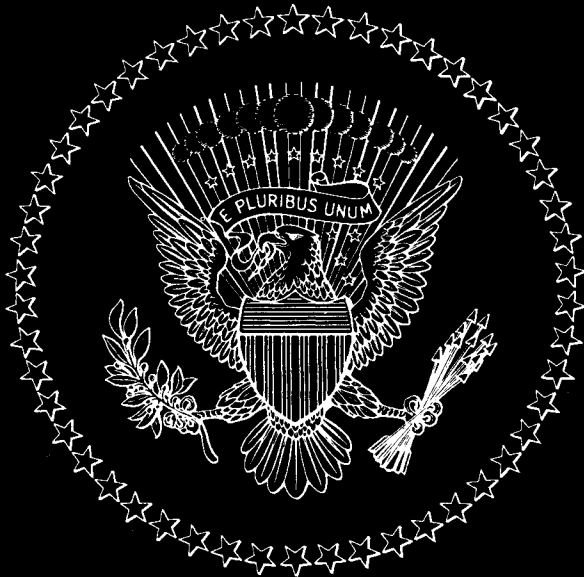


ECONOMIC REPORT OF THE PRESIDENT

**TRANSMITTED
TO THE CONGRESS
FEBRUARY 1975**



Economic Report of the President



Transmitted to the Congress
February 1975

TOGETHER WITH
THE ANNUAL REPORT
OF THE
COUNCIL OF ECONOMIC ADVISERS

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**ECONOMIC REPORT
OF THE PRESIDENT**

ECONOMIC REPORT OF THE PRESIDENT

To the Congress of the United States:

The economy is in a severe recession. Unemployment is too high and will rise higher. The rate of inflation is also too high although some progress has been made in lowering it. Interest rates have fallen from the exceptional peaks reached in the summer of 1974, but they reflect the rate of inflation and remain much too high.

Moreover, even as we seek solutions to these problems, we must also seek solutions to our energy problem. We must embark upon effective programs to conserve energy and develop new sources if we are to reduce the proportion of our oil imported from unreliable sources. Failure or delay in this endeavor will mean a continued increase in this Nation's dependence on foreign sources of oil.

We therefore confront three problems: the immediate problem of recession and unemployment, the continuing problem of inflation, and the newer problem of reducing America's vulnerability to oil embargoes.

These problems are as urgent as they are important. The solutions we have proposed are the result of careful study, but they will not produce swift and immediate results. I believe that these programs and proposals will be effective. I urge the Congress to adopt them and to help me follow through with further measures that changing circumstances may make desirable. In our efforts we must recognize that the remedies we devise must be both effective and consistent with the long-term objectives that are important for the future well-being of our economy. For the sake of taking one step forward we must not adopt policies which will eventually carry us two steps backward.

As I proposed to you in my State of the Union message, the economy needs an immediate 1-year tax cut of \$16 billion. This is an essential first move in any program to restore purchasing power, rebuild the confidence of consumers, and increase investment incentives for business.

Several different proposals to reduce individual taxes were considered carefully in our search for the best way to help the economy. We chose the method that would best provide immediate stimulus to the economy without permanently exacerbating our budget problem. Accordingly, I recommended a 12 percent rebate of 1974 taxes, up to a maximum of

\$1,000. The rebate will be paid in two large lump-sum payments totaling \$12 billion, the first beginning in May and the second by September.

I have also proposed a \$4-billion investment tax credit which would encourage businessmen to make new commitments and expenditures now on projects that can be put in place this year or by the end of next year.

The prompt enactment of the \$16-billion tax reduction is a matter of utmost urgency if we are to bolster the natural forces of economic recovery. But in recognizing the need for a temporary tax cut, I am not unmindful of the fact that it will increase the size of the budget deficit. This is all the more reason to intensify our efforts to restrain the growth in Federal spending. I have asked Congress to institute actions which will pare \$17 billion from the fiscal 1976 budget. Even so, we foresee a deficit of more than \$50 billion for the fiscal year beginning July 1. Moreover, even without new expenditure initiatives, the budget deficit is likely to remain excessively large in fiscal 1977. As a consequence, I will propose no new expenditure programs except those required by the energy program.

I am also asking the Congress to join me in finding additional ways to slow the rate of increase in Federal spending. Budget outlays for new programs or for expansion of existing ones would have their economic effect long after the economic recovery gets under way. It is essential that the deficit be reduced markedly as the economy begins to return toward full employment. Control of expenditures is the only way we can halt an extraordinary increase in the portion of our incomes which Government will take in the future.

A simple calculation shows the size of the problem which we face. Transfer payments to individuals by the Federal Government have increased, after adjustment for inflation, by almost 9 percent annually during the past two decades. A continuation of this trend for the next two decades, along with only modest increases in other Federal expenditures and in those of State and local governments, would lift the expenditures by government at all levels from about one-third of the gross national product to more than one-half. Spending on this scale would require a substantial increase in the tax burden on the average American family. This could easily stifle the incentive and enterprise which is essential to continued improvements in productivity and in our standard of living.

The achievement of our independence in energy will be neither quick nor easy. No matter what programs are adopted, perseverance by the American people and a willingness to accept inconvenience will be required in order to reach this important goal. The American economy was built on the basis of low-cost energy. The design of our industrial plants and production processes reflect this central element in the Amer-

ican experience. Cheap energy freed the architects of our office buildings from the need to plan for energy efficiency. It made private homes cheaper because expensive insulation was not required when energy was more abundant. Cheap energy also made suburban life accessible to more citizens, and it has given the mobility of the automobile to rural and city dwellers alike.

The low cost of energy during most of the twentieth century was made possible by abundant resources of domestic oil, natural gas, and coal. This era has now come to an end. We have held the price of natural gas below the levels required to encourage investment in exploration and development of new supplies, and below the price which would have encouraged more careful use. By taking advantage of relatively inexpensive foreign supplies of oil, we improved the quality of life for Americans and saved our own oil for future use. By neglecting to prepare for the possibility of import disruptions, however, we left ourselves overly dependent upon unreliable foreign supplies.

Present circumstances and the future security of the American economy leave no choice but to adjust to a higher relative price of energy products. We have, in fact, already begun to do so, although I emphasize that there is a long way to go. Consumers have already become more conscious of energy efficiency in their purchases. The higher cost of energy has already induced industry to save energy by introducing new production techniques and by investing in energy-conserving capital equipment. These efforts must be stimulated and maintained until our consumption patterns and our industrial structure adjust to the new relationship between the costs of energy, labor, and capital.

This process of adjustment has been slowed because U.S. energy costs have not been allowed to increase at an appropriate rate. Prices of about two-thirds of our domestic crude oil are still being held at less than half the cost of imported oil, and natural gas prices are being held at even lower levels. Such artificially low prices encourage the wasteful use of energy and inhibit future production. If there is no change in our pricing policy for domestic energy and in our consumption habits, by 1985 one-half of our oil will have to be imported, much of it from unreliable sources. Since our economy depends so heavily on energy, it is imperative that we make ourselves less vulnerable to supply cutoffs and the monopolistic pricing of some foreign oil producers.

The need for reliable energy supplies for our economy is the foundation of my proposed energy program. The principal purpose is to permit and encourage our economy to adjust its consumption of energy to the new realities of the market place during the last part of the twentieth century.

The reduction in our dependence on unreliable sources of oil will require Government action, but even in this vital area the role of Government in economic life should be limited to those functions that it can perform better than the private sector.

There are two courses open to us in resolving our energy problem: the first is administered rationing and allocation; the second is use of the price mechanism. An energy rationing program might be acceptable for a brief period, but an effective program will require us to hold down consumption for an extended period. A rationing program for a period of 5 years or more would be both intolerable and ineffective. The costs in slower decision making alone would be enormous. Rationing would mean that every new company would have to petition the Government for a license to purchase or sell fuel. It would mean that any new plant expansion or any new industrial process would require approval. It would mean similar restrictions on homebuilders, who already find it impossible in much of the Nation to obtain natural gas hookups. After 5 or 10 years such a rigid program would surely sap the vitality of the American economy by substituting bureaucratic decisions for those of the market place. It would be impossible to devise a fair long-term rationing system. The only practical and effective way to achieve energy independence, therefore, is by allowing prices of oil and gas to move higher—high enough to discourage consumption and encourage the exploration and development of new energy sources.

I have, therefore, recommended an excise tax on domestic crude oil and natural gas and an import fee on imported oil, as well as decontrol of the price of crude oil. These actions will raise the price of all energy-intensive products and reduce oil consumption and imports. I have requested the Congress to enact a tax on producers of domestic crude oil to prevent windfall profits as a result of price decontrol.

Other aspects of my program will provide assurances that imports will not be allowed to disrupt the domestic energy market. Amendments to the Clean Air Act to allow more use of coal without major environmental damage, and incentives to speed the development of nuclear energy and synthetic fuels will simultaneously increase domestic energy production.

Taken as a whole, the energy package will reduce the damage from any future import disruption to manageable proportions. The energy program however will entail costs. The import fee and tax combination will raise approximately \$30 billion from energy consumers. However, I have also proposed a fair and equitable program of permanent tax reductions to compensate consumers for these higher costs. These will include income tax reductions of \$16 billion for individuals, along

with direct rebates of \$2 billion to low-income citizens who pay little or no taxes, corporate tax reductions of \$6 billion, a \$2-billion increase in revenue sharing payments to State and local governments, and a \$3-billion increase in Federal expenditures.

Although appropriate fiscal and energy policies are central to restoring the balance of our economy, they will be supplemented by initiatives in a number of other areas. I was pleased to sign into law in December unemployment compensation legislation which provides extended benefits and expanded coverage for the unemployed. The budget also provides for a significant expansion in public service employment. I also urge the Congress to remove the remaining restrictions on agricultural production and enact legislation to strengthen financial institutions and assist the financial position of corporations. I have also asked for actions to strengthen the Administration's antitrust investigative power and to permit more competition in the transportation industry.

We sometimes discover when we seek to accomplish several objectives simultaneously that the goals are not always completely compatible. Action to achieve one goal sometimes works to the detriment of another. I recognize that the \$16-billion anti-recession tax cut, which adds to an already large Federal deficit, might delay achieving price stability. But a prompt tax cut is essential. My program will raise the price of energy to consumers; but when completed this necessary adjustment should not hamper our progress toward the goal of a much slower rate of increase in the general price level in the years ahead.

As we face our short-term problems, we cannot afford to ignore the future implications of our policy initiatives. Fiscal and monetary policies must support the economy during 1975. In supporting the economy, however, we must not allow victory in the battle against inflation to slip beyond our grasp. It is vital that we look beyond the unemployment problem to the need to achieve a reduction in inflation not only in 1975 but also in 1976 and beyond.

The future economic well-being of our Nation requires restoring a greater measure of price stability. This will call for more responsible policies by your Government. The stakes are high. Inflation reduces the purchasing power of our incomes, squeezes profits, and distorts our capital markets. The ability of our free economy to provide an ever higher standard of living would be weakened. We must not be lulled into a belief that inflation need no longer be a major concern of economic policy now that the rate at which prices are increasing appears to be slowing.

The proposals I have made to deal with the problems of recession, inflation, and energy recognize that the American economy is more and more a part of the world economy. What we do affects the economies of

other nations, and what happens abroad affects our economy. Close communication, coordination of policies, and consultations with the leaders of other nations will be essential as we deal with our economic and financial difficulties, many of which are common to all the industrial countries of the Western World.

We are already cooperating to ensure that the international monetary system withstands the pressures placed on it by higher oil prices. The passage of the Trade Reform Act of 1974 will make it possible to begin critical negotiations this year on further liberalizing the international trading system, and we will continue to work with other countries toward solutions to the special problems of food and energy.

The economic problems that have emerged during the 1970's are difficult. Some of them reflect years of misdirection. Our efforts to solve the Nation's economic difficulties must be directed toward solutions that will not give rise to even bigger problems later. The year 1975 must be the one in which we face our economic problems and start the course toward real solutions.

Gerald R. Ford

FEBRUARY 4, 1975.

**THE ANNUAL REPORT
OF THE
COUNCIL OF ECONOMIC ADVISERS**


LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., January 31, 1975.

THE PRESIDENT:

SIR: The Council of Economic Advisers herewith submits its Annual Report, January 1975, in accordance with Section 4(c) (2) of the Employment Act of 1946.

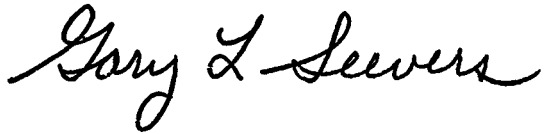
Respectfully,

A handwritten signature in dark ink, appearing to read 'Alan Greenspan', with a large, sweeping flourish extending to the right.

ALAN GREENSPAN,
Chairman.

A handwritten signature in dark ink, appearing to read 'William J. Fellner', with a long, sweeping flourish extending to the right.

WILLIAM J. FELLNER.

A handwritten signature in dark ink, appearing to read 'Gary L. Seevers', with a long, sweeping flourish extending to the right.

GARY L. SEEVERS.

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CHAPTER 1

Economic Policy and Outlook

THE STORY OF THE PAST YEAR was one of inflation and recession. Several of the forces that added to the rate of inflation also exerted downward pressure on economic activity. The sharp rise in oil prices resulted in a large transfer of purchasing power to the oil-producing countries. Inflation, strong demands for credit, and the unwillingness of the monetary authorities to underwrite a continued acceleration of inflation drove interest rates upward, causing a slump in housing. Another debilitating effect of the higher and variable rate of inflation was the sharp rise in uncertainty regarding future rates of price increase. The general rise in prices was instrumental in reducing real incomes in another way. Inflation pushed individuals into higher tax brackets thereby causing a significant transfer of real income from individuals to the government sector. Inflation also caused a similar updrift in the tax liabilities of business. The result was to shift the budget in the direction of restraint, by considerably more than had been anticipated at this time last year.

As 1975 begins, the unemployment rate stands at its highest level since 1958 and production and employment are declining sharply. The decline in activity during the closing months of the year gathered so much momentum that developments beyond the current quarter are difficult to gauge. It is quite likely, however, that the contraction of business activity and rising unemployment will continue for several more months. Although the rate of inflation is still high, it has begun to moderate. One can observe actual declines in prices of crude industrial materials and a slowdown in the rate of price advance among important categories of goods sold in wholesale and retail markets.

The most pressing concern of policy is to halt the decline in production and employment so that growth of output can resume and unemployment can be reduced. The momentum of the decline is so great that a quick turnaround and a strong recovery in economic activity are not yet assured. But prompt action on the Administration's proposals to stimulate the economy should hasten the end of the recession and contribute to the pace of recovery during the second half of the year. The policies that we use to support the economy in 1975 must be consistent with a further reduction in inflation in 1976 and thereafter. This will obviously require discipline both in the Federal budget and in the monetary policies of the Federal Reserve.

The formulation of economic policy is complicated by the need for much stronger actions to tackle the Nation's energy problems. New energy policies have been proposed which will provide an enduring framework for the adjustment that began after the oil embargo. The adjustment to lower levels of consumption and importation will impose further costs upon the economy in the short run in order to avoid mounting political and economic costs in the long run. The energy program will raise prices at a time when inflation is serious. On balance, however, the program will provide important benefits. Moreover, as formulated it is consistent with the values and the objectives of an efficient market-oriented economy.

THE PROGRAMS TO STIMULATE THE ECONOMY AND CONSERVE ENERGY

To provide support for the economy, the President on January 13 proposed tax relief for individuals and business. For individuals the program calls for a tax rebate equivalent to 12 percent of total 1974 personal tax liabilities up to a limit of \$1,000 per return. The rebate would total approximately \$12 billion and would be paid in two instalments, the first in May and the second in September.

For business the President proposed a 1-year increase in the investment tax credit to 12 percent. Except for utilities, which now have a 4 percent credit, the present credit is equal to 7 percent of investment in equipment. For electric utility investment in generating capacity that does not use oil or gas, the higher tax credit would remain in force through 1977. The increase in the tax credit is expected to reduce tax liabilities of businesses by approximately \$4 billion during 1975. The credit will apply to machinery and equipment put into service during 1975, as well as to orders placed during 1975 and put into service by the end of 1976.

The tax cut will not prevent a decline in real output from 1974 to 1975 but it will reduce the extent of the year-over-year decline—perhaps by one-half of 1 percent to 1 percent in terms of real GNP—and will contribute to the recovery in the second half of 1975. An assessment of the economic effects of the stimulus program is complicated by a number of factors. We cannot be certain how much of the tax cut will be saved rather than spent, but past experience suggests that most of the tax cut will be spent, and a large fraction of it this year. Saving will be high initially, but as the year progresses spending will increase.

The investment tax credit may have some immediate effect in stimulating purchases of certain types of equipment, but it is most likely to begin to affect spending appreciably in the second half of 1975. Because of the time limitations applicable to the tax credit, businessmen have an incentive to undertake some investment now that they would otherwise have undertaken only later. In view of the fact that new orders for durable goods generally and for machinery and equipment specifically have fallen rapidly in recent months,

any addition to orders at the present time is quite important in itself, even if it does not raise fixed investment immediately.

The Administration's energy program aims at discouraging energy consumption and encouraging domestic production by raising the relative price of energy. Prices are increased through removal of controls in combination with a series of taxes, but the tax proceeds are refunded so as to keep consumer purchasing power roughly unchanged once the program has become fully effective. The major components of the Administration's energy program are:

- Price decontrol for crude oil and deregulation for new natural gas.
- A windfall profits tax on crude oil.
- An import fee which will rise to \$2 per barrel on imported oil, accompanied by an excise tax of \$2 per barrel on domestic oil and an equivalent tax of 37 cents per thousand cubic feet on natural gas.
- Creation of a strategic oil reserve of up to 1.3-billion barrels with early action to require the stepped-up holding of private oil inventories.
- Protection of domestic energy producers against excessive risks from abrupt declines in prices of imported petroleum.
- Expanded production from the Naval Petroleum Reserves and other Federal oil deposits.
- Expanded production and use of coal and nuclear energy.
- Development of a synthetic fuels industry.
- Various measures designed to increase the efficiency of energy consumption.

An important source of uncertainty regarding the stimulus program concerns the timing of the energy package. The reasoning behind the decision to embark on an energy conservation program is outlined further on. Here we note some of the price and fiscal aspects of the energy program.

It is estimated that the imposition of import fees, excise taxes on crude oil and natural gas, and the decontrol of domestic crude oil by April 1, 1975, will directly add about \$30 billion (annual rate) to the Nation's oil and gas bill. Ultimately prices should rise by an equivalent amount. The windfall profits tax (WPT) is designed to capture the increase in profits of domestic oil producers attributable to decontrol. The increase in receipts from import fees, excise taxes, and the windfall profits tax will be returned to individuals, businesses, and governments mainly through a set of tax reductions, with a portion taking the form of increased Federal Government expenditures.

The energy program will be introduced gradually. On February 1 an import fee of \$1 per barrel was imposed through Presidential action. This fee will rise to \$2 on March 1 and to \$3 on April 1. However, for purposes of economic projections the Administration has assumed that Congress will levy a \$2 tax on domestic crude oil and pass the balance of the energy program with an effective date of April 1 of this year. This would make the final increase in the import fee unnecessary.

The initial effect of the import fee will be to raise prices of imported oil and of domestic oil that is now uncontrolled. Together these constitute some 60 percent of total U.S. oil consumption. This effect will be reinforced on April 1 by the decontrol of the remaining part of domestic petroleum production. In the second quarter of the year, the average price of crude oil is expected to rise by approximately \$4.20 per barrel over current levels as a result of decontrol and the \$2 per barrel excise tax. It is expected that the increase will be reflected with a lag in higher prices for gasoline, fuel oil, and other petroleum products and eventually in higher electricity prices. By the end of the second quarter of 1975, when all of the program will be effective, the consumer price index is estimated to be 1.3 percent higher than it would be without the proposed program. Not all of the higher price of crude oil and natural gas will affect prices in final markets this quickly. At first some of the higher petroleum prices will reduce profits rather than increase the prices charged by users of refined petroleum inputs, especially where prices are regulated. The profits squeeze is not expected to last long, however, and by the latter part of 1976 all of the increased cost should show up in the form of higher prices of those goods and services that consume crude oil and natural gas directly and indirectly. The \$30-billion impact is estimated to be about 2 percent of GNP. About 90 percent of it will be reflected in higher prices by the fourth quarter of this year. For all of 1975 we estimate that the GNP deflator will be about 1 percent higher than it would have been without the program.

Rising prices not compensated for by offsetting tax cuts will reduce real incomes to a slight extent in the first half of 1975. Consequently, the effect of the stimulus proposals will be partially offset by the energy proposals during the first half of the year. On the other hand, to the extent that oil imports and hence the transfer of purchasing power to foreign oil producers are reduced the demand for domestic goods would be increased. By the third quarter the stimulus from both programs will be substantially greater.

THE ENERGY TAX OFFSETS

The energy taxes are to be turned back to the economy in a variety of ways. (Estimates below are annual rates based on calendar year 1975.)

- For individual taxpayers, rates are being reduced and the low-income allowance is being raised in such a way that total taxes will be cut by an estimated 12 percent from what they would otherwise be in 1975. The increase in the low-income allowance to \$2,600 for joint returns from its present level of \$1,300 means that a family of four will pay no taxes if its income is \$5,600 or less. This part of the program, which would involve a reduction in withholding schedules starting June 1, would return an estimated \$16 billion.

- Low-income households that pay no taxes and certain low-income taxpayers will receive a special distribution of up to \$80 per adult after application to the Internal Revenue Service. This would return \$2 billion. Disbursements are expected to start in the summer of this year.
- The program calls for a tax credit of 15 percent of expenditures—up to a maximum expenditure of \$1,000 per homeowner—for outlays that improve residential thermal efficiency. Credits could be claimed during the next 3 years. This aspect of the program would return \$0.5 billion per year.
- The Federal Government would use \$3 billion to cover its share of the costlier energy bill, while State and local governments would receive an additional \$2 billion in revenue sharing grants.
- Business would receive \$6 billion through a reduction in the corporate tax rate from 48 percent to 42 percent.

SUMMARY

Table 1 brings together the various parts of the Administration's stimulus and energy programs. Receipts and expenditures, defined on the national income accounts (NIA) basis, are shown as seasonally adjusted quarterly totals, not at annual rates.

The stimulus or temporary part of the combined program appears as reductions in personal and corporate tax receipts. In addition to refunds to individuals of part of their 1974 tax liabilities, personal tax receipts include an allowance for the investment tax credit applicable to unincorporated business. This credit is considered a reduction in liabilities for the entire year and consequently is spread over all quarters of 1975.

The import fees, excise taxes, and windfall profits taxes, which are viewed as permanent, are all treated as indirect business taxes. The permanent offsets to these taxes appear as reductions in personal and corporate income taxes and as increases in Government expenditures.

Proceeds from the energy taxes are returned to those individuals who pay income taxes primarily by reductions in withholding schedules. Withholding schedules will be adjusted in the second quarter of 1975 in such a way that an entire year's reduction in tax liabilities will be made over a 7-month period. Consequently, withholding will be increased after the fourth quarter of 1975 but not up to the rates of early 1975.

Low-income households, who pay less than \$80 per adult in income taxes, will receive transfer payments starting in the third quarter. Government purchases are increased in the budget to cover the Federal share of the higher oil bill, while State and local governments are the beneficiaries of increased grants from the Federal Government.

These figures are an accounting of receipts and expenditures and do not necessarily reflect their impact on the behavior of individuals and businesses. Nonetheless they demonstrate that energy taxes partially offset tax cuts

in the spring and that the impact of the program is greatest in the second half of 1975, especially in the third quarter.

THE FISCAL 1976 BUDGET

Because of concern that a too expansionary budget carries the risk of worsening the inflation, the Administration has proposed a slower rate of increase in spending from fiscal 1975 to fiscal 1976 than from fiscal 1974 to fiscal 1975. The new budget calls for outlays of \$349.4 billion, a rise of 11.5 percent compared to a rise of 16.8 percent from fiscal 1974 to fiscal 1975. The President has proposed a moratorium on new spending programs except for energy as well as numerous actions to reduce spending in existing programs. The reductions total \$17.5 billion and embrace \$7.8 billion in proposals made last year and \$9.7 billion in new reductions. Taking into account the \$16 billion in tax cuts to stimulate the economy, receipts are expected to total \$297.5 billion, a rise of 6.7 percent over fiscal 1975.

The deficit is expected to rise from an estimated \$34.7 billion to \$51.9 billion. These are large deficits but they reflect the shortfall in receipts and increased unemployment benefits stemming from the weak economy.

TABLE 1.—Federal budget receipts and expenditures associated with stimulus and energy programs, national income accounts basis, 1975-76

[Billions of dollars; seasonally adjusted quarterly totals]

Receipt or expenditure	1975				1976	
	I	II	III	IV	I	II
By type:						
Total receipts.....	-0.1	-1.6	-9.7	-3.0	0.4	0.0
Personal taxes.....	0	-7.7	-15.4	-8.4	-4.8	-4.9
Stimulus.....	0	-5.1	-7.3	0	-3	-3
Energy.....	0	-2.6	-8.1	-8.4	-4.5	-4.6
Indirect business taxes.....	2.2	8.3	8.1	7.9	7.7	7.6
Corporate taxes.....	-2.2	-2.2	-2.4	-2.5	-2.6	-2.7
Stimulus.....	-8	-8	-8	-8	-8	-8
Energy.....	-1.4	-1.4	-1.5	-1.7	-1.8	-2.0
Total expenditures.....	0	.5	1.8	1.8	1.8	1.8
Purchases of goods and services.....	0	0	.8	.8	.8	.8
Grants-in-aid to State and local governments.....	0	.5	.5	.5	.5	.5
Transfer payments.....	0	0	.5	.5	.5	.5
Total expenditures minus total receipts.....	.1	2.1	11.4	4.8	1.4	1.7
By program:						
Stimulus taxes.....	-.8	-5.9	-8.1	-.8	-1.1	-1.1
Net energy taxes.....	.8	4.3	-1.5	-2.2	1.4	1.0
Import fees, excises, and windfall profits taxes.....	2.2	8.3	8.1	7.9	7.7	7.6
Tax offsets.....	-1.4	-4.0	-9.6	-10.1	-6.3	-6.6
Energy expenditures.....	0	.5	1.8	1.8	1.8	1.8
Total expenditures minus total receipts.....	.1	2.1	11.4	4.8	1.4	1.7

Note.—Detail may not add to totals because of rounding.

Sources: Department of the Treasury, Department of Commerce (Bureau of Economic Analysis), and Council of Economic Advisers.

For the calendar year the full-employment surplus on a national income accounts basis is expected to decline by \$9 billion from 1974 to 1975.

FINANCING THE DEFICIT

The financing of the large deficits will pose problems which are not easy to evaluate. The economic circumstances of 1975 are quite different from those encountered in past recessions, like the recession of 1958. If prices are stable, any large decline in output lowers the demand for private credit, and this slack is taken up only in part by the normal increase in the budget deficit resulting from lower tax collections and higher unemployment benefits. Even a discretionary stimulus that would partly counteract rather than merely cushion a large decline of aggregate demand would probably not create serious financing problems under such conditions. The reason is that if unemployment is widespread and factors of production are in highly elastic supply, cost pressures are minimal and private investment and credit demands are likely to be low.

The present situation is far different from past recessions, but the deficit as presently estimated can probably be financed without serious problems in 1975. The private demand for credit will decline at least somewhat, and probably substantially, as the direct result of the low level of housing, reduced consumer purchases of durable goods, and the sharp swing from inventory accumulation to inventory liquidation. The drop in real output, however, has brought less relief in the credit markets than it would have under less inflationary conditions. Furthermore, imbalances have developed in the financial structure of businesses in recent years because of the disproportionate reliance on debt financing in general and short-term debt in particular. As the desired private refinancing is made more difficult by the deficit financing, businesses may abandon investment projects more readily than in the past, rather than risk further unbalancing their capital structure and increasing their credit market exposure.

One way of preventing significant displacement of private investment in a substantially underemployed economy would be to increase the rate of money supply growth to reduce Federal financing pressures. Under such conditions, an increase in monetary growth need not be inflationary in the short run, especially if there is a large unsatisfied demand for liquidity. On the other hand, should large deficits continue well after the recovery has taken hold, maintaining such a course of monetary accommodation could spark an increase in the rate of inflation. For this reason it is essential that any monetary accommodation to large fiscal deficits be permitted only so long as the effective underemployment of resources remains large and there is ample room for above-average growth. Otherwise, future price level trends will be affected adversely and the deficit will become increasingly "unproductive" in real terms.

Monetary policy faces great difficulties in the year ahead and will require careful and continuous evaluation by the Federal Reserve. The uncertainties that underlie the outlook for 1975 add to the importance of a flexible monetary policy. Monetary policy must be conducted so as to encourage a near-term recovery in the economy and a resumption of sustainable economic growth. Toward this end, reasonable growth in money and credit will be required—growth which, one hopes, will encourage a freer flow of credit and lower interest rates in private credit markets. Whether more accommodating credit conditions will in fact develop depends importantly on the ease with which the enlarged Federal deficit is financed, and also on the progress that is achieved in moderating the Nation's rate of inflation as 1975 progresses.

A special problem for monetary policy is posed by the energy conservation program, the initial effects of which will be to raise the price level. To a degree, this one-time increase in prices will require additional financing, so as to avoid a contractive effect on the real economy. However, rapid monetary growth would run the risk that inflationary pressures would once again be increased, later on if not in 1975, undermining the Nation's fundamental need to regain the basis for reasonable price stability. That must not be permitted to happen.

AID TO THE UNEMPLOYED

In response to the sharp rise in unemployment in the latter part of 1974, and in anticipation of further increases in 1975, the Administration initiated legislation to increase the duration and coverage of unemployment insurance benefits and to create employment by funding additional public service jobs. In December 1974, the President signed the Emergency Unemployment Compensation Act, which extends the duration of benefits by 13 weeks beyond the prevailing limits. Unemployed workers can now receive up to 52 weeks of benefits. The Emergency Jobs and Unemployment Assistance Act, also signed in December, grants unemployment benefits, for up to 26 weeks, for the first time to workers in occupations and industries that were not covered by the regular State or Federal programs. This act provides coverage for an estimated 12 million workers, primarily agricultural, domestic, and State and local government employees. While these programs are administered by the States, the funds are entirely from Federal sources.

The Emergency Jobs and Unemployment Assistance Act also amends the Comprehensive Employment and Manpower Training Act (1973) to expand Federal funding for State and local public service jobs. The budget provides funds that will permit an increase in the number of public service jobs from 85,000 in fiscal 1974 to 280,000 in 1975 and 1976.

THE OUTLOOK WITH NEW POLICIES

Given the above assumptions regarding energy, fiscal, and monetary policies, the economy is likely to continue its downward course in the first half of 1975 and to move onto the road of recovery in the second half. The

first-half decline is likely to be severe, however, and the subsequent recovery will still leave the level of output in the fourth quarter about the same as a year earlier. For 1975 as a whole real GNP will probably be about 3 percent below the average of 1974. The rate of inflation will be very high in the first half of the year—higher than it would be in the absence of the energy policy—but it should subside in the second half. For all of 1975, prices as measured by the GNP deflator should be 11 percent higher than prices in 1974. By the final quarter an inflation rate of about 7 percent is projected, not counting the pay increase scheduled for Federal civilian and military personnel. The projections of real GNP and the deflator yield a nominal GNP of about \$1,500 billion, which is some 7¼ percent greater than the 1974 figure. Given the large decline in real output, the unemployment rate should average about 8 percent for the year, moving above that level before midyear but coming down from the peak in the second half.

The uncertainties are so great at the present time that the projections cited above, although presented as specific numbers, are subject to an unusually wide margin of error. The past several months have witnessed a progressive scaling down of output projections and a scaling up of unemployment projections.

NONRESIDENTIAL FIXED INVESTMENT

Early in January the Department of Commerce published a survey of plant and equipment plans that projected a rise of 4½ percent in nominal outlays from 1974 to 1975. In view of the prospective rise in capital goods prices the survey results imply a sizable decline in real outlays. Large nominal increases ranging from 14 to 28 percent were scheduled by producers of basic materials, such as steel, paper, chemicals and petroleum, and by mining firms, railroads, and gas utilities. Very small rises or decreases were projected by electric utilities, air transport, and commercial firms. The deterioration of sales, output, and profits since this survey was taken will probably lead to a scaling down of even this small overall planned increase, although the large expansion plans of a number of basic industries will provide an element of stability. The plans reported in this survey came in too early to be affected by the proposed investment tax credit.

There seems little likelihood of preventing a decline in real nonresidential investment in the first half of 1975. The pronounced slump in real outlays for producers' durable equipment in the final quarter of 1974 was heavily concentrated in outlays for automobiles and trucks. But the closing months of the year also witnessed decreases in the production of a broad range of machinery and equipment as businessmen canceled orders or delayed deliveries on contracts made earlier. These cutbacks will take the form of reduced deliveries in the first half. The liberalization of the investment tax credit, coupled with the turnaround in economic activity and a rebound in profits, should bring rising real outlays in the second half. The main impact of a liberalized investment tax credit will be felt late in the year. For

1975 the projection foresees nominal investment about 4 percent above the 1974 total but real investment down approximately 9 percent.

INVENTORIES

The behavior of inventory investment is likely to be the dominant influence on the course of production over the coming year. At the start of 1975 the ratio of nonfarm inventories to GNP in real terms was the highest since the end of World War II. It seems fairly likely that the physical volume of inventories will fall during most and perhaps all of the coming year, with especially large reductions in the first half. Even with a decline in stocks and above average growth in demand in the second half of the year, the ratio of stocks to output at year-end would still be high by post-World War II standards. Although stocks may well decline throughout the year, the impact of inventory behavior on the change in output should be greatest early this year, when inventory investment turns negative following a high rate of involuntary accumulation in the fourth quarter of 1974. What is already happening to automobile stocks will be reinforced by similar but less pronounced adjustments in other industries. By midyear, shifts in inventory investment should be contributing to rising overall production. All told, current dollar inventory liquidation could approach \$5 billion in 1975.

HOUSING

Underlying conditions seem ripe for a reversal of the housing decline, even though the prospect of a sharp upturn appears small at this time. The stock of housing increased very little during the past year because of the low rate of starts. Despite very weak demand the low rate of housing completions kept vacancy rates from rising; the vacancy rate in rental housing, for example, stabilized from the first to the fourth quarter of 1974. The rate of housing starts in the fourth quarter of 1974 was about one-half the estimated underlying demand indicated by prospective household formation and replacement demand.

The projection for 1975 calls for private starts to begin rising this spring up to an annual rate of 1.6 to 1.7 million units in the final quarter, with single-family homes likely to be in the forefront of the recovery. Because of financing problems and reduced profitability, apartment house construction is not likely to recover until the second half of 1975, although it may show a very weak recovery in the first half. Real outlays for residential construction in 1975 are projected to be about 15 percent below those of 1974, and current dollar outlays, about 5 percent.

GOVERNMENT PURCHASES

Federal outlays for goods and services are expected to rise by about 8½ percent from 1974 to 1975, while State and local purchases are expected to rise by about 12 percent. Each includes an allowance for the higher cost of energy under the new energy program. In real terms, combined government purchases are expected to show little change from 1974 to 1975, with offsetting decreases and increases in the Federal, and State and local totals.

CONSUMPTION

Consumers hold the key to the strength of the economic recovery. If they respond as expected to the stimulus of the tax cuts proposed by the Administration for the spring and summer, real GNP should record a good-sized advance in the second half, but if not, the 1975 recovery could be a sluggish one. The effect of the tax cut on consumer incomes should be reinforced by a turnaround in gross private domestic investment, which has undergone a steep decline since the final quarter of 1973. In the meantime the loss of earned income is being cushioned by increases in unemployment benefits. Last year such benefits totaled more than \$7 billion, but with this year's high unemployment they are projected to total more than \$18 billion. The latter figure includes, in addition to regular State programs, about \$2½ billion of extended State benefits and \$3¼ billion in special unemployment benefits for those not previously eligible for unemployment compensation.

Consumer income will be bolstered on July 1, 1975, by a scheduled increase of \$3.0 billion (annual rate) in social security benefits (excluding medicare benefits). One offset is the increase in social security taxes due to the rise in the taxable earnings base from \$13,200 to \$14,100 effective January 1, 1975. This tax increases Federal receipts by about \$1½ billion, about half of which represents a reduction in personal income.

Consumers should be aided by a slower rate of inflation in the second half of 1975 compared with the first. The rate of inflation will be highest at midyear because it will reflect the main impact of the higher energy prices. The rate of increase should taper off considerably, even though the energy program will be adding to the level of prices throughout the year. The rise in disposable income and the slower rise in prices yield a substantial increase in real income in the second half.

