The Economic Report of the President

TRANSMITTED TO THE CONGRESS

January 1953

Together With a Report to the President

THE ANNUAL ECONOMIC REVIEW

By the

COUNCIL OF ECONOMIC ADVISERS

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LETTER OF TRANSMITTAL

THE WHITE HOUSE,
Washington, D. C., January 14, 1953.

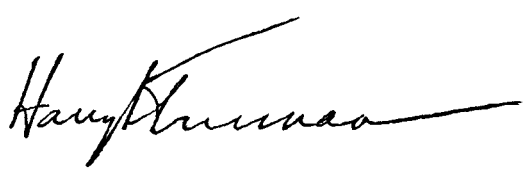
The Honorable the PRESIDENT OF THE SENATE,
The Honorable the SPEAKER OF THE HOUSE OF REPRESENTATIVES.

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 1953, prepared for me by the Council of Economic Advisers in accordance with section 4 (c) (2) of the Employment Act of 1946.

Respectfully,



Contents

To the Congress of the United States:

In this, my seventh and final Annual Economic Report to the Congress under the Employment Act of 1946, I think it appropriate to review the period of which the Act is both product and symbol.

Early in the past quarter-century, the United States fell from good times into a period of great economic adversity. Out of this experience, there arose the compelling demand which finally produced the declaration of national economic policy contained in the Employment Act—that our great resources were pledged to the maintenance of maximum production, employment, and purchasing power.

Later within this quarter-century, we achieved in great measure the kind of economic society of which the Act is a symbol—a prosperous and growing economy of free men, with increasing opportunity for all. In this accomplishment we have testimony that we can hold fast to our gains and add to them in the years ahead.

The Progress of the American Economy During a Quarter-Century

During this past quarter-century, the strength and vigor of the American economy have been severely tested. Since 1929, the Nation has suffered its most disastrous depression, fought its most costly war, and moved through a difficult postwar readjustment. Most recently, it has devoted a large portion of its output in the effort of the free world to overcome the menace of aggression.

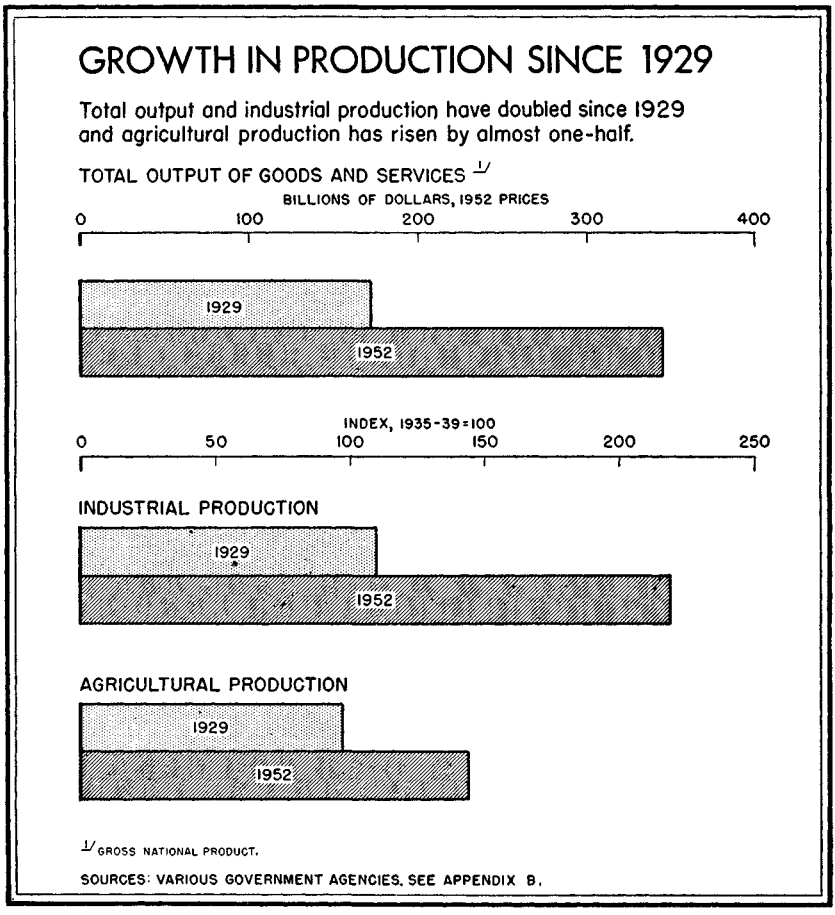
Now, despite the wastage of depression and the heavy but necessary expenditures for war and national security, the Nation is far stronger economically than it was a quarter-century ago. Its people are enjoying a much higher standard of living. Its farms and factories are far more productive. And it is displaying in remarkable fashion the capacity for economic growth on which its future welfare and security so largely depend.

Production, jobs, and living standards

The Nation's progress during this past quarter-century is evident in the figures which sum up total economic activity.

In 1929, the output of all goods and services was 172 billion dollars; in 1952, total output amounted to 345 billion dollars—measured in both cases in uniform 1952 prices. Industrial production has doubled, and agricultural output has risen about 50 percent.

CHART 1



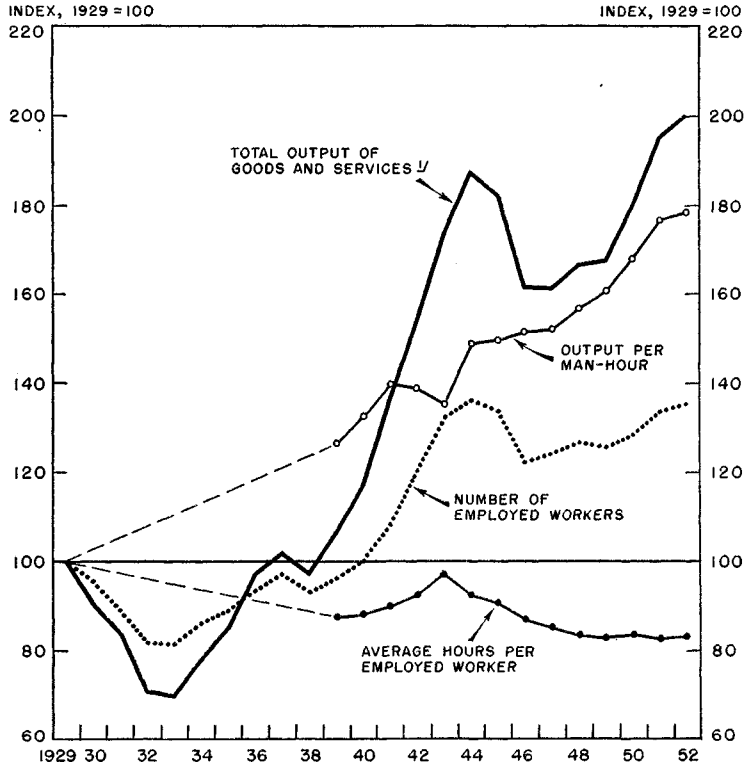
Last year, on the average, more than 61 million workers had civilian jobs, compared with almost 48 million in 1929. Both were good years for employment. In 1952, however, the average individual worked fewer hours—and produced more goods. From 1929 to 1952, the length of the workweek for all types of activity dropped from about 48 to 40 hours, but each worker turned out on the average 80 percent more goods and services. This greater yield reflects more and better equipment, and higher skills, than existed 25 years ago. Invention and business initiative have more than kept up with the rise in the number of men and women seeking work, and have made it possible for them to find better jobs.

While we have been producing more for consumers, we have at the same time been adding to equipment on farms and in factories. In 1952, for example, we spent about 26 billion dollars for machines and other kinds of durable equipment, compared with a little more than 11 billion dollars in 1929, both measured in 1952 prices.

CHART 2

NATIONAL OUTPUT AND LABOR INPUT

The expansion of production since 1929 has been accompanied by rising trends in employment and productivity and a declining trend in working hours.



1/ GROSS NATIONAL PRODUCT IN 1952 PRICES.

NOTE: BROKEN LINES SHOW ESTIMATES BASED ON DATA WHICH ARE FRAGMENTARY BUT WHICH INDICATE APPROXIMATE TRENDS.

SOURCES: DEPARTMENT OF COMMERCE, DEPARTMENT OF LABOR, AND COUNCIL OF ECONOMIC ADVISERS.

Vast resource development projects and conservation programs have been undertaken in the past quarter-century, some public, some private, and many a mixture of the two. Public construction expenditures for flood control, navigation improvements, agricultural land reclamation, hydroelectric power facilities, and soil and forest conservation have increased more than 300 percent in real terms. Multiple-purpose development of the Tennessee, Columbia, and other rivers has been far advanced. Huge additional amounts are being invested in atomic energy. Private mining, timber, and other concerns have increasingly adopted conservation practices,

and have invested heavily in research and development. Individual farmers, frequently aided by the Government, have greatly enlarged their investment in their own land. Production and consumption of nearly all raw materials have increased since 1929. These developments have enormously enlarged the productive power of our factories and farms, helped to power and equip the American home with the most modern conveniences, and correspondingly lifted the standard of living.

The Nation's progress is shown also in greatly increased earnings and improved living standards. In 1929, average annual income after taxes was a little more than $1,000 per capita, while last year the average was about $1,500—again measured in 1952 prices. It should be noted that, while the real buying power of individuals was rising, the population of the United States increased by about 35 million. Our economy now provides much more for many more people.

The greatly improved living standards which have been achieved during the past quarter-century are evident in more tangible data than the number of dollars earned or spent.

In 1929, there were 23 million automobiles in use, and in 1952 there were 44 million. In the same span of time, the number of homes with a mechanical refrigerator increased from about 10 to 80 percent. The number with radios increased from 40 to 96 percent, and 40 percent now have television sets. Compared with 10 percent in 1929, nearly 90 percent of all farms are now electrified.

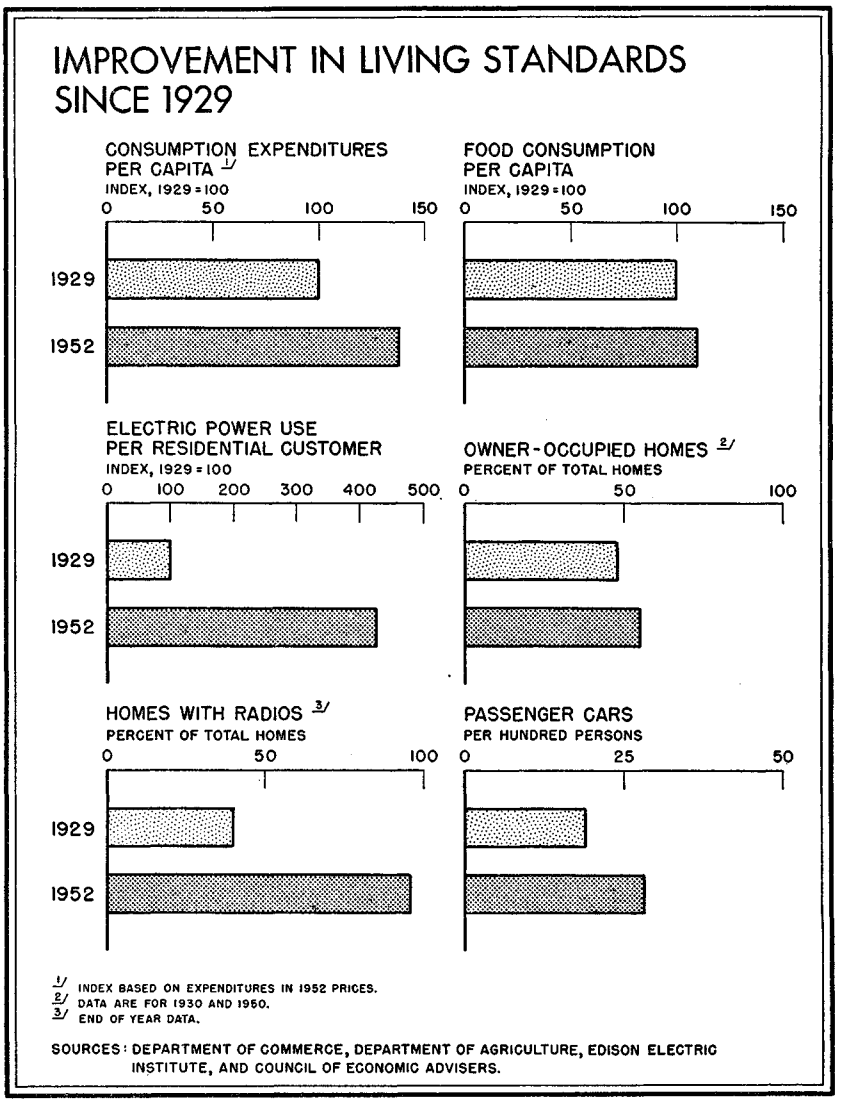
During the era as a whole, we have built 12 million new nonfarm homes, most of them since World War II. Home ownership increased from 48 percent of all families in 1930 to 55 percent in 1950. Terms of housing finance have improved greatly, bringing home ownership within the reach of lower income groups, and also facilitating construction of apartments and other houses for rent. In the blighted sections of cities, a hopeful number of slum clearance and redevelopment projects both public and private have been undertaken, though far from enough.

And the record has not been written in total quantities alone, whether of dollars, automobiles, or houses. The products of our economy are now far better distributed than they used to be. Adequate statistics do not go back to 1929. But since 1935–36, the real incomes of families and single persons in the lowest two-fifths of the income range have increased 90 percent, while the increase in the top fifth has been about 40 percent. This improved distribution is not only a mark of social progress and increasing human contentment; it is also a vital underpinning of sustained and advancing general prosperity for all sectors of the economy.

Economic justice and the higher values

Improved and more widely available education, medical care, and economic security are among the cherished features of the American way of life. So are the basic freedoms, full enjoyment of which depends upon

CHART 3



progressive removal of discriminatory practices in the market place and elsewhere. These are higher values in the sense that they are abiding objectives of policy and action. But they also undergird the economic and moral strength of the country. They provide the source of a strong, healthy, and skilled labor force, and an imaginative and responsible management. They provide a motivation for economic growth.

Although the pursuit of these values during the past quarter-century has been interrupted by depression, world-wide war, and the necessities of the defense build-up, considerable headway has nonetheless been made.

Total educational expenditures, in constant prices, have about doubled since 1929. Capital outlays for public schools, again in constant prices, have gone up 63 percent in the same period. Teachers are better trained, curriculums have improved, and schools are designed for more effective learning.

Total per capita expenditures for health and medical services have nearly doubled during this era, after adjusting for price change. Outlays for hospital construction, both public and private, have risen about 83 percent. There is one doctor for every 740 persons now, compared with one for every 800 in 1929. Expenditures for medical research mounted to nearly 200 million dollars in 1952. The quality of medical care has improved with the development of new drugs, better techniques of surgery and hospital treatment, and the extension of preventive medicine.

It has been essential to do justice to those who have fought to defend us against enemies. Since 1929, the number of veterans has increased from 4.7 million to 19.7 million. Veterans and their families now comprise 40 percent of the total civilian population. Some 7.8 million veterans have received education and training aid since World War II, and an additional 600,000 have received vocational rehabilitation training. Increasing numbers of Korean war veterans will be receiving similar help. Unemployment insurance has been paid to about 9 million veterans. Farm and business loans, and housing mortgage guarantees and loans, have also helped veterans.

Progress in social security has been significant, with the advent in the mid-1930's of old-age insurance, unemployment insurance, and new and improved public assistance programs. The Federal old-age and survivors insurance program covers 45 million persons, while Federal-State public assistance is available for dependent children, the blind, needy old persons, and the permanently and totally disabled. The Federal-State unemployment insurance system now covers about 35 million jobs.

The eventual elimination of discrimination based on race, religion, economic status, or section of the country is a continuing objective of national policy. Discrimination is in part economic in origin, and can be reduced by economic measures. Throughout the past quarter-century, particularly as part of the economic and social reforms of the thirties, great though insufficient gains have been made.

Workers have been guaranteed the right to organize and bargain collectively. The Fair Labor Standards Act established the principle of minimum wages and maximum hours. Fair employment practices acts have been passed in some 12 States.

Economic justice for American agriculture has advanced tremendously since the period just before the great depression. Vast conservation programs, intensified agricultural research, loans and assistance to farm families, especially low income families, price supports to reduce instability, and rural electrification have combined to improve rural life. Since 1929, per

capita farm income in constant dollars has increased about 80 percent. The gain here has been relatively large, because the farmer had been left so far behind during the uneven prosperity of the late 1920's.

Opportunities for business have also widened, particularly as a result of the unprecedented period of prosperity since around 1940. There were only a third as many business failures in 1952 as in 1929, even though the number of business firms in operation has increased by one-third. In this quarter-century, while wholesale prices rose 80 percent and consumers' prices 55 percent, corporate profits rose more than 300 percent before taxes and more than 100 percent after taxes.

Working conditions have benefited enormously under the joint impact of union efforts, business policies of sharing productivity gains, and government programs. For factory workers with three dependents, the increase in average weekly take-home pay (after allowing for the taxes paid by a family of this size) has been from $39 to about $63, measured in 1952 prices.

Reinforcements against economic fluctuations

During recent weeks, a variety of commentators far and wide have noted the profoundly protective and stabilizing elements which have been built into our economic system during the past quarter-century. There is now a rather prevalent view that the danger of any economic setback getting out of hand during the next few years is minimized by broader and fairer distribution of income among individuals and economic groups; a more progressive tax system which automatically adjusts in part to changes in business conditions; a level of public expenditures which, while we all want to see it lower as soon as world conditions permit, stabilizes demand and stimulates private investment; unemployment compensation and the rest of the social security system; farm price supports; a far more shock-proof system of banks and securities exchanges; the greater firmness of wage rates due in part to strong unions; and more enlightened business practices with respect to pricing, marketing, collective bargaining, and investment planning. And not the least of the stabilizing effects of these programs is the increasing confidence in the maintenance of prosperity which they inspire.

Much remains to be done

Despite these great gains, many of our domestic economic problems have not been solved, some things should have been done better, many inadequacies still exist, and above all, the task of maintaining and advancing the rate of progress and forging new tools to meet new needs is always with us. In addition, while the current defense build-up is near its peak, the new problem of America's role in the world economy presses for solution. This problem will long endure, and it will call for many further changes in our thought and action.

Here at home, the recent period of economic growth has been accompanied by periodic inflation. Such periods of inflation not only threaten the continuance of growth but also prevent the benefits of growth from being enjoyed equitably by all the people in all sectors of the economy. We can still observe, despite unparalleled prosperity, deprivation of one kind or another among American families to be counted in the millions. We may face in the future, particularly when defense spending can safely be reduced, more serious tests of our ability to avoid depression than those which have occurred since World War II. And as we continue to build safeguards against such a test, it would be imprudent to rely excessively upon the stabilizing factors already in being which have been set forth above. They are not of themselves sufficiently strong to check inflation when it threatens, or to safeguard us from depression and maintain continuous prosperity and growth.

While much has been accomplished, much remains to be done.

The basic legislation which calls for this Economic Report—the Employment Act of 1946—is the framework within which we should strive to develop the further improvement of our economic condition. In the remainder of this message, I shall endeavor to evaluate this framework and to set within it some of the problems we face and some of the promises that lie ahead if we meet these problems effectively.

Purpose and Performance Under the Employment Act

Purpose of the Act

The Employment Act of 1946 is one of the most fundamental compacts in domestic affairs which the people through their Government have made during my tenure as President. It represents the refusal of Americans in all pursuits—in business, labor, agriculture, and Government—to accept recurrent depression as a way of life. It voices a profound conviction that all of us—working together—can maintain and enlarge prosperity, not only during or as an aftermath of war, but enduringly for all time.

The Act is more than an essay in wishful thinking. It represents the closely reasoned conclusion of economic minds, both scholarly and practical, that its objectives are obtainable by sensible private and public policies and can best be sought within the framework of our established political and economic institutions.

There were historical roots for this endeavor. The lessons of the past had been particularly compelling in the decade and a half which preceded 1946. These had been years of unprecedented contrast, so far as economic abundance was concerned. On the one hand, there was the stark tragedy of the early thirties, and then the seemingly boundless energies of the early forties. The period had been rich in careful social experimentation and legislative reform; the economic role and responsibilities of the Federal

Government had increased enormously. Many of the experiments had been temporary in character, to meet the emergencies of the depression or the extraordinary demands of war. But many of them were developed and improved to become permanent additions to our economic and social fabric.

Yet the Employment Act was not written in a spirit of conflict. It was not focused on the interests of any one group, whether powerful or downtrodden, but was addressed explicitly to the general welfare. And to an amazing degree, when one considers the thinking which it marked, it was noncontroversial. The subcommittees of the Senate and the House which skillfully ushered it into the legislative world worked to a large extent as bipartisan teams, and the final bill commanded overwhelming majorities of both parties in both houses of the Congress.

There are those who have suggested from time to time that, because the Act was relatively noncontroversial, it cannot have been very consequential. This is erroneous. Near unanimity, in this instance, was not a mark of the unimportant or the hackneyed; it was evidence that a legislative proposal of the greatest moment was extraordinarily well timed. It wrote into the codes of the Nation a great new area of agreement about the essential functions and responsibilities of the Federal Government almost as soon as that agreement existed.

It is likewise a mistake to underestimate the importance of the Employment Act, as some have done, because it did not set down a specific prescription of economic policies for solving future economic problems. The decision of its framers in this respect was deliberate, and did not represent simply an inability to get agreement on more technical or specific provisions. Instead, the decision was that such basic legislation should not attempt to prejudge the exact character, causes, and remedies of all of the future's general economic problems, but rather to define the general spirit and provide the general method for meeting these problems as they arise. With these problems in view, the Act has three specific purposes.

First, it is the purpose of the Act to achieve, within the Congress and the Executive Branch, and also between private enterprise and all levels of government, better economic policy coordination. In the thirties, and again during World War II, the economic programs of the Government had become increasingly diverse and complex, and any realistic appraisal indicated that they would remain so. The special pressures which were brought to bear upon public economic policy-making had become more powerful, more numerous, and more confusing.

But this growth of complexity had not been matched, especially within the permanent institutions of the Government, by the development of adequate means for gauging whether our farm programs, developmental programs, international trade policies, tax policies, credit policies, business regulatory policies, industrial relations law, and the rest, were consistent with one another and fitted together into a sensible economic policy for the

over-all economy. In the thinking of Congressmen from particular sections and on particular committees, and of leading administrators with specialized responsibilities, the whole too often was lost in preoccupation with the parts.

The governmental reforms in the Employment Act have sought to meet this problem by strengthening the President's facilities for economic policy coordination within the Executive Branch, by supplying the Congress with a similar facility, and by providing in the Economic Report a regular method for improved coordination between the two branches. Thus the Act meets the problem squarely within the framework of our constitutional system of separated powers. Instead of attempting to circumvent the system with a hybrid agency which would be clearly responsible neither to the Congress nor the President, it installs a mechanism intended to make the traditional system work better. And it provides also, by requiring consultation with business, farm, labor, consumer and other groups, for cooperation and coordination between private and public economic thought and action.

Second, it is the purpose of the Employment Act—the one most widely recognized at the time of its passage—to prevent depressions. As World War II drew to a close, recollections of the shocking costs of the great depression were much sharper than they are today after a dozen years of uninterrupted high prosperity.

The minds of most of us in 1946 were still deeply etched with the memory of the winter of 1932–33, when about 15 million American workers, or about 30 percent of the total civilian labor force, had no jobs; when industrial production was only half what it had been in 1929 and the total output of the economy only about two-thirds; when business was deep in the red; when farm prices and incomes had dropped out of sight; and when banks were collapsing by the hundreds. It has been calculated that the depression cost us some 600 billion dollars of output, measured in 1952 prices, or 3½ times everything we produced in 1929.

The Employment Act stands as a pledge on the part of the people voiced through their laws that never again shall any such sacrifice be laid on the altar of "natural economic forces." In the bigger economy we now have, a disaster of anywhere near the same proportions could mean some 20 millions of our workers walking the streets.

Moreover, the cost of another serious depression would not stop at our own borders. What was becoming apparent in 1946 is now a reality: the strength and stability of the whole free world depend on the avoidance of economic collapse in this country.

Third, the Employment Act had still another clear purpose even more profound and challenging than those of improving economic policy coordination and preventing depressions. It is one which carries beyond the essentially negative and intermittent objective of counteracting slumps. It is the positive resolution of a great people, not simply to avoid pitfalls, but to maintain as a matter of continuing policy a full, bountiful, and growing

economy, for themselves, for their children, and as a standard and inspiration toward the freedom and welfare of all peoples—and to do this in full peace no less than in limited war.

This is a purpose of which we must never lose track. The Act is not meant simply for salvage operations; it does not set up a standby mechanism to be brought onto the scene only on those extreme occasions when the economy needs to be dredged out of a hole. It symbolizes the marshaling of the forces of private and public policy in support of a full and growing economy.

In such an economy, performance is not measured in the dimension of employment alone; instead, a dynamic, growing productive potential enables us to provide a steady expansion of output as well as full employment.

In such an economy, expansion facilitates the spread of economic justice, and the quality of the expansion is measured in terms of justice as well as efficiency.

In such an economy, there is abundance and stability enough to permit an increasing devotion of energies to the higher values. More and more people, being able to take the needs of their stomachs for granted, can devote increasing attention to the needs of their minds and hearts.

Performance to date under the Act

Such are the purposes of the Employment Act. And after 7 years, it may be fairly said that we have made a start toward fulfilling these purposes. The job of course has not been finished. Indeed, since the purposes are perennially fresh, it will never be finished. But the start has been good.

The progress has been tangible in the matter of policy coordination. These last 7 years have been extraordinarily eventful ones in the realm of economic policy. We have negotiated a transition from major war to substantial peace with unprecedented economic success. We have experienced a relatively peaceful period of restocking and retooling in the civilian economy, while at the same time bringing the United States' economic role in international affairs into line with its newly expanded international responsibilities. And then, most recently, we have been executing the build-up of a preparedness defense mobilization of a character which has no forerunner in American history, and which has been managed in a fashion not to weaken the civilian economy but rather to strengthen it.

I submit that in no previous period have the economic programs of Government shown so high a degree of internal consistency, or so clear a relationship to the needs of the over-all economy. This achievement I credit in large measure to the existence of the Employment Act, to the facilities for policy coordination with which it provides the President, and to the greater concern for systematic and interrelated programming which the Act has inspired in most Executive Branch officials. And it has been accomplished in a Government conducting economic programs far more extensive and complex than ever before.

Correspondingly, there has been greater coherence and clearer attention to the needs of the total economy in the economic legislation of the Congress within the last few years. Outstanding in this respect has been the tax legislation since the Korean outbreak, which has evidenced an unprecedented sense of fiscal responsibility on the part of the Congress. And this was implemented by the alert and emphatic insistence of the Congressional Joint Economic Committee, immediately after the Korean outbreak, on the need for a pay-as-we-go anti-inflationary tax program.

Beside the improvements in policy coordination which the Employment Act has assisted in both the Legislative and Executive Branches, it has been useful in reinforcing the channels for communication between them. It would be foolish to deny that many difficulties in legislative-executive coordination have persisted. But these are a reflection of broad political problems in our governmental process; they are no indictment of the mechanism of the Employment Act itself. As the basic obstacles to legislative-executive policy-making are progressively overcome, that mechanism will prove increasingly useful.

More commonly overlooked but equally significant, the machinery under the Employment Act has helped to bring to private enterprise a better understanding of the problems of Government, to bring to Government a better understanding of the problems of private enterprise, and to help both to integrate their actions more effectively for the benefit of the whole economy. This is the most realistic way—the American way—to avoid excessive centralization of authority. The continuous consultation among the Council of Economic Advisers, other agencies concerned with economic affairs, and representatives of workers, farmers, businessmen, and consumers has brought improved results over the years and should be continued. It has helped greatly in the development of national economic policies and in the preparation of these Economic Reports.

The Employment Act's second great purpose, that of preventing depression, has been served well since 1946. The Nation has thus far traversed its first aftermath of a major war without a major depression. This record as a whole cannot be attributed to the Employment Act. But at the very least, the Act symbolizes the related operation of many public programs, the longer-viewed character of business, labor, and agricultural decision-making, and the better coordination of private and public policies, which have featured this period. And these things together have vastly assisted in the maintenance of high prosperity.

In 1947 and again in 1948, reporting under the Employment Act was an important device for calling the attention of the Congress and the Nation to the inflationary danger then in process. It was pointed out that excessively rising prices, if unchecked, would ultimately result in an economic downturn. Specific actions—both private and public—were suggested to meet this threat. Where these actions were taken, they proved valuable.

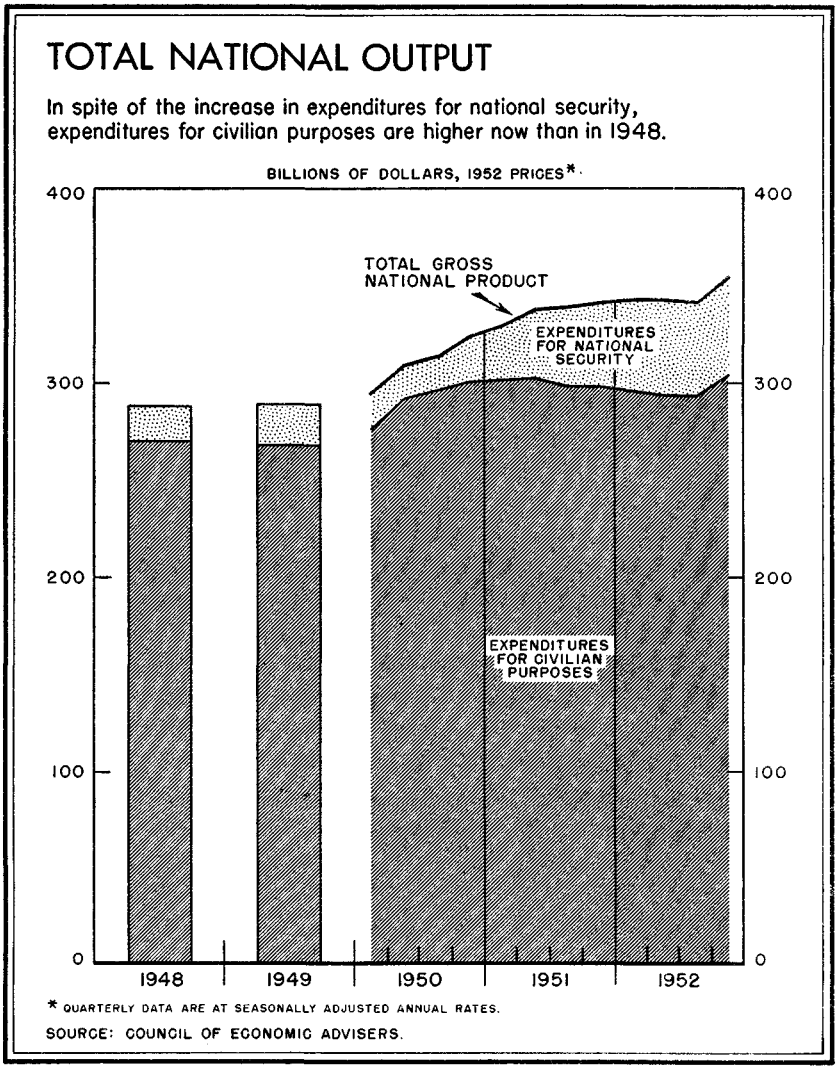
To the extent they were not taken, in private action or in legislation, the inflation was not sufficiently arrested.

Because inflation was not sufficiently arrested, the postwar economy encountered its first recessionary test in 1949. When this occurred, the various reports under the Employment Act measurably helped the Government and the business community to understand that episode and to meet it successfully. In much the same fashion, the Council of Economic Advisers, in its current Economic Review, the Joint Economic Committee, and other Government agencies are now laying foundations for successful transition to a more civilian-oriented economy in the years ahead.

And finally, there has been a strengthening in practice of the Employment Act's third great purpose, that of positive, continuing maintenance of an economy operating at maximum—which means growing—levels of employment, production, and purchasing power. In some ways this has been the most significant accomplishment under the Act, sometimes lost sight of by those who believe that the Act has not yet been tested because we have not had a depression to challenge its effectiveness.

The periodic reports under the Employment Act have helped to express in a practical way the possibility and promise of an expanding economy. In 1948, when there was some sentiment that employment and production were at abnormally high levels and that there must be a serious downturn before progress could be resumed, the reports under the Act pointed out that an economy like ours must move forward to remain healthy. By mid-1950, despite the slight recession of 1949, and before the Korean outbreak led to increasing defense outlays, the economy was registering levels of production and employment higher than in the boom year 1948. Immediately after the Korean outbreak, when there was some doubt as to whether we could greatly accelerate our security efforts without imperiling the civilian economy or without great and prolonged shortages of civilian goods, the work under the Employment Act was fundamental to the program of over-all economic expansion which the Government adopted. What has happened since is in some respects even more striking than what happened during World War II. Starting with productive resources not nearly so slack as they were in 1939, and without the extreme pressures of total war, our national output has risen from about 285 billion dollars in 1948 (the peak before Korea) to an annual rate in excess of 350 billion dollars at the end of 1952, both measured in 1952 prices. The difference between these two figures is far greater than the increase in total security efforts, and consequently per capita civilian supplies and per capita incomes after taxes and adjusted for price change are higher now than in 1948. This is a remarkable record. It reflects the practical application of the philosophy of the Employment Act, and it opens up limitless prospects for the years ahead if the same approach is maintained and further improved.

CHART 4



While the details of action must change with the times, I believe it worthwhile now to set forth a few economic principles for the future—principles arising out of experience, and already justified by what their application has achieved.

Basic Economic Principles for the Future

(1) *Full employment must be a constant objective of policy*

Under the Employment Act, full employment means more than jobs. It means full utilization of our natural resources, our technology and science, our farms and factories, our business brains, and our labor skills.

The concept of full employment values ends as well as means; it values leisure as well as work; it values self-development as well as dedication to a common purpose; it values individual initiative as well as group cooperation. In the broadest sense, full employment means maximum opportunity under the American system of responsible freedom.

And it is a concept which must grow as our capacities grow. Full employment tomorrow is something different from full employment today. The growth of opportunity, with a growing population and an expanding technology, requires a constantly expanding economy. This is needed to abolish poverty and to remove insecurity from substantial portions of our population. It offers the prospect of transforming class or group conflict into cooperation and mutual trust, because the achievement of more for all reduces the struggle of some to get more at the expense of others.

Although our dedication to full employment has made great strides within recent memory, we cannot afford to be complacent. We cannot assume that henceforth what needs to be done to promote the maintenance of full employment will be done. None of us—regardless of party—should let the idea of full employment degenerate into a slogan bandied about for narrow political advantage. Like freedom, it needs to be guarded zealously and translated into action on a continuing basis. Moreover, if we fail in this, our very freedom may be placed in jeopardy.

The enemies of our free system say that, in the long run, we cannot succeed in this task. They point to history and to the false conclusions which Marx drew from the defects of nineteenth century industrialism. They point also to the calamity of the great depression of the early thirties. They argue that general economic insecurity must grow remorselessly in our society, leading ultimately to collapse and revolution. These enemies say that time and history are on their side. But history and time are on our side if we use our opportunities wisely.

This does not mean that we know enough to avoid economic fluctuations completely, or that we would want to even if we could. In a dynamic, free economy, the consumer is sovereign. Business is always seeking to anticipate the nature and intensity of consumer demand. In response to anticipated or actual changes, the economy is marked by a ceaseless shifting of resources from areas of lesser to areas of greater demand; existing industries are growing or contracting; new industries and products make their appearance, requiring new skills; prices and employment are being accommodated to the ebb and flow of demand; investment decisions are adjusted to changing conditions.

This process requires the flexibility which is so characteristic of our economy. Some errors of anticipation are inevitable. The expansion of capacity may appear temporarily excessive, inventories may have been overbought, and waves of excessive optimism and pessimism may appear in the economy. These factors must lead to some fluctuations in the general level of business. This is the price we pay for a dynamic economy, and it it is not too high for what we gain.

But while some economic fluctuations may remain necessary or even desirable, it does not follow that we should not try our best to maintain full employment, or that we should wait until small recessions begin to spiral before seeking to reverse their course or to prevent them from growing into large depressions. Such a passive attitude is fraught with danger. For all experience has taught us that, when the economy starts to roll down hill, it becomes progressively more difficult to check the decline. It is far easier, and a far more rewarding task, to maintain the momentum of a growing economy than to reverse a downward spiral. Thus the essence of sound economic policy is constant vigilance and prompt action. The Employment Act is not an antidepression measure; it is a pro-prosperity measure. It does not call for quiescence until hard times; it calls for daily vigor, in the American tradition, to make tomorrow even better than today.

(2) *Full employment requires the maintenance of economic balance*

Expansion is vital, because our population is growing, the number of those seeking jobs is growing, and their individual productivity is growing. But expansion cannot continue smoothly unless it is based on a sound and fair distribution of the increasing product. Our economy is built upon mass markets. Unless each important sector receives a workable share of the expanding output, the expansion will come to an end because the market demand will be lacking. Growing capacity to produce requires growing ability to buy.

I have already cited the great gains we have made in bringing about better balance in our economy during the past quarter century. But while our economy now seems to be in fairly good balance, there are signs of some trends in the opposite direction. It is none too early to note these.

While agriculture is highly prosperous, the most recent period has witnessed a relative inability of agriculture to join in the gains which other groups have registered. Even in absolute terms, there has been for a year or so an adverse trend in farm incomes. This may be looked upon with favor by those who believe that the farmer's prices have been relatively too high, or that he has received more than his fair share of the national income, during recent years. But it will not be looked upon favorably by those who know that, even at the peak, the farm population as a whole did not attain real parity of income with other major sectors of the population. Nor will it be looked upon with favor by those who realize from bitter experience that any decline in relative farm prosperity is not a good omen for the economy as a whole. This is a problem of economic balance which requires active attention and far-reaching efforts.

A second area, in which we should strive for even better economic balance, is in the wage structure. While the gains made by the strongly positioned wage earners have undoubtedly tended to lift labor standards generally, and while most of the working population has made real gains, there is now need for relatively more stress upon helping those at the bottom of the wage structure. This places a large responsibility upon public programs, not only

such programs as minimum wage laws, but also those which by developing natural resources, facilitating private industrial growth, and improving the level of education and health, raise the productivity of these types of workers.

There is also need for even better balance between the opportunities open to large and to small business, through the further encouragement of competition and the strengthening of those laws designed to prevent unfair competition and to restrain monopoly; and also through more positive programs to make the benefits of ample credit and full access to the new products of science and research and invention available to business regardless of size or financial power.

And finally, there is need to work toward even better economic balance in and among the different geographical regions of the country, through improved protection against discriminatory practices, and through Federal programs designed toward the strengthening and further equalization of opportunity for human and material development. Top priority on this list, of course, should be accorded to the broader extension of adequate health services, housing, and educational facilities, and to the further development of natural resources and industrial potentialities.

(3) *Full employment requires planning ahead*

While the Employment Act calls for an appraisal of recent economic trends and foreseeable future trends, it places main emphasis upon future needs and how these needs may best be satisfied. It imposes the responsibility to define what maximum levels of employment, production, and purchasing power we should seek to attain in the year or years immediately ahead. It requires also that we state the policies, both private and public, best suited to reach these goals.

Thus the Act rejects the idea that we are the victims of unchangeable economic laws, that we are powerless to do more than forecast what will happen to us under the operation of such laws. Instead, the Act correctly asserts that our economy within reasonable limits will be what we make it, and that intelligent human action will shape our future.

In accord with this faith in human progress through human endeavor, the reports under the Employment Act several years ago began to estimate what levels of employment and production should be our goals for the years ahead, taking into account the material and human resources at our disposal. These estimates were then used to analyze what kind of purchasing power, what relative flows of income to investors and consumers, to businessmen and workers and farmers, would be most conducive to the achievement of these employment and production goals.

This was primarily an effort in economic education, and not a blueprint for central planning in the manner of the totalitarian states. It was in the American tradition of planning—which means the cooperative effort to look ahead and to work together toward making the future better than the present. The idea has been that, if our private and public policies are geared to planning for economic growth, we can achieve this growth.

If businessmen and farmers plan their investment programs with the realization that a steadily expanding economy will provide markets for more food and more industrial products, these regularized investment programs in themselves will contribute to a high and stable rate of growth.

If business and labor plan their price and wage policies to encourage the balanced expansion of production and consumption, of jobs and markets, then our economic growth can be steady.

And Government, because it is the most powerful single force in the economy, has the clearest responsibility to plan its operations so that they will make the greatest contribution in the long run to economic stability and growth. Under current world conditions, this problem of Government is complicated. Government must now give prime consideration to our national security, which is even more vital than absolute economic stability or a uniform rate of economic growth.

The more effectively all of these forces within the American economy work together in this kind of planning for the future, the greater the likelihood that economic fluctuations will be ironed out and a steadier rate of growth maintained. The less effectively this is done, for example if important groups in the economy assume that the traditional business cycle is inevitable and conform their actions to this belief, the more difficult it will be to maintain steady growth.

It is noteworthy that efforts to encourage this kind of action have met with increasing response in recent months. Not only governmental agencies, but many planning organizations supported by business, and many business organizations themselves, are now following this same approach with hearty enthusiasm. They are studying future markets and how to serve them. This is one of the most concrete signs of progress. But it is only the first taste of what may be accomplished as this process continues in the American tradition.

(4) *Full employment requires responsible Government as well as responsible private enterprise*

Private enterprise, under our free system, bears the major responsibility for full employment. This report has already set forth the basic features of that responsibility, and how much its exercise is contributing to the well-being of the American people. The role of responsible Government, while vital, is in a sense supplemental.

It is the duty of Government to help improve the environment in which private enterprise works. In normal times, this means the minimum use of direct control over materials, prices, and wages. As soon as we safely can, in view of the world situation and our own increasing productive ability, we should suspend operation of these controls. To aid in maintaining stability in the longer run, the Government should place principal reliance upon the careful use of fiscal and credit policy, along with the well-established regulatory and protective programs.

But in addition to encouraging an environment favorable to enterprise and exerting a stabilizing influence, responsible Government has an even more general task. This is to enable the people to develop together those resources which in their very nature cannot be developed otherwise. Public spending, as determined by the Congress and other legislative bodies throughout the Nation, represents a continuing determination by the people as to what part of their total productive power they wish to devote to the things which they must do together instead of doing separately.

While there should be true economy in public spending no less than in private spending, it is obviously superficial to regard public spending as unworthy by definition. Throughout our history, the American people have recognized that their public programs represent a high order of national priority, and are undertaken for this very reason. These services under current conditions include defense, foreign aid, benefits to veterans, social security, public education, and the like. And they include long-term resource developmental programs, aids to agriculture, aids to housing, and other efforts which, while clearly desirable in themselves, are also necessary to improve and to support the functioning of the free enterprise system.

All of these programs, like those of private industry, should be geared primarily to the long-run needs of the Nation. The pace and timing, however, are partly dependent upon changing conditions. For example, the speed-up of our defense efforts has caused us to cut back some other programs to avoid undue strain. If and when we can relax our defense efforts, we shall be able to push ahead with the other programs which serve the long-term peaceful needs of the people.

Since public spending diverts resources from private use, except in times of depression, the burden of this diversion is borne by the people whether or not taxes are imposed. But taxation serves to impose the burden more equitably, and in a manner least detrimental to the whole economy. For otherwise, particularly when the economy is running at very high levels, spending in excess of taxation aggravates inflation—the most unfair and damaging way of imposing the burden. Under present conditions of very high defense spending, we have made a good record of keeping close to a balanced budget, although we should have done even better. In times of very high prosperity but a lower level of defense spending, we should accumulate a budget surplus for the independently desirable purpose of reducing the large national debt.

If we should run into periods of declining economic activity, on the other hand, we would expect some decline in revenues. But this should not frighten us into cutting back those programs which the Nation needs, and which in fact would help to cushion the decline and to restore full employment. If a substantial part of our productive resources were lying idle because private enterprise could not utilize them, it would do good rather than harm to utilize them through public action even though this occasioned some deficit.

(5) *Full employment can be maintained without inflation*

It is not true that the goal of maintaining full employment must be sacrificed in order to avoid inflation. The postwar inflation was not a continuing process; most of it came in two major spurts. The first followed shortly after the war, when controls were prematurely abandoned before supply could come into balance with demand. The second took place in late 1950 and early 1951, under the impact of the Korean outbreak followed by the large-scale Chinese intervention.

The fact that these two inflationary spurts came under the peculiar conditions of an immediately postwar period or the first stages of preparation for defense against the possibility of future war is no reason to neglect the lessons of this experience. We live in a world where peace is neither complete nor certain, and where changes in the international situation could rapidly occur. It was a mistake to abandon controls too rapidly in 1946, and we should not abandon them too rapidly now, although the outlook for stability is better now than it was at that time. Similarly, we would have been much better off if price and wage controls could have been imposed more quickly after the Korean outbreak and especially after the Chinese intervention in late 1950, instead of early in 1951. But we were handicapped not only by the inadequacy of legislative authorization, but also by the absence of a standby organization ready to cope with the first wave of inflation. The sharp price increases between the Chinese attack and early 1951 were a dramatic illustration of the importance of adequate economic preparedness in a cold war world—a lesson we should not forget.

Nonetheless, this peculiar problem of dealing with near-war situations should not be confused with the more general and enduring problem of maintaining full employment without inflation. Since early 1951, despite the pressure of the defense program, we have achieved a reasonably stable price level while enjoying full employment, and the prospect is that we will continue to do so this year. This does not mean that we have thus far learned fully how to reconcile enduring full employment with adequate price stability. Much more work needs to be done in this direction, in the field of fiscal policy, monetary and credit policy, and other public policies which are not limited to use in emergency periods. Even more important, we must learn more about the value of individual and group self-restraints, about the general economy and its interrelationships, and about those private price and wage policies which may contribute most to a stable and growing economy.

But we should guard against the dangerous solution of trying to avoid the problem of preventing inflation by abandoning the pursuit of full employment. Stable prices do not outweigh the disadvantages of a sluggish or static economy; and downward-spiralling prices are certainly no blessing in a declining economy.

While striving vigorously to avoid inflationary movements, we must realize that our primary purpose is full production and employment, and the

fair distribution of this abundance among all people in all groups. Price policy, like all other economic policy, should be constantly tested against these objectives; it should not be allowed to obscure them.

These comments apply to monetary policy. That policy can contribute to economic stability. For example, during the inflationary period, as part of a comprehensive program to combat inflation, I made recommendations to the Congress which were not accepted to restrain inflationary bank credit through changes in reserve requirements. More recently, some changes in monetary policy have occurred, affecting bank credit, the bond market, and interest rates. This is one weapon in the anti-inflation armory, but price stability since early 1951 has been the product of many economic forces and Government programs in the field of taxation, credit restraints, and material and price-wage controls, and has resulted largely from increased production.

Monetary policy is a tool which must be used with great wisdom and skill. It is the function of monetary policy to control the expansion of credit, so that the total money supply will be commensurate with the needs of the economy, avoiding on the one hand excessive credit creation which might lead to speculative abuses, and avoiding on the other hand contractions in the money supply which would interfere with production, employment, and investment. A money supply which is in balance with the level of economic activity, adequate credit at reasonable rates of interest, and, above all, the distribution of the money supply on a fair and workable basis among individuals and groups have been essential to our growing prosperity.

Just as a money supply which is redundant can have unfortunate inflationary consequences, so an inadequate supply of money, or of credit, can push backward the businessman who must borrow to operate, the farmer who traditionally depends upon credit to produce and market his crops, the home owner who wants a decent house that he can afford to live in, and the worker who is not willing to accept lower production and more unemployment in exchange for lower prices.

We must and can find ways to price stability which do not threaten to bring on the very hardships they are intended to prevent. Excessively tight money, which means higher cost of capital, may reduce prices, but it does so by depressing productive efforts. The sound method to stabilize prices is not to reduce incomes, but to expand productive effort and the output of goods.

(6) *Full employment requires that group interests be reconciled with the general interest*

Big business, big labor, and big farm organizations are permanent parts of the American economy. Few of us would change this if we could, for much of the economy's dynamism and productiveness depends upon this very circumstance. Nonetheless, thoughtful and continuing efforts are required to keep an economy of large groups from damaging conflicts of interest.

There is the problem, first, of maintaining fair and peaceful bargaining among the powerfully organized private groups. The Government can help in this by protecting the development and encouraging the maintenance of balanced bargaining power.

Beyond this, however, there is the problem of reconciling the interest of particular groups with the general interest. The net bargains of the organized groups—as is sometimes the case, for example, with a "price-wage spiral"—do not always add up to the public interest. Nor do they protect the broad interest of weakly organized consumers.

Government intervention into such situations should proceed cautiously, and be more inclined to wield the instruments of persuasion than those of authority. Above all, the effort—in both public and private quarters—should be to set the particular problem in an economy-wide framework. It is essential, for instance, that the best available thinking of farmers and farm experts be brought to bear on the farm policy problem. But this is not enough; the needs of consumers, of industry, of national security—to name but a few—must also be weighed carefully in the process of developing a farm program. This, indeed, is the theme of the Employment Act, and why utilization of its machinery is essential to the treatment of economic matters affecting the whole Nation.

Finally, there is the fundamental problem of reconciling the effective operation of an economy of large groups with the maintenance of effective competition. For competition is the shield of the often inarticulate consumer; and by opening doors to new ideas, new enterprises, and new successes, it is a prime source of economic progress.

The Government has a long record of concern with this problem. That concern must not be allowed to flag; the cutting edge of competitive markets must not be allowed to dull. At the same time, there is no need to stimulate those speculative excesses of competition which stampede markets into violent upward and downward fluctuations. Moreover, our action in this sphere must not be the creature of stereotype. We must be quick to recognize and encourage new forms of competition, so long as they work to the advantage of the public.

(7) *Full employment does not depend upon war*

Some people say that full employment is possible only during war, or only while meeting the shortages caused by war, or only while building defenses to fight another war if it should come. This idea is fallacious, although it may have some utility if it warns us to prepare for the new economic problems of a more peaceful world.

The two depressions which we suffered after World War I came when the country had no substantial economic policies to prevent them, and no commitment to a policy of full employment.

It is true that the economic recovery between 1933 and the outbreak of World War II in 1939, while very substantial, was not complete. This

proves how difficult it is to recover completely from a great depression once it has been allowed to occur; it does not prove that prosperity cannot be sustained once it is achieved. Moreover, the task between 1933 and 1939 was to achieve recovery and reform at the same time, which is a peculiarly difficult undertaking which we should never again be faced with in the same degree. The real test of the economic reforms then enacted came, not during the period when they were first put into effect, but in the period following World War II. It is against this later history that we must test the adequacy of these measures to avoid depression and maintain prosperity without war.

After World War II, the level of defense spending was reduced by an annual rate of well over a hundred billion dollars, expressed in the price level of today. While there were important war-created backlogs, the support for the very high levels of economic activity which prevailed from 1946 to mid-1950 was increasingly found in the satisfaction of the peacetime needs of our industries and our people. I have already cited the high significance of the quick rebound of the economy from the minor fluctuation of 1949, a rebound which was fully manifest before the new defense program was foreseeable. By mid-1950, only a relatively small portion of our economic activity could be attributed to the shortages created during World War II, and out of our total annual output of about 310 billion dollars (measured in the prices of today) only about 20 billion dollars, or less than 7 percent, was being devoted to national defense and related international purposes. This was prosperity without war.

Since our response to the communist aggression in mid-1950, our prosperity has of course been accompanied and stimulated by high and rising defense spending. But it is erroneous to say that this spending has been the main prop for our economy, because taxes have been correspondingly increased so that the defense program thus far has been on a pay-as-we-go basis and consequently has not added the amount of inflationary stimulus which would otherwise have been the case. In this respect, the situation is very different from that during World War II, when only about half the cost of the war was being paid out of taxes. It should also be noted that defense spending draws resources away from production for civilian use; and in this sense, the increase in civilian supplies since mid-1950 has not been because of defense spending but despite it. We have not only been paying as we go for the defense program measured by taxes; we have also been paying for it as we go measured by the expansion of production.

Despite this vastly increased production, which has exceeded the expansion of the defense program, full employment has been maintained during recent months when a decreasing portion of our total national output has gone to defense spending and an increasing portion has been supported by civilian demand despite very high taxation. This trend is now continuing and, according to the accompanying appraisal by the Council of Economic

Advisers, it is likely to continue throughout 1953. Here we have a strong indication, once again, that prosperity need not depend upon war.

The reductions in defense spending in the years ahead, no matter how estimated, will be only a fraction of the reductions which we took in our stride after World War II. Meanwhile, we must continue to improve further our economic knowledge and understanding, and maintain and advance those policies which have stood so well the test of critical times. If we do this—and only if we do this—nothing can be more certain in human affairs than that the American people will increasingly enjoy the blessings of prosperity, supported not by unfavorable world conditions but rather by the essential strength and soundness of our own economy.

The Promise Ahead

The past illustrates the wisdom of adhering to the principles which have just been outlined. The future will reward us well for so doing.

The potential for further growth and improvement in the American economy, even over the short span of the next 10 years, is challenging—in production, in living standards, in correction of inequities, and in stable and more satisfying jobs. In addition, the opportunity and necessity for economic development in other countries of the free world represent a vastly important new frontier. With all of this, we need to sustain our national security lest opportunity be denied us altogether.

New frontiers of economic growth

Ten years from now, a labor force of 76 to 80 million, working more effectively with better tools but somewhat fewer hours per week, could produce annually about 475–500 billion dollars worth of goods and services—measured in today's prices. This is about 40 percent above the present level, and represents an average increase of slightly over 3 percent a year.

The consumer portion of total production could by then come to about 340–350 billion dollars. This would be about $2,000 for every man, woman, and child in the country, or about 40 percent more than each person received in 1952. Over the next 10 years, we should be able to raise the average income of all American families correspondingly.

With a gross national product of about 475–500 billion dollars, well over 40 billion dollars could be spent for new nonfarm plant and equipment; 15 billion or better for new housing; more than 15 billion on schools, highways, hospitals, resources development projects, and other public works. Investment in American agriculture could be substantially larger than the 1952 level of 5.5 billion dollars.

Growth in certain industries, such as plastics, man-made fibers, and electronics, undoubtedly will continue to far outrun average growth. Machinery and electrical lines will have to expand steadily, along with the basic

services of transport and electric power. Better housing, more and better automobiles, and a whole range of new or improved fixtures for the home, are well within reach over the next decade. A steady improvement in the American diet will take place.

We shall run into some difficulties. Certain raw materials, especially metals, may become scarcer and more costly. The base of natural resources will wear thinner. Consumption expenditures will have to expand persistently, to provide adequate markets for business.

But with intelligent and timely adjustment of private and public policies, to serve a fully employed and active economy, we can during the next decade reach the goals set forth above.

New frontiers of economic justice

The promise ahead is more than reaching certain levels of employment, production, and income. It also involves the further improved distribution of the benefits of economic growth, and special care for those who are less fortunately situated.

Despite great progress in raising income levels and distributing these increases in a manner favorable to low and middle income groups, there are still many American families whose incomes are inadequate. In 1951, one-quarter of all families had less than $2,000 of spendable money income; 40 percent had less than $3,000. Some of these families have home-produced fuel and food which raise living standards. Some are aged couples, or other families with substantial assets to draw on; some are young single persons whose needs are less. But the picture does not justify complacency. The median liquid asset holding, excluding currency, for the under-$2,000 income group is less than $10; and about one-third have debts.

The problem of low income families is no longer caused by general unemployment, or generally substandard wages, or very low prices for farm products. The problem centers in families with special disabilities: racial minority families, broken families, families with sickness, families where there is lack of sufficient training and education for the principal wage earner, and farm families on substandard farms. Unskilled and service workers had an average family income of only $2,320 in 1951. We must press forward to reduce these disabilities, and to care for them when they are unavoidable.

It is feasible within a decade to raise all the families whose incomes are now below $4,000 annually to that level (measured in present-day prices), plus providing all the new families with this much income, in a full employment economy. We should set this as a target for a basic American standard of living for all within a decade. In fact, this would require less than half the total gain in personal incomes that we can achieve, leaving more than half for raising still further the incomes of families already above this basic standard.

In the mid-1930's, it was no exaggeration to speak of one-third of a Nation ill-fed, ill-clad, and ill-housed. Since then, the one-third has been reduced to one-fifth, or maybe less, on the old standards.

But as our power to produce increases, our standards and goals rightly increase also. The job ahead of us remains large. About one-fourth of our nonfarm dwelling units and a much higher percentage of our farm housing are substandard. Many families still suffer from malnutrition. The amounts spent in recent years for schools and hospitals have been far less, as a percent of total national production, than was spent in 1939. Living conditions in large sections of our cities are distressing, calling for vast slum clearance and redevelopment effort.

Despite much progress in social security since the real beginning of the program in 1935, important gaps remain. Farmers are not covered by old-age insurance. Some 5 million wage and salary workers are still outside the unemployment insurance program. Welfare assistance is not adequate to meet the requirements of many disabled people, uninsured old people, and their dependents. About half of our families find difficulty in meeting the cost of essential medical care.

Standards of adequacy change with the times. What is enough in a 250-billion-dollar economy is not enough in a 350-billion-dollar economy, and will be still less than enough in a 400- or 500-billion-dollar economy. For example, old-age insurance has not only been insufficiently adjusted for changes in the price level; it has not been brought into line with the fact that the economy of today and tomorrow can afford a higher standard of living among the old than the economy of yesterday. In our long-range programs, we should provide for growth as the whole economy grows. This will have economic as well as social benefits. For if the millions of our people who are beyond working age should be unable to join in the demand for more and better products, the total market would not be adequate to support our expanding productive power. What we do in these fields should not be regarded as measures necessary to save a weak economy from disaster. Instead, we should scale these efforts to what a strong and expanding economy can and should accomplish.

New frontiers of world development

The international responsibilities of the United States are carried out in part through its political and moral influence, and in part through the use of its vast economic strength. The deployment of much of its economic force abroad, in the form of military and economic aid, may appear to be at the expense of lifting living standards at home.

If there be any conflict between these two purposes, it does not permit the choice of one course to the exclusion of the other. Should the United States reduce sharply or prematurely the military and economic aid which is doing so much to strengthen the free world, this country might be forced to abandon the domestic gains which it plans for the future. For if commu-

nism should gain abroad, we would have to become an armed fortress at terrific cost. The prerequisite of a free, strong, and prosperous America is full participation in the effort to create strength and prosperity throughout the free world.

In short, the free world cannot be permanently peaceful until the free world makes further progress toward full and more productive employment—toward release from the burden of the underemployment of its potential resources. Prosperity, like peace, is indivisible, and in our pursuit of a full employment policy at home we must never lose sight of this supremely important truth.

Hence our concern with the economic development of other free countries. This is especially true of the economically less developed countries and areas of the free world, where the provision of capital equipment and managerial and labor skills is a prerequisite to speeded up economic growth and improved living standards. As the momentum of industrial and agricultural growth gathers in these less developed areas, incomes will increase, and they will buy and sell more in other markets. As the level of world trade increases, the benefits to us will involve increased supplies of many raw materials, including critically needed strategic metals. We must import to live; and we must import more if we want to export at high and rising levels. We must work with other free nations to remove trade restrictions, and to make more effective the sound policy of reciprocal trade. We must not reduce aid so quickly as to undermine the improving foundations for trade.

America is now confronted with the challenge to make its fair contribution toward world peace and security. Happy will be the day when we can rise to the nobler challenge of participating more fully in the advancement of world prosperity. This may be our most significant contribution to human betterment in the second half of the twentieth century.

HARRY S. TRUMAN

JANUARY 14, 1953.

The Annual Economic Review

January 1953

A Report to the President

By the

COUNCIL OF ECONOMIC ADVISERS

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D. C., January 12, 1953.

The PRESIDENT:

SIR: The Council of Economic Advisers herewith submits a report, the Annual Economic Review: January 1953, in accordance with section 4 (c) (2) of the Employment Act of 1946.

The members of the Council, in this our final Review, desire to acknowledge the fine assistance and cooperation received during its preparation from economists on the Council's staff, including Karl M. Arndt, Benjamin Caplan, John C. Davis, Rosalie K. Epstein, Joseph L. Fisher, Catherine A. Heitzman, Frances M. James, John P. Lewis, David W. Lusher, Walter S. Salant, Charles Schultze, Mary W. Smelker, Penelope Hartland Thunberg, Haskell P. Wald. We desire also to cite the conscientious hard work performed by our administrative and clerical staff, including Mayme Burnett, Catherine T. Connors, Margaret F. Foley, Robert A. Garlock, Margaret E. Gooding, Cathryn S. Inman, Nina A. Kleger, Joseph W. McKenney, Mary M. Millspaugh, Isabelle M. Peterson, Dorothy L. Reid, Odelia C. Scales, Gertrude Shepard, Royal E. Shepard, Mabel Skrock. And without listing their names, we shall never forget the contribution made by earlier Council members and staff during the vital formative years of the Council and its work. Finally, our work would not have been possible without the constant cooperation of other governmental agencies and personnel upon whom we must draw heavily for data and critical evaluation; or without the eager and continuous interest of those representatives of business, labor, farm, and consumer groups with whom we have consulted at frequent intervals during more than 6 years.

Respectfully,

Leon H. Keyserling

Chairman.

John D. Clark

Robert C. Turner

Contents

Chapter 1. Developments During 1952

The Economy in General

AT THE BEGINNING of 1952, it appeared likely to most observers that the security program, showing accelerated strength throughout the year and making heavier inroads into the stocks of scarce materials, would absorb all the expected gain in national output and curtail the production of consumers' durable goods and private construction.

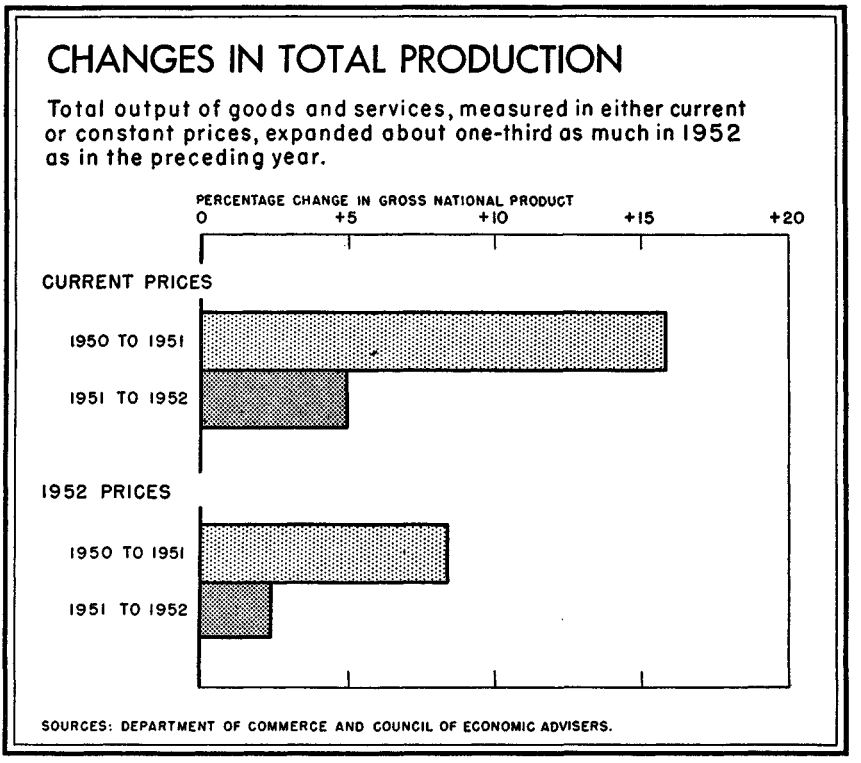
By the second quarter of the year, however, these expectations had begun to waver, and by the fourth quarter they had been overturned. The economy was prosperous as it entered the year, and it was even more prosperous as it moved into 1953; but during the year the expansive factors of production and employment shifted from public demand toward private demand and were adequate to sustain both types of demand without strain. Meanwhile, a remarkable degree of price stability was achieved. Neither Government spending for security nor private demand expanded enough to force a rise in the general level of prices in the face of powerful general measures such as high taxation to restrain inflation, while wage and price controls served to curb increases in those selected areas where inflationary pressures were greatest.

In the first 6 months of the year, increasing Federal outlays for defense, together with a small rise in spending by consumers and a slight gain in other Government expenditures, more than offset a fall in net foreign investment and the drop in domestic private investment which resulted from a sharp decline in the rate of inventory accumulation. The combined effect of these changes (seasonally adjusted rates) was a moderate growth in total production. These developments were mainly a repetition of the second half of 1951, except that there seemed to be a few more soft spots in the economy, and the possibility of deflation began to receive some of the attention long given to inflation. (See appendix table B–1.)

In the second half, output expanded considerably faster than during the first half, despite the fact that national security expenditures were only slightly higher. There was a general rise in private demand, particularly in the last few months. Beginning in the third quarter, there was a marked upturn in the rate of net additions to business inventories, and in the fourth quarter, consumer expenditures made the best gain of the year. Net foreign investment continued to fall, and there was little change during the period as a whole in the rate of gross private domestic investment other than in inventories.

It is noteworthy that the accelerated rise in total demand during the last months of 1952 did not result in a new rise in prices. The increases in demand were heaviest in consumer goods areas where there had been some underutilization of productive capacity. Moreover, the rapid growth in productive capacity during the previous 2 years had improved the general ability of the economy to meet increases in spending.

CHART 5



Production

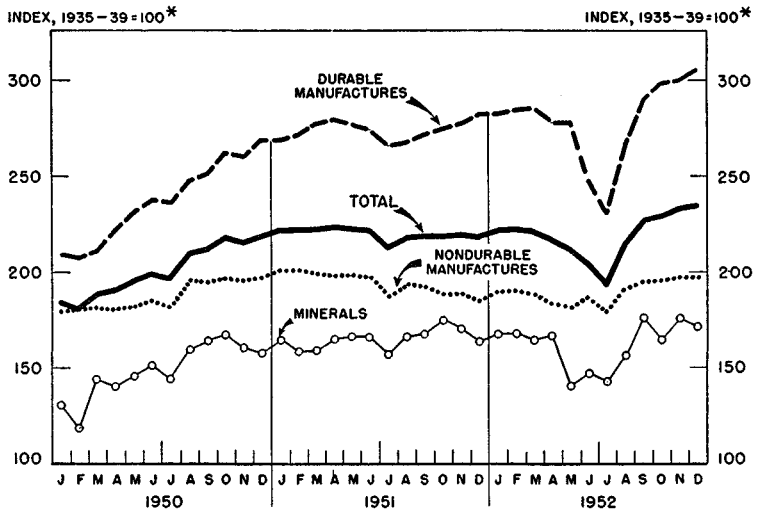
The output of goods and services during 1952 totaled 345 billion dollars, compared with 329 billion during 1951, a rise of 16 billion or about 5 percent. When allowance is made for price changes, this represents an expansion of about 2½ percent in physical output, much less than in 1951. (See chart 5 and appendix table B–2.) In 1951, production had responded to strong pressure from private expenditures only during the early months of the year, and to strong pressure from Government demand throughout. In contrast, additional demands were less in 1952, although private demand showed increasing vigor toward the end of the year while public demand was rising very little.

The monthly index of industrial production, which is more sensitive than gross national product to changes in the business weather, averaged

CHART 6

INDUSTRIAL PRODUCTION

Industrial production declined after the first quarter of 1952, and reached a low during July largely as a result of the steel strike. But it rebounded rapidly during the fall and ended the year about 5 percent above the 1951 high reached in April.



* ADJUSTED FOR SEASONAL VARIATION.

SOURCE: BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.

219 percent during 1952 (1935–39=100), or about the same as during the previous year, but varied considerably from month to month. (See chart 6 and appendix table B–17.) During the first quarter, the index averaged moderately higher than in the fourth quarter of 1951, but by July it had been pulled down 13 percent, as a work stoppage in the petroleum industry was followed by an 8-week shutdown in steel and iron ore production which in time curtailed the output of durable manufactures, notably automobiles. Industrial production rebounded rapidly in the third quarter to reach a new postwar high in September, as the output of steel soared to new record rates. During the fourth quarter, the index was pushed up further by generally increased production, which reflected in large part the rise in consumer and inventory buying.

