The Economic Report of the President

TRANSMITTED TO THE CONGRESS

January 1949

THE ECONOMIC REPORT OF THE PRESIDENT

To the Congress, January 7, 1949

Together with a report

THE ANNUAL ECONOMIC REVIEW
JANUARY 1949

by the

COUNCIL OF ECONOMIC ADVISERS

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LETTER OF TRANSMITTAL

THE WHITE HOUSE,
Washington, D. C., January 7, 1949.

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.

Together with this report, I am transmitting a report, the Annual Economic Review: January 1949, prepared for me by the Council of Economic Advisers in accordance with section 4 (c) (2) of the Employment Act of 1946.

Respectfully,

Harry Truman

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To the Congress of the United States:

THE people of the United States have just enjoyed another year of bountiful prosperity. This has enabled us further to strengthen our economy at home, and further to supplement the recovery of freedom-loving peoples elsewhere who seek lasting peace.

The resourcefulness of American business, the skill of our labor force, and the productivity of our agriculture have lifted our standards of living beyond any prewar expectation. We have achieved these blessings through the happy combination of our free institutions, our system of private enterprise upon which we primarily rely for economic results, our vigorous Government, and the mutual respect and trust that we all hold for one another. My pledge to all elements in our economic system is that their Government will continue to steer a course guided by full recognition of these values. Toward this end, I ask of all the cooperation and confidence upon which our way of life depends.

Let us all remember that our unparalleled prosperity has not been maintained by chance, and that we can lose it if we leave the future to chance. Courageous and positive action has contributed to our progress, and some of the most serious difficulties still confronting us exist because our thought and action have not been sufficiently clear and vigorous.

As we work together in 1949 to combat the remaining dangers of postwar inflation, we should bear always in mind that our purpose is at the same time to build strong bulwarks against deflation and depression, and thus to consolidate our past gains and move forward to new levels of sustained prosperity for all.

This third annual Economic Report, under the Employment Act of 1946, affords not only the President but also the Congress and the whole country still another occasion to look to our current economic position, to draw courage from our progress, and to benefit by our mistakes. Now is the time to formulate and execute a practical program of immediate and long-range economic measures pointed toward stability and growth.

Sources of Our Economic Strength

THE year just ended has tested the strength of our economy, and challenged our ability and willingness to act to protect our prosperity. When 1948 opened, the inflation which had attained threatening proportions in the preceding months was continuing unchecked. Prices were rising everywhere. They brought higher but uneasy profits to business firms. They squeezed the family budget of workers, who in turn sought to press wages upward as the cost of living advanced. The rising spiral created more and more maladjustment among prices, wages, and other incomes.

Early in 1948, a sharp break in grain prices spread concern throughout the economy. Commodity speculation, fed by a world demand of unprecedented magnitude and intensified by our own short corn crop, had carried the prices of wheat and corn to levels which could not be sustained. The market structure collapsed of its own weight. On February 13, the price of cash wheat was 25 percent or 74 cents a bushel lower than it had been a month earlier.

But this break did not set off a train of consequences similar to those which, following World War I, had turned the boom into a deflation of unusual depth and rapidity in 1920–1922. In 1948, the decline of the speculative grain market did not bring unemployment, cutbacks in production, general unloading of inventories, or abandonment of plans for capital investment. Our economy showed strength sufficient to withstand shock of a kind which had ended earlier inflations with collapse.

The reasons for this were not just that we were luckier in 1948 than we had been in 1920. Affirmative national policies and greater caution in the business community combined with other developments to make the economy more shock-resistant. The farm price support program guaranteed that the collapse of grain prices would not go far enough to impoverish the farmers, to curtail the farmers' demand for the products of industry, or to bring about a chain reaction of price breaks in other markets. As the price drop was localized, it did not cause cancellation of the buying and investment plans of businessmen and consumers.

Nor was the farm price support policy the only source of our strength. Our whole financial and banking structure was stronger and more resilient than in the early twenties. Our businessmen, having become better informed, were more prudent. Our working groups were better supplied with current income and accumulated savings. Our social security and related policies added to the feeling of stability. The Government had so employed a large budget surplus as to prevent the inflation from becoming as hectic as it otherwise would have been; and such policies served to moderate the extent of the reaction. This combination of private and Government action helped us to avoid serious trouble last year, although it was not effective enough to terminate the inflationary trend which was soon augmented by the defense program and by the reduction in taxes. Nor did we develop an adequate protective program against hurtful deflation in the future. We must now look to an improved combination of basic private action and supplementary government action to develop still better remedies and safeguards.

Our escape from the danger of a general recession in the spring of 1948 does not mean that no further dangers will appear, or that we can wait until they descend upon us in full force before taking wise preventive measures. We have been granted a breathing spell, but we have not been granted lasting prosperity without further effort and vigilance. So long as the rising course of incomes and activity continues, there will be in operation many of the forces which have been responsible for the long-sustained advance of prices. There are a few sectors of our economy where dangerous inflationary forces continue to be predominant. For example, the shortages of steel and electric power, and the steadily mounting costs of public utility services, add further to the higher costs of production which up to now have been rather readily passed on to the consuming public.

The recent appearance of wider areas in the economy where supply conditions have improved, where the pressure of demand has been reduced, and where price inflation has been halted or reversed, should be looked upon as a desirable development to be welcomed rather than feared. It marks the beginning of the process by which a more stable condition can be reached after a long period of rising prices. But these adjustments have not proceeded far enough to justify a cessation of concern about inflation. Besides, a sharp and uneven adjustment of prices downward may cause dislocations quite as serious as the sharp and uneven movement of prices upward. Since both factors may be at work in different parts of the economy at the same time or in rapid sequence, we need to have available a range of governmental measures which can be applied as brake or as accelerator according to the need.

While the prosperity of the postwar years has been great, it has rested in considerable part on somewhat temporary factors which were the aftermath of war. In 1949, we are entering a period of harder tests. The momentum of war-created demand and war-created purchasing power has waned, and we must now rely more fully on currently generated purchasing power to absorb a full output of goods and services. We must be more than ever on the alert, to make sure that withdrawal or lessening of temporary demand factors is not accompanied by a reduction of productive activity and the mounting unemployment to which this would lead.

I believe that prosperity can be continued and that, with proper action, the prospective volume of business investment, consumer spending, and governmental transactions should promote ample employment opportunities for the coming year. But many adjustments in price and income relations need to be made, and these must flow mainly from the wise action of the leaders in our enterprise economy. These leaders should draw sustaining confidence from the fact that it is the policy of the Government under the Employment Act of 1946 to use all its resources to avoid depression and to maintain continuous prosperity.

These favorable prospects will not be realized automatically. The strength of our economy, the strength of our great Nation, depends upon our capacity and willingness to adopt the salutary policies which are required by changing circumstances and to put them into effect.

In this Economic Report, drawing upon the more detailed information and analysis furnished to me by the Annual Economic Review of the Council of Economic Advisers (transmitted to the Congress herewith), I shall first cover the high points in the current and prospective economic situation, and then propose both policy guides and a program to deal with the situation as I evaluate it.

High Points in the Economic Situation

Employment in 1948 ranged from 57 to nearly 62 million civilian workers and averaged more than 59 million. This included over a million workers who were added to the labor force. Unemployment remained at the low level of around 2 million.

Production for the economy as a whole was between 3 and 4 percent higher than in 1947. With bumper crops, agricultural output increased about 9 percent. Industrial output increased 3 percent, while employment in the service businesses rose 3 percent and in government 4 percent.

Prices ceased the broad upward movement which had persisted with few interruptions ever since the removal of price controls. The trends of prices became more irregular and more selective. Metals and metal products, building materials, fuel and lighting materials, and most durable goods moved upward, while some other groups weakened, with farm products leading the decline. Lower food prices brought the consumer price index down a little in the late months of the year, although other components of the index continued to rise throughout most of the year.

This halt in the upward march of prices has been a welcome sign in the battle against inflation. I hope that it proves more enduring than similar pauses during the past two years. But the sharply divergent movements of prices—both up and down—confront us with urgent problems of adjustment to sustain maximum employment and production throughout the economy.

Wages went up during 1948, but there was considerable disparity in the increases obtained by workers in different lines. While some groups managed to keep ahead of rising living costs, others fell behind.

Work stoppages in 1948 were at about the same level as in 1947. In most industries, settlements were obtained without prolonged negotiations or strikes. Nevertheless, considerable loss of production resulted directly and indirectly from strikes, especially in coal mining and in east coast and west coast shipping and trucking.

Profits in 1948 again surpassed all previous records and were rising throughout the year. Corporate profits after taxes amounted to about 21 billion dollars, contrasted with a record level of about 18 billion dollars in 1947. With sales booming, the ratio of profits to sales was again maintained at around 5 percent after taxes. As I pointed out a year ago, such profits are in excess of the levels needed to furnish incentives and equity funds for industrial expansion and to promote sustained economic health, although some businesses have not thrived nearly so well as others.

The supply of money and credit, which increased enormously during the war, continued to expand thereafter. During 1948, however, partly as a result of restrictive actions adopted by governmental authorities and voluntary restraints observed by banks, and partly because of a decline in the demand for short-term capital, the expansion of bank credit was substantially slowed. A large Government surplus used to retire bank-held debt, together with the slackened growth of credit, resulted in a slight decrease in the amount of privately held bank deposits and currency. While bank loan expansion was less in 1948 than in 1947, this was in good part offset by increased lending by other financial institutions.

Credit expansion has been an important element in the process of inflation. In the first months of 1948, it was offset by the large Treasury surplus. When that surplus disappeared, the Government did not have authority to take other action which would effectively restrain inflationary expansion of bank credit and at the same time assure the maintenance of an orderly market for the vast public debt.

Consumer income in 1948 increased per capita about in proportion to the increase in consumer prices, which meant that consumers had no appreciable gain in real incomes despite an increase of 3 to 4 percent in total national output. Income from most major sources was greater than in 1947. But in the latter half of 1948, income from farming fell relative to the normal seasonal pattern and that from other unincorporated business and from rents ceased to rise, while that from dividend payments increased sharply. Income distribution is less unequal than it was in prewar years, but this improvement has probably been halted as a result of inflation and of changes in income taxes in 1948.

Consumption expenditure went up less than income in 1948. While personal saving increased, this was not reflected in the rate at which people accumulated liquid assets—currency and bank deposits, insurance policies, and securities. A larger proportion of saving was invested in housing, unincorporated businesses, and farms.

Business investment continued at a high level throughout 1948. Plant and equipment outlays by businesses other than farms totaled about 19 billion dollars, slightly above the level reached in the latter half of 1947, although with higher costs the physical volume of such investment was not quite maintained. Expansion to catch up with postwar demands appeared to be nearing completion in some lines, but substantial further increases in capacity are planned in a number of industries—chemicals, petroleum, metals, utilities, and transportation. Even where expansion goals have been met, modernization to reduce costs and improve products should continue to require substantial investment, though at a rate of growth lower than that of the past two years.

Inventories of nonfarm businesses likewise continued to increase in value throughout the year, the increase amounting to about 7 billion dollars. Of this amount, 4 billion was accounted for by price increases. Restocking after wartime shortages appears to have been virtually completed except for metals and some building materials.

Corporate financing of investment in plant and equipment, inventories, and customer credit required 26 billion dollars in 1948, 2 billion less than in 1947, but that part of new investment which went into plant and equipment increased. Of the total, 65 percent was internally financed. For the part externally financed, bonds were a more important source, and bank loans and stock issues less important sources, than in 1947. While stock market financing has been less important during the postwar years than in the late 1920's, this has been offset by greater retained earnings so that equity-debt ratios are generally more favorable now than in the last two decades.

The housing supply was increased by well over a million residential units during 1948. But since last May the number of new housing starts has been falling off rapidly. This does not mean that the housing shortage has been overcome. Rather it means, as I have pointed out in previous reports, that the construction industry has been pricing itself out of the market for all but expensive homes. A continued decline in home building would constitute a threat, not only to the improvement of living standards for millions of low-income families who are still inadequately housed, but also to the maintenance of maximum employment over the years.

The housing shortage is one that calls for prompt and bold action by Government and by industry—action by Government that will produce low-rent public housing, slum clearance, and rural housing for families of low incomes; action by industry to reduce costs so that decent homes can be built at prices that wage earners with moderate incomes can afford.

The major portion of the housing job must be done by private industry. Here the bottleneck is cost. At this time of national stock-taking I urge all elements of the building industry substantially to lower costs so that housing production may reach new record levels. The present decline in housing starts points up the danger that inflated building costs can bring down upon the industry. If housing costs are lowered and the consumer gets better value, builders will be able to continue to build in volume and the building industry need not fear a continued downward trend.

Municipalities can perform a major role in reducing costs by modernizing their obsolete building codes, which add to costs unnecessarily.

The surplus of exports of goods and services in 1948 was substantially less than in 1947, being 6 billion dollars compared with 11 billion. This reflected in part an increase in imports, a necessary development for placing our international transactions on a sustainable basis. It reflected even more a decrease in exports, because foreign purchasers lacked dollars with which to buy from us, and because of increased supplies of needed goods produced abroad. The impact of this decline has been selective. Foreign countries have continued to buy products which they consider essential, like wheat, petroleum, agricultural and industrial machinery, and chemicals. Other items have been cut very drastically.

As shipments under the European Recovery Program continue to expand, some increase in the level of exports can be anticipated. For certain products, especially those for which the domestic market is tight, countries are being authorized to use European Recovery Program funds for purchases outside the United States. This will not reduce total export demand, since the sellers of such goods will generally spend here the dollars they receive. However, the expansion of exports under this program will, it is hoped, be offset in part by further increases in imports.

Government fiscal transactions were again a strong anti-inflationary factor in the early part of 1948, due to the excess of receipts over expenditures. But this factor declined substantially during the year. Federal receipts from the public exceeded cash payments by about 6 billion dollars in the calendar year 1947. Measured after adjustment for seasonal factors, the excess ran at an annual rate of 12.5 billion dollars in the first half of 1948, and only at a rate of 4 billion dollars in the second half. One of the main supports of an anti-inflation policy is a large Treasury surplus. As a result of the tax reduction of last year and the necessary increase in Government expenditures, this powerful weapon is not now available. Tax receipts, it is true, have been rising but this has been largely due to the inflationary rise in incomes, profits, and pay rolls. This inflationary rise, in turn, was aggravated by the effects of the tax reduction. Rising expenditures of State and local governments are expected to add to deficits in 1949, and these deficits increase the general inflationary pressure.

In the *Nation's Economic Budget,* retained earnings of business and business investments showed the largest percentage increase from 1947 to 1948. Among the other components, consumer incomes and expenditures increased less, government payments rose only moderately, and net foreign investment declined substantially. Expectations of continued inflation have added to the incentives for business investment, while the price rise has acted as a brake on the demand of consumers with relatively fixed incomes. The proportion of consumer expenditures in the total national product has never been lower in any peacetime year for which statistics are available. This is not an immediate problem so long as the sum of government expenditures, business expenditures, and net foreign investment is still rising. It could become a critical problem as these other factors begin to turn down or even to assume a declining relative importance in a constantly growing total economy. This situation calls for a vigorous anti-inflation program now, while at the same time we must pursue those policies of adjustment and expansion which will be needed to promote balanced economic growth over the years.

Guides to Economic Policy

AS WE turn from consideration of the facts of our economic situation to a program of action, there are several broad principles which I believe should guide us. These principles should help us to keep clearly in mind where we want to go and how certain roads rather than others are the surest and quickest way of getting there.

First. We should remember that the goal we seek is the greatest prosperity for the whole country and not the special gain of any particular group. That is why the Employment Act of 1946 calls upon the President to present an economic program aimed at continuous "maximum employment, production, and purchasing power." I firmly believe that this goal is attainable.

Maximum employment for 1949 means that nearly 1 million additional job opportunities should be provided for the growing labor force. Maximum production means that our increased labor force and modernized plant should strive for a 3 to 4 percent increase in total output. Maximum purchasing power means that the sum total of market demand by government, business, and consumers, domestic and foreign, should be proportionate to our productive capacity. It must not be more or we shall suffer inflation. It must not be less or we shall suffer unemployment and under-utilization of our resources.

Second. We should think and work with a reasonably long look ahead, not keeping our eyes just on the problems of the moment. Our immediate tasks must be placed in the perspective of our long-range national objectives. While we must deal promptly with the problem of inflation, we must not unduly hold back undertakings that are needed to preserve and develop our employment opportunities and our productivity in later years. Policies needed to develop our resources and to prevent depression in the long run must be reconciled with policies needed to curb inflation in the short run.

We must pursue affirmative programs for housing and health, for education and resource development. Yet the fight against inflation prevents us from undertaking these long-range programs with the speed and on a scale that would otherwise be desirable. In the recommendations made in this Economic Report and in the Budget which will be transmitted to the Congress in a few days, I have sought to reconcile these objectives in a way that strikes the safest balance.

Third. In order to have a yardstick for appraising strength and weaknesses in our economy and the adequacy of Government programs, we need concrete objectives for economic growth, and particularly standards for a better balance between production and consumption, income and investment, and prices, profits, and wages which will be conducive to sustained economic progress. In the Annual Economic Review of the Council of

Economic Advisers, transmitted herewith, there is a detailed treatment of our growth possibilities over the next few years. This shows how our employment, our output, and our standards of living can rise if we encourage and place major reliance upon our free enterprise system, conserve and develop our natural and human resources, retain our faith in responsible Government, and do not relax our efforts.

This study by the Council of Economic Advisers shows that action is now needed on the long range programs which I set forth in the concluding section of this Economic Report.

Fourth. We are dedicated to the principle that economic stability and economic justice are compatible ends. The fact that our total purchasing power is now at record levels cannot blind us to the equally important fact that the incomes of many people have not risen apace with the cost of living and that they have become the victims of inflation. A prosperity that is too uneven in the distribution of its fruits cannot last.

Fifth. We must fulfill the requirements of our essential programs—national defense, international reconstruction, and domestic improvements and welfare—even if doing so may require the temporary exercise of selective controls in our economy. We want the greatest amount of economic freedom that is consistent with the security and welfare of the people; but we do not want to sacrifice that security and welfare because of narrow and selfish concepts as to the acceptable limits of government action. If we could have the amount of national defense that we need, make the contribution to international reconstruction to which we are committed, and at the same time maintain and expand our standards of living now and in the future without any kind of selective controls over the economy, that would be most highly desirable. And it is possible that we may not, in fact, be forced to use such controls. But we would rather have these relatively unpleasant restrictions on our freedom of action for a while than imperil our security or allow our human and material resources to deteriorate.

Sixth. The vigorous commitment by the Government to an anti-inflation policy should not obscure the fact that the Government is equally committed to an anti-depression policy. In fact, curbing inflation is the first step toward preventing depression. And in times like the present, when the economic situation has mixed elements, the Government needs both anti-inflationary weapons and anti-deflationary weapons so that it will be ready for either contingency. It may even be necessary to employ both types of measures concurrently in some combination, for some prices or incomes could rise too rapidly while others could be falling dangerously. The same dictates of prudent policy which call for higher taxes in a period of inflation would call for tax adjustments designed to counteract any serious recessionary movement.

Legislative Recommendations

With these principles as a guide, I turn now to the recommendations which I am presenting to a new Congress invested by the American people with enormous responsibility for their welfare and security. We are pledged to prompt action when needed. We must not wait to act only in the eleventh hour of crisis. Moderate measures, taken in time, can save us from drastic action later on.

1. Policies to Combat Inflation and to Promote Production in Certain Industries

Fiscal policy

It is essential to sound fiscal policy to have a budget surplus now. This is our most effective weapon against inflation. It will enable us to reduce our debt now; it would be much more difficult to do so in less prosperous times.

I recommend legislation to increase the Government revenue from taxation by 4 billion dollars a year. The principal source of additional revenue should be additional taxes upon corporate profits, which can be applied without unduly interfering with prospects for continued business expansion and with assurance that profits, after taxes and dividends, will be sufficient for investments and contingencies.

Another source of additional revenue should be the tax upon estates and gifts. The already small yield from this tax was reduced by one-third by the Revenue Act of 1948. Careful study should also be directed to the increase of rates of individual income taxes in the upper and middle brackets. Some additional excise taxes may be desirable, but some excise taxes, particularly on oleomargarine, should be repealed.

I also recommend an increase in social security contributions under existing and extended social insurance programs. This would exert an anti-inflation effect in addition to that of the 4 billion dollar increase in taxes which I have recommended above.

The national tax policy should be flexible and should be promptly adjusted to the changing needs of business and consumers in the course of evolving economic events.

Increased taxation is only one of the means by which we can accumulate a budget surplus. The other is a careful limitation of Federal expenditures. It is essential that our fiscal policy under present circumstances contemplate not only a surplus of revenues over expenditures, but also a surplus achieved at the lowest level of expenditures which is consistent with our needs. The implications of this policy requirement will be discussed at length in my Budget Message.

Debt management

The public debt will continue to be managed in a manner that will make a maximum contribution to the stability of the economy. An important factor in this program will continue to be the maintenance of stability in the Government bond market.

Such stability in the Government bond market has been a most significant element in the smooth reconversion from a wartime economy to a civilian peacetime economy. It contributes to the underlying strength of the financial structure of the country. It engenders business confidence. It has made it easier for business and industry to obtain the capital funds necessary for their reconversion and expansion projects.

The stability of the Government bond market was maintained throughout 1948 by the joint effort of the Treasury Department and the Federal Reserve System. Despite the necessity for market support at times during the year, there was only moderate increase in the total Government security holdings of the System as a result of the support program. There were occasions, however, when the bond price support policy proved its value in stabilizing the market and the need for continuance of the policy was demonstrated.

Only during the last few years have we had experience in dealing with the problems of managing a public debt of the size the country now bears. The policy of supporting the price of long-term Government bonds at the 2½ percent yield level has been eminently successful.

Through its vigorous promotion of savings bond sales during the year, the Treasury has placed a large volume of bonds in the hands of individuals, who have thereby aided in the battle against inflation by adding to their savings. The most gratifying aspect of this situation is that the amount of Series E bonds outstanding was brought to the new high level of 32 billion dollars, and that this was accomplished with the cooperation of the banks of the country, thousands of business firms and their employees, and an army of patriotic volunteer workers.

Credit policy

On previous occasions I have recommended that adequate means be provided in order that monetary authorities may at all times be in a position to carry out their traditional function of exerting effective restraint upon excessive credit expansion in an inflationary period and conversely of easing credit conditions in a time of deflationary pressures. The temporary authority to increase reserve requirements of member banks of the Federal Reserve System, granted by the Congress last August, will expire on June 30, 1949. The expiration of this authority without further action of the Congress would automatically release a substantial volume of bank reserves irrespective of credit needs at the time. The Congress should promptly provide continuing authority to the Board of Governors of the Federal Reserve System to require banks to hold supplemental reserves up to the limits requested last August, 10 percent against demand deposits and 4 percent against time deposits. This authority to the Board of Governors should not be confined to member banks of the Federal Reserve System but should be applicable to all banks insured by the Federal Deposit Insurance Corporation.

Authority for the regulation of consumer installment credit, which likewise expires under present law on June 30, 1949, should be continued in order to exert a stabilizing influence on the economy.

Promotion of supply and production

There are shortages of supply in certain critical areas which are so serious as to impede maximum production in an expanding economy and to limit programs related to national security.

I recommend immediate legislation to deal with this problem of capacity and supply. It should impose upon the Government the specific responsibility and provide the funds to make careful surveys of future supply needs and productive capacity. It should further require that these specific studies be correlated with the general requirements of an economy operating at maximum employment, production, and purchasing power. To the extent that facts reveal the need, it should provide additional authority to deal more effectively with inadequacy of capacity and supply.

Allocation powers

In my Economic Report of last year, I stressed the need for the supplementation of voluntary action with mandatory controls over key materials in short supply. The need for mandatory controls still exists. I propose the temporary extension of the law under which voluntary agreements are now permitted. However, there is grave danger that the problems of acute shortage cannot be adequately met by voluntary agreements. I therefore recommend that the use of mandatory allocation powers be authorized so that they may be employed on a selective basis without delay where they prove to be needed.

I also recommend that the Congress continue the priorities and allocation authority in the field of railroad transportation.

Selective price and related wage controls

I recommend that selective price control authority should promptly be made available to the Government. My reasons for this have repeatedly been set before the Congress and the country. I have not earlier and do not now propose general or over-all price control of the wartime variety. But we are still in a situation where the prices of certain critical materials or commodities of vital industrial or consumer importance are moving upward for the third consecutive year or longer. Sharp rises in the prices of essential products may be harmful to the economy even when the general price level is fairly stable. Further, we cannot be certain that another upsurge of general inflation will not reappear this year under the composite pressures which are at work throughout the economy.

Legislation to authorize selective price control should encourage voluntary adjustments without the actual imposition of price control. It is in this spirit that I would administer the authority. But I am firmly convinced that such voluntary efforts, which have been tried with partial but insufficient results since the middle of 1946, cannot meet the problem unless the Government possesses the authority to act firmly. With such authority available, however, its actual application might not be required. It should be supplemented with a provision permitting the Government to order the withholding of price advances for a reasonable period while public inquiry into their justification is being made.

In my message to the special session of the Congress in July 1948, I said: "Where the Government imposes a price ceiling, wage adjustments which can be absorbed within the price ceiling should not be interfered with by the Government. The Government should have the authority, however, to limit wage adjustments which would force a break in a price ceiling, except where wage adjustments are essential to remedy hardship, to correct inequities, or to prevent an actual lowering of living standards." I then stated my belief, which I still firmly hold, that wage increases based upon productivity and designed to provide a rising standard of living embody the American way. The facts show some current situations where non-inflationary wage increases can be granted by employers without price increases. I firmly believe that the normal processes of collective bargaining will result in sound wage adjustments without the actual application of any governmental authority related to wages if business and Government make genuine efforts to hold down excessive prices and profits and to reduce the cost of living.

Rent control

The present housing shortage makes it necessary to continue rent control for at least two years, and to strengthen its enforcement. I recommend that this be done.

Even if the most optimistic interpretation is placed upon the slight reduction in the cost of living in recent months, it would be unwise to lift living costs again by rent increases even larger than the moderate ones taking place under the present system of control. Such a course would inflict further hardship upon the families who have already been the prime victims of inflation, and would make it harder to exercise moderation in wage demands.

Export controls

In view of the large volume of exports required to carry out our program of aiding economic reconstruction abroad, it is essential that those exports be controlled, both to minimize their adverse impact on the domestic economy and to make them most fully conformable to our foreign policies. I therefore recommend that the existing powers of control over exports be extended, and that the machinery for enforcement be strengthened.

Commodity exchanges

Excessive speculation in grains, cotton, and other agricultural commodities results in wide and harmful fluctuations in prices. The experience in the fall of 1947, and in the winter and spring of 1948, demonstrated the need for more effective governmental supervision over speculative trading on the commodity exchanges. I recommend that the Congress grant more specific and more adequate authority to prevent excessive speculation or the manipulation of prices.

2. Policies to Protect the Victims of Inflation

While we are fighting further inflation, we should recognize that severe hardship has already been imposed on those whose incomes have lagged far behind the increase in the cost of living. Whatever is feasible to alleviate this hardship should be accomplished without delay. I recommend specifically:

That the benefits under the old-age and survivors insurance be substantially increased in order to bring them in line with the increase in the cost of living;

That the coverage of the Fair Labor Standards Act be broadened and the minimum wage increased from the present 40 cents an hour—a figure determined in 1938—to at least 75 cents an hour. It should be permissible to provide higher minima by tripartite action of employers, unions, and the Government on an industry basis;

That the public assistance program for relief be improved to meet the basic human needs of the less fortunate.

The housing program which I recommend will make a start toward providing decent housing for those whose low incomes confine them to slums in these days of grossly inflated housing prices.

3. Policies to Promote Balanced Economic Growth

While alleviating the hardships of inflation and overcoming maladjustments which threaten our future prosperity, we must continue to develop our resources for healthy growth. We should press forward at once with some programs of high priority needed now to conserve and increase the strength of our Nation. In addition, we should be prepared with fully formulated plans for others. We cannot accept the dangerous idea that inflation's end will automatically bring about a period of stable prosperity. The continuing need for prudence in Government expenditures must not be translated into false economy.

Natural resources

The Federal Government has an important role in the development of our natural resources which is essential to the achievement of programs to relieve shortages which threaten economic development. These shortages include many of our most essential minerals and metals, our energy resources, especially electric power and oil, and some chemicals and fertilizers.

Present shortages of electric power in many areas are not temporary; our long-range needs require enormous expansion of existing capacity. It is essential that public power programs be expanded this year, even where this requires use of scarce materials for construction of dams and generators. Such expansion should include the construction of transmission lines where needed. A start on the St. Lawrence River waterway and power project should be made immediately. The programs in the important river basins should be examined and prompt action taken where needed to provide improved coordinated development plans.

Agriculture

With certain abnormal postwar demands for farm products diminishing, problems of adjustment to longer-range conditions are becoming more pressing. We need to fit a prosperous and equitably treated agriculture consistently into an economy seeking to operate continuously at maximum levels of employment, production, and purchasing power.

We must make sure that our long-range price-support legislation moves toward the goal of farm living standards comparable to those of the rest of the population. We need farm production even more abundant than we have yet attained to supply the industrial and consumer needs of a full employment economy. But at the same time, we need measures to encourage shifts in the composition of farm output realistically adjusted to our domestic and export needs. We should supplement such measures with others, including the provision of adequate storage facilities, the improvement of distribution, and adequate credit facilities.

Even with farm production and national income at their present high levels, many families lack adequate diets. We should assure maintenance in the future of a level of consumption consistent with real food needs. This will help to stabilize domestic markets for farm products.

To stabilize foreign markets, consultations are already under way toward preparing a new International Wheat Agreement.

I urge the Congress to reexamine existing and proposed farm legislation in the light of all these objectives.

International economic relations

The European Recovery Program is designed to further world recovery and reconstruction. It must be continued. Its success will facilitate a return to reasonable freedom of world trade. The proposed Charter of the International Trade Organization, which was signed by 54 nations last year, lays the foundation for this return.

The present inadequate authority for the conclusion of reciprocal trade agreements expires June 30, 1949. I urge that immediate action be taken to restore the Trade Agreements Act to full effectiveness and to extend it for three years.

Housing

The steady decline in new housing starts since last May adds fresh evidence of the need for housing legislation. I again recommend immediate passage of the unenacted portions of the comprehensive housing bill; and the need has now become so great that its meager quota of 500,000 units of low-rent housing over 5 years should be increased to provide for 1,000,000 units within 7 years.

If we are to achieve levels of housing production adequate to our needs, construction materials in the necessary volume must be available continuously and in balanced proportions. If it proves necessary, I shall not hesitate to use the allocation authority, which I have requested, to channel such materials into home building.

Urban redevelopment and community facilities

The comprehensive housing bill includes substantial Federal aid to the States and localities to enable them to make more rapid progress in clearing slums and in assembling land for balanced redevelopment. Such action can be taken now without adding significantly to inflationary pressures, and it is an essential basis for future progress.

While the Annual Economic Review of the Council of Economic Advisers this year does not deal at length with programs, such as education, health, and social security, which are directed toward the improvement of our human resources, my Economic Report last January stressed the intimate connection between the conservation and improvement of these resources and the prosperity and productivity of our economy. The Council this year firmly reiterates this principle.

Because the programs flowing from this analysis have not yet been authorized, I submit the following recommendations.

Education

The crisis facing education must be met, and the basis for the continued improvement of our system of education made firm. Only with Federal resources can we meet adequately the increased cost imposed by expanding enrollments and the general rise in expenditures for maintenance and operation. I recommend that a Federal program for aid to elementary and secondary education be initiated. We should make plans whereby the opportunities for higher education would be expanded through cooperation between the Federal Government and public agencies and private institutions, including a system of general scholarships and fellowships. And a study should be initiated to determine authoritatively our national needs for educational facilities and the most feasible methods of providing them.

Health

The high percentage of rejections under the military recruitment programs has provided striking evidence of the unsatisfactory state of the Nation's health. National health insurance is the only workable way to assure that all individuals have access to the medical care they need. I recommend the enactment of such a program this year. Federal grants in support of hospital construction are an indispensable support to such a program. We also need to augment the number of doctors, dentists, and nurses in order to overcome the present serious national shortage of medical personnel.

Old age, disability, and unemployment insurance

Millions of workers are excluded from the benefits of our old age and unemployment insurance systems. Such exclusion denies to individuals protection to which they are entitled by every consideration of equity. I urge that the coverage of these systems be widened this year and the benefits made more adequate.

Few of our workers enjoy systematic protection against loss of income through temporary or permanent disability. We should inaugurate a system of insurance against such loss.

I have included in this Economic Report only those legislative recommendations which have large significance for maintaining maximum employment, production, and purchasing power and which require the immediate attention of the Congress. There are a number of other important projects on which we should make further progress this year. Our conservation practices in many areas require improvement, including the regulation of timber cutting, the protection of public range lands, and the development of our tidelands oil resources. We should press forward with our programs of basic research and exploration. We should seek continually to encourage the bargaining of labor and management along lines most consistent with national progress and stability.

This is a period in which our ability to master our affairs in our own way will be rigorously tested. Abundant resources and rapidly advancing technology are both a blessing and a responsibility. Our strength lies, however, less in these resources themselves than in our will to use them effectively. This task requires adapting our private and Government institutions to changing circumstances.

We are committed to working out our economic problems in a way that combines economic and social progress with democratic self-responsibility. This is the spirit in which the Employment Act of 1946 was conceived and in which we shall attempt to live up to its high purpose.

THE ANNUAL ECONOMIC REVIEW
JANUARY 1949

A REPORT TO THE PRESIDENT

BY THE

COUNCIL OF ECONOMIC ADVISERS

LETTER OF TRANSMITTAL

Council of Economic Advisers,
Washington, D. C., January 3, 1949.

The President:

Sir: The Council of Economic Advisers herewith submits a report, the Annual Economic Review: January 1949, in accordance with section 4 (c) (2) of the Employment Act of 1946.

Respectfully,

Edwin G. Nourse
Chairman.

Leon H. Keyserling
Vice Chairman.

John D. Clark

Contents

APPENDIXES

I. Economic Trends During 1948

THE COURSE OF EMPLOYMENT AND PRODUCTION

Employment

HIGH levels of employment were characteristic of 1948. Job opportunities were ample not only for the large labor force with which we started the year, but also for more than a million additions during the year. This large expansion consisted in part of veterans who completed their education, and also in part of a relatively large number of women seeking work because of the pressure of high living costs on family budgets.

Total civilian employment established a record annual level of 59.4 million, fluctuating seasonally between a winter low of 57.1 million in January and February to a summer high of 61.6 million in July. Continuing a long-term trend, average agricultural employment declined slightly. Total unemployment hovered in the vicinity of 2 million, being somewhat higher during the first half of the year and somewhat lower during the fall months, but increasing a bit during the closing weeks of the year. (See appendix table C–7.)

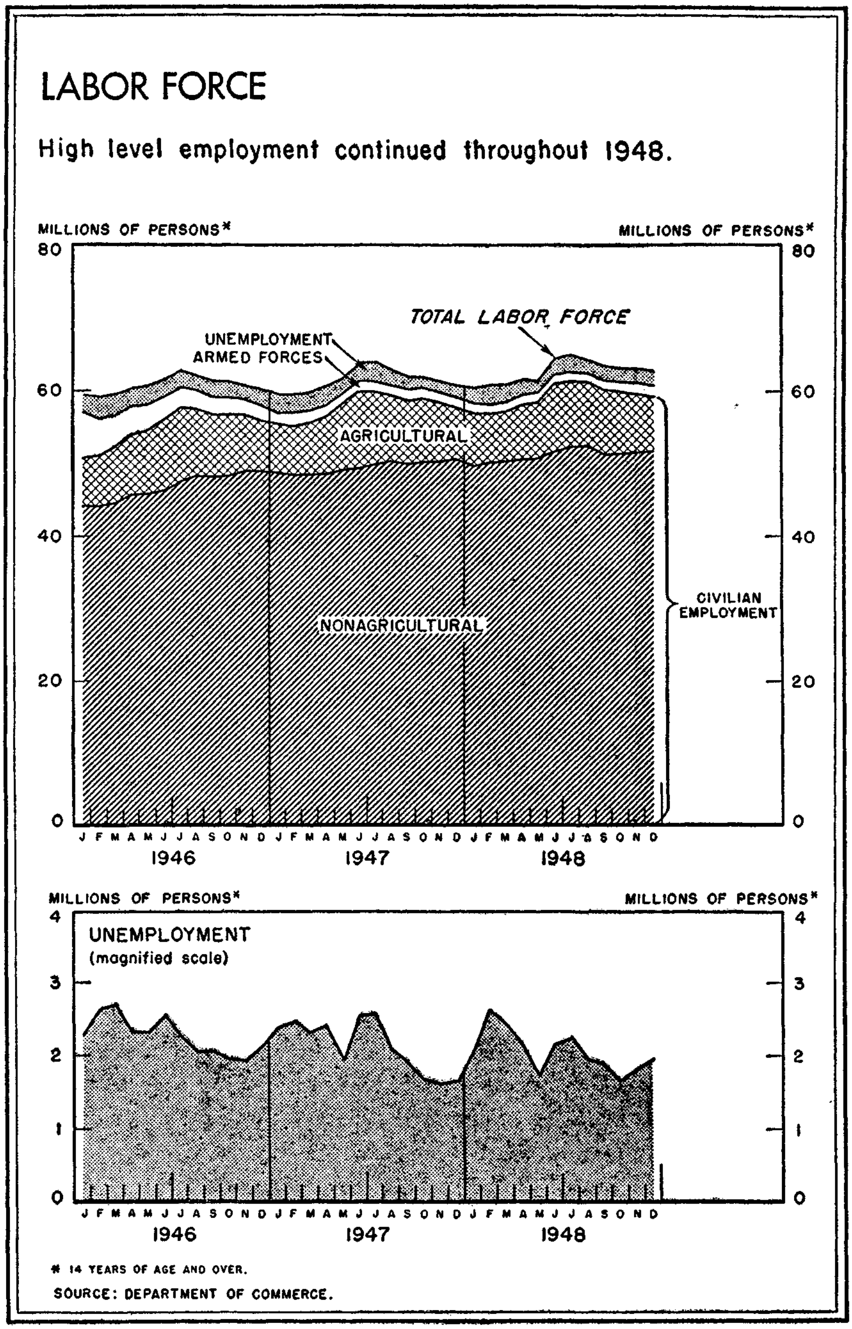
While the firm demand for labor was felt in almost all major lines of activity, there was considerable variation in particular areas and industries. (See appendix table C–8.) Although jobs in manufacturing increased by about half a million, a number of consumers' goods industries, such as textiles, electrical appliances, and shoes, showed some lay-offs and reduced the hours of some of their workers. Consequently, while average weekly hours remained essentially unchanged in most major industrial groups, a number of revisions downward and few upward meant that the average hours of work per employed person for the economy as a whole were just below the level of 1947. (See appendix table C–11.)

Nonetheless, due to the rise in number of workers, the total hours of work performed were greater in 1948 than in 1947.

Production

With record numbers employed at only slightly reduced weekly hours, the economy produced 4 percent more goods and utilities in 1948 than in 1947. This was about in line with the goal set in the January 1948 Economic Report. All major categories showed noticeable increases except transportation, which was close to its 1947 level. Highest gains were made by the electric and gas utilities, where output rose 11 percent, and

CHART 1.

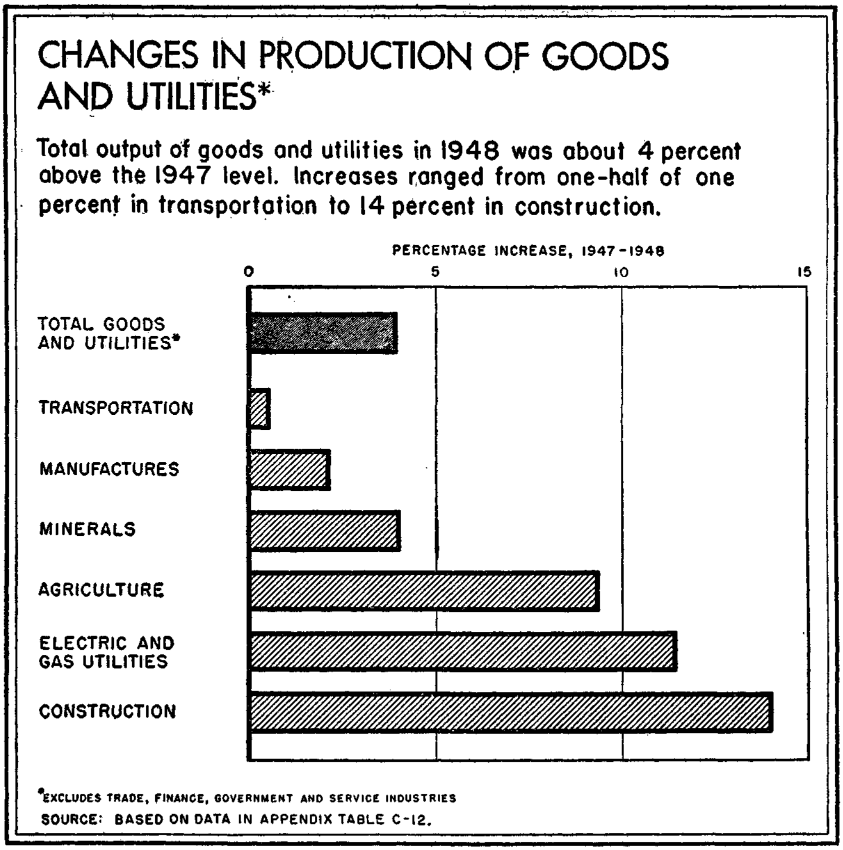

LABOR FORCE
High level employment continued throughout 1948.
MILLIONS OF PERSONS*
MILLIONS OF PERSONS*
80
60
40
20
0
TOTAL LABOR FORCE
UNEMPLOYMENT
ARMED FORCES
AGRICULTURAL
NONAGRICULTURAL
CIVILIAN EMPLOYMENT
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1946
1947
1948
MILLIONS OF PERSONS*
MILLIONS OF PERSONS*
4
3
2
1
0
UNEMPLOYMENT
(magnified scale)
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1946
1947
1948
* 14 YEARS OF AGE AND OVER.
SOURCE: DEPARTMENT OF COMMERCE.

by the construction industry where the volume of new construction was 14 percent higher. (See appendix table C–12.)

Total agricultural output increased 9 percent, thanks to bumper crops. But total supplies of food currently available to the consumer were somewhat smaller than in 1947. The large crops of corn and other feeds will be reflected in food supplies only as an expanding volume of livestock products begins to come to market this summer and fall.

Industrial production (manufacturing and mining) in 1948 was 3 percent higher than in the previous year. (See appendix table C–13.) After reaching a postwar peak in the early part of the year, it dropped

CHART 2.



during the spring and summer but by fall was back to its peak levels. In November, iron and steel production reached a new all-time high, about 3 percent above its wartime top. Most other major industries registered gains for the year, with a lower physical output only in the leather, alcoholic beverages, tobacco, and rubber industries.

For services (trade, finance, and Government), quantitative measurement of output is difficult. Roughly measured by the volume of employment, the year's total activity in trade increased by about 3 percent, in finance and service by 2 percent, and in government by 4 percent.

With the output of goods up 4 percent, and with employment in services up somewhat less, it appears that the total output of goods and services together increased between 3 and 4 percent in 1948.

Prices, Wages, and Profits

Prices

The pattern of price changes during 1948 was far more uneven than at any time since the end of price control. In the 18 months between mid-1946 and December 1947, prices rose steadily, except for one brief pause in the second quarter of 1947, but the rate of advance slowed down during the latter part of the period.

In the field of wholesale prices, a sharp break in farm prices occurred in the first quarter of 1948, while industrial prices on the average remained relatively steady. Then, under the impact of the stepped-up defense program, the authorization of the European Recovery Program, tax reductions, and numerous wage increases, prices began a new upward surge, which reached its peak in August. Thereafter, due to bountiful crops, farm and wholesale food prices declined, while the industrial price index has reflected declines in textiles, hides and leather, lumber, and chemicals, largely offset by continued increases in the prices of metals and metal products. (See appendix table C–21.)

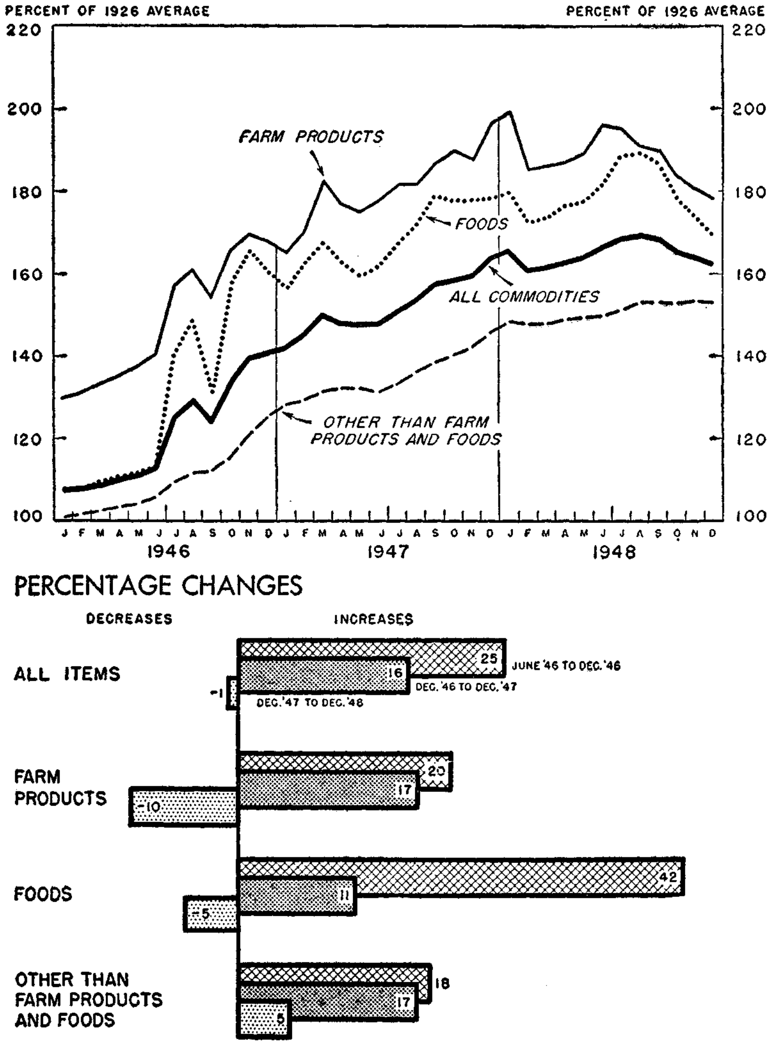
By the end of the year, the average of wholesale prices was just below the level of December 1947, and 4 percent below August 1948. Measured by the same periods, wholesale prices of farm products declined 10 and 7 percent, and wholesale food prices 5 and 10 percent. On the other hand, industrial prices by the end of the year averaged more than 5 percent above December 1947, and were practically unchanged from August 1948, with important divergent trends among groups of commodities. Hides and leather products, textile products, and chemicals and allied products were lower than in December 1947; while fuel and lighting materials, metals and metal products, housefurnishings, and building materials were substantially higher.