Despite the possible negative aspects of the energy program this spring, we foresee some improvement in consumer spending in the second quarter occasioned by the refunds of 1974 tax liabilities. To some extent the refunds will induce additional purchases of automobiles, furniture, and appliances, even though initially the greater part of the refunds is likely to be saved. In the third quarter, however, the further stimulus scheduled for September, coupled with the rebates of the windfall profits tax and the stronger recovery, should bring a step-up in consumption that carries into the fourth quarter. For all of 1975 the personal saving rate is likely to be higher than in 1974.

Real consumer spending in 1975 may fall slightly below the corresponding total for 1974. If so, this would mark the second year of decline in real consumer spending. In nominal terms the increase over 1974 should be close to 10 percent.

ECONOMIC ASPECTS OF THE ENERGY PROGRAM

The economy surmounted the energy crisis with which 1974 began, but the energy problems of 1975 and beyond may prove more intransigent.

Now, a year after the embargo, there is widespread agreement that the oil-exporting nations will maintain restrictions on oil supplies and thus be able to hold prices far above the pre-embargo level for at least the period immediately ahead. It is also agreed that the demand for goods and services by the oil exporters will rise, but not enough to offset the large money flows received in exchange for oil exports. Finally, it is realized that supplies of oil from foreign sources are unreliable and will remain so into the indefinite future. For these reasons, the Administration's energy policy is designed to lower imports and thereby reduce our vulnerability to interruptions in the supply of petroleum. In achieving this goal, the Administration is placing maximum reliance on creating market conditions that will have a lasting influence, rather than relying on allocations and rationing which at best are only short-term solutions.

An acceptable level of security can be achieved in the longer run with a combination of measures, including standby domestic capacity and strategic oil reserves for an emergency, as well as reduced consumption and increased production from conventional and new energy sources. Except for reduced consumption, none of these measures will increase security quickly. Consequently, it is essential that we begin to reduce import vulnerability by reducing demand, and that we promptly initiate programs to establish standby capacity and to increase energy production and stocks.

SHORT-RUN POLICIES

To curtail petroleum imports in the short run, the energy program would reduce total energy consumption by raising its price to the equivalent of the world market price plus \$2 per barrel. This policy is better than restricting petroleum imports directly. If petroleum imports are rigidly controlled, unexpected variations in energy supply or demand would cause large disruptive effects because oil imports could not serve their usual role of offsetting these fluctuations. Restraining general energy consumption by raising its price is more equitable and more efficient than restraining specific energy uses. The diverse uses to which energy is put and the complex patterns of its consumption create extraordinary difficulties, administrative costs, and inefficiencies when administrative allocation is attempted. The burden falls more broadly and is handled more efficiently by the economy when it is imposed through the operation of market forces. Purchasers of energy can decide for themselves where they can best reduce consumption.

The elimination of price controls on crude oil (effective April 1) will increase the price of energy and reduce its consumption. The Administration has renewed its recommendation that the price of new natural gas be freed from controls, and that prices of regulated gas be decontrolled when existing contracts expire under their own terms. This will lead to a gradual but eventually large increase in natural gas prices. These actions will have some effect on the price of substitute fuels, such as coal, but price increases will come with some delay and will gradually induce additional supplies of energy.

The windfall profits tax in the President's energy program is designed to prevent increases in profits on existing oil production that would have little, if any, short-term impact on production. The tax is levied on the difference between a base price and the price actually received. The marginal tax rate rises with the size of the gap, reaching 90 percent on that portion of the price received which is more than \$3 per barrel greater than the base price. The tax will be phased out over a period of several years, as the base is gradually adjusted upward.

In the near term, oil producers will not receive additional revenues on existing production from the combination of decontrol and the WPT. But they will have a powerful incentive to make new investments, because they will receive higher prices when new ventures come into production.

Decontrol of old oil will be insufficient in the short run to bring about the reduction in imports that energy security requires. The \$2 per barrel tax on crude oil and the 37 cents per thousand cubic feet tax on natural gas will raise the price paid by consumers above that received by producers in order to reduce consumption and imports further. The revenue from this tax, like other proposed energy tax revenues, would be returned to consumers of energy so that they would have roughly as much purchasing power as they had before the tax.

LONGER-RUN MEASURES

The costs of energy security are lower in the long run than in a short period because security can be achieved by measures that do not rely so heavily on demand restraint. The keystone to long-run policy is a storage program of up to 1.3 billion barrels, a strategic reserve which is large enough to replace imports for an extended period. This will permit the Nation to continue to import some oil from unreliable sources indefinitely without the potential costs of interruption.

Domestic production, encouraged by eliminating both price controls and relaxing restrictions on exploration in promising areas, would respond still more if investors were assured that the price they would receive for oil would not be temporarily driven below the long-run supply price by events in the world market. For this reason protection against large downside price risks for conventional oil production are proposed. Producers would thus be assured that large drops in the world price of oil would not disrupt the domestic market. Businesses that invested in energy-saving equipment would also be protected against competitors who avoided such expenditures.

A reduction in standards of living and potential output compared to what we would otherwise enjoy is inevitable with a program to achieve a greater degree of energy security, though the program announced by the Administration is designed to hold such effects to a minimum. The alternative approach—allocations and rationing—would give rise to structural changes in the economy that could have serious, long-run consequences.

A productive economy is one which readily responds to change and is open to growth, development, and new initiatives. Those characteristics

are weakened when market allocation of resources is supplanted by administrative control. The restrictions on individual choice that are caused by further centralization of decision making are obvious. Not so obvious, but potentially far larger, are the economic losses if the economy becomes bound to rigid patterns by these measures. An allocation system tends to favor large and established entities. It is likely to discriminate against small firms and the potential entrants from whom innovation could otherwise be expected. With quasi-permanent controls, the benefits of competitive markets would be lost, superior performance might not be rewarded; inefficiency would not be punished by losses or bankruptcy. The Administration's program emphasizes the creation of incentives for individuals and firms to act in a way consistent with energy security, rather than mandating particular behavior.

There are risks in the Administration's energy program. If the world price of energy were to fall dramatically, the United States would be left with high energy costs relative to those of other countries. If the demand and supply response to higher energy prices is far lower than predicted, then additional actions may be necessary. If the response is higher, of course, the oil tax can be reduced or eliminated. If the world price of oil fell to acceptable levels, and if imports were never interrupted, the program would have caused unnecessary costs. The program balances the extra costs from lack of preparation for import disruptions against the costs of preparing for them. The balance struck does not protect against all contingencies, but it will lead to less vulnerability to import cutoffs.

The energy program will speed the transition to a new energy reality that was started by the embargo. The energy situation in 1975 and beyond is markedly different from that of 1973 and before, because energy prices are much higher. These higher prices will call forth substantial increases in investment for both greater energy production and for producing less energy-intensive goods and services.

INTERNATIONAL ECONOMIC RELATIONS

Rising unemployment, rapid inflation, and the energy crisis have placed heavy strains on the fabric of international economic relationships. The pressures on the world capital markets resulting from the financing of large deficits of the oil-importing countries are growing and may threaten to undermine the past liberalization of capital flows among the industrial countries. The acquisition of large amounts of liquid assets by the Organization of Petroleum Exporting Countries (OPEC) has posed a risk of financial and exchange rate instability that must be contained through increased cooperation among the oil-importing countries as well as with the OPEC countries. Some encouraging steps have been taken in this direction. These efforts to deal cooperatively with the international financial problems created by the energy crisis are discussed in Chapter 7.

Economic problems experienced by many countries have created pressures for governments to adopt restrictive trade measures. The resolve of government leaders to avoid such self-defeating measures was considerably strengthened by a decision 3 years ago among U.S., Canadian, Japanese, and European leaders to convene a new round of multilateral trade negotiations to continue the process of trade liberalization begun after World War II. U.S. participation, however, was contingent upon passage of legislation by the Congress granting the President authority to undertake such negotiations. The Congress passed the Trade Reform Act of 1974 at the end of last year, opening the way for full-scale multinational negotiations to begin later this year.

The recent decline in economic growth around the world and the parallel increase in unemployment might make it more difficult for most governments to commit themselves in the coming year to major reductions in trade barriers. It is generally recognized, however, that any reductions resulting from such commitments will be sufficiently gradual to allow firms and workers to adjust to the change in competitive conditions over a period of years. Finally, the major focus of a new round of multilateral negotiations is likely to be on nontariff barriers, which are frequently motivated by objectives other than the protection of domestic industries. While the reduction of such barriers can make an important contribution to a more efficient allocation of world resources, it will frequently not require major changes in the structure of domestic industry.

CHAPTER 2

Economic Developments and Policy in 1974

LAST YEAR WAS VERY DIFFICULT for the American economy. The decline in output and the rise in prices were the greatest for any peacetime year since the early post-World War II period. Unemployment rose and living standards fell (Chart 1). The year started with the economy in the grip of an energy crisis brought on by the Arab oil embargo and by the spiraling price of imported oil. The decline in output attributable to the embargo was subsequently halted and partly reversed. That recovery was not strong enough to overcome forces of contraction, some of which had been present earlier and some of which emerged only late in the year. In the closing months of 1974, demand and output were falling rapidly and unemployment was climbing sharply. The overall rate of inflation continued to be very high, although signs of a slower price rise could be seen in wholesale and retail markets.

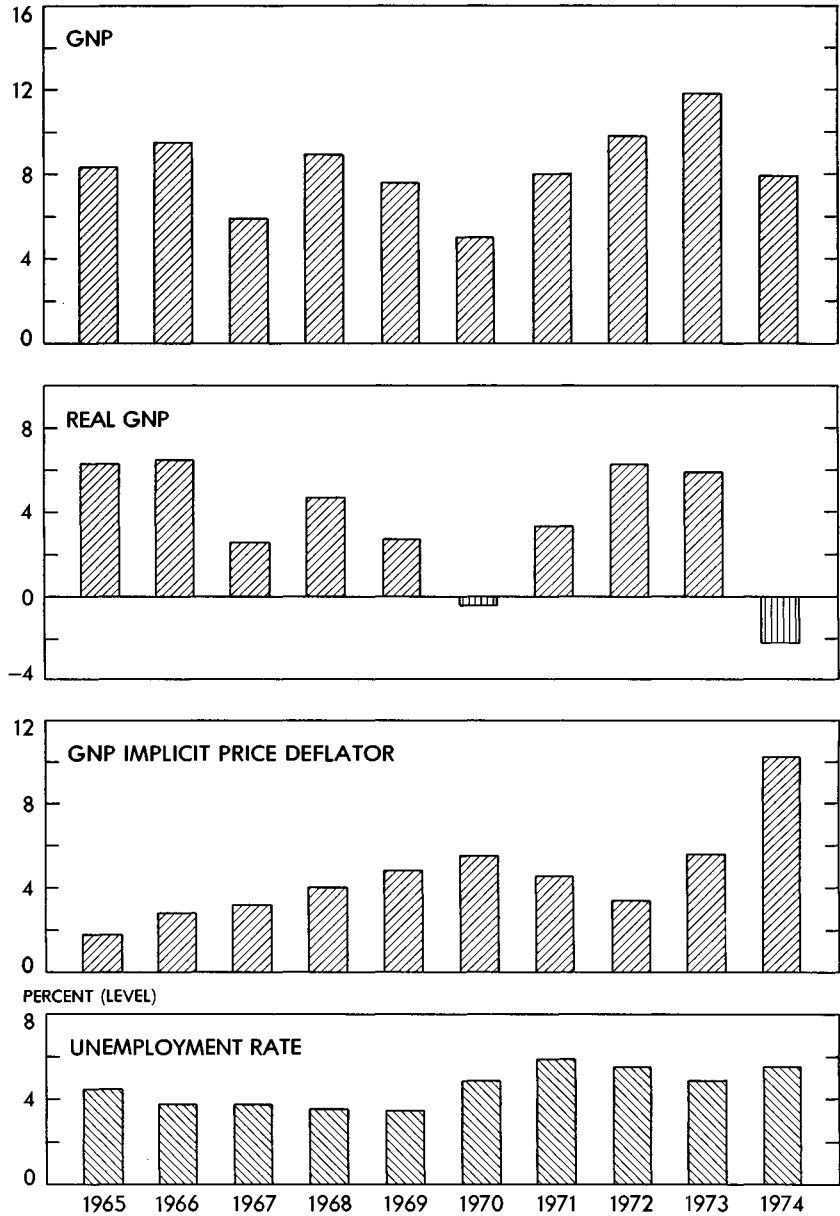
The pronounced deterioration in demand and the severe recession have been the dominant events of the past few months, but for most of 1974 aggregate demand reflected numerous crosscurrents. Demand by business for new plant and equipment was strong for a good part of the year, especially in industries producing basic materials that had been in short supply. Supply shortages provided business with a potent stimulus to build up inventories, but this influence diminished as the year progressed and disappeared after the summer. Homebuilding suffered its worst decline in 30 years, mainly but not entirely because of disrupted mortgage markets. Consumers sustained large reductions in real income and cut back their real expenditures, especially for energy and automobiles.

At the start of 1974, economic policy makers found that the scope of policy had been stretched far beyond the traditional issues of demand management. In the forefront was energy policy, which sought to concentrate the embargo-caused shortage within the household sector in order to minimize the impact on the industrial sector and employment. Because of the worsening inflation, demand management continued to aim at restraint, even though it was recognized that the oil embargo and the steep rise in oil prices would mean a loss of real income. Much of this loss was already showing up at the start of 1974 in the form of reduced purchases of energy and energy-related goods and services by consumers, businesses, and governments.

Chart 1

Changes in GNP, Real GNP, GNP Price Deflator, and the Unemployment Rate

PERCENT CHANGE FROM PRECEDING YEAR



SOURCES: DEPARTMENT OF COMMERCE AND DEPARTMENT OF LABOR.

Looking at prospects for 1974 a year ago, the Administration saw a weak first half and a recovery setting in by midyear, led by an upturn in housing and a recovery of the automobile industry from its depressed condition at the start of 1974. The Administration also expected a slower rate of inflation after early 1974, associated with a deceleration of the price rise in petroleum and in farm and food products.

The recovery in the homebuilding industry did not materialize despite special efforts by the Administration—notably in May—to bolster mortgage markets. Housing starts sank progressively lower as interest rates soared to record highs in midsummer, draining funds out of thrift institutions. Consumers obtained no relief from inflation and continued to sustain cuts in real income despite an acceleration of the rise in wages. Although some recovery in the automobile industry occurred, the upturn was abruptly reversed in the final quarter of 1974. With domestic and foreign demand softening during the summer, supply conditions improved noticeably. Many basic materials that were in short supply at prices prevailing in midsummer could be obtained with little difficulty by the start of the fourth quarter, steel being a major exception.

The severe weakening of demand and the sharp decline in output in the fourth quarter came suddenly. By midsummer there had been a scaling down of expectations regarding the strength of demand in the near term; but the common expectation, shared by the Administration, was for slow growth. For example, at the time of the Summit Conference on Inflation in September there was a fairly broad consensus among economists that little change in output would occur in the ensuing few quarters, and most projections of real gross national product (GNP) fell within the narrow range of a small increase and a small decrease. That meant rising unemployment. There was little anticipation of the collapse of demand, output, and employment in the motor vehicle industry, or the less severe but widespread declines elsewhere that marked the closing months of 1974 and the start of 1975.

DEMAND AND OUTPUT

GNP in 1974 was 8 percent greater than it was in 1973, with a 10 percent rise in prices (as measured by the GNP deflator) and a 2 percent decline in output (Table 2). From the fourth quarter of 1973 to the fourth quarter of 1974, the price rise was 11.8 percent and the output decline, 5.0 percent. The pattern of overall demand and output change within the year shows pronounced decreases in the opening and closing quarters, but if attention is confined to real final sales the fourth quarter decrease dwarfed those in the first 3 quarters. Over half of that decrease was in consumer and business purchases of automobiles and trucks. Consumer spending apart from automobiles also slumped noticeably after having remained about unchanged in the first 3 quarters of 1973. The bulk of the fourth quarter drop in purchases of producers' durable equipment reflected lower purchases of autos and trucks, but spending on other types of equipment also declined.

The decrease in residential construction was substantial. One important reason for the smaller drop in total output than in total final sales from the third to the fourth quarter was the inability of motor vehicle producers to liquidate unwanted stocks of recently built automobiles.

TABLE 2.—*Changes in gross national product in current and constant dollars, 1968 to 1974*

(Percent)						
Component	1968 to 1969	1969 to 1970	1970 to 1971	1971 to 1972	1972 to 1973	1973 to 1974 ¹
CURRENT DOLLARS						
<u>Percent change:</u>						
Total GNP.....	7.6	5.0	8.0	9.8	11.8	7.9
Personal consumption expenditures....	8.1	6.6	8.0	9.3	10.5	8.9
Durable goods.....	8.1	.6	13.8	14.0	10.1	-1.9
Nondurable goods.....	6.5	7.3	5.5	7.7	12.8	12.5
Services.....	9.7	8.2	8.5	9.2	8.4	9.6
Gross private domestic investment.....	10.3	-1.9	12.8	16.7	16.8	-2
Business fixed investment.....	10.9	2.1	4.0	11.7	17.1	9.4
Residential structures.....	8.3	-4.3	37.2	26.2	5.9	-19.6
Government purchases.....	5.2	4.5	6.7	9.2	8.1	11.7
Federal purchases.....	.0	-2.6	1.5	7.5	1.6	9.2
State and local purchases.....	10.3	10.9	10.8	10.4	12.6	13.3
Addendum:						
Final sales.....	7.6	5.4	7.8	9.6	11.3	8.1
Domestic final sales.....	7.7	5.3	8.2	10.2	10.4	8.3
<u>Change in billions of dollars:</u>						
Inventory accumulation.....	.7	-3.3	1.8	2.2	6.9	-2.0
Net exports of goods and services.....	-6	1.7	-3.8	-5.8	9.9	-1.9
CONSTANT (1958) DOLLARS						
<u>Percent change:</u>						
Total GNP.....	2.7	-.4	3.3	6.2	5.9	-2.2
Personal consumption expenditures....	3.6	1.8	4.0	6.2	4.7	-2.2
Durable goods.....	5.3	-2.1	10.4	13.4	8.3	-9.0
Nondurable goods.....	2.1	2.6	2.3	4.2	3.8	-2.1
Services.....	4.5	2.7	2.9	5.0	3.8	1.4
Gross private domestic investment.....	5.0	-6.4	7.4	12.5	10.5	-8.5
Business fixed investment.....	6.0	-3.6	-.6	9.1	12.8	-.3
Residential structures.....	2.2	-6.3	31.1	17.9	-4.1	-27.1
Government purchases.....	-1.2	-4.5	.0	2.7	.9	1.0
Federal purchases.....	-5.9	-12.5	-5.3	.2	-6.1	-1.7
State and local purchases.....	4.0	3.6	4.5	4.7	6.0	2.9
Addendum:						
Final sales.....	2.7	-.1	3.1	6.0	5.5	-1.9
Domestic final sales.....	2.8	-.3	3.5	6.3	4.5	-2.4
<u>Change in billions of dollars:</u>						
Inventory accumulation.....	.3	-2.8	1.4	1.7	3.8	-2.6
Net exports of goods and services.....	-8	2.1	-2.8	-2.5	7.6	4.4

¹ Preliminary.

Source: Department of Commerce, Bureau of Economic Analysis.

BUSINESS FIXED INVESTMENT

Demand for capital goods held up well into the summer but weakened considerably late in the year. Many capital goods industries were producing

at capacity last year, as were industries like steel, which are very heavily dependent on capital goods production. Large backlogs led to long waiting times for equipment deliveries. The strength of demand showed up in rising investment starts (in real terms) by manufacturers and public utilities from the first half to the third quarter, and by rising real appropriations by large manufacturers. New orders for capital goods in real terms remained high through July but declined after that, especially in the final quarter. Increasing costs of materials and labor were reflected in sharply accelerating price increases for capital goods, which were particularly large in the 6 months following the end of price controls on April 30.

Business held fairly closely in overall terms to the annual plant and equipment expenditure plans projected early in 1974. On the basis of 3 actual quarters and 1 anticipated quarter it appeared that companies in the Department of Commerce survey were raising outlays by 12 percent from 1973 to 1974, compared to a rise of 13 percent projected in the survey published in early March. It is possible that the very small shortfall in current dollars is larger in constant dollars, but the figures needed for a careful comparison in real terms are not available. In addition, data for the fourth quarter submitted by companies in October and November suggest that projected outlays were being scaled back from plans for the last quarter made earlier last year.

Because of the need to expand capacity, demand by manufacturing companies showed the greatest strength last year, with outlays up some 20 percent over 1973. About half represented a real increase, and most of it came from work started prior to 1974. Starts of new manufacturing projects in the first 3 quarters of 1974 were up about 11 percent over the 1973 average in current dollars, or approximately 3 percent in real terms. This followed real increases in starts amounting to 23 percent and 30 percent in 1972 and 1973. Several factors contributed to the deceleration. Profits (inclusive of the inventory valuation adjustment, or IVA) of manufacturing companies in the first 3 quarters of 1974 were unchanged from 1973 and were down substantially, excluding profits of domestic petroleum firms. Capacity utilization in 1974, while high, was a little lower than in 1973. Extremely high interest rates also discouraged new investment.

Electric and gas utilities substantially increased the physical volume of new projects started in the first 3 quarters of 1974. At the same time they made little change in the physical volume of plant and equipment outlays, scaling back those they had intended to make early last year. Data on backlogs suggest that the utilities have been stretching out projects already started and scheduled to be completed over the next few years. The utilities have suffered a sharp reduction in profits—the worst since before World War II—as a result of the leveling in energy consumption and the lag of rate adjustments behind cost increases. High interest rates have also led to deferrals of expenditures until financing conditions are more favorable. In addition, utilities have completely eliminated some projects from their long-term plans, but the magnitude of such cutbacks is uncertain.

The complete elimination of projects, particularly those scheduled to be started some years from now, probably reflects a reconsideration of the expected growth rate in energy consumption in the light of the rise in energy prices.

INVENTORY INVESTMENT

It is difficult to analyze the course of inventory investment over the past year or so because the official estimates themselves are subject to more than the usual uncertainties. During 1974 there were very large revisions in the statistics for 1973 and early 1974. Prior to the revision of the income and product accounts in July 1974, total inventory investment for 1973 was estimated to be \$8.0 billion, whereas the current estimate for 1973 is \$15.4 billion. The corresponding figures for the first quarter of 1974 are \$5.5 billion and \$16.9 billion. Before the revision the ratio of nonfarm stocks to output or to final sales in real terms as of the second quarter appeared to be close to the post-World War II average. After the revision the ratio looked clearly high. The difficulties with the statistics stem from inadequacies in the basic data pertaining to inventory book values and from difficulties in adjusting book values to GNP concepts. The problem has become complicated recently because, with the rapid rise in prices, many companies have been shifting their accounting systems to the last in, first out (LIFO) method. When prices are rising, the shift has the effect of reducing inventory book values, profits, and profits tax liabilities from what they are under the more commonly used first in, first out (FIFO) or average cost methods. The issue is discussed more fully below in connection with profits and the inventory valuation adjustment.

Changes in the accumulation of automobile stocks (treated more fully in connection with consumer spending) had a pronounced influence on the rate of nonfarm accumulation (Table 3). The general explanation of the nonauto inventory investment total is that stocks were low in relation to out-

TABLE 3.—*Change in nonfarm business inventories in constant (1958) dollars, 1973-74*

[Billions of dollars; seasonally adjusted annual rates]

Period	Total nonfarm	Auto	Other
1973: I.....	5.4	0.4	5.0
II.....	6.3	.7	5.6
III.....	6.2	-.7	6.9
IV.....	17.9	3.8	14.1
1974: I.....	8.7	-5.1	13.8
II.....	6.4	-2.7	9.1
III.....	3.9	-.3	4.2
IV.....	8.8	4.5	4.3

Source: Department of Commerce, Bureau of Economic Analysis.

put or sales through 1972 and 1973, and so businessmen made special efforts to increase their holdings. Expectations of further price increases strengthened the motive for further accumulation. The buildup of stocks appears especially heavy in late 1973 and early 1974; the latter period coincided with the phasing out and elimination of price controls. When final sales failed to improve after the first quarter, businessmen, realizing that stocks on hand and on order were too high, began to reduce their commitments and in the summer were making small production adjustments. Aggregate stocks were not cut in any quarter of 1974, however, and as sales weakened the pace of production cutbacks accelerated in the closing months of the year.

HOUSING

Despite initiatives by the Administration and Congress to support mortgage markets the downturn in starts and homebuilding that began in early 1973 continued last year. Housing accounted for fully half of the decline in real output from 1973 to 1974 and was the only major market sector to decline throughout the year. The current decline, which has clearly been the most pronounced since the end of World War II, followed one of the most extended rises in housing activity on record.

In the spring of 1974 there were signs that the housing downturn might be coming to a halt. The outflow of funds from thrift institutions during the summer of 1973—the process known as disintermediation—reversed in late 1973 and early 1974 as short-term interest rates declined. On a seasonally adjusted basis, starts leveled out in the neighborhood of 1.6 million units in the first half, while sales of single-family homes in the March–May period were almost one-fourth greater than they had been in the December–February period. The recovery was aborted, however, when market interest rates turned up again, reaching historical highs in July and August. Outflows from thrift institutions were heavier and lasted longer than they had in 1973, mortgage commitments were cut back, and starts fell to an average of 989,000 units in the fourth quarter. The large overhang of unsold units undoubtedly contributed to the low rate of starts.

CONSUMER INCOME AND SPENDING

From 1973 to 1974 real disposable income fell $2\frac{1}{2}$ percent, the first annual decline since 1947. Both the decline and its magnitude were highly unusual. In other recession years real after-tax income rose by varying amounts, ranging from 0.4 percent in 1949 to 4.1 percent in 1970. The consequence of last year's real income reduction was a decline in real consumer spending of $2\frac{1}{4}$ percent, the first decrease since 1942. It is also possible that last year's drop in real spending was affected by the decline in real money balances and the stock market.

The decline in real disposable income occurred in spite of a 9.0 percent rise in nominal personal income and a rise of 8.6 percent in wages and salaries. Large as these increases were, they were smaller than the 11.4 percent increase in consumer prices (as measured by the deflator for per-

sonal consumption expenditures). Part of the rise in consumer prices was a reflection of the increased cost of energy to the Nation. The value of U.S. imports of crude oil and refined products alone rose by \$18 billion last year, and a significant portion of that was reflected in higher consumer prices. The transfer of real income from U.S. residents to foreigners might have been compensated for by offsetting policies of demand management, but the Administration did not choose that course because of the seriousness of the inflation problem and the expectation of a recovery in economic activity during 1974.

There was also a shift of income last year from consumers to domestic oil producers; and to the extent that some of this did not return to the personal income stream via dividends and wages and salaries of workers newly employed by the oil companies or their suppliers and contractors, consumers sustained at least a temporary loss of purchasing power.

Last year's decline in real disposable income was greater than the decline in real personal income. Despite declines in real personal income in some earlier recessions, real disposable income has never declined (annually) because of the automatic working of the tax system. Last year's perverse behavior of the tax system reflected the unusual coincidence of a decline in real income in a period of rapid inflation. As inflation increased nominal income, taxpayers were drawn into higher brackets under the progressive tax system and were thus required to pay a larger share of their total income in taxes.

Last year's decline in aggregate real consumer spending was concentrated on expenditures for automobiles and parts and for energy. On balance, all other real spending was about the same as in 1973. Shifts in consumer spending during 1974 were dominated by the effects of the oil crisis in early 1974, by a partial recovery from those effects in the middle of the year, and by a sharp reduction in auto demand coinciding with the price increases for the new 1975 models in the last quarter of the year (Table 4).

Real consumer expenditures for energy (gasoline and oil, fuel oil and coal, electricity, and natural gas, measured in 1958 prices) fell about 7 percent from 1973 to 1974 after having risen every year in the postwar period. In the 3 preceding years these real outlays had risen at an annual rate of 4½ percent. The 1974 decline in energy consumption accompanied a 29 percent rise in energy prices as measured in the consumer price index (CPI), or 30 percent as measured by the applicable consumption deflator. The energy price rise was 16 percent greater than the rise in the overall CPI. This too was a reversal of postwar experience, which had seen fairly steady declines in the relative price of energy products. Real energy outlays declined in the first quarter of 1974 to a level 12 percent below the 1973 average. They increased steadily thereafter so that by the fourth quarter the decrease from the 1973 average was only 1½ percent.

On the surface the data for relative energy prices and real personal consumption expenditures for energy suggest a much greater price elasticity

TABLE 4.—*Personal consumption expenditures in constant prices, 1973–74*

[Seasonally adjusted annual rates]

Period	Personal consumption expenditures (billions of 1958 dollars)				Addendum: Dealer sales of new cars ² (millions of units)		
	Total	Autos and parts	Energy ¹	All other	Total	Domestics	Imports
1973.....	552.1	50.8	42.6	458.7	11.5	9.7	1.8
1974 ³	539.9	40.8	39.6	459.5	8.9	7.5	1.4
1973: I.....	552.9	54.0	42.3	456.6	12.5	10.5	1.9
II.....	553.7	52.4	42.6	458.7	12.2	10.3	1.8
III.....	555.4	51.7	43.6	460.1	11.7	10.0	1.7
IV.....	546.3	44.9	42.1	459.3	9.8	8.2	1.7
1974: I.....	539.7	41.8	37.8	460.1	9.2	7.7	1.6
II.....	542.7	42.5	39.1	461.1	9.2	8.0	1.2
III.....	547.2	45.0	40.5	461.7	10.3	8.8	1.5
IV ³	530.1	33.8	41.1	455.2	7.1	5.8	1.3
Percent change: 1973 to 1974 ³	-2.2	-19.7	-7.0	.2	-22.6	-23.0	-20.4

¹ Gasoline and oil, electricity and gas, and other fuel.² Total dealer sales, including sales to persons, business, and government.³ Preliminary. Percent change for sales of new cars based on unrounded data.

Source: Department of Commerce, Bureau of Economic Analysis.

than had been widely expected at the end of 1973 and early 1974. As is pointed out elsewhere in the *Report*, part of the price increase was not measured, insofar as people had to wait in line to buy gasoline. In addition, part of the consumption response represented voluntary conservation efforts and the effect of Government regulations limiting automobile speeds to 55 miles per hour. Also, a milder than normal winter in 1973–74 caused fuel oil consumption to be abnormally low. One should note that the full consumption-dampening effects of higher oil prices have not yet occurred, since in the long run consumers have greater opportunities to adapt their consumption habits to the higher energy costs.

After having weathered the energy crisis in late 1973 and early 1974, auto demand in the fourth quarter of 1974 was in a state of collapse. Why this happened is still not entirely clear. About a year earlier, at the start of the 1974 model year, the consensus forecast projected a decline in auto sales from the boom rates of the 2 preceding years. The outbreak of the war in the Middle East in early October 1973, the embargo in late October, and the oil price rise in late December raised concern among consumers about the availability of gasoline and led to sharper than anticipated cutbacks in purchases, particularly for larger cars. Their concern was exacerbated by the gasoline shortages of January and February 1974. Gasoline, which was subject to price ceilings and to allocation by the Federal Energy Administration, could be purchased in much of the country only by waiting in line for long periods, and frequently it could not be obtained at all. Sales of new large cars were especially poor. Consumer resistance to large cars on the used car market was manifested in an unusual 15 percent decline in prices from September 1973 to March 1974. Increased supplies of gasoline at filling stations during March and an end to the embargo in late March brought

a pickup in domestic car sales and in car output as well. The sales improvement was concentrated in the larger cars, partly at the expense of small cars. Sales of imported cars, which had held up well during the winter, declined.

It was common knowledge during the summer that the new 1975 models would show large price increases. Purchasing of the lower-priced 1974 models was consequently quite heavy. In October, when the new models were introduced, sales fell far more than expected, and in November and December sales fell still more. With production substantially above the sales rate, auto manufacturers initiated massive production cuts and layoffs in order to reduce inventories.

The sales drop of late 1974 cannot be adequately explained by variables, such as income, income change, relative prices, and automobile stocks held by consumers, that have been used with some success in econometric estimates in the past. One suggested explanation is the extremely low state of consumer confidence late in 1974, but this would imply a lack of confidence over and above the uncertainties engendered by declining real incomes, rising unemployment, and rising prices. Two peculiarities of the data are worth pointing out. Suggested retail prices for new 1975 cars introduced in October 1974 were about \$400 higher than prices for the outgoing 1974 models. Only two-thirds of the price rise is included in the price indexes, the other one-third representing federally mandated "quality improvement" associated with emission controls. Consumers may have viewed the entire amount of the rise as pure price increase. The second point concerns social security taxes. In 1974, the taxable earnings base under social security was raised by law from \$10,800 to \$13,200. This tax rise added \$4.2 billion (annual rate) to Federal receipts, half of which affected personal income. According to the conventions used in the income and product accounts, the increase in taxes became fully effective in the first quarter of 1974. In actual practice, however, the increase in the tax meant larger payroll deductions in the fall of the year for persons affected by the rise in the base.

In terms of full-year changes consumers reduced their real spending on nondurable goods other than gasoline and fuel oil and on furniture and appliances but raised their spending on services. Purchases of clothing and shoes declined throughout the year, especially in the fourth quarter, while spending on furniture and appliances weakened after midyear.

Table 5 shows the distribution of real disposable income into saving, autos and parts, energy, and all other personal outlays. The slight increase in outlays other than for autos and parts and energy, in the face of declining real income from 1973 to 1974, raises this share at the expense of savings, energy, and autos and parts. The adjustment seems to have been facilitated by the fact that the 1973 share of income devoted to saving and to autos and parts, which are sometimes viewed as a form of saving and investing, was high by historical standards.

TABLE 5.—*Disposition of real disposable personal income, 1960-74*

[Percent]

Disposition of real income	1960-72 average	1973	1974 ¹
Total disposable income.....	100.0	100.0	100.0
Personal saving.....	6.6	8.2	7.8
Personal outlays.....	93.5	91.8	92.2
Personal consumption expenditures.....	91.0	89.1	89.5
Autos and parts.....	6.8	8.2	6.8
Energy ²	6.9	6.9	6.6
All other.....	77.4	74.0	76.2
Transfers and interest.....	2.5	2.7	2.7
Addendum: Personal saving plus expenditures for autos and parts.....	13.3	16.4	14.6

¹ Preliminary.² Gasoline and oil, electricity and gas, and other fuel.

Note.—Detail may not add to totals because of rounding.

Source: Department of Commerce, Bureau of Economic Analysis.

NET EXPORTS

Exports of goods and services rose 39 percent from 1973 to 1974, while imports increased by 43 percent according to preliminary estimates. As a consequence, net exports fell from \$4 billion to \$2 billion. In real terms exports rose by 8 percent while imports were up only 1 percent. The stability in real imports reflected the weak domestic economy and the reduction in petroleum imports. Implicit in the figures just cited is a worsening of the terms of trade as import prices rose 41 percent and export prices 29 percent. This deterioration in the terms of trade provides part of the answer to the decline in real incomes last year. The GNP deflator, which measures the price of domestic output, rose 10.2 percent from 1973 to 1974. However, prices of supplies available for U.S. purchasers (the implicit deflator of GNP less exports plus imports) rose 11 percent.

COMPARISONS OF OUTPUT CHANGE

More than a usual amount of uncertainty surrounds the behavior of real output in the first 3 quarters of 1974. The economic facts of these quarters and their interpretation are of some importance because they had a bearing on the stance of policy makers. The Administration believed that the growth of output was being constrained by supply factors as well as by weak demand. Despite the reduction in automobile production and in homebuilding, the steel industry, to cite one important example, was operating at capacity for much of the year, mainly because of high demand for capital goods. Consequently, given the behavior of other major indicators, there were genuine questions about how much output fell in the first quarter and whether it did not rise at all after that. Solid evidence supporting another pattern of real GNP behavior is not available, but there are suggestions that output possibly behaved a little differently, and that the recession phase of the cycle started later in the year. Table 6 compares growth rates (annualized) for real GNP and for the Federal Reserve Board (FRB) index of industrial production. Compared to real GNP the FRB index fell half as much over the 3 quarters.