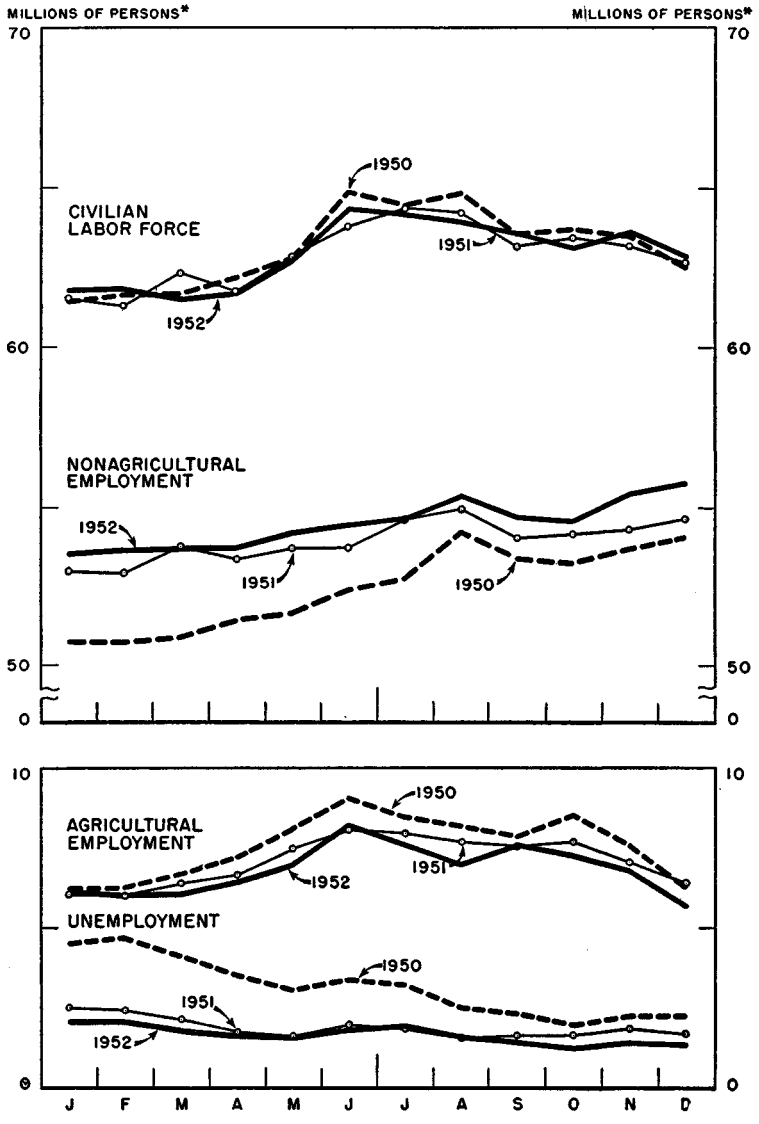
Employment and unemployment

Total civilian employment was estimated at 61.5 million in December 1952, or 500,000 more than in December 1951. Comparing the 2 years as a whole, the civilian labor force averaged about 63.0 million in 1952, or approximately the same as in 1951. (See chart 7 and appendix table

CHART 7

CIVILIAN LABOR FORCE

The civilian labor force averaged about the same in 1952 as in the preceding year, due to the build-up in the armed forces. Nonagricultural employment was at its highest recorded level, while employment in agriculture continued its long-run decline.



*14 YEARS OF AGE AND OVER.

SOURCE: DEPARTMENT OF COMMERCE.

B–12.) Civilian employment rose only slightly from a monthly average of 61.0 million in 1951 to about 61.3 million in 1952. At the same time, unemployment fell from 1.9 million in 1951 to 1.7 million, or 2.7 percent of the total civilian labor force, in 1952, the lowest annual average since World War II.

Over the year, there were small increases in the number of government civilian workers (Federal, State, and local) and those engaged in finance and service activities. Agricultural employment between 1951 and 1952 continued its long-term decline, and there was a fairly sizable drop in mining. Employment in manufacturing industries was somewhat irregular. A rather steady drop during the first 7 months of the year was followed by a sharp rise during the last 5 months, concentrated largely in industries producing durable goods. The monthly average for manufacturing was 16 million in 1952, about the same as in 1951. (See appendix table B–13.)

Despite the reduction in unemployment generally, the labor supply situation in most of the Nation's major production and employment centers was not markedly different at the end of 1952 than it was a year before, although some tightening appeared to have developed. During the past year, the labor force was on the whole adequate to meet defense and civilian needs, although there were shortages in some areas and surpluses in others. In November, the Department of Labor reported 4 labor shortage areas and 18 areas with substantial labor surplus.

Work stoppages. Man-days of idleness directly due to work stoppages during 1952 were more than double the 1951 total. More time was lost because of strikes than in any other year since 1946. The brief strike in the steel industry in April and May, and the prolonged one in June and July, directly involved about 560,000 workers, and accounted for more than two-fifths of the total time lost. Among other important work stoppages were those in petroleum refining and natural gas, railroads, carpet and rug manufacturing, coal mining, West Coast lumber, the manufacturing of farm machinery, the telephone and telegraph industries, and construction.

Economic stability

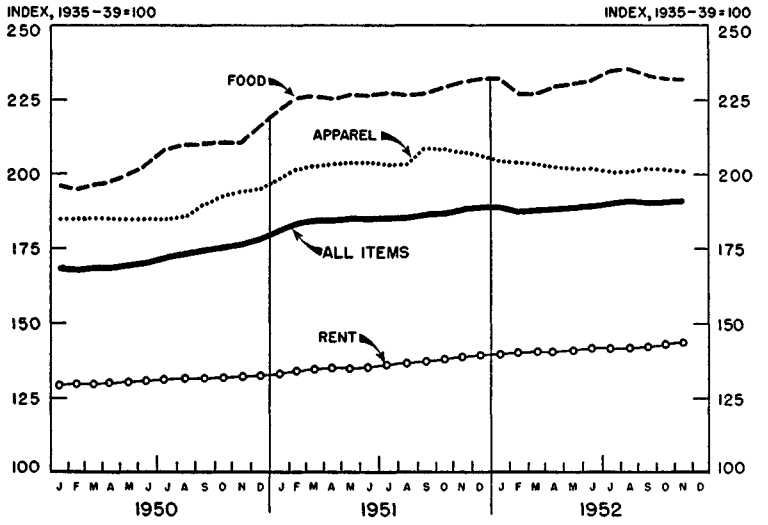
Although the economy encountered many changing currents during 1952, it demonstrated a remarkable degree of over-all stability. It was marked by selective inflationary pressures, mainly in the markets most directly affected by the defense program, and with considerable easiness in the markets for consumer goods. The high degree of general stability was aided by general and direct restraints which limited inflationary pressures in some markets, while the interaction of supply and demand held down prices or reduced them in others.

Prices. Consumers' prices varied little from month to month, and in November were only 1.3 percent higher than a year before. (See chart 8 and appendix table B–24.) In contrast, during 1951 there had been a rise of nearly 6 percent. Much of the rise in 1952 is accounted for by the upward creep of rents, the cost of utilities and services, and

CHART 8

CONSUMERS' PRICES

Consumers' prices rose 1.3 percent during the year. Food prices reached a peak in August, and then dropped during the rest of the year. Apparel prices were steady during the last few months, after falling earlier. Rents increased throughout the year.



SOURCE: DEPARTMENT OF LABOR.

the prices of items in the miscellaneous category of consumers' goods and services. Retail food prices, after rising to a high in August, accompanied wholesale prices of farm products and processed foods in moving downward, but averaged somewhat higher than in 1951. The prices of apparel and house furnishings declined. In general, the consumers' prices which continued to advance during the year were those for rents and consumer services, for which there are no counterparts in the wholesale index. (See chart 10.)

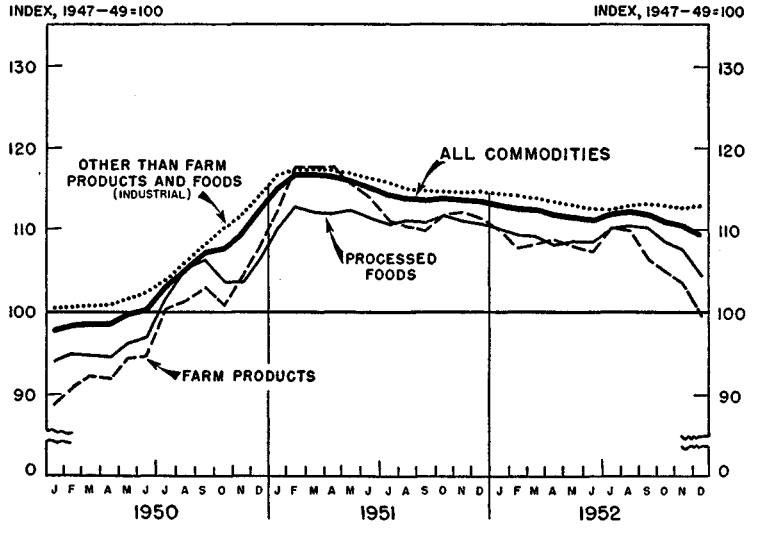
The monthly index of wholesale prices was about 3½ percent lower in December than a year earlier. (See chart 9 and appendix table B–23.) In the first half of the year, the average decline was a continuation of the downward wholesale price trend during the last 3 quarters of 1951, and reflected reductions in most major commodity categories. In the second half of the year, however, it reflected only the sharp drops in farm prices and, as a result, in prices of processed foods. Industrial wholesale prices showed some disposition to stabilize.

It was increasingly apparent that the readjustment of the price structure during the 15 months after March 1951 had eliminated the worst interprice

CHART 9

WHOLESALE PRICES

The decline in wholesale prices during the first half of the year occurred in all major categories. From September on, wholesale prices declined as a result of substantial drops in farm and food prices.



SOURCE: DEPARTMENT OF LABOR.

distortions caused by the violent waves of post-Korean inflation, and had re-established roughly the relationships among raw material, industrial, and retail prices that prevailed in early 1950. The most dramatic aspect of this readjustment had been the prolonged rapid decline of the prices of imported raw materials from their early post-Korean peaks.

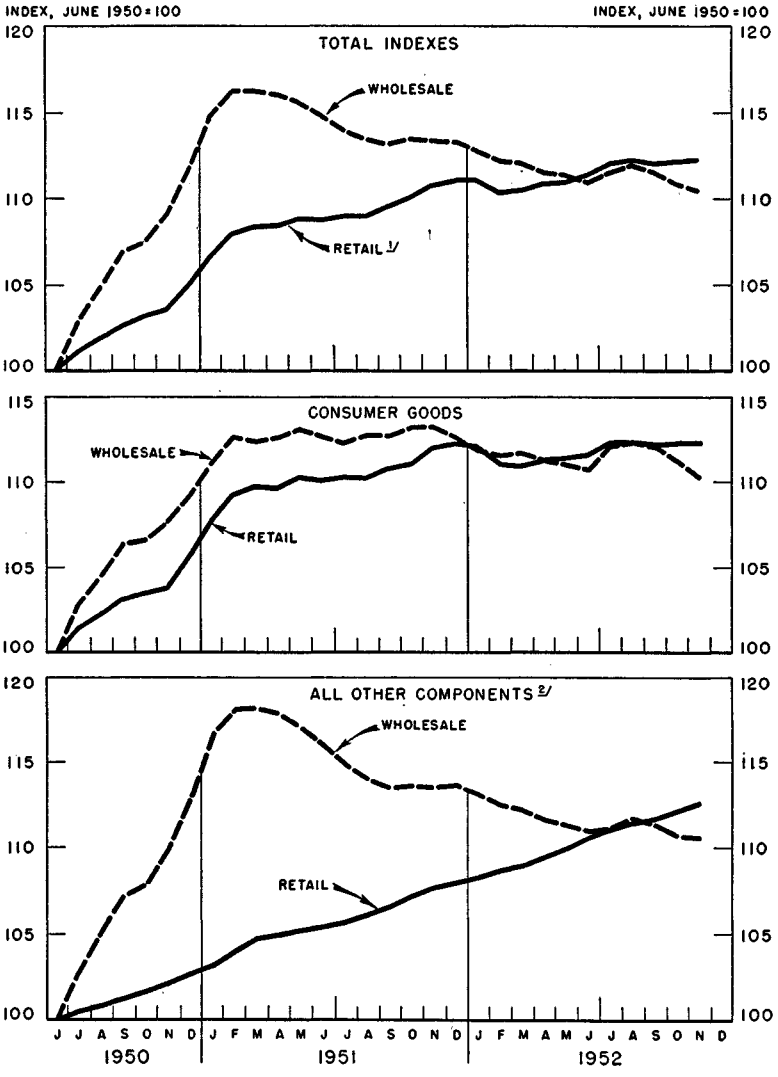
Wages. Wages continued to increase slowly in 1952. Average hourly earnings for the Nation's factory workers reached a new peak of $1.715 in November, 5½ percent above the year before. Excluding overtime, average hourly earnings of manufacturing workers increased about 4 percent during the same period. During 1951 and 1952, workers in manufacturing industries producing durable goods enjoyed the greater gains, although the differential was considerably larger in 1952. Wages of all other major groups of workers also increased during the past year. (See chart 11 and appendix table B–15.)

Only a small part of the wage increases during the past year was dissipated by higher living costs. But when account is taken of taxes as well as prices, the wage gains of workers were moderate. Thus, the take-home pay, that is, net spendable average weekly earnings of factory workers with 3 dependents, adjusted for price changes, increased only about $2.50 during

CHART 10

COMPARISON OF WHOLESALE AND CONSUMERS' PRICES

The divergence in the movements of the wholesale and consumers' price indexes since the Korean outbreak has resulted mainly from price changes in items which are not common to both indexes.



1/ THE CONSUMERS' PRICE INDEX.

2/ THIS WHOLESALE GROUP INCLUDES RAW AND SEMIMANUFACTURED MATERIALS AND PRODUCERS' EQUIPMENT; THE RETAIL, RENTS AND SERVICES.

SOURCE: BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, BASED ON DATA FROM DEPARTMENT OF LABOR.

1952, compared with an increase in gross average weekly earnings of approximately $5. (See appendix table B–16.)

Price and wage control. Early in 1952, the Office of Price Stabilization adopted a policy of suspending price controls in those areas where market conditions permitted. Among the commodities affected by this suspension of ceilings were fats and oils, hides and skins, leather, shoes, cotton, wool, synthetic fibers, textile fabrics, most clothing items, soft floor coverings, and radios and television sets. In addition, Congress in renewing the Defense Production Act in mid-1952 exempted fruits and vegetables from price control. At the present time, ceilings apply to about 70 percent of the wholesale price index, compared with over 90 percent early last year, and about 50 percent of the consumers' price index, compared with about 65 percent when price control was established. About one-quarter of the portion of the consumers' price index under control, however, involves commodities for which, under the law, ceilings automatically rise if farm parity prices rise.

Exceptional price ceiling increases were made in 1952: in the case of steel after the strike; in the case of copper after the foreign price of copper rose from 27½ to 36½ cents a pound when the agreement with the Chilean Government was not renewed; and in the case of aluminum to increase supplies. Otherwise, requests for price increases to offset cost increases were approved or rejected in accordance with OPS' regular relief standards. The increases granted were mainly in defense-related areas where, in the absence of controls, it seems clear that prices would have gone even higher.

Since the establishment of the Wage Stabilization Board, approximately 121,000 applications have been submitted by employers wishing to alter, in one respect or another, the compensation of their employees. Until the Wage Stabilization Board became inoperative on December 6, as a result of the resignation of the industry members, this tripartite Board had examined and acted on 109,000 of these cases, of which 83.3 percent were approved, while 16.7 percent were modified or denied.

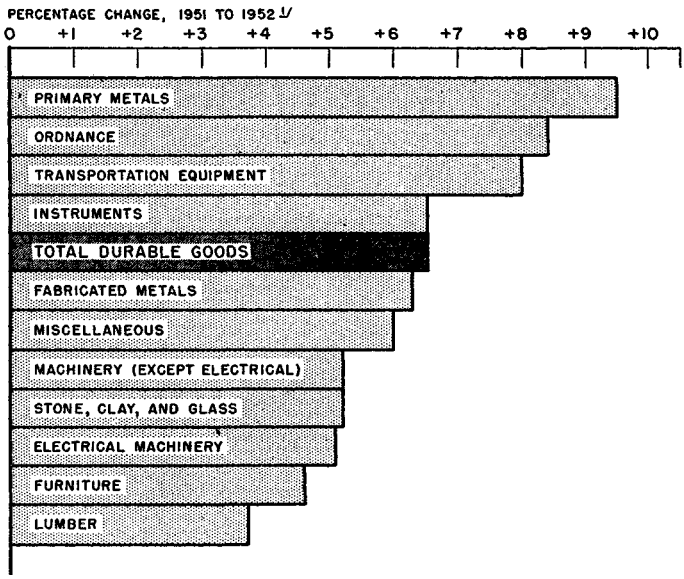
The result of wage stabilization—which is not, and cannot be, an absolute and enduring wage freeze—is shown by some comparisons of wage movements. During 1950, adjusted for shifts in employment, average hourly earnings of production and related workers in manufacturing, as calculated by the Wage Stabilization Board, rose at an average rate of 0.7 percent a month. During the second half of 1950, following the Korean outbreak but prior to the start of the wage stabilization program, the rate of increase was even higher—0.9 percent a month. From the date of the establishment of the program in January 1951 until November 1952, average hourly earnings advanced at the rate of only 0.4 percent a month.

One outcome of the steel case, which was settled after a prolonged strike, was that in renewing the Defense Production Act the Congress replaced the original Wage Stabilization Board with a statutory board having more limited authority. Under the revised Act, the disputes function

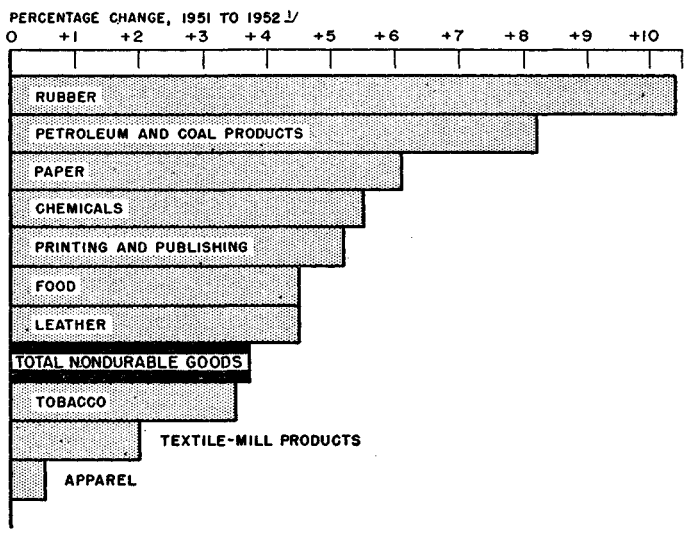
CHART 11

CHANGES IN HOURLY EARNINGS IN MANUFACTURING INDUSTRIES

DURABLE GOODS INDUSTRIES



NONDURABLE GOODS INDUSTRIES



1/ PERCENTAGE CHANGE FROM NOVEMBER 1951 TO NOVEMBER 1952.

SOURCE: DEPARTMENT OF LABOR.

was separated from the wage stabilization authority. More recently, the Wage Stabilization Board, in acting on a request by the coal industry for an increase of $1.90 a day, which had been agreed to by the union and the operators, approved only $1.50 a day. After a thorough review of the case, the President directed the Economic Stabilization Agency to approve the original agreement. This decision was made because it was felt that no steps should be taken at that time which might lead to an industry-wide work stoppage, or that might make it impossible to turn over a going stabilization program to the incoming administration. Following this, the Chairman of the Wage Stabilization Board and the industry members resigned. Because of difficulties in securing new industry members, the Economic Stabilization Administrator designated the four public members to serve as a Wage Stabilization Committee. Thus, efforts to reduce the backlog of 12,000 cases can continue.

Bank credit and money supply. It had been thought early in 1952 that the banking system might have to supply a considerable amount of new money to the Government to finance a substantial cash deficit. There was also reason to believe that the volume of private borrowing from commercial banks would level off, partly because of restraints on civilian production. However, private borrowing once again, as in the preceding year, was the principal agent of expansion of bank credit and the money supply.

Commercial bank loans increased more than 6.5 billion dollars or about 12 percent during 1952, compared with 5.5 billion or 11 percent during 1951. Consumer loans accounted for a much higher percent of the rise in 1952. Commercial bank holdings of U. S. Government securities, which had de-

TABLE 1. *Factors changing the volume of the privately held money supply* [1]

[Billions of dollars]

Factor	1950 total	1951			1952		
		Total	First half	Second half	Total [2]	First half	Second half [2]
Loans of commercial and mutual savings banks	+10.8	+7.2	+3.5	+3.8	+8.0	+2.1	+5.9
Securities of U. S. Government held by banking system [3]	−3.9	+1.2	−2.1	+3.4	+2.4	−1.5	+3.9
Securities of corporations and State and local governments held by commercial and mutual savings banks	+2.1	+1.2	+.4	+.7	+1.4	+1.1	+.3
Treasury deposits [4]	+.4	−.2	−3.0	+2.8	−1.7	−2.6	+.9
Monetary gold stock	−1.7	(5)	−1.0	+.9	+.5	+.7	−.2
Other factors, net	−.6	−.3	(5)	−.3	−1.8	−.9	−.9
Net change in privately held deposits and currency [6]	+7.1	+9.1	−2.2	+11.3	+8.8	−1.1	+9.9

[1] Includes State and local government deposits.
[2] Estimates based on incomplete data; second half by Council of Economic Advisers.
[3] Includes commercial banks, mutual savings banks, Federal Reserve banks, and the Postal Savings System.
[4] A decrease in Treasury deposits is denoted by a positive figure, and an increase by a negative figure. In the case of other specific factors, the reverse is true.
[5] Less than 50 million dollars.
[6] See appendix table B-29 for aggregate money supply and its components.

NOTE.—Detail will not necessarily add to totals because of rounding. Signs preceding figures in columns indicate effect on the money supply.

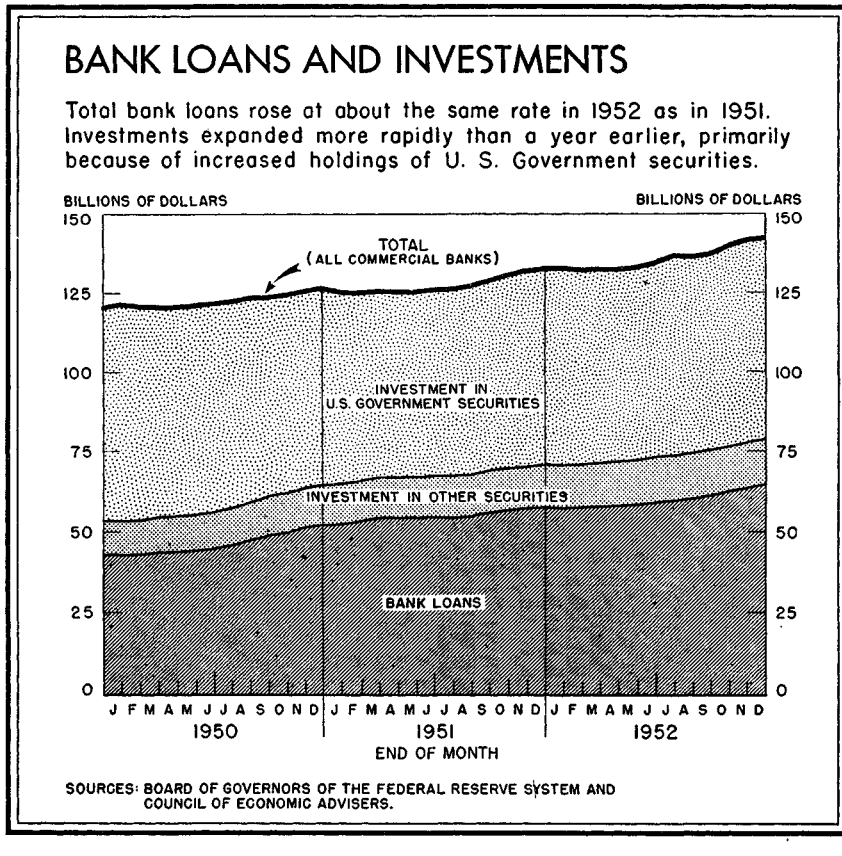
Source: Board of Governors of the Federal Reserve System (except as noted).

creased 0.5 billion dollars or less than 1 percent in 1951, rose by 2 billion or 3 percent in 1952, and in both years investments in corporate securities and State and local government issues expanded about 1 billion dollars or 7 percent. (See appendix table B–28.)

In both 1951 and 1952, an expansion of Federal Reserve bank credit was one of the factors which supplied commercial banks with reserves. During 1952, borrowing by member banks provided the greater amount of reserves from this source, while in the previous year the net increase in Federal Reserve bank holdings of U. S. Government securities was more important. The average of Federal Reserve discounts in 1952 was more than one and one-half times greater than in 1951, but Federal Reserve holdings of Government obligations averaged about the same. (See chart 12.)

The privately held money supply (including the bank deposits of State and local governments) expanded almost 9 billion dollars or about 5 percent in 1952, nearly as much as in the previous year. The principal factor in the rise last year was the growth in bank loans, with the increase in investments next in importance. The agents which tended to expand the

CHART 12



money held in the non-Government sector of the economy were only partly offset by the higher level of Treasury deposits, and by other factors. Also, in 1952, a large part of the growth in the private money supply was in time deposits, about 4.2 billion dollars compared with slightly more than 2 billion in 1951. Demand deposits and currency, the active portion of the money supply, increased in substantially smaller volume in 1952 than in 1951.

Credit policy. During 1952, the credit controls which had been imposed under authority of the Defense Production Act were terminated or suspended. These actions, whether on the initiative of the administrative agencies concerned or in compliance with new legislation, reflected the moderate character of consumer demand relative to supply, the increasing availability of many scarce materials for civilian production, and the growing belief that the return of serious inflationary pressures had at least been postponed.

In May, the voluntary program of credit restraint was placed on a standby basis, and the regulations applying to consumer instalment credit were suspended. In June, the terms of residential mortgage loans were eased. Then, at midyear, in renewing the Defense Production Act the Congress withdrew or extensively limited the power to use these controls. The new legislation provided that, in the future, voluntary campaigns to restrain credit could no longer be organized under the authority of the Act. It also withdrew authority to place controls on instalment credit or other forms of consumer borrowing, and restricted the power to impose significant restrictions on residential mortgage credit to periods when the seasonally adjusted annual rate of housing starts, based on the activity of the preceding 3 months, exceeds 1.2 million units.

In accordance with the last provision, mortgage credit restrictions, with minor exceptions, were removed in September, since the adjusted index of new starts during June-August fell below the stipulated rate. The restrictions on loans for commercial construction were lifted at the same time.

During 1952, the Federal Reserve System, through purchases of Government securities in the open market, partly offset the drain on bank reserves resulting from a growth of currency in circulation. Additional bank reserves required to support expansion of bank deposits resulting from increases in bank credit were obtained by banks through borrowing from the Federal Reserve Banks. No change was made in the Federal Reserve Banks' discount rates during the year.

Materials policies. In addition to the effects of price, wage, and credit policies during the year, an important contribution to stability was made by materials allocations and controls. These measures, primarily directed to the facilitation of essential production, have helped to expand our total economic strength, the most fundamental approach in the longer run to overcoming inflation. These measures have also assisted in the stabilization of scarce commodity prices by limiting the effective demand for such

commodities. Under the current mobilization program, early 1952 was the peak period of materials controls restraint. The improving materials supply situation was reflected in increased allocations for the second half of 1952 and the first half of 1953.

Moreover, important as all of these specific anti-inflationary programs were in 1952, probably the greatest supports to stability were those provided by the Nation's continued rapid expansion of productive capacity and by the maintenance of the high tax rates enacted in 1950 and 1951.

Trends Within Major Sectors

Consumers

Income. Personal income was about 14 billion dollars or 5½ percent higher in 1952 than in 1951. Most of the 1952 rise occurred in the last months of the year as labor income, which had been creeping up gradually, began to climb sharply because of higher wages, increasing employment, and longer working hours. (See chart 13 and appendix tables B–6 and B–7.)

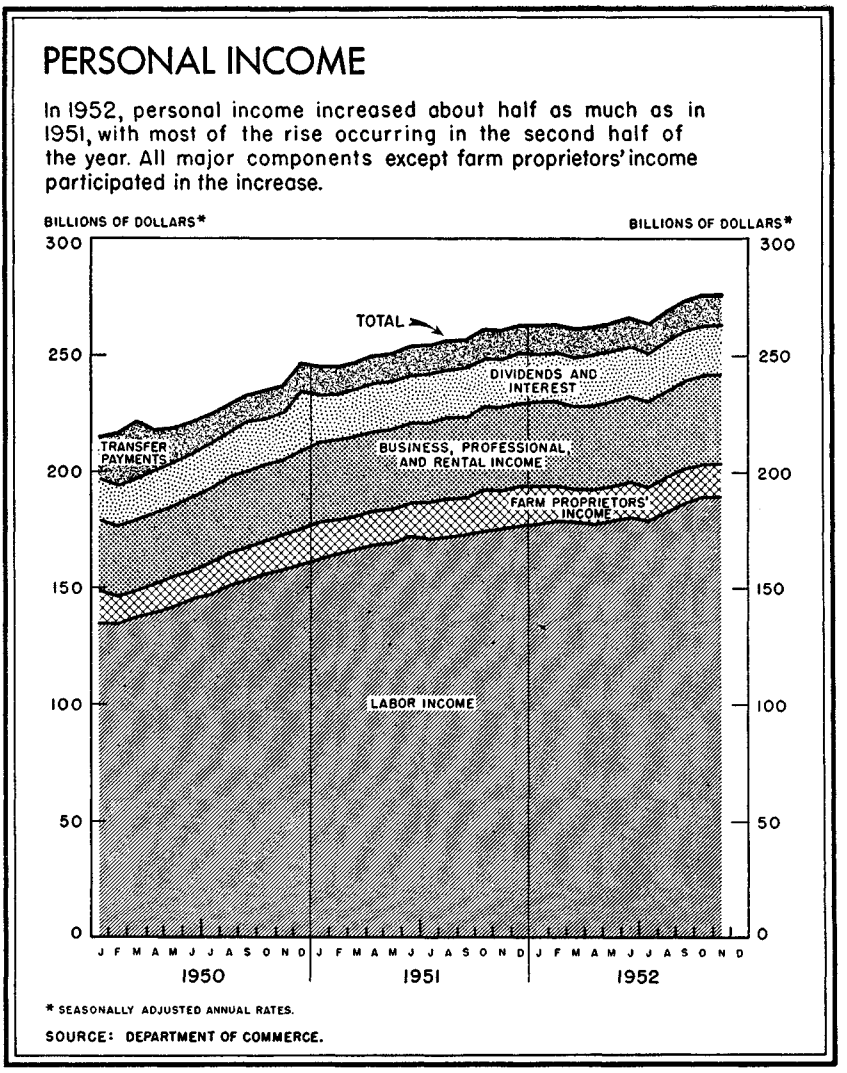
Net income of farm proprietors was slightly lower than in 1951, with prices falling and costs still rising. The level of net farm income in 1952 was substantially higher than in 1949–50, but well below 1948. Income from other businesses and the professions rose in 1952, but less rapidly than in the year before. Dividends, rents, interest, and transfer payments also increased.

Total personal earnings expanded about 6 percent during the year, but personal taxes went up at a faster rate, so that spendable income gained about 10 billion dollars or 4 percent. In constant prices, this rise in disposable personal income represents an increase in per capita purchasing power from $1,486 to $1,496 (1952 prices), a level exceeded only in 1944. (See appendix table B–10.)

Spending and saving. In 1952, for the second consecutive year, the average rate of personal saving was exceptionally high, measured by either prewar or earlier postwar experience. Consumer expenditures were about 8 billion dollars greater in 1952 than in 1951, an amount sufficiently less than the expansion in disposable income to lift the percent of income saved from 7.6 percent to approximately 8 percent. (See appendix tables B–4 and B–9.)

During the first half of the year, consumer buying (at seasonally adjusted annual rates) increased faster than relatively stable disposable income. The rate of saving dropped from about 9 percent in the second half of 1951, a postwar record, to less than 7.5 percent in the first half of 1952. (See chart 14.) During the third quarter, however, the rate of consumption expenditures remained steady, despite a considerable rise in earnings; and the saving ratio climbed most of the way back to the peak level reached in 1951. The third-quarter calm in the consumer markets was partly the result of the steel strike, which by sharply reducing the output of automobiles contributed to a reduction in sales.

CHART 13



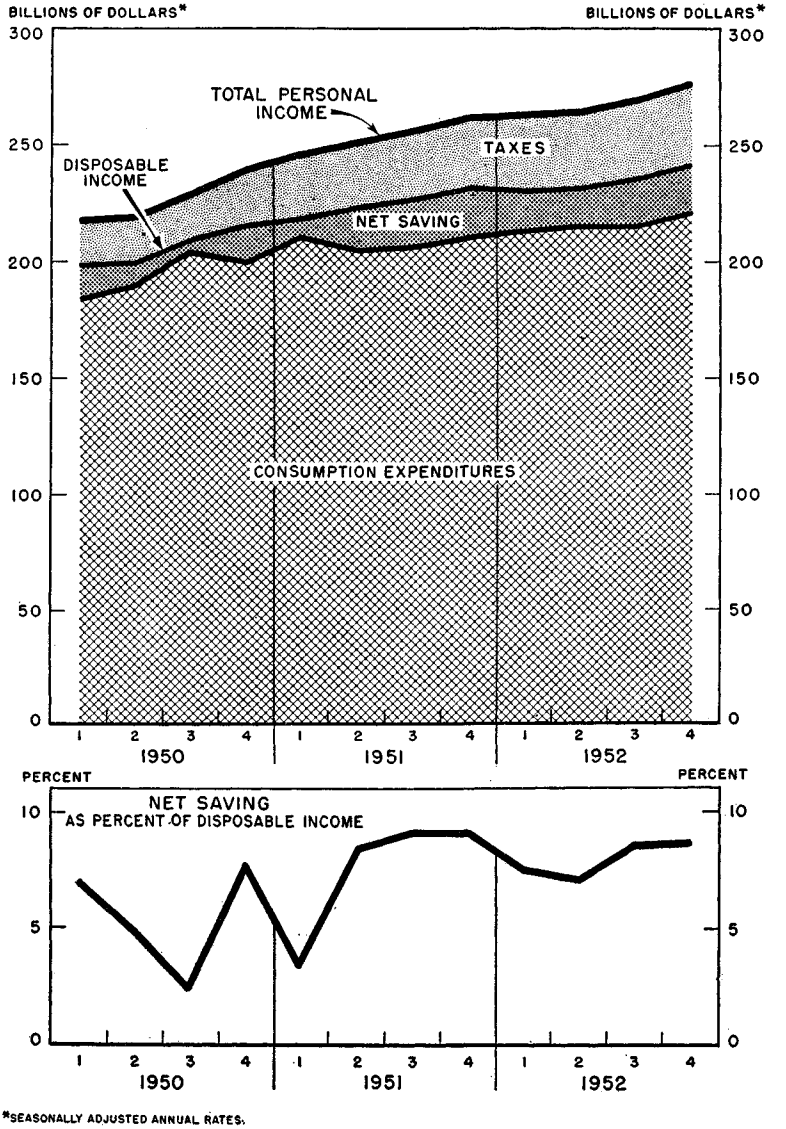
Compared with the third quarter, the fourth quarter was one of vigorous activity. Disposable income, seasonally adjusted, registered the largest quarter-to-quarter rise since the last 3 months of 1950, and spending the greatest gain since the first 3 months of 1951. The saving ratio, however, remained virtually unchanged from the previous quarter.

The markets for durable goods felt the greatest impact of the fourth-quarter growth in consumer spending, as might be expected from the jump in automobile production following the end of the steel shutdown. But the increased buying was by no means limited to automobiles or to the relatively small number of other commodities which had been scarce. Nor can it be directly accounted for simply by the suspension of instalment credit

CHART 14

PERSONAL INCOME, SPENDING, AND SAVING

Personal income and consumption expenditures expanded significantly in the fourth quarter of 1952, after 3 quarters of moderate growth. Saving for the year as a whole continued at a high level.



*SEASONALLY ADJUSTED ANNUAL RATES.

SOURCES: DEPARTMENT OF COMMERCE AND COUNCIL OF ECONOMIC ADVISERS.

controls early in May, which appeared to have given a fillip primarily to automobile sales. The rise in buying during the last months of 1952 embraced nondurable goods as well as durables, textiles as well as cars. It was felt throughout the Nation and in the markets for all major classes of commodities.

Housing. Expenditures for new residential construction in 1952, which had seemed to many analysts likely to fall from the 1951 level under the combined pressure of materials shortages, credit restrictions, tightness in the market for Government-insured or guaranteed mortgage loans, and a decline in the rate of new marriages, slightly exceeded the 1951 total of 11 billion dollars. New nonfarm housing starts, which had been just below 1.1 million units in 1951, were just above that level in 1952. (See appendix tables B–18 and B–19.)

Personal debt. Although consumer and residential mortage debt continued to increase, the former much more rapidly than in 1951, saving in the form of liquid and other financial assets also remained at a very high rate. The high rate of liquid saving, and the steadiness of the price level, probably resulted in some net improvement in the financial position of consumers in 1952 despite the rapid rise in debt.

Consumer credit outstanding expanded more than 3 billion dollars or about 15 percent, compared with about 0.5 billion or 2.7 percent in 1951, and 3.3 billion or 19.6 percent in 1950. Practically all of the 1952 expansion was in instalment credit, which began to climb largely in connection with purchases of automobiles after the suspension of the consumer credit regulations in May. (See chart 15 and appendix table B–27.)

It is estimated that in 1952 residential mortgage debt on 1- to 4-family nonfarm houses expanded 7 billion dollars or 14 percent, to reach a total of 59 billion. The dollar increase was about the same as in 1951, but about 10 percent lower than the increase in 1950.

Business

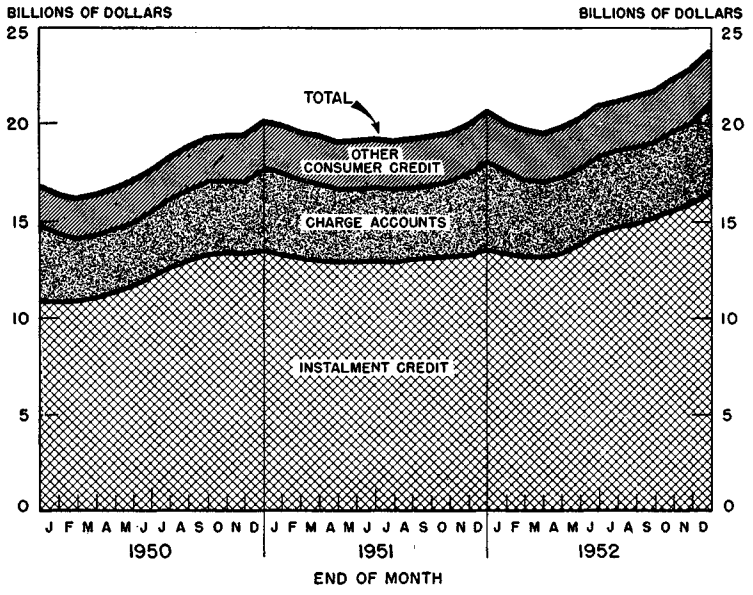
As is apparent from the general production and employment data already cited, 1952 was a good year for business. The first half of the year was much like the last part of 1951. But the story of the second half of 1952 was quite different. It began quietly enough, but it ended with a display of activity which raised sales and incomes for the year as a whole above the levels in the last half of 1951 without causing significant upward pressures on prices. This rise was associated mainly with a pick-up in inventory buying and with a substantial increase in retail sales, particularly of durables. (See appendix tables B–21 and B–22.)

Inventories and sales. Beginning in the third quarter of 1951, the rate of business inventory accumulation declined, as businessmen attempted to bring over-plentiful stocks into line with sales volume. By mid-1952, sellers of such diverse commodities as textiles, apparel, autos, and home appliances appeared to have completed the process of paring down the excess inven-

CHART 15

CONSUMER CREDIT

Consumer credit outstanding declined seasonally in the first quarter of 1952, and then climbed in each succeeding month. Most of the expansion was in instalment credit, reflecting in part the rapid rise in loans on automobiles which followed the suspension of consumer credit restrictions early in May.



SOURCES: BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM AND COUNCIL OF ECONOMIC ADVISERS.

tories which they had accumulated in the preceding months. Indeed, in some areas retail inventories had probably dipped below the levels required by sales, while business purchasing agents were pursuing a policy of hand-to-mouth ordering.

During the third quarter, a change became evident as nonfarm inventories were accumulated at an annual rate of 3 billion dollars. Since there was some decline in inventories of steel during this quarter, the rate of accumulation of nonsteel items exceeded 3 billion dollars. Most nondurable goods industries and the nonsteel-using segments of durable goods industries shared in this rise. However, business sales to ultimate consumers did not rise in line with inventories; production and shipment of producers' durables and automobiles fell, largely as a result of the steel strike. But as the final quarter of the year got under way, metal-using firms had already completed in most cases a remarkable recovery. Production and sales of automobiles, appliances, apparel, and almost all types of commodities expanded considerably. At the same time, inventories con-

tinued the more rapid climb begun earlier, while government purchases of goods and services rose moderately.

Earnings. Business earnings reflected the change in the pattern of general economic activity. Corporate profits before taxes in the first half of 1952 were slightly above the levels to which they had fallen in the latter part of 1951. Rising costs in relation to prices, and lagging sales volume, joined with continued increases in depreciation allowances to prevent a more substantial improvement. During the third quarter of the year, profits before taxes remained approximately unchanged. Considering, however, the sharp drop in third-quarter profits of auto manufacturers and many steel producers and fabricators, the maintenance of over-all profit levels meant that many firms not affected by the steel strike improved their profit positions noticeably. (See appendix tables B–34 through B–38.)

The rapid rise in business activity during the closing months of the year showed up in substantially higher profits. (See appendix table B–34.) The rise in profits was not due, however, to any general rise in price levels, although in some areas higher profits reflected price increases permitted by the Office of Price Stabilization under its relief standards. And in other areas they reflected lower prices of raw materials. Profits after taxes in 1952 averaged about the same as in the second half of 1951, but well below the level of 1951 as a whole.

Investment. During 1952, gross private domestic investment was about 7 billion dollars lower than in 1951. (See chart 16 and appendix table B–5.) All of this decline was due to a drop in the rate of inventory accumulation from over 10 billion dollars in 1951 to 2 billion in 1952. Investment in fixed capital actually rose during the year by about 1 billion dollars. New construction, both residential and other, remained relatively constant in 1952, while producers' durable equipment rose by 1 billion. Investment expenditures for nonfarm producers' plant and equipment rose during the first half of the year to an annual rate of 31 billion dollars, 3 percent more than it had been in the final half of 1951. In the third quarter of 1952, however, delays in shipments of producers' durables and slower rates of progress on construction projects, under the impact of the steel strike, caused investment outlays by business to decline moderately. The quick recovery of steel operations and equipment deliveries made possible an increase in expenditures for nonfarm plant and equipment in the fourth quarter to a new record level.

The largest increases in investment during 1952 were made by manufacturing industries, which added 1.3 billion dollars to their expenditures. (See appendix table B–20.) This new investment was fairly evenly distributed between manufacturers of durable and nondurable goods. In nonmanufacturing, only public utilities showed increased plant and equipment expenditures for the year as a whole, with mining, transportation, and commercial firms showing a decline. Beginning in the fourth quarter of 1951, and until the third quarter of 1952, expenditures for plant and

equipment by the commercial, communication, and construction group of industries declined, responding to restrictions on the use of steel, aluminum, and copper. The final quarter of 1952 found these firms once again increasing their expenditures.

TABLE 2. *Changes in business expenditures for new plant and equipment, 1951 to 1952*

Industry	Percentage change, 1951 to 1952
All industries: total	+2.0
Selected manufacturing industries:	
Primary iron and steel	+28.9
Primary nonferrous metals	+81.2
Electrical machinery and equipment	+8.4
Machinery except electrical	+13.0
Motor vehicles and equipment	+10.1
Transportation equipment excluding motor vehicles	+17.6
Chemicals and allied products	+17.5
Petroleum and coal products	+23.8
Public utilities	+2.7

Sources: Department of Commerce and Securities and Exchange Commission.

One of the important factors influencing the heavy investment program in 1952 was the Government's policy of allowing accelerated tax amortization for defense or defense-supporting types of investment. Since Korea, investment programs amounting to 25 billion dollars have been aided in this manner, about 60 percent of this total being subject to accelerated amortization for tax purposes. It is estimated that during 1952 approximately 10 billion dollars in facilities were put in place under this program. Table 2 lists industries showing the most significant increases in plant and equipment expenditures.

As 1952 drew to a close, most industries increased investment expenditures, and civilian industries increased their relative share in the total. A few of the defense-supporting industries cut back moderately, reflecting the substantial expansion accomplished since 1950. The combination of increased allotments, immediate or prospective, of metals for less essential uses and the beginning of a decline in accelerated amortization-type investments was partly responsible for this changing pattern.

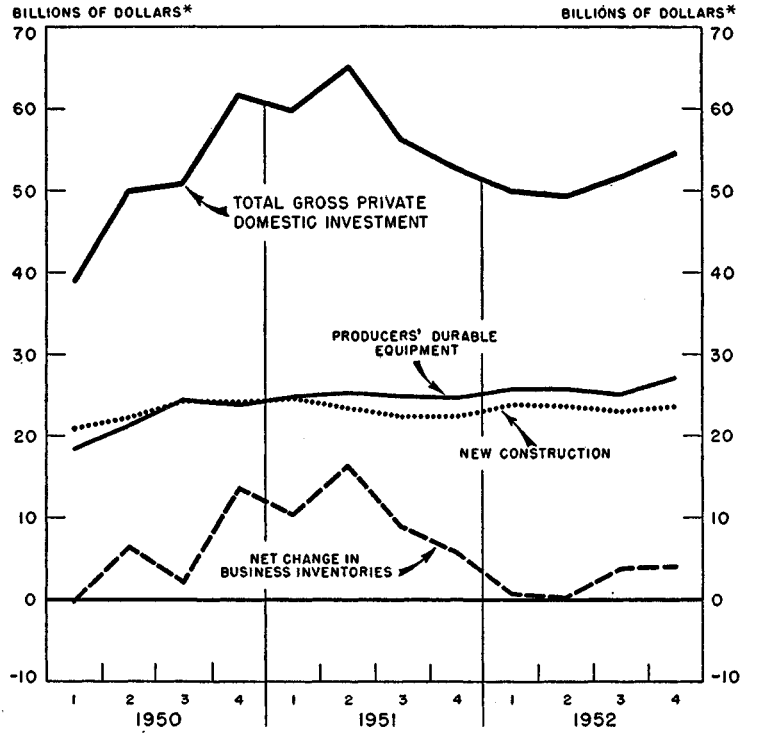
Business financing. Business borrowing from commercial banks expanded about 1.8 billion dollars or 7 percent during 1952, compared with 4 billion or 18 percent during the previous year. A breakdown by half-years reveals that business loans increased 1.7 billion dollars during the first half of 1951, but declined 0.6 billion during the first half of 1952. During the second half of each year, which includes the period of seasonal expansion, business borrowing rose—but somewhat more rapidly in 1952 than in 1951. (See appendix table B–28.)

The contraseasonal rise of commercial and industrial loans in the first 6 months of 1951 was in large measure due to the build-up of inventories. The somewhat greater expansion in the second half of 1952 than in

CHART 16

BUSINESS INVESTMENT

The increase in business investment during the second half of 1952 was due largely to a rise in the rate of inventory accumulation. Expenditures for producers' durable equipment were at record levels for the year as a whole.



* SEASONALLY ADJUSTED ANNUAL RATES.

SOURCES: DEPARTMENT OF COMMERCE AND COUNCIL OF ECONOMIC ADVISERS.

the previous year reflected the higher rate of inventory building and the increased tempo of consumer buying. Loans to wholesalers and retailers were greater than in the comparable period of 1951, and borrowing by manufacturers of textiles declined slightly compared to the very sharp drop the year before. Sales finance companies, which had reduced their bank debt in 1951, increased it substantially in the second half of 1952. On the other hand, there was a sharp falling off in the rate of increase in loans to manufacturers of metals and metal products and the public utility and transportation industries—activities generally considered to be defense-related.

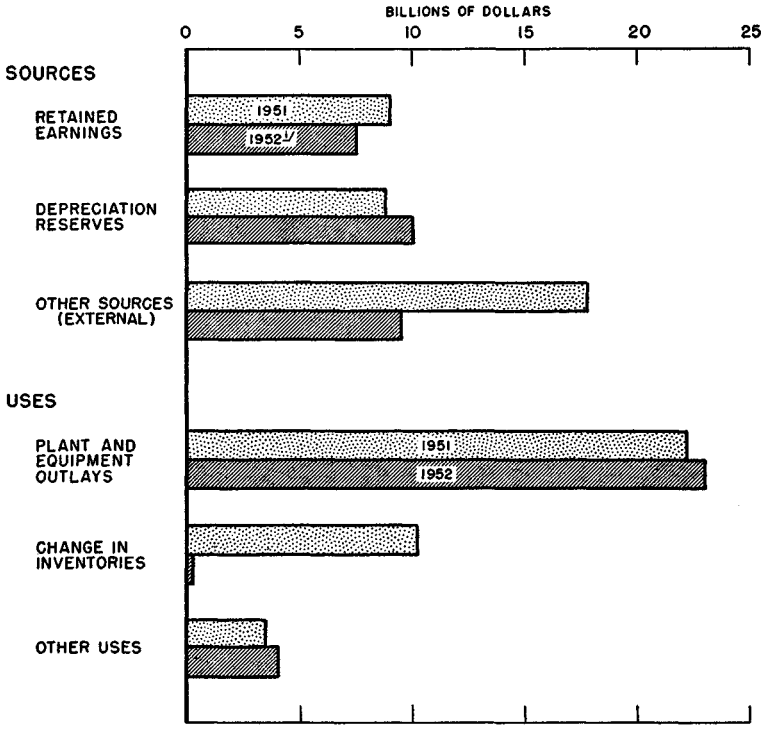
Corporations increased bank loans in 1952 at a much less rapid rate than in the previous year, but they floated a record volume of new securi-

ties. Outstanding bank loans and mortgages of corporations increased 1.5 billion dollars in 1952 compared with 5 billion in 1951, while net new security issues, which totaled 7 billion dollars in 1952, exceeded the previous high reached the year before by 9 percent. The relatively greater importance of long-term external financing last year reflected the fact that corporate outlays for plant and equipment were also running at a new high, while net investment in inventories was negligible in contrast with inventory expansion of more than 10 billion dollars in 1951. The total volume of corporate funds available from retained earnings and depreciation allowances was about the same in both years. (See appendix tables B–11 and B–39 and chart 17.)

CHART 17

SOURCES AND USES OF CORPORATE FUNDS

Internal sources of corporate funds totaled about the same in 1952 as in 1951, while funds from external sources were considerably less. The large decline in corporate inventory accumulation was the greatest change in uses of funds.



1/ PROFITS ESTIMATES FOR THIRD AND FOURTH QUARTERS 1952 BY COUNCIL OF ECONOMIC ADVISERS.

NOTE: EXCLUDES FINANCIAL CORPORATIONS

SOURCE: DEPARTMENT OF COMMERCE ESTIMATES BASED ON SECURITIES AND EXCHANGE COMMISSION AND OTHER FINANCIAL DATA (EXCEPT AS NOTED).

Developments in selected industries. The improvement in the level of business activity, although fairly general, was especially noteworthy in some industries. Table 3 compares the sales of a few of these industries with total business sales.

TABLE 3. *Retail sales, total and selected groups*

[Millions of dollars, seasonally adjusted]

Period	Total retail sales	Motor vehicle and other automotive dealers	Household appliance and radio stores	Apparel stores
1952: January	13,154	1,968	310	871
February	13,406	2,147	310	836
March	13,020	1,938	291	823
April	13,348	2,148	274	854
May	13,838	2,505	294	848
June	14,000	2,407	318	910
July	13,648	2,102	308	876
August	13,343	1,758	297	889
September [1]	13,558	2,129	310	865
October [1]	14,187	2,494	304	925
November [1]	13,991	2,444	315	870

[1] Estimates based on incomplete data.

Source: Department of Commerce.

The first half of 1952 found the *textile* industry still in the doldrums. Just before midyear, a gradual improvement set in and it continued throughout the rest of 1952. Retail inventories of apparel, and in turn producers' inventories of textiles, had been reduced throughout the latter part of 1951 and early 1952, and some retailers and textile product manufacturers found themselves understocked as sales began to rise.

Prices, production, and employment in the industry responded to the increase in sales. On the other hand, a sizable cotton crop, sharply reduced exports of cotton, large capacity for producing rayon, and the absence of large-scale military buying of wool kept raw material prices from rising. The end of 1952 found the textile industry in a much improved position.

The *automotive* industry also showed fluctuation of considerable magnitude during the year. Reduced from the peaks of late 1950 and early 1951 by materials restrictions, credit controls, and moderate consumer demand, automotive production and sales in the early part of 1952 were at good but not record levels. Producers took advantage of available price increases to advance average prices about 5 percent. While buyers accepted these increases during the spring, there were some fears of market softening until the steel strike cut sharply into production. Production fell from 394,000 cars in May of 1952 to 160,000 in July, and as a result inventories and sales of cars at the distributor level fell off.

The comeback was equally rapid. By September, production reached 441,000 cars, retail sales were increasing rapidly, automakers were pressing for greater allotments of metals, and looking forward to further improvement in sales throughout 1953. During the second half of 1952, they did not apply for further ceiling price increases which were available under

price control standards, and in some instances they reduced slightly the prices of 1953 models.

Agricultural output for 1952 is estimated at a record level, 44 percent above the 1935–39 average and 3½ percent larger than in 1951. (See appendix table B–17.) Production records were realized despite drought in large areas and a shrinking farm labor force. Indicated food production was up 4 percent from 1951, a large part of this gain being due to the big wheat crop, some of which went into reserve stocks. Cattle marketings rose substantially in the latter part of the year.

With the large volume of marketings, prices received by farmers in 1952 averaged almost 5 percent lower than in 1951, with rather marked declines in the latter part of the year. For 1952 as a whole, lower average prices for livestock products were only partly offset by slightly higher average prices for crops. Prices paid by farmers averaged about 2 percent above the level of 1951 and, with the reduction in prices received for their products, the parity ratio dropped from 107 percent in 1951 to 101 percent for 1952 as a whole. In December, the ratio was 96. (See appendix table B–25.)

Government

The flow of goods and services to the government sector of the economy was almost one-fourth higher in 1952 than in 1951. This flow accounted for 22 percent of the gross national product in 1952, compared with 19 percent in 1951 and 14 percent in the period immediately preceding the Korean outbreak. More than four-fifths of the increase in governmental purchases in 1952 was attributable to the major national security programs. The next largest increase was in purchases of goods and services by State and local governments. (See appendix table B–1.)

Governmental cash revenues also increased in 1952, in absolute amounts and in relation to the gross national product. However, for the Federal Government as well as the State and local governments, the rise in receipts fell somewhat short of the advance in expenditures. The cash deficit for all governmental units combined was 3.1 billion dollars, divided about equally between the Federal Government and State-local governments. (See chart 18 and appendix table B–33.)

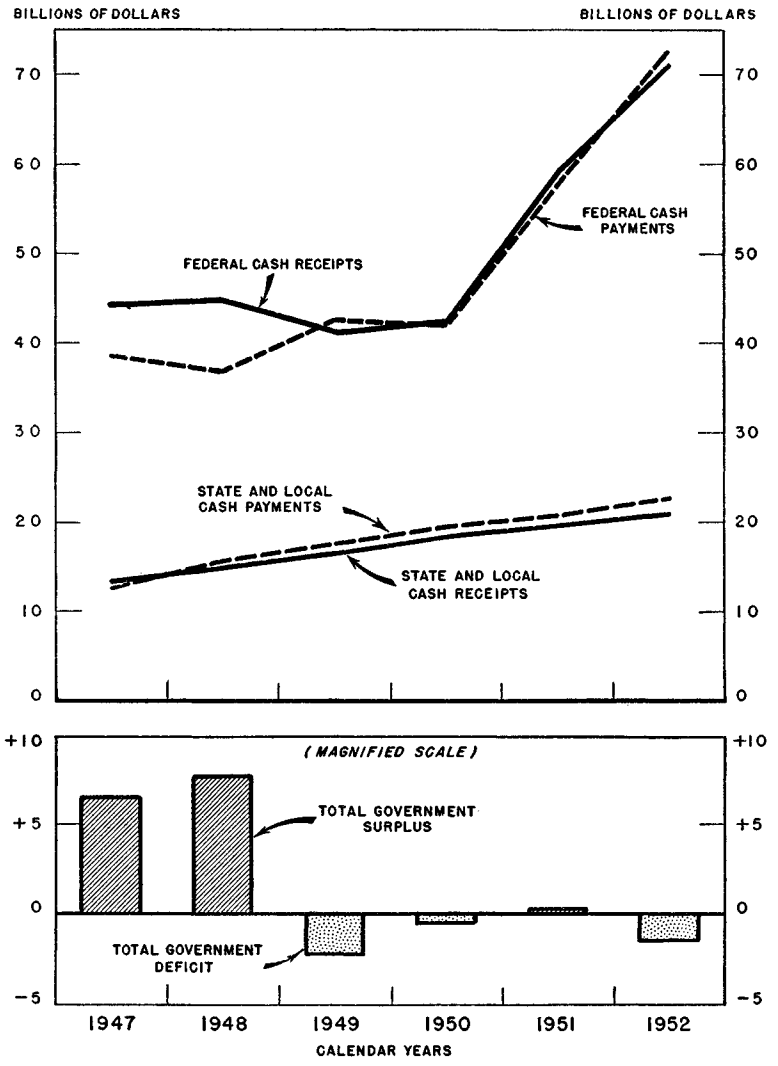
Federal fiscal operations. The results of Federal fiscal operations, as shown in the conventional budget, are summarized in table 4. Expenditures totaled 71.4 billion dollars in the calendar year 1952, and receipts 65.5 billion. The budget deficit of 5.8 billion dollars compares with a deficit of 3.4 billion in 1951. The sources of financing the deficit are indicated in table 4.

The public debt expanded from 259.4 billion dollars at the end of 1951 to 267.4 billion at the close of last year. Almost half of the increase of 8.0 billion dollars in public debt issues was taken up by the Government investment accounts which held 45.9 billion dollars of Federal securities at the year-end. (See appendix table B–30.)

CHART 18

GOVERNMENT CASH RECEIPTS FROM AND PAYMENTS TO THE PUBLIC

In 1952, cash payments rose more than cash receipts, resulting in small cash deficits for both the Federal and the State and local governments.



SOURCES: TREASURY DEPARTMENT, DEPARTMENT OF COMMERCE, AND COUNCIL OF ECONOMIC ADVISERS.

TABLE 4. *Summary of Federal fiscal operations*

[Billions of dollars]

Item	Calendar year 1950	Calendar year 1951	Calendar year 1952		
			Total	First half	Second half
Budget accounts:					
Expenditures	38.3	56.8	71.4	34.9	36.5
Net receipts [1]	37.8	53.5	65.5	38.3	27.2
Deficit (−) to be financed, or surplus	−.4	−3.4	−5.8	3.5	−9.3
Sources of financing:					
Net increase or decrease (−) in public debt held by:					
Government agencies and trust accounts	[2]	3.4	3.8	2.2	1.6
Other investors	−.4	−.7	4.2	−2.5	6.7
All investors	−.4	2.7	8.0	−.3	8.3
Net increase (−) or decrease in General Fund balance	.4	−.1	−1.8	−2.7	.9
Miscellaneous [3]	.4	.7	−.4	−.5	.1
Total sources of financing	.4	3.4	5.8	−3.5	9.3
Addendum					
Public debt, end of period [4]	256.7	259.4	267.4	259.1	267.4
General Fund balance, end of period	4.2	4.3	6.1	7.0	6.1

[1] Gross receipts less appropriations to the Federal Old-Age and Survivors Insurance Trust Fund and refunds of receipts.

[2] Less than 50 million dollars.

[3] Net excess of receipts over expenditures and investments of trust accounts, other transactions, and clearing account.

[4] Public debt excludes guaranteed obligations, which total less than 50 million dollars.

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

Source: *Daily Treasury Statement*, Treasury Department.

The impact of Federal fiscal operations on the current flow of private income and purchasing power is shown more clearly when the conventional budget accounts are adjusted to a consolidated cash basis. Two broad types of adjustments are involved: first, the elimination of noncash transactions, such as interest accruals on outstanding U. S. savings bonds, interest on securities held by the trust accounts, and transfers to the trust accounts; and second, the merging of the budget accounts with the trust and miscellaneous accounts. The result of these adjustments is a consolidated statement of all cash receipts from and payments to the public, apart from sales and redemptions of Government securities. (See appendix tables A–6 and A–7 for a statistical reconciliation of the conventional budget and consolidated cash figures.)

As shown in table 5, both receipts and expenditures are higher on a cash than on a budget basis. The difference, however, is considerably larger in the case of receipts, chiefly because the substantial tax collections for the social security funds are much in excess of expenditures therefrom. The cash deficit of the Federal Government was 1.6 billion dollars in 1952, or 4.2 billion less than the deficit in the conventional budget. There were cash surpluses in both 1950 and 1951, although the conventional budget showed deficits during these years.

Expenditures for national security. The major national security programs (including military services, international security and foreign rela-

TABLE 5. *Federal receipts and expenditures: Conventional budget and consolidated cash statement*

[Billions of dollars]

Accounting basis	Calendar year 1950	Calendar year 1951	Calendar year 1952		
			Total [1]	First half	Second half [1]
Conventional budget:					
Receipts	37.8	53.5	65.5	38.3	27.2
Expenditures	38.3	56.8	71.4	34.9	36.5
Surplus or deficit (−)	−.4	−3.4	−5.8	3.5	−9.3
Consolidated cash statement:					
Receipts	42.4	59.3	71.4	41.3	30.1
Expenditures	42.0	58.0	73.0	35.6	37.4
Cash surplus or deficit (−)	.4	1.2	−1.6	5.6	−7.3

[1] Estimates based on incomplete data.

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

Source: Treasury Department.

tions, atomic energy, promotion of defense production and economic stabilization, civil defense, and merchant marine activities) accounted for 71 percent of total budget expenditures in calendar year 1952. In the preceding year they were 65 percent of the total. Although national security expenditures rose from 37.1 billion dollars in 1951 to 51.0 billion in 1952, all of the growth occurred in the first half of the year. (See chart 19.) The data given in table 6 show that during the second half of the year these expenditures were about 800 million dollars higher than in the first half.

TABLE 6. *Federal budget expenditures by major classes*

[Billions of dollars]

Expenditure class	Calendar year 1950	Calendar year 1951	Calendar year 1952		
			Total [1]	First half	Second half [1]
Total expenditures	38.3	56.8	71.4	34.9	36.5
Major national security programs	18.5	37.1	51.0	25.1	25.9
Department of Defense, military functions [2]	13.3	31.0	45.1	22.0	23.1
International security and foreign relations [3]	4.0	3.5	2.6	1.5	1.1
Atomic Energy Commission	.6	1.3	1.8	.9	.9
Stockpiling of materials	.5	.7	1.0	.5	.5
Other national security [4]	.2	.5	.5	.2	.3
Veterans' Administration	5.8	5.2	4.6	2.3	2.2
Interest on public debt	5.6	6.0	6.1	3.1	3.0
All other	8.4	8.6	9.8	4.3	5.4

[1] Estimates based on incomplete data.

[2] Includes foreign military assistance.

[3] Includes economic and technical assistance, Export-Import Bank, State Department, and miscellaneous foreign aid and relief programs. Foreign military assistance is included with Department of Defense.

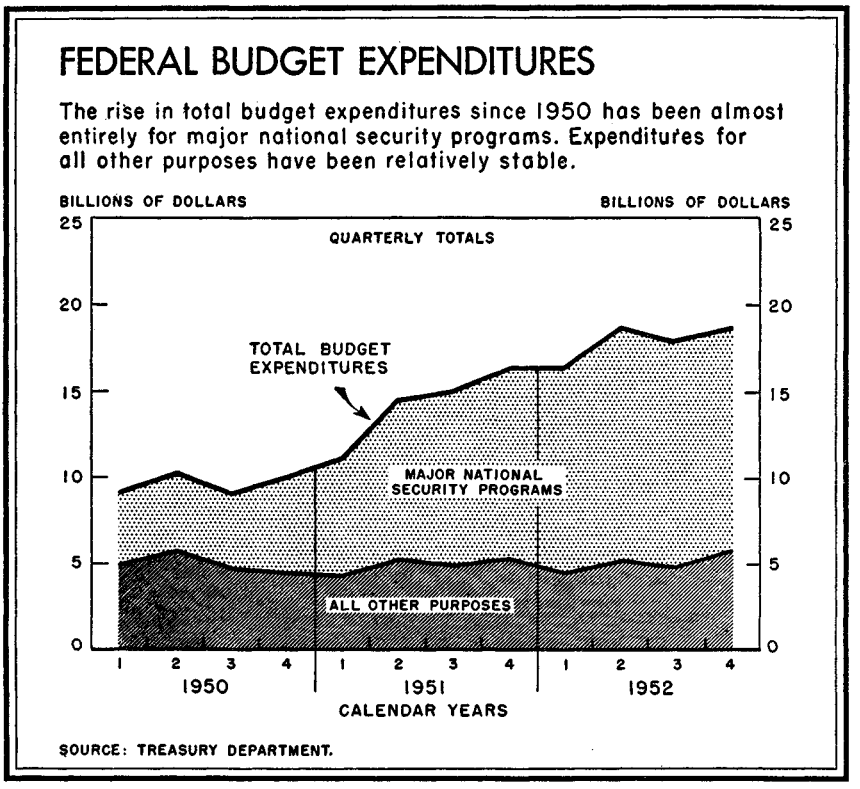
[4] Includes maritime activities, promotion of defense production and economic stabilization, civil defense, National Advisory Committee for Aeronautics, and the Selective Service System.

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

Source: *Daily Treasury Statement*, Treasury Department.

Other budget expenditures. Veterans benefits were somewhat lower in 1952 than a year earlier. On the other hand, interest on the public debt was slightly higher. The increase in expenditures of the Commodity Credit Corporation accounted for about half the rise in the "all other" classification shown in the table.

CHART 19



Budget receipts. The advance in budget receipts in calendar year 1952 was due to the over-all expansion of business activity and the tax legislation enacted in 1950 and 1951. (See table 7.) Each of the major sources of tax revenue was affected by the legislation. The increased withholding rates for the individual income tax under the Revenue Act of 1951 became effective in November 1951, as did the excise tax changes made by that Act. In the case of corporate taxes, the full increase imposed by the 1951 Act will not be reflected in receipts until March 1953, when most corporations will make their first tax payments on their profits for 1952. Corporate tax payments during 1952 were based for the most part on profits and tax rates in 1951.

Because of the 1951 rate increases for the individual income tax, and the rise in incomes, the percentage of personal income withdrawn by direct Federal taxes on individuals rose to 11.4 percent in 1952, according to the

TABLE 7. *Federal budget receipts by source*

[Billions of dollars]

Source	Calendar year 1950	Calendar year 1951	Calendar year 1952		
			Total [1]	First half	Second half [1]
Net receipts [2]	37.8	53.5	65.5	38.3	27.2
Direct taxes on individuals [3]	17.5	25.4	30.5	17.8	12.7
Direct taxes on corporations	9.5	16.3	21.9	14.2	7.7
Excise taxes	8.1	8.6	9.6	4.5	5.1
Customs	.5	.6	.6	.3	.3
Other	2.2	2.7	2.9	1.5	1.4

[1] Estimates based on incomplete data.
[2] Gross receipts less appropriations to the Federal Old-Age and Survivors Insurance Trust Fund and refunds of receipts.
[3] Individual income taxes and estate and gift taxes.

NOTE.—Detail will not necessarily add to totals because of rounding.
Sources: Treasury Department and Bureau of the Budget.

national income accounts. The percentage was 10.0 percent the year before; in the first half of 1950, it was 8.4 percent. Although the proportion of total personal income left after payments of direct taxes declined during this period, the dollar amount moved steadily upward.

Corporate taxes became relatively more important as a source of Federal revenue in 1952. They accounted for 33.4 percent of budget receipts last year, compared with 25 percent in 1950. This shift is the combined result of the tax legislation, including the imposition of the excess profits tax in 1950, and the response of corporate profits to changes in general business activity. Federal corporate tax liabilities, as distinguished from corporate tax payments, were 56 percent of profits before tax in 1952; in 1949, when the pre-Korea rates applied, they were 38 percent.

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

[Billions of dollars]

Receipts or payments	Calendar year 1950	Calendar year 1951	Calendar year 1952 [1]
Total government:			
Cash receipts	60.8	78.9	92.3
Cash payments	61.4	78.7	95.4
Total cash surplus or deficit (−)	−.6	.2	−3.1
Federal Government:			
Cash receipts	42.4	59.3	71.4
Cash payments	42.0	58.0	73.0
Federal cash surplus or deficit (−)	.4	1.2	−1.6
State and local governments:			
Cash receipts [2]	18.4	19.7	20.9
Cash payments [2]	19.4	20.7	22.4
State and local cash surplus or deficit (−)	−1.0	−1.0	−1.5

[1] Estimates based on incomplete data.
[2] Federal grants-in-aid have been deducted from State and local government receipts and payments since they are included in Federal payments.

NOTE.—Detail will not necessarily add to totals because of rounding.
Sources: Treasury Department, Department of Commerce, and Council of Economic Advisers. (See appendix tables A-5 and B-33.)

State and local finances. Cash payments by State and local governments have exceeded cash receipts by a small margin in each year since 1948. (See chart 18.) The excess of payments is estimated at 1.5 billion dollars in 1952, compared to 1.0 billion in 1951. These data are given in table 8.

Revenues have more than kept pace with the rise in operating expenses in recent years, but increasing amounts have been required for capital outlays by State and local governments. Expenditures for new construction, primarily highways and public schools, were 6.6 billion dollars in 1952.

Outstanding debt of these governments amounted to 29.6 billion dollars on June 30, 1952, having increased by 2.6 billion during the previous 12 months. Because of the relatively low interest rates of the past decade, the annual interest on this debt was no higher in 1952 than in 1942, even though the amount of State and local government debt outstanding rose by about 50 percent in this period.

