939-47

| Year or month | Manufacturing | | | Bituminous coal mining | Private building construction | Class I steam railroads | Telephone | Wholesale trade | Retail trade | Hotels (year round) ¹ |
|---------------------------------------|---------------|---------------|-------------------|------------------------|-------------------------------|-------------------------|------------------|------------------|------------------|----------------------------------|
| | Total | Durable goods | Non-durable goods | | | | | | | |
| 1939 monthly average.... | \$23.86 | \$26.50 | \$21.78 | \$23.88 | \$30.39 | \$30.99 | \$31.94 | \$29.85 | \$21.17 | \$15.25 |
| 1940 monthly average.... | 25.20 | 28.44 | 22.27 | 24.71 | 31.70 | 31.55 | 32.44 | 30.39 | 21.17 | 15.52 |
| 1941 monthly average.... | 29.58 | 34.04 | 24.92 | 30.86 | 35.14 | 34.25 | 32.74 | 32.32 | 21.94 | 16.09 |
| 1942 monthly average.... | 36.65 | 42.73 | 29.13 | 35.02 | 41.80 | 38.65 | 33.97 | 35.56 | 23.24 | 17.62 |
| 1943 monthly average.... | 43.14 | 49.30 | 34.12 | 41.58 | 48.13 | 43.68 | 36.30 | 39.40 | 24.88 | 20.21 |
| 1944 monthly average.... | 46.08 | 52.07 | 37.12 | 51.27 | 52.18 | 46.06 | 38.39 | 42.29 | 26.58 | 22.65 |
| 1945 monthly average.... | 44.39 | 49.05 | 38.29 | 52.25 | 53.73 | 45.69 | (²) | 44.07 | 28.31 | 24.53 |
| 1946 monthly average.... | 43.74 | 46.49 | 41.02 | 58.03 | 56.24 | ³ 51.22 | 44.04 | 48.06 | 32.55 | 26.95 |
| 1947 monthly average ⁴ ... | 48.90 | 52.06 | 45.56 | (⁵) | (⁵) | (⁵) | (⁵) | (⁵) | (⁵) | (⁵) |
| 1946—January..... | 41.15 | 43.67 | 38.75 | 54.16 | 52.89 | 43.48 | 41.19 | 45.14 | 30.54 | 26.21 |
| February..... | 40.58 | 42.57 | 39.01 | 57.37 | 53.04 | 44.03 | 44.37 | 46.07 | 30.77 | 26.43 |
| March..... | 42.15 | 44.79 | 39.83 | 58.30 | 52.87 | 43.15 | 43.76 | 46.31 | 31.12 | 26.57 |
| April..... | 42.88 | 45.71 | 40.13 | 30.15 | 54.29 | 47.94 | 44.09 | 47.13 | 31.40 | 26.64 |
| May..... | 42.51 | 45.10 | 39.93 | 34.20 | 53.63 | 46.57 | 44.82 | 47.48 | 31.45 | 26.65 |
| June..... | 43.31 | 46.32 | 40.28 | 64.44 | 55.23 | 51.23 | 44.93 | 47.88 | 32.93 | 26.70 |
| July..... | 43.38 | 46.24 | 40.46 | 52.27 | 56.25 | 52.01 | 44.82 | 48.06 | 33.64 | 26.63 |
| August..... | 44.99 | 48.02 | 41.89 | 62.84 | 56.67 | 52.68 | 44.19 | 48.14 | 33.81 | 27.15 |
| September..... | 45.39 | 48.36 | 42.34 | 61.65 | 58.49 | 51.51 | 44.10 | 49.54 | 33.76 | 26.98 |
| October..... | 45.73 | 48.90 | 42.45 | 62.49 | 59.20 | 52.88 | 44.30 | 49.44 | 33.19 | 27.27 |
| November..... | 45.79 | 48.62 | 42.87 | 61.54 | 57.65 | 51.71 | 44.40 | 49.80 | 33.04 | 28.15 |
| December..... | 46.96 | 49.57 | 44.24 | 69.56 | 60.32 | 50.76 | 42.98 | 51.20 | 34.06 | 28.40 |
| 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 | 54.14 | 60.53 | 52.03 | 32.26 | 51.13 | 35.93 | 29.41 |
| May..... | 48.44 | 51.72 | 44.88 | 65.51 | 62.38 | 51.30 | 38.13 | 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 | 54.87 | 63.30 | 51.16 | 46.51 | 52.22 | 37.99 | 29.36 |
| August..... | 49.17 | 52.46 | 45.78 | 70.23 | 66.97 | 51.68 | 46.92 | 52.05 | 38.14 | 29.50 |
| September..... | 50.43 | 54.01 | 46.78 | 71.19 | 65.22 | 57.47 | 48.02 | 52.86 | 37.54 | 29.86 |
| October ⁶ | 50.98 | 54.66 | 47.17 | 71.87 | 66.14 | (⁵) | 48.77 | 52.76 | 37.46 | 30.43 |
| November ⁶ | 51.02 | 54.70 | 47.19 | (⁵) | (⁵) | (⁵) | (⁵) | (⁵) | (⁵) | (⁵) |

¹ Money payments only; additional value of room, board, uniforms, and tips are not included.² 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.³ Annual average includes retroactive pay increases not included in the monthly averages.⁴ Average of 11 months.⁵ Not available.⁶ Preliminary.

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

Source: Department of Labor

TABLE XI.—Average hourly earnings in selected industries, 1939-47

| Year or month | Manufacturing | | | Bituminous coal mining | Private building construction | Class I steam railroads | Telephone | Wholesale trade | Retail trade | Hotels (year round) ¹ |
|--------------------------------------|---------------|---------------|-------------------|------------------------|-------------------------------|-------------------------|------------------|------------------|------------------|----------------------------------|
| | Total | Durable goods | Non-durable goods | | | | | | | |
| 1939 monthly average..... | \$0.633 | \$0.698 | \$0.582 | \$0.886 | \$0.932 | \$0.714 | \$0.822 | \$0.715 | \$0.536 | \$0.324 |
| 1940 monthly average..... | .661 | .724 | .602 | .883 | .958 | .717 | .827 | .739 | .542 | .332 |
| 1941 monthly average..... | .729 | .808 | .640 | .993 | 1.010 | .751 | .820 | .793 | .568 | .348 |
| 1942 monthly average..... | .853 | .947 | .723 | 1.059 | 1.148 | .824 | .843 | .860 | .614 | .386 |
| 1943 monthly average..... | .961 | 1.059 | .803 | 1.139 | 1.252 | .897 | .870 | .933 | .670 | .451 |
| 1944 monthly average..... | 1.019 | 1.137 | .861 | 1.186 | 1.319 | .938 | .911 | .985 | .724 | .505 |
| 1945 monthly average..... | 1.023 | 1.111 | .904 | 1.240 | 1.379 | .942 | (²) | 1.029 | .773 | .550 |
| 1946 monthly average..... | 1.084 | 1.156 | 1.012 | 1.401 | 1.478 | ³ 1.116 | 1.124 | 1.144 | .878 | .612 |
| 1947 monthly average ⁴ .. | 1.215 | 1.285 | 1.140 | (⁵) | (⁵) | (⁵) | (⁵) | (⁵) | (⁵) | (⁵) |
| 1946—January..... | 1.004 | 1.070 | .941 | 1.259 | 1.402 | .939 | 1.020 | 1.070 | .828 | .604 |
| February..... | 1.002 | 1.064 | .953 | 1.265 | 1.422 | .953 | 1.085 | 1.095 | .835 | .602 |
| March..... | 1.035 | 1.103 | .975 | 1.274 | 1.411 | .984 | 1.105 | 1.101 | .841 | .600 |
| April..... | 1.058 | 1.131 | .988 | 1.239 | 1.423 | 1.049 | 1.131 | 1.121 | .851 | .599 |
| May..... | 1.071 | 1.147 | .996 | 1.321 | 1.431 | 1.073 | 1.143 | 1.135 | .859 | .596 |
| June..... | 1.084 | 1.165 | 1.003 | 1.474 | 1.444 | 1.121 | 1.147 | 1.146 | .876 | .598 |
| July..... | 1.093 | 1.177 | 1.009 | 1.457 | 1.473 | 1.121 | 1.135 | 1.155 | .888 | .602 |
| August..... | 1.112 | 1.186 | 1.036 | 1.466 | 1.482 | 1.116 | 1.129 | 1.148 | .893 | .614 |
| September..... | 1.126 | 1.201 | 1.050 | 1.480 | 1.510 | 1.137 | 1.148 | 1.179 | .908 | .620 |
| October..... | 1.130 | 1.202 | 1.056 | 1.460 | 1.526 | 1.118 | 1.137 | 1.172 | .907 | .626 |
| November..... | 1.139 | 1.210 | 1.065 | 1.477 | 1.549 | 1.129 | 1.131 | 1.186 | .917 | .642 |
| December..... | 1.148 | 1.216 | 1.077 | 1.491 | 1.569 | 1.133 | 1.132 | 1.202 | .919 | .651 |
| 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..... | 1.186 | 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..... | 1.237 | 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 | 1.269 | 1.009 | .672 |
| October..... | 1.257 | 1.336 | 1.173 | 1.797 | 1.738 | (⁵) | 1.241 | 1.263 | 1.015 | .683 |
| November ⁶ | 1.266 | 1.341 | 1.185 | (⁵) | (⁵) | (⁵) | (⁵) | (⁵) | (⁵) | (⁵) |

¹ Money payments only; additional value of room, board, uniforms, and tips are not included.

² 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.

³ Annual average includes retroactive pay increases not included in the monthly averages.

⁴ Average of 11 months.

⁵ Preliminary.

⁶ Not available.

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

Source: Department of Labor.