TABLE 6.—*Changes in industrial production, and nonfarm payroll employment and man-hours associated with two- and three-quarter declines in real gross national product, selected periods, 1948-74*

Period	Percent change			
	Real GNP	Industrial production	Nonfarm payroll employment	Private nonfarm employee man-hours
TWO-QUARTER CHANGES				
1948 IV to 1949 II.....	-1.9	-6.3	-2.7	-4.0
1953 II to 1953 IV.....	-1.8	-4.7	-1.1	-2.4
1957 III to 1958 I.....	-3.9	-9.6	-2.6	-4.2
1960 I to 1960 III.....	-6	-3.7	-3	-4
1969 III to 1970 I.....	-1.1	-3.3	.6	-3
1973 IV to 1974 II.....	-2.2	-1.2	.7	-5
THREE-QUARTER CHANGES				
1953 II to 1954 I.....	-3.2	-7.6	-2.3	-4.4
1960 I to 1960 IV.....	-1.3	-6.0	-.9	-1.9
1973 IV to 1974 III.....	-2.7	-1.3	1.1	-4
1973 IV to 1974 I.....	-1.8	-1.7	.2	-4
1974 I to 1974 II.....	-.4	.5	.4	-1
1974 II to 1974 III.....	-5	-1	.4	1

Sources: Department of Commerce (Bureau of Economic Analysis), Department of Labor (Bureau of Labor Statistics), and Board of Governors of the Federal Reserve System.

It declined less than GNP in the first and third quarters of 1974, and in the second quarter rose rather than declined. The behavior of the two measures through the first 2 or the first 3 quarters of 1974 stands in marked contrast to other periods when real GNP has declined.* On those occasions the decline in industrial production was always sharper than the decline in real GNP. The behavior of real output in the first 3 quarters of 1974 also appears puzzling when labor market behavior is examined. Employment in nonfarm establishments rose by 1.1 percent from the fourth quarter of 1973 to the third quarter of 1974, whereas during the output declines of 1960 and 1953-54 employment also declined.

It might be argued that, even though the industrial sector held up relatively well in the first 3 quarters of 1974, output in the nonindustrial sector of the economy was weaker than in the past, partly because of the energy crisis. Quarterly output data by detailed industry are not available. The only comprehensive independent data are man-hours, which rose 0.3 percent in the nonindustrial sector from the fourth quarter of 1973 to the third quarter of 1974, in contrast to a 1.3 percent decline in man-hours in the industrial sector. This comparison as well as those cited above raise the possibility of labor hoarding. Many industries were unable to meet production schedules in 1974 because of various disruptions: materials shortages were common for much of the year, skilled labor was scarce in certain occupations, and strike activity rose. It is not clear why labor hoarding should have been especially large in the nonindustrial sector. Bottlenecks were

*The 3-quarter pattern would not be altered if real gross domestic product (GDP) were substituted for real gross national product. It should be noted that from the first to the second quarter, when GNP declined, GDP was unchanged.

presumably greatest in manufacturing, but manufacturing output and productivity held up better in the first 3 quarters of 1974 than did real GNP.

No indicator of output is free of measurement problems. The FRB index, for example, had problems last year associated with efforts by business to conserve electric power consumption because in some industries production is measured by power consumption. The measurement of changes in real GNP becomes very difficult when rates of inflation are very high and particularly when they change. This is especially so when output is not changing very much in either direction, which was the case for several quarters of 1973 and 1974. For the most part, real output is obtained by deflating various series measured in current dollars. Particularly in nonconsumption sectors there are numerous problems with the current dollar series. The deflation process itself also poses difficulties in these sectors. The various wholesale price indexes leave much to be desired, and the time distribution of prices embodied in the current dollar series takes an uncertain shape, subject to change from one quarter to another. As noted below, the measurement of inventory changes is an especially acute problem.

PRICES, WAGES, AND PROFITS

The 11.0 percent rise in the CPI from 1973 to 1974 was the largest annual increase since 1947 (Table 7). Although the rate of increase during the year was fairly steady from quarter to quarter, there were important shifts in the composition of the rises. Following the termination of controls on April 30, 1974, increases in food and fuel prices, which dominated changes in the CPI early in the year, gave way to increases over a broader range of goods and services. At the same time increases in wage rates began to accelerate, and since output per man-hour was falling, unit labor costs rose rapidly. But price increases for nonfinancial corporations as a group nearly kept pace with unit labor and nonlabor costs over the 3 quarters for which data are available, with the result that profits per unit almost matched those of 1973.

PRICES

Although prices of goods and services sold in final markets and measured by both the CPI and the GNP deflator advanced at consistently high rates from one quarter to the next during 1974 (Table 7), price weakness—in the form of slower rates of increase and, to some extent, price reductions—developed in the spring and summer in crude and intermediate industrial product markets. By late 1974 these changes were showing up to some degree in prices of finished goods. From September to December, prices of finished goods other than food in the wholesale price index (WPI) rose more slowly than in the preceding 3 months. So did the nonfood commodity component of the CPI, which reflected both the slower price rise at earlier stages of fabrication as well as some shading of trade margins associated with the softening in consumer demand. Still it will take several more months before the weakness in crude and intermediate industrial commodity prices is fully transmitted and reflected in the CPI and the GNP deflator.

TABLE 7.—Changes in selected price measures during 1974

[Seasonally adjusted]

Price measure	1974				1973 IV to 1974 IV ¹	1973 to 1974 ¹
	I	II	III	IV ¹		
	Percent change; annual rate ²					
GNP implicit price deflator:						
Total GNP.....	12.3	9.4	11.9	13.7	11.8	10.2
Private GNP.....	12.9	9.9	12.6	13.7	12.2	10.6
GNP fixed (1967) weight price deflator:						
Total GNP.....	12.7	11.1	12.7	11.9	12.0	10.6
Personal consumption expenditures.....	14.6	12.0	12.3	9.2	12.0	11.4
Consumer price index:						
All items.....	14.2	10.3	14.2	10.1	12.2	11.0
Food.....	19.4	3.1	12.3	14.6	12.2	14.4
Directly purchased energy ³	70.7	22.3	3.7	1.2	21.6	29.3
All other items.....	8.6	11.9	15.3	9.6	11.3	8.3
	Percent contribution to change ⁴					
Consumer price index:						
All items.....	100.0	100.0	100.0	100.0	100.0	100.0
Food.....	38.6	7.2	22.1	28.1	24.6	31.5
Directly purchased energy ³	27.8	12.4	3.5	.4	11.4	16.2
All other items.....	33.6	80.4	74.4	71.5	64.0	52.4

¹ Preliminary for GNP price deflators.² Changes in GNP price deflators based on quarterly data; changes during 1974 are from preceding quarter. Changes in consumer price indexes based on data for last month in quarter: for example, 1974 I change is change from December 1973 to March 1974.³ Gas and electricity, fuel oil and coal, and gasoline and motor oil.⁴ Detail may not add to totals because of rounding.

Source: Department of Labor, Bureau of Labor Statistics.

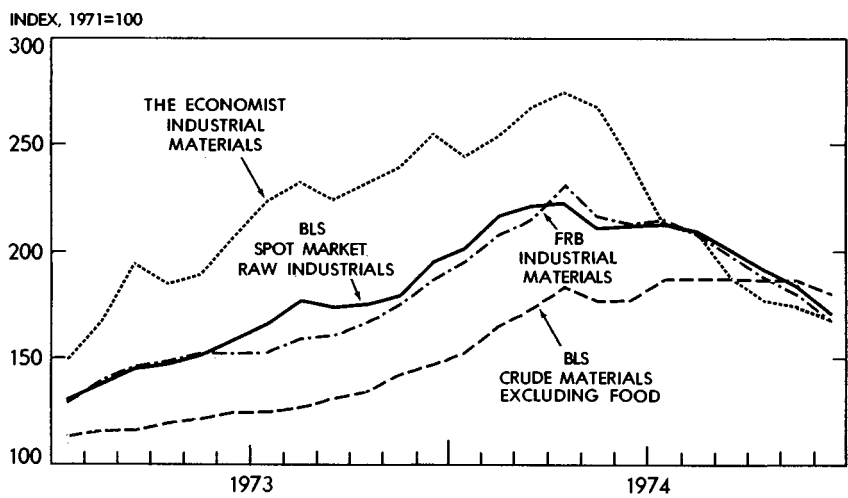
Crude and Intermediate Materials

Some slowdown in crude industrial commodity prices began to occur in August 1973, when the rate of growth of output was slowing, but it came to an abrupt end with the outbreak of war in the Middle East in October. From then until the spring of 1974, crude industrial materials prices rose sharply even though industrial output fell. Several measures of these prices appear in Chart 2. The continued existence of shortages and their role in limiting increases in output in early 1974 perhaps explain the continued rise in crude commodity prices in the face of the drop in production.

Chart 3 plots 6-month rates of change in the WPI indexes for intermediate industrial goods and for producer finished goods, and consumer finished goods other than foods. The rise in the intermediate materials price index began to slow in September. In the last 4 months of 1974 it rose at an annual rate of 9.6 percent, compared to 39.5 percent in the first 8 months of the year. This marked slowdown in the intermediate industrial commodity index, which accounts for 59 percent of the relative importance of the WPI industrial component, reflects widespread deceleration in many price series and absolute declines in others. Sizable declines were registered from September to December in such commodity categories as cotton, wool

Chart 2

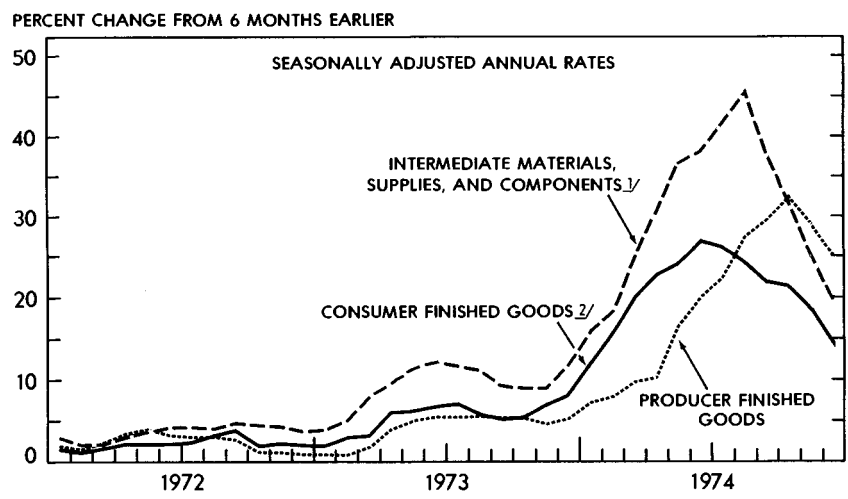
Prices of Raw and Crude Industrial Commodities



SOURCES: DEPARTMENT OF LABOR, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, AND THE ECONOMIST.

Chart 3

Changes in Wholesale Industrial Prices



^{1/}EXCLUDES INTERMEDIATE MATERIALS FOR FOOD MANUFACTURING AND MANUFACTURED ANIMAL FEEDS.
^{2/}EXCLUDES FOOD.

SOURCE: DEPARTMENT OF LABOR.

and manmade textile products, leather, lumber and wood products, building paper and board, and nonferrous metals.

These developments at the intermediate stage of production began to be reflected in finished goods prices late in the year. On the basis of 6-month spans, the WPI for consumer nonfood finished goods reached a peak rate of change of 26.8 percent in June, then slowed to about half that pace by the end of the year. At first the slowdown reflected the leveling and subsequent decline in gasoline prices and a marked slowdown in the rate of increase of apparel prices. By year-end the slowdown became more pervasive, extending to other consumer nondurable goods and to consumer durables, whose price increases had continued to accelerate generally for most of 1974.

Prices of foods at the farm level showed substantial increases in 4 of the last 6 months of 1974, caused largely by the bad weather that cut harvests below expectations. Between July and November sugar prices rose by 123 percent.

The decline in crude and intermediate industrial commodity prices together with the decline in manufacturing and trade margins more than offset the rise in food prices in the latter part of the year. This fact is reflected in the overall slowdown in the rise in prices of commodities in the CPI market basket during the last 3 months of the year. From September to December they increased at an annual rate of 10.3 percent compared to 14.0 percent in the preceding 3 months. The decline in the rate of increase for nonfood commodities was especially pronounced—7.3 percent as against 16.2 percent over the preceding 3 months.

Prices of services, the other major CPI component, also rose somewhat more slowly late in the year. They had accelerated to a rate a little over 13 percent in the summer, as a result of sharp increases in prices of medical care and other labor-intensive services, a marked boost in gas and electricity rates, and the rise in mortgage interest rates.

The deflator for gross national product is derived in large part from the CPI and to a lesser extent from various WPI components. It is calculated as a quarterly average, and during 1974 its movements roughly paralleled those of quarterly changes in the CPI, particularly when adjustments are made to hold constant the weights in the deflator. For the year as a whole the deflators on various bases increased somewhat less than the 11.0 percent advance registered by the CPI.

WAGE RATES

Private nonfarm wage rates, the major element in employee compensation per man-hour, rose 8.0 percent from 1973 to 1974 as measured by the Labor Department's adjusted average hourly earnings index for production and nonsupervisory workers. This was substantially less than the rise in consumer prices, and it followed a year of virtually no change in real wages similarly measured. The hourly earnings index (first column of Table 8) holds constant the mix of employment by industry and excludes the effect that

TABLE 8.—*Components of percent change in compensation per man-hour in the private nonfarm sector, 1965-74*

Period	[Percent]			Employees other than production workers	Benefits, all employees	Compensation per man-hour, all employees
	Hourly earnings ¹	Overtime in manufacturing	Industry shifts			
Change from pre- ceding year:						
1965 -----	3.7	0.1	0.0	-0.4	0.2	3.6
1966 -----	4.1	.3	.1	.7	.6	5.8
1967 -----	4.9	-.3	.1	.9	.0	5.6
1968 -----	6.3	.2	-.2	.7	.3	7.3
1969 -----	6.6	-.1	.2	-.3	.3	6.7
1970 -----	6.6	-.2	-.5	.7	.3	6.9
1971 -----	7.1	.0	-.3	-.9	.7	6.6
1972 -----	6.5	.1	-.8	-.4	.7	6.1
1973 -----	6.4	.2	.2	-.2	.8	7.4
1974 ² -----	8.0	-.2	-.1	.7	.3	8.7
Change from pre- ceding quarter: ³						
1973: I -----	5.3	.4	-1.0	2.8	3.9	11.4
II -----	6.5	.3	.8	-1.6	.3	6.3
III -----	7.7	-.4	.8	-1.3	-.7	6.1
IV -----	7.2	-.3	.4	.8	.4	8.5
1974: I -----	6.3	-.3	-.6	2.1	.4	7.9
II -----	9.7	-.1	-.8	2.6	-.1	11.3
III -----	11.0	.3	-.3	-1.1	.2	10.1
IV ² -----	9.8	-.9	.1	-1.5	1.8	9.3

¹ Adjusted for overtime in manufacturing and interindustry shifts.

² Preliminary.

³ Seasonally adjusted annual rates.

Source: Department of Labor, Bureau of Labor Statistics.

changes in overtime in manufacturing have on average hourly earnings. In the 4 quarters ending in the first quarter of 1974, increases in the index averaged 6.9 percent, fluctuating between annual rates of 6.3 percent and 7.7 percent. The rate of increase accelerated markedly after the end of controls on April 30, and averaged 10.2 percent during the last 3 quarters of 1974. The acceleration was widespread, affecting all major industry groups.

The wage-rate increases in the last two-thirds of 1974 reflected pressures placed on employers by workers whose real incomes had not kept pace with inflation during 1973 and early 1974. The high rate of past inflation, besides inducing a sharp rise in strikes, led to a considerable step-up in the size of first-year wage increases (Table 9). It also led workers and their unions to raise their expectations about the size of future price increases. To hedge against such prospects, broadened use was made of escalator clauses in labor agreements. During 1974, such clauses were newly incorporated in agreements covering 869,000 workers, the largest increase in workers so covered since 1971. At the end of December 1974, 5.3 million workers of the 10.3 million covered by private nonfarm collective bargaining agreements affecting 1,000 or more workers had escalator clauses in their contracts, the largest percentage of such workers ever covered by these clauses.

TABLE 9.—*Changes in major collective bargaining settlements, 1973-74*

Type of change and industry group	1973				1974 ¹			
	I	II	III	IV	I	II	III	IV
	Percent							
Current quarter settlements:								
First year wage change (annual rate)...	5.5	6.2	5.8	5.5	6.2	9.2	11.1	10.3
Percent of workers covered by current quarter settlements ²	12	18	10	13	5	15	16	5
	Quarterly percent changes							
Effective wage-rate change: ³								
Total effective changes.....	1.2	1.9	2.3	1.2	1.2	2.9	3.4	1.5
Adjustment resulting from:								
Current decision.....	.3	1.0	.9	.5	.3	1.6	1.9	.7
Prior decision.....	.6	.7	.9	.3	.6	.9	.9	.3
Escalator provision.....	.1	.3	.5	.3	.3	.5	.5	.5
Manufacturing.....	1.0	1.9	2.1	1.6	1.4	3.5	3.0	1.9
Nonmanufacturing excluding construction.....	1.4	1.6	2.9	.8	1.3	1.7	3.9	1.2
Construction.....	.5	2.9	1.0	.3	.6	4.3	3.1	.8
Transportation and public utilities.....	1.3	1.5	4.0	.5	1.3	.9	4.7	.6
Wholesale and retail trade.....	1.3	1.9	2.0	1.0	1.4	3.7	3.1	1.8
Services.....	1.4	1.8	2.0	1.2	.9	1.9	2.5	1.0

¹ Preliminary.² Percent of estimated number of workers under major collective bargaining settlements.³ Effective wage-rate changes are wage-rate changes actually going into effect per worker under major contracts in the respective quarters resulting from major collective bargaining settlements, made that calendar year, plus deferred increases in accordance with prior year contracts plus escalator adjustments.

Note.—Data relate to settlements covering 1,000 or more workers in private nonfarm industries. Detail may not add to totals because of rounding.

Source: Department of Labor, Bureau of Labor Statistics.

The effect of broadened use of escalators and the sharp rise in 1974 in the CPI made wage increases effected through cost-of-living clauses a somewhat more important element in total wage increases in 1974 compared to 1973. The full effects of last year's record inflation on escalator clauses will not be evident until the final quarter of the current year.

Compensation per man-hour (last column of Table 8) is not adjusted for changes over time in manufacturing or for interindustry shifts, but it is a more useful indicator of labor costs to employers than adjusted hourly earnings because of its comprehensiveness. Despite the shift in employment away from high-wage industries in 1974 and the decline in manufacturing over time, compensation per man-hour rose more rapidly than adjusted hourly earnings in 1974. This was mainly a reflection of rapid wage increases for employees other than production workers.

NONFINANCIAL CORPORATIONS

Some perspective on recent wage changes and their relation to profits and prices is provided by Table 10, which pertains to nonfinancial corporations. The table shows first of all that unit labor costs rose almost three times as

TABLE 10.—*Changes in prices, costs, and profits per unit of output for nonfinancial corporations, 1969 to 1974*

[Percent change]

Item	1969 to 1970	1970 to 1971	1971 to 1972	1972 to 1973	1973 to 1974 ¹
Percent change per unit of output:					
Prices.....	4.5	3.6	1.9	3.4	9.5
Employee compensation.....	6.3	2.2	1.8	4.0	11.3
Compensation per man-hour.....	7.1	7.1	6.3	7.4	9.0
Output per man-hour.....	.8	4.8	4.4	3.2	-2.0
Other costs.....	11.9	4.6	-1.0	.7	9.5
Capital consumption allowances.....	9.6	4.8	.8	-.8	9.8
Indirect business taxes ²	9.2	5.9	-2.4	.0	8.1
Net interest.....	31.0	.0	-2.6	8.1	12.5
Profits plus inventory valuation adjustment ³	-17.9	10.9	9.8	4.1	-.7
Percent change in output.....	-1.4	3.2	8.5	7.8	-2.4

¹ Preliminary. Compensation per man-hour and output per man-hour estimated by the Council of Economic Advisers.

² Includes business transfer payments less subsidies.

³ Before taxes.

Sources: Department of Commerce (Bureau of Economic Analysis) and Department of Labor (Bureau of Labor Statistics).

fast in 1974 as in 1973, a result not so much of rising compensation per man-hour as of the decline in productivity. The year-over-year decrease was the first since 1958, when this productivity series was begun. A second contrast with 1973 is the sharp rise in costs other than labor costs. Many of these in aggregate tend to be relatively fixed and consequently rise most rapidly per unit when output rises more slowly or declines. Third, even though real wages declined, so did profits. According to preliminary estimates, profits before taxes and including IVA fell about 3 percent, of which about 2½ percent represented the drop in output while the remainder reflected lower profits per unit. The profits performance is much poorer when allowance is made for petroleum profits. Domestic profits of oil companies approximately doubled from 1973 to 1974, while those of all other nonfinancial corporations fell by about 11 percent.

Last year was the second successive year in which the performance of both profits plus IVA and real nonfarm wages was mediocre or poor. The reason is that key elements of the 1973 and 1974 price rises reflected in the consumer prices originated outside the corporate sector. In 1973, a good part of the price rise reflected increased income of farm proprietors, while in 1974 the further rise was significantly affected by prices paid to foreign oil producers.

The profits just cited are those as measured in the national income accounts, and they include the IVA. Profits before taxes as reported by nonfinancial corporations to stockholders and used as the basis for calculating tax liabilities—that is, profits excluding the IVA—rose 16 percent, following increases of 21 percent in 1972 and 26 percent in 1973.

Profits data are currently subject to a good deal of uncertainty, whatever basis is used, because many companies are changing their methods of accounting. Even if there were no changes in accounting, the large increases in prices and shifts in their rate of increase would make the calculation of the IVA more difficult than usual.

Recent shifts in accounting methods for the purpose of reducing tax liabilities involve large sums and are probably more widespread than at any time since the years following the end of World War II. Most companies use the FIFO or average cost method of accounting, under which items are charged out to costs of goods sold in the same order that they are charged in to inventories. When prices are rising, the prices at which items are charged to costs will ordinarily be lower than the prices of items in closing inventories, that is, those purchased in the most recent period. The FIFO method has the effect of inflating closing inventories and profits. Under an alternative system, LIFO, the items bought in the most recent period are the first to be charged to costs, so that what is left in closing inventories will be lower in price. In periods of rising prices, profits will be lower in this system than those calculated under FIFO.

In calculating the inventory change component of GNP, the Department of Commerce attempts to estimate the change in the physical volume of inventories during a quarter and to value the change at prices current during the quarter. This calculation is an approximation of the results obtained through the LIFO system. The difference between the GNP inventory change figure and the change in the book value of inventories is the inventory valuation adjustment, and it has ordinarily been deducted from corporate profits and proprietors' income for purposes of national income calculation. It is sometimes referred to as "inventory profit." This portion of profit can be used for other investment or dividend payments only if the inventories are liquidated.

Profits are also affected by inflation through the use of historical costs rather than replacement costs in calculating depreciation. The Department of Commerce has estimated that, other things being equal, the use of replacement rather than historical costs to calculate depreciation would reduce the share of profits as a percentage of gross corporate product in 1974 by approximately 3 percentage points.

REAL INCOME

Table 11 brings together several measures of nominal and real income and earnings, some of which were discussed earlier in this chapter. From 1973 to 1974, per capita personal income in real terms (1958 dollars) declined 2.8 percent, by far the largest of the four annual declines since the early post-World War II period. For reasons already noted, real taxes per capita also rose so that real per capita disposable income declined by 3.4 percent.

Transfer payments on a per capita basis continued to increase rapidly from 1973 to 1974, although the increase in real terms (5.7 percent) was

TABLE 11.—*Changes in selected measures of income, earnings, and taxes, 1969–74*

[Percent change; annual rate]

Measure	Current dollars			Constant dollars ¹		
	1969 to 1973	1972 to 1973	1973 to 1974 ²	1969 to 1973	1972 to 1973	1973 to 1974 ²
Per capita personal income measures:						
Personal income.....	7.9	10.9	8.3	3.5	5.0	-2.8
Wage and salary disbursements and other labor income.....	7.2	9.5	8.0	2.8	3.8	-3.0
All other earned income.....	7.7	15.9	4.9	3.4	9.9	-5.8
Transfer payments.....	14.6	13.4	17.9	9.9	7.6	5.7
State unemployment insurance.....	18.9	-23.1	70.0	15.0	-26.3	50.0
Other.....	14.5	15.4	15.9	9.9	9.1	4.1
Personal contributions to social insurance.....	11.8	23.0	11.3	7.3	16.8	.0
Personal taxes.....	5.7	5.4	12.1	1.4	.0	.6
Disposable personal income.....	8.2	11.8	7.6	3.8	6.0	-3.4
Compensation per man-hour:						
Private nonfarm employees ³	6.8	7.4	8.7	1.7	1.1	-2.1
Earnings of production or nonsupervisory workers in private nonfarm industries:						
Average hourly earnings.....	6.6	6.8	7.7	1.6	.7	-3.1
Average weekly earnings.....	6.1	6.8	6.2	1.1	.5	-4.3
Median usual weekly earnings of full-time wage and salary workers: ⁴						
All 16 years and over.....	⁵ 6.0	-----	6.3	⁵ 1.2	-----	-4.1
Males 25 years and over.....	⁵ 6.3	-----	7.9	⁵ 1.7	-----	-1.9
Females 25 years and over.....	⁵ 7.7	-----	8.3	⁵ 2.8	-----	-2.2
Median annual family income:						
All families.....	6.3	8.4	-----	1.3	2.1	-----
Families with male head.....	6.8	9.3	-----	1.8	2.9	-----
Families with female head.....	4.7	8.5	-----	-2	2.2	-----
Addendum:						
Personal consumption expenditures deflator.....	4.3	5.6	11.3	-----	-----	-----
Consumer price index.....	4.9	6.2	11.0	-----	-----	-----

¹ Per capita personal income measures deflated by the personal consumption expenditures deflator. All other measures deflated by the consumer price index.

² Preliminary.

³ Compensation excludes employer contributions to social insurance.

⁴ Data related to earnings in May of each year.

⁵ Changes from 1969 to 1972. Data for 1973 not exactly comparable with data for earlier years because of changes introduced in 1973 in the collection and tabulation of the May data.

Sources: Department of Commerce (Bureau of Economic Analysis and Bureau of the Census), Department of Labor (Bureau of Labor Statistics), and Council of Economic Advisers.

below the average for recent years. Transfers now make up more than 12 percent of personal income. To some extent the rise in transfer payments reflected the onset of the recession. The increase in unemployment not only led to a 50 percent increase in real unemployment insurance benefits, but it also probably increased the number of persons eligible for welfare benefits such as food stamps and Aid to Families with Dependent Children (AFDC). Excluding unemployment benefits, real per capita transfers rose by 4.1 percent.

The major factor underlying the decline in real per capita personal income was the sharp decline in real earnings of wage and salary workers, whose income makes up about 70 percent of personal income. This decrease in real earnings of wage and salary workers is also evident in other available measures of earnings from various sources.

Real hourly earnings of production or nonsupervisory workers in private nonagricultural establishments fell, and their real weekly earnings fell still more, since hours worked per week for this group declined from 37.1 in 1973 to 36.6 in 1974. The more comprehensive measure of employees' real earnings, compensation per man-hour, declined by 2.1 percent excluding employers' contributions for social insurance.

Since information is not given on the characteristics of persons holding the jobs included in the establishment series, one cannot tell to what extent average earnings are affected by changes in the experience or skill mix of workers. Over the past decade the rapid rise in the proportion of workers with less market experience—young people and women—had a depressing effect on average annual earnings.

What the monthly establishment data do not show can be seen in earnings data that are now being collected each May from households. They provide information on all wage and salary workers, with specific demographic breakdowns. As indicated in Table 11, from May 1973 to May 1974 the usual weekly earnings of all full-time workers declined on the average by about the same amount as weekly earnings of production workers. However, the decline for adult men and adult women was not as great as the overall drop.

Data on earnings or income of families and individuals are not yet available for 1974. Undoubtedly the real income of most groups fell and probably by more than weekly earnings would suggest, because of the increase in unemployment and the resulting decline in weeks worked per year. Income data on an annual basis are now available for 1973, which was a year of strong increase in real family income compared to the whole period 1969–73. The gains of 1973 may well have been canceled, however, by the losses of 1974.

LABOR MARKET DEVELOPMENTS

Labor markets underwent major changes last year (Table 12). From the fourth quarter of 1973 to the fourth quarter of 1974 unemployment increased by 1.8 million and the unemployment rate increased from 4.7 to 6.6 percent (Chart 4). Accompanying this rise was a continued strong growth in the civilian labor force participation rate, particularly among women and youths. Civilian employment rose through most of the year but fell very sharply in the last 2 months of 1974, so that in December it was half a million lower than a year earlier. An analysis of the general nature of unemployment appears in Chapter 3.

The rise in unemployment during 1974 was not continuous, but occurred mainly in two separate spurts, from the fourth quarter of 1973 to January 1974 and in the 4 months after August 1974. The year started with a sharp rise in the unemployment rate, from 4.7 percent in the fourth quarter of 1973 to 5.2 percent in January 1974, largely as a result of layoffs attributable directly or indirectly to the energy crisis. The employment effects

TABLE 12.—*Labor market indicators, 1973-74*

[Percent; seasonally adjusted]

Indicator	1973	1974	1973 IV	1974			
				I	II	III	IV
				Millions of persons			
Civilian labor force.....	88.7	91.0	89.8	90.5	90.6	91.4	91.8
Employment.....	84.4	85.9	85.6	85.8	86.0	86.4	85.7
Unemployment.....	4.3	5.1	4.3	4.7	4.7	5.0	6.1
Percent							
Civilian labor force participation rate ¹	60.8	61.2	61.1	61.3	61.1	61.4	61.4
UNEMPLOYMENT RATES							
All civilian workers.....	4.9	5.6	4.7	5.1	5.1	5.5	6.6
Labor force time lost ²	5.2	6.1	5.2	5.6	5.6	6.0	7.2
Unemployed 15 weeks or longer ³.....	.9	1.0	.9	.9	1.0	1.1	1.2
State insured ⁴	2.7	3.6	2.7	3.2	3.3	3.4	4.3
Occupation							
White-collar workers.....	2.9	3.3	2.9	3.1	3.1	3.3	3.7
Blue-collar workers.....	5.3	6.7	5.4	6.0	6.1	6.6	8.3
Industry							
Nonagricultural private wage and salary workers ⁵	4.8	5.7	4.8	5.3	5.3	5.6	6.9
Construction.....	8.8	10.6	8.8	8.6	10.0	11.3	13.4
Manufacturing.....	4.3	5.7	4.2	5.0	5.0	5.6	7.5
Durable goods.....	3.9	5.4	3.9	4.8	4.7	5.0	7.3
Nondurable goods.....	4.9	6.2	4.8	5.4	5.3	6.5	7.9
Transportation and public utilities.....	3.0	3.2	3.0	2.9	3.1	3.4	3.6
Wholesale and retail trade.....	5.6	6.4	5.5	6.0	6.1	6.4	7.3
Finance and service industries.....	4.3	4.6	4.3	4.6	4.3	4.5	5.2
Government workers.....	2.7	3.0	2.6	2.7	3.1	3.0	3.2
REASON FOR UNEMPLOYMENT ⁶							
Job losers.....	1.9	2.4	1.8	2.2	2.2	2.3	3.1
Job leavers.....	.8	.8	.8	.8	.8	.8	.9
Reentrants and new entrants.....	2.2	2.3	2.1	2.1	2.2	2.4	2.6
STRIKE ACTIVITY							
Days idle as percent of estimated working days ⁷.....	.14	.24	.16	.09	.34	.33	-----

¹ Civilian labor force as percent of civilian noninstitutional population.² Hours lost by the unemployed and persons on part-time for economic reasons as a percent of potentially available labor force hours.³ Unemployment rate calculated as a percent of civilian labor force.⁴ Insured unemployment under State programs as a percent of covered employment.⁵ Includes mining not shown separately.⁶ Unemployed as percent of civilian labor force.⁷ Not seasonally adjusted. 1974 is preliminary.

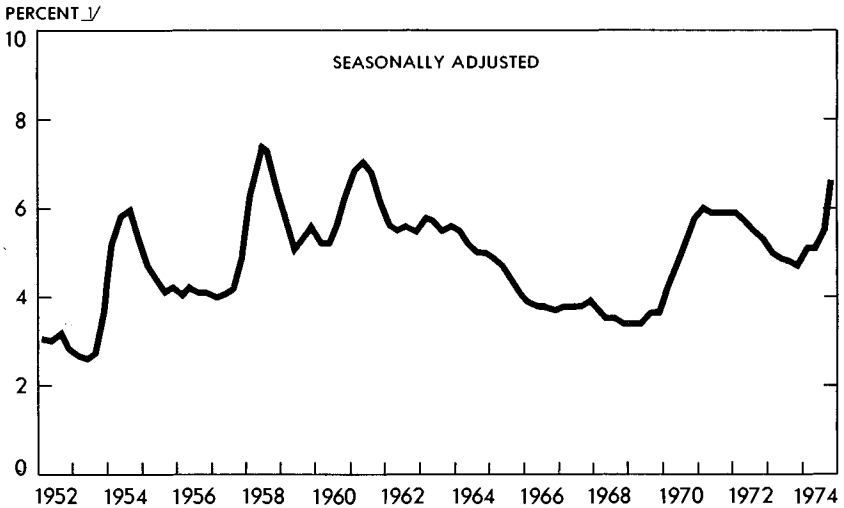
Source: Department of Labor, Bureau of Labor Statistics.

of the energy crisis tended to be highly concentrated. During the period of the embargo, from November 1973 to March 1974, the number of private nonfarm payroll jobs fell by 8,000, but the declines in energy-related sectors were substantially greater (Table 13).

A partial recovery from the worst effects of the energy crisis helped stabilize the unemployment rate at approximately 5.2 percent in the first half of 1974. In the spring and summer quarters employment showed moderate increases that reflected divergent trends. Continued weakness in housing brought steady decreases in employment in contract construction,

Chart 4

Unemployment Rate



\downarrow /UNEMPLOYMENT AS PERCENT OF CIVILIAN LABOR FORCE; QUARTERLY.

SOURCE: DEPARTMENT OF LABOR.

and sluggish demand and the need to trim inventories brought decreases in employment in nondurable manufacturing. Employment in motor vehicles regained some of the ground lost in the winter, but durable goods employment was otherwise almost unchanged. The rise in nonfarm employment that did occur was attributable largely to trade, services, and State and local governments.

The unemployment rate increased rapidly during the last few months in the year, rising from 5.4 percent in August to 7.2 percent in December. In the fourth quarter the general weakening in demand and output brought widespread layoffs in both nondurable and durable manufacturing—notably in motor vehicles—as well as in trade. The continuing decline in construction exacerbated the deteriorating situation.

The increase in unemployment in the last quarter was very large among blue-collar workers, particularly operatives, for whom the jobless rate increased by 2.5 percentage points to 9.6 percent. However, even wholesale and retail trade experienced a sharp seasonally adjusted increase in unemployment, especially in December, a reflection of the weakness in retail sales.

From 1973 to 1974 the civilian labor force rose by 2.6 percent, a very large increase by postwar standards. The 2.2 percent rise from the fourth quarter of 1973 to the fourth quarter of 1974 was less than the increases during 1972 and 1973 but slightly above the trend rate. Continuing past

TABLE 13.—*Changes in employment in the private nonfarm economy: total and selected energy-related industries, November 1973 to March 1974*

[Seasonally adjusted]

Industry	Change in employment	
	Number (thousands)	Percent
Total private nonfarm.....	-8	0.0
Energy-using:		
Motor vehicles and equipment.....	-114	-12.2
Gasoline service stations.....	-67	-10.4
Motor vehicle dealers, retail.....	-57	-6.7
Other transportation.....	-23	-14.3
Hotel and other lodging places.....	-21	-2.3
Substitutes for imported oil:		
Oil and gas extraction.....	9	3.2
Coal mining.....	2	1.2

Source: Department of Labor, Bureau of Labor Statistics.

trends, the civilian labor force participation rate increased in 1974. It rose 0.4 percentage point to the post-World War II record high level of 61.2 percent. Participation rates did not increase among all demographic groups. The rate decreased for men, aged 55 and over, chiefly as a consequence of earlier retirement. However, the trend toward earlier retirement was slowed, presumably because of the effects of inflation on fixed incomes, including private pensions. Participation rates for women aged 25 to 54 continued their dramatic long-run increase, with the rate of increase somewhat higher than in recent years. As with older men, labor force participation rates decreased for women over 55 years of age. The rate increased sharply for young persons aged 16 to 24 of both sexes, reflecting the continued increase in participation for students, later marriage for women, a later age at which they begin childbearing, and greater participation among young mothers.

FISCAL POLICY IN 1974

Fiscal policy turned out to be tighter during 1974 than was anticipated last February in the 1975 budget, largely because the unanticipated acceleration of inflation lifted Federal revenues. In February 1974, a rising budget deficit was projected for calendar 1974. The projected increase in the deficit from 1973 to 1974, however, was not due to an expansionary shift in fiscal policy. Rather, the operation of the automatic stabilizers was expected to raise the budget deficit because it was anticipated that the economy would grow at less than its potential. The fact that economic activity was weaker than projected should have caused an even larger deficit automatically at given rates of inflation. In fact, however, there was no automatic fiscal stabilization to cushion the decline in real income since the revenue-reducing effect of lower real incomes was offset

by the revenue-increasing effect of inflation. Furthermore, the growth in real Federal spending was reduced. As a result, the actual deficit remained small and showed no tendency to rise until the fourth quarter of 1974.