The continuance of inflationary pressures was particularly significant in metals and metal products. The prices of lead and zinc showed striking increases, lead rising more than 40 percent and zinc more than 60 percent during 1948. High investment and automobile demand, plus the growing impact of the defense program, stockpiling, and foreign aid maintained pressure on available supply. This was true even though many types of consumers' durable and light equipment were in increasingly easy supply. The supply-demand relationship of the basic metals and many metal products is still unsatisfactory.

CHART 3.

WHOLESALE PRICES

Wholesale price trends were more divergent in 1948 than during the previous 2 years. Farm, food, and many other prices ended the year below their levels of a year ago; many others ended the year considerably higher.



SOURCE: DEPARTMENT OF LABOR.

Consumers' prices as a whole declined during the first quarter of 1948, recovered and rose to an all-time peak in August, and since then have shown a slight reduction. By November they were 3 percent higher than in December 1947, and more than 1 percent lower than in August 1948. (See appendix table C–20.) Preliminary reports for December indicate that there were some further slight declines in consumer prices. As in the case of wholesale prices, there have been divergent trends, with food moving downward and other groups moving upward since late summer. Further, retail food prices have not fully reflected the decline in wholesale food costs, nor have declines in the wholesale prices of textile products been accompanied by a significant similar movement in regular retail clothing prices. In part, this has undoubtedly been due to the customary lag between a fall in material costs and a fall in retail prices of consumer products; but in part also to the pricing policy which business follows under the influence of a high national income.

There are a number of factors explaining the uneven pattern of price trends in 1948. In the case of farm products, the improvement in crops has altered materially the supply-demand relationships at least for the current crop year. We have not yet, however, witnessed any major improvement in the supply of livestock products, even though prices of these products have declined from their 1948 peaks.

In many fields there has been a disappearance of the war-created backlog demand and a major improvement in the supply position, notably in most consumer goods. There has been some drop in inventory buying. The availability of a much greater variety of products has resulted in increasing competition for the consumers' dollar. The markets for materials have, however, beeen more sensitive in responding to this changed situation than the wholesale and retail markets for finished products, although at the year's end retail clearance sales have become very widespread.

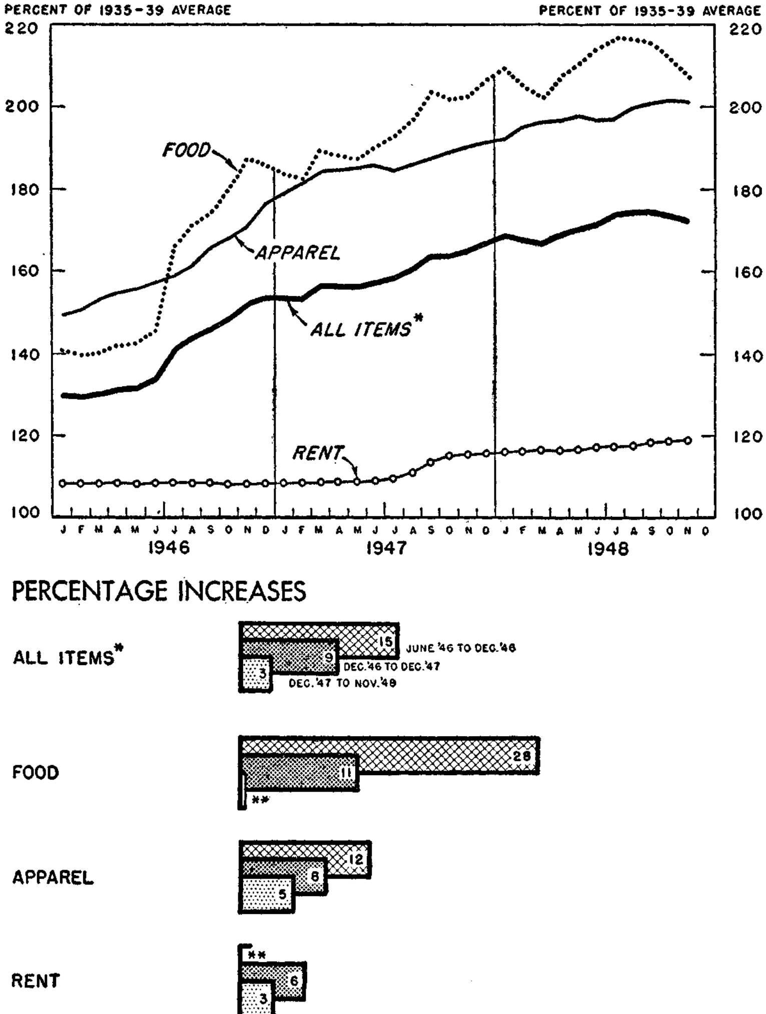
Viewing the range of wholesale and retail price developments since August in terms of inflationary pressures, caution seems necessary on several grounds. First of all, it is too early to derive assurance from the slight downward movement in the cost of living. Twice before since the end of the war, in the second quarter of 1947 and the first quarter of 1948, wholesale and retail prices behaved in approximately the same manner as described above. Yet on each of these previous occasions there emerged new factors which generated a fresh wave of price increases.

Caution is required also in appraising the significance of the divergent trends in recent price developments. The differences in the direction of price movements reflect in part changes in the relationship between supply and demand, but they also reflect the fact that different parts of the economy do not respond with equal sensitivity to changes in this relationship. Price responsiveness to the shifting of demand leaves unanswered the question whether the falling off in demand at one place in the market is a healthy

Chart 4.

CONSUMERS' PRICES

After reaching a new all-time peak in August and September, consumers' prices turned downward, mainly because of a decline in food prices. Other retail prices continued strong.



SOURCE: DEPARTMENT OF LABOR.

*ALSO INCLUDES HOUSEFURNISHINGS, FUEL, ELECTRICITY, ICE, AND MISCELLANEOUS GOODS AND SERVICES NOT SHOWN ON CHART.
**LESS THAN ONE-HALF OF ONE PERCENT.

reaction to the satisfaction of accumulated needs or an unhealthy reaction to a growing discrepancy between continuing need and declining ability to buy. In short, we are moving into a period where much more highly selective efforts will be needed to achieve workable price relationships for the maintenance of economic stability. Analysis shedding light upon this paramount problem is developed in other sections of this report.

Wages and labor relations

When 1948 opened, most union workers and sizeable groups of nonunion workers had received two postwar wage increases, and some had received three or more. But these increases, in many instances, had been more than offset by rising living costs during the previous 2 years.

The price drop in the commodity markets early in 1948 changed the wage outlook. A widespread hope was raised that food prices might be reduced, and that there would not be further increases in industrial prices. Under these circumstances, the major electrical companies maintained a strong stand against wage increases. The United States Steel Corporation rejected proposals for a substantial increase and moderately reduced the prices of finished steel products, following previous price increases. A number of major automobile companies opposed wage increases, and negotiations in some other branches of industry were suspended.

Very quickly, however, the uncertainty engendered by the price break in the commodity markets was overcome. Price declines in these markets had not spread, and in fact these markets had partially recovered. The announcement of an expanded defense program in late March added new impetus to inflationary forces. Tax reduction created the expectation of added billions of dollars in the spending stream. Living costs resumed their rise, and it appeared that the passing on of wage increases in higher prices leading to even higher profits would continue to be feasible. With profit prospects good so long as strikes could be avoided, the stage was set by late May for further wage increases.

Since then, the contracts that have come up for renewal and renegotiation have in most cases been peaceably settled. The increases have varied widely from industry to industry. Although they have ranged from only a negligible increase to as much as 35 cents an hour, a large proportion have been in the neighborhood of 10 cents, which represented an average increase of about 8 percent. Generally, such settlements have tended to reflect the rise in the cost of living during the life of the prior contract. It is estimated that the annual rate of wage and salary payments by the end of the year was 7 to 8 billion dollars above the level that would have prevailed without the rate increases. About one-half of this amount was actually realized by workers during the year. In addition to the increases in wages, there was some enlargement of fringe benefits such as health and welfare funds, paid holidays, and paid vacations.

After adjusting for price increases, there was no significant change in the average weekly earnings of workers in manufacturing industries during the year. (See appendix tables C–9 and C–20.) This does not mean, however, that no workers were either better off or worse off at the end of the year. Some have suffered declines in their real earnings, while others have succeeded in keeping ahead of rising living costs. But those who negotiated wage increases early have seen much of their gains subsequently dissipated by increases in the cost of living. Prices in manufacturing industry increased, in general, more than the increase in costs, including wages, during the year. In some cases wage increases forced prices up. In other instances they served as an excuse for raising prices unnecessarily, thus resulting in even wider profit margins.

The instances where wage settlements were reached only after prolonged negotiations and strikes were somewhat fewer in 1948 than in 1947. Yet they were of some significance. In the March–May period, several major strikes (affecting coal mining, meat packing, and one large automobile company), together with numerous smaller strikes, caused considerable loss of time. Since June, the month-by-month losses directly caused by strikes have not been more than about one-third of one percent of estimated available working time. A few major stoppages have had sizeable indirect effects—including those in east and west coast shipping and in trucking in New York.

While most work stoppages involved wage issues, there were a number that stemmed from other considerations. The strike of west coast longshoremen, for example, was at least made more difficult of solution because of the hiring-hall and Communist-affidavit issues. Some other stoppages arose from grievances not associated with wage questions.

Profits

The achievement of new peak records in production and sales, coupled with higher prices for manufactured goods, led to a new peak record in the dollar volume of profits (see chart 11). Corporate profits, before taxes, rose from 30 billion dollars in 1947 to an estimated 34 billion in 1948; after taxes, corporate profits rose from about 18 billion dollars in 1947 to an estimated 21 billion in 1948. In the third quarter of 1948 corporate profits were at the rate of 35 billion dollars before taxes and 22 billion after taxes. The net income of unincorporated business and the professions rose from 24 billion dollars to 26 billion, and net farm income, allowing for the large increase in farmers' stocks of corn and other crops, rose from almost 16 billion dollars to about 18 billion.

Corporate profits after taxes in 1948 represented over 5 percent on sales and about 10 percent on net worth, compared with about 5 percent on sales and about 9.5 percent on net worth in 1947. Since the return on sales applied to a higher price level than in 1947, net dollar margins per unit of goods sold have increased. Thus during two years of peak and growing production there has been little change in over-all profit ratios, and an enlarging physical volume of sales has resulted in enlarged profits, rather than in lower profits er unit of goods sold in an expanding market. (See chart 11, page 39, and appendix tables C–3 and C–28 through C–33 for data on profits.)

There has been much discussion as to whether the volume of reported profits overstates the actual position of business. This point was recognized in the January 1948 Economic Report, which said: "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."

How applicable is that judgment one year later? A review of the profit situation shows that corporate profits after taxes in 1948 were 15 percent higher than in 1947. On the other hand, the total corporate requirements for new capital funds were 7 percent lower in 1948 than in 1947 because of a considerable decline in the requirements for new working capital. (See appendix table C–34.) The rate of investment in plant and equipment was only slightly higher in 1948 than in the second half of 1947, while there was an increase in corporate allowances for depreciation. In particular, the need of corporations for additional funds to maintain the same physical volume of inventories amounted, at an annual rate, to only 1.5 billion dollars in the fourth quarter of 1948 compared with 3.3 billion dollars for 1948 as a whole and 5.1 billion dollars for 1947. In the light of these developments, the conclusion reached last year is still valid.

The foregoing comment should not mask the fact that widely varying profit situations and trends exist, and that any proposed policies on the part of business, labor, and government should take account of these variations. The over-all ratios of profits to sales and net worth have declined somewhat for a number of the nondurable goods industries, while the metal industries have shown increases. And the smallest manufacturing corporations, with assets of $250,000 or less, are reporting average profit ratios well below their 1947 levels, while the largest manufacturing corporations, with assets above $100,000,000, are running well ahead. The intermediate groups are showing profit ratios somewhat below their 1947 levels.

Money and Credit

The very large wartime expansion of the public debt led to a great enlargement of the money supply and of the buying power of the people.

The inflationary result of this situation was aggravated after the end of the war by the increase of bank credit, which reached dangerous proportions in the last half of 1947.

For the year 1948 as a whole, however, there was no further net increase in the money supply. During the first half, privately held deposits and currency outside the banks fell by more than 4 billion dollars, largely because of the sizable Treasury surplus in the first quarter. In the second half of the year, the money supply again expanded, but much less than in the same period of 1947. A gold inflow of 1.5 billion dollars in 1948 added to the money supply about equally in both the first and second half years. The expansion of bank loans proceeded throughout the year, but at a lower rate than in 1947.

TABLE 1.—*Monetary expansion*

[Billions of dollars]

Type of monetary expansion	Change from—			
	Jan. 1 to June 30, 1947	July 1 to Dec. 31, 1947	Jan. 1 to June 30, 1948	July 1 to Dec. 31, 1948[1]
Privately held deposits and currency outside banks	+0.1	+5.9	−4.3	+2.3
Loans: All banks	+2.7	+4.6	+2.1	+2.8
Insured commercial banks	+2.5	+4.3	+1.8	+2.4
Commercial and industrial loans	+.7	+3.2	−.2	+1.3
Agricultural loans	+.2	+.1	+.4	+.4
Real-estate loans	+1.1	+1.1	+.8	+.4
Consumer installment credit	+1.0	+1.3	+1.0	+1.0
Commercial bank holdings of U. S. Government securities[2]	−4.6	−1.2	−4.2	−1.8

[1] Estimates by Council of Economic Advisers. [2] Estimates by Treasury Department.

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

The major part of this slackening, as the above table shows, occurred in loans to commercial and industrial concerns. With slower rises in prices, wages and material costs, and with inventory shortages fairly well made up, less additional working capital was required than in previous years. Bank real estate loans also slowed up markedly. The important factor here was not a lower demand for mortgage credit, but a greater reluctance of banks to lend on an inflated housing market. Also, many banks were reaching the maximum amount of real estate loans they wished to carry as a matter of policy, or were legally permitted to carry.

The demand for long-term funds continued strong throughout the year, and though the rate of expansion of long-term bank loans declined, this was in good part offset by increased lending of other financial institutions, notably insurance companies.

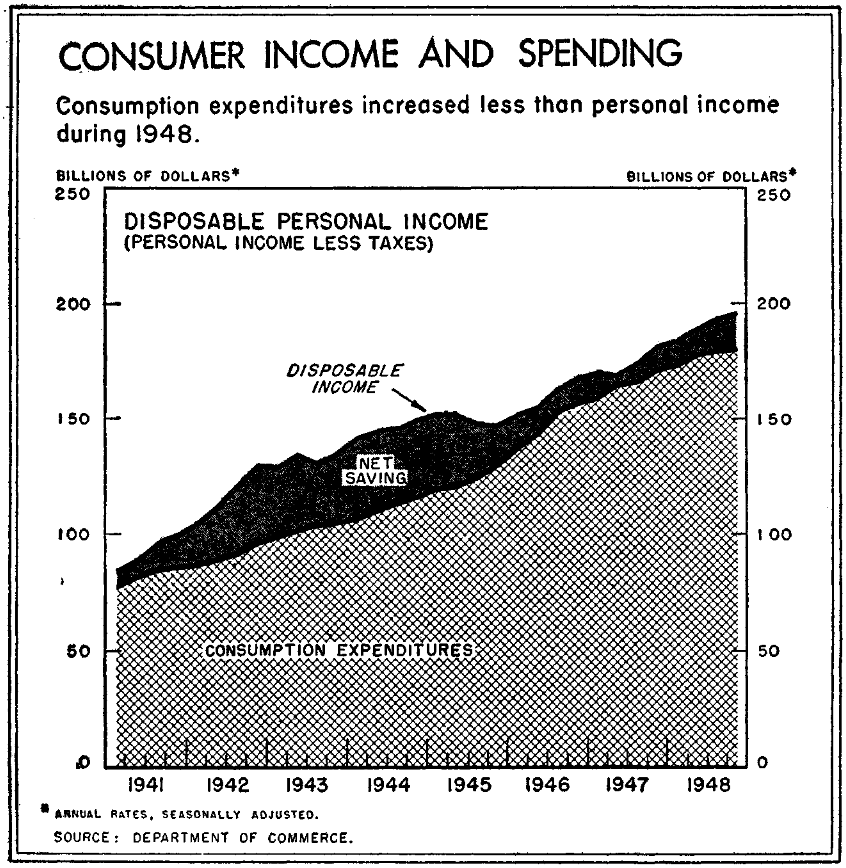
The increase of credit has been an important factor in the growth of inflationary conditions during the postwar period. The large Treasury surplus had considerable anti-inflationary effect, but was not in itself a sufficient means of stemming the growth of bank credit. The other principal line of attack was action by the Federal Reserve Board to decrease the availability of reserves, and to increase interest rates. However, while continuing the basic aim of maintaining a stable and orderly market for Government securities, the Board could increase short-term interest rates only to a very limited extent, and under existing authority its influence over bank reserve requirements was also severely limited. Part II will treat the problem of restricting bank credit as a deterrent to further inflation. (Statistics on money, banking, and credit may be found in appendix tables C–23 through C–27.)

The Flow of Goods and Purchasing Power

Consumer income, spending, and saving

Consumer income and expenditures are the largest and most stable element in the Nation's Economic Budget but the relation between income and expenditures has undergone marked changes in recent years. During the

Chart 5.



period of wartime shortages and restrictions, consumers spent an unusually low portion and saved an unusually high portion of their rapidly increasing incomes. Large backlog demands were built up for all kinds of durable goods. After 1945, people set about earnestly to raise their levels of consumption, and especially sought houses and furnishings, electric appliances and automobiles. Despite the high level of incomes, many consumers drew on wartime savings; others borrowed. The saved portion of personal income shrank rapidly.

Price and rationing controls were removed before the goods and services became available to meet this pent-up demand, and prices soared. In dollars, the increase in consumption expenditures since prewar has accounted for two-thirds of the increase in total gross national expenditure, although consumption expenditures have gone up much less percentagewise than private domestic investment.

During 1948 there were indications that some of the extraordinary consumer demands were tapering off. Consumption expenditure ceased to go up faster than disposable personal income. The rapid rate of increase in consumer credit was slowed. A larger portion of personal income appeared to be going into investment in housing and farms and other unincorporated businesses. And the portion going into personal bank balances, securities, and other liquid assets appeared to have ceased declining.

Consumer income. Aggregate personal income increased continuously throughout 1948. For the year as a whole, it amounted to more than 211 billion dollars before taxes; in 1947 it was 195 billion. Disposable personal income (income after taxes) amounted to 190 billion dollars; in 1947 it was 174 billion. Adjusted for changes in consumer prices, however, disposable personal income per capita was substantially the same for both years.

The increase in personal incomes from 1947 to 1948 was roughly proportionate among major sources: wages and salaries, proprietors' and rental income, dividends and interest. But in the latter half of 1948 net farm income fell off, relative to the normal seasonal pattern, while rental income of persons and business and professional income ceased to rise. Dividend payments, on the other hand, increased at an accelerated rate. An appreciable decrease occurred during the year in transfer payments to individuals—chiefly veterans' benefits. (Data relating to personal income are shown in appendix tables C–4, C–5, and C–6.)

Income distribution. As compared to prewar, there has been an improvement in the real purchasing power of families in all income ranges. While the dollar increases are larger in the higher income groups, percentagewise the lower-income groups have enjoyed the larger gains. (See table 2 and chart 6.)

Table 2.—*Average money income, after taxes, received by each fifth of the Nation's families ranked by size of income*

[Dollars of 1947 purchasing power]

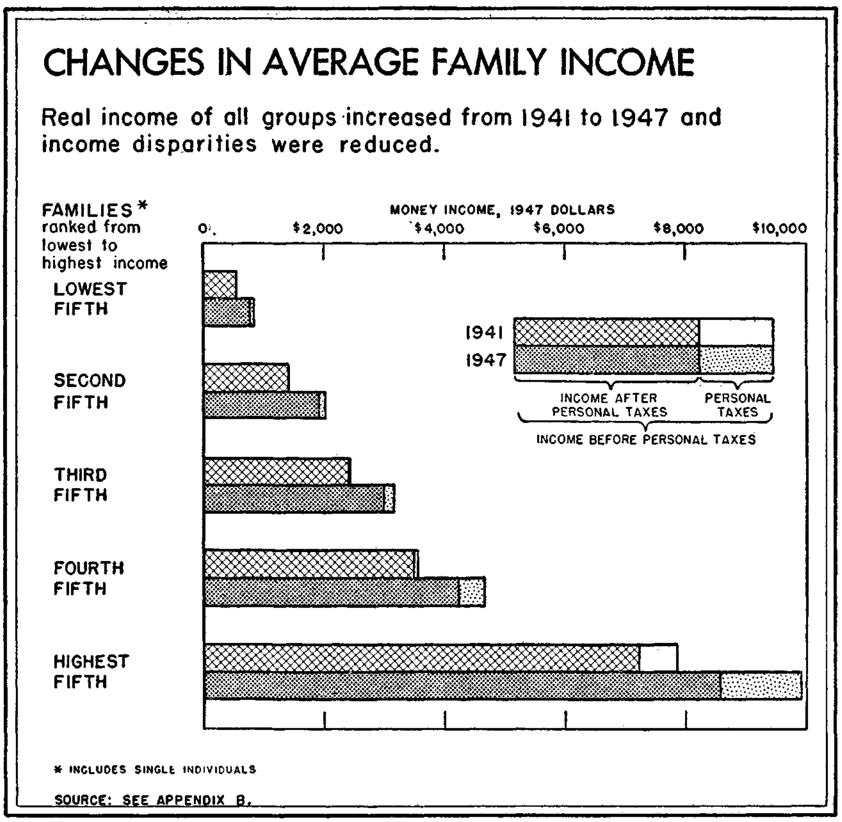
Family units ranked from lowest to highest income [1]	Money income after tax [2] (1947 dollars) 1941	Money income after tax [2] (1947 dollars) 1947	Percentage change, 1941 to 1947
Lowest fifth	$562	$796	41.6
Second fifth	1,444	1,933	33.9
Third fifth	2,421	2,992	23.6
Fourth fifth	3,523	4,226	20.0
Highest fifth	7,245	8,574	18.3

[1] Includes single-person families.
[2] Liability for Federal personal income tax.

Source: See appendix B.

The Federal personal income tax has reduced somewhat the concentration of income (see table 3). In 1947, for example, the lowest three-fifths of families received 29 percent of total money income before tax compared to 31 percent after tax, while the share of the upper one-fifth was reduced by taxes from 48 percent to 46. The income-equalizing effect of the tax struc-

Chart 6.



ture was somewhat greater in 1947 than in 1941, although perhaps less than would be expected considering that the tax in 1947 absorbed over 10 percent of personal money income, compared with less than 5 percent in 1941. But the considerable increase since before the war in real income of families at the low end of the scale has probably come about chiefly from the decrease in unemployment and the increase in number of multi-earner families, rather than from the equalizing effect of more-progressive taxation.

Inflation, however, has probably checked this favorable trend in income distribution. Such data as are available indicate a slight increase in concentration from 1946 to 1947.

TABLE 3.—*Percent of money income, before and after taxes, received by each fifth of Nation's families ranked by size of income*

Family units ranked from lowest to highest income [1]	Cumulative percent of total money income			
	Before tax [2]		After tax [2]	
	1941	1947	1941	1947
Lowest fifth	3.5	4.0	3.7	4.3
Lowest two-fifths	12.6	13.8	13.2	14.7
Lowest three-fifths	27.9	29.2	29.1	30.9
Lowest four-fifths	50.4	51.8	52.3	53.7
All family units	100.0	100.0	100.0	100.0

[1] Includes single-person families.
[2] Liability for Federal personal income tax.

Source: See appendix B.

We have as yet no information on the distribution of 1948 incomes, either before or after tax, but the effects of the Revenue Act of 1948 are relatively more favorable to upper than to lower income groups. The provision allowing married persons to split their incomes for tax purposes is especially advantageous to those in upper tax brackets. While many persons at the lower end of the income scale have been exempted from paying any tax, and rates were reduced all along the line, the percentage increase in income after tax is greatest for upper-bracket married persons.

Consumption expenditures. Aggregate outlays for personal consumption continued to increase during 1948, though not so rapidly as during 1947. For the year as a whole they amounted to about 177 billion dollars; in the preceding year they were 165 billion. They represented a slightly smaller share of gross national product than in 1947, 70 percent compared with 71 percent. Thus we have moved farther away from the prewar ratio between consumption and other expenditures (about 75 percent in 1939).

Total consumption in real terms has been rising since the war, as shown by unit sales of durables and by production of nondurable goods. Food consumption has declined slightly. The pattern of consumer expenditures continues to differ markedly from that before the war. Expenditures for durable and nondurable goods have increased much more than for services.

Outstanding is the purchase of automobiles, expenditure for which continues to increase faster than for almost any other major type of purchase. The increase in other durable goods expenditure appears to have tapered off.

In the case of nondurable goods, the higher level of food outlays is the chief factor in the great increase since prewar; higher clothing expenditures is second in importance. Spending for both these items, however, has gone up less than proportionately to total consumer expenditure during 1948.

The less-than-average increase since before the war in spending for services reflects the relatively low level of rents, and of outlays for household operation, in which utilities and domestic service are the largest items. During 1948, expenditures for services increased about as rapidly as for durable goods.

Saving and consumer credit. The percentage of disposable income not spent for consumption was higher in 1948 than in 1947, contrary to the trend ever since the war. This additional personal saving, however, is predominantly in the form of investment in family dwellings, farms (and farm inventories), and other unincorporated businesses. The rate of individuals' net saving in liquid form—bank deposits, savings and loan associations, insurance policies, and government and corporate securities, less net personal borrowing—continued to decrease at least through the first half of 1948. This was in accordance with the trend reported in the January and midyear reports for 1948.

Preliminary data on net liquid saving in the third quarter of the year suggest that this downward trend may have been checked, but show no substantial reversal of the trend. There appeared to be an increased flow of funds into personal checking accounts and United States savings bonds and a smaller flow into corporate securities than had occurred earlier in the year. The high level of liquid saving in the third quarter probably came in part from many consumers not spending the money they received as a result of the reduction of income taxes.

Few recent data are available on the relative volumes of gross saving and dissaving by individuals. The most recent figures on consumer credit show a slower rate of expansion of installment credit last fall than in the fall of 1947.

The use of consumer credit, greatly cut down during the war, expanded rapidly after wartime controls were removed and when durable goods became available. While the current volume of consumer credit—16 billion dollars at the end of 1948—is substantially larger than anything we have known before, nevertheless in comparison with present income and volume of retail sales it is lower than in many prewar years. For example, the amount of consumer credit outstanding at the end of 1939 was nearly 12 percent of consumption expenditures during the year; in 1948 it was only about 9 percent. (See appendix table C–23.)

Nonetheless, the great expansion in consumer credit after the war unquestionably added appreciably to inflationary pressure in the economy, and it was for this reason that Regulation W restricting its use was reinstated last September. It is not yet possible to determine to what extent this reimposition of control was responsible for the recent slowing of the increase in volume of consumer credit. However, Regulation W probably has tended to restrict additional instalment credit for certain purposes, including the purchase of automobiles and some other durable goods.

Outlook for consumption and saving. The limited and imperfect data on consumer income, expenditure, and saving give an incomplete picture. They indicate that many consumers have been spending less freely, especially during the latter part of 1948. This appears to reflect three developments: (1) a substantial fulfillment of backlog demands for many goods that consumers had not been able to get during the war; (2) a limitation of consumption by those for whom investment in homes and in private businesses has become a more urgent use of funds; and (3) the using up of past savings and feasible credit resources by people who have been unable to make ends meet during inflation. All three elements are implied, but without adequate basis for appraising their relative importance.

Such a picture reinforces the concern expressed in previous reports that we are still far from obtaining the amount and distribution of consumer income in relation to the other component parts of the economy which seem essential for balanced economic growth.

Business investment and finance

The high investment outlays of business during the past two years have contributed an unusually large portion of the total flow of spending. This has been a natural aftermath of the wartime deferral of most lines of facilities expansion and improvement, accompanied by acute depletion of inventories. To undertake this investment, business emerged from the war with large accumulated reserves of liquid assets, elaborate postwar plans, and a relatively reduced burden of debt charges.

In many fields, including nearly all nondurable goods lines, the expansion of capacity to catch up with postwar markets, the replenishment of inventories, and the reduction of order backlogs to reasonably normal proportions has now been accomplished; further investment will take largely the form of cost-cutting improvements and new products. In a few important industries, expansion of facilities and inventories has still not overtaken obvious current needs.

Plant and equipment outlays. Total nonfarm business outlays on new plant and equipment rose rapidly after the war to reach an annual rate of 18.2 billion dollars in the latter half of 1947. Thereafter they increased only slightly, with a seasonal dip in the first quarter of last year. The continued rise has been due entirely to rising construction costs and equipment prices; the physical volume of such investment has not quite maintained its late 1947 peak. (See appendix table C–15.)

A recent sample survey by Government agencies indicates that dollar outlays on plant and equipment in the first quarter of 1949 are expected to run about 12 percent below those of the fourth quarter of 1948, which is roughly in line with normal seasonal behavior. Compared with the first quarter of last year, planned outlays for the first quarter of this year are up about 5 percent, which is substantially less than the increase in costs in the interval.

Plant and equipment outlays during and since the war have greatly expanded productive capacity in many industries. A survey by a private agency indicates that manufacturing industry as a whole has increased its capacity by more than one half since 1939 and by perhaps as much as a quarter since the end of 1945. To keep pace with a normal growth trend in total demand, as will be indicated in Part III, the recent over-all rate of increase in manufacturing capacity would not need to be maintained indefinitely. However, in connection with two prominent areas of current shortage, it should be noted that electric utility generating capacity has increased only about 45 percent since 1939 and 12 percent in the past three years, and steel furnace capacity about 16 percent since 1939 and about 3½ percent in the past three years.

While there is some indication of prospective softening of investment in various manufacturing lines, plans for expansion and modernization are still strong in chemicals, petroleum, and metals. In some major nonmanufacturing lines also—particularly utilities and transportation—the program of expansion and improvement is still active, and the outlook is for continued high expenditure. It is quite possible that investment in utilities and transportation may rise still further, to the extent that increases in the supply of steel and essential equipment items are not absorbed by other private or public investment programs.

The fact that many expansion goals have been met should not portend, therefore, an abrupt slackening of investment. Higher materials and labor costs and a sharpening of competitive pressure have provided powerful incentives for modernization programs designed to cut costs. Many businessmen feel that they must devote all available funds to improvements of this type in order to preserve their competitive position.

Business investment has entered a phase in which added investment will be largely determined by the effort to reduce costs and to improve product, rather than by the purpose to expand capacity. Recent surveys in the metal-working and other industries indicate that equipment is being replaced only when the replacement will pay off in 4 or 5 years, or in many cases an even shorter time. Considerably longer pay-off periods would be consistent with reasonable investment incentives.

Business inventories. Of the 6.7 billion dollar increase in value of nonfarm business inventories during 1948, 4.1 billion was attributable to price rises. Adjusting for these rises, the physical increase during the year was only 2.6 billion dollars, which was registered largely in the first quarter. In the second half, total nonfarm inventories increased only 0.8 billion dollars after allowance for price rises and normal seasonal variation. (See appendix tables C–16, C–17, and C–18 for additional inventory data.)

In the summer and fall, some accumulation of nondurable products inventories in the hands of both manufacturers and distributors reflected failure of sales to meet earlier expectations. Inventory policies were cautious, and adjustments were initiated fairly promptly. Present inventories could become burdensome in a period of falling sales.

The dollar value of durable-goods inventories rose rather steadily through the year. Restocking after wartime shortages appears now to have been virtually completed except for metals and some building materials.

Over-all ratios of inventories to sales remained roughly constant in 1948, and there appears to be no basis for substantial further increases. Any general slackening of sales would produce temporary involuntary accumulation followed by sloughing off of excess inventories. This occurred in some sectors of business in early 1947 and again in 1948, but has not appeared on a general scale since the war.

Corporate financing. Total corporate expenditure on plant and equipment and for expansion of inventories and customer receivables was 26 billion dollars in 1948, or 2 billion dollars less than in 1947. A rise in plant and equipment expenditures was more than offset by the decline in funds used to extend credit to customers, and to finance additional investment in inventories. (See chart 15 on page 64 and appendix table C–34.)

The major part of capital funds in 1948, as in 1947, came from internal sources, chiefly undistributed profits and depreciation allowances. Internal sources provided 65 percent of corporate funds in 1948, compared with 53 percent in the previous year. The rise in the importance of internal financing in 1948 was due to a higher level of corporate profits and a less-than-equivalent increase in dividends. Corporate profits after taxes totaled about 21 billion dollars, 15 percent more than in 1947. During the past year corporations paid out 36 percent of their profits in dividends, compared with 38 percent in 1947.

In external financing, security issues played a more important and bank loans a less important role than in 1947. In the first half of 1948, for the first time since the war, outstanding business bank loans declined slightly; and in the second half of the year, though such loans showed a seasonal increase, the increase was much smaller than in the corresponding period of 1947. The bulk of the new security issues were bonds; stock issues were responsible for only about 19 percent of the total volume, compared with 30 percent in 1947.

One reason for the higher percentage of bond financing in 1948 was that public utility financing occupied a relatively more important position in the total volume of security issues. Companies in this industry usually raise a high proportion of their capital through bonds. Another important factor in the high proportion of debt financing in the whole postwar period, and especially in recent months, has been its low cost relative to financing by stock issues. The spread between bond and stock yields was considerable during the whole period and has further increased in recent months. Another general factor which has favored debt financing is the tax advantage; interest payments are deductible expenses in computing taxable income.

The small amount of common stock issued in recent years, compared with the late 1920's, has given rise to concern in some quarters that there is a serious general shortage of equity capital. While it is true that outside equity capital is difficult to obtain on terms as favorable as those available for loan capital, it does not appear that, so long as profits remain large, there will be any general lack of sufficient total equity capital for desirable levels of business investment. Although detailed figures for the 1920's are not available, preliminary investigations show that a markedly smaller percentage of business capital needs has been financed by debt in the postwar period than was the case in the 1920's.

Housing. The volume of residential construction accelerated rapidly after the war. (See appendix table C–14.) From a low of about 142,000 in 1944, the number of permanent nonfarm units started in new structures rose to an estimated 925,000 in 1948. Adding to this the units provided by conversions and remodeling, it appears that well over a million completed residential units were added to the housing supply in 1948. The provision of adequate plumbing, heating, and other facilities and of major repairs further increased the availability of dwellings meeting a reasonable standard of comfort.

In the latter half of 1948, however, there appeared a pronounced decline in new housing starts. (See chart 16 on page 70.) This does not mean that the housing shortage is no longer acute. Instead, as previous reports clearly foresaw, it reflected the approaching saturation of the housing market related to the demands of families who can buy or rent expensive quarters, and the inability of the industry thus far to produce housing in quantity for the bulk of the population whose incomes are moderate or low. It now takes the average home owner about one-third more of his working time to earn the money to pay for a comparable house than it took before World War I, and about one-fifth more than in 1925–29. Neither food nor clothing nor any of the other necessities of life has risen comparably to the cost of building houses over the past two or three decades.

From the strictly economic viewpoint, we cannot be complacent about the rapid decline in housing starts on the ground that the manpower and other resources thereby released are being absorbed by the other demands of the economy; for some of these other demands are temporary in character and within a few years will need to be supplanted by a much larger volume of residential construction than can be supported at anywhere near present costs. In fact, if the rate of decline in house building continues, its ramifying effects could cause substantial unemployment and general deterioration in business conditions even before the temporary factors in postwar demand are reduced.

The need for a comprehensive housing program in its fundamental aspects is treated in Part III.

International transactions

The only major component of the Nation's Economic Budget which did not increase between 1947 and 1948 was net foreign investment; it declined from 8.9 billion dollars to approximately 1.8 billion. Net foreign investment represents the portion of our excess of exports over imports of goods and services that is financed by loans and investments and by net liquidation of foreign dollar assets and gold. It does not include the portion financed by grants, gifts and other unilateral transfers made by the United States Government and by private citizens. Part of the drastic decline in net foreign investment has resulted merely from a shift in the form of foreign aid from loans to grants, the increase in which is reflected in the Government-goods-and-services component of the Nation's Economic Budget.

Decline in the export surplus. To appraise the effect of international transactions upon the domestic economy, it is necessary to examine the total export surplus, which takes into account government grants and private gifts as well as net foreign investment. The total export surplus fell from 11.3 billion dollars in 1947 to 6.5 billion in 1948, a decline of 4.8 billion. This decline began in mid-1947, after the export surplus had reached an annual rate of 12.5 billion, and continued through the autumn of 1948, when it was only 5.2 billion.

The 4.8 billion dollar decline in the export surplus was primarily the result of a 3.4 billion dollar reduction in the liquidation of gold and dollar assets by foreign countries, made necessary by the rapid depletion of these assets in 1947. Aid extended by the United States Government also was less than in 1947. Although the European Recovery Program got under way during 1948, aid extended under early postwar programs was virtually exhausted early in the year. These changes are shown in table 4, and details of the balance of international payments and the foreign aid program are shown in appendix tables C–35 and C–36.

CHART 7.

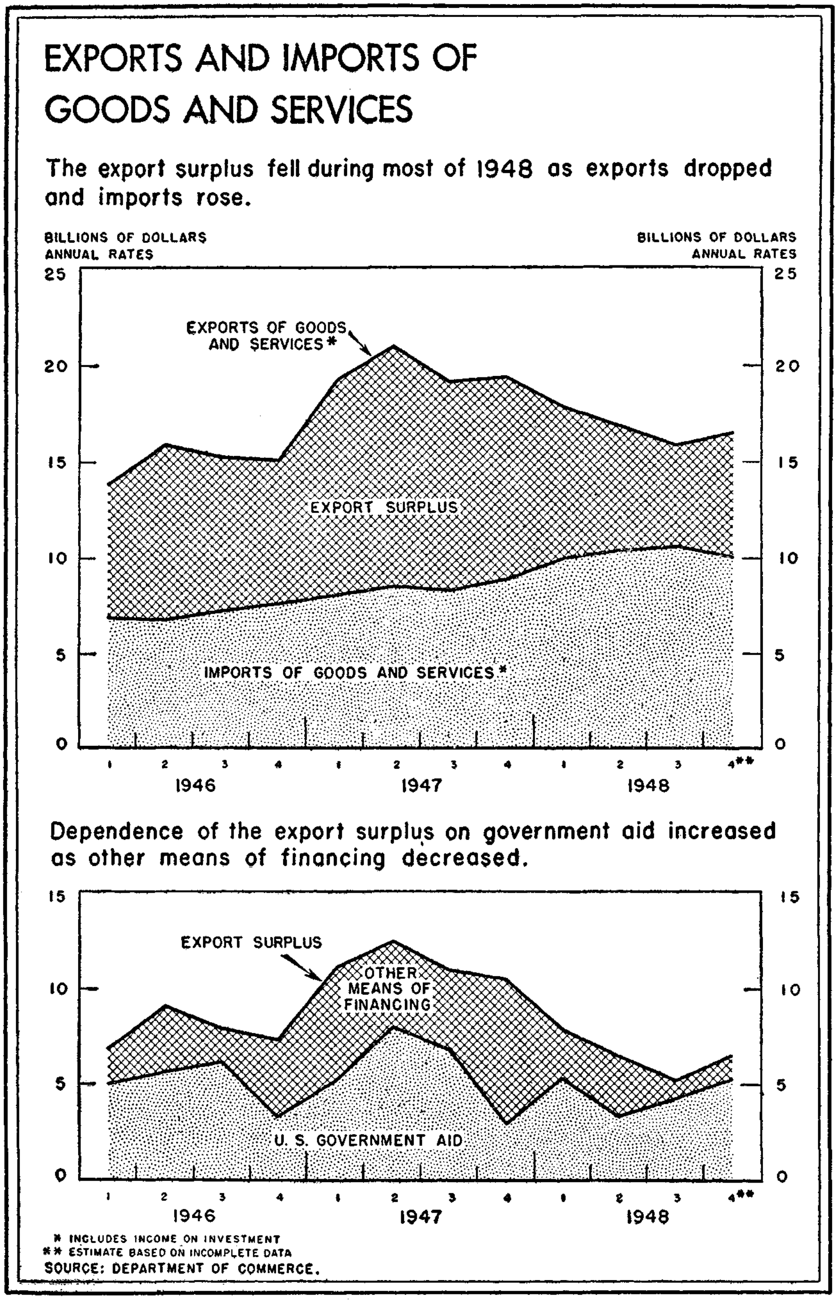

EXPORTS AND IMPORTS OF
GOODS AND SERVICES
The export surplus fell during most of 1948 as exports dropped and imports rose.
BILLIONS OF DOLLARS
ANNUAL RATES
BILLIONS OF DOLLARS
ANNUAL RATES
25
20
15
10
5
0
EXPORTS OF GOODS AND SERVICES *
EXPORT SURPLUS
IMPORTS OF GOODS AND SERVICES *
1
2
3
4
1946
1947
1948
4**
Dependence of the export surplus on government aid increased as other means of financing decreased.
EXPORT SURPLUS
OTHER MEANS OF FINANCING
U. S. GOVERNMENT AID
* INCLUDES INCOME ON INVESTMENT
** ESTIMATE BASED ON INCOMPLETE DATA
SOURCE: DEPARTMENT OF COMMERCE.

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

[Billions of dollars]

Period	Surplus of exports of goods and services [1]	Means of financing		
		Government aid (net) [2]	Liquidation of foreign gold and dollar assets (net) [3]	Other means of financing (net) [4]
1936–38 average	0.5		0.8	−0.3
1946	7.8	5.1	2.0	.7
1947	11.3	5.7	4.5	1.1
1948 [5]	6.5	4.6	1.1	.8
Annual rates:				
1947:				
First quarter	11.2	5.2	4.8	1.2
Second quarter	12.5	8.0	4.6	−.1
Third quarter	10.9	6.8	3.4	.7
Fourth quarter	10.5	2.9	5.3	2.3
1948:				
First quarter	7.8	5.3	1.2	1.3
Second quarter	6.5	3.3	2.5	.7
Third quarter	5.2	4.3	.8	.1
Fourth quarter [5]	6.6	5.3	.1	1.2

[1] Includes income on investments.

[2] Includes grants and loans, but excludes subscriptions to the International Bank and International Monetary Fund. For detail, see appendix table C–36.

[3] Includes net sales of gold to the United States and net change in foreign dollar assets (bank balance, claims on the United States Government, and long-term investments). Excludes liquidation of assets held by the International Bank and the International Monetary Fund.

[4] Includes private gifts and remittances, movement of United States private capital, net dollar disbursements by the International Bank and the International Monetary Fund, and errors and omissions.

[5] Estimates based on incomplete data.

Source: Department of Commerce.

The large deficits which other countries were incurring in their transactions with the Unitied States forced upon them trade policies designed to curtail their dollar purchases and to increase their dollar exports. These efforts were supported in many countries by internal policies and developments. In western Europe, for example, industrial production in the first nine months of 1948 was about 15 percent higher than in the corresponding period of 1947, while agricultural production, which suffered so greatly from unfavorable weather in 1947, was also much higher. These increases permitted larger exports and smaller imports in trade with the United States. At the same time, some though not all of the western European countries appear through their domestic monetary and fiscal policies to have reduced inflationary pressures or brought them under control. This contributed to the improvement in production most dramatically in the case of western Germany, where industrial production rose very rapidly following the monetary reform of June, 1948. Recovery progress may be expected to continue in the coming year, although at a more gradual pace, provided that foreign countries do not suffer from serious interruptions of production and do not have to divert too large a proportion of their resources to meeting the requirements of national defense.

The decline in our export surplus took the form of a reduction between 1947 and 1948 of 3.0 billion dollars in exports of goods and services and a rise of 1.8 billion in imports, as the following table shows.

TABLE 5.—*United States exports and imports of goods and services*

[Billions of dollars]

Period	Exports of goods and services [1]	Imports of goods and services [1]	Surplus of exports of goods and services [1]
1936–38 average	4.1	3.6	0.5
1946	15.0	7.2	7.8
1947	19.8	8.5	11.3
1948 [2]	16.8	10.3	6.5
Annual rates:			
1947:			
First quarter	19.3	8.1	11.2
Second quarter	21.1	8.6	12.5
Third quarter	19.2	8.3	10.9
Fourth quarter	19.4	8.9	10.5
1948:			
First quarter	17.8	10.0	7.8
Second quarter	16.9	10.4	6.5
Third quarter	15.9	10.7	5.2
Fourth quarter [2]	16.6	10.0	6.6

[1] Includes income on investments.
[2] Estimates based on incomplete data.

Source: Department of Commerce.

Merchandise trade. Merchandise exports fell 18 percent in dollar volume and more than 20 percent in quantity from 1947 to 1948. Between the second quarter of 1947, when this decline began, and the third quarter of 1948 the decline in quantity amounted to 34 percent. The fall in dollar volume has affected our shipments to all major areas of the world, although it has been sharpest in the case of eastern Europe as a result of the tightening of export controls in March of last year. Despite the initiation of the European Recovery Program, our exports to the participating countries have been a slightly lower proportion of total exports in recent months than they were both before the Program began and before the war.