TABLE XII.—*Consumers' price index, 1939-47**For moderate-income families in large cities*

[1935-39=100]

| Year or month | All items | Foods | Apparel | Rent | Fuel, electricity, and ice | House furnishings | Miscellaneous |
|---|-----------|-------|---------|------------------|----------------------------|-------------------|---------------|
| 1939 monthly average | 99.4 | 95.2 | 100.5 | 104.3 | 99.0 | 101.3 | 100.7 |
| 1940 monthly average | 100.2 | 96.6 | 101.7 | 104.6 | 99.7 | 100.5 | 101.1 |
| 1941 monthly average | 105.2 | 105.5 | 106.3 | 106.2 | 102.2 | 107.3 | 104.0 |
| 1942 monthly average | 116.5 | 123.9 | 124.2 | 108.5 | 105.4 | 122.2 | 110.9 |
| 1943 monthly average | 123.6 | 138.0 | 129.7 | 108.0 | 107.7 | 125.6 | 115.8 |
| 1944 monthly average | 125.5 | 136.1 | 138.8 | 108.2 | 109.8 | 136.4 | 121.3 |
| 1945 monthly average | 128.4 | 139.1 | 145.9 | 108.3 | 110.3 | 145.8 | 124.1 |
| 1946 monthly average | 139.3 | 159.6 | 160.2 | 108.6 | 112.4 | 159.2 | 128.8 |
| 1947 monthly average ¹ | 158.5 | 192.6 | 185.3 | 110.8 | 120.6 | 183.8 | 139.5 |
| 1946—January | 129.9 | 141.0 | 149.7 | (²) | 110.8 | 148.8 | 125.4 |
| February | 129.6 | 139.6 | 150.5 | (²) | 111.0 | 149.7 | 125.6 |
| March | 130.2 | 140.1 | 153.1 | 108.4 | 110.5 | 150.2 | 125.9 |
| April | 131.1 | 141.7 | 154.5 | (²) | 110.4 | 152.0 | 126.7 |
| May | 131.7 | 142.6 | 155.7 | (²) | 110.3 | 153.7 | 127.2 |
| June | 133.3 | 145.6 | 157.2 | 108.5 | 110.5 | 156.1 | 127.9 |
| July | 141.2 | 165.7 | 158.7 | (²) | 113.3 | 157.9 | 128.2 |
| August | 144.1 | 171.2 | 161.2 | 108.7 | 113.7 | 160.0 | 129.8 |
| September | 145.9 | 174.1 | 165.9 | 108.8 | 114.4 | 165.6 | 129.9 |
| October | 146.6 | 180.0 | 168.1 | (²) | 114.4 | 168.5 | 131.0 |
| November | 152.2 | 187.7 | 171.0 | (²) | 114.8 | 171.0 | 132.5 |
| December | 153.3 | 185.9 | 176.5 | (²) | 115.5 | 177.1 | 136.1 |
| 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 |

¹ Average of 11 months.² Not surveyed this month.

Source: Department of Labor.

TABLE XIII.—Wholesale price index, 1939–47

[1926=100]

| Year or month | 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 furnishings goods | Miscellaneous |
| 1939 monthly average..... | 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 monthly average..... | 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 monthly average..... | 87.3 | 82.4 | 82.7 | 89.0 | 108.3 | 84.8 | 76.2 | 99.4 | 103.2 | 84.4 | 94.2 | 82.0 |
| 1942 monthly average..... | 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 monthly average..... | 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 monthly average..... | 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 monthly average..... | 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 monthly average..... | 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 monthly average..... | 151.7 | 181.0 | 168.6 | 134.7 | 181.6 | 140.7 | 108.3 | 144.8 | 179.5 | 127.2 | 129.1 | 115.0 |
| 1946—January..... | 107.1 | 129.9 | 107.3 | 100.8 | 119.4 | 101.6 | 84.9 | 105.7 | 120.0 | 96.0 | 106.2 | 95.3 |
| February..... | 107.7 | 130.8 | 107.8 | 101.3 | 119.6 | 102.2 | 85.1 | 106.6 | 120.9 | 95.9 | 106.5 | 95.6 |
| March..... | 108.9 | 133.4 | 109.4 | 102.2 | 119.8 | 104.7 | 85.0 | 108.4 | 124.9 | 96.0 | 106.9 | 95.6 |
| April..... | 110.2 | 135.4 | 110.8 | 103.3 | 119.8 | 107.9 | 86.1 | 108.8 | 126.5 | 96.1 | 107.5 | 95.7 |
| May..... | 111.0 | 137.5 | 111.5 | 103.9 | 120.4 | 108.8 | 86.1 | 109.4 | 127.8 | 96.5 | 108.3 | 97.0 |
| 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 |
| July..... | 124.7 | 157.0 | 140.2 | 109.5 | 141.2 | 118.1 | 90.3 | 113.3 | 132.1 | 99.3 | 111.9 | 101.3 |
| August..... | 129.1 | 161.0 | 149.0 | 111.6 | 138.9 | 124.0 | 94.4 | 114.0 | 132.7 | 98.4 | 112.6 | 102.0 |
| September..... | 124.0 | 154.3 | 131.9 | 112.2 | 141.6 | 125.7 | 94.3 | 114.2 | 133.8 | 98.4 | 113.6 | 102.1 |
| October..... | 134.1 | 165.3 | 157.9 | 115.8 | 142.4 | 128.6 | 94.2 | 125.8 | 134.8 | 99.9 | 115.3 | 104.0 |
| November..... | 139.7 | 169.8 | 165.4 | 120.7 | 172.5 | 131.6 | 94.5 | 130.2 | 145.5 | 118.9 | 118.2 | 106.5 |
| December..... | 140.9 | 168.1 | 160.1 | 124.7 | 176.7 | 134.7 | 96.1 | 134.7 | 157.8 | 125.7 | 120.2 | 108.9 |
| 1947—January..... | 141.5 | 165.0 | 156.2 | 127.6 | 175.1 | 136.6 | 97.7 | 138.0 | 169.7 | 128.1 | 123.3 | 110.3 |
| February..... | 144.5 | 170.4 | 162.0 | 128.5 | 173.8 | 138.0 | 97.9 | 137.9 | 174.8 | 129.3 | 124.6 | 110.9 |
| March..... | 149.5 | 182.6 | 167.6 | 131.1 | 174.6 | 139.6 | 100.7 | 139.9 | 177.5 | 132.2 | 125.8 | 115.3 |
| April..... | 147.7 | 177.0 | 162.4 | 131.8 | 166.4 | 139.2 | 103.4 | 140.3 | 178.8 | 133.2 | 127.8 | 115.7 |
| May..... | 147.1 | 175.7 | 159.8 | 131.9 | 170.8 | 138.9 | 103.3 | 141.4 | 177.0 | 127.1 | 128.8 | 116.1 |
| June..... | 147.6 | 177.9 | 161.8 | 131.4 | 173.2 | 138.9 | 103.9 | 142.6 | 174.4 | 120.2 | 129.2 | 112.7 |
| July..... | 150.6 | 181.4 | 167.1 | 133.4 | 178.4 | 139.5 | 108.9 | 143.8 | 175.7 | 118.8 | 129.8 | 113.0 |
| August..... | 153.6 | 181.7 | 172.3 | 136.0 | 182.1 | 140.8 | 112.5 | 148.9 | 179.7 | 117.5 | 129.7 | 112.7 |
| September..... | 157.4 | 186.4 | 179.3 | 138.2 | 184.8 | 142.0 | 114.1 | 150.7 | 183.3 | 121.3 | 130.6 | 115.9 |
| October..... | 158.5 | 189.7 | 177.8 | 140.0 | 191.7 | 143.0 | 115.9 | 151.1 | 185.8 | 126.3 | 132.3 | 117.1 |
| November..... | 159.5 | 187.9 | 178.0 | 142.1 | 202.4 | 144.7 | 118.1 | 151.5 | 187.5 | 135.8 | 132.9 | 118.8 |
| December ¹ | 162.7 | 196.0 | 178.7 | 144.7 | 206.0 | 147.4 | 122.8 | 151.8 | 190.1 | 137.0 | 134.0 | 121.1 |

¹ Preliminary estimate based on weekly data for December.

Source: Department of Labor.

TABLE XIV.—*Index of prices paid and of prices received by farmers and parity ratio, 1939-47*

[1910-14=100]

| Year or month | Prices paid (including interest and taxes) | Prices re- ceived ¹ | Parity ratio ² |
|---------------------------|---|-----------------------------------|------------------------------|
| 1939 monthly average..... | 124 | 95 | 77 |
| 1940 monthly average..... | 125 | 100 | 80 |
| 1941 monthly average..... | 132 | 124 | 94 |
| 1942 monthly average..... | 150 | 159 | 106 |
| 1943 monthly average..... | 162 | 192 | 119 |
| 1944 monthly average..... | 170 | 195 | 115 |
| 1945 monthly average..... | 174 | 202 | 116 |
| 1946 monthly average..... | 193 | 233 | 120 |
| 1947 monthly average..... | 232 | 278 | 120 |
| 1946—January..... | 177 | 206 | 116 |
| February..... | 179 | 207 | 116 |
| March..... | 180 | 209 | 116 |
| April..... | 181 | 212 | 117 |
| May..... | 185 | 211 | 114 |
| June..... | 188 | 218 | 116 |
| July..... | 199 | 244 | 123 |
| August..... | 202 | 249 | 123 |
| September..... | 199 | 243 | 122 |
| October..... | 207 | 273 | 132 |
| November..... | 211 | 263 | 125 |
| December..... | 212 | 264 | 125 |
| 1947—January..... | 215 | 260 | 121 |
| February..... | 221 | 262 | 119 |
| March..... | 227 | 280 | 124 |
| April..... | 230 | 276 | 121 |
| May..... | 229 | 272 | 119 |
| June..... | 231 | 271 | 117 |
| July..... | 231 | 276 | 119 |
| August..... | 235 | 276 | 118 |
| September..... | 238 | 286 | 120 |
| October..... | 239 | 289 | 121 |
| November..... | 241 | 287 | 119 |
| December..... | 245 | 301 | 123 |

¹ August 1909-July 1914=100.² Ratio of prices received to prices paid (including interest and taxes).

Source: Department of Agriculture.

TABLE XV.—*Industrial production index, 1939-47*

[1935-39=100, seasonally adjusted]

| Year or month | Total industrial production | Manufactures | | | Minerals |
|---|-----------------------------|--------------|---------|------------|----------|
| | | Total | Durable | Nondurable | |
| 1939 monthly average..... | 109 | 109 | 109 | 109 | 106 |
| 1940 monthly average..... | 125 | 126 | 139 | 115 | 117 |
| 1941 monthly average..... | 162 | 168 | 201 | 142 | 125 |
| 1942 monthly average..... | 199 | 212 | 279 | 158 | 129 |
| 1943 monthly average..... | 239 | 258 | 360 | 176 | 132 |
| 1944 monthly average..... | 235 | 252 | 353 | 171 | 140 |
| 1945 monthly average..... | 203 | 214 | 274 | 166 | 137 |
| 1946 monthly average..... | 170 | 177 | 192 | 165 | 134 |
| 1947 monthly average ¹ | 186 | 193 | 219 | 172 | 149 |
| 1946—July..... | 172 | 177 | 202 | 157 | 146 |
| August..... | 178 | 184 | 208 | 164 | 144 |
| September..... | 180 | 186 | 212 | 165 | 146 |
| October..... | 182 | 188 | 214 | 168 | 145 |
| November..... | 183 | 191 | 214 | 173 | 136 |
| December..... | 182 | 190 | 211 | 174 | 137 |
| 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 | 152 |
| June..... | 184 | 191 | 219 | 168 | 148 |
| July..... | 176 | 183 | 207 | 163 | 140 |
| August..... | 182 | 188 | 210 | 169 | 150 |
| September..... | 186 | 192 | 218 | 172 | 153 |
| October..... | 190 | 197 | 223 | 175 | 154 |
| November..... | 192 | 198 | 225 | 177 | 156 |

¹ Average of 11 months.