In February 1974, the Administration estimated that unified budget outlays would be \$274½ billion and receipts \$270 billion for fiscal 1974, leaving a deficit of \$4½ billion. While the deficit turned out to be only \$1 billion lower, actual outlays fell \$6 billion below the February estimate. The \$3-billion increase in proprietary receipts, primarily oil and gas royalties and lease payments, is treated as an offset to outlays in the unified budget, and this accounts for part of the decline. Although the rate of growth of outlays was 1 percentage point less than that of GNP from fiscal 1973 to fiscal 1974, receipts grew by 4 percentage points more. The disproportionate rise in receipts is attributable largely to high rates of inflation.

FEDERAL EXPENDITURES

On the national income accounts (NIA) basis, actual Federal expenditures rose from \$264 billion in calendar 1973 to \$298½ billion in 1974 (Table 14), a rise of 13 percent. This increase was unusually large in nominal terms and exceeded the rise in GNP; but it was small in real terms, considering the 10 percent rise in the GNP price deflator from 1973 to 1974. In fact, the use of specific deflators appropriate for the major components of Federal spending suggests that real Federal expenditures increased by only 2 percent from 1973 to 1974. Furthermore, even in nominal terms most of the

TABLE 14.—*Federal Government receipts and expenditures, national income accounts basis, calendar years 1973-74*

[Billions of dollars]

Receipt or expenditure category	1973	1974	
		February 1974 budget projection ¹	Actual ²
Federal Government receipts.....	258.5	289.8	291.1
Personal tax and nontax payments.....	114.1	131.8	131.2
Corporate profits tax accruals.....	43.7	43.3	49.1
Indirect business tax and nontax accruals.....	21.2	26.9	22.0
Contributions for social insurance.....	79.5	88.6	88.7
Federal Government expenditures.....	264.2	301.5	298.6
Purchases of goods and services.....	106.6	117.0	116.4
Defense.....	74.4	78.4	78.6
Other.....	32.2	38.6	37.9
Transfer payments.....	95.5	116.8	117.0
Grants-in-aid to State and local governments.....	40.5	45.9	43.7
Net interest paid.....	16.3	20.5	18.8
Subsidies less current surplus of government enterprises.....	5.3	1.4	2.1
Less: Wage accruals less disbursements.....	.0	.0	-.5
Surplus or deficit (—).....	—5.6	—11.7	—7.6

¹ February 1974 projected percent changes applied to revised 1973 actual data. Excludes transfer of \$2.1 billion worth of rupees to the Indian Government, which was included in the February budget. This transfer was not included in NIA expenditures as was originally anticipated.

² Preliminary.

Note.—Detail may not add to totals because of rounding.

Sources: Department of Commerce (Bureau of Economic Analysis) and Office of Management and Budget.

major expenditure components turned out to be lower than projected in February; only transfer payments were slightly higher.

The distribution of Federal expenditures in 1974 continued to shift toward transfer payments and away from purchases of goods and services, especially for defense. While purchases rose 9 percent from 1973 to 1974, transfer payments increased by 23 percent. The small rise that did occur in defense purchases was due largely to increased costs of operation and maintenance, including higher fuel costs. As in the previous year, the effect of pay increases on personnel expenditures was offset to some extent by the continuing reduction in the size of the Armed Forces, as the transition to an all-volunteer system was completed. Federal nondefense purchases rose, in part because of the 4.8 percent pay increase for civilian employees in October 1973 and the 5.5 percent increase in October 1974. While net purchases by the Commodity Credit Corporation declined, other nondefense purchases, including expenditures for medical research and veterans' hospitals, rose.

Several factors contributed to the large rise in Federal transfer payments to persons from 1973 to 1974. Old-age, survivors', and disability (OASDI) benefit rates were increased by 7 percent in April and by an additional 4 percent starting in July 1974. From 1973 to 1974, the number of beneficiaries of old-age and survivors' insurance rose by $3\frac{1}{2}$ percent while the number of disabled beneficiaries climbed by more than 9 percent. The increase in social security benefits under the OASDI programs thus accounted for almost one-third of the \$21-billion increase in Federal transfer payments to persons. In addition, hospital and medical insurance benefits (medicare) increased by \$2.5 billion. The supplemental security income program, which was initiated in 1974 to replace federally aided State programs of assistance to the aged, blind, and disabled, increased Federal transfer payments by \$4 billion while reducing grants to State and local governments by $\$1\frac{1}{2}$ billion. The costs of the Food Stamp Program climbed by over \$1 billion to $\$3\frac{1}{2}$ billion in 1974. Unemployment insurance benefits jumped by \$3 billion, and smaller increases occurred in veterans' benefits and in civil service and military retirement programs. Net transfer payments to foreigners increased little.

As a result of nonrecurring factors, mainly the shift to transfers under the supplemental security income program, Federal grants-in-aid to State and local governments grew at a slower rate than total expenditures from 1973 to 1974, increasing from $\$40\frac{1}{2}$ billion to \$44 billion. Increases in education programs, some of which had been deferred in 1973, and in medicare accounted for most of the $\$3\frac{1}{2}$ -billion rise. Grants for general revenue sharing continued at the rate of \$6 billion per annum.

FEDERAL RECEIPTS

Federal receipts (NIA) rose from $\$258\frac{1}{2}$ billion in calendar 1973 to an estimated \$291 billion in calendar 1974, an increase of $12\frac{1}{2}$ percent compared to the 8 percent rise in nominal GNP. The rise in receipts during a

period when real GNP declined by 2 percent is explained by the disproportionate impact of 10 percent inflation on the tax liabilities of individual taxpayers and corporations.

In particular, inflation has raised the share of personal income that is paid in Federal income taxes because personal exemptions, low-income allowance and standard deduction limits, and tax brackets are fixed in nominal terms. Income taxes account for about 95 percent of personal tax and nontax payments in Table 14. Personal income minus transfer payments—a rough proxy for income subject to the personal income tax—rose 8 percent from 1973 to 1974, but this increase produced a 15 percent jump in personal tax receipts. The 6½ percent rise in the real Federal tax burden of persons was distributed regressively by income classes, because those generally low- and moderate-income taxpayers who do not itemize deductions are subject to larger percentage increases than most higher-income individuals.

Inflation may have increased the average tax rate of corporations even more than that of persons. As explained earlier in this chapter, during periods of rising prices, taxable book profits tend to be overstated because the cost of goods sold does not fully reflect the current replacement costs of inventories and of capital goods used in production. Even though profits as measured on the NIA basis did not rise from 1973 to 1974, and although profits, including not only the inventory valuation adjustment but also a “depreciation valuation adjustment,” have fallen, corporate profits tax accruals rose by 12½ percent because book profits increased by 15 percent. The shift of many firms to LIFO inventory accounting prevented this disparity from being even greater and is estimated to have reduced corporate profits tax accruals by \$2 billion below what they would otherwise have been in 1974.

Federal contributions for social insurance rose by 11½ percent in 1974. Social security contributions (OASDHI) account for about three-fourths of the receipts for social insurance, with other retirement programs and unemployment insurance taxes making up the bulk of the remainder. Since the number of workers contributing to social security at any time during the year is estimated to have increased by 2 percent from 1973 to 1974, almost all the rise in contributions for social security was due to the increase in taxable wages and salaries per employee. The maximum amount of annual earnings subject to the 11.7 percent payroll tax on employers and employees combined was raised from \$10,800 in 1973 to \$13,200 at the beginning of 1974. This statutory increase accounted for about \$4 billion of the \$9-billion increase in contributions for social insurance. The tax base was raised to \$14,100 at the start of 1975.

BALANCES OF THE FEDERAL BUDGET

Actual Federal budget deficits (NIA) remained remarkably small and constant until late in 1974. From the third quarter of 1973 through the third

quarter of 1974 the seasonally adjusted quarterly deficits clustered in the \$1-billion to \$3-billion range (Table 15), even though the unemployment rate rose from 4.8 percent to 5.5 percent.

The full-employment surplus continued to rise through the third quarter of 1974 as it had throughout 1973, with full-employment receipts rising by about 2 percentage points faster per quarter than full-employment expenditures. Over the entire 6 quarters from the first quarter of 1973 to the third quarter of 1974 the full-employment surplus rose by \$35 to \$36 billion. The increase was equivalent to 12 percent of 1974 full-employment expenditures. Only once since the Korean war was there a comparable rise in the full-employment surplus relative to expenditures, and this occurred between the final quarter of 1958 and the first quarter of 1960. However, very little of the shift in 1958-60 was due to inflation. When the rate of inflation is low, changes in the full-employment surplus are a measure of the budgetary implications of shifts in discretionary fiscal policy at the constant level of resource utilization expressed in official estimates of potential GNP at current prices. The higher the rate of inflation, the less this interpretation applies, since the effect of inflation on either the actual budget or the full-employment budget is generally not neutral.

In fact, changes in the full-employment budget surplus in the last 2 years have not been due mainly to discretionary fiscal policy shifts but to changes in the relation between Federal expenditures and receipts that have resulted from high and variable rates of inflation. Since the first quarter of 1973 there have been no major statutory tax changes, apart from annual increases in the taxable earnings base under social security. Hence, most of the increase in the Federal full-employment budget surplus has been due to the slow growth of real Government expenditures in 1973 and in the first half of 1974, and to unlegislated increases in taxation through the rise in average tax rates induced by inflation.

If inflation had continued at the same 7.4 percent annual rate that was registered in the GNP deflator from the fourth quarter of 1972 to the fourth quarter of 1973, and if the actual IVA is used, then estimated full-employment receipts would have been \$8½ billion lower in the third quarter of 1974 (annual rate). Since the IVA would, in fact, have been considerably less than the \$51.2 billion recorded in the third quarter if the rate of inflation had not risen, allowing for this fact would reduce full-employment tax receipts by another \$5 to \$7 billion in that quarter, because taxable corporate profits would have been lower. (Taxable corporate profits at full employment since 1973 are estimated at 8¾ percent of potential GNP in current dollars plus the actual IVA.) If prices had risen less rapidly in 1974, the measured shift toward restraint would have been less, since unanticipated increases in inflation initially raise Federal expenditures much less than Federal taxes, which respond almost immediately.

Uncertainty about the rate at which potential output grew in 1974 affects the reliability of the full-employment budget estimates more than in pre-

vicious years. If potential GNP in constant dollars, that is, the output normally consistent with 4 percent unemployment, grew by only 3 percent from the fourth quarter of 1973 to the fourth quarter of 1974 because of the reduced availability of energy supplies, the full-employment budget surplus would be \$2½ billion lower in the third quarter of 1974 than currently estimated. In the full-employment estimates in Table 15, potential output growth was assumed to be 4 percent each year through 1974.

After adjusting for increases in the rate of inflation and the possibility of reduced potential growth at the rate of 3 percent in 1974, the full-employment budget surplus would still have grown by between \$17 billion and \$20 billion from the first quarter of 1973 to the third quarter of 1974, or by around \$3 billion per quarter. Even at its 1973 rate, inflation would have caused the increase in full-employment receipts greatly to exceed the rise in full-employment expenditures last year.

An additional complication arises because the composition of expenditures has changed increasingly from purchases of goods and services to transfers. As recently as 1969, Federal purchases were more than half of expenditures;

TABLE 15.—*Actual and full-employment Federal and State and local government receipts and expenditures, national income accounts basis, calendar years 1971-74*

[Billions of dollars; seasonally adjusted annual rates]

Calendar year	Federal Government			State and local government			Combined surplus or deficit (—)
	Receipts	Expenditures	Surplus or deficit (—)	Receipts	Expenditures	Surplus or deficit (—)	
Actual:							
1971.....	198.5	220.3	—21.9	152.2	148.8	3.4	—18.5
1972.....	227.2	244.7	—17.5	177.2	164.9	12.3	—5.1
1973.....	258.5	264.2	—5.6	193.5	184.4	9.2	3.5
1974 I.....	291.1	298.6	—7.6	207.7	206.0	1.7	—5.9
1973: I.....	249.1	260.2	—11.2	190.3	177.0	13.2	2.1
II.....	255.0	262.4	—7.4	192.0	181.7	10.4	3.0
III.....	261.8	263.4	—1.7	194.6	186.2	8.4	6.7
IV.....	268.3	270.6	—2.3	197.3	192.7	4.6	2.3
1974: I.....	278.1	281.0	—2.8	200.6	197.4	3.2	.4
II.....	288.6	291.6	—3.0	205.3	203.3	2.0	—1.0
III.....	302.8	304.7	—1.9	210.9	208.8	2.1	.2
Full-employment: ²							
1971.....	216.4	217.9	—1.5	159.3	148.8	10.5	9.0
1972.....	232.4	242.7	—10.3	182.0	164.9	17.2	6.9
1973.....	265.9	263.1	2.8	196.0	184.4	11.6	14.4
1974 I.....	319.9	296.5	23.4	220.5	206.0	14.5	37.9
1973: I.....	253.8	258.9	—5.1	191.7	177.0	14.7	9.6
II.....	261.2	261.2	—	194.0	181.7	12.3	12.2
III.....	270.2	262.5	7.7	197.4	186.2	11.2	18.9
IV.....	278.3	269.7	8.6	200.8	192.7	8.1	16.7
1974: I.....	296.1	279.4	16.6	208.3	197.4	10.9	27.5
II.....	312.9	290.1	22.9	215.9	203.3	12.6	35.5
III.....	333.0	302.6	30.4	224.2	208.8	15.4	45.8

¹ Preliminary.

² The net increase in overwithholding of personal income taxes is not included in full-employment receipts.

Note.—Detail may not add to totals because of rounding.

Sources: Department of Commerce (Bureau of Economic Analysis), Office of Management and Budget, and Council of Economic Advisers.

by 1974 they had fallen to less than 40 percent. Transfer payments to persons have a smaller impact on aggregate demand than purchases because not all of the transfer payments are spent by the recipients. Thus the aggregate demand resulting from a given total of Federal expenditures is less if these expenditures are weighted increasingly toward transfer payments. While the previous adjustments would make the shift in the Federal full-employment budget surplus considerably smaller than shown in Table 15, this adjustment would work in the opposite direction by showing less growth in the weighted than in the unweighted expenditures.

THE STATE AND LOCAL AND THE COMBINED BUDGET BALANCES

In fiscal 1973, State and local governments registered a surplus of \$12 billion (NIA basis), while the Federal Government had a deficit of \$15 billion. The advent of general revenue sharing and the rapid growth of the economy may have boosted the State and local government surpluses temporarily during this time. As expenditures accelerated subsequently, State and local surpluses declined from a record \$19 billion in the fourth quarter of 1972—the first quarter in which a general revenue sharing payment was made—to \$2 billion in the second and third quarters of 1974. The surplus of less than \$2 billion registered for calendar 1974 was far from sufficient to meet the actuarial funding obligations imposed on pension plans for the employees of State and local governments. Since the surplus of the social insurance funds approached \$10 billion, other State and local funds had a deficit of \$8 billion.

Budgetary reserves are now so tight that the rise in State and local expenditures will have to slow considerably to adjust to the reduced growth of receipts, or taxes will have to be raised in a declining economy. The full-employment surplus of State and local governments that held fairly steady in 1973 and in the first half of 1974 is thus expected to rise sharply in 1975.

While inflation has caused a disproportionate rise in Federal receipts, State and local government receipts have grown little if any in real terms. Though the relative importance of indirect business tax and nontax accruals is falling rapidly, such receipts still account for more than 50 percent of total receipts of State and local governments. These taxes have barely kept up with inflation. Losses in receipts from the lag in property tax assessments and collections rise with the rate of inflation, and items whose prices have risen disproportionately in recent years, such as food, are frequently exempt from sales taxation. Finally, the yield of *ad rem* taxes, which are levied, for instance, in the form of a given number of cents per gallon of gasoline or spirits, is invariant to inflation by definition, unless the tax laws are changed.

At all levels of government combined, fiscal activity has become significantly less expansionary since the end of 1972. In 1972 the increase in the full-employment surplus of State and local governments offset much of the

expansionary thrust of Federal fiscal policies. This surplus then changed little from the second quarter of 1973 to the second quarter of 1974. It did not begin to reinforce the increasing thrust of Federal fiscal policy toward restraint until the second half of 1974.

MONEY AND CREDIT

Inflation and recession were reflected in the money and credit markets last year. As the year began, interest rates were declining from the peaks reached in the summer of 1973. The decline continued until March, and then most interest rates rose steadily until August, when they began to decline again. Interest rates typically decline in the early stages of recession. What was not typical was that even after declining, interest rates remained high, probably because of the persistent anticipation of high rates of inflation.

Stock prices also fell in 1974. By the end of the year, stock price indexes stood well below the lowest point reached during the 1970 recession. There exists no dependable theory of stock market prices. Yet last year's trend in the market probably had to do with the high level of interest rates as well as with a profits record that has been poor for some time, if adjustments are made for specific components of book profits that reflect merely the inflationary revaluation of inventories and of fixed capital consumption.

Mortgage-lending thrift institutions suffered a contraction in deposits as depositors shifted to higher-yielding assets, particularly during the summer months. By late in the year, however, deposits were again flowing into thrift institutions as market rates of interest fell relative to rates paid on deposits. Until late in the year commercial banks faced rapidly growing loan demands that led them to borrow heavily from the Federal Reserve at times and to keep their reserve holdings close to the legal minimum. The ability of banks to expand deposits further or to absorb drains of reserves was impaired. Along with a number of other factors this liquidity squeeze contributed to a few bank failures both here and abroad.

MONETARY AGGREGATES

The goals of monetary policy underwent several important changes during 1974. The aim of Federal Reserve operations, at least until late in the year, was to moderate further the growth rates of the monetary aggregates in order to slow both the expansion of total spending in the economy and the rapid rise in bank credit. Growth rates in monetary aggregates and in total spending tend to move in similar patterns, and the underlying policy objective was to provide monetary and financial conditions that would be consistent with an abatement of inflationary pressures. Because of the uncertainties associated with the economic effects of the oil embargo, monetary policy actions in late 1973 and early 1974 were allowed to depart temporarily from the longer-term monetary objectives. During the second and third quarters of the year, as the economy was recovering from the initial impact of the embargo, the Federal Reserve acted to bring down the growth rates of the

aggregates, so that they would be more in keeping with the longer-term targets. By October, however, the signs of weakness developing in the economy began to prompt a return to a slightly more expansive set of monetary actions. These actions, including reductions of legal reserve requirements, first led to a reduction of the outstanding borrowings of the commercial banks from the Federal Reserve but are expected to show soon in the monetary aggregates.

For the year as a whole the growth of the monetary aggregates decelerated significantly, as is indicated in Table 16. From the fourth quarter of 1973 to the fourth quarter of 1974, monetary aggregates, as measured by either M_1 , M_2 , or M_3 grew at rates that were 1 to 2 percentage points lower than the rates of the preceding year. The acceleration in prices last year meant a somewhat more pronounced effect than is indicated by the numerical size of the monetary deceleration. Real balances declined as a result of a monetary policy that was unwilling to accommodate economic expansion until the steepness of the price trend was reduced.

The policy of monetary restraint did cause strains in credit markets. Yet even if monetary policy had been such as to permit rapid inflation, large strains would have developed. If lenders fear long-lasting steep inflation they insist on interest rates that rise steeply with the maturity of the loan, but given the uncertainties of the outlook, such terms entail large risks for the borrower.

Monetary policy actions are the major determinant of growth in monetary aggregates. One measure of monetary policy is the rate at which the Federal Reserve System adjusts member bank reserves available to support private deposits. A more comprehensive measure of policy actions, the adjusted monetary base (defined in footnote 1 to Table 16) has served as a guide to the effects of policy actions on monetary aggregates in recent years. Money growth rates sometimes diverge from growth rates in these measures of monetary policy, but money does tend to grow rapidly when reserves and base money grow rapidly. This is true, as is the inverse, even for short periods such as from the first to the second half of 1974.

Several developments beyond the control of policy makers affected growth rates in monetary aggregates during 1974. One such factor was the remarkable growth in large negotiable certificates of deposit (CD's) issued by banks—42 percent from December 1973 to December 1974. Banks are permitted to pay competitive interest rates on these deposits, and they were induced to do so last year by the strong demand for bank loans. Although large certificates of deposit are not included in M_1 , M_2 , or M_3 , reserves that the banks must hold against them do reduce the amount of reserves available to support deposits that are included in measures of the money stock. Thus, given the rate of expansion in bank reserves, the rapid growth in CD's led to slower growth in M_1 , M_2 , and M_3 .

The public also increased its holdings of currency relative to its holdings of demand deposits and total deposits during 1974, a shift that reduced

TABLE 16.—*Measures of monetary growth and monetary policy, 1972–74*

[Percent; seasonally adjusted annual rates]

Period	Measures of monetary growth			Measures of monetary policy	
	M ₁	M ₂	M ₃	Adjusted member bank reserves available to support private deposits ¹	Adjusted monetary base ²
	Demand deposits plus currency	M ₁ plus time deposits other than large CD's	M ₂ plus deposits at nonbank thrift institutions		
Change from corresponding period a year earlier:					
1972: IV.....	7.7	10.9	12.9	9.1	8.0
1973: IV.....	6.3	8.9	8.9	9.4	7.6
1974: IV ³	5.1	7.8	7.0	9.1	8.4
Change from preceding quarter:					
1974: I.....	5.9	9.9	9.4	5.3	8.6
II.....	7.4	8.5	7.5	16.1	9.1
III.....	3.6	6.4	5.3	12.7	5.4
IV ³	3.5	6.6	6.0	2.7	10.4

¹ Adjusted by Federal Reserve Board to reflect the effects on available reserves of changes in required reserve ratios.² "Adjusted monetary base" is member bank reserves plus currency held by the public and by nonmember banks, adjusted for reserve requirement changes and shifts in deposits.³ Preliminary.

Sources: Board of Governors of the Federal Reserve System and Federal Reserve Bank of St. Louis.

the growth rates of M₁, M₂, and M₃. While currency grew at a 9.9 percent rate from December 1973 to December 1974, demand deposits grew at only 2.9 percent, and total deposits—excluding large CD's—at 7.3 percent. Currency tends to grow faster than demand deposits when interest rates rise, because demand for currency is less interest-elastic than the demand for demand deposits.

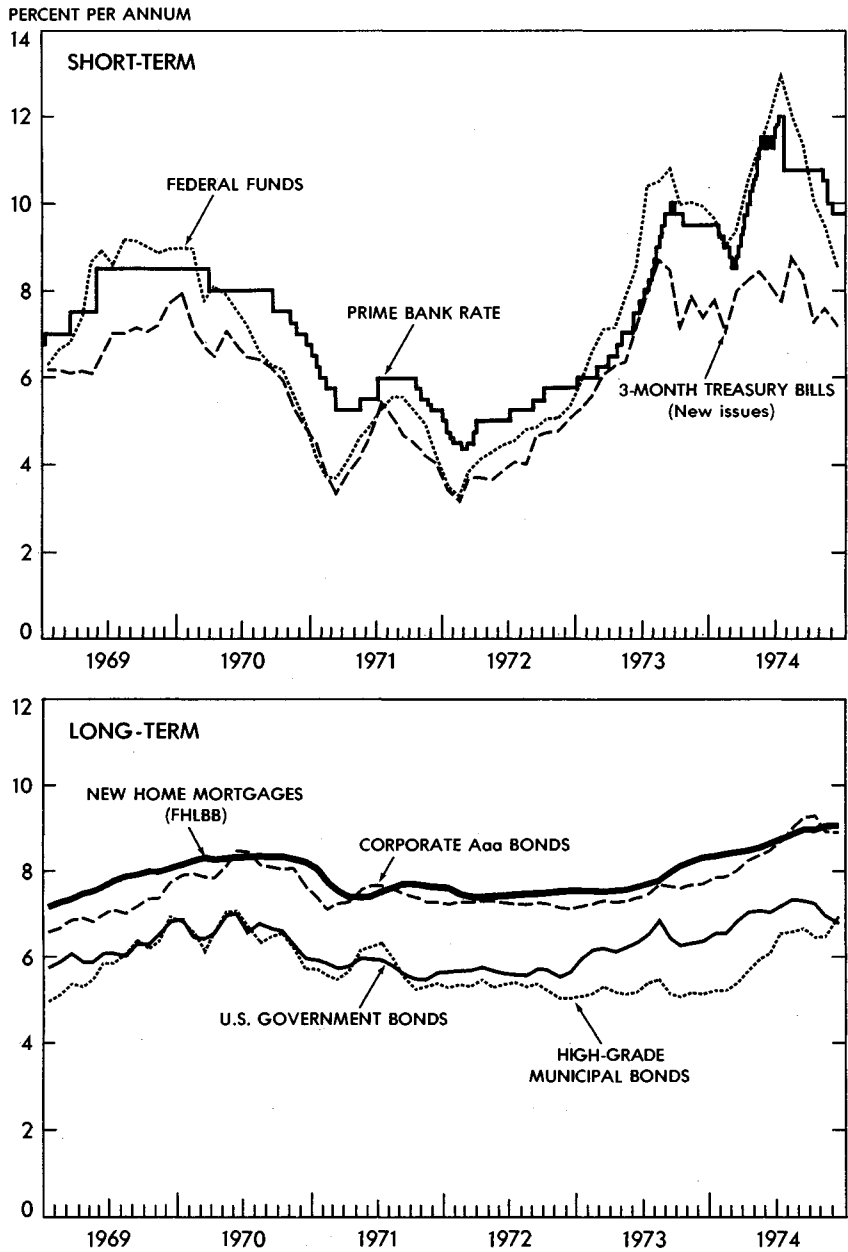
Concurrently, the public increased its holdings of time and savings deposits relative to demand deposits. The rise in interest rates paid on time and savings accounts relative to the zero legal rate paid on demand deposits probably played a large role in this development. The smaller required reserve ratios on time and savings deposits permitted banks to increase the stock of these deposits much more than they curtailed the stock of demand deposits. The result was that M₂ and M₃, which include time and savings deposits other than large CD's, grew much faster than M₁, which does not.

INTEREST RATES

Interest rates on most of the debt instruments included in Chart 5 rose in 1974 to the highest levels ever recorded in the United States. Inflation and, more importantly, the expectation of continuing rapid inflation were major factors underlying these high interest rates. When lenders of money expect prices to rise, they demand an inflation premium—a higher rate of interest—to protect the real value of their loans. Borrowers, also expecting higher prices and incomes, are willing to pay interest rates that would force them out of the market in periods of stable prices.

Chart 5

Interest Rates



SOURCES: DEPARTMENT OF THE TREASURY, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, FEDERAL HOME LOAN BANK BOARD, MOODY'S INVESTORS SERVICE, AND STANDARD & POOR'S CORPORATION.

Although interest rates reached unprecedented heights in 1974, they generally remained well below the rate of inflation. For instance, 3-month Treasury bill rates averaged well below 9 percent for 1974, while prices rose an average of more than 10 percent. The real rate of interest on bills was thus negative, and those who held bills through the year transferred real wealth to the borrower, the U.S. Treasury in this case. Although similar transfers occurred throughout the financial markets, the largest were probably transfers from owners of ordinary deposits in thrift institutions to some of the mortgage holders who borrow from these institutions.

Legal interest rate ceilings for deposits of banks and thrift institutions (regulation Q) placed these institutions at a competitive disadvantage, particularly during the summer and early autumn months when market interest rates were highest. Commercial banks were generally more successful than thrift institutions in paying competitive interest rates to their depositors, mainly by issuing large certificates of deposit on which they legally could pay a competitive rate of interest. These deposits, as noted earlier, grew very rapidly during 1974. Thrift institutions issued similar instruments on a much smaller scale. Since their portfolios contained a large proportion of old mortgages yielding low-interest returns, they were less able than banks to compete for funds by paying higher interest rates to depositors. Some banks also attracted funds by issuing variable interest rate bonds through their holding company affiliates. Legislation passed in October enables the Federal Reserve Board and the Federal Deposit Insurance Corporation (FDIC) to apply regulation Q to obligations issued by all federally insured depository institutions, but neither the Federal Reserve Board nor the FDIC has yet adopted regulations in this regard.

CREDIT MARKETS

Transactions in U.S. credit market in 1974 reflected the rapidly changing economic climate. The nominal value of net new funds raised in 1974 (annual rate for first 3 quarters) increased to \$194 billion from the \$187-billion rate of 1973. The proportions of funds raised by categories of borrowers also changed. As shown in Table 17, corporations and foreigners increased their shares of total borrowings in 1974 while other borrowers, notably governments at all levels and households, decreased theirs.

The increase in corporate borrowing reflected a more rapid increase in requirements to finance fixed capital investment and inventories than in internal funds available for such expenditures. Nearly all of the large rise in profits from 1973 to the first 3 quarters of 1974 was in the form of inventory profits and was not available for new fixed capital investment.

The increase in corporate borrowing was concentrated in the short-term markets. The strained liquidity of the banking system caused a sharp slowdown in the expansion of business borrowing from the banking system, and a large increase in business borrowing through the commercial paper market. Total corporate borrowings from longer-term capital markets rose slightly

TABLE 17.—*Net funds raised in U.S. capital markets by nonfinancial sectors, 1968-74*

Period	Total	U.S. Government	State and local government	Households	Farm and nonfarm noncorporate business	Corporate business ¹	Foreign ¹	Federally sponsored credit agencies ²
Billions of dollars; seasonally adjusted annual rates								
1968-73 average.....	131.7	12.5	12.7	43.5	12.3	46.5	4.3	8.4
1973.....	187.4	9.7	12.3	72.8	17.9	67.2	7.5	19.6
1974: average of 3 quarters ³	194.3	8.6	14.5	54.2	15.5	84.1	17.5	18.3
I.....	177.3	8.7	14.5	51.4	10.7	78.0	14.1	9.3
II.....	206.5	2.1	17.4	53.6	18.7	89.7	25.1	24.3
III ³	199.1	15.1	11.5	57.6	17.0	84.6	13.3	21.2
Percent of total								
1968-73 average.....	100.0	9.5	9.6	33.0	9.3	35.3	3.3	6.4
1973.....	100.0	5.2	6.6	38.8	9.6	35.9	4.0	10.5
1974: average of 3 quarters ³	100.0	4.4	7.5	27.9	8.0	43.3	9.0	9.4
I.....	100.0	4.9	8.2	29.0	6.0	44.0	8.0	5.2
II.....	100.0	1.0	8.4	26.0	9.1	43.4	12.2	11.8
III ³	100.0	7.6	5.8	28.9	8.5	42.5	6.7	10.6

¹ Includes equity issues.

² Not included in total since these agencies function as financial intermediaries between borrowers and lenders, and are not final borrowers.

Includes issues of the Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal Intermediate Credit Banks, Federal Land Banks, Federal National Mortgage Association (FNMA), and the guaranteed securities (backed by mortgage pools) of the Government National Mortgage Association (GNMA).

³ Preliminary.

Note.—Detail may not add to totals because of rounding.

Sources: Board of Governors of the Federal Reserve System, FHLB, FHLMC, and GNMA.

as a significant increase in corporate bond issues was only partly offset by a decline in both corporate mortgage and equity financing.

The substantial increase in foreign debt raised in the credit markets in 1974 was related to two factors. The first was the use of U.S. banks as intermediaries in channeling funds from the Organization of Petroleum Exporting Countries (OPEC) to the oil-importing nations. The second factor was the removal in January 1974 of several regulations by the United States, including the Interest Equalization Tax and the Federal Reserve Voluntary Foreign Credit Restraint Program, which had been designed to discourage or restrict foreigners from raising funds in U.S. capital markets.

To the extent that increased foreign borrowing represents a "recycling" of oil money, foreign participation in U.S. credit markets is likely to remain high and will probably increase, at least for some time, beyond the level reached during the first 3 quarters of 1974. To the extent that this increase represents the effect of eliminating controls on foreign lending, foreign participation is likely to remain above the levels prevailing when controls were in force. Activity is likely to decline from its current high

levels, however, as the portfolio adjustment part of the increase stemming from the removal of the controls is dissipated.

ASSISTANCE TO THE MORTGAGE MARKET

In response to the deteriorating conditions in the housing industry, the Federal Government has provided substantially increased assistance to the mortgage market through its sponsored credit agencies. Typically these agencies increase liquidity in the mortgage market by providing advances to, and purchasing mortgages from, mortgage lenders. They do this with funds raised either by issuing debt instruments or by selling interests in pools of mortgages they have purchased. As a result of these activities, thrift institutions and other mortgage lenders obtain funds at federally subsidized interest rates and thus are able to make additional mortgage loans.

Prior to 1973, net mortgage purchases by the federally sponsored credit agencies had never amounted to more than \$6.5 billion in any one year. In 1973 net purchases were \$10 billion, and it is estimated that mortgage purchases of \$15 billion or more were made by these agencies in 1974. Part of the substantial increase in 1974 is attributable to special programs authorized during the year for the purchase of up to \$16 billion in residential mortgages, primarily on new homes, at interest rates below the market. Under the so-called Tandem Plan the Government National Mortgage Association (GNMA) was twice authorized to purchase FHA/VA home mortgages—200,000 units valued up to \$6.6 billion on January 21 and 100,000 units valued up to \$3.3 billion on May 10. Under the January 21 program commitments amounting to \$4.8 billion were made for 200,000 units. On May 10 the Federal Home Loan Mortgage Corporation (FHLMC) was authorized to purchase \$3 billion of conventional mortgages from the member institutions of the Federal Home Loan Bank system. On October 18 purchases of \$3 billion in conventional mortgages were authorized under the auspices of a new GNMA Tandem-type plan that utilizes the services of FNMA and FHLMC.

By the end of 1974 commitments to purchase roughly \$10½ billion in mortgages had been made under these programs, while \$3½ billion remained to be committed. Of the \$10½ billion, purchases amounting to over \$4 billion had actually been made.

In 1974, the Federal Home Loan Banks (FHLB) provided assistance to the mortgage market by making net advances of \$6.5 billion to savings and loan associations. Included in this total is nearly the full amount of \$4 billion in internally subsidized advances authorized on May 10. These advances, while substantial, were down slightly from the record \$7 billion in net advances made during 1973. Several times during 1974 the Federal Home Loan Bank Board also lowered the required liquid asset ratio for its member thrift institutions, freeing additional funds for mortgage investment.

The maximum allowable interest rate on Veterans' Administration (VA) and Federal Housing Administration (FHA) guaranteed mortgages was

increased administratively in several steps after January 21, 1974, from 8¼ percent to 9½ percent, in response to rising market interest rates. It was then lowered to the 9 percent rate permitted at the end of the year, as market rates declined. Maximum loan ceilings and coverage rates for VA and FHA guaranteed mortgages were also raised by the Housing and Community Development Act of 1974.

Finally, the Administration has continued to press for passage of the Financial Institutions Act, first introduced in 1973. This act would, among other things, broaden the lending powers of thrift institutions and phase out interest rate ceilings on deposits at commercial banks and thrift institutions.

ENERGY DEVELOPMENTS IN 1974

The oil embargo of October 1973 and the energy price changes which accompanied and followed it helped shape the performance of the economy during 1974. The embargo was over in March, the shortages it created had mostly passed by midyear, but adjustments to higher prices will continue for some time.

In economic terms, the embargo and the accompanying reductions in OPEC output were restrictions of supply which supported the announced price increases for exported oil. The U.S. Government used price controls and a quantitative allocation program at the wholesale level to dampen the price increase. These actions did not necessarily reduce the harmful effects of the embargo, but they did change the form in which those effects were imposed on the public. Instead of paying still higher prices for oil, consumers suffered inconvenience and uncertainty in obtaining supplies and paid higher prices for substitutes. As a whole, the Nation used available fuel supplies less efficiently and thus obtained less benefit from them because price controls and allocation were imposed. Because of these actions the United States may have experienced less inflation and probably achieved lower unemployment than would otherwise have occurred. Analysis of this period thus requires examination of the change in the cost of energy and its effects on production, consumption, net energy imports, and inventories.