The commodity impact of the fall in exports has been quite general, although uneven. Foreign countries are restricting their purchases selectively. Our exports of a few important products, such as wheat, petroleum and its products, agricultural machinery, certain types of industrial machinery, and chemicals have been well maintained or have actually risen, while exports of coal, dairy products and animal fats, textiles and textile manufactures and rubber products have been cut very drastically. Exports of steel mill products have also fallen sharply, in part because of more restrictive export controls imposed to alleviate the drain on the American economy. (Additional information relating to merchandise exports is given in appendix tables C–19, C–37, C–38, and C–39.)

The reduction of the export surplus was also furthered by a rise of 20 percent in the dollar volume of imports between 1947 and 1948, reflecting higher quantities and higher average prices in similar proportions. Even though the physical quantity of goods imported into the United States rose in 1948, it was still only about 20 percent above the average import level of 1936–38, reflecting substantial increases above prewar in imports of crude materials and semimanufactured goods, but no increase in imports of foods and finished manufactures. Our demand for some commodities from abroad can now be fully met, but our greatly enlarged need for many others remains far from satisfied. Further increases are to be expected and welcomed in a prosperous economy. (For additional information regarding the source and character of our merchandise imports see appendix tables C–40, C–41, and C–42.)

European Recovery Program. Last spring Congress provided 5 billion dollars for the European Recovery Program, including a public debt authorization of 1 billion dollars. The 4 billion dollars of appropriated funds were to be used over the 15-month period ending June 30, 1949, unless the President, after recommendation by the Administrator for Economic Cooperation, found it necessary to use them in 12 months. After a careful review it was decided in November that this more rapid use of the funds would be necessary. By the end of 1948, after the Program had been in operation nine months, procurement of 4 billion dollars had been authorized. At the outset of the program these authorizations were primarily for food and agricultural commodities, but the emphasis has been shifting away from these commodities toward an increasing proportion of industrial products, especially machinery and equipment. In the case of certain products for which the domestic market situation is tight, a major share of authorizations has been for procurement outside the United States. Through November 1948 such "offshore" procurement has constituted 40 percent of the total for all commodities and much larger proportions for petroleum products, nonferrous metals, fertilizer, and some other products.

The procurement of such commodities in other countries relieves the United States of the burden of supplying them. But the exporting countries receive dollars in payment and, with some exceptions, they may be expected to spend those dollars in the United States. To the extent that they do, offshore procurement will affect the distribution rather than the total amount of foreign purchases in the United States.

As shipments under the European Recovery Program increase, the decline in United States exports may be expected, on the basis of existing programs, to give way to a rise from the levels reached in the second half of 1948. If the expansion in imports continues, as there is reason to expect, any rise of the export surplus will be moderate.

Government transactions

Needs engendered by war and its aftermath of international tension continued during 1948 to overshadow the civil programs of government and to exert crucial influence throughout the economy. It was necessary to hold back government programs urgently needed for peacetime growth and progress, while extraordinary activities to meet world responsibilities prolonged and strengthened the general forces of inflation. The enlarged expenditures for national security and foreign aid authorized in 1948 will impinge in 1949 upon a private economy still sensitive to inflationary pressures. Not only will total Government spending be rising, but its impact in critical areas will be intensified.

The programs of the Federal Government, framed in the light of these requirements, are set forth in detail in the Budget Message and in various other reports. This report assesses the economic impacts of these Federal programs and of the programs of State and local governments insofar as they can be estimated.

The best available general measure of these economic impacts is the volume of *current cash* transactions, other than borrowing, between government and public, without regard to whether these transactions arise in connection with the receipts and expenditure accounts of the regular Budget or in connection with social security or other trust accounts or whether they represent cash payments of some liability which accrued and was recorded as a budget expenditure at some previous date.

The total volume of cash payments to the public by Federal, State, and local governments during 1948 amounted to 52.1 billion dollars, or 1.4 billion more than in 1947 despite a tapering off of such extraordinary payments as the cashing in of veterans' terminal leave bonds. Because the reduction in Federal income tax rates was offset by continuing inflation and by expanding State and local revenues, total cash receipts in 1948 were about 2 billion dollars higher than in 1947 and the surplus of cash receipts over payments increased from 6.7 to 7.4 billion dollars as shown in Table 6. Despite the very high levels of economic activity which prevailed, progress in reducing the Federal debt was seriously retarded during the latter part of the year, and the volume of State and local debt expanded very sharply after a moderate increase in 1947. Thus while inflation continued, the restraining influence of government fiscal policy was weakened. (For further detail, see appendix A.)

TABLE 6.—*Government cash receipts from and payments to the public*

[Billions of dollars]

Receipt or payment	Calendar year 1947	Calendar year 1948 [1]
Cash receipts:		
Federal	44.3	45.2
State and local	13.1	14.3
Total cash receipts	57.4	59.5
Cash payments:		
Federal	38.6	36.9
State and local	12.1	15.2
Total cash payments	50.7	52.1
Surplus (+) or deficit (−):		
Federal	+5.7	+8.3
State and local	+1.0	−.9
Total, surplus (+) or deficit (−)	+6.7	+7.4

[1] Estimate based on incomplete data.

NOTE.—Detail will not necessarily add to totals because of rounding.
Source: See appendix A.

A substantial further increase in cash payments is expected this year and next. Federal payments for national security and foreign aid are still rising under authorized programs, and we must make some further progress in meeting urgent needs in our domestic economy. In addition, payment of accumulated dividends on National Service Life Insurance policies will result in large disbursements. Including the continued upward trend in payments by State and local governments, it is expected that total government cash payments will rise to perhaps 61 billion dollars for the calendar year 1949, more than 9 billion dollars higher than in 1948.

Without additional Federal taxation, such an increase in cash payments of Federal, State, and local governments during 1949 would mean that the cash surplus that amounted to 7.4 billion dollars in 1948 would be replaced by a deficit this year. Such a drastic shift in the net cash position of all government might provide the stimulus to a fresh surge of inflation.

Cash payments by the Federal Government. Programs necessitated by past wars and present requirements for national security accounted for just over 70 percent of total Federal cash payments to the public in both 1947 and 1948, and this proportion may be expected to increase somewhat in 1949.

The total volume of Federal cash payments to the public declined by about 1.7 billion dollars between 1947 and 1948. There were substantial changes in the amounts going to different groups in the economy, with corresponding shifts in areas of impact on the economy. As shown in the following table, Federal cash payments to individuals declined slightly, largely because of the tapering-off in the redemption of veterans' terminal leave bonds, which more than offset moderate increases in wages and salaries and in miscellaneous payments. The most important changes, however, occurred in payments to business and in loans and other payments to foreign countries and international organizations.

TABLE 7.—*Federal cash payments to the public by type of recipient*

[Billions of dollars, annual rates, seasonally adjusted]

Payments	Calendar year 1947	Calendar year 1948			Calendar year 1949 estimate [2]
		Total [1]	January–June	July–December [1]	
Individuals	17.7	17.1	17.1	17.1	19.4
Business	11.5	12.5	11.0	14.0	14.7
International	7.4	5.6	5.1	6.1	7.9
State and local governments and public agencies	1.8	1.9	1.8	1.9	2.3
Adjustment for outstanding checks and telegraphic orders	.2	–.1	.2	–.4	
Total Federal cash payments	38.6	36.9	35.1	38.7	44.3

[1] Based on incomplete data.
[2] Based on present and proposed legislation.

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

Source: See appendix A.

The total payments to business increased by about 1 billion dollars between 1947 and 1948, and are expected to increase further by about 2 billion dollars in 1949. Most of this increase is accounted for by expanding payments in support of national security, especially for the aircraft procurement and the stockpiling programs. This expansion may be expected to intensify specific shortages in labor and certain critical materials. Indeed, rising metals prices already reflect in part the effect of present and planned stockpiling.

Federal public works have been held to a low level. They increased only about 14 percent in 1948 over 1947, to a total of 1.3 billion dollars—roughly the same dollar value as in 1940 despite a doubling of construction costs. The continuation of projects already under way will require some further increase in 1949. More widely dispersed will be the effect of increases in consumer income that will result from disbursements of National Service Life Insurance dividends and proposed increases in social security benefits and other payments to individuals.

Cash payments by State and local governments. While a number of States have granted bonuses to veterans of World War II, more of which will be paid during 1949, the very great proportion of the transactions of State and local governments are in support of normal civilian programs, such as education, community facilities, police and fire protection. Rising costs and expanding needs account for the sharply rising trend of State and local expenditures. The hiring of teachers and construction of new schools cannot be deferred in the face of the currently large and still growing numbers of school children, nor can the laying of streets and sewers and the enlargement of water systems be postponed when the new housing developments requiring them are being built. The need for recruiting new staff while living costs are rising has required substantial increases in State and local pay scales, and other aspects of activity are suffering from the impact of generally rising costs.

Total cash payments to the public by State and local governments in 1948 were about 15 billion dollars, 25 percent higher than in 1947, and a further substantial rise is in prospect for 1949. Despite deliberate postponements by many States and localities in the hope of lower costs, construction activities have been rising at a very rapid rate and will continue to do so. The dollar value of State and local construction activities, which expanded much more slowly than private construction immediately after the war, was more than 37 percent higher in 1948 than in 1947, compared with a little more than 30 percent increase for private construction and only a 14 percent increase in Federal construction. Costs have risen sharply, and the rise in physical volume has been substantially less than shown by the dollar figures. While the number of people on relief rolls has remained relatively low, increased assistance has become essential, and in many cases it has been found necessary to supplement inadequate old-age insurance benefits with relief payments.

Federal cash receipts from the public and excess of receipts. Federal cash receipts from the public (including receipts of trust accounts) increased in the first half of 1948 and declined in the second half after income taxes were reduced. Without new tax measures, the volume of receipts in 1949 would be about the same as in 1947.

There is, however, but little comfort in the fact that receipts have continued at a rather stable high level in spite of the tax reduction that was adopted last year. This has come about only as the result of the inflationary rise in dollar incomes, profits, and payrolls. The inflationary rise in turn was aggravated by the effects of the tax reduction.

In 1948 the excess of cash receipts dropped from an annual rate of 12.5 billion dollars to 4.0 billion from the first to the second half of the year. With the expected increase in Federal cash payments and without new tax measures, Federal cash transactions will result in an excess of payments this year.

TABLE 8.—*Federal cash receipts from and payments to the public*

[Billions of dollars, annual rates, seasonally adjusted]

Receipt or payment	Calendar year 1947	Calendar year 1948			Calendar year 1949 estimate
		Total [1]	January–June	July–December [1]	
Cash receipts	44.3	45.2	47.6	42.7	[2] 43.7
Cash payments	38.6	36.9	35.1	38.7	[3] 44.3
Cash surplus (+) or deficit (−)	+5.7	+8.3	+12.5	+4.0	−.6

[1] Preliminary; based on incomplete data.
[2] Receipts based on present tax legislation (for exception see appendix A, table A-6, footnote 3).
[3] Payments based on present and proposed legislation.

NOTE.—Detail will not necessarily add to totals because of rounding.
Source: See appendix A.

The question whether cash transactions will show a small surplus or deficit this year is less important than the fact that we have lost the large excess of receipts that early last year was one of the main factors counteracting inflationary pressures. Unless new tax measures are adopted, this fiscal support for an anti-inflationary policy will disappear.

State and local cash receipts. Cash receipts of State and local governments in 1948 continued their rising trend, in response both to the general rise in national income and to increases in the rates of existing taxes and the imposition of new taxes. A growing number of States have granted to localities the authority, which has quickly been exercised, to levy a wide variety of new sales and other taxes and fees for specific services. Local governments have exerted great pressure on the States to increase the amounts of State grants, a pressure which may be intensified in 1949. Revenues from real property taxes, which, because of stable valuations and rates, failed during the war years to rise in line with growing prosperity, have since increased as assessments and rates have been adjusted to expanding local needs. This indicates that this source of revenue is potentially more productive than has been widely assumed.

State and local borrowing has continued to increase, and at a sharply increased rate. The general picture, particularly for local governments, is of revenues inadequate to meet pressing current local needs, and larger cash deficits and borrowing may be expected in 1949.

The total cash receipts of State and local governments during 1948 were about 14.3 billion dollars, more than 1 billion higher than in 1947. The cash deficit was nearly 1 billion dollars. While receipts should rise in 1949, payments will probably increase faster, leading to a somewhat larger deficit.

Summary: The Nation's Economic Budget

The Nation's Economic Budget total, or the total output of goods and services of the economy, has increased at a fairly steady rate over the last two years, when measured in current dollars. Comparing 1947 with 1948, this dollar value increased by approximately 10 percent. A large gain in physical production occurred from 1946 to 1947, through the elimination of bottlenecks and fewer work stoppages. The gain from 1947 to 1948 was smaller, about 4 percent, because the economy had reached the stage where further increases in production depended upon additions to the labor force and improved productivity and technology. The physical output of the economy has increased more slowly than the dollar values, as shown in the following table:

TABLE 9.—*Indexes of output*

[1946=100]

Calendar year	Gross national product (current prices)	Physical production of goods and utilities	
		Total [1]	Excluding agriculture
1947: total	111	108	109
First half	109	(1)	109
Second half	113	(1)	110
1948: total	121	112	113
First half	118	(1)	113
Second half	123	(1)	113

[1] Because of the seasonal nature of agricultural crop production, the total index which includes agricultural production has not been computed.

Sources: Appendix tables C-1 and C-12.

Comparing 1947 with 1948, business income (retained earnings and additions to reserves) and gross private domestic investment showed the largest percentage increase; consumer incomes and expenditures increased less; government expenditures remained at about the same level; and net foreign investments declined substantially. (See charts 8 and 9 and table 10.) In fact, it is an outstanding characteristic of the present economy that business income and expenditures have increased more than consumer income and expenditures since the prewar year 1939.

TABLE 10.—*The Nation's Economic Budget, Calendar years 1947 and 1948*

[Billions of dollars, annual rates, seasonally adjusted]

Economic group	1947			1948, first half			1948, second half [1]		
	Receipts	Expenditures	Excess of receipts (+) or deficit (−)	Receipts	Expenditures	Excess of receipts (+) or deficit (−)	Receipts	Expenditures	Excess of receipts (+) or deficit (−)
CONSUMERS									
Disposable income relating to current production	158.1			170.8			180.0		
Government transfer payments and net interest	*15.5*			*15.4*			*14.6*		
Disposable personal income	*173.6*			*186.2*			*194.6*		
Expenditures for goods and services		164.8			174.3			179.2	
Personal saving			*+8.8*			*+11.9*			*+15.4*
BUSINESS									
Retained business receipts from current production	19.0			22.3			25.6		
Government transfers	*.3*			*.8*			*.3*		
Receipts	*19.4*			*23.0*			*25.9*		
Gross private domestic investment		30.0			38.2			39.5	
Excess of receipts (+) or investment (−)			*−10.7*			*−15.2*			*−13.6*
INTERNATIONAL									
Net cash government loan transfers abroad	*5.4*			*1.6*			*−.1*		
Net foreign investment		8.9			3.3			.2	
Excess of investment (−)			*−3.5*			*−1.7*			*−.3*
GOVERNMENT (FEDERAL, STATE, AND LOCAL)									
Tax payments or liabilities	57.4			59.0			59.5		
Adjustment to cash basis	*−.1*			*+2.8*			*−2.2*		
Cash receipts from the public	*57.3*			*61.9*			*57.3*		
Purchases of goods and services		28.0			31.8			38.8	
Government transfers		*22.7*			*18.0*			*15.6*	
Cash payments to the public		*50.7*			*49.8*			*54.4*	
Excess of receipts (+) or payments (−)			*+6.7*			*+12.0*			*+2.8*
ADJUSTMENTS									
For receipts relating to Gross National Product	−2.9		−2.9	−4.6		−4.6	−7.1		−7.1
Other adjustments	*+1.5*		*+1.5*	*−2.4*		*−2.4*	*+2.8*		*+2.8*
Total: Gross National Product	231.6	231.6	0.0	247.6	247.6	0.0	257.8	257.8	0.0

[1] Estimates based on incomplete data.

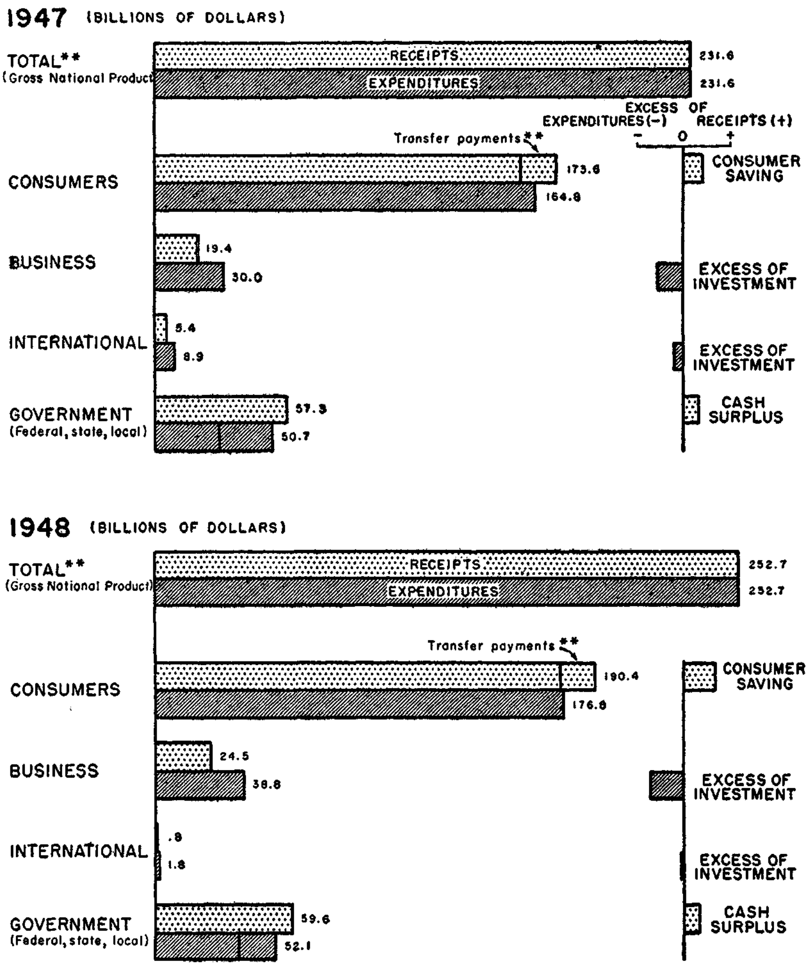
NOTE.—Items relating to current production of goods and services are shown in roman type. Transfer payments and receipts and subtotals including them are in italics; they are not included in the gross national product.

Detail will not necessarily add to totals because of rounding.

CHART 8.

THE NATION'S ECONOMIC BUDGET, 1947-1948

The Nation's Economic Budget dollar total increased by 9 percent from 1947 to 1948. The business account increased the most, consumers' account moderately, and government account the least. Net foreign investment declined.



** TRANSFER PAYMENTS ARE INCLUDED IN RECEIPTS OR EXPENDITURES OF THE SEPARATE ACCOUNTS BUT NOT IN THE TOTAL GROSS NATIONAL PRODUCT.

SOURCE: SEE APPENDIX A.

TABLE 11.—*Changes in the Nation's economic budget*

[Calendar years]

Economic group	Percentage change	
	1939 to 1948	1947 to 1948
Consumers:		
Disposable income [1]	+171.2	+9.7
Expenditure	+161.9	+7.3
Business:		
Retained earnings [1]	+184.9	+26.9
Private investment	+332.2	+29.7
International: Net foreign investment	+100.0	−79.8
Government:		
Cash receipts	+297.3	+4.0
Cash payments	+196.0	+2.8
Total: Gross national product	+185.2	+11.3

[1] Includes Government transfers. See table 10.

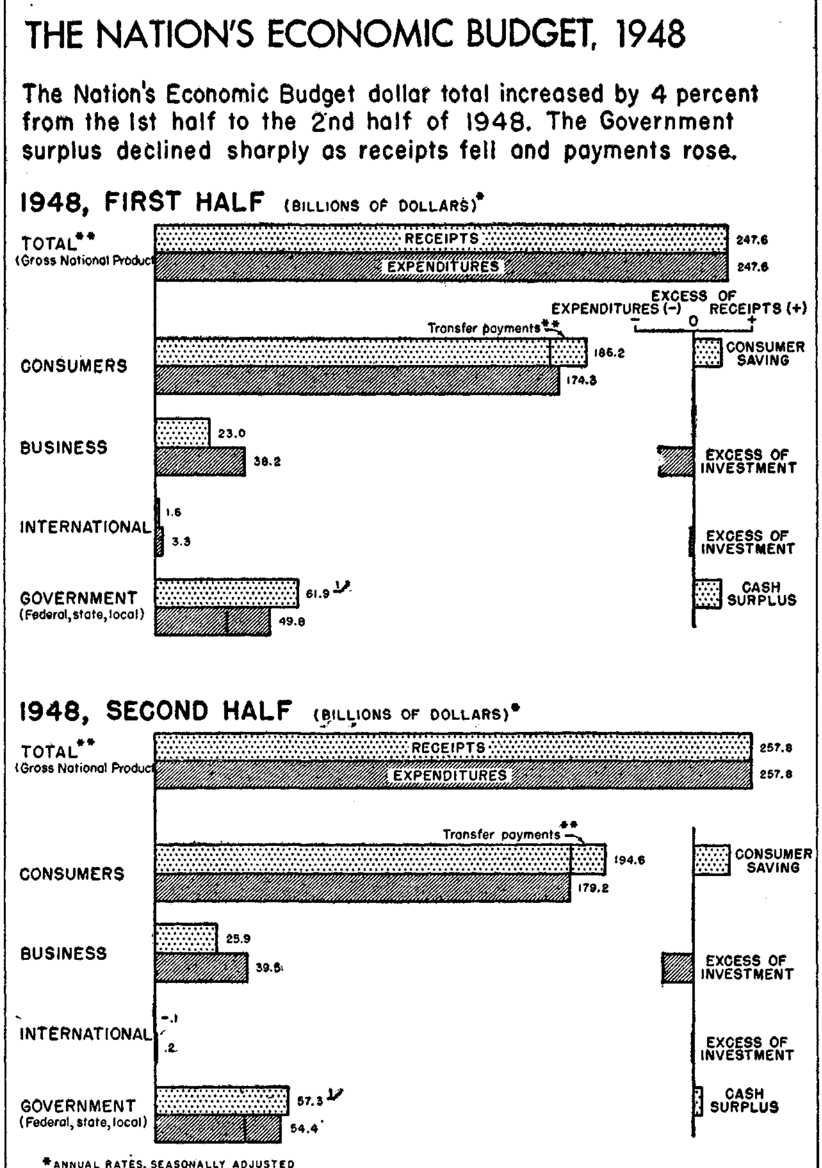
Source: See appendix A.

The basic causes for the high relative rate of business expenditures in recent years were inherited from the war. Expansion, modernization, and repair of productive capacity were badly needed, business had large liquid assets accumulated during the war, and credit was easily available. In addition, inflation has permitted profits to rise more than personal incomes, and business has been able to finance a great deal of expansion out of current earnings. Rising prices do not have a depressing effect on investment if business expects that they may rise still further; only when prices are expected to decline do they tend to depress investment. In contrast, rising prices have been a more effective brake on consumer demand. It is true that inflation has permitted some increase in the standard of living of those farmers and workers who could increase the prices for their products or services faster than the rise in prices of the products they purchased. By the same token the burden of inflation has fallen mainly on those consumers whose incomes have been fixed or have lagged behind. And although business, Government, consumers, and foreign countries have each absorbed some part of the large increase in production which has taken place since 1939, the percentage increase for consumers has been the smallest.

During the year 1948 the inflationary process continued. There was, however, a considerable change in the character of developments, as is shown by comparing the first and second halves of the year. Business investment no longer showed the greatest percentage gains, as it had from 1939 to 1947, and from 1947 to 1948 as a whole; Government payments now showed the greatest relative increase. At the same time Government receipts declined as a result of Federal income tax reduction.

The consequent reduction in governmental cash surpluses (Federal, State, and local) from a seasonally adjusted annual rate of 12 billion dollars in the first half of the year to a little more than 3 billion in the second half was the most important change in the Nation's Economic Budget during 1948.

CHART 9.



*ANNUAL RATES, SEASONALLY ADJUSTED

**TRANSFER PAYMENTS ARE INCLUDED IN RECEIPTS OR EXPENDITURES OF THE SEPARATE ACCOUNTS BUT NOT IN THE TOTAL GROSS NATIONAL PRODUCT

1/ INCLUDES AN ADJUSTMENT OF +$2.8 BILLION IN FIRST HALF AND -$2.3 BILLION IN SECOND HALF. SEE APPENDIX A FOR EXPLANATION

SOURCE: SEE APPENDIX A.

This rise in governmental payments and reduction in Federal taxes, combined with price and wage increases, added to consumer incomes and business earnings. The inflationary impetus of these developments was somewhat mitigated by the fact that consumer expenditures increased less than consumer incomes, and business investment less than business earnings. Also, net foreign investment declined, partly because Federal grants, which are recorded in the Government account, took the place of foreign investments. Thus the 9-billion-dollar drop in the combined Federal, State, and local surpluses was, as shown in table 10 and chart 9, offset by an increase in net saving and a reduction in the excess of domestic and foreign investment. The new balance was brought about only through another turn in the inflationary spiral. Most of the gains obtained through increases in incomes and reduction of taxes were lost through price increases.

The analysis of the Nation's Economic Budget suggests two conclusions. It demonstrates the essential role that a Government surplus plays in a period of inflationary pressures and the dangers that would result if last year's surplus should disappear entirely or be replaced by a deficit. Adjustments that may be needed to deal with such a situation will be discussed in Part II of this report.

From the longer-run aspect, the most important item is the reduction in the role consumption has recently played in the economy relative to business investment and Government expenditures. Adjustments which may become necessary as the special conditions of the postwar period gradually disappear will be discussed in Part III of this report.

II. Goals and Means of Approaching Them in 1949

Basic Economic Objectives

THE Employment Act of 1946 stated the needs of our economy admirably when it set the objectives of "maximum employment, production, and purchasing power." In terms of these objectives, the immediate tasks that loom largest in 1949 may conveniently be stated.

Maximum employment

It is estimated that the labor force will increase by nearly one million during 1949. This increase will reflect not only the increase in the population of working age but also the large number of students under the GI program who will complete their training and education. The civilian employment goal for 1949 should include provision of useful work opportunities for the net increase in the labor force. Maximum employment means steady work at customary hours, not work sharing. While some temporary frictional unemployment is inevitable in a fluid economy, its volume should be kept as near as possible to the present low level.

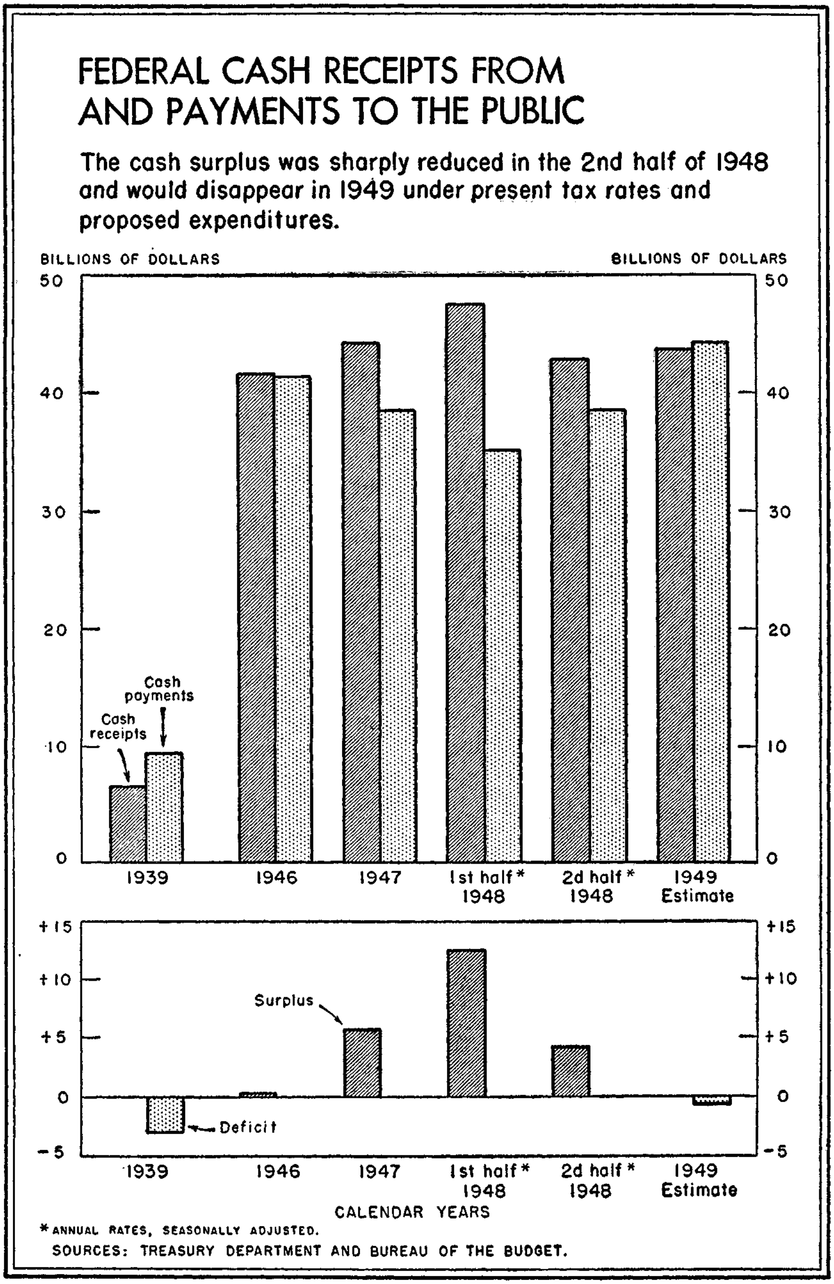
Maximum production

An increase in the total production of goods and services of 3 to 4 percent, or 8 to 10 billion dollars measured in 1948 prices, should be regarded as a reasonable objective for this year. In agriculture, the improvement in plant and the abundance of last year's feed crops promise a continued high total output with an increase in livestock products which would somewhat improve consumption standards for our people. On the industrial side, about 50 billion dollars have been invested in expansion and modernization since the end of the war. Hence the slight increase in output per man-hour which occurred last year should be enlarged upon this year. In spite of these improvements in industrial productivity, there will still be several bottlenecks where there are persistent shortages of capacity for producing electric power and critical materials, particularly certain metals. Industry and government should press their efforts to overcome these shortages.

Maximum purchasing power

The basic concept underlying "maximum purchasing power" is that the income generated by productive effort should flow to groups and individuals throughout the economy in a manner that will provide adequate funds and

CHART 10.


FEDERAL CASH RECEIPTS FROM AND PAYMENTS TO THE PUBLIC
The cash surplus was sharply reduced in the 2nd half of 1948 and would disappear in 1949 under present tax rates and proposed expenditures.
BILLIONS OF DOLLARS
BILLIONS OF DOLLARS
50
40
30
20
10
0
Cash payments
Cash receipts
1939
1946
1947
1st half* 1948
2d half* 1948
1949 Estimate
+15
+10
+5
0
-5
Surplus
Deficit
CALENDAR YEARS
* ANNUAL RATES, SEASONALLY ADJUSTED.
SOURCES: TREASURY DEPARTMENT AND BUREAU OF THE BUDGET.

incentives for maximum production in the factory and on the farm, and furnish buying power to consumers and business sufficient to take promptly off the market the goods available for their use. Broadly conceived, it requires the balanced allocation of resources and manpower in accord with the interests of the economy as a whole. These interests must include support for basic national policies such as national defense and welfare.

Since prices and wages are the main mediums through which purchasing power is distributed, price and wage movements and relationships decisively affect the outlook for stable prosperity. Most economic policies are directed in one way or another toward this problem of balanced purchasing power in order to bring the pattern of production and consumption into better alignment so as to attain economic stability at the highest feasible levels. In addition to price and wage adjustments, there is need for a proper balance between total money purchasing power and the supply of goods if inflation or deflation are to be avoided.

The goal for 1949 should be to make as much progress as we can within one year toward achieving adjustments which will maintain purchasing power on a stable basis.

Needed Adjustments

Fulfillment of our 1949 goals for maximum employment, production, and purchasing power will not come by chance. It will require wise economic adjustments, toward which some progress was made during 1948. Yet much remains to be done. There are seven areas of adjustment which seem to us of signal importance.

Fiscal policy

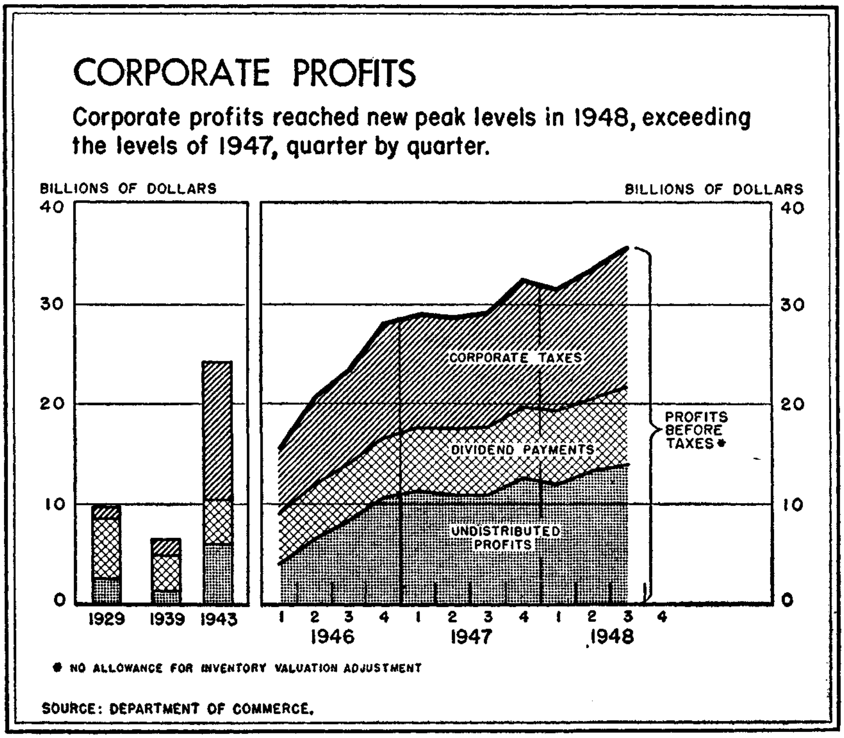
The large excess of cash revenues over expenditures, running at an annual rate of more than 12 billion dollars in the first half of last year, was the main bulwark of our anti-inflationary policy. The review of Government transactions in Part I indicates that this surplus will disappear and change into a deficit unless new tax legislation is adopted. It is well-nigh axiomatic that the Government should operate at a substantial surplus during a period of unparalleled prosperity when inflationary pressures persist. This is essential not only to deal sensibly with the current situation, but also to permit fiscal policy to be reversed if recessionary trends should later develop which might call both for tax reductions to stimulate business and markets and for additional public expenditure.

On general economic grounds, tax measures should be devised to result in an increase of at least 4 billion dollars. However, the range of prime considerations in matters of tax policy extends so far beyond purely economic analysis that ultimate decisions must be made within that wider perspective.

In formulating a tax program for 1949, the following principles seem paramount: The additional tax measures should (a) provide a budgetary surplus; (b) absorb some of the high current profits, while avoiding tax measures which would lead business firms to charge higher prices or impair their ability to maintain desirable rates of expansion; (c) guard against aggravating any recessionary tendencies and provide sufficient fiscal flexibility to enable quick readjustments if such tendencies should become strong; (d) reduce the inequities of previous legislation and strengthen the enforcement of the tax-collecting system.

Clearly there are various combinations of tax measures that would be consistent with the foregoing principles. One workable combination would include a tax on corporate profits, and some increase in the tax on personal incomes, estates, and gifts. Consideration should also be given to reductions or abandonment of some excise taxes and increases of others. These revenue measures should have priority over any technical improvement of the tax system in general, although exceptions should be made for the most urgently needed revisions.

CHART 11.



With respect to taxes on corporate profits, there are some arguments for an excess-profits tax and others for an increase in the regular corporate tax rates. The excess-profits tax has these advantages: It is sensitive to changes in business conditions, and therefore will rapidly reduce its demands on taxpayers in the event of a recession; it is difficult to shift to the consumer; it reduces incentives to increase prices; it may reduce the pressure for increases in wages of a kind that would be inflationary. An increase in regular corporation rates has certain advantages, provided the increase is moderate; it has administrative simplicity; it avoids the high marginal rate that would exist in some concerns under an excess-profits tax and that might lead to a relaxation of managerial efficiency; it avoids some of the inequities which might result under the excess-profits tax. In any event, the noneconomic elements involved in the choice between these two types of taxes or in a combination of the two make it clear that the decision should rest on the broadest grounds of policy.

Under present conditions increases in the tax on personal incomes should be limited to the middle and upper brackets, primarily on grounds of equity. However, a further substantial increase in defense and military aid budgets would call for an increase in personal income taxes in all brackets.

With respect to estate and gift taxes, these taxes can be more easily administered than an income tax with very high marginal rates, and such taxes have the minimum adverse economic effects.

Cash receipts could be increased further by advancing the date of the statutory increase in pay-roll taxes. Early expansion in the social security program would strengthen anti-inflationary factors now and provide for additional purchasing power cushions later.

Credit policy

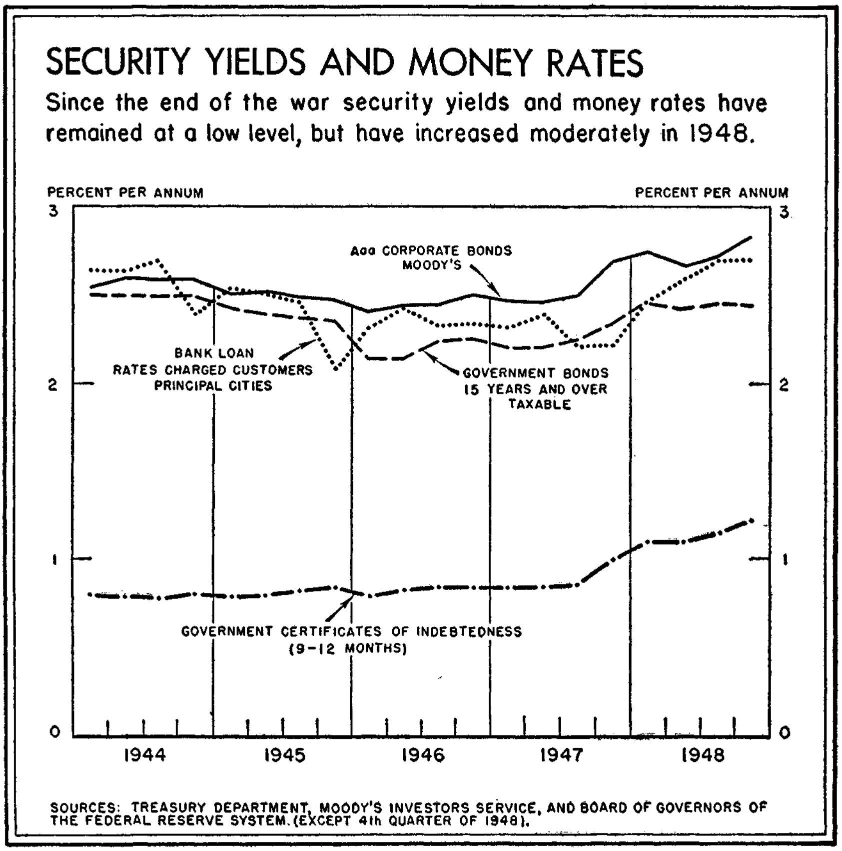
In addition to the use of fiscal policy, it is necessary that monetary authorities at all times be in position to carry out their traditional function of exerting effective restraint upon excessive credit expansion in an inflationary period and conversely of easing credit conditions in a time of deflationary pressures.

In view of the problem of managing our huge war debt, the Federal Reserve Board has only limited power to curb effectively any substantial pressure towards credit expansion. Maintaining a stable and orderly market for Government securities means, in effect, that the Reserve banks must purchase long-time marketable Government securities offered for sale by bank and nonbank holders and not taken by other investors. These Federal Reserve purchases create an equivalent quantity of bank reserves upon which a multiple expansion of credit can be based. Without power to immobilize these reserves, the Board's ability to restrain credit creation is severely limited since commercial banks, insurance companies, and mutual savings banks still hold Government securities in an amount of 95 billion dollars, and individuals and corporations also hold large amounts, which could be readily transformed into bank reserves.

Whether or not we are likely to be involved in a serious embarrassment on this score depends on the strength of the basic inflationary forces during the coming year, and on the measures taken to limit their impact. The forces of inflation may be activated by the requirements of Federal expenditure to meet our responsibilities in international affairs, and the Government in that situation would need the power to meet the serious problem arising out of our dual objective of maintaining a stable and orderly market for Government securities and at the same time attempting to prevent an excessive credit expansion.

Such action as is consistent with the debt management policy includes (1) raising rates on short-term Government securities in order to make them more attractive to bank and nonbank holders and in order to raise the price of short-term money generally, (2) raising the discount rate, and (3) increasing reserve requirements.

CHART 12.



Rates on Government short-term securities were raised in July 1947 and August 1948, bringing the yield on Treasury certificates from about 7/8 to 1 1/4 percent. The immediate effect was a pronounced rise in short-term interest rates generally and a moderate rise in corporate bond yields. These actions in conjunction with developing conditions had some deterrent effect on the willingness of bankers to lend and on the demand for funds. Although a much more pronounced rise in short-term rates than has occurred in the past might be somewhat more effective in deterring credit expansion, there are limitations on the possibilities of exerting effective restraint through such action.

The discount rate was raised from 1 to 1 1/4 percent in January 1948, and from 1 1/4 to 1 1/2 percent in August. Under prevailing conditions, this action also can have but limited effectiveness, since with their enormous holdings of Government securities most banks can readily obtain any needed funds by selling securities rather than by borrowing from the Reserve banks.

At the present time the Board's power to increase bank reserves is limited to an increase of 2 percentage points against demand deposits for all member banks and 2 additional percentage points against demand deposits for central reserve city banks. Under the temporary authority granted by the Congress in August 1948, which expires June 30, 1949, the Board had power to raise reserves against demand deposits by 4 percentage points and against time deposits by 1 1/2 points. Raising requirements by the last two percentage points allowed under temporary authority would increase total reserves that banks have to keep against deposits by about 1 1/2 billion dollars. Though this might help to restrain credit expansion by placing banks under pressure to obtain additional reserves or by absorbing any additional reserves that banks may obtain from gold imports or Federal Reserve purchases of United States securities, it could not have much effect considering the ability of the banks to obtain additional reserves. The lapse of the present temporary authority would add several billion dollars to their reserves.

One proposed method to restore the power of the Reserve System to influence the volume of bank credit is to give up our aim of maintaining a stable and orderly market for Government securities. The immediate impact of such a step, however, is highly uncertain. Indeed, it is entirely conceivable that, in some circumstances, the unsettling of financial markets following complete removal of the peg would contribute to a serious business downturn. Another method might be the continuance of support but at a lower level, in the hope that this would discourage existing holders from selling, or bring new buyers into the market to take advantage of higher yields. There is no promise that such a policy would provide a definite solution to the problem. A moderate reduction of the peg might create the expectation of a further reduction and increase the volume of purchases required to support the market. Or, if the inflationary pressures were substantial, the only effect might be a general rise in the structure of interest rates, with the Federal Reserve banks obliged to continue a sizeable volume of support purchases at the lower peg.

The stability of the Government bond market has been a significant element in the smooth postwar reconversion. This stability has contributed to the underlying strength of the financial structure of the country. It would be a serious error to introduce new elements of uncertainty and possible financial disburbances which would follow a change of the policy with respect to the support of bond prices.

A constructive approach would be the granting of additional powers to the Federal Reserve Board to vary the level of reserve requirements. This, together with use of other powers available to the System, would provide a flexible mechanism of credit restraint under current monetary conditions. The process would be more effective if applied to all banks insured by the Federal Deposit Insurance Corporation.

Authority for the regulation of consumer instalment credit expires on June 30, 1949. This authority has had gradually increasing influence in checking credit extension of an inflationary character. To abandon this restraining influence at this time would increase our vulnerability to inflationary strain.

Voluntary adjustments in prices and wages

Since the end of the war we have been faced with an inflationary spiral of prices and wages which at times has appeared to be burning itself out, only to flame up again under the impetus of new factors. At the moment we are witnessing a welcome abatement of inflationary pressures in substantial parts of the economy, while other areas are still subject to strong inflationary pressures. Much as we may hope that the present relaxations of inflationary pressures will continue and spread to the rest of the economy, it would be foolhardy to count on it. This is no time to relax our vigilance against the dangers of a possible spurt in the inflationary spiral. We need to be prepared to deal with that possibility as well as to make the adjustments required when markets weaken.

An essential part of the process of adjustment depends upon the voluntary behavior of business, labor, and other groups. Indeed, it is upon the voluntary pursuit of sound economic policies that we rely mainly for the strength and progress of our economy. The forces of competition, however, are never wholly adequate to bring about all the adjustments required. In a full-employment economy beset by inflationary pressures, and vexed by international as well as domestic complications, the need is greater than ever for restraint and foresight, for appreciation of the interests of the whole economy and of how its various sectors interact upon one another.

Price adjustments. It is the natural inclination of businessmen to gain whatever profits they can. Profits in fact are the central and legitimate purpose of their undertaking. In an inflationary period, higher costs, actual or anticipated, impel them to protect themselves by higher prices. And their apprehension of a possible recession at some later date may impel them to make hay while the sun shines and to make maximum improvement in their financial and physical position while profits are high.

At the same time, the case for a moderate and restrained price policy rests on the law of self-preservation, once the conditions of self-preservation are fully perceived. For businessmen know that maximum profits in the long run depend upon sustained prosperity. They know, too, that this prosperity is endangered when prices are pushed so high or needed adjustments so long delayed as to culminate in a choice between the equally undesirable alternatives of slashing prices too rapidly or attempting to meet a softening of demand through cutbacks in employment and production. The hope that businessmen actually will set their prices below the highest levels that a lush market will temporarily sustain is supported by the fact that many of them have already done so.

The postwar level of demand has been compounded of many factors: the reconversion needs of business, the extraordinary character of some government programs, the use of wartime savings, and generally high levels of income. Wise management recognizes that prices geared to such a compound demand cannot be maintained when the temporary elements disappear. The great danger in a situation of this sort is that management, feeling a decline in the pressure of demand, will respond by lowering the rate of production rather than by attempting to maintain it by making downward adjustments in prices.