Source: Board of Governors of the Federal Reserve System.

TABLE XVI.—*Physical production index, 1935-39, 1946, and 1947*

| Industry | Weight ¹ | Indexes, 1935-39=100 | | | Percentage change, from 1946 to 1947 |
|---|---------------------|----------------------|--------------|---------------------------|--------------------------------------|
| | | 1935-39 average | 1946 average | 1947 average ² | |
| Total production..... | 100.0 | 100 | 165 | 176 | +7 |
| Agriculture ³ | 20.6 | 100 | 133 | 129 | -3 |
| Minerals ⁴ | 4.9 | 100 | 134 | 149 | +11 |
| Manufacturing ⁵ | 50.8 | 100 | 177 | 194 | +10 |
| Construction ⁶ | 7.6 | 100 | 123 | 132 | +7 |
| Transportation ⁷ | 12.9 | 100 | 200 | 208 | +4 |
| Electric and gas utilities ⁸ | 3.2 | 100 | 192 | 217 | +13 |

¹ 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.

² Preliminary estimates based on incomplete data.

³ Department of Agriculture index of farm output, which measures the physical volume of farm production for human use.

⁴ Federal Reserve index of mineral production.

⁵ Federal Reserve index of manufacturing production.

⁶ Department of Commerce value of new construction activity deflated by their index of construction costs and converted into relatives with 1935-39 as 100.

⁷ Department of Commerce index of transportation. The figure for 1947 is estimated by the Board of Governors of the Federal Reserve System on the basis of transportation data.

⁸ The index of electric and gas utilities is based on the following series: electric power generated for public use as reported by the Federal Power Commission, and gas produced for public use 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 year 1935-39.

TABLE XVII.—*New construction activity, 1929-47*

(Millions of dollars)

| Year or quarter | Total new construction ¹ | Private construction | | | | Public construction | | | | | |
|-------------------------------|-------------------------------------|----------------------|---------------------------------|---------------------------------------|-------------------------|---------------------|----------|-----------------|--|----------|--------------|
| | | Total private | Residential building (non-farm) | Non-residential building ² | Public utility and farm | Total public | By funds | | By types | | |
| | | | | | | | Federal | State and local | Military and federally financed industrial | Highways | Other public |
| 1929..... | 9,913 | 7,522 | 2,797 | 2,822 | 1,903 | 2,391 | 237 | 2,154 | 19 | 1,248 | 1,124 |
| 1930..... | 8,059 | 5,306 | 1,446 | 2,099 | 1,761 | 2,753 | 338 | 2,415 | 29 | 1,481 | 1,243 |
| 1931..... | 5,980 | 3,416 | 1,228 | 1,104 | 1,084 | 2,564 | 451 | 2,113 | 40 | 1,323 | 1,201 |
| 1932..... | 3,260 | 1,482 | 462 | 499 | 521 | 1,778 | 510 | 1,268 | 34 | 916 | 828 |
| 1933..... | 2,223 | 1,005 | 278 | 404 | 323 | 1,218 | 540 | 678 | 38 | 675 | 505 |
| 1934..... | 2,756 | 1,221 | 361 | 455 | 405 | 1,535 | 698 | 837 | 58 | 821 | 656 |
| 1935..... | 3,110 | 1,648 | 665 | 472 | 511 | 1,462 | 822 | 640 | 39 | 622 | 801 |
| 1936..... | 4,714 | 2,486 | 1,131 | 712 | 643 | 2,228 | 1,255 | 973 | 33 | 876 | 1,319 |
| 1937..... | 5,308 | 3,274 | 1,372 | 1,088 | 814 | 2,034 | 1,143 | 891 | 39 | 850 | 1,145 |
| 1938..... | 5,018 | 2,941 | 1,511 | 764 | 666 | 2,077 | 1,976 | 1,101 | 74 | 837 | 1,166 |
| 1939..... | 6,062 | 3,619 | 2,114 | 785 | 720 | 2,443 | 1,251 | 1,192 | 148 | 835 | 1,460 |
| 1940..... | 6,807 | 4,199 | 2,355 | 1,028 | 816 | 2,608 | 1,406 | 1,202 | 549 | 875 | 1,184 |
| 1941..... | 10,308 | 5,238 | 2,765 | 1,486 | 987 | 5,070 | 3,845 | 1,225 | 2,900 | 850 | 1,320 |
| 1942..... | 13,353 | 2,908 | 1,315 | 635 | 958 | 10,445 | 9,531 | 914 | 8,453 | 675 | 1,317 |
| 1943..... | 7,734 | 1,669 | 650 | 232 | 787 | 6,065 | 5,605 | 460 | 4,218 | 450 | 1,397 |
| 1944..... | 4,073 | 1,746 | 535 | 350 | 861 | 2,327 | 1,912 | 415 | 1,344 | 360 | 623 |
| 1945..... | 4,609 | 2,561 | 684 | 1,014 | 863 | 2,048 | 1,558 | 490 | 1,160 | 342 | 546 |
| 1946..... | 9,890 | 7,739 | 3,183 | 3,350 | 1,206 | 2,151 | 1,067 | 1,084 | 272 | 706 | 1,173 |
| First quarter ³ | 1,524 | 1,257 | 432 | 632 | 193 | 267 | 140 | 127 | 67 | 60 | 140 |
| Second quarter ³ | 2,300 | 1,862 | 722 | 843 | 297 | 438 | 199 | 239 | 61 | 149 | 228 |
| Third quarter ³ | 3,104 | 2,376 | 1,027 | 953 | 396 | 728 | 344 | 384 | 70 | 265 | 393 |
| Fourth quarter ³ | 2,962 | 2,244 | 1,002 | 922 | 320 | 718 | 384 | 334 | 74 | 232 | 412 |
| 1947..... | 12,878 | 9,878 | 4,939 | 3,181 | 1,758 | 3,000 | 1,156 | 1,844 | 225 | 1,214 | 1,561 |
| First quarter ³ | 2,460 | 1,948 | 869 | 782 | 297 | 512 | 236 | 276 | 47 | 119 | 346 |
| Second quarter ³ | 2,901 | 2,195 | 1,035 | 739 | 421 | 706 | 270 | 436 | 54 | 287 | 365 |
| Third quarter ³ | 3,682 | 2,775 | 1,380 | 800 | 595 | 907 | 346 | 561 | 66 | 414 | 427 |
| Fourth quarter ^{3 4} | 3,835 | 2,960 | 1,655 | 860 | 445 | 875 | 304 | 571 | 58 | 394 | 423 |

¹ 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.

² Excludes farm and public utility.

³ Not adjusted for seasonal variation.

⁴ Estimates based on incomplete data.

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

Source: Departments of Commerce and Labor.

TABLE XVIII.—Gross national product, department store sales, and residential construction, 1920-47

[1920-39=100]

| Year | Gross national product ¹ | Department store sales ² | Residential construction ¹ | Year | Gross national product ¹ | Department store sales ² | Residential construction ¹ |
|-----------|-------------------------------------|-------------------------------------|---------------------------------------|-------------------------|-------------------------------------|-------------------------------------|---------------------------------------|
| 1920..... | 107 | 99 | 77 | 1934..... | 77 | 83 | 18 |
| 1921..... | 88 | 92 | 75 | 1935..... | 86 | 88 | 33 |
| 1922..... | 92 | 94 | 122 | 1936..... | 98 | 100 | 55 |
| 1923..... | 105 | 105 | 162 | 1937..... | 108 | 107 | 68 |
| 1924..... | 104 | 105 | 185 | 1938..... | 101 | 99 | 71 |
| 1925..... | 112 | 110 | 199 | 1939..... | 108 | 106 | 98 |
| 1926..... | 118 | 113 | 198 | 1940..... | 120 | 114 | 115 |
| 1927..... | 117 | 114 | 185 | 1941..... | 149 | 133 | 144 |
| 1928..... | 119 | 115 | 172 | 1942..... | 190 | 149 | 86 |
| 1929..... | 124 | 117 | 126 | 1943..... | 230 | 168 | 66 |
| 1930..... | 108 | 108 | 66 | 1944..... | 251 | 186 | 37 |
| 1931..... | 91 | 97 | 55 | 1945..... | 254 | 207 | 37 |
| 1932..... | 70 | 75 | 21 | 1946..... | 243 | 264 | 162 |
| 1933..... | 67 | 73 | 14 | 1947 ³ | 276 | 280 | 229 |

¹ Converted from the reported dollar figures to an index.

² Converted from the reported base, 1935-39=100.

³ Estimates based on incomplete data.

Sources: Department of Commerce (gross national product, 1920-47, residential construction), National Housing and Home Finance Agency (gross national product, 1920-28), and Board of Governors of the Federal Reserve System (department store sales).

TABLE XIX.—Business expenditures for new plant and equipment, 1939-48 ¹

[Millions of dollars]

| Year or quarter | Total ¹ | Manufacturing | Mining | Transportation | | Electric and gas utilities | Commercial and miscellaneous ² |
|---|--------------------|---------------|--------|----------------|-------|----------------------------|---|
| | | | | Railroad | Other | | |
| 1939..... | 5,200 | 1,930 | 380 | 280 | 280 | 480 | 1,850 |
| 1940..... | 6,490 | 2,580 | 560 | 440 | 390 | 550 | 1,980 |
| 1941..... | 8,190 | 3,400 | 680 | 560 | 340 | 710 | 2,490 |
| 1942..... | 6,110 | 2,760 | 410 | 540 | 260 | 680 | 1,470 |
| 1943..... | 4,530 | 2,250 | 360 | 460 | 190 | 540 | 730 |
| 1944..... | 5,210 | 2,390 | 500 | 580 | 280 | 490 | 970 |
| 1945..... | 6,630 | 3,210 | 440 | 550 | 320 | 630 | 1,480 |
| 1946..... | 12,040 | 5,910 | 560 | 570 | 660 | 1,040 | 3,300 |
| 1947 ³ | 15,680 | 7,210 | 670 | 980 | 810 | 1,820 | 4,190 |
| Annual rates, not adjusted for seasonal | | | | | | | |
| 1947—First quarter..... | 12,640 | 5,800 | 600 | 640 | 720 | 1,320 | 3,600 |
| Second quarter..... | 15,760 | 7,400 | 640 | 880 | 920 | 1,800 | 4,120 |
| Third quarter..... | 16,560 | 7,480 | 720 | 920 | 800 | 2,000 | 4,640 |
| Fourth quarter ³ | 17,760 | 8,160 | 760 | 1,480 | 800 | 2,200 | 4,400 |
| 1948—First quarter ³ | 16,400 | 7,240 | 680 | 1,440 | 760 | 1,960 | 4,320 |

¹ Excludes agriculture.