COSTS OF HIGHER ENERGY PRICES

One of the costs incurred because of the large increase in the relative price (including inconvenience and unavailability) of energy was the loss in current output. The higher energy price was transmitted into greater price changes for some products than for others. Sales of the products bearing relatively greater price increases, and of complements to them, declined, causing unemployment and excess capacity in some industries. Some of those unemployed resources could not be transferred easily to the production of less energy-intensive goods, even if demand for those products existed. The more specialized the labor and capital services, the longer the delay before they can adjust to new patterns of demand and production. Some of the highly specialized factors of production thus may have become perma-

nently unemployed because they had no alternative uses. In terms of labor, this unemployment sometimes took the form of destruction of human capital because skills were no longer marketable. The increase in the price of energy also led to a reduction in aggregate demand which, because it was not offset by macroeconomic actions, lowered output as well. Expenditures fell because the income that was transferred abroad as a result of higher oil prices was not fully matched by an increase in foreign demand for goods and services. Additionally, the change in the relative price of energy was so large that it may have disrupted consumption and investment plans and lowered actual expenditures. Given sufficient demand, the loss per unit of time declines as resources gradually adjust, but the loss in accrued output is permanent. When resources are unemployed, net capital formation is depressed along with current consumption. To some degree then, the large increase in the price of imported energy led to some permanent reduction in the potential output of the economy.

Beyond the sharp short-run losses in output, consumption and investment are lowered even when employment rebounds. Resources are diverted to adjusting the economy to patterns of production and consumption that accord with the new relative price of energy. Expansion of energy production, the substitution of capital for energy, and the "premature" replacement of a portion of the capital stock all absorb resources. These adjustments make the shortfall in production less than if the adjustments were not made. However, the added output is at the expense of consumer and alternative investment goods that could otherwise be produced. These adjustments are still in progress, and will continue so long as they lead to fuller and more effective employment of resources. The largest part of the loss in output from this process occurs in the intermediate period when the capital stock is being revised, but to the extent that capital formation is reduced, there is again a permanent loss in the ability of the economy to satisfy wants. The economy is, of course, constantly in the process of adjusting to changed relative prices. The energy episode requires comment only because of the size and suddenness of the change which took place.

The above effects reduce the total output of the economy. In addition, the increase in the bill for imported energy means that the benefit the domestic economy derives from its production is reduced because greater real resources are relinquished to the oil exporters. If oil exporters increase their current imports of goods produced in the United States, this transfer is immediate. To the extent that oil exporters hold dollars in banks or invest in assets (stocks, bonds, certificates of deposit, real estate, and the like) formerly held by U.S. citizens, they secure claims to future output of this economy. Most of the increase in oil revenues of the exporting countries has taken this latter, capital account form in various Western countries.

The shift in the relative price of all energy was initiated by the change in the price of imported oil. The structure of the U.S. energy market is such that the price of the approximately 15 percent of energy imported as oil sets

the unconstrained domestic energy price as well. Average domestic oil and natural gas prices, however, have not been allowed to rise to the price of imported oil and gas. Prices to consumers instead reflect the composite of imported and controlled domestic prices. The result has been that the amount of energy demanded has been larger than it would otherwise have been. Most of the additional energy demanded is supplied by imports of oil. Because of price controls more oil is imported, and it is consumed in producing goods and services of less value than those which must be surrendered to acquire it.

More extensive analysis of the way the change in the price of energy affected the major industrialized countries is found in Chapter 7. At this point, however, examination of the course of energy prices since January 1, 1973, is useful in understanding these and other energy developments during 1974.

PRICES

The recent rise in all energy prices was caused by the increase in the price of imported oil, a result of the increase in payments to oil-exporting governments. The pattern of increase in these payments per barrel is shown by the tax-paid f.o.b. cost of "Saudi Arabian Light," a common reference for world crude oil prices. The tax-paid cost of this oil was approximately \$1.10 per barrel in January 1971, \$1.55 the following January, and \$1.62 in January 1973. The cost rose to \$3.15 in October 1973 and to \$7.11 in January 1974. Changes in pricing and sales arrangements after the first of 1974 make it difficult to compare current Persian Gulf prices with those of earlier periods. Some inferences may be drawn, however, from the change in the landed cost of crude as reported by the Federal Energy Administration (FEA). The oil from Saudi Arabia that landed in the United States in December 1973 (presumably shipped prior to the embargo) carried an estimated landed cost of \$5.49. The estimated comparable cost after the embargo ranged from \$11.50 to \$12.00. The effect of this pattern of changes as it was carried through to the average refiner acquisition cost of imported crude is shown in Table 18. The percentage of total refinery inputs from foreign and domestic sources is also indicated.

The average refiner acquisition cost of domestic oil was affected also by the price control program. The wellhead price of controlled oil was set at \$5.25 throughout 1974, but the price of domestically produced oil was not subject to control if it fitted one of three categories: new, released, or stripper. New oil is the amount produced from a property in excess of the amount produced during the same month of 1972, subject to some adjustments. Released oil is old oil from the same property equal to the amount of new oil produced. Stripper oil is that produced from properties where the average production during the previous month was less than 10 barrels per well per day. The proportion of uncontrolled crude tended to decline during 1974, falling from 40 percent in January to 33 percent in September and 34 percent in October.

TABLE 18.—*Refiner acquisition cost of crude petroleum and percent of imported and domestic crude petroleum in refinery inputs, 1973–74*

Month	Cost (per barrel)			Percent of refinery inputs ¹	
	Composite	Imported	Domestic	Imported	Domestic
1973: September.....		\$4.54		28	72
October.....		4.91		29	71
November.....	\$5.44	6.49	\$5.00	27	73
December.....	6.54	8.22	5.95	24	76
1974: January.....	7.46	9.59	6.72	22	78
February.....	8.57	12.45	7.08	20	80
March.....	8.68	12.73	7.05	22	78
April.....	9.13	12.72	7.21	26	74
May.....	9.44	13.02	7.26	30	70
June.....	9.45	13.06	7.20	31	69
July.....	9.30	12.75	7.19	32	68
August.....	9.17	12.68	7.20	30	69
September.....	9.13	12.53	7.18	30	70
October.....	9.22	12.44	7.26	31	69
November ²	9.41	12.53	7.46	32	68

¹ Stocks are assumed to be in the refinery stream and do not figure in this calculation. The base is the sum of imports and domestic production.

² Preliminary.

Sources: Department of the Interior (Bureau of Mines) and Federal Energy Administration.

The rise in the proportion of domestic oil subject to control occurred in part because properties were unable to maintain the production increases over the same month in 1972 that were initially induced by greater demand and the higher oil prices of 1973 and 1974. In time, as new oil discoveries come into production, uncontrolled oil will rise as a proportion of the total. Meanwhile the controls system explains the pattern in the cost of acquiring domestic oil reported in Table 18. The price of uncontrolled oil did not rise fast enough to offset all of the decline in its part of the total. This price ranged between a low of \$9.82 and a high of \$9.98 during the first 8 months of 1974. It rose rapidly in the next 3 months, however, reaching \$10.83 in November.

The price of coal, which is not controlled, rose rapidly during 1974. It was pulled upward by the increase in the price of its major substitute, residual fuel oil. The price of residual fuel oil is not controlled because most of it is imported. The price of the other major fuel, natural gas, also increased, but not as much as that of petroleum or coal. Because most natural gas is sold under long-term contracts, its average price is slow to respond to an increase in demand. Federal controls on the price of gas sold for interstate resale restricted the price change still further. Because of price control provisions that permit only the pass-through of costs, the price of refined petroleum products rose approximately with the cost of crude oil to refineries. Electric power prices responded largely to increases in the cost of fuel inputs. Table 19 shows that there were substantial increases only in coal prices from 1964 to 1972. Prices rose fastest for refined petroleum products in the last quarter of 1973 and the first quarter of 1974. The bulge in coal prices occurred 2 quarters later. Natural gas prices have risen less than those of the other two primary fuels.

TABLE 19.—*Changes in wholesale prices of selected fuels, 1964 to 1974*

[Percent change; quarterly rate]

Period	Coal	Natural gas	Refined petroleum products ¹	Electric power
Average quarterly change:				
1964 to 1969.....	0.9	0.3	0.5	0.1
1969 to 1972.....	4.6	1.4	.7	1.5
1972 to 1973.....	3.0	2.3	5.1	1.7
1973 to 1974.....	11.1			
Change from 3 months earlier:				
1973: March.....	.9	3.0	9.5	3.1
June.....	3.7	3.3	6.0	1.1
September.....	3.5	1.6	3.2	2.4
December.....	8.1	7.1	24.2	4.1
1974: March.....	7.7	3.3	29.7	11.6
June.....	24.0	3.0	10.9	9.3
September.....	15.6	12.2	2.0	6.4
December.....	15.2			

¹ Through February 1973 there were no lags in this series. Since March 1973, index numbers of the major products in this series refer to prices of the previous month. The unlagged portion of the series has a very small weight.

Note.—The price changes shown in this table have been calculated from the wholesale price index, adjusted for the lags embodied in some fuel price series. For example, changes shown in this table from June to September 1973, would be presented in the wholesale price index as changes in natural gas prices from August to November, in refined petroleum products and electric power prices from July to October, and in coal prices from June to September.

Source: Department of Labor, Bureau of Labor Statistics.

The price increases at the wholesale level were carried forward to consumers, though the proportional increases obviously were smaller. Gasoline prices rose 35 percent from September 1973 (before the embargo) to December 1974. The increase for home heating oil was significantly greater—69 percent—primarily because crude oil cost makes up a much larger part of the final price of home heating oil than it does of gasoline. The price of residential gas heating service rose 28 percent and of residential electricity 25 percent over the same September 1973–December 1974 period.

PRODUCTION

The increase in the relative price of energy during the past 2 years and the expectations that preceded it have induced additional investment in energy-producing industries. Still more investment would have been forthcoming had there been greater certainty about government policy here and abroad and if specialized resources had been available. The situation in the petroleum industry, which includes natural gas as well as crude oil, is indicative. Activity takes place in four stages: geological (seismic) exploration and selection of sites, exploratory drilling, development drilling, and production. Table 20 presents data on drilling for the past 6 years and some information on geological activity, which serves as a leading indicator for drilling. The low point for seismic exploration came in 1970 and for drilling in 1971. The increase in drilling in late 1973 and in 1974 was substantial. In addition to the increases in wells actually drilled, still more drilling would have taken place if shortages of equipment and skilled labor had not restrained investment during late 1973 and all of 1974. Very little well-

TABLE 20.—*Indicators of domestic petroleum industry investment, 1969–74*

Period	Crews engaged in seismic exploration	Exploratory wells	Development wells
Monthly average:			
1969	246	808	1, 874
1970	190	641	1, 702
1971	221	577	1, 577
1972	252	628	1, 646
1973	250	622	1, 594
1974 ¹	300	727	1, 924
1974: I		666	1, 669
II		679	1, 895
III		724	1, 936
IV ¹		838	2, 194

¹ Preliminary.

Sources: American Petroleum Institute and Society of Exploration Geophysicists.

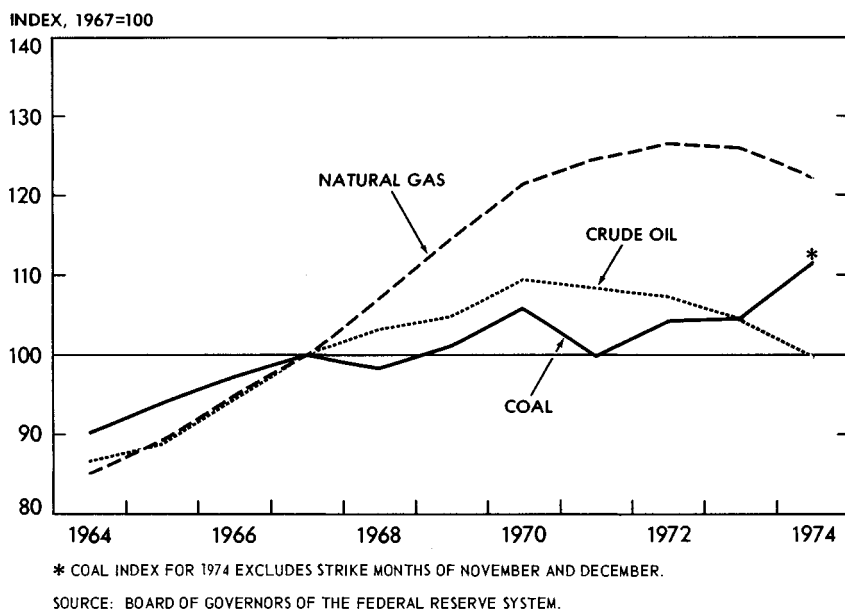
drilling capacity (rotary rigs) was idle for lack of work, but shortages of pipe idled or slowed some rotary rigs and delayed completion of some wells. The backlog of orders for rigs and other oilfield equipment increased during much of this period because production facilities were working at capacity. The equipment shortages in part were the result of the general price control system, that inhibited production and prevented efficient allocation of the material that was available. To some extent they also resulted from the lags inherent in expansion of large, capital-intensive production facilities. The long decline in oilfield activity from its peak in 1956, when 58,000 wells were drilled, to 1971, when a low of only 27,000 wells of all types were completed, left the oilfield equipment industry unprepared to meet the requirements placed upon it.

Investment in the past has not been large enough to prevent the recent decline in crude oil and natural gas output. Crude oil production in 1974 totaled 3.2 billion barrels, nearly 4 percent less than in 1973. Marketed production of natural gas in 1974 is estimated to be 3.3 percent lower than in 1973. Preliminary estimates show a 2.3 percent decline in the production of natural gas liquids from 1973 to 1974. Increased drilling so far has only slowed the rate of decline from what it otherwise would have been. It now appears that domestic petroleum output may stabilize or even rise in 1977 when Alaskan reserves begin to produce, but no turnaround can be expected before then. Natural gas supplies will not be forthcoming from Alaska until the 1980's. Oil and gas production rates at the end of this decade, however, can be strongly influenced by Government policy and by price behavior during 1975 and 1976. The pattern of fuel production since 1963 is shown in Chart 6.

Coal prices rose earlier than the prices of other fuels and on average have risen more, but the increased revenues per ton did not flow through in their entirety to incentives to expand production. In part they were absorbed by increased costs due to the changes in health and safety standards. In addition, when these standards were introduced, production capacity was lost because

Chart 6

Domestic Energy Production



some mines could not profitably comply and were abandoned. In part the price increases were also offset by uncertainty due to legislation designed to reduce industrial pollution. Because of this legislation, the anticipated market for high-sulfur coal fell. Potential producers may have anticipated that Federal pollution standards could not be met by coal-burning facilities or that States might impose more stringent controls. Finally, uncertainty about the costs of possible mandated standards for strip mine reclamation discouraged the opening of new mines and induced equipment manufacturers to defer expansion of their production facilities. Despite these factors, the higher prices for coal have elicited expanded capacity and greater output. New mines have opened, and during October, the month prior to the 1974 strike, total output reached a modern peak, the highest output since 1947. Production in 1974 was estimated to be 590 million tons, almost the same as in 1973.

Labor disputes and the unscheduled memorial walkout lasted approximately 7 weeks and resulted in the loss of an estimated 35 million tons of coal production, about 5 to 6 percent of potential. Until the last quarter of 1974 coal production had been running 5.5 percent ahead of 1973. The gain was more than eliminated in the last 3 months when output fell to about four-fifths of the comparable period in 1973. Inventories were somewhat depleted because of the strike, and some export sales were lost, but the strike's disruptive effect was minimal except for the steel and railroad industries. Indus-

trial production losses from the strike were reduced by the planned overhauls which took place in some of the major coal-using industries and by the softening of the economy.

Output from the other major sources of energy—nuclear power plants and hydro stations—was constrained by capacity limitations. Production was not affected during 1974 by changes in the relative price of fossil fuels. The role of hydropower and nuclear power in U.S. energy production remains small.

CONSUMPTION

A combination of increasing relative energy prices (including supply constraints during the embargo), declining economic activity, and voluntary conservation measures caused a drop in energy consumption in 1974 compared to the previous year—the first since 1958. Total annual consumption of energy for the past 10 years and year-to-year rates of increase are shown in Table 21.

TABLE 21.—*Gross consumption of energy by major source, 1965–74*

Year	Total energy consumption		Percent of total energy consumption					
	Amount (quadrillion Btu's)	Percent change ¹	Total	Petroleum	Natural gas	Coal	Hydro-power	Nuclear
1965	53.3	4.1	100.0	43.6	30.2	22.3	3.9	0.1
1966	56.4	5.8	100.0	43.2	30.9	22.1	3.7	.1
1967	58.3	3.3	100.0	43.5	31.3	21.0	4.0	.1
1968	61.8	6.0	100.0	43.8	31.7	20.5	3.8	.2
1969	65.0	5.2	100.0	43.8	32.3	19.6	4.1	.2
1970	67.1	3.3	100.0	44.0	32.8	18.9	4.0	.3
1971	68.7	2.3	100.0	44.5	33.2	17.6	4.1	.6
1972	71.9	4.7	100.0	45.8	32.0	17.3	4.1	.8
1973	74.7	3.9	100.0	46.4	30.6	17.9	3.9	1.2
1974 ²	72.7	-2.7	100.0	46.0	30.1	18.3	4.2	1.4

¹ Based on unrounded data.

² Preliminary estimate by Council of Economic Advisers.

Note.—Detail may not add to totals because of rounding.

Source: Department of the Interior, Bureau of Mines (except as noted).

The use of primary energy for the production of electric power was significantly depressed. The consumption of electric power historically has risen at a rate of about 7 percent per year. In 1974, however, there was no increase at all over 1973. This absence of usual growth occurred despite the fact that some of the fuel price increases have yet to flow through to electric utility rates.

The consumption of coal was about the same in 1974 as in 1973, despite the fact that energy use in aggregate declined. Coal use in electric utilities was increased by 5 to 6 million tons, roughly 1 percent, through special efforts to convert facilities from oil to coal and through more intense use of coal generating plants. In addition to the oil shortage, the gap between the

cost of oil used by electric generating stations and the cost of coal widened, increasing the incentive to use coal. Nevertheless there have been generally adequate supplies of coal for electric generation. The major market for coal has been steam electric plants, and air quality controls have made the economic use of much additional steam coal impractical or impossible in existing facilities.

The consumption of oil, on the other hand, was restricted by lack of supply during the embargo and by lack of markets afterward. The allocation policies in force during the embargo required reductions in consumption, first to maintain and then to increase inventories. Some of the reduction in oil usage was later made up; most was not. Other fuel developments, especially the growing shortages of natural gas, increased the quantity of petroleum consumed. In late 1974, when oil was freely available, more petroleum and petroleum products were used directly and for generating electricity than would have been used had natural gas been available. Despite these stimuli to demand, total consumption of petroleum fell during 1974, reflecting both its increased price and the economy-wide decline in output. One major source of this decline was in motor vehicle fuel use. Gasoline consumption fell by about 2 percent as miles traveled on highways declined by approximately 3 percent, the first year-to-year decline since World War II. The drop in fuel consumption and miles driven occurred despite the fact that there were 5.3 million more registered vehicles in 1974 than in 1973.

The pattern of consumption of energy by source over the past 10 years is shown in Table 21. The striking shift evident there is in the role of natural gas. After years of rapid growth, natural gas has been losing its market share since 1971. The shift against natural gas has been caused by lack of supply, not by a change in consumer preference or price. The relative price of gas, already lower than other fuels on an energy-contained basis because of regulation, fell even further against its competitors during 1974. As a consequence, the amount demanded, shortages, and nonmarket allocation all reached higher levels in the gas industry in 1974 than before. The natural gas situation is discussed below.

IMPORTS AND EXPORTS

The United States, a net importer of petroleum and natural gas and an exporter of coal, has been a net importer of energy for two decades. For a decade and a half petroleum imports were restricted to protect domestic oil producers against low-priced foreign oil. Since May 1973, however, no quantitative restrictions have been in force. High-priced foreign petroleum now supplements domestic supplies and fills the gap between energy demand and domestic energy supply. For this reason, increases in U.S. energy production (except for coal) relative to energy consumption lead directly to reductions in oil imports. Gross imports of petroleum and petroleum products rose from about 21 percent of consumption in 1965 to 36 percent in both 1973 and 1974. In absolute terms, imports in 1974 fell to 6.0 million barrels a day, 3 percent below 1973.

Coal is the only fuel the United States now exports on balance, with shipments of from 10 to 12 percent the size of the domestic market. Metallurgical coal has found large and expanding markets abroad. Steam coal has moved into foreign markets to some degree, and development of lower-sulfur western mines may increase this trend. Exports of coal have not interfered with the meeting of energy demand through domestic supplies, though the external market has raised the price of coal inputs for both steam and metallurgical coal uses.

Natural gas is imported by pipeline and in minor amounts in liquefied form. The primary source of pipeline imports is Canada; small quantities are exported to Mexico and in a liquefied form from Cook Inlet, Alaska, to Japan. The imports from Canada have played an important role in the energy supply of some regions. According to some interpretations of recent Canadian policy announcements, however, those imports (as well as imports of oil from that nation) may be restricted in the future unless substantial discoveries of new Canadian reserves are made. Already pipeline companies have been required to accept sharply higher prices as of the first of 1975 or face supply cutoffs at the end of 1976. The restriction of gas exports would create serious problems for West Coast consumers, just as restriction of Canadian oil exports will harm the "Northern Tier" refiners of the Midwest.

INVENTORIES

The disruption in the petroleum supply in 1973-74 and the coal strike of 1974 made it clear how important adequate fuel inventories are to the continued smooth functioning of the economy. The adequacy of inventories is partly a function of the consumption rate. More importantly it is a function of the probability of unpredictable variations in consumption or in the rate at which supplies are made available. End-of-month primary inventories for the past 3 years, as measured by the number of days' consumption they represent, are shown for crude oil and important petroleum products in Table 22. These data indicate that inventories measured in this way did not decline during 1974 even though the embargo lowered total oil supplies. The regulations imposed by Government, voluntary conservation, a warmer than normal winter, and the expectation of even higher prices in the future contributed to maintaining inventories at pre-embargo levels. A drawdown of inventories would have reduced the actual cost of the embargo to the economy. However, it would also have increased the vulnerability of the United States to a further tightening of the embargo, a sudden deterioration in the weather, or an embargo which persisted beyond the actual termination point of the 1973-74 episode.

Both crude oil and product stocks approached new highs for the season as 1974 drew to a close. If inventories retain their current relation to consumption, an embargo during early 1975 would find the United States better prepared than it was in October 1973. Unfortunately, these inventories may be drawn down for commercial reasons. A change in price

TABLE 22.—*Petroleum inventories expressed as days of consumption, 1972-74*

{Days}				
Month	Crude ¹	Gasoline	Distillate	Residual
March:				
1972.....	21.6	37.0	29.2	19.2
1973.....	18.9	31.9	33.6	14.6
1974.....	20.4	35.8	41.0	18.8
June:				
1972.....	21.8	29.4	58.7	25.6
1973.....	18.3	29.9	57.1	19.9
1974.....	19.9	32.9	77.2	31.5
September:				
1972.....	19.6	31.0	86.3	28.5
1973.....	18.2	32.0	71.5	20.7
1974.....	20.4	34.5	91.8	30.1
December:				
1972.....	19.2	33.4	36.5	17.5
1973.....	18.9	33.7	53.3	18.4
1974 ²	19.6	34.7	59.9	25.7
Months of oil embargo:				
1973: October.....	18.3	32.1	69.6	21.6
November.....	19.2	30.4	57.1	16.7
December.....	18.9	33.7	53.3	18.4
1974: January.....	19.2	37.5	47.4	15.3
February.....	20.5	35.9	38.9	15.0
March.....	20.4	35.8	41.0	18.8
April.....	20.6	34.7	44.1	21.1

¹ Crude stocks divided by average daily runs to stills.² Preliminary.

Sources: Department of the Interior (Bureau of Mines) and Federal Energy Administration.

expectations or in world oil market conditions may bring a rapid deterioration of the national petroleum inventory position. The threat of disrupted supplies does not by itself guarantee retention of "excess" inventories by commercial firms. Even though firms might expect a disruption, there is no incentive for them to maintain expensive inventories to be used in that event so long as they expect Government allocation and price controls to deny them the inventory profits that might be earned. Consequently, although inventories are now high, they cannot be considered secure.

Coal inventories were depleted during the coal strike but not dangerously so. By year-end, inventories were being rebuilt at a satisfactory rate. The other fuels are not subject to inventory or else, like natural gas, inventories are limited to working stocks and some supplies for seasonal balance.

NATURAL GAS: A SPECIAL CASE

The only fuel in seriously short supply at the end of 1974 was natural gas. The shortage of natural gas became more severe during 1974 and is likely to get still worse in 1975. The shortage is taking the form of curtailments of deliveries under existing contracts and of failure among potential consumers to obtain supplies at the going price.

The shortage of natural gas exists because the price of gas has been held below the market-clearing level by Federal Power Commission (FPC) regulations. The FPC is required by statute to regulate the wellhead price of natural gas sold for resale in interstate commerce. It controls the price of

approximately 60 percent of the gas produced in the United States. The average price paid by interstate pipeline companies for regulated gas was 27 cents per thousand cubic feet in October 1974. That price was clearly below the market-clearing level, as indicated by the higher price of gas sold under unregulated conditions (though that price too is held down indirectly by regulation), and by the price of natural gas substitutes.

The price of natural gas was below the price of its substitutes prior to the energy price escalation of 1973, and the differential increased markedly during the succeeding period. A rough measure of the price differential is seen in the price difference in terms of energy content of coal, oil, and gas in electric power plant use (Table 23). These data are the more striking because gas requires no on-site storage and burns more cleanly than other fuels. Buyers would be willing to pay a slight premium for gas if it were available. Instead, as shown in the table, the average price of gas is below the price of both coal and oil.

TABLE 23.—Average price paid by utilities for major fuels, 1972-74

[Cents per million Btu's]

Period	Coal	Oil	Gas
1972: III.....	37.0	57.7	-----
IV.....	37.3	61.0	30.3
1973: I.....	38.7	66.2	31.2
II.....	39.6	70.5	33.6
III.....	40.1	77.4	34.2
1973: October.....	41.9	88.9	35.5
November.....	44.0	104.0	35.7
December.....	45.5	121.1	36.3
1974: January.....	51.4	162.7	37.3
February.....	56.9	187.3	39.8
March.....	60.8	189.1	42.5
April.....	64.0	187.2	43.6
May.....	65.8	187.9	44.0
June.....	69.5	195.1	47.9
July.....	72.9	196.4	49.8
August.....	77.3	196.2	51.8
September.....	79.1	195.4	52.4

Source: Federal Power Commission.

Because consumers were increasingly unable to obtain all the gas they would have liked at the regulated price, nonprice rationing of natural gas increased during 1974. Precise estimates of the quantity of gas which would have been consumed if supply had been forthcoming are not available. Recorded shortfalls of contractually obligatory sales amounted to about 9.6 percent of the volume called for during September 1973–August 1974. These curtailments are expected to reach about 16 percent during the like 1974–75 period. The sales forgone under contractually “interruptible” contracts were approximately 38 percent of the contract volumes during the September–August period of 1973–74 and are expected to reach 58 percent in the same 1974–75 period. Because of the priority allocation system adopted by the Federal Power Commission most of these shortages are borne by industrial consumers, including electric utilities.

The effect of regulating the price of natural gas has been to increase the demand for its substitutes, especially imported oil. The reasons are twofold: First, the quantity of natural gas consumed by those who have preferential access to it has been increased, leaving less for other consumers. Those thus denied gas by regulation consequently consume more oil than they otherwise would. Second, the lower price for natural gas has caused less of it to be produced. Because imported oil makes up the difference between the demand for and the domestic supply of energy, the gas shortfall during 1974 was made up partially through greater consumption of higher-priced oil.

CHAPTER 3

Unemployment

THE EMPLOYMENT ACT OF 1946, which created the Council of Economic Advisers, set forth the goal of maintaining "maximum employment." The extent to which this objective is achieved is usually measured by the unemployment rate, which has come to serve as a measure of the extent of resource underutilization in the economy. For many it is also a measure of economic and social hardship.

We are starting 1975 with the highest unemployment rate since 1958. The story of the deterioration in the economy during 1974 and its effects on the labor market is given in Chapter 2. This chapter examines the various types of unemployment and unemployment rates at different points in time and among demographic groups. It also looks at the welfare implications of unemployment, and at Government measures to ameliorate the difficulties caused by unemployment.

It is important to emphasize, because the point is often misunderstood, that to analyze unemployment is not to provide excuses for it or deny the personal and social problems associated with it. The unemployment of persons who seek work is costly to the workers themselves, their families, and the Nation as a whole. Our goal should be to reduce unemployment whenever this can be done by means which are not more costly than the unemployment itself. It is therefore important to understand the different kinds of unemployment so that the effectiveness of alternative Government policies can be properly evaluated. This chapter is intended to be a guide to the formulation of constructive policies toward unemployment over the long run.

Unemployment is not as simple a concept as is often believed. The meaning of any particular unemployment rate depends on the way unemployment is defined and measured, and on the sources and composition of the unemployment. Although it is generally clear when we are at points of very high unemployment and widespread underutilization of productive capacity, it is much more difficult to determine when we are at "maximum employment." The unemployment rate of 7.2 percent reached in December 1974 clearly represents a substantial departure from maximum employment. At the other extreme, under current definitions, a zero rate of unemployment is impossible to attain, and efforts to do so would have undesirable consequences. Although the period following World War II was one of rapid

economic growth and rising levels of real income, the unemployment rate averaged 4.7 percent from 1947 through 1973. Only during World War II (1944), when 17 percent of the total labor force were in the Armed Forces, did the rate ever fall close to 1 percent. An understanding of the issues related to unemployment is needed to determine the extent to which a particular rate is too high, or when the goal of maximum employment is attained.

DEFINITION AND MEASUREMENT OF UNEMPLOYMENT

The major source of information on unemployment is a monthly Government survey of about 47,000 households, the Current Population Survey or CPS. The survey includes detailed questions about the labor force status of household members aged 16 and over, with the object of identifying those who are employed, unemployed, or out of the labor force.

Persons are classified as employed if during the survey week they did any work as a paid employee or in their own enterprise, or if they worked 15 hours or more as an unpaid employee in a family enterprise. Those temporarily absent from jobs because of labor-management disputes, bad weather, vacation, or illness and other personal reasons are counted as employed, regardless of whether they were paid during the week.

Persons are classified as unemployed if they were not employed during the survey week but were available for work and had made a specific effort to find a job at some time within the preceding 4 weeks, or if they were waiting either to report to a new job within 30 days or to be recalled to a job from which they were laid off.

The civilian labor force is the sum of those who are employed (excluding the Armed Forces) and those who are unemployed. The unemployment rate commonly reported is the number of unemployed persons as a percentage of the civilian labor force.

The unemployment rate is, of course, a function of the specific definitions used and the manner in which the questionnaire is administered. For example, in 1967 it was first stipulated that unemployment should include those seeking work at any time during the preceding 4-week period rather than the previously implied 1-week period. This change in definition is believed to have increased the measured unemployment rate of women, because many women are on the margin between being out of the labor force and unemployed. The unemployment rate may also be affected by the expedient of relying on only one adult member of the household to report for all members. The respondent may not be accurately informed about the jobs held or sought by all household members. There is, for example, some evidence from special surveys that teenagers give a different impression of their unemployment and labor force participation when they respond directly to the survey.

SOURCES AND NATURE OF UNEMPLOYMENT

Unemployment has several aspects that shift in relative importance from time to time. Some portion of unemployment is cyclical; that is, it is associated with the business cycle. Other unemployment is primarily a consequence of frictional, structural, and seasonal factors. These components of unemployment are analytical concepts and are difficult to identify empirically. It is nevertheless important to understand their differing nature.

FRICTIONAL UNEMPLOYMENT

The economy always generates a considerable amount of unemployment resulting from the multiplicity of random events that occur in labor markets. Such unemployment arises partly as a by-product of normal economic change—the closing of some firms, a slowdown in others, the opening and expansion of still others, and changing production techniques within firms. Partly in response to these changes, some workers are laid off and others quit or enter or reenter the labor force. Many become unemployed during this process because the matching of workers to the changing job openings is seldom accomplished instantaneously. Unemployment may also arise as a by-product of personal considerations, quite independent of the fortunes of firms. Thus, events such as the completion of school or of service in the Armed Forces and the lessening of household responsibilities often lead to a movement into the labor force. A preference for a different job environment or geographic area also frequently results in job change, as does an employer's dissatisfaction with a worker's performance.

There is substantial turnover among both the employed and the unemployed. Employment in 1973 averaged 84 million persons per month, but about 100 million different persons worked at some time during the year. Similarly, unemployment averaged 4 million persons per month in 1973, while at least 14 million persons experienced some unemployment in the year. About one-fourth of all those holding jobs in January 1973 had begun their job during the preceding 12 months.

Job loss is usually taken to be an involuntary separation, and quitting a voluntary one. During 1974, 43 percent of the unemployed cited job loss as the immediate reason for unemployment; 15 percent said they had quit their jobs; but 42 percent had just entered or reentered the labor force. In 1973, a year of lower unemployment, the percentage citing job loss was smaller, 39 percent; and the percentage citing quits, or labor force entry or reentry, was greater, 16 percent and 46 percent respectively. Thus, while separation from a job accounts for much unemployment, a similar amount is often the by-product of movement into the labor force.

Entering the labor force usually entails search for a job. Since entrants are by definition not working at a paid job (though they may be fully employed in a real sense as students or housewives), they will usually be counted as unemployed, unless they found a job before becoming technically avail-

able for work. Starting in the 1950's the composition of the labor force began to change as middle-aged married women increased their participation. Since the 1960's the increasing tendency of younger married women to work, and the increase in the teenage labor force because of the post-World War II "baby boom," resulted in rapid increases in the size of the labor force and in the proportion of the labor force comprised of teenagers and married women aged 20 or over (from 20 percent in the labor force in 1950 to 31 percent in 1974). Both groups have relatively high rates of labor force entry and re-entry because of school or home responsibilities. As a result, labor force entrants and reentrants have probably accounted for an increasing proportion of the labor force and of the unemployed during the post-World War II period, and hence for a higher level of frictional unemployment. The unemployment of entrants and reentrants, however, is not always entirely frictional. For example, during a recession one sees a cyclical component in the unemployment of entrants and reentrants that is reflected by longer duration.

In a dynamic economy, wage rates, skill requirements, and other job characteristics are constantly changing. As such changes occur, the information about the labor market that people have acquired depreciates in value. Because it takes time to acquire new and useful information, instantaneous job change is seldom feasible. Individuals looking for more rewarding work and firms looking for more productive employees invest time and other resources in the search process. Thus job mobility and the ensuing frictional unemployment are essential consequences of economic change. To the extent that job mobility increases economic efficiency through a better matching of workers and jobs, it helps promote economic growth.

This is not to say, however, that the actual amount of frictional unemployment necessarily equals the optimal amount required to promote efficient economic growth. That is, it is not known whether labor markets in a private enterprise economy will allocate an optimal amount of resources to the dissemination of job information. Periodic surveys in which workers are asked how they located their current job always show that informal sources of information, such as friends and relatives, are more important than such formal sources as private and public employment agencies. Informal networks seem to provide detail about the tangible and intangible characteristics of job vacancies and of job applicants that workers and firms value highly. Because such detail is much less readily obtained through formal channels, it has been difficult for the Government to devise improvements over the existing system.

STRUCTURAL UNEMPLOYMENT

Even during periods of low unemployment, some groups have persistently high unemployment that tends to be of long duration, occurring either in a single spell or in a sequence of spells. Such unemployment is often referred to as structural, in contrast to frictional unemployment, which tends to be of

shorter duration, although there is no hard and fast line between these two classifications.

Structural unemployment represents imperfect labor market adjustment as a result of some barrier to the mobility of resources. For example, the high unemployment in Appalachia during the 1950's and 1960's was initially a consequence of a decline in the demand for coal and of union wages and fringe benefits that were pushed substantially above the competitive level, and thus led to greater mechanization. The resources of the region were not readily adaptable to other industries, and the personal and financial costs of moving to a different area, combined with a chance of obtaining a high-paying job in Appalachia, impeded migration from the region. Since then, the migration out of the region by younger workers, the retirement of older workers, and the improvement of transportation systems which facilitated the development of new industries have dramatically reduced the unemployment rate in Appalachia. As a result, although the unemployment rate in the Appalachian region was 8.6 percent in 1962 compared to the national rate of 5.5 percent, by 1971 it had fallen to 5.9 percent—the same as the national unemployment rate.

The high unemployment rate of teenagers and of workers with little skill may also be partly attributable to structural factors, but of a different sort. In 1974 the unemployment rate of teenagers aged 16 to 19 was 14 percent for white youths and 33 percent for black youths, compared to 3.8 percent for all males aged 20 and over. These higher rates may to some extent result from such artificial barriers to wage rate adjustment as legislated minimum wages; in this sense they can be said to have structural elements. The Federal minimum wage at present is \$2.10 per hour for workers covered by the legislation before 1966, and \$1.80 per hour for workers who were covered later, mainly some agricultural workers, domestics, and employees of small retail chains. Some employment not covered by the Federal minimum wage is covered by various State and local legislation. In some instances, State and local minimums exceed the Federal level. For example, the current minimum wage in the District of Columbia is \$2.50 per hour in some industries. Other legislation adds to the minimum cost of employing a low-wage worker by requiring, for example, employers' expenditures for social security, unemployment insurance, and workers' compensation insurance.