Public debt operations. In addition to a net increase during 1952 of 3.3 billion dollars in special issues for U. S. Government investment accounts, the volume of new borrowing by the Treasury from the public was considerably larger than in other postwar years. (See appendix table B–31.) Some of the new financing was used to repay holders of issues that were redeemed and of that portion of matured issues which was not exchanged for other Government obligations; some was used to augment the General Fund balance, which rose by 1.8 billion dollars during the year, and some of it went to meet the cash deficit of the second half of 1952. The combined effect of sales to the investment accounts and to outsider buyers was to increase the total public debt to 267 billion dollars at the end of 1952. This represented an increase of 8 billion dollars for the calendar year, compared with an increase of 2.7 billion in 1951.

New marketable securities offered to the public were short- or medium-term maturities. Several increases in the weekly offerings of 3-month Treasury bills lifted the outstanding volume from an average of 15.6 billion dollars in January 1952 to 17.2 billion in December. In June, the Treasury accepted bids in the amount of 4.2 billion dollars for a heavily oversubscribed issue of 2⅜ percent 6-year bonds, and in October and November it sold two series of tax anticipation bills, totaling 4.5 billion, one to mature in March 1953 and the other the following June.

Securities of the last-named kind are useful in meeting the problem arising from the unequal seasonal flow of Treasury receipts, which generally run much higher in the first half of the calendar year than in the second half. This imbalance has been accentuated by the plan under which an increasingly large percent of corporate taxes on the earnings of the preceding year must be paid in March and June.

As for nonmarketable securities, which with few exceptions may be purchased only by investors other than banks, the Treasury offered in May,

partly for cash subscription, long-term nonmarketable bonds of the series first issued in the spring of 1951. In May and June, furthermore, extensive changes were made in the types and terms of U. S. savings bonds with the intention of making them more attractive to the individual investors, for whom they are especially designed.

There was, after some easing early in 1952, an upward trend in yields on short-term Government securities. This became quite pronounced in the closing months, the average yield on new issues of 3-month Treasury bills being 1.92 percent in the fourth quarter of 1952 compared with 1.65 percent a year earlier. (See appendix table B–32.)

International developments

United States exports. United States total merchandise exports dropped sharply during the middle of 1952, and in the second half were below the rate of both preceding half years. (See appendix table B–43.) Exports of United States goods, excluding Department of Defense shipments financed by the Mutual Security Program, declined even more sharply than total exports. (See chart 20.) From a monthly average of about 1.2 billion dollars both in the second half of 1951 and in the first half of 1952, domestic exports, exclusive of military aid items, declined to a monthly average of about 1 billion dollars. This drop of nearly 17 percent was almost entirely one of quantity, with export prices remaining practically unchanged. (See appendix table B–44.) Only exports of manufactured goods maintained their 1951 level in the second half of 1952; exports of crude foodstuffs and raw materials declined sharply. Geographically, the decline was widespread, but commodity exports to Western Europe, the sterling area, Argentina, and Brazil suffered the largest decreases. (See appendix tables B–41 and B–43.)

The drop in the volume of United States exports in the second half of 1952 is traceable to a variety of factors. Among the most important was the decline in United States commodity imports between March and September 1951, to a level more than 25 percent below the peak reached briefly in the first quarter. From the fourth quarter of 1951 to the third quarter of 1952, imports fluctuated on a level moderately above the 1951 low. The resultant decline in the dollar earnings of foreign countries, occurring as it did while their expenditures in the United States remained at record heights, contributed to an eventual drop in United States exports. The export surplus of the United States in the second half of 1951, only partially counterbalanced by foreign aid, caused some foreign countries to lose gold to this country and to draw more heavily on their dollar holdings.

In its Midyear 1952 Review, the Council described the developments abroad which had accounted for the size of our export surplus and the imposition by other countries during the period since mid-1950 of increased import restrictions and anti-inflationary policies. Briefly, the payments balances of many industrialized countries, especially in Western Europe, had de-

teriorated because of rapid accumulation of inventories of imported goods after June 1950, and a lag in the rise of their export prices relative to import prices. At later dates, many raw material producing countries also suffered balance of payments problems when the declining rate of inventory accumulation in the United States caused their exports to fall, while their imports, swollen because of high internal incomes and demand, remained high. In late 1951 and early in 1952, the United Kingdom, many other members of the sterling area, France, and certain South American countries imposed sharp important restrictions and adopted anti-inflationary policies to correct balance of payments deficits and to stop losses of reserves.

The decline in the gold and dollar reserves of the sterling area, which had started in mid-1951, was halted after the first quarter of 1952. By the fourth quarter of 1952, the area as a whole was earning gold and dollars from the European Payments Union which approximately balanced its deficit with the dollar area. The improvement in the international position of the sterling area in the second half of the past year resulted from the previously imposed import restrictions, the decision in many instances to draw on existing stocks of imported commodities, and restraint on internal demand by credit and fiscal policies.

From a high of 730 million dollars in the fourth quarter of 1951, United States exports (exclusive of "special category items") to the sterling area declined to 313 million in the third quarter of 1952. This drop of nearly 60 percent may, of course, have involved some seasonal factors. United States exports to the United Kingdom alone declined from 299 million dollars to 117 million. The improvement in the United Kingdom's balance of payments occurred despite a decline in total United Kingdom exports, reflecting import restrictions imposed by the rest of the sterling area and other countries. Exports by the United Kingdom to the United States, however, were as high in the second and third quarters of 1952 as they had been in the first half of 1951.

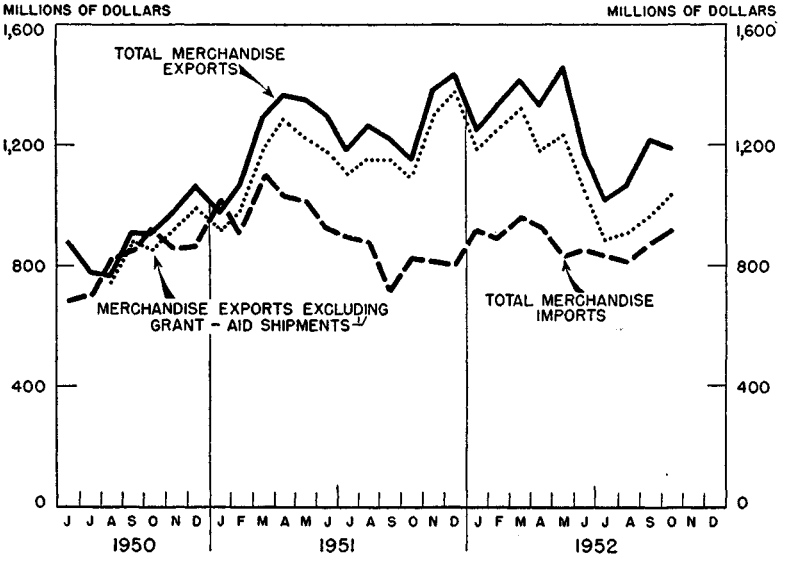
United States exports to other Western European countries together similarly declined from a seasonal high of nearly 900 million dollars in the fourth quarter of 1951 to about 500 million in the third quarter of 1952, a drop of about 45 percent. Exports to continental Western Europe, like exports to the United Kingdom and the entire sterling area, fell off sharply in the second half of 1952, because of increased import restrictions imposed by certain countries; because of increased availability of certain commodities, especially agricultural goods and coal, from domestic and nondollar sources; because of the existence of sizable stocks of imported goods in many countries; and because of a lower level of demand for consumers' goods, especially textiles. This last development was the foreign counterpart to the softness in certain consumer goods industries in this country.

United States commodity exports to countries in the Western Hemisphere in the aggregate remained at about their 1951 level during the

CHART 20

MERCHANDISE EXPORTS AND IMPORTS

After mid-1952, the U. S. merchandise export surplus fell sharply. The increasing volume of shipments of grant-aid military equipment failed to offset the drop in the volume of other exports. Merchandise imports averaged somewhat lower than during the first half of the year.



1/ DEPARTMENT OF DEFENSE SHIPMENTS OF GRANT-AID MILITARY EQUIPMENT AND SUPPLIES UNDER THE MUTUAL SECURITY PROGRAM. SHIPMENTS PRIOR TO AUGUST 1950 AMOUNTED TO 47 BILLION DOLLARS.

SOURCES: DEPARTMENT OF COMMERCE, DEPARTMENT OF THE ARMY, AND DEPARTMENT OF THE NAVY.

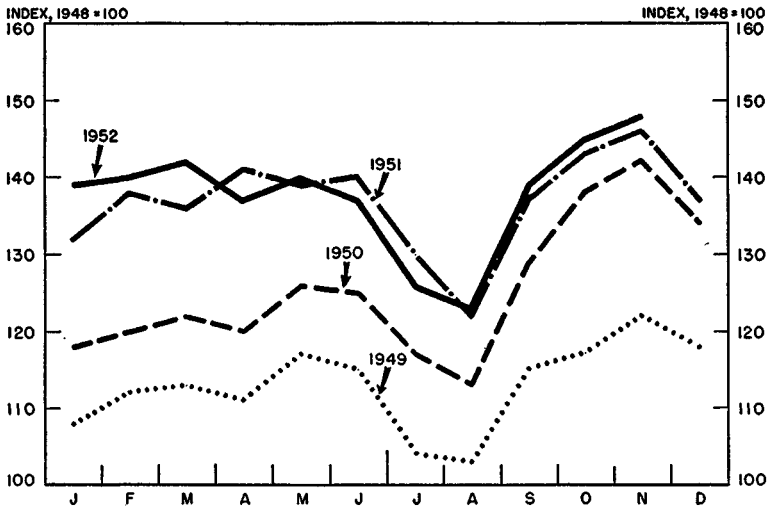
first 9 months of 1952, although higher exports to Canada were counterbalanced by lower sales to certain Latin American countries. Especially sharp was the drop in exports to Chile and Argentina, where high internal demand supported by inflation had led to a loss of reserves and the necessity for curtailing imports.

In 1952, for the first time since 1945, industrial production in Western Europe failed to rise above the previous year, as chart 21 indicates. The failure of industrial output to rise was not all loss; the breathing spell in this rapid advance was accompanied by significant gains. It appears that the reaction to the post-Korean buying spree has about completed its course, thus permitting a continuation of post-World War II economic growth on a more stable foundation. The year 1952 represents a period of consolidation and internal industrial adjustments, in contrast to the rapid expansion which characterized the earlier phases of the post-Korean boom. The inflation suffered by many Western European countries after

CHART 21

INDUSTRIAL PRODUCTION IN WESTERN EUROPE

During 1952, industrial production averaged about the same as in 1951.



NOTE: INCLUDES AUSTRIA, BELGIUM, DENMARK, FRANCE, FEDERAL REPUBLIC OF GERMANY, GREECE, IRELAND, ITALY, LUXEMBOURG, NETHERLANDS, NORWAY, SWEDEN, TRIESTE, TURKEY, AND UNITED KINGDOM.

SOURCES: ORGANIZATION FOR EUROPEAN ECONOMIC COOPERATION AND MUTUAL SECURITY AGENCY.

June 1950 injected considerable distortion into their economies—especially in their external position—which required much subsequent correction.

The serious inflation that developed in France, for example, tended to divert production from exports to domestic markets. In other Western European countries, the previous rapid expansion in the output of consumers' goods had made more difficult a shift of resources to defense output. Thus, the decline in demand for soft goods, which developed in mid-1951 while the output of the machinery, coal, steel, electric power, and defense industries was rising, has aided in facilitating these adjustments.

Wholesale prices were generally lower at the end of 1952 than at the beginning of the year. Cost-of-living indexes either remained the same or moved somewhat higher. (See appendix table B–26.) Unemployment, while higher during the first half of 1952 than during previous years, was of significant size only in Italy, Germany, and Belgium. In Germany, unemployment at the end of 1952 was the lowest in the postwar period and was ceasing to be a serious economic problem.

United States imports. United States commodity imports in the second half of 1952 were slightly higher in value than those in the second half of

1951 after the sharp decline had occurred. (See appendix table B–45.) The relative constancy in the value of imports, however, conceals the substantial recovery in volume that has meanwhile occurred. The index of import unit values (1936–38=100) has declined from 299 in the fourth quarter of 1951 to 280 in the same quarter of 1952, while the quantity index has risen from 136 to 154 (1936–38=100). (See appendix table B–46.) The lower level of commodity prices throughout the world is responsible for some of the increases in volume of imports, for when prices were at their peak in early 1951 price ceilings in this country served to keep United States prices below those elsewhere, and thereby to discourage imports of some commodities into the United States. The higher level of imports in 1952, however, can also be accounted for in part by the previous working off of inventories of imported goods which had been accumulated earlier.

The relative constancy of aggregate foreign dollar earnings from commodity sales in the United States between the second half of 1951 and of 1952 was not shared by all areas. United States imports from Latin America were substantially higher in value than in the previous period. The value of imports from a few countries, including Japan, Italy, and the Netherlands increased somewhat, but lower imports from some other areas offset these rises.

Other means of financing exports. The level of foreign economic and defense-support aid was slightly lower in 1952 than in the previous year, since a substantial rise in military aid did not counterbalance the decline in economic aid. (See appendix table B–42.) United States Government purchases of goods and services abroad, largely in Western Europe and Japan, continued to play an increasingly important role in financing United States exports. Direct investment of United States capital abroad reached the record amount of 560 million dollars in the first half of 1952, almost equal to the entire outflow of the previous year. Total net outflow of private capital was smaller in 1952 than in 1951, however, chiefly because of sales of Canadian securities by United States residents in the last half of the year. Again in 1952 the largest part of private investment abroad occurred in Canada and Latin America, but the capital outflow to countries in Africa, the Near East, and Far East increased somewhat.

In the first quarter of 1952, the size of the export surplus of goods and services forced foreign countries to sell gold and draw on dollar balances in order to cover their dollar payments; in the latter part of the year this situation was reversed. With a considerable reduction in the export surplus, other dollar receipts proved sufficiently large to enable foreign countries as a whole to accumulate gold and dollars. (See appendix table B–40.)

Chapter II. Near-Term Prospects and Policies

The Outlook

A year ago, the official estimates of the prospective pace of defense expenditures were higher than the developments which actually followed. This led the Council and other business observers to expect somewhat stronger inflationary pressures and civilian shortages in 1952 than in fact developed. By midyear 1952, the Council's reexamination of short-run prospects led to a modification of its earlier view in the light of the revised mobilization program. At that point, the Council foresaw a 12-month period not likely to differ markedly from the period of high-level stability which had preceded it for a year and a quarter. It seemed that production and incomes were apt to keep rising and unemployment to stay low, without substantially augmenting inflationary pressures. But the Council stated that there might be a shift, in the event of incalculable changes in inventory investment and consumer buying—for which funds were ample—which might for a time accentuate the *risk* of inflation. Moreover, it appeared that, at some point beyond the short-run outlook as then defined, new demands might be necessary to protect the economy from deflationary dangers.

In broad outline, this general approach is still applicable for the months now ahead. The principal change thus far has already been underscored in the discussion of 1952. It is the relative shift in emphasis from rising public to rising private demand, reflected in the volume of consumer and inventory buying in the final quarters of 1952, accompanied by the absence of a significant rise in defense spending during recent months. Before evaluating to what extent this shift may continue, and the significance thereof, it is desirable to examine the components in some detail.

Government expenditures and the fiscal outlook

In 1953, as in the 2 preceding years, the course of national security expenditures constitutes the best starting point for an analysis of prospective developments. Under the present national security program, expenditures are expected to rise gradually during most of this calendar year, and thereafter to level off on a plateau which will carry well into next year. While most of the growth in this sector of demand has already occurred, the annual rate of expenditures in the fourth quarter of 1953 may be 4 or 5 billion dollars higher than in the fourth quarter of 1952.

Government outlays at State and local levels probably will continue to increase slowly, as defense-related restraints diminish and the pressure to meet long-term developmental needs grows stronger. Some recent surveys of State and local government spending plans indicate increases in 1953 of from 1 to 2 billion dollars over the 1952 level of 23.3 billion.

The fiscal outlook is for a moderately larger Federal deficit in 1953 than in the calendar year just closed. The Budget of the President estimates a Federal deficit of about 2 billion dollars on a consolidated cash basis in the fiscal year which ends June 30, 1953; it indicates a cash deficit of 6.6 billion dollars in the succeeding fiscal year. If the post-Korea tax increases are not allowed to run off as provided by present law, the cash deficit in fiscal 1954 would be about 2 billion lower. The State-local deficit has ranged between 1 and 2 billion dollars a year in the recent period, and will probably continue at that level in calendar 1953.

Private domestic investment

There are strong indications that, taken as a whole, private expenditures for new fixed capital assets will hold up to the very high 1952 level during all or most of 1953. In the case of plant and equipment outlays, while most of the private projects "programmed" under the Government's industrial expansion effort had been approved and more than half put in place by the first of this year, the expansion in many "nonprogrammed" areas probably will prevent any significant weakening in the total this year. This follows from the recent survey of business investment intentions for 1953 made by the Commerce Department and the Securities and Exchange Commission, just reported in detail in the Commerce Department's study of "Markets After the Defense Expansion," and summarized in table 9.

TABLE 9. *Business expenditures for new plant and equipment*

[Millions of dollars]

Industry	1951	1952 [1]	1953 [1]
Total expenditures	26,332	26,860	26,271
Manufacturing	11,130	12,452	11,907
Durable goods	5,168	5,869	5,326
Nondurable goods	5,962	6,583	6,582
Mining	911	850	871
Transportation	2,966	2,792	2,504
Public utilities	3,855	3,961	4,017
Commercial and other [2]	7,470	6,804	6,972

[1] Estimates for the fourth quarter of 1952 and for 1953 are based on anticipated capital expenditures as reported by business in October and November 1952.
[2] Includes trade, service, finance, communication, and construction.

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

Sources: Department of Commerce and Securities and Exchange Commission. (See appendix table B-20.)

The same survey indicates that commercial and recreational construction, much of which up to now has been held back by materials controls,

should rise in 1953. In housing, the removal of credit restrictions last fall, together with rising incomes, seems likely to keep 1953 starts fairly close to the 1952 figure of 1.1 million.

Inventory accumulation, as already has been emphasized, will play an unpredictable role in the months ahead. An acceleration of the rates of inventory-building estimated to have occurred in the last 2 quarters could lead to some pressures on prices. Excessive stocks could, in turn, lead to a reversal of the inventory movement later in the year.

Net foreign investment

If United States imports and private investment abroad in 1953 follow the trends of 1952, and if Government expenditures for foreign aid conform to the pattern now in prospect, foreign countries will be able to continue rebuilding their depleted dollar reserves, and perhaps even to relax somewhat their import restrictions. However, assuming no change in United States international economic policies, it seems unlikely that the dollar positions of foreign nations will permit United States exports to rise greatly from present levels before the end of 1953. Agricultural exports during 1952–53 will be down substantially from the record levels of the crop year 1951–52. A general increase in foreign output of farm products is largely responsible for the reduced foreign demand for United States farm products.

Personal income and consumption

Personal income will probably rise in 1953 at a more moderate rate than in the last half of 1952. Wage rates can be expected to increase under present and prospective high levels of employment. Business earnings should exceed the levels of 1952. The income of farm operators, which decreased moderately in 1952, threatens to decline further in the absence of countervailing policies, as a result of rising costs and somewhat lower farm prices.

Spendable income will not increase as much as personal income, under present tax rates, because personal taxes and other types of taxes will absorb part of the income increases. Nevertheless, moderate gains in consumption expenditures are likely, since there is no reason to forecast an early increase in the rate of personal saving.

Expenditures on services should continue to mount. In addition to the effect of income changes, prices are still rising in this area, and the rapid rate of new home construction requires expansion of all types of utilities.

The demand for automobiles may exceed total sales in 1952, and lead to a further increase in instalment debt. If prewar patterns are followed, many persons who bought a new car in the peak years of 1949 and 1950 will again be in the new-car market in 1953.

Supplies

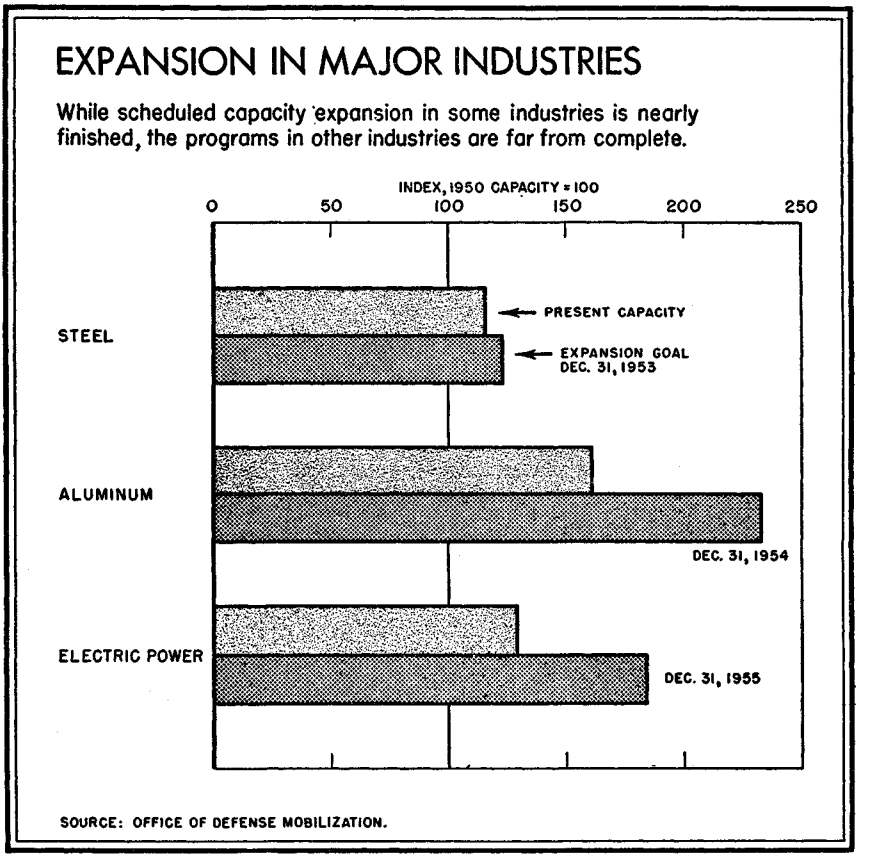
In general, the condition of supply, which proved ample along with restraining measures to prevent inflationary trends during 1952, should certainly continue in 1953. In fact, the productive power as well as the actual

product of the economy now are considerably higher than a year ago, and these sources of basic strength can and should be augmented in the year ahead. If high-level employment is maintained, we are now clearly in position to lift the total output of the economy by far more than the increase in the defense take, and by sufficient amount to meet moderately rising demands in other sectors of the economy. In fact, these moderately rising demands are likely to occur only if high employment is maintained and production thus increased.

Turning to more specialized supply problems, although some effects of the steel strike are still being felt, the outlook for steel supplies for civilian users is generally optimistic. Because of the increase in capacity, and the leveling off of military requirements, manufacturers of civilian-type products will receive during the second quarter of 1953 allotments higher than any yet granted under the Controlled Materials Plan. However, steel plate, heavy structural shapes, tubular products, and certain other items are expected to remain relatively scarce for a somewhat longer period.

Despite the rapid increase in aluminum capacity since Korea, domestic supplies increased less than expected this autumn as a result of power

CHART 22



shortages in the Northwest. Larger imports from Canada have helped ease this situation. The general outlook is for increasingly available supplies for nonmilitary uses, although it should be noted that aluminum capacity in the United States is by no means over-plentiful in terms of either requirements for full mobilization or expanding peacetime civilian usage. (See chart 22.)

Copper appears to be the scarcest of the three basic metals. Fabricators of copper products, however, have recently been rebuilding their inventories. While potential supplies should not fall significantly short of demand for current use during 1953, they are somewhat deficient in terms of stockpiling objectives. Consequently, contemplated second quarter 1953 allotments are only slightly higher than fourth quarter 1952. Taking the longer view, it is expected that military requirements will soon begin to decline modestly, the extent depending heavily not only upon ammunition use in Korea, but also upon how rapidly progress is made in substituting steel for copper in shell cases. The price of imported copper is still above the ceiling price established for domestic supplies, and the outlook for a narrowing of this differential depends upon the rapidity with which supplies improve and upon the foreign suppliers.

The generally optimistic picture for the major metal supplies cannot, of course, be transferred to the much scarcer alloying metals. The heavy military requirements both for current usage and for stockpiling of these scarce alloy metals promises to keep them in tight supply, certainly through the near future. The technology of modern armaments puts a severe drain on these high temperature alloys, and even though the Government's program of increasing the supplies of these metals has borne fruit in most cases, the enlarged production must be channeled into the defense program.

Prices

The general price structure seems now to have readjusted to a reasonably stable condition. Within the structure itself, there are only selective pressures for further realignments of raw material, manufacturers', and distributors' prices. There seem to be no demand developments in early prospect which would force the general level of prices either up or down—unless it were a more sudden shift in inventory accumulation or durables buying by consumers than there now is good reason to expect.

There will be some upward pressures. For one thing, many businesses will face further cost increases. Moreover, in those areas where ceilings are now holding prices below what would be their present "equilibrium" levels if markets were uncontrolled, there would be a tendency for prices to rise if controls were too quickly abandoned. On the other hand, increasing supplies should reduce this risk as the year progresses. And it is quite possible that the tendency toward more competitive pricing now observable in many retail quarters will spread. As more and more new productive capacity comes into operation, supplies are becoming increasingly abundant relative to demand.

The composite near-term outlook

On balance, the economic outlook for the near-term future does not justify at this time any sharp change in the mood of the business community or the consuming public, nor does it justify any sharp change in public policy. The period should witness in the main a mild continuance of the shift toward relatively more emphasis on civilian demand, and relatively less emphasis upon the increase in military demand. Since civilian demand is directed toward sectors of the economy where our productive facilities can meet this demand with less strain than the highly selective demand of military expansion, it should be easier in 1953 than during the past 2 years to hold inflationary pressures in check. This outlook for stability makes it desirable to continue or even speed up the process of sloughing off direct controls.

The question remains whether the increase in civilian demand during 1953 will be sufficient to close the gap between further increases in our general productive power and the less sizable increases in military demand, or whether in the alternative we shall be faced with substantial deflationary trends and corresponding unemployment. For the major portion of the year 1953, the weight of evidence is clear that such a deflationary movement is not in prospect. And there is certainly no reason yet to alter drastically private or public economic policies on a premature assumption that these unfavorable developments will take place toward the end of the year.

The only factors which the Council can now discern which might prevent the late portion of 1953 from being bright would be (1) a prevalent determination early in the year, contrary to the weight of the evidence, that the business outlook for the latter part of the year is gloomy, or (2) sharp departure from private and public policies which as of now have brought us to a position of price stability combined with maximum production and employment. Such unfavorable shifts would be unwarranted, and the Council advises against them. While there are always new problems to be solved, the Council feels that the year 1953 commences with the economy in better shape than at the beginning of any year since our work was started 6 years ago. We are not confronted with the highly ambiguous situation of early 1947, when it was not clear whether the then current inflation would continue or explode in the much-advertized postwar deflation. We are not confronted by the hectic inflationary trends of early 1948, or the disturbing downward movements of early 1949. The throb of economic activity and of confidence are stronger than in early 1950. And our ability to sustain the heavy burden of our new world responsibilities without economic impairment is now clear, although many doubted it in early 1951 and some still doubted it in early 1952.

In taking this fairly firm stand with respect to the near-term future, the Council does not challenge the proposition that a later period will confront us with more difficult tests of our ability to maintain stability and growth.

In subsequent portions of this Review, we shall discuss this longer-range issue, and point out that it is none too early to begin improving our defenses against the forces of deflation. Nor is it too early to note that the sea even now is not entirely placid. The recent trends in the agricultural sector of the economy, and in international economic arrangements, challenge us even now to forestall events fraught with real dangers to be averted later on even though not in the short run.

Near-Term Policy Issues

The Council's discussion of near-term policy will focus on three issues: defense mobilization policy, tax policy, and international trade policy. The expiration of basic statutes affecting each of these national policies will compel congressional decision, in the current session, to permit the respective statutes to expire, to renew them, or to replace them with new or modified plans.

Defense mobilization policy

Since the Korean outbreak, the Nation's prime production objective has been to build up its defenses and expand its mobilization base. To accomplish this in an orderly fashion and at the same time to maintain stability, it was necessary to increase taxes greatly, to erect a comprehensive structure of controls covering materials, prices, wages, and credit, and to develop additional incentives for the expansion of supply both at home and abroad. It is a tribute to the coordination of public and private efforts that during the past 2 years the Nation has built up its productive and military strength with relatively little strain on the economy, while maintaining a high degree of economic stability. The great resiliency of our productive system has permitted maintenance of a very high and increasing over-all level of consumption. These developments have led during the past year to a progressive relaxation of the controls in those areas where expansion of supply and the absence of excessive demand have permitted.

It would be imprudent to make changes now in economic policies which would be so drastic as to interfere with the continued orderly build-up of our defenses or to upset the balance in the economy. This note of caution is underscored by four basic considerations: (1) the mobilization program under *present* plans has yet to achieve its peak, and we do not yet know the scope or direction of any change which may be made; (2) the level of private demand is now very high and may increase; (3) the controls program, though in process of contraction, continues to make a positive and major contribution to the orderly flow of materials and to economic stability in important areas; and (4) the international situation continues highly uncertain.

The Defense Production Act expires June 30, 1953, except price, wage, and rent controls, which expire April 30. The improving materials supply will justify further relaxation in controls during the first half of 1953. But it is quite clear that the improvement in the supply of materials will not

be sufficient in all cases to permit the complete termination of controls before the existing powers expire. It will be absolutely essential to have continuing authority for priorities and allocations controls to assure the supply of necessary types of steel, copper, aluminum, and certain other materials for defense production. Under these circumstances, it would be wise to extend the present legislative authority for the direct controls. This would enable a continuation or acceleration of the present policy of tapering off controls as shortages and inflationary pressures in individual markets ease. To end these controls prematurely would adversely affect the defense program most of all, since the shortages and price-pressures are greatest in certain of the metal and metal products industries. At this time, with the Budget as high as it is, it would be poor economy to add to the cost of the defense program through inflationary price and wage increases.

Unless some new international crisis should occur, or the national security program should be expanded substantially above the levels now planned, it probably will be desirable to eliminate practically all of the present direct controls well within fiscal 1954. It now appears, however, that in the interest of national security two types of controls should probably be continued even beyond that date. The first of these is allocation of the most critical materials—particularly, certain of the scarce alloying metals—in order to expedite accumulation of the stockpile. The second is priority powers to assure that basic materials and certain critical types of equipment are channeled to military and atomic energy needs ahead of all other needs.

This raises, as part of the current policy problem, the question of what our longer-run preparedness policy should be. Our traditions of freedom make us naturally impatient with direct controls. We prefer in more normal times to let the market forces determine the flow of goods and services and the levels of most prices and wages. But these are not normal times. The Nation recognizes that, so long as the cold war lasts, it must maintain an adequate state of military preparedness. It must also maintain an adequate state of economic preparedness. This suggests careful consideration of stand-by legislative authority to be invoked under specific conditions, and maintaining the nucleus of a staff which can keep plans for controls continuously up to date and be prepared to meet quickly the contingency of any new Koreas. The experience after the Korean outbreak indicates that it may take as much as 6 months to enact legislation, recruit staff, and put controls into effect. We should be forearmed to prevent recurrence of such costly delay under comparable conditions.

Tax policy

One of the most notable features accompanying the build-up of the present defense program has been the effectiveness of fiscal policy. Federal budgetary expenditures are estimated at over 185 billion dollars for the fiscal years 1951 through 1953. The security program accounts for about 125 billion of this total. Yet the cumulative deficit in the conventional budget

is expected to be less than 6½ billion, and on a cash basis there will be a surplus of more than 5½ billion. This is a remarkable result, considering that in fiscal 1953 spending will be almost double that of fiscal 1950, increasing by about 35 billion. To achieve this result, it has been necessary to increase Federal taxes to the point where, in combination with State-local levies, they take a larger percentage of our national income than at any other time in our history.

From the start of the mobilization program, the fiscal objective has been to strive for a pay-as-we-go policy as a bulwark against inflation and to permit a fair distribution of the defense burden. In the July 1952 Economic Review it was said: "Taxation should be the last inflation control measure to be relaxed, since it is a basic measure and the most effective one for long-continued use." This statement is now all the more pertinent, since important tax decisions must be made in the coming months. The President's Budget indicates a deficit of 10 billion dollars in fiscal 1954, on a conventional budget basis, and about 6½ billion dollars on a cash basis, assuming tax reductions in accordance with scheduled termination dates. If the excess profits tax, which is due to expire June 30, 1953, and the 1951 increases in the individual income tax, which will terminate December 31, 1953, were to be extended beyond these dates, revenues would be increased by over 2 billion dollars in fiscal year 1954, and by about 6 billion dollars in subsequent fiscal years, above what they would be with the tax reductions.

To decide now to let the excess profits tax expire without compensating increases in the regular corporate income tax would be to furnish a stimulant to the economy which it does not now need and might need later on. The scheduled termination date for the individual income tax increases might also prove to be premature. Because these increases are not due to expire until December 31, 1953, however, more time is available to study the matter in the light of the developing budgetary situation and economic prospects generally.

Unquestionably, present rates create heavy burdens for large sections of the population. It is also true that the present high rates are not always conducive to maximum efficiency in industry and may in certain circumstances undermine incentives. In urging that it would be premature to effect a general rate reduction in 1953, the Council is not insensitive to these considerations. It is convinced, however, that high taxes are on balance an important stabilizing influence under current economic conditions, and that insufficient taxation would represent a greater risk to our economic well-being in 1953 than the continuance of the present high rates.

Looking beyond the near-term outlook, the time may come, as discussed in chapters III and IV of this Review, when it will be necessary to provide some new support to the economy. Under such circumstances, it would be appropriate to reduce the tax burden to stimulate private demand. But it would be inappropriate to make these tax reductions prematurely,

when they are not needed to stimulate demand and could even have inflationary effects, and when we are facing the prospect of sizable budget deficits despite full employment.

International trade policy

Another basic decision to be taken in 1953 is with respect to international trade policy. The Reciprocal Trade Agreements Act expires on June 12, 1953. This Act has been a powerful, constructive force in expanding the flow of trade in the free world, and it has symbolized our awareness that trade must be a two-way street. We are engaged in forging a strong community of free nations with great defensive strength. Basic to the other free nations' military strength is their economic strength. The more they are enabled to pay their own way, the better for us as well as for them.

The Reciprocal Trade Agreements program has also been an important factor in giving the countries of the free world some assurance that, as their trade with the Soviet Bloc declines, trade elsewhere will increase. Alternative sources of supply are largely in the dollar area, and the ability to earn dollars depends in large part on United States trade policy. However, in its most recent form, the Act contains certain new provisions, contrary to its basic objectives, which have threatened an increase in duties whenever consumption of foreign products became anything more than insignificant in the United States. Provisions of this sort are directly in conflict with and tend to defeat the broad purposes of the Act. So far as the United States is concerned, it is sound economics to adopt legislation on tariffs and customs procedures which furthers our objective of a greater volume of international trade without crippling qualifications.

Chapter III. Longer-Run Needs and Prospects

Introduction

IN chapter IV of its Midyear 1952 Economic Review, the Council began to explore the longer-run outlook for the economy—the outlook extending further ahead than the year or so which we have generally encompassed in the near-term outlook. In the 6 months since midyear 1952, this longer-run problem has been receiving increasing attention. It has already been made the subject of several helpful private and public studies, among them the recently released report on "Markets After the Defense Expansion" issued by the Department of Commerce. In the current Review, the Council extends its midyear 1952 analysis of the longer-run outlook, first by attempting to identify the problem with somewhat greater precision, and then by pressing further the discussion of general private and public policies.

There is a prevalent tendency to fix a point in time ahead at which it is presumed that the basic economic climate will change, and that new problems—usually designated as deflationary—will confront us throughout the economy. There are many who follow the line of reasoning that this change will occur when defense spending stops rising and either levels off or begins to decline. This line of reasoning, in terms of only one sector of the economy, however important that sector, is clearly inadequate. A complete analysis must encompass all parts of the economy, private and public, and it must view the economy as a whole, for the whole is more than the sum of its parts. It must identify those factors which have been mainly responsible in driving the economy upward since Korea, and which may lose some of their up-pushing momentum. It must also identify other areas which may come forward to take their place in an economy where stability and prosperity require not merely the maintenance but the expansion of total demand. And it must study the interrelationships among these factors, and how they interact upon each other and upon the total.

The Council accepts and follows this last-mentioned broad type of analysis, but our interest in the longer-run problem and our point of concentration go beyond it. The Council recognizes that for purposes of economic analysis there is a proper distinction between immediate and long-range problems and policies, and that it is always important to devote attention to both. At the same time, we recognize that the dichotomy is not absolute; that what is done now affects what happens later on; that the present merges with the future; and that it is neither practical nor necessary for the purposes of effective action to forecast exactly at what point in time the economic climate will undergo the profound change which

some anticipate, or even whether the profound change will occur at all in the foreseeable future.

We are particularly wedded to this approach because the core of our philosophy under the Employment Act is not to wait for a depression or even a serious recession before taking action, but instead to work constantly toward the maintenance of maximum production and employment. We concern ourselves with the longer run not because we assert that a depression is inevitable or even in the offing, but rather because we believe that the long perspective as well as the short perspective is continually vital to the maintenance of a healthy economy. While the near-term outlook is largely determined by forces which are already in being and therefore leaves much room for forecasting but relatively little room for new policy, the approach to the longer-term problem should place less emphasis upon forecasting and relatively more emphasis upon a realization that the United States is richly enough endowed with resources and brains to make the longer-range future what we want it to be. This confidence, this commitment, is clearly written into the Employment Act.

It is thus clear that the reasons why the Council extends the discussion now being undertaken through the year 1955 is not because we now are ready to predict any profound change in general economic conditions in any particular month or year between now and 1956. It is rather because we believe that a period of 3 years ahead is long enough to carry us beyond narrow preoccupation with the immediate, and short enough so that an analysis of demand prospects can still be kept fairly concrete. To be sure, many of our economic problems, for example shortages of certain raw materials, require an even longer-time perspective for effective treatment.

A long-range economic problem requires either early, preventive action to avert a danger in the more distant future, or early, positive action to commence solution of a problem which in its very nature takes a long time to solve. This is particularly true because, in our type of free economy, the attitudes of people throughout the Nation are no less a controlling fact than laws upon the statute books. Our economic situation in 1955, and during the intervening years until then, will depend largely upon the prevalent sentiment now as to whether the maintenance of maximum employment and production is attainable in our kind of economy, and whether it is worth the continuous efforts which must be directed toward its attainment. The Council believes in the worth and practicality of this goal. We believe also that its attainment depends not so much upon the accuracy or precision of long-range forecasting, either as to timing or substance, as it does upon the popular commitment to the goal and the day-by-day evolution of improved analyses and policies, both short-run and long-run.

In the following discussion, we follow closely the methodology set forth in the Employment Act which we believe to be sound: First, to identify the employment, production, and purchasing power needs of the economy for the period under consideration; second, to estimate prospective trends for

the period in the event that policies remain constant; and third, to study and recommend any changes in private and public economic policies which may seem helpful to bring prospective trends into line with our national needs and capabilities.

Employment and Production Needs, 1953–1955

To define maximum production and employment in terms of the objectives of the Employment Act, it is necessary to take account of the whole complex of our economic society—the size of the labor force, the average length of the workweek, and the productivity potential of all of our physical and human resources. The estimate involves also some imponderables or values not subject to quantitative measurement, such as what level of "frictional" unemployment is consistent with maximum employment, or what balance is to be struck between more leisure and more goods as productivity increases.

The labor force

The size of the labor force is determined primarily by the expected growth in the population of working age. It is assumed for our purposes here that in a high employment period in the near future, the over-all "participation rate," i. e., the proportion of the noninstitutional population 14 years of age and over in the labor force, will remain practically unchanged from the past 2 years' level of about 58.8 percent, even though participation rates for particular groups of workers within this total will change. The total of 58.8 percent is a little higher than in earlier peacetime high employment years. As shown in table 10, an expansion of the total labor force from 66½ million last year to 68½ million in 1955 is estimated. The labor force trends shown in the table are based on data from the Census Bureau's Current Population Survey since 1940 and data from the censuses of 1920

Table 10.—*Population and labor force*

Item	1950	1951	1952	Projections[1]		
				1953	1954	1955
	Millions of persons					
Total population, including armed forces overseas	151.7	154.4	157.0	159.2	161.3	163.2
Noninstitutional population, 14 years of age and over	110.8	111.9	113.1	114.3	115.4	116.6
Labor force, including armed forces[2]	64.6	65.8	66.5	67.2	67.9	68.6
	Percent					
Labor force participation rate[3]	58.3	58.8	58.8	58.8	58.8	58.8

[1] Projections of population by Department of Commerce, Bureau of the Census; all others by Council of Economic Advisers. See *Current Population Reports*, Series P-25, No. 58, and P-50, No. 42, for basic data.
[2] 14 years of age and over.
[3] Labor force as percent of noninstitutional population 14 years of age and over.

Note.—Total population figures are for July 1 of each year and are consistent with the 1950 Census. Noninstitutional population, 14 years of age and over, and labor force data represent current estimates and projections consistent with the 1940 Census levels. Therefore the series are not exactly comparable but the differences are relatively small.

Sources: Department of Commerce and Council of Economic Advisers.

to 1940, adjusted for comparability with current estimates. The population estimates represent the medium series of projections.

Under the present defense program, the armed forces during the next few years are projected to remain at the current level of 3.6 million which was reached in 1952. And it is assumed for the purposes of this study that unemployment, which during the past 2 years has been below the 2-million mark, could rise to as much as 2½ million by 1955 without presenting a general unemployment problem. Such an unemployment figure in a considerably larger labor force would not depart so markedly from the Nation's legislated objective of "maximum employment" as to call for new counteracting public measures, although it is desirable, in the Council's judgment, to strive consistently to keep unemployment lower than this figure.

These two estimates, then—armed forces and unemployment—point to the need for about 62½ million civilian jobs in 1955, contrasted with 61.0 million for 1952 as a whole. This contemplates a considerable increase in private nonagricultural employment, and a continuation through 1955 of the long-run decline in the number of persons engaged in farm work. A moderate further increase in government employment at the State and local level can be anticipated.

TABLE 11.—*Labor force, employment, and unemployment*

Item	1950	1951	1952	Projections [1]		
				1953	1954	1955
	Millions of persons, 14 years of age and over					
Labor force: total	64.6	65.8	66.5	67.2	67.9	68.6
Armed forces	1.5	2.9	3.5	3.6	3.6	3.6
Civilian labor force	63.1	62.9	63.0	63.6	64.3	65.0
Employment	60.0	[61.0	61.3	61.9	62.2	62.5
Agricultural	7.5	7.1	6.8	6.7	6.6	6.5
Nonagricultural	52.4	54.0	54.5	55.2	55.6	56.0
Civilian government	5.8	6.1	6.5	6.6	6.7	6.9
Private	46.6	47.9	48.0	48.6	48.9	49.1
Unemployment	3.1	1.9	1.7	1.7	2.1	2.5
	Percent					
Unemployment as percent of civilian labor force [2]	5.0	3.0	2.7	2.7	3.3	3.8

[1] Projections by Council of Economic Advisers; total labor force based on projections in *Current Population Reports*, Series P-50, No. 42.
[2] Percent based on unrounded figures for 1950–52.

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

Sources: Department of Commerce and Council of Economic Advisers.

Hours of work

The average number of hours worked each week is assumed to decline slightly in the private nonagricultural segment of the economy—from 39.7 in 1952 to an estimated 39.5 in 1955, reflecting chiefly increases in paid vacations and some further reductions in the amount of overtime. In manufacturing, it is assumed that the basic 40-hour week will be continued.

In agriculture, technological development should continue to make shorter hours possible, but a declining labor force will make for longer hours. On balance, it seems reasonable to assume that the farm workweek will show little if any change during the next 3 years. (See appendix table B–14.)

Productivity

Productivity, in its generalized meaning, is the ratio of output to input. Here, as is the common practice, the term is restricted to the relationship beween total output and labor input, so that a rise in productivity is an increase in total output per man-hour. In these projections, productivity in the private nonagricultural sector of the economy is assumed to increase about 2.5 percent this year, and by slightly larger percentages in the next 2 years. This would involve increases which are a shade above the average gains over the long-run past, in recognition of the extraordinary expansion and improvement of capital equipment throughout the postwar period, but which are still somewhat below the average productivity increase of the last 5 years.

Total needed production

When, as shown in table 12, these estimated productivity increases are applied to the input of labor as previously projected for the private nonagricultural sector of the economy, there results an estimate of private nonagricultural production needed in 1955. And when this is added to an estimate of farm and government output, the result is this: A gross national product of about 375 to 380 billion dollars, calculated in 1952 prices, consistent with high-level production and employment in 1955. If the Nation should build up steadily to this 1955 level of output, it would mean increments of about 10 to 12 billion dollars annually.

TABLE 12.—*Gross national product: 1952 and projections of needed levels, 1953–55*

Item	1952	Projections [1]		
		1953	1954	1955
Private nonagricultural employment, hours, and productivity:				
Employment, millions	48.0	48.6	48.9	49.1
Hours worked per week	39.7	39.7	39.6	39.5
Total man-hours worked per year, millions	99,091	100,330	100,695	100,851
Output per man-hour:				
Index, 1952=100	100.0	102.5	105.3	108.2
Dollars, 1952 prices	2.9286	3.0018	3.0838	3.1687
Gross national product: billions of dollars, 1952 prices:				
Private nonagricultural	290.2	301	311	320
Farm	24.2	25	25	26
Government [2]	30.8	31	32	33
Total gross national product	345.1	[3] 357	368	379

[1] Projections by Council of Economic Advisers.
[2] Compensation of general government employees.
[3] Preliminary estimates for fourth quarter, 1952, indicate that gross national product has already reached an annual rate of about 353 billion dollars in average 1952 prices. If the projected growth were to be based on only the fourth quarter of 1952, the projected gross national product in 1953 would be somewhat higher than shown. It seems more appropriate, however, to base the projection on the full year 1952, in light of the fact that, as is emphasized in the text, the projection is a minimum objective, not a forecast.

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

Sources: Department of Commerce and Council of Economic Advisers.

It should be noted that, throughout the calculation, a rule of moderation has been followed. We have allowed for an increase of about a million above recent levels of unemployment, although it would be obviously desirable to hold unemployment to a much lower figure, and we should try to do so. And the annual productivity gain posited is more modest than some experts expect, and certainly more modest than that for which it might well be argued the Nation should strive. In short, the needed levels of employment and production pictured are by no means those of a drum-tight economy, and they probably would not provide as much additional production as would be needed if substantially greater national security efforts should become necessary. From the viewpoint of a full-employment policy, they constitute a minimum standard against which to measure our prospects for the next 3 years.

Amplifying comment by Mr. Keyserling

The national objective set forth above for our productive growth between now and 1955 prompts me to make this amplifying comment, in view of my known commitment to the philosophy of an expanding economy. I have no reason to believe that my colleagues are not in general accord with the amplification that I now set forth, and I do not regard it as inconsistent with any portion of this Review. I set it forth singly because it is a little aside from the main stream of this Review, and yet germane enough to afford an opportunity in the context of this discussion at this time to respond to many of the questions presented to me over the years concerning my reiterated interest in the philosophy of an expanding economy. This amplification, which may be of interest, to some who read this Review, should not be interpreted to cast any doubt upon my complete agreement with the Review in its entirety, both as to analysis and conclusions.

From the time of the Korean outbreak, I have had several opportunities to emphasize that America's productive power and potential constitute the greatest nonsecret weapon of the free world. While I have favored the various control and restraint programs (both indirect and direct) designed to divide up what we have in accord with national priorities in time of danger, I have constantly pointed out that if there were excessive relative emphasis upon these methods, it could distract us from full attention to the build-up of our greatest nonsecret weapon. Further, I have felt that any such misplacement of emphasis would tend to increase friction among the functional sectors of our economy when unity is of the essence.

The events of the past 2½ years have in the main strengthened my earlier views. The actual productive record of the economy, generating an expansion of civilian supplies along with the vast increase in defense output, has far exceeded estimates which were generally regarded as fanciful when first offered for discussion and appraisal in mid-1950. Yet the issue is still very much alive. There are some who would give consideration to the reduction of our primary defense efforts and our international commit-

ments, not on a finding that lower targets seem consistent with our world safety (which would of course justify such action), but rather because they still grossly undervalue the productive power of the American economy. Any such undervaluation of our productive potential can lead—and in a few instances has led—to unwarranted fears about the availability of certain types of civilian supplies, thus creating some inflationary pressures based upon false expectancy, and creating some unnecessary dislocations. Today, with crying needs for our exportable products among millions of free people throughout the world whose very freedom is imperiled by want, with numerous families in the United States in need of a better standard of living and a vast majority of the people of the United States well able to benefit by a still higher standard of living, with the chances possibly 50–50 that the world situation may call for an intensification rather than a slackening of our international efforts, and with the Soviet Union and its satellites pursuing an increasingly relentless course, it would indeed be ironical if any substantial segment of our own people doubted whether we will be able fully to use our current productive capacity, instead of realizing that we have the brains immeasurably to increase our economic and political security in the most profound sense by drawing the weapon of our ever-increasing productive ability fully from its sheath.

I have believed since the Korean outbreak, and I now believe even more firmly, that nothing would contribute so much not only to our national security and progress, but also to the fullest generation of our moral and spiritual energies, as an intensified drive to make the whole Nation conscious of and uniformly engaged in the full utilization of this great nonsecret weapon. Despite generally "full employment," there is some underutilization of some parts of the labor force; some underutilization of some of our current productive resources in agriculture and even in industry; some underutilization of existing technology and retardment in the application of established science to the practical arts; and some underutilization of brains and good will. With an effort commensurate to our problems in a troubled world, it would seem that by 1955 we might lift our national output even above the target used for the purposes of this Review, without inflationary strain and without resort to the forced pressures and controls which would be imperative in a full war economy but which would be undesirable in a long middle course between war and peace.

It is manifestly not feasible for me to spell out in this brief amplifying comment the detailed means by which the Nation might move even more effectively than it has thus far along this already established course. I must be content here to clarify a permeating philosophy rather than cite a precise program. Nor do I intend to imply that those in charge of the mobilization program, as well as many leaders throughout the Nation, have not joined largely in this philosophy. Had they not, the marvelous accomplishments since mid-1950 would have been impossible. But their great

and effective labors have been made more difficult at times by some who desired to cut down our world security efforts on the ground that our economy could not produce enough to meet them without disaster, and who then in turn have desired to take it easier on the over-all production front on the ground that our world security efforts could safely be less than had originally been thought necessary. Such reasoning draws a vicious circle. Considerations of our domestic economic well-being must, of course, be meshed with considerations of world security. But stating this is the beginning of the problem, not its solution.

To avoid possible misunderstanding, it is not asserted that the 375–380 billion dollar target set forth in this Review is a "forecast" of what our actual output will be in 1955. If we were to have a serious recession or depression, the 1955 output may be far less. The figures are merely objectives—merely a quantification as to what we mean by maximum production looking forward to 1955. I readily admit that practical objectives must be kept within the range of the attainable, taking fully into account other national purposes, and also taking fully into account the current state of the economy from which we start. But the concept of maximum employment and production under the Employment Act would be impoverished if it hewed to the line of what is likely to happen without effort, or even what is attainable with slight effort. If the term "forecast" is used in this connection, the concept involves a forecast not of what we will automatically accomplish but rather of what we can do and ought to do. And what we ought to do, within the limits of what we can do, should be set within the context of the current world situation.

These views are not predicated upon a desire to foist more controls or "central planning" upon the economy. On the contrary, since the Korean outbreak, I have insisted constantly that the full release of our productive energies throughout the Nation—sparked as it only can be by vision and imagination—is the true alternative to (1) the economic straitjacket which would result from trying to make inadequate production cover our full needs or (2) the equal danger which would result from failing to meet our full needs in terms of the world situation.

Nor am I unmindful of the sound requirement that maximum employment and production should not be defined at such high levels as to generate inflation. The subject of the causes of inflation is too comprehensive for discussion in this amplifying note. Those who would oversimplify this matter should observe the price stability which has been maintained recently when unemployment has reached an all-time low point short of total war, and should observe also the inflationary spurts which have occurred in other recent periods when our resources were by no means being fully employed. I will not here discuss the momentous question of whether a slight increase in inflationary pressures would outweigh, under current world conditions, the gains to be derived from a much larger national product. Such analysis is unnecessary to my current purpose, because I

believe that our resources are sufficiently plentiful to reach a 1955 national product as high as or possibly even higher than that set forth in this Review without inflation, and with the progressive casting off of the direct controls. In all probability, most of those who might take issue with my belief in the desirability of a relatively rapid expansion of output would do so, not because they fear inflation, but rather because they fear that a deflation will result from lack of the brains or will to use fully the greatest potential blessing to which any nation in the history of the world has ever fallen heir—the great nonsecret weapon of the United States.

The idea, often expressed by the Council, and in fact by other persons through the ages, that a free and great people should be able to use all of what they have the ability to produce seems to me so commonplace and impregnable that I am concerned about the disposition of some, not including any of my associates, to underestimate our productive power at maximum employment because they are concerned that America's great nonsecret weapon may become a Frankenstein if used fully. Instead, I believe that economists and others should be devoting all of their talents toward finding ways to capitalize fully upon this magnificent asset. In the long run, I believe that the pace at which we move toward further progress in this vital matter may well determine the future of freedom. This issue—whether we shall shrink from or measure up to the challenge of potential abundance—is perhaps the supreme issue of the Twentieth Century. I have not issued this challenge: It is written into the Employment Act of 1946, and underscored by the towering menace of communist aggression. (End of amplifying comment by Mr. Keyserling.)

Demand Prospects for the Longer Run

Whether the Nation maintains maximum production and employment over the long pull depends directly upon sufficient demand in the aggregate to induce enough production, and provide enough jobs, to keep unemployment below the margin of tolerance indicated earlier in this Review.

The economy's rate of actual performance in the future is far more uncertain, of course, than the needs just portrayed. We have and want a free and flexible economy, in which no one hand is on the throttle, and in which production is guided by the separate decisions of millions of consumers and businessmen as well as government. In a free economy, the amount of total future demand and its components can be estimated and shaped only within very broad ranges.

Prime assumptions

Any analysis of economic trends 2 or 3 years ahead (in the absence of policies designed to modify these trends) must be grounded in certain working assumptions which it is important to make explicit. For the purposes of this study, as a matter of methodology for estimating demands in particular sectors, it is assumed:

First, that the level of general business activity will be high during the period in question. This assumption merely extends into the future a situation which now exists in fact. This approach is defensible as a starting point for analysis, because we are dealing with an economy now moving under the momentum of prosperity and not one trying to gain speed after a stall. The problem is to identify possible elements of weakness which may arise in a vigorous economy, rather than to search for weakness in a deteriorating economy where all prospects are discouraging.

This initial assumption is not meant to prejudge the conclusion as to over-all prospects which will be drawn at the end of the sector-by-sector discussion; that conclusion might force a revision of the initial assumption. But for purposes of making a first working estimate of investment and consumption prospects, some initial hypothesis as to the general tone of the economy is necessary, and the present one is the most tenable;

Second, that there will be no significant change in the degree of international tension. While it could be unlikely that the situation of the last year and a half will actually continue without variation, an assumption that it will is the most prudent one available for purposes of the general economic analysis here undertaken;

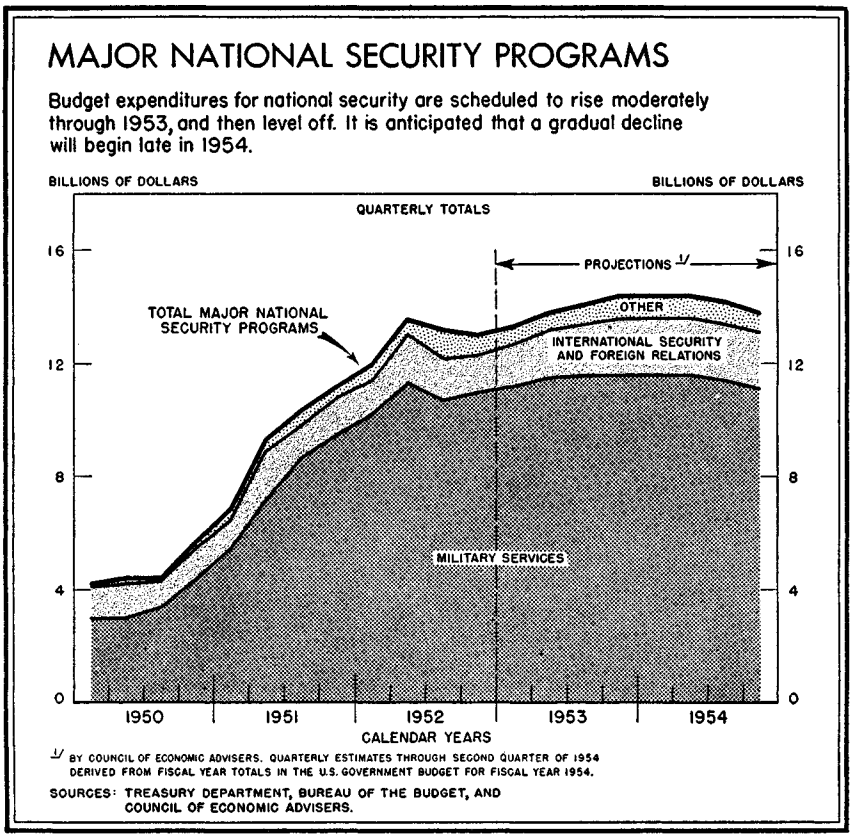
Third, since the purpose of this analysis is to suggest later on in this Review what changes in private and public policies may become appropriate, to postulate new policy actions initially would be to assume at the start the results of the inquiry. Therefore, we start by assuming current policies. It is initially assumed, for example, that Federal tax rates will be at levels set by present laws, which call for the termination of the corporate excess profits tax in mid-1953, reductions in personal income taxes at the end of 1953, and cuts in excise taxes and the basic levy on corporate earnings in April 1954; that there will be no increase in Government expenditures for anti-cyclical purposes; and that present credit policies will remain unaltered. (It should be noted that, despite the assumption that no additions to the Federal deficit will be made for specifically anti-cyclical purposes, the assumption that the tax reductions now provided by law will be carried out on schedule while present expenditure programs are maintained implies substantial deficits in both 1954 and 1955.)

Fourth, that there will be no mass changes in consumer expenditures or business investment of such caliber as might be touched off by unpredictable or fortuitous events; that is, that endogenous forces will predominate.

Government expenditures

National security. On the basis of present plans, as incorporated in the Budget of the President for the fiscal year 1954, security expenditures are scheduled to rise moderately above the rate reached in the second quarter of 1952. Over half of the increase is scheduled to occur in components of national security expenditures other than the military services, notably in the Mutual Security Program and in atomic energy. It is antic-

CHART 23



ipated that expenditures will reach the peak rate late in calendar 1953, level off for several quarters, and begin to decline gradually late in calendar 1954. (See chart 23.)

It should be emphasized that these forward estimates are based on presently planned programs. Even without major changes in the program, any further "stretching-out" of individual production schedules beyond that already anticipated, or failure to meet established schedules, would tend to result in a somewhat lower peak level in expenditures, probably reached at a somewhat later date. Any increase or decrease in unit costs from original estimates—and such estimates are usually made conservatively high when funds are initially obligated—would affect final expenditures.

If these estimates prove to be roughly valid, they indicate that, measured in terms of new demand in the market, the major economic impact of the national security program has already occurred. Although total expenditures will continue to be large, the month-to-month, or quarter-to-quarter, increases will be small, in contrast with the large increases from mid-1950 to the second quarter of 1952. Moreover, business buying of raw material

and component inventories, and recruitment of labor, often precede by many months the Government expenditure for the finished product. Even though expenditure data include advance payments on military contracts, and thus already reflect, in part, these production lead-times, it would seem that the maximum impact of the security program on materials and labor may have been reached some months ago.

Nevertheless, present plans indicate that, in the next 2 years at least, the national security program will continue to be a large and powerful influence in the United States economy. It will provide an assured and reasonably stable volume of demand for the products of industry. But other sources of new demand will be needed to provide the growth in total demand needed to maintain high employment, in an economy characterized by a growing and increasingly productive labor force.

Other government expenditures. One of the great reserves of potential demand is to be found among government expenditures other than for national security, specifically, for the development and conservation of natural resources, and for public transportation, education, health and recreation facilities. In general, these forms of governmental investment are not endangered by the threat of "overcapacity," or by the fear that there will not be "markets" for their products or services.

During the next few years under the assumption of no change from present policies, it is not likely that Federal expenditures for these programs will rise significantly. State and local purchases should increase more substantially, perhaps reaching the level of 28 billion dollars in 1955, compared with 23 billion in 1952. Greater expansion on the State and local level must await the solution of difficult financing problems.

Private domestic investment

Plant and equipment, including commercial construction. During the period between World War II and the Korean outbreak, business invested large sums in plant and equipment. To this already high level of expenditures there was added, after June 1950, the vast expansion of capacity called for by the defense program, stimulated by such aids as accelerated tax amortization. Most of the Government-aided expansion will have been completed by the end of 1953. But for the Government inducements, much of it probably would have been spread out over a longer period.

Moreover, studies of the relationship between the stock of capital equipment and the volume of total output during the last four decades indicate that, as a result of the unusually high rate of investment in the postwar years, the stock of equipment is now somewhat high relative to output. This suggests that higher rates of investment, or even a continuation of the present rate, may be difficult to maintain during the next few years.

These evidences of the possibility of a downturn in business investment are significant, but they are not conclusive when considered in conjunction with the other determinants of investment plans.

The demands of businessmen and consumers alike are influenced by current earnings, and to some degree by past income, from which they may have saved funds for spending or investing. But far more than in the case of the consumer, the expenditures of the businessman reflect expectations about the future. His long-run investment programs are shaped by his judgment about long-run market prospects; all his decisions are made primarily with his eye on tomorrow. Business investment must also take account of existing plant and the stock of capital goods, and the possibility that capacity may already be more than ample. But the stock of capital goods, however large, does not preclude the possibility or the necessity of further investment in a dynamic economy. Equipment must be replaced or modernized. It may often be discarded, though still usable, in the search for means of cutting costs to maintain or improve a firm's competitive position. New products, and the machines to make them, must be devised for consumers who soon have enough of the old and are attracted by the new. In the struggle for profits, plant and equipment are always expendable.

In making his investment plans, the businessman naturally considers his financial position. Measured by the ratio of liquid asset holdings to sales or to current debt, corporations in general are in a more favorable financial situation than before World War II. (See chart 24.) Though corporate debt has been mounting—it rose 19.4 billion dollars or 14 percent in 1951 and about 7.5 billion or 5 percent in 1952—corporate savings in the form of retained profits and depreciation reserves have been higher recently than in most postwar years. The last-named type of saving has been augmented by accelerated tax amortization.

The availability of external financing must also be taken into account, and the possibility that taxes will be raised or lowered. On the first score, the high rate of private saving, which is likely to increase at least in the business sector for the reason already noted, will probably be an abundant source of lendable funds. As for taxes, the Council has assumed for the purpose of this initial analysis that they will be reduced in accordance with the provisions of the present law. Even if the cuts do not turn out to be so large, or are not made so soon as now scheduled, the prospects are that whatever tax action is taken will tend to stimulate business investment.

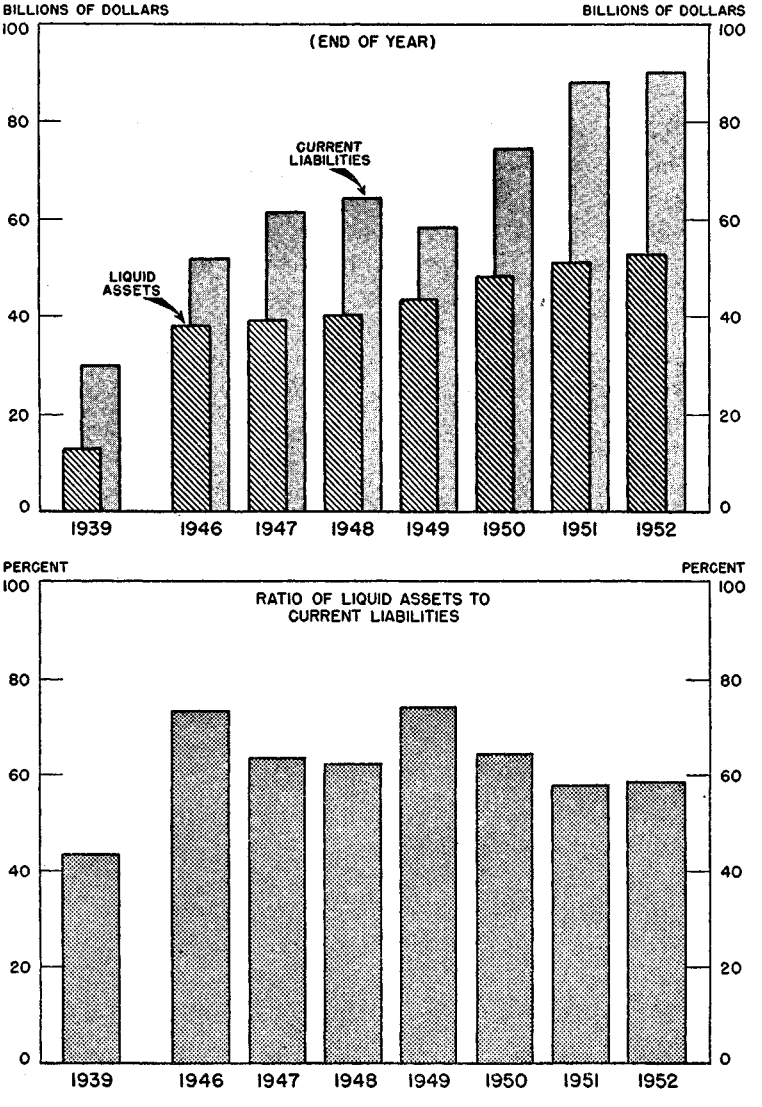
Finally, although the outlook for earnings and all the other factors which are conducive to new investment may be favorable, the quality of management is the ingredient which finally determines whether or not business will capitalize opportunities. Business management in the United States has amply demonstrated its resourcefulness in turning new investment potentialities into actual plant and equipment.

How businessmen are now weighing and reacting to the several factors which influence investment decisions is indicated by a recent survey of investment intentions, conducted by the Department of Commerce and the Securities and Exchange Commission. This survey revealed that in-

CHART 24

CORPORATE LIQUIDITY

For the period since World War II as a whole, liquid asset holdings of corporations have risen less than current liabilities. However, in 1952, the ratio of liquid assets to current liabilities was more favorable than in 1939.



NOTE: DATA ARE FOR ALL U.S. CORPORATIONS EXCLUDING BANKS AND INSURANCE COMPANIES.

SOURCE: SECURITIES AND EXCHANGE COMMISSION.

vestment firmly planned for 1953 is only slightly below the level of 1952. A special survey of large companies found that their budgeted capital expenditures in 1954 are 15 percent below the 1952 rate, and 20 percent below that rate in 1955. These 1954 and 1955 plans are subject to change. They could move downward more rapidly in the face of unfavorable conditions; they can move more favorably if businessmen grasp the scope of the markets waiting to be probed. In addition to these budgeted plans, the companies are considering a substantial amount of other investment which may be undertaken if conditions prove auspicious.

Surveys which look so far into the future are naturally subject to many hazards. But if the economic environment continues to be good, they are not likely to be biased in the direction of exaggeration. The future has a way of turning up opportunities which cannot be seen at the present. It should also be emphasized, however, that generally speaking the businessmen interviewed in the surveys had built their investment plans on the assumption that the Nation would remain prosperous. A decline in an important sector of econimic activity might well bring a reconsideration and postponement of many of these investment plans.

Investment by farmers in machinery and buildings has been at a high level in the post-World War II period, exceeding depreciation by a substantial amount. Some decline in the rate of farm investment in equipment particularly may occur over the next several years, especially if the downtrend in farm income is not checked or reversed. However, if farm prices and incomes remain high, the decline may be quite small.