² Includes trade, service, finance, and communication.

³ Estimates for fourth quarter of 1947 and first quarter of 1948 based on 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 1939-44 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 million.

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

TABLE XX.—Business inventories and sales, 1939-47

| Year or month | Manufacturing ¹ | | | Wholesale ² | | | Retail ³ | | |
|---------------------------------|----------------------------|--------------------|-------------------------------|--------------------------|--------------------|-------------------------------|--------------------------|--------------------|-------------------------------|
| | 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 ⁴ | Sales ⁴ | | Inventories ³ | Sales ⁴ | | Inventories ³ | Sales ⁴ | |
| 1939 average | 9,941 | 4,741 | 2.10 | 3,497 | 4,580 | 0.76 | 5,284 | 3,504 | 1.51 |
| 1940 average | 11,171 | 5,482 | 2.04 | 3,698 | 5,146 | .72 | 5,484 | 3,866 | 1.42 |
| 1941 average | 13,379 | 7,783 | 1.72 | 4,273 | 6,977 | .61 | 6,040 | 4,624 | 1.31 |
| 1946 average | 17,817 | 10,472 | 1.70 | 4,833 | 10,955 | .44 | 7,512 | 8,056 | .93 |
| 1947 average ⁵ | 22,424 | 13,953 | 1.61 | 6,780 | 12,935 | .52 | | | |
| 1946—January | 16,369 | 8,913 | 1.84 | 4,294 | 9,644 | .45 | 6,286 | 7,425 | .85 |
| February | 16,590 | 8,163 | 2.03 | 4,209 | 9,868 | .43 | 6,446 | 7,653 | .84 |
| March | 16,829 | 9,507 | 1.77 | 4,304 | 9,691 | .44 | 6,522 | 7,648 | .85 |
| April | 16,837 | 9,956 | 1.69 | 4,390 | 9,592 | .46 | 6,729 | 7,730 | .87 |
| May | 16,934 | 10,058 | 1.68 | 4,464 | 10,087 | .44 | 6,899 | 7,806 | .88 |
| June | 17,175 | 9,702 | 1.77 | 4,578 | 10,370 | .44 | 7,043 | 7,826 | .90 |
| July | 18,010 | 9,976 | 1.81 | 4,685 | 10,998 | .43 | 7,426 | 8,047 | .92 |
| August | 18,466 | 11,157 | 1.66 | 4,890 | 11,174 | .44 | 7,793 | 8,449 | .92 |
| September | 18,886 | 10,738 | 1.76 | 5,131 | 11,402 | .45 | 8,216 | 8,370 | .98 |
| October | 19,533 | 12,240 | 1.60 | 5,343 | 12,399 | .43 | 8,716 | 8,384 | 1.04 |
| November | 19,896 | 12,426 | 1.60 | 5,713 | 13,069 | .44 | 8,931 | 8,622 | 1.04 |
| December | 20,259 | 12,849 | 1.58 | 5,994 | 13,160 | .46 | 9,141 | 8,718 | 1.05 |
| 1947—January | 20,805 | 13,226 | 1.57 | 6,248 | 12,713 | .49 | 9,337 | 8,653 | 1.08 |
| February | 21,176 | 12,940 | 1.64 | 6,444 | 13,013 | .50 | 9,582 | 8,839 | 1.08 |
| March | 21,612 | 13,937 | 1.55 | 6,611 | 12,635 | .52 | 9,715 | 8,824 | 1.10 |
| April | 22,058 | 13,906 | 1.59 | 6,778 | 12,227 | .55 | 9,703 | 8,957 | 1.08 |
| May | 22,424 | 13,688 | 1.64 | 6,737 | 12,639 | .53 | 9,502 | 8,974 | 1.06 |
| June | 22,618 | 13,602 | 1.66 | 6,864 | 12,541 | .55 | 9,440 | 9,003 | 1.05 |
| July | 22,778 | 13,115 | 1.74 | 6,726 | 12,403 | .54 | 9,574 | 8,937 | 1.07 |
| August | 22,936 | 13,651 | 1.68 | 6,886 | 12,571 | .55 | 9,838 | 8,845 | 1.11 |
| September | 23,120 | 14,628 | 1.58 | 6,997 | 13,331 | .52 | 10,052 | 9,336 | 1.08 |
| October | 23,435 | 15,985 | 1.47 | 6,943 | 13,731 | .51 | 10,266 | 9,380 | 1.09 |
| November ⁶ | 23,700 | 14,800 | 1.60 | 7,349 | 14,479 | .51 | (7) | (7) | (7) |

¹ Not adjusted for seasonal variation.² Adjusted for seasonal variation.³ Book value, end of month.⁴ Total for month.⁵ A verage of 11 months.⁶ Preliminary.⁷ Not available.

NOTE.—Detail will not necessarily add to totals because of rounding. The inventory figures in this table do not agree with the estimates of "change in business inventories" included in the gross national product estimates of the Department of Commerce. This table covers only manufacturing and trade rather than all business, and shows inventories in terms of current book value without adjustment for revaluation.

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

TABLE XXI.—Sales, stocks, and outstanding orders at 296 department stores, 1939-47

| Year or month | Millions of dollars | | | 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) | | | |
| 1939 average..... | 128 | 344 | (¹) | 2.69 | (¹) | (¹) |
| 1940 average..... | 136 | 353 | 108 | 2.60 | 0.79 | 0.31 |
| 1941 average..... | 156 | 419 | 194 | 2.69 | 1.24 | .46 |
| 1942 average..... | 179 | 599 | 263 | 3.35 | 1.47 | .44 |
| 1943 average..... | 204 | 508 | 530 | 2.49 | 2.60 | 1.04 |
| 1944 average..... | 227 | 534 | 560 | 2.35 | 2.47 | 1.05 |
| 1945 average..... | 255 | 564 | 728 | 2.21 | 2.85 | 1.29 |
| 1946 average..... | 318 | 714 | 907 | 2.25 | 2.85 | 1.27 |
| 1947 average ² | 313 | 828 | 551 | 2.65 | 1.76 | .67 |
| 1946—January..... | 224 | 491 | 899 | 2.19 | 4.01 | 1.83 |
| February..... | 239 | 533 | 979 | 2.23 | 4.10 | 1.84 |
| March..... | 301 | 583 | 971 | 1.94 | 3.23 | 1.67 |
| April..... | 319 | 644 | 910 | 2.02 | 2.85 | 1.41 |
| May..... | 304 | 674 | 934 | 2.22 | 3.07 | 1.39 |
| June..... | 303 | 700 | 1,048 | 2.31 | 3.46 | 1.50 |
| July..... | 244 | 738 | 1,074 | 3.02 | 4.40 | 1.46 |
| August..... | 303 | 809 | 1,014 | 2.67 | 3.35 | 1.25 |
| September..... | 309 | 829 | 961 | 2.68 | 3.11 | 1.16 |
| October..... | 341 | 882 | 846 | 2.59 | 2.48 | .96 |
| November..... | 404 | 919 | 691 | 2.27 | 1.71 | .75 |
| December..... | 526 | 776 | 557 | 1.48 | 1.06 | .72 |
| 1947—January..... | 256 | 769 | 619 | 3.00 | 2.42 | .80 |
| February..... | 250 | 838 | 603 | 3.35 | 2.41 | .72 |
| March..... | 332 | 865 | 485 | 2.61 | 1.46 | .56 |
| April..... | 321 | 849 | 387 | 2.64 | 1.21 | .46 |
| May..... | 336 | 818 | 351 | 2.43 | 1.04 | .43 |
| June..... | 304 | 769 | 470 | 2.53 | 1.55 | .61 |
| July..... | 252 | 730 | 593 | 2.90 | 2.35 | .81 |
| August..... | 273 | 793 | 622 | 2.90 | 2.28 | .78 |
| September..... | 340 | 819 | 659 | 2.41 | 1.94 | .80 |
| October..... | 367 | 912 | 663 | 2.49 | 1.81 | .73 |
| November ³ | 417 | 943 | 605 | 2.26 | 1.45 | .64 |

¹ Not available.² Average of 11 months.³ Preliminary estimate 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.

Detail will not necessarily add to totals because of rounding.

Source: Board of Governors of the Federal Reserve System.

TABLE XXII.—*Profits before and after taxes, all private corporations, 1929-47*

[Billions of dollars]

| Year or quarter | Corporate profits before taxes | Corporate tax liability ¹ | Corporate profits after taxes | | |
|-----------------------------------|--------------------------------|--------------------------------------|-------------------------------|-------------------|-----------------------|
| | | | Total | Dividend payments | Undistributed profits |
| 1929..... | 9.8 | 1.4 | 8.4 | 5.8 | 2.6 |
| 1933..... | 2.2 | .5 | — .4 | 2.1 | —2.4 |
| 1937..... | 6.2 | 1.5 | 4.7 | 4.7 | (²) |
| 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..... | 23.8 | 13.9 | 9.9 | 4.7 | 5.2 |
| 1945..... | 20.2 | 11.3 | 8.9 | 4.8 | 4.2 |
| 1946..... | 21.1 | 8.6 | 12.5 | 5.6 | 6.9 |
| 1947 ³ | 28.0 | 11.1 | 16.9 | 6.6 | 10.3 |
| Seasonally adjusted annual rates | | | | | |
| 1946—First quarter..... | 15.2 | 6.1 | 9.1 | 5.1 | 4.0 |
| Second quarter..... | 19.4 | 8.0 | 11.5 | 5.4 | 6.1 |
| Third quarter..... | 22.9 | 9.3 | 13.5 | 5.6 | 7.9 |
| Fourth quarter..... | 27.1 | 11.0 | 16.1 | 5.9 | 10.2 |
| 1947—First quarter..... | 29.0 | 11.6 | 17.4 | 6.2 | 11.2 |
| Second quarter..... | 27.4 | 10.8 | 16.6 | 6.3 | 10.3 |
| Third quarter..... | 27.4 | 10.8 | 16.6 | 6.5 | 10.1 |
| Fourth quarter ³ | 28.2 | 11.4 | 16.8 | 7.2 | 9.6 |

¹ Federal and state corporate income and excess profits taxes.² Minus 8 million dollars.³ Estimates based on incomplete data.

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

Source: Department of Commerce (except estimate for fourth quarter of 1947).