Some adults, but more teenagers, do not have the skills to command a wage that equals or exceeds this minimum cost of employment for other than peak periods of demand in the business of a particular firm. The knowledge that some job openings exist at the minimum wage may encourage some to continue searching, thus adding to the number of unemployed. Others may drop out of the labor force altogether. Since the minimum wage reduces wage differentiation among workers, it will generate a greater decline in employment for the less skilled and for those subject to discrimination in the labor market. These effects explain part of the substantially higher unemployment

rate for teenagers compared to adults and for black teenagers compared to white teenagers. Racial differences in unemployment are discussed in greater detail below.

SEASONAL UNEMPLOYMENT

Seasonal fluctuations in the demand for and supply of labor cause large flows of persons into unemployment. The seasonal nature inherent in some production processes, such as agriculture and construction, and in some consumption—visiting beach resorts in the summer and ski resorts in the winter—can create seasonal fluctuations in employment and unemployment. For example, the unemployment rate of construction workers in February tends to be 133 percent larger than in August. Changes in technology, such as mechanical harvesting equipment and new methods which permit all-weather construction, may have reduced some seasonal fluctuations in employment. Some industries diversify their product lines or use fluctuations in inventories to reduce the costs associated with seasonal variations in demand.

Seasonal fluctuations can also arise on the labor supply side. The unemployment of young people has a strong seasonal component, related mainly to the search for jobs during school vacations. The school calendar was originally designed to fit seasonal demands for young workers in agriculture, but such employment has declined in relative importance.

If the seasonal pattern is regular from year to year, and if data are available for several years, "seasonal factors" can be computed. Indeed, many of the basic monthly unemployment statistics are "seasonally adjusted" by the Bureau of Labor Statistics to show the month-to-month change in unemployment due to factors other than the change in the season. Adjusting the basic data with the standard statistical technique, however, does not remove the impact of seasonality from the average level of unemployment; rather, it spreads the effects of seasonality uniformly throughout the year. Thus, groups with relatively high seasonal unemployment will, on an annual basis, have a relatively high unemployment rate, other things being the same. For example, the higher annual unemployment rates of blue-collar workers compared to white-collar workers, of Alaska compared to the other States, of teenage males compared to adult males, are in part attributable to greater seasonality of employment.

CYCLICAL UNEMPLOYMENT

During a downturn in economic activity the rate of plant closings accelerates and the rate of openings or expansions of firms declines. The rise in unemployment accompanying such a general decline in business activity is referred to as cyclical unemployment and is associated with the underutilization of economic resources, both human and physical. The rise in the unemployment rate from 4.7 percent in the fourth quarter of 1973 to 6.6 percent in the fourth quarter of 1974 is, of course, the most recent example of a cyclical increase in unemployment.

The unemployment resulting from a general business recession differs from unemployment attributable to other causes. As the rate rises during the cycle, there is an increase in the incidence of unemployment, that is, in the proportion of those who are unemployed during some part of the year (Table 24). This increase accounts for only part of the increase in unemployment, however. For example, the unemployment rate in 1971 was 69 percent greater than in 1969; but the incidence of unemployment was only 30 percent greater. The total number of weeks of unemployment experienced during the year by the average unemployed person also increases during a recession, and this is an additional factor increasing the unemployment rate. Available data on the unemployment of persons with work experience during the year indicate that for adult males, in the period 1964 to 1973, 28 percent of the annual variation in the unemployment rate can be explained by the duration of unemployment over the year, 24 percent by the incidence of unemployment, and 48 percent by their joint effects. During a recession the greater average duration of unemployment over the year seems to be largely due to more weeks of unemployment per spell, rather than to more frequent spells per unemployed person.

TABLE 24.—*Dimensions of unemployment and weekly hours worked: comparison of selected years of high and low unemployment, 1957-74*

Item	1957	1958	1960	1961	1969	1971	1973	1974
	Percent							
Unemployment rate: ¹								
All civilian workers.....	4.3	6.8	5.5	6.7	3.5	5.9	4.9	5.6
Long duration unemployment ².....	.8	2.1	1.4	2.2	.5	1.4	.9	1.0
Percent unemployed at any time during year ^{3,4}	14.7	17.9	17.2	18.4	12.5	16.3	14.2	-----
Percent of those with unemployment with two or more spells ^{4,5}	41.1	41.1	36.6	37.0	32.3	32.5	32.5	-----
Unemployed by reason: ⁶								
Total unemployed.....					100.0	100.0	100.0	100.0
Job losers.....					35.9	46.3	38.7	43.4
Job leavers.....					15.4	11.8	15.7	14.9
Reentrants and new entrants.....					48.7	41.9	45.7	41.6
	Weeks							
Average duration of unemployment:								
Currently unemployed.....	10.5	13.9	12.8	15.6	7.9	11.3	10.0	9.7
Completed spell of unemployment ⁷	5.7	7.4	6.0	7.2	4.6	6.6	-----	-----
Sum of spells of unemployment during the year ^{4,8}	13.1	15.6	14.1	14.5	9.8	14.2	12.0	-----
Average hours worked per week.....	41.0	40.6	40.5	40.5	39.9	39.3	39.3	39.0

¹ Percent of civilian labor force.

² Unemployed for 15 weeks or longer.

³ Percent of those in the civilian labor force at anytime during the year.

⁴ Data from the Work Experience Survey and relate to persons 14 years of age and over for 1957-61 and 16 years and over for other years.

⁵ Data relate only to persons with work experience during the year.

⁶ Data are not available for 1957-61.

⁷ Estimate.

Note.—Data are from the Current Population Survey and relate to persons 16 years of age and over (except as noted). Detail may not add to totals because of rounding.

Source: Department of Labor, Bureau of Labor Statistics.

As unemployment rises during the cycle, layoffs account for a larger proportion of unemployment, while voluntary separation and entry and reentry into the labor force decline in relative importance. Most workers who quit their jobs presumably do not return to them. However, a substantial proportion of those on a layoff do return to their former jobs, rather than take new jobs, and this proportion is greater for layoffs attributable to a recession.

Not all workers are equally likely to experience the effects of cyclical unemployment (Table 25). Cyclical fluctuations generally have a small amplitude in the service sectors and a wide amplitude in manufacturing, particularly of durable goods. Within industries, cyclical fluctuations in employment tend to be greater for blue-collar or production workers than for white-collar or supervisory workers. The differences, however, vary from one cycle to another.

TABLE 25.—Unemployment rates by selected demographic and industrial groups: comparison of selected years of high and low unemployment, 1957–74

[Percent]								
Group	1957	1958	1960	1961	1969	1971	1973 IV ¹	1974 IV ¹
All civilian workers.....	4.3	6.8	5.5	6.7	3.5	5.9	4.7	6.6
RACE								
White.....	3.8	6.1	4.9	6.0	3.1	5.4	4.3	5.9
Negro and other races.....	7.9	12.6	10.2	12.4	6.4	9.9	8.6	11.7
AGE-SEX								
Men 20 years and over.....	3.6	6.2	4.7	5.7	2.1	4.4	3.1	4.7
Women 20 years and over.....	4.1	6.1	5.1	6.3	3.7	5.7	4.7	6.5
Both sexes 16–19 years.....	11.6	15.9	14.7	16.8	12.2	16.9	14.4	17.5
OCCUPATION								
White-collar workers.....	1.9	3.1	2.7	3.3	2.1	3.5	2.9	3.7
Professional and technical Managers and administrators, except farm.....	1.2	2.0	1.7	2.0	1.3	2.9	2.2	2.5
Sales workers.....	1.0	1.7	1.4	1.8	.9	1.6	1.3	2.2
Clerical workers.....	2.6	4.1	3.8	4.9	2.9	4.3	3.6	5.2
	2.8	4.4	3.8	4.6	3.0	4.8	4.0	5.0
Blue-collar workers.....	6.0	10.2	7.8	9.2	3.9	7.4	5.4	8.3
Craft and kindred workers.....	3.8	6.8	5.3	6.3	2.2	4.7	3.5	5.4
Operatives.....	6.3	11.0	8.0	9.6	4.4	8.3	5.7	9.6
Nonfarm laborers.....	9.4	15.1	12.6	14.7	6.7	10.8	8.4	11.6
Service workers.....	4.7	6.9	5.8	7.2	4.2	6.3	5.6	6.9
Farm workers.....	1.9	3.2	2.7	2.8	1.9	2.6	2.4	2.6
INDUSTRY								
Nonagricultural private wage and salary workers.....	4.9	7.9	6.2	7.5	3.5	6.2	4.8	6.9
Construction.....	10.9	15.3	13.5	15.7	6.0	10.4	8.8	13.4
Manufacturing:								
Durable goods.....	4.9	10.6	6.4	8.5	3.0	7.0	3.9	7.3
Nondurable goods.....	5.3	7.7	6.1	6.8	3.7	6.5	4.8	7.9
Service industries ²	4.2	5.7	5.1	6.2	3.5	5.6	4.3	5.2
Government workers.....	1.9	2.5	2.4	2.5	1.9	2.9	2.6	3.2

¹ Seasonally adjusted.

² Quarterly data are for service and finance industries.

Note.—Data relate to persons 16 years of age and over except for 1957 occupation data, which relate to persons 14 years of age and over.

Source: Department of Labor, Bureau of Labor Statistics.

To a large extent the demographic characteristics of the unemployed vary over the business cycle because of differences in industry and occupation. Blue-collar workers in goods-producing industries are more likely than white-collar and service industry workers to be adult males and union members and less likely to be college graduates. Groups with these characteristics will therefore generally experience greater fluctuations in unemployment over the business cycle.

Even within an industry-occupation sector, the incidence of unemployment is uneven. Some workers undergo a sharp decline in their weeks or hours of employment during the year, while many others experience little or no decrease. This unequal sharing of unemployment results in greater inequality in the distribution of personal income during a recession.

INFLATION AND UNEMPLOYMENT

It has been suggested that there is a negative relation between the unemployment rate and the rate of increase in wages and prices, and that such a relation exists in the long run as well as over the business cycle.

During a period of cyclical expansion, an increase in aggregate demand leads to a greater demand for labor, which is expressed by increases in wages (or in the rate of increase in wages) or by the hiring of less skilled workers at the same wage. This increase in demand for labor will result ultimately in a reduction in unemployment. Thus, in a cyclical expansion one observes a negative relation between wage-rate increases and unemployment. On the downside of a business cycle, firms with a decreased demand for labor lay off workers and lower the rate of increase in money wages. The unemployment rate will increase, accompanied by a decline in the rate of wage increase.

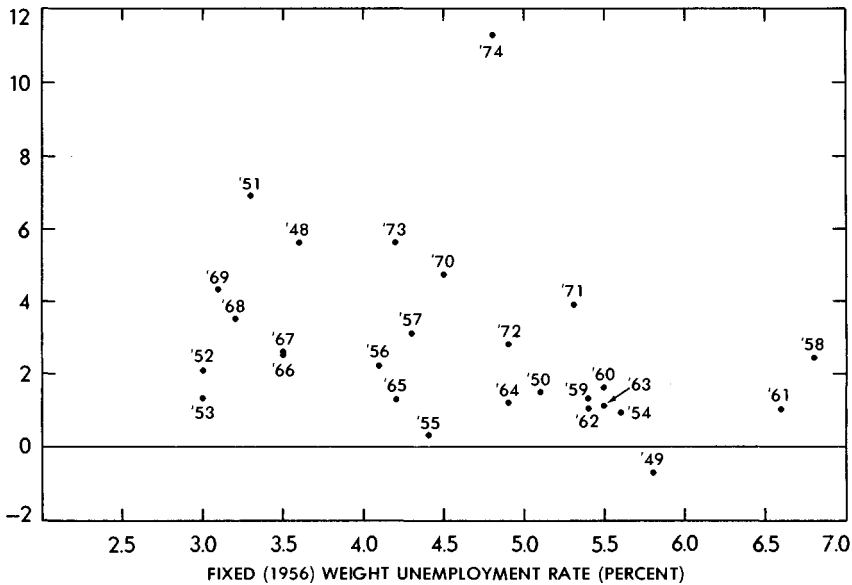
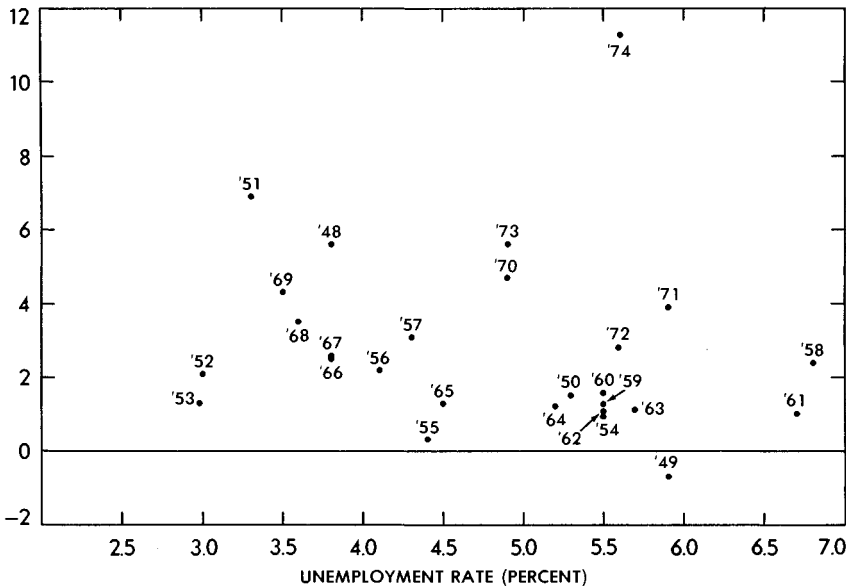
In the long run, however, there would not appear to be a mechanism linking the rate of unemployment to any one rate of stable wage or price increase. One would expect the unemployment rate to be determined by the magnitude of frictional, structural, and other basic forces which are independent of the particular level of a stable rate of inflation. The rate of unemployment that the economy tends to generate when the rate of inflation has no tendency to accelerate is sometimes referred to as the "natural" rate of unemployment. This is a misnomer, however, since the "natural" rate may vary over long periods in response to changes in the underlying factors which determine its level.

During the 1960's many economists believed that there was a long-run, negative relation between the unemployment rate and the rate of increase in wages or prices, initially described by the "Phillips curve" and later by functions involving additional variables and equations. Empirically, simple charts relating the U.S. rate of increase in prices or wages to the unemployment rate did show a downward-sloping relation for the 1960's, although by the 1970's there was clear evidence that the relation was not stable across decades (Chart 7, top panel).

Chart 7

Unemployment Rate and Prices

PERCENT CHANGE IN
PERSONAL CONSUMPTION
EXPENDITURES DEFLATOR



NOTE: WAGE AND PRICE CONTROLS WERE IN EFFECT JANUARY 1951–FEBRUARY 1953 AND AUGUST 1971–APRIL 1974. DURING THESE PERIODS, HOWEVER, THE CONTROLS VARIED IN COMPREHENSIVENESS.

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

One explanation for the instability across decades is that a long-run Phillips curve exists but that the curve has been shifting outwards. Some have suggested that this shift is in response to an increase in labor force turnover resulting from the increasing proportion of women and teenagers in the labor force. Even if the tightness of the labor market for each age-sex group were unchanged—that is, if age-sex specific unemployment rates were unchanged—an increase in the proportion of the labor force comprised of adult women and teenagers would increase the measured overall unemployment rate. Hence the same rate of inflation would be associated with a higher level of unemployment.

The lower panel in Chart 7 presents data relating the rate of change in a price index to the unemployment rate, adjusted for changes in the age-sex composition of the labor force by the use of 1956 labor force weights. The adjusted unemployment rate has been falling relative to the measured rate. For example, the 1974 unemployment rate of 5.6 percent is reduced to 4.8 percent if the age-sex weights of the 1956 labor force are used. The adjustment reduces but does not eliminate the impression of outward movement of the points during the 1970's; and the pattern of points suggests that the irregularity persists. Despite considerable empirical work allowing for the role of further variables and of lags, it has proved difficult to defend the claim of a long-run Phillips tradeoff between inflation and unemployment.

It should also be noted that a series of shifting, negatively sloped short-run curves relating inflation and unemployment is theoretically consistent with the concept of a "natural" rate of unemployment which is independent of the rate of inflation in the long run. As the short-run curves shift, the observed points on the curves trace out a long-run curve, which becomes more nearly vertical as more time is given to the process. Thus, no stimulus toward lowering unemployment can be derived from a higher inflation rate once the public has adjusted to it. The long-run vertical line originates at a point on the unemployment axis corresponding to the level of the "natural" unemployment rate, a rate which, as noted earlier, depends on the level of frictional and structural unemployment and on other fundamental characteristics of the economy. The changing composition of the labor force would then be one reason to expect an increase in frictional unemployment, and hence a rightward shift of the vertical line in question, that is, a rise in the "natural" rate of unemployment.

Other factors may also have induced a higher natural rate of unemployment over time. The increase in wealth and the accompanying growth of consumer credit have made it easier to maintain consumption during periods of unemployment and may have thereby promoted more job search. Similarly, changes in the welfare program, particularly the availability of food stamps and the program in Aid to Families with Dependent Children (AFDC) for unemployed fathers, available in 23 States and the District of Columbia, now provide additional support for

unemployed persons from families with few assets and little income from other sources.

Finally, the decline in the proportion of the employed who are self-employed or unpaid family workers, from 21.5 percent in 1948 to 9.6 percent in 1974, would also tend to increase the measured unemployment rate, since both groups typically report very low unemployment, presumably because their earnings are residual and not contractual. For example, in 1974 the unemployment rate for these two groups was 0.9 percent, and the rate for wage and salary workers, 5.3 percent.

Other factors, however, would have tended to decrease the unemployment rate over time. For example, rising wage rates increase the opportunity cost of absence from a job, although this effect may have been neutralized by proportionate increases in unemployment compensation benefits. In addition, the occupational-industrial composition of employment has shifted toward white-collar jobs in the service and government sectors, and these ordinarily have lower rates of unemployment.

In summary, although there does generally appear to be an inverse relation between unemployment and inflation in the short run, the stability of such a long-run relation has been challenged. Much evidence suggests that in the long run the rate of unemployment is consistent with any fully anticipated rate of inflation. Continued research on this topic should eventually provide a more definitive answer.

DURATION OF UNEMPLOYMENT

For the average worker a spell of unemployment lasts only a few weeks. From 1948 through 1969 the average completed spell was estimated at 5.5 weeks, though it tended to be longer during a recession. It was 3.7 weeks in 1953 (unemployment rate, 2.9 percent) and 7.4 weeks in 1958 (unemployment rate, 6.8 percent).

One should note that the duration of unemployment commonly calculated from the CPS refers to a different measure, the number of weeks of unemployment experienced by those who are currently unemployed. Calculated this way, the average duration of unemployment tends to be considerably longer than the average completed spell of unemployment during the year. The difference arises because the probability of leaving unemployment the following week is related to the number of weeks the individual has been unemployed: the longer one has already been unemployed, the greater the probability of remaining unemployed. The proportion with long-term unemployment will, therefore, be greater among the currently unemployed than among those who are completing spells of unemployment. In 1969 about 4.7 percent of the currently unemployed in an average month had been unemployed for 27 weeks or more, while only 1.8 percent of all those who experienced a spell of unemployment at any time during the year were unemployed for 27 weeks or more.

The duration of unemployment can be viewed still a third way. Some persons experience several spells of unemployment in a year, which together add up to a considerable length of time. Indeed those who have completed a spell of unemployment are more likely to become unemployed again than are those who have not been unemployed. In 1973, 13 percent of those working at some time during the year had one or more spells of unemployment, but 32 percent of those with at least one spell had two or more spells, and 52 percent of those with at least two spells had three or more spells. Counting all spells, 11 percent of the experienced workers who had some unemployment reported that they were unemployed for a total of 27 weeks or more in 1973. On the average, workers who had been unemployed at some time reported 12.0 weeks of unemployment during the year. For this group, which excludes persons who were seeking jobs at some time in the year but did not work, the average length of a completed spell was 8.5 weeks and the average number of spells was about 1.7.

Estimates of the duration of unemployment from the work experience survey may be biased upwards because the survey is conducted in March but relates to the previous year and hence must rely on the respondent's memory. Retrospective reporting may be particularly faulty about brief episodes of unemployment and among those who did not receive unemployment insurance. The number of spells may thus be underestimated and their average length overestimated, particularly for women and teenagers. This would explain why the duration of a completed spell obtained from the work experience survey exceeds estimates of the duration of a completed spell based on the data in the monthly CPS.

The duration of a spell of unemployment seems to vary among demographic groups. Among the currently unemployed, the duration of unemployment is somewhat lower for women than for men, and it increases markedly with age for both sexes. In 1973 the group aged 55 and over made up 9 percent of all the unemployed, but 19 percent of those who were unemployed 27 weeks or more.

Older workers usually have longer tenure on the job and greater job security, and thus a low incidence of unemployment. Once they lose a job, however, it is much more difficult for them to find a comparable one. Older workers are likely to have had much training that was useful to their previous employer but would not necessarily be of value to any other; and because their general training was received at an earlier time their general skills may have become obsolete. Firms are reluctant to invest in an older worker whose remaining work life is shorter and whose retirement with pension is more imminent. Finally, geographic mobility is much more costly at older ages. The closing of a firm or a decline in an industry or an area may thus result in severe problems for older workers.

INTERNATIONAL COMPARISONS

Generally the United States and Canada have higher measured rates of unemployment than most other developed countries with market economies

(Table 26). The sources of unemployment, its duration, and the hardship associated with it differ greatly from country to country, and an understanding of these factors is needed to interpret the differences.

The definition of unemployment also varies among countries, and this can cause differences in the measured unemployment rate. In some countries measured unemployment represents the number of persons registered with government unemployment exchanges; such a procedure usually produces lower rates than the one used in the United States. The U.S. Department of Labor has adjusted the unemployment rates of major developed countries to conform more closely to U.S. concepts. However, although the greatest care is taken in making these difficult adjustments, it is probably impossible to achieve full comparability. The adjustments must depend on labor force surveys which differ in the wording and sequence of questions, and the true effect of these differences cannot be determined. Moreover, the vast institutional differences among countries would raise serious questions about the comparability of data even if the questionnaires were identical.

TABLE 26.—*Unemployment rates in the United States and seven other developed countries, selected periods, 1969–74*
[Percent; seasonally adjusted]

Country	Adjusted to U.S. concepts ¹				As published ²			
	1969	1973	1974		1969	1973	1974	
			III	November			III	November
United States.....	3.5	4.9	5.5	6.6	3.5	4.9	5.5	6.6
Canada.....	4.7	5.6	5.4	5.5	4.7	5.6	5.4	5.5
France.....	3.1	3.5	4.1	5.6	1.7	2.1	2.5	3.4
West Germany.....	.8	1.0	2.6	3.1	.9	1.2	3.1	3.7
Great Britain ³	3.0	3.0	3.2	3.1	2.4	2.6	2.7	2.7
Italy.....	3.7	3.8	3.2	⁴ 3.5	3.4	3.5	3.0	⁴ 3.2
Japan.....	1.1	1.3	1.4	-----	1.1	1.3	1.4	-----
Sweden.....	1.9	2.5	2.1	1.7	1.9	2.5	2.1	1.7

¹ With the exception of Canada, labor force and unemployment data are adjusted where possible to be made more comparable to U.S. definitions and concepts. Age limits roughly approximate the age at which compulsory schooling ends. For the United States and Canada published and adjusted data are identical.

² For Great Britain and West Germany, registered unemployed as a percent of employed wage and salary workers plus the unemployed. For others, unemployment as a percent of the civilian or total labor force. With the exception of France, which does not publish an unemployment rate, these are the rates most usually published in the country.

³ Data as published exclude school leavers and adult students. Including such persons, the unemployment rate was 2.7 in 1973.

⁴ October 1974.

Note.—The quarterly and monthly adjusted data are estimates based on annual adjustment factors and should be viewed as approximate indicators of unemployment under U.S. concepts.

Source: Department of Labor, Bureau of Labor Statistics.

The Labor Department adjustments (Table 26) bring the unemployment rates of some countries closer to the U.S. level, although for West Germany the differential widens. Significant differentials still remain. Although international data on duration of unemployment are less comparable, the United States appears to have more short-term frictional unemployment, but a relatively low rate of long duration unemployment compared to several

other countries (Table 27). It is not known to what extent differences in the proportion of those unemployed for long periods can be attributed to differences in the duration of unemployment benefits or in other provisions of unemployment compensation systems.

TABLE 27.—*Long-term unemployment in the United States and six other developed countries, selected periods, 1970-74*

Country and period	Unemployment rate ¹		Percent of unemployed who have been seeking work for: ¹		Long-term unemployment rate (percent) ^{1, 2}	
	Percent	Relative to average 1968-1973	3 months or more ³	6 months or more ⁴	3 months or more	6 months or more
United States:						
1970.....	4.9	1.04	16.2	5.7	0.8	0.3
1973.....	4.9	1.04	18.9	7.8	.9	.4
1974: III.....	5.5	1.17	19.0	7.6	1.0	.4
Canada:						
1970.....	5.9	1.05	33.1	15.6	2.0	.9
1973.....	5.6	1.00	35.4	15.6	2.0	.9
France:						
1970: March.....	2.2	.85	56.3	40.6	1.2	.9
West Germany:						
1970: April.....	.5	.63	69.9	50.5	.2	.2
1972: April.....	.9	1.06	63.4	41.4	.6	.4
Great Britain:						
1971.....	3.3	1.18	-----	28.2	-----	.9
1973.....	2.6	.93	-----	41.6	-----	1.1
1974: July.....	2.7	.93	47.0	33.7	1.2	.9
Italy:						
1970.....	3.1	1.09	73.0	42.8	2.4	1.4
Sweden:						
1970.....	1.5	.68	21.8	9.8	.3	.1
1973.....	2.5	1.14	36.7	18.7	.9	.5

¹ Data for Canada, France, West Germany, Italy and Sweden are based on labor force surveys and are fairly comparable to U.S. data. However, they have not been adjusted to U.S. concepts. Data for Great Britain are from the series on registered unemployed and are not comparable to the United States.

² Percent of civilian or total labor force, except in Great Britain where it is a percent of registered unemployed plus employed wage and salary workers.

³ Fifteen weeks or more in the United States, 4 months or more in Canada, and 13 weeks or more in Great Britain and Sweden.

⁴ Twenty-six weeks or more in the United States, 7 months or more in Canada, 26 weeks or more in Great Britain, and 27 weeks or more in Sweden.

Sources: Department of Labor (Bureau of Labor Statistics) and Council of Economic Advisers.

One reason for the greater frictional unemployment in the United States and Canada, compared to many countries in Western Europe, may be the rapid rate of growth in the labor force and in employment, primarily because of their more rapidly growing populations. From 1962 to 1972, the civilian labor force increased at annual rates of 2.1 percent in the United States and 3.0 percent in Canada; but the civilian labor force (adjusted to U.S. concepts) increased only 1.3 percent in Japan, 1.0 percent in France, and 0.7 percent in Sweden; and it declined by 0.1 percent in West Germany and by 0.7 percent in Italy. A more rapidly growing labor force may imply a larger proportion of recent entrants who have a high incidence of unemployment, though often of short duration. In addition, employers may be less reluctant to lay off workers when there is a steady flow of new workers into the market.

The relatively high level of frictional unemployment in the United States is also reflected in comparatively high rates of job turnover. For example, turnover rates in manufacturing, measured as the number of separations (quits and layoffs) per 100 employees per year, were 55 and 65 respectively in the United States and Canada in the 1960's—from 70 percent to more than 100 percent higher than in countries such as West Germany, Great Britain, or Italy, even in years of very low unemployment. Institutional and cultural factors may account for these differences in turnover. In many Western European and Asian countries worker-employer relationships discourage layoffs and quits. A distinctive characteristic of Japanese labor markets is the system of "lifetime employment," in which many workers are felt to be committed to employment by a single firm throughout their careers. The firms with such arrangements are usually large, and intrafirm job mobility replaces interfirm mobility. Available data indicate very low rates of job change in Japan, even for young workers. Among young graduates of manpower training programs in 1968, only 28 percent changed employers during the next 3 years. Among U.S. youths aged 15 to 20 who had left school and entered the labor force, however, about 53 percent of whites and 66 percent of blacks changed employers between 1966 and 1967, according to the National Longitudinal Survey. It is difficult to evaluate the efficiency of intercountry differences in job mobility, but the variation in behavior is striking.

Another factor in the differing measured unemployment among some countries is the extent of self-employment. Self-employed persons and unpaid workers in family enterprises, mainly farms, are seldom reported as unemployed. In the United States, about 10 percent of the employed are self-employed or unpaid family workers. Although in Sweden the proportion is similar to that in the United States, it is considerably higher in several other countries: 32 percent in Japan, 29 percent in Italy, 21 percent in France, and 16 percent in West Germany. Thus, relative to the United States, unemployment appears lower in these countries than it would be if only wage and salary workers were considered.

Finally, government actions can influence the extent to which measured unemployment varies over the business cycle. In Sweden, for example, extensive expenditures on training and public employment programs during recessions reduce the cyclical increase in measured unemployment. During 1973, a year of cyclical downturn in Sweden, an annual monthly average of 79,000 persons were in training or public employment programs and hence were counted as employed or out of the labor force. Since this group is large compared to the monthly number of persons reported unemployed, about 98,000, it is clear that without the programs, or if persons in the programs were counted as unemployed, the measured rate would have been substantially higher than the reported rate.

In West Germany, some adjustment to the business cycle has been made through the migration of foreign workers who now comprise about 10 per-

cent of the civilian labor force. During slack times the foreign workers, who are more prone to layoff, usually returned to their home countries. In 1974, however, this pattern seems to have changed, perhaps partly because of recent restrictions on new migrant labor; and fewer unemployed foreign workers left the country. Thus, in October 1974 foreign workers made up 13 percent of the registered unemployed, compared to 6 percent in March 1973. In January 1975 renewed government efforts were made in West Germany to encourage the emigration of unemployed migrant workers.

THE DISTRIBUTION OF UNEMPLOYMENT

The U.S. data for 1974 show a wide disparity in unemployment among demographic groups. The unemployment rate is higher for teenagers than for adults, for women than for men, for blacks than for whites, and for unskilled workers than for the skilled. These differentials have endured in U.S. labor markets for a long time. Even in 1969, a year of extremely tight labor markets, when the unemployment rate for adult men was 2.1 percent, the unemployment rate was 3.7 percent for adult women, 6.4 percent for blacks, and 12.2 percent for teenagers. The development of efficient public policy requires an understanding of the nature and causes of these unemployment differentials.

DIFFERENTIALS DUE TO LABOR FORCE TURNOVER

Labor force turnover seems to explain much of the unemployment of women and teenagers. Some teenagers and more women have a continuous attachment to the labor force; others are just beginning such an attachment; and still others enter and leave the labor force, sometimes more than once during the year. For example, although more than half the women and teenagers were in the labor force at some time in 1973, only 31 percent and 22 percent respectively were in the labor force for 50–52 weeks. Of all males aged 25 to 54, however, 87 percent were in the labor force for the entire year.

As noted above, high rates of labor force turnover generally have the effect of increasing measured unemployment, while job-to-job mobility does not always have such an effect. In our unemployment statistics, persons with a job are not classified as unemployed, even though they may be searching for another. During the recession year of 1961 less than half the persons who changed jobs for any reason, including job loss, experienced unemployment as it is defined here. In a year of normal unemployment the proportion is likely to be still lower. Entry and reentry into the labor force, on the other hand, is subject to a more direct translation into measured unemployment, since search by those working as students or in the home is counted as unemployment. Not surprisingly, a large amount of unemployment among teenagers and women is accounted for by labor force entrants and reentrants (Table 28).

In 1974, 44 percent of the unemployed adult women and 68 percent of the unemployed teenagers had been out of the labor force before becoming

TABLE 28.—*Distribution of unemployed by reason for unemployment, by age and sex, 1973-74*

[Percent]

Reason	Men 20 years and over		Women 20 years and over		Both sexes 16 to 19 years	
	1973	1974	1973	1974	1973	1974
Total unemployed.....	100.0	100.0	100.0	100.0	100.0	100.0
Job separations.....	75.0	79.4	53.2	56.5	29.0	31.9
Job losers.....	59.1	65.4	34.6	38.6	17.2	19.7
Job leavers.....	15.9	14.1	18.6	18.0	11.8	12.2
Previously out of labor force.....	25.0	20.5	46.8	43.5	71.1	68.1
Reentrants.....	21.6	18.2	41.5	37.9	29.5	30.6
New entrants.....	3.4	2.4	5.3	5.6	41.5	37.4
Unemployment rate ¹	3.2	3.8	4.8	5.5	14.5	16.0

¹ Unemployment as percent of civilian labor force.

Note.—Detail may not add to totals because of rounding.

Source: Department of Labor, Bureau of Labor Statistics.

unemployed, compared to only 21 percent of unemployed adult men. We can exclude both new entrants and reentrants from the unemployed and from the civilian labor force to compute an unemployment rate referring only to persons who are unemployed because they lost or quit their jobs. The resulting unemployment rate for adult women declines almost to that for adult males, and the differential between adults and teenagers is substantially narrowed (Table 29).

TABLE 29.—*Civilian unemployment rates by age and sex, under alternative definitions, 1969-74*

[Percent]

Sex, age, and year	Unemployment rate			
	All unemployed ¹	Job losers and job leavers ²	Job losers ³	Unemployed plus discouraged workers ⁴
Men 20 years and over:				
1969.....	2.1	1.6	1.2	2.4
1970.....	3.5	2.7	2.3	3.8
1971.....	4.4	3.4	2.9	4.7
1972.....	4.0	3.0	2.5	4.3
1973.....	3.2	2.4	1.9	3.5
1974.....	3.8	3.0	2.5	4.1
Women 20 years and over:				
1969.....	3.7	1.9	1.3	4.9
1970.....	4.8	2.7	2.0	6.0
1971.....	5.7	3.3	2.5	7.2
1972.....	5.4	3.1	2.2	6.9
1973.....	4.8	2.6	1.7	6.0
1974.....	5.5	3.2	2.2	6.6
Both sexes 16 to 19 years:				
1969.....	12.2	3.6	2.0	13.4
1970.....	15.3	5.0	3.2	16.6
1971.....	16.9	5.3	3.6	18.4
1972.....	16.2	5.3	3.5	17.6
1973.....	14.5	4.7	2.8	15.8
1974.....	16.0	5.7	3.6	17.2

¹ Percent of civilian labor force.

² Percent of civilian labor force excluding new entrants and reentrants.

³ Percent of civilian labor force excluding new entrants, reentrants, and job leavers.

⁴ Percent of civilian labor force plus discouraged workers. Discouraged workers are defined here as those not in the labor force because they believe they cannot find a job.

Sources: Department of Labor (Bureau of Labor Statistics) and Council of Economic Advisers.

Labor force turnover has another side, exits from the labor force; and some suggest that many of those who leave the labor force are discouraged workers who cannot find jobs. The flows of women and teenagers out of the labor force are large; quantitatively they can be expressed as the percentage of those in the labor force who withdrew. Withdrawals represented 33 percent of the teenage labor force in 1973; 24 percent of the labor force for women aged 20 to 24 and 13 percent for women aged 25 to 59; and 1.8 percent for men aged 25 to 59. Only a small proportion cited economic factors as the reason for leaving the labor force, however; and among this group still fewer cited "slack work" as opposed to what would seem to be a planned short-term job—"seasonal or temporary job" (Table 30).

"Discouraged workers" are often defined more broadly to include all persons outside the labor force who would like a job but think it is useless to seek one. Some of the people so classified in 1973, about 14 percent, have never worked. Most, about 77 percent, intend to seek work within a year, and about 40 percent had looked for a job at some time but could not find

TABLE 30.—*Reason for separation from last job for persons not in the labor force but who worked during the previous 12 months, by age and sex, 1973*

Reason for separation	Total	Age in years			
		16 to 19	20 to 24	25 to 59	60 and over
MEN					
Number (thousands).....	3, 714	1, 427	776	660	849
Percent distribution by reason:					
Total.....	100.0	100.0	100.0	100.0	100.0
School, home responsibilities.....	41.6	61.8	64.0	21.2	2.8
Ill health, disability.....	12.0	1.6	2.3	34.0	21.1
Retirement, old age.....	14.4	(¹)	(¹)	9.5	55.4
Economic reasons.....	16.2	19.0	13.9	15.0	14.3
End of seasonal or temporary job.....	11.8	15.1	9.9	8.5	10.7
Slack work.....	4.3	3.9	4.0	6.5	3.5
All other reasons.....	15.9	17.6	19.7	20.3	6.5
WOMEN					
Number (thousands).....	6, 329	1, 360	1, 348	2, 994	626
Percent distribution by reason:					
Total.....	100.0	100.0	100.0	100.0	100.0
School, home responsibilities.....	51.4	63.9	68.8	46.1	12.3
Ill health, disability.....	7.9	1.8	3.0	10.9	18.0
Retirement, old age.....	4.4	(¹)	(¹)	1.3	38.4
Economic reasons.....	18.9	16.5	12.8	22.8	18.5
End of seasonal or temporary job.....	14.4	13.8	9.7	17.2	13.5
Slack work.....	4.4	2.7	3.1	5.7	4.9
All other reasons.....	17.4	17.9	15.4	18.9	12.9

¹ Not applicable.