Recent price trends have been running in two directions. For a considerable range of commodities, they have been moving downward or leveling out. For another range of commodities, the demand continues very strong in relation to the supply, and upward pressure on prices still continues. These divergent trends indicate an over-all market situation which makes it more risky than a year ago to cling shortsightedly or obstinately to prices beyond those yielding a reasonable return. Increasingly, month by month, there is need for discernment and discrimination in pricing policy.

In those industrial areas in which supply has caught up with demand, or even exceeded it at present price levels, downward price adjustments to maintain a high level of production become essential. Moreover, where price cuts are made at initial stages of production, they should be passed through promptly at subsequent stages of production and distribution so as to pass the price benefits on to the consumer.

The discriminating and prudent price adjustments which we have been discussing would reinvigorate demand where it may lag and would help to sustain continuous maximum production. They would assist the market in avoiding the drastic general slashes in prices which would mark the advent of a serious recession or depression. We should not expect the process of price adjustment to bring us back to the preinflationary price level, since incomes, costs, and prices have become interrelated at a higher level of prices.

It does not lie within the scope of this Report to point to exactly what individual price adjustments are required. But the enunciation of the principle is worthwhile even though its specific application must be left to those on the scene of action.

Wage adjustments. Labor's interest in the maintenance of stable prosperity transcends even that of management, because while profits may fall more than wages in a period of depression, workers and their families bear the real brunt of hard times. Pushing for the highest possible wage advance is dangerous to the economy in a period when that advance necessitates even higher prices. It is more dangerous if this course is followed when rising labor costs lead to reduction in employment. Wage advances that contribute to inflation are undesirable; but wage advances that may contribute to serious deflation are more so. With the balance between inflation and deflation more closely drawn than it was a year ago, a restrained wage policy is now even more urgent in the interest of labor as well as management.

This admonition should not lead to the assumption that wage principles and profit principles are identical. Profits become unreasonable when they yield more than the amounts which support adequate incentives for production and growth; but there is no upper limit to wages in exactly that sense. Certainly an objective of the American economy is to provide constantly higher real wages and a constantly improving standard of living as rapidly as our resources will permit. Money wages may, however, become too high when they run ahead of the supply of goods so that they lead only to more inflation instead of more consumer enjoyment; or when they attempt to yield to a particular group a larger share of the national output than can be theirs without undue deprivation of others; or when they induce unemployment.

There is, however, sound ground for wage increases which are in line with productivity trends. Further, substantial wage increases are still called for in a number of instances where wages are substandard. The postwar inflation has led to a permanently higher level of prices (though not necessarily as high as the present level), and it would be intolerable to leave its worst victims without relief. The adjustments required for this purpose would not interfere with the movement of the economy toward greater stability, but would in fact contribute toward stability in the long run.

It should be emphasized that the above discussion of wages is related to a broad anti-inflation program and is based on the assumption that other Government and business policies will effectively contribute to stabilizing the cost of living.

Treatment of critical shortages and capacity expansion

While the supply situation relative to demand has greatly improved in most segments of the economy, this is not the case in a number of highly important areas. There are serious deficiencies of supply in the case of lead, copper, and a few other materials which are of vital importance to the defense plans of the country. These shortages appear likely to persist for some time under circumstances of maximum employment and production throughout the economy. Steel has presented the outstanding shortage problem since the war, and would present grave danger in case of the need for a much enlarged defense program. It is, therefore, necessary to give special attention to policies which may be needed in these fields.

Expansion of capacity and production. Under developmental contracts in connection with the stockpiling program, substantial progress is expected to be made toward overcoming some critical deficiencies of supply. But this attack upon the problem alone is too restricted. There is need to determine the extent to which serious shortages will persist for essential products and to determine what special measures may be needed to stimulate the increase of capacity and production. While accelerated expansion in bottleneck areas would require materials already in critically short supply, this effort on a selective basis can and should move forward.

Voluntary allocation agreements. The shortage situation led to the enactment of Public Law 395 authorizing the President to approve voluntary agreements which he finds will "aid in stabilizing the economy of the United States * * * in curbing inflationary tendencies, to promote the orderly and equitable distribution of goods and facilities, and to aid in preventing maldistribution of goods and facilities which basically affect the cost of living or industrial production." The allocations under this law have been confined to steel, pig iron, and petroleum. In addition, the National Military Establishment, in fulfilling the stockpiling objectives for critical and strategic materials, has recently made an informal arrangement with the copper industry to furnish several thousand tons of copper each month, and is discussing similar arrangements with other industries.

There can be no doubt that, even with this limited application, the voluntary cooperative efforts between business and Government have produced important results in directing scarce commodities to their more essential uses. However, as the proportion of a scarce commodity which is allocated increases, orderly distribution to the priority programs tends to be at the expense of the rest of the economy and strong inflationary pressures tend to appear.

Selective controls

The easing of demand in some sectors of the economy cannot hide the fact that for other commodities inflationary forces are still strong and may increase. The existence of serious shortages of supply, which interfere with essential programs and which continue inflationary pressures, has been noted at earlier points. This problem will present itself in a more acute form if it should become necessary to withdraw substantial minor fractions of essential materials from the civilian market as a priority for security programs. There is some prospect that the problems which these shortages present can be met by improvement in the supply situation and by the use of voluntary allocation agreements. This would be the most satisfactory solution. But attention should be given to the possibility that the utilization of mandatory allocation controls might be called for on short notice at points where the present voluntary programs are found inadequate. Since the shortages also carry the threat of serious further price inflation, selective price controls also call for consideration.

The authorization of selective allocations and price controls would not need to rest upon the conviction that they would have to be used. It would rest, instead, upon the proposition that the Government should be provided with the weapons which may be needed in the carrying out of public programs and in the battle against inflation.

Rent control

The extreme housing shortage has caused us to continue rent control long after other wartime controls have been dropped. Continuation of these controls has held down one important item in the cost of living in the midst of general inflation. They are not rigid, however, since they do not apply to new housing, and the Housing Expediter has substantial power to permit increases to allow for landlords' expenditures on improvements or to grant relief in cases of demonstrable hardship.

It is true that those who own property subject to rent control have earned less profit than those who have sold commodities in short supply not subject to control, but the vacancy ratio in most rental properties is still so low that incomes of landlords, in spite of increases in cost, are as good as, or better than, earnings before the war. In addition, removal of rent control would bear most heavily on families with fixed incomes. At this juncture, it would also quite possibly stiffen demands for wage increases. Reasons for extending this control outweigh reasons for terminating it. If extended for a year or two, we might hope that return to free market conditions could be effected at a time when other items in the cost of living had eased.

Farm price supports

Long-range farm price support policies and programs are being widely discussed. The immediate concern over them stems partly from the drop in farm prices (see appendix table C–22) and farmers' net incomes during 1948, partly from the associated expansion of Government loan and purchase operations, and partly from certain adjustments in support levels, provided in the Agricultural Act of 1948, to take effect on January 1, 1950.

The current concern with price-support measures should not blind us to the fact that they are only a part—although an important part—of a broad agricultural program. Three criteria for a sound farm price support program are relevant within the framework of an economy seeking to operate continuously at maximum levels of employment, production, and purchasing power. First, the program must contribute to maintaining adequate levels of farm income. Second, it must simultaneously promote sound price relationships among individual farm products and between agricultural and industrial prices. And third, it must be implemented with a variety of measures adequate to give real effect to the support commitments that are made.

Farm income, to be adequate, must suffice—and must be sufficiently assured—to encourage farmers to continue a high level of production commensurate with the Nation's needs. Furthermore, it must enable farmers while doing this to maintain the fertility of their farms, and in general must justify the continuing investment in farm plant necessary for achieving our longer-range production objectives. Finally, farm incomes must provide farmers the purchasing power to share fully as consumers in the output of a maximum-production economy.

Intercommodity price relationships must be kept consistent with basic trends in demand and supply conditions. To the maximum extent possible, parity-price relationships and support-price programs should encourage shifts to those commodities that are most wanted. Rigid systems of support, in violation of this principle, can only lead to rigid systems for restricting output that violate our tenets of economic freedom, that work against our objectives of maximum production, and that in the end take away from farmers' incomes through decreased volume as much as, or more than, they add through increased prices.

The Agricultural Act of 1948 represents an important step forward in recognizing the difficulties associated with over-rigid supports. But while retaining this essential improvement, the precise formulas for adjustments in support levels, including standards for discretionary action, need careful review and further testing against the criteria both of adequate farm income and of adaptability to meet specific commodity situations.

A grave defect in recent agricultural legislation is its failure adequately to implement the declared support intentions with concrete measures for making supports effective. It denies authority for the Commodity Credit Corporation to provide necessary storage facilities. Methods of assigning acreage allotments for basic crops likewise need the most careful examination. There is danger that the rigidity of present methods may in some cases hinder farmers from making needed adjustments in production that the support programs should encourage.

From a broader standpoint, if price supports are to fulfill their proper role of encouraging the adjustment of farm production to our needs, they also should be supplemented by measures to assure consumption at the needed levels. This implies examination of the adequacy of the school lunch program and development of measures wider in scope for assuring that proper diets will be continuously available to all our people.

It likewise implies more aggressive action to broaden the utilization of farm products, to reduce the costs of processing and distributing them, to eliminate destabilizing speculative influences from commodity exchanges and other markets, and generally to assure that retail prices are properly proportional to the prices that farmers receive. And it would require renewed efforts generally to devise trade mechanisms for making our farm products available in other countries where they are so sorely needed.

The gains that agriculture has made since the initiation of broadly constructive legislation in 1933 should not be jeopardized in the process of adjustment to conditions of the peacetime economy. Rather, we must establish the basis for continued progress. Price supports alone cannot be relied upon to achieve this. They do not, for example, solve the underlying problems of small farmers who have too little to sell. Other programs are necessary to deal with their problems. Price supports make their greatest contribution in stabilizing farm incomes against economic downturn. In doing so they contribute significantly also to general economic stabilization.

Price supports and all the other parts of the broad agricultural program must be directed toward this over-all goal: that all farmers shall have opportunity comparable to that enjoyed by other groups for realizing the high standard of living that our maximum-production economy makes possible.

III. Basic Objectives for Balanced Economic Growth

DURING the nineteen thirties the country fell into a tremendous under-use of its productive resources. This led to a dominating fear of surpluses in capacities and in goods. The real problem, however, was how to restore full use of our productive resources and initiate a further process of growth. During the war years, full employment and phenomenal levels of production were achieved, but there remained doubts in the minds of many whether we would be able to maintain full and effective use of our resources after the return of peace.

The Employment Act of 1946 is based on the conviction that our economic system can sustain high and steady levels of employment and production. But such an outcome is not automatic. It will be achieved only if business, workers, farmers, and the Government are guided less by the records of the past than by the possibilities of the future. The Employment Act therefore calls for estimates of the levels of employment, production, and purchasing power needed to accomplish the purposes of the law.

This part of our report continues the effort begun last year to formulate needed levels for the American economy in a somewhat longer perspective than that of Parts I and II, which deal with conditions in 1948 and adjustments for 1949.

Such a formulation does not substitute distant dreaming for immediate practical action. It simply recognizes that the decisions affecting the whole economy which we make from year to year will be more intelligent if we take a longer look ahead. The intent is to keep our objectives responsive to current experience by reviewing them annually. The aid of experts in business, labor, and agriculture, and in Government and independent research has been sought. Success in the venture of defining common objectives should promote success in the task of furthering cooperative action in the solution of common problems.

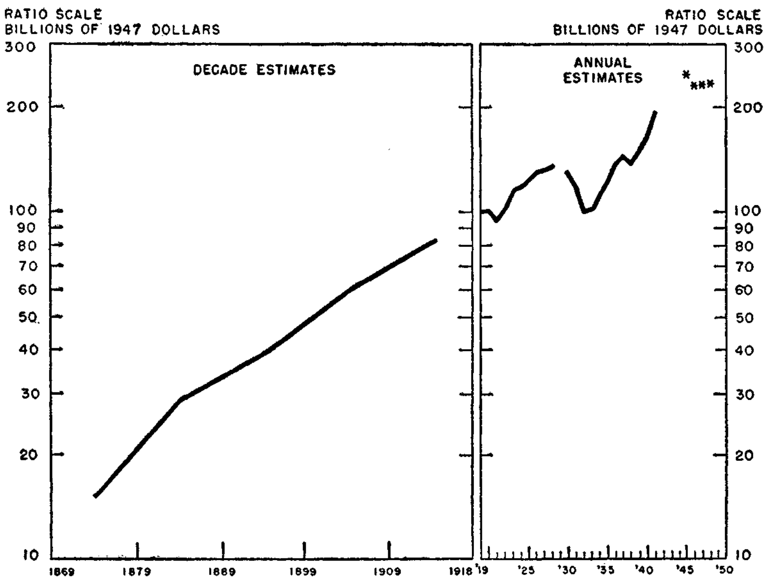
Such economic objectives are not to be confused with economic blueprints or plans used in regulated economies. They are conceived simply as bench marks for the orientation of private enterprise and public policies. Nor are they forecasts of what would be likely to happen without special effort. They depend upon success in accomplishing the objectives of the Employment Act. We present them as an attempt to integrate governmental and private thinking in a way that is essential for making rational decisions.

In formulating these economic objectives, the future of our foreign relations is now the major uncertainty. However, even at present levels of the defense budget and international aid, we are able to make some progress toward peacetime objectives. This year, for example, will see further additions to plant and equipment and a further improvement in the standard of living. A deterioration in the international outlook, bringing the necessity for greatly increased defense programs at home and military aid abroad,

CHART 13.

GROWTH IN OUTPUT OF THE ECONOMY

Total production, as measured by the deflated gross national product, has increased about 3¾ percent a year since 1875. The progress has been irregular.



* DEFLATED GROSS NATIONAL PRODUCT IS NOT AN EXACT MEASURE OF OUTPUT IN WAR YEARS (ESTIMATES NOT SHOWN ON CHART) AND POSTWAR YEARS BECAUSE OF THE SHIFT IN COMPOSITION OF PRODUCTION AND CONSUMPTION.

NOTE: DATA PRIOR TO 1929 NOT EXACTLY COMPARABLE WITH DATA FOR 1929 AND SUBSEQUENT YEARS.

SOURCE: BASED ON DATA FROM DEPARTMENT OF COMMERCE, DEPARTMENT OF LABOR, AND SIMON KUZNETS' "NATIONAL PRODUCT SINCE 1869."

would reverse the situation. But an assumption underlying the economic objectives now presented is a gradual improvement in international affairs.

Between the decade beginning in 1869 (earliest available estimates) and the decade ending in 1918, the gross output of the economy doubled about every 20 years. This is shown in the preceding chart.

From 1919 to 1929, a very high rate of expansion resulted in an increase of 33 percent. In the next 10-year period, including the Great Depression, but little gain was registered. A visitor from Mars looking at the national production chart would have imagined that one-quarter of the arable land had been destroyed by a flood, over one-quarter of the population wiped out by plague, and one-quarter of the industrial plants destroyed by earthquake. From 1939 to 1948, including the war years, the increase in output was resumed and a rise of more than 50 percent was accomplished. Thus, from 1919 to 1948 the output of the economy again doubled.

In addition to the increase in output, the number of leisure hours has risen substantially. In the last century, the hours worked were frequently as high as 70 or more per week. In manufacturing industries, the average weekly hours of work have dropped more than 20 percent since 1909.

Production Objectives

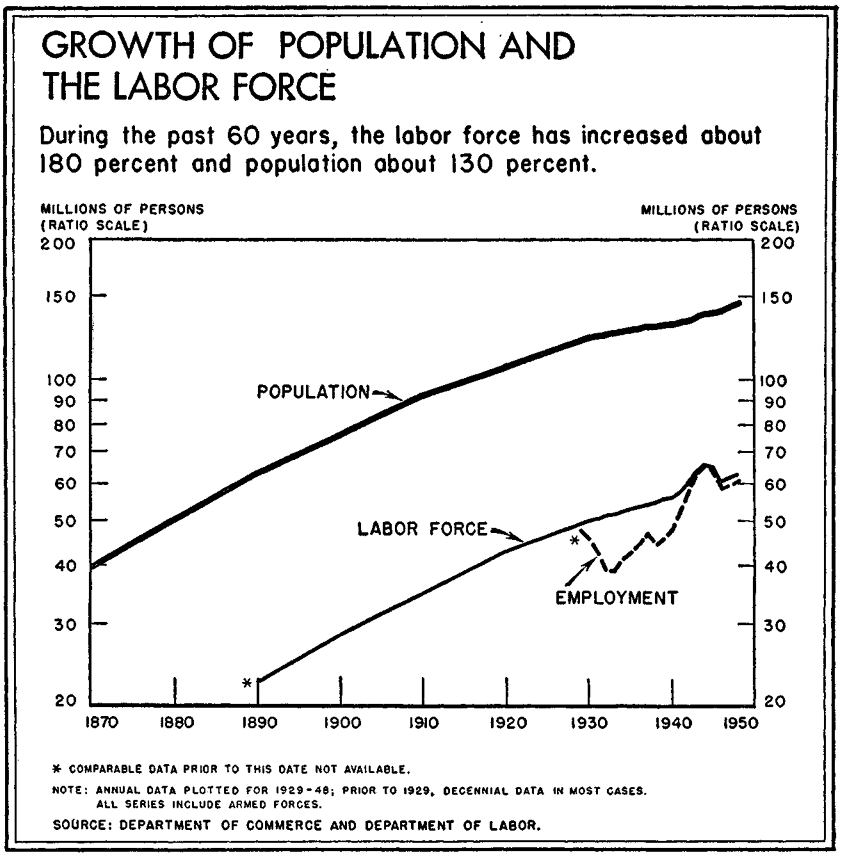
A reasonable development for the next few years would be an annual increase in output of about 3 percent. This target depends upon several factors, chief among them being the growth in the labor force, the length of the average work-week, and the output per man-hour.

It is estimated that our population will increase less than 1 percent annually over the next decade, compared with about 2 percent in the period 1870 to 1919. Since the proportion of the population within age brackets seeking work will increase slightly more, the increase in the labor force is estimated at about 1 percent a year. This increase allows for about a million and a half net immigration over the next 10 years. It assumes that expanded social security legislation will enable more old people to retire somewhat earlier. Young people may enjoy longer educations but will engage in considerable summer and part-time work.

Although average hours worked per week are now at a level consistent with health and reasonable leisure, some reduction in annual working time would result from continuation of the present trend toward additional holidays and paid vacations. Such reductions would partially offset the increase in the labor force. Under these circumstances, economic growth over the next few years would depend to a considerable extent on the rise in output per man-hour.

As far as conclusions can be derived from deficient statistics, it appears that output per man-hour has increased on the average by nearly 2 percent per year for a half century or more. The rate of increase for manufacturing industries has been about 3 percent. Over the next few years, a productivity increase for the whole economy averaging somewhat more than 2½ percent a year should be possible. This rate of productivity increase is based on the assumption that Government, labor, and management cooperate fully in achieving maximum productive efficiency. To achieve it requires continued large investment in labor-saving plant and equipment, expanded research, and lessening of restrictive practices on the part of both labor and management.

CHART 14.



Mining and manufacturing production

The output of mining and manufacturing accounts for about 30 percent of all goods and services in peacetime, although it fluctuates more widely than other types of activity. Industrial production is at a record for peacetime. It is almost double the rate of 1935–39, and has increased far more than other types of production and services.

This high rate of total industrial production partly reflects the abnormal composition of postwar demand. It results from very large purchases of new equipment by domestic business, large purchases of consumer durable goods, large exports, and large Government orders for the defense programs. Over the next few years, with an expected increase in the rate of consumption, particularly of services, industrial production is likely to expand at a rate somewhat less than total output.

Agricultural production

Agriculture and fishing, not counting processing of food and other farm products, account for about one-tenth of the total output of the economy. In 1948, we produced enough food to maintain per capita consumption at 12 percent above the 1935–39 average, and to ship abroad three to four times as much food as in that prewar period. Assuming peacetime conditions in the world, we do not expect to continue to ship abroad the large quantities of foods that have been required in the last few years. On the other hand, exports and domestic industrial use of nonfood agricultural products may be expected to increase.

It should be our aim to increase further the per capita domestic food consumption, in order to provide adequate diets for the many millions of families whose consumption is considerably below a desirable standard. Even so, the increase in the over-all production goals for agriculture does not need to be as large as in those for other industries. Allowing for reduced food exports, it is estimated that a 1 to 1½ percent annual rise in agricultural output would provide adequate nutrition for an increasing population. Because of improvement in farm productivity, it should be possible to accomplish this objective with a somewhat reduced labor force in agriculture.

Energy production

Half our nonhuman energy now comes from coal, about one-third from oil, one-seventh from natural gas, and 4 percent from water power. Practically all the water power and an increasing proportion of the fuels are converted to electricity. It is not regarded as likely that such potential further sources as atomic energy, sunlight, wind and tides will play a significant role within the next few years, although they deserve continuing exploration and development in view of the exhaustible character of mineral fuels.

Historically, the trend of increasing reliance on nonhuman energy has been partially offset by increased efficiency of energy utilization. Nevertheless, the demands on primary energy sources (fuels and water power) have increased nearly in proportion to total national output. It may be expected that the total need for mineral fuels will continue to increase at about the same rate as total output.

It is impossible to predict what expansion will take place in the development of power through the use of coal, oil, natural gas and water power, respectively. Competition among these rival sources is sharp, and technical developments still in the making will play a large part in shaping relative growth trends. A sound conservation policy should encourage the use of water power and coal as against the more quickly exhaustible oil and natural gas.

The use of electric power has increased tremendously since the war, and there is no sign of any tapering-off in the development of expanded and new uses for this most convenient form of energy. The wider use of light metals and other electro-metallurgical and electro-chemical products, in addition to the further mechanization of industry in general and the rapid growth in rural electrification, promises a continued increase in the demand for electric energy.

Investment Objectives

The unprecedentedly heavy investment of the past few years has brought capacity in most lines of business up to a reasonable relationship to current demand. Utilization rates are high, but no longer excessively so in terms of what might be expected under sustained high employment. In a few industries which were greatly expanded during the war, such as aircraft, shipbuilding, and magnesium production, excess capacity prevails. On the other hand, remaining bottlenecks in production of metals and electricity, the transmission of gas, and in transportation indicate areas where we have not caught up and where provisions should be made to restore an adequate reserve margin.

A more difficult question concerns the quality or condition of our present productive facilities. Whether they are now in better or worse condition than at some previous time, they are less modern and less efficient than they could be. The newest and best types of facilities in any industry are superior to the bulk of those in use, and still better types are generally in the offing awaiting development and introduction. This situation is a normal and necessary consequence of the progress of technology and the durability of capital goods. Technology is always in the lead. If technical development were to cease tomorrow, American industry could still go on for many years modernizing its plants up to present attainable standards, with large investment outlays and large gains in efficiency.

Needed investment in manufacturing

Some indication of gross investment requirements in manufacturing industry may be gained from a study of the relation between gross investment outlays and capacity expansion during the past three decades.

Contrasting 1919 with 1929 (both years of reasonably high utilization of industrial capacity), the Federal Reserve Board index number of manufacturing output rose by 38 points (on the 1935–39 base). This is a rough measure of the expansion in industrial capacity achieved in that interval. From 1929 to the spring of 1941, again taking an interval between two dates with reasonably high utilization of capacity, the production index rose another 40 points. In 1948, with high utilization, the index was another 48 points higher.

In these three periods of industrial growth, the gross outlays for new nonwar manufacturing facilities—in 1947 prices—were almost precisely in proportion to the amounts of apparent expansion in capacity. The record of thirty years thus puts an approximate price tag on expansion and modernization—somewhat below 1 billion dollars (1947) for each point of capacity expansion in terms of the Federal Reserve index.

This analysis of the record of production under conditions of full employment suggests that to maintain adequate manufacturing facilities the future ratio of new investment to total production may be below that of 1948.

Needed investment in electric utilities

Electric utilities is another important field in which it is possible to venture a projection of gross investment requirements. Consistent with our estimate of an increase of 3 percent annually in total production, an acceptable estimate of the annual increase in electric utility output is 20 to 25 billion kilowatt-hours. To provide for this output at reasonable ratios of plant-use with allowance for restoration of that normal margin of reserve capacity which is now lacking in many parts of the country, we should need to increase capacity each year by approximately 5½ million kilowatts. Allowing ½ million kilowatts for further retirements of obsolete capacity as soon as the present tightness of reserve capacity is alleviated, the necessary gross addition of capacity would be 6 million kilowatts each year. Capital outlays per kilowatt of capacity for generation, transmission, and distribution facilities are estimated to run between $400 and $500, depending partly on the proportions of steam and hydroelectric capacity built. The annual addition to capacity of about 6 million kilowatts would involve an outlay of 2½ to 3 billion dollars per year.

This rate of expansion is substantially higher than that attained in 1948. Privately and publicly owned utility systems have reported plans for additions of about 18 million kilowatts of capacity over the next three years. It appears altogether likely that, assuming sustained growth and activity in the whole economy, the electric utility expansion program would have to continue at better than 1948 rates. For the next two or three years the rate of expansion is limited by the capacity of equipment producers; that capacity is itself being increased, but no substantial margin of reserve for possible military requirements is in sight.

Needed investment in mining facilities

In mining, a major proportion of the foreseeable expansion will undoubtedly come in mineral fuels, now supplying 96 percent of our energy. As noted in the discussion of production objectives, the total requirements for mineral fuels are unlikely to increase more than the 3 percent per annum set for national output as a whole. There is some reason to expect, however, that more capital investment might be involved in relation to capacity expansion than in the past. The sharp competition which is in prospect among coal, oil, gas, and electricity will speed certain technical developments, all of which require relatively large amounts of capital. These are: (1) further mechanization of coal mining; (2) gasification of coal; (3) synthetic oil; (4) further substitution of electricity for direct use of fuels.

In the coal mining industry, there are great potentialities for further mechanization of mining, handling and cleaning operations. With sustained high employment, the demand for coal should increase substantially, though the amount of increase will depend mainly on the development of liquefaction and gasification of coal, and other new uses. However, expansion of markets may not automatically call forth corresponding outlays on facilities. In relation to output, coal mining requires a large capital investment which is only slowly recovered in earnings. The inducement to make major capital outlays hinges on the competitive outlook far into the future. This means that within the next few years we may have to face a major adjustment problem. Investment in coal mining and handling facilities may be checked, even prematurely, by uncertainty concerning the possible competition of atomic energy.

The petroleum industry spent about a billion and a half dollars in 1948 for wells and other facilities for production of crude oil in the United States, and probably almost as much for domestic facilities for transportation, refining, and marketing. The need for continued expansion is clear, but all estimates of future investment must be conditioned upon the rate of development of new oil reserves.

In 1947, 2.7 billion barrels were added to visible reserves of petroleum, and in 1948 about 3 billion barrels. Since only 2 billion barrels were withdrawn in 1948, our known reserves have expanded roughly in line with the trend of increase in production. In the interests of national security, we should attempt to maintain or improve the relationship between reserves and production. If new reserves could hereafter be added at the 1948 rate, capital outlays at about the 1948 scale would have to be maintained. Any increase in the difficulty of development of new reserves would be reflected in larger outlays in relation to accomplishment. At the same time, higher prices resulting from such higher costs would have the offsetting effect of encouraging substitution of imports, synthetics, or other fuel sources.

The rapid expansion of natural gas production and transmission accounts for the bulk of current capital outlays in the whole gas industry. The natural gas utility companies spent 427 million dollars on pipelines in 1948 and a further 234 million on other facilities. The industry association has estimated the current expansion program outlays at 2,650 million dollars over the five-year period 1948–52, which implies a large decline from present rates of expenditure. The program figures for the later years are almost certainly too low, if only because plans are not fully made so far in advance. On the other hand, the expansion of long-distance natural gas pipelines seems unlikely to continue at present rates for as long as a decade. The present market advantage of gas over other fuels in some industrial regions will be reduced somewhat as higher field prices and pipeline construction costs are reflected in delivered gas prices. Moreover, more rigorous application of public policies which encourage the use of natural gas in the areas of its production rather than transmission to other areas may limit the investment requirements of the gas industry.

Another mineral industry which we know will require large capital outlays in the near future is iron ore mining. Depletion of the high-grade Mesabi ore makes necessary the immediate development of alternative sources. Whether this takes the form primarily of exploitation of new sources in Labrador and elsewhere, with heavy transportation facilities outlays in addition to the mining development proper, or whether it involves primarily the construction of beneficiation plants for low-grade domestic ore, the new investment outlay will be enormous. Development of foreign sources will involve international investment by United States companies.

Railroad investment

Although transportation as a whole is increasingly important in the national economy, much traffic has shifted from railroads to other carriers. It is anticipated that, in line with trends of the past two decades, further freight traffic will be shifted to trucks, pipelines and waterways, and passenger traffic to air lines, automobiles, and busses. Rail freight traffic would continue to increase, though slowly, while rail passenger traffic would substantially diminish.

The need for freight cars is conditioned by the expansion of traffic (which we may assume to be partly offset by continued improvement in efficiency of car use) and the abnormally heavy replacement requirements arising from war and postwar conditions of heavy traffic and steel shortage. It is estimated that the average service life of new freight cars now being built will be about 30 years with allowance for the normal proportion of rebuilding. To provide a 1 percent annual increase in cars in use and reduce the average age of cars from 32½ in 1947 to 30 years by ten years from now, would require car purchases at the rate of 120,000 a year; or just the number for which steel has been allocated under the present voluntary program. With appropriate allowance for car rebuilding, such a freight-car program would cost about 500 million dollars a year at 1947 prices. Any acceleration of this program for rehabilitation and expansion of our freight-car fleet, for national security reasons, would require a car-building schedule substantially larger than the present one.

Because of the expected loss in passenger business and its small importance as compared with freight, only a small part of the necessary equipment outlays should be for passenger cars. The annual average rate of outlays should be about 80 million dollars at 1947 prices, or roughly the same as in 1947.

Railroad motive power is in process of Dieselization. In 1947, less than 4 percent of all locomotive units ordered were powered by steam. In view of the superior operating efficiency of Diesel locomotives, any projection must assume a continued upward trend in traffic handled per locomotive. With allowance for this factor and the age of present locomotives, the projected traffic level would call for about 1,800 new units per year. An annual outlay of about 450 million dollars (1947 prices) is entailed. This analysis makes no allowance for the possible substitution of gas turbine locomotives on a substantial scale, which is still uncertain.

In view of the trend to higher speeds and heavier trains, substantial expenditures on permanent way will be needed to reduce grades and curves and lay heavier rail. Rail replacement needs are closely related to the amount of freight traffic. Total outlays on roadway and structures, in keeping with the other projections, should average annually about 300 million dollars, a rate slightly in excess of the current rate.

Total capital requirements of the railroads would amount to about 1.3 to 1.4 billion dollars (1947 prices) annually, representing a rate about one-sixth higher than in 1948. Actual outlays will, of course, depend largely on earnings, rates, construction and equipment costs, and the availability of external financing.

Highways

Highway traffic has increased faster than total production, population growth, or highway capacity. An annual 3 percent increase in output and transportation would require an annual expenditure of at least 4 billion dollars for maintenance, repair, and new construction of our road system. About one-third of this should be assigned to city streets and expressways, one-third to primary rural roads, and one-third to secondary and local roads. Expenditures in 1949, including maintenance and repair, are not expected to equal even half our annual long-run needs. Present activities in relation to need are much lower than they were either in the 1920's or in the 1930's and far less than what is needed for the future. Provision for the flow of traffic implied in our production goals calls for an increase in these expenditures as labor and materials are released from other uses. It also implies a balanced and economical use of both railroads and highways.

Agricultural investment

The amount of investment that will be required in agriculture to expand output in line with consumption requirements will depend considerably upon the nature of future technological developments. Over the 30 years prior to the war there was little change in the combined value, measured in constant dollars, of farm horses and mules and farm machinery. The substitution of tractor and tractor-drawn machinery for animal power has, however, been an important factor in the substantial increase in farm production. The reduction in feed requirements for horses and mules has freed many acres for other production. Great increases in productivity have likewise arisen, without any corresponding increase in capital, from developments like hybrid corn and improvements in animal breeding and feeding.

During the war, the pressure for rapid expansion of production, high labor costs, and increased farm income combined to bring about a rapid increase of investment in tractors and other machinery. This increase has been accelerated since the war as such equipment has become more readily available. From January 1, 1940, to January 1, 1948, the number of tractors on farms, and the volume of other machinery and equipment, more than doubled. Farmers' purchases of motor vehicles, machinery, and equipment for use in production and their expenditures on farm buildings totaled nearly 10 billion dollars from 1940 through 1945—an average gross investment of more than 1.5 billion dollars a year in current prices, equivalent to 2 to 2½ billion in 1947 prices. Since the war, however, these outlays have averaged around 4 billion dollars annually (1947 prices). Over the next few years, an annual gross investment would be desirable at least equal to that during the war years.

Another form of agricultural investment that will be needed is in breeding-herds of livestock. The consumption goals that have been outlined include, along with the increase in total production, a substantial shift in favor of livestock products, which are favored both nutritionally and in taste preferences of consumers. Since the war, however, livestock numbers have been decreasing. To attain and maintain the level of output of livestock products that appears desirable, over 1 billion dollars (1947 prices) should be invested within the next few years in building up herds and flocks. Adding this to the investment in farm power and machinery gives around 3 billion dollars as an annual farm investment goal.

In addition to the investments just discussed, a substantial amount should go into land improvements for conserving the soil and maintaining or increasing its fertility. It is difficult to separate farmers' outlays of this kind between capital investment and current expenses. In addition to farmers' private outlays, substantial public expenditures are needed for irrigation, drainage, land retirement, and for encouraging the widespread adoption of conservation practices in farming and grazing. Public measures in this field are discussed in a subsequent section.

Forest investment

To establish adequate forest growing stocks and otherwise to put our forests in shape to yield the increased timber growth needed by our economy will call for substantial investment in access road construction in our national forests and in privately-owned timberland, in planting and timber stand improvement, and in protection of forests from fire, insects, and disease. Forest investment needs are not limited to the objective of timber growing but also include expanding needs for watershed development, forest recreation, forest range, and wildlife.

Commercial construction

New commercial facilities, including stores, restaurants, and other service establishments, follow the growth and redistribution of population. Urban redevelopment programs and expansion of suburban residential areas will create the need for commercial construction. In addition, there is need for expansion of trade facilities even in many areas of stable population, since sales and activity are now much higher than at the time these areas were developed. Office space is also scarce at the present time, vacancy ratios being less than 1 percent. The volume of construction of stores, restaurants, and garages is currently running at about the levels needed to serve an economy growing at the rate ours should expand. However, building for offices and warehouses is very low and will need to increase from a third to a half to take care of present and future needs.

In the immediate future, there is need for restraint in commercial construction in order to channel materials into housing. Over the longer range, however, commercial and private institutional construction should increase somewhat as a proportion of the total, and account for 2 billion dollars or more per year.

The foregoing analysis suggests that the proportion of resources currently being devoted to productive facilities as a whole is somewhat higher than the level that will be required on a sustained basis over the next few years to meet maximum production objectives in a self-sustaining and steadily growing economy. Additions to capital equipment in the past were accomplished in spurts, and periods in which they exceeded long-run requirements were followed by periods in which they fell far short. These violent fluctuations in private capital outlays have been a major factor in generating booms and depressions.

Objectives for Consumption and Living Standards

In an economy of steady growth moving from postwar to peacetime conditions, the output of consumer goods and services should increase not only in absolute amounts but also in ratio to total production. In 1948, consumers were receiving about 70 percent of gross output, compared with 76 percent in 1929 and 75 percent in 1939. Even allowing for the contingency that Government expenditures and net exports may hereafter account for a larger portion of the Nation's Economic Budget than in previous periods of high employment, it is felt that final consumers should absorb at least 75 percent of all goods and services within a few years. Coupling this with the growth of the economy as a whole, the result would increase total consumption per year by about 4 percent and per capita consumption by about 3 percent above present levels.

This higher consumption pattern must be brought about by a substantially equivalent increase in total consumer income. It will require improvements in the distribution of that income not only to avoid areas of want in a land of plenty, but also to avoid higher saving than is necessary to permit the expansion of investment needed for stable growth.

Changes in consumption patterns would flow from these desirable developments. We have already witnessed great strides forward in standards of consumption of food and other goods, although here the standards of many low-income families leave much to be desired. On a national basis, we have fallen behind in terms of housing accommodations, medical and other health care, and the provision of educational facilities. Assuming higher and better distributed incomes, and adequate governmental programs, relatively greater increases may be expected in these areas. Increased leisure will presumably result also in more travel and higher recreational expenditures in general.

Periods of high income and employment are also usually associated with a high proportion of expenditures for durable consumer goods. To some extent in the past this has been the result of the fact that in years of depression such purchases have been postponed. Still, there is little doubt that an enormous potential market exists for the durable appliances which have contributed so much to the convenience and comfort of modern life. Services and durable goods may hereafter absorb a higher proportion of consumers' budgets than they did before the war. Nevertheless, there would also be some increase in food consumption, especially in the variety and interest of the diets of lower income groups, and in other types of nondurable consumption. New frontiers will be provided for the development of private initiative by the rise in living standards. The enlargement of many community and governmental services will also be required.

Balancing production and consumption

At present, private capital expenditures are running at 15 percent of the Nation's Economic Budget, reflecting in part the need to make up for wartime and some prewar deficiencies. The shift to more sustainable long-run patterns will require a relative decline to about 11 or 12 percent of the Nation's Economic Budget, though perhaps a moderate increase in absolute amounts. In addition, certain other elements of the Nation's Economic Budget, such as the Government's foreign-aid program and expansion of business inventories, will decline in absolute or relative importance. To some extent, urgently needed domestic programs of the Government will take their place. Nevertheless, to reach sustainable patterns of growth will require that personal consumption increase by considerably more than total output and assume a larger relative share in the Nation's Economic Budget. This means that the general standard of living can and should rise substantially.

In the immediate situation there may appear to be a conflict between the increase in consumption needed to attain long-run objectives, and the actuality of inflationary forces to which largely increased consumer demand would further contribute. The more fundamental danger is that the automatic forces of the market tending to increase consumption are of uncertain and perhaps insufficient strength to bring about needed changes in the patterns of income and expenditure when the temporary factors in demand decline.

One of the great dangers ahead is that the process of adjusting to these changed patterns will lead us into a depression through failure of consumption to rise sufficiently. But to be forewarned is to be partly, though not wholly, forearmed. Major reliance should be placed upon, and full encouragement given to, those free automatic forces within the economy which bring about adjustments. We must get from privately organized activities as much handling of the Nation's economic problems as they are capable of achieving. But we should be prepared to supplement them when needed through appropriate Government policies directed toward economic balance at the highest feasible levels of activity. In this, we should not neglect the problems of those whose living standards have lagged seriously even during past and present periods of high prosperity.

Promoting Economic Growth

The Government has played an historic role in stimulating the growth of private industry. In earlier times, this aid took the form of grants and protective tariffs. Present-day conditions require new methods. One of these, developed in recent decades and particularly during the war, is Government scientific research and development.

Research and information

Progress in this field for military purposes indicates the tremendous benefits that may result from scientific research for peacetime application. Research in managerial techniques and market information can also be of great value, particularly to small business. The fact-gathering and statistical services of the Government are of enormous value to business managers, farmers, and others. There are many gaps in this service which will need to be filled in future years at the same time that care is exercised to see that duplication is avoided and economies are effected. Standardization and grading of commercial products and regulation of containers and practices have also promoted equitable and economical commerce.

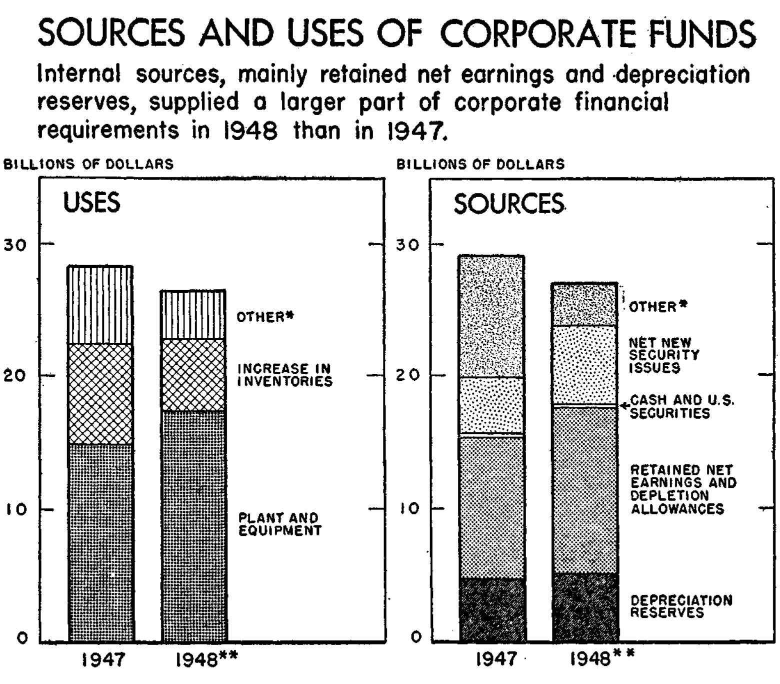
The Government can make a signal contribution to the steady expansion of private industry by accepting responsibility for promoting maximum levels of employment, production, and purchasing power. When business has confidence in the determination to exercise this responsibility vigorously, investment planning will be guided more by long-range objectives of economic growth and will be influenced less by fear of impending downswing and depression. The major task of such investment planning would then be to gauge correctly the impact that an expansion in national income will have on the demand for specific products, instead of guessing whether general economic activity is going to expand, shrink, or collapse. The Economic Reports under the Employment Act should progressively help in this task.

Financing business expansion

Since the war, capital in large amounts has been available for business reconversion and expansion. This has been due mainly to the large volume of liquid assets accumulated by business during the war, as revenues expanded faster than indebtedness, and to the unprecedented volume of profits available since the war for reinvestment. Also, both long- and short-term credit has been available at low interest rates. The only source of capital which does not appear to have been large, compared with earlier experience, has been outside equity capital. Total new money raised in the stock market has been somewhat smaller than during the prosperity of the late twenties. But this has been so far offset by retained earnings that business debt-equity ratios are now generally more favorable than in the two previous decades.

Whether the financial needs of business can be satisfied in the future depends importantly on the level of profits. These are the immediate source from which the bulk of financial needs is met, and are also an important factor in the availability of outside capital, both loan and equity. Abundant profits during the past two years have stimulated and permitted

CHART 15.



* SEE APPENDIX TABLE C-34.
** ESTIMATES BASED ON INCOMPLETE DATA
SOURCES: DEPARTMENT OF COMMERCE (ESTIMATES BASED ON SECURITIES AND EXCHANGE COMMISSION AND OTHER FINANCIAL DATA).

business investment so large in proportion to total national income that it is probable that investment of a lower proportion in the future will meet our long-term peacetime needs. The general level of profits should continue to be ample so long as we are successful in maintaining high production and employment.

It should not be assumed, however, that financial resources will be adequate for all types of business, or that a higher share of equity investment would not be desirable. Difficulties arise, particularly, for small and new business enterprises, which often find it difficult to obtain long-term bank loans and practically impossible to secure outside equity capital. It is undoubtedly true that certain features of our tax system bear particularly on equity financing. When a reduction in taxes becomes possible, the tax system should be revised to strike the best balance between the objectives of maintaining adequate consumer markets and of providing capital of the needed character in adequate amounts.

Important also are the long-range changes that have taken place in the distribution of income and in the saving habits of the people. Economic policy should recognize that the bulk of saving will come from people in the middle income brackets, who are rightly more concerned with the safety of their investment than with gains that involve high risks. This calls for financial institutions that transform these savings into venture capital. Study should be made of the experience of Nation-wide or local investment companies which can extend venture capital with diversification of risks. The possibilities of developing other types of organization which could effectively channel private savings into venturesome fields of investment and the extent to which the Government can promote them require thorough exploration. Also, the legal and economic problems of investment of insurance reserves require continuing study in the light of the change in saving habits of the people and the changing demand for industry financing. The Council of Economic Advisers will continue its work upon these problems.

Promoting competition

The problem of achieving a steady rate of growth of our economy is intimately bound up with the way the price mechanism operates. If it operates so as to promote balance among prices, wages, and profits, the role which Government will be called upon to play in seeking to maintain high levels of employment is thereby reduced. A healthy competition among sellers is an indispensable prerequisite for the proper functioning of the price mechanism in promoting a balanced growth in the rates of consumption and investment.

In this connection, the role of the antitrust policy is of fundamental importance. It is designed to hold in check private monopolistic control, to encourage the competitive forces which induce improvement and expansion, and to maintain freedom of entry for new and enterprising firms. The importance of strengthening the antitrust laws has been repeatedly emphasized in earlier Economic Reports.

Healthy competition, however, cannot be kept adequately in play simply by legal prohibitions. It must rest upon the attitudes and motivation of business managements. If they were generally to prefer monopoly to competition, restrictionism to expansion, high profit margins on low production to lower profit margins on high production, security to innovation, then the essential basis of the private enterprise economy could be undermined.

Whether competition is effective now lies substantially within the control of business itself. In highly concentrated industries, there is a choice between two roads to profits. One lies in the direction of exploring all avenues of reducing costs and prices and expanding sales, the other in the direction of exploring all avenues of avoiding price competition with one's rivals. The latter, if dominant, could greatly retard growth even though held short of practices and agreements in violation of the antitrust laws.

If the Government uses the fiscal and other powers at its disposal to moderate the swings in general business activity, effective competition should keep cost-price margins down to the levels of reasonable necessity and adjust capacities to the expectation of greater stability. The extent to which this effective competition in large-scale industry is forthcoming will do much to determine what kind and degree of Government action will be needed to promote economic stability and growth.

Agricultural growth

Our production goals require not only continued expansion of total agricultural output but also particular adjustments to the anticipated domestic and foreign demand pattern for foods and other farm products. In addition, shifts in types of output and in farming practices are needed to sustain the fertility of our land. Increased agricultural investment, both public and private, is needed in order to support these changes and to make the most efficient use of our labor.

Achievement of these goals will require rapid advancement of farm technology and its practical application. This means emphasis on research, education, and other programs to aid farmers in carrying out shifts in production and management practices. These programs should include special technical assistance and adequate credit facilities.