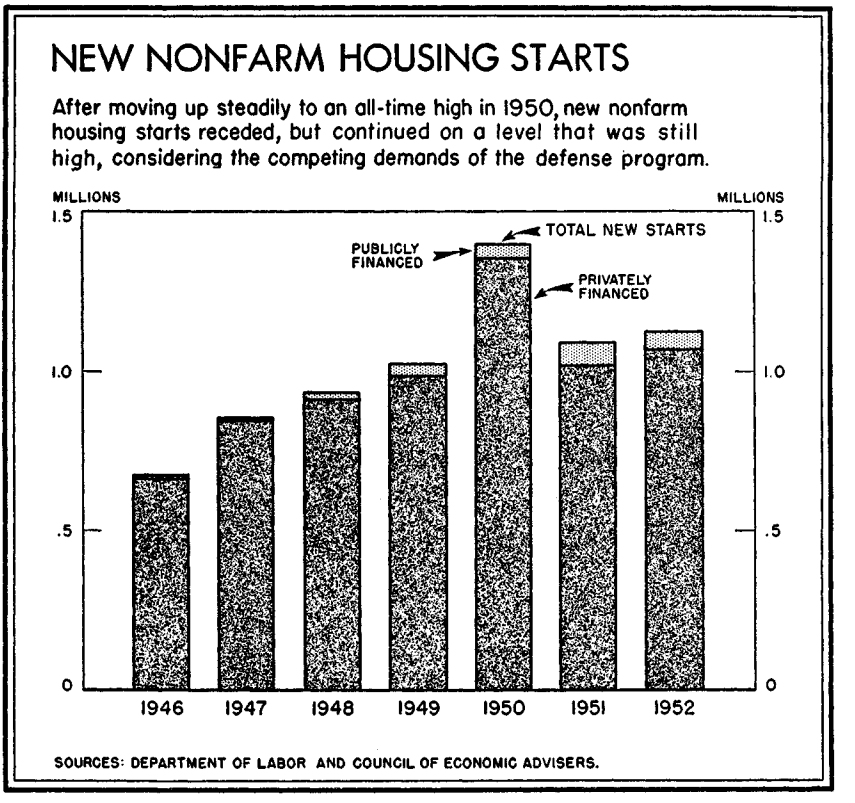
Conservatively appraised, the prospects are that, under the initial working assumptions set forth at the start of this chapter, total investment in plant and equipment, in the absence of new policies subsequently to be discussed, will decline but not substantially during the next 3 years.

Housing. An estimate of the demand for housing in the next 3 years must take into account demographic factors relating to population, marriage and birth rates, physical factors relating to the stock and condition of existing housing, and monetary factors such as incomes and credit conditions. Effective demand is partly dependent on all of these.

Viewed by themselves, most of the nonmonetary considerations suggest a decline in the demand for housing in the next few years. The year 1945 ended a long period of low residential construction resulting, first, from the depression in the 1930's and, second, from the unavailability of materials and labor during the war. The number of families who were forced to double up because of lack of housing accommodations was large, and the number of vacancies was negligible. The backlog of demand was supplemented, in the immediate postwar years, by a phenomenally large number of new families resulting from high marriage rates.

The volume of residential construction since the end of the war—nearly 8 million units, farm and nonfarm—together with conversions of existing housing, has been sufficient to house the net increase in the number of

CHART 25



families and to reduce the ratio of doubling-up from about 8.6 percent in 1946–47 to about 4 percent. This rate is well below the prewar level, and is probably not substantially above the normal minimum determined by considerations not closely related to the supply and cost of housing. That is, the "backlog" of demand has now been largely worked off. The trend in new nonfarm starts since the end of World War II is shown in chart 25.

The expected decline in the number of new households formed will have a pronounced effect upon the demand for housing in the next few years. The young people reaching marriage age in the next few years will be those who were born in the mid-1930's, when the birth rate was very low. It is probable that net household formation will decline from the level of 900,000 in the year ending April 1, 1952, to an average of around 700,000 during the next 3 years. This compares with 1,600,000 in the peak year 1947–48.

One offsetting physical factor is the fact that many of the houses which have been built since the war are small and inadequate for growing families. The high birth rate of the last several years will result in increasing pressure for larger accommodations which, in part, will require the building of new

houses regardless of the adequacy of the total housing supply in terms of numbers of houses. In addition, a net demand for housing will continue to result from the migration of families. Further, many other houses are very old, seriously substandard, or located in deteriorated or commercialized neighborhoods. These are candidates for demolition or conversion to uses other than for housing.

These nonmonetary factors, which on balance indicate a sliding off of effective demand, are at least partially offset by certain favorable monetary factors. Incomes are now much higher than they were before or immediately after the war, and if a generally high level of business activity continues, as we have assumed, it will mean a continued rise in average personal incomes. The great majority of American families are housed less adequately than they would like to be. With a continuation of high incomes, it can be expected that there will be "trading up" all along the line, which will require new housing at higher quality levels and frequently at intermediate levels. Many other families, already respectably housed, will build new houses to get exactly what they want because they can afford to do so. It is also to be anticipated that builders will continue to improve the quality of new houses and to offer better values, which should have a stimulative effect on demand. Moreover, the level of housing construction has been repressed to some extent during the last 2 years by residential real estate credit control (Regulation X and its Government-agency counterparts). The removal of these controls last September has already contributed to some pick-up (after adjustment for normal seasonal variation) in new housing starts. On balance, assuming a generally high level of business activity but the absence of any change in private and public policies, it seems that private residential construction may be somewhat below recent levels in the next 3 years, but that the monetary factors just described would hold the total close to about 1 million nonfarm dwelling units a year.

Expenditures for conversion of large houses or other buildings into apartments, for rehabilitation of existing units, and for new and reclaimed farm dwellings are expected to hold at levels of recent years. Expenditures for additions and alterations may increase somewhat under the pressure of larger families.

These estimates do not make allowances for large-scale expansion of either the public housing program or the slum clearance and urban redevelopment programs. In each of these areas, there is a large reservoir of work which awaits a more intensive application of public policy to these tasks. This will be discussed subsequently in this Review.

Inventories. About the only certainty about investment in inventories, which is ultra-sensitive to the slightest shift in the business weather, is that it is highly unstable. It is therefore wise to make no long-range estimate of its size in the future, but simply to note that inventories now

appear to be approximately in balance with total sales, and to assume that they will tend to grow with the total output of the economy, but with many a short-term fluctuation.

Net foreign investment

Exports from the United States, United States imports, foreign aid programs and the flow of long-term capital to other countries, are subject to a multitude of conditions and policy measures, foreign as well as domestic. Hence the forecasting of trends is especially perilous. Only one general observation may be hazarded: On the basis of recent developments, and assuming no change in international commercial policies, the prospects are for only a moderate expansion of exports. (International economic prospects and problems are discussed separately in chapter V.)

Consumer expenditures

Estimates of the volume of spending by consumers must take three things into account: the flow of personal income; the level of personal taxes which determines how much of the total income is spendable, i. e., disposable income; and the percent of disposable income which is spent, i. e., the saving ratio.

If business activity is high and employment continues to rise during the next 3 years, as has been assumed, total personal income will continue to rise. If Federal tax rates should remain at present levels, the gain in disposable personal income would be somewhat less than proportionate to the gain in personal income. However, if rates are reduced as called for by present law, as we have assumed, there would be a substantial immediate effect, and the full effects of the reduction, which would be felt during most of 1954 and all of 1955, would be to increase the gain in disposable personal income, directly and indirectly, by around 10 billion dollars (annual rate). How much of an increase in consumption expenditures might be expected in either case depends upon the choices of individuals between spending and saving.

The total which statisticians call "personal saving"—that is, the difference between total disposable income and total purchases classified as consumption—includes many heterogeneous elements which have little or no relation to the man-in-the-street's idea of "saving."

A part of total personal saving is increased equities in homes and in the physical assets of unincorporated businesses when the saving is automatically balanced by spending, or more properly, investment. Saving includes also rising equities in insurance reserves. Even if purchasing power can be extracted from these equities through policy loans or cancellations, most persons are reluctant to draw upon them excepting in emergencies.

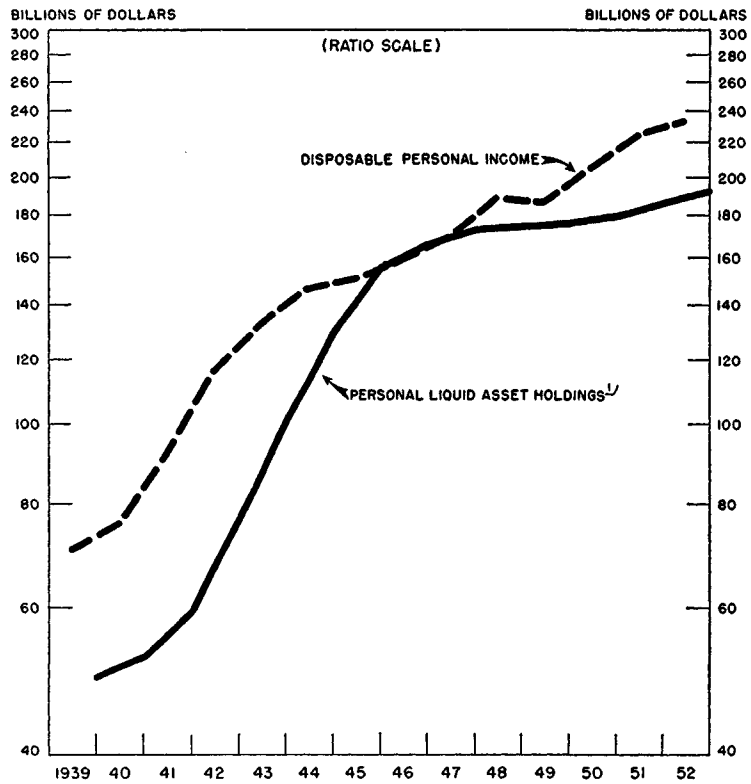
An element in saving which is thought to supply consumers with ready reserves of purchasing power is additions to liquid asset holdings. While holdings of these assets have risen since the war and are still rising, it is doubtful whether they are high enough in the minds of most consumers

either to discourage further additions or to make a large portion of present liquid assets ready candidates for "dissaving." (See chart 26.) The latest Survey of Consumer Finances indicates that many consumers still are quite dissatisfied with their current degree of liquidity. Included also in liquid savings are the funds and securities of unincorporated businesses, which are either a part of current working capital or which have been accumulated for future investment in business plant, equipment, and inventories. While liquid asset holdings have grown since World War II, their purchasing

CHART 26

LIQUID ASSETS AND DISPOSABLE PERSONAL INCOME

At the end of World War II, liquid assets were unusually high in relation to disposable income. Over the period since then, however, income has grown at a faster rate than liquid assets.



1/ INCLUDES CURRENCY, DEMAND AND TIME DEPOSITS, SAVINGS AND LOAN SHARES, AND U.S. GOVERNMENT OBLIGATIONS.

SOURCES: DEPARTMENT OF COMMERCE, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, AND COUNCIL OF ECONOMIC ADVISERS.

power has been reduced by inflation, and the amount of "spare cash" contained within them, which might any day be exchanged for goods, has been commensurately reduced.

Personal liquid assets are highly concentrated in ownership. It is estimated that the highest one-tenth of income receivers hold about 39 percent of all liquid assets (excluding currency), according to the 1952 Federal Reserve Survey of Consumer Finances. In contrast, only 26 percent of total liquid assets are divided among the many families in the lower half of the income scale.

One of the most volatile elements in saving is change in consumer debt outstanding, an increase in the total being considered a form of dissaving or negative saving, and a decrease a form of saving. Consumer debt is far more widely distributed among families in the several income brackets than are liquid asset holdings; it is a liability that at least partially offsets the ownership of liquid assets, weakening the financial position of some families and their willingness to spend. In all cases, it is an imperious charge on future earnings, requiring repayments which are a kind of compulsory saving.

Since the greater part of consumer debt arises from the buying of durable goods, such as automobiles and household appliances, the course of the saving rate may depend heavily on the strength of demand for such goods. The future market for consumer durables is favorable, but it shows less possibilities for increases than in the years immediately following World War II. Consumers are better stocked with goods than they were at that time, and they are carrying a higher burden of debt. Although total consumer debt is not out of line with the prewar relationship to disposable income, and there is no evidence that the economy is as yet "top-heavy" with such debt, it seems likely that the rate of increase will slow down sometime in the not too far distant future. (See chart 27.)

In the postwar period, a rising percentage of families has become financially able to own cars, and many families have moved into the two-car class. In addition, new car demand has been bolstered by the need to replace the superannuated cars of prewar make. Under these stimuli, production in the period 1948 through 1951 averaged 5.2 million a year. In 1952, only 4.4 million cars were produced, but this was partly due to metal shortages.

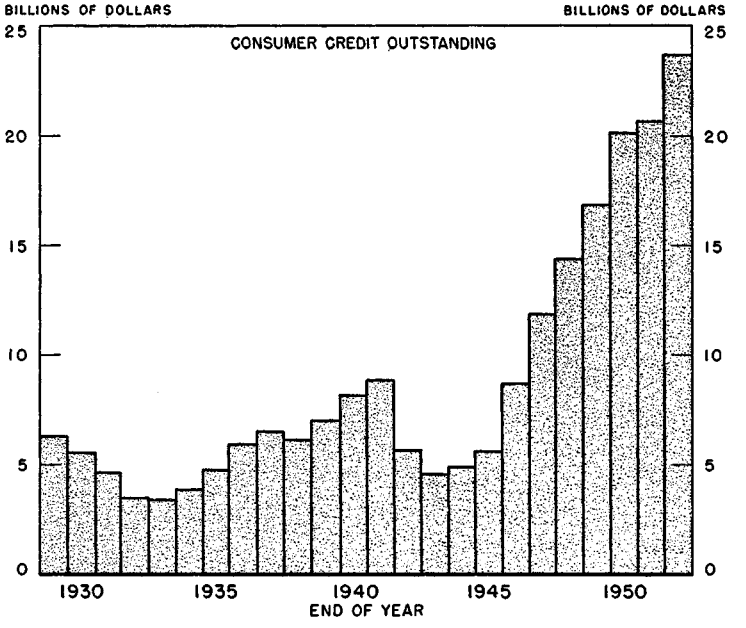
As discussed in chapter II above, automobile sales in 1953 are expected to be higher than in 1952. They may approximate the 1948–51 average. In 1954 and 1955, however, there will be fewer prewar cars, and more postwar cars on the roads. The replacement rate will therefore be lower. Under these circumstances, it may present a difficult problem of salesmanship and price-income adjustments to expand sales of passenger cars above the 1953 level.

The potential demand for some other consumer durable goods is suggested by table 13, which shows the degree of "saturation" in the market

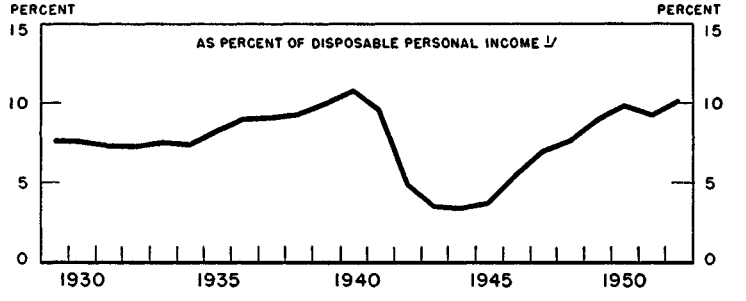
CHART 27

CONSUMER CREDIT AND DISPOSABLE PERSONAL INCOME

Total consumer credit, after dropping during the World War II years, rose sharply thereafter.



Although the ratio of outstanding consumer credit to disposable personal income has increased during the years since World War II, it is still slightly below the prewar peak.



1/ CONSUMER CREDIT OUTSTANDING AT END OF YEAR AS PERCENT OF DISPOSABLE PERSONAL INCOME FOR YEAR AS A WHOLE.

SOURCES: BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM AND COUNCIL OF ECONOMIC ADVISERS.

for several products. Some of these, such as dishwashers and home freezers, show very strong growth trends, and should be of increasing importance in sustaining the demand for consumer durables. Others, such as refrigerators and radios, will depend increasingly on the replacement market, rather than sales to new owners.

It should be emphasized that this evaluation of the demand for consumer goods, as well as the estimates of demand in other sectors of the economy, is an initial one, precluding important changes in private and public economic policies. In its policy discussion later on, the Council will indicate some changes in policy designed to augment some types of demand so that the total demand may equate with maximum production.

TABLE 13.—*Household appliances in use and degree of saturation, January 1953*

Appliance	Homes equipped with appliances	
	Number (millions)	Percentage of wired homes
Air conditioners (room)	0.5	1.3
Cleaners, vacuum (floor)	25.1	59.4
Dishwashers (electric)	1.3	3.0
Driers, clothes (electric and gas)	1.5	3.6
Food waste units	1.4	3.3
Freezers (electric)	4.9	11.5
Irons	37.9	89.6
Radios	43.7	96.2
Refrigerators (electric)	37.8	89.2
Television receivers	19.8	46.7
Toasters	30.0	70.9
Washers (electric)	32.2	76.2

NOTE.—All figures, except those for radios, are based on 42,306,600 domestic and farm electric customers. Radios are based on 45,464,000 total homes. Percentages computed from unrounded data.

Sources: McGraw-Hill, National Broadcasting Company, and the various television networks.

To review the consumption prospects: If, as we have assumed, the level of economic activity should remain high, and if there should be no change in basic private and public policies (specifically, if taxes are reduced as provided by present law), disposable income should increase considerably. The saving rate will no doubt fluctuate as it has in the past, but there is no clear evidence to project an important shift in either direction. The saving rate could be expected to decline, at least temporarily, with a decline in incomes. But with generally high and rising incomes, and no change in private and public policies, as we have assumed, a decline in the saving rate large enough to provide a substantial offset to declines (or absence of growth) in expenditures elsewhere in the economy does not appear to be likely. One reason for this is the contractual character of many of the methods of saving, including payments on home mortgages, insurance policies, and instalment loans, and the relatively high volume of consumer credit outstanding. On the other hand, the market for consumer goods appears to be sufficiently buoyant so that a substantial increase above the relatively high 8.6 percent saving rate in the last half of 1952 also appears to be unlikely. Consumption expenditures,

therefore, on these assumptions, would probably keep in step with the gain in disposable income, but a greater than proportionate rise could not be counted on as a certain source of additional demand.

The composite longer-run outlook

The foregoing preliminary analysis of prospects is not a forecast of what is going to happen. As indicated earlier, it is merely a first approximation, designed to provide a starting point for further analysis of the steps needed to assure optimum economic stability and growth. The foregoing sector-by-sector analysis does not indicate the source of the 10–12 billion dollar annual increase in demand and in real output required for such stability and growth between now and 1955. Moreover, when the economy is viewed as a whole, it is clear that if a substantial deficiency in demand should in fact occur in one sector, and not be offset elsewhere, the interaction of this sector upon others, and in turn the effect of the total on each, could produce a much greater shrinkage in total demand than a sector-by-sector review suggests.

This analysis might seem to strike a note of pessimism. Yet the Council believes that, while real problems are visible, the high objective of uninterrupted economic stability and growth is attainable if proper and adequate adjustments in private and public policies are made. We believe that action taken in time to bolster up limited areas, where the danger of insufficiency of demand seems most likely, or to develop alternative sources of demand, can forestall the spread of the danger. And since it is easier to deal with a limited shortcoming than with one which pervades the entire economy, and certainly easier to act when the economy as a whole has great momentum forward than to lift it out of a pronounced general decline, there is high promise that the prompt application of sensitive private and public policies can maintain the forward momentum. They can limit the deviations from maximum employment and production to the mild undulations implicit in a flexible and dynamic economy. The quantitative analysis thus far undertaken has been designed to make concrete the treatment of the following basic problem: What policy adjustments—both private and public—will enable the Nation to close the moderate gap between the sum total of the trends depicted above and the requirements for fairly steady growth toward a 375–380 billion dollar economy by 1955?

Separate note by Mr. Clark

Many fluctuations will develop within our free, erratic economy during the next 3 years, but I am not able to see changes in business conditions which would bring about a recessionary trend threatening enough to require new counterdeflationary action by the Government. Therefore, I do not join in the analysis and policy discussion in chapters III and IV.

Continued Government expenditures for goods and services upon the planned mobilization scale will, in my opinion, support a fully employed economy. If business slows down, the policies adopted during the past 20

years should bring about an early reversal of the downward trend, as they did in 1949, without any additional action by Government.

If trouble develops in the economy by 1955, it will be due to conditions, international or political, which are outside the ordinary processes of the domestic economy, which cannot be foreseen now, and which will not be cured by the kind of supporting policies discussed in chapter IV. (End of separate note by Mr. Clark.)

Chapter IV. Needed Policies for Sustained Prosperity

The General Nature of the Adjustment Problem

THE foregoing needs and prospects analysis raises the possibility that, some time within 2 or 3 years beyond the horizon of the immediate outlook, the predominant economic risks to be counteracted may be deflationary rather than inflationary. And while the preceding analysis offers some clues regarding offsets, further interpretation is desirable before coming to policy issues.

The size of the problem

While the problem ahead has been identified, the discussion thus far has not measured its size. For there is inherent in the economy one set of forces which would tend to aggravate a deflationary problem if it first emerged in one sector. And mostly in consequence of relatively recent changes in our institutional structure, there is another set of forces which would tend to cushion the effects.

Cumulative aggravating forces. The first working assumption, upon which the foregoing analysis of component-by-component prospects has been based, is that incomes will be generally high, markets healthy, and business conditions prosperous in the 3-year period ahead. The prospects for private investment and consumption which have been identified rest heavily on this assumption. But the total prospect into which this piece-by-piece analysis adds up may challenge somewhat the underlying assumption itself. For while this first approximation of the adequacy of demand does not seem to indicate a large deficiency, it does indicate some slackness in markets, some shortfall from full employment incomes, and an increase in unemployment to an unacceptably high level. Both reason and experience tell us that this kind of situation, if left alone, could degenerate into a far more serious deflationary spiral. Although reflecting investor and consumer assumptions of high prosperity, when the components of demand fail to add up to a total which justifies such attitudes, businessmen and consumers speedily bring their assumptions into line with reality. And if this causes a contraction of investment and consumption still further below needed levels, total demand is further weakened, and a down-spiral may be on its way.

This danger could be greatly accentuated by a bunching of whatever declines are in prospect. If moderate declines in national security spending, plant and equipment expenditures, housing, and other items, should be

spaced out over a considerable period, the effect might not be serious. If such declines should be more or less simultaneous, the result would be more than additive. One area of weakness would aggravate another.

Reductions in investment tend to bring reductions in employment, incomes, and consumption. Then shrinking profits can compound into greater losses of income by inducing both investment declines and wage cuts. Certain kinds of price reductions can be healthy, but prices which go into an out-of-control tailspin frighten buyers away rather than bring them to market, and accelerate the collapse. And finally, all of these mechanisms, and others, can be speeded along their destructive paths by contractions of credit or the collapse of financial institutions.

Sustaining institutional dampeners and shock-absorbers. The fact that a variety of forces in the American economy can magnify the impact of what might otherwise be a moderate or even minor discrepancy in total demand does not have to be belabored. Certainly it would be foolhardy to conclude that a cumulative economic decline in the United States is no longer possible. The risk, however, is much less than it was a generation ago, and the tools to deal with it are vastly superior.

Since World War II, the United States economy has shown a remarkable capacity for unleashing the new demand forces needed to sustain a growing total demand when previous front-runners have fallen back. Much of this buoyancy—though not so much as sometime ascribed—undoubtedly has been the work of demands accumulated during the war, and of exceptional expenditures associated with the international stresses of the postwar period. Nonetheless, this record of recent resiliency does justify our facing the period ahead with more confidence than would have been possible in the twenties or thirties. Specifically, it directs attention to a number of recent institutional changes which, taken as a whole, provide arrestors to the kind of cumulative shrinking of demand just indicated.

As the Council has discussed in earlier Reviews, a number of "built-in stabilizers," such as unemployment compensation, farm price supports, and a progressive tax system have become commonplaces of public policy. The expanded fiscal role of the Federal Government increases the amount of spendable income which the progressive tax system releases to the private economy when before-tax incomes fall. And if Federal expenditures can be counted as a relatively firm element of demand, their higher level makes their stabilizing influence far greater than it was prewar. Other significant braking mechanisms have developed in the private economy. The 1949 recession suggested a willingness on the part of consumers, in the face of moderate declines in income, to resist declines in living standards by cutting their saving rate rather sharply. Also during the 1949 setback, the increased strength of organized labor, coupled with more far-sighted business policies, made for a minimum resort to wage and payroll cutting—two of the swiftest engines of deflation in the past. In addition, the pronounced business trend during the postwar period toward longer-run capital planning and budget-

ing based on long-run market projections probably has made private investment somewhat less sensitive to short-run market fluctuations.

The resistance of our monetary and credit institutions to deflationary collapse is far greater than it was only a couple of decades ago. Our securities markets are less susceptible to influence by purely speculative factors, and the banking system is greatly strengthened against failures and rapid monetary contraction. While the monetary system often initiated or aggravated recessions in the past, in the future it can be expected to be at least neutral and perhaps positively stabilizing.

More profound than any of these specialized changes, and in part the consequence of all of them, there has taken place during this generation a broader distribution of national income among families and among functional economic groups. There is still room for debate among economists as to whether this trend has not proceeded far enough, or whether it has proceeded too far in terms of incentives to reward ability and to stimulate risk-taking. But there would be rather general agreement that the current and prospective distribution of income, under our free institutions, is more conducive to a fairly steady rate of economic growth than the conditions of income distribution which prevailed two or three decades ago. The concurrence on this point may be almost as important as the changes in the income structure which have taken place; in fact one of the happiest omens for the future is the increasing realization of the relationship between mass consumption and mass production on the part of those who make the basic decisions within the private economy.

Cumulators versus arresting forces: the net effect. While the institutional changes just indicated have reduced the economy's susceptibility to deflation, it would be easy to rely on them too heavily. Although their existence probably has contributed to the climate of business and consumer confidence which has stimulated the emergence of new elements of demand during the postwar period, they are not essentially recession-preventing or recession-reversing forces. Their direct effect is only to slow or check a decline once it starts. Also, this new institutional apparatus does not yet constitute a rugged enough set of brakes to set any sure limit on a major downturn. It is only certain to retard a decline. If the basic deficiency of demand were large and nothing remedial were done, or if the traditional accelerators should begin to feed on a growing and then rampant deflationary psychology, eventually the stabilizers would prove to be feeble in proportion to the need, the brakes would wear thin, and "bottom" might turn out to be almost as far down as it used to be.

Thus, our new institutional safeguards are no substitute for positive anti-deflation policy. But beside mitigating hardships while their effectiveness lasts, they do—and this is supremely important to successful policy-making—give us time. One of the tragedies of many past business downturns has been the suddenness and sharpness with which recession has struck. The plunge often was well under way and gathering speed before

counter-measures could be devised and made effective. In this respect the economy is now better off. If the problem ahead should be that hypothesized above, our institutional apparatus should provide a reasonably adequate interval for diagnosis and decision. And the effectiveness and timeliness of private and public policy-making may largely determine whether the cumulators succeed in magnifying, or the arrestors in minimizing, any developing weakness in total demand.

The primacy of private adjustments

The problem under study has been identified simply as a possible shortage of total spending emerging within the next 2 or 3 years. An analysis of workable offsetting adjustments, however, must be more specific than this. It scarcely can be content with the principle that any additional demand will do. It is necessary to survey a variety of relatively specific policy courses, and to decide on grounds of desirability and feasibility what relative emphasis they should be assigned. In doing this, it will be helpful first to formulate certain broad priorities for guiding policy choices. Two such matters of general priority will be suggested, one having to do with the choice between public and private measures, and the other concerning our comparative needs for investment raising and consumption raising.

A dollar spent by private hands is not, by definition and regardless of circumstance, a more virtuous dollar than one spent out of the public treasury. However, the country has a general preference for private economic adjustments rather than public policies which expand the economic role of government. The Council shares this preference, on general grounds of dynamism, flexibility and free-wheeling. This preference is likely to be especially pronounced in the period after a large defense acceleration, during which it has been necessary to operate more elaborate and direct economic controls than Americans like and when, under the relentless pressure of national security needs, the Federal budget has run at unprecedentedly high levels for peacetime or even semi-peacetime conditions. If, on top of this, an incipient deflationary problem brought immediate and substantial resort to additional Federal spending programs, the difficulties of readjusting at any early date to a level of Federal activity more in line with the country's desires would be correspondingly magnified. Finally, if we adhere to the present national security program, and if present tax laws are followed, the outlook already is for deficits in the next 2 or 3 fiscal years which, although reasonably moderate in comparison with the size and strength of the economy, are nevertheless a source of legitimate concern.

The present analysis therefore recognizes, for a problem of the scope projected, a general preference for solutions which rely mainly on private rather than public policy. It also recognizes, however, the risk of relying solely on such actions and the necessity of taking stock of what supporting public policies will be available.

The needed emphasis on consumption

A current or prospective deficiency in total private demand might, depending upon circumstances, call for primary emphasis on either consumption-stimulus or investment-stimulus. The period ahead, if it should have the characteristics suggested here, will call for the former shading of emphasis. This conclusion, in which many other analysts seem to concur, does not reflect any "prejudice" against business investment. Consumption is, of course, the principal objective of economic activity. But conversely, the rapid economic growth which supports increasing consumption over the long run also requires high and rising rates of business investment. The emphasis upon consumption is simply a reflection of recent relationships between the two principal components of private demand, is meant to apply only to the 3-year period under consideration, and during that period is believed to reflect the best interests of business itself. It should be noted that, after mid-1950, the Council placed even more emphasis upon expanding certain types of business investment than did many members of the business community, and that the Council also placed more stress upon restraint of consumption than many others did.

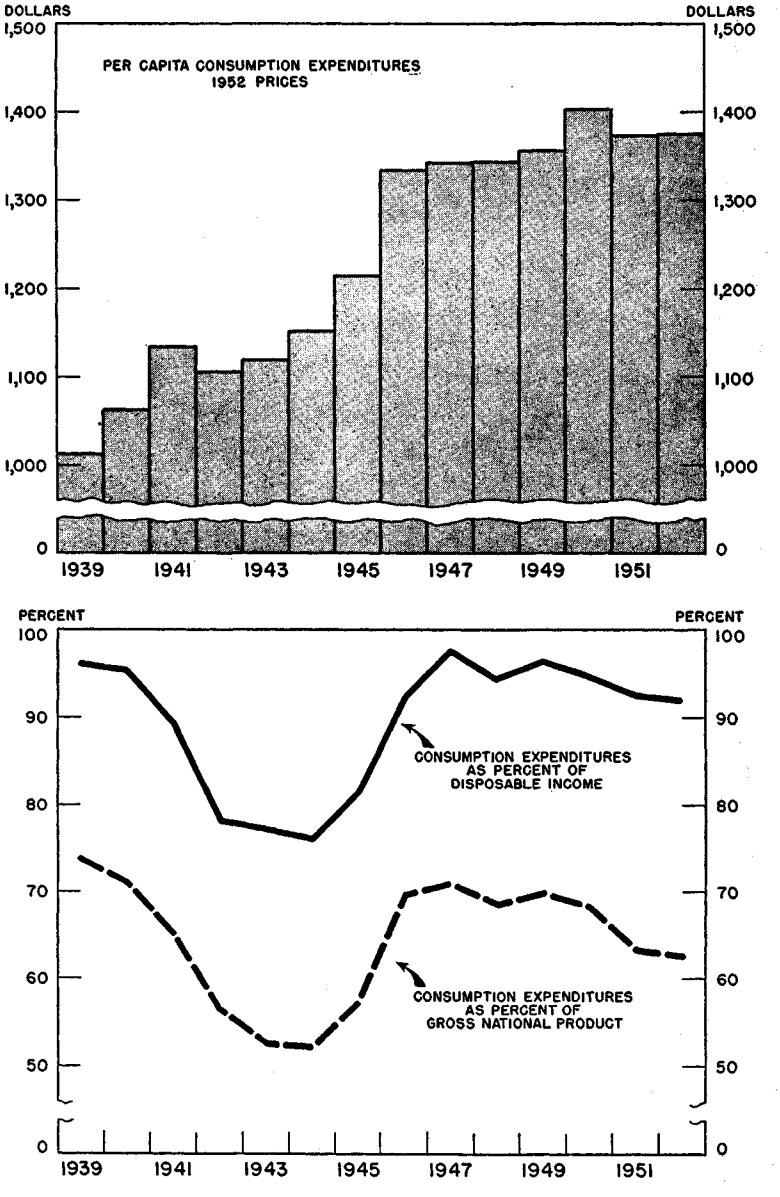
Before proceeding to a more detailed analysis of investment-consumption relationships, two side notes should be inserted. In the first place, in discussing the balance between investment and consumption, the following paragraphs deliberately by-pass the subject of "investment" in housing. The latter, so far as the demand for the products of industrial capacity is concerned, is more properly treated in connection with the consumption side of the balance. It is separately discussed later on in this Review.

Secondly, the following discussion may seem to overlook the possibility for demand stimulation in the field of net foreign investment. But even under the most sanguine assumptions, the scope for adjustment in this sector is small in comparison with possible demand needs of the domestic economy. And more important, the United States' international economic policy, of which our net foreign investment will be partly the resultant, should not be shaped primarily in the interests of general domestic stability and economic growth. Regarding these objectives, its direct impact in any case can be only marginal, although with respect to the Nation's vital objectives of international political stability and free world strength its international economic policies may be all-important. Because these issues might be distorted and would be unduly submerged in the present analysis, they are treated separately in chapter V of this Review.

The investment-consumption balance and sustainable business investment rates. Both consumption and investment can grow continuously in an expanding economy, if they grow in a balanced relationship with each other. But there is a limit to how far either investment growth or consumption growth can outrun the other without pausing for the laggard to catch up. Eventually, if investment runs ahead for a time, a new balance must be struck between the newly expanded productive capacity which it creates

CHART 28

PERSONAL CONSUMPTION EXPENDITURES



SOURCES: DEPARTMENT OF COMMERCE AND COUNCIL OF ECONMIC ADVISERS.

and consumption expenditures. If, in the absence of such an adjustment, a weakening in total demand is forestalled temporarily by an additional step-up in new investment, the underlying problem is only postponed and deepened.

Certainly it is true that the years since 1945 have witnessed a varying but unbroken investment boom—a boom, it should be emphasized, which, in the broadest terms, has been admirable and needed. The Nation entered this period having suffered a private investment famine, first in the thirties and then during the war. Capacity for civilian production was thoroughly inadequate to satisfy the new income levels achieved during the war, and business proceeded to expand it at a very high rate. Because of the very fact that this ratio of new investment to the total economy represented the reduction of a previous shortage as well as growth, it was unlikely that it could be maintained indefinitely.

And then on top of this postwar recovery in civilian capacity, the post-Korean mobilization program has laid on an accelerated rate of defense-related investment. Meanwhile, although consumption levels since 1945 have been high, total real per capita consumption has increased very little. In relative terms, as a percentage of disposable income, consumption was not extraordinarily high in the postwar pre-Korean period, despite the fact that it too was subject to the additional stimulus of accumulated shortages. (See chart 28.) And as a percentage of total production, consumption held fairly steady in the neighborhood of 69 percent up through 1950, and then, under the joint impact of the security program and a higher savings rate, tumbled to about 63 percent in 1951 and 1952—the latter at a time when fixed business investment as a percent of total output remained at or somewhat above its high postwar pre-Korean rates.

It would be dangerous to try to identify any single ratio between private investment and consumption that would be uniquely compatible with a balanced economic growth at some particular annual rate. However, the rough comparisons just indicated seem to justify a presumption that some relative gain in consumption sooner or later will be necessary. And various closer, but still not exact, analyses of the relationships between the economy's stock of capital equipment and such variables as gross output and the man-hours of labor employed seem on balance to confirm this impression.

Stimulating investment via consumption. The net conclusion that the Council draws is certainly not that, to avoid slack demand during the period ahead, encouragement of investment is to be avoided. Some additions to investment beyond the prospects outlined earlier are to be hoped for and, as indicated in the discusssion of policy below, sought by positive measures. The conclusion is simply that if a large increment of private demand is needed by 1955, it is most unlikely that the bulk of it can be achieved in the form of additional private investment. And even if by some quirk of circumstance it could be, it might well be an unhealthy adjustment, simply postponing further the day of reckoning.

The same considerations lead back to a very familiar point—one which recent business surveys have often uncovered: A vigorous growth in consumption may not only be the primary requisite for a successful adjustment in the economy as a whole; it may also be the most effective means under present circumstances for stimulating additional investment itself. Particularly under the longer-run capital budgeting practices which many businesses have adopted, business investment is heavily dependent upon the prospects for the scope of markets—perhaps even more so, within limits, than upon the short-run prospects for profit margins. In a very real sense, a reasonable policy emphasis upon consumption raising may be the best single course that can be devised for supporting and strengthening investment.

The investment-consumption balance and price-income relations. There is a price-income side to the consumption-investment story already outlined. Broadly speaking, the economy may be thought of as including three groups of income receivers—businesses, consumers, and government. Government, in turn, gets its income from businesses and consumers, for the most part via taxes.

A rise in prices relative to wages, other things being equal, increases before-tax business earnings relative to before-tax personal income. A shift in this direction tends to favor investment relative to consumption when the general business outlook is good; conversely, a rise in wages relative to prices tends to favor consumption—unless there is an offsetting change in taxes. If business taxes rose at the same time that before-tax business earnings increased, for example, business would not keep its relative gain of income from consumers; it would simply serve as a channel for transferring that income to government.

If there is need for an increase in consumption relatively faster than investment—as it now appears there will be during the next few years—a variety of income adjustments might support such an adjustment in expenditures. Some would involve a direct shift of spendable incomes from government to consumers, via either consumer-oriented tax reductions or increased government transfer payments to individuals. But another method—and the one which lies within the province of private price, wage, and other income adjustments—would involve a relative shift from before-tax business incomes to consumers' incomes, via either wage and salary increases or consumer price reductions.

If such a shift were made in the absence of parallel tax adjustments, it would mean, of course, some reduction of after-tax profit *margins* (although, as is emphasized below, not necessarily of dollar profits in the long run). If it were coupled with business tax reductions, it could simply mean a shift to consumers of income which previously had been going to government.

Table 14 shows that the increases in real disposable personal income in the postwar period have been relatively small, and suggests the need for improvement. In this connection it is interesting to note chart 29, which indicates that during the period over-all, contrary to the common impression,

TABLE 14.—*Indexes of gross national product, personal consumption expenditures, and per capita disposable personal income, constant prices* [1]

[1946=100]

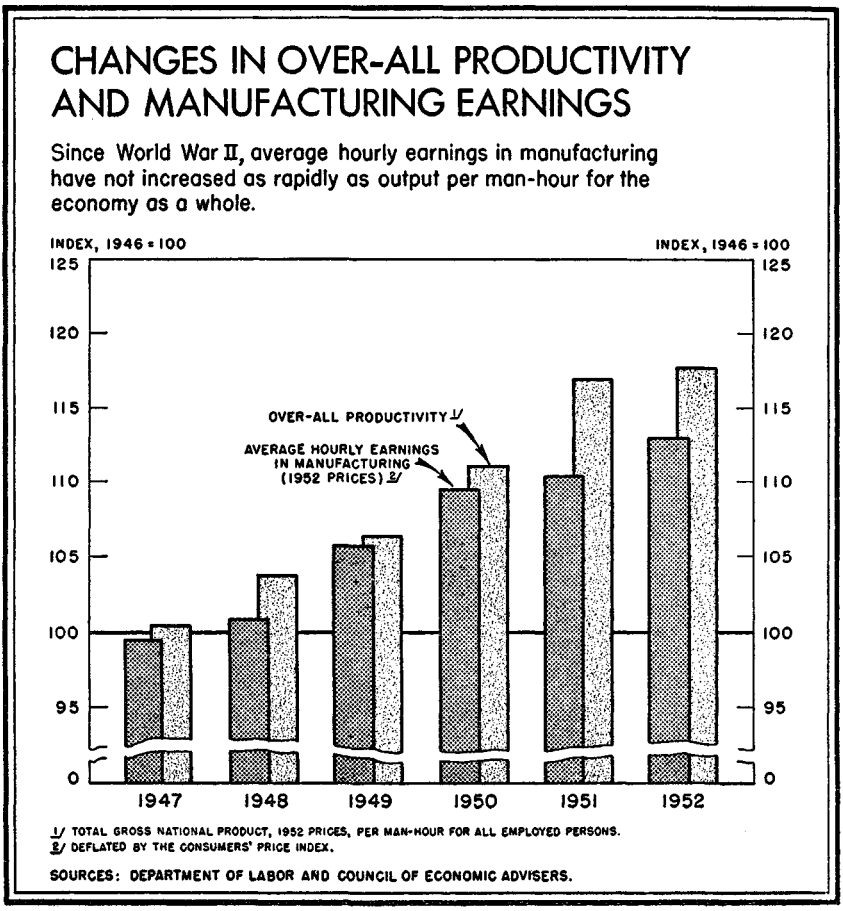
Year	Gross national product	Personal consumption expenditures	Per capita disposable income
1947	100	103	95
1948	103	104	98
1949	104	107	97
1950	112	113	103
1951	121	112	103
1952 [2]	124	114	104

[1] Indexes based on data in 1952 prices.
[2] Estimates based on incomplete data; Council of Economic Advisers.

Sources: Department of Commerce and Council of Economic Advisers. (See appendix tables B-2 and B-10.)

average hourly earnings in manufacturing, adjusted for consumers' price changes, have not risen faster than the economy's general productivity gains, but instead apparently have lagged significantly.

CHART 29



However, while study of data on corporate profits (see appendix tables B–34 and B–38) and other business earnings confirms the need for some relative shift of before-tax income from business to consumers, it raises doubts as to the extent to which such an adjustment can feasibly be made in the absence of tax reductions. Before the last half of 1951, after-tax corporate profits were generally above historical levels. But recently, the ratios of after-tax profits to sales have for the most part been significantly below earlier postwar levels. It is not very likely that many businesses whose after-tax margins currently are below the present average will narrow them further. On the other hand, a general effort to return these net margins to their earlier and much higher levels, at a time when a shift toward consumption is needed, would be unfortunate and self-defeating.

The implications are clear: (a) The room available for general transitional price and wage adjustments may be partially dependent upon business tax adjustments; and (b) in the absence of such tax adjustments, an opportunity for helpful price and wage adjustments will center mainly in those industries and firms where present profit margins are relatively favorable. Roughly speaking, in the manufacturing sector this opportunity seems greatest—in terms of product—among durable goods producers, and—in terms of size—among the largest corporations.

Workable Lines of Policy

Private price and wage policies

Turning now to the various lines of policy which are available, it is logical first to take up private price-wage policy, because it is perhaps best attuned to the broad preference priorities previously established. Adjustments in price-wage policy afford the greatest amplitude for private action as an alternative to public compensatory action.

It is possible that the development in business and labor circles of an effective and coherent price-wage policy can raise real consumption several billion dollars annually. Such private "policy," it should be noted, is by definition the province of decision-makers in the so-called "administered price" sectors of the economy. It would be imprudent to rely solely upon this answer to the deflationary risk—for one thing because, as the following analysis suggests, the scope of the opportunity for helpful price and wage adjustments may in turn depend partly on what happens to business taxes. Yet the contribution which private price and wage policy can make should not be overlooked.

Needed wage adjustments. In line with the above analysis, the specific wage and price considerations of a longer-run character which the Council wants to suggest may be set down as follows:

In the case of wages: First, in the event of a weakening in demand, wage cutting should be avoided. While such an adjustment may temporarily ease the situation of an individual firm, it can set off a dangerous chain reaction.

Second, during the period ahead, wage adjustments should continue to do their long-run job of helping to distribute the increased incomes resulting from improved productivity. As was said in the Economic Review of January 1950, with a growing potential for national output, the only way to translate this potential into actuality is to distribute more goods. If the price level is to be kept reasonably stable when the economy is in balance, then the increasing purchasing power necessary for expanding markets must come mainly in the form of consumer incomes rising in accord with improved productivity. And since wages constitute the bulk of personal income, the preferable general formula—once wages, prices, and profits are in a workable relationship—is for money wages to increase with productivity trends in the whole economy.

Third, while this long-run wage policy should be continued and more firmly established, it would be impractical and undesirable generally to strive for average wage increases in excess of productivity gains. The aggressive seeking of large wage increases under conditions of market weakness or theatening weakness would prompt abnormal industrial strife. And if won, increases in excess of productivity gains would subject many businesses to extraordinary cost pressures at a time when these would be most discouraging to new business activity. Wage policy, by and large, should stick to the job of helping to maintain the price-income balance and thereby the consumption-investment balance. In the price-wage sector, it is primarily the function of prices to help correct the balance. These general principles may have exceptions in some industries or business situations.

Needed price adjustments. The present challenge to managers to develop self-enlightened merchandising programs which also serve the needs of general stability, is a very real one, and it is not remote. Instead this is one strand of policy which, in the coming months, can safely anticipate the problems ahead without any serious risk either to those who make the venture or to the economy generally.

If a substantial deflation of economic activity should materialize, lower prices sooner or later would be inevitable. The need is for those in a position to do so—and in a position where such action will do the most good—to choose deliberate, anticipatory, and selective price reductions and other forms of aggressive merchandising. This is a positive means of avoiding the general economic break which might be the consequence of cautious or standpat pricing. And this general recommendation can be somewhat particularized.

First, for a variety of reasons, the suggestion is directed especially at the manufacturers of consumer goods. Even under present tax rates, opportunities for margin squeezing exist in many consumer lines. This is evident from profit data, and is suggested by the recent weakening of many raw materials prices relative to manufacturers' prices. Among consumer goods, the opportunities for promotional price reductions and for expanding markets for new and improved products may be especially great in case of

consumer durables, although they do not end there. Moreover, the relatively stable character of distributors' percentage mark-ups tends to result in even greater absolute reductions at the retail level and thus bring about an added stimulus to buying.

Second, there is a need for more flexibility and willingness to experiment on the part of manufacturers. A high degree of conservatism, bred of a decade and more of sellers' markets—cautiousness in estimating demand elasticities, in estimating probable operating levels for price-making purposes, in adhering to stereotyped profit margin rules, and in experimenting with new products—may prove self-defeating. The scope of the demand for new or lower priced products can never be fully known in advance, but it can be explored.

Third, as long as the excess profits tax remains in force, for those manufacturers whose marginal tax rates are high and who at the same time can accept relatively minor reductions in after-tax margins, the tax provides a relatively costless and riskless umbrella under which they can experiment with promotional pricing and products aimed at untapped markets. Moreover, as implied earlier, if and when business taxes are reduced, it may be a mark of wise management to view the tax savings, not as a means for boosting margins back to earlier levels, but rather as an opportunity for developing markets via lower prices and product improvements.

To reemphasize, in conclusion, what was stated earlier, reductions in profit margins during the period ahead need in no sense conflict with a stable and indeed increasing level of absolute profits. In order to provide the needed growth in sales volume, a relative increase in the portion of national income going to disposable personal income seems necessary. In providing an increasing real volume of sales, margin reductions are far from being a dampener on profits. Anticipatory price adjustments tend, at the least, to prevent a fall in total profits with declining sales, and to stimulate the growth in the economy which is needed to improve dollar profit positions. Such anticipatory adjustments are far removed from the disorganized downspirals in prices which feed on themselves and contract rather than expand markets. Appropriately timed price changes should forestall rather than initiate this process.

Supporting public policies. Besides encouraging helpful private wage and price adjustments during the next 2 or 3 years, the Federal Government can help to make the economic environment more favorable for the kind of private adjustments which have been outlined.

First, if healthy wage adjustments are to help support the transition, it will be important that changes in industrial relations law do nothing to undermine the collective bargaining position or general morale of labor.

Second, Federal legislation may, to a significant degree, determine the effectiveness of retail price competition, and, as a result, the extent of the impact which promotional pricing at the manufacturing level would have on consumers. To a considerable extent in recent years, it has been the

aggressiveness of chain store, mail order, and department store merchandising which has kept a keen edge on retail competition. It is essential that the Government undertake a thoughtful review of its antimonopoly and market regulating policies to guard against any progressive blunting or weakening of competition in consumer markets.

Private investment policies

Promotional pricing and aggressive merchandising, by increasing sales and sales prospects, would themselves tend to react favorably on business investment. In addition, looking ahead toward 1955, private investment may be strengthened more directly by certain private and Government policies. The need is for positive and energetic search for new and expanding investment lines, for opportunities in the less developed regions in this country and abroad, and for the fuller exploitation of potential markets for existing products and services.

As chapter III has indicated, there are many growth possibilities which will open up in the next few years to the vigorous enterprise which has characterized the American economy more notably perhaps in the last decade than ever before. These fast growing lines, for which future growth prospects appear bright, include many newer ones such as man-made fibers other than rayon, plastics, magnesium, synthetic rubber, antibiotics, air conditioning units, television sets, combination washer-driers and other household equipment, and frozen foods. Many older lines such as aluminum, gypsum board, rayon, fertilizers, certain acids and other chemicals, and tractors are also growing rapidly. These promising prospects include, not only raw materials, capital equipment items, and both durable and nondurable consumer goods, but also a variety of services such as air freight and passenger business, motor courts, electric power, and telephone service. Other fast growing activities are quality improvements in established products such as power steering and automatic transmission mechanisms on automobiles, and electronic devices used to control industrial operations. Undoubtedly numerous other industries and products, now barely on the horizon of economic possibility, will move into the range of active business development within the next few years.

What may private business on its own initiative do to bring about the fullest realization of private investment opportunities, both for growth and stabilization purposes?

First, private business can maintain and expand the whole range of its activities which come under the heading of research and development. In 1951, some 1.2 billion dollars was spent directly by private industry for this purpose, with additional large amounts being spent on industrial and related research through Government. Many of the more progressive firms devote relatively high percentages of their sales revenues to research and accord research an important place in managment.

Second, the practice already widespread among business leaders of programming investment several years ahead, often 5 to 10 years, might advan-

tageously be adopted more widely. With business generally in a strong financial position, this would serve to promote growth and stability at the same time. It permits more orderly financing, more regularized purchasing programs, and sets a condition for more stable and longer-term wage and other agreements with labor.

Third, more careful surveys might be made of the markets for present and possible new products and services. This would provide a firmer underpinning for both research and development and long-range investment planning. Again, many firms undertake this kind of analysis, but it could well be done more generally.

Fourth, existing business firms, especially those looking to the establishment of new plants or branches, as well as persons contemplating the formation of altogether new firms, would do well to examine carefully the prospects for their particular operation in some of the less developed areas of the country. Relatively rapid growth in population and incomes in the Southwest and the Far West, for example, mean better market prospects. In the old South, the momentum of the industrial development which has gained strength in recent years, plus the rapid increase in income, point to this part of the country as a desirable location for many types of business, operating at wage rates compatible with those in other areas. In the older industrial areas of the Northeast, especially New England, most strenuous private efforts are being made, and will have to continue to be made, to move from the older textile and shoe industries toward new and rapidly growing lines such as electronics, research services, electrical and machinery lines, among others.

While first reliance should be placed upon privately initiated action to strengthen investment, there are many Government measures which may be taken to encourage private investment, and which do not add much if anything to Government expenditures. First, basic research and experimentation carried out by Government can provide the technical basis for private investments. For example, technical and economic research in synthetic liquid fuels has reached the point where private investors are now actively interested in the establishment of synthetic liquid fuel plants. Second, credit guarantees of various sorts on the part of Government, such as in housing, provide a stimulus to private investment. As noted later, the terms on which such credit is guaranteed may be altered to encourage investment. Third, in certain instances, the extension of certain socially desirable Government regulations may, as a by-product, induce private investment. For example, State and city governments may require through ordinances that both municipal and industrial water pollution control measures be taken. Fourth, properly timed tax reductions, discussed subsequently in this Review, can be a potent force for maintaining investment—particularly under present circumstances, those which expand consumer markets.

The smaller business segment of the economy might be aided by a further

development of the program of the Small Defense Plants Administration, which already has done good work in helping small business to carry its share of the defense program, and by a strengthening of the various technical services offered business by the Department of Commerce.

More important than these specific governmental measures is the influence which the Government exerts upon the general business climate. That climate is the product of all these specific measures taken together, but it is something else besides. It resides in ever increasing realization that the objectives of business and of Government are mutual and compatible, that neither can succeed in the long run if the other fails, and that the instrumentalities for a working relationship between the two need to be continually improved. This problem can by no means be solved, although it may be reduced, simply by bringing businessmen, workers, or farmers into the Government; for when this is done, they become part of the Government and not a part of the private business community. The most important need, as the Council has frequently urged, is for a process of consultation between Government officials and private operators, based not upon a confusion of their respective and clearly different functions, but rather upon realization that each has much to contribute to the functioning of the other. The exploratory machinery thus far established at various levels of the Government for this purpose has been of considerable use, but improved machinery is necessary. More important than blueprints, however, is the need that those on all sides of the table take this effort more seriously and pursue it more diligently. In the final analysis, it is the only middle way between the danger of excessive economic instability and the danger of excessively centralized authority—quite aside from the fact that the former evil produces the latter.

Credit policy

Measures of general credit policy, which are generally thought of as instruments of stabilization, are highly regarded by some theorists as means of curbing inflation—assuming that the measures are applied vigorously enough; but they are held in rather low repute as antideflationary devices. The black mark put in the record because of their poor performance in the 1930's has not yet been erased. However, the first reputation is not unclouded, and the second is perhaps unjust.

General credit policy attempts to regulate the availability (and therefore necessarily the cost) of lendable funds, a steady yet appropriately flexible supply of which is essential to production in a growing economy. The first objective of credit policy is to assist production; stabilization is an associated purpose. This does not mean, however, that stabilization is not a highly important objective; it merely suggests that credit policy must be used with great discretion as an instrument of stabilization and must be heavily accompanied by other measures.

The prime role of credit in production is, of course, not to create demand, but to implement it; its job is to facilitate rather than generate. It is possible

for credit policy to achieve a victory over inflation by withholding funds from those desiring to buy, although such action may thwart the first objective of the credit mechanism. At the other extreme, in a deflationary situation, it is hardly to be expected that credit policy alone can arouse business from recession by making funds available to finance demands which do not exist.

It would seem, then, that the actions of general credit policy most effective in maintaining prosperity might be those taken, first, while the level of business activity is still high, or, second, at the very first signs of a recessionary development. The first situation requires delicate balance between restrictive actions which prevent speculative excesses, and the avoidance of extreme measures which might hamper production, as by holding interest rates at a level discouragingly high for long-range investment programs. The second situation requires the prompt liberalizing of credit while private demand is still strong enough to grasp the opportunity.

Much success in uncovering latent demand, or in making borrowing feasible and safe for larger numbers of persons, has marked the policies of reducing down payments, extending maturities, and the repayment of loans through amortization, for which the Federal Government should be credited with much of the leadership. Examples of this leadership are to be found in the housing and farm credit programs. The latter, in addition to pioneering new credit terms, have more effectively mobilized and channeled credit into agricultural uses, thereby cutting interest rates and other borrowing costs.

Furthermore, the insurance or guarantee of residential mortgage loans by the Federal Housing Administration and the Veterans Administration, and the guarantees by Government procurement agencies of loans to businesses with defense contracts under the Defense Production Act, represent another method of making credit more widely available, especially to the small borrower, and indeed benefiting borrower and lender alike.

It should be noted that, in about all of the examples cited, the improved loan services are offered to borrowers by privately owned institutions.

Very likely, considerably more could be done by these means to stabilize borrowing and private demand, and to stimulate business in the event of another recession. Some further liberalization of terms might be possible under the present programs, and consideration might be given to the feasibility of extending the insurance principle, with some lengthening of maturities, to consumers' loans for the purchase of durable goods (beyond what is permitted under Title I of the Federal Housing Act) and to loans to small businesses.

Tax policy

In the discussion in chapter II of short-run policy issues, it was stated that general economic considerations favor the continuation of present tax rates. To lower taxes in 1953 would not only increase the budget deficit, but would make it more difficult to reduce taxes later on, when the economy will be

in the transition to a lower level of defense spending and could benefit most from tax reduction.

As individual taxpayers, we always welcome tax reductions at the earliest possible moment. But as members of the community, we should understand that the benefits of lower taxes sometimes prove illusory. In one set of economic circumstances, tax reduction will encourage larger total production, with more goods and services available for consumption and business investment. Under other conditions, the result may simply be more dollars competing for substantially the same supply of goods and services.

Apart from issues as to timing, there are important questions regarding the form which tax reduction should take. The executive departments and the Congress will be concerned with the problem of how tax reduction may be combined with basic improvements in the Federal tax system. For a time it looked as though the years immediately following World War II would provide the long awaited opportunity for an overhauling of the tax system, and several comprehensive studies were issued in the late war years with this objective in mind. In 1945, however, and again in 1948, tax reductions were made but there was no concerted effort to fit the tax reductions into an over-all plan for an improved tax structure. The present situation may be compared to that of the late war years, because of the indications that the next major revenue legislation will be a tax reduction measure. For important practical reasons, proposals for tax reforms meet with less resistance when they are combined with reductions for most taxpayers. If the pattern of tax reduction laid down in the present law is accepted without careful examination, the country would lose an opportunity to effect needed structural changes, some of which are long overdue.

Economic effects of taxation. The Council is particularly concerned that tax policy be used most effectively for the promotion of a high and stable economy. Yet we recognize that revenue programs must take into account a number of competing and sometimes conflicting objectives. Taxes are needed to supply funds to the Government, and the extent to which they exceed or fall short of expenditures determines changes in the public debt. The fairness of the distribution of the tax load is always an important factor to be considered, and also the ability of the Government to administer the revenue laws and the ease with which taxpayers can comply with them. All these considerations have a direct and important bearing upon the usefulness of tax policy as an economic instrument.

Taxes affect economic activity in two ways: (1) by changing the amount of money that taxpayers have at their disposal; and (2) by altering the complex of motivations that guide taxpayers' decisions with respect to spending, saving, investing, and producing. In the preceding analysis of adjustments for maintaining economic prosperity, great stress was laid upon the need for measures to stimulate larger consumer spending. Is tax policy an effective instrument for this purpose?

Although almost any kind of tax reduction would contribute to larger

consumer spending, some kinds would contribute more than others. For example, a reduction in personal income taxes will ordinarily stimulate consumption more than a reduction of the same amount in corporate taxes. In the case of the personal income tax, the full amount of the reduction is placed almost immediately at the disposal of consumers. In the case of corporate taxes, the tax savings first accrue to corporations, which then decide whether to use the funds to increase dividends, reduce prices, raise wages, or add to retained earnings. As has already been indicated, it will be important over the next few years for corporations, by price reductions and other means, to channel into the support and expansion of markets the bulk of whatever tax reductions do occur. But it would be hazardous even to guess what proportion of a corporate tax reduction actually would reach the hands of consumers, or how quickly. It should not be overlooked that lower personal taxes, through higher consumer spending, indirectly channel funds into the hands of business.

A reduction in excise taxes also merits priority as a means of making additional purchasing power available to consumers. When goods are in ample supply, excise reductions will be followed in most cases by equivalent price reductions. Thus, consumers would be enabled to step up their spending, or saving, by approximately the amount of the tax reduction. Even if some part of the tax reduction first showed up in higher profits, some of the profit increase would eventually filter through to consumers.

Estate and gift taxes, on the other hand, probably have little effect on consumption. As a matter of equity, it is often proposed that these taxes be increased. This might be done at the same time that other taxes are being reduced.

The objective of stimulating consumption will be better served if tax reduction is distributed as much as possible in favor of consumer groups who are heavy spenders. This is usually interpreted to mean that the reduction should go more to low income groups than to high income groups, since the former spend a higher proportion of their earnings. Changes in the rates and exemptions for the personal income taxes may easily be designed so as to conform with this pattern, and excise reductions will usually benefit low income groups relatively more than others.

While favoring, during the period under consideration, reductions in those taxes which have the greatest repressive effects on consumer spending, the Council realizes that some taxes probably will need to be adjusted because of their adverse effects on incentives and investment funds, or for other reasons. Large corporations subject to the excess profits tax pay to the Federal Government either 82 or 70 percent of any increases in their earnings; conversely, the Government absorbs either 82 or 70 percent of reductions in earnings. Such high rates are tolerable during an emergency period of limited duration; they have no place as a permanent feature of a tax system which is designed to spur initiative and productive efficiency. Similarly, the high surtax rates paid by upper-bracket individual taxpayers

may also, in some circumstances, adversely affect investment incentives.

Other proposals meriting analysis include those for granting special tax concessions in order to encourage specific types of economic activity or to strengthen particular taxpayer groups. An example is the proposal to liberalize the treatment of depreciation deductions, on the ground that this would stimulate plant modernization and expansion, or the proposal to reduce taxes on income from foreign investments in order to encourage more investment abroad. Many tax recommendations are focused on the special tax problems of small business.

Such proposals, while deserving careful consideration, should be studied in the framework of the total tax program. Whatever their separate merits, their combined effect might be to make serious inroads on the tax base and make higher rates necessary in areas not granted favored tax treatment. Moreover, we must be careful that they do not conflict with the continuing objective of improving the tax structure in order to remove unjustified advantages to a few at the expense of everybody else.

Social security programs and other transfer payments

The incomes of many old, needy, handicapped, unemployed, and underemployed persons, who make up the bulk of the low income groups, are heavily dependent upon transfer payments by governments, i. e., expenditures which are not made for currently produced services or goods. The long-run expansion of protection in this sector of the community represents one of the Nation's broad purposes. It also represents the strengthening of groups whose needs require that they spend virtually all of their income for consumption.

The total transfer payments to the public made by the Federal Government, including social insurance, public assistance, veterans' benefits, and interest payments on the public debt, came to about 17 billion dollars in 1952, or 7 percent of total personal income. Not counting the interest payments, the remainder of some 12 billion dollars was paid to the aged, unemployed, indigents, veterans, and others who spend most of it promptly. State and local transfer payments increased this amount by 3 billion dollars. Many of these transfer payment programs fall into the "built-in stabilizer" class—payments under them would expand more or less automatically in the event of a downturn. Improvement or expansion of these programs can properly be included in the present roster of positive adjustment policies.

The label of "fixed income groups" when it is applied to transfer payment recipients is, as table 15 indicates, something of a misnomer. "Lagging income groups" would be more accurate. Since 1940, the index of average income of groups receiving public transfer payments has risen, but less than the index of average earnings of fully employed groups. While average payments to public assistance recipients and unemployment insurance payments, generally speaking, have kept abreast or ahead of increases

TABLE 15.—*Indexes of per capita social security benefits and per capita earnings of selected groups, and consumers' prices*

[1940=100]

Item	1943	1946	1949	1951
Consumers' prices	123	139	170	185
Earnings per full-time employee:				
Farm[1]	262	330	334	376
Manufacturing	164	176	216	250
Government	135	175	215	235
Old-age retirement payments per beneficiary:				
Old-age and survivors insurance	92	100	106	181
Railroad retirement	127	149	164	149
Federal civil service	100	100	118	122
State and local government retirement	101	104	111	117
Disability payments per beneficiary, veterans' program	100	118	141	134
Unemployment payments per beneficiary:				
State unemployment insurance	131	180	196	200
Railroad unemployment insurance	159	197	223	181
Public assistance payments per recipient:				
Old-age assistance	132	174	221	220
Aid to dependent children per family	128	192	229	234
Aid to the blind	110	145	182	189
General assistance per case	114	163	208	194

[1] Aggregate net incomes of farm operators plus wages of hired laborers divided by average farm employment.

NOTE.—Unemployment payments are based on average weekly figures, railroad unemployment on average daily, public assistance on December average; all other payments or earnings are based on annual averages.

Sources: Department of Agriculture, Department of Commerce, and Federal Security Agency.

in the cost of living, the retirement and survivor programs have not. Even more important than these trends, from the viewpoint both of family need and strengthening purchasing power, is the low absolute level of income which characterizes these groups. The average *monthly* payment to a single retired worker receiving old-age and survivors insurance is about $40, to a retired worker and his wife $70, to a surviving aged widow $36, and to a young widow with two children $94. The average weekly unemployment insurance payment is about $24, and average monthly payments for old-age assistance are about $45. By contrast, average *weekly* earnings in all manufacturing industries are about $70 per worker.

While the present social security system represents a major bulwark against social and economic hazards, and one which has been partially strengthened against the tide of inflation in recent years, there obviously is large scope for needed improvement. In the case of unemployment insurance, extension of coverage, raising of weekly benefit amounts, or increasing the number of weeks for which insurance payments could be made, are improvements in the unemployment insurance system often suggested during recent years which would increase payments, and hence consumer expenditures, in event of a recession.

There is also a less obvious automatic antirecession aspect to old-age insurance payments. In the event of a downturn, some of the 1.4 million persons entitled to such payments but not receiving them because they have well-paid employment would undoubtedly leave their jobs and apply

for benefits. Half a billion dollars of payments might be added in this event, or possibly twice this amount in a severe recession. Even without such a recession-induced expansion, it is estimated that under high employment conditions old-age and survivors insurance payments will rise from about 2.9 billion dollars in 1953 to 3.3 billion dollars in 1954. In addition, the provision of disability benefits and of hospitalization benefits for the insured old people and other beneficiaries would act to increase consumer expenditures.

Federally supported public assistance payments and "general assistance," the catch-all category now entirely financed by States and localities, provide minimum income for those needy persons and their dependents not covered by other programs, and in some cases supplement old-age insurance payments. Although the number of persons receiving public assistance is expected to decrease during the years ahead as more and more of the burden is taken over by old-age insurance, still in a general recession it would undoubtedly be necessary to increase transfer payments made through these programs.

Agricultural policies

The Council has frequently noted that, despite long-term gains which have raised agriculture out of its forlorn position in our economy, the sound objective of "parity for agriculture" has not yet been achieved. This is particularly true now because agriculture has not shared proportionately in the great and continuing economic advance during the past year or so. The "farm problem" in the critical degree that it existed for a decade or longer after World War I, is not yet with us and never again should be. But there are already signs that, regardless of whether one believes that farm price supports should be higher or lower or different, many vigorous things will need to be done on a broad front to enable the farm population to have a standard of living and a degree of opportunity closer to that of other groups than it has thus far been.

The problem is particularly acute for 1.7 million farm families who have long been living at seriously depressed levels, some of them tenants, many trying to work very poor land, and all of them especially subject to such problems as inability to get credit, unfamiliarity with newer farm methods, and lack of needed equipment. Basically for human reasons, but also because of the desirable general economic effect of raising the purchasing power of one needy group, efforts to improve productivity and incomes of the low income farm families should be strengthened.

The issue is a very complex one. It involves not only price and income policy, but also questions such as export markets for farm products, and the still broader question of the evolving pattern of relationship between the part of our human and other resources devoted to agriculture and those devoted to other pursuits. A shift in this pattern is certainly taking place as a long-range trend, and attention should be given as to how it may

be accomplished without undue hardship. More generally, the improvement of living conditions in many of the farm areas depends upon developmental programs supported by public funds, and also upon industrial development, because the shift from agriculture to industry need not be identical with the geographical shift of population. Some things different from those now being done may be required to deal with the farm problem. But whatever they are, they will offer abundant opportunity to contribute both to general economic stability in the next 2 or 3 years, and to long-run improvement in the economic position of farmers.

Housing policies

As noted previously, expenditures on new housing construction in the absence of new private and public policies may be lower in 1955 than in 1952, chiefly because of the progressively smaller number of new households expected to be formed between now and 1955. This drop in housing might be moderate if economic conditions in general remain brisk. However, it could be large. The continuing active desire to move to the suburbs, plus the high proportion of old, less advantageously located houses, especially in the presence of high incomes generally, indicate a large latent replacement demand for housing which can be made effective during the coming years. Further preparation and progress in this segment of the economy are essential. Whatever additional amount of housing may result will fall well within the Nation's needs.

First, emphasis in policies and programs to maintain a sufficient level of housing demand should be given to private actions. Reduction in sales prices or improvements in quality would undoubtedly broaden the market for new housing. Cost-reduction innovations, such as the development of more efficient building techniques, new materials, and improved financing arrangements, are important avenues to lower prices. Such innovations require constant research. Moreover, it would be in the builders' interest to pass the benefits of increased efficiency along to the consumer in the form of price reductions. More attractive mortgage terms, especially lower down payments and longer maturities, are another method for increasing sales. In addition to the market for new homes, a large demand exists for additions and alterations in existing houses, to take care of numerous growing families. Demand from this source will probably increase, and it should be served actively. Financing could be assisted by increased use of open end mortgages, which provide for more economical financing of improvements.

Second, these private actions can be supported and facilitated by Government assistance of various indirect types which do not involve much increase in Government outlays. Government can assist industry in accomplishing cost and price reductions by supporting housing research projects directed toward reducing construction costs, improving quality, and solving financing problems. The volume of housing construction is most

sensitive to mortgage credit terms, over which during the past two decades the Government has had an increasing degree of influence. There is evidence that the easing of terms on Government-assisted mortgage credit in 1949 was a factor in the early resumption of activity in the housing industry during a general though brief business recession. With the recent relaxation of Regulation X, terms now available for FHA- insured and VA-guaranteed loans are, with minor exceptions, as liberal as permitted by law. Thus, having already in a sense "used up" this instrument for stimulating demand, any substantial further liberalization of Government-aided mortgage credit would require new legislation. To make further liberalization of terms actually effective, it would probably be necessary for the Government to stand ready to purchase such mortgages to the extent that private funds were not available. This could be done by extending and enlarging the authority of the Federal National Mortgage Association to purchase and make advance commitments to purchase privately originated mortgages. Another method is direct lending of Government funds to home purchasers, such as that now done on a limited scale by the Veterans Administration. Also, extension of the loan insurance principle to new forms of financing, and to higher quality (and cost) housing, would provide a means of tapping private funds for housing investment at more liberal terms. It should be noted, however, that Government credit aids cannot by themselves alone directly create housing demand unless individuals actively wish to buy more houses. Credit aid is a favoring but passive condition within which private decision and action are encouraged. If a downward tendency commences to spiral steeply, such credit aid may have limited effect. But with no such spiral development, or if action can be timed in the earliest phases of a downward tendency, credit easing and assistance can be important in maintaining housing demand.

Third, there is a basic need for a large expansion of the locally operated low-rent housing and slum clearance program, assisted by Federal contributions. No need has more general recognition, and no need has been more carefully analyzed by repeated congressional studies and more fully supported by general enabling legislation.