Note.—Detail may not add to totals because of rounding.

Source: Department of Labor, Bureau of Labor Statistics.

one. One can calculate an unemployment rate in which those who are out of the labor force because they believe they cannot find a job are added to the unemployed and to the labor force. This change increases the unemployment rate for adult men by 0.3 percentage point and for adult women

by 1.1 to 1.5 percentage points, and hence increases the male-female unemployment differential (Table 29).

When discouraged workers are included in the unemployment data, the increment in the unemployment rate fluctuates somewhat with the business cycle for adult women (by 0.3 percentage point from 1969 to 1971), but not for adult males. It is thus not the business cycle but rather demographic or structural economic factors, such as age, skill, and region, that account for most of the "discouraged worker" phenomenon.

THE MALE-FEMALE DIFFERENTIAL FOR EXPERIENCED WORKERS

When entrants are excluded from the data, as in Table 29, the sex differential in unemployment becomes very small. When the comparison is confined only to those among the unemployed who lost their jobs, the unemployment rate for women is about that of men during times of low unemployment; but it is lower than the rate for men during times of higher unemployment.

In principle, women would be more vulnerable to layoffs than men, because on average they do not have as many years of work experience as men of the same age. They are therefore likely to have accumulated fewer seniority rights and to have received less training or other investment in skill specific to the firm. In addition—and it is difficult to separate this factor from the preceding one—employers may discriminate against married women when reducing the firm's payroll. On the other hand, a smaller proportion of employed women are in occupations and industries with sharp cyclical fluctuations. Women are more likely to be employed in white-collar jobs—62 percent of women and 40 percent of men were in such jobs in 1974—and in service industries like government where unemployment fluctuates less over the business cycle. The industrial-occupational mix factor seems to dominate, since during recessions the unemployment differential by sex narrows for experienced workers. In addition, the slower rate of entry of women into the labor force during a recession narrows the sex differential in the overall unemployment rate (including labor force entrants).

Another factor that tends to increase the unemployment rate of married women is the migration of families, who generally move where the husband's job opportunities are better. Although in some cases this migration may also improve the wife's job opportunities, it more often results initially in her unemployment in a new labor market. Thus in 1970, married women aged 25 to 34 who had moved to a different county within the year had an unemployment rate of 11 percent, compared to 5 percent for nonmigrants; among married men of the same age the rates for migrants and nonmigrants were 4.8 percent and 2.1 percent respectively. This effect diminishes, however, in the course of time.

Women differ from men in the way they search for jobs. Among married women, this difference may well be a function of their dual responsibilities in the labor market and at home. In 1973, a sample of workers who had taken

their current jobs within the year responded to a survey about job search methods. Men spent more time in search: 40 percent of the men and 29 percent of the women usually spent 6 or more hours per week looking for work. Men searched over a wider area: 67 percent of the men and 45 percent of the women reported that they had traveled 11 or more miles from home in search of a job. Men also used more methods of search than women.

STUDENT AND NONSTUDENT TEENAGERS

The unemployment of teenagers who have ended their schooling is quite different from that of students seeking part-time or summer jobs often unrelated to their eventual careers.

The proportion of teenagers aged 16 to 19 who are enrolled in school in October has increased from 58 percent in 1956 to 66 percent in 1973. The proportion of students who participate in the labor force during the school year has also been increasing—from 32 percent in October 1956 to 41 percent in October 1973. As a result, 52 percent of the teenage labor force were enrolled in school in 1973 compared to only 39 percent in 1956.

Every June brings a large increase, usually a 30–40 percent increase, in the teenage labor force, which currently averages 8.1 million youths during the school months. The economy manages to absorb most of this influx. In 1969, as many as four out of five teenage students were reported in the labor force at some time during the summer; all but 11 percent eventually found jobs. About one-third of the unsuccessful jobseekers searched only 2 weeks or less, and 68 percent searched 4 weeks or less. During the summer the teenage unemployment rate rises sharply, thereby increasing the average annual rate of teenage unemployment.

In the second half of the 1960's the unemployment rate among teenage students increased in relation to the rate for nonstudents and responded little to the expansion in the economy. Because of students' increased participation in the labor force, however, employment ratios of students (employed students as a percentage of the population) also increased in comparison with those of nonstudents. Thus unemployment rates should be evaluated in conjunction with employment ratios or labor force participation rates for teenagers or any other group whose participation rate is substantially below 100 percent.

Since the middle 1950's the labor force participation rate of nonstudents aged 16 to 19 has been around 70 percent. Many of these young people are interested in full-time jobs and remain in the labor force all year. Since they are learning about the labor market, more of their unemployment arises from changing jobs than from the movement into the labor force that characterizes student unemployment.

Although youths out of school have above average layoff and quit rates, the resulting job changes may have beneficial consequences. New or relatively new members of the labor force search extensively for desirable conditions of employment, experimenting among different occupations and

employers. Moreover, since young workers do not have a work history, employers have less information about teenagers than they have about older workers, and this makes the hiring process more difficult. Information from a survey of out-of-school male youths between 1966 and 1968 suggests that job changing may be a good investment. Those who changed employers generally obtained larger pay gains over the period than those who did not; and among black youths the pay increases during the period rose consistently with the number of changes.

The unemployment rate of all teenagers has risen sharply relative to the rate of adult men since the late 1950's. This rise is due partly to the increase in school enrollment and to the changing participation pattern of students, both of which result in higher turnover. Part of this relative rise in teenage unemployment may stem from the extension of minimum wage coverage and from the growth of social legislation that raises the cost to the firm of teenage compared to adult labor.

The minimum wage may also have a more insidious long-run effect on the careers of youths, particularly teenagers out of school. Traditionally, on-the-job training has done much to improve skills. Such job training may be unprofitable for employers if they must pay higher minimum wage rates. The youths who suffer most would be precisely those who might need the most help—youths with little schooling and greater learning difficulties and those subject to discrimination.

VETERANS AND NONVETERANS

The higher unemployment rate of male veterans of the Vietnam era compared to nonveterans has been a matter of public concern. When the rate is disaggregated by age, however, it is clear that only veterans aged 20 to 24 have significantly higher rates of unemployment than nonveterans (Table 31). The relative and absolute difference in unemployment declines with age and disappears for those aged 30 to 34. The relative unemployment rate of veterans aged 20 to 34 has fallen since 1971, largely because of a decline in discharges and the consequent increasing average age of veterans compared to nonveterans.

Since young veterans include most of those recently discharged from the Armed Forces, they are likely to be new entrants or reentrants to the civilian labor force. As discussed above, entry is generally associated with higher unemployment. Veterans may also be less informed about the current civilian labor market than other entrants whose activities have been largely centered in the home and school. After being away for a number of years, veterans may find that previously acquired information about the labor market has become obsolete, and new information is difficult to acquire because of weakened ties with friends and home. This drawback disappears as the veterans acquire information relevant to job search in the civilian sector.

Under the federally financed program of Unemployment Compensation for Ex-Servicemen (UCX), newly discharged veterans with at least 90

TABLE 31.—*Unemployment rates for male Vietnam era veterans and nonveterans
20 to 34 years, by age, 1970–74*

[Percent ¹]

Age and veteran status	1970	1971	1972	1973	1974
20 to 34 years:					
Veterans	6.7	8.3	6.7	4.9	5.3
Nonveterans	5.3	6.3	5.7	4.9	6.0
Ratio ²	1.26	1.32	1.18	1.00	.88
20 to 24 years:					
Veterans	9.5	12.3	10.6	8.8	10.9
Nonveterans	8.1	9.5	8.7	6.8	8.2
Ratio ²	1.17	1.29	1.22	1.29	1.33
25 to 29 years:					
Veterans	4.5	5.8	4.9	3.7	4.3
Nonveterans	3.9	4.7	4.2	4.3	4.9
Ratio ²	1.15	1.23	1.17	.86	.88
30 to 34 years:					
Veterans	3.2	3.5	3.0	2.6	2.7
Nonveterans	3.1	3.7	3.0	2.4	3.4
Ratio ²	1.03	.95	1.00	1.08	.79

¹ Except as noted.

² Ratio of rate for veterans to that for nonveterans.

Note.—Vietnam era veterans are those who served after August 4, 1964. In 1973, of the Vietnam era veterans of all ages, 91 percent were 20 to 34 years of age.

Source: Department of Labor, Bureau of Labor Statistics.

days of continuous active service and a discharge other than dishonorable are eligible for unemployment compensation in any State where they wish to file a claim, under the conditions and benefits prevailing in that State. In fiscal 1974 there were 527,000 military separations and 342,000 initial claims for UCX, a claim rate of 65 percent. The average weekly benefit was \$66, and benefits were received for an average of 13.6 weeks in a benefit year, about the same as for all insured unemployed.

The UCX program may encourage unemployed veterans to spend more time searching for a job; and among veterans who become students it may encourage a period of unemployment rather than withdrawal from the labor force. Most young nonveterans, on the other hand, have too little work experience to qualify for substantial unemployment insurance benefits, if any. Again, as the cohort ages, the veterans exhaust their eligibility for UCX, nonveterans acquire more job experience, and the gap in eligibility for unemployment benefits narrows. These developments also narrow the unemployment differential.

UNEMPLOYMENT DIFFERENTIALS BY EDUCATION

A pronounced inverse relation exists between education and unemployment (Table 32). The differential varies among demographic groups and over time. For example, the differential narrowed perceptibly in the last decade for males aged 35 to 54.

There is a presumption that firms would be most reluctant to lose, through a layoff or a quit, those workers in whom they had made the largest investments. Among such investments are hiring costs (such as the cost of evaluating prospective employees), and the cost of training that is specific to the

TABLE 32.—*Unemployment rates by education, sex, and age, 1962 and 1972*

[Percent]

Sex and years of school completed	Age					
	20 years and over		20 to 34 years		35 to 54 years	
	1962	1972	1962	1972	1962	1972
Men: Total.....	5.7	4.9	7.1	6.8	4.8	3.4
8 years.....	7.3	5.8	11.4	10.0	7.3	6.2
9 to 11 years.....	7.3	6.4	11.2	11.0	5.7	4.0
12 years.....	4.3	4.8	5.7	6.9	3.0	3.0
16 years or more.....	1.5	2.2	1.9	2.9	.9	1.7
Women: Total.....	5.6	5.4	8.0	7.2	4.9	4.7
8 years.....	6.2	5.5	13.6	8.7	6.4	5.6
9 to 11 years.....	8.3	7.5	13.0	14.4	7.0	5.4
12 years.....	5.2	5.1	7.2	6.6	4.0	4.3
16 years or more.....	1.5	3.0	1.9	4.0	1.6	2.4

Note.—Data relate to March of each year.

Source: Department of Labor, Bureau of Labor Statistics.

particular firm (that is, training useful almost exclusively in the firm where it is acquired). Workers with more education tend to be less homogeneous, and the less homogeneous the class of workers, the greater the resources devoted by the firm to acquiring information about the characteristics of particular individuals. More educated workers also appear to receive more training on the job, because their prior education facilitates further training and because they are more likely to have characteristics such as ability, steadfastness, and good health which firms find desirable in their trainees. Thus one expects a lower incidence of turnover (layoffs plus quits) among more educated workers. Related to these points is the different occupational and industrial distribution of those with more schooling: a greater concentration in white-collar jobs and in the service sector. As indicated above, these occupational and industrial characteristics are associated with a reduced amplitude of cyclical fluctuations in unemployment.

Workers with more education are more likely to change jobs without undergoing unemployment. It may be easier for them to search for a new job while employed because their more cerebral and portable work permits more flexible work schedules, or because prospective employers can evaluate their qualifications initially without their presence. Moreover, unemployment is more expensive for those with higher levels of schooling; as a result of their higher wages, unemployment benefits replace a lower proportion of their lost wages.

Data on job mobility which are available for 1961 by occupation but not by education support these hypotheses. Job turnover was generally much lower in the highly skilled occupations associated with more education. Thus, only 4.7 percent of male nonfarm managers and 8.5 percent of male professionals changed jobs in 1961. The rate of job change increased consid-

erably for those with less skill, reaching 16.4 percent for laborers. When the number of changes made by those who changed jobs is also considered, the differentials in total turnover become even more pronounced; the job changers with lower skills were more likely to have made more than one change (40 percent for laborers), while a smaller proportion of the highly skilled had changed jobs more than once (22 percent for professionals). The proportion of males who changed jobs without any unemployment was 55 percent for professionals, 37 percent for operatives, and 32 percent for laborers.

It has been suggested that the increase in education over the past three decades may have reduced overall unemployment. The reasons why unemployment differs among education groups, however, need not apply to unemployment over time. For example, the amount of training specific to the firm would not necessarily respond proportionately to increases in the education of the population, although at a given moment training and education may be strongly linked. In addition, increases in education over time result in increases in schooling levels within occupations, as well as an increase in the proportion of the labor force in more skilled occupations. If unemployment is more strongly associated with occupation than with education, secular increases in the level of education would result in less than proportionate declines in the unemployment rate. For a rising level of education to have no effect on the overall unemployment rate would require an increase in unemployment rates within at least some education groups. It is not possible to test this hypothesis adequately since unemployment rates by education, controlling for demographic characteristics, are not available for the years before 1962, and hence there are not enough data points to separate cyclical from longer-term effects.

UNEMPLOYMENT DIFFERENCES BY RACE

The rate of unemployment among blacks has been about double that of whites in the post-World War II period. From 1948 through 1973 the unemployment rate averaged 8.6 percent for blacks and 4.3 percent for whites. Although the black-white differential in earnings has narrowed over the past 20 years, no such narrowing is as evident in the unemployment differential.

The race difference in unemployment may be attributed to differences in demographic and socioeconomic characteristics, as well as to current discrimination in the labor market. Some demographic and socioeconomic differences, however, may themselves be consequences of past discrimination. Among whites, unemployment rates vary across groups with different characteristics; for example, rates are higher for teenagers than for adults, for high school dropouts than for college graduates, for laborers than for professionals; and they are higher in the West than in the South. Because these characteristics differ by race, unemployment rates for blacks and whites with the same characteristics could be the same although their overall rates differed. The younger average age and lower levels of schooling and occu-

pation of blacks would imply higher black unemployment rates. The greater residential concentration of blacks in the South would, on the other hand, imply lower black unemployment rates.

The extent to which racial differences in unemployment can be attributed to various measurable factors has been computed for March 1970 from data collected in the 1970 Census of Population. As reported in the census, the unemployment rate for persons aged 16 and over was 6.3 percent for black men and 3.6 percent for white men; 7.7 percent for black women and 4.8 percent for white women (Table 33). The computations were performed separately for the more restricted group of men and women aged 25 to 64 who were experienced workers, that is, who had worked at some time during 1969. For this group the civilian unemployment rate for men was 3.5 percent for blacks and 2.5 percent for whites. By excluding young persons, those aged 65 and older, and those who had been out of the labor force the preceding year, the unemployment rate is reduced, and more so for blacks. The rate differential is thereby reduced, especially for men. It is primarily the exclusion of young workers which accounts for this effect.

TABLE 33.—*Unemployment rates by race, Spanish heritage, and sex, March 1970*

[Percent]

Item	Comparison of blacks and whites		Comparison of persons of Spanish heritage and whites not of Spanish heritage	
	Men	Women	Men	Women
Persons 16 years of age and over:				
White or white not of Spanish heritage.....	3.6	4.8	3.5	4.7
Black or Spanish heritage.....	6.3	7.7	5.8	8.1
Persons 25 to 64 years of age who worked in 1969:				
White or white not of Spanish heritage.....	2.5	3.1	2.4	3.0
Black or Spanish heritage.....	3.5	5.2	3.7	5.4
Predicted black or Spanish heritage rate if blacks or persons of Spanish heritage had the white or white not of Spanish heritage distribution of: ¹				
Age.....	3.4	4.7	3.7	4.6
Plus: Region.....	3.8	4.9	3.1	3.9
Plus: Schooling.....	3.3	4.2	2.5	2.5
Plus: Marital status.....	3.0	4.1	2.6	2.5
Plus: Occupation.....	2.6	3.9	2.5	2.1

¹ Using micro-data from the 1:1,000 sample of the 1970 Census of Population, the dichotomous variable unemployed-employed in the survey week in March 1970 was regressed for each group on the control variables. The mean values of the control variables for whites or whites not of Spanish heritage of the same sex were inserted into the regression for blacks or persons of Spanish heritage to obtain the predicted value for blacks or persons of Spanish heritage.

Note.—The unemployment status refers to the week prior to Census Day, April 1, 1970. For those who returned the forms late, the data may refer to April. The data, therefore, are not strictly comparable to unemployment rates obtained from the Current Population Survey and reported by the Bureau of Labor Statistics. Data relate to persons living in the 50 States and the District of Columbia.

Sources: Department of Commerce (Bureau of the Census) and Council of Economic Advisers.

The remaining race differential in unemployment rates of 1.0 percentage point for March 1970 among males aged 25 to 64 who worked in 1969 would be increased to 1.3 percentage points if adult blacks had the same distribution of age and region of residence as whites (Table 33). This

arises primarily because blacks are more concentrated in the South, where unemployment is lower. When control for the race difference in schooling is added, the differential is reduced to 0.8 percentage point; and 20 percent of the original differential is explained. A substantial reduction in the differential is obtained, however, only when marital status and occupation (10 broad categories), are introduced. With these five variables, one can account for 90 percent of the differential in unemployment. Under the same stepwise procedure as for men, 62 percent of the larger race differential for women is accounted for by the five control variables. Among women, however, age, region, and schooling have a larger effect on the differential than among men.

These results cannot easily be used to determine the extent to which the racial differences in unemployment are due to current discrimination in the labor market. Race differences in some of the control variables, such as marital status and occupation, may themselves be partly attributed to the effects of current discrimination. For example, unemployment and low income due to discrimination in employment could lead to higher rates of marital separation; employers may bar some persons from particular occupations on the grounds of race. However, other relevant variables which were not measured—such as the quality of schooling and the extent of training on the job—could also have important effects and help to explain race differences in unemployment.

Differences between blacks and whites in their basic education and other skills may also have arisen indirectly through discrimination. Labor market discrimination can lower or make more uncertain the monetary return from schooling and consequently lower the incentive for additional schooling. Perhaps more important, past discrimination, unrelated to the current labor market, clearly lowered the quantity and quality of schooling for blacks. Several decades ago when the older workers in today's labor market were of school age, the quality of schooling for blacks was vastly inferior by almost any measure. There has been considerable progress in this area, so that today available measures of schooling resources, such as expenditures per pupil, have been brought to approximate equality.

Even if discrimination in the labor market were widespread, it could result in lower wages instead of higher unemployment for blacks relative to whites with the same skill and other relevant characteristics. If there were no equal opportunity legislation or other restrictions on wages, and if employers discriminated against blacks, blacks might work for less pay than similarly qualified whites; this would provide an incentive for employers to hire them, although the incentive might not always be sufficient. If white employees were to refuse to have a black supervisor, employers might hire blacks for jobs below their skill level or maintain segregated work forces. If, because of racial tension, it were too costly to employ black and white workers of similar skill levels in an integrated work force, segregated work forces may

also develop. In each case, discrimination could take the form of reduced compensation, inferior jobs, or segregation, rather than higher unemployment.

Discrimination is more likely to lead to unemployment differentials when employers are prevented from paying different wages for equal work, because of legal, union, or social pressure. Discrimination may then to a greater extent take the form of restricted job openings for blacks, because it is sometimes more difficult to prove discrimination in hiring or promotion than in overt pay differences. Such a development could increase the difficulty of finding and maintaining employment, and hence increase the unemployment rate for blacks. Moreover, the prospect of equal pay may encourage blacks to quit jobs with low pay and search longer for more promising positions.

Empirical studies have estimated the extent to which differences in State laws requiring "equal pay for equal work" (prior to the national Civil Rights Act of 1964) affect race differences in income and unemployment, when other economic variables are held constant. The results indicate that State equal pay laws reduced the gap between the wage rates of equally skilled blacks and whites but increased the difference in unemployment. The wage effect was greater than the unemployment effect, however, and annual earnings differentials between blacks and whites consequently narrowed.

The ambiguity of the relation between discrimination and unemployment is further illustrated by a comparison of the unemployment differential between the urban South and the urban non-South during the decennial census years 1940 through 1970 (Table 34). The unemployment differential between white and black men tends to be larger in the non-South, partic-

TABLE 34.—*Unemployment rates for males in the urban South and urban non-South, by race and age, selected years, 1940–70*

Age group and year	North and West (percent)		South (percent)		Difference between black and white rates (percentage points)		Ratio of black to white rate	
	Black	White	Black	White	North and West	South	North and West	South
Males 14 to 24 years:								
1940	34.7	22.6	23.1	14.7	12.1	8.4	1.54	1.57
1950	22.9	10.7	14.0	8.0	12.2	6.0	2.14	1.75
1960	18.5	9.0	13.4	7.7	9.5	5.7	2.06	1.74
1970	16.7	8.6	12.4	6.7	8.1	5.7	1.94	1.85
Males 25 years and over:								
1940	16.5	9.4	11.6	6.4	7.1	5.2	1.76	1.81
1950	10.6	4.7	7.0	3.4	5.9	3.6	2.26	2.06
1960	9.8	3.9	7.0	3.3	5.9	3.7	2.51	2.12
1970	5.5	2.9	3.5	1.9	2.6	1.6	1.90	1.84

Note.—In 1940 black includes Negro and other nonwhite races; in 1950, 1960, and 1970 Negro only. In 1970 white includes some races other than Negro and American Indian usually classified as nonwhite. These other races made up 0.6 percent of the combined group "white and other" in the South and 1.8 percent in the North and West.

Source: Department of Commerce, Bureau of the Census.

ularly in 1950 and 1960. Since the black-white difference in education has been larger in the South than in the non-South, unemployment rate differentials adjusted for education would show an even more exaggerated tendency for the South to display a smaller race differential in unemployment. On the other hand, broadly considered, economic opportunities have generally been greater for blacks outside the South both absolutely and relative to whites; this is reflected in the much smaller differences in earnings in the non-South between blacks and whites of the same education.

By 1950 eight States had passed enforceable fair employment laws, and by 1960 eight more had such legislation. All were outside the South. Perhaps for this reason the unemployment differential by race became much more pronounced in the non-South than in the South in 1950 and 1960. By 1970, however, the national Civil Rights Act (1964) prohibited discrimination in all States, and the regional difference in the unemployment differential became much smaller.

Factors other than equal opportunity legislation may also have influenced the regional pattern of unemployment by race. A large proportion of black workers in the North and West migrated from the South as young adults. As relative newcomers, they had less access to information about job opportunities than whites, who were more likely to have an established network of information among friends and relatives. Among blacks new to an area, information about where to expect discrimination would be gained primarily by experimentation. In the South, although many blacks migrated to urban areas, the available opportunities were probably much better known to the black community.

The persistence of a differential in unemployment between blacks and whites, after adjustment for skill and other factors, is therefore not easily explained. In part, the direct influence of discrimination may be greater on unemployment but less on wage rates now than in previous periods because of nationwide equal employment legislation. Moreover, ending all forms of current labor market discrimination would not necessarily affect unemployment in the short run. It could increase unemployment for a time as blacks found it worthwhile to search more widely for new and unfamiliar, but potentially highly rewarding, opportunities. On the other hand, groups that have been discriminated against for a long time may not immediately believe that a change has taken place, and therefore only gradually respond to the new opportunities. One would not, of course, expect substantial new investments or changes in occupation by older blacks in response to a decrease in current labor market discrimination, because they have already made investments specific to their job or occupation, and the length of their future work life is shorter.

UNEMPLOYMENT OF PERSONS OF SPANISH ORIGIN

Another group which has been subject to discrimination in the United States is made up of persons of Spanish descent who comprise about 5 per-

cent of the population and of whom about 95 percent are white. In 1974 the unemployment rate for men classified as of Spanish origin was 7.3 percent, compared to 4.8 percent for all white men. For women, the comparison was 9.4 percent and 6.7 percent respectively.

Persons of Spanish origin differ from whites as a whole in characteristics that are likely to influence their unemployment rates. For example, among men aged 25 and over in 1974, the median years of school completed by men of Spanish origin was 9.7 years, compared to 12.4 years for all white men. Difficulties in communicating in English may affect employment opportunities, although this factor interacts with level of schooling. About 16 percent of persons classified as of Spanish heritage in the 1970 Census of Population were foreign-born, compared to 5 percent for all whites. Persons of Spanish origin are also more likely to be young and to live in the western regions of the country, two categories associated with higher unemployment. For example, about 30 percent of all persons of Spanish origin in the United States live in California, compared to about 10 percent for all whites in the United States; and the unemployment rate for California tends to be higher than the national average—44 percent higher in the period 1969 through 1973.

To determine the extent to which particular demographic and economic characteristics account for the difference in unemployment between those of Spanish heritage and whites not of Spanish heritage, an analysis similar to that for the black-white comparison was made on the basis of data from the 1970 Census of Population (Table 33). Although in the census (March 1970), men of Spanish heritage aged 16 and over had substantially higher unemployment rates than other white men, the differential of 2.3 percentage points is nearly halved when the data are restricted to men aged 25 to 64 who worked in 1969. The decline in the differential is largely due to the exclusion of youths aged 16 to 24, who make up a greater proportion of the Spanish heritage labor force than of the white labor force. Of the 1.3 percentage point differential in unemployment rates for adult men who worked in 1969, 0.6 percentage point, or nearly half, is attributable to region, that is, to the greater relative concentration of men of Spanish heritage in the West, where unemployment is high. Nearly all (92 percent) of the differential in unemployment rates of adult men is explained by the three variables: age, region, and schooling.

In March 1970 women of Spanish heritage aged 25 to 64 who worked in 1969 had higher unemployment rates than white women not of Spanish heritage, although 63 percent of the differential is due to differences in age and region (Table 33). After adjusting for differences in schooling, as well as in age and region, one finds that women of Spanish heritage actually have lower unemployment rates than other white women with the same characteristics—2.5 percent compared to 3.0 percent.

The analysis of unemployment differences between persons of Spanish heritage and other whites suggests that the significantly higher unemploy-

ment rate of the former is due to differences in age, region, and schooling. The extent to which these differences in characteristics are attributable to historical discrimination in the United States is not known, but it would seem that differences in unemployment rates are not a consequence of current labor market discrimination. This analysis does not, however, shed light on the magnitude of discrimination against persons of Spanish origin in other phases of their economic and social life.

UNEMPLOYMENT AND INCOME MAINTENANCE PROGRAMS

Assistance to the unemployed has been widely accepted on grounds of equity and economic efficiency as an appropriate Government function since the Great Depression of the 1930's. Greater equity can be achieved by increasing the income of the unemployed through transfers which spread the cost of unemployment among the public. In addition, the transfers may stimulate the employment of otherwise idle resources by increasing the aggregate demand for goods and services. Two major Government programs of the last four decades to provide income support for the unemployed are the unemployment insurance system and public service employment.

UNEMPLOYMENT, INCOME, AND POVERTY

A cyclical downturn in business activity is associated with lower employment and a shorter average workweek for the employed. The effect of a downturn is to change the level and distribution of aggregate earnings. Because approximately 95 percent of the labor force is employed, however, even a sharp rise in the unemployment rate means a relatively small decline in employment and therefore in earnings. For example, from 1969 to 1971 the unemployment rate increased from 3.5 to 5.9 percent, with little change in the rate of labor force participation; employment as a percentage of the labor force decreased from 96.5 percent to 94.1 percent, or by 2.5 percent. The average length of the workweek decreased by 0.6 hour (1.5 percent) to 39.3 hours. Thus, aggregate hours worked per member of the labor force decreased by approximately 4 percent. In the most recent cyclical downturn, from the fourth quarter of 1973 to the fourth quarter of 1974, the aggregate hours worked per member of the labor force fell by approximately 3 percent.

This decrease in the hours of employment during a cyclical downturn is not shared equally throughout the labor force. Rather, for most workers little or no decline occurs in their hours of work, while for others the decrease is large. The result is more inequality in the distribution of income from employment. Empirical studies of income inequality among families and adult males in the post-World War II period demonstrate that inequality increases in recessions and decreases during cyclical expansions, but there has been no secular trend.

Because many unemployed individuals are eligible for income transfers, the decline in income for those who become unemployed is smaller than

might be suggested by the decline in hours of work or in labor market earnings. In 1974 experienced workers who became unemployed because of layoffs (and in some cases because they quit their jobs) generally received unemployment insurance benefits for up to 26 or 39 weeks; and if income were sufficiently low, they qualified for income maintenance programs. Those who remained employed, though their hours of work fell, and those who were unemployed but ineligible for unemployment benefits could have received assistance from other income maintenance programs if their incomes were sufficiently low. Temporary legislation enacted in December 1974 increases the proportion of workers covered by unemployment insurance and extends the benefits up to a maximum of 52 weeks during this period of high unemployment.

Recent studies based on 1971 survey data have estimated the extent to which transfer programs replace income losses associated with rising overall unemployment. The transfer programs include unemployment insurance, Aid to Families with Dependent Children, food stamps, and social security. Among households headed by a person aged 65 or under and at the poverty level before receiving the transfers, the programs were estimated to replace 31 percent of the lost earnings of male-headed households and 56 percent of the lost earnings of female-headed households. The replacement ratios were lower for higher-income families.

One study also calculated the average family income loss, after taking account of transfer benefits and changes in work participation of other family members, arising from unemployment of the family head. Among households experiencing some unemployment and headed by a man aged 65 or under, the average annual family income loss (net of transfers) associated with a 1 percentage point higher unemployment rate was estimated to be 5.7 percent for those at the poverty level. At five times the poverty level, the loss was 4.9 percent of the family income. Among households headed by a woman aged 65 or under, the estimated loss was approximately 3 percent for all income levels. There was, of course, considerable variation in income loss within these groups.

These estimates of income loss may be biased upward for several reasons. In surveys there is much more underreporting of transfer income than of earned income. Moreover, the appropriate comparison is with income after deduction of payroll and income taxes and of work-related expenses; and, although transfers are not subject to payroll and income taxation, the estimates were made for pretax earnings. In addition, no estimate was made of the value of extra home productivity or leisure arising from the reduced work time, a value that may not be negligible during brief spells of unemployment. The study is especially likely to underestimate replacement of lost earnings by transfers when the increased unemployment results from the business cycle, because the estimates were based on differences in income and unemployment between households at a moment in time. Cyclical increases in unemployment involve a larger proportion of workers eligible for unemployment compensation, because the unemployment is more

heavily weighted toward layoffs than quits or labor force entry, and toward the covered sector of the work force. In addition, the maximum number of weeks for which benefits are available generally increases in a recession. For example, 64 percent of the unemployed received benefits in the high unemployment year of 1961, compared to 39 percent in the low unemployment year of 1966. On the other hand, additional factors may lead to a downward bias. The study could not account for the loss of employees' fringe benefits when they are unemployed, or for the adverse psychological and other effects due to the greater uncertainty among both the employed and the unemployed when unemployment rises. However, it would appear that the transfer programs may replace a substantial proportion of the loss in after-tax earnings, particularly during cyclical increases in unemployment.

Even during times of relatively low unemployment, more weeks of unemployment and lower incomes are associated with each other. Contrary to common belief, however, unemployment is no longer a major cause of poverty. Although during the Great Depression the relation between unemployment and poverty was undoubtedly strong, in the postwar period the relation weakened. Table 35 shows data on the work experience of persons who headed poverty households in 1959 and 1972, years with roughly the same level of unemployment (5.5 percent) although the number and percentage of the population in poverty declined considerably over the period.

Although failure to work a full year was strongly associated with poverty in both years, only a minority of the heads of households in poverty cited

TABLE 35.—*Work experience of family heads below the low-income level, by sex, 1959 and 1972*

Work experience of head	Total		Male head		Female head	
	1959	1972	1959	1972	1959	1972
Total families (thousands).....	8, 320	5, 075	6, 404	2, 917	1, 916	2, 158
Total families (percent).....	100.0	100.0	100.0	100.0	100.0	100.0
Did not work full year.....	61.5	76.0	54.7	65.4	84.2	90.4
Unemployment a main reason for not working a full year.....	15.6	13.2	18.4	16.8	6.4	8.4
Worked 1-49 weeks.....	14.4	11.1	17.3	14.9	4.9	5.8
Did not work, unable to find a job.....	1.2	2.2	1.0	1.9	1.5	2.6
Unemployment not a main reason for not working a full year.....	45.9	62.7	36.3	48.5	77.9	82.0
Worked 1-49 weeks.....	16.5	19.1	14.8	16.4	22.3	22.7
Did not work and did not seek a job.....	29.4	43.7	21.5	32.2	55.6	59.3
Keeping house.....	10.9	19.0	(1)	(1)	47.5	44.7
Ill, disabled.....	9.5	14.6	10.8	17.1	5.4	11.3
Retired, going to school, and other reasons.....	8.9	10.1	10.7	15.1	2.7	3.3
Worked a full year (50-52 weeks) ²	38.5	24.0	45.3	34.6	15.8	9.6

¹ Not applicable.

² Includes head in Armed Forces.

Note.—Persons below the low-income level are those falling below the poverty index adopted by the Federal Inter-agency Committee in 1969.

Data for 1959 and 1972 are not exactly comparable because of changes in definition and methodology.

Detail may not add to totals because of rounding.

Sources: Department of Commerce (Bureau of the Census) and Council of Economic Advisers.

inability to find work as the reason for working less than a full year. In 1959, only 15.6 percent of the heads of poverty households worked less than a full year because they could not find work, and by 1972 this percentage had decreased to 13.2 percent.

An increasing proportion of poor families are headed by someone who works only part of the year—or more often, who does not work at all—because of ill health, old age, or home responsibilities, not from inability to find a job. Low wage rates, however, remain an important cause of poverty.

The decline in the relative importance of unemployment as a reason for poverty is primarily related to rising real wage rates during periods of employment and to increased real income supplements for the unemployed. In addition, for the same overall unemployment rate, the proportion of male heads of households experiencing unemployment has been declining.

There is some increase, or a slowing rate of decrease, in poverty during recessions. The increase in poverty is greater, the deeper the recession. For those with fixed incomes, poverty increases as the rate of inflation rises. Data for 1974 are not yet available; but it can be anticipated that because of the cyclical rise in unemployment and the high rate of inflation, poverty is likely to have increased over the year and may increase still further in 1975.

UNEMPLOYMENT INSURANCE SYSTEM

The nationwide unemployment insurance system, initiated by the Social Security Act of 1935, is a joint program administered by the States within broad Federal guidelines. As a result of Federal tax law, private nonfarm wage and salary workers (except domestics and employees of very small nonprofit organizations) and certain State employees are covered by the unemployment compensation system. In some States, agricultural, domestic, local government, and additional State workers are also covered. Separate Federal programs exist for unemployed Federal employees and unemployed persons recently discharged from the Armed Forces. A temporary, wholly federally financed program for employees not covered by the State or other Federal programs was enacted in December 1974. (See the discussion of the Unemployment Assistance (UA) program below.)

A worker must satisfy several “tests” to be eligible for unemployment benefits. These tests refer to cause of unemployment, duration of covered employment, earnings in covered employment, and availability for work. The worker usually cannot receive benefits unless he or she is available for, actively searches for, and does not reject, suitable employment. Benefits are available in all States for those unemployed because of a job layoff. A waiting period of 1 week after the filing of the claim is required before benefits begin in most States. In some States and under certain circumstances, benefits are also available to those discharged for misconduct and to those who voluntarily left a job with “good cause.” In the latter two situations, the conditions of eligibility, the length of the waiting period before benefits can begin, and the extent of benefit reduction vary considerably from State to State. Strikers are generally not eligible for unemployment compensation, although in New

York and Rhode Island they become eligible after a waiting period of several weeks. There are many other specific provisions for eligibility, and they too vary from State to State.