TABLE XXIII.—*Profits after taxes,¹ 629 large private industrial corporations, 1939-47*

[Millions of dollars]

| Year or quarter | Total | 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 non-durables | Miscellaneous services |
|--------------------------|-------|----------------|-----------|-------------|--------------------------------|--------------------------------|---------------------|------------------------------|----------------------------|----------------------|--------------------|------------------------|
| 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 | 163 | 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 |
| 1946—First quarter..... | 323 | 22 | —19 | —34 | —5 | 20 | 12 | 65 | 56 | 63 | 62 | 82 |
| Second quarter..... | 604 | 67 | 49 | 21 | 51 | 26 | 37 | 74 | 62 | 66 | 71 | 80 |
| Third quarter..... | 698 | 96 | 32 | 42 | 38 | 41 | 41 | 93 | 77 | 67 | 77 | 93 |
| Fourth quarter..... | 853 | 97 | 61 | 102 | 44 | 50 | 57 | 124 | 85 | 77 | 91 | 66 |
| 1947—First quarter..... | 870 | 126 | 69 | 94 | 50 | 47 | 50 | 98 | 90 | 89 | 96 | 63 |
| Second quarter..... | 870 | 99 | 83 | 105 | 56 | 46 | 57 | 64 | 111 | 87 | 92 | 71 |
| Third quarter..... | 860 | 98 | 77 | 102 | 51 | 46 | 58 | 69 | 122 | 78 | 93 | 67 |

¹ Federal and State income and excess-profits taxes.

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

Source: Board of Governors of the Federal Reserve System.

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

| Industry | Ratio of profits (annual rate) to stockholders' equity | | | | Profits in cents per dollar of sales | | | |
|--|--|----------------|---------------------|----------------|--------------------------------------|----------------|---------------------|----------------|
| | Before Federal taxes | | After Federal taxes | | Before Federal taxes | | After Federal taxes | |
| | First quarter | Second quarter | First quarter | Second quarter | First quarter | Second quarter | First quarter | Second quarter |
| All private manufacturing corporations..... | 28.0 | 25.2 | 16.8 | 15.6 | 12.3 | 11.0 | 7.5 | 6.7 |
| Food..... | 32.4 | 28.0 | 18.8 | 16.4 | 8.1 | 7.0 | 4.7 | 4.1 |
| Tobacco manufactures..... | 14.8 | 15.2 | 8.8 | 9.2 | 6.8 | 6.1 | 4.1 | 3.7 |
| Textile mill products..... | 40.0 | 31.2 | 24.0 | 18.8 | 15.8 | 13.7 | 9.5 | 8.2 |
| Apparel and finished textiles..... | 36.0 | 28.4 | 21.2 | 16.0 | 8.8 | 7.6 | 5.2 | 4.3 |
| Lumber and wood products..... | 36.4 | 35.6 | 22.4 | 22.4 | 19.5 | 18.3 | 12.1 | 11.4 |
| Furniture and fixtures..... | 32.8 | 32.8 | 20.0 | 20.0 | 11.2 | 11.1 | 6.8 | 6.8 |
| Paper and allied products..... | 41.6 | 38.4 | 25.6 | 23.6 | 19.6 | 18.1 | 12.0 | 11.2 |
| Printing and publishing (except newspapers)..... | 35.2 | 30.8 | 21.6 | 18.8 | 12.6 | 11.3 | 7.8 | 6.9 |
| Chemicals and allied products..... | 31.6 | 24.8 | 19.2 | 15.2 | 16.9 | 14.2 | 10.4 | 8.7 |
| Products of petroleum and coal..... | 16.8 | 19.2 | 12.4 | 14.4 | 13.8 | 14.4 | 10.1 | 10.8 |
| Rubber products..... | 28.4 | 24.4 | 16.4 | 8.4 | 10.8 | 8.7 | 6.2 | 3.0 |
| Leather and leather products..... | 34.4 | 21.6 | 20.4 | 12.8 | 10.1 | 7.2 | 5.9 | 4.2 |
| Stone, clay, and glass products..... | 24.4 | 25.2 | 14.4 | 15.6 | 13.9 | 13.9 | 8.2 | 8.5 |
| Primary nonferrous metal industries..... | 24.4 | 21.6 | 14.8 | 13.2 | 15.4 | 14.1 | 9.2 | 8.5 |
| Primary iron and steel industries..... | 23.6 | 18.4 | 14.4 | 11.2 | 13.6 | 10.1 | 8.2 | 6.2 |
| Fabricated metal products..... | 32.0 | 28.4 | 19.6 | 17.2 | 14.1 | 12.1 | 8.6 | 7.4 |
| Machinery (except electrical and transportation)..... | 27.6 | 29.2 | 16.4 | 17.6 | 13.2 | 12.8 | 7.9 | 7.8 |
| Electrical machinery..... | 32.4 | 32.0 | 20.0 | 19.2 | 11.0 | 10.3 | 6.8 | 6.1 |
| Transportation equipment (except motor vehicles)..... | 7.2 | 5.6 | 3.2 | 1.2 | 4.8 | 3.2 | 2.0 | .8 |
| Motor vehicles and parts..... | 29.2 | 28.4 | 16.8 | 16.8 | 11.2 | 10.4 | 6.4 | 6.1 |
| Instruments; photographic and optical goods; watches and clocks..... | 24.0 | 23.2 | 14.8 | 14.4 | 13.5 | 12.0 | 8.3 | 7.5 |
| Miscellaneous manufacturing (including ordnance)..... | 26.8 | 24.4 | 15.2 | 14.8 | 12.2 | 10.8 | 7.0 | 6.5 |

Sources: Federal Trade Commission and Securities and Exchange Commission.

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

| Assets class | Ratio of profits (annual rate) to stockholders' equity | | | | Profits in cents per dollar of sales | | | | |
|---|--|----------------|---------------------|----------------|--------------------------------------|----------------|---------------------|----------------|---------------|
| | Before Federal taxes | | After Federal taxes | | Before Federal taxes | | After Federal taxes | | |
| | First quarter | Second quarter | First quarter | Second quarter | First quarter | Second quarter | First quarter | Second quarter | Third quarter |
| All private manufacturing corporations..... | 28.0 | 25.2 | 16.8 | 15.6 | 12.3 | 11.0 | 7.5 | 6.8 | 6.5 |
| \$1,000 to \$249,000..... | 26.8 | 28.4 | 16.4 | 18.0 | 7.6 | 8.0 | 4.7 | 5.1 | 5.1 |
| \$250,000 to \$999,000..... | 35.2 | 30.8 | 20.4 | 18.0 | 10.5 | 9.3 | 6.1 | 5.4 | 5.6 |
| \$1,000,000 to \$4,999,000..... | 38.8 | 32.4 | 23.2 | 19.6 | 13.0 | 11.2 | 7.9 | 6.7 | 6.4 |
| \$5,000,000 to \$99,999,000..... | 31.2 | 28.4 | 18.8 | 17.2 | 13.3 | 11.9 | 8.0 | 7.2 | 6.9 |
| \$100,000,000 and over..... | 20.8 | 19.6 | 13.2 | 12.4 | 12.1 | 10.9 | 7.6 | 6.9 | 6.7 |

Sources: Federal Trade Commission and Securities and Exchange Commission.

TABLE XXVI.—*Relation of profits before and after taxes to sales, private corporations excluding finance, insurance, and real estate, 1946-47*

| Industry | Profits before taxes as percent of sales | | | | Profits after taxes as percent of sales | | | |
|--|--|---------------|----------------|---------------|---|---------------|----------------|---------------|
| | 1946 | 1947 | | | 1946 | 1947 | | |
| | | First quarter | Second quarter | Third quarter | | First quarter | Second quarter | Third quarter |
| All private corporations, excluding finance, insurance, and real estate..... | 7.9 | 9.3 | 8.7 | 8.5 | 4.7 | 5.6 | 5.3 | 5.1 |
| Mining..... | 12.5 | 12.5 | 12.8 | 12.0 | 9.0 | 9.1 | 9.2 | 8.7 |
| Manufacturing..... | 8.6 | 10.8 | 10.1 | 10.1 | 5.0 | 6.4 | 6.1 | 6.1 |
| Metal industries..... | 6.0 | 10.8 | 9.6 | 9.9 | 3.0 | 6.3 | 5.6 | 5.8 |
| Other manufacturing..... | 9.8 | 10.8 | 10.4 | 10.2 | 5.9 | 6.5 | 6.3 | 6.3 |
| Wholesale and retail trade..... | 5.7 | 5.7 | 5.2 | 5.0 | 3.3 | 3.4 | 3.1 | 2.9 |
| Transportation..... | 5.7 | 7.4 | 7.9 | 7.6 | 2.9 | 4.0 | 4.8 | 4.5 |
| Communication and public utilities..... | 17.6 | 18.3 | 15.0 | 12.5 | 10.7 | 11.1 | 9.1 | 7.6 |
| All other industries..... | 10.4 | 9.6 | 9.5 | 9.5 | 6.5 | 6.1 | 6.0 | 5.9 |

Source: Department of Commerce.

TABLE XXVII.—*Loans and investments of all commercial banks, 1929-47*

[Millions of dollars]

| End of month | Total loans and investments | Loans | Investments | | |
|-------------------------------|-----------------------------|--------|-------------|------------------|------------------|
| | | | Total | U. S. Government | Other securities |
| 1929: June ¹ | 49,424 | 35,738 | 13,686 | 4,941 | 8,745 |
| 1933: June ¹ | 30,357 | 16,349 | 14,008 | 7,476 | 6,532 |
| 1937: December..... | 38,333 | 17,100 | 21,233 | 14,156 | 7,077 |
| 1939: December..... | 40,668 | 17,238 | 23,430 | 16,316 | 7,114 |
| 1941: December..... | 50,746 | 21,714 | 29,032 | 21,808 | 7,225 |
| 1944: December..... | 105,530 | 21,644 | 83,886 | 77,557 | 6,329 |
| 1945: December..... | 124,019 | 26,083 | 97,936 | 90,606 | 7,331 |
| 1946: June..... | 119,448 | 27,130 | 92,318 | 84,473 | 7,845 |
| December..... | 113,993 | 31,122 | 82,871 | 74,780 | 8,091 |
| 1947: June..... | 112,756 | 33,679 | 79,077 | 70,539 | 8,538 |
| November ² | 116,740 | 37,700 | 79,040 | 70,120 | 8,920 |

¹ Complete end of year figures not available for years prior to 1936.

² Estimates based on incomplete data.

Source: Board of Governors of the Federal Reserve System.