The provision of decent housing for those who now live in urban and rural slums is not primarily an antirecessionary measure. It is an essential part of the fulfillment of an American standard of living which is well within our current productive capacity. Basically, in accord with fundamental congressional policy already established, the slum clearance and low-rent housing program should be conducted on a long-range basis, in sufficient volume to liquidate the preponderance of bad housing within a decade. To bring it up to this level would so many times multiply the recent and current rate of construction in this field, that the question of accelerating this program merely to maintain economic stability and growth is largely academic. And for much the same reason, any argument that this program should be held at its current low levels until the signs of economic recession

appear is without foundation. Nonetheless, the purely economic argument for the expansion of this program is also powerful. There are few programs the expansion of which would so thoroughly unite the ultimate objective of defensible living standards for the whole American population with the intermediate objective of economic stability and growth.

The problem of an adequate supply of low-rent housing and the problem of urban redevelopment and slum clearance are inseparably connected. Both have been unduly retarded; and it is hard to say which retardment has been the primary cause and which the primary effect. Decaying residential areas at the core of our cities cannot be cleared until decent housing is provided for their residents at costs within their means. And without the clearance of these areas, low-rent housing cannot gain the general popular support required for its success, nor can a balanced program of municipal redevelopment be carried forward successfully.

The proposition that for a time we may experience a decrease in the new rate of family formation is of real but limited significance in this connection. Population growth is important, but it has not been the chief impetus to our unrivaled material progress. That impetus has come from the irrepressible urge to lift the general standard of living, which has no final frontiers. And these frontiers are not even in sight with respect to housing, one of the most precious of all commodities in its effect upon family life, where for millions of families the absolute standard and the rate of progress has lagged far behind what we have accomplished in other fields. In few fields of economic enterprise can we look for so large an addition to the expansion of useful economic activity as in the case of improving and enlarging the housing supply under the impact of a sufficiently broad and comprehensive program—a balanced program serving all income groups with a good standard of housing.

Public developmental and service programs

In a strong, growing economy the main role of public development activities is to contribute toward providing such basic services as health, education, transportation, resources conservation, and public welfare, without which neither growth nor stability can be sustained. The several levels of government share in these responsibilities. In most instances, private individuals and organizations are already doing a significant part of the job.

Development and welfare needs. Needs for developmental and welfare outlays are large when viewed against recent expenditures, or against standards of service accepted as desirable. Chart 30 shows in constant dollars the public expenditures since 1939 in a number of development programs. It also presents several alternative patterns of expenditures for 1955, based on different assumptions.

The highway system of the country is deteriorated and inadequate. Although road use has increased rapidly for several decades, constant dollar highway expenditures per vehicle-mile are now far less than in any year of

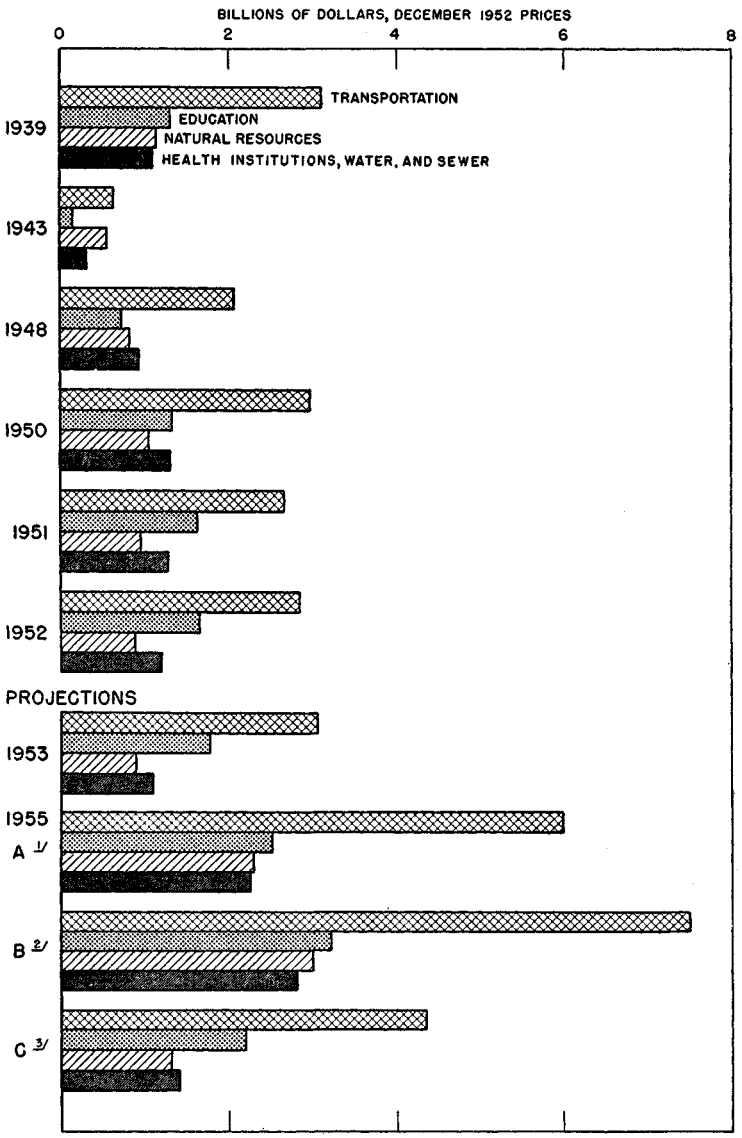
the 1920's or 1930's. Recent surveys indicate that more than one-third of the backbone interstate highway system of 38,000 miles is in need of complete reconstruction; more than two-thirds of the Federal-aid system of about 600,000 miles needs improvement; and about one-half the mileage in non-Federal rural roads requires work. Some 30 billion dollars would have to be spent to bring the Federal-aid highways to adequate standards, while large additional amounts might well be used to improve non-Federal roads. Adding to this the amounts which will be needed over the next decade to replace highways that will wear out, to accommodate increased traffic, and for maintenance, a total of possibly 7–8 billion dollars of highway construction expenditures a year for 10 years appears to be necessary if we are to have really adequate roads and streets a decade hence. Recent expenditures for new highway construction have run from 2.4 billion dollars to 2.7 billion a year, while the estimate for 1953 is 3.0 billion.

The problem of getting more schools, and more and better qualified teachers, is beginning slowly to yield results, as public opinion increasingly makes itself felt. But much greater expenditures, well beyond those now planned, will be required to place the educational system on a firm and adequate basis by the end of the decade. To take care of increased enrollments, to provide for normal replacements, and to reduce the backlog of need, some 600,000 public elementary and secondary classrooms, costing more than 18 billion dollars, will be needed by 1958 when the higher birthrates of recent years will be fully felt. Additional expenditures for nonpublic schools, and for both public and private colleges and universities, would lift the total needed construction considerably. In 1952, educational construction expenditures came to about 2 billion dollars, and they are expected to increase by nearly 10 percent in 1953. This is still well below the amount which would have to be spent if the needs are to be met by 1960 or so. Increasing the number and competence of teachers is largely a matter of raising salaries. Teachers' salaries have not kept pace with the rise in incomes of other professions, nor with the rise in earnings generally.

Similarly in the health field, needs are great for hospitals and other facilities, and for health personnel. The President's Commission on the Health Needs of the Nation recently estimated that about 900,000 additional hospital beds of all types are now needed to provide adequate care. To provide these and adequately to meet needs which will accumulate in the next 10 years would cost about 18 billion dollars, an average of about 1.8 billion dollars a year. In 1952, an estimated 866 million dollars was spent on hospital construction. Expenditures are expected to fall during the next 3 years unless there is substantial increase in the amount of Federal funds for hospital construction. Public health centers are needed in many communities. The shortage of doctors, dentists, nurses, and sanitary personnel remains critical. The President's Commission has estimated that the Nation can now expect to have at least 22,000 fewer doctors, 17,000 fewer dentists, and 50,000 fewer nurses by 1960 than it will need.

CHART 30

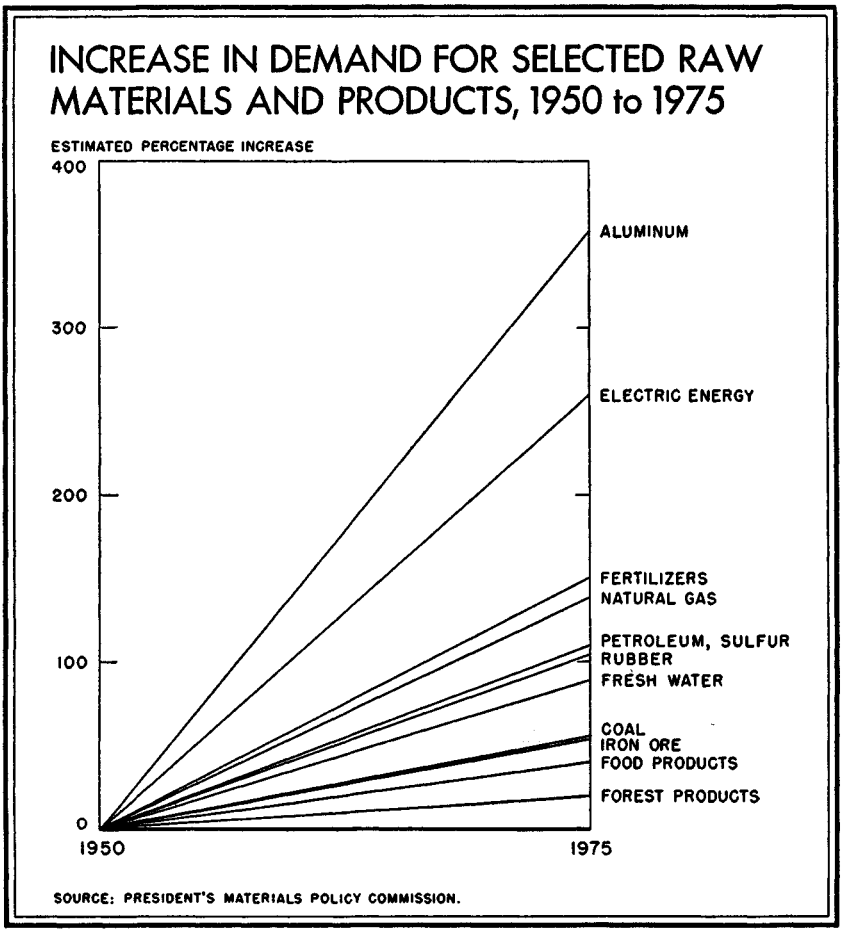
PUBLIC OUTLAYS FOR NEW CONSTRUCTION
SELECTED DEVELOPMENT PROGRAMS



1/ BASED ON PERCENT OF 1939 GROSS NATIONAL PRODUCT SPENT FOR DEVELOPMENT PROGRAMS.
2/ ASSUMES FAIRLY RAPID PROGRESS IN MEETING WIDELY APPROVED STANDARDS.
3/ THOUGHT TO BE WITHIN THE RANGE OF FEASIBLE INCREASE.

SOURCES: DEPARTMENT OF LABOR, DEPARTMENT OF COMMERCE, AND COUNCIL OF ECONOMIC ADVISERS.

CHART 31



Demands placed upon natural resources and raw materials are expected to be very large during the next quarter of a century, as has been pointed out in the reports of two recent Presidential commissions which have studied long-range problems of water resources and raw materials. The need for many resources or materials in 1975 is expected greatly to exceed the level of use in 1950. (See chart 31.) During the next few years, with a highly active economy, demand for these resources and other resources and raw materials is expected to rise proportionately.

The outlook is for increasing unit costs for many raw materials, especially metals and minerals. The problem is not one of running out of supplies altogether; rather, it is one of slowly and inexorably increasing costs of development and production. This sets the main problem, which is to diminish and circumvent the cost increases by means of various technological and economic measures. These include new discoveries, cost-reducing techniques of mining and production, the aggressive search for cheaper

and more plentiful substitute materials, the fuller development of world sources, and strong programs of conservation at every stage in the production of goods using scarce raw materials.

The severity of this outlook is softened somewhat by the considerable potentials which still exist in this country, and in many other countries of the free world, for increasing supplies of various resources and raw materials. In this country, for example, there still are enormous reserves of coal. It is estimated that there are about 80 million kilowatts of undeveloped hydroelectric power. Certain developments, such as the St. Lawrence project, can produce large amounts of low-cost power, along with other benefits. To supplement the diminishing reserves of high-grade iron ore are large reserves of taconite, which, with sufficient capital investment, can be made to yield large amounts of iron ore usable in blast furnaces.

The trend of increasing productivity in agriculture seems to be continuing, so that increased output of most farm products continues to be achieved even though each year sees a diminution in the number of persons at work in agriculture. New land is available for development, although frequently at increasing cost, by means of irrigation, land drainage, and flood control. Increasing productivity rests primarily upon more farm mechanization, more and better fertilizers, and all manner of other improvements which agricultural research increasingly is making available.

Financing and planning problems. The most pervasive limitation to a rapid increase in public development expenditures is the lack of willingness or capacity of governments to raise or otherwise allocate funds to this purpose. Any large increase in Federal financing, at least in the next 2 years, is checked by the competing requirements of defense and by the prospect for a budget deficit. Indeed, a determined effort to cut Federal expenditures could mean less Federal spending on development, although the pressures behind these programs combined with an increasing recognition of needs indicate a level or slightly advancing amount of spending.

The financial position and outlook for State and local governments apparently will permit a substantial increase in both operating and capital outlays during the next few years. Furthermore, evidence indicates a willingness on the part of States and localities to increase their bonded indebtedness. The increasing resort to public and quasi-public authorities for such facilities as toll roads makes it possible to avoid constitutional debt ceilings. Tax yields at the local level may be expected to increase over the next few years, as property reassessments move upward in a lagging response to the inflation of recent years. State governments will gain revenue in pace with increases in income payments, vehicle travel, volume of business, and other elements depending on their revenue sources. Perhaps 2 to 3 billion dollars of additional capital outlays will be made by States and localities in 1955, while additional sums will be available for teachers' salaries, public health services, highway patrols, and the like.

In the event of an economic recession, State and local development expenditures would be expected to fall, or at least rise more slowly after some lag. Federal expenditures could more readily be increased, since the Federal Government is a more powerful instrument for antirecession financing. Not too much should be claimed, however, for expanding developmental expenditures for purposes of offsetting contraction forces in a mild or short recession. To be sure, certain types of public construction programs can be stepped up promptly. These include the simpler public buildings, smaller schools, street improvements, small-scale rural conservation works, and a few others. But the heavy engineering-type projects, such as multiple-purpose dams, divided lane highways, and the large complex building projects such as hospitals and public housing developments, present numerous obstacles to both rapid acceleration and deceleration. Their timing can be speeded up slightly, but their main anticyclical effects would be felt only in a severe and extended depression.

There should be full speed ahead with preparatory measures so that development projects to the extent feasible may be accelerated promptly as part of a total antirecession economic strategy. Advance planning in most public development programs now seems to be in fairly good shape, although development agencies at all governmental levels should review continuously the status of their preparation. Particular emphasis might well be given to those kinds of projects likely to be most helpful in time of recession, noting the speed with which they can be put into action, the amount and type of employment they provide, their location, the kinds of equipment and materials they require, the possible financing obstacles, and finally the speed with which they can be decelerated. Of course, all such projects should fall within the range of the truly needed and defensible.

Policies and programs directed toward reducing the overhang of needs in these primarily public development lines are essential, not only for anticyclical purposes, but also as a condition of continued economic growth. Scientific leadership and a skilled intelligent labor force in the years ahead depend on decisions for better schools today. Having enough raw materials in 1960 or 1975 depends on the geological mapping, the river basin planning, the minerals research, the forest and soil conservation, the multiple-purpose dams, and many other programs which have to be undertaken well before that time. More efficient highway transportation in future years is predicated on increasing programs in intervening years. Furthermore, the timing of these programs and improvements should not be delayed any longer than absolutely necessary; otherwise the human and natural resources base for future economic growth simply will not be there.

In 1955 and in following years, when the Federal budget outlook is expected to be more favorable, the major public development projects can be increased more in line with needs and long-term relationships with total national product. As always, the scrutiny should be close so that public funds are spent on the most desirable particular projects and activities.

Programs which have greatest effects in inducing private economic activities, and self-liquidating programs, should be stressed. Workable arrangements for cooperation with State and local governments and with private groups in the planning, financing, and execution of programs are to be sought.

Two Matters of Emphasis

The effort in the foregoing pages has been to examine, as dispassionately as possible, the probable nature and scope of the adjustments which may be needed as the economy moves away from the focus upon defense which has dominated the past 2 years. In summary, the thesis has been that (1) even under moderate assumptions and favorable evaluations of specific demand prospects, the chances nevertheless are that we may run into a problem of deflation and possible recession within the next 2 or 3 years *unless* it is anticipated by policy measures; (2) the initial size of the problem should not be particularly threatening or its advent precipitous; and (3) in terms of private and public policies which are available for dealing with the problem, it should be an altogether manageable one, provided countermeasures are not too timid or badly timed. With these measures, the uninterrupted maintenance of maximum employment and production from now through 1955 is a sound and attainable objective.

In the concluding paragraphs of this Review, it is appropriate to underscore two points which already are partly explicit and partly implicit in the preceding analysis. The first is, once again, the matter of timing; the second involves the role of business decision-making in the next few years.

Anticipatory adjustments

It is easier to prevent or forestall a depression than to stop or reverse one. This is generally true, and it is peculiarly applicable to the problem at hand. We seem likely to approach the years ahead with both business and consumers in a frame of mind which should ease the necessary adjustments. This pyschology will not be the frothy, short-lived sentiment associated with old-fashioned boom-and-bust cycles. Rather, the business and consumer expectations should be the steadier, more solid sort which have grown out of the conviction, developed over the last dozen years, that a high level of prosperity is an economic good which can and will be maintained. Such expectations lend real support to the idea of momentum in a high-level economy, and should reduce the margin of additional demand which new programs and policies may need to bring forth. Any expectations, however, are a very fragile fabric on which to rest the fortunes of an economy. No matter how habit forming continuing prosperity has been, it may take very little in the way of an adverse turn to demoralize sellers and buyers alike. In this lies the importance of adjustments which prevent any adverse turn from taking on frightening aspects; by so doing, they will minimize the total amount of adjustment necessary.

The need for adjustments which anticipate, rather than react, is especially evident in the present instance because of the degree of reliance which it is

hoped can be placed upon private price and wage policies. In this area, as has already been emphasized, the risk is particularly grave that a mechanism of constructive realignment may be transformed, by the alchemy of deflation, into an element of disruption. In no field is it more important that constructive adjustments anticipate any general weakening of markets.

It should be recognized that the preference for adjustments which prevent rather than counteract deflations is not equally applicable in all policy sectors. In the case of many governmental policies, especially in such fields as tax policy, it often places a heavier burden on our abilities to forecast general economic developments than the complexities and uncertainties of economic analysis justify. This fact has two implications. First, it emphasizes the importance, within the Government, of maintaining at all times the most current and most sharply focused body of economic intelligence available, and of keeping current a set of alternative policy programs for meeting various eventualities. Second, it heightens the importance of private policy adjustments as anticipators and minimizers of deflationary danger.

The responsibility of business

During the postwar period to date, American business has contributed more to and received more from the American economy than in any comparable interval of the past. Many businessmen in these years since World War II have lengthened the scope of their decision-making to encompass a longer reach of the future, and have broadened it to include a keener awareness of the dependency of their own enterprises upon the maintenance of stable prosperity in the economy as a whole. This is a praiseworthy development, and the Council often has noted it. But it also has been a relatively facile accomplishment up to now; the times themselves have been conducive to this kind of business decision-making.

For the period behind us has been one in which the economy has demanded and pressed for rapid business expansion, and in which high profits have been desirable to help finance and encourage such expansion. It has not thus far been very difficult to see the prospects for strong and growing markets, particularly with internationally needed Government spending usually on the increase; to make investments to satisfy such markets, particularly with Government inducements; to sell in sellers' markets; or to recognize the desirability of rising consumer incomes, when in a pinch a higher wage could usually be passed on in a higher price.

The period ahead may be of a very different character; it is likely to test the fiber of our new longer-viewed and broader-gauged business thinking much more sternly than any other situation since World War II. And, as it happens, our reliance upon business leadership will be unusually heavy. Government, in view of the heavy demands of recent years, will be little disposed toward fiscal expansion or hasty action. The success of the adjustment—at least if it is an early success—will be very largely up to business. And it will be up to business at precisely a time when many of the older

habits of business investing, price making, and collective bargaining behavior are apt to be more at variance with obviously desirable policy than in any other period since the war.

Business will need to keep its judgment of markets within the framework of a prosperous, growing economy in a period when that prospect is less predictable than it has been for some time, and to invest accordingly; to see the problem of market maintenance both at its collective bargaining tables and in its approach to tax legislation; to grasp the tools of price and product improvements as market cultivators; and to revise downward the notions of desirable profit margins which have become conventional during the postwar years.

This is a big order, but it may hold the key, not only to uninterrupted prosperity for the economy, but also to long-run profit maximization for business itself. In view of the structure and patterns of influence within the business community, the burden upon the leaders of our larger industrial corporations and of the major business organizations will be a peculiarly heavy one. The smoothness with which a transition away from defense is negotiated may depend largely on how wisely these men rise to the sobering challenge. The Council is optimistic that their response will measure up.

Chapter V. International Economic Adjustments

Introduction

THE PROBLEM of financing imports from the United States has troubled much of the world since World War I, and has become especially acute since the end of World War II. Because of the persistent inadequacy of foreign dollar earnings to provide for the level of United States exports which this country and others believe essential to the economic well-being and political security of the community of free nations, the Council deems it important to consider in some detail the complex of economic, political, and social problems which has been described loosely as "the dollar shortage."

But first it should be pointed out that the term "the dollar shortage" does not convey accurately the full meaning of the problem. In the first place, other countries in the free world are confronted not only with an inability to earn enough dollars to import enough goods from the United States; they are also confronted with an inability to achieve a high and varied enough level of trade with one another. Although the predominant role of the United States in the free world economy makes the solution of the "dollar shortage" a crucial issue, it is important not to oversimplify the issue by assuming that there is solely a "dollar problem," or by assuming that if the economic relationship between the United States and these other nations is effectively straightened out, all the other maladjustments will automatically disappear.

Furthermore, the term "the dollar shortage," by its emphasis upon a unit of currency, perhaps conveys an excessive stress upon monetary problems in the technical sense which masks the underlying resource and production problems throughout the free world. The inability of various nations within the free world currently to meet their economic problem satisfactorily is basically a reflection of the fact that their current productive resources will not support three minimum purposes of any economy, i. e., a sufficiently high level of capital formation to lay the foundation for progress, a sufficiently high level of consumption to prevent deprivation or acute political stress, and a sufficiently high level of defense investment to maintain a modicum of national security. Inadequate trade, while aggravated by many technical factors, is basically a by-product of this central shortcoming. A country cannot import enough goods to supplement deficiencies in its domestic pro-

duction when it cannot produce enough at home to have a surplus for export, at competitive prices.

It follows, if one takes a long enough time perspective, that the main way in which a national entity can solve the foregoing insufficiencies on a permanent basis is to bring its productive power up to the level required to serve the three great purposes indicated above, through its own production and through the international interchange of goods on the basis of relative efficiencies.

Among the nations of the free world, there are two main types of reasons for the insufficiency of production which is at the root of their difficulties. In the economically advanced nations, Western Europe and Japan, for example, these difficulties may be classified as somewhat abnormal. They result in large part from the heavy drain of two world wars, and from the need to assume a new defense program before they could restore the damage visited upon them by World War II. In the so-called underdeveloped countries, the insufficiency of production results from reasons which are fairly well described by the very term "underdeveloped." And because the two types of situations are fundamentally different, they call for differing solutions, both internally and in the relationships of these nations with one another and with the United States.

The reason why the United States has concerned itself with this problem is largely that, particularly in view of the communist threat acutely felt since the end of World War II, we have had an enormous interest in the strengthening of the free nations at a more rapid rate than they could achieve through their own productive output and through the volume of international trade which this productive output would support. In the earliest stages of this problem, we in the United States recognized that the only temporary solution was to enlarge the availability of goods to these countries by devoting to their immediate use part of what we produced without exacting repayment in the goods that they produced. Stated simply, this has been the main rationale of our aid programs.

However, it has always been our purpose, and likewise the purpose of these other free nations, that these aid programs should gradually be reduced and finally terminated, through increased production in these other countries which would enlarge their supply of goods for home consumption and also enlarge their capacity to pay for imports with exports. Viewed in this light, the purposes and priorities which should guide our foreign economic policy are reasonably clear. For a time, we cannot afford in our own self-interest to taper off what goes under the name of assistance so rapidly as to prevent the fuller fruition of the great productive gains in these other free countries—gains which have resulted in part from this assistance since the end of World War II, but primarily from their own hard efforts. Of course, we must constantly screen this assistance to make sure that it provides an incentive rather than an alternative to the continued exercise of these hard domestic efforts in the other free countries.

We should be realistic about the type of assistance, whether military or economic, which will contribute most toward this end. Meanwhile, we should reach out vigorously for more permanent solutions. These more permanent solutions should come, not through a reduction of our exports to these other countries, but rather through an increasing ability of these other countries to pay for the goods we send them through their own export of goods, either directly or indirectly. A part of this problem relates to the reduction of barriers against imports into the United States, although as will be pointed out, this in itself is not an adequate remedy compared with the central remedy of expanding production in these countries. And because the United States is now and will remain a creditor nation, we are also interested that insofar as feasible private investment will increasingly supplant the need for public investment of United States' capital abroad.

The expression "trade, not aid" is designed to cover this whole complex of objectives in a general phrase. But the simplicity and appeal of this expression should put us on our guard against oversimplification. It does not mean that the United States can help sufficiently in the build-up of international economic arrangements by pursuing a narrowly selfish course, or by thinking that we can get benefits without paying the cost. The build-up of world trade will involve some inconveniences to some sectors of our domestic economy, though these inconveniences will be a minor price to pay for improved world conditions, and far less costly than the aid which thus far has proved temporarily necessary.

The essence of the problem ahead is how swiftly and realistically the shift may be made from aid to trade without imperiling the progress thus far made in free world revival and reconstruction, and with prime attention to the transcendently important objective of strengthening the free world as a whole—strengthening it not only in a purely economic or military sense, but also in the more important aspect of mutual trust based upon true adjustment to one another's problems. While we in the United States must conserve our own strength, and while we join with the other free nations in their desire for greater financial independence, we cannot safely afford to avoid the palpable fact that our own economic position is unique, and that, because we have so much, we have the most to gain by maintaining a predominantly free world and the most to lose if the balance of strength should shift over to the totalitarians.

The Size of the Problem

The United States export surplus of goods and services provides a first approximation to the size of the inability of other nations thus far to match what they import from us with exports drawn out of their own production, i. e., their "dollar shortage." Since United States exports of military goods represent an extraordinary movement associated with the immediate build-up of defensive strength, the measure should exclude exports financed by military aid. Also, since gifts of money (private remittances) sent by

individuals resident in the United States to friends and relatives abroad are a means of financing a part of our exports, they also should be deducted, as should pension payments and other such government remittances. The measure of the inadequacy of foreign means for financing United States exports that thus emerges is equal to our export surplus of goods and services minus (1) military aid, and (2) "unilateral transfers" other than aid. Data for the years 1947 through 1952 are summarized in table 16.

TABLE 16.—*Measure of the insufficiency of foreign dollar earnings*

[Billions of dollars]

Period	Exports of goods and services [1]	Less: imports of goods and services [1]	Equals: surplus of exports of goods and services	Less:		Equals: net surplus of goods and services requiring dollar financing
				Private and other remittances [2]	U. S. military aid	
1947	19.8	8.3	11.5	0.7	0.1	10.7
1948	17.0	10.3	6.7	.7	.4	5.6
1949	16.0	9.6	6.4	.6	.2	5.6
1950	14.4	12.1	2.3	.6	.6	1.1
1951	20.2	15.1	5.2	.5	1.5	3.2
1952 [3]	20.4	15.4	5.0	.5	2.4	2.2
Annual rates:						
1950: First half	13.6	10.5	3.1	.6	.2	2.3
Second half	15.3	13.8	1.5	.5	.9	.1
1951: First half	19.3	15.7	3.6	.5	1.4	1.7
Second half	21.1	14.4	6.7	.5	1.5	4.7
1952: First half	21.3	15.4	5.8	.5	2.0	3.4
Second half [3]	19.5	15.4	4.2	.5	2.7	1.0

[1] Includes income on investment.
[2] Other remittances consist of Government unilateral transfers, other than aid, including pension payments to persons living abroad.
[3] Estimates based on incomplete data: second half by Council of Economic Advisers.

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

Source: Department of Commerce (except as noted).

This measure is arbitrary in certain respects. First, since foreign countries have limited their dollar imports through import restrictions and currency controls, the measure understates the inadequacy of foreign dollar earnings. Second, measuring the dollar insufficiency solely in terms of United States trade ignores the fact that other countries besides the United States also conduct their trade in dollars. Finally, the operation of economies of receiving countries is influenced by the amount of nonmilitary aid which we provide. Their demands for United States exports are therefore affected: some may be increased, others reduced. That is, our financing of the foreign dollar insufficiency tends to influence its size.

In former days, this deficiency was met by foreign countries through sales of gold to the United States or by long-term American foreign investments. The amount of gold that is now available to foreign countries is only of modest proportions. Our long-term foreign investments, which have averaged about a billion dollars a year since the end of the war, are now made mainly in other parts of the dollar area, such as Canada and the dollar area parts of Latin America, and as a result the nondollar area derives relatively little direct benefit from such investment flows.

As may be observed in table 17, the net export surplus requiring dollar financing declined steadily from 1947 through the first half of 1950. The improvement in the dollar position that occurred from 1947 through the first half of 1950 resulted from the recovery of foreign production, which made possible a decline in United States exports, and also from the improvement in the competitive position of foreign goods in world markets after the 1949 devaluations.

TABLE 17.—*Means of financing the insufficiency of foreign dollar earnings*

[Billions of dollars]

Period	Net surplus of goods and services requiring dollar financing	Means of financing				Errors and omissions
		U. S. Government economic aid	Liquidation of gold and dollar assets [1]	U. S. Government loans and other capital outflow [2]	United States private investment [2]	
1947	10.7	1.8	[3] 1.9	[4] 7.0	1.0	−1.0
1948	5.6	3.7	1.2	.9	.9	−1.0
1949	5.6	5.0	.1	.6	.6	−.8
1950	1.1	3.5	−3.6	.2	1.3	−.2
1951	3.2	3.0	−.4	.2	1.1	−.5
1952 [6]	2.2	1.9	−.8	.6	.9	−.5
Annual rates:						
1950: First half	2.3	4.0	−2.2	.2	.4	−.1
Second half	.1	3.0	−5.0	.1	2.2	−.2
1951: First half	1.7	3.0	−2.1	.3	1.1	−.7
Second half	4.7	2.8	1.2	[5]	1.0	−.4
1952: First half	3.4	2.0	[5]	.7	1.5	−.9
Second half [6]	1.0	1.8	−1.6	.6	.2	.0

[1] Includes net sales of gold to the United States and net liquidation of foreign assets, including those held by international institutions.

[2] U. S. Government loans and capital outflow include subscriptions to the capital of the International Bank for Reconstruction and Development and the International Monetary Fund. United States private investment includes purchases of obligations of the International Bank.

[3] Consists of net increase in gold and dollar holdings of the International Bank and the International Monetary Fund of 2.5 billion dollars, and liquidation of gold and dollar assets by foreign countries in the amount of 4.4 billion dollars.

[4] Includes subscription to the capital of the International Bank and the International Monetary Fund of 3.1 billion dollars.

[5] Less than 50 million dollars.

[6] Estimates based on incomplete data; second half by Council of Economic Advisers.

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

Source: Department of Commerce (except as noted).

The fact, however, that foreign countries were still dependent on economic aid, had only small holdings of gold and dollar assets and continued to maintain extensive controls over their imports of goods from the United States, indicates the far from satisfactory situation that existed in mid-1950. At the beginning of that year, foreign countries as a group, excluding the USSR and Canada, held gold and dollar assets amounting to 13.9 billion dollars (in addition to their drawing rights in the International Monetary Fund). This represented a decline of 4.4 billion, or 24 percent, from the abnormally low level in June 1945 of 18.3 billion dollars. Moreover, not only had foreigners lost reserves but, in addition, the reserves remaining to them had declined in dollar purchasing power with the increase in prices which had meanwhile occurred in the United States.

After the start of hostilities in June 1950, the world's hectic attempt to expand production and accumulate inventories brought inflationary price rises, especially in the case of raw materials. Higher prices and larger quantities caused the volume of United States imports to rise more rapidly than exports and thereby caused a sharp decline in the net export surplus requiring financing. Economic aid was larger than the net export surplus during 1950 and the first half of 1951, and consequently the rest of the free world was able to rebuild somewhat its gold and dollar reserves.

For several months after early 1951, there was an increase in the deficiency of dollar earnings again as the level of our export surplus doubled in response to the post-Korean boom abroad, to increased levels of defense production throughout the free world, and to a decline in United States imports. In 1952, however, a new advance in United States purchases of goods and services together with the decline in United States commodity exports, caused by import restrictions and the drawing down of inventories abroad, brought foreign dollar accounts more nearly into balance.

Throughout the postwar period, the impact of insufficient dollar earnings has been felt with differing degrees of severity by different countries and regions. The deterioration in foreign dollar reserves between mid-1951 and early 1952 was suffered mostly by the sterling area and certain Latin American countries.

The Nature of the Problem

Before possible solutions other than aid can be appraised, it is necessary to gain some insight into the reasons for the inadequacy of dollar earnings, which, as has been stressed above, is basically an inadequacy of productive resources and of production. War has been a powerful factor in destroying and then retarding productive growth. It also necessitated the sale of foreign assets and the incurring of foreign debt by the European countries which formerly relied on income from foreign investments to pay for a substantial part of imports. The rearmament effort caused by threat of Soviet aggression has increased the demand for imports and reduced the supply of exports. Moreover, the decline in trade with the Soviet Bloc has made it necessary for Western Europe and Japan to turn to sources of supply in the dollar area. The failure of the production of food and raw materials in the rest of the free world to keep pace with population increases and the growth of industrial output has induced an extraordinary demand for food produced in the dollar area, and has caused relative price changes which have adversely affected industrialized countries. The lag of food production behind population growth has put pressure on the already intolerably low levels of consumption of underdeveloped countries. The relatively greater degree of inflation abroad than in the United States since the war has been a symptom of these composite shortages. Meanwhile, in seeking to balance accounts, other countries have entered into bi-

lateral settlements and currency controls which have distorted trade patterns, so that purchases are often no longer made in the cheapest market.

Another basic factor is the dynamic character and size of the United States economy. Rapid technological change yields a large volume of new and improved products that are in strong world-wide demand. The size of the internal market gives producers greater assurance of covering the costs associated with new products than is usually the case in countries having smaller domestic markets. Thus foreign producers of manufactured goods have had to meet strong competition in their own markets, as well as in the markets of other countries and in the United States itself. Moreover, restrictions upon imports imposed by the United States, in limiting the access of foreign producers to the American market, have curtailed their ability to earn dollars. Structural changes, such as the shift to a net earnings position on United States shipping account under the stimulus of Government subsidies, and the substitution of synthetics for such imported materials as silk and rubber, have also worked to reduce dollar earnings.

The intensity of the problem, moreover, varies with changes in the level of economic activity in the United States. A decline of 1 or 2 percent in the volume of industrial production tends to cause a much larger decline in United States imports of goods and services and thereby in dollar earnings. It is difficult for us in this country to comprehend the importance of foreign trade to the level of income, employment, and purchasing power in economies where imports and exports amount to as much as 20 or 30 percent of total output. Variations in imports, which are to us insignificant, can represent a calamitous drop in the exports and production of other countries.

The problem which inadequate dollar earnings symbolize thus has roots in not-easily-reversible historical developments, and in technological and marketing advantages possessed by the United States, as well as in the more temporary difficulties of postwar reconstruction and financial stabilization. An evaluation of the above factors can perhaps best be made by discussing (1) the adequacy of United States demand for foreign goods and services and (2) the adequacy of foreign supply of exports at competitive prices. The following paragraphs consider each side of the problem in turn.

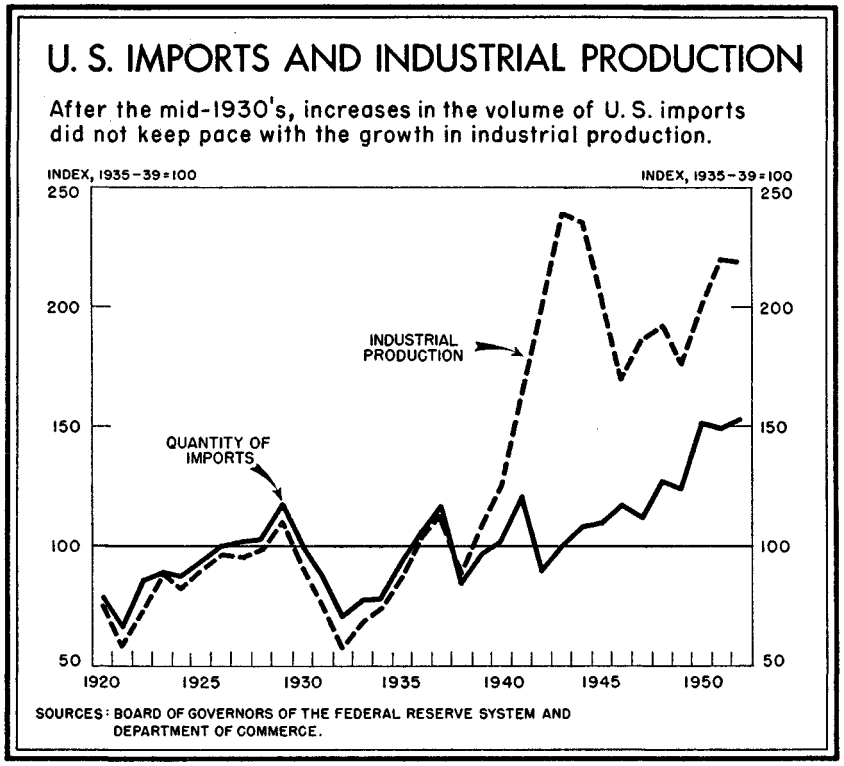
United States Demand for Imports

Chart 32 depicts the declining relationship between the volume of United States commodity imports and industrial production. The relative decline in imports appeared first in the mid-1930's, and then was intensified during the war. Since the end of the war in 1945, the increase in the quantity of United States imports has been sizable, amounting to more than 25 percent. But in relation to industrial production, the level of imports is far below that of the 1920's and 1930's.

Factors operating to curtail United States imports

Two factors probably account for the major part of the precipitous drop in the quantity of imports after 1929. First, the sharp decline in income,

CHART 32



prices, and production in this country, with the deepening of the depression, curtailed demand for all goods including imports. Purchases of raw materials abroad declined because the demand for the finished product had contracted; purchases of imported luxuries dropped because fewer people could afford them.

Second, in 1930, the passage of the Smoot-Hawley Tariff Act raised the level of import duties beyond anything previously experienced. From 1930 to 1934, when the Reciprocal Trade Agreements Act was passed, the ratio of customs receipts to the value of dutiable imports (the ad valorem burden of import duties) varied between 53 and 60 percent, in contrast to 36 percent under the Fordney-McCumber Tariff.

After 1939, the low volume of United States imports can be explained primarily by the fact that the extension of hostilities first in Europe, then in the Far East, made foreign goods less and less available to the United States. Even after the conclusion of hostilities, the war damage to productive facilities throughout the world kept availabilities low.

In addition, over the past decade or so, import quotas have been levied against the entry of certain agricultural commodities in order to make effective domestic price support programs; the "Buy American" Act has virtually eliminated Federal Government purchases of foreign goods if

domestically produced substitutes are available. These developments have all operated to curtail the volume of United States imports.

Still another influence has been technological change in this country, the introduction of substitutes, and the fact that the raw material component of consumption is relatively less as products become more highly processed.

Although tariffs have been continuously reduced through an extension of reciprocal trade agreements since 1934, they still act as substantial deterrents in the case of many commodities. In addition, other devices have been introduced which operate to restrict the volume of imports, such as the nature of the operation of food and drug inspection. Some part of the low level of United States imports in relation to industrial production in recent years is explained by the uncertainties of other countries as to the permanence of economic stability here and as to the extent and duration of access to the United States market resulting from volatile United States trade regulations. The Defense Production Act of 1950, as amended, directs the Secretary of Agriculture to determine the degree to which imports of specified goods may be permitted entry without interfering with domestic marketing or production programs, or resulting in unnecessary expenditures under price support programs. Under this authority major dairy products have been made subject to quota as have been rice, peanuts, and flaxseed.

Some foreign countries state that uncertainties with respect to customs procedure and tariff classification are as great a barrier to imports as are the tariffs themselves. Some imports have been subject to unexpected costs that have meant the difference between profit and loss. Many of these difficulties arise from the complexities of tariff classification under the Tariff Act of 1930. A simplification of tariff classification would encourage foreign producers, especially of new products, to try to tap the American market. In addition, a simplification of customs administrative laws would help to decrease the delay in customs handling of imports and thereby encourage new exports to the United States.

The "escape clause" amendment to the Reciprocal Trade Agreements Act enables domestic producers to seek increased tariff or quota protection under certain broad conditions. The threat of such restrictions has undoubtedly caused foreign producers, who might otherwise have sought a market for their product in this country, to refrain from undertaking the marketing expenditures necessary to introduce their product to American consumers. Any United States policy which gives promise of being stable, and removes the threat of suddenly imposed barriers to imports, would be likely by itself to be followed by a gradually increasing volume.

It seems likely, however, that existing restrictions do not fully explain the recent low level of imports, and an elimination of these import restrictions in their various forms, even were it feasible, would not fully enable the free world to earn sufficient dollars to import in accord with its needs. A large reduction of import barriers would be followed by large increases

in imports of certain commodities, and a decline in their price to a level below that of the cost of production in this country. But with the adaptability, inventiveness, and productivity of American industry, it seems likely that in many cases the increased competition in the domestic market would be successfully countered. Especially would this be true in the field of manufactured products, which have been the chief goal of tariff protection. The size of the domestic market will continue to provide United States producers with a tremendous advantage in world trade by way of cost, diversity of product, and ability to introduce new techniques so long as foreign markets continue to be compartmentalized by trade restrictions or limited by lack of economic development. The strength of competition within the domestic market further provides the motivating force toward a high degree of adaptability and change. The very fact of a more rapid rate of change in the American economy probably explains a large part of the consistently high level of foreign demand for American goods.

Thus, it does not appear that the insufficiency of dollar earnings can be entirely, or even primarily, explained in terms of United States import barriers, or that it would disappear with a substantial reduction in import barriers. Yet a very real contribution would be made by a reduction of United States import restrictions. In addition, such a move would be an act of good faith on the part of this country, indicating that the United States is willing to do its part. And an expansion of United States imports, even by an amount small in terms of the total volume of United States production, could represent a significant increase in the exports and output of foreign countries. Moreover, an increase in United States imports would make possible a reduction in foreign aid, and could increase real living standards in this country.

Reduction of import barriers could not, of course, be achieved without cost. Some individuals may be harmed thereby, although efforts should be made to lessen such dislocations or to compensate for them by expansion of employment in other lines. But that part of the world's dollar earning problem which stems from the curtailment of United States demand for foreign products imposed by unnecessary import barriers is the responsibility of the United States, and can only be remedied by action here.

It is now desirable to turn attention to the even more fundamental aspect of the problem, the productive ability—or inability—of other free countries to satisfy their own needs, including their need to export enough to pay for their necessary imports.

Foreign Supply of Exportable Goods

Industrialized areas

Since the end of World War II the world-wide dollar earnings problem has been felt most acutely by the countries of Western Europe. In every year except 1950 and 1952, Western Europe was forced to sell gold or draw on dollar balances in order to settle accounts with this country, despite economic aid. The problems of Japan are very similar in nature, and,

although they have remained submerged beneath a large inflow of dollars from expenditures associated with the Korean war, they may eventually become even more acute.

Despite adverse developments, since the initiation of the Marshall Plan the volume of European production has expanded remarkably. Although it was conceived as a 4-year program, after 2 years of operation one of the goals of the Marshall Plan—the achievement of prewar levels of output and consumption—had been gained. Since then, the necessity for defense production and curtailment of trade with the Soviet Bloc have tended to obscure the very real progress that has been made. But the contribution which Western Europe is today making to the combined defense efforts of the free world is traceable in part to the success of the Marshall Plan in restoring production capacity.

It is well known that most Western European countries are extremely dependent on imports for food and raw materials. Imports are equivalent to as much as 35 percent of the total output of certain countries. The 40 percent increase in the volume of industrial production which occurred between 1948 and the first half of 1952 was accompanied by an expansion of the volume of imports of 32 percent. Meanwhile, however, total exports expanded 70 percent in quantity, while exports to the United States expanded about 85 percent in volume.

TABLE 18.—*Indexes of industrial production and exports of Western Europe and United States imports of manufactured goods*

[1938=100]

Period	Industrial production [1]	Volume of exports		Volume of U. S. imports of manufactured goods
		Total	To United States	
1948	100	83	92	124
1949	113	101	83	122
1950	125	131	158	151
1951	137	148	192	163
1950: First quarter	119	116	110	130
Second quarter	123	119	115	145
Third quarter	120	127	168	152
Fourth quarter	136	155	226	180
1951: First quarter	135	142	212	172
Second quarter	140	151	208	172
Third quarter	130	145	177	154
Fourth quarter	142	153	179	160
1952: First quarter	140	146	182	168
Second quarter	138	136	175	178
Third quarter	129	133	179	182

[1] Not adjusted for seasonal variation.

Sources: Organization for European Economic Cooperation, Mutual Security Agency, and Department of Commerce.

In terms of advances above prewar levels, the recovery of production, and especially of exports to the United States between 1948 and 1952, is equally noteworthy. As table 18 indicates, by the beginning of 1950 the volume of exports to the United States had reached the prewar level, and by the end of 1950 was more than twice as high. By comparison, import

volume was only 12 percent greater than prewar. Production and exports were able to be increased as much as they were, while imports were held down, only because of consumer sacrifices. Since 1948, the percent of total available resources devoted to private consumption has declined somewhat, with increases in the absolute and relative amounts of resources devoted to defense production.

The achievement of individual countries in exporting to the United States has been varied. The exports of nearly all countries were swollen in 1951 because of abnormally large shipments of such short-supply commodities as steel and chemicals to the United States, which in 1952 declined as shortages in this country disappeared. In terms of advances above the 1938 level (which was abnormally low), according to the estimates contained in table 19, Germany and the Netherlands have had most success in expanding exports to the United States. Until mid-1951, the estimated index of the quantity of exports from France to this country was above that of all Western European countries combined, largely because of the extraordinarily high exports of steel and industrial alcohol to the United States. In late 1951, however, while the demand of the United States for foreign steel and industrial alcohol declined, internal inflation in France tended to divert export-type goods to the domestic market, with a resulting sharp decline in the volume of French exports to the United States. Through 1951, the exports of the United Kingdom to the dollar area were prevented from keeping pace with those of Western Europe as a whole by strong demand in other sterling area countries, in many cases supported by domestic inflation. There is some evidence to indicate that as 1952 progressed, after declining sterling area reserves had forced sharp import restrictions on all members, exports of the United Kingdom to the United States and Canada were increasing in volume and value.

TABLE 19.—*Indexes of volume of exports of certain Western European countries to the United States* [1]

[1938=100]

Period	Western European exports to the United States					
	Total [2]	United Kingdom	France	Western Germany	Belgium-Luxemburg	Netherlands
1950: First quarter	110	111	63	72	124	67
Second quarter	115	121	84	79	115	109
Third quarter	168	186	122	161	115	240
Fourth quarter	226	203	237	280	187	223
1951: First quarter	212	175	255	254	193	224
Second quarter	208	183	222	298	165	285
Third quarter	177	157	211	307	135	216
Fourth quarter	179	140	182	261	126	270
1952: First quarter	182	198	139	247	120	237
Second quarter	175	178	118	234	111	318
Third quarter	179	157	114	269	129	346

[1] Indexes computed by deflating the value of exports to the United States by the export unit value index of the individual country.

[2] Includes OEEC countries other than those listed in this table.

Source: Organization for European Economic Cooperation.

Although Western Europe as a whole succeeded in achieving a substantial volume of shipments to the United States in recent years (though these have not increased proportionally to the growth of the American economy), it might have been able to provide even a larger quantity of exports, had not inflation either in certain European markets or in other foreign markets made sales elsewhere easier and profitable.

That part of the world's insufficiency of dollar earnings which stems from deep-rooted productive insufficiency or from internal policies which aggravate the restriction of their exports in general, and especially their exports to the dollar area, can be remedied mainly and in the long run only by these countries themselves. Thus, insofar as open or suppressed inflation has prevented an expansion of the exports of industrialized countries, they alone can take effective action. Similarly, only they in the long run can remedy the competitive disadvantage under which their producers may operate in world markets because their economies are less well equipped technologically, less adaptable to change, and limited by small markets. However, the United States can and has encouraged the development of larger markets, especially through its support for trade liberalization measures such as the General Agreement on Tariffs and Trade, the European Payments Union, through customs unions, and the European Coal and Steel Community known as the Schuman Plan. Through our programs and policies the United States has also sought to promote increasing interest in appropriate fiscal and monetary policies, increased productivity, and the elimination of harmful business practices. Individual business firms and labor organizations in this country, working in cooperation with the Mutual Security Agency, have also assisted in raising European productivity through an interchange of technological knowledge with visiting groups both here and abroad.

Food and raw material producing areas

Those countries which are predominantly producers of food and raw materials have suffered a dollar problem which is quite different in its nature and its effects from that of Western Europe. The difference is the result of two factors. First, these countries are in general less economically developed than Western Europe and Japan, and consequently their levels of production and consumption are very low. They are, moreover, extremely desirous of increasing their production, and in aiding them to apply more modern techniques, the Point Four program has played an important role. Developing countries typically would be long-term foreign borrowers with an excess of imports financed by long-term lending. Such a deficiency would be a normal one and would continue as long as they remain underdeveloped. In pursuit of economic development, these countries are engaged in long-term programs involving both large expenditures and the purchase from abroad of capital goods, whose source of supply has been chiefly the United States. One part of their demand for dollars, then,

is in connection with the maintenance of their planned rate of economic development. In general, their programs have called for a steady rate of dollar expenditures for the purchase of machinery and equipment, but the flow of dollar investments to these countries has been small.

Second, the prices of primary products, food and industrial raw materials, fluctuate far more than prices of manufactured goods. Their dollar receipts from current exports, therefore, have been subject to marked fluctuations. This instability in dollar and other foreign exchange receipts is largely explained by the fact that supplies of raw materials cannot be expanded or contracted to accord with sudden changes in demand. Shifts in demand are consequently reflected in prices to a much larger degree than is the case with manufactured goods. This instability is the greater, the more dependent the economy is on the production of one or a few commodities for its income. The smaller the foreign exchange reserves of the raw material producing countries, the more complete is the transmission of this instability to manufacturing countries. As was pointed out above, only if foreign countries have adequate gold and foreign exchange reserves can they absorb the effects of temporary variations in their export receipts. To acquire adequate reserves, they must husband foreign exchange receipts during periods of high earnings, and draw upon them during periods of low income.

Thus, in the case of the economically underdeveloped countries, the insufficiency of dollar earnings is largely a reflection of the fact of their underdevelopment. Provided that they are able to progress with their development programs, their economies will become more diversified, they will become less dependent on the production of a few commodities, and their aggregate income will thereby become more stable. And if industrialized countries, especially the United States, succeed in maintaining a high and stable level of economic activity, the demand for raw materials will also be high. Under such conditions, with reserves sizable enough to enable the raw material producers to sustain temporary declines in their export receipts, and with appropriate internal policies to neutralize partially the effects of excessive rises, the injurious effects of price changes can be minimized. Meanwhile, however, while they are in the process of development, they are very much in need of investment funds and technical knowledge from abroad. Continuation and expansion of activities under the Point Four program can be of tremendous aid in bringing about a sizable increase in their volume of production.

Conclusions Regarding International Economic Policy

The United States has marked advantages in world trade. Yet there are real prospects that other countries will in due course under appropriate policies be able to earn sufficient dollars to pay for what they import and thus to reduce and finally eliminate the need for aid.

The main part of this task lies in these countries' hands in the long run.

This requires the avoidance of internal inflation, the development of greater volume and efficiency in production, and the broadening of free-trade areas so that maximum economies in production may be realized. Market-widening arrangements of the type illustrated by the European Coal and Steel Community offer much hope. It is possible that fewer restrictions on the free operation of the market mechanism would contribute to the solution, by enabling countries to produce those commodities in which they are relatively most efficient, and to buy where the goods they need are cheapest. As the European countries succeed in producing an expanding volume of exports at competitive prices, the size of the problem will diminish. It seems probable that a major opportunity for balancing dollar accounts of industrialized countries may lie in their expanded exports to raw material producing countries, as United States purchases from these countries increase. If producers of manufactured goods can compete with United States producers in the markets of developing countries, their payments problems will lessen with the expansion of world trade following on development.

An expanded volume of world trade sufficient to enable foreign countries to build up their gold and dollar reserves, would have the additional advantage of helping to stabilize the demand for United States exports. With present reserves, any temporary decline in dollar earnings forces an almost immediate curtailment of foreign buying in the United States. Possession of sufficient reserves abroad would, through stabilizing the United States exports, prevent the domestic effects of a temporary movement such as an inventory cycle from being accelerated by a decline in the volume of exports, as well as avoiding the impact which any sudden cessation of purchases from the United States inevitably has upon the economies of the countries concerned.

The United States, with the largest single market in the world, and with a dynamic and highly progressive production system, also has an important role to play. An expansion of long-term investments in underdeveloped areas would help finance the foreign demand for our goods, while expanding the supply of raw materials in which we are deficient. These investments together with the Point Four program can contribute in an important way to balanced economic development, which in the longer run should assist in the solution of the world's dollar earning problem through an expansion and diversification of production and trade of these areas. By maintaining a steady rate of economic growth, we shall help to stabilize the demand for many raw materials, thus helping to stabilize raw material prices and foreign dollar earnings and facilitating the growth of adequate foreign gold and dollar reserves.

In the field of trade policy, we can make a very significant contribution. We should eliminate as many import quotas as possible. Where import quotas are essential to the carrying-out of important domestic programs, we should make them as liberal as possible. The "Buy American" requirement

with respect to foreign purchases by the Federal Government should also be liberalized or eliminated. We should also reduce tariffs and simplify our trade-restricting and uncertainty-breeding customs procedures, so that foreign producers will have increased incentives to use mass selling techniques in our market.

This combination of improved volume and efficiency abroad, increased United States foreign investment, and reduced trade barriers should gradually enable the world to earn the dollars it needs to pay for its imports from the dollar area. In the meantime, we must continue to readjust, but not to scuttle, those programs of transition from conditions at the end of World War II to conditions in the years ahead when the peace and prosperity of the free world may be more firmly founded upon more permanent measures.

And finally, economic stability and adherence to a permanent full employment policy in the United States will prove profoundly important. Price stability here relieves other economies from the severe impact of sharp changes in the American price level. And a permanent full employment policy in this country relieves other countries of the fear of seeking to enter excessively volatile markets, and of the fear that economic reverses here would cause abrupt shifts in our attitude toward imports.

Appendix A

The Nation's Economic Accounts

CONTENTS

The Nation's Economic Accounts

The Nation's economic accounts, presented in tables A–1 to A–5, are designed to show the major economic developments of the last 2 years, and to throw light on the process of change and adjustment within the economy. However, the accounts are more nearly like snapshots taken at intervals than like a moving picture which shows the process of change. The causal elements must be inferred from a succession of static pictures.

It is in the nature of the accounting concepts used that, for the economy as a whole, total income received and total output (or expenditure) are always equal: the sum of the components of income, such as rents, wages, profits, and interest, must equal the value of the output of goods and services. Thus, in the Nation's economic accounts, receipts and expenditures add to the same total, which is the gross national output or expenditure. It follows that if the receipts of any one sector of the economy exceed the expenditures of that sector, this will be balanced by an excess of expenditure over receipts in another sector. This balance is shown in the third column of table A–1. An alternative presentation of the balance of private and public saving and offsets to saving is shown in appendix table B–11.

So much for the static relations. If we think of the process of change, it becomes evident that, while income and expenditure for the economy as a whole are equal for any period, the expenditure of one period may differ from the income of the preceding period. This results from the fact that collectively all the economic units may wish to buy more than current output (i. e., they may be trying to spend more than their current income), thereby stimulating increases in prices, production, or both, or they may be trying to reduce spending below the level of income and output, which tends to bring prices down, to reduce production, and to cause unintended inventory accumulation. Only by rare coincidence will the aggregates of countless individual, business, and government decisions to spend or save match up so that the desire to save by some is exactly counterbalanced by plans to spend more than income by others. When this does happen, the economy remains stabilized at a given level of output and prices. When it does not happen, forces will be set in motion which operate to change either the physical volume of activity, or the price level, or both. It follows that, if there is to be steady expansion of the economy at stable prices, total spending in each succeeding period must rise somewhat above the income of the preceding period.

The economic forces and developments that were discussed in Chapter I of this Review are reflected in the national account figures presented in the

tables of this appendix. Accordingly, no statement of these forces and developments is included here.

The estimates included in the Nation's economic accounts are all taken from the national income and product statistics of the Department of Commerce. The *National Income Supplement* to the *Survey of Current Business*, 1951, has complete statistics from 1929 to 1950, as well as much explanatory material. Revised estimates for 1949–51 can be found in the *Survey of Current Business*, July 1952. Many of these estimates are reproduced in tables in Appendix B of this Review. Some notes on the four accounts contained in the accompanying tables follow:

Consumer account

The consumer account, table A–2, summarizes the more detailed statistics on personal income and consumption contained in appendix tables B–4, B–7, and B–9. It should be noted that, whereas personal income includes the income of unincorporated businesses and farms, only expenditures for consumption purposes are included in this account. Investments of both corporate and noncorporate businesses are included in the business account. Residential construction, whether for owner-occupancy or for rental purposes, is also included with business investment, while the actual or imputed rent of dwellings is included in consumer expenditure. Gifts to residents of foreign countries are also part of consumer expenditure.

Business account

In the business account, table A–3, receipts of business include the undistributed profits of corporations after adjustment for inventory valuation, plus the capital consumption allowances of both corporate and noncorporate enterprises and institutions, and depreciation on residences. Depreciation allowances must be added to receipts since investment is on a gross basis, that is, before deduction for depreciation. As mentioned above, business investment includes additions to plant and equipment and inventories of both corporate and noncorporate enterprises, as well as residential construction for owner-occupancy. Additional information relating to business is contained in appendix tables B–5, B–20, B–21, B–34, and B–39.

International account

Net foreign investment, table A-4, represents the excess of United States current receipts over current payments arising from transactions in goods and services (including investment income) and unilateral transfers such as private remittances or Government grants. Expenditures for these unilateral transfers are included in consumer expenditures and Government expenditures for goods and services, and exports which arise from them are included in the current receipts component of net foreign investment. Consequently, the payments involved in the transfers themselves must be included in the current payment component of net foreign investment in order to avoid double counting. (See also appendix tables B-40 through B-46.)

Government account

In table A-5, government receipts and expenditures are shown on an income and product account basis, rather than on either a cash or a conventional budget basis, so as to be consistent with the receipts and expenditure accounts of the other sectors and with the gross national product total. Government transfer payments, such as social security and veterans' benefits, and interest charges represent income to the recipients, but are not included in the gross national product. Therefore, these payments are subtracted from both receipts and expenditures.

The income and product accounts of the government are on a consolidated basis, just as the cash accounts are, but they depart from the latter because of the timing of the items included in each and because of conceptual differences. (See appendix table B–33 for government cash receipts from and payments to the public.) The income and product accounts of the government are designed to be in accord with the accrual records maintained by private business. Thus, business taxes, especially those on corporate profits, are recorded on an accrual rather than a collections basis, and government expenditures for goods are corrected for the lag between deliveries and payments therefor. All capital transactions, such as receipts from the sale of government property and changes in loans and investments of government credit agencies, are excluded from the income and product accounts although such transactions are included in both the cash and conventional budgets. A reconciliation of Federal Government receipts and expenditures as reported in the Nation's economic accounts with receipts and expenditures in the conventional administrative budget and consolidated cash statements is presented in tables A–6 and A–7. For a description of the differences between the conventional budget and the cash statements, see Special Analysis A, the Budget of the United States Government for the Fiscal Year Ending June 30, 1954.

TABLE A–1.—*The Nation's economic accounts, calendar years 1951–52*

[Billions of dollars, seasonally adjusted annual rates]

Economic group	1951			1952, first half			1952, second half [1]		
	Receipts	Expenditures	Excess of receipts (+) or expenditures (−)	Receipts	Expenditures	Excess of receipts (+) or expenditures (−)	Receipts	Expenditures	Excess of receipts (+) or expenditures (−)
Consumers:									
Disposable personal income	225.0			231.0			238.6		
Personal consumption expenditures		208.0			214.0			218.0	
Personal net saving (+)			+17.0			+16.9			+20.6
Business:									
Gross retained earnings	33.0			36.2			36.4		
Gross private domestic investment		58.5			49.6			53.1	
Excess of investment (−)			−25.5			−13.4			−16.7
International:									
Net foreign investment		.2			1.3			−.7	
Excess of receipts (+) or investment (−)			−.2			−1.3			+.7
Government (Federal, State, and local):									
Tax and nontax receipts or accruals	86.8			91.5			94.2		
Less: Transfers, interest, and subsidies (net)	16.9			17.0			16.9		
Equals: Net receipts	69.9			74.5			77.3		
Total government expenditures		79.5			93.2			95.6	
Less: Transfers, interest, and subsidies (net)		16.9			17.0			16.9	
Equals: Purchases of goods and services		62.6			76.2			78.7	
Surplus (+) or deficit (−) on income and product account			+7.3			−1.6			−1.4
Statistical discrepancy	1.4		+1.4	−.5		−.5	−3.2		−3.2
Gross national product	329.2	329.2		341.2	341.2		349.1	349.1	

[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: Based on the national income and product statistics of the Department of Commerce (except as noted).

TABLE A–2.—*Consumer account, calendar years 1951–52*

[Billions of dollars, seasonally adjusted annual rates]

Receipts or expenditures	1951	1952		
		Total [1]	First half	Second half [1]
Personal income:				
Salaries, wages, and other labor income	170.7	182.2	178.6	185.8
Farm proprietors' income	15.6	15.2	15.1	15.2
Business and professional income [2]	26.2	27.3	27.1	27.7
Rental income	8.9	9.7	9.4	9.9
Dividends and personal interest income	20.4	21.2	21.0	21.4
Transfer payments	12.4	12.7	12.5	12.9
Total personal income	254.1	268.3	263.7	273.0
Less: Personal tax and nontax payments:				
Federal	26.1	30.2	29.4	30.8
State and local	3.0	3.3	3.2	3.4
Total tax and nontax payments	29.1	33.5	32.7	34.3
Equals: Disposable personal income	225.0	234.8	231.0	238.6
Less: Personal consumption expenditures [3]	208.0	216.0	214.0	218.0
Equals: Personal net saving	+17.0	+18.8	+16.9	+20.6

[1] Estimates based on incomplete data; fourth quarter by Council of Economic Advisers.
[2] Includes adjustment for inventory valuation. Beginning in 1952, excludes contributions of self-employed persons for social insurance.
[3] For detail, see appendix table B–4.

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

Source: See table A–1.

TABLE A–3.—*Business account, calendar years 1951–52*

[Billions of dollars, seasonally adjusted annual rates]

Receipts or investment	1951	1952		
		Total [1]	First half	Second half [1]
Receipts:				
Corporate profits before tax	42.9	40.8	41.1	40.5
Less: Corporate tax liability [2]	24.2	23.6	23.8	23.5
Dividend payments	9.0	9.3	9.2	9.3
Equals: Corporate undistributed profits	9.6	7.9	8.2	7.7
Plus: Capital consumption allowances [3]	24.6	27.9	27.2	28.6
Corporate inventory valuation adjustment [4]	−1.3	.6	.8	.3
Excess of wage accruals over disbursements	[5]	−.1	[5]	−.2
Equals: Gross retained earnings	33.0	36.3	36.2	36.4
Expenditures:				
New construction	23.3	23.4	23.6	23.2
Residential (nonfarm)	11.0	11.1	11.0	11.2
Other private construction	12.3	12.4	12.6	12.1
Plus: Producers' durable equipment	24.9	25.8	25.7	26.0
Change in inventories	10.3	2.1	.4	3.8
Equals: Total gross private domestic investment [6]	58.5	51.4	49.6	53.1
Excess of investment (−)	−25.5	−15.1	−13.4	−16.7

[1] Estimates based on incomplete data; fourth quarter by Council of Economic Advisers.
[2] Federal and State corporate income and excess profits taxes.
[3] Includes capital consumption allowances on noncorporate capital, including residences.
[4] The adjustment measures the excess of the value of the change in the volume of nonfarm business inventories valued at average prices during the period over the change in the book value.
[5] Less than 50 million dollars.
[6] For additional detail, see appendix table B–5.

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

Source: See table A–1.

TABLE A–4.—*International account, calendar years 1951–52*

[Billions of dollars, annual rates]

Item	1951	1952		
		Total [1]	First half	Second half [1]
Exports of goods and services	20.2	20.4	21.3	19.5
Less: Imports of goods and services	15.1	15.4	15.4	15.4
Equals: Surplus of exports of goods and services	5.2	5.0	5.8	4.1
Less: Net unilateral transfers: [2]				
Government [3]	4.5	4.4	4.1	4.6
Private	.4	.4	.4	.4
Equals: Net foreign investment	.2	.3	1.3	—.7

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

[2] Net unilateral transfers are included with Government or private expenditures for goods and services. For example, remittances (gifts) made by American citizens to relatives or charitable groups abroad are included with consumer expenditures. Government aid in the form of grants is included in Government purchases of goods and services. Thus, net unilateral transfers must be deducted from the export surplus to avoid double counting.

[3] For further detail, see appendix table B–42.

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

Source: See table A–1.

TABLE A–5.—*Government account (Federal, State, and local), calendar years 1951–52*

[Billions of dollars, seasonally adjusted annual rates]

Receipts or expenditures	1951	1952		
		Total [1]	First half	Second half [1]
Federal Government:				
Receipts:				
Tax and nontax receipts or accruals [2]	66.1	70.9	70.0	71.7
Less:				
Transfers and net interest payments	13.2	13.4	13.2	13.7
Federal grants-in-aid to State and local governments	2.4	2.4	2.2	2.6
Subsidies less current surplus of Government enterprises	1.3	.9	1.2	.7
Equals: Net receipts	49.2	54.2	53.4	54.7
Expenditures:				
Total expenditures	57.8	70.9	69.6	72.3
Less:				
Transfers and net interest payments	13.2	13.4	13.2	13.7
Federal grants-in-aid to State and local governments	2.4	2.4	2.2	2.6
Subsidies less current surplus of Government enterprises	1.3	.9	1.2	.7
Equals: Purchases of goods and services	40.9	54.2	53.0	55.2
Surplus (+) or deficit (−) on income and product account	+8.3	(3)	+.4	−.4
State and local governments:				
Receipts:				
Tax and nontax receipts or accruals [2]	20.7	22.0	21.5	22.5
Federal grants-in-aid to State and local governments	2.4	2.4	2.2	2.6
Current surplus of government enterprises	.8	.8	.8	.8
Less: Transfers and net interest payments	3.2	3.4	3.4	3.4
Equals: Net receipts	20.7	21.8	21.1	22.5
Expenditures:				
Total expenditures	24.1	25.9	25.8	26.0
Less: Transfers and net interest payments	3.2	3.4	3.4	3.4
Plus: Current surplus of government enterprises	.8	.8	.8	.8
Equals: Purchases of goods and services	21.7	23.3	23.1	23.4
Surplus (+) or deficit (−) on income and product account	−1.0	−1.5	−2.0	−1.0
Total government:				
Receipts: [4]				
Tax and nontax receipts or accruals [2]	86.8	93.0	91.5	94.2
Less:				
Transfers and net interest payments	16.4	16.8	16.6	17.0
Subsidies less current surplus of government enterprises	.5	.1	.4	−.1
Equals: Net receipts	69.9	76.1	74.5	77.3
Expenditures: [4]				
Total expenditures	79.5	94.4	93.2	95.6
Less:				
Transfers and net interest payments	16.4	16.8	16.6	17.0
Subsidies less current surplus of government enterprises	.5	.1	.4	−.1
Equals: Purchases of goods and services	62.6	77.5	76.2	78.7
Surplus (+) or deficit (−) on income and product account	+7.3	−1.5	−1.6	−1.4

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

[2] Includes personal tax and nontax receipts, indirect business tax and nontax accruals, corporate profits tax accruals (including excess profits tax accruals), and contributions for social insurance.

[3] Less than 50 million dollars.

[4] Federal grants-in-aid to State and local governments are reflected in Federal expenditures and State and local receipts and expenditures. Total government receipts and expenditures have been adjusted to eliminate this duplication.

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

Source: See appendix table A-1.