The duration of regular benefits usually increases with the length of the worker's past employment in jobs covered by the program, up to a maximum of 26 weeks of benefits in most States. Extended benefits have been granted for up to an additional 13 weeks in States with high rates of unemployment, for a maximum of 39 weeks. Public Law 91-373 requires that States provide these 13 weeks of additional compensation for those who have exhausted their regular State benefits if two conditions are satisfied. First, the average State-insured unemployment rate for the 3 most recent calendar months must equal or exceed 4.0 percent. Second, the average rate for this 3-month period must be at least 120 percent of the average of such rates for the same weeks in the prior 2 years. Under Public Law 93-368, however, States can elect to waive the "120 percent rule" to extend benefits. By the end of December 1974, 11 States were providing extended benefits, one under this waiver.

New Legislation

In response to the sharp rise in unemployment in the second half of 1974, two new laws that affect the unemployment insurance program were enacted in December 1974. The Emergency Unemployment Compensation Act provides for an additional 13 weeks of benefits, for a maximum of 52 weeks. The new benefits go into effect in a State when the insured unemployment rate averages 4 percent or more over the preceding 13 weeks, either nationally or in the particular State. Benefits cease when neither condition is satisfied. The program became operative in January 1975. Using general funds, the Federal Government reimburses the States for 100 percent of the benefits paid under this program, which lasts through 1976.

Under Title II of the Emergency Jobs and Unemployment Assistance Act of 1974 a special unemployment compensation program was established to provide benefits lasting up to 26 weeks for some unemployed workers who are ineligible for the regular State or Federal programs. Unemployment Assistance benefits are available to workers who would satisfy the State requirements when two modifications are made in the regulations. One is that all wage and salary employment is treated as covered, a benefit to those who have had part or all of their previous employment in industries not covered by the State program (12 million wage and salary workers). The other modification is that the most recent 52 weeks can be used to satisfy the employment requirement, replacing the usual practice in the State programs of using the 52 weeks prior to the most recent 3-month period. This primarily benefits recent entrants to the labor force. When employment records are not immediately available, claims for Unemployment Assistance may be evaluated on the basis of an affidavit filed by the applicant. Unemployment Assistance, which is fully federally financed from general revenues, becomes operative in a local area when for 3 consecutive months the national unemployment rate averages 6.0 percent or more, or the local

area unemployment rate averages 6.5 percent or more. The program ceases in a State when these conditions are no longer satisfied. The program started accepting claims in January 1975; the legislation terminates in December 1975.

Farm and domestic workers had generally been excluded from regular State unemployment coverage, largely because of the substantial administrative difficulty in verifying previous employment, previous wages, availability for work, and search for work, and in experience rating of employers. These problems unavoidably remain in the UA program. One study estimated that the two new unemployment compensation laws would induce an increase in the measured unemployment rate by about 0.7 percentage point. However, because of the expected high level of unemployment in 1975, the social benefit of extending income support to a broader group of unemployed workers was considered of greater value than the difficulties created by the programs.

Benefits

The average weekly number of persons receiving unemployment benefits was 2.3 million and the average check was \$64 in 1974. Some received benefits for less than a full week because they started a job or had a part-time job. Benefits are related to earnings and range among the States from one-half to two-thirds of the worker's recent average weekly wage, up to a State maximum. The maximum basic benefit varies from about \$60 to \$117 per week. The percentage of unemployed claimants who are at the maximum also varies widely from State to State. For example, in 1972 the percentage of newly insured claimants eligible for the maximum ranged from 12 to 73 percent, while the average for the country was 44 percent. Ten States and the District of Columbia provide "dependents' allowances" for children, and some of these States also provide them for a nonworking spouse. These benefits can amount to a maximum of an additional \$46 per week. State unemployment compensation benefits are not subject to taxation.

Some union contracts have provisions for private supplements to State unemployment compensation. For example, United Auto Workers' contracts have established Supplemental Unemployment Benefit Funds (SUB Funds) to which the employer contributes. A worker with at least 3 years' experience could receive a stipend from the fund for up to 52 weeks which would make his total State plus SUB Fund compensation approximately 95 percent of his regular take-home earnings, less \$7.50. In January 1975 the average weekly SUB Fund benefit was approximately \$100 for a worker receiving State unemployment insurance benefits and \$185 for a worker who had exhausted the State benefits. SUB Fund benefits are subject to income taxation.

Changes in Coverage and Benefits

Although coverage under the unemployment insurance program has been extended periodically since its inception, the percentage of the unemployed

who receive benefits has declined (Table 36). This seeming paradox is explained by the changing composition of the unemployed. Over the post-World War II period, there has been a large increase in the proportion of recent entrants in the labor force. Recent entrants have high unemployment but are less likely to meet the eligibility requirements of the unemployment insurance system, and this accounts for the increasing proportion of the unemployed who do not receive benefits. Unemployed youths and women are more likely to be entrants or reentrants and therefore are less likely to receive benefits. Moreover, the increase in school attendance among those aged 16 to 24 has led to a change in work behavior: students enter and reenter the labor force, often more than once during the year, taking short-term jobs, and quitting more often than older workers. For these reasons, the percentage of unemployed youths receiving benefits under State programs has declined since 1960. Adult men, in contrast, are more likely to qualify for unemployment benefits because they have sufficient work experience and because a layoff more frequently precipitates their unemployment. The exten-

TABLE 36.—*Insured unemployment as percent of total unemployment and unemployment benefits as percent of average weekly earnings, 1948-73*

Year	Insured unemployment as percent of total unemployment						Average weekly State unemployment benefits as percent of average weekly earnings in covered employment
	Total insured ¹	State insured ²					
		Total 16 years and over	Men		Women		
			16 to 24 years	25 years and over	16 to 24 years	25 years and over	
1948.....	63.5	43.1					34.1
1949.....	68.0	54.2					36.0
1950.....	48.8	46.0					34.4
1951.....	48.7	47.2					32.2
1952.....	56.8	55.4					33.0
1953.....	58.2	54.0					32.3
1954.....	58.1	52.9					33.5
1955.....	49.1	44.4					32.1
1956.....	48.1	44.2					33.3
1957.....	54.9	50.6					33.5
1958.....	71.0	54.9					35.3
1959.....	56.1	45.0					33.4
1960.....	53.8	49.5	24.0	63.3	19.2	63.9	35.2
1961.....	63.5	48.6	25.3	62.8	19.2	58.6	35.4
1962.....	49.8	45.6	20.9	60.3	17.1	58.3	34.9
1963 ³	48.5	44.4	19.5	59.4	16.7	58.6	34.6
1964.....	46.3	42.4	16.8	60.9	14.8	56.5	33.8
1965.....	43.1	39.5	14.6	59.9	12.3	54.6	33.8
1966.....	39.3	36.9	11.9	61.0	9.8	53.3	34.7
1967.....	42.7	40.5	13.6	72.4	11.8	53.2	34.7
1968.....	42.1	39.4	11.7	74.0	9.8	56.9	34.3
1969.....	41.6	38.9	10.7	76.6	9.3	57.3	34.4
1970.....	50.6	44.2	16.0	76.9	12.8	65.1	35.7
1971.....	46.3	43.1	17.6	74.2	13.4	58.6	36.5
1972.....	45.1	38.2	15.7	70.6	11.2	52.6	35.9
1973.....	41.4	37.8	15.7	71.7	11.2	53.8	36.0

¹ Includes persons covered under the following unemployment compensation programs: State, Federal employee, Railroad Retirement Board, and veterans. Also includes Federal and State extended benefit programs.

² Includes only persons covered under the State programs and excludes all other programs as well as Federal and State extended benefit programs.

³ Totals include Puerto Rican sugar cane workers beginning July 1963; but they are excluded from data by sex and age.

Note.—State insured unemployment data are not available by age and sex prior to 1960.

Source: Department of Labor, Manpower Administration.

sions of coverage are reflected in the rising proportion of adult men who receive benefits. Thus, even though the proportion of adult men receiving benefits has risen, two factors have caused a reduction in the proportion of the total unemployed receiving benefits: an increase in the proportion of the unemployed who are young workers and women; and a decline in the proportion of unemployed youth receiving benefits.

During recessions, an increased proportion of the unemployed receive benefits, especially when the data include recipients of extended benefits. In part this reflects the greater proportion of job losers and adult men among the unemployed. Due to the new legislation, an unusually high proportion of the unemployed will receive benefits in 1975.

As indicated in Table 36, the average weekly unemployment insurance benefit has ranged from 32 to 37 percent of average gross weekly wages in covered employment. This ratio underestimates the actual replacement of the earnings loss of the insured unemployed because they usually earn less than the average covered worker, and unemployment benefits are not taxed. It has been estimated that for unemployed insured male family heads in families with income below 150 percent of the poverty line, benefits may replace about 70 percent of lost income after taxes; for those with higher income, the replacement ratio may be about 40 percent.

Effects of Unemployment Insurance

The unemployment compensation system may itself influence the frequency and duration of unemployment, and hence the measured unemployment rate. The State unemployment insurance system is funded by taxes levied on employers in proportion to their wage bill. The tax rate varies according to the employers' experience rating, which is based on the extent to which their workers draw benefits from the system. Because the variation in tax rates is set within narrow margins, however, the experience rating is not closely matched to benefits. Thus, in firms with high layoff rates the benefits to employees over a long period are likely to exceed the employers' contribution to the fund. In effect then, the tax and benefit structure tends to subsidize seasonal and casual employment relative to stable employment. For example, it makes the planned annual layoff an attractive alternative to the paid vacation for employers of lower-wage workers. This in turn may induce an increase in the frequency of measured unemployment and thereby lead to an increase in the unemployment rate.

Unemployment benefits may also tend to lengthen the duration of insured unemployment. The system partially compensates for the time spent searching for employment, thereby reducing the cost of longer unemployment. The system clearly makes it easier for a worker to maintain his accustomed pattern of consumption during a longer search period.

Studies of interstate differences in unemployment have found that the rate is higher where benefits are high relative to wages. The denial rate, based on administrative decisions regarding eligibility, is also important

in explaining interstate differences in insured unemployment. The denial rate appears to be higher in States devoting more resources to administering the program.

The longer period of unemployment stimulated by unemployment compensation may represent a worthwhile investment for society. If a longer search leads to a job with higher wages and fringe benefits, more pleasant working conditions, or a longer expected tenure, it benefits both the individual and society. Some unemployed persons, however, may have no intention of accepting a job—perhaps because they are planning to leave the labor force or simply because they want a vacation—but go through the necessary steps to collect benefits.

Some have questioned the equity of the unemployment compensation program largely because its benefits are tax free. The greater the family's other income, the larger is the benefit net of taxation that a family receives from a member who gets unemployment compensation rather than wages. A low-paid worker in a high income tax filing unit could actually receive more income net of taxes and work-related expenses by being unemployed than by being employed.

In spite of the difficulties inherent in the current unemployment compensation program, it is nevertheless the most effective way of providing financial support for those who suffer a loss in income due to unemployment.

PUBLIC SERVICE EMPLOYMENT

Federal public service employment programs are a means of increasing employment opportunities, particularly during periods of high unemployment. It is intended that Federal revenues will be used to employ persons who would otherwise be jobless, in government jobs that would not otherwise exist.

The Emergency Employment Act of 1971 (EEA) provided the first large-scale public employment program broadly applicable to the unemployed population since the Works Progress Administration (WPA) of the 1930's. Special types of public employment programs for particular target groups, however, have been funded on a more limited scale since the 1960's, for example, the summer employment of youth in the Neighborhood Youth Corps and the subsidized employment of the elderly in Operation Mainstream. In contrast to the WPA, which was administered by separate Federal agencies created for the task, the Public Employment Program (PEP) under EEA was essentially a form of revenue sharing, with the Federal Government supplying the funds and State and local governments actually administering the program.

PEP was conceived as a countercyclical program to provide "transitional" jobs at a time when the unemployment rate was about 6 percent. PEP participants were more likely than the average unemployed person to be veterans, male, and well educated (75 percent had graduated from high school). In fiscal 1973, when the program was in full operation, an estimated 150,000

man-years of employment were funded by the PEP program. The extent to which these numbers reflect net additions to State and local employment—that is, employment that would not have occurred without the program—can only be estimated. Studies indicate that each PEP job created less than a job, and that this “displacement effect” increased as time passed and as the possibility of substituting Federal for State and local funds increased. Several estimates put the displacement effect after 2 years in the range of 50 percent.

The Comprehensive Employment and Training Act (CETA), which became operative in 1974, provides public employment funds in two forms to States and localities acting as prime sponsors. Under Title I, bloc grants for manpower programs allocated to the sponsor may at the sponsor’s discretion be applied to public service employment or to any other activity related to manpower. Title II is labeled Public Employment Programs, but the funds can be used for either public service employment or traditional manpower programs, such as on-the-job training. Title II funding is to be provided only to areas where the unemployment rate has averaged 6.5 percent or higher for 3 consecutive months.

Estimated outlays on the various parts of CETA for fiscal 1975 are: Title I, \$1.6 billion; Title II, \$585 million; Titles III and IV (Indians, migrants, Job Corps), \$342 million. An additional \$250 million will be spent in fiscal 1975 for public service employment from 1974 CETA authority that allowed a one-time appropriation for continuing programs under the EEA. Of this estimated total of \$2.8 billion, \$380 million was spent on summer youth programs in 1974. It is expected that the number of CETA public service jobs will increase from approximately 85,000 in fiscal 1974 to 170,000 during 1975 and 1976. Compensation and administrative costs per man-year are anticipated to be about \$9,000.

New Legislation

The Emergency Jobs and Unemployment Assistance Act of 1974 supplements CETA by providing a public service employment program known as the Temporary Employment Assistance (TEA) program. Under this new legislation an additional \$875 million will be available during fiscal 1975 to State and local government prime sponsors to create as many as 97,000 jobs. The funds may be used for projects that extend over a 12-month period and employ persons who have been unemployed for at least 30 days, or at least 15 days in areas of excessively high unemployment. “Preferred consideration” is to be given to those who have exhausted their unemployment compensation. The Administration has also requested that \$125 million be restored to the TEA program in fiscal 1975. The TEA program together with CETA would then provide up to 280,000 jobs when both programs are in full operation.

Effects of Public Employment Programs

Public employment has been suggested as a way of reducing unemployment during recessions. Some argue that public employment, whereby people are directly hired by the government, is superior to other macroeconomic instruments with respect to creating more employment per dollar spent. Estimates have been made of the net employment generated by a given expenditure on public employment, compared to that generated by an equal expenditure on government purchases from the private sector or by an equal reduction in the tax bill. On the basis of the PEP experience, public employment was found to create more additional jobs in the very short run (1 or 2 quarters after the program begins) than either of the other two policies. After 5 or 6 quarters have passed, however, the superiority of public employment as a tool for creating jobs was found to diminish as State and local governments substitute Federal funds for their own funds. Eventually, this displacement of State and local funds with Federal funds would allow State and local taxes to be reduced (or grow at a slower rate) and in turn stimulate economic activity, including employment. Then, in effect, the public employment funds can be viewed as generalized revenue sharing funds, with Federal sources (taxes, deficits) replacing local funding of local projects.

The reduction in unemployment due to public service jobs would depend partly on the effect of the program on the size of the labor force. If public service jobs could be confined only to persons with previous work experience and with a proved period of unemployment, then the employment-generating effects would be directly translated into reduced unemployment.

There are other advantages, and these are frequently cited to support public service employment. For some workers the jobs may provide training and, by allowing a regular work schedule and environment, slow the depreciation of prior training and work habits. Some useful output is produced; income maintenance is provided without the welfare stigma. Critics of public employment have noted, however, that a public service job reduces the time available for seeking more permanent private sector employment, and for many workers it would lengthen the time away from usual employment. Time away from usual work may increase the depreciation of skills specific to particular jobs.

Although public employment appears to have a short-run advantage over other policy tools in creating jobs, it also appears more likely than other policies to put pressure on the price level. Indeed, the more successful the program is in employing individuals who would normally be seeking jobs or working in the private sector, the tighter the private sector labor market will be; and rising wages and prices will result. The inflationary impact would be smaller if the program were financed by an increase in taxes rather than by an increase in the debt. The jobs lost as a result of the tax increase, however, are likely to be more productive than the jobs created by the public

employment program, both because of the difficulty of matching the skills of the unemployed with those required for public service jobs and because the assigned tasks are often ones that would otherwise be given low priority.

In summary, a public employment program that is effective as a counter-cyclical measure would presumably provide jobs that State and local governments would not otherwise create, that can be established quickly, and that can be readily eliminated as job opportunities in the private sector increase. To ensure that jobs are net additions to employment, it may be necessary to create distinct tasks in separate and visible agencies set up for the purpose. To provide productive employment, the jobs have to be suitable for persons of diverse prior training, employment experience, and age; and they must require at most a very short period of training. These sometimes conflicting conditions may increase the difficulty of creating a successful program.

CHAPTER 4

Inflation During The Past Decade

THE PAST 10 YEARS HAVE BEEN CHARACTERIZED by an average growth rate of aggregate expenditures that is very high by historical standards and that has substantially outstripped the sustainable growth of supply of real goods and services. Contributing significantly to the growth in aggregate demand were rapidly increasing Government expenditures along with monetary policies that were appreciably more expansionary than those in earlier post-World War II periods. In addition, a sharp rise has occurred in foreign expenditures on American goods in recent years. Supply reductions also contributed to imbalances between aggregate supply and demand, particularly in the past few years: crop failures and reduced oil supplies are the most notable examples. Without neglecting specific features, the U.S. inflation since the mid-1960's can nevertheless be analyzed in terms of a general conception of the inflationary process that emphasizes the role of monetary and fiscal policies, and the decision-making process that leads to these policies. A brief outline of this conception will be useful.

Governments can achieve certain short-term objectives by following policies that allow the aggregate demand for goods and services to rise faster than the supply can rise in view of the available resources. One such objective is to keep the rate of resource utilization very high and to postpone the temporary underutilization that occurs in some phases of the business cycle. Another objective is to embark on spending programs without making the burden explicit to the public by correspondingly higher taxation, and thus without raising the question of the distribution of this burden. At high rates of resource utilization, however, such policies will provide a stimulus only so long as the public expects less inflation than will actually be developing, and so long as the public therefore acts as if more real income were available than will in fact be earned. Concerning the recent inflationary period, opinion surveys as well as actual trends in real wage rates and real profits suggest a substantial underestimate of the future inflation rate and a corresponding overestimate of prospective real incomes by the public. Since people learn from their experience, efforts to continue providing such stimulus require generating an inflationary process that will show a strong tendency to accelerate. At some stage it becomes imperative to put an end to such a process.

When the inflationary phase has lasted so long that expectations of further inflation are firmly embedded in the cost trend, a shift to policies of restraint

first exerts an adverse influence on output and the desired price deceleration effect materializes only with a lag. Any convincing interpretation of the events during 1970 and 1973-74 must stress this difficulty.

During 1973 and 1974 this difficulty was magnified by a steep increase in raw material prices and by the price effects of specific capacity shortages in a number of industries. Even when major specific cost increases occur, monetary and fiscal restraint can prevent a lasting acceleration of the general price trend; yet such policies will not be able to prevent a temporary steepening of the rate of general price increase, especially in an environment influenced by inflationary expectations. The explanation here also is that the adverse effect of policies of restraint on output will precede their desired effect on prices. Policies of restraint could keep even permanently tighter supplies, resulting from "natural" or from "institutional" factors, from touching off continuing inflation, though when changes of this sort occur no policy may be capable of preventing a lasting adverse effect on output.

Lags of price response behind output response are among the characteristics of adjustment periods which may bring substantial discomfort, even if methods are now available for greatly reducing the hardships suffered in such phases of development. During these phases political pressures become strong to adopt stimulative policies prematurely on a scale that would rule out any appreciable decline of the rate of inflation. Since it is impossible to live indefinitely with an explosive inflationary process, the resumption of expansionary policies is in turn apt to evoke strong pressures to adopt comprehensive wage and price controls. These controls would allegedly enable us to follow the desired expansionary policies under circumstances in which prices and wages are directly regulated according to acceptable norms. However, if after much unsuccessful experimentation that approach were to be followed through with the consistency needed to make it effective, it would lead to an economic and political system the basic characteristics of which are very different from those under which we now live. Rigorously controlled systems cause a loss of basic freedoms, and they have proved seriously deficient on grounds of economic efficiency as it reflects itself in the living standards of the population. Which way history will move in this regard remains an open question, and it is the most dramatic question posed by the present difficulties.

The possibility remains of trying to attain a steadily rising general price trend to which the other economic variables adjust. Not to allow such a trend to steepen would require the same effort—the same resistance to temptation—as would have been required for keeping to the near-zero inflation path of the 1952-65 period. It could be argued that once we are in the two-digit range a greater effort is needed for gradually reducing inflation to negligible size than for achieving a much less ambitious long-run objective, such as that of a significant but nonaccelerating inflation rate. Yet this would be an unconvincing argument because no policy directed at a steady price trend can be successful unless it is credible to the

public, and the more policy makers adjust their initial objectives to the upward deviations that have occurred in the past the less credible they become in their promise not to accommodate accelerating inflation in the future.

PERIODS OF PRICE INSTABILITY

Since 1929 the United States has experienced several periods of substantial price instability as measured by such general price measures as the gross national product (GNP) price deflator or the consumer price index (CPI). During the Great Depression of the early 1930's prices fell sharply, declining by more than 20 percent from 1929 to 1933 (Table 37). Price increases of a similar magnitude occurred following the outbreak of World War II in Europe, before wartime price controls took effect. Prices rose even faster on the average in 1946, 1947, and 1948, after these controls had been lifted. The outbreak of the Korean war in 1950 also brought a brief but significant price spurt. The largest year-to-year price increase since 1947 occurred in 1974, when the GNP deflator rose 10.2 percent over its 1973 level and the CPI rose 11.0 percent. This happened after inflationary antecedents that started developing about 1965.

TABLE 37.—*Changes in the GNP implicit price deflator and the consumer price index, 1930–74*

Year	Percent change from preceding year		Year	Percent change from preceding year	
	GNP implicit price deflator	Consumer price index		GNP implicit price deflator	Consumer price index
1930.....	-2.7	-2.5	1955.....	1.4	-.4
1931.....	-9.1	-8.8	1956.....	3.4	1.5
1932.....	-10.1	-10.3	1957.....	3.7	3.6
1933.....	-2.4	-5.1	1958.....	2.5	2.7
1934.....	7.3	3.4	1959.....	1.7	.8
1935.....	1.1	2.5	1960.....	1.6	1.6
1936.....	.3	1.0	1961.....	1.3	1.0
1937.....	4.1	3.6	1962.....	1.1	1.1
1938.....	-1.4	-1.9	1963.....	1.3	1.2
1939.....	-1.5	-1.4	1964.....	1.6	1.3
1940.....	1.5	1.0	1965.....	1.8	1.7
1941.....	7.7	5.0	1966.....	2.8	2.9
1942.....	12.3	10.7	1967.....	3.2	2.9
1943.....	7.2	6.1	1968.....	4.0	4.2
1944.....	2.3	1.7	1969.....	4.8	5.4
1945.....	2.6	2.3	1970.....	5.5	5.9
1946.....	11.8	8.5	1971.....	4.5	4.3
1947.....	11.9	14.4	1972.....	3.4	3.3
1948.....	6.6	7.8	1973.....	5.6	6.2
1949.....	-.6	-1.0	1974.....	10.2	11.0
1950.....	1.3	1.0			
1951.....	6.8	7.9			
1952.....	2.1	2.2			
1953.....	1.0	.8			
1954.....	1.5	.5			

Sources: Department of Commerce (Bureau of Economic Analysis) and Department of Labor (Bureau of Labor Statistics)

The 1965–74 inflation, taken as a whole, also reflects the consequences of too rapid an expansion of aggregate demand. However, at least two further considerations are relevant to the explanation of why inflation continued in

years like 1970 and 1974 after policy restraint had been applied. One is that such interludes clearly demonstrate the difficulty which policy makers encounter in trying to reduce the rate of inflation after the preceding inflationary trend and its expected continuation have entered into cost trends. But the experience of 1974 also shows something else that had already been observed in 1973. If forces operating from the supply side significantly raise the prices of specific raw materials and of products of industries with capacity shortages, then even if policies of restraint are applied to prevent a permanent steepening of the general price trend, the specific price increases will show nevertheless for a while in the behavior of the general price level.

These difficulties become greater the longer the preceding inflationary development has lasted and the more the public suspects that the same political considerations which induced governments to engage in inflationary practices in the past will lead them in the future to retreat from a policy of restraint prematurely.

EXCESSIVE GROWTH IN AGGREGATE DEMAND, 1965-74

Economic theory suggests that many factors, domestic and foreign, private and governmental, can affect aggregate demand. The two that receive most attention, however, are monetary and fiscal policy actions. Fiscal policy can stimulate consumption and investment demand through tax cuts and by increases in government expenditures. Even if the growth rate of the money supply remained at a level which would be consistent with non-inflationary growth at given fiscal receipts and expenditures, an increased fiscal deficit could bring about price inflation. Interest rates would be raised and the cost of holding currency and demand deposits would be increased. For this reason the public would wish to decrease its average money holdings in relation to its expenditures, and total expenditures could increase beyond the noninflationary rate.

Yet price inflation caused by deficits with unchanging money supply would be of limited significance. Rapid and sustained inflation requires a continual inflationary increase of the supply of money. The main reason why expansionary fiscal operations are among the factors generating sustained inflation is that when fiscal deficits are large the monetary authorities, in an attempt to offset the interest rate and credit availability effects of large increases in government debt, tend rapidly to increase their security holdings and hence to inject new money into the economy. Thus expansionary fiscal policies are often accompanied by expansionary monetary policies, with a correspondingly rapid growth of aggregate demand even at high levels of resource utilization.

Of course, rapid increases in aggregate demand are not always inflationary. When aggregate demand increases by the same amount as real aggregate supply, markets can clear at the current price level. Although many individual prices may move up or down, these changes tend to balance out, leaving the general price level unchanged. Sometimes, however, aggregate demand and

supply do not mesh, and if they are not brought into balance at given prices, then the price level will move. The maximum feasible growth of the supply of goods and services over any period is limited by the existing quantity of labor, capital, and natural resources, and by the rate at which new physical and human capital and new knowledge can be acquired. The increase in demand depends on demand management policies and is subject to no such limits. Over the past 10 years the effect of technological progress and the growth in the quality and size of the labor force and of the capital stock have been such as to raise potential output on the average by 4 percent a year in constant dollars. Hence whenever at high levels of resource utilization aggregate demand grows by more than an annual rate of 4 percent, the faster growth of demand must be reconciled with the slower growth of real supply through the process of inflation.

During the period from 1965 to 1973, for example, real output grew by 36 percent, or at a compound annual rate of about 4 percent. Largely as the result of expansionary policies, however, aggregate demand in money terms grew by 89 percent, or at a compound annual rate of 8 percent. Hence prices had to rise by about 4 percent a year on the average to make the 8 percent growth in aggregate expenditures consistent with the 4 percent growth in real output. By 1973 the rate of increase in the price level had become much larger than the average during the 8 years, and in 1974 inflation had moved into the two-digit range, as special factors reinforced a strong underlying trend.

Any explanation of inflation must therefore come to grips with the questions of why, about 1965, aggregate demand started to grow so much faster in nominal terms than real output, and why it has continued to grow at a faster rate subsequently.

The observed steep rise of aggregate expenditures could not have taken place had monetary aggregates not grown very rapidly after 1965. While there are no hard and fast rules to define excessive versus noninflationary growth rates in monetary aggregates, recent experience does provide some guidelines. The periods of rapidly rising prices have been periods in which M_1 (currency plus demand deposits) and M_2 (M_1 plus time deposits except large certificates of deposit) grew at high average yearly rates.

Over a limited period, which until now has lasted about 12 years, aggregate demand as measured by the money GNP has tended to grow in the same proportion as M_2 , although short-run deviations from this relationship have occasionally been very large. This suggests that a rate of growth in M_2 of about 5 to 6 percent over the 1965–74 period would have been consistent with a rate of growth in aggregate demand of about the same magnitude. Further, if real supply over the 1965–74 period had grown at its long-run annual average of about 4 percent, then the price level would have risen very little. In fact, from 1965 to 1970, M_2 increased at an average yearly rate of more than 7 percent, and from 1970 to 1974 it increased at a rate of about 10 percent. Given our economy's inability to sustain a real

growth rate of more than about 4 percent, the rapid rates of growth of the money aggregates since 1965 were not consistent with reasonably stable prices.

Other countries have also experienced a recent acceleration in money and in prices, as shown in Table 38. However, the rates of monetary expansion that are consistent with the mild price increases of the 1960's and with the much more rapid inflation of the 1970's will vary from country to country. One reason for this is that the money supply is not defined the same way in the various countries. Another reason is that the countries differ in the types and quantities of other liquid assets which the public holds along with its stock of money. Also, trends in velocity differ across countries. But what probably matters most is that in rapidly growing economies, such as those of Japan or Germany, a relatively large proportion of a given increase in aggregate demand has been satisfied by increases in real goods and services. The same rate of growth in money and expenditures in less rapidly growing countries, such as the United Kingdom or the United States, would lead to higher rates of inflation. Generally the range of money growth rates that is consistent with stable prices will be different in each country. The central conclusion remains, however, that when money growth rates proceed at a rate far exceeding that with which output could keep pace, the price level too will rise sharply.

Considering that our monetary authority, the Federal Reserve System, creates the quantity of reserves which is a basic determinant of how much money can be created in addition to hand-to-hand currency, one is led to ask why the regulation of the money supply has not prevented these undesirable price trends.

We may begin by recognizing that the rate of monetary expansion is influenced by several factors which result in a rather flexible relation

TABLE 38.—*Growth rates of consumer prices and money stock for the United States and five other developed countries, 1965-74*

Country	[Percent change; annual rate]					
	Consumer prices		Money stock ¹			
	1965 to 1970	1970 to 1974 ²	1965 to 1970 ³		1970 to 1974 ³	
			M ₁	M ₂	M ₁	M ₂
United States.....	4.2	6.0	5.2	7.1	5.9	9.8
Canada.....	3.8	6.4	8.1	10.6	19.7	16.8
France.....	4.4	8.0	5.3	10.8	⁴ 12.1	⁴ 17.1
Germany.....	2.4	6.2	6.4	12.7	9.2	14.4
Italy.....	3.0	9.5	15.8	13.7	21.9	21.5
Japan.....	5.4	11.0	⁵ 16.2	⁵ 16.5	24.4	22.2

¹ M₁ = "Money" and M₂ = "Money" plus "Quasi-Money" as they appear for each foreign country in *International Financial Statistics*, International Monetary Fund. These data are roughly equivalent in all countries.

² Change from June 1970 to June 1974.

³ Based on average of end-of-month figures; average of first 6 months for 1974 and 12-month average for other years (except for the United States, which are based on averages of daily figures for December 1965 and 1970 and June 1974).

⁴ Change from 1970 to 1973.

⁵ Change from 1966 to 1970.

Sources: Department of Labor (Bureau of Labor Statistics), Board of Governors of the Federal Reserve System, and International Monetary Fund (*International Financial Statistics*).

between the variables under the control of the Federal Reserve and the money aggregates themselves. This is so, quite aside from the fact that approximately 25 percent of total demand and time deposits are held in banks that are not members of the Federal Reserve System. For example, the public may decide to hold less currency relative to total deposits, as has been the case during most of the period with which we are concerned, or it may move in the opposite direction as it has since December 1973. When people exchange currency for deposits at their banks, the banks gain reserves, and the converse is true in the contrary case. Increased reserves can be and usually are used to expand loans and investments and hence deposits, thus generating increases in M_1 and M_2 .

Another factor is that banks need to hold reserves also for purposes other than incurring those types of deposit liability which economists have found most useful to include in the concept of money. The public's increasing preference for interest-bearing assets led to a very rapid increase of the volume of large-denomination certificates of deposit which are not defined as "money" but are nevertheless subject to reserve requirements. In addition, the deposits held by the Treasury are also subject to reserve requirements, though they are not "money." Moreover a given quantity of reserves supports more money in the sense of M_2 if that aggregate consists to an increasing extent of time deposits, as has been the case in recent years, because reserve requirements are smaller for time deposits than for demand deposits. Finally, given the legally required minimum reserve ratios, banks find it convenient to hold more reserves per dollar of deposits during some periods than in others. For these and other reasons a given amount of total reserves will correspond to a different amount of total deposits in different periods of time. The money supply corresponding to any particular amount of reserve creation by the Federal Reserve is not precisely predictable.

Nevertheless, the long-run growth in monetary aggregates is determined largely by the rate at which the monetary authority injects "high-powered money," defined as the sum of total reserves and currency, into the system. The Federal Reserve can inject high-powered money into the banking system by acquiring Treasury securities from banks or from other businesses or individuals, or by making advances to banks, or by discounting eligible securities, although other factors too can affect the growth rates in this policy-controlled aggregate.

High-powered money grew at a 3.9 percent annual rate from 1960 to 1965, at 5.0 from 1965 to 1970, and at a 7.7 percent rate from 1970 to 1974. This acceleration reflects itself in those of M_1 and M_2 , although M_2 has grown faster than M_1 .

The question therefore remains why the Federal Reserve System did not prevent this sustained period of steepening inflation.

A reason mentioned earlier is the relationship between monetary and fiscal policies. Large fiscal deficits express themselves in large fiscal borrowing, and they are apt to squeeze out a good deal of private borrowing

unless the actions of the monetary authority speed the growth of the money supply. Yet if the supply of resources is not sufficiently elastic, such accommodation by the monetary authority will lead subsequently to the inflationary difficulties discussed in this chapter.

In most years since 1965 Federal Government borrowings have been substantial. Government expenditures rose steeply after 1965 as a result of the costs of the Vietnam war and of greatly expanded social welfare programs. In the 4 fiscal years from 1965 to 1969, defense outlays increased by \$31.6 billion (64 percent) and nondefense outlays by \$34.5 billion (50 percent), while money GNP increased \$243.4 billion (37 percent). In the following 5 fiscal years, from 1969 to 1974, money GNP rose by 50 percent and Government outlays by 45 percent, with defense outlays remaining unchanged but nondefense outlays, prominently including transfer payments, rising by about 84 percent. Resources were fully, if not "overfully," used in the 1965-69 period, during which the large increase in Government spending was already associated with a substantial increase in Government debt. The unified budget deficit, which is the deficit concept that comes closest to showing the net financing needs of the Treasury, reached \$25 billion in fiscal 1968 and \$23 billion in fiscal 1971 and 1972; it was also of appreciable size in other years since 1965. Much of the resulting debt was financed by the Federal Reserve so that monetary policy was expansionary enough not to force a reduction of other money expenditures to offset increased Government spending. The results were overrapid expansion in total expenditures and a significant rise in the general price level.

Deficits, however, represent only part of the total borrowing operations involving the Federal Government. In recent years, the rapid growth in the borrowings of federally sponsored credit agencies greatly added to the Government-induced financing pressures on credit markets, even though a large part of the funds thus raised was lent again to borrowers whose demand for credit would otherwise have been satisfied by private lenders. Outstanding agency borrowing increased by \$3.5 billion in calendar 1968, when total funds raised by nonfinancial sectors amounted to \$95.9 billion, but this net borrowing jumped to \$19.6 billion in 1973 when the budget deficit was \$8 billion and total funds raised by nonfinancial sectors amounted to \$187.4 billion. Partly to avoid a tightening of the market to other borrowers, the Federal Reserve System bought Government securities and thereby monetized Federal debt in response to Federal financing pressures. Given the inflationary consequences of such a policy, it could bring only temporary relief because the steepening of inflationary expectations tightened the markets again by increasing the demand for credit relative to the supply.

Another important reason for the high average rates of monetary expansion during the past 10 years was the effort of policy makers to play safe against recessions or at least to postpone them and to promote a very rapid rate of cyclical expansion in the advanced stages of the recovery after the

recession of 1970. In an attempt to achieve these objectives, money growth rates were allowed to climb farther and farther above their noninflationary ranges.

These growth rates, however, did not increase steadily. On three occasions policy actions contributed to substantial slowdowns in money expansion. Each such action attempted to deal with the worsening inflation, first and most briefly in 1966–67, then in 1969–70, and most recently in 1973–74. The first two periods of tightening were soon followed, however, by reversals in policy that led to substantially higher rates of money growth than those preceding the slowdowns and hence carried us even further above noninflationary growth rates in money aggregates. The pressures on the monetary authority to return to policies of rapid expansion were strong in 1966 and in the recession of 1970, and they became increasingly strong again recently. These are pressures to “validate” the already observable rate of inflation by a policy that would lead to the expectation that on the next occasion an even higher inflation rate will be validated.

Yet, showing substantially increased resistance against these pressures, Federal Reserve policy has moderated monetary growth in 1974. From December 1973 to December 1974 the increase in the narrowly defined money supply, M_1 , was kept to about 4.5 percent, and the increase in the broadly defined money supply, M_2 , to about 7.3 percent, that is, to 1.6 percentage points less than the year before for both, and to 4.2 and 3.8 percentage points less