TABLE XXVIII.—Adjusted deposits of all banks and currency outside banks, 1929–47

[Millions of dollars]

| End of calendar year or month | Total deposits adjusted and currency outside banks | U. S. Government deposits ¹ | Other deposits and currency outside banks | | | |
|-------------------------------|--|--|---|---------------------------------------|----------------------------|------------------------|
| | | | Total | Demand deposits adjusted ² | Time deposits ³ | Currency outside banks |
| 1929..... | 54,713 | 158 | 54,555 | 22,809 | 28,189 | 3,557 |
| 1933..... | 42,548 | 1,016 | 41,532 | 15,035 | 21,715 | 4,782 |
| 1934..... | 47,985 | 1,715 | 46,270 | 18,459 | 23,156 | 4,655 |
| 1937..... | 56,639 | 824 | 55,815 | 23,959 | 26,218 | 5,638 |
| 1939..... | 64,099 | 846 | 63,253 | 29,793 | 27,059 | 6,401 |
| 1944..... | 150,988 | 20,763 | 130,225 | 66,930 | 39,790 | 23,505 |
| 1945..... | 175,401 | 24,608 | 150,793 | 75,851 | 48,452 | 26,490 |
| 1946: June..... | 171,237 | 13,416 | 157,821 | 79,476 | 51,829 | 26,516 |
| December..... | 167,107 | 3,103 | 164,004 | 83,314 | 53,960 | 26,730 |
| 1947: June..... | 165,455 | 1,367 | 164,088 | 82,276 | 55,513 | 26,299 |
| November ⁴ | 170,400 | 1,900 | 168,500 | 85,900 | 56,000 | 26,600 |

¹ Beginning with December 1933, includes U. S. Treasurer's time deposits, open account.² Includes demand deposits, other than interbank and U. S. Government, less cash items in process of collection.³ Includes deposits in commercial banks, mutual savings banks, and Postal Savings System.⁴ Preliminary.

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

Source: Board of Governors of the Federal Reserve System.

TABLE XXIX.—Bond and common stock yields and commercial loan rates, 1929–47

[Percent per annum]

| Year or quarter | U. S. Government security yields | | | High grade corporate bond yields (Moody's) | | Dividend yields on common stock (Moody's) | Commercial loan rates |
|--------------------------|--|---|----------------------------|--|-----------|---|-----------------------|
| | 9 to 12 months certificates of indebtedness ¹ | Bonds | | Aaa bonds | Baa bonds | | |
| | | Long-term partially tax-exempt ² | 15 years and over, taxable | | | | |
| Number ----- | | 1-5 issues | 1-9 issues | 30 issues | 30 issues | 200 stocks | 19 cities |
| 1929 average ----- | | 3.60 | | 4.73 | 5.90 | 3.5 | 5.83 |
| 1933 average ----- | | 3.31 | | 4.49 | 7.76 | 4.4 | 4.27 |
| 1934 average ----- | | 3.12 | | 4.00 | 6.32 | 4.1 | 3.45 |
| 1937 average ----- | | 2.74 | | 3.26 | 5.03 | 4.8 | 2.59 |
| 1939 average ----- | 0.75 | 2.41 | | 3.01 | 4.96 | 4.2 | 2.78 |
| 1944 average ----- | .79 | 1.92 | 2.48 | 2.72 | 3.61 | 4.7 | 2.59 |
| 1945 average ----- | .81 | 1.66 | 2.37 | 2.62 | 3.29 | 4.1 | 2.39 |
| 1946 average ----- | .82 | (³) | 2.19 | 2.53 | 3.05 | 3.9 | 2.34 |
| 1947 average ----- | .89 | (³) | 2.24 | 2.61 | 3.24 | (⁴) | 2.28 |
| 1947—First quarter ----- | .84 | (³) | 2.20 | 2.56 | 3.13 | 4.7 | 2.31 |
| Second quarter ----- | .84 | (³) | 2.20 | 2.54 | 3.18 | 5.2 | 2.38 |
| Third quarter ----- | .86 | (³) | 2.24 | 2.57 | 3.19 | 5.1 | 2.21 |
| Fourth quarter ----- | 1.00 | (³) | 2.33 | 2.77 | 3.44 | (⁴) | 2.22 |

¹ Tax-exempt prior to Mar. 1, 1941; taxable thereafter.² Average of yields on all outstanding partially tax-exempt Government bonds due or callable after 8 years, from 1919 to 1925; after 12 years, from 1926 to 1934; and after 15 years, from 1935.³ No partially tax-exempt bonds due or callable in 15 years.⁴ Not available.

Sources: Treasury Department, Moody's Investors Service, and Board of Governors of the Federal Reserve System.

TABLE XXX.—Public debt and guaranteed obligations of the U. S. Government outstanding, 1939–47

[Billions of Dollars]

| End of calendar year | Public debt and guaranteed obligations | | | Ownership of public debt and guaranteed obligations | | | | | | | | |
|----------------------|--|--------------------------|---|---|-------------------------------------|---|---|-----------------------------|--------------------------------------|--|-------------------|--|
| | Total outstanding | Public debt ² | Guaranteed obligations not owned by the Treasury ² | Total outstanding | Total interest bearing ³ | Held by U. S. Government agencies and trust funds | Interest-bearing public debt and guaranteed obligations (par values) ¹ | | | | | Public debt and guaranteed obligations bearing no interest ^{3, 4} |
| | | | | | | | Held by public | | | | | |
| | | | | | | | Total held by public | State and local governments | Commercial and Federal Reserve banks | Nonbank private financial corporations and associations ⁴ | Individuals | |
| 1939..... | 47.6 | 41.9 | 5.7 | 47.6 | 47.1 | 6.5 | 40.6 | 0.4 | 18.4 | 12.0 | 9.8 | 0.6 |
| 1940..... | 50.9 | 45.0 | 5.9 | 50.9 | 50.4 | 7.6 | 42.8 | .5 | 19.5 | 12.5 | 10.3 | .6 |
| 1941..... | 64.3 | 57.9 | 6.3 | 64.3 | 63.8 | 9.5 | 54.3 | .7 | 23.7 | 16.3 | 13.6 | .5 |
| 1942..... | 112.5 | 108.2 | 4.3 | 112.5 | 111.6 | 12.2 | 99.4 | 1.0 | 47.3 | 27.4 | 23.7 | .9 |
| 1943..... | 170.1 | 165.9 | 4.2 | 170.1 | 168.7 | 16.9 | 151.8 | 2.1 | 71.5 | 41.2 | 37.1 | 1.4 |
| 1944..... | 232.1 | 230.6 | 1.5 | 232.1 | 230.4 | 21.7 | 208.5 | 4.3 | 96.5 | 55.5 | 52.2 | 1.8 |
| 1945..... | 278.7 | 278.1 | .6 | 278.7 | 276.2 | 27.0 | 249.2 | 6.5 | 115.0 | 64.2 | 63.5 | 2.4 |
| 1946..... | 259.5 | 259.1 | .4 | 259.5 | 258.0 | 30.9 | 227.1 | 6.2 | 97.9 | 59.5 | 63.5 | 1.5 |
| 1947..... | 257.0 | 256.9 | .1 | 257.0 | 254.3 | ⁵ 34.4 | ⁶ 219.9 | ⁶ 7.0 | ⁶ 91.5 | ⁶ 55.9 | ⁶ 65.5 | 2.7 |

¹ United States savings bonds, series A–D, E, and F are included at current redemption values.

² Includes interest-bearing debt and debt bearing no interest.

³ Excludes guaranteed securities held by the Treasury and securities guaranteed as to interest only.

⁴ Includes insurance companies, mutual savings banks, savings and loan associations, dealers and brokers, and investments of foreign balances and international accounts in this country.

⁵ Includes matured public debt, International Bank, Monetary Fund, United States savings stamps, excess-profits-tax refund bonds, and currency items.

⁶ Estimates based on incomplete data.

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

Source: Treasury Department.

TABLE XXXI.—United States Government aid to foreign countries, 1946-47

[Millions of dollars]

| Type of aid | 1946 | | | | 1947 | | | |
|---|---------------|----------------|---------------|----------------|---------------|----------------|---------------|-----------------------------|
| | First quarter | Second quarter | Third quarter | Fourth quarter | First quarter | Second quarter | Third quarter | Fourth quarter ¹ |
| A. Unilateral payments: | | | | | | | | |
| Straight lend-lease..... | 109 | 46 | 6 | | | | | |
| UNRRA..... | 532 | 414 | 382 | 194 | 264 | 188 | 50 | 1 |
| Post-UNRRA..... | | | | | | 1 | 85 | 162 |
| Civilian supplies for occupied territories..... | 107 | 207 | 115 | 125 | 225 | 262 | 311 | 250 |
| Greek-Turkish aid..... | | | | | | | 48 | 76 |
| Interim aid..... | | | | | | | | 50 |
| Transfer to Philippines..... | | | 100 | | 31 | 25 | 34 | 26 |
| Other Government transfers..... | 20 | 69 | 33 | 72 | 70 | 91 | 40 | 24 |
| Total unilateral payments..... | 768 | 736 | 636 | 391 | 590 | 567 | 568 | 589 |
| Less: Unilateral receipts..... | 52 | 24 | 8 | 10 | 140 | 120 | 49 | 30 |
| Net unilateral payments..... | 716 | 712 | 628 | 381 | 450 | 447 | 519 | 559 |
| B. Long-term loans and investments: | | | | | | | | |
| Lend-lease credits..... | 271 | 173 | 78 | 24 | 14 | 6 | 2 | |
| Surplus property, including ship sales..... | 135 | 414 | 110 | 201 | 113 | 89 | 56 | 58 |
| Export-Import Bank..... | 137 | 333 | 231 | 270 | 280 | 249 | 61 | 205 |
| United Kingdom loan..... | | | 400 | 200 | 500 | 950 | 1,300 | 100 |
| Investment in International Bank..... | | 159 | | 159 | 159 | 159 | | |
| Investment in International Monetary Fund..... | | | | 5 | 2,745 | | | |
| Other..... | | | 17 | 2 | 27 | 48 | 4 | |
| Total, long-term loans and investments..... | 543 | 1,079 | 836 | 861 | 3,838 | 1,501 | 1,423 | 363 |
| Less: Repayments..... | 22 | 19 | 18 | 20 | 50 | 34 | 39 | 34 |
| Net long-term loans and investments, including Bank and Fund..... | 521 | 1,060 | 818 | 841 | 3,788 | 1,467 | 1,384 | 329 |
| Less: Investments in International Bank and Fund..... | | 159 | | 164 | 2,904 | 159 | | |
| Net long-term loans and investments, excluding Bank and Fund..... | 521 | 901 | 818 | 677 | 884 | 1,308 | 1,384 | 329 |
| Net unilateral payments and loans and investments, excluding Bank and Fund..... | 1,237 | 1,613 | 1,446 | 1,058 | 1,334 | 1,755 | 1,903 | 888 |

¹ Estimates based on incomplete data.

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

Source: Department of Commerce.