Long-term programs for supporting farm prices and incomes, because of their immediacy, are discussed somewhat more fully in Part II of this report.

The long-run downward trend in the proportion of our total labor force needed for farm production requirements will continue. It is essential to broaden the educational opportunities for farm children, and to plan vocational training that will help a part of the farm population to qualify for profitable off-farm pursuits.

It is one of the unfortunate but salient phenomena of our economy that countless families have incomes too low to maintain adequate diets even in periods of high prosperity; and all too frequently these families have suffered even more than others when prosperity has tapered off or disappeared. While better training for earning higher incomes should be the main approach to this problem, we know realistically that it creates a vicious circle to wait for families to improve their own lot while depriving them of the food, housing, education, and medical care which must be at the foundation of this improvement. Our national nutrition program should be further developed.

Conserving and Developing the Nation's Resources

Continuing heavy demands for national security and foreign aid following the war place a heavy drain on many natural resources while at the same time requiring some reduction and deferment of essential programs for their conservation and development. Yet the requirements of a high-level economy for agricultural and forest products, oil, minerals, electric power, and other basic materials can be met only by early action. This calls for a careful screening process, selecting the most urgent and productive projects for development now, and pushing ahead with preparatory work for others. We must re-examine our development programs in such fields as reclamation, and assess them in terms of our national production objectives and of alternative means for achieving the same results. There is danger in doing too much now; there would equally be danger in a penny wise but pound foolish policy that weakened our native strength.

Water resources and power

A number of programs and projects are now being undertaken, particularly in the West, for controlling and using water for various purposes, including irrigation, navigation, flood control, hydroelectric power, and industrial and municipal use. Some of these programs require re-examination in a broad perspective to determine which essential aspects, such as hydroelectric power development, should be pressed forward with great speed, and which may be postponed.

The desirable annual increase of 3 percent in the output of the economy is not likely to be achieved without a considerably greater increase in electric power. It has been indicated that facilities able to produce 6 million kilowatts of electric power should be added annually to our capacity. Perhaps 30 percent of this might be furnished most efficiently through public hydroelectric power developments, at an average annual cost in the neighborhood of 800 million dollars, including programs for which the Federal Government has direct responsibility. It is essential that public power programs be expanded in the coming year, including construction of transmission lines where needed, even where this requires temporary allocation of scarce materials for construction of dams and generators. Hydroelectric power tends to be lower cost power; it economizes irreplaceable mineral fuels.

Land resources

While much progress has been made in the conservation and efficient use of our existing farm land through education, cooperation, and the efforts of individual farmers, much remains to be done. One quarter of our cropland is being damaged at a rapid rate by erosion and other causes, and should be placed under sound conservation practices within the next ten years. Our conservation program must be intensified. We should add substantially to our land resources through drainage and irrigation, while some land now being farmed should be returned to grass and timber.

We should make clear to all that public range lands, which comprise 40 percent of all range land in the West, will be protected, and that grazing shall not exceed the sustainable carrying capacity of the range with allowance for other possible uses. We should plan to spend increasing amounts for conserving and restoring those lands. Additional credit should be released for long-range soil conservation.

Production of concentrated fertilizer from western phosphate deposits should be developed further as part of a program to increase agricultural output.

Forests

There has been no measurable improvement during the past year in our timber prospects. The saw timber cut still far exceeds annual growth. The depletion of our remaining supply, especially in small, privately owned forest properties, is proceeding so rapidly that immediate consideration should be given to legislation for regulation of forest practices. Unless much more rapid progress is made along lines of improved private practices or State legislation for the control of cutting practices, national interest and security will require Federal-State action. As in the case of soil conservation, improved long-term credit would be helpful. Other forest conservation should be strengthened. Our depleted forest resources should be rebuilt to meet fully our needs on a sustained-yield basis.

Petroleum and other minerals

In terms of production objectives and national security, and in the light of the continuing shortages of domestic supply relative to demand, new sources and substitutes for petroleum and scarce minerals are needed. A synthetic liquid fuels program now offers the best hope for relieving the mounting pressure on our limited supply of natural petroleum. Under present Federal programs about 10 million dollars annually will be spent during the next few years, not including any additional funds that may be provided to assist in the construction of plants of commercial size. The development of tidelands oil reserves should be so regulated that waste is eliminated as far as possible. Programs for a continuous appraisal of our minerals position, geologic exploration and mapping and research on utilization of submarginal mineral deposits and substitutes, should be expanded as one element of a larger program emphasizing basic scientific research. The cost of expanding these research and study programs would be about 25 million dollars a year.

The need for program review

If properly directed, this improvement in the utilization of our land, forest, water, mineral, and other basic resources will yield a rich national dividend. To a large extent these programs will pay for themselves through the sale of electricity, through repayments by farmers for use of water and, indirectly, through increased productivity, stable communities, and higher tax revenues. It is imperative that utmost care be taken in planning these huge investments in all phases of program formulation, timing of construction, and operation.

A large number of Government departments and agencies and private organizations are involved in the planning and execution of these programs. Several congressional committees are concerned with closely related aspects of the same program. Among the Federal agencies concerned there is much overlapping of legislative authority and many contradictions in financing procedures, administrative methods, and water-use policies. A new approach is needed to assure a program of national resources development that is geared into the economic needs and potentialities of the country.

One of the reasons for establishment of annually revised production goals is the need for benchmarks which may be used in the appraisal of long-range Government investment programs. The irrigation of land, the production of power and navigation facilities, programs for the conservation and development of mineral resources, and the like, must be examined in the light of production needs for industrial and agricultural products, for energy, and for transportation. The present time, during which the less urgent aspects of these programs can proceed only at a slow pace, should be used for a thorough re-examination of the consistency of the programs with our national objectives, of future benefits related to present costs, of comparative urgency and usefulness of various programs, and of the best methods of procedure and organization.

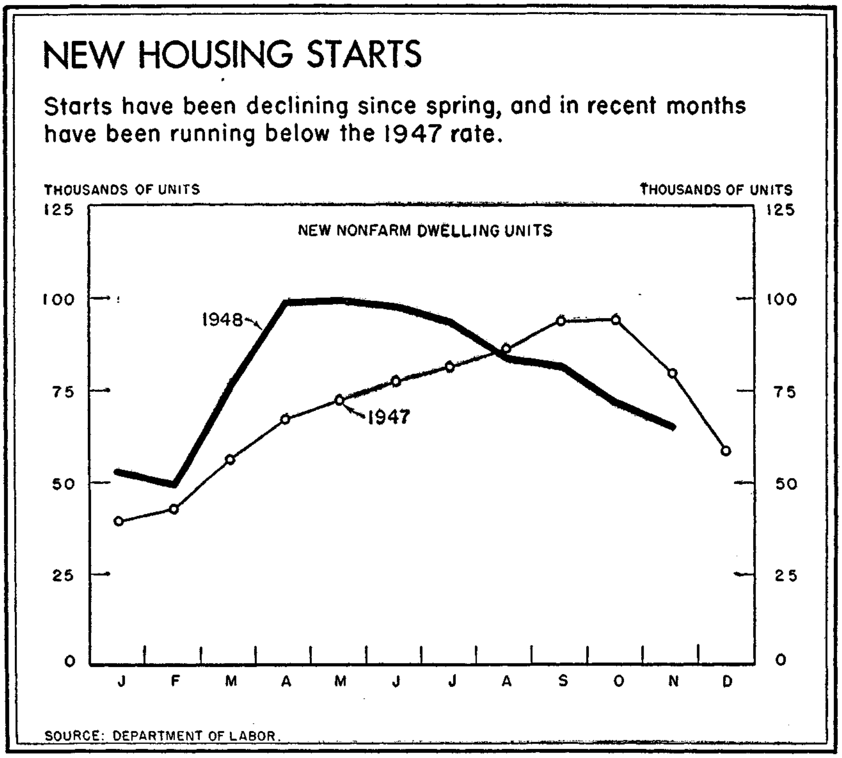
In advancing a unified program for the development of water, agriculture, forests, and other resources and in promoting social and economic welfare in a large region, we can learn much from the successful experiment in the Tennessee Valley. Experience has shown that an authority of this type can coordinate effectively a variety of programs and cooperate with States and localities and with private individuals and groups.

The same methods may or may not be applicable to the development of other river valleys. The programs in the Missouri River and Columbia River and other river basins should be examined in order to perfect coordinated development plans.

Housing

The problem of housing involves an almost unique complex of inseparable economic and social considerations. Housing is both a prime outlet for capital investment and a prime consumer satisfaction. It looms so large in the investment picture that a large and sustained volume is essential for maximum employment and production; in the latter frame of reference a large and sustained volume is essential for the conservation of human resources and the well-being and contentment of the individual. In an increasingly urban population, housing is at the center of the network of develop-

CHART 16.



ments that range out over the city—stores, schools, hospitals, factories, transportation. It figures largely in community revenues and costs.

And yet, our housing supply has lagged behind the rise in our general standards of living, and far behind our real capacities. Slums corrode our cities and shacks blot our rural landscape. Even in prosperous times, for example between 1922 and 1929, residential production was unstable, and when the depression came it sank to about 10 percent of "normal." After 1932, despite extensive public and private efforts, the industry revived more slowly than almost any other important activity.

In the postwar period, within the short space of three years, we have already witnessed a substantial expansion in home building, which cut into the acute shortage but has served the population very unevenly. Starts have commenced recently to decline. This decline has been taking place, not because of shortages of manpower or materials, not because the housing needs of the country have been met, and not because "backlogs" in any real sense have disappeared. It is occurring because the housing product, more conspicuously than any other, has priced itself out of any reasonably defined market. This is not a mere inflationary phenomenon, but rather the resumption of a long prewar trend. It reflects the technological backwardness of the housing industry and a host of related conditions such as land use and local taxation.

Analyses based on the assumption of continued full employment and high national income indicate that our housing needs cannot even be approached without a comprehensive program. Against an estimated annual need of a million or more new dwelling units in urban areas for a 10-year period, analysis shows that perhaps one-fifth or more can be provided at workable rent-income relationships only through subsidized low-rent housing. A very substantial part of the balance of the need will require large-scale private institutional investment quite different in its nature from the small-scale home building that has typified the industry.

Most of the houses built since the war, high in price, have either served the needs of the high income groups, or, with the aid of very high public guarantees to private investors, have been sold to people of low or moderate means at costs which might involve losses both to them and to the Government in the long run. About 80 percent of the housing now being built is for sale, although veterans and others with families of uncertain future size and jobs of uncertain tenure would much prefer to rent. And now the decline in starts has set in, before achieving even for one year a rate of new construction as high as the estimated annual need for ten years.

Vigorous efforts to reduce housing costs are an essential part of a long-range program, but cannot be expected to produce prompt enough results to meet pressing current needs. Such efforts should recognize that a large and assured volume is the best foundation for achieving economy in production, or for working out changes in hourly wage rates consistent with fair annual earnings and reasonable security for the workers involved.

Enactment of the remaining portions of the comprehensive housing program already before the Congress would be a starting operation toward the more effective solution of the housing problem. It would provide facilities for research and better community planning directed toward lower costs; it would aid in the assembly of land areas suitable for redevelopment; it would provide a modest flow of rental housing for families of low and moderate income in urban areas; and it would directly tackle the insufficiency and inadequacy of rural housing.

But these proposals are inadequate. For example, the provision of

100,000 units a year of low-rent housing in urban areas should be substantially increased. If this were accompanied by a more rigorous screening of Federal aid in the form of insurance or guarantees for high-priced housing, it would not lead to a higher total volume than should be undertaken immediately in view of competing demands upon the economy. In fact, less materials per house would be used, and the composition of house production would be more in accord with sustainable patterns for the future. The increase in the Federal financial burden imposed by a more adequate program would be moderate. While every additional dollar in the Budget makes it larger, the inflationary impact should be measured by the effect on the housing industry as a whole. The amount of housing generated by this expanded program would absorb less critical materials and manpower than an equal number of units built for the higher-priced trade.

Human resources

The end objective of our economic and political system is to provide the individual with the means for a high standard of living and with wider opportunities for cultural pursuits. These aims will be furthered by the dedication of more of our resources to education, to health, to housing, and to the enrichment of the whole physical environment—both urban and rural—in which people live and work and play. The specific programs directed toward these ends, and their intimate relationships to a healthy economic structure, have been identified in the Economic Report of the President last year and in subsequent messages. It is therefore unnecessary to spell them out in detail again here. But this does not imply any abatement of interest on the part of the Council of Economic Advisers in their fulfillment. As our continuing studies shed more light upon how these programs may be even more closely integrated with the maintenance of a high level of economic activity, or how improvement in them may have general economic significance, we shall treat of them again.

International Economic Relations

Balanced economic growth will require large increases in our imports of raw materials and many other goods and services. Our own interests require that we concentrate domestic productive efforts in those fields where we can produce most efficiently and not draw down our reserves of exhaustible resources unduly. We need large imports to strengthen our conservation policy and increase the stock piles of critical materials; our imports also provide exchange to purchasers of our exports.

The main lines of international economic policy for balanced economic growth have already been laid out, and great progress has been made in implementing them. The initiation of the European Recovery Program was the main additional step taken during 1948 in pursuit of the goal of world recovery and reconstruction. Further progress was also made toward creating conditions for the post-recovery expansion of world trade on a nondiscriminatory and multilateral basis. The proposed charter for an International Trade Organization was accepted, after difficult negotiations, by 54 countries; and the General Agreement on Tariffs and Trade came into effect. These measures are important steps in the direction of reducing the barriers to world trade.

Another aspect in the development of international economic policy is the better coordination of our international trade policies with policies in certain other areas of the economy. The present situation of prosperity at home and of extensive American participation in economic affairs abroad offers a favorable opportunity for progress in this field.

Conflicts between our foreign and domestic programs lie less in general policy than in specific actions. The most serious of these arise out of programs designed to protect domestic producers of specific commodities. While these conflicts tend to be submerged in periods of intense demand and inflationary pressure, they may be expected to appear in acute form when some markets ease. The best time to resolve these conflicts is now.

The basic approach in readjusting these domestic programs to our international policy should be similar to that involved in the improvement of farm price support policies: namely, to provide the necessary degree of domestic support in periods when it may be needed, but at the same time to encourage adjustment of production in line with the basic supply and demand conditions throughout the world. Existing programs adopted to protect less productive industries indefinitely not only are contrary to our basic international policy, but also impede our efforts at home to make full and efficient use of our resources. They are a hangover from a period of fear of inadequate market and employment opportunities.

Even with the maximum feasible level of imports, substantial foreign investment will be needed to maintain a level of exports sufficiently high to avoid a painful readjustment in certain areas of domestic agricultural and industrial production. Furthermore, such investment will probably be requisite if Western Europe is to relax its restrictive policies and still balance its international payments at a high level after the European Recovery Program is over.

In the international field, the inseparability of economic and political objectives is particularly apparent; and it is not only in Western Europe that our economic policy must serve a dual purpose. Major areas of the world have emerged from the prewar and war years with a determination to develop their own economic resources by improving their industrial and agricultural equipment. This determination reflects a basic popular aspiration on the part of hundreds of millions throughout the world towards higher standards of living and economic progress after centuries of grinding poverty. The United States cannot maintain its world position of moral prestige and political leadership unless it positively supports those aspirations.

Our abundant stock of capital and large savings enable us to do this by making both capital goods and our knowledge of technology and production methods available abroad. This function is now being performed in a small degree by private capital, either directly or through the International Bank for Reconstruction and Development. It is to be hoped that it can be done more fully by private capital rather than Government aid as foreign countries bent on capital development give reasonable assurance of safety to private investors. This they must do if they wish to secure capital in large amounts.

From Inflation to Stability

Stabilization policy for the immediate future is still concerned mainly with restraining inflationary forces, breaking bottlenecks, and selectively adjusting the markets and prices of some commodities. Yet this report has designated some basic longer run maladjustments concealed under cover of the inflationary boom. Since the war, increases in consumption have been limited by the very high demands of business for reconversion and modernization after the war, and by requirements for national defense and foreign aid. Our analysis shows that over the ensuing years consumer income and expenditure should be increased both absolutely and relatively.

The fundamental issue is: Will this increase result automatically through the interplay of prices and costs in the market place? Or will a depression appear when the gap between potential output and effective demand of consumers and business becomes unmanageable as has happened in the past? Or can affirmative policies, as envisaged in the Employment Act, close or bridge this gap before it becomes a chasm?

Fundamental strength of the economy

It is true that the economy today is in much better position to withstand shock than in the twenties. Business has become better informed and more prudent, particularly in its inventory policies. There has been less speculation generally. The so-called "built-in flexibilities", such as the social security system, veterans' programs, and the farm price-support program would all have a cushioning effect in case of a downswing. In general, large Government budgets make an economy more resistant to shock, and on the revenue side the progressive income tax increases flexibility. War-created liquid assets, in the hands of business, State and local governments, and individuals could act as an immediate shock absorber even though their real value has been reduced by inflation. Federal deposit insurance would operate against large-scale withdrawals of funds such as occurred during the last depression, and the Reconstruction Finance Corporation could exert some mitigating influence. Finally, with a tight labor market, more breadwinners per family, and more progressive taxation, the distribution of income has improved since the prewar period, although these gains have been halted by inflation.

Vulnerability of the economy

These improvements, however, probably do not outweigh the fact that a very high-level economy, which has been supported by an investment boom and permeated with inflation, is vulnerable to sharp declines. Moreover, in terms of the basic problems of lifting consumption to higher levels in the years ahead, we cannot rely on a simple reversal of the inflationary process with its accompanying lag in consumption. When price weakness becomes widespread, businessmen tend to become pessimistic and often curtail investment and production; consumer purchases are deferred. The stickiness of many prices enhances the shrinking of production as demand falls off. Consumers' real incomes are cut by unemployment more quickly than they gain by price declines. The slack thus develops into a downward spiral.

Preventive measures

More important than the preparation of measures to combat a depression after its advent, are those measures which reduce the likelihood of a serious downturn in the economy by correcting maladjustments in time.

The long-term problem of a shift in the balance between investment and consumption depends for its solution largely upon an improved working of the market mechanism. Adjustments in prices and in wages, or some combination of the two, are the primary tools. In general, these adjustments entail an upward movement of wages relative to prices. But these adjustments require the drawing of some very delicate lines. It is not easy to determine the exact point at which price decreases which increase sales become price decreases which impair business confidence or income and thus reduce production. It is not easy to determine the exact point at which wage increases which add to purchasing power become deflationary because they add too much to costs. It is difficult through the market mechanism alone to solve the problem of timing, to determine just when the shifts in the composition of national income and spending should be encouraged without being either excessively inflationary or excessively deflationary. Furthermore, these shifts involve the interests of powerful organized groups and also involve competing social priorities or values, so that agreements are frequently not easy to reach.

The problem of inflation is not limited to the peculiar conditions of the "postwar boom." There is a continuing possibility of increases in prices and wages in an economy sustained at high levels of activity. Here lies a problem of long-range wage and price policies that must be solved within the context of general labor-management relations. The important organized groups within the economy, such as business, labor and agriculture, need both the economic analysis and the practical machinery which will enable them better to harmonize their separate interests with the common good and to compose even if not completely agree upon those matters which from a narrower perspective might seem irreconcilable. The work under the Employment Act of 1946, boldly conceived and faithfully exercised, can help to improve the economic analysis and to stimulate the cooperation required for this central aspect of stabilization in a free enterprise democracy.

Experience teaches that Government policies are also necessary. One type of public policy, the expansion of social security programs, is particularly appropriate now because it would strengthen mass purchasing power and markets in the long run, while contributing immediately to the restraint of inflationary pressures. By increasing the coverage and benefits of unemployment and old age insurance, by introducing disability and health insurance, and by providing more adequate public assistance, we would thus contribute towards that reconciliation of immediate and longer-run needs which is so difficult to achieve through the market mechanism.

To have the optimum immediate anti-inflationary effect, payroll taxes should be increased by more than the increase in benefit payments. To have the optimum long-range stabilizing effect, the expansion of these programs should not be financed exclusively by payroll taxes. It should draw some support in future years from general budget sources.

A minimum wage realistically adjusted to present price levels also helps to maintain a floor under wage incomes.

Future tax revisions should also take account of the need to strengthen consumer markets, even while they should not neglect the need for stimulating investments, especially in areas which offer both great rewards and heavy risks.

These social security programs, minimum wage laws, and tax revisions are recommended on the ground of social objectives. These same programs, however, have an important economic impact and may help to maintain or increase the purchasing power of a considerable sector of the people.

Balanced growth. The upward adjustment of consumer incomes relatively to prices will be essential in the future to establish sustainable patterns of balanced economic growth. It is important that these adjustments be made. But we cannot be sure that these adjustments alone will insure an increase in consumption and the maintenance of a high level of activity. Decreases in prices or increases in costs may lead to a recession if they occur at a time when markets are weak and aggregate demand is shrinking. Therefore it is essential that, during threatening times, adequate support be given to demand while fundamental adjustments are going on.

Such support may be provided by stepping up these basic governmental programs which are essential to economic growth. At times it may become necessary to supplement these programs by specific measures to insure stability. Without adjustments in the price-wage-profit relationship, we shall not be able to place the economy on a basis of continuing stability. Without the simultaneous adoption of policies designed to promote economic growth, we may not safely rely on the adjustments. It is necessary to combine measures that promote growth with those that support stability in an integrated program.

We should adapt our policies accordingly. In schools, housing, health and community facilities, resource development and conservation, transportation and other fields, there are enormous discrepancies between the work now being done and the needs of a growing economy. Advance planning on all these fronts should go forward in larger magnitudes than present programs can be pushed. With careful timing, these programs should be stepped up sufficiently so that adjustments in costs, prices and profits can be made on a strong underpinning which prevents adjustments from turning into a downswing.

Appendix A

The Nation's Economic Budget

Tables

The Nation's Economic Budget

The Nation's Economic Budget is designed to show significant changes in the economy as indicated by the receipts and expenditures of consumers, business, and government, and by international transactions. The net additions to and absorption of saving of these groups are also shown in the Budget. The total of the Nation's Economic Budget measures the gross national product, i. e., total current production of goods and services. On the receipts side the total consists of wages and salaries, retained business earnings, and other incomes relating to current production, and on the expenditure side of purchases of current output.

Besides expenditures for current output and the corresponding receipts there are transfers of purchasing power, such as government payments to social security beneficiaries and veterans' pensions. While governmental transfers are not derived from current production, as a source of purchasing power they do not differ from any of the payments that are so derived. They have an important bearing on production and prices and are included in the Nation's Economic Budget. Omitting transfers from government accounts would understate the size and impact of government budgets on incomes and expenditures of consumers, business and foreign trade. In an economic analysis, transactions directly related to current production and governmental transfers must both be taken into consideration.

In the presentation of the Nation's Economic Budget in previous economic reports, transfers were accordingly included with the other governmental transactions on the expenditure side, and the receipt of such transfers in total receipts of consumers. The sum of receipts and expenditures, including both transfers and transactions related to current production, is, of course, in excess of the gross national product. In order to reconcile with the gross national product, which is the magnitude used to measure economic activity, an adjustment was made to deduct the transfer items. This large adjustment item gave rise to many questions.

In the present revised presentation of the Nation's Economic Budget an attempt has been made to limit the "adjustment" item to corrections of a statistical character. Government transfers are shown separately from expenditures for goods and services in the government expenditure account and also shown as separate items of receipts in the accounts of consumers, business, and foreign countries and international organizations. These transfer items and subtotals including transfer items are shown in italics, while the flows relating to current production are shown in roman type.

Only the latter figures are added to arrive at the total. This total then needs no major adjustments to make it equal to the gross national product.

Since the transfers of the government augment the income of consumers, business, or foreign countries, the transfer expenditures and receipts are conceptually equal. The small discrepancy between the totals is due to statistical problems of measurement. (See note to line 22 of table A–1.)

Tables A–2 through A–5 contain the accounts of consumers, business, international transactions, and the government. They indicate how the receipts and expenditures in each account have been derived, and present some break-down of the totals where this has been feasible. Some textual explanatory material relating to the consumer, business, and international accounts may be found in the Midyear Economic Report of the President of July 1948. Table V, the government account, is new in its present form. It shows the reconciliation between taxes estimated on a payment or a liability basis (personal and indirect business tax payments, liabilities on corporate income) and cash receipts from the public, and between expenditures for goods and services and cash payments to the public. (Table A–5 takes the place of tables 5, 12, 13, and 14 of appendix A in the Midyear Economic Report, July 1948.)

Following the government account, table A–5, there are three supplementary tables on Federal cash receipts and payments. These tables show (*a*) Federal cash receipts by major tax sources, (*b*) Federal cash payments by major governmental function, and (*c*) payments according to the type of recipient who initially receives the payment, whether consumers, business, foreign countries, or State and local governments. (Tables A–6, A–7, and A–8.) These tables are designed to give an insight into the impact of the government on the economy. To aid in analysis, advance estimates are given for calendar 1949 in addition to actual data for 1947 and late estimates for 1948. The 1949 estimates of payments are based on the President's program and are consistent with the proposed Budget of the United States for fiscal 1950. The estimates of tax receipts, however, are based in general on present tax legislation.

Tables A–9 and A–10 show the reconciliation of Budget receipts with cash receipts from the public, and Budget expenditures with cash payments to the public. A brief explanation of these reconciliations is contained in the Midyear Economic Report, page 56.

TABLE A–1.—*The Nation's Economic Budget, Calendar years 1947 and 1948*

[Billions of dollars, annual rates, seasonally adjusted]

Item No.	Economic group	1947			1948, First half			1948, Second half [1]		
		Receipts	Expend-itures	Excess of receipts (+) or deficit (−)	Receipts	Expend-itures	Excess of receipts (+) or deficit (−)	Receipts	Expend-itures	Excess of receipts (+) or deficit (−)
	CONSUMERS									
1	Disposable income relating to current production	158.1			170.8			180.0		
2	*Government transfer payments and net interest*	*15.5*			*15.4*			*14.6*		
3	*Disposable personal income*	*173.6*			*186.2*			*194.6*		
4	Expenditures for goods and services		164.8			174.3			179.2	
5	*Personal saving*			*+8.8*			*+11.9*			*+15.4*
	BUSINESS									
6	Retained business receipts from current production	19.0			22.3			25.6		
7	*Government transfers*	*.3*			*.8*			*.3*		
8	*Total receipts*	*19.4*			*23.0*			*25.9*		
9	Gross private domestic investment		30.0			38.2			39.5	
10	*Excess of receipts (+) or investment (−)*			*−10.7*			*−15.2*			*−13.6*
	INTERNATIONAL									
11	*Net cash government loan transfers abroad*	*5.4*			*1.6*			*−.1*		
12	Net foreign investment		8.9			3.3			.2	
13	*Excess of investment (−)*			*−3.5*			*−1.7*			*−.3*
	GOVERNMENT (Federal, State, and local)									
14	Tax payments or liabilities	57.4			59.0			59.5		
15	*Adjustment to cash basis*	*−.1*			*2.8*			*−2.2*		
16	*Cash receipts from the public*	*57.3*			*61.9*			*57.3*		
17	Purchases of goods and services		28.0			31.8			38.8	
18	*Government transfers*		*22.7*			*18.0*			*15.6*	
19	*Cash payments to the public*		*50.7*			*49.8*			*54.4*	
20	*Excess of receipts (+) or payments (−)*			*+6.7*			*+12.9*			*+2.8*
	ADJUSTMENTS									
21	For receipts relating to gross national product	−2.9		*−2.9*	−4.6		*−4.6*	−7.1		*−7.1*
22	*Other adjustments*	*+1.5*		*+1.5*	*−2.4*		*−2.4*	*+2.8*		*+2.8*
23	Total: gross national product	231.6	231.6	0.0	247.6	247.6	0.0	257.8	257.8	0.0

[1] Estimates based on incomplete data.

NOTE.—Items relating to current production of goods and services are shown in roman type. Transfer payments and receipts and subtotals including them are in italics; they are not included in the gross national product.

Detail will not necessarily add to totals because of rounding.

Sources:

This table is based on the national income and product statistics of the Department of Commerce and Federal cash receipts from and payments to the public as estimated by the Bureau of the Budget. Estimates for the last half of the year have been prepared especially for the Council of Economic Advisers by these agencies and are based on incomplete data. A number of the principal series comprised in the income and product estimates are shown in appendix C, tables C–1 through C–6. Those desiring more detailed information may refer to the *National Income Supplement* to the *Survey of Current Business*, July 1947, and to the *Survey of Current Business*, July and November 1948.

Explanatory notes:

Lines 1–5: See Table A–2, Consumer Account

Lines 6–10: See Table A–3, Business Account

Lines 11–13: See Table A–4, International Account

Lines 14–20: See Table A–5, Government Account

Line 21: Includes the statistical discrepancy and the current surplus of government enterprises. The statistical discrepancy represents the difference between two independent estimates of gross national product, one arrived at by estimating the income received from current output and one by estimating expenditures for this output. The adjustment for statistical discrepancy brings the estimate on the receipts side into agreement with that on the expenditure side of the accounts. The discrepancy for 1947 was 3.4 billion dollars, and for the first and second half of 1948, 5.2 and 7.1 billion, at annual rates, respectively. The current surplus of government enterprises must be added to receipts because it has not been included in the income of any sector although it represents income arising from the current production of goods and services.

Line 22: An adjustment is necessary to balance the sum of the transfers on the receipts side with that on the payment side because of the fact that somewhat different bases for measurement have been used in estimating various components of receipts and payments. Most of the discrepancies reduce to a difference in timing between the recording of a receipt and a payment. A correction must be made for the difference between the time a tax liability is incurred or payments are made and the time a receipt is recorded by the government. Payment is sometimes made for goods produced in a previous period, interest payments on a cash basis differ from the accrued interest shown under consumer receipts, etc.

TABLE A-2.—*Consumer account*

Calendar years 1947 and 1948

[Billions of dollars]

Receipts or expenditures	1947	1948 annual rates, seasonally adjusted	
		First half	Second half [1]
Receipts:			
Personal income arising from current production of goods and services:			
Salaries, wages, and other labor income	121.9	129.0	136.6
Proprietors' and rental income	46.0	51.2	50.3
Dividends and private interest	11.2	12.0	12.8
Business transfer payments	.6	.6	.6
Total	179.7	192.8	200.3
Plus: Net interest paid by Government	4.4	4.6	4.8
Other Government transfer payments	11.1	10.8	9.8
Equals: Total personal income	195.2	208.2	214.8
Less: Personal tax and nontax payments	21.6	22.0	20.3
Equals: Disposable income	173.6	186.2	194.6
Expenditures:			
Durable goods	21.0	21.9	23.6
Nondurable goods	96.5	102.2	103.2
Services	47.3	50.2	52.4
Total	164.8	174.3	179.2
Saving	8.8	11.9	15.4

[1] Estimates based on incomplete data.

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

TABLE A-3.—*Business account*

Calendar years 1947 and 1948

[Billions of dollars]

Receipts or investment	1947	1948 annual rates, seasonally adjusted	
		First half	Second half [1]
Receipts:			
From current production of goods and services:			
Corporate profits before tax [2]	29.8	32.4	35.5
Less: Corporate profits tax liabilities [2]	11.7	12.6	13.8
Dividends	6.9	7.3	7.9
Equals: Corporate undivided profits	11.2	12.5	13.8
Plus: Capital consumption allowances	13.2	14.2	14.7
Less: Corporate inventory valuation adjustment	5.1	3.9	2.7
Subsidy payments to business by Government	.4	.5	.2
Total	19.0	22.3	25.6
Plus: Government transfers [3]	.3	.8	.3
Subsidies	.4	.5	.2
Capital transactions	([4])	.3	.1
Equals: Retained earnings and additions to reserves	19.4	23.0	25.9
Domestic gross investment:			
Construction	11.7	14.4	14.6
Residential, nonfarm	5.2	7.0	6.9
Nonresidential	6.5	7.4	7.8
Producers' durable equipment	17.8	20.4	22.0
Change in inventories	.6	3.4	2.9
Total	30.0	38.2	39.5
Excess of receipts (+) or investment (−)	−10.7	−15.2	−13.6

[1] Estimates based on incomplete data.
[2] Fourth quarter estimated by Council of Economic Advisers.
[3] Includes acquisition of silver and minor coin not shown separately, which was less than 50 million dollars in each period.
[4] Less than 50 million dollars.

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

TABLE A-4.—*International Account*

Calendar years 1947 and 1948

[Billions of dollars]

Item	1947	1948 annual rates [1]	
		First half	Second half
Excess of exports of goods and services over imports	11.3	7.2	5.9
Less: Net unilateral transfers:			
Government [2]	1.8	3.2	5.1
Private	.6	.6	.6
Equals: Net foreign investment	8.9	3.3	.2
Less: Government long-term capital:			
Net loans [3]	3.6	1.0	-.1
Subscriptions to the International Monetary Fund and International Bank [4]	1.8	.6	.1
Excess of investment over Government long-term capital	3.5	1.7	.3

[1] Estimates based on incomplete data.
[2] Based partly on shipments. Differs from international unilateral aid shown in table A-8, which is on a cash payments basis and is not net.
[3] Includes only cash withdrawals under loan agreements. It does not include noncash transactions such as lend-lease and surplus property credits, which are included in text table 4, p. 21, under Government aid.
[4] Includes only cash payments on subscriptions to the International Monetary Fund and Bank. In Appendix table C-36, figures include the total subscription, including payment in the form of noninterest-bearing notes.

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

TABLE A-5.—*Government account (Federal, State, and local)*

Calendar years 1947 and 1948

[Billions of dollars]

Receipt or expenditure	1947	1948 annual rates, seasonally adjusted	
		First half	Second half [1]
Receipts:			
Tax and non-tax payments or liabilities: [2]			
Federal	43.8	44.3	44.4
State and local	13.6	14.8	15.1
Total	57.4	59.0	59.5
Adjustment to cash basis:			
Non-cash receipts [3]	−1.5	−1.0	−1.1
Excess of cash receipts over tax liabilities or payments [4]	+1.4	+3.9	−1.1
Equals: Cash receipts from the public	57.3	61.9	57.3
Expenditures:			
Purchases of goods and services:			
Federal	15.6	17.6	22.9
State and local	12.3	14.2	16.0
Total	28.0	31.8	38.8
Plus: Other Government payments:			
Transfers to individuals	11.1	10.8	9.8
Cash interest payments to the public [5]	4.2	4.4	4.4
Transfers to business [6]	.3	.8	.3
Loans to foreign Governments and subscriptions to the International Bank and Monetary Fund [7]	5.4	1.6	−.1
All other [8]	1.7	.4	1.2
Total	22.7	18.0	15.6
Equals: Cash payments to the public	50.7	49.8	54.4
Surplus (+) or deficit (−)	+6.7	+12.0	+2.8
ADDENDUM			
Total cash receipts:			
Federal	44.3	47.6	42.7
State and local	13.1	14.2	14.5
Total cash payments:			
Federal	38.6	35.1	38.7
State and local	12.1	14.7	15.7

[1] Estimates based on incomplete data.

[2] Personal and indirect business tax payments and corporation tax liabilities. Includes contributions for social insurance. A breakdown of these estimates may be found for 1947 in the Survey of Current Business, July 1948, table 8, p. 17. They have not yet been published for 1948.

[3] Consists of deductions from Government employees' salaries for retirement funds, and Government contributions to retirement funds, national service life, and Government life insurance funds.

[4] Includes excess of corporation tax receipts over liabilities and excess of personal tax receipts over payments. Cash receipts also include various miscellaneous items such as receipts from sales of surplus property, etc.

[5] Does not agree with net interest paid by Government (table A-2) which is on an accrual basis.

[6] See table A-3, Business Account.

[7] See table A-4, International Account.

[8] This item consists of various other Government cash payments. These payments are not shown as receipts in the other accounts. They include miscellaneous trust account disbursements, e. g., withdrawal of deposits made by overseas personnel; payments for goods and services produced in earlier periods; checks which have been issued but not paid (clearing account for outstanding checks); and net payments by Government business enterprises for purposes other than capital formation. In addition, an adjustment is made for noncash purchases of goods and services and for surplus property sales.

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

TABLE A-6.—*Federal receipts from the public other than borrowing and Federal cash surplus*

Calendar years 1947, 1948, and 1949

[Billions of dollars]

Item	1947 actual	1948 annual rates, seasonally adjusted		1949 estimate
		First half actual	Second half preliminary	
Federal cash receipts from the public:				
Direct taxes on individuals [1]	21.0	22.8	19.0	19.8
Direct taxes on corporations	9.1	11.3	11.3	[2] 11.9
Employment taxes	2.2	2.4	2.5	[3] 3.2
Excises and customs	7.7	7.8	8.1	8.2
Surplus property receipts	3.1	.9	.3	.6
Deposits by States, unemployment insurance	1.1	.9	1.1	.9
Veterans' life insurance premiums	.5	.4	.4	.5
Other	2.1	3.2	2.3	1.4
Less: refunds of receipts	2.6	2.2	2.2	2.7
Total cash receipts	44.3	47.6	42.7	43.7
Federal cash payments to the public	38.6	35.1	38.7	[4] 44.3
Federal cash surplus (+) or deficit (−)	+5.7	+12.5	+4.0	−.6

[1] Includes personal income taxes and estate and gift taxes.
[2] Based on present legislation.
[3] Assumes change in method of collections to speed up the payment of liabilities. Includes $400 million under proposed legislation advancing the statutory increase in pay-roll taxes from January 1, 1950, to July 1, 1949.
[4] Based on present and proposed legislation.

NOTE.—Figures in this table differ from previously published estimates for the same periods because refunds of receipts are now deducted from gross receipts rather than included as a cash payment. This represents a conceptual revision in the concepts of cash receipts from the public and payments to the public.

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

TABLE A-7.—*Federal cash payments to the public by function*

Calendar years 1947, 1948 and 1949

[Billions of dollars]

Function	1947 actual	1948 annual rates, seasonally adjusted		1949 estimate [1]
		First half actual	Second half preliminary	
National defense	12.7	11.1	11.2	13.2
International affairs and finance	7.6	5.2	6.1	8.0
Veterans' services and benefits	6.8	7.0	6.9	8.2
Social welfare, health, and security	2.1	2.2	2.5	[2] 3.2
Agriculture and agricultural resources	1.0	.4	2.3	1.5
Interest on the public debt	3.8	3.9	3.9	4.0
Other	4.4	5.5	6.4	6.6
Deduction from Federal employees' salaries for retirement	−.2	−.2	−.3	−.4
Clearing account for outstanding checks and telegraphic reports	+.2	+.2	−.4	
Adjustment to daily Treasury statement	+.2	−.2	+.1	
Total payments to the public	38.6	35.1	38.7	44.3

[1] Includes proposed legislation.
[2] Includes almost $400 million under proposed legislation to extend coverage of old-age and survivors insurance.

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

TABLE A-8.—*Federal cash payments to the public, by type of recipient*

Calendar years 1947, 1948, and 1949

[Billions of dollars]

Payments to—	1947 actual	1948 annual rates, seasonally adjusted: First half, actual	1948 annual rates, seasonally adjusted: Second half, preliminary	1949 estimate
Individuals:				
Salaries and wages of Federal personnel:				
Military (excluding terminal-leave pay to enlisted personnel)	3.0	2.7	2.9	3.2
Civilian [1]	4.6	4.4	4.8	4.8
Allowances to dependents of military personnel	.3	.3	.3	.3
Readjustment benefits, pensions, and other payments to veterans [2]	7.0	5.9	5.5	6.9
Social insurance beneficiaries	1.8	1.9	1.9	2.7
Loans to home owners [3]	−.2	−.1	−.1	−.1
Interest [4]	.8	1.2	1.0	1.2
Other [5]	.4	.9	.8	.4
Total	17.7	17.1	17.1	19.4
Business:				
Payments for purchases of goods and services [6]	7.4	7.8	8.4	10.1
Subsidies and other payments to farmers	.8	.1	1.9	1.2
Loans and investments	.1	(7)	(7)	(7)
Interest [4]	2.9	2.7	2.8	2.7
Subsidy arising from postal deficit [8]	.2	.3	.6	.3
Home-mortgage purchases from financial institutions	.1	.1	.2	.3
Total	11.5	11.0	14.0	14.7
International:				
Loans to foreign governments (net)	3.6	1.0	−.1	(9)
Payments to the International Monetary Fund and International Bank	1.8	.6	.1	(9)
Unilateral aid programs [10]	1.9	3.3	6.0	(9)
Other [11]	.1	.1	.2	(9)
Total	7.4	5.1	6.1	7.9
State and local governments and public agencies:				
Grants-in-aid	1.6	1.7	1.8	2.1
Interest on the Federal debt	.1	.1	.1	.1
Loans	(7)	(7)	(7)	.1
Total	1.8	1.8	1.9	2.3
Clearing account for outstanding checks and telegraphic reports	.2	.2	−.4	----------
Total Federal cash payments to the public	38.6	35.1	38.7	44.3

[1] Civilian wages and salaries exclude pay-roll deductions for Federal employees' retirement, and Post Office wages and salaries.
[2] Also includes cash terminal-leave pay to enlisted personnel, cashing of terminal-leave bonds, mustering-out pay, and payment of Government and National Service Life Insurance benefits to veterans' beneficiaries.
[3] Repayments exceed loans.
[4] Includes interest payments on the Federal debt, and a small amount of interest on tax refunds. Interest figures in this table are not comparable with those in Table A-2. Interest in that table includes payments to unincorporated business as well as to individuals and is adjusted for certain inter-account transfers.
[5] Consists of cash trust account payments other than payment of social insurance benefits and Government and National Service Life Insurance. Such items as repayments of personal funds of military and civilian personnel located overseas which were deposited in trust accounts, and payments of earnings to prisoners of war are included.
[6] Excludes purchases of goods and services by Federal agencies for grants-in-aid to State and local governments and for unilateral aid programs. Such purchases are included in the international and State and local categories to give a comprehensive total for such aid.
[7] Less than 50 million dollars.
[8] In cash payments to the public, the Post Office is included on a net basis. The whole deficit is shown here as a subsidy, and is included in the business category because the deficit arises primarily out of the subsidy to mail other than first class.
[9] Not available separately.
[10] Estimates are on a payments basis, while those for unilateral aid in Table A-4 are partly on a shipments basis and are net. Includes payments from Foreign Economic Cooperation Trust Fund.
[11] Includes payments for membership in international organizations, and purchases abroad for Army programs.

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

TABLE A-9.—*Reconciliation of Budget receipts with cash receipts from the public*

Calendar year 1948

[Billions of dollars]

Receipts	*Calendar year 1948* [1]
Net budget receipts [2]	41.6
Trust account receipts [3]	6.1
Total recorded receipts	47.7
Less: Intragovernmental transactions:	
Payments to U. S. Treasury by Government enterprises	.2
Transfers from general fund to trust accounts [3]	1.0
Interest received by trust funds on investments in U. S. securities	.8
Receipts from sale of surplus vessels transferred to U. S. Treasury but also recorded as a trust account receipt and expenditure	.4
Other	(4)
Less: Recorded receipts not paid in cash by the public:	
Deduction from Federal employees' salaries for retirement funds	.3
Other	(4)
Equals: Cash receipts from the public [2]	45.2

[1] Estimates based on incomplete data.
[2] Net of refunds of receipts.
[3] Excludes 3 billion dollars bookkeeping transfer to Foreign Economic Cooperation trust fund.
[4] Less than 50 million dollars.

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

TABLE A-10.—*Reconciliation of budget expenditures with cash payments to the public*

Calendar year 1948

Billions of dollars]

	Calendar year 1948 [1]
Budget expenditures [2] [3]	35.9
Trust account expenditures [3]	6.4
Total recorded expenditures	42.3
Clearing account for outstanding checks and telegraphic reports	−0.1
Adjusted total, recorded expenditures	42.2
Less: Intragovernmental transactions:	
Payments to U. S. Treasury by Government enterprises	.2
Transfers from general fund to trust accounts	1.0
Interest paid to trust funds on investments in U. S. securities	.8
Investments of trust funds and Government enterprises in U. S. securities	2.9
Receipts from surplus vessels transferred to U. S. Treasury, but also recorded as a trust account expenditure	.4
Other	(4)
Less: Recorded expenditures not paid out in cash:	
Deduction from Federal employees' salaries for retirement funds	.3
Interest on savings bonds (net increase in redemption value of outstanding issues)	.5
Terminal leave bonds issued	(4)
Plus: Cash payments not recorded as expenditures:	
Redemption of excess profits tax refund bonds and adjusted service certificates	(4)
Terminal leave bonds redeemed for cash	.3
Redemption of non-interest-bearing notes by the International Bank and Monetary Fund	.3
Expenditures of Government enterprises from proceeds of sales of obligations in the market	.1
Equals: Cash payments to the public [2]	36.9

[1] Based on incomplete data.
[2] Excludes refunds of receipts.
[3] Excludes bookkeeping adjustment for 3 billion dollars transfer to the Foreign Economic Cooperation trust fund.
[4] Less than 50 million dollars.

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

Appendix B

The Distribution of Family Income Before and After Federal Income Tax

The distribution of income, prewar and postwar

Despite the great economic and social importance of the distribution of personal incomes by size classes and of changes in that distribution, our statistical data are very incomplete. The best information is for the years 1935–36, 1941, and the postwar years, but even here the statistical sources leave much to be desired on the grounds of comprehensiveness and comparability. After adjustments have been made in these data to make them as comparable as possible in all respects, however, they support the thesis that the distribution of income is now less concentrated than before the war (table B–1).

TABLE B–1. *Percent of money income received by each fifth of the Nation's families* [1]

Family units ranked from lowest to highest income [1]	Percent of total money income		
	1935–36	1941	1947
Lowest fifth	4.0	3.5	4.0
Second fifth	8.7	9.1	9.8
Third fifth	13.6	15.3	15.4
Fourth fifth	20.5	22.5	22.6
Highest fifth	53.2	49.6	48.2
All family units	100.0	100.0	100.0

[1] Includes single-person families.

Source: See technical notes, p. 94.

The shifts in percentage of income going to each fifth of the population do not appear large. But because families at the lower end of the scale have such small incomes to start with, small shifts in the distribution represent large improvements in their relative position. The one-half percent increase, 1941 to 1947, in the share of total income received by the lowest fifth represented a nearly 15 percent increase in income per family in this group. This shift in distribution accounted for over $100 of their $800 average income in 1947.[1] (See also text table 2, p. 14.)