TABLE A–6.—*Reconciliation of Federal Government expenditures on income and product account with conventional budget and consolidated cash statement, calendar years 1951–52*

[Billions of dollars]

Item	1951	1952 [1]
Federal expenditures on income and product account:		
Purchases of goods and services (net)	40.9	54.2
Transfer payments	8.6	8.8
Net interest paid by Federal Government	4.6	4.6
Subsidies less current surplus of Government enterprises	1.3	.9
Grants-in-aid to State and local governments	2.4	2.4
Total Federal expenditures on income and product account	57.8	70.9
Less:		
Adjustment for Government advances and prepayments to business and changes in accounts receivable from the Government on books of business corporations	.6	—.3
Excess of transfer payments in national income and product account over budgetary transfer payments	4.5	4.8
Plus:		
Excess of net checking account expenditures of Government corporations over amounts included in national income and product account	1.2	1.5
Excess of budgetary transfers to trust accounts over amounts included in national income and product account	.6	.8
Budgetary interest expenditures not included in national income and product account	1.5	1.7
Miscellaneous capital transactions and loans excluded from national income and product account	.4	.5
Government sales deducted from purchases of goods and services	.4	.4
Equals: Conventional budget expenditures	56.8	71.4
Less:		
Noncash budget expenditures:		
Net accruals of interest payments on savings bonds and Treasury bills	.7	.7
Interest payments to trust fund accounts and Government corporations	1.1	1.0
Budgetary transfers to trust accounts	.9	1.2
Payroll deductions for Government employees' retirement	.4	.4
Plus:		
Cash trust account expenditures	4.3	4.9
Clearing account for outstanding checks	.1	.1
Equals: Consolidated cash expenditures	58.0	73 0

[1] Estimates based on incomplete data.

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

Source: Department of Commerce. Statistics on budgetary and trust account expenditures based on *Daily Statement of the United States Treasury* and *Treasury Bulletin.*

TABLE A–7.—*Reconciliation of Federal Government receipts on income and product account with conventional budget and consolidated cash statement, calendar years 1951–52*

[Billions of dollars]

Item	1951	1952 [1]
Federal receipts on income and product account:		
Personal tax and nontax liabilities	26.1	30.2
Corporate profits tax accruals	23.4	22.9
Indirect business tax and nontax liabilities	9.5	10.4
Contributions for social insurance	7.1	7.4
Total Federal receipts on income and product account	66.1	70.9
Less:		
Excess of income and profits tax accruals over budgetary receipts	7.8	.6
Excess of contributions for social insurance included in national income and product account over amounts included in budgetary receipts:		
Federal Old-Age and Survivors Insurance Trust Fund	3.3	3.8
Unemployment Trust Fund	1.5	1.4
Government Life Insurance Fund and Federal employees' retirement funds	1.4	1.3
Plus: Budgetary other receipts not included in national income and product account	1.3	1.7
Equals: Conventional budget receipts (net)	53.5	65.5
Less: Noncash budget receipts	.2	.2
Plus: Cash trust account receipts	6.1	6.1
Equals: Consolidated cash receipts	59.3	71.4

[1] Estimates based on incomplete data.

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

Source: Department of Commerce. Statistics on budgetary and trust account receipts based on *Daily Statement of the United States Treasury* and *Treasury Bulletin.*

Appendix B

Statistical Tables Relating to Employment, Production, and Purchasing Power

CONTENTS

NATIONAL INCOME OR EXPENDITURE

TABLE B-1.—*Gross national product or expenditure, 1929–52*

[Billions of dollars]

Period	Total gross national product	Personal consumption expenditures [1]	Gross private domestic investment [2]						Net foreign investment	Government purchases of goods and services				
			Total	New construction			Producers' durable equipment	Net change in business inventories		Total	Federal [3]			State and local
				Total	Residential (nonfarm)	Other					Total	National security [4]	Other	
1929	103.8	78.8	15.8	7.8	2.8	5.0	6.4	1.6	0.8	8.5	1.3	(5)	(5)	7.2
1930	90.9	70.8	10.2	5.6	1.4	4.2	4.9	−.3	.7	9.2	1.4	(5)	(5)	7.8
1931	75.9	61.2	5.4	3.6	1.2	2.4	3.2	−1.4	.2	9.2	1.5	(5)	(5)	7.7
1932	58.3	49.2	.9	1.7	.5	1.2	1.8	−2.6	.2	8.1	1.5	(5)	(5)	6.6
1933	55.8	46.3	1.3	1.1	.3	.8	1.8	−1.6	.2	8.0	2.0	(5)	(5)	5.9
1934	64.9	51.9	2.8	1.4	.4	1.0	2.5	−1.1	.4	9.8	3.0	(5)	(5)	6.8
1935	72.2	56.2	6.1	1.9	.7	1.2	3.4	.9	−.1	9.9	2.9	(5)	(5)	7.0
1936	82.5	62.5	8.3	2.8	1.1	1.7	4.5	1.0	−.1	11.7	4.8	(5)	(5)	6.9
1937	90.2	67.1	11.4	3.7	1.4	2.3	5.4	2.3	.1	11.6	4.6	(5)	(5)	7.0
1938	84.7	64.5	6.3	3.3	1.5	1.8	4.0	−1.0	1.1	12.8	5.3	(5)	(5)	7.5
1939	91.3	67.5	9.9	4.9	2.7	2.2	4.6	.4	.9	13.1	5.2	1.2	3.9	7.9
1940	101.4	72.1	13.9	5.6	3.0	2.6	6.1	2.3	1.5	13.9	6.2	2.2	4.0	7.8
1941	126.4	82.3	18.3	6.8	3.4	3.4	7.7	3.9	1.1	24.7	16.9	13.8	3.2	7.8
1942	161.6	91.2	10.9	4.0	1.8	2.2	4.9	2.1	−.2	59.7	52.0	49.4	2.7	7.7
1943	194.3	102.2	5.7	2.5	1.0	1.5	4.1	−.9	−2.2	88.6	81.2	79.7	1.5	7.4
1944	213.7	111.6	7.7	2.8	.8	2.0	5.7	−.8	−2.1	96.5	89.0	87.5	1.6	7.5
1945	215.2	123.1	10.7	3.9	1.1	2.8	7.5	−.7	−1.4	82.8	74.8	73.8	1.0	8.0
1946	211.1	146.9	28.7	10.3	4.0	6.3	12.3	6.1	4.6	30.9	20.9	18.5	2.5	10.0
1947	233.3	165.6	30.2	13.9	6.3	7.6	17.1	−.8	8.9	28.6	15.8	12.0	3.8	12.8
1948	259.0	177.9	42.7	17.7	8.6	9.1	19.9	5.0	1.9	36.6	21.0	15.5	5.6	15.6
1949	258.2	180.6	33.5	17.2	8.3	9.0	18.7	−2.5	.5	43.6	25.4	18.9	6.6	18.2
1950	284.2	194.3	50.3	22.9	12.6	10.3	22.0	5.5	−2.3	41.9	22.2	18.3	3.9	19.7
1951	329.2	208.0	58.5	23.3	11.0	12.3	24.9	10.3	.2	62.6	40.9	36.7	4.2	21.7
1952 [6]	345.1	216.0	51.4	23.4	11.1	12.4	25.8	2.1	.3	77.5	54.2	48.9	5.3	23.3
	Seasonally adjusted annual rates													
1950: First half	270.6	187.1	44.5	21.5	11.8	9.7	20.0	3.1	−1.6	40.7	21.4	16.8	4.6	19.4
Second half	297.8	201.4	56.2	24.2	13.4	10.8	24.1	7.8	−3.0	43.0	23.0	19.6	3.3	20.0
1951: First half	324.4	207.5	62.5	24.1	11.8	12.2	25.1	13.3	−1.4	55.8	34.6	31.0	3.6	21.4
Second half	334.0	208.4	54.6	22.4	10.1	12.3	24.8	7.4	1.8	69.2	47.2	42.4	4.8	22.0
1952: First half	341.2	214.0	49.6	23.6	11.0	12.6	25.7	.4	1.3	76.2	53.0	48.0	5.2	23.1
Second half [6]	349.1	218.0	53.1	23.2	11.2	12.1	26.0	3.8	−.7	78.7	55.2	49.8	5.4	23.4
1950: First quarter	263.5	184.9	39.0	20.8	11.2	9.6	18.5	−.2	−1.7	41.3	21.9	16.6	5.3	19.4
Second quarter	277.8	189.3	50.0	22.2	12.4	9.8	21.4	6.4	−1.6	40.1	20.8	17.1	3.8	19.3
Third quarter	291.3	203.5	50.8	24.3	13.7	10.6	24.4	2.1	−3.2	40.1	20.5	17.2	3.3	19.7
Fourth quarter	304.2	199.4	61.6	24.2	13.1	11.1	23.8	13.6	−2.7	45.9	25.5	22.1	3.3	20.4
1951: First quarter	319.6	210.5	59.8	24.7	12.8	11.9	24.8	10.3	−2.7	51.9	30.8	27.3	3.5	21.1
Second quarter	329.3	204.5	65.2	23.5	10.9	12.6	25.4	16.3	−.2	59.8	38.3	34.6	3.7	21.6
Third quarter	330.9	206.4	56.2	22.4	9.9	12.5	24.9	8.9	1.1	67.3	45.5	41.1	4.5	21.7
Fourth quarter	337.1	210.5	52.9	22.4	10.3	12.1	24.7	5.8	2.6	71.2	48.9	43.8	5.1	22.3
1952: First quarter	339.7	213.2	50.0	23.7	11.0	12.7	25.7	.6	2.2	74.4	51.2	46.0	5.2	23.2
Second quarter	342.6	214.9	49.3	23.6	11.0	12.6	25.7	.1	.4	78.0	54.9	49.9	5.1	23.0
Third quarter	343.0	215.0	51.7	23.0	10.9	12.2	25.0	3.7	−1.6	77.9	54.8	49.2	5.6	23.1
Fourth quarter [6]	355.2	221.0	54.5	23.5	11.5	12.0	27.0	4.0	.2	79.5	55.7	50.5	5.3	23.8

[1] See appendix table B-4 for detail.

[2] See appendix table B-5 for more detail and explanation of components.

[3] Net of Government sales, which have been deducted from national security expenditures.

[4] For 1947–52 "national security" expenditures include the following: military services, international security and foreign relations, development and control of atomic energy, promotion of merchant marine, promotion of defense production and economic stabilization, and civil defense. (See *The Budget of the United States Government for the Fiscal Year Ending June 30, 1954*, for items included in these classifications.) Prior to 1947, the expenditures are based on items formerly classified as "war" by the Bureau of the Budget and Treasury Department. For all years, the expenditures exclude Government sales and have been adjusted to the concept of purchases of goods and services.

[5] Not available.

[6] 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 B–2.—*Gross national product or expenditure in 1952 prices, 1929–52* [1]

[Billions of dollars, 1952 prices]

Period	Total gross national product	Personal consumption expenditures				Gross private domestic investment					
		Total	Durable goods	Nondurable goods	Services	Total	New construction			Producers' durable equipment	Change in business inventories
							Total	Residential (nonfarm)	Other		
1929	172.5	121.6	16.7	63.4	41.5	33.7	19.2	(4)	(4)	11.3	3.2
1930	155.9	114.2	13.3	60.4	40.5	22.9	14.3	(4)	(4)	9.0	−.4
1931	144.1	110.2	11.0	59.9	39.3	14.0	10.1	(4)	(4)	6.2	−2.3
1932	122.1	100.5	8.2	54.8	37.5	3.0	5.6	(4)	(4)	3.7	−6.3
1933	120.5	99.3	7.9	54.5	36.9	3.7	3.7	(4)	(4)	3.8	−3.8
1934	134.3	105.2	9.2	58.7	37.3	7.5	4.3	(4)	(4)	4.9	−1.7
1935	146.6	111.9	11.3	62.3	38.3	14.3	5.7	(4)	(4)	6.7	1.9
1936	167.5	123.4	13.8	69.4	40.2	20.0	8.2	(4)	(4)	8.9	2.9
1937	175.4	127.6	14.5	71.7	41.4	24.4	9.8	(4)	(4)	10.2	4.4
1938	168.1	125.6	12.0	72.8	40.8	13.9	8.6	(4)	(4)	7.4	−2.1
1939	184.0	132.8	13.8	76.9	42.1	22.2	12.8	7.0	5.8	8.6	.8
1940	202.1	140.6	16.0	80.9	43.7	30.2	14.2	7.5	6.7	11.2	4.8
1941	234.9	151.5	18.5	87.5	45.5	37.5	16.0	7.9	8.1	13.5	8.0
1942	266.5	149.3	11.8	90.0	47.5	20.4	8.7	3.9	4.8	8.3	3.4
1943	300.2	153.2	10.3	92.8	50.1	11.6	4.9	2.0	2.9	6.9	−.2
1944	323.7	159.5	9.6	97.1	52.8	13.7	5.1	1.5	3.6	9.6	−1.0
1945	314.1	170.0	11.0	104.3	54.7	17.0	6.8	1.9	4.9	12.4	−2.1
1946	278.8	188.7	21.4	109.3	58.0	43.4	15.8	6.1	9.7	18.4	9.2
1947	278.3	193.6	25.5	107.9	60.2	41.3	17.9	8.0	9.9	22.1	1.3
1948	287.5	197.0	26.0	108.4	62.6	48.8	20.8	9.9	10.9	23.6	4.4
1949	288.6	202.4	26.6	110.5	65.3	39.2	20.5	9.7	10.8	21.4	−2.7
1950	311.0	212.9	32.0	112.5	68.4	56.0	25.5	13.9	11.6	24.6	5.9
1951	337.1	212.1	27.5	114.3	70.3	60.2	24.1	11.3	12.8	25.4	10.7
1952 [5]	345.1	216.0	25.8	118.9	71.4	51.4	23.4	11.1	12.4	25.8	2.1
	Seasonally adjusted annual rates										
1950: First half	302.5	209.4	29.6	112.4	67.5	51.4	24.8	13.5	11.3	22.9	3.7
Second half	319.6	216.7	34.2	113.3	69.2	60.8	26.2	14.4	11.8	26.2	8.4
1951: First half	333.8	212.8	29.5	113.3	70.0	64.6	25.1	12.2	12.8	25.7	13.8
Second half	340.8	211.5	25.6	115.4	70.5	56.0	23.2	10.4	12.8	25.2	7.6
1952: First half	342.8	214.8	25.7	118.1	71.0	49.8	24.0	11.1	12.9	25.8	.0
Second half [5]	347.4	217.3	25.8	119.8	71.8	52.8	22.9	11.1	11.8	26.0	4.0
1950: First quarter	295.2	207.7	29.2	111.9	66.6	45.5	24.4	13.1	11.3	21.3	−.2
Second quarter	309.8	211.1	29.9	112.8	68.4	57.3	25.2	13.9	11.3	24.5	7.6
Third quarter	314.7	220.4	37.2	114.3	68.9	55.6	26.4	14.7	11.7	27.1	2.1
Fourth quarter	324.4	213.0	31.3	112.3	69.4	66.0	26.0	14.0	12.0	25.3	14.7
1951: First quarter	329.2	216.4	32.1	114.6	69.7	62.0	25.8	13.3	12.5	25.5	10.7
Second quarter	338.3	209.1	26.9	112.0	70.2	67.3	24.4	11.2	13.2	25.9	17.0
Third quarter	339.6	210.7	25.9	114.5	70.3	57.8	23.2	10.2	13.0	25.4	9.2
Fourth quarter	342.1	212.3	25.4	116.2	70.7	54.1	23.1	10.5	12.6	24.9	6.1
1952: First quarter	342.6	214.6	25.1	118.6	70.9	50.4	24.2	11.1	13.1	25.8	.4
Second quarter	343.1	215.0	26.3	117.6	71.1	49.1	23.8	11.1	12.7	25.7	−.4
Third quarter	341.5	214.5	24.4	118.5	71.6	51.5	22.7	10.8	11.9	25.0	3.8
Fourth quarter [5]	353.2	220.1	27.1	121.0	72.0	54.2	23.1	11.4	11.7	26.9	4.2

See footnotes at end of table.

TABLE B–2.—*Gross national product or expenditure in 1952 prices, 1929–52* [1]—Continued

[Billions of dollars, 1952 prices]

Period	Net foreign investment	Government purchases of goods and services				
		Total	Federal [2]			State and local
			Total	National security [3]	Other	
1929	−0.2	17.4	2.9	(4)	(4)	14.5
1930	−.5	19.3	3.2	(4)	(4)	16.1
1931	−.9	20.8	3.5	(4)	(4)	17.3
1932	−1.0	19.6	3.7	(4)	(4)	15.9
1933	−1.4	18.9	5.0	(4)	(4)	13.9
1934	−.6	22.2	6.8	(4)	(4)	15.4
1935	−2.0	22.4	6.6	(4)	(4)	15.8
1936	−2.1	26.2	10.7	(4)	(4)	15.5
1937	−1.7	25.1	9.9	(4)	(4)	15.2
1938	.5	28.1	11.7	(4)	(4)	16.4
1939	.1	28.9	11.5	2.7	8.8	17.4
1940	.8	30.5	13.6	4.8	8.8	16.9
1941	−.7	46.6	30.5	24.9	5.6	16.1
1942	−2.6	99.4	84.7	80.5	4.2	14.7
1943	−6.9	142.3	128.9	126.5	2.4	13.4
1944	−7.3	157.8	144.7	142.3	2.4	13.1
1945	−7.0	134.0	120.8	119.2	1.6	13.2
1946	3.4	43.3	28.3	25.0	3.3	15.0
1947	7.8	35.6	18.9	14.4	4.5	16.7
1948	−.6	42.3	24.2	17.8	6.4	18.1
1949	−2.0	49.0	28.6	21.3	7.3	20.4
1950	−3.4	45.5	24.1	19.8	4.3	21.4
1951	1.0	63.8	41.7	37.4	4.3	22.1
1952 [5]	.3	77.5	54.2	48.9	5.3	23.3
	Seasonally adjusted annual rates					
1950: First half	−3.6	45.2	23.8	18.8	5.0	21.4
Second half	−3.5	45.6	24.3	20.8	3.6	21.2
1951: First half	−.8	57.1	35.4	31.7	3.7	21.7
Second half	2.8	70.6	48.1	43.3	4.8	22.5
1952: First half	1.6	76.6	53.4	48.3	5.2	23.2
Second half [5]	−1.0	78.2	54.8	49.4	5.4	23.4
1950: First quarter	−3.9	45.9	24.4	18.5	5.9	21.5
Second quarter	−3.2	44.6	23.2	19.1	4.1	21.4
Third quarter	−4.1	42.8	21.6	18.1	3.5	21.2
Fourth quarter	−2.9	48.3	27.0	23.4	3.6	21.3
1951: First quarter	−2.2	53.0	31.6	28.0	3.6	21.4
Second quarter	.7	61.2	39.2	35.4	3.8	22.0
Third quarter	2.3	68.8	46.5	42.0	4.5	22.3
Fourth quarter	3.3	72.4	49.7	44.6	5.1	22.7
1952: First quarter	2.5	75.1	51.9	46.7	5.2	23.2
Second quarter	.8	78.2	55.0	49.9	5.1	23.2
Third quarter	−2.0	77.5	54.4	48.8	5.6	23.1
Fourth quarter [5]	.0	78.9	55.3	50.1	5.2	23.6

[1] These estimates represent a rough conversion of the Department of Commerce series in 1939 prices. (See appendix table B–3.) This was done by major components, using the implicit price indexes converted to a 1952 base. Although it would have been preferable to redeflate the series by minor components, this would not substantially change the results except possibly for the period of World War II, and for the series on "change in business inventories."

[2] Net of Government sales, which have been deducted from national security expenditures.

[3] See appendix table B–1, footnote 4.

[4] Not available.

[5] Estimates based on incomplete data.

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

Source: Council of Economic Advisers.

TABLE B–3.—*Gross national product or expenditure in 1939 prices, 1929–52* [1]

[Billions of dollars, 1939 prices]

Period	Total gross national product	Personal consumption expenditures				Gross private domestic investment				Net foreign investment	Government purchases of goods and services			Gross private product [2]
		Total	Durable goods	Nondurable goods	Services	Total	New construction	Producers' durable equipment	Change in business inventories		Total	Federal	State and local	
1929	85.9	62.2	8.0	29.1	25.1	14.9	7.4	6.1	1.5	0.8	7.9	1.3	6.6	81.5
1930	78.1	58.6	6.4	27.7	24.5	10.1	5.4	4.8	−.2	.6	8.7	1.5	7.3	73.5
1931	72.3	56.6	5.3	27.5	23.9	5.9	3.8	3.3	−1.1	.3	9.4	1.6	7.8	67.7
1932	61.9	51.8	3.9	25.2	22.7	1.1	2.1	1.9	−3.0	.2	8.9	1.7	7.2	57.4
1933	61.5	51.1	3.8	24.9	22.4	1.6	1.5	2.0	−1.8	.1	8.7	2.3	6.4	56.5
1934	67.9	54.0	4.4	27.0	22.6	3.5	1.7	2.7	−.8	.3	10.1	3.1	7.0	62.0
1935	73.9	57.2	5.4	28.6	23.2	6.7	2.2	3.6	.9	−.1	10.1	3.0	7.1	67.6
1936	83.9	62.8	6.6	31.8	24.4	9.3	3.1	4.8	1.4	−.2	11.9	4.9	7.1	76.4
1937	87.9	65.0	7.0	32.9	25.1	11.4	3.8	5.5	2.1	.1	11.4	4.4	6.9	80.9
1938	84.0	63.9	5.7	33.4	24.8	6.3	3.3	3.9	−1.0	1.0	12.7	5.3	7.4	76.4
1939	91.3	67.5	6.7	35.3	25.5	9.9	4.9	4.6	.4	.9	13.1	5.2	7.9	83.7
1940	100.0	71.3	7.7	37.1	26.5	13.7	5.4	6.0	2.3	1.2	13.8	6.1	7.7	92.1
1941	115.5	76.6	8.9	40.1	27.6	17.1	6.1	7.2	3.8	1.7	21.1	13.8	7.3	106.2
1942	129.7	75.8	5.7	41.3	28.8	9.3	3.3	4.4	1.6	−.4	45.0	38.3	6.7	116.5
1943	145.7	78.0	5.0	42.6	30.4	5.4	1.9	3.6	−.1	−2.1	64.3	58.2	6.1	125.3
1944	156.9	81.1	4.6	44.5	32.0	6.6	2.0	5.1	−.5	−2.2	71.3	65.4	6.0	133.0
1945	153.4	86.3	5.3	47.9	33.2	8.3	2.6	6.7	−1.0	−1.8	60.6	54.6	6.0	129.7
1946	138.4	95.7	10.4	50.2	35.2	20.3	6.0	9.9	4.4	2.7	19.6	12.8	6.8	125.6
1947	138.4	98.3	12.3	49.5	36.4	19.3	6.9	11.8	.6	4.8	16.1	8.5	7.6	128.6
1948	143.5	100.3	12.6	49.7	38.0	22.7	8.0	12.6	2.1	1.4	19.2	10.9	8.2	133.7
1949	144.0	103.2	12.9	50.7	39.6	18.0	7.9	11.4	−1.3	.6	22.2	12.9	9.3	133.7
1950	154.8	108.5	15.4	51.6	41.5	25.8	9.8	13.1	2.8	.0	20.6	10.9	9.7	144.3
1951	167.3	108.4	13.3	52.4	42.6	28.0	9.2	13.6	5.1	2.0	28.9	18.9	10.1	154.0
1952	170.8	110.2	12.4	54.6	43.3	23.8	9.0	13.8	1.0	1.7	35.0	24.4	10.6	156.4

[1] See *Survey of Current Business*, January 1951, and the *National Income Supplement to the Survey of Current Business*, 1951, for explanation of conversion of estimates in current prices to those in 1939 prices.
[2] Total gross national product less compensation of general government employees.

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

Source: Department of Commerce.

TABLE B–4.—*Personal consumption expenditures, 1929–52*

[Billions of dollars]

Period	Total personal consumption expenditures	Durable goods			Nondurable goods				Services		
		Total	Automobiles and parts	Other	Total	Food[1]	Clothing[2]	Other	Total	Housing[3]	Other
1929	78.8	9.4	3.2	6.1	37.7	19.7	9.2	8.9	31.7	11.4	20.2
1930	70.8	7.3	2.2	5.1	34.1	18.1	7.9	8.1	29.5	11.0	18.5
1931	61.2	5.6	1.6	4.0	29.0	14.8	6.8	7.4	26.6	10.2	16.4
1932	49.2	3.7	.9	2.8	22.7	11.4	5.0	6.4	22.8	9.0	13.8
1933	46.3	3.5	1.0	2.5	22.3	11.5	4.6	6.2	20.6	7.8	12.7
1934	51.9	4.3	1.4	2.9	26.7	14.3	5.6	6.9	20.9	7.5	13.4
1935	56.2	5.2	1.9	3.3	29.4	16.3	5.9	7.2	21.7	7.6	14.1
1936	62.5	6.4	2.3	4.1	32.9	18.5	6.5	7.9	23.3	7.9	15.4
1937	67.1	7.0	2.4	4.6	35.2	20.0	6.7	8.6	24.9	8.4	16.5
1938	64.5	5.8	1.6	4.1	34.0	19.0	6.6	8.4	24.7	8.7	16.0
1939	67.5	6.7	2.1	4.6	35.3	19.3	7.0	8.9	25.5	8.9	16.5
1940	72.1	7.9	2.7	5.1	37.6	20.7	7.4	9.5	26.6	9.2	17.4
1941	82.3	9.8	3.3	6.4	44.0	24.4	8.8	10.8	28.5	9.9	18.7
1942	91.2	7.1	.7	6.4	52.9	30.5	11.0	11.4	31.2	10.6	20.6
1943	102.2	6.8	.8	6.0	61.0	35.3	13.7	11.9	34.4	11.1	23.3
1944	111.6	7.1	.9	6.2	67.1	38.9	15.3	12.9	37.4	11.7	25.7
1945	123.1	8.5	1.1	7.4	74.9	43.0	17.1	14.8	39.7	12.2	27.5
1946	146.9	16.6	4.2	12.4	85.8	50.3	18.6	16.9	44.5	13.0	31.4
1947	165.6	21.4	6.6	14.8	95.1	56.6	19.1	19.4	49.1	14.6	34.5
1948	177.9	22.9	7.5	15.4	100.9	59.7	20.1	21.1	54.1	16.5	37.7
1949	180.6	23.8	9.4	14.5	99.2	58.9	19.0	21.4	57.5	18.1	39.4
1950	194.3	29.2	12.3	16.9	102.8	61.4	18.9	22.5	62.4	19.9	42.5
1951	208.0	27.1	10.7	16.4	113.5	69.2	20.3	24.1	67.3	21.8	45.6
1952[4]	216.0	25.8	10.3	15.4	118.9	72.7	20.6	25.7	71.4	23.4	48.0
	Seasonally adjusted annual rates										
1950: First half	187.1	26.4	10.8	15.6	99.8	59.5	18.4	21.9	61.0	19.4	41.5
Second half	201.4	32.0	13.7	18.2	105.8	63.2	19.6	23.0	63.8	20.3	43.4
1951: First half	207.5	28.8	11.8	17.1	112.3	68.4	20.2	23.8	66.4	21.2	45.1
Second half	208.4	25.4	9.7	15.7	114.7	70.0	20.4	24.4	68.3	22.2	46.0
1952: First half	214.0	25.8	10.4	15.4	117.9	72.0	20.3	25.6	70.4	23.0	47.4
Second half[4]	218.0	25.7	10.2	15.5	120.0	73.2	20.8	25.9	72.4	23.7	48.6
1950: First quarter	184.9	26.0	10.3	15.7	98.7	59.0	18.1	21.6	60.1	19.2	40.9
Second quarter	189.3	26.7	11.3	15.4	100.8	60.0	18.6	22.2	61.8	19.7	42.1
Third quarter	203.5	34.2	14.3	19.9	106.2	63.4	19.7	23.1	63.1	20.1	43.0
Fourth quarter	199.4	29.7	13.1	16.6	105.3	63.0	19.4	22.9	64.4	20.5	43.9
1951: First quarter	210.5	31.3	12.6	18.8	113.3	68.5	20.7	24.1	65.9	21.0	44.9
Second quarter	204.5	26.3	11.0	15.4	111.3	68.2	19.7	23.4	66.9	21.5	45.3
Third quarter	206.4	25.5	9.9	15.6	113.2	69.5	20.0	23.7	67.6	22.0	45.6
Fourth quarter	210.5	25.3	9.5	15.8	116.2	70.4	20.7	25.1	69.0	22.5	46.5
1952: First quarter	213.2	25.2	9.6	15.6	118.0	71.8	20.6	25.6	70.0	22.9	47.1
Second quarter	214.9	26.4	11.3	15.1	117.8	72.3	20.0	25.5	70.8	23.2	47.6
Third quarter	215.0	24.2	8.8	15.4	118.9	73.2	20.3	25.4	71.9	23.5	48.4
Fourth quarter[4]	221.0	27.2	11.6	15.6	121.0	73.3	21.3	26.4	72.8	23.9	48.9

[1] Includes alcoholic beverages.
[2] Includes shoes and standard clothing issued to military personnel.
[3] Includes imputed rental value of owner-occupied dwellings.
[4] 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 B–5.—*Gross private domestic investment, 1929–52*

[Billions of dollars]

Period	Total gross private domestic investment	Nonfarm producers' plant and equipment			Farm equipment and construction			Residential construction (nonfarm)[1 5]	Other private construction[6]	Net change in business inventories		
		Total[1]	Equipment[2]	Construction[1 3]	Total[4]	Equipment	Construction			Total	Nonfarm[7]	Farm
1929	15.8	9.8	5.6	4.2	1.1	0.8	0.3	2.8	0.5	1.6	1.8	−0.3
1930	10.2	7.6	4.3	3.4	.9	.7	.2	1.4	.5	−.3	([8])	−.2
1931	5.4	4.6	2.8	1.8	.5	.4	.1	1.2	.4	−1.4	−1.7	.3
1932	.9	2.5	1.6	1.0	.3	.3	([8])	.5	.2	−2.6	−2.6	([8])
1933	1.3	2.3	1.6	.7	.3	.3	([8])	.3	.1	−1.6	−1.3	−.3
1934	2.8	3.1	2.2	.9	.4	.3	.1	.4	.1	−1.1	.2	−1.3
1935	6.1	3.8	2.9	1.0	.6	.5	.1	.7	.1	.9	.4	.5
1936	8.3	5.2	3.9	1.3	.8	.6	.2	1.1	.1	1.0	2.1	−1.1
1937	11.4	6.6	4.7	1.9	1.0	.8	.2	1.4	.2	2.3	1.8	.5
1938	6.3	4.7	3.4	1.4	.8	.6	.2	1.5	.2	−1.0	−1.1	.1
1939	9.9	5.7	4.0	1.7	.8	.6	.2	2.7	.2	.4	.3	.1
1940	13.9	7.4	5.3	2.1	1.0	.8	.2	3.0	.2	2.3	2.0	.2
1941	18.3	9.3	6.6	2.7	1.3	1.0	.3	3.4	.3	3.9	3.4	.5
1942	10.9	5.8	4.1	1.7	1.0	.7	.3	1.8	.1	2.1	.8	1.3
1943	5.7	4.6	3.5	1.1	.9	.6	.3	1.0	([8])	−.9	−.5	−.4
1944	7.7	6.3	4.7	1.6	1.2	.9	.3	.8	.1	−.8	−.3	−.5
1945	10.7	8.7	6.3	2.4	1.4	1.1	.3	1.1	.2	−.7	−.6	−.1
1946	28.7	15.5	10.7	4.8	2.4	1.6	.9	4.0	.6	6.1	6.3	−.2
1947	30.2	20.3	14.6	5.7	3.8	2.5	1.3	6.3	.7	−.8	1.4	−2.2
1948	42.7	23.4	16.7	6.7	4.6	3.2	1.4	8.6	1.0	5.0	3.7	1.3
1949	33.5	21.7	15.3	6.4	4.7	3.4	1.3	8.3	1.3	−2.5	−1.6	−.9
1950	50.3	25.4	18.4	7.0	5.4	3.6	1.8	12.6	1.5	5.5	4.6	.9
1951	58.5	29.6	20.8	8.8	5.9	4.1	1.8	11.0	1.7	10.3	9.4	.9
1952[9]	51.4	31.0	22.0	9.0	5.5	3.8	1.7	11.1	1.7	2.0	1.4	.6
	Seasonally adjusted annual rates											
1950:												
First half	44.5	23.0	16.6	6.4	5.1	3.4	1.8	11.8	1.5	3.1	2.6	.4
Second half	56.2	27.7	20.2	7.4	5.6	3.8	1.8	13.4	1.6	7.8	6.5	1.4
1951:												
First half	62.5	29.3	20.6	8.6	6.2	4.4	1.8	11.8	1.8	13.3	12.1	1.2
Second half	54.6	30.0	21.1	8.8	5.5	3.7	1.8	10.1	1.6	7.4	6.7	.6
1952:												
First half	49.6	31.0	21.8	9.2	5.6	4.0	1.7	11.0	1.7	.4	−.4	.8
Second half[9]	53.1	31.1	22.3	8.8	5.4	3.7	1.7	11.2	1.6	3.8	3.2	.6
1950:												
First quarter	39.0	21.8	15.4	6.4	4.8	3.1	1.7	11.2	1.5	−.2	−.1	−.1
Second quarter	50.0	24.3	17.8	6.5	5.4	3.6	1.8	12.4	1.5	6.4	5.4	1.0
Third quarter	50.8	27.6	20.4	7.2	5.8	4.0	1.8	13.7	1.5	2.1	.8	1.3
Fourth quarter	61.6	27.8	20.1	7.7	5.5	3.7	1.8	13.1	1.6	13.6	12.2	1.4
1951:												
First quarter	59.8	29.1	20.7	8.4	5.9	4.1	1.8	12.8	1.7	10.3	9.0	1.3
Second quarter	65.2	29.5	20.6	8.9	6.6	4.8	1.8	10.9	1.9	16.3	15.2	1.1
Third quarter	56.2	30.0	21.0	9.0	5.7	3.9	1.8	9.9	1.7	8.9	8.2	.7
Fourth quarter	52.9	29.9	21.2	8.7	5.3	3.5	1.8	10.3	1.6	5.8	5.2	.6
1952:												
First quarter	50.0	31.0	21.7	9.3	5.7	4.0	1.7	11.0	1.7	.6	−.1	.7
Second quarter	49.3	31.0	21.8	9.2	5.6	3.9	1.7	11.0	1.7	.1	−.8	.9
Third quarter	51.7	30.1	21.3	8.8	5.4	3.7	1.7	10.9	1.6	3.7	3.0	.7
Fourth quarter[9]	54.5	32.0	23.3	8.7	5.4	3.7	1.7	11.5	1.6	4.0	3.4	.6

[1] Items for 1945 and earlier years are not comparable with those for later years, nor with figures shown in appendix table B–18. Items for nonfarm producers' plant and equipment for all years are not comparable with those shown in appendix table B–20, principally because the latter exclude certain equipment and construction outlays charged to current expense.

[2] Total producers' durable equipment less "farm machinery and equipment" and farmers' purchases of tractors and business motor vehicles. These figures assume that farmers purchase 85 and 15 percent, respectively, of all tractors and motor vehicles used for productive purposes.

[3] Industrial buildings, public utilities, gas- and oil-well drilling, warehouses, office and loft buildings, stores, restaurants, and garages. Includes hotel construction prior to 1946 only.

[4] Farm construction (residential and nonresidential) plus "farm machinery and equipment" and farmers' purchases of tractors and business motor vehicles. (See footnote 2.)

[5] Includes construction of hotels, tourist cabins, motor courts, and dormitories since 1946 only.

[6] Includes religious, educational, social and recreational, hospital and institutional, miscellaneous nonresidential, and all other private.

[7] After revaluation adjustment.

[8] Less than 50 million dollars.

[9] 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 B-6.—*National income by distributive shares, 1929–52*

[Billions of dollars]

Period	Total national income [1]	Compensation of employees [2]	Business and professional income and inventory valuation adjustment			Income of farm proprietors	Rental income of persons	Corporate profits and inventory valuation adjustment			Net interest
			Total	Income of unincorporated enterprises	Inventory valuation adjustment			Total	Corporate profits before tax [3]	Inventory valuation adjustment	
1929	87.4	50.8	8.3	8.1	0.1	5.7	5.8	10.3	9.8	0.5	6.5
1930	75.0	46.5	7.0	6.3	.8	3.9	4.8	6.6	3.3	3.3	6.2
1931	58.9	39.5	5.3	4.7	.6	2.9	3.6	1.6	−.8	2.4	5.9
1932	41.7	30.8	3.2	2.9	.3	1.7	2.5	−2.0	−3.0	1.0	5.4
1933	39.6	29.3	2.9	3.4	−.5	2.3	2.0	−2.0	.2	−2.1	5.0
1934	48.6	34.1	4.3	4.3	−.1	2.3	2.1	1.1	1.7	−.6	4.8
1935	56.8	37.1	5.0	5.0	−.1	4.9	2.3	3.0	3.2	−.2	4.5
1936	64.7	42.7	6.1	6.2	−.1	3.9	2.7	4.9	5.7	−.7	4.5
1937	73.6	47.7	6.6	6.7	[4]	5.6	3.1	6.2	6.2	[4]	4.4
1938	67.4	44.7	6.3	6.1	.2	4.4	3.3	4.3	3.3	1.0	4.3
1939	72.5	47.8	6.8	6.9	−.2	4.5	3.5	5.8	6.5	−.7	4.2
1940	81.3	51.8	7.7	7.8	−.1	4.9	3.6	9.2	9.3	−.1	4.1
1941	103.8	64.3	9.6	10.2	−.6	6.9	4.3	14.6	17.2	−2.6	4.1
1942	137.1	84.9	12.6	12.9	−.4	10.5	5.4	19.9	21.1	−1.2	3.9
1943	169.7	109.2	15.0	15.1	−.2	11.8	6.1	24.3	25.1	−.8	3.4
1944	183.8	121.2	17.2	17.2	−.1	11.8	6.5	24.0	24.3	−.3	3.1
1945	182.7	123.0	18.7	18.8	−.1	12.5	6.3	19.2	19.7	−.6	3.0
1946	180.3	117.1	20.6	22.4	−1.8	14.8	6.6	18.3	23.5	−5.2	2.9
1947	198.7	128.0	19.8	21.3	−1.5	15.6	7.1	24.7	30.5	−5.8	3.5
1948	223.5	140.2	22.1	22.5	−.4	17.7	7.5	31.7	33.8	−2.1	4.3
1949	216.3	139.9	21.6	21.0	.6	12.8	7.7	29.2	27.1	2.1	5.0
1950	239.2	153.4	23.7	24.9	−1.2	13.3	8.2	34.8	39.6	−4.8	5.8
1951	277.6	178.9	26.2	26.6	−.4	15.6	8.9	41.6	42.9	−1.3	6.4
1952 [5]	291.2	190.3	27.7	27.7	[4]	15.2	9.7	41.4	40.8	.6	7.0
	Seasonally adjusted annual rates										
1950: First half	225.1	145.4	22.6	23.0	−.4	12.3	8.0	31.2	32.8	−1.7	5.6
Second half	253.3	161.4	24.6	26.8	−2.2	14.4	8.4	38.4	46.4	−7.9	6.0
1951: First half	272.2	175.6	26.1	27.6	−1.5	14.8	8.5	41.0	46.7	−5.8	6.4
Second half	282.9	182.2	26.3	25.6	.8	16.4	9.2	42.2	39.0	3.1	6.6
1952: First half	287.4	186.7	27.4	27.4	[4]	15.1	9.4	42.0	41.1	.8	6.8
Second half [5]	295.0	193.9	28.0	28.0	[4]	15.2	9.9	40.8	40.5	.3	7.2
1950: First quarter	218.9	142.0	22.1	22.3	−.2	12.4	8.0	28.8	30.2	−1.4	5.5
Second quarter	231.3	148.7	23.2	23.7	−.5	12.2	7.9	33.5	35.5	−2.0	5.7
Third quarter	247.2	157.4	24.6	26.7	−2.1	13.9	8.3	37.0	44.3	−7.2	5.9
Fourth quarter	259.4	165.4	24.7	26.9	−2.2	14.8	8.5	39.8	48.4	−8.6	6.2
1951: First quarter	269.6	172.9	26.2	29.0	−2.8	15.1	8.5	40.7	50.1	−9.4	6.3
Second quarter	274.8	178.2	26.0	26.2	−.2	14.4	8.5	41.2	43.3	−2.1	6.4
Third quarter	280.2	181.0	26.0	25.2	.8	15.8	9.1	41.9	38.6	3.2	6.5
Fourth quarter	285.6	183.4	26.6	25.9	.7	17.0	9.4	42.5	39.5	3.0	6.6
1952: First quarter	288.0	186.5	27.3	27.5	−.2	15.4	9.4	42.7	42.7	−.1	6.7
Second quarter	286.9	186.9	27.6	27.3	.3	14.8	9.5	41.2	39.5	1.7	6.9
Third quarter	[5] 289.5	190.3	27.5	27.4	.1	15.2	9.8	[5] 39.6	[5] 39.0	.6	7.1
Fourth quarter [5]	300.5	197.5	28.5	28.5	[4]	15.3	10.0	42.0	42.0	[4]	7.2

[1] National income is the total net income earned in production. It differs from gross national product in that it excludes depreciation charges and other allowances for business and institutional consumption of durable capital goods, and indirect business taxes.

[2] Includes wage and salary receipts and other labor income (see appendix table B-7), and employer and employee contributions for social insurance (see appendix table B-8).

[3] See appendix table B-34 for corporate tax liability (Federal and State income and excess profits taxes) and corporate profits after tax.

[4] Less than 50 million dollars.

[5] Estimates based on incomplete data; corporate profits and total national income for third quarter and all items for 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 B–7.—*Personal income, 1929–52*

[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]	Agricultural income
1929	85.1	50.5	19.7	13.3	1.5	76.8	8.3
1930	76.2	46.3	15.7	12.6	1.5	70.0	6.2
1931	64.8	39.2	11.8	11.1	2.7	60.1	4.7
1932	49.3	30.5	7.4	9.1	2.2	46.2	3.1
1933	46.6	29.0	7.2	8.2	2.1	43.0	3.6
1934	53.2	33.8	8.7	8.6	2.2	49.5	3.7
1935	59.9	36.8	12.1	8.6	2.4	53.4	6.5
1936	68.4	42.1	12.6	10.1	3.5	62.8	5.6
1937	74.0	45.9	15.4	10.3	2.4	66.5	7.5
1938	68.3	42.8	14.0	8.7	2.8	62.1	6.2
1939	72.6	45.7	14.7	9.2	3.0	66.3	6.3
1940	78.3	49.5	16.3	9.4	3.1	71.5	6.8
1941	95.3	61.5	20.8	9.9	3.1	86.1	9.2
1942	122.7	81.4	28.4	9.7	3.2	109.4	13.3
1943	150.3	104.5	32.8	10.0	3.0	135.2	15.1
1944	165.9	116.2	35.5	10.6	3.6	150.5	15.4
1945	171.9	116.9	37.5	11.4	6.2	155.7	16.2
1946	177.7	111.1	42.0	13.2	11.4	158.8	18.9
1947	191.0	122.3	42.4	14.5	11.8	170.8	20.2
1948	209.5	134.9	47.3	16.0	11.3	187.1	22.4
1949	205.9	134.2	42.1	17.1	12.4	188.7	17.2
1950	226.3	146.5	45.2	19.5	15.1	208.5	17.8
1951	254.1	170.7	50.6	20.4	12.4	233.6	20.5
1952 [5]	268.3	182.2	52.2	21.2	12.7	247.8	20.6
	Seasonally adjusted annual rates						
1950: First half	218.4	138.8	43.0	18.2	18.4	201.8	16.6
Second half	234.2	154.0	47.4	20.8	12.0	215.4	18.9
1951: First half	249.0	167.4	49.4	20.0	12.4	229.7	19.4
Second half	259.0	173.9	52.0	20.8	12.4	237.6	21.5
1952: First half	263.7	178.6	51.6	21.0	12.5	243.2	20.6
Second half [5]	273.0	185.8	52.8	21.4	12.9	252.4	20.6
1950: First quarter	217.8	135.4	42.6	18.0	21.8	201.0	16.8
Second quarter	219.0	142.1	43.4	18.5	15.0	202.5	16.5
Third quarter	229.0	150.3	46.8	20.0	11.9	210.7	18.3
Fourth quarter	239.5	157.8	48.0	21.7	12.0	220.0	19.5
1951: First quarter	246.2	164.6	49.7	19.7	12.2	226.6	19.6
Second quarter	251.9	170.1	49.0	20.3	12.5	232.8	19.1
Third quarter	256.1	172.2	50.8	20.6	12.5	235.3	20.8
Fourth quarter	262.0	175.6	53.1	20.9	12.4	239.8	22.2
1952: First quarter	263.0	178.1	51.7	20.5	12.5	242.6	20.4
Second quarter	264.4	179.0	51.6	21.5	12.5	243.7	20.7
Third quarter	268.9	182.4	52.2	21.4	12.9	248.4	20.5
Fourth quarter [5]	277.0	189.1	53.5	21.5	12.9	256.4	20.6

[1] Differs from "compensation of employees" in appendix table B–6, in that it excludes employer and employee contributions to social insurance and includes the excess of wage disbursements over wage accruals. 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] Beginning in 1952, excludes contributions of self-employed persons for social insurance, thus differing from total proprietors' and rental income included in appendix table B–6.

[3] See appendix table B–34 for dividend payments.

[4] Nonagricultural income is 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.

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

Source: Department of Commerce (except as noted).

TABLE B–8.—*Relation of national income and personal income, 1929–52*

[Billions of dollars]

Period	National income	Less:			Plus:				Equals: Personal income
		Corporate profits and inventory valuation adjustment	Contributions to social insurance	Excess of wage accruals over disbursements	Government transfer payments	Net interest paid by government	Dividends	Business transfer payments	
1929	87.4	10.3	0.2		0.9	1.0	5.8	0.6	85.1
1930	75.0	6.6	.3		1.0	1.0	5.5	.5	76.2
1931	58.9	1.6	.3		2.0	1.1	4.1	.6	64.8
1932	41.7	−2.0	.3		1.4	1.1	2.6	.7	49.3
1933	39.6	−2.0	.3		1.5	1.2	2.1	.7	46.6
1934	48.6	1.1	.3		1.6	1.2	2.6	.6	53.2
1935	56.8	3.0	.3		1.8	1.1	2.9	.6	59.9
1936	64.7	4.9	.6		2.9	1.1	4.6	.6	68.4
1937	73.6	6.2	1.8		1.9	1.2	4.7	.6	74.0
1938	67.4	4.3	2.0		2.4	1.2	3.2	.4	68.3
1939	72.5	5.8	2.1		2.5	1.2	3.8	.5	72.6
1940	81.3	9.2	2.3		2.7	1.3	4.0	.4	78.3
1941	103.8	14.6	2.8		2.6	1.3	4.5	.5	95.3
1942	137.1	19.9	3.5		2.7	1.5	4.3	.5	122.7
1943	169.7	24.3	4.5	0.2	2.5	2.1	4.5	.5	150.3
1944	183.8	24.0	5.2	−.2	3.1	2.8	4.7	.5	165.9
1945	182.7	19.2	6.1	(1)	5.6	3.7	4.7	.5	171.9
1946	180.3	18.3	6.0	(1)	10.9	4.4	5.8	.6	177.7
1947	198.7	24.7	5.7	(1)	11.1	4.4	6.6	.7	191.0
1948	223.5	31.7	5.2	(1)	10.5	4.5	7.2	.7	209.5
1949	216.3	29.2	5.7	(1)	11.6	4.6	7.5	.8	205.9
1950	239.2	34.8	6.9	(1)	14.3	4.7	9.0	.8	226.3
1951	277.6	41.6	8.2	(1)	11.5	4.9	9.0	.9	254.1
1952 [2]	291.2	41.4	8.6	−.1	11.8	5.0	9.3	.9	268.3
	Seasonally adjusted annual rates								
1950: First half	225.1	31.2	6.6	(1)	17.6	4.7	8.0	.8	218.4
Second half	253.3	38.4	7.1	(1)	11.0	4.8	10.0	.9	234.2
1951: First half	272.2	41.0	8.2	(1)	11.4	4.8	8.8	.9	249.0
Second half	282.9	42.2	8.2	.1	11.6	5.0	9.2	.9	259.0
1952: First half	287.4	42.0	8.4	(1)	11.6	5.0	9.2	.9	263.7
Second half [2]	295.0	40.8	8.6	−.2	12.0	5.0	9.3	.9	273.0
1950: First quarter	218.9	28.8	6.6	(1)	21.0	4.7	7.8	.8	217.8
Second quarter	231.3	33.5	6.7	(1)	14.2	4.7	8.1	.8	219.0
Third quarter	247.2	37.0	6.9	(1)	11.0	4.8	9.3	.9	229.0
Fourth quarter	259.4	39.8	7.3	.1	11.1	4.8	10.7	.9	239.5
1951: First quarter	269.6	40.7	8.1	.1	11.3	4.8	8.6	.9	246.2
Second quarter	274.8	41.2	8.2	−.2	11.6	4.9	9.0	.9	251.9
Third quarter	280.2	41.9	8.1	.8	11.6	4.9	9.2	.9	256.1
Fourth quarter	285.6	42.5	8.3	−.6	11.5	5.0	9.3	.9	262.0
1952: First quarter	288.0	42.7	8.5	.1	11.7	5.0	8.9	.9	263.0
Second quarter	286.9	41.2	8.4	(1)	11.6	5.0	9.6	.9	264.4
Third quarter	[2] 289.5	[2] 39.6	8.6	−.4	12.0	5.0	9.3	.9	268.9
Fourth quarter [2]	300.5	42.0	8.7	(1)	12.0	5.0	9.3	.9	277.0

[1] Less than 50 million dollars.

[2] Estimates based on incomplete data; corporate profits and total national income for third quarter and all items for 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 B–9.—*Disposition of personal income, 1929–52*

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 personal 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	122.7	6.0	116.7	91.2	25.6	21.9
1943	150.3	17.8	132.4	102.2	30.2	22.8
1944	165.9	18.9	147.0	111.6	35.4	24.1
1945	171.9	20.9	151.1	123.1	28.0	18.5
1946	177.7	18.8	158.9	146.9	12.0	7.6
1947	191.0	21.5	169.5	165.6	3.9	2.3
1948	209.5	21.1	188.4	177.9	10.5	5.6
1949	205.9	18.6	187.2	180.6	6.7	3.6
1950	226.3	20.8	205.5	194.3	11.2	5.5
1951	254.1	29.1	225.0	208.0	17.0	7.6
1952 [1]	268.3	33.5	234.8	216.0	18.8	8.0
	Seasonally adjusted annual rates					
1950: First half	218.4	19.6	198.8	187.1	11.7	5.9
Second half	234.2	22.0	212.2	201.4	10.8	5.1
1951: First half	249.0	28.4	220.6	207.5	13.1	5.9
Second half	259.0	29.7	229.3	208.4	20.9	9.1
1952: First half	263.7	32.7	231.0	214.0	16.9	7.3
Second half [1]	273.0	34.3	238.6	218.0	20.6	8.6
1950: First quarter	217.8	19.3	198.5	184.9	13.6	6.9
Second quarter	219.0	19.8	199.1	189.3	9.8	4.9
Third quarter	229.0	20.6	208.5	203.5	4.9	2.4
Fourth quarter	239.5	23.5	216.0	199.4	16.6	7.7
1951: First quarter	246.2	28.2	218.0	210.5	7.5	3.4
Second quarter	251.9	28.7	223.2	204.5	18.7	8.4
Third quarter	256.1	29.0	227.1	206.4	20.7	9.1
Fourth quarter	262.0	30.4	231.5	210.5	21.1	9.1
1952: First quarter	263.0	32.5	230.5	213.2	17.3	7.5
Second quarter	264.4	32.9	231.5	214.9	16.5	7.1
Third quarter	268.9	33.6	235.3	215.0	20.3	8.6
Fourth quarter [1]	277.0	35.0	242.0	221.0	21.0	8.7

[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 B–10.—*Total and per capita disposable personal income in current and 1952 prices, 1929–52*

Period	Total disposable personal income (billions of dollars)		Per capita disposable personal income (dollars)		Population (thousands) [2]
	Current prices	1952 prices [1]	Current prices	1952 prices [1]	
1929	82.5	127.3	677	1,045	121,881
1930	73.7	118.9	598	965	123,188
1931	63.0	113.5	507	914	124,149
1932	47.8	97.6	383	782	124,949
1933	45.2	97.0	360	773	125,690
1934	51.6	104.7	408	828	126,485
1935	58.0	115.5	455	906	127,362
1936	66.1	130.6	516	1,020	128,181
1937	71.1	135.2	551	1,048	128,961
1938	65.5	127.4	504	981	129,969
1939	70.2	138.2	536	1,055	131,028
1940	75.7	147.6	573	1,117	132,114
1941	92.0	169.4	690	1,271	133,377
1942	116.7	191.0	866	1,417	134,831
1943	132.4	198.5	968	1,451	136,719
1944	147.0	210.0	1,062	1,517	138,390
1945	151.1	208.7	1,080	1,492	139,934
1946	158.9	204.2	1,124	1,445	141,398
1947	169.5	198.2	1,176	1,375	144,129
1948	188.4	208.6	1,285	1,423	146,621
1949	187.2	209.9	1,255	1,407	149,149
1950	205.5	225.1	1,355	1,484	151,677
1951	225.0	229.4	1,458	1,486	154,360
1952 [3]	234.8	234.8	1,496	1,496	156,981
	Seasonally adjusted annual rates				
1950: First half	198.8	222.4	1,315	1,471	151,132
Second half	212.2	228.2	1,392	1,497	152,428
1951: First half	220.6	226.0	1,435	1,470	153,703
Second half	229.3	232.6	1,478	1,499	155,093
1952: First half	231.0	231.9	1,477	1,483	156,371
Second half [3]	238.6	237.9	1,512	1,507	157,768
1950: First quarter	198.5	223.0	1,316	1,479	150,850
Second quarter	199.1	222.0	1,315	1,466	151,385
Third quarter	208.5	225.9	1,371	1,485	152,058
Fourth quarter	216.0	230.8	1,414	1,511	152,766
1951: First quarter	218.0	224.0	1,421	1,460	153,399
Second quarter	223.2	228.2	1,449	1,482	154,016
Third quarter	227.1	231.7	1,468	1,498	154,722
Fourth quarter	231.5	233.4	1,489	1,501	155,442
1952: First quarter	230.5	232.1	1,477	1,487	156,064
Second quarter	231.5	231.5	1,478	1,478	156,669
Third quarter	235.3	234.8	1,495	1,492	157,370
Fourth quarter [3]	242.0	241.0	1,531	1,525	158,100

[1] Dollar estimates in current prices divided by an over-all implicit price index for personal consumption expenditures. This price index is based on Department of Commerce data shifted from a 1939 base.

[2] Provisional intercensal estimates of the population of continental United States including armed forces overseas, taking into account the final 1950 census total population count. Annual data are as of July 1; quarterly and semiannual data as of middle of period.

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

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

Sources: Department of Commerce and Council of Economic Advisers.

TABLE B–11.—*Sources and uses of gross saving, 1929–52*

[Billions of dollars]

Period	Gross private saving				Government surplus or deficit (−) on income and product transactions			Gross investment		
	Total	Personal saving	Gross business saving	Statistical discrepancy	Total	Federal	State and local	Total	Gross private domestic investment	Net foreign investment
1929	15.5	3.7	11.9	−0.1	1.1	1.2	−0.1	16.6	15.8	0.8
1930	11.2	2.9	9.0	−.7	−.3	.3	−.5	10.9	10.2	.7
1931	8.4	1.8	5.3	1.2	−2.8	−2.1	−.7	5.6	5.4	.2
1932	2.8	−1.4	2.7	1.4	−1.7	−1.5	−.2	1.1	.9	.2
1933	2.7	−1.2	2.7	1.2	−1.3	−1.3	(1)	1.5	1.3	.2
1934	5.6	−.2	5.0	.9	−2.4	−2.8	.5	3.2	2.8	.4
1935	7.9	1.8	6.5	−.3	−1.8	−2.5	.7	6.1	6.1	−.1
1936	11.1	3.6	6.7	.9	−2.9	−3.5	.6	8.2	8.3	−.1
1937	10.8	3.9	7.9	−1.0	.7	−.2	.9	11.5	11.4	.1
1938	8.9	1.0	8.0	−.1	−1.5	−2.0	.5	7.4	6.3	1.1
1939	12.7	2.7	8.6	1.4	−1.9	−2.2	.3	10.8	9.9	.9
1940	16.0	3.7	10.7	1.6	−.5	−1.4	.9	15.5	13.9	1.5
1941	23.0	9.8	11.6	1.6	−3.5	−4.9	1.4	19.5	18.3	1.1
1942	41.8	25.6	13.9	2.3	−31.2	−32.9	1.8	10.7	10.9	−.2
1943	47.4	30.2	16.3	.9	−43.9	−46.4	2.5	3.5	5.7	−2.2
1944	57.0	35.4	17.5	4.0	−51.4	−54.0	2.6	5.6	7.7	−2.1
1945	48.5	28.0	15.7	4.9	−39.2	−41.8	2.6	9.3	10.7	−1.4
1946	28.7	12.0	15.0	1.7	4.6	2.6	2.0	33.3	28.7	4.6
1947	25.3	3.9	21.1	.3	13.7	12.9	.9	39.1	30.2	8.9
1948	36.4	10.5	29.1	−3.2	8.2	8.5	−.3	44.6	42.7	1.9
1949	37.0	6.7	30.2	.2	−3.1	−2.0	−1.0	34.0	33.5	.5
1950	39.6	11.2	29.0	−.7	8.5	9.7	−1.2	48.0	50.3	−2.3
1951	51.4	17.0	33.0	1.4	7.3	8.3	−1.0	58.7	58.5	.2
1952 [2]	53.2	18.8	36.3	−2.0	−1.5	(1)	−1.5	51.7	51.4	.3
	Seasonally adjusted annual rates									
1950:										
First half	42.2	11.7	28.8	1.8	.6	2.4	−1.8	42.8	44.5	−1.6
Second half	36.8	10.8	29.2	−3.2	16.3	17.0	−.7	53.2	56.2	−3.0
1951:										
First half	45.8	13.1	29.5	3.2	15.2	16.2	−1.0	61.0	62.5	−1.4
Second half	57.0	20.9	36.4	−.4	−.6	.4	−1.0	56.4	54.6	1.8
1952:										
First half	52.6	16.9	36.2	−.5	−1.6	.4	−2.0	51.0	49.6	1.3
Second half [2]	53.9	20.6	36.4	−3.2	−1.4	−.4	−1.0	52.4	53.1	−.7
1950:										
First quarter	42.5	13.6	27.5	1.4	−5.1	−3.3	−1.8	37.3	39.0	−1.7
Second quarter	41.9	9.8	30.0	2.1	6.4	8.0	−1.7	48.4	50.0	−1.6
Third quarter	30.2	4.9	29.3	−4.0	17.3	17.9	−.6	47.6	50.8	−3.2
Fourth quarter	43.5	16.6	29.2	−2.3	15.3	16.1	−.8	58.9	61.6	−2.7
1951:										
First quarter	35.4	7.5	27.2	.7	21.7	22.4	−.7	57.1	59.8	−2.7
Second quarter	56.2	18.7	31.8	5.7	8.8	10.0	−1.2	65.0	65.2	−.2
Third quarter	57.4	20.7	36.7	.0	−.1	1.1	−1.2	57.3	56.2	1.1
Fourth quarter	56.5	21.1	36.2	−.8	−1.1	−.2	−.9	55.5	52.9	2.6
1952:										
First quarter	51.6	17.3	35.9	−1.6	.5	2.6	−2.1	52.2	50.0	2.2
Second quarter	53.5	16.5	36.4	.6	−3.8	−1.9	−1.8	49.7	49.3	.4
Third quarter [2]	52.7	20.3	35.6	−3.2	−2.5	−1.5	−1.0	50.1	51.7	−1.6
Fourth quarter [2]	55.1	21.0	37.3	−3.2	−.4	.6	−1.0	54.7	54.5	.2

[1] Less than 50 million dollars.

[2] Estimates based on incomplete data; third and fourth quarters by Council of Economic Advisers.

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

Source: Department of Commerce (except as noted).

EMPLOYMENT AND WAGES

TABLE B–12.—*Labor force, employment, and unemployment, 1929–52*

Period	Total labor force (including armed forces) [1]	Armed forces [1]	Civilian labor force					Unemployment as percent of total civilian labor force
			Total civilian labor force	Employment [2]			Unemployment	
				Total	Agricultural	Nonagricultural		
	Thousands of persons, 14 years of age and over							
Monthly average:								
1929	49,440	260	49,180	47,630	10,450	37,180	1,550	3.2
1930	50,080	260	49,820	45,480	10,340	35,140	4,340	8.7
1931	50,680	260	50,420	42,400	10,290	32,110	8,020	15.9
1932	51,250	250	51,000	38,940	10,170	28,770	12,060	23.6
1933	51,840	250	51,590	38,760	10,090	28,670	12,830	24.9
1934	52,490	260	52,230	40,890	9,900	30,990	11,340	21.7
1935	53,140	270	52,870	42,260	10,110	32,150	10,610	20.1
1936	53,740	300	53,440	44,410	10,000	34,410	9,030	16.9
1937	54,320	320	54,000	46,300	9,820	36,480	7,700	14.3
1938	54,950	340	54,610	44,220	9,690	34,530	10,390	19.0
1939	55,600	370	55,230	45,750	9,610	36,140	9,480	17.2
1940	56,030	390	55,640	47,520	9,540	37,980	8,120	14.6
1941	57,380	1,470	55,910	50,350	9,100	41,250	5,560	9.9
1942	60,230	3,820	56,410	53,750	9,250	44,500	2,660	4.7
1943	64,410	8,870	55,540	54,470	9,080	45,390	1,070	1.9
1944	65,890	11,260	54,630	53,960	8,950	45,010	670	1.2
1945	65,140	11,280	53,860	52,820	8,580	44,240	1,040	1.9
1946	60,820	3,300	57,520	55,250	8,320	46,930	2,270	3.9
1947	61,608	1,440	60,168	58,027	8,266	49,761	2,142	3.6
1948	62,748	1,306	61,442	59,378	7,973	51,405	2,064	3.4
1949	63,571	1,466	62,105	58,710	8,026	50,684	3,395	5.5
1950	64,599	1,500	63,099	59,957	7,507	52,450	3,142	5.0
1951	65,832	2,948	62,884	61,005	7,054	53,951	1,879	3.0
1952	[3] 66,500	[3] 3,500	62,962	61,291	6,805	54,486	1,672	2.7
1951: First half	64,948	2,694	62,254	60,189	6,744	53,446	2,065	3.3
Second half	66,717	3,204	63,513	61,820	7,365	54,455	1,693	2.7
1952: First half	65,794	3,453	62,341	60,512	6,634	53,878	1,829	2.9
Second half	[3] 67,200	[3] 3,600	63,584	62,070	6,976	55,094	1,514	2.4
1950: June	66,177	1,311	64,866	61,482	9,046	52,436	3,384	5.2
1951: January	63,759	2,245	61,514	59,010	6,018	52,993	2,503	4.1
February	63,868	2,555	61,313	58,905	5,930	52,976	2,407	3.9
March	64,956	2,631	62,325	60,179	6,393	53,785	2,147	3.4
April	64,577	2,788	61,789	60,044	6,645	53,400	1,744	2.8
May	65,728	2,925	62,803	61,193	7,440	53,753	1,609	2.6
June	66,800	3,017	63,783	61,803	8,035	53,768	1,980	3.1
July	67,477	3,095	64,382	62,526	7,908	54,618	1,856	2.9
August	67,371	3,163	64,208	62,630	7,688	54,942	1,578	2.5
September	66,396	3,210	63,186	61,580	7,526	54,054	1,606	2.5
October	66,662	3,210	63,452	61,836	7,668	54,168	1,616	2.5
November	66,422	3,258	63,164	61,336	7,022	54,314	1,828	2.9
December	65,973	3,285	62,688	61,014	6,378	54,636	1,674	2.7
1952: January	65,091	3,311	61,780	59,726	6,186	53,540	2,054	3.3
February	65,228	3,390	61,838	59,752	6,064	53,688	2,086	3.4
March	65,006	3,488	61,518	59,714	6,012	53,702	1,804	2.9
April	65,260	3,516	61,744	60,132	6,412	53,720	1,612	2.6
May	66,298	3,520	62,778	61,176	6,960	54,216	1,602	2.6
June	67,884	3,494	64,390	62,572	8,170	54,402	1,818	2.8
July	[4]	[4]	64,176	62,234	7,598	54,636	1,942	3.0
August	[4]	[4]	63,958	62,354	6,964	55,390	1,604	2.5
September	[4]	[4]	63,698	62,260	7,548	54,712	1,438	2.3
October	[4]	[4]	63,146	61,862	7,274	54,588	1,284	2.0
November	[4]	[4]	63,646	62,228	6,774	55,454	1,418	2.2
December	[4]	[4]	62,878	61,480	5,696	55,784	1,398	2.2

[1] Data for 1940–52 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.

[2] Includes part-time workers and those who had jobs but were not at work for such reasons as vacation, illness, bad weather, temporary lay-off, and industrial disputes.

[3] Estimates of armed forces based on a statement in the *Budget Message of the President*, January 1953 Total labor force, including armed forces, rounded to the nearest half-million.

[4] Not available.

NOTE.—Labor force data are based on a survey made during the week which includes the 8th of the month. Detail will not necessarily add to totals because of rounding.

Sources: Department of Labor (1929–39) and Department of Commerce (1940–52), except as noted.

TABLE B–13.—*Number of wage and salary workers in nonagricultural establishments, 1929–52* [1]

[Thousands of employees]

Period	Total wage and salary workers	Manufacturing			Mining	Contract construction	Transportation and public utilities	Trade [2]	Finance	Service [2]	Government, (Federal, State, and local)
		Total	Durable goods	Nondurable goods							
Monthly average:											
1929	31,041	10,534	(3)	(3)	1,078	1,497	3,907	6,401	1,431	3,127	3,066
1930	29,143	9,401	(3)	(3)	1,000	1,372	3,675	6,064	1,398	3,084	3,149
1931	26,383	8,021	(3)	(3)	864	1,214	3,243	5,531	1,333	2,913	3,264
1932	23,377	6,797	(3)	(3)	722	970	2,804	4,907	1,270	2,682	3,225
1933	23,466	7,258	(3)	(3)	735	809	2,659	4,999	1,225	2,614	3,167
1934	25,699	8,346	(3)	(3)	874	862	2,736	5,552	1,247	2,784	3,298
1935	26,792	8,907	(3)	(3)	888	912	2,771	5,692	1,262	2,883	3,477
1936	28,802	9,653	(3)	(3)	937	1,145	2,956	6,076	1,313	3,060	3,662
1937	30,718	10,606	(3)	(3)	1,006	1,112	3,114	6,543	1,355	3,233	3,749
1938	28,902	9,253	(3)	(3)	882	1,055	2,840	6,453	1,347	3,196	3,876
1939	30,287	10,078	4,683	5,394	845	1,150	2,912	6,612	1,382	3,321	3,987
1940	32,031	10,780	5,337	5,443	916	1,294	3,013	6,940	1,419	3,477	4,192
1941	36,164	12,974	6,945	6,028	947	1,790	3,248	7,416	1,462	3,705	4,622
1942	39,697	15,051	8,804	6,247	983	2,170	3,433	7,333	1,440	3,857	5,431
1943	42,042	17,381	11,077	6,304	917	1,567	3,619	7,189	1,401	3,919	6,049
1944	41,480	17,111	10,858	6,253	883	1,094	3,798	7,260	1,374	3,934	6,026
1945	40,069	15,302	9,079	6,222	826	1,132	3,872	7,522	1,394	4,055	5,967
1946	41,412	14,461	7,739	6,722	852	1,661	4,023	8,602	1,586	4,621	5,607
1947	43,371	15,247	8,373	6,874	943	1,982	4,122	9,196	1,641	4,786	5,454
1948	44,201	15,286	8,315	6,970	981	2,165	4,151	9,491	1,716	4,799	5,613
1949	43,006	14,146	7,465	6,681	932	2,156	3,979	9,438	1,763	4,782	5,811
1950	44,124	14,884	8,008	6,876	904	2,318	4,010	9,524	1,812	4,761	5,910
1951	46,401	15,931	8,926	7,005	920	2,569	4,144	9,804	1,883	4,759	6,390
1952 [4]	46,662	15,906	8,985	6,921	875	2,552	4,161	9,855	1,959	4,765	6,589
1951: First half	45,880	15,925	8,927	6,997	923	2,432	4,116	9,650	1,859	4,729	6,246
Second half	46,922	15,938	8,925	7,013	916	2,707	4,173	9,958	1,906	4,788	6,535
1952: First half	46,122	15,727	8,943	6,784	886	2,420	4,121	9,748	1,942	4,733	6,544
Second half [4]	47,309	16,120	9,035	7,085	862	2,710	4,208	9,983	1,979	4,803	6,643
1950: June	43,945	14,666	7,964	6,702	946	2,414	4,023	9,411	1,827	4,826	5,832
1951: January	45,246	15,784	8,742	7,042	932	2,281	4,072	9,592	1,831	4,666	6,088
February	45,390	15,978	8,877	7,101	930	2,228	4,082	9,554	1,839	4,657	6,122
March	45,850	16,022	8,969	7,053	924	2,326	4,112	9,713	1,854	4,682	6,217
April	45,998	15,955	9,003	6,952	911	2,471	4,132	9,627	1,865	4,745	6,292
May	46,226	15,853	8,975	6,878	915	2,598	4,137	9,683	1,874	4,789	6,377
June	46,567	15,956	8,998	6,958	927	2,686	4,161	9,732	1,893	4,835	6,377
July	46,432	15,813	8,839	6,974	906	2,754	4,176	9,667	1,908	4,852	6,356
August	46,724	16,008	8,878	7,130	922	2,809	4,190	9,641	1,914	4,839	6,401
September	46,956	16,039	8,913	7,126	917	2,768	4,178	9,781	1,898	4,831	6,544
October	46,902	15,965	8,942	7,023	917	2,761	4,166	9,893	1,898	4,770	6,532
November	46,852	15,890	8,976	6,914	917	2,633	4,165	10,109	1,907	4,734	6,497
December	47,663	15,913	9,000	6,913	916	2,518	4,161	10,660	1,912	4,702	6,881
1952: January	45,913	15,776	8,946	6,830	909	2,316	4,103	9,720	1,909	4,671	6,509
February	45,899	15,859	9,010	6,849	902	2,308	4,111	9,643	1,919	4,667	6,490
March	46,001	15,869	9,035	6,834	904	2,296	4,118	9,668	1,937	4,681	6,528
April	46,299	15,795	9,054	6,741	896	2,416	4,096	9,845	1,952	4,748	6,551
May	46,329	15,654	8,991	6,663	893	2,522	4,131	9,773	1,958	4,796	6,602
June	46,292	15,410	8,621	6,789	814	2,663	4,168	9,838	1,977	4,837	6,585
July	46,006	15,162	8,301	6,861	784	2,722	4,140	9,792	1,993	4,855	6,558
August	47,124	16,028	8,916	7,112	897	2,781	4,208	9,784	1,993	4,844	6,589
September [4]	47,727	16,389	9,190	7,199	885	2,761	4,224	9,960	1,971	4,825	6,712
October [4]	47,826	16,493	9,336	7,157	870	2,699	4,240	10,094	1,969	4,766	6,695
November [4]	47,862	16,529	9,433	7,096	875	2,586	4,230	10,285	1,970	4,724	6,663

[1] Includes all full- and part-time wage and salary workers in nonagricultural establishments who worked during or received pay for any part of 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 B–12) 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] Data for the trade and service divisions, beginning with 1939, are not strictly comparable with data shown for earlier years because of the shift of the automotive repair service industry from the trade to the service division.