TABLE XXXII.—United States exports, including reexports, by continents, 1936–38 average and 1946–47 by quarters

| Period | Total | North America | South America | Europe | Asia | Oceania | Africa |
|-----------------------------------|-------|------------------|------------------|------------------|------------------|------------------|------------------|
| Millions of dollars | | | | | | | |
| 1936–38 quarterly average..... | 742 | 183 | 69 | 311 | 125 | 23 | 32 |
| 1946—First quarter..... | 2,283 | 500 | 236 | 1,117 | 268 | 33 | 129 |
| Second quarter..... | 2,485 | 585 | 275 | 1,093 | 365 | 28 | 140 |
| Third quarter..... | 2,351 | 649 | 263 | 969 | 342 | 26 | 103 |
| Fourth quarter..... | 2,620 | 809 | 379 | 919 | 367 | 30 | 116 |
| 1947—First quarter..... | 3,591 | 912 | 571 | 1,374 | 487 | 64 | 183 |
| Second quarter..... | 3,961 | 1,018 | 648 | 1,444 | 547 | 74 | 230 |
| Third quarter..... | 3,399 | 905 | 561 | 1,210 | 424 | 97 | 202 |
| Fourth quarter ¹ | 3,500 | (²) | (²) | (²) | (²) | (²) | (²) |
| Percentage of total | | | | | | | |
| 1936–38 quarterly average..... | 100.0 | 24.7 | 9.3 | 41.9 | 16.8 | 3.1 | 4.3 |
| 1946—First quarter..... | 100.0 | 21.9 | 10.3 | 48.9 | 11.7 | 1.4 | 5.7 |
| Second quarter..... | 100.0 | 23.5 | 11.1 | 44.0 | 14.7 | 1.1 | 5.6 |
| Third quarter..... | 100.0 | 27.6 | 11.2 | 41.2 | 14.5 | 1.1 | 4.4 |
| Fourth quarter..... | 100.0 | 30.9 | 14.5 | 35.1 | 14.0 | 1.1 | 4.4 |
| 1947—First quarter..... | 100.0 | 25.4 | 15.9 | 38.3 | 13.6 | 1.8 | 5.1 |
| Second quarter..... | 100.0 | 25.7 | 16.4 | 36.4 | 13.8 | 1.9 | 5.8 |
| Third quarter..... | 100.0 | 26.6 | 16.5 | 35.6 | 12.5 | 2.9 | 5.9 |

¹ Estimate based on incomplete data.

² Not available.

NOTE.—Exports in this table include merchandise shipped from the United States custom area with the exception of goods destined to United States armed forces abroad, either for their own use or for distribution to civilians in occupied areas. Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE XXXIII.—United States general imports, by continents, 1936–38 average and 1946–47, by quarters

| Period | Total | North America | South America | Europe | Asia | Oceania | Africa |
|-----------------------------------|-------|------------------|------------------|------------------|------------------|------------------|------------------|
| Millions of dollars | | | | | | | |
| 1936–38 quarterly average..... | 622 | 150 | 81 | 177 | 187 | 10 | 17 |
| 1946—First quarter..... | 1,096 | 364 | 254 | 165 | 193 | 41 | 78 |
| Second quarter..... | 1,181 | 398 | 275 | 210 | 192 | 35 | 72 |
| Third quarter..... | 1,231 | 424 | 263 | 192 | 210 | 62 | 81 |
| Fourth quarter..... | 1,401 | 462 | 303 | 229 | 286 | 45 | 76 |
| 1947—First quarter..... | 1,412 | 496 | 309 | 186 | 303 | 47 | 69 |
| Second quarter..... | 1,449 | 569 | 291 | 193 | 269 | 53 | 74 |
| Third quarter..... | 1,331 | 528 | 277 | 213 | 205 | 25 | 83 |
| Fourth quarter ¹ | 1,450 | (²) | (²) | (²) | (²) | (²) | (²) |
| Percentage of total | | | | | | | |
| 1936–38 quarterly average..... | 100.0 | 24.1 | 13.0 | 28.5 | 30.1 | 1.6 | 2.7 |
| 1946—First quarter..... | 100.0 | 33.2 | 23.2 | 15.1 | 17.6 | 3.7 | 7.1 |
| Second quarter..... | 100.0 | 33.7 | 23.3 | 17.8 | 16.3 | 3.0 | 6.1 |
| Third quarter..... | 100.0 | 34.4 | 21.4 | 15.6 | 17.1 | 5.0 | 6.6 |
| Fourth quarter..... | 100.0 | 33.0 | 21.6 | 16.3 | 20.4 | 3.2 | 5.4 |
| 1947—First quarter..... | 100.0 | 35.1 | 21.9 | 13.2 | 21.5 | 3.3 | 4.9 |
| Second quarter..... | 100.0 | 39.3 | 20.1 | 13.3 | 18.6 | 3.7 | 5.1 |
| Third quarter..... | 100.0 | 39.7 | 20.8 | 16.0 | 15.4 | 1.9 | 6.2 |

¹ Estimate based on incomplete data.

² Not available.

NOTE.—Imports in this table include merchandise entered immediately upon arrival into merchandising or consumption channels, plus commodities entered into bonded customs warehouse for storage. Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE XXXIV.—*Production and exports of selected nonagricultural commodities, 1939, 1946, and 1947*

| Commodity and period | Unit | Production | | | Exports as percent of total production |
|---|------------------------------------|------------|------------------|------------|--|
| | | Total | For domestic use | For export | |
| Agricultural machinery and implements: | | | | | |
| 1939..... | Million dollars..... | 416 | 347 | 69 | 16.6 |
| 1946..... | do..... | 1 992 | 834 | 158 | 16.0 |
| 1947—January-June (annual rate)..... | do..... | (2) | (2) | 302 | (2) |
| July-September (annual rate)..... | do..... | (2) | (2) | 320 | (2) |
| Chemicals and related products: | | | | | |
| 1939..... | do..... | 3,298 | 3,123 | 175 | 5.3 |
| 1946..... | do..... | 8,600 | 8,077 | 523 | 6.1 |
| 1947—January-June (annual rate)..... | do..... | (2) | (2) | 820 | (2) |
| July-September (annual rate)..... | do..... | (2) | (2) | 844 | (2) |
| Coal, bituminous: | | | | | |
| 1939..... | Million short tons..... | 395 | 383 | 12 | 3.0 |
| 1946..... | do..... | 532 | 491 | 41 | 7.7 |
| 1947—January-June (annual rate)..... | do..... | 624 | 564 | 60 | 9.6 |
| July-September (annual rate)..... | do..... | 568 | 484 | 84 | 14.8 |
| Electrical machinery and apparatus: | | | | | |
| 1939..... | Million dollars..... | 1,788 | 1,683 | 105 | 5.9 |
| 1946..... | do..... | 4,500 | 4,196 | 304 | 6.8 |
| 1947—January-June (annual rate)..... | do..... | 6,758 | 6,200 | 558 | 8.3 |
| July-September (annual rate)..... | do..... | 6,856 | 6,312 | 544 | 7.9 |
| Freight cars:¹ | | | | | |
| 1939..... | 1,000 dollars..... | 63,249 | 62,830 | 419 | .7 |
| 1946..... | do..... | 208,216 | 167,665 | 40,551 | 19.5 |
| 1947—January-June (annual rate)..... | do..... | 331,792 | 195,634 | 136,158 | 41.0 |
| July-September (annual rate)..... | do..... | 360,816 | 349,900 | 10,916 | 3.0 |
| Lumber, sawmill products: | | | | | |
| 1939..... | Million board feet..... | 24,975 | 23,871 | 1,104 | 4.4 |
| 1946..... | do..... | 30,300 | 29,651 | 649 | 2.1 |
| 1947—January-June (annual rate)..... | do..... | 31,372 | 30,064 | 1,308 | 4.2 |
| July-September (annual rate)..... | do..... | 34,284 | 32,640 | 1,644 | 4.8 |
| Motor trucks:² | | | | | |
| 1939..... | Thousand..... | 710 | 558 | 152 | 21.4 |
| 1946..... | do..... | 951 | 764 | 187 | 19.7 |
| 1947—January-June (annual rate)..... | do..... | 1,236 | 970 | 266 | 21.5 |
| July-September (annual rate)..... | do..... | 1,180 | 940 | 240 | 20.3 |
| Passenger cars:³ | | | | | |
| 1939..... | Thousand..... | 2,867 | 2,702 | 165 | 5.8 |
| 1946..... | do..... | 2,149 | 2,005 | 144 | 6.7 |
| 1947—January-June (annual rate)..... | do..... | 3,442 | 3,178 | 264 | 7.7 |
| July-September (annual rate)..... | do..... | 3,396 | 3,136 | 260 | 7.7 |
| Petroleum, crude: | | | | | |
| 1939..... | Million barrels ⁴ | 1,265 | 1,193 | 72 | 5.7 |
| 1946..... | do..... | 1,733 | 1,690 | 43 | 2.5 |
| 1947—January-June (annual rate)..... | do..... | 1,780 | 1,738 | 42 | 2.4 |
| July-September (annual rate)..... | do..... | 1,908 | 1,856 | 52 | 2.7 |
| Rolled steel products:⁵ | | | | | |
| 1939..... | 1,000 short tons..... | 34,955 | 32,427 | 2,528 | 7.2 |
| 1946..... | do..... | 48,776 | 43,976 | 4,800 | 9.8 |
| 1947—January-June (annual rate)..... | do..... | 62,344 | 55,786 | 6,558 | 10.5 |
| July-September (annual rate)..... | do..... | 61,792 | 55,536 | 6,256 | 10.1 |
| Wearing apparel: | | | | | |
| 1939..... | Million dollars..... | 3,351 | 3,329 | 22 | 0.7 |
| 1946..... | do..... | 7,031 | 6,880 | 151 | 2.1 |
| 1947—January-June (annual rate)..... | do..... | 7,022 | 6,836 | 186 | 2.6 |
| July-September (annual rate)..... | do..... | (2) | (2) | (2) | (2) |

¹ Sales; production data not available.

² Not available.

³ Estimated value of shipments to United States railroads and to foreign markets.

⁴ Eighty-nine percent of the cars exported during this period went to France as a result of an accumulation of deliveries against orders previously placed.

⁵ Factory sales are used to represent production. Exports are as reported by the Automotive Manufacturers' Association and include exports shipped as completed cars and parts for assembly aboard.

⁶ Barrels of 42 gallons each.

⁷ Net shipments for sale; production data not available.

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

Source: Department of Commerce.