The decline in income concentration from the depression period to the immediate prewar and to the postwar period is most probably due to the

[1] In appraising this average, which seems very low, it should be noted that the term "families" includes one-person families living alone or in hotels and rooming houses. Since the income of one-person families runs lower than for families of two or more, single persons account for a relatively larger proportion of the lower than of upper income groups.

virtual elimination of unemployment, which raised the share of income of lower and middle groups. The increase in the number of families with more than one earner and the relative increase in farm income are also significant factors. Farm families' cash income is lower on the average than that of other families, but the disparity has been narrowed in the postwar period.

From the aspect of buying power and family welfare, the distribution of income after taxes is more important than the distribution of income received. The trend toward less concentration is somewhat more pronounced if income after taxes rather than income before taxes is compared from the prewar to the postwar period.

Our figures take account only of the Federal income tax. Information on the impact of all taxes combined, sales taxes, property taxes, income taxes, etc., at various income levels is not available for the postwar period. The Federal individual income tax, which yields more revenue than any other tax, is graduated and exempts low-income families. Sales and excise taxes, which accounted for over a sixth of all tax collections in 1947, bear more heavily than the income tax on lower bracket families, who spend a larger percent of their income.

Table B-2 shows the share of money income going to each fifth of the Nation's families before and after Federal individual income taxes in 1941 and 1947. The 1947 tax reduced total money income by over 10 percent as compared to less than 5 percent in 1941. Consequently, the effect of the 1947 tax in reducing income concentration was somewhat greater.

TABLE B-2.—*Percent of money income, before and after tax, received by each fifth of the Nation's families, ranked by size of income, 1941 and 1947* [1]

Family units ranked from lowest to highest income [1]	Percent of total money income			
	Before tax [2]		After tax [2]	
	1941	1947	1941	1947
Lowest fifth	3.5	4.0	3.7	4.3
Second fifth	9.1	9.8	9.5	10.4
Third fifth	15.3	15.4	15.9	16.2
Fourth fifth	22.5	22.6	23.2	22.8
Highest fifth	49.6	48.2	47.7	46.3
All family units	100.0	100.0	100.0	100.0

[1] Includes single-person families.
[2] Liability for the Federal personal income tax.

Source: See technical notes, p. 94.

The effect of the Federal individual income tax in the two years over the higher range of income is shown in more detail in Table B-3, which gives the percentage distribution of families by income levels before and after tax. Only 10 percent of families had money incomes before tax in excess of $7,500 per year in 1947, and one-fifth of these families were shifted into a lower class by the effect of the tax. The proportion of families with incomes in excess of $5,000 was also reduced by almost one-sixth.

TABLE B–3.—*Percentage distribution of families by money income level, 1941 and 1947* [1]

Money income classes	Percent of all family units [1]			
	1941		1947	
	Before tax [2]	After tax [2]	Before tax [2]	After tax [2]
Under $500	14	14	4	4
$500–$1,000	17	17	8	9
$1,000–$1,500	15	16	17	18
$1,500–$2,000	15	15		
$2,000–$3,000	21	22	17	19
$3,000–$4,000	9	9	17	17
$4,000–$5,000	4	3	12	12
$5,000–$7,500			15	13
$7,500–$10,000	5	4	5	4
$10,000 and over			5	4

[1] Includes single-person families.
[2] Liability for the Federal personal income tax.

Source: See technical notes, p. 94.

Changes in income distribution in recent years

The trend to less concentration of income that existed before and during the war probably has not continued during the last three years. This was to have been expected, since the general inflation of incomes did not extend to all groups equally. To the extent that pensioners, retired persons, and some others whose incomes are relatively fixed are more frequent at the lower end of the scale the share of income in the lower brackets would decline as a result of inflation. Comparative data suggest some increase in income concentration between 1946 and 1947, but adequate analysis of the postwar trend must await collection of 1948 data.[2]

Income after taxes in 1948 will partially reflect the changes in the income tax structure made by the Revenue Act of 1948. The provision allowing married couples in all States to split their income for tax purposes is particularly advantageous to married couples with combined incomes in high tax brackets, especially those who had been filing joint returns. While the raising of exemptions has freed many families at the lower end of the scale from paying income taxes at all and rates in all brackets are reduced, the percentage increase in income after tax is greatest for those in a position to benefit by the split income provision.

[2] A comparison of the 1946 distribution by quintiles shown in the President's Economic Report of January 14, 1948, p. 105, with the distribution shown here for 1947 would indicate an increase in concentration. However, there is some lack of comparability between these two distributions because a separate adjustment for numbers of single-person families was made in the 1947 statistics. Since the income of single persons runs lower than that of other family units, this tended to lower the amounts of income in the lower quintiles in 1947 as compared to 1946. Nonetheless, the data before adjustment which are essentially comparable also suggest an increase in concentration.

Sources of data

1935–36.—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." An explanation of the procedures used in analyzing these data may be found on p. 103 of the Economic Report of the President, January 1948.

1941.—These distributions were derived from the "Study of Family Spending and Saving in Wartime" (Bureau of Labor Statistics, Bulletin 822) and the "Statistics of Income, 1941" (Bureau of Internal Revenue, Treasury Department). "Family Spending and Saving in Wartime" was based on a sample survey of family incomes conducted jointly by the Bureau of Human Nutrition and Home Economics and the Bureau of Labor Statistics. The "Statistics of Income, 1941" contains tabulations of Federal individual income tax returns for that year.

1947.—The estimates for 1947 are based on the 1948 "Survey of Consumer Finances," conducted for the Board of Governors of the Federal Reserve System by the Survey Research Center of the University of Michigan. The estimate of the tax liability was not based directly on information obtained in the interviews concerning tax returns or on tax returns themselves, but on comprehensive data concerning family composition and income assembled in connection with the "Survey of Consumer Finances." Special tabulations from this Survey were made available to the Council of Economic Advisers through the courtesy of the Board of Governors and the Survey Research Center. The methods used in the "Survey of Consumer Finances" are described in the "Federal Reserve Bulletin," June 1948, p. 643.

Definition of the family

Only the civilian noninstitutional population are included in the estimates. A family unit consists of related persons living in one dwelling. A single person living alone is considered as a separate family unit. The estimate of the number of family units in 1935–36 is 38.4 million; in 1941, 41.4 million; and in 1947, 44.6 million.

Definition of money income

Money income refers to income of the civilian noninstitutional population. Income in kind, such as imputed rent of owner-occupied dwellings, or food and fuel produced and consumed on farms is not included. The estimate of civilian noninstitutional cash income is 58.9 billion dollars in 1935–36, 86.9 billion in 1941, and 184.2 billion in 1947.

Definition of the tax

The tax included here is the estimated liability for Federal income tax for the year indicated. Taxes on capital gains, and estate and gift taxes are excluded as well as State income taxes.

Conversion of 1941 income into 1947 dollars

The estimates of average income for each quintile in 1941 (text table 2, p. 14) were adjusted to dollars of 1947 purchasing power according to the increase in the Consumers' Price Index adjusted for wartime changes in composition of output. (See table C–6.)

Comparability with estimates contained in previous Economic Reports of the President

1941.—The estimates of 1941 income before tax included in this report represent a refinement of the estimates contained in the Economic Report of January 14, 1948. The estimates of the amounts of income received by upper income groups and by single individuals have been improved by use of data from "Statistics of Income, 1941." A detailed discussion of the procedure used to estimate the 1941 distributions will be presented at the 1949 Annual Conference of the Committee on Income and Wealth of the National Bureau of Economic Research.

1947.—The 1947 estimate of the distribution of families by income level before tax represents a minor revision of the estimates contained in table 2-a, p. 69, of the Midyear Economic Report, July 1948. The survey data for 1947 income after tax were also presented in the Midyear Report, table 2. The present estimates are based on these survey data but are adjusted for population coverage and to agree with an independently estimated aggregate of money income before tax. The estimates for 1947 are still preliminary. A need for revisions in the distribution may be indicated by the 1947 Statistics of Income, which has not yet become available. The distributions for 1935–36 and 1941 have been adjusted in the light of the Statistics of Income for those years.

Appendix C

Statistical Tables Relating to Employment, Production, and Purchasing Power

CONTENTS

TABLE C-1.—*Gross national product or expenditure, 1929–48*

[Billions of dollars]

Period	Gross national product	Personal consumption expenditures	Gross private domestic investment	Net foreign investment	Government purchases of goods and services
1929	103.8	78.8	15.8	0.8	8.5
1930	90.9	70.8	10.2	.7	9.2
1931	75.9	61.2	5.4	.2	9.2
1932	58.3	49.2	.9	.2	8.1
1933	55.8	46.3	1.3	.2	8.0
1934	64.9	51.9	2.8	.4	9.8
1935	72.2	56.2	6.1	−.1	9.9
1936	82.5	62.5	8.3	−.1	11.7
1937	90.2	67.1	11.4	.1	11.6
1938	84.7	64.5	6.3	1.1	12.8
1939	90.4	67.5	9.0	.9	13.1
1940	100.5	72.1	13.0	1.5	13.9
1941	125.3	82.3	17.2	1.1	24.7
1942	159.6	90.8	9.3	−.2	59.7
1943	192.6	101.6	4.6	−2.2	88.6
1944	212.2	111.4	6.4	−2.1	96.5
1945	213.4	122.8	9.2	−1.4	82.8
1946	209.3	147.4	26.5	4.7	30.8
1947	231.6	164.8	30.0	8.9	28.0
1948 [1]	252.7	176.8	38.8	1.8	35.3
	Annual rates, seasonally adjusted				
1947—First half	227.4	161.2	29.5	9.5	27.3
Second half	235.9	168.4	30.5	8.3	28.7
1948—First half	247.6	174.3	38.2	3.3	31.8
Second half [1]	257.8	179.2	39.5	.2	38.8
1947—First quarter	226.4	158.1	32.6	8.8	26.9
Second quarter	228.3	164.2	26.4	10.2	27.6
Third quarter	227.9	165.6	25.6	8.4	28.3
Fourth quarter	243.8	171.1	35.4	8.2	29.0
1948—First quarter	244.9	172.1	38.7	3.9	30.1
Second quarter	250.2	176.5	37.6	2.7	33.5
Third quarter	254.9	178.5	39.0	−.3	37.7
Fourth quarter [1]	260.8	180.0	40.0	.8	40.0

[1] Estimates based on incomplete data; fourth quarter by Council of Economic Advisers.

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

Source: Department of Commerce (except as noted).

TABLE C-2.—*Disposition of gross national product, 1939–48*

Period	Total gross national product	Disposition of gross national product: Export surplus of goods and services [1]: Total	Financed by Government aid	Financed by other means	Government war or national defense expenditures	Product for domestic civilian use
	Billions of dollars					
1939	90.4	1.1	[2]	1.1	1.2	88.1
1940	100.5	1.7	0.1	1.6	2.2	96.6
1941	125.3	2.3	1.3	1.0	12.8	110.2
1942	159.6	6.1	6.4	−.3	43.2	110.3
1943	192.6	10.7	12.8	−2.1	67.1	114.8
1944	212.2	12.0	14.0	−2.0	73.7	126.5
1945	213.4	5.7	7.7	−2.0	67.2	140.5
1946	209.3	7.5	5.1	2.5	15.9	185.9
1947	231.6	11.3	5.7	5.6	10.0	210.3
1948 [3]	252.7	6.5	4.6	1.9	10.2	236.0
Annual rates:						
1947—First half	227.4	11.8	6.6	5.3	10.2	205.4
Second half	235.9	10.7	4.8	5.9	9.8	215.4
1948—First half	247.6	7.2	4.3	2.8	9.8	230.6
Second half [3]	257.8	5.9	4.8	1.1	10.6	241.3
1947—First quarter	226.4	11.2	5.2	6.0	9.4	205.8
Second quarter	228.3	12.5	8.0	4.5	10.9	204.9
Third quarter	227.9	10.9	6.8	4.1	9.2	207.8
Fourth quarter	243.8	10.5	2.9	7.6	10.3	223.0
1948—First quarter	244.9	7.8	5.3	2.5	9.4	227.7
Second quarter	250.2	6.5	3.3	3.2	10.3	233.4
Third quarter	254.9	5.2	4.3	.9	10.2	239.5
Fourth quarter [3]	260.8	6.6	5.3	1.3	11.0	243.2
	Percentage of total					
1939	100	1.2	[4]	1.2	1.3	97.5
1940	100	1.7	0.1	1.6	2.2	96.1
1941	100	1.8	1.0	.8	10.2	87.9
1942	100	3.8	4.0	−.2	27.1	69.1
1943	100	5.6	6.6	−1.1	34.8	59.6
1944	100	5.7	6.6	−.9	34.7	59.6
1945	100	2.7	3.6	−.9	31.5	65.8
1946	100	3.6	2.4	1.2	7.6	88.8
1947	100	4.9	2.5	2.4	4.3	90.8
1948 [3]	100	2.6	1.8	.8	4.0	93.4
1947—First half	100	5.2	2.9	2.3	4.5	90.3
Second half	100	4.5	2.0	2.5	4.2	91.3
1948—First half	100	2.9	1.7	1.1	4.0	93.1
Second half [3]	100	2.3	1.9	.4	4.1	93.6
1947—First quarter	100	4.9	2.3	2.7	4.2	90.9
Second quarter	100	5.5	3.5	2.0	4.8	89.8
Third quarter	100	4.8	3.0	1.8	4.0	91.2
Fourth quarter	100	4.3	1.2	3.1	4.2	91.5
1948—First quarter	100	3.2	2.2	1.0	3.8	93.0
Second quarter	100	2.6	1.3	1.3	4.1	93.3
Third quarter	100	2.0	1.7	.4	4.0	94.0
Fourth quarter [3]	100	2.5	2.0	.5	4.2	93.3

[1] U. S. Government unilateral transfers to foreign countries are included in the export surplus and are excluded from the Government war or national defense expenditures and from product for domestic civilian use.
[2] Less than $50,000,000.
[3] Estimates based on incomplete data; fourth quarter by Council of Economic Advisers.
[4] Percent not shown because dollar figure was less than $50,000,000.

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

Sources: Department of Commerce and Bureau of the Budget (except as noted).

TABLE C-3.—*National income by distributive shares, 1929–48*

[Billions of dollars]

Period	Total national income [1]	Compensation of employees [2]	Proprietors' and rental income: Total [3]	Proprietors' and rental income: Business and professional [3]	Proprietors' and rental income: Farm	Proprietors' and rental income: Rental income of persons	Corporate profits and inventory valuation adjustment: Total	Corporate profits: Profits before tax [4]	Corporate profits: Tax liability [4]	Corporate profits: Profits after tax [4]	Inventory valuation adjustment	Net interest
1929	87.4	50.8	19.7	8.3	5.7	5.8	10.3	9.8	1.4	8.4	0.5	6.5
1930	75.0	46.5	15.7	7.0	3.9	4.8	6.6	3.3	.8	2.5	3.3	6.2
1931	58.9	39.5	11.8	5.3	2.9	3.6	1.6	−.8	.5	−1.3	2.4	5.9
1932	41.7	30.8	7.4	3.2	1.7	2.5	−2.0	−3.0	.4	−3.4	1.0	5.4
1933	39.6	29.3	7.2	2.9	2.3	2.0	−2.0	.2	.5	−.4	−2.1	5.0
1934	48.6	34.1	8.7	4.3	2.3	2.1	1.1	1.7	.7	1.0	−.6	4.7
1935	56.8	37.1	12.1	5.0	4.9	2.3	3.0	3.2	1.0	2.3	−.2	4.5
1936	64.7	42.7	12.6	6.1	3.9	2.7	4.9	5.7	1.4	4.3	−.7	4.5
1937	73.6	47.7	15.4	6.6	5.6	3.1	6.2	6.2	1.5	4.7	(5)	4.4
1938	67.4	44.7	14.0	6.3	4.4	3.3	4.3	3.3	1.0	2.3	1.0	4.3
1939	72.5	47.8	14.7	6.8	4.5	3.5	5.8	6.5	1.5	5.0	−.7	4.2
1940	81.3	51.8	16.3	7.7	4.9	3.6	9.2	9.3	2.9	6.4	−.1	4.1
1941	103.8	64.3	20.8	9.6	6.9	4.3	14.6	17.2	7.8	9.4	−2.6	4.1
1942	136.5	84.7	28.1	12.1	10.6	5.4	19.8	21.1	11.7	9.4	−1.3	3.9
1943	168.3	109.1	32.1	14.1	11.8	6.2	23.7	24.5	14.2	10.4	−.8	3.4
1944	182.4	121.1	34.1	15.4	11.9	6.7	24.0	24.3	13.5	10.8	−.3	3.1
1945	181.7	122.9	36.0	16.8	12.3	7.0	19.8	20.4	11.6	8.7	−.6	3.0
1946	179.3	117.3	41.8	20.4	14.6	6.7	16.8	21.8	9.0	12.8	−5.0	3.4
1947	202.5	127.5	46.0	23.2	15.6	7.1	24.7	29.8	11.7	18.1	−5.1	4.3
1948 [6]	224.0	137.8	50.7	25.2	18.0	7.6	30.7	34.0	13.2	20.8	−3.3	4.7
	Annual rates, seasonally adjusted											
1947—First half	198.3	125.2	45.5	22.6	15.9	7.0	23.5	28.9	11.4	17.5	−5.4	4.2
Second half	206.7	129.9	46.5	23.9	15.4	7.3	25.9	30.8	12.1	18.7	−4.9	4.5
1948—First half	218.4	134.0	51.2	25.2	18.4	7.6	28.6	32.4	12.6	19.8	−3.9	4.6
Second half [6]	229.7	141.7	50.3	25.2	17.5	7.6	32.8	35.5	13.8	21.7	−2.7	4.8
1947—First quarter	197.3	125.0	46.4	22.5	16.9	7.0	21.8	28.9	11.4	17.5	−7.1	4.1
Second quarter	199.3	125.3	44.6	22.7	14.9	7.0	25.2	28.8	11.3	17.5	−3.6	4.2
Third quarter	200.6	127.6	44.4	23.0	14.3	7.1	24.3	29.1	11.4	17.7	−4.8	4.4
Fourth quarter	212.8	132.2	48.6	24.7	16.5	7.4	27.5	32.4	12.7	19.7	−4.9	4.5
1948—First quarter	215.1	133.7	50.6	25.0	18.0	7.5	26.2	31.4	12.2	19.2	−5.3	4.6
Second quarter	221.7	134.2	51.8	25.4	18.9	7.6	30.9	33.4	13.0	20.4	−2.5	4.7
Third quarter	227.4	140.6	50.2	24.8	17.9	7.5	31.6	35.5	13.8	21.7	−3.9	4.8
Fourth quarter [6]	232.0	142.8	50.3	25.6	17.1	7.6	34.0	35.5	13.8	21.7	−1.5	4.9

[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 that it excludes depreciation charges and other allowances for business and institutional consumption of durable capital goods.

[2] Includes wage and salary receipts and other labor income (see appendix table C-4), and employer and employee contributions for social insurance.

[3] Net income after inventory valuation adjustment. This adjustment was −1.2 billion dollars in 1947, and −0.8 billion (annual rate) in each half of 1948.

[4] Federal and State income and excess-profits taxes.

[5] Less than $50,000,000.

[6] Estimates based on incomplete data; profits by Council of Economic Advisers and all others by Department of Commerce.

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

Source: Department of Commerce (except as noted).

TABLE C-4.—*Personal income, 1929–48*

[Billions of dollars]

Period	Total personal income	Salaries, wages, and other labor income [1]	Proprietors' and rental income [2]	Dividends and personal interest income [3]	Transfer payments	Nonagricultural personal income [4]
1929	85.1	50.5	19.7	13.3	1.5	76.8
1930	76.2	46.3	15.7	12.6	1.5	70.0
1931	64.8	39.2	11.8	11.1	2.7	60.1
1932	49.3	30.5	7.4	9.1	2.2	46.2
1933	46.6	29.0	7.2	8.2	2.1	43.0
1934	53.2	33.8	8.7	8.6	2.2	49.5
1935	59.9	36.8	12.1	8.6	2.4	53.4
1936	68.4	42.1	12.6	10.1	3.5	62.8
1937	74.0	45.9	15.4	10.3	2.4	66.5
1938	68.3	42.8	14.0	8.7	2.8	62.1
1939	72.6	45.7	14.7	9.2	3.0	66.3
1940	78.3	49.5	16.3	9.4	3.1	71.5
1941	95.3	61.5	20.8	9.9	3.1	86.1
1942	122.2	81.2	28.1	9.7	3.2	108.7
1943	149.4	104.4	32.1	10.0	3.0	134.3
1944	164.5	116.1	34.1	10.6	3.6	149.0
1945	170.3	116.8	36.0	11.4	6.2	154.3
1946	178.1	111.4	41.8	13.5	11.4	159.4
1947	195.2	121.9	46.0	15.6	11.7	174.9
1948 [5]	211.5	132.8	50.7	17.1	10.9	(6)
	Annual rates, seasonally adjusted					
1947—First half	190.3	119.1	45.5	15.1	10.6	169.8
Second half	199.9	124.7	46.5	16.0	12.8	179.8
1948—First half	208.2	129.0	51.2	16.7	11.4	184.8
Second half [5]	214.8	136.6	50.3	17.6	10.4	(6)
1947—First quarter	190.9	119.0	46.4	14.9	10.7	169.4
Second quarter	189.6	119.2	44.6	15.3	10.5	170.2
Third quarter	196.7	122.3	44.4	15.8	14.3	177.8
Fourth quarter	203.1	127.1	48.6	16.1	11.2	181.8
1948—First quarter	207.3	128.7	50.6	16.6	11.5	184.4
Second quarter	209.0	129.2	51.8	16.8	11.2	185.3
Third quarter	213.9	135.6	50.2	17.3	10.8	191.0
Fourth quarter [5]	215.8	137.6	50.3	17.8	10.1	(6)

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

[2] See appendix table C-3, for major components.

[3] See appendix table C-28 for dividend payments.

[4] Equals personal income exclusive of net income of unincorporated farm enterprises, farm wages, agricultural net rents, agricultural net interest, and net dividends paid by agricultural corporations.

[5] Estimates based on incomplete data; fourth quarter by Council of Economic Advisers.

[6] Not available.

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

Source: Department of Commerce (except as noted).

TABLE C–5. *Disposition of personal income, 1929–48*

Period	Personal income	Less: Personal tax and nontax payments	Equals: Disposable personal income	Less: Personal consumption expenditures	Equals: Personal net saving	Net saving as percent of disposable income
	Billions of dollars					
1929	85.1	2.6	82.5	78.8	3.7	4.5
1930	76.2	2.5	73.7	70.8	2.9	3.9
1931	64.8	1.9	63.0	61.2	1.8	2.9
1932	49.3	1.5	47.8	49.2	−1.4	−2.9
1933	46.6	1.5	45.2	46.3	−1.2	−2.7
1934	53.2	1.6	51.6	51.9	−.2	−.4
1935	59.9	1.9	58.0	56.2	1.8	3.1
1936	68.4	2.3	66.1	62.5	3.6	5.4
1937	74.0	2.9	71.1	67.1	3.9	5.5
1938	68.3	2.9	65.5	64.5	1.0	1.5
1939	72.6	2.4	70.2	67.5	2.7	3.8
1940	78.3	2.6	75.7	72.1	3.7	4.9
1941	95.3	3.3	92.0	82.3	9.8	10.7
1942	122.2	6.0	116.2	90.8	25.4	21.9
1943	149.4	17.8	131.6	101.6	30.0	22.8
1944	164.5	18.9	145.6	111.4	34.2	23.5
1945	170.3	20.9	149.4	122.8	26.6	17.8
1946	178.1	18.9	159.2	147.4	11.8	7.4
1947	195.2	21.6	173.6	164.8	8.8	5.1
1948 [1]	211.5	21.2	190.4	176.8	13.6	7.1
	Annual rates, seasonally adjusted					
1947—First half	190.3	21.3	169.0	161.2	7.9	4.7
Second half	199.9	22.0	178.0	168.4	9.6	5.4
1948—First half	208.2	22.0	186.2	174.3	11.9	6.4
Second half [1]	214.8	20.3	194.6	179.2	15.3	7.9
1947—First quarter	190.9	21.2	169.7	158.1	11.6	6.8
Second quarter	189.6	21.4	168.2	164.2	4.1	2.4
Third quarter	196.7	21.7	175.0	165.6	9.4	5.4
Fourth quarter	203.1	22.2	180.9	171.1	9.7	5.4
1948—First quarter	207.3	23.2	184.1	172.1	12.0	6.5
Second quarter	209.0	20.8	188.2	176.5	11.7	6.2
Third quarter	213.9	20.2	193.7	178.5	15.2	7.8
Fourth quarter [1]	215.8	20.4	195.4	180.0	15.4	7.9

[1] Estimates based on incomplete data; fourth quarter by Council of Economic Advisers.

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

Source: Department of Commerce (except as noted).

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

Period	Disposable personal income (billions of dollars)	Population (thousands)[1]	Consumers' price index, 1947=100	Per capita disposable personal income: Current dollars	Per capita disposable personal income: 1947 dollars[2]
1929	82.5	121,770	76.9	678	882
1930	73.7	123,077	74.9	599	800
1931	63.0	124,040	68.2	508	745
1932	47.8	124,840	61.2	383	626
1933	45.2	125,579	58.0	360	621
1934	51.6	126,374	60.0	408	680
1935	58.0	127,250	61.5	456	741
1936	66.1	128,053	62.2	516	830
1937	71.1	128,825	64.4	552	857
1938	65.5	129,825	63.2	505	799
1939	70.2	130,880	62.4	536	859
1940	75.7	131,970	62.9	574	913
1941	92.0	133,203	66.0	691	1,047
1942	116.2	134,665	[3] 73.8	863	1,169
1943	131.6	136,497	[3] 79.2	964	1,217
1944	145.6	138,083	[3] 81.4	1,054	1,295
1945	149.4	139,586	[3] 83.6	1,070	1,280
1946	159.2	141,235	[3] 89.6	1,127	1,258
1947	173.6	144,034	[3] 100.0	1,205	1,205
1948 [4]	190.4	146,571	107.4	1,299	1,209
	Annual rates, seasonally adjusted		Not adjusted for seasonal variation	Annual rates	
1947—First half	169.0	143,385	[3]97.8	1,179	1,206
Second half	178.0	144,807	102.3	1,229	1,201
1948—First half	186.2	146,018	106.1	1,275	1,202
Second half [4]	194.6	147,147	108.7	1,322	1,216
1947—First quarter	169.7	143,049	[3] 97.4	1,186	1,218
Second quarter	168.2	143,702	98.1	1,170	1,193
Third quarter	175.0	144,411	100.9	1,212	1,201
Fourth quarter	180.9	145,150	103.6	1,246	1,203
1948—First quarter	184.1	145,716	105.2	1,263	1,201
Second quarter	188.2	146,298	107.0	1,286	1,202
Third quarter	193.7	146,914	109.3	1,318	1,206
Fourth quarter [4]	195.4	147,380	108.2	1,326	1,226

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

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

[3] The consumers' price index has been roughly adjusted to take account of the understatement during the price control period. This adjustment is in line with the report of the Mitchell Committee. The unadjusted index will be found in appendix table C-20.

[4] Estimates based on incomplete data; fourth quarter by Council of Economic Advisers.

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

TABLE C–7.—*Labor force, 1929–48*

[Thousands of persons, 14 years of age and over]

Period	Total labor force (including armed forces)[1]	Armed forces[1]	Civilian labor force: Total civilian labor force	Employment: Total	Employment: Nonagricultural	Employment: Agricultural	Unemployment
Monthly average:							
1929	49, 440	260	49, 180	47, 630	37, 180	10, 450	1, 550
1930	50, 080	260	49, 820	45, 480	35, 140	10, 340	4, 340
1931	50, 680	260	50, 420	42, 400	32, 110	10, 290	8, 020
1932	51, 250	250	51, 000	38, 940	28, 770	10, 170	12, 060
1933	51, 840	250	51, 590	38, 760	28, 670	10, 090	12, 830
1934	52, 490	260	52, 230	40, 890	30, 990	9, 900	11, 340
1935	53, 140	270	52, 870	42, 260	32, 150	10, 110	10, 610
1936	53, 740	300	53, 440	44, 410	34, 410	10, 000	9, 030
1937	54, 320	320	54, 000	46, 300	36, 480	9, 820	7, 700
1938	54, 950	340	54, 610	44, 220	34, 530	9, 690	10, 390
1939	55, 600	370	55, 230	45, 750	36, 140	9, 610	9, 480
1940	56, 030	390	55, 640	47, 520	37, 980	9, 540	8, 120
1941	57, 380	1, 470	55, 910	50, 350	41, 250	9, 100	5, 560
1942	60, 230	3, 820	56, 410	53, 750	44, 500	9, 250	2, 660
1943	64, 410	8, 870	55, 540	54, 470	45, 390	9, 080	1, 070
1944	65, 890	11, 260	54, 630	53, 960	45, 010	8, 950	670
1945	65, 140	11, 280	53, 860	52, 820	44, 240	8, 580	1, 040
1946	60, 820	3, 300	57, 520	55, 250	46, 930	8, 320	2, 270
1947	61, 610	1, 440	60, 170	58, 030	49, 770	8, 260	2, 140
1948	62, 748	1, 307	61, 442	59, 378	51, 405	7, 973	2, 064
1947—First half	60, 920	1, 551	59, 368	57, 009	49, 033	7, 976	2, 359
Second half	62, 297	1, 328	60, 968	59, 044	50, 488	8, 556	1, 924
1948—First half	61, 771	1, 240	60, 531	58, 317	50, 754	7, 564	2, 214
Second half	63, 726	1, 374	62, 352	60, 439	52, 057	8, 382	1, 914
1947—January	59, 510	1, 720	57, 790	55, 390	48, 890	6, 500	2, 400
February	59, 630	1, 620	58, 010	55, 520	48, 600	6, 920	2, 490
March	59, 960	1, 570	58, 390	56, 060	48, 820	7, 240	2, 330
April	60, 650	1, 530	59, 120	56, 700	48, 840	7, 860	2, 420
May	61, 760	1, 470	60, 290	58, 330	49, 370	8, 960	1, 960
June	64, 007	1, 398	62, 609	60, 055	49, 678	10, 377	2, 555
July	64, 035	1, 371	62, 664	60, 079	50, 013	10, 066	2, 584
August	63, 017	1, 352	61, 665	59, 569	50, 594	8, 975	2, 096
September	62, 130	1, 346	60, 784	58, 872	50, 145	8, 727	1, 912
October	62, 219	1, 327	60, 892	59, 204	50, 583	8, 622	1, 687
November	61, 510	1, 294	60, 216	58, 595	50, 609	7, 985	1, 621
December	60, 870	1, 280	59, 590	57, 947	50, 985	6, 962	1, 643
1948—January	60, 455	1, 241	59, 214	57, 149	50, 089	7, 060	2, 065
February	61, 004	1, 226	59, 778	57, 139	50, 368	6, 771	2, 639
March	61, 005	1, 236	59, 769	57, 329	50, 482	6, 847	2, 440
April	61, 760	1, 236	60, 524	58, 330	50, 883	7, 448	2, 193
May	61, 660	1, 238	60, 422	58, 660	50, 800	7, 861	1, 761
June	64, 740	1, 261	63, 479	61, 296	51, 899	9, 396	2, 184
July	65, 135	1, 293	63, 842	61, 615	52, 452	9, 163	2, 227
August	64, 511	1, 325	63, 186	61, 245	52, 801	8, 444	1, 941
September	63, 578	1, 366	62, 212	60, 312	51, 590	8, 723	1, 899
October	63, 166	1, 391	61, 775	60, 134	51, 506	8, 627	1, 642
November	63, 138	1, 414	61, 724	59, 893	51, 932	7, 961	1, 831
December	62, 828	1, 453	61, 375	59, 434	52, 059	7, 375	1, 941

[1] Data for 1940–48 exclude about 150,000 members of the armed forces who were outside the continental United States in 1940 and who were therefore not enumerated in the 1940 Census. This figure is deducted by the Census Bureau from its current estimates for comparability with 1940 data.

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

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

TABLE C-8.—*Number of wage and salary workers in nonagricultural establishments, 1929–48*[1]

[Thousands of employees]

Period	Total wage and salary workers	Manufacturing			Mining	Contract construction	Transportation and public utilities	Trade	Finance	Service	Federal, State, and local government
		Total	Durable goods	Nondurable goods							
Monthly average:											
1929	31,041	10,534	(2)	(2)	1,078	1,497	3,907	6,401	1,431	3,127	3,066
1930	29,143	9,401	(2)	(2)	1,000	1,372	3,675	6,064	1,398	3,084	3,149
1931	26,383	8,021	(2)	(2)	864	1,214	3,243	5,531	1,333	2,913	3,264
1932	23,377	6,797	(2)	(2)	722	970	2,804	4,907	1,270	2,682	3,225
1933	23,466	7,258	(2)	(2)	735	809	2,659	4,999	1,225	2,614	3,167
1934	25,699	8,346	(2)	(2)	874	862	2,736	5,552	1,247	2,784	3,298
1935	26,792	8,907	(2)	(2)	888	912	2,771	5,692	1,262	2,883	3,477
1936	28,802	9,653	(2)	(2)	937	1,145	2,956	6,076	1,313	3,060	3,662
1937	30,718	10,606	(2)	(2)	1,006	1,112	3,114	6,543	1,355	3,233	3,749
1938	28,902	9,253	(2)	(2)	882	1,055	2,840	6,453	1,347	3,196	3,876
1939	30,287	10,078	4,357	5,720	845	1,150	2,912	6,705	1,382	3,228	3,987
1940	32,031	10,780	4,975	5,805	916	1,294	3,013	7,055	1,419	3,362	4,192
1941	36,164	12,974	6,485	6,488	947	1,790	3,248	7,567	1,462	3,554	4,622
1942	39,697	15,051	8,179	6,873	983	2,170	3,433	7,481	1,440	3,708	5,431
1943	42,042	17,381	10,297	7,084	917	1,567	3,619	7,322	1,401	3,786	6,049
1944	41,480	17,111	10,200	6,912	883	1,094	3,798	7,399	1,374	3,795	6,026
1945	40,069	15,302	8,477	6,825	826	1,132	3,872	7,685	1,394	3,891	5,967
1946	41,494	14,515	7,180	7,335	852	1,661	4,023	8,820	1,586	4,430	5,607
1947	43,970	15,901	8,055	7,846	911	1,921	4,060	9,450	1,656	4,622	5,449
1948 [3]	45,132	16,282	8,221	8,061	924	2,056	4,066	9,741	1,718	4,690	5,654
1947—First half	43,337	15,713	8,022	7,691	906	1,781	4,003	9,232	1,637	4,584	5,482
Second half	44,603	16,089	8,088	8,002	917	2,062	4,116	9,667	1,675	4,660	5,417
1948—First half	44,568	16,113	8,180	7,932	910	1,928	4,032	9,600	1,702	4,725	5,557
Second half [3]	45,696	16,450	8,261	8,189	938	2,185	4,101	9,882	1,734	4,656	5,751
1947—January	43,063	15,677	7,949	7,728	910	1,690	4,018	9,160	1,626	4,527	5,455
February	43,169	15,783	8,030	7,753	907	1,668	4,016	9,143	1,628	4,561	5,463
March	43,410	15,826	8,071	7,755	906	1,709	4,027	9,236	1,638	4,565	5,503
April	43,221	15,750	8,068	7,682	881	1,798	3,845	9,255	1,636	4,552	5,504
May	43,345	15,569	7,962	7,607	910	1,865	3,981	9,277	1,643	4,590	5,510
June	43,816	15,672	8,050	7,622	919	1,957	4,129	9,324	1,650	4,711	5,454
July	43,686	15,580	7,874	7,706	890	2,043	4,155	9,316	1,675	4,686	5,341
August	44,125	15,962	7,987	7,975	923	2,096	4,163	9,356	1,688	4,619	5,318
September	44,513	16,175	8,070	8,105	921	2,107	4,134	9,471	1,668	4,634	5,403
October	44,758	16,209	8,126	8,083	922	2,099	4,097	9,684	1,671	4,662	5,414
November	44,918	16,256	8,194	8,062	923	2,046	4,077	9,886	1,673	4,670	5,387
December	45,618	16,354	8,274	8,080	925	1,978	4,071	10,288	1,676	4,688	5,638
1948—January	44,603	16,267	8,256	8,011	922	1,871	4,020	9,622	1,680	4,723	5,498
February	44,279	16,183	8,167	8,016	914	1,731	4,019	9,520	1,690	4,730	5,492
March	44,600	16,269	8,258	8,011	924	1,805	4,032	9,598	1,697	4,729	5,546
April	44,299	15,950	8,164	7,786	817	1,933	3,974	9,576	1,704	4,768	5,577
May	44,616	15,892	8,114	7,778	935	2,052	4,042	9,617	1,716	4,738	5,624
June	45,009	16,115	8,122	7,993	950	2,173	4,105	9,670	1,726	4,663	5,607
July	45,098	16,172	8,165	8,007	922	2,219	4,136	9,646	1,754	4,645	5,604
August	45,478	16,441	8,188	8,253	952	2,253	4,139	9,660	1,761	4,622	5,650
September	45,875	16,683	8,280	8,403	948	2,239	4,092	9,733	1,732	4,647	5,801
October [4]	45,872	16,576	8,306	8,270	941	2,197	4,090	9,889	1,723	4,667	5,789
November [4]	45,701	16,403	8,304	8,099	934	2,150	4,076	10,033	1,718	4,673	5,714

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

[2] Not available.

[3] Includes preliminary estimates for December.

[4] Preliminary estimates based on incomplete data.

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

Source: Department of Labor.

TABLE C–9.—*Average gross weekly earnings in selected industries, 1929–48*

Period	Manufacturing: Total	Manufacturing: Durable goods	Manufacturing: Nondurable goods	Bituminous coal mining	Private building construction	Class I steam railroads	Telephone	Wholesale trade	Retail trade	Hotels (year round) [1]
Monthly average:										
1929	$25.03	$27.22	$22.93	$25.72	(2)	$28.49	(2)	(2)	(2)	(2)
1930	23.25	24.77	21.84	22.21	(2)	27.76	(2)	(2)	(2)	(2)
1931	20.87	21.28	20.50	17.69	(2)	26.76	(2)	(2)	(2)	(2)
1932	17.05	16.21	17.57	13.91	(2)	23.34	(2)	$27.72	$20.71	$14.25
1933	16.73	16.43	16.89	14.47	(2)	23.09	(2)	26.11	19.18	12.79
1934	18.40	18.87	18.05	18.10	$22.97	24.32	(2)	26.37	19.86	13.17
1935	20.13	21.52	19.11	19.58	24.51	26.76	(2)	26.93	19.96	13.57
1936	21.78	24.04	19.94	22.71	27.01	28.01	(2)	28.53	20.68	13.97
1937	24.05	26.91	21.53	23.84	30.14	29.20	$29.81	29.94	21.73	14.78
1938	22.30	24.01	21.05	20.80	29.19	30.26	31.53	29.48	21.14	14.93
1939	23.86	26.50	21.78	23.88	30.39	30.99	31.94	29.85	21.17	15.25
1940	25.20	28.44	22.27	24.71	31.70	31.55	32.44	30.39	21.17	15.52
1941	29.58	34.04	24.92	30.86	35.14	34.25	32.74	32.32	21.94	16.09
1942	36.65	42.73	29.13	35.02	41.80	38.65	33.97	35.56	23.24	17.62
1943	43.14	49.30	34.12	41.62	48.13	43.68	36.30	39.40	24.88	20.21
1944	46.08	52.07	37.12	51.27	52.18	46.06	38.39	42.29	26.58	22.65
1945	44.39	49.05	38.29	52.25	53.73	45.69	(3)	44.07	28.31	24.53
1946	43.74	46.49	41.02	58.03	56.24	[4] 51.22	44.04	48.06	32.55	26.95
1947	49.25	52.45	45.87	66.86	63.30	54.17	44.96	52.40	36.67	29.65
1948 [5]	53.12	56.73	49.33	72.09	69.57	58.70	48.75	56.41	40.26	31.77
1947—First half	47.89	50.78	44.77	64.41	60.94	52.38	40.86	51.22	35.98	29.18
Second half	50.61	54.12	46.96	69.20	65.32	56.02	47.92	53.54	37.40	30.10
1948—First half	52.06	55.23	48.67	69.77	67.57	58.70	48.06	55.64	39.08	31.31
Second half [5]	54.18	58.16	49.98	74.41	71.57	(2)	49.45	57.21	41.45	32.23
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	60.57	52.03	[6] 32.26	51.13	35.93	29.41
May	48.44	51.72	44.88	65.51	62.26	51.30	[6] 38.13	51.57	36.50	29.23
June	49.33	52.99	45.31	67.09	62.71	51.72	45.58	52.88	37.82	29.85
July	48.98	52.19	45.61	54.87	63.60	51.16	46.51	52.22	37.99	29.36
August	49.17	52.46	45.78	70.23	64.71	51.68	46.92	52.05	38.14	29.50
September	50.47	54.06	46.80	71.19	65.36	57.47	48.02	53.65	37.06	29.86
October	51.05	54.69	47.29	71.91	66.36	58.44	48.77	53.68	36.74	30.45
November	51.29	54.86	47.56	71.77	64.55	58.38	49.44	54.70	37.14	30.54
December	52.69	56.48	48.72	75.22	67.31	59.02	47.83	54.97	37.36	30.89
1948—January	52.07	55.46	48.45	75.78	66.28	59.60	48.20	54.36	37.62	30.55
February	51.75	54.77	48.56	70.54	66.31	60.54	47.82	55.87	38.33	31.19
March	52.07	55.25	48.66	74.84	66.89	58.94	47.31	55.17	38.89	30.96
April	51.79	54.96	48.33	[6] 49.53	67.31	56.86	47.56	55.84	39.27	31.59
May	51.86	54.81	48.65	74.08	68.13	57.24	48.82	56.61	39.84	31.70
June	52.85	56.13	49.37	73.87	70.49	59.05	48.67	56.00	40.52	31.88
July	52.95	56.21	49.49	67.62	71.38	58.22	49.19	56.54	41.19	32.04
August	54.05	58.19	49.79	78.10	71.89	59.17	48.35	57.51	41.19	32.34
September	54.18	57.90	50.38	74.98	72.06	(2)	49.21	57.67	40.48	32.21
October [7]	54.50	59.13	49.68	76.40	71.79	(2)	49.75	57.58	40.32	32.45
November [7]	54.49	58.58	50.14	(2)	(2)	(2)	(2)	(2)	(2)	(2)

[1] Money payments only; additional value of room, board, uniforms, and tips is not included.
[2] Not available.
[3] 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.
[4] Annual average includes retroactive pay increases not included in the monthly averages.
[5] Includes preliminary estimates for November and December except in the case of class I steam railroads for which data are available only through August.
[6] Data for these months reflect work stoppages.
[7] Preliminary estimates based on incomplete data.

NOTE.—Data are for production workers in manufacturing and mining, hourly-rated employees in railroads, and for all employees in other industries. Data are for pay-roll periods ending closest to the middle of the month except in railroads where monthly pay-roll and employment figures are used.

Source: Department of Labor.

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

Period	Manufacturing: Total	Manufacturing: Durable goods	Manufacturing: Nondurable goods	Bituminous coal mining	Private building construction	Class I steam railroads	Telephone	Wholesale trade	Retail trade	Hotels (year round) [1]
Monthly average:										
1929	$0.566	(2)	(2)	$0.681	(2)	$0.636	(2)	(2)	(2)	(2)
1930	.552	(2)	(2)	.684	(2)	.644	(2)	(2)	(2)	(2)
1931	.515	(2)	(2)	.647	(2)	.651	(2)	(2)	(2)	(2)
1932	.446	$0.497	$0.420	.520	(2)	.600	(2)	(2)	(2)	(2)
1933	.442	.472	.427	.501	(2)	.595	(2)	(2)	(2)	(2)
1934	.532	.556	.515	.673	$0.795	.602	(2)	(2)	$0.528	$0.273
1935	.550	.577	.530	.745	.815	.651	(2)	$0.648	.521	.279
1936	.556	.586	.529	.794	.824	.659	(2)	.667	.522	.287
1937	.624	.674	.577	.856	.903	.676	$0.774	.698	.551	.308
1938	.627	.686	.584	.878	.908	.712	.816	.700	.543	.315
1939	.633	.698	.582	.886	.932	.714	.822	.715	.536	.324
1940	.661	.724	.602	.883	.958	.717	.827	.739	.542	.332
1941	.729	.808	.640	.993	1.010	.751	.820	.793	.568	.348
1942	.853	.947	.723	1.059	1.148	.824	.843	.860	.614	.386
1943	.961	1.059	.803	1.139	1.252	.897	.870	.933	.670	.451
1944	1.019	1.117	.861	1.186	1.319	.938	.911	.985	.724	.505
1945	1.023	1.111	.904	1.240	1.379	.942	(3)	1.029	.773	.550
1946	1.084	1.156	1.012	1.401	1.478	[4] 1.116	1.124	1.144	.878	.612
1947	1.221	1.292	1.145	1.633	1.681	1.170	1.199	1.258	.991	.661
1948 [5]	1.327	1.401	1.247	1.896	1.865	1.272	1.243	1.362	1.068	.710
1947—First half	1.188	1.252	1.119	1.485	1.625	1.129	1.163	1.232	.971	.646
Second half	1.253	1.331	1.172	1.804	1.729	1.212	1.230	1.283	1.012	.675
1948—First half	1.295	1.361	1.223	1.838	1.817	1.272	1.233	1.341	1.054	.700
Second half [5]	1.359	1.441	1.270	1.955	1.913	(2)	1.254	1.382	1.082	.720
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	.652
March	1.180	1.236	1.119	1.484	1.610	1.130	1.124	1.231	.960	.644
April	1.186	1.243	1.122	1.483	1.632	1.119	1.174	1.229	.974	.642
May	1.207	1.278	1.130	1.470	1.655	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	1.676	1.117	1.211	1.257	1.003	.652
August	1.236	1.312	1.158	1.787	1.694	1.121	1.215	1.258	1.003	.660
September	1.249	1.331	1.165	1.819	1.723	1.244	1.230	1.281	1.012	.672
October	1.258	1.337	1.175	1.798	1.743	1.233	1.241	1.289	1.013	.684
November	1.268	1.346	1.185	1.851	1.765	1.283	1.254	1.314	1.025	.687
December	1.278	1.354	1.196	1.826	1.774	1.272	1.229	1.300	1.016	.693
1948—January	1.285	1.355	1.210	1.847	1.781	1.279	1.241	1.309	1.044	.695
February	1.287	1.352	1.217	1.826	1.806	1.302	1.238	1.343	1.050	.695
March	1.289	1.352	1.220	1.842	1.805	1.262	1.223	1.334	1.044	.695
April	1.292	1.357	1.220	1.821	1.818	1.258	1.225	1.346	1.055	.700
May	1.301	1.366	1.230	1.841	1.835	1.272	1.240	1.363	1.064	.707
June	1.316	1.385	1.242	1.850	1.858	1.259	1.232	1.353	1.070	.711
July	1.332	1.407	1.252	1.936	1.890	1.263	1.237	1.365	1.077	.714
August	1.349	1.431	1.262	1.967	1.901	1.278	1.229	1.379	1.080	.709
September	1.362	1.449	1.272	1.966	1.919	(2)	1.250	1.381	1.086	.722
October [6]	1.366	1.451	1.272	1.959	1.920	(2)	1.264	1.385	1.080	.723
November [6]	1.370	1.452	1.280	(2)	(2)	(2)	(2)	(2)	(2)	(2)

[1] Money payments only; additional value of room, board, uniforms, and tips is not included.
[2] Not available.
[3] 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.
[4] Annual average includes retroactive pay increases not included in the monthly averages.
[5] Includes preliminary estimates for November and December except in the case of class I steam railroads for which data are available only through August.
[6] Preliminary estimates based on incomplete data.