[3] Not available.

[4] Estimates based on incomplete data.

NOTE.—Adjustments have been made to levels indicated by data of unemployment insurance agencies and the Bureau of Old-Age and Survivors Insurance through 1947, and have been carried forward from 1947 benchmark levels, thereby providing consistent series.

Detail will not necessarily add to totals because of rounding.

Source: Department of Labor.

TABLE B–14.—*Average weekly hours in selected industries, 1929–52*

Period	Manufacturing			Bituminous coal mining	Building construction	Class I railroads	Telephone	Wholesale trade	Retail trade (except eating and drinking places)	Hotels (year-round)
	Total	Durable goods	Non-durable goods							
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)	(1)	(1)
1935	36.6	37.3	36.1	26.4	30.1	41.1	(1)	(1)	(1)	(1)
1936	39.2	41.0	37.7	28.8	32.8	42.5	(1)	(1)	(1)	(1)
1937	38.6	40.0	37.4	27.9	33.4	43.2	38.8	(1)	(1)	(1)
1938	35.6	35.0	36.1	23.5	32.1	42.5	38.9	(1)	(1)	(1)
1939	37.7	38.0	37.4	27.1	32.6	43.4	39.1	(1)	(1)	(1)
1940	38.1	39.3	37.0	28.1	33.1	44.0	39.5	(1)	(1)	(1)
1941	40.6	42.1	38.9	31.1	34.8	45.6	40.1	(1)	(1)	(1)
1942	42.9	45.1	40.3	32.9	36.4	46.9	40.5	(1)	(1)	(1)
1943	44.9	46.6	42.5	36.6	38.4	48.7	41.9	(1)	(1)	(1)
1944	45.2	46.6	43.1	43.4	39.6	49.1	42.3	(1)	(1)	(1)
1945	43.4	44.1	42.3	42.3	39.0	48.5	(2)	(1)	(1)	(1)
1946	40.4	40.2	40.5	41.6	38.1	45.9	39.4	(1)	(1)	(1)
1947	40.4	40.6	40.1	40.7	37.6	46.3	37.4	41.0	40.3	45.2
1948	40.1	40.5	39.6	38.0	[3] 37.3	46.1	39.2	40.9	40.3	44.3
1949	39.2	39.5	38.8	32.6	36.7	43.5	38.5	40.7	40.4	44.2
1950	40.5	41.2	39.7	35.0	36.3	40.8	38.9	40.7	40.5	43.9
1951	40.7	41.7	39.5	35.2	37.3	41.0	39.1	40.7	40.1	43.2
1952 [4]	40.6	41.4	39.6	33.5	38.1	(1)	38.5	40.6	39.8	42.6
1951: First half	40.9	41.8	39.8	34.6	36.6	41.3	39.0	40.6	40.0	43.3
Second half	40.6	41.5	39.3	35.8	37.8	40.6	39.2	40.8	40.2	43.1
1952: First half	40.4	41.4	39.2	33.3	37.8	40.8	38.0	40.4	39.8	42.7
Second half [4]	40.9	41.4	40.1	33.8	38.6	(1)	39.0	40.7	39.7	42.5
1950: June	40.5	41.3	39.5	34.7	37.0	41.9	39.1	40.6	40.9	43.8
1951: January	41.0	41.5	40.2	37.6	36.7	42.1	38.9	40.8	40.3	43.4
February	40.9	41.6	40.0	34.1	35.3	41.1	39.2	40.6	40.1	43.2
March	41.1	41.9	40.0	33.6	35.8	41.9	38.9	40.6	39.7	43.3
April	41.0	42.0	39.7	33.9	36.8	40.6	38.7	40.6	39.9	43.3
May	40.7	41.8	39.3	33.3	37.5	41.0	39.0	40.6	39.8	43.4
June	40.7	41.8	39.4	34.8	37.7	41.1	39.4	40.7	40.4	43.4
July	40.2	40.9	39.3	32.7	38.1	40.1	39.8	40.7	40.8	43.4
August	40.3	41.3	39.1	34.9	38.2	42.1	39.2	40.7	40.8	43.3
September	40.6	41.6	39.4	36.5	38.2	39.1	39.4	40.9	40.0	42.9
October	40.5	41.7	38.9	36.3	38.5	42.0	39.1	40.8	39.8	42.9
November	40.5	41.5	39.2	36.2	36.4	40.8	39.2	40.8	39.4	43.1
December	41.2	42.2	39.9	38.4	37.7	39.5	38.8	41.1	40.1	43.2
1952: January	40.8	41.8	39.5	38.5	37.5	41.6	38.7	40.7	39.8	42.8
February	40.7	41.7	39.5	35.9	37.9	42.7	38.5	40.4	39.8	42.8
March	40.7	41.7	39.3	35.4	36.9	40.2	38.5	40.4	39.8	42.5
April	39.8	40.8	38.4	29.9	37.6	41.3	34.9	40.1	39.7	42.8
May	40.2	41.1	39.0	31.8	37.9	39.8	38.7	40.4	39.6	42.6
June	40.5	41.2	39.5	28.5	38.7	39.5	39.0	40.5	40.1	42.6
July	39.9	40.2	39.5	28.1	38.4	39.7	39.3	40.6	40.4	42.4
August	40.6	41.0	40.0	36.2	38.5	40.0	39.0	40.6	40.4	42.6
September [4]	41.3	42.0	40.3	39.2	38.7	40.9	39.0	40.8	39.6	42.3
October [4]	41.4	42.2	40.3	32.8	38.7	(1)	38.9	40.8	39.3	42.6
November [4]	41.2	41.8	40.3	(1)	(1)	(1)	(1)	(1)	(1)	(1)

[1] Not available.
[2] Average for year not available because new series was started in April 1945. Beginning with June 1949 data relate to nonsupervisory employees only.
[3] Not strictly comparable with previous data.
[4] Estimates based on incomplete data.

NOTE.—Data are for production workers in manufacturing and mining, hourly-rated employees in railroads, construction workers in building construction, and for nonsupervisory employees in other industries. Data are for payroll periods ending closest to the middle of the month except in railroads where monthly data are used.

The half-year data are straight arithmetic averages of the monthly figures and not strictly comparable with the annual averages which have been weighted by data on employment.

Source: Department of Labor.

TABLE B–15.—*Average gross hourly earnings in selected industries, 1929–52*

Period	Manufacturing			Bituminous coal mining	Building construction	Class I railroads	Telephone	Wholesale trade	Retail trade (except eating and drinking places)	Hotels (year-round) [1]
	Total	Durable goods	Nondurable goods							
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)	(2)	(2)
1935	.550	.577	.530	.745	.815	.651	(2)	(2)	(2)	(2)
1936	.556	.586	.529	.794	.824	.659	(2)	(2)	(2)	(2)
1937	.624	.674	.577	.856	.903	.676	$0.774	(2)	(2)	(2)
1938	.627	.686	.584	.878	.908	.712	.816	(2)	(2)	(2)
1939	.633	.698	.582	.886	.932	.714	.822	(2)	(2)	(2)
1940	.661	.724	.602	.883	.958	.717	.827	(2)	(2)	(2)
1941	.729	.808	.640	.993	1.010	.751	.820	(2)	(2)	(2)
1942	.853	.947	.723	1.059	1.148	.824	.843	(2)	(2)	(2)
1943	.961	1.059	.803	1.139	1.252	.897	.870	(2)	(2)	(2)
1944	1.019	1.117	.861	1.186	1.319	.938	.911	(2)	(2)	(2)
1945	1.023	1.111	.904	1.240	1.379	.942	(3)	(2)	(2)	(2)
1946	1.086	1.156	1.015	1.401	1.478	1.116	1.124	(2)	(2)	(2)
1947	1.237	1.292	1.171	1.636	1.681	1.170	1.197	$1.268	$1.009	$0.650
1948	1.350	1.410	1.278	1.898	[4] 1.848	1.309	1.248	1.359	1.088	.709
1949	1.401	1.469	1.325	1.941	1.935	1.419	1.345	1.414	1.137	.743
1950	1.465	1.537	1.378	2.010	2.031	1.549	1.398	1.483	1.176	.771
1951	1.594	1.678	1.481	2.212	2.201	[5] 1.702	1.491	1.585	1.253	.819
1952 [6]	1.668	1.763	1.538	2.259	2.312	(2)	1.581	1.667	1.307	.864
1951: First half	1.575	1.655	1.466	2.193	2.166	1.658	1.458	1.569	1.244	.807
Second half	1.614	1.702	1.495	2.235	2.232	1.746	1.522	1.601	1.262	.832
1952: First half	1.652	1.740	1.529	2.236	2.278	1.780	1.551	1.650	1.292	.858
Second half [6]	1.687	1.791	1.549	2.287	2.353	(2)	1.617	1.687	1.324	.872
1950: June	1.453	1.522	1.365	2.015	1.995	1.532	1.386	1.476	1.175	.761
1951: January	1.555	1.630	1.456	2.038	2.135	1.559	1.450	1.555	1.237	.804
February	1.561	1.639	1.458	2.219	2.157	1.622	1.469	1.567	1.236	.811
March	1.571	1.654	1.460	2.222	2.163	1.657	1.453	1.567	1.233	.801
April	1.578	1.659	1.465	2.231	2.167	1.687	1.450	1.575	1.249	.806
May	1.586	1.665	1.474	2.218	2.182	1.698	1.451	1.571	1.252	.807
June	1.599	1.681	1.484	2.232	2.194	1.723	1.475	1.581	1.256	.812
July	1.598	1.682	1.488	2.254	2.195	1.741	1.490	1.586	1.262	.817
August	1.596	1.684	1.481	2.213	2.207	1.723	1.501	1.585	1.259	.815
September	1.613	1.707	1.489	2.236	2.236	1.760	1.522	1.605	1.270	.834
October	1.615	1.705	1.491	2.221	2.239	1.732	1.533	1.604	1.267	.837
November	1.626	1.712	1.507	2.240	2.260	1.750	1.552	1.606	1.267	.840
December	1.636	1.723	1.515	2.247	2.253	1.771	1.532	1.620	1.245	.852
1952: January	1.640	1.726	1.520	2.244	2.276	1.781	1.542	1.632	1.287	.852
February	1.644	1.731	1.522	2.236	2.285	1.796	1.554	1.637	1.281	.855
March	1.656	1.746	1.530	2.239	2.292	1.779	1.540	1.649	1.279	.856
April	1.655	1.742	1.529	2.230	2.285	1.759	1.545	1.658	1.284	.858
May	1.658	1.746	1.531	2.209	2.270	1.773	1.566	1.657	1.305	.863
June	1.658	1.747	1.540	2.256	2.261	1.792	1.559	1.669	1.318	.862
July	1.648	1.733	1.545	2.258	2.294	1.810	1.585	1.670	1.314	.866
August	1.669	1.768	1.542	2.225	2.327	1.824	1.591	1.678	1.312	.868
September [6]	1.696	1.811	1.545	2.261	2.356	1.830	1.613	1.690	1.324	.872
October [6]	1.705	1.819	1.549	2.335	2.384	(2)	1.637	1.698	1.334	.875
November [6]	1.715	1.824	1.563	(2)	(2)	(2)	(2)	(2)	(2)	(2)

[1] Money payments only; additional value of board, room, uniforms, and tips not included.
[2] Not available.
[3] Not available. 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. Beginning with June 1949, data relate to nonsupervisory employees.
[4] Not strictly comparable with previous data.
[5] Preliminary average; does not include any retroactive wage payments.
[6] Estimates based on incomplete data.

NOTE.—Data are for production workers in manufacturing and mining, hourly-rated employees in railroads, construction workers in building construction, and for all nonsupervisory employees in other industries. Data are for payroll periods ending closest to the middle of the month except in railroads where monthly data are used.

The half-year data are straight arithmetic averages of the monthly figures and not strictly comparable with the annual averages which have been weighted by data on man-hours.

Source: Department of Labor.

TABLE B–16.—*Average gross weekly earnings in selected industries, 1929–52*

Period	Manufacturing			Bituminous coal mining	Building construction	Class I railroads	Telephone	Wholesale trade	Retail trade (except eating and drinking places)	Hotels (year-round)[1]
	Total	Durable goods	Nondurable goods							
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)	(2)	(2)	(2)
1933	16.73	16.43	16.89	14.47	(2)	23.09	(2)	(2)	(2)	(2)
1934	18.40	18.87	18.05	18.10	$22.97	24.32	(2)	(2)	(2)	(2)
1935	20.13	21.52	19.11	19.58	24.51	26.76	(3)	(3)	(3)	(3)
1936	21.78	24.04	19.94	22.71	27.01	28.01	(3)	(2)	(2)	(2)
1937	24.05	26.91	21.53	23.84	30.14	29.20	$29.81	(2)	(2)	(2)
1938	22.30	24.01	21.05	20.80	29.19	30.26	31.53	(2)	(2)	(2)
1939	23.86	26.50	21.78	23.88	30.39	30.99	31.94	(2)	(2)	(2)
1940	25.20	28.44	22.27	24.71	31.70	31.55	32.44	(2)	(2)	(2)
1941	29.58	34.04	24.92	30.86	35.14	34.25	32.74	(2)	(2)	(2)
1942	36.65	42.73	29.13	35.02	41.80	38.65	33.97	(2)	(2)	(2)
1943	43.14	49.30	34.12	41.62	48.13	43.68	36.30	(2)	(2)	(2)
1944	46.08	52.07	37.12	51.27	52.18	46.06	38.39	(2)	(2)	(2)
1945	44.39	49.05	38.29	52.25	53.73	45.69	(3)	(2)	(2)	(2)
1946	43.82	46.49	41.14	58.03	56.24	51.22	44.04	(2)	(2)	(2)
1947	49.97	52.46	46.96	66.59	63.30	54.17	44.77	$51.99	$40.66	$29.36
1948	54.14	57.11	50.61	72.12	[4] 68.85	60.34	48.92	55.58	43.85	31.41
1949	54.92	58.03	51.41	63.28	70.95	61.73	51.78	57.55	45.93	32.84
1950	59.33	63.32	54.71	70.35	73.73	63.20	54.38	60.36	47.63	33.85
1951	64.88	69.97	58.50	77.86	82.10	[5] 69.78	58.30	64.51	50.25	35.38
1952 [6]	67.79	73.02	60.90	75.76	88.18	(2)	60.88	67.61	51.95	36.83
1951: First half	64.42	69.11	58.30	75.69	79.37	68.44	56.89	63.79	49.80	34.96
Second half	65.45	70.70	58.76	80.09	84.46	70.88	59.72	65.37	50.66	35.91
1952: First half	66.82	71.99	59.92	74.52	86.00	72.75	59.02	66.70	51.43	36.61
Second half [6]	68.96	74.24	62.08	77.25	90.80	(2)	63.11	68.70	52.57	37.09
1950: June	58.85	62.86	53.92	69.92	73.82	64.19	54.19	59.93	48.06	33.33
1951: January	63.76	67.65	58.53	76.63	78.35	65.63	56.41	63.44	49.85	34.89
February	63.84	68.18	58.32	75.67	76.14	66.66	57.58	63.62	49.56	35.04
March	64.57	69.30	58.40	74.66	77.44	69.43	56.52	63.62	48.95	34.68
April	64.70	69.68	58.16	75.63	79.75	68.49	56.12	63.95	49.84	34.90
May	64.55	69.60	57.93	73.86	81.83	69.62	56.59	63.78	49.83	35.02
June	65.08	70.27	58.47	77.67	82.71	70.82	58.12	64.35	50.74	35.24
July	64.24	68.79	58.48	73.71	83.63	69.81	59.30	64.55	51.49	35.46
August	64.32	69.55	57.91	77.23	84.31	72.54	58.84	64.51	51.37	35.29
September	65.49	71.01	58.67	81.61	85.42	68.82	59.97	65.64	50.80	35.78
October	65.41	71.10	58.00	80.62	86.20	72.74	59.94	65.44	50.43	35.91
November	65.85	71.05	59.07	81.09	82.26	71.40	60.84	65.52	49.92	36.20
December	67.40	72.71	60.45	86.28	84.94	69.95	59.44	66.58	49.92	36.81
1952: January	66.91	72.15	60.04	86.39	85.35	74.09	59.68	66.42	51.22	36.47
February	66.91	72.18	60.12	80.27	86.60	76.69	59.83	66.13	50.98	36.59
March	67.40	72.81	60.13	79.26	84.57	71.52	59.29	66.62	50.90	36.38
April	65.87	71.07	58.71	66.68	85.92	72.65	53.92	66.49	50.97	36.72
May	66.65	71.76	59.71	70.25	86.03	70.78	60.60	66.94	51.68	36.76
June	67.15	71.98	60.83	64.30	87.50	70.78	60.80	67.59	52.85	36.72
July	65.76	69.67	61.03	63.45	88.09	71.86	62.29	67.80	53.09	36.72
August	67.76	72.49	61.68	80.55	89.59	72.96	62.05	68.13	53.00	36.98
September [6]	70.04	76.06	62.26	88.63	91.18	74.85	62.91	68.95	52.43	36.89
October [6]	70.59	76.76	62.42	76.59	92.26	(2)	63.68	69.28	52.43	37.28
November [6]	70.66	76.24	62.99	(2)	(2)	(2)	(2)	(2)	(2)	(2)

[1] Money payments only; additional value of board, room, uniforms, and tips not included.
[2] Not available.
[3] Not available. 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. Beginning with June 1949, data relate to nonsupervisory employees.
[4] Not strictly comparable with previous data.
[5] Preliminary average does not include any retroactive wage payments.
[6] Estimates based on incomplete data.

NOTE.—Data are for production workers in manufacturing and mining, hourly-rated employees in railroads, construction workers in building construction, and for all nonsupervisory employees in other industries. Data are for payroll periods ending closest to the middle of the month except in railroads where monthly data are used.

The half-year data are straight arithmetic averages of the monthly figures and not strictly comparable with the annual averages which have been weighted by data on man-hours.

Source: Department of Labor.

TABLE B–17.—*Indexes of industrial and agricultural production, 1929–52*

[1935–39=100]

Period [1]	Industrial production					Agricultural production [2]
	Total	Manufactures			Minerals	
		Total	Durable	Nondurable		
1929	110	110	132	93	107	97
1930	91	90	98	84	93	95
1931	75	74	67	79	80	104
1932	58	57	41	70	67	101
1933	69	68	54	79	76	93
1934	75	74	65	81	80	79
1935	87	87	83	90	86	96
1936	103	104	108	100	99	85
1937	113	113	122	106	112	108
1938	89	87	78	95	97	105
1939	109	109	109	109	106	106
1940	125	126	139	115	117	110
1941	162	168	201	142	125	114
1942	199	212	279	158	129	128
1943	239	258	360	176	132	125
1944	235	252	353	171	140	130
1945	203	214	274	166	137	129
1946	170	177	192	165	134	133
1947	187	194	220	172	149	128
1948	192	198	225	177	155	138
1949	176	183	202	168	135	137
1950	200	209	237	187	148	136
1951	220	229	273	194	164	139
1952 [3]	219	229	279	189	161	144
	Adjusted for seasonal variation					
1951: First half	222	232	274	199	162	(4)
Second half	217	226	273	189	166	(4)
1952: First half	216	226	276	186	159	(4)
Second half [3]	222	232	282	192	164	(4)
1950: June	199	208	237	184	151	(4)
1951: January	221	231	268	201	164	(4)
February	221	232	271	201	158	(4)
March	222	234	277	199	158	(4)
April	223	234	279	198	164	(4)
May	222	233	276	198	165	(4)
June	221	231	274	197	165	(4)
July	212	222	265	187	156	(4)
August	217	226	267	193	165	(4)
September	218	228	271	192	167	(4)
October	218	226	274	188	174	(4)
November	219	228	277	188	170	(4)
December	218	228	282	185	163	(4)
1952: January	221	231	282	189	167	(4)
February	222	232	284	190	167	(4)
March	221	231	285	188	164	(4)
April	216	225	277	183	166	(4)
May	211	224	277	181	140	(4)
June	204	214	247	186	147	(4)
July	193	202	230	179	142	(4)
August	215	225	267	191	156	(4)
September	227	236	289	194	175	(4)
October	229	241	298	195	164	(4)
November	233	243	300	197	175	(4)
December [3]	234	245	305	197	171	(4)

[1] For industrial production, average of monthly indexes is used for year or half-year.
[2] Index of volume of farm production for human use.
[3] Estimates based on incomplete data.
[4] Because of the extreme seasonal nature of agricultural crop production, only an annual index has been computed.

Sources: Board of Governors of the Federal Reserve System and Department of Agriculture.

TABLE B–18.—*New construction activity, 1929–52*

[Value put in place, millions of dollars]

Period	Total new construction	Private construction				Public construction				
		Total private [1]	Residential building (nonfarm)	Nonresidential building (nonfarm)	Other private [2]	Total public	Military and naval	Nonresidential building	Highway	Other public [3]
1929	10,793	8,307	3,625	2,694	1,988	2,486	19	659	1,266	542
1930	8,741	5,883	2,075	2,003	1,805	2,858	29	660	1,516	653
1931	6,427	3,768	1,565	1,099	1,104	2,659	40	612	1,355	652
1932	3,538	1,676	630	502	544	1,862	34	415	958	455
1933	2,879	1,231	470	406	355	1,648	36	230	847	535
1934	3,720	1,509	625	456	428	2,211	47	363	1,000	801
1935	4,232	1,999	1,010	472	517	2,233	37	328	845	1,023
1936	6,497	2,981	1,565	713	703	3,516	29	701	1,362	1,424
1937	6,999	3,903	1,875	1,085	943	3,096	37	550	1,226	1,283
1938	6,980	3,560	1,990	764	806	3,420	62	672	1,421	1,265
1939	8,198	4,389	2,680	786	923	3,809	125	970	1,381	1,333
1940	8,682	5,054	2,985	1,025	1,044	3,628	385	615	1,302	1,326
1941	11,957	6,206	3,510	1,482	1,214	5,751	1,620	1,646	1,066	1,419
1942	14,075	3,415	1,715	635	1,065	10,660	5,016	3,685	734	1,225
1943	8,301	1,979	885	233	861	6,322	2,550	2,010	446	1,316
1944	5,259	2,186	815	351	1,020	3,073	837	1,361	362	513
1945	5,633	3,235	1,100	1,020	1,115	2,398	690	937	398	373
1946	12,000	9,638	4,015	3,341	2,282	2,362	188	354	895	925
1947	16,689	13,256	6,310	3,142	3,804	3,433	204	599	1,451	1,179
1948	21,678	16,853	8,580	3,621	4,652	4,825	158	1,301	1,774	1,592
1949	22,789	16,384	8,267	3,228	4,889	6,405	137	2,068	2,131	2,069
1950	28,749	21,610	12,600	3,777	5,233	7,139	177	2,402	2,381	2,179
1951	30,893	21,684	10,973	5,152	5,559	9,209	887	3,471	2,400	2,451
1952	32,329	21,785	11,101	4,950	5,734	10,544	1,346	4,061	2,700	2,437
	Seasonally adjusted annual rates									
1951: First half	31,550	22,578	11,850	5,224	5,504	8,972	754	3,342	2,438	2,438
Second half	30,236	20,790	10,096	5,080	5,614	9,446	1,020	3,600	2,362	2,464
1952: First half	32,608	21,792	10,970	5,050	5,772	10,816	1,426	4,058	2,762	2,570
Second half	32,050	21,778	11,232	4,850	5,696	10,272	1,266	4,064	2,638	2,304
1950: June	28,668	21,696	12,864	3,528	5,304	6,972	108	2,292	2,388	2,184
1951: January	30,828	22,572	12,408	4,716	5,448	8,256	456	3,120	2,304	2,376
February	31,584	23,520	13,044	5,004	5,472	8,064	552	3,096	2,172	2,244
March	32,856	23,616	12,900	5,220	5,496	9,240	780	3,312	2,736	2,412
April	32,340	22,848	11,904	5,424	5,520	9,492	888	3,456	2,604	2,544
May	31,140	21,720	10,644	5,544	5,532	9,420	900	3,528	2,436	2,556
June	30,552	21,192	10,200	5,436	5,556	9,360	948	3,540	2,376	2,496
July	29,964	20,988	10,008	5,424	5,556	8,976	924	3,372	2,352	2,328
August	29,892	20,688	9,744	5,364	5,580	9,204	960	3,444	2,484	2,316
September	29,928	20,664	9,852	5,196	5,616	9,264	936	3,492	2,448	2,388
October	30,276	20,784	10,260	4,908	5,616	9,492	1,008	3,576	2,424	2,484
November	30,480	20,808	10,368	4,800	5,640	9,672	1,104	3,804	2,160	2,604
December	30,876	20,808	10,344	4,788	5,676	10,068	1,188	3,912	2,304	2,664
1952: January	30,996	20,844	10,020	5,052	5,772	10,152	1,344	3,900	2,208	2,700
February	32,676	21,732	10,800	5,172	5,760	10,944	1,344	3,924	3,000	2,676
March	34,020	23,040	12,120	5,184	5,736	10,980	1,464	3,972	2,940	2,604
April	33,348	22,284	11,436	5,112	5,736	11,064	1,440	4,116	2,952	2,556
May	32,412	21,576	10,824	4,992	5,760	10,836	1,488	4,152	2,700	2,496
June	32,196	21,276	10,620	4,788	5,868	10,920	1,476	4,284	2,772	2,388
July	31,680	21,408	10,752	4,788	5,868	10,272	1,308	4,020	2,664	2,280
August	31,608	21,468	10,824	4,824	5,820	10,140	1,284	3,960	2,640	2,256
September	31,848	21,528	10,932	4,848	5,748	10,320	1,200	4,020	2,820	2,280
October	31,920	21,744	11,304	4,836	5,604	10,176	1,176	3,948	2,736	2,316
November	32,388	22,152	11,676	4,932	5,544	10,236	1,236	4,200	2,484	2,316
December	32,856	22,368	11,904	4,872	5,592	10,488	1,392	4,236	2,484	2,376

[1] Excludes construction expenditures for petroleum and natural gas-well drilling, and therefore does not agree with the new construction expenditures included in the gross national product.

[2] Includes public utility, farm, and other private construction not separately shown.

[3] Includes residential, sewer and water, miscellaneous public service enterprises, conservation and development, and all other public construction not separately shown.

Sources: Department of Commerce and Department of Labor.

TABLE B–19.—*New nonfarm housing starts, by source of funds and by type of structure, 1929–52* [1]

Period	Total nonfarm units	Privately financed units	Publicly financed units	Units in 1-family structures	Units in 2-family structures [2]	Units in multifamily structures [3]	Total units, seasonally adjusted annual rates [4]
1929 [5]	509,000	509,000	----------	316,000	51,000	142,000	----------
1930	330,000	330,000	----------	227,000	29,000	74,000	----------
1931	254,000	254,000	----------	187,000	22,000	45,000	----------
1932	134,000	134,000	----------	118,000	7,000	9,000	----------
1933	93,000	93,000	----------	76,000	5,000	12,000	----------
1934	126,000	126,000	----------	109,000	5,000	12,000	----------
1935	221,000	215,700	5,300	183,000	8,000	30,000	----------
1936	319,000	304,200	14,800	244,000	14,000	61,000	----------
1937	336,000	332,400	3,600	267,000	16,000	53,000	----------
1938	406,000	399,300	6,700	317,000	18,000	71,000	----------
1939	515,000	458,400	56,600	399,000	29,000	87,000	----------
1940	602,600	529,600	73,000	485,700	37,300	79,600	----------
1941	706,100	619,500	86,600	603,500	34,300	68,300	----------
1942	356,000	301,200	54,800	292,800	20,100	43,100	----------
1943	191,000	183,700	7,300	143,600	17,800	29,600	----------
1944	141,800	138,700	3,100	117,700	10,600	13,500	----------
1945	209,300	208,100	1,200	184,600	8,800	15,900	----------
1946	670,500	662,500	8,000	590,000	24,300	56,200	----------
1947	849,000	845,600	3,400	740,200	33,900	74,900	----------
1948	931,600	913,500	18,100	766,600	46,900	118,100	----------
1949	1,025,100	988,800	36,300	794,300	36,500	194,300	----------
1950	1,396,000	1,352,200	43,800	1,154,100	44,800	197,100	----------
1951	1,091,300	1,020,100	71,200	900,100	40,400	150,800	----------
	Totals for period, not adjusted for seasonal variation						
1951: First half	590,000	529,100	60,900	469,800	21,600	98,600	----------
Second half	501,300	491,000	10,300	430,300	18,800	52,200	----------
1952: First half	565,800	521,700	44,100	461,700	23,200	80,900	----------
1950: June	144,300	143,400	900	124,900	4,100	15,300	----------
1951: January	85,900	82,200	3,700	71,100	3,400	11,400	----------
February	80,600	76,500	4,100	67,300	3,400	9,900	----------
March	93,800	90,200	3,600	78,400	4,600	10,800	----------
April	96,200	92,300	3,900	82,900	3,900	9,400	----------
May	101,000	97,600	3,400	85,900	3,000	12,100	----------
June	132,500	90,300	42,200	84,200	3,300	45,000	----------
July	90,500	86,800	3,700	76,000	3,400	11,100	----------
August	89,100	88,300	800	77,600	3,100	8,400	----------
September	96,400	95,300	1,100	81,600	3,800	11,000	----------
October	90,000	88,900	1,100	79,500	3,500	7,000	----------
November	74,500	72,200	2,300	64,000	2,600	7,900	----------
December	60,800	59,500	1,300	51,600	2,400	6,800	----------
1952: January	64,900	61,500	3,400	54,000	3,000	7,900	----------
February	77,700	74,300	3,400	65,700	3,400	8,600	----------
March	103,900	91,100	12,800	79,600	4,300	20,000	----------
April	106,200	97,000	9,200	85,700	4,400	16,100	----------
May	109,600	100,900	8,700	89,700	4,300	15,600	----------
June	103,500	96,900	6,600	87,000	3,800	12,700	1,040,000
July	102,600	101,100	1,500	90,500	3,500	8,600	1,073,000
August	99,100	97,400	1,700	85,800	4,000	9,300	1,037,000
September	100,800	99,300	1,500	86,500	4,700	9,600	1,122,000
October [6]	101,000	100,000	1,000	(7)	(7)	(7)	1,156,000
November [6]	86,000	82,800	3,200	(7)	(7)	(7)	1,160,000

[1] These estimates are based on building permit records which have been adjusted for lapsed permits and for lags between permit issuance and start of construction. They are based also on reports of Federal construction contract awards and on field surveys in nonpermit-issuing places. All temporary units are excluded.

[2] Includes units in 1- and 2-family structures with stores.

[3] Includes units in multifamily structures with stores.

[4] Seasonally adjusted annual rate data are shown monthly beginning with June 1952, the first month used in determining "periods of residential credit control relaxation" pursuant to the provisions of the Defense Production Act Amendments of 1952 (sec. 607). For method of computing seasonally adjusted annual rates, see special release of August 28, 1952, by the Department of Labor.

[5] The number of starts for each of the years 1920–28 were as follows: 247,000; 449,000; 716,000; 871,000; 893,000; 937,000; 849,000; 810,000.

[6] Estimates based on incomplete data.

[7] Not available.

Source: Department of Labor.

TABLE B–20.—*Business expenditures for new plant and equipment, 1939 and 1945–53*

[Billions of dollars]

Period	Total [1]	Manufacturing			Mining	Transportation		Public utilities	Commercial and other [2]
		Total	Durable goods	Nondurable goods		Railroad	Other		
1939	5.51	1.94	0.76	1.19	0.33	0.28	0.36	0.52	2.08
1945	8.69	3.98	1.59	2.39	.38	.55	.57	.50	2.70
1946	14.85	6.79	3.11	3.68	.43	.58	.92	.79	5.33
1947	20.61	8.70	3.41	5.30	.69	.89	1.30	1.54	7.49
1948	22.06	9.13	3.48	5.65	.88	1.32	1.28	2.54	6.90
1949	19.28	7.15	2.59	4.56	.79	1.35	.89	3.12	5.98
1950	20.60	7.49	3.14	4.36	.71	1.11	1.21	3.31	6.78
1951	26.33	11.13	5.17	5.96	.91	1.47	1.49	3.86	7.47
1952 [3]	26.86	12.45	5.87	6.58	.85	1.40	1.39	3.96	6.80
1953 [4]	26.27	11.91	5.33	6.58	.87	1.12	1.38	4.02	6.97
	Seasonally adjusted annual rates								
1950: First half	18.83	6.56	([5])	([5])	.71	1.05	1.07	3.10	6.35
Second half	22.18	8.30	([5])	([5])	.71	1.17	1.36	3.47	7.17
1951: First half	25.35	10.27	([5])	([5])	.89	1.40	1.48	3.78	7.53
Second half	27.18	11.87	([5])	([5])	.93	1.53	1.50	3.91	7.44
1952: First half	27.40	12.42	([5])	([5])	.90	1.53	1.41	4.06	7.06
Second half [3]	26.99	12.66	([5])	([5])	.82	1.27	1.39	3.85	6.99
1950: First quarter	18.42	6.34	([5])	([5])	.73	.96	1.06	3.12	6.21
Second quarter	19.23	6.78	([5])	([5])	.68	1.13	1.08	3.07	6.49
Third quarter	21.04	7.68	([5])	([5])	.67	1.19	1.30	3.24	6.97
Fourth quarter	23.30	8.92	([5])	([5])	.75	1.15	1.43	3.70	7.35
1951: First quarter	24.29	9.46	([5])	([5])	.82	1.28	1.45	3.70	7.57
Second quarter	26.40	11.08	([5])	([5])	.95	1.53	1.50	3.86	7.48
Third quarter	27.07	11.72	([5])	([5])	.93	1.46	1.50	3.97	7.49
Fourth quarter	27.30	12.02	([5])	([5])	.93	1.60	1.50	3.85	7.40
1952: First quarter	27.43	12.04	([5])	([5])	.93	1.57	1.47	4.14	7.27
Second quarter	27.37	12.80	([5])	([5])	.87	1.48	1.35	3.99	6.85
Third quarter	25.72	11.92	([5])	([5])	.79	1.20	1.25	3.70	6.87
Fourth quarter [3]	28.27	13.40	([5])	([5])	.86	1.35	1.53	4.00	7.12
1953: First quarter [4]	28.68	13.47	([5])	([5])	.95	1.32	1.24	4.37	7.33

[1] Excludes agriculture and outlays charged to current account.
[2] Commercial and other includes trade, service, finance, communication, and construction.
[3] Estimates for fourth quarter of 1952 and first quarter of 1953 are based on anticipated capital expenditures reported by business in November 1952.
[4] Estimates for 1953 are based on anticipated capital expenditures as reported by business in October 1952.
[5] Not available on a seasonally adjusted basis.

NOTE.—These figures do not agree with those shown in column 2 of appendix table B–5 and included in the gross national product estimates of the Department of Commerce, principally because the latter cover certain equipment and construction outlays charged to current expense. The above series is not available for years prior to 1939 and for 1940 to 1944.

Detail will not necessarily add to totals because of rounding.

Sources: Securities and Exchange Commission and Department of Commerce.

TABLE B–21.—*Inventories and sales in manufacturing and trade, 1939–52* [1]

[Adjusted for seasonal variation]

Period	Total manufacturing and trade			Manufacturing			Wholesale trade			Retail		
	Millions of dollars		Ratio of inventories to sales [4]	Millions of dollars		Ratio of inventories to sales [4]	Millions of dollars		Ratio of inventories to sales [4]	Millions of dollars		Ratio of inventories to sales [4]
	Inventories [2]	Sales [3]		Inventories [2]	Sales [3]		Inventories [2]	Sales [3]		Inventories [2]	Sales [3]	
1939	20,051	10,802	1.77	11,465	5,112	2.11	3,052	2,187	1.34	5,534	3,503	1.53
1940	22,176	12,134	1.72	12,819	5,859	2.06	3,238	2,410	1.30	6,119	3,865	1.49
1941	28,780	15,811	1.58	16,960	8,172	1.78	4,044	3,033	1.20	7,776	4,606	1.48
1942	31,091	18,623	1.66	19,287	10,430	1.77	3,781	3,426	1.19	8,023	4,768	1.76
1943	31,343	21,920	1.40	20,098	12,820	1.51	3,684	3,830	.97	7,561	5,270	1.42
1944	31,059	23,785	1.33	19,507	13,782	1.45	3,912	4,152	.94	7,640	5,851	1.32
1945	30,893	23,852	1.30	18,390	12,873	1.48	4,555	4,476	.91	7,948	6,503	1.21
1946	42,942	27,150	1.33	24,498	12,617	1.66	6,592	5,993	.90	11,852	8,541	1.13
1947	50,605	33,156	1.43	28,920	15,917	1.71	7,625	7,272	1.01	14,060	9,967	1.27
1948	55,647	36,438	1.47	31,734	17,630	1.72	8,085	7,931	.99	15,828	10,877	1.40
1949	52,264	34,664	1.56	28,973	16,416	1.86	7,980	7,354	1.08	15,311	10,893	1.43
1950	62,423	39,425	1.40	34,118	19,312	1.56	9,653	8,139	1.04	18,652	11,974	1.37
1951	73,197	44,016	1.59	43,039	22,335	1.76	10,266	8,934	1.16	19,892	12,748	1.60
	New series											
1951	74,059	44,454	1.59	43,039	22,335	1.76	10,266	8,934	1.16	20,754	13,185	1.60
1952 [5]	74,800	45,550	1.62	43,600	23,100	1.87	10,200	8,800	1.14	21,000	13,650	1.50
1951: First half	72,041	45,288	1.50	39,684	22,953	1.60	10,648	9,030	1.14	21,709	13,304	1.58
Second half	74,059	43,662	1.68	43,039	21,791	1.92	10,266	8,804	1.20	20,754	13,066	1.62
1952: First half	72,913	44,958	1.64	42,892	22,816	1.89	9,896	8,681	1.16	20,125	13,461	1.52
Second half [5]	74,800	46,100	1.60	43,600	23,350	1.85	10,200	8,950	1.12	21,000	13,800	1.48
1951: January	65,009	46,771	1.37	35,008	22,964	1.50	9,849	9,780	1.00	20,152	14,027	1.40
February	66,089	45,854	1.43	35,504	22,778	1.55	10,017	9,217	1.08	20,568	13,859	1.47
March	67,831	45,224	1.48	36,362	23,064	1.56	10,285	8,998	1.13	21,184	13,162	1.59
April	69,969	44,513	1.55	37,805	22,836	1.62	10,507	8,792	1.18	21,657	12,885	1.66
May	71,226	45,584	1.55	38,773	23,746	1.61	10,697	8,859	1.20	21,756	12,979	1.67
June	72,041	43,779	1.64	39,684	22,329	1.76	10,648	8,537	1.25	21,709	12,913	1.68
July	73,263	43,044	1.69	40,652	21,788	1.84	10,798	8,460	1.27	21,813	12,796	1.70
August	73,731	43,888	1.68	41,532	22,007	1.87	10,566	8,807	1.21	21,633	13,074	1.66
September	73,662	42,429	1.74	42,067	20,892	2.00	10,482	8,545	1.23	21,113	12,992	1.64
October	73,677	45,180	1.63	42,437	22,726	1.86	10,445	9,224	1.13	20,795	13,230	1.58
November	73,883	44,637	1.65	42,692	22,373	1.90	10,373	9,025	1.15	20,818	13,239	1.57
December	74,059	42,794	1.73	43,039	20,962	2.04	10,266	8,765	1.18	20,754	13,067	1.59
1952: January	73,996	44,792	1.65	43,077	22,634	1.90	10,238	9,004	1.14	20,681	13,154	1.58
February	73,829	45,866	1.61	43,168	23,506	1.84	10,036	8,954	1.13	20,625	13,406	1.54
March	73,620	43,431	1.70	43,237	22,085	1.96	10,062	8,326	1.21	20,321	13,020	1.57
April	73,876	45,748	1.61	43,402	23,538	1.84	9,997	8,862	1.13	20,477	13,348	1.53
May	73,074	45,533	1.61	43,144	23,247	1.86	9,861	8,448	1.18	20,069	13,338	1.46
June	72,913	44,381	1.64	42,892	21,888	1.96	9,896	8,493	1.16	20,125	14,000	1.44
July	72,765	44,455	1.64	42,748	21,858	1.96	9,890	8,949	1.10	20,127	13,648	1.48
August	72,714	43,612	1.67	43,107	21,898	1.96	9,862	8,371	1.18	19,745	13,343	1.49
September	73,437	46,276	1.58	43,224	23,663	1.82	9,932	9,055	1.09	20,281	13,558	1.48
October	74,189	48,304	1.53	43,415	24,728	1.75	10,122	9,389	1.07	20,652	14,187	1.44
November [5]	74,656	46,272	1.61	43,512	23,510	1.85	10,178	8,771	1.16	20,966	13,991	1.49

[1] A new series on retail sales and inventories beginning in 1951 has been substituted for the series previously published. These estimates are based on a change in the method of estimation adopted by the Bureau of Census. Retail estimates are shown in this table on the previously published basis 1939–51 and on the new basis 1951 to date. For a description of the retail sales and inventories series on the new basis, see *Survey of Current Business*, September and November 1952.

[2] Book value, end of period.

[3] Monthly average shown for year and half-year and total for month.

[4] For annual and semiannual periods, 24- and 12-month weighted average at end-of-month inventories to average monthly sales; for monthly data, ratio of average end of current and previous months inventories to sales for month.

[5] Estimates 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.

Source: Department of Commerce.

TABLE B–22.—*Sales, stocks, orders, and receipts, selected department stores,*[1] *1939–52*

[Not adjusted for seasonal variation]

Period	Reported data (millions of dollars) [1]			Derived data (millions of dollars) [2]		Ratios		
	Sales (total for month)	Stocks (end of month)	Outstanding orders (end of month)	Receipts (total for month)	New orders (total for month)	Stocks to sales	Outstanding orders to sales	Outstanding orders to stocks
Monthly average:								
1939	139	369	(3)	141	(3)	2.8	(3)	(3)
1940	147	379	115	148	(3)	2.7	0.8	0.3
1941	169	450	206	179	184	2.8	1.3	.5
1942	194	643	280	197	208	3.5	1.5	.4
1943	221	546	563	220	242	2.6	2.7	1.0
1944	246	574	596	244	256	2.4	2.5	1.0
1945	276	604	775	277	291	2.3	3.0	1.3
1946	345	767	964	373	354	2.3	3.0	1.3
1947	365	887	588	366	364	2.5	1.7	.7
1948	381	979	494	386	363	2.7	1.4	.5
1949	361	925	373	358	358	2.7	1.1	.4
1950	376	1,012	495	391	401	2.8	1.4	.5
1951	391	1,201	459	388	377	3.2	1.3	.4
1952 [4]	364	1,099	440	388	401	3.1	1.2	.4
1951: First half	353	1,230	499	377	370	3.5	1.4	.4
Second half	429	1,172	420	399	384	3.0	1.1	.4
1952: First half	346	1,070	360	347	363	3.1	1.1	.3
Second half [4]	386	1,134	536	437	447	3.0	1.4	.4
1950: June	345	891	387	263	390	2.6	1.1	.4
1951: January	365	1,077	706	401	656	3.0	1.9	.7
February	310	1,179	699	412	405	3.8	2.3	.6
March	376	1,300	503	497	301	3.4	1.3	.4
April	339	1,347	360	386	243	4.0	1.1	.3
May	371	1,291	314	315	269	3.4	.8	.2
June	354	1,187	410	250	346	3.4	1.2	.3
July	280	1,139	476	232	298	4.1	1.7	.4
August	341	1,182	429	384	337	3.4	1.3	.4
September	376	1,207	446	401	418	3.2	1.2	.4
October	426	1,247	447	466	467	2.9	1.0	.4
November	484	1,249	404	486	443	2.6	.8	.3
December	666	1,008	319	425	340	1.5	.5	.3
1952: January	320	995	402	307	390	3.1	1.3	.4
February	299	1,052	416	356	370	3.5	1.4	.4
March	348	1,119	365	415	364	3.2	1.0	.3
April	373	1,137	293	391	319	3.0	.8	.3
May	382	1,102	273	347	327	2.9	.7	.2
June	353	1,017	410	268	405	2.9	1.2	.4
July	289	997	520	269	379	3.4	1.8	.5
August	343	1,040	539	386	405	3.0	1.6	.5
September	387	1,131	592	478	531	2.9	1.5	.5
October	448	1,230	573	547	528	2.7	1.3	.5
November	462	1,273	458	505	390	2.8	1.0	.4

[1] The reported data are not estimates for all department stores in the United States. They are the actual dollar amounts reported by a group of department stores located in various cities throughout the country. In 1951, sales by these stores accounted for about 50 percent of estimated total department store sales.

[2] Receipts of goods are derived from the reported figures on sales and stocks. New orders are derived from receipts and reported figures on outstanding orders.

[3] Not available.

[4] Averages based on data through November.

Source: Board of Governors of the Federal Reserve System,

TABLE B–23.—*Wholesale price index, 1929–52*

[1947–49=100]

Period	All commodities	Farm products	Processed foods	All commodities other than farm products and foods				
				Total	Textile products and apparel	Chemicals and allied products	Rubber and products	Lumber and wood products
Monthly average:								
1929	61.9	58.6	(1)	65.5	(1)	(1)	(1)	(1)
1930	56.1	49.3	(1)	60.9	(1)	(1)	(1)	(1)
1931	47.4	36.2	(1)	53.6	(1)	(1)	(1)	(1)
1932	42.1	26.9	(1)	50.2	(1)	(1)	(1)	(1)
1933	42.8	28.7	(1)	50.9	(1)	(1)	(1)	(1)
1934	48.7	36.5	(1)	56.0	(1)	(1)	(1)	(1)
1935	52.0	44.0	(1)	55.7	(1)	(1)	(1)	(1)
1936	52.5	45.2	(1)	56.9	(1)	(1)	(1)	(1)
1937	56.1	48.3	(1)	61.0	(1)	(1)	(1)	(1)
1938	51.1	38.3	(1)	58.4	(1)	(1)	(1)	(1)
1939	50.1	36.5	(1)	58.1	(1)	(1)	(1)	(1)
1940	51.1	37.8	(1)	59.4	(1)	(1)	(1)	(1)
1941	56.8	46.0	(1)	63.7	(1)	(1)	(1)	(1)
1942	64.2	59.2	(1)	68.3	(1)	(1)	(1)	(1)
1943	67.0	68.5	(1)	69.3	(1)	(1)	(1)	(1)
1944	67.6	68.9	(1)	70.4	(1)	(1)	(1)	(1)
1945	68.8	71.6	(1)	71.3	(1)	(1)	(1)	(1)
1946	78.7	83.2	(1)	78.3	(1	(1)	(1)	(1)
1947	96.4	100.0	98.2	95.3	100.1	101.4	99.0	93.7
1948	104.4	107.3	106.1	103.4	104.4	103.8	102.1	107.2
1949	99.2	92.8	95.7	101.3	95.5	94.8	98.9	99.2
1950	103.1	97.5	99.8	105.0	99.2	96.3	120.5	113.9
1951	114.8	113.4	111.4	115.9	110.6	110.0	148.0	123.9
1952[2]	111.6	107.1	108.8	113.2	99.8	104.5	134.0	120.3
1951: First half	115.9	115.7	111.8	116.9	114.9	111.5	151.5	126.0
Second half	113.7	111.0	111.0	114.8	106.3	108.6	144.5	121.8
1952: First half	112.1	108.3	109.0	113.5	100.7	105.2	140.6	120.4
Second half[2]	111.2	105.8	108.6	112.9	98.9	103.8	127.4	120.1
1950: June	100.2	94.5	96.8	102.2	93.3	92.1	109.5	112.4
1951: January	115.0	112.3	110.2	116.6	114.6	111.4	153.0	125.5
February	116.5	117.2	112.9	117.2	115.7	112.6	152.5	126.4
March	116.5	117.6	112.0	117.3	115.9	111.8	152.3	126.6
April	116.3	117.5	111.8	117.1	115.5	111.5	151.5	126.6
May	115.9	115.7	112.3	116.8	114.8	111.3	151.3	126.1
June	115.1	113.9	111.3	116.2	112.9	110.2	148.3	124.6
July	114.2	111.1	110.7	115.7	111.6	108.8	144.3	123.5
August	113.7	110.4	111.2	114.9	108.5	108.5	144.3	122.3
September	113.4	109.9	110.9	114.8	105.9	108.7	144.7	121.6
October	113.7	111.5	111.6	114.6	103.9	108.8	144.7	121.7
November	113.6	112.0	111.0	114.5	103.9	108.6	144.6	121.1
December	113.5	111.3	110.7	114.6	104.0	108.4	144.3	120.3
1952: January	113.0	110.0	110.1	114.3	103.3	106.7	144.1	120.1
February	112.5	107.8	109.5	114.2	102.1	105.9	143.1	120.3
March	112.3	108.2	109.2	113.8	100.6	105.4	142.0	120.5
April	111.8	108.7	108.0	113.3	99.9	104.8	140.6	120.9
May	111.6	107.9	108.6	113.0	99.3	104.3	140.4	120.7
June	111.2	107.2	108.5	112.6	99.0	104.3	133.4	119.9
July	111.8	110.2	110.0	112.5	98.9	104.2	130.0	120.2
August	112.2	109.9	110.5	113.0	99.1	104.0	127.8	120.5
September	111.8	106.6	110.3	113.2	99.5	104.0	126.3	120.4
October	111.1	104.9	108.5	113.0	99.2	103.9	126.0	120.2
November	110.7	103.6	107.7	112.8	98.6	103.5	126.4	119.7
December[2]	109.6	99.6	104.3	112.9	98.3	103.3	127.7	119.7

[1] Not available.
[2] Preliminary.

Source: Department of Labor.

TABLE B–23.—*Wholesale price index, 1929–52*—Continued

[1947–49=100]

Period	All commodities other than farm products and foods (continued)								
	Hides, skins, and leather products	Fuel, power, and lighting materials	Pulp, paper, and allied products	Metals and metal products	Machinery and motive products	Furniture and other household durables	Nonmetallic minerals—structural	Tobacco manufactures and bottled beverages	Miscellaneous
Monthly average:									
1929	59.3	70.2	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1930	54.4	66.5	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1931	46.8	57.2	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1932	39.7	59.5	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1933	44.0	56.1	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1934	47.1	62.0	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1935	48.7	62.2	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1936	51.9	64.5	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1937	56.9	65.7	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1938	50.5	64.7	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1939	52.0	61.8	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1940	54.8	60.7	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1941	58.9	64.5	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1942	64.0	66.4	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1943	63.9	68.4	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1944	63.4	70.3	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1945	64.2	71.1	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1946	74.6	76.2	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1947	101.0	90.9	98.6	91.3	92.5	95.6	93.9	98.0	100.8
1948	102.1	107.1	102.9	103.9	100.9	101.4	101.7	100.4	103.1
1949	96.9	101.9	98.5	104.8	106.6	103.1	104.4	101.6	98.1
1950	104.6	103.0	100.9	110.3	108.6	105.3	106.9	102.4	96.6
1951	120.3	106.7	119.6	122.8	119.0	114.1	113.6	108.1	104.9
1952[2]	97.2	106.6	116.5	123.0	121.5	112.0	113.6	110.6	108.3
1951: First half	126.6	106.7	120.1	123.4	118.2	114.9	113.6	108.4	103.7
Second half	114.0	106.8	119.1	122.3	119.8	113.2	113.5	107.8	106.2
1952: First half	97.4	106.7	117.5	122.2	121.5	112.0	113.0	110.4	109.6
Second half[2]	97.1	106.4	115.6	123.8	121.4	111.9	114.2	110.8	107.0
1950: June	99.1	102.4	95.9	108.8	106.3	103.1	105.4	101.4	96.9
1951: January	127.3	106.4	120.1	124.0	117.3	114.2	113.6	108.4	102.6
February	127.7	107.4	120.5	123.7	117.7	114.6	113.7	108.4	103.9
March	126.9	107.3	120.3	123.2	118.6	115.1	113.7	108.4	104.2
April	126.5	106.5	119.7	123.3	118.6	115.4	113.7	108.4	105.7
May	126.2	106.2	119.8	123.2	118.6	115.3	113.6	108.4	103.0
June	124.7	106.3	120.2	122.7	118.6	115.0	113.6	108.4	102.8
July	122.3	106.5	120.2	122.3	118.8	114.4	113.6	107.9	103.7
August	118.0	106.3	119.5	122.2	118.9	113.5	113.6	107.8	102.6
September	118.0	106.7	119.4	122.1	119.4	113.1	113.6	107.8	105.1
October	113.6	106.8	118.8	122.4	120.2	112.8	113.6	107.5	106.9
November	107.0	106.9	118.4	122.5	120.5	112.7	113.6	107.5	108.9
December	105.1	107.4	118.4	122.5	120.7	112.7	112.8	108.1	109.8
1952: January	102.2	107.4	118.2	122.4	120.8	112.3	112.9	108.1	111.1
February	99.5	107.2	118.3	122.6	122.0	112.4	112.9	110.8	111.4
March	98.0	107.4	117.7	122.6	121.8	111.9	112.9	110.8	109.2
April	94.1	106.3	117.4	122.5	121.6	112.1	112.8	110.8	109.5
May	94.7	106.0	116.9	121.8	121.6	111.7	112.9	110.8	108.4
June	95.9	105.9	116.7	121.1	121.3	111.6	113.8	110.8	108.1
July	96.2	106.0	115.3	121.9	121.4	111.6	113.8	110.8	105.5
August	96.5	105.8	115.6	124.1	121.4	111.5	113.8	110.8	108.9
September	96.5	106.2	115.6	124.6	121.5	112.0	113.8	110.8	108.3
October	96.6	106.6	115.5	124.1	121.3	112.0	114.4	110.8	108.4
November	97.6	106.7	115.5	123.9	121.4	112.1	114.5	110.8	105.7
December[2]	99.0	107.1	115.8	124.0	121.4	112.2	114.6	110.8	105.2

[1] Not available.
[2] Preliminary.

Source: Department of Labor.

TABLE B–24.—*Consumers' price index, 1929–52*

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	106.4	102.2	107.3	104.0
1942	116.6	123.9	124.2	108 8	105.4	122.2	110.9
1943	123.7	138.0	129.7	108.7	107.7	125.6	115.8
1944	125.7	136.1	138.8	109.1	109.8	136.4	121.3
1945	128.6	139.1	145.9	109.5	110.3	145.8	124.1
1946	139.5	159.6	160.2	110.1	112.4	159.2	128.8
1947	159.6	193.8	185.8	113.6	121.1	184.4	139.9
1948	171.9	210.2	198.0	121.2	133.9	195.8	149.9
1949	170.2	201.9	190.1	126.4	137.5	189.0	154.6
1950	171.9	204.5	187.7	131.0	140.6	190.2	156.5
1951	185.6	227.4	204.5	136.2	144.1	210.9	165.4
1952 [1]	189.7	231.4	202.5	141.6	146.3	205.8	172.2
1951: First half	184.2	225.7	202.5	134.7	143.8	210.8	164.0
Second half	187.1	229.1	206.5	137.8	144.5	211.0	166.8
1952: First half	188.7	230.0	203.2	140.7	145.0	206.9	170.9
Second half [1]	190.9	232.8	201.6	142.7	147.7	204.6	173.8
1950: June	170.2	203.1	184.6	130.9	139.1	184.8	154.6
1951: January 15	181.5	221.9	198.5	133.2	143.3	207.4	162.1
February 15	183.8	226.0	202.0	134.0	143.9	209.7	163.2
March 15	184.5	226.2	203.1	134.7	144.2	210.7	164.3
April 15	184.6	225.7	203.6	135.1	144.0	211.8	164.6
May 15	185.4	227.4	204.0	135.4	143.6	212.6	165.0
June 15	185.2	226.9	204.0	135.7	143.6	212.5	164.8
July 15	185.5	227.7	203.3	136.2	144.0	212.4	165.0
August 15	185.5	227.0	203.6	136.8	144.2	210.8	165.4
September 15	186.6	227.3	209.0	137.5	144.4	211.1	166.0
October 15	187.4	229.2	208.9	138.2	144.6	210.4	166.6
November 15	188.6	231.4	207.6	138.9	144.8	210.8	168.4
December 15	189.1	232.2	206.8	139.2	144.9	210.2	169.1
1952: January 15	189.1	232.4	204.6	139.7	145.0	209.1	169.6
February 15	187.9	227.5	204.3	140.2	145.3	208.6	170.2
March 15	188.0	227.6	203.5	140.5	145.3	207.6	170.7
April 15	188.7	230.0	202.7	140.8	145.3	206.2	171.1
May 15	189.0	230.8	202.3	141.3	144.6	205.4	171.4
June 15	189.6	231.5	202.0	141.6	144.8	204.4	172.5
July 15	190.8	234.9	201.4	141.9	146.4	204.2	173.0
August 15	191.1	235.5	201.1	142.3	147.3	204.2	173.2
September 15	190.8	233.2	202.3	142.4	147.6	205.0	173.8
October 15	190.9	232.4	202.1	143.0	148.4	204.6	174.4
November 15	191.1	232.3	201.3	143.9	149.0	204.9	174.7
December 15	(2)	[3] 228.4	(2)	(2)	(2)	(2)	(2)

[1] Averages based on data through November 15, except for food which is through December 15.
[2] Not available.
[3] Estimated.

Source: Department of Labor.

TABLE B–25.—*Indexes of prices received and prices paid by farmers, and parity ratio, 1929–52*

[1910-14=100]

Period	Prices received by farmers	Parity index (prices paid, interest, taxes, and wage rates)	Parity ratio [1]
Monthly average:			
1929	148	160	92
1930	125	151	83
1931	87	130	67
1932	65	112	58
1933	70	109	64
1934	90	120	75
1935	109	124	88
1936	114	124	92
1937	122	131	93
1938	97	124	78
1939	95	122	78
1940	100	124	81
1941	123	132	93
1942	158	151	105
1943	[2] 192	170	113
1944	[2] 196	182	108
1945	[2] 206	189	109
1946	[2] 234	207	113
1947	275	239	115
1948	285	259	110
1949	249	250	100
1950	256	255	100
1951	302	281	107
1952	288	286	101
1951: First half	306	279	110
Second half	296	283	105
1952: First half	292	288	101
Second half	284	284	100
1950: June	247	254	97
1951: January 15	300	272	110
February 15	313	276	113
March 15	311	280	111
April 15	309	283	109
May 15	305	282	108
June 15	301	282	107
July 15	294	282	104
August 15	292	282	104
September 15	291	282	103
October 15	296	283	105
November 15	301	284	106
December 15	305	284	107
1952: January 15	300	287	105
February 15	289	288	100
March 15	288	288	100
April 15	290	289	100
May 15	293	289	101
June 15	292	286	102
July 15	295	286	103
August 15	295	287	103
September 15	288	285	101
October 15	282	282	100
November 15	277	281	99
December 15	269	281	96

[1] Ratio of prices received by farmers to parity index.
[2] Includes wartime subsidy payments paid on beef cattle, sheep, lambs, milk, and butterfat between October 1943 and June 1946.

Source: Department of Agriculture.

TABLE B–26.—*Indexes of wholesale prices and cost of living in the United States and foreign countries, selected dates since June 1950*

[June 1950=100]

Country	Wholesale prices			Cost of living		
	January 1952	Latest data	Date	January 1952	Latest data	Date
United States	113	[1] 109	December 1952 [1]	111	112	November 1952
Africa and Near East:						
Algeria	134	122	June 1952	(2)	(2)	(2)
Egypt	120	104	October 1952	114	102	October 1952
Iran	124	129	November 1952	111	115	November 1952
Iraq	119	104	November 1952	118	114	November 1952
Israel	137	207	September 1952	128	191	September 1952
Lebanon	132	119	October 1952	116	111	October 1952
Morocco	141	138	August 1952	(2)	(2)	(2)
Tunisia	132	129	September 1952	124	132	September 1952
Union of South Africa	126	133	October 1952	113	118	October 1952
Western European countries:						
Austria	161	157	November 1952	150	151	November 1952
Belgium	131	118	November 1952	115	113	November 1952
Denmark	135	124	November 1952	[3] 117	[3] 118	Fourth quarter 1952
France	147	136	November 1952	136	135	November 1952
Germany (Federal Republic).	127	126	October 1952	113	111	October 1952
Greece	136	125	July 1952	122	122	October 1952
Ireland	124	124	September 1952	[3] 112	[3] 120	Third quarter 1952
Italy	115	113	October 1952	111	116	October 1952
Netherlands	127	120	September 1952	111	111	October 1952
Norway	133	137	December 1952	124	130	November 1952
Portugal	115	121	October 1952	100	100	October 1952
Spain	139	139	September 1952	110	109	September 1952
Sweden	144	140	October 1952	123	127	September 1952
Switzerland	116	112	October 1952	108	108	November 1952
Turkey	115	111	October 1952	103	105	September 1952
United Kingdom	131	127	November 1952	116	121	November 1952
Latin America:						
Argentina	(2)	(2)	(2)	172	188	August 1952
Brazil	139	150	October 1952	118	133	October 1952
Chile	146	175	August 1952	138	166	October 1952
Costa Rica	95	88	November 1952	107	106	November 1952
Cuba	(2)	(2)	(2)	113	116	June 1952
Dominican Republic	110	112	November 1952	112	111	November 1952
El Salvador	109	102	October 1952	(2)	(2)	(2)
Guatemala	101	104	October 1952	102	100	October 1952
Mexico	133	129	September 1952	124	132	October 1952
Nicaragua	142	136	June 1952	140	142	July 1952
Paraguay	(2)	(2)	(2)	(2)	277	July 1952
Peru	130	130	October 1952	115	119	October 1952
Venezuela	107	106	October 1952	99	98	October 1952
Pacific and Far East:						
Australia	131	142	October 1952	[3] 136	[3] 145	Third quarter 1952
India	108	96	November 1952	106	111	October 1952
Indochina	138	148	August 1952	129	148	August 1952
Japan	156	151	October 1952	134	136	August 1952
New Zealand	125	126	April 1952	[3] 119	[3] 122	Third quarter 1952
Philippines	104	111	November 1952	108	107	November 1952
Thailand	111	115	September 1952	110	122	September 1952
Other:						
Canada	113	105	October 1952	115	112	November 1952
Finland	154	140	October 1952	123	123	October 1952

[1] Preliminary.
[2] Not available.
[3] Data are for quarter. Base period is second quarter 1950.

NOTE.—The components of the indexes are not always the same for each country.

Source: International Monetary Fund.

TABLE B–27.—*Consumer credit outstanding, 1929–52*

[Millions of dollars]

End of period	Total consumer credit outstanding	Instalment credit					Charge accounts	Other consumer credit [2]
		Total instalment credit	Sale credit			Loans [1]		
			Total	Automobile sale credit	Other sale credit			
1929	6,252	3,158	2,515	1,318	1,197	643	1,749	1,345
1930	5,570	2,688	2,032	928	1,104	656	1,611	1,271
1931	4,636	2,204	1,595	637	958	609	1,381	1,051
1932	3,493	1,518	999	322	677	519	1,114	861
1933	3,439	1,588	1,122	459	663	466	1,081	770
1934	3,846	1,860	1,317	576	741	543	1,203	783
1935	4,773	2,622	1,805	940	865	817	1,292	859
1936	5,933	3,518	2,436	1,289	1,147	1,082	1,419	996
1937	6,513	3,960	2,752	1,384	1,368	1,208	1,459	1,094
1938	6,128	3,595	2,313	970	1,343	1,282	1,487	1,046
1939	7,031	4,424	2,792	1,267	1,525	1,632	1,544	1,063
1940	8,163	5,417	3,450	1,729	1,721	1,967	1,650	1,096
1941	8,826	5,887	3,744	1,942	1,802	2,143	1,764	1,175
1942	5,692	3,048	1,617	482	1,135	1,431	1,513	1,131
1943	4,600	2,001	882	175	707	1,119	1,498	1,101
1944	4,976	2,061	891	200	691	1,170	1,758	1,157
1945	5,627	2,364	942	227	715	1,422	1,981	1,282
1946	8,677	4,000	1,648	544	1,104	2,352	3,054	1,623
1947	11,862	6,434	3,086	1,151	1,935	3,348	3,612	1,816
1948	14,366	8,600	4,528	1,961	2,567	4,072	3,854	1,912
1949	16,809	10,890	6,240	3,144	3,096	4,650	3,909	2,010
1950	20,097	13,459	7,904	4,126	3,778	5,555	4,239	2,399
1951	20,644	13,510	7,546	4,039	3,507	5,964	4,587	2,547
1952 [3]	23,700	16,400	9,300	5,100	4,200	7,100	4,600	2,700
1950: June	17,651	12,105	6,995	3,790	3,205	5,110	3,392	2,154
1951: January	19,937	13,252	7,694	4,056	3,638	5,558	4,248	2,437
February	19,533	13,073	7,521	3,990	3,531	5,552	4,010	2,450
March	19,379	12,976	7,368	3,946	3,422	5,608	3,938	2,465
April	19,126	12,904	7,270	3,934	3,336	5,634	3,744	2,478
May	19,207	12,920	7,248	3,980	3,268	5,672	3,793	2,494
June	19,256	12,955	7,234	4,041	3,193	5,721	3,804	2,497
July	19,132	12,903	7,173	4,061	3,112	5,730	3,743	2,486
August	19,262	13,045	7,247	4,138	3,109	5,798	3,724	2,493
September	19,362	13,167	7,327	4,175	3,152	5,840	3,696	2,499
October	19,585	13,196	7,355	4,134	3,221	5,841	3,868	2,521
November	19,989	13,271	7,400	4,100	3,300	5,871	4,190	2,528
December	20,644	13,510	7,546	4,039	3,507	5,964	4,587	2,547
1952: January	20,126	13,314	7,322	3,962	3,360	5,992	4,253	2,559
February	19,717	13,185	7,158	3,927	3,231	6,027	3,967	2,565
March	19,565	13,156	7,047	3,891	3,156	6,109	3,855	2,554
April	19,788	13,319	7,099	3,946	3,153	6,220	3,913	2,556
May	20,293	13,806	7,421	4,171	3,250	6,385	3,921	2,566
June	20,961	14,409	7,820	4,446	3,374	6,589	3,980	2,572
July	21,213	14,745	8,039	4,597	3,442	6,706	3,891	2,577
August	21,433	14,939	8,149	4,634	3,515	6,790	3,902	2,592
September	21,657	15,193	8,339	4,708	3,631	6,854	3,848	2,616
October	22,288	15,572	8,653	4,882	3,771	6,919	4,075	2,641
November	22,798	15,883	8,910	5,034	3,876	6,973	4,246	2,669
December [3]	23,700	16,400	9,300	5,100	4,200	7,100	4,600	2,700

[1] Includes repair and modernization loans insured by Federal Housing Administration.
[2] Includes loans by pawnbrokers, service credit, and unclassified single-payment loans under $3,000 made by commercial banks.
[3] Estimates based on incomplete data; 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 B–28.—*Loans and investments of all commercial banks, 1929–52* [1]

[Billions of dollars]

End of period [2]	Total loans and investments	Loans		Investments		
		Total [3]	Commercial and industrial loans [4]	Total	U. S. Government obligations	Other securities
1929—June [5]	49.4	35.7	(6)	13.7	4.9	8.7
1930—June [5]	48.9	34.5	(6)	14.4	5.0	9.4
1931—June [5]	44.9	29.2	(6)	15.7	6.0	9.7
1932—June [5]	36.1	21.8	(6)	14.3	6.2	8.1
1933—June [5]	30.4	16.3	(6)	14.0	7.5	6.5
1934—June [5]	32.7	15.7	(6)	17.0	10.3	6.7
1935	36.1	15.2	(6)	20.9	13.8	7.1
1936	39.6	16.4	(6)	23.1	15.3	7.9
1937	38.4	17.2	(6)	21.2	14.2	7.0
1938	38.7	16.4	5.7	22.3	15.1	7.2
1939	40.7	17.2	6.4	23.4	16.3	7.1
1940	43.9	18.8	7.3	25.1	17.8	7.4
1941	50.7	21.7	9.3	29.0	21.8	7.2
1942	67.4	19.2	7.9	48.2	41.4	6.8
1943	85.1	19.1	7.9	66.0	59.8	6.1
1944	105.5	21.6	8.0	83.9	77.6	6.3
1945	124.0	26.1	9.6	97.9	90.6	7.3
1946	114.0	31.1	14.2	82.9	74.8	8.1
1947	116.3	38.1	18.2	78.2	69.2	9.0
1948	114.3	42.5	18.9	71.8	62.6	9.2
1949	120.2	43.0	17.1	77.2	67.0	10.2
1950	126.7	52.2	21.9	74.4	62.0	12.4
1951	132.6	57.7	25.9	74.9	61.5	13.3
1952 [7]	142.1	64.4	27.7	77.7	63.5	14.2
1950: June	121.8	44.8	16.9	77.0	65.8	11.2
1951: January	125.1	52.7	22.3	72.4	60.0	12.4
February	125.0	53.5	23.1	71.5	59.1	12.4
March	125.7	54.4	23.7	71.3	58.8	12.6
April	125.4	54.4	23.6	71.0	58.5	12.6
May	125.1	54.5	23.5	70.6	58.1	12.5
June	126.0	54.8	23.7	71.2	58.5	12.7
July	126.1	54.6	23.4	71.5	58.7	12.8
August	127.0	55.2	23.9	71.9	59.1	12.7
September	128.6	56.0	24.5	72.6	59.7	12.9
October	130.5	56.8	25.0	73.7	60.9	12.9
November	131.9	57.3	25.3	74.6	61.6	13.0
December	132.6	57.7	25.9	74.9	61.5	13.3
1952: January	132.8	57.5	25.6	75.3	62.0	13.3
February	132.2	57.6	25.6	74.7	61.3	13.4
March	132.5	57.8	25.8	74.7	61.1	13.6
April	132.3	58.2	25.2	74.1	60.5	13.7
May	133.1	58.5	24.9	74.5	60.7	13.8
June	134.4	59.2	25.3	75.2	61.2	14.0
July	136.8	59.7	25.1	77.0	62.9	14.1
August	136.6	60.2	25.4	76.3	62.0	14.4
September	137.1	61.2	26.1	75.9	61.6	14.3
October	139.4	62.4	26.8	77.0	62.9	14.2
November	141.7	63.5	27.4	78.2	64.0	14.2
December [7]	142.1	64.4	27.7	77.7	63.5	14.2

[1] Excludes mutual savings banks.