TABLE XXXV.—*Distribution of selected food supplies moving into consumption channels, 1939, 1946, and 1947*

| Commodity and year | Distribution of food supplies ¹ | | | | Per capita civilian distribution | Exports and shipments as percent of total distribution |
|---|--|------------------------------------|-----------------------|-----------------------|----------------------------------|--|
| | Total ¹ | Exports and shipments ¹ | Military distribution | Civilian distribution | | |
| | Million pounds | Million pounds | Million pounds | Million pounds | Pounds | |
| Meat (carcass equivalent): | | | | | | |
| 1939..... | 17,739 | 246 | | 17,493 | 132.8 | 1.4 |
| 1946..... | 23,362 | 1,187 | 941 | 21,234 | 152.8 | 5.1 |
| 1947 ² | 23,189 | 300 | 600 | 22,289 | 156 | 1.3 |
| Dairy products (milk equivalent): | | | | | | |
| 1939..... | 108,985 | 429 | | 108,556 | 824 | .4 |
| 1946..... | 121,480 | 6,339 | 2,644 | 112,497 | 809 | 5.2 |
| 1947 ² | 120,798 | 3,540 | 1,734 | 115,524 | 811 | 2.9 |
| Food fats and oils (excluding butter): ³ | | | | | | |
| 1939..... | 4,612 | 365 | | 4,247 | 32.2 | 7.9 |
| 1946..... | 5,067 | 669 | 41 | 4,357 | 31.3 | 13.2 |
| 1947 ² | 5,236 | 792 | 74 | 4,370 | 30.5 | 15.1 |
| Canned fruit (processed weight): | | | | | | |
| 1938-39 pack year..... | 2,361 | 359 | | 2,002 | 15.3 | 15.2 |
| 1946..... | 3,239 | 202 | 94 | 2,943 | 21.2 | 6.2 |
| 1947 ² | 3,263 | 215 | 110 | 2,938 | 20.5 | 6.6 |
| Fresh fruits (farm weight): | | | | | | |
| 1939..... | 21,359 | 1,277 | | 20,082 | 152.5 | 6.0 |
| 1946..... | 21,206 | 1,167 | 484 | 19,555 | 140.7 | 5.5 |
| 1947 ² | 22,604 | 1,483 | 243 | 20,878 | 145.7 | 6.6 |
| Canned vegetables (processed weight): | | | | | | |
| 1938-39 pack year..... | 4,163 | 57 | | 4,106 | 31.3 | 1.4 |
| 1946..... | 6,976 | 361 | 153 | 6,462 | 46.5 | 5.2 |
| 1947..... | 7,117 | 125 | 313 | 6,679 | 46.6 | 1.8 |
| Fresh vegetables (farm weight): | | | | | | |
| 1939..... | 32,153 | 134 | | 32,019 | 243 | .4 |
| 1946..... | 38,855 | 494 | 470 | 37,891 | 273 | 1.3 |
| 1947 ² | 37,162 | 444 | 230 | 36,488 | 255 | 1.2 |
| Wheat (grain equivalent): ⁴ | Million bushels | Million bushels | Million bushels | Million bushels | | |
| 1939..... | 571 | 93 | | 478 | 217.8 | 16.3 |
| 1946..... | 844 | 340 | 15 | 489 | 207.2 | 40.3 |
| 1947 ² | 1,005 | 494 | 5 | 506 | 211.0 | 49.2 |
| Eggs (fresh egg equivalent): | Million dozen | Million dozen | Million dozen | Million dozen | Number of eggs | |
| 1939..... | 3,418 | 3 | | 3,415 | 311 | .1 |
| 1946..... | 4,862 | 430 | 94 | 4,338 | 374 | 8.8 |
| 1947 ² | 4,781 | 156 | 90 | 4,535 | 380 | 3.4 |

¹ Includes military civilian feeding programs in liberated and occupied areas, both from current procurement and from surplus stock.

² Preliminary estimates based on reports for the first 9 months and forecasts for the balance of the year.

³ Actual weight except for margarine which is on a "fat content" basis.

⁴ Excludes amounts used for animal feed, industrial raw materials, and seed. If these amounts were included, percentages in last column would be 1939, 11.9; 1946, 28.9; 1947, 38.8.

Source: Department of Agriculture.

TABLE XXXVI.—*Population by age groups, selected years, 1900-1975*

[Thousands of persons]

| Age | 1900 | 1920 | 1930 | 1940 | 1947 estimate ^{1 2} | 1960 forecast ² | | 1975 forecast ² | |
|------------------------|--------|---------|---------|---------|------------------------------|----------------------------|---------|----------------------------|---------|
| | | | | | | Medium | High | Medium | High |
| All ages..... | 75,995 | 105,711 | 122,775 | 131,669 | 143,980 | 153,375 | 162,011 | 162,337 | 185,071 |
| Under 20 years..... | 33,681 | 43,043 | 47,609 | 45,306 | 48,631 | 49,075 | 54,062 | 45,843 | 56,858 |
| 20 to 64 years..... | 39,032 | 57,586 | 68,438 | 77,344 | 84,669 | 90,321 | 93,274 | 98,849 | 108,279 |
| 65 years and over..... | 3,080 | 4,933 | 6,634 | 9,019 | 10,650 | 13,978 | 14,674 | 17,646 | 19,935 |
| Age unknown..... | 201 | 149 | 94 | | | | | | |

¹ The total differs slightly from the independent estimate of 144,002,000 published in "Current Population Reports, Series P-25, No. 3."

² Estimate for 1947 and high forecasts for 1960 and 1975 assume high fertility, low mortality and 1 million net immigration in each 5-year period after July 1, 1945. Medium forecasts assume medium fertility and mortality and no net immigration after July 1, 1945.

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

Source: Department of Commerce.

TABLE XXXVII.—*Changes in selected economic series since 1939*

[1939=100]

| Source, appendix B, table number | Economic series | 1939 | 1946 | 1947 |
|---|---|-------|-------|-------|
| I..... | Gross national product..... | 100.0 | 225.3 | 256.4 |
| | Personal consumption expenditures..... | 100.0 | 212.9 | 243.7 |
| | Gross private domestic investment..... | 100.0 | 273.3 | 338.9 |
| | Net foreign investment..... | 100.0 | 533.3 | 977.8 |
| | Government purchases of goods and services..... | 100.0 | 233.6 | 213.7 |
| II..... | National income..... | 100.0 | 245.8 | 280.0 |
| | Compensation of employees..... | 100.0 | 244.4 | 268.8 |
| IV..... | Personal income..... | 100.0 | 244.1 | 271.6 |
| | Disposable personal income..... | 100.0 | 225.6 | 250.1 |
| | Personal saving..... | 100.0 | 548.1 | 411.1 |
| V..... | Per capita disposable income: | | | |
| | Current dollars..... | 100.0 | 209.3 | 227.4 |
| | First half of 1947 dollars..... | 100.0 | 149.3 | 142.0 |
| VI..... | Civilian food consumption (per capita)..... | 100.0 | 113.5 | 112.5 |
| | Net income from farm marketings to persons on farms (per capita)..... | 100.0 | 203.9 | 195.1 |
| VII..... | Consumer credit outstanding, end of year..... | 100.0 | 127.1 | 166.4 |
| VIII..... | Labor force, including armed forces..... | 100.0 | 109.4 | 110.8 |
| | Civilian labor force..... | 100.0 | 104.1 | 108.9 |
| | Employment..... | 100.0 | 120.3 | 126.3 |
| | Nonagricultural..... | 100.0 | 129.2 | 137.0 |
| | Agricultural..... | 100.0 | 86.6 | 86.0 |
| | Unemployment..... | 100.0 | 24.4 | 23.0 |
| IX..... | Wage and salary workers in nonagricultural establishments..... | 100.0 | 134.4 | 140.0 |
| | Manufacturing..... | 100.0 | 142.5 | 153.9 |
| | Mining..... | 100.0 | 98.9 | 104.6 |
| | Construction..... | 100.0 | 129.8 | 150.4 |
| | Transportation and public utilities..... | 100.0 | 138.2 | 139.0 |
| | Trade..... | 100.0 | 126.0 | 128.9 |
| | Finance and service..... | 100.0 | 129.1 | 134.2 |
| | Federal, State, and local government..... | 100.0 | 140.3 | 135.2 |
| X..... | Average gross weekly earnings: | | | |
| | Manufacturing..... | 100.0 | 183.3 | 204.9 |
| | Bituminous coal mining..... | 100.0 | 243.0 | ----- |
| | Private building construction..... | 100.0 | 185.1 | ----- |
| | Wholesale trade..... | 100.0 | 161.0 | ----- |
| | Retail trade..... | 100.0 | 153.8 | ----- |
| XII..... | Consumers' price index: all items..... | 100.0 | 140.1 | 159.5 |
| | Foods..... | 100.0 | 167.6 | 202.3 |
| | Apparel..... | 100.0 | 159.4 | 184.4 |
| | Rent..... | 100.0 | 104.1 | 106.2 |
| XIII..... | Wholesale price index: All commodities..... | 100.0 | 157.1 | 196.8 |
| | Farm products..... | 100.0 | 228.0 | 277.2 |
| | Foods..... | 100.0 | 185.7 | 239.5 |
| | Other than farm products and foods..... | 100.0 | 134.7 | 165.7 |
| XIV..... | Prices paid by farmers (including interest and taxes)..... | 100.0 | 155.6 | 187.1 |
| | Prices received by farmers..... | 100.0 | 245.3 | 292.6 |
| | Parity ratio..... | 100.0 | 155.8 | 155.8 |
| XV..... | Industrial production index: total..... | 100.0 | 156.0 | 170.6 |
| | Durable manufactures..... | 100.0 | 176.1 | 200.9 |
| | Nondurable manufactures..... | 100.0 | 151.4 | 157.8 |
| | Minerals..... | 100.0 | 126.4 | 140.6 |
| XVII..... | New construction..... | 100.0 | 163.1 | 212.4 |
| | Private..... | 100.0 | 213.8 | 272.9 |
| | Residential..... | 100.0 | 150.6 | 233.6 |
| | Nonresidential..... | 100.0 | 426.8 | 405.2 |
| | Public utility and farm..... | 100.0 | 167.5 | 244.2 |
| | Public..... | 100.0 | 88.0 | 122.8 |
| XIX..... | Business expenditures for new plant and equipment..... | 100.0 | 231.5 | 301.5 |
| XXII..... | Corporate profits before taxes..... | 100.0 | 324.6 | 430.8 |
| | Corporate tax liability..... | 100.0 | 573.3 | 740.0 |
| | Corporate profits after taxes..... | 100.0 | 250.0 | 338.0 |
| | Dividend payments..... | 100.0 | 147.4 | 173.7 |
| | Undistributed profits..... | 100.0 | 575.0 | 853.3 |

NOTE.—For some series, 1947 data are based on 11-month averages.

Sources: Data in indicated appendix B tables have been converted to the base, 1939=100.

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