NOTE.—Data are for production workers in manufacturing and mining, hourly-rated employees in railroads, and for all employees in other industries. Data are for pay-roll periods ending closest to the middle of the month except in railroads where monthly pay-roll and employment figures are used.

Source: Department of Labor.

TABLE C-11.—*Average weekly hours in selected industries, 1929–48*

Period	Manufacturing: Total	Manufacturing: Durable goods	Manufacturing: Non-durable goods	Bituminous coal mining	Private building construction	Class I steam rail-roads	Tele-phone	Whole-sale trade	Retail trade	Hotels (year round)
Monthly average:										
1929	44.2	(1)	(1)	38.4	(1)	44.8	(1)	(1)	(1)	(1)
1930	42.1	(1)	(1)	33.5	(1)	43.1	(1)	(1)	(1)	(1)
1931	40.5	(1)	(1)	28.3	(1)	41.1	(1)	(1)	(1)	(1)
1932	38.3	32.6	41.9	27.2	(1)	38.9	(1)	(1)	(1)	(1)
1933	38.1	34.8	40.0	29.5	(1)	38.8	(1)	(1)	(1)	(1)
1934	34.6	33.9	35.1	27.0	28.9	40.4	(1)	(1)	41.5	47.2
1935	36.6	37.3	36.1	26.4	30.1	41.1	(1)	41.3	41.8	47.8
1936	39.2	41.0	37.7	28.8	32.8	42.5	(1)	42.6	43.5	48.3
1937	38.6	40.0	37.4	27.9	33.4	43.2	38.8	42.8	43.3	47.7
1938	35.6	35.0	36.1	23.5	32.1	42.5	38.9	42.2	42.6	46.8
1939	37.7	38.0	37.4	27.1	32.6	43.4	39.1	41.7	43.0	46.6
1940	38.1	39.3	37.0	28.1	33.1	44.0	39.5	41.2	42.9	46.3
1941	40.6	42.1	38.9	31.1	34.8	45.6	40.1	41.0	42.5	45.6
1942	42.9	45.1	40.3	32.9	36.4	46.9	40.5	41.3	41.6	45.3
1943	44.9	46.6	42.5	36.6	38.4	48.7	41.9	42.2	40.5	44.7
1944	45.2	46.6	43.1	43.4	39.6	49.1	42.3	42.9	40.3	44.5
1945	43.4	44.1	42.3	42.3	39.0	48.5	(2)	42.7	40.3	44.2
1946	40.4	40.2	40.5	41.6	38.1	45.9	39.4	41.8	40.5	43.9
1947	40.3	40.6	40.1	40.6	37.6	46.3	37.3	41.2	40.2	44.5
1948 [3]	40.1	40.5	39.6	37.8	37.3	46.2	39.2	41.1	40.0	44.2
1947—First half	40.3	40.6	40.0	43.1	37.5	46.4	35.0	41.2	40.1	44.6
Second half	40.4	40.6	40.1	38.3	37.8	46.2	39.0	41.3	40.2	44.4
1948—First half	40.2	40.6	39.8	37.9	37.2	46.2	39.0	41.0	39.9	44.2
Second half [3]	39.9	40.4	39.4	37.7	37.4	(1)	39.5	41.1	40.1	44.3
1947—January	40.6	40.5	40.7	46.7	37.6	46.6	38.4	41.5	39.9	43.8
February	40.4	40.5	40.4	43.6	36.9	47.0	38.0	40.8	40.1	44.3
March	40.4	40.7	40.1	43.7	38.0	46.4	37.9	40.8	40.0	44.7
April	40.1	40.5	39.6	[4] 36.4	37.1	46.5	[4] 26.9	41.2	40.0	44.9
May	40.1	40.5	39.7	44.3	37.6	45.8	[4] 31.5	41.2	40.0	45.0
June	40.2	40.7	39.8	43.7	37.8	46.1	37.5	41.6	40.8	45.2
July	39.8	40.0	39.7	[4] 31.8	38.0	45.8	38.4	41.1	41.1	44.9
August	39.8	40.0	39.5	39.1	38.2	46.1	38.7	41.1	41.0	45.0
September	40.4	40.6	40.2	39.1	37.9	46.2	39.1	41.2	40.0	44.1
October	40.6	40.9	40.2	39.9	38.1	47.4	39.3	41.3	40.0	44.0
November	40.4	40.7	40.1	38.5	36.6	45.5	39.5	41.4	39.5	44.4
December	41.2	41.7	40.8	41.2	37.9	46.4	39.0	41.6	39.7	44.1
1948—January	40.5	40.9	40.0	40.9	37.2	46.6	38.9	41.0	39.8	43.9
February	40.2	40.5	39.9	38.7	36.7	46.5	38.7	41.1	40.0	44.6
March	40.4	40.9	39.9	40.6	37.1	46.7	38.7	40.9	39.8	44.0
April	40.1	40.5	39.6	[4] 27.0	37.0	45.2	38.8	41.0	39.8	44.2
May	39.9	40.1	39.6	40.3	37.1	45.0	39.4	41.2	39.9	44.2
June	40.2	40.5	39.8	39.9	37.9	46.9	39.5	41.1	40.3	44.1
July	39.8	40.0	39.5	[4] 34.2	37.8	46.1	39.8	41.2	40.8	44.0
August	40.1	40.7	39.5	39.4	37.8	46.3	39.4	41.3	41.0	44.9
September	39.8	40.0	39.6	37.7	37.5	(1)	39.4	41.2	40.2	43.9
October [3]	39.9	40.7	39.1	38.6	37.4	(1)	39.4	41.0	39.7	44.3
November [3]	39.8	40.4	39.2	(1)	(1)	(1)	(1)	(1)	(1)	(1)

[1] Not available.
[2] Average for the year not available because new series was started in April.
[3] Includes preliminary estimates for November and December except in the case of class I steam railroads for which data are available only through August.
[4] Data for these months reflect work stoppages.

NOTE.—Data are for production workers in manufacturing and mining, hourly-rated employees in railroads, and for all employees in other industries. Data are for pay-roll periods ending closest to the middle of the month except in railroads where monthly pay-roll and employment figures are used.

Source: Department of Labor.

TABLE C-12.—*Physical production index of goods and utilities, 1929–48*

[1935-39=100 [1]]

Period	Total production	Agricultural production	Nonagricultural production: Total nonagricultural production	Industrial production: Total	Industrial production: Manufactures	Industrial production: Minerals	Construction	Transportation	Electric and gas utilities
Weights: [2]									
Total	100.0	19.2	80.8	55.4	50.6	4.8	7.6	12.9	4.9
Nonagricultural			100.0	68.5	62.6	5.9	9.4	16.0	6.1
1929	112	97	116	110	110	107	180	117	82
1930	97	95	98	91	90	93	153	104	82
1931	86	104	82	75	74	80	124	89	78
1932	70	101	63	58	57	67	79	73	71
1933	73	93	69	69	68	76	53	76	72
1934	75	79	75	75	74	80	58	83	78
1935	87	96	85	87	87	86	69	88	85
1936	99	85	102	103	104	99	101	101	97
1937	111	108	111	113	113	112	106	110	106
1938	94	105	91	89	87	97	101	95	100
1939	109	106	110	109	109	106	123	106	112
1940	122	110	124	125	126	117	133	116	123
1941	152	114	161	162	168	125	182	142	141
1942	184	128	198	199	212	129	202	180	158
1943	206	125	225	239	258	132	112	214	184
1944	202	130	219	235	252	140	60	224	193
1945	182	129	195	203	214	137	68	217	190
1946	166	134	174	170	177	134	127	198	192
1947	179	129	190	187	194	149	143	208	219
1948 [3]	186	141	197	192	198	155	163	209	244
1947—First half	(4)	(5)	189	187	194	147	134	208	218
Second half	(4)	(5)	191	186	193	152	152	208	219
1948—First half	(4)	(5)	197	192	199	153	160	208	243
Second half [3]	(4)	(5)	197	192	197	157	165	210	245

[1] All half year data have been seasonally adjusted except the electric and gas utilities for which no satisfactory adjustment factor is available.

[2] 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.

[3] Estimates based on incomplete data.

[4] Not available. See footnote 5.

[5] Because of the extreme seasonal nature of agricultural crop production, only an annual index has been computed.

Sources: Based on the following data:

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

Minerals.—Federal Reserve index of mineral production.

Manufactures.—Federal Reserve index of manufacturing production.

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

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

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

TABLE C-13.—*Industrial production index, 1929–48*

[1935–39=100, seasonally adjusted]

Period	Total industrial production	Manufactures			Minerals
		Total	Durable	Nondurable	
Monthly average:					
1929	110	110	132	93	107
1930	91	90	98	84	93
1931	75	74	67	79	80
1932	58	57	41	70	67
1933	69	68	54	79	76
1934	75	74	65	81	80
1935	87	87	83	90	86
1936	103	104	108	100	99
1937	113	113	122	106	112
1938	89	87	78	95	97
1939	109	109	109	109	106
1940	125	126	139	115	117
1941	162	168	201	142	125
1942	199	212	279	158	129
1943	239	258	360	176	132
1944	235	252	353	171	140
1945	203	214	274	166	137
1946	170	177	192	165	134
1947	187	194	220	172	149
1948 [1]	192	198	224	177	155
1947—First half	187	194	221	173	147
Second half	186	193	219	172	152
1948—First half	192	199	224	178	153
Second half [1]	192	197	225	175	157
1947—January	189	196	221	176	146
February	189	197	223	176	146
March	190	198	225	175	148
April	187	195	222	172	143
May	185	192	218	170	151
June	184	191	219	168	148
July	176	183	208	163	140
August	182	188	211	169	150
September	186	192	216	172	153
October	191	197	223	176	155
November	192	199	224	179	155
December	192	198	230	173	156
1948—January	193	201	229	178	154
February	194	201	226	180	155
March	191	200	229	177	142
April	188	195	217	177	147
May	192	197	221	178	162
June	192	198	222	179	159
July	186	191	219	169	153
August	191	197	222	176	159
September	192	199	224	178	156
October	195	202	230	179	158
November [1]	194	200	229	177	160
December [1]	191	195	226	173	155

[1] Estimates based on incomplete data.

Source: Board of Governors of the Federal Reserve System

Table C-14.—*New construction activity, 1929–48*

[Value put in place, millions of dollars]

Period	Total new construction [1]	Private construction				Public construction					
		Total private	Residential building (nonfarm)	Nonresidential building [2]	Public utility and farm	Total public	By source of funds		By type of construction		
							Federal	State and local	Military and federally financed industrial	Highways	Other public
1929	9,873	7,476	2,797	2,822	1,857	2,397	237	2,160	19	1,254	1,124
1930	8,042	5,265	1,446	2,099	1,720	2,777	338	2,439	29	1,505	1,243
1931	5,967	3,375	1,228	1,104	1,043	2,592	451	2,141	40	1,351	1,201
1932	3,290	1,467	462	499	506	1,823	510	1,313	34	961	828
1933	2,376	1,012	278	404	330	1,364	552	812	38	809	517
1934	2,805	1,235	361	455	419	1,570	720	850	58	826	686
1935	3,230	1,676	665	472	539	1,554	828	726	39	709	806
1936	4,836	2,550	1,131	712	707	2,286	1,262	1,024	33	927	1,326
1937	5,487	3,390	1,372	1,088	930	2,097	1,154	943	39	902	1,156
1938	5,186	3,076	1,511	764	801	2,110	989	1,121	74	858	1,178
1939	6,307	3,808	2,114	785	909	2,499	1,257	1,242	148	867	1,484
1940	7,042	4,390	2,355	1,028	1,007	2,652	1,397	1,255	549	882	1,221
1941	10,490	5,426	2,765	1,486	1,175	5,064	3,853	1,211	2,900	800	1,364
1942	13,412	3,007	1,315	635	1,057	10,405	9,544	861	8,453	616	1,336
1943	7,784	1,744	650	232	862	6,040	5,614	426	4,218	420	1,402
1944	4,136	1,823	535	350	938	2,313	1,912	401	1,344	346	623
1945	4,808	2,716	684	1,014	1,018	2,092	1,558	534	1,160	386	546
1946	10,458	8,253	3,183	3,346	1,724	2,205	1,074	1,131	272	772	1,161
1947	13,977	10,893	5,260	3,131	2,502	3,084	1,175	1,909	229	1,233	1,622
1948 [3]	17,666	13,631	6,980	3,615	3,036	4,035	1,339	2,696	164	1,500	2,371
	Totals for period, not adjusted for seasonal variation										
1947—First half	5,677	4,432	1,935	1,504	993	1,245	518	727	102	426	717
Second half	8,300	6,461	3,325	1,627	1,509	1,839	657	1,182	127	807	905
1948—First half	7,720	6,104	3,120	1,650	1,334	1,616	531	1,085	83	555	978
Second half [3]	9,946	7,527	3,860	1,965	1,702	2,419	808	1,611	81	945	1,393
1947—January	873	703	300	275	128	170	83	87	18	39	113
February	823	662	280	258	124	161	81	80	15	36	110
March	859	679	285	241	153	180	76	104	15	50	115
April	928	713	310	238	165	215	84	131	19	76	120
May	1,032	790	355	242	193	242	90	152	18	100	124
June	1,162	885	405	250	230	277	104	173	17	125	135
July	1,264	966	455	254	257	298	112	186	21	137	140
August	1,364	1,042	500	260	282	322	120	202	23	149	150
September	1,423	1,086	540	267	279	337	121	216	23	159	155
October	1,497	1,129	590	275	264	368	128	240	24	178	166
November	1,432	1,141	630	287	224	291	99	192	19	119	153
December	1,320	1,097	610	284	203	223	77	146	17	65	141
1948—January	1,157	948	500	273	175	209	71	138	15	56	138
February	1,009	837	400	265	172	172	55	117	12	41	119
March	1,166	940	475	266	199	226	71	155	13	57	156
April	1,311	1,024	525	264	235	287	94	193	15	98	174
May	1,461	1,120	585	277	258	341	113	228	15	136	190
June	1,616	1,235	635	305	295	381	127	254	13	167	201
July	1,715	1,318	680	324	314	397	133	264	14	169	214
August	1,799	1,354	695	332	327	445	155	290	15	200	230
September	1,782	1,332	685	334	313	450	154	296	15	190	245
October	1,707	1,265	650	333	282	442	146	296	14	180	248
November	1,552	1,178	600	330	248	374	120	254	12	126	236
December [3]	1,391	1,080	550	312	218	311	100	211	11	80	220

[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; for 1929–32 includes negligible amount of public industrial and commercial building not segregable.

[3] Estimates based on incomplete data.

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

Sources: Departments of Commerce and Labor.

TABLE C-15.—*Business expenditures for new plant and equipment, 1929–49*

[Millions of dollars]

Period	Total [1]	Manufacturing and mining			Transportation		Electric and gas utilities	Commercial and miscellaneous [2]
		Total	Manufacturing	Mining	Railroad	Other		
1929	9,165	3,596	(3)	(3)	840	(4)	(4)	4,729
1930	7,610	2,541	(3)	(3)	865	(4)	(4)	4,204
1931	4,712	1,435	(3)	(3)	360	(4)	(4)	2,917
1932	2,608	930	(3)	(3)	164	(4)	(4)	1,514
1933	2,137	992	(3)	(3)	101	(4)	(4)	1,044
1934	3,080	1,460	(3)	(3)	218	(4)	(4)	1,402
1935	3,738	1,790	(3)	(3)	166	(4)	(4)	1,782
1936	5,077	2,450	(3)	(3)	306	(4)	(4)	2,321
1937	6,730	3,330	(3)	(3)	525	(4)	(4)	2,875
1938	4,520	1,830	(3)	(3)	238	(4)	(4)	2,452
1939	5,200	2,310	1,930	380	280	280	480	1,850
1940	6,490	3,140	2,580	560	440	390	550	1,980
1941	8,190	4,080	3,400	680	560	340	710	2,490
1942	6,110	3,170	2,760	410	540	260	680	1,470
1943	4,530	2,610	2,250	360	460	190	540	730
1944	5,210	2,890	2,390	500	580	280	490	970
1945	6,630	3,650	3,210	440	550	320	630	1,480
1946	12,040	6,470	5,910	560	570	660	1,040	3,300
1947	16,180	8,150	7,460	690	910	800	1,900	4,430
1948 [5]	18,840	8,950	8,180	770	1,310	690	2,610	5,280
	Annual rates, not adjusted for seasonal variation							
1947—First half	14,200	7,220	6,600	620	760	820	1,560	3,860
Second half	18,160	9,100	8,320	780	1,060	780	2,240	5,000
1948—First half	17,980	8,640	7,880	760	1,160	740	2,280	5,160
Second half [5]	19,680	9,260	8,500	760	1,460	660	2,940	5,380
1947—First quarter	12,640	6,400	5,800	600	640	720	1,320	3,600
Second quarter	15,760	8,040	7,400	640	880	920	1,800	4,120
Third quarter	16,560	8,200	7,480	720	920	800	2,000	4,640
Fourth quarter	19,760	10,000	9,160	840	1,200	760	2,480	5,360
1948—First quarter	16,680	7,920	7,200	720	1,080	720	2,000	4,960
Second quarter	19,280	9,360	8,560	800	1,240	760	2,560	5,360
Third quarter	19,320	9,160	8,360	800	1,320	680	2,760	5,440
Fourth quarter [5]	20,040	9,360	8,640	720	1,600	640	3,120	5,320
1949—First quarter [5]	17,560	7,840	7,120	720	1,480	600	2,720	4,880

[1] Excludes agriculture.
[2] Includes trade, service, finance, and communication for all years shown. Also includes prior to 1939, transportation other than railroad, and electric and gas utilities not available separately for those years.
[3] Not available separately for years prior to 1939.
[4] Included in commercial and miscellaneous prior to 1939.
[5] Estimates for fourth quarter of 1948 and first quarter 1949 were based upon anticipated capital expenditures of business.

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

Detail will not necessarily add to totals because figures are rounded to the nearest $10,000,000.

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

TABLE C-16.—*Inventories and sales in manufacturing and trade, 1939–48*

Period	Manufacturing [1]			Wholesale [1]			Retail [2]		
	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 [3]	Sales [4]		Inventories [3]	Sales [4]		Inventories [3]	Sales [4]	
1939	11,516	5,112	2.25	3,200	2,505	1.28	5,502	3,504	1.57
1940	12,873	5,859	2.20	3,357	2,790	1.20	6,011	3,866	1.55
1941	17,024	8,172	2.08	4,151	3,650	1.14	7,620	4,624	1.65
1942	19,221	10,346	1.86	3,702	4,016	.92	7,874	4,803	1.64
1943	19,897	12,603	1.58	3,577	4,330	.83	7,350	5,310	1.38
1944	19,122	13,402	1.43	3,686	4,505	.82	7,396	5,798	1.28
1945	17,924	12,371	1.45	4,216	4,777	.88	7,502	6,387	1.17
1946	23,435	12,020	1.95	5,823	6,138	.95	11,049	8,399	1.32
1947	28,020	15,671	1.79	7,545	7,304	1.03	12,953	9,860	1.31
1947—First half	26,479	14,947	1.77	6,837	6,787	1.01	11,948	9,520	1.26
Second half	28,020	16,396	1.71	7,545	7,820	.96	12,953	10,202	1.27
1948—First half	29,727	17,129	1.74	8,011	7,558	1.06	14,065	10,660	1.32
1947—January	24,213	14,453	1.68	6,135	6,967	.88	11,427	9,156	1.25
February	24,831	14,175	1.75	6,398	6,459	.99	11,653	9,354	1.25
March	25,398	15,546	1.63	6,841	6,796	1.01	11,832	9,453	1.25
April	25,853	15,398	1.68	6,749	6,843	.99	11,974	9,648	1.24
May	26,440	15,048	1.76	6,690	6,859	.98	11,772	9,697	1.21
June	26,479	15,063	1.76	6,837	6,800	1.01	11,948	9,810	1.22
July	26,846	14,361	1.87	6,699	7,096	.94	11,925	9,822	1.21
August	27,051	15,257	1.77	7,068	7,072	1.00	11,944	9,786	1.22
September	27,055	16,597	1.63	7,233	7,763	.93	12,073	10,264	1.18
October	27,397	18,082	1.52	7,342	8,716	.84	12,435	10,292	1.21
November	27,627	16,554	1.67	7,467	8,013	.93	12,621	10,426	1.21
December	28,020	17,523	1.60	7,545	8,262	.91	12,953	10,620	1.22
1948—January	28,501	16,552	1.72	7,850	7,692	1.02	13,384	10,464	1.28
February	28,768	16,225	1.77	7,885	7,121	1.11	13,751	10,463	1.31
March	29,064	18,117	1.60	7,869	7,726	1.02	14,040	10,658	1.32
April	29,161	17,229	1.69	7,777	7,652	1.02	13,907	10,891	1.28
May	29,437	16,777	1.75	7,801	7,389	1.06	13,951	10,620	1.31
June	29,727	17,871	1.66	7,953	7,766	1.03	14,065	10,862	1.29
July	30,236	16,403	1.84	7,930	7,796	1.02	14,080	10,857	1.30
August	30,429	18,169	1.67	8,100	8,161	.99	14,145	10,893	1.30
September	30,710	18,781	1.64	8,243	8,286	.99	14,531	10,968	1.32
October [5]	30,784	18,894	1.63	8,394	8,376	1.00	14,514	10,906	1.33
November [5]	31,000	18,200	1.70	8,536	8,248	1.03	14,652	10,775	1.36

[1] Not adjusted for seasonal variation.
[2] Adjusted for seasonal variation.
[3] Book value, end of period.
[4] Monthly average shown for year and half year and total for month.
[5] Preliminary figures based on incomplete data.

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

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

TABLE C-17.—*Inventories and sales, by durable and nondurable goods, in manufacturing and trade, 1939–48*

[Not adjusted for seasonal variation]

Period	Total			Durable goods			Nondurable goods		
	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 [1]	Sales [2]		Inventories [1]	Sales [2]		Inventories [1]	Sales [2]	
1939	20,001	11,119	1.80	7,938	3,335	2.38	12,063	7,784	1.55
1940	21,997	12,515	1.76	9,260	4,173	2.24	12,737	8,342	1.53
1941	28,437	16,376	1.74	12,159	6,027	2.02	16,278	10,349	1.57
1942	30,230	19,165	1.58	13,297	6,668	1.99	16,933	12,497	1.35
1943	30,346	22,242	1.36	13,405	8,100	1.65	16,941	14,142	1.20
1944	29,714	23,704	1.25	12,559	8,543	1.47	17,155	15,161	1.13
1945	29,189	23,535	1.24	11,230	7,660	1.47	17,959	15,875	1.13
1946	39,846	26,556	1.50	15,964	7,735	2.06	23,882	18,821	1.27
1947	47,987	30,643	1.57	20,003	10,616	1.88	27,984	20,027	1.40
1947—First half	44,910	30,831	1.46	18,953	10,133	1.87	25,957	20,698	1.25
Second half	47,991	34,841	1.38	20,007	11,098	1.80	27,984	23,743	1.18
1948—First half	51,354	34,908	1.47	21,704	11,483	1.89	29,650	23,425	1.27
1947—January	41,237	29,718	1.39	16,632	9,372	1.77	24,605	20,346	1.21
February	42,759	28,510	1.50	17,454	9,269	1.88	25,305	19,241	1.32
March	44,276	31,678	1.40	18,227	10,342	1.76	26,049	21,336	1.22
April	44,781	31,725	1.41	18,665	10,713	1.74	26,116	21,012	1.24
May	44,900	31,945	1.41	18,864	10,613	1.78	26,036	21,332	1.23
June	44,910	31,409	1.43	18,953	10,491	1.81	25,957	20,918	1.22
July	44,976	30,917	1.45	19,041	9,856	1.93	25,935	21,061	1.23
August	45,934	32,113	1.43	19,416	10,184	1.91	26,518	21,929	1.21
September	46,443	34,612	1.34	19,536	11,072	1.76	26,907	23,540	1.14
October	47,838	37,739	1.27	19,808	12,202	1.62	28,030	25,537	1.10
November	48,581	35,239	1.38	19,860	11,122	1.79	28,721	24,117	1.19
December	47,991	38,426	1.25	20,007	12,151	1.65	27,984	26,275	1.06
1948—January	49,130	33,939	1.45	20,408	10,625	1.92	28,722	23,314	1.23
February	50,278	32,267	1.59	20,823	10,495	1.98	29,455	21,772	1.35
March	51,213	36,476	1.40	21,328	12,235	1.74	29,885	24,241	1.23
April	51,102	35,495	1.44	21,441	11,924	1.80	29,661	23,571	1.26
May	51,230	34,878	1.47	21,515	11,403	1.89	29,715	23,475	1.27
June	51,296	36,392	1.41	21,646	12,216	1.78	29,650	24,176	1.23
July	51,763	34,936	1.48	21,756	11,749	1.86	30,007	23,187	1.29
August	52,500	37,004	1.42	21,787	12,705	1.72	30,713	24,299	1.26
September	53,655	38,125	1.41	22,191	13,027	1.71	31,464	25,098	1.25
October	54,526	38,741	1.41	22,527	13,303	1.69	31,999	25,438	1.26
November	55,337	37,286	1.48	22,852	12,733	1.79	32,485	24,553	1.32

[1] Book value, end of period.
[2] Monthly average shown for year and half-year and total for month.

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

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

TABLE C-18.—*Sales, stocks, and outstanding orders at 296 department stores, 1939–48*

Period	Millions of dollars [1]			Ratio of stocks to sales	Ratio of orders to sales	Ratio of orders to stocks
	Sales (total for month)	Stocks (end of month)	Outstanding orders (end of month)			
Monthly average:						
1939	128	344	(2)	2.69	(2)	(2)
1940	136	353	108	2.60	0.79	0.31
1941	156	419	194	2.69	1.24	.46
1942	179	599	263	3.35	1.47	.44
1943	204	508	530	2.49	2.60	1.04
1944	227	534	560	2.35	2.47	1.05
1945	255	563	729	2.21	2.86	1.29
1946	318	714	909	2.25	2.86	1.27
1947	336	823	553	2.45	1.65	.67
1948 [3]	329	918	483	2.79	1.47	.53
1947—First half	299	817	487	2.73	1.63	.60
Second half	373	828	619	2.22	1.66	.75
1948—First half	316	887	464	2.81	1.47	.52
Second half [3]	344	955	505	2.78	1.47	.53
1947—January	255	766	619	3.00	2.43	.81
February	250	835	607	3.34	2.43	.73
March	331	866	489	2.62	1.48	.56
April	321	850	386	2.65	1.20	.45
May	336	817	354	2.43	1.05	.43
June	304	765	469	2.52	1.54	.61
July	253	731	598	2.89	2.36	.82
August	274	789	625	2.88	2.28	.79
September	341	827	677	2.43	1.99	.82
October	367	913	664	2.49	1.81	.73
November	416	941	605	2.26	1.45	.64
December	584	770	544	1.32	.93	.71
1948—January	271	789	633	2.91	2.34	.80
February	263	878	575	3.34	2.19	.65
March	355	941	420	2.65	1.18	.45
April	331	938	356	2.83	1.08	.38
May	339	919	339	2.71	1.00	.37
June	336	859	462	2.56	1.38	.54
July	268	827	551	3.09	2.06	.67
August	295	893	545	3.03	1.85	.61
September	357	944	539	2.64	1.51	.57
October	387	1,058	507	2.73	1.31	.48
November	412	1,051	385	2.55	.93	.37

[1] Not adjusted for seasonal variation.
[2] Not available.
[3] Estimates based on incomplete data.

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

Detail will not necessarily add to totals because of rounding.

Source: Board of Governors of the Federal Reserve System.

TABLE C-19.—*Distribution of selected agricultural products moving into consumption channels, 1939 and 1946–48*

Commodity and year	Distribution of supplies: Total [1]	Exports and shipments [1]	Military distribution	Civilian distribution	Per capita civilian distribution	Exports and shipments, as a percent of total distribution
Food:	*Million pounds*	*Million pounds*	*Million pounds*	*Million pounds*		
Meat (carcass equivalent):					*Pounds*	*Percent*
1939	17,739	246	----------	17,493	132.8	1.4
1946	23,469	1,215	887	21,367	153.4	5.2
1947	23,252	366	644	22,242	155.0	1.6
1948 [2]	21,792	166	394	21,232	145	.8
Dairy products (milk equivalent):						
1939	108,985	429	----------	108,556	824	.4
1946	121,612	6,353	2,593	112,666	809	5.2
1947	119,621	4,586	1,391	113,644	792	3.8
1948 [2]	116,573	2,766	1,512	112,295	768	2.4
Food fats and oils, excluding butter (fat content basis):						
1939	4,612	365	----------	4,247	32.2	7.9
1946	5,067	669	41	4,357	31.3	13.2
1947	5,373	617	60	4,696	32.8	11.5
1948 [2]	5,425	468	52	4,905	33.6	8.6
Canned fruit, excluding fruit juices (processed weight):						
1938–39 pack year	2,361	359	----------	2,002	15.3	15.2
1946	3,224	202	89	2,933	21.1	6.3
1947	3,032	244	77	2,711	18.9	8.0
1948 [2]	3,007	85	110	2,812	19.2	2.8
Dried fruit (processed weight):						
1938–39 marketing year	1,186	478	----------	708	5.4	40.3
1945–46 marketing year	1,110	288	25	797	5.9	25.9
1946–47 marketing year	954	299	14	641	4.5	31.3
1947–48 marketing year	1,159	497	9	653	4.5	42.9
Fresh fruits (farm weight):						
1939	21,359	1,277	----------	20,082	152.5	6.0
1946	21,203	1,167	484	19,552	140.4	5.5
1947	22,547	1,445	213	20,889	145.6	6.4
1948 [2]	20,724	913	162	19,649	134.4	4.4
Canned vegetables (processed weight):						
1938–39 pack year	4,163	57	----------	4,106	31.3	1.4
1946	6,948	361	151	6,436	46.2	5.2
1947	6,242	222	214	5,806	40.5	3.6
1948 [2]	6,020	100	345	5,575	38.1	1.7
Fresh vegetables (farm weight):						
1939	32,153	134	----------	32,019	243	.4
1946	38,608	494	470	37,644	270	1.3
1947	36,677	475	208	35,994	251	1.3
1948 [2]	37,417	175	250	36,992	253	.5
	Million dozen	*Million dozen*	*Million dozen*	*Million dozen*	*Number of eggs*	
Eggs (fresh egg equivalent):						
1939	3,418	3	----------	3,415	311	.1
1946	4,846	414	94	4,338	374	8.5
1947	4,850	229	79	4,542	380	4.7
1948 [2]	4,896	194	86	4,616	379	4.0

See footnote at end of table.

TABLE C–19.—*Distribution of selected agricultural products moving into consumption channels, 1939 and 1946–48*—Continued

Commodity and year	Distribution of supplies: Total [1]	Distribution of supplies: Exports and shipments [1]	Distribution of supplies: Military distribution	Distribution of supplies: Civilian distribution	Per capita civilian distribution	Exports and shipments, as a percent of total distribution
Food and nonfood:	*Million bushels*	*Million bushels*	*Million bushels*	*Million bushels*	*Pounds food use*	
Wheat (grain equivalent):[3]						
1939	782	93	----------	689	218	11.9
1946	1,193	357	4	832	209	29.9
1947	1,210	494	7	709	204	40.8
1948 [2]	1,310	520	5	785	203	39.7
Corn (grain equivalent):						
1939	2,169	33	----------	2,136	62	1.5
1946	2,658	24	2	2,632	65	.9
1947	2,795	130	1	2,664	69	4.7
1948 [2]	2,343	27	1	2,315	58	1.2
Nonfood:	*Thousand bales* [4]	*Thousand bales* [4]		*Thousand bales* [4]	*Pounds*	
Cotton:						
1938–39 crop year	10,264	3,629	----------	[5] 6,635	[5] 24.8	35.4
1945–46 crop year	12,796	4,205	----------	[5] 8,591	[5] 29.8	32.9
1946–47 crop year	13,592	4,597	----------	[5] 8,995	[5] 30.7	33.8
1947–48 crop year	11,337	3,228	----------	[5] 8,109	[5] 27.2	28.5
	Million pounds	*Million pounds*		*Million pounds*		
Tobacco: [6]						
1938–39 crop year	1,520	[7] 540	----------	[5] 980	[5] 7.5	35.5
1945–46 crop year	2,020	[7] 660	----------	[5] 1,360	[5] 9.6	32.7
1946–47 crop year	2,100	[7] 730	----------	[5] 1,370	[5] 9.5	34.8
1947–48 crop year	1,960	[7] 520	----------	[5] 1,440	[5] 9.8	26.5

[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 first 8 months and forecasts for balance of year.
[3] Includes amounts used for animal feed, industrial raw materials, and seed, except in per capita column. If these amounts were excluded the percentages in the last column would be: 1939, 16.3; 1946, 42.2; 1947, 49.9; 1948, 51.0.
[4] Thousands of "running" bales, equal to about 490 pounds net per bale. Exports include cotton textiles and yarns, on a raw cotton equivalent.
[5] Estimated domestic distribution (i. e., U. S. civilian plus U. S. military).
[6] Domestically produced tobacco on a farm-sales weight equivalent basis, and imported tobacco on an unstemmed-weight basis.
[7] Includes unmanufactured tobacco and an estimated farm-sales weight equivalent of the tobacco used in the exports of manufactured tobacco products.

Source: Department of Agriculture.

TABLE C-20.—*Consumers' price index, 1929–48*

For moderate-income families in large cities

[1935-39=100]

Period	All items	Food	Apparel	Rent	Fuel, electricity, and refrigeration	House furnishings	Miscellaneous
Monthly average:							
1929	122.5	132.5	115.3	141.4	112.5	111.7	104.6
1930	119.4	126.0	112.7	137.5	111.4	108.9	105.1
1931	108.7	103.9	102.6	130.3	108.9	98.0	104.1
1932	97.6	86.5	90.8	116.9	103.4	85.4	101.7
1933	92.4	84.1	87.9	100.7	100.0	84.2	98.4
1934	95.7	93.7	96.1	94.4	101.4	92.8	97.9
1935	98.1	100.4	96.8	94.2	100.7	94.8	98.1
1936	99.1	101.3	97.6	96.4	100.2	96.3	98.7
1937	102.7	105.3	102.8	100.9	100.2	104.3	101.0
1938	100.8	97.8	102.2	104.1	99.9	103.3	101.5
1939	99.4	95.2	100.5	104.3	99.0	101.3	100.7
1940	100.2	96.6	101.7	104.6	99.7	100.5	101.1
1941	105.2	105.5	106.3	106.2	102.2	107.3	104.0
1942	116.5	123.9	124.2	108.5	105.4	122.2	110.9
1943	123.6	138.0	129.7	108.0	107.7	125.6	115.8
1944	125.5	136.1	138.8	108.2	109.8	136.4	121.3
1945	128.4	139.1	145.9	108.3	110.3	145.8	124.1
1946	139.3	159.6	160.2	108.6	112.4	159.2	128.8
1947	159.2	193.8	185.8	111.2	121.1	184.4	139.9
1948 [1]	171.2	210.7	197.7	117.2	133.6	195.6	149.6
1947—First half	155.4	187.0	183.4	109.0	117.7	181.5	138.3
Second half	163.0	200.7	188.1	113.4	124.6	187.4	141.6
1948—First half	169.1	208.3	195.7	116.4	130.8	193.9	147.0
Second half [1]	173.7	213.5	200.2	118.2	136.9	197.6	152.7
1946—June	133.3	145.6	157.2	108.5	110.5	156.1	127.9
1947—January	153.3	183.8	179.0	108.8	117.3	179.1	137.1
February	153.2	182.3	181.5	108.9	117.5	180.8	137.4
March	156.3	189.5	184.3	109.0	117.6	182.3	138.2
April	156.2	188.0	184.9	109.0	118.4	182.5	139.2
May	156.0	187.6	185.0	109.2	117.7	181.9	139.0
June	157.1	190.5	185.7	109.2	117.7	182.6	139.1
July	158.4	193.1	184.7	110.0	119.5	184.3	139.5
August	160.3	196.5	185.9	111.2	123.8	184.2	139.8
September	163.8	203.5	187.6	113.6	124.6	187.5	140.8
October	163.8	201.6	189.0	114.9	125.2	187.8	141.8
November	164.9	202.7	190.2	115.2	126.9	188.9	143.0
December	167.0	206.9	191.2	115.4	127.8	191.4	144.4
1948—January	168.8	209.7	192.1	115.9	129.5	192.3	146.4
February	167.5	204.7	195.1	116.0	130.0	193.0	146.4
March	166.9	202.3	196.3	116.3	130.3	194.9	146.2
April	169.3	207.9	196.4	116.3	130.7	194.7	147.8
May	170.5	210.9	197.5	116.7	131.8	193.6	147.5
June	171.7	214.1	196.9	117.0	132.6	194.8	147.5
July	173.7	216.8	197.1	117.3	134.8	195.9	150.8
August	174.5	216.6	199.7	117.7	136.8	196.3	152.4
September	174.5	215.2	201.0	118.5	137.3	198.1	152.7
October	173.6	211.5	201.6	118.7	137.8	198.8	153.7
November	172.2	207.5	201.4	118.8	137.9	198.7	153.9

[1] Estimates based on data available through November 1948.

Source: Department of Labor.

TABLE C-21.—*Wholesale price index, 1929–48*

[1926=100]

Period	All commodities	Farm products	Foods	Other than farm products and foods: Total	Hides and leather products	Textile products	Fuel and lighting materials	Metals and metal products	Building materials	Chemicals and allied products	House furnishing goods	Miscellaneous
Average:												
1929	95.3	104.9	99.9	91.6	109.1	90.4	83.0	100.5	95.4	94.0	94.3	82.6
1930	86.4	88.3	90.5	85.2	100.0	80.3	78.5	92.1	89.9	88.7	92.7	77.7
1931	73.0	64.8	74.6	75.0	86.1	66.3	67.5	84.5	79.2	79.3	84.9	69.8
1932	64.8	48.2	61.0	70.2	72.9	54.9	70.3	80.2	71.4	73.9	75.1	64.4
1933	65.9	51.4	60.5	71.2	80.9	64.8	66.3	79.8	77.0	72.1	75.8	62.5
1934	74.9	65.3	70.5	78.4	86.6	72.9	73.3	86.9	86.2	75.3	81.5	69.7
1935	80.0	78.8	83.7	77.9	89.6	70.9	73.5	86.4	85.3	79.0	80.6	68.3
1936	80.8	80.9	82.1	79.6	95.4	71.5	76.2	87.0	86.7	78.7	81.7	70.5
1937	86.3	86.4	85.5	85.3	104.6	76.3	77.6	95.7	95.2	82.6	89.7	77.8
1938	78.6	68.5	73.6	81.7	92.8	66.7	76.5	95.7	90.3	77.0	86.8	73.3
1939	77.1	65.3	70.4	81.3	95.6	69.7	73.1	94.4	90.5	76.0	86.3	74.8
1940	78.6	67.7	71.3	83.0	100.8	73.8	71.7	95.8	94.8	77.0	88.5	77.3
1941	87.3	82.4	82.7	89.0	108.3	84.8	76.2	99.4	103.2	84.4	94.3	82.0
1942	98.8	105.9	99.6	95.5	117.7	96.9	78.5	103.8	110.2	95.5	102.4	89.7
1943	103.1	122.6	106.6	96.9	117.5	97.4	80.8	103.8	111.4	94.9	102.7	92.2
1944	104.0	123.3	104.9	98.5	116.7	98.4	83.0	103.8	115.5	95.2	104.3	93.6
1945	105.8	128.2	106.2	99.7	118.1	100.1	84.0	104.7	117.8	95.2	104.5	94.7
1946	121.1	148.9	130.7	109.5	137.2	116.3	90.1	115.5	132.6	101.4	111.6	100.3
1947	152.1	181.2	168.7	135.2	182.4	141.7	108.7	145.0	179.7	127.3	131.1	115.5
1948 [1]	164.9	188.4	179.1	150.6	188.5	148.5	134.2	163.6	198.5	134.5	144.4	120.5
1947—First half	146.7	174.7	161.8	131.0	173.8	139.7	101.2	140.8	175.2	128.5	128.7	114.1
Second half	157.2	187.3	175.4	139.3	191.1	143.6	115.8	149.1	183.8	126.3	133.4	116.6
1948—First half	163.5	190.4	176.9	148.5	190.1	149.5	131.5	156.4	194.6	136.0	142.2	121.6
Second half [1]	166.4	186.4	181.2	152.8	186.9	147.4	136.8	170.8	202.5	132.9	146.6	119.5
1946—June	112.9	140.1	112.9	105.6	122.4	109.2	87.8	112.2	129.9	96.4	110.4	98.5
1947—January	142.0	165.0	156.6	128.4	176.2	138.2	97.7	139.0	170.2	128.3	126.5	110.9
February	145.2	170.4	162.3	129.4	174.1	139.5	98.2	139.6	174.8	129.3	128.3	111.7
March	150.0	182.6	167.9	131.7	175.1	140.5	100.7	141.1	177.5	132.2	129.0	115.6
April	148.0	176.9	162.4	132.4	172.1	140.3	103.2	141.3	178.1	133.5	129.1	116.1
May	147.3	175.4	159.6	132.3	171.5	139.9	103.4	141.9	176.2	127.1	129.5	116.9
June	147.7	177.8	161.8	131.6	173.8	139.9	104.0	142.0	174.1	120.8	129.7	113.5
July	150.6	181.4	167.1	133.5	179.1	140.5	109.0	143.1	175.5	118.8	129.8	113.2
August	153.7	181.6	172.3	136.2	182.8	141.8	112.6	148.5	179.6	117.5	129.9	113.1
September	157.4	186.4	179.2	138.3	185.6	142.4	114.2	150.1	183.4	122.3	131.3	115.9
October	158.5	189.7	177.7	140.1	193.1	143.4	116.1	150.5	185.8	128.6	132.4	117.1
November	159.6	187.9	177.9	142.1	202.5	145.2	118.2	150.8	187.7	135.8	137.5	118.8
December	163.2	196.7	178.4	145.5	203.4	148.0	124.6	151.5	191.0	135.0	139.4	121.5
1948—January	165.7	199.2	179.9	148.3	200.3	148.4	130.0	154.3	193.3	138.8	141.3	123.6
February	160.9	185.3	172.4	147.6	192.8	148.9	130.8	155.3	192.7	134.6	141.8	120.1
March	161.4	186.0	173.8	147.7	185.4	149.8	130.9	155.9	193.1	136.1	142.0	120.8
April	162.8	186.7	176.7	148.7	186.1	150.3	131.6	157.2	195.0	136.2	142.3	121.8
May	163.9	189.1	177.4	149.1	188.4	150.2	132.6	157.1	196.4	134.7	142.6	121.5
June	166.2	196.0	181.4	149.5	187.7	149.6	133.1	158.5	196.8	135.8	143.2	121.5
July	168.7	195.2	188.3	151.1	189.2	149.4	135.7	162.2	199.9	134.4	144.5	120.3
August	169.5	191.0	189.5	153.1	188.4	148.9	136.6	170.9	203.6	132.0	145.4	119.7
September	168.7	189.9	186.9	153.3	187.5	147.9	136.7	172.0	204.0	133.3	146.6	119.9
October	165.2	183.5	178.2	153.1	185.5	146.9	137.2	172.4	203.5	134.4	147.4	119.0
November	163.9	180.8	174.3	153.3	186.2	146.1	137.3	173.3	202.9	133.2	148.2	119.2
December [1]	162.3	178.0	169.8	152.9	184.4	145.4	137.4	173.8	201.2	130.0	147.5	118.7

[1] Estimates based on incomplete data.

Source: Department of Labor.

TABLE C–22.—*Indexes of prices received and prices paid by farmers and parity ratio, 1929–48*

Period	Prices received [1]	Prices paid (including interest and taxes) [2]	Parity ratio [3]
Monthly average:			
1929	149	167	89
1930	128	160	80
1931	90	141	64
1932	68	124	55
1933	72	120	60
1934	90	129	70
1935	109	130	84
1936	114	127	90
1937	122	133	92
1938	97	126	77
1939	95	124	77
1940	100	125	80
1941	124	132	94
1942	159	150	106
1943	192	162	119
1944	195	169	115
1945	202	172	117
1946	233	193	121
1947	278	231	120
1948	287	249	115
1947—First half	270	225	120
Second half	286	238	120
1948—First half	291	249	117
Second half	283	249	114
1947—January	260	215	121
February	262	221	119
March	280	226	124
April	276	229	121
May	272	228	119
June	271	230	118
July	276	230	120
August	276	234	118
September	286	238	120
October	289	239	121
November	287	241	119
December	301	245	123
1948—January	307	251	122
February	279	248	112
March	283	247	115
April	291	249	117
May	289	250	116
June	295	251	118
July	301	251	120
August	293	251	117
September	290	250	116
October	277	249	111
November	271	247	110
December	268	247	109

[1] August 1909 to July 1914=100.
[2] 1910–14=100.
[3] Ratio of prices received to prices paid (including interest and taxes).