[2] June and December figures are for call dates. Other monthly data are for the last Wednesday of the month.

[3] Data are shown net. Includes commercial and industrial loans, agricultural loans, loans on securities, real estate loans, loans to banks, and "other loans," some of which represent consumer credit.

[4] Beginning with 1948, data are shown gross; i. e., before deduction of valuation reserves, instead of net as for previous years. Prior to June 1947 and for months other than June and December, data are estimated on the basis of reported data for all insured commercial banks and for weekly reporting member banks.

[5] June data are used because complete end-of-year data are not available prior to 1935 for U. S. Government obligations and other securities.

[6] Not available.

[7] Estimates based on incomplete data; 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 B–29.—*Deposits and currency, 1929–52*

[Millions of dollars]

End of period [1]	Total deposits and currency	U. S. Government deposits [2]	Total excluding U. S. Government deposits (privately held money supply) [3]			
			Total	Currency outside banks	Demand deposits adjusted [4]	Time deposits adjusted [5]
1929	54,742	187	54,555	3,557	22,809	28,189
1930	53,572	324	53,248	3,605	20,967	28,676
1931	48,379	518	47,861	4,470	17,412	25,979
1932	45,370	516	44,854	4,669	15,728	24,457
1933	42,551	1,019	41,532	4,782	15,035	21,715
1934	48,106	1,836	46,270	4,655	18,459	23,156
1935	52,726	1,453	51,273	4,917	22,115	24,241
1936	57,595	1,235	56,360	5,516	25,483	25,361
1937	56,781	966	55,815	5,638	23,959	26,218
1938	59,878	1,812	58,066	5,775	25,986	26,305
1939	64,733	1,480	63,253	6,401	29,793	27,059
1940	71,129	1,121	70,008	7,325	34,945	27,738
1941	79,098	2,762	76,336	9,615	38,992	27,729
1942	100,500	9,201	91,299	13,946	48,922	28,431
1943	123,391	11,003	112,388	18,837	60,803	32,748
1944	151,428	21,203	130,225	23,505	66,930	39,790
1945	176,378	25,585	150,793	26,490	75,851	48,452
1946	167,500	3,496	164,004	26,730	83,314	53,960
1947	172,330	2,322	170,008	26,476	87,121	56,411
1948	172,693	3,574	169,119	26,079	85,520	57,520
1949	173,851	4,070	169,781	25,415	85,750	58,616
1950	180,574	3,657	176,917	25,398	92,272	59,247
1951	189,846	3,862	185,984	26,303	98,234	61,447
1952 [6]	200,400	5,600	194,800	27,900	101,300	65,600
1950: June	174,715	4,751	169,964	25,185	85,040	59,739
1951: January	178,800	3,600	175,200	24,600	91,600	59,000
February	178,900	4,700	174,200	24,600	90,600	59,000
March	179,900	7,400	172,500	24,400	89,000	59,100
April	179,800	6,500	173,300	24,600	89,500	59,200
May	179,100	5,400	173,700	24,900	89,500	59,300
June	181,333	6,649	174,684	25,776	88,960	59,948
July	180,800	5,000	175,800	25,100	90,700	60,100
August	181,600	4,600	177,000	25,300	91,400	60,400
September	183,800	5,900	177,900	25,400	92,000	60,500
October	185,800	4,200	181,600	25,700	95,000	60,900
November	187,100	4,400	182,700	25,800	96,300	60,600
December	189,846	3,862	185,984	26,303	98,234	61,447
1952: January	188,200	3,000	185,200	25,600	97,900	61,700
February	188,000	4,600	183,400	25,600	95,700	62,000
March	188,700	5,800	182,900	25,700	94,800	62,500
April	188,700	4,900	183,800	25,900	95,100	62,800
May	189,300	4,900	184,400	26,000	95,300	63,000
June	191,358	6,454	184,904	26,474	94,754	63,676
July	193,400	7,600	185,800	26,200	95,700	63,800
August	193,100	6,900	186,200	26,300	95,800	64,100
September	194,100	6,700	187,400	26,600	96,400	64,500
October	196,100	5,900	190,200	26,700	98,600	64,900
November	198,900	7,300	191,600	27,400	99,400	64,800
December [6]	200,400	5,600	194,800	27,900	101,300	65,600

[1] June and December figures are for call dates. Other monthly data are for the last Wednesday of the month.

[2] Includes U. S. Government deposits at Federal Reserve banks and commercial and savings banks, and, beginning with 1938, includes U. S. Treasurer's time deposits, open account.

[3] Includes deposits and currency held by State and local governments.

[4] Includes demand deposits, other than interbank and U. S. Government, less cash items in process of collection.

[5] Includes deposits in commercial banks, mutual savings banks, and Postal Savings System, but excludes interbank deposits.

[6] Estimates based on incomplete data; 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 B–30.—*Estimated ownership of Federal obligations, 1939–52*

[Billions of dollars—par values [1]]

End of period	Gross public debt and guaranteed issues [2]							
	Total	Held by U. S. Government investment accounts	Held by others					
			Total held by others	State and local governments [3]	Commercial banks [4]	Federal Reserve banks	Nonbank private corporations and associations [5]	Individuals [6]
1939	47.6	6.5	41.1	0.4	15.9	2.5	12.2	10.1
1940	50.9	7.6	43.3	.5	17.3	2.2	12.8	10.6
1941	64.3	9.5	54.7	.7	21.4	2.3	16.8	13.6
1942	112.5	12.2	100.2	1.0	41.1	6.2	28.2	23.7
1943	170.1	16.9	153.2	2.1	59.9	11.5	42.0	37.6
1944	232.1	21.7	210.5	4.3	77.7	18.8	56.4	53.3
1945	278.7	27.0	251.6	6.5	90.8	24.3	65.7	64.3
1946	259.5	30.9	228.6	6.3	74.5	23.3	60.1	64.2
1947	257.0	34.4	222.6	7.3	68.7	22.6	58.4	65.7
1948	252.9	37.3	215.5	7.9	62.5	23.3	56.4	65.5
1949	257.2	39.4	217.8	8.1	66.8	18.9	57.9	66.1
1950	256.7	39.2	217.5	8.8	61.8	20.8	60.9	65.2
1951	259.5	42.3	217.2	9.6	61.6	23.8	58.6	63.6
1952 [7]	267.4	45.9	221.5	11.0	63.3	24.7	58.7	63.8
1951: March	255.0	39.8	215.2	9.1	57.8	22.9	60.3	65.2
June	255.3	41.0	214.3	9.4	58.4	23.0	59.2	64.4
September	257.4	42.0	215.4	9.5	59.5	23.7	58.9	63.8
December	259.5	42.3	217.2	9.6	61.6	23.8	58.6	63.6
1952: January	259.8	42.7	217.1	9.9	62.1	22.7	58.6	63.7
February	260.4	42.9	217.5	10.0	61.2	22.5	59.5	64.3
March	258.1	43.0	215.1	10.1	60.1	22.5	57.8	64.5
April	258.3	43.2	215.1	10.2	60.5	22.4	57.9	64.1
May	260.0	43.7	216.2	10.2	61.0	22.3	58.8	63.9
June	259.2	44.3	214.8	10.4	61.1	22.9	57.0	63.5
July	263.1	44.6	218.5	10.7	62.7	22.9	58.2	64.0
August	263.2	45.0	218.2	10.8	61.8	23.1	58.5	63.9
September	262.7	45.1	217.7	10.9	61.5	23.7	57.8	63.8
October	265.0	45.1	219.9	10.9	63.0	23.5	58.6	63.9
November [7]	267.5	45.6	221.9	10.9	64.0	23.8	59.4	63.8
December [7]	267.4	45.9	221.5	11.0	63.3	24.7	58.7	63.8

[1] United States savings bonds, series A–D, E, F, and J, are included at current redemption values.
[2] Excludes guaranteed securities held by the Treasury.
[3] Includes trust, sinking, and investment funds of State and local governments and their agencies, and Territories and possessions.
[4] Includes commercial banks, trust companies, and stock savings banks in the United States and in Territories and possessions; figures exclude securities held in trust departments.
[5] Includes insurance companies, mutual savings banks, savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, and investments of foreign balances and international accounts in this country. Beginning with December 1946, the foreign accounts include investments by the International Bank for Reconstruction and Development and the International Monetary Fund in special noninterest-bearing notes issued by the U. S. Government. Beginning with June 30, 1947, includes holdings of Federal land banks.
[6] Includes partnerships and personal trust accounts.
[7] Estimates based on incomplete data; by Council of Economic Advisers.

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

Source: Treasury Department (except as noted).

TABLE B–31.—*U. S. Government debt—volume and kind of obligations, 1929–52*

[Billions of dollars]

End of period	Gross public debt and guaranteed issues [1]	Interest-bearing public debt					
		Marketable public issues		Nonmarketable public issues			Special issues [4]
		Short-term issues [2]	Treasury bonds	United States savings bonds	Treasury tax and savings notes	Investment bonds [3]	
1929	16.3	3.3	11.3				0.6
1930	16.0	2.9	11.3				.8
1931	17.8	2.8	13.5				.4
1932	20.8	5.9	13.4				.4
1933	24.0	7.5	14.7				.4
1934	31.5	11.1	15.4				.6
1935	35.1	14.2	14.3	0.2			.7
1936	39.1	12.5	19.5	.5			.6
1937	41.9	12.5	20.5	1.0			2.2
1938	44.4	9.8	24.0	1.4			3.2
1939	47.6	7.7	26.9	2.2			4.2
1940	50.9	7.5	28.0	3.2			5.4
1941	64.3	8.0	33.4	6.1	2.5		7.0
1942	112.5	27.0	49.3	15.0	6.4		9.0
1943	170.1	47.1	67.9	27.4	8.6		12.7
1944	232.1	69.9	91.6	40.4	9.8		16.3
1945	278.7	78.2	120.4	48.2	8.2		20.0
1946	259.5	57.1	119.3	49.8	5.7		24.6
1947	257.0	47.7	117.9	52.1	5.4	1.0	29.0
1948	252.9	45.9	111.4	55.1	4.6	1.0	31.7
1949	257.2	50.2	104.8	56.7	7.6	1.0	33.9
1950	256.7	58.3	94.0	58.0	8.6	1.0	33.7
1951	259.5	65.6	76.9	57.6	7.5	13.0	35.9
1952	267.4	68.7	79.8	57.9	5.8	13.4	39.2
1951: January	256.1	57.4	94.0	58.0	8.7	1.0	34.0
February	256.0	57.4	94.0	57.8	8.7	1.0	33.9
March	255.0	57.4	94.0	57.8	8.3	1.0	33.5
April	254.7	57.4	80.5	57.7	8.1	14.5	33.6
May	255.1	57.4	80.5	57.6	8.2	14.5	34.0
June	255.3	58.9	78.8	57.6	7.8	14.5	34.7
July	255.7	60.3	78.8	57.5	7.9	13.5	34.7
August	256.7	60.8	78.8	57.5	8.0	13.5	35.1
September	257.4	61.9	78.1	57.5	7.8	13.5	35.6
October	258.3	63.5	78.1	57.5	7.7	13.0	35.6
November	259.6	64.5	78.1	57.6	7.7	13.0	35.9
December	259.5	65.6	76.9	57.6	7.5	13.0	35.9
1952: January	259.8	65.6	76.9	57.7	7.5	13.0	36.2
February	260.4	65.6	76.9	57.7	8.0	13.0	36.4
March	258.1	64.4	76.8	57.7	6.9	13.0	36.5
April	258.3	64.8	76.8	57.6	7.1	12.5	36.7
May	260.0	65.6	76.8	57.6	7.5	12.5	37.2
June	259.2	64.6	75.7	57.7	6.6	14.0	37.7
July	263.1	64.4	79.9	57.7	6.4	14.1	37.9
August	263.2	64.2	79.8	57.8	6.3	14.1	38.3
September	262.7	64.0	79.8	57.8	6.0	14.1	38.4
October	265.0	66.9	79.8	57.8	6.0	13.4	38.4
November	267.5	68.9	79.8	57.9	6.1	13.4	38.8
December	267.4	68.7	79.8	57.9	5.8	13.4	39.2

[1] Total includes non-interest-bearing debt, fully guaranteed securities (except those held by the Treasury), Postal Savings bonds, prewar bonds, adjusted service bonds, depositary bonds, and Armed Forces Leave bonds, not shown separately.

[2] Includes bills, certificates of indebtedness, and notes.

[3] Includes Series A bonds and, beginning in April 1951, Series B convertible bonds.

[4] Issued to U. S. Government investment accounts. These accounts also held 6.8 billion dollars of public marketable and nonmarketable issues on December 31, 1952.

Source: Treasury Department.

TABLE B–32.—*Bond yields and interest rates, 1929–52*

[Percent per annum]

Period	U. S. Government security yields			Corporate Aaa bonds (Moody's)	Average of rates charged by banks on short-term loans—selected cities	Prime commercial paper 4–6 months	Bankers acceptances, 90 days	Federal Reserve Bank discount rate
	3-month Treasury bills [1]	9–12 month issues [2]	Taxable bonds [3]					
1929	([4])	([5])	([6])	4.73	([7])	5.85	5.03	5.16
1930	([4])	([5])	([6])	4.55	([7])	3.59	2.48	3.04
1931	1.402	([5])	([6])	4.58	([7])	2.64	1.57	2.11
1932	.879	([5])	([6])	5.01	([7])	2.73	1.28	2.82
1933	.515	([5])	([6])	4.49	([7])	1.73	.63	2.56
1934	.256	([5])	([6])	4.00	([7])	1.02	.25	1.54
1935	.137	([5])	([6])	3.60	([7])	.76	.13	1.50
1936	.143	([5])	([6])	3.24	([7])	.75	.16	1.50
1937	.447	([5])	([6])	3.26	([7])	.94	.43	1.33
1938	.053	([5])	([6])	3.19	([7])	.81	.44	1.00
1939	.023	([5])	([6])	3.01	2.1	.59	.44	1.00
1940	.014	([5])	([6])	2.84	2.1	.56	.44	1.00
1941	.103	([5])	([6])	2.77	2.0	.54	.44	1.00
1942	.326	([5])	2.46	2.83	2.2	.66	.44	[8] 1.00
1943	.373	.75	2.47	2.73	2.6	.69	.44	[8] 1.00
1944	.375	.79	2.48	2.72	2.4	.73	.44	[8] 1.00
1945	.375	.81	2.37	2.62	2.2	.75	.44	[8] 1.00
1946	.375	.82	2.19	2.53	2.1	.81	.61	[8] 1.00
1947	.594	.88	2.25	2.61	2.1	1.03	.87	1.00
1948	1.040	1.14	2.44	2.82	2.5	1.44	1.11	1.34
1949	1.102	1.14	2.31	2.66	2.7	1.48	1.12	1.50
1950	1.218	1.26	2.32	2.62	2.7	1.45	1.15	1.59
1951	1.552	1.73	2.57	2.86	3.1	2.17	1.60	1.75
1952	1.766	1.81	2.68	2.96	----------	2.33	1.75	1.75
1950: First half	1.142	1.17	2.28	2.60	2.64	1.31	1.06	1.50
Second half	1.293	1.36	2.36	2.65	2.74	1.59	1.24	1.68
1951: First half	1.466	1.73	2.52	2.80	3.04	2.08	1.57	1.75
Second half	1.638	1.72	2.62	2.92	3.16	2.26	1.64	1.75
1952: First half	1.659	1.69	2.66	2.95	3.48	2.35	1.75	1.75
Second half	1.876	1.92	2.70	2.97	----------	2.31	1.75	1.75
1950: First quarter	1.118	1.14	2.24	2.58	2.60	1.31	1.06	1.50
Second quarter	1.166	1.19	2.31	2.61	2.68	1.31	1.06	1.50
Third quarter	1.233	1.27	2.34	2.63	2.63	1.47	1.18	1.61
Fourth quarter	1.353	1.44	2.38	2.67	2.84	1.71	1.31	1.75
1951: First quarter	1.400	1.62	2.42	2.70	3.02	1.96	1.51	1.75
Second quarter	1.532	1.84	2.61	2.90	3.07	2.20	1.63	1.75
Third quarter	1.628	1.72	2.59	2.89	3.06	2.25	1.63	1.75
Fourth quarter	1.649	1.73	2.66	2.95	3.27	2.26	1.65	1.75
1952: First quarter	1.640	1.71	2.72	2.96	3.45	2.38	1.75	1.75
Second quarter	1.678	1.67	2.61	2.93	3.51	2.32	1.75	1.75
Third quarter	1.829	1.93	2.67	2.95	3.49	2.31	1.75	1.75
Fourth quarter	1.924	1.92	2.73	2.99	----------	2.31	1.75	1.75

[1] Rate on new issues within period. Issues were tax-exempt prior to March 1, 1941, and fully taxable thereafter. Series includes issues with maturities of more than 3 months in period 1934–37.
[2] Includes certificates of indebtedness and selected note and bond issues.
[3] 15 years and over prior to April 1952; 12 years and over beginning in April 1952.
[4] Treasury bills were first issued in December 1929 and were issued irregularly in 1930.
[5] Not available before August 1942.
[6] Bonds in this classification were first issued in March 1941.
[7] Not available on same basis as for 1939 on.
[8] 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 or callable in 1 year or less.

NOTE.—Yields and rates computed for New York City, except for average of rates charged on short-term loans.

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

TABLE B–33.—*Government cash receipts from and payments to the public, calendar years, 1943–52*

[Billions of dollars]

Calendar year	Total			Federal			State and local [1]		
	Cash receipts	Cash payments	Excess of receipts (+) or payments (−)	Cash receipts	Cash payments	Excess of receipts (+) or payments (−)	Cash receipts [2]	Cash payments [2]	Excess of receipts (+) or payments (−)
1943	47.4	96.1	−48.7	37.9	89.0	−51.1	9.6	7.1	+2.5
1944	57.9	102.0	−44.0	48.1	94.8	−46.7	9.8	7.2	+2.6
1945	59.8	93.9	−34.1	49.4	86.1	−36.7	10.3	7.8	+2.6
1946	53.0	51.0	+2.0	41.4	41.4	[3]	11.6	9.6	+2.0
1947	57.5	51.0	+6.6	44.3	38.6	+5.7	13.2	12.4	+.9
1948	60.0	52.3	+7.8	44.9	36.9	+8.0	15.1	15.4	−.3
1949	57.9	60.2	−2.3	41.3	42.6	−1.3	16.6	17.6	−1.0
1950	60.8	61.4	−.6	42.4	42.0	+.4	18.4	19.4	−1.0
1951	78.9	78.7	+.2	59.3	58.0	+1.2	19.7	20.7	−1.0
1952 [4]	92.3	95.4	−3.1	71.4	73.0	−1.6	20.9	22.4	−1.5

[1] Based on the national income and product statistics of the Department of Commerce, adjusted to a cash basis.

[2] Federal grants-in-aid have been deducted from State and local government receipts and payments since they are included in Federal payments.

[3] Less than 50 million dollars.

[4] Estimates based on incomplete data.

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

Sources: Treasury Department, Department of Commerce, and Council of Economic Advisers.

TABLE B–34.—*Profits before and after tax, all private corporations, 1929–52*

[Billions of dollars]

Period	Corporate profits before tax	Corporate tax liability [1]	Corporate profits after tax		
			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	25.1	14.4	10.6	4.5	6.2
1944	24.3	13.5	10.8	4.7	6.1
1945	19.7	11.2	8.5	4.7	3.8
1946	23.5	9.6	13.9	5.8	8.1
1947	30.5	11.9	18.5	6.6	12.0
1948	33.8	13.0	20.7	7.2	13.5
1949	27.1	10.8	16.3	7.5	8.8
1950	39.6	18.4	21.2	9.0	12.3
1951	42.9	24.2	18.7	9.0	9.6
1952 [3]	40.8	23.6	17.2	9.3	7.9
	Seasonally adjusted annual rates				
1950: First half	32.8	15.2	17.6	8.0	9.6
Second half	46.4	21.6	24.8	10.0	14.8
1951: First half	46.7	26.4	20.2	8.8	11.4
Second half	39.0	22.0	17.1	9.2	7.8
1952: First half	41.1	23.8	17.4	9.2	8.2
Second half [3]	40.5	23.5	17.0	9.3	7.7
1950: First quarter	30.2	14.0	16.2	7.8	8.4
Second quarter	35.5	16.5	19.0	8.1	10.9
Third quarter	44.3	20.6	23.7	9.3	14.4
Fourth quarter	48.4	22.5	26.0	10.7	15.3
1951: First quarter	50.1	28.4	21.7	8.6	13.1
Second quarter	43.3	24.5	18.8	9.0	9.8
Third quarter	38.6	21.8	16.9	9.2	7.7
Fourth quarter	39.5	22.2	17.3	9.3	8.0
1952: First quarter	42.7	24.7	18.1	8.9	9.2
Second quarter	39.5	22.9	16.6	9.6	7.0
Third quarter [3]	39.0	22.6	16.4	9.3	7.1
Fourth quarter [3]	42.0	24.4	17.6	9.3	8.3

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

NOTE.—No allowance has been made for inventory valuation adjustment. See appendix table B–6 for profits before tax and inventory valuation adjustment.
Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce (except as noted).

TABLE B–35.—*Sales and profits of large manufacturing corporations, 1939–52*

[Millions of dollars]

Period	Durable goods industries (106 corporations) [1]			Nondurable goods industries (94 corporations) [1]		
	Sales	Profits		Sales	Profits	
		Before taxes	After taxes		Before taxes	After taxes
1939	6,743	733	597	3,878	478	402
1940	8,746	1,227	830	4,295	622	446
1941	12,802	2,176	982	5,540	989	541
1942	15,371	2,330	783	6,470	1,079	441
1943	20,641	2,391	755	7,671	1,302	509
1944	22,090	2,192	726	8,331	1,346	532
1945	18,162	1,290	574	8,438	1,139	558
1946	12,376	608	295	8,997	1,430	911
1947	19,484	2,311	1,354	11,385	1,793	1,170
1948	23,566	3,105	1,835	13,441	2,212	1,477
1949	23,885	3,191	1,887	12,853	1,847	1,213
1950	29,341	5,192	2,542	14,777	2,702	1,513
1951	33,696	5,374	2,000	17,371	3,184	1,411
	Totals for period not adjusted for seasonal variation					
1951 First half [2]	17,121	2,787	1,007	8,637	1,669	710
Second half [3]	16,575	2,587	993	8,735	1,514	702
1952: First half	16,815	2,253	839	8,551	1,304	601
1951: First quarter [2]	8,362	1,382	510	4,349	855	368
Second quarter [2]	8,759	1,405	497	4,288	814	342
Third quarter [2]	8,003	1,191	428	4,294	773	334
Fourth quarter [2]	8,572	1,396	565	4,441	741	368
1952: First quarter	8,425	1,234	501	4,335	705	314
Second quarter	8,390	1,019	338	4,216	599	287
Third quarter [3]	7,866	865	375	4,361	642	308

[1] See *Federal Reserve Bulletin*, June 1949, and subsequent issues, for similar data for the following industry groups: primary metals and products, machinery, automobiles and equipment, foods and kindred products, chemicals and allied products, and petroleum refining.

[2] Certain Federal income tax accruals for the first 6 months of 1951, required by subsequent increases in Federal income tax rates and charged by many companies against third quarter profits, have been redistributed to the first and second quarters.

[3] Preliminary estimates.

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

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

TABLE B–36.—*Relation of profits before and after taxes to stockholders' equity, private manufacturing corporations, by industry group, 1947–50 average and 1951–52*

Industry group	Ratio of profits (annual rate) to stockholders' equity							
	1947–50 average	1951				1952		
		Year	First quarter	Second quarter	Third quarter	First quarter	Second quarter	Third quarter
	Before Federal taxes							
All private manufacturing corporations	24.6	27.3	32.0	29.7	24.9	23.6	22.0	20.7
Food	23.2	17.4	19.7	17.3	18.1	14.0	16.6	20.3
Tobacco manufactures	20.3	21.4	20.3	20.4	22.4	17.7	19.1	21.9
Textile-mill products	24.6	20.1	33.9	26.5	12.0	10.9	9.3	10.6
Apparel and finished textiles	20.7	9.0	16.6	8.3	7.6	7.3	9.3	11.5
Lumber and wood products	27.4	23.2	31.2	29.0	20.2	14.0	16.8	17.8
Furniture and fixtures	24.7	25.1	34.6	29.0	20.7	19.6	20.1	18.6
Paper and allied products	27.0	34.5	42.8	41.7	31.5	28.7	22.8	22.8
Printing and publishing (except newspapers)	22.8	21.1	19.8	24.3	21.6	21.7	21.0	19.7
Chemicals and allied products	26.6	30.4	38.4	30.5	28.7	27.2	24.2	24.2
Petroleum refining	[1] 20.3	22.2	23.3	23.1	22.9	20.6	16.1	17.1
Products of petroleum and coal (except petroleum refining)	[2]	26.8	25.4	33.0	27.2	15.9	22.7	25.0
Rubber products	23.0	36.9	43.2	41.2	30.8	28.9	29.7	27.4
Leather and leather products	18.1	10.7	17.1	13.5	13.6	8.5	12.1	17.1
Stone, clay, and glass products	26.1	33.5	38.1	40.9	34.7	21.9	27.5	29.8
Primary nonferrous metal industries	20.5	28.2	32.4	33.2	24.4	27.7	22.0	17.5
Primary iron and steel industries	22.7	33.5	35.8	36.8	31.0	26.2	7.5	12.1
Fabricated metal products	26.0	30.9	38.0	33.8	27.4	23.2	22.3	22.0
Machinery (except electrical)	24.7	32.0	35.1	35.1	28.2	31.7	32.7	24.2
Electrical machinery	31.6	37.9	47.7	34.8	30.2	36.8	33.4	31.0
Transportation equipment (except motor vehicles)	12.5	22.2	18.8	24.1	18.7	28.1	32.8	29.7
Motor vehicles and parts	40.7	39.6	45.6	43.7	34.1	37.3	46.5	26.2
Instruments; photographic and optical goods; watches and clocks	24.8	31.3	33.5	33.5	30.0	28.2	29.1	29.4
Miscellaneous manufacturing (including ordnance)	20.1	22.7	30.9	23.3	16.5	15.5	14.9	17.5
	After Federal taxes							
All private manufacturing corporations	14.8	11.8	14.3	13.3	10.0	10.1	10.0	9.9
Food	13.6	8.0	9.1	8.4	8.2	5.9	7.7	9.4
Tobacco manufactures	12.1	9.4	9.5	10.0	8.8	7.3	7.7	9.0
Textile-mill products	14.5	7.9	14.1	10.5	3.5	4.0	3.2	4.7
Apparel and finished textiles	12.0	2.8	6.0	2.3	1.8	1.8	3.4	5.0
Lumber and wood products	17.1	11.8	15.4	14.2	10.3	8.0	8.9	9.8
Furniture and fixtures	14.3	11.1	17.3	12.4	9.1	7.4	9.0	8.4
Paper and allied products	16.2	13.5	17.8	16.7	12.1	11.4	9.5	10.1
Printing and publishing (except newspapers)	13.4	9.9	9.4	12.8	9.9	10.9	10.2	9.4
Chemicals and allied products	15.9	12.0	15.9	12.8	9.4	11.1	10.6	10.5
Petroleum refining	[1] 15.1	14.7	14.6	15.2	14.7	13.6	13.0	12.3
Products of petroleum and coal (except petroleum refining)	[2]	12.2	12.2	14.9	11.5	6.0	8.9	13.5
Rubber products	12.8	14.4	18.6	15.5	11.9	9.6	10.8	11.2
Leather and leather products	10.4	2.0	4.2	2.6	4.3	2.6	5.6	8.1
Stone, clay, and glass products	15.2	13.8	16.5	17.2	13.3	8.4	12.6	13.6
Primary nonferrous metal industries	12.5	13.4	16.0	15.0	10.7	13.0	11.3	9.3
Primary iron and steel industries	12.9	12.1	14.0	14.3	9.1	9.7	5.5	6.3
Fabricated metal products	15.3	13.2	17.6	14.4	11.1	9.9	10.4	10.5
Machinery (except electrical)	14.5	12.7	15.4	15.1	10.6	12.2	12.5	10.2
Electrical machinery	17.8	13.7	17.9	13.5	8.9	13.4	11.4	12.0
Transportation equipment (except motor vehicles)	6.6	9.5	8.7	11.0	7.8	10.9	12.5	11.9
Motor vehicles and parts	21.7	14.2	16.9	17.1	10.7	12.9	15.4	11.4
Instruments; photographic and optical goods; watches and clocks	14.6	12.9	15.0	14.5	10.7	10.6	11.1	11.2
Miscellaneous manufacturing (including ordnance)	11.4	9.9	14.4	9.7	7.0	6.5	6.1	7.3

[1] Petroleum refining and products of petroleum and coal combined.
[2] Not available separately for this period.

NOTE.—These series are based on a new sample, beginning with the third quarter of 1951. To provide continuity, the first and second quarters of 1951 have been adjusted to the new basis. However, the 1947–50 averages have not been adjusted and therefore are not strictly comparable with the 1951 and 1952 data. For explanatory notes concerning compilation of the series, see *Quarterly Financial Reports for United States Manufacturing Corporations* by Federal Trade Commission and Securities and Exchange Commission.

Sources: Federal Trade Commission and Securities and Exchange Commission.

TABLE B–37.—*Relation of profits before and after taxes to sales, private manufacturing corporations, by industry group, 1947–50 average and 1951–52*

Industry group	Profits in cents per dollar of sales							
	1947–50 average	1951				1952		
		Year	First quarter	Second quarter	Third quarter	First quarter	Second quarter	Third quarter
	Before Federal taxes							
All private manufacturing corporations	11.1	11.2	12.4	11.7	10.5	9.9	9.2	8.9
Food	6.1	4.3	4.8	4.4	4.4	3.6	4.1	5.0
Tobacco manufactures	8.1	8.7	8.9	8.2	8.8	7.2	7.5	8.2
Textile-mill products	11.3	8.6	12.3	10.5	5.6	4.9	4.3	4.8
Apparel and finished textiles	5.4	2.1	3.5	2.0	1.8	1.7	2.2	2.6
Lumber and wood products	14.8	10.8	13.8	12.6	9.7	7.3	8.1	8.4
Furniture and fixtures	8.6	7.7	9.3	8.3	7.1	6.3	6.0	6.0
Paper and allied products	14.4	16.8	18.8	18.6	15.9	15.1	12.9	12.9
Printing and publishing (except newspapers)	8.5	7.8	7.3	8.6	8.0	8.0	7.9	7.4
Chemicals and allied products	15.2	16.5	19.0	15.9	16.0	15.1	13.7	14.2
Petroleum and refining	[1] 14.8	16.8	16.6	17.2	17.1	15.1	12.7	13.4
Products of petroleum and coal (except petroleum refining)	([2])	10.9	11.1	12.6	10.7	7.3	9.2	10.0
Rubber products	8.6	11.6	13.0	12.2	9.8	9.7	9.6	9.1
Leather and leather products	5.9	3.2	4.6	4.0	4.0	2.7	3.8	5.3
Stone, clay, and glass products	15.2	17.4	18.7	19.2	17.7	13.2	15.7	16.2
Primary nonferrous metal industries	14.5	16.4	17.0	18.0	15.1	15.5	13.3	10.8
Primary iron and steel industries	12.7	16.0	16.6	16.7	15.4	13.2	4.8	7.6
Fabricated metal products	11.3	11.7	13.5	12.2	10.8	9.5	9.1	8.5
Machinery (except electrical)	12.1	13.8	14.8	14.2	12.8	13.3	13.2	10.8
Electrical machinery	11.3	13.9	15.2	12.3	11.8	12.6	11.5	10.6
Transportation equipment (except motor vehicles)	6.4	7.5	7.6	7.9	6.7	7.6	7.4	7.0
Motor vehicles and parts	13.9	13.2	13.7	13.5	12.2	13.0	14.8	10.4
Instruments; photographic and optical goods; watches and clocks	13.4	14.7	15.8	15.3	14.5	12.7	12.7	12.6
Miscellaneous manufacturing (including ordnance)	9.3	8.4	10.6	8.6	7.0	6.2	6.2	6.8
	After Federal taxes							
All private manufacturing corporations	6.7	4.8	5.6	5.2	4.2	4.2	4.2	4.3
Food	3.6	2.0	2.2	2.1	2.0	1.5	1.9	2.3
Tobacco manufactures	4.8	3.8	4.2	4.0	3.5	3.0	3.0	3.4
Textile-mill products	6.6	3.4	5.1	4.2	1.6	1.8	1.5	2.1
Apparel and finished textiles	3.1	.6	1.3	.5	.4	.4	.8	1.1
Lumber and wood products	9.2	5.5	6.8	6.1	4.9	4.2	4.3	4.6
Furniture and fixtures	5.0	3.4	4.7	3.6	3.1	2.3	2.7	2.7
Paper and allied products	8.6	6.6	7.8	7.5	6.1	6.0	5.4	5.7
Printing and publishing (except newspapers)	5.0	3.7	3.5	4.5	3.7	4.0	3.8	3.5
Chemicals and allied products	9.1	6.5	7.9	6.6	5.2	6.2	6.0	6.1
Petroleum and refining	[1] 11.0	11.1	10.4	11.3	11.0	10.0	10.2	9.6
Products of petroleum and coal (except petroleum refining)	([2])	5.0	5.3	5.7	4.5	2.8	3.6	5.4
Rubber products	4.8	4.5	5.6	4.6	3.8	3.2	3.5	3.7
Leather and leather products	3.4	.6	1.1	.8	1.3	.8	1.8	2.5
Stone, clay, and glass products	8.9	7.1	8.1	8.1	6.8	5.0	7.2	7.4
Primary nonferrous metal industries	8.8	7.8	8.4	8.1	6.6	7.3	6.8	5.7
Primary iron and steel industries	7.2	5.8	6.5	6.5	4.5	4.9	3.5	3.9
Fabricated metal products	6.6	5.0	6.2	5.2	4.4	4.1	4.3	4.1
Machinery (except electrical)	7.1	5.5	6.5	6.1	4.8	5.1	5.1	4.6
Electrical machinery	6.3	5.0	5.7	4.8	3.5	4.6	3.9	4.1
Transportation equipment (except motor vehicles)	3.4	3.2	3.5	3.6	2.8	2.9	2.8	2.8
Motor vehicles and parts	7.4	4.7	5.1	5.3	3.8	4.5	4.9	4.6
Instruments; photographic and optical goods; watches and clocks	7.9	6.1	7.1	6.6	5.1	4.8	4.8	4.8
Miscellaneous manufacturing (including ordnance)	5.3	3.7	4.9	3.6	3.0	2.6	2.5	2.9

[1] Petroleum refining and products of petroleum and coal combined.
[2] Not available separately for this period.

NOTE.—These series are based on a new sample, beginning with the third quarter of 1951. To provide continuity, the first and second quarters of 1951 have been adjusted to the new basis. However, the 1947–50 averages have not been adjusted and therefore are not strictly comparable with the 1951 and 1952 data. For explanatory notes concerning compilation of the series, see *Quarterly Financial Reports for United States Manufacturing Corporations* by Federal Trade Commission and Securities and Exchange Commission.

Sources: Federal Trade Commission and Securities and Exchange Commission.

TABLE B-38.—*Relation of profits before and after taxes to stockholders' equity and to sales, all private manufacturing corporations, by asset size class, 1947–50 average and 1951–52*

Asset size class (thousands of dollars)	1947–50 average	1951				1952		
		Year	First quarter	Second quarter	Third quarter	First quarter	Second quarter	Third quarter
	Ratio of profits before Federal taxes (annual rate) to stockholders' equity							
All asset sizes	24.6	27.3	32.0	29.7	24.9	23.6	22.0	20.7
Under 250	16.7	17.3	23.8	22.5	15.1	15.7	20.3	22.1
250 to 999	22.7	22.0	27.3	26.3	19.9	17.3	19.7	18.8
1,000 to 4,999	24.2	25.4	33.1	30.3	21.3	20.7	20.2	19.1
5,000 to 99,999	25.2	28.4	34.4	31.8	25.1	23.3	22.2	20.8
100,000 and over	24.9	28.8	32.2	29.9	26.9	25.7	22.6	21.2
	Profits before Federal taxes in cents per dollar of sales							
All asset sizes	11.1	11.2	12.4	11.7	10.5	9.9	9.2	8.9
Under 250	4.4	3.6	4.8	4.7	3.3	3.4	4.4	4.6
250 to 999	7.4	6.1	7.3	7.1	5.8	5.2	5.8	5.6
1,000 to 4,999	9.0	8.1	9.9	9.1	7.1	6.9	6.7	6.5
5,000 to 99,999	11.3	11.7	13.4	12.5	8.8	9.8	9.4	8.9
100,000 and over	13.2	14.7	15.5	14.8	14.0	13.1	11.6	11.1
	Ratio of profits after Federal taxes (annual rate) to stockholders' equity							
All asset sizes	14.8	11.8	14.3	13.3	10.0	10.1	10.0	9.9
Under 250	9.8	8.6	13.7	13.2	7.4	8.9	12.3	13.0
250 to 999	13.1	9.2	13.1	11.7	7.9	6.9	8.6	8.4
1,000 to 4,999	14.1	10.6	15.6	13.2	8.0	7.9	8.0	8.2
5,000 to 99,999	14.9	11.8	15.0	13.7	9.7	9.3	9.2	9.1
100,000 and over	15.3	13.0	14.4	13.8	11.1	11.5	11.0	10.8
	Profits after Federal taxes in cents per dollar of sales							
All asset sizes	6.7	4.8	5.6	5.2	4.2	4.2	4.2	4.3
Under 250	2.6	1.8	2.8	2.8	1.6	1.9	2.7	2.7
250 to 999	4.3	2.5	3.5	3.2	2.3	2.0	2.5	2.5
1,000 to 4,999	5.2	3.4	4.7	4.0	2.7	2.6	2.6	2.8
5,000 to 99,999	6.7	4.9	5.8	5.4	4.1	3.9	3.9	3.9
100,000 and over	8.1	6.6	6.9	6.8	5.8	5.8	5.6	5.7

NOTE.—These series are based on a new sample, beginning with the third quarter of 1951. To provide continuity, the first and second quarters of 1951 have been adjusted to the new basis. However, the 1947–50 averages have not been adjusted and therefore are not strictly comparable with the 1951 and 1952 data. For explanatory notes concerning compilation of the series, see *Quarterly Financial Reports for United States Manufacturing Corporations* by Federal Trade Commission and Securities and Exchange Commission.

Sources: Federal Trade Commission and Securities and Exchange Commission.

TABLE B–39.—*Sources and uses of corporate funds, 1946–52* [1]

[Billions of dollars]

Source or use of funds	1946	1947	1948	1949	1950	1951	1952 [2]
Uses:							
Plant and equipment outlays	12.7	17.1	19.1	16.4	16.9	22.2	23.0
Inventories (change in book value)	11.2	7.1	4.2	−3.6	8.0	10.2	([3])
Change in customer net receivables [4]	.8	3.0	2.9	2.1	4.0	.2	2.5
Cash and U. S. Government securities	−4.7	1.2	1.0	3.4	4.7	2.9	1.5
Other current assets	−.7	−.1	([5])	−.2	.3	.4	([3])
Total uses	19.3	28.3	27.2	18.1	33.9	35.9	27.0
Sources:							
Internal:							
Retained profits and depletion allowances	7.6	11.6	12.8	8.0	11.6	9.0	7.5
Depreciation allowances	4.3	5.2	6.2	7.2	7.8	8.8	10.0
Total internal sources	11.9	16.8	19.0	15.2	19.4	17.8	17.5
External:							
Change in Federal income-tax liability	−1.6	2.3	.8	−2.3	7.4	5.6	−.5
Other current liabilities	2.1	1.0	.3	.3	1.5	.8	2.0
Change in bank loans and mortgage loans	4.3	3.2	1.7	−1.2	3.3	5.0	1.5
Net new issues	2.3	4.4	5.9	4.9	3.7	6.4	7.0
Total external sources	7.1	10.9	8.7	1.7	15.9	17.8	9.5
Total sources	19.0	27.7	27.7	16.9	35.3	35.6	27.0
Discrepancy (uses less sources)	.3	.6	−.5	1.2	−1.4	.3	.0

[1] Excludes banks and insurance companies.
[2] Estimates based on incomplete data, and rounded to the nearest half-billion dollars.
[3] Less than 500 million dollars.
[4] Receivables are net of payables which are therefore not shown separately.
[5] Less than 50 million dollars.

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

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

INTERNATIONAL TRANSACTIONS

TABLE B–40.—*International transactions of the United States, 1949–52*

[Millions of dollars]

Type of transaction	1949	1950	1951	1952				
				Total [1]	First quarter	second quarter	Third quarter	Fourth quarter [1]
Exports of goods and services:								
Recorded goods	12,051	10,272	15,030	14,940	4,017	3,965	3,308	3,650
Other goods [2]	286	386	455	522	150	123	99	150
Total goods	12,337	10,658	15,485	15,462	4,167	4,088	3,407	3,800
Services	2,232	2,024	2,741	2,986	721	775	740	750
Income on investments	1,405	1,743	1,992	1,942	422	454	466	600
Total exports	15,974	14,425	20,218	20,390	5,310	5,317	4,613	5,150
Imports of goods and services:								
Recorded goods	6,622	8,845	10,964	10,539	2,779	2,628	2,532	2,600
Other goods [2]	444	470	704	757	183	216	158	200
Total goods	7,066	9,315	11,668	11,296	2,962	2,844	2,690	2,800
Services	2,184	2,376	2,988	3,739	804	914	1,071	950
Income on investments	353	437	398	397	89	109	99	100
Total imports	9,603	12,128	15,054	15,432	3,855	3,867	3,860	3,850
Surplus of exports of goods and services:								
Recorded goods	5,429	1,427	4,066	4,401	1,238	1,337	776	1,050
Other goods [2]	−158	−84	−249	−235	−33	−93	−59	−50
Total goods	5,271	1,343	3,817	4,166	1,205	1,244	717	1,000
Services	48	−352	−247	−753	−83	−139	−331	−200
Income on investments	1,052	1,306	1,594	1,545	333	345	367	500
Total surplus of exports	6,371	2,297	5,164	4,958	1,455	1,450	753	1,300
Means of financing surplus of exports of goods and services:								
Liquidation of gold and dollar assets by foreign countries and by international institutions	57	−3,629	−442	−845	382	−404	−723	−100
U. S. Government sources (net): [3]								
Grants and other unilateral transfers	5,321	4,120	4,501	4,360	820	1,234	1,176	1,130
Long- and short-term loans	647	164	163	627	140	210	197	80
U. S. private sources (net):								
Remittances	522	481	412	376	96	94	86	100
Long- and short-term capital	609	1,317	1,066	859	235	519	15	90
Total means of financing	7,156	2,453	5,700	5,377	1,673	1,653	751	1,300
Errors and omissions	−785	−156	−536	−419	−218	−203	2	------

[1] Estimates based on incomplete data; fourth quarter by Council of Economic Advisers.
[2] 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.
[3] For detail, see appendix table B–42.

Source: Department of Commerce (except as noted).

TABLE B–41.—*United States exports and imports of goods and services, by area, 1949–52*

[Billions o idollars, annual rates]

Area	1949	1950	1951	1952				
				Total [1]	First quarter	Second quarter	Third quarter	Fourth quarter [1]
Exports of goods and services: [2]								
OEEC countries [3]	5.39	4.43	6.52	(4)	7.27	6.88	5.60	(4)
OEEC dependencies [3]	.90	.58	.68	(4)	.76	.79	.64	(4)
Other Europe [5]	.21	.18	.33	(4)	.01	.01	.03	(4)
Canada	2.59	2.73	3.48	(4)	3.35	4.24	3.83	(4)
Latin-American republics	3.66	3.92	5.15	(4)	5.33	5.03	4.40	(4)
Other [6]	3.21	2.59	4.06	(4)	4.52	4.32	3.95	(4)
Total exports	15.97	14.43	20.22	20.39	21.24	21.27	18.45	20.60
Imports of goods and services: [2]								
OEEC countries [3]	2.22	2.69	3.51	(4)	3.73	4.11	4.13	(4)
OEEC dependencies [3]	.71	.89	1.16	(4)	1.42	1.33	.90	(4)
Other Europe [5]	.18	.23	.24	(4)	.04	.05	.05	(4)
Canada	2.01	2.44	2.78	(4)	2.59	2.91	3.20	(4)
Latin-American republics	2.94	3.56	4.12	(5)	4.32	4.04	4.17	(4)
Other [6]	1.54	2.32	3.25	(4)	3.32	3.03	2.99	(4)
Total imports	9.60	12.13	15.05	15.43	15.42	15.47	15.44	15.40
Surplus of exports of goods and services: [2]								
OEEC countries [3]	3.17	1.73	3.01	(4)	3.54	2.77	1.47	(4)
OEEC dependencies [3]	.19	−.31	−.48	(4)	−.66	−.54	−.26	(4)
Other Europe [5]	.03	−.04	.09	(4)	−.03	−.04	−.02	(4)
Canada	.59	.29	.70	(4)	.76	1.33	.63	(4)
Latin-American republics	.72	.36	1.03	(4)	1.01	.99	.23	(4)
Other [6]	1.67	.27	.81	(4)	1.20	1.29	.96	(4)
Total surplus of exports	6.37	2.30	5.16	4.96	5.82	5.80	3.01	5.20
ADDENDUM								
Exports of goods and services to sterling area [7]	2.52	1.95	3.17	(4)	3.75	2.68	2.21	(4)
Imports of goods and services from sterling area	1.73	2.27	2.91	(4)	2.87	2.96	2.46	(4)
Surplus of exports to sterling area [7]	.79	−.32	.26	(4)	.88	−.28	−.25	(4)

[1] Estimates based on incomplete data; fourth quarter by Council of Economic Advisers.
[2] Includes income on investments.
[3] "OEEC" countries are those which are members of the Organization for European Economic Cooperation. They are the countries which participated in the European Recovery Program prior to its termination. Beginning with 1952, the data also include Finland, Spain, and Yugoslavia.
[4] Not available.
[5] Beginning with 1952, excludes Finland, Spain, and Yugoslavia.
[6] Includes international institutions.
[7] In 1950–52, includes "special category" exports sold for cash, but excludes all transactions under the Mutual Defense Assistance Program.

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

Source: Department of Commerce (except as noted).

TABLE B–42.—*U. S. Government grants, other unilateral transfers, and loans to foreign countries, 1949–52*

[Millions of dollars]

Type of aid	1949	1950	1951	1952				
				Total [1]	First quarter	Second quarter	Third quarter	Fourth quarter [1]
Unilateral payments:								
Military aid programs:								
Mutual Security and Mutual Defense	----	516	1,481	[2]	407	642	603	[2]
Greek-Turkish aid	171	62	8	[2]	----	----	----	[2]
China aid	44	5	2	[2]	----	----	----	[2]
Economic aid programs:								
Mutual Security, ECA, and Mutual Defense	3,822	2,833	2,643	[2]	343	520	475	[2]
Europe	3,730	2,719	2,490	[2]	308	478	441	[2]
Other areas	92	114	153	[2]	35	42	34	[2]
Army Civilian Supply [3]	1,082	500	336	[2]	24	36	34	[2]
Philippine Rehabilitation Act	203	166	12	[2]	1	1	2	[2]
International Refugee Organization and other international relief agencies	104	84	39	[2]	21	16	3	[2]
Other	31	28	48	[2]	20	60	44	[2]
Other transfers	128	101	109	[2]	32	36	36	[2]
Total unilateral payments	5,585	4,295	4,678	[2]	848	1,311	1,197	[2]
Less: Unilateral receipts	264	175	177	[2]	28	77	21	[2]
Equals: Net unilateral payments	5,321	4,120	4,501	4,360	820	1,234	1,176	1,130
Long-term loans and investments:								
ECA and Mutual Security programs	428	163	209	[2]	111	130	32	[2]
Export-Import Bank	163	193	222	[2]	80	107	247	[2]
Surplus property credits, including ship sales	30	2	----	----	----	----	----	----
Raw-material credits to occupied areas	26	28	----	----	----	----	----	----
United Nations building loan	20	22	13	[2]	2	2	2	[2]
Other	12	6	6	[2]	12	10	11	[2]
Total long-term loans and investments	679	414	450	[2]	205	249	292	[2]
Less: Repayments	205	287	310	[2]	64	62	127	[2]
Equals: Net long-term loans and investments	474	127	140	573	141	187	165	80
Short-term loans (net)	173	37	23	54	−1	23	32	----
Total net unilateral payments, loans and investments	5,968	4,284	4,664	4,987	960	1,444	1,373	1,210

[1] Estimates based on incomplete data; fourth quarter by Council of Economic Advisers.
[2] Not available.
[3] After 1949, includes disbursements in Germany administered by ECA from funds appropriated under the Army civilian supply program.

Source: Department of Commerce (except as noted).

TABLE B–43.—*United States merchandise exports, including reexports, by area, 1936–38 quarterly average and 1947–52*

Period	Total exports including reexports	Canada	Other Western Hemisphere	OEEC [1] countries	Other Europe	Asia [2]	Australia and Oceania	Africa
	Millions of dollars							
Quarterly average:								
1936–38	742	115	136	282	31	122	23	32
1947	3,835	528	1,017	1,324	118	562	80	205
1948	3,163	486	841	1,046	49	507	38	196
1949	3,013	490	725	1,019	41	534	49	155
1950 [3]	2,569	499	691	698	34	360	33	86
1951 [3]	3,758	647	943	955	69	545	61	145
1952 [3]	[4] 3,735	(5)	(5)	(5)	(5)	(5)	(5)	(5)
1950: First quarter [3]	2,365	389	614	724	31	381	32	78
Second quarter [3]	2,510	519	647	728	33	367	34	85
Third quarter [3]	2,451	505	706	583	37	332	30	78
Fourth quarter [3]	2,949	583	796	756	34	361	38	102
1951: First quarter [3]	3,345	623	866	813	64	469	44	120
Second quarter [3]	4,020	756	958	1,027	81	549	45	155
Third quarter [3]	3,688	605	978	869	63	517	68	173
Fourth quarter [3]	3,979	603	969	1,111	69	644	88	132
1952: First quarter [3]	4,017	623	989	1,049	51	647	74	176
Second quarter [3]	3,965	756	932	788	49	577	56	153
Third quarter [3]	3,308	675	795	564	31	404	40	115
Fourth quarter [3]	[4] 3,650	(5)	(5)	(5)	(5)	(5)	(5)	(5)
	Percentage of total							
Quarterly average:								
1936–38	100	15.5	18.3	38.0	4.2	16.4	3.1	4.3
1947	100	13.8	26.5	34.5	3.1	14.7	2.1	5.3
1948	100	15.4	26.6	33.1	1.5	16.0	1.2	6.2
1949	100	16.3	24.1	33.8	1.4	17.7	1.6	5.1
1950 [3]	100	19.4	26.9	27.2	1.3	14.0	1.3	3.3
1951 [3]	100	17.2	25.1	25.4	1.8	14.5	1.6	3.9
1950: First quarter [3]	100	16.4	26.0	30.6	1.3	16.1	1.4	3.3
Second quarter [3]	100	20.7	25.8	29.0	1.3	14.6	1.4	3.4
Third quarter [3]	100	20.6	28.8	23.8	1.5	13.5	1.2	3.2
Fourth quarter [3]	100	19.8	27.0	25.6	1.2	12.2	1.3	3.5
1951: First quarter [3]	100	18.6	25.9	24.3	1.9	14.0	1.3	3.6
Second quarter [3]	100	18.8	23.8	25.5	2.0	13.7	1.1	3.9
Third quarter [3]	100	16.4	26.5	23.6	1.7	14.0	1.8	4.7
Fourth quarter [3]	100	15.2	24.4	27.9	1.7	16.2	2.2	3.3
1952: First quarter [3]	100	15.5	24.7	26.2	1.3	16.1	1.8	4.4
Second quarter [3]	100	19.1	23.5	19.9	1.2	14.5	1.4	3.9
Third quarter [3]	100	20.4	24.1	17.1	.9	12.2	1.2	3.5

[1] "OEEC countries" are those which are members of the Organization for European Economic Cooperation. They are the countries which participated in the European Recovery Program prior to its termination. Turkey is included with OEEC countries and excluded from Asia. Exports from Germany are included with those of OEEC countries and, in the postwar period, relate almost wholly to exports from the three western zones.

[2] Excludes Turkey, which is included with OEEC countries.

[3] Data by area exclude, while total exports include, "special category" exports. For this reason, exports by area will not add to total exports in these periods. "Special category" exports are those of military or potential military significance, and are not published in this area classification for security reasons. See *Foreign Trade Statistics Notes*, January 1952, Bureau of the Census, for further detail.

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

[5] Not available.

NOTE.—Data in this table cover all merchandise shipped from the United States customs area to foreign countries, including, in postwar years, both commercial transactions and goods financed by the United States through the various aid and relief programs and the Mutual Security Program. Shipments to United States armed forces abroad for their own use are excluded.

Detail will not necessary add to totals because of rounding. See also footnote 3.

Source: Department of Commerce (except as noted).

TABLE B–44.—*Indexes of quantity and unit value of United States domestic merchandise exports, by economic class, 1936–38 quarterly average and 1947–52*

[1936–38=100]

Period	Total domestic exports	Crude materials	Crude foodstuffs [1]	Manufactured foodstuffs [1]	Semimanufactures	Finished manufactures
	Quantity indexes					
Quarterly average:						
1936–38	100	100	100	100	100	100
1947	275	123	397	478	203	332
1948	214	100	362	350	144	257
1949	219	126	435	297	150	250
1950	193	128	287	237	127	225
1951	247	142	475	264	153	298
1952	[2] 246	[3]	[3]	[3]	[3]	[3]
1950: First quarter	181	125	284	213	121	207
Second quarter	194	143	270	250	126	220
Third quarter	184	112	264	224	125	220
Fourth quarter	209	128	325	230	135	251
1951: First quarter	223	112	456	242	131	279
Second quarter	258	126	583	263	157	319
Third quarter	243	117	434	265	165	304
Fourth quarter	264	220	422	266	160	291
1952: First quarter	263	157	550	266	162	310
Second quarter	260	112	458	252	166	341
Third quarter	218	87	290	207	131	305
Fourth quarter	[2] 241	[3]	[3]	[3]	[3]	[3]
	Unit value indexes					
Quarterly average:						
1936–38	100	100	100	100	100	100
1947	188	195	248	218	169	182
1948	200	223	255	223	184	193
1949	186	212	225	177	174	184
1950	180	220	193	151	170	179
1951	206	260	215	189	209	199
1952	[2] 206	[3]	[3]	[3]	[3]	[3]
1950: First quarter	177	206	196	151	164	179
Second quarter	175	212	190	142	166	175
Third quarter	180	226	192	162	168	177
Fourth quarter	191	245	196	169	184	187
1951: First quarter	202	263	203	188	203	195
Second quarter	210	275	219	206	212	201
Third quarter	206	249	221	194	211	200
Fourth quarter	204	246	219	183	211	200
1952: First quarter	207	255	230	178	208	201
Second quarter	207	244	250	173	207	201
Third quarter	205	240	233	182	205	200
Fourth quarter	[2] 205	[3]	[3]	[3]	[3]	[3]

[1] Export indexes of crude and manufactured foodstuffs in some periods, particularly those of unit value during 1950, are influenced by sales of large quantities of food products at prices considerably below market quotations. Such exports include sales from Government-owned surplus and shipments on which subsidies were paid by the Department of Agriculture.

[2] Estimates based on incomplete data: fourth quarter by Council of Economic Advisers.

[3] Not available.

NOTE.—The indexes of quantity are a measure of the volume of trade after the influence on value 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 (except as noted).

TABLE B–45.—*United States general merchandise imports, by area, 1936–38 quarterly average and 1947–52*

Period	Total general imports	Canada	Other Western Hemisphere	OEEC countries [1]	Other Europe	Asia [2]	Australia and Oceania	Africa
	Millions of dollars							
Quarterly average:								
1936–38	622	88	143	152	30	183	10	17
1947	1,439	282	568	174	45	249	39	82
1948	1,781	398	627	244	49	324	41	98
1949	1,656	388	611	211	35	296	31	84
1950	2,213	490	776	315	47	409	52	123
1951	2,742	569	888	478	52	496	113	147
1952	[3] 2,635	[4]	[4]	[4]	[4]	[4]	[4]	[4]
1950: First quarter	1,889	404	727	240	45	302	49	122
Second quarter	1,931	478	645	243	45	363	52	103
Third quarter	2,388	504	912	322	49	418	47	136
Fourth quarter	2,645	575	819	455	50	555	60	132
1951: First quarter	3,036	529	1,085	515	63	592	83	169
Second quarter	2,981	586	895	515	57	544	184	201
Third quarter	2,497	553	739	457	40	482	120	106
Fourth quarter	2,452	608	831	426	46	364	64	113
1952: First quarter	2,779	560	943	454	46	501	60	214
Second quarter	2,628	596	842	440	43	473	80	154
Third quarter	2,532	580	895	431	44	419	49	113
Fourth quarter	[3] 2,600	[4]	[4]	[4]	[4]	[4]	[4]	[4]
	Percentage of total							
Quarterly average:								
1936–38	100	14.1	23.0	24.4	4.8	29.4	1.6	2.7
1947	100	19.6	39.5	12.1	3.1	17.3	2.7	5.7
1948	100	22.3	35.2	13.7	2.8	18.2	2.3	5.5
1949	100	23.4	36.9	12.7	2.1	17.9	1.9	5.1
1950	100	22.1	35.1	14.2	2.1	18.5	2.3	5.6
1951	100	20.8	32.4	17.4	1.9	18.1	4.1	5.4
1950: First quarter	100	21.4	38.5	12.7	2.4	16.0	2.6	6.5
Second quarter	100	24.8	33.4	12.6	2.3	18.8	2.7	5.3
Third quarter	100	21.1	38.2	13.5	2.1	17.5	2.0	5.7
Fourth quarter	100	21.7	31.0	17.2	1.9	21.0	2.3	5.0
1951: First quarter	100	17.4	35.7	17.0	2.1	19.5	2.7	5.6
Second quarter	100	19.7	30.0	17.3	1.9	18.2	6.2	6.7
Third quarter	100	22.1	29.6	18.3	1.6	19.3	4.8	4.2
Fourth quarter	100	24.8	33.9	17.4	1.9	14.8	2.6	4.6
1952: First quarter	100	20.2	34.0	16.3	1.7	18.0	2.2	7.7
Second quarter	100	22.7	32.0	16.7	1.6	18.0	3.0	5.9
Third quarter	100	22.9	35.4	17.0	1.7	16.6	1.9	4.5

[1] "OEEC countries" are those which are members of the Organization for European Economic Cooperation. They are the contries which participated in the European Recovery Program prior to its termination. Turkey is included with OEEC countries and excluded from Asia. Imports from Germany are included with those of OEEC countries and, in the postwar period, relate almost wholly to imports from the three western zones.

[2] Excludes Turkey, which is included with OEEC countries.

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

[4] 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 (except as noted).

TABLE B–46.—*Indexes of quantity and unit value of United States merchandise imports for consumption, by economic class, 1936–38 quarterly average and 1947–52*

[1936–38=100]

Period	Total imports for consumption	Crude materials	Crude foodstuffs	Manufactured foodstuffs	Semi-manufactures	Finished manufactures
	Quantity indexes					
Quarterly average:						
1936–38	100	100	100	100	100	100
1947	108	129	96	83	130	84
1948	123	139	109	91	149	103
1949	120	125	119	97	143	101
1950	146	152	113	117	219	125
1951	144	142	119	122	200	134
1952	[1] 149	(2)	(2)	(2)	(2)	(2)
1950: First quarter	137	152	121	98	189	107
Second quarter	136	140	94	113	213	119
Third quarter	154	155	125	143	220	125
Fourth quarter	158	161	111	113	247	147
1951: First quarter	163	161	149	127	227	140
Second quarter	147	144	109	129	215	139
Third quarter	131	137	92	121	182	126
Fourth quarter	136	125	126	111	178	131
1952: First quarter	151	154	137	121	191	138
Second quarter	147	153	103	139	195	146
Third quarter	145	138	106	139	200	149
Fourth quarter	[1] 154	(2)	(2)	(2)	(2)	(2)
	Unit value indexes					
Quarterly average:						
1936–38	100	100	100	100	100	100
1947	213	180	311	208	191	245
1948	235	203	343	212	217	266
1949	224	195	330	202	198	258
1950	243	214	454	203	193	252
1951	305	312	512	221	244	296
1952	[1] 289	(2)	(2)	(2)	(2)	(2)
1950: First quarter	223	185	410	199	176	245
Second quarter	229	194	433	199	179	248
Third quarter	248	215	485	203	197	253
Fourth quarter	270	255	491	210	220	262
1951: First quarter	295	302	508	214	234	278
Second quarter	313	340	521	224	242	288
Third quarter	312	316	516	225	250	313
Fourth quarter	299	288	505	221	249	307
1952: First quarter	300	288	508	216	253	303
Second quarter	292	265	520	222	249	291
Third quarter	284	239	520	225	247	288
Fourth quarter	[1] 280	(2)	(2)	(2)	(2)	(2)

[1] Estimates based on incomplete data; fourth quarter by Council of Economic Advisers.
[2] Not available.

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 (except as noted).

TABLE B–47. *Changes in selected economic series since 1939 and 1951 and during 1952*

Source: Appendix table No.	Economic series	1939=100				Percentage change [1]	
		1951	1952			1951 to 1952 [2]	1952, first half, to 1952, second half [2]
			Total [2]	First half	Second half [2]		
B–1	Gross national product	361	378	374	382	+4.8	+2.3
	Personal consumption expenditures	308	320	317	323	+3.8	+1.9
	Gross private domestic investment	591	519	501	536	−12.1	+7.1
	Government purchases of goods and services	478	592	582	601	+23.8	+3.3
B–2	Gross national product in 1952 prices	183	188	186	189	+2.4	+1.3
	Personal consumption expenditures	160	163	162	164	+1.8	+1.2
	Gross private domestic investment	271	232	224	238	−14.6	+6.0
	Government purchases of goods and services	221	268	265	271	+21.5	+2.1
B–6	National income	383	402	396	407	+4.9	+2.6
	Compensation of employees	374	398	391	406	+6.4	+3.9
B–9	Personal income	350	370	363	376	+5.6	+3.5
	Disposable personal income	321	334	329	340	+4.4	+3.3
	Personal net saving	630	696	626	763	+10.6	+21.9
B–10	Per capita disposable personal income:						
	Current prices	272	279	276	282	+2.6	+2.4
	1952 prices	141	142	141	143	+.7	+1.6
B–12	Labor force, including armed forces	118	120	118	121	+1.0	+2.1
	Civilian labor force	114	114	113	115	+.1	+2.0
	Employment	133	134	132	136	+.5	+2.6
	Agricultural	73	71	69	73	−3.5	+5.2
	Nonagricultural	149	151	149	152	+1.0	+2.3
	Unemployment	20	18	19	16	−11.0	−17.2
B–16	Average gross weekly earnings:						
	Manufacturing	272	284	280	289	+4.5	+3.2
	Durable goods	264	276	272	280	+4.4	+3.1
	Nondurable goods	269	280	275	285	+4.1	+3.6
	Building construction	270	290	283	299	+7.4	+5.6
B–17	Industrial production	202	201	198	204	−.5	+2.8
	Durable manufactures	250	256	253	259	+2.2	+2.2
	Nondurable manufactures	178	173	171	176	−2.6	+3.2
	Minerals	155	152	150	155	−1.8	+3.1
	Agricultural production	131	136	[3]	[3]	+3.6	[3]
B–18	New construction	377	394	398	391	+4.6	−1.7
	Private	494	496	497	496	+.5	−.1
	Residential (nonfarm)	409	414	409	419	+1.2	+2.4
	Public	242	277	284	270	+14.5	−5.0
B–20	Business expenditures for new plant and equipment: total	478	487	497	490	+2.0	−1.5
	Manufacturing	574	642	640	653	+11.9	+1.9
B–23	Wholesale price index: All commodities	229	223	224	222	−2.8	−.8
	Farm products	311	293	297	290	−5.6	−2.3
	Processed foods	[3]	[3]	[3]	[3]	−2.3	−.4
	Other than farm products and foods	199	195	195	194	−2.3	−.5
B–24	Consumers' price index: All items	187	191	190	192	+2.2	+1.2
	Food	239	243	242	245	+1.8	+1.2
	Apparel	203	201	202	201	−1.0	−.8
	Rent	131	136	135	137	+4.0	+1.4
	Housefurnishings	208	203	204	202	−2.4	−1.1
B–25	Prices received by farmers	318	303	307	299	−4.6	−2.7
	Parity index (prices paid, interest, taxes, and wage rates)	230	234	236	233	+1.8	−1.4
B–27	Consumer credit outstanding	294	337	298	337	+14.8	+13.1
	Instalment credit	305	371	326	371	+21.4	+13.8
B–28	Loans and investments of all commercial banks: total	326	349	330	349	+7.2	+5.7
	Loans	335	374	344	374	+11.6	+8.8
	Investments in U. S. Government obligations	377	390	375	390	+3.3	+3.8
B–31	Gross public debt and guaranteed issues	545	562	545	562	+3.0	+3.2
B–34	Corporate profits before tax	660	628	632	623	−4.9	−1.5
	Corporate profits after tax	374	344	348	340	−8.0	−2.3
	Dividend payments	237	245	242	245	+3.3	+1.1
	Undistributed profits	800	658	683	642	−17.7	−6.1
B–43	Merchandise exports, including reexports	[4] 506	[4] 503	[4] 538	[4] 469	−.6	−12.8
B–45	General merchandise imports	[4] 441	[4] 424	[4] 435	[4] 413	−3.9	−5.1

[1] Changes are computed from data as reported and therefore may differ slightly from changes computed from the indexes shown here.

[2] Estimates based on incomplete data. [3] Not available. [4] 1936–38 average=100.

Index to the Annual Economic Review

Including references to charts and text tables in the Annual Economic Review and the Economic Report of the President

(For additional tabular material, see Appendixes A and B)