Source: Department of Agriculture.

TABLE C-23.—*Consumer credit outstanding, 1929–48*

[Millions of dollars]

End of period	Total consumer credit	Instalment credit			Charge accounts	Other consumer credit [2]
		Total	Automobile sale credit	Other [1]		
1929	7,628	3,158	1,318	1,840	1,749	2,721
1930	6,821	2,688	928	1,760	1,611	2,522
1931	5,518	2,204	637	1,567	1,381	1,933
1932	4,085	1,518	322	1,196	1,114	1,453
1933	3,912	1,588	459	1,129	1,081	1,243
1934	4,389	1,860	576	1,284	1,203	1,326
1935	5,434	2,622	940	1,682	1,292	1,520
1936	6,788	3,518	1,289	2,229	1,419	1,851
1937	7,480	3,960	1,384	2,576	1,459	2,061
1938	7,047	3,595	970	2,625	1,487	1,965
1939	7,969	4,424	1,267	3,157	1,544	2,001
1940	9,115	5,417	1,729	3,688	1,650	2,048
1941	9,862	5,887	1,942	3,945	1,764	2,211
1942	6,452	2,922	482	2,440	1,513	2,017
1943	5,310	1,933	175	1,758	1,498	1,879
1944	5,747	2,005	200	1,805	1,758	1,984
1945	6,598	2,325	227	2,098	1,981	2,292
1946	10,101	3,910	544	3,366	3,054	3,137
1947	13,426	6,187	1,151	5,036	3,612	3,627
1948 [3]	16,100	8,200	2,000	6,200	4,000	3,900
1947—January	9,977	3,999	581	3,418	2,764	3,214
February	9,980	4,115	631	3,484	2,602	3,263
March	10,349	4,297	691	3,606	2,768	3,284
April	10,608	4,510	753	3,757	2,782	3,316
May	10,918	4,720	816	3,904	2,835	3,363
June	11,224	4,909	880	4,029	2,887	3,428
July	11,304	5,042	922	4,120	2,786	3,476
August	11,441	5,180	965	4,215	2,755	3,506
September	11,698	5,300	1,004	4,296	2,864	3,534
October	12,074	5,480	1,047	4,433	3,029	3,565
November	12,663	5,758	1,099	4,659	3,309	3,596
December	13,426	6,187	1,151	5,036	3,612	3,627
1948—January	13,127	6,221	1,202	5,019	3,240	3,666
February	13,053	6,299	1,254	5,045	3,061	3,693
March	13,539	6,555	1,367	5,188	3,275	3,709
April	13,762	6,797	1,468	5,329	3,236	3,729
May	13,986	6,993	1,536	5,457	3,245	3,748
June	14,321	7,185	1,602	5,583	3,352	3,784
July	14,354	7,369	1,689	5,680	3,185	3,800
August	14,522	7,578	1,781	5,797	3,130	3,814
September	14,815	7,774	1,858	5,916	3,227	3,814
October [4]	15,102	7,817	1,889	5,928	3,457	3,828
November [4]	15,319	7,917	1,936	5,981	3,557	3,845
December [3]	16,100	8,200	2,000	6,200	4,000	3,900

[1] Includes other sale credit and repair and modernization loans insured by Federal Housing Administration.
[2] Includes single-payment loans of commercial banks, and pawnbrokers and service credit.
[3] Estimates by Council of Economic Advisers.
[4] Estimates based on incomplete data.

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

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

TABLE C-24.—*Loans and investments of all commercial banks, 1929–48*

[Billions of dollars]

End of month	Total loans and investments	Loans	Investments		
			Total	U. S. Government obligations	Other securities
1929—June [1]	49.4	35.7	13.7	4.9	8.7
1930—June [1]	48.9	34.5	14.4	5.0	9.4
1931—June [1]	44.9	29.2	15.7	6.0	9.7
1932—June [1]	36.1	21.8	14.3	6.2	8.1
1933—June [1]	30.4	16.3	14.0	7.5	6.5
1934—June [1]	32.7	15.7	17.0	10.3	6.7
1935—June [1]	34.6	14.9	19.7	12.7	7.0
1936—December	39.5	16.4	23.1	15.3	7.8
1937—December	38.3	17.1	21.2	14.2	7.1
1938—December	38.7	16.4	22.3	15.1	7.2
1939—December	40.7	17.2	23.4	16.3	7.1
1940—December	43.9	18.8	25.1	17.8	7.4
1941—December	50.7	21.7	29.0	21.8	7.2
1942—December	67.4	19.2	48.2	41.4	6.8
1943—December	85.1	19.1	66.0	59.8	6.1
1944—December	105.5	21.6	83.9	77.6	6.3
1945—December	124.0	26.1	97.9	90.6	7.3
1946—June	119.4	27.1	92.3	84.5	7.8
December	114.0	31.1	82.9	74.8	8.1
1947—June	112.8	33.7	79.1	70.5	8.5
December	116.3	38.1	78.2	69.2	9.0
1948—June	113.9	39.9	74.0	64.8	9.2
December [2]	114.2	42.3	71.9	62.8	9.1

[1] Complete end-of-year figures are not available for years prior to 1936.
[2] Estimates by Council of Economic Advisers.

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

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

TABLE C-25.—*Adjusted deposits of all banks and currency outside banks, 1929–48*

[Billions of dollars]

End of period	Total deposits adjusted and currency outside banks	U. S. Government deposits [1]	Other deposits and currency outside banks			
			Total	Demand deposits adjusted [2]	Time deposits [3]	Currency outside banks
1929	54.7	0.2	54.6	22.8	28.2	3.6
1930	53.6	.3	53.2	21.0	28.7	3.6
1931	48.3	.5	47.9	17.4	26.0	4.5
1932	45.4	.5	44.9	15.7	24.5	4.7
1933	42.5	1.0	41.5	15.0	21.7	4.8
1934	48.0	1.7	46.3	18.5	23.2	4.7
1935	52.2	.9	51.3	22.1	24.2	4.9
1936	57.4	1.0	56.4	25.5	25.4	5.5
1937	56.6	.8	55.8	24.0	26.2	5.6
1938	59.0	.9	58.1	26.0	26.3	5.8
1939	64.1	.8	63.3	29.8	27.1	6.4
1940	70.8	.8	70.0	34.9	27.7	7.3
1941	78.2	1.9	76.3	39.0	27.7	9.6
1942	99.7	8.4	91.3	48.9	28.4	13.9
1943	122.8	10.4	112.4	60.8	32.7	18.8
1944	151.0	20.8	130.2	66.9	39.8	23.5
1945	175.4	24.6	150.8	75.9	48.5	26.5
1946—June	171.2	13.4	157.8	79.5	51.8	26.5
December	167.1	3.1	164.0	83.3	54.0	26.7
1947—June	165.5	1.4	164.1	82.1	55.7	26.3
December	171.4	1.5	170.0	87.1	56.4	26.5
1948—June	167.9	2.2	165.7	82.7	57.4	25.6
December [4]	170.1	2.1	168.0	84.7	57.4	25.9

[1] Beginning with December 1938, 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] Estimates by Council of Economic Advisers.

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

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

TABLE C-26.—*Estimated ownership of Federal securities, 1939–48*

[Billions of dollars—par values [1]]

End of period	Gross debt and guaranteed obligations outstanding							
	Total	Held by U. S. Government agencies and trust funds	Held by public					
			Total	State and local governments [2]	Commercial banks [3]	Federal Reserve banks	Nonbank private corporations and associations [4]	Individuals [5]
1939—December	47.6	6.5	41.1	0.4	15.9	2.5	12.0	10.4
1940—December	50.9	7.6	43.3	.5	17.3	2.2	12.5	10.9
1941—December	64.3	9.5	54.7	.7	21.4	2.3	16.3	14.1
1942—December	112.5	12.2	100.2	1.0	41.1	6.2	27.4	24.5
1493—December	170.1	16.9	153.2	2.1	59.9	11.5	41.2	38.4
1944—December	232.1	21.7	210.5	4.3	77.7	18.8	56.1	53.5
1945—December	278.7	27.0	251.6	6.5	90.8	24.3	65.3	64.8
1946—December	259.5	30.9	228.6	6.3	74.5	23.3	59.5	64.9
1947—December	257.0	34.4	222.6	7.3	68.7	22.6	57.5	66.6
1948—June	252.4	35.7	216.6	7.8	64.6	21.4	55.9	67.0
December [6]	252.9	37.3	215.6	8.0	62.8	23.3	53.9	67.6

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

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

Source: Treasury Department (except as noted).

Table C–27.—*Bond yields, long and short term interest rates and commercial loan rates, selected years, 1929–48*

[Percent per annum]

Period	U. S. Government security yields			High grade corporate bond yields (Moody's)		Average of rates charged customers by banks in principal cities	Bankers acceptances 90 days—New York	Federal Reserve Bank discount rate—New York
	9–12 month certificates of indebtedness [1]	Bonds						
		Long-term partially tax-exempt [2]	15 years and over, taxable	Aaa bonds	Baa bonds			
1929 average	----------	3.60	----------	4.73	5.90	5.83	5.03	5.16
1933 average	----------	3.31	----------	4.49	7.76	4.27	.63	2.56
1935 average	----------	2.79	----------	3.60	5.75	2.93	.13	1.50
1937 average	----------	2.74	----------	3.27	5.03	2.59	.43	1.00
1939 average	----------	2.41	----------	3.01	4.96	2.78	.44	1.00
1941 average	----------	2.05	----------	2.77	4.33	2.54	.44	1.00
1943 average	0.75	1.98	2.47	2.73	3.91	2.72	.44	[3] 1.00
1945 average	.81	1.66	2.37	2.62	3.29	2.39	.44	[3] 1.00
1946 average	.82	(4)	2.19	2.53	3.05	2.34	.61	[3] 1.00
1947 average	.88	(4)	2.25	2.61	3.24	2.28	.87	1.00
1948 average [5]	1.14	(4)	2.44	2.82	3.47	2.61	1.11	1.34
1947—First quarter	.84	(4)	2.20	2.56	3.13	2.31	.81	1.00
Second quarter	.84	(4)	2.20	2.54	3.18	2.38	.81	1.00
Third quarter	.86	(4)	2.24	2.57	3.19	2.21	.88	1.00
Fourth quarter	1.00	(4)	2.34	2.78	3.44	2.22	.97	1.00
1948—First quarter	1.09	(4)	2.45	2.85	3.53	2.46	1.06	1.22
Second quarter	1.09	(4)	2.42	2.77	3.40	2.59	1.06	1.25
Third quarter	1.14	(4)	2.45	2.83	3.42	2.70	1.13	1.38
Fourth quarter [5]	1.22	(4)	2.44	2.83	3.52	2.70	1.19	1.50

[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, rom 1919 to 1925; after 12 years, from 1926 to 1934; and after 15 years, from 1935.

[3] From October 30, 1942 to April 24, 1946, a preferential rate of 0.50 percent was in effect for advances secured by Government securities maturing in one year or less.

[4] No partially tax-exempt bonds due or callable in 15 years.

[5] Estimates by Council of Economic Advisers.

Sources: Treasury Department, Moody's Investors Service, and Board of Governors of the Federal Reserve System (except as noted).

TABLE C-28.—*Profits before and after taxes, all private corporations, 1929–48*

[Billions of dollars]

Period	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
1930	3.3	.8	2.5	5.5	−3.0
1931	−.8	.5	−1.3	4.1	−5.4
1932	−3.0	.4	−3.4	2.6	−6.0
1933	.2	.5	−.4	2.1	−2.4
1934	1.7	.7	1.0	2.6	−1.6
1935	3.2	1.0	2.3	2.9	−.6
1936	5.7	1.4	4.3	4.6	−.3
1937	6.2	1.5	4.7	4.7	(2)
1938	3.3	1.0	2.3	3.2	−.9
1939	6.5	1.5	5.0	3.8	1.2
1940	9.3	2.9	6.4	4.0	2.4
1941	17.2	7.8	9.4	4.5	4.9
1942	21.1	11.7	9.4	4.3	5.1
1943	24.5	14.2	10.4	4.5	5.9
1944	24.3	13.5	10.8	4.7	6.1
1945	20.4	11.6	8.7	4.7	4.0
1946	21.8	9.0	12.8	5.6	7.2
1947	29.8	11.7	18.1	6.9	11.2
1948 [3]	34.0	13.2	20.8	7.6	13.2
	Annual rates, seasonally adjusted				
1947—First half	28.9	11.4	17.5	6.6	10.9
Second half	30.8	12.1	18.7	7.0	11.7
1948—First half	32.4	12.6	19.8	7.3	12.5
Second half [3]	35.5	13.8	21.7	7.9	13.8
1947—First quarter	28.9	11.4	17.5	6.4	11.1
Second quarter	28.8	11.3	17.5	6.7	10.8
Third quarter	29.1	11.4	17.7	6.9	10.8
Fourth quarter	32.4	12.7	19.7	7.1	12.6
1948—First quarter	31.4	12.2	19.2	7.3	11.9
Second quarter	33.4	13.0	20.4	7.3	13.1
Third quarter	35.5	13.8	21.7	7.7	14.0
Fourth quarter [3]	35.5	13.8	21.7	8.1	13.6

[1] Federal and State corporate income and excess profits taxes.
[2] Minus 8 million dollars.
[3] Estimates based on incomplete data; fourth quarter by Council of Economic Advisers.

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

Source: Department of Commerce (except as noted).

TABLE C–29.—*Profits after taxes, 629 large private industrial corporations, by industry groups, 1939–48* [1]

[Millions of dollars]

Period	Total	Manufacturing and mining: Iron and steel	Machinery	Automobiles	Other transportation equipment	Nonferrous metals and products	Other durable goods	Food, beverages, and tobacco	Oil producing and refining	Industrial chemicals	Other nondurables	Miscellaneous services [2]
Number of companies	629	47	69	15	68	77	75	49	45	30	80	74
1939	1,465	146	115	223	102	119	70	151	98	186	134	122
1940	1,818	278	158	242	173	133	88	148	112	194	160	132
1941	2,163	325	193	274	227	153	113	159	174	207	187	152
1942	1,769	226	159	209	182	138	90	151	152	164	136	161
1943	1,800	204	165	201	180	128	83	162	186	170	149	171
1944	1,896	194	174	222	190	115	88	175	220	187	147	184
1945	1,965	189	164	241	207	109	90	199	224	187	155	202
1946	2,552	282	171	131	129	135	163	357	281	275	302	324
1947	3,671	437	334	417	205	198	239	354	480	345	370	293
	Totals for period, not adjusted for seasonal variation											
1947—First half	868	113	76	100	51	46	54	81	100	88	94	67
Second half	966	106	91	109	52	52	65	96	140	84	92	80
1948—First half	1,065	115	90	140	66	50	68	82	193	95	100	67
Second half	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
1947—First quarter	871	126	70	94	49	47	51	98	89	88	96	63
Second quarter	866	100	83	105	53	46	58	64	110	87	92	71
Third quarter	900	100	77	103	57	45	59	85	121	81	93	80
Fourth quarter	1,033	112	105	115	46	59	71	108	160	88	90	80
1948—First quarter	1,023	114	89	129	64	46	64	77	192	91	101	57
Second quarter	1,101	110	92	151	69	53	71	86	194	98	100	77
Third quarter	1,178	150	93	163	68	59	78	91	186	103	107	80

[1] Profits after Federal and State income and excess-profits taxes.

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

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

TABLE C–30.—*Relation of profits before and after taxes to sales, private corporations, excluding finance, insurance, and real estate, 1946–48*

Period	Private corporations, excluding finance, insurance, and real estate: Total	Mining	Manufacturing: Total	Metal industries	Other manufacturing	Wholesale and retail trade	Transportation	Communications and public utilities	All other industries [1]
Profits before taxes as percent of sales:									
1946	7.9	11.5	8.7	5.8	10.0	5.6	5.0	18.5	9.0
1947	8.6	14.9	10.3	11.1	9.9	4.8	7.2	15.7	8.3
1948—First quarter	8.6	16.0	10.2	11.0	9.8	5.0	4.7	16.7	7.5
Second quarter	8.9	16.3	10.5	11.2	10.2	4.8	8.9	15.2	8.0
Third quarter [2]	9.2	16.9	11.1	12.7	10.2	4.5	11.4	13.6	7.9
Profits after taxes as percent of sales:									
1946	4.6	8.2	5.1	2.9	6.0	3.3	2.5	11.2	5.3
1947	5.2	10.5	6.2	6.6	6.1	2.8	4.2	9.6	4.9
1948—First quarter	5.2	11.2	6.2	6.5	6.1	2.9	2.8	10.2	4.4
Second quarter	5.4	11.4	6.4	6.7	6.3	2.9	5.3	9.3	4.8
Third quarter [2]	5.6	11.8	6.8	7.5	6.3	2.7	6.9	8.3	4.7

[1] Includes agriculture, forestry and fisheries, contract construction, and services.

[2] Estimates based on incomplete data.

Source: Department of Commerce.

TABLE C-31.—*Relation of profits before and after taxes to investment, private manufacturing corporations, by industry groups, 1947–48*

Industry group	Ratio of profits (annual rate) to stockholders' equity			
	1947 total	1948		
		First quarter	Second quarter	Third quarter
	Before Federal taxes			
All private manufacturing corporations	24.7	26.8	25.2	25.2
Food	29.5	18.4	22.0	24.0
Tobacco manufactures	16.2	16.0	18.0	28.0
Textile mill products	30.6	39.2	34.0	26.8
Apparel and finished textiles	31.4	31.6	17.6	23.6
Lumber and wood products	34.9	38.8	32.8	30.8
Furniture and fixtures	28.9	32.8	28.8	23.2
Paper and allied products	33.8	31.2	28.0	24.8
Printing and publishing (except newspapers)	28.8	25.6	26.4	26.0
Chemicals and allied products	25.1	27.6	22.8	25.2
Products of petroleum and coal	18.8	32.8	27.6	24.0
Rubber products	24.2	20.0	23.6	20.8
Leather and leather products	23.8	20.0	17.2	20.0
Stone, clay, and glass products	22.7	18.4	26.0	27.6
Primary nonferrous metal industries	19.3	21.6	21.6	21.2
Primary iron and steel industries	19.2	20.8	20.4	24.0
Fabricated metal products	28.0	28.0	26.0	28.0
Machinery (except electrical and transportation)	25.8	28.8	28.0	24.8
Electrical machinery	30.5	28.8	26.8	22.8
Transportation equipment (except motor vehicles)	4.8	12.0	14.4	11.6
Motor vehicles and parts	28.2	30.8	29.6	36.4
Instruments; photographic and optical goods; watches and clocks	22.6	19.6	22.4	21.6
Miscellaneous manufacturing (including ordnance)	24.3	21.2	18.4	23.6
	After Federal taxes			
All private manufacturing corporations	15.1	16.8	16.0	16.0
Food	17.4	10.8	13.6	14.8
Tobacco manufactures	9.8	10.0	11.6	17.6
Textile mill products	18.4	24.0	20.8	16.0
Apparel and finished textiles	18.5	18.8	10.4	14.4
Lumber and wood products	22.0	24.8	20.8	19.2
Furniture and fixtures	17.3	19.6	17.6	13.6
Paper and allied products	20.8	19.2	17.2	15.2
Printing and publishing (except newspapers)	17.4	15.6	16.0	16.8
Chemicals and allied products	15.5	17.2	14.0	16.0
Products of petroleum and coal	14.0	23.2	20.0	18.0
Rubber products	12.2	11.2	13.6	12.0
Leather and leather products	13.8	12.0	10.4	11.6
Stone, clay, and glass products	13.7	11.2	16.4	17.2
Primary nonferrous metal industries	11.6	14.0	13.6	13.6
Primary iron and steel industries	11.7	12.8	12.8	14.8
Fabricated metal products	17.0	17.2	16.4	17.2
Machinery (except electrical and transportation)	15.4	17.6	17.2	14.8
Electrical machinery	18.4	16.8	15.6	14.0
Transportation equipment (except motor vehicles)	.4	6.8	8.4	6.8
Motor vehicles and parts	15.8	17.6	17.6	21.2
Instruments; photographic and optical goods; watches and clocks	14.1	12.4	13.6	13.2
Miscellaneous manufacturing (including ordnance)	14.0	12.4	10.4	14.8

Sources: Federal Trade Commission and Securities and Exchange Commission.

TABLE C-32.—*Relation of profits before and after taxes to sales, private manufacturing corporations, by industry groups, 1947–48*

Industry group	Profits in cents per dollar of sales			
	1947 total	1948		
		First quarter	Second quarter	Third quarter
	Before Federal taxes			
All private manufacturing corporations	11.0	11.5	11.1	11.0
Food	7.1	5.0	5.6	6.1
Tobacco manufactures	6.7	6.6	6.6	9.7
Textile mill products	13.7	15.1	14.7	12.8
Apparel and finished textiles	7.8	7.6	4.8	5.8
Lumber and wood products	18.1	19.4	16.1	15.1
Furniture and fixtures	10.1	11.2	9.9	8.3
Paper and allied products	17.4	15.9	14.6	12.8
Printing and publishing (except newspapers)	10.1	9.1	9.4	9.4
Chemicals and allied products	14.2	15.1	12.8	14.5
Products of petroleum and coal	14.6	19.1	18.8	16.4
Rubber products	8.7	7.7	8.8	7.8
Leather and leather products	7.4	5.9	5.7	6.2
Stone, clay, and glass products	13.1	11.0	14.9	15.5
Primary nonferrous metal industries	14.6	14.6	13.3	12.6
Primary iron and steel industries	10.9	11.3	11.0	12.5
Fabricated metal products	12.1	12.0	11.4	11.4
Machinery (except electrical and transportation)	12.1	12.6	12.1	11.5
Electrical machinery	10.4	10.4	10.3	9.0
Transportation equipment (except motor vehicles)	2.8	6.9	7.3	5.3
Motor vehicles and parts	10.7	11.1	10.7	12.5
Instruments; photographic and optical goods; watches and clocks	12.5	12.1	12.7	12.3
Miscellaneous manufacturing (including ordnance)	10.8	9.5	8.8	10.4
	After Federal taxes			
All private manufacturing corporations	6.7	7.2	7.0	6.9
Food	4.2	2.9	3.4	3.7
Tobacco manufactures	4.1	4.1	4.2	6.1
Textile mill products	8.2	9.2	9.0	7.7
Apparel and finished textiles	4.6	4.5	2.8	3.6
Lumber and wood products	11.4	12.3	10.3	9.5
Furniture and fixtures	6.0	6.7	6.0	4.8
Paper and allied products	10.7	9.7	8.9	7.8
Printing and publishing (except newspapers)	6.1	5.6	5.7	6.1
Chemicals and allied products	8.7	9.4	7.9	9.2
Products of petroleum and coal	10.9	13.5	13.6	12.2
Rubber products	4.4	4.3	5.1	4.5
Leather and leather products	4.3	3.5	3.4	3.7
Stone, clay, and glass products	7.9	6.6	9.3	9.6
Primary nonferrous metal industries	8.8	9.4	8.4	8.1
Primary iron and steel industries	6.6	6.9	6.7	7.7
Fabricated metal products	7.4	7.3	7.1	7.0
Machinery (except electrical and transportation)	7.2	7.7	7.4	6.9
Electrical machinery	6.3	6.1	6.0	5.5
Transportation equipment (except motor vehicles)	.3	3.8	4.4	3.0
Motor vehicles and parts	6.0	6.4	6.4	7.3
Instruments; photographic and optical goods; watches and clocks	7.8	7.5	7.7	7.6
Miscellaneous manufacturing (including ordnance)	6.2	5.5	4.9	6.4

Sources: Federal Trade Commission and Securities and Exchange Commission.

TABLE C-33.—*Relation of profits before and after taxes to investment and to sales, all private manufacturing corporations, by size classes, 1947–48*

Assets class (thousands of dollars)	Before Federal taxes				After Federal taxes			
	1947 total	1948			1947 total	1948		
		First quarter	Second quarter	Third quarter		First quarter	Second quarter	Third quarter
	Ratio of profits (annual rate) to stockholders' equity							
All sizes	24.7	26.8	25.2	25.2	15.1	16.8	16.0	16.0
1 to 249	24.4	14.4	21.6	23.2	14.8	7.2	13.6	15.2
250 to 999	29.2	28.0	27.6	23.2	16.9	16.4	17.2	14.0
1,000 to 4,999	30.6	28.0	26.4	25.2	18.2	16.4	16.0	15.2
5,000 to 99,999	27.3	27.2	26.8	25.6	16.5	16.4	16.4	15.6
100,000 and over	20.3	26.8	23.6	26.4	12.9	17.2	15.2	17.2
	Profits in cents per dollar of sales							
All sizes	11.0	11.5	11.1	11.0	6.7	7.2	7.0	6.9
1 to 249	6.5	4.0	5.6	5.8	3.9	2.0	3.6	3.8
250 to 999	8.8	8.4	8.5	7.3	5.1	4.9	5.3	4.4
1,000 to 4,999	10.7	10.0	9.5	9.2	6.3	6.0	5.8	5.6
5,000 to 99,999	11.9	11.6	11.5	11.1	7.2	7.1	7.1	6.8
100,000 and over	11.4	13.5	12.5	12.8	7.2	8.7	8.1	8.3

Sources: Federal Trade Commission and Securities and Exchange Commission.

TABLE C-34.—*Sources and uses of corporate funds, 1947–48* [1]

[Billions of dollars]

Use or source of funds	1947	1948 [2]
Uses:		
Plant and equipment outlays	15.0	17.1
Inventories (increase in book value)	7.2	5.5
Increase in customer financing	5.9	3.3
Net repayment of RFC loans	.2	(3)
Other net uses	0	.4
Total uses of funds	28.3	26.3
Sources:		
Internal sources:		
Funds retained from operations:		
Depreciation reserves	4.5	4.9
Retained net earnings and depletion allowances	10.6	12.5
Reduction in cash and U. S. Government securities	.3	.2
External sources:		
Increase in bank loans:		
Short-term	1.6	.4
Long-term	1.3	.4
Increase in mortgage loans	.8	.8
New security issues:		
Bonds	3.1	4.8
Stocks	1.3	1.1
Increase in liability for Federal income tax	2.4	1.2
Increase in trade debt	2.4	.6
Other net sources	.8	0
Total sources of funds	29.1	26.9
Discrepancy (sources less uses)	.8	.6

[1] Excludes banks and insurance companies.
[2] Estimates based on incomplete data.
[3] Net increase (less than 50 million dollars) of such loans.

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

TABLE C-35.—*The international transactions of the United States, 1946–48*

[Millions of dollars]

Item	1946	1947 Total	1947 First half	1947 Second half	1948 Total [1]	1948 First half	1948 Second half [1]
Exports of goods and services:							
Recorded goods [2]	10, 188	15, 339	7, 961	7, 378	12, 495	6, 558	5, 937
Other goods [3]	1, 686	717	301	416	810	489	321
Total goods	11, 874	16, 056	8, 262	7, 794	13, 305	7, 047	6, 258
Services	2, 272	2, 611	1, 376	1, 235	2, 189	1, 082	1, 107
Income on investments	820	1, 074	455	619	1, 282	536	746
Total exports	14, 966	19, 741	10, 093	9, 648	16, 776	8, 665	8, 111
Imports of goods and services:							
Recorded goods	4, 908	5, 733	2, 861	2, 872	6, 902	3, 487	3, 415
Other goods [3]	260	338	208	130	615	324	291
Total goods	5, 168	6, 071	3, 069	3, 002	7, 517	3, 811	3, 706
Services	1, 783	2, 165	996	1, 169	2, 467	1, 164	1, 303
Income on investments	216	227	106	121	269	112	157
Total imports	7, 167	8, 463	4, 171	4, 292	10, 253	5, 087	5, 166
Surplus of exports of goods and services:							
Recorded goods	5, 280	9, 606	5, 100	4, 506	5, 593	3, 071	2, 522
Other goods	1, 426	379	93	286	195	165	30
Total goods	6, 706	9, 985	5, 193	4, 792	5, 788	3, 236	2, 552
Services	489	446	380	66	−278	−82	−196
Income on investments	604	847	349	498	1, 013	424	589
Total surplus of exports	7, 779	11, 278	5, 922	5, 356	6, 523	3, 578	2, 945
Means of financing surplus of exports of goods and services:							
Net liquidation of gold and dollar assets by foreign countries	1, 968	4, 514	2, 341	2, 173	1, 129	920	209
Net dollar disbursements by:							
International Monetary Fund		464	56	408	170	154	16
International Bank		297	92	205	206	170	36
Net U. S. private capital outflow to foreign countries	335	727	508	219	905	446	459
Net U. S. Government loans	2, 774	3, 900	2, 392	1, 508	402	547	−145
Net U. S. Government unilateral transfers	2, 279	1, 812	901	911	4, 164	1, 602	2, 562
Net private unilateral transfers	598	568	264	304	598	319	279
Total means of financing	7, 954	12, 282	6, 554	5, 728	7, 574	4, 158	3, 416
Errors and omissions	−155	−1, 004	−632	−372	−1, 051	−580	−471

[1] Estimates based on incomplete data.

[2] Figures for recorded exports of goods in 1946 and 1947 have been adjusted to include goods shipped to United States armed forces abroad for distribution to civilians in occupied areas in order to make them comparable with figures for 1948. Such shipments are included in exports as recorded by the Bureau of the Census in 1948 but were not so included in prior years.

[3] Includes goods sold to or bought from other countries that have not been shipped from or into the United States customs area and other adjustments.

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

Source: Department of Commerce.

TABLE C-36.—*United States Government aid to foreign countries, 1946–48*

[Millions of dollars]

Type of aid	1946 total	1947 First quarter	1947 Second quarter	1947 Third quarter	1947 Fourth quarter	1948 First quarter	1948 Second quarter	1948 Third quarter	1948 Fourth quarter [1]
A. Unilateral payments:									
Straight lend-lease	209	------	------	------	------	------	------	------	------
UNRRA	1,524	285	209	49	------	------	------	------	------
Post-UNRRA	------	------	2	98	145	56	21	12	(2)
Civilian supplies for occupied areas	539	219	240	306	215	341	287	400	(2)
Transfers to Philippines	60	18	20	38	20	11	23	45	(2)
Chinese aid	15	------	------	------	------	------	1	77	(2)
Greek-Turkish aid	------	------	------	38	36	91	95	105	(2)
International Refugee Organizations	------	------	------	15	2	33	21	12	(2)
Interim aid	------	------	------	------	12	301	197	62	(2)
European Recovery Program	------	------	------	------	------	------	204	564	(2)
Other	170	101	113	33	58	45	43	43	(2)
Total unilateral payments	2,517	623	584	577	488	878	892	1,320	1,420
Less: Unilateral receipts	238	179	127	85	69	71	97	78	100
Equals: Net unilateral payments	2,279	444	457	492	419	807	795	1,242	1,320
B. Long-term loans and investments:									
Lend-lease credits	600	------	------	1	1	------	------	------	(2)
Surplus property including ship sales	841	96	60	53	65	177	44	13	(2)
Export-Import Bank	945	280	249	61	206	170	145	70	(2)
United Kingdom loan	600	500	950	1,300	100	300	------	------	------
Investment in International Bank	317	159	159	------	------	------	------	------	------
Investment in International Monetary Fund	5	2,745	------	------	------	------	------	------	------
European Recovery Program	------	------	------	------	------	------	------	------	(2)
Other	12	28	49	1	2	5	4	6	(2)
Total, long-term loans and investments	3,320	3,808	1,467	1,416	374	652	192	89	70
Less: Repayments	90	51	34	40	49	52	32	212	40
Equals: Net long-term loans and investments, including International Bank and International Fund	3,230	3,757	1,433	1,376	325	600	161	−123	30
Less: Investments in International Bank and International Fund	322	2,904	159	------	------	------	------	------	------
Equals: Net long-term loans and investments, excluding International Bank and International Fund	2,908	853	1,274	1,376	325	600	161	−123	30
C. Short-term loans (net)	−134	1	264	−175	−18	−89	−125	−32	−20
Net unilateral payments and loans and investments, excluding International Bank and International Fund (A+B+C)	5,053	1,298	1,995	1,693	726	1,318	831	1,087	1,330

[1] Estimates based on incomplete data.
[2] Not available.

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

Source: Department of Commerce.

TABLE C-37.—*United States merchandise exports, including reexports, by areas, 1936-38 quarterly average, 1947 and 1948*

Period	Total exports, including reexports	Canada	Other Western Hemisphere	ERP countries [1]	Other Europe	Asia [1]	Australia and Oceania	Africa
	Millions of dollars							
Quarterly average:								
1936-38	742	113	138	282	31	122	23	32
1947	3,835	519	1,027	1,323	118	562	80	205
1948 [2]	3,124	([3])	([3])	([3])	([3])	([3])	([3])	([3])
1947—First quarter	3,775	471	1,006	1,368	133	550	64	183
Second quarter	4,186	572	1,089	1,440	162	618	74	230
Third quarter	3,716	509	952	1,324	86	547	97	202
Fourth quarter	3,662	522	1,063	1,160	92	532	86	206
1948—First quarter	3,319	425	914	1,143	84	513	42	197
Second quarter	3,238	494	902	1,062	33	507	34	207
Third quarter	2,937	484	736	968	38	486	30	195
Fourth quarter [2]	3,000	([3])	([3])	([3])	([3])	([3])	([3])	([3])
	Percentage of total							
Quarterly average:								
1936-38	100	15.3	18.6	38.1	4.2	16.4	3.1	4.3
1947	100	13.5	26.8	34.5	3.1	14.7	2.1	5.4
1947—First quarter	100	12.5	26.6	36.2	3.5	14.6	1.7	4.8
Second quarter	100	13.7	26.0	34.4	3.9	14.8	1.8	5.5
Third quarter	100	13.7	25.6	35.6	2.3	14.7	2.6	5.4
Fourth quarter	100	14.3	29.0	31.7	2.5	14.5	2.3	5.6
1948—First quarter	100	12.8	27.5	34.4	2.5	15.5	1.3	6.0
Second quarter	100	15.2	27.8	32.8	1.0	15.7	1.0	6.4
Third quarter	100	16.5	25.1	33.0	1.3	16.5	1.0	6.6

[1] Turkey is included with ERP countries and excluded from Asia. Exports to Germany in the postwar period relate almost wholly to exports to the three Western zones.
[2] Estimate based on incomplete data.
[3] Not available.

NOTE.—Data in this table cover all merchandise, including reexports, shipped from the United States customs area to foreign countries including, in 1947 and 1948, goods destined to United States armed forces abroad for distribution in occupied areas as civilian supplies.
Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE C-38.—*United States domestic merchandise exports, by economic classes, 1936–38 quarterly average, 1947 and 1948*

Period	Total domestic exports	Crude materials	Crude foodstuffs	Manufactured foodstuffs	Semimanufactures	Finished manufactures
	Millions of dollars					
Quarterly average:						
1936–38	731	167	34	42	130	358
1947	3,790	400	336	439	446	2,168
1948 [1]	3,094	(2)	(2)	(2)	(2)	(2)
1947—First quarter	3,713	430	319	455	384	2,124
Second quarter	4,140	431	333	490	485	2,402
Third quarter	3,683	352	369	436	478	2,049
Fourth quarter	3,624	389	324	376	438	2,097
1948—First quarter	3,288	329	322	344	381	1,912
Second quarter	3,207	328	246	371	357	1,905
Third quarter	2,909	374	360	308	314	1,552
Fourth quarter [1]	2,970	(2)	(2)	(2)	(2)	(2)
	Percentage of total					
Quarterly average:						
1936–38	100	22.8	4.7	5.7	17.8	49.0
1947	100	10.6	8.9	11.6	11.8	57.2
1947—First quarter	100	11.6	8.6	12.3	10.3	57.2
Second quarter	100	10.4	8.0	11.8	11.7	58.0
Third quarter	100	9.6	10.0	11.8	13.0	55.6
Fourth quarter	100	10.7	8.9	10.4	12.1	57.9
1948—First quarter	100	10.0	9.8	10.5	11.6	58.2
Second quarter	100	10.2	7.7	11.6	11.1	59.4
Third quarter	100	12.9	12.4	10.6	10.8	53.4

[1] Estimate based on incomplete data.
[2] Not available.

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

Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE C-39.—*Indexes of quantity and unit value of United States domestic merchandise exports, by economic classes, 1936–38 quarterly average, 1947 and 1948*

[1936-38=100]

Period	Total domestic exports	Crude materials	Crude foodstuffs	Manufactured foodstuffs	Semimanufactures	Finished manufactures
	Quantity indexes					
Quarterly average:						
1936–38	100	100	100	100	100	100
1947	275	123	397	478	203	332
1948 [1]	211	91	333	353	146	258
1947—First quarter	281	130	421	497	189	341
Second quarter	299	127	414	523	221	367
Third quarter	260	101	426	480	213	303
Fourth quarter	249	110	334	388	191	307
1948—First quarter	220	87	324	355	160	275
Second quarter	217	86	266	388	149	275
Third quarter	197	100	409	316	130	225
	Unit value indexes					
Quarterly average:						
1936–38	100	100	100	100	100	100
1947	188	195	247	218	169	182
1948 [1]	203	227	272	230	185	194
1947—First quarter	181	197	221	217	157	174
Second quarter	189	203	235	222	169	183
Third quarter	194	208	252	215	173	189
Fourth quarter	199	210	283	229	177	191
1948—First quarter	204	227	290	230	184	194
Second quarter	202	229	269	227	185	194
Third quarter	202	224	257	232	187	193

[1] Average of three quarters.

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

Source: Department of Commerce.

TABLE C-40.—*United States general merchandise imports, by areas, 1936–38 quarterly average, 1947 and 1948*

	Total general imports	Canada	Other Western Hemisphere	ERP countries [1]	Other Europe	Asia [1]	Australia and Oceania	Africa
	Millions of dollars							
Quarterly average:								
1936–38	622	86	145	152	30	183	10	17
1947	1,433	274	571	174	45	248	39	82
1948 [2]	1,726	(3)	(3)	(3)	(3)	(3)	(3)	(3)
1947—First quarter	1,412	244	561	173	37	281	47	69
Second quarter	1,449	268	591	165	42	255	54	74
Third quarter	1,323	269	527	160	56	202	25	83
Fourth quarter	1,549	314	606	197	47	254	30	101
1948—First quarter	1,794	328	700	230	45	326	48	116
Second quarter	1,693	355	623	223	49	316	34	94
Third quarter	1,715	410	577	228	49	296	48	107
Fourth quarter [2]	1,700	(3)	(3)	(3)	(3)	(3)	(3)	(3)
	Percentage of total							
Quarterly average:								
1936–38	100	13.8	23.3	24.4	4.8	29.4	1.6	2.7
1947	100	19.1	39.8	12.1	3.1	17.3	2.7	5.7
1947—First quarter	100	17.3	39.7	12.3	2.6	19.9	3.3	4.9
Second quarter	100	18.5	40.8	11.4	2.9	17.6	3.7	5.1
Third quarter	100	20.3	39.8	12.1	4.2	15.3	1.9	6.3
Fourth quarter	100	20.3	39.1	12.7	3.0	16.4	1.9	6.5
1948—First quarter	100	18.3	39.0	12.8	2.5	18.2	2.7	6.5
Second quarter	100	21.0	36.8	13.2	2.9	18.7	2.0	5.6
Third quarter	100	23.9	33.6	13.3	2.9	17.3	2.8	6.2

[1] Turkey is included with ERP countries and excluded from Asia. Imports from Germany in the postwar period relate almost wholly to imports from the three Western zones.
[2] Estimate based on incomplete data.
[3] Not available.

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

Source: Department of Commerce.

TABLE C-41.—*United States merchandise imports for consumption, by economic classes, 1936–38 quarterly average, 1947 and 1948*

Period	Total imports for consumption	Crude materials	Crude foodstuffs	Manufactured foodstuffs	Semi-manufactures	Finished manufactures
	Millions of dollars					
Quarterly average:						
1936–38	615	190	85	95	126	120
1947	1,411	436	254	164	311	246
1948 [1]	1,716	(2)	(2)	(2)	(2)	(2)
1947—First quarter	1,395	460	288	134	281	231
Second quarter	1,409	453	227	182	312	236
Third quarter	1,322	389	201	169	310	254
Fourth quarter	1,516	440	300	171	342	262
1948—First quarter	1,769	571	346	161	396	295
Second quarter	1,665	494	287	180	385	319
Third quarter	1,740	530	271	199	418	322
Fourth quarter [1]	1,690	(2)	(2)	(2)	(2)	(2)
	Percentage of total					
Quarterly average:						
1936–38	100	30.9	13.8	15.4	20.5	19.5
1947	100	30.9	18.0	11.6	22.0	17.4
1947—First quarter	100	33.0	20.6	9.6	20.1	16.6
Second quarter	100	32.2	16.1	12.9	22.1	16.7
Third quarter	100	29.4	15.2	12.8	23.4	19.2
Fourth quarter	100	29.0	19.8	11.3	22.6	17.3
1948—First quarter	100	32.3	19.6	9.1	22.4	16.7
Second quarter	100	29.7	17.2	10.8	23.1	19.2
Third quarter	100	30.5	15.6	11.4	24.0	18.5

[1] Estimate based on incomplete data.
[2] Not available.

NOTE.—Imports for consumption include merchandise entered immediately upon arrival into merchandising or consumption channels, plus withdrawals from bonded customs warehouses for consumption. Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE C-42.—*Indexes of quantity and unit value of United States merchandise imports for consumption, by economic classes, 1936–38 quarterly average, 1947 and 1948*

[1936-38=100]

Period	Total imports for consumption	Crude materials	Crude foodstuffs	Manufactured foodstuffs	Semimanufactures	Finished manufactures
	Quantity indexes					
Quarterly average:						
1936-38	100	100	100	100	100	100
1947	109	130	96	83	130	84
1948 [1]	121	142	103	90	148	98
1947—First quarter	113	138	116	73	126	86
Second quarter	107	133	85	87	129	80
Third quarter	102	120	78	86	126	83
Fourth quarter	115	135	107	87	140	86
1948—First quarter	126	156	118	81	153	93
Second quarter	117	132	100	89	142	100
Third quarter	120	138	91	99	150	102
	Unit value indexes					
Quarterly average:						
1936-38	100	100	100	100	100	100
1947	211	176	311	208	191	245
1948 [1]	232	197	343	212	214	266
1947—First quarter	201	175	293	195	177	226
Second quarter	214	179	314	220	193	245
Third quarter	211	170	302	208	196	256
Fourth quarter	215	172	330	206	194	255
1948—First quarter	228	193	343	210	206	266
Second quarter	232	196	338	215	215	268
Third quarter	236	203	349	212	221	265

[1] Average of three quarters.

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

Source: Department of Commerce.

TABLE C-43.—*Changes in selected economic series since 1939 and 1947*

Source: Appendix table number	Economic series	1939=100			Percent changes, 1947 to 1948
		1946	1947	1948	
1	Gross national product	232	256	280	+9.4
	Personal consumption expenditures	218	244	262	+7.4
	Gross private domestic investment	294	333	431	+29.4
	Net foreign investment	522	989	200	−79.8
	Government purchases of goods and services	235	214	269	+25.7
3	National income	247	279	309	+10.8
	Compensation of employees	245	267	288	+7.9
5	Personal income	245	269	291	+8.2
	Disposable personal income	227	247	271	+9.7
	Personal net saving	437	326	504	+54.6
6	Per capita disposable personal income:				
	Current dollars	210	225	242	+7.6
	1947 dollars	146	140	141	+.7
7	Labor force, including armed forces	109	111	113	+1.8
	Civilian labor force	104	109	111	+1.8
	Employment	121	127	130	+2.4
	Nonagricultural	130	138	142	+2.9
	Agricultural	87	86	83	−3.5
	Unemployment	24	23	22	−4.3

TABLE C-43.—*Changes in selected economic series since 1939 and 1947*—Continued

Source: Appendix table number	Economic series	1939=100			Percent changes, 1947 to 1948
		1946	1947	1948	
9	Average gross weekly earnings:				
	Manufacturing	183	206	223	+8.3
	Bituminous coal mining	243	280	302	+7.9
	Private building construction	185	208	229	+10.1
	Retail trade	154	173	190	+9.8
12	Physical production of goods and utilities: total	152	164	171	+4.3
	Agriculture	126	122	133	+9.0
	Nonagriculture	158	173	179	+3.5
13	Industrial production index: total	156	172	176	+2.3
	Durable manufactures	176	202	206	+2.0
	Nondurable manufactures	151	158	162	+2.5
	Minerals	126	141	146	+3.5
14	New construction: total	166	222	280	+26.1
	Private	217	286	358	+25.2
	Residential	151	249	330	+32.5
	Nonresidential	426	399	461	+15.5
	Public utility and farm	190	276	334	+21.0
	Public	88	123	161	+30.9
15	Business expenditures for new plant and equipment	232	311	362	+16.4
16	Inventories:				
	Manufacturing	203	243	(1)	(1)
	Wholesale	182	236	(1)	(1)
	Retail	201	235	(1)	(1)
	Sales:				
	Manufacturing	235	307	(1)	(1)
	Wholesale	245	292	(1)	(1)
	Retail	240	281	(1)	(1)
20	Consumers' price index: All items	140	160	172	+7.5
	Foods	168	204	221	+8.3
	Apparel	159	185	197	+6.5
	Rent	104	107	112	+4.7
21	Wholesale price index: All commodities	157	197	214	+8.6
	Farm products	228	277	286	+3.2
	Foods	186	240	254	+5.8
	Other than farm products and foods	135	166	185	+11.4
22	Prices received by farmers	245	293	302	+3.1
	Prices paid by farmers (including interest and taxes)	156	186	201	+8.1
	Parity ratio	157	157	149	−5.1
23	Consumer credit outstanding, end of period	127	168	202	+20.2
28	Corporate profits:				
	Profits before taxes	335	458	523	+14.2
	Profits after taxes	256	362	416	+14.9
	Dividend payments	147	182	200	+9.9
	Undistributed profits	600	933	1,100	+17.9
37	Merchandise exports, including reexports [2]	343	517	421	−18.6
40	General merchandise imports [2]	197	230	277	+20.4

[1] Not available.
[2] 1936–38 average=100.

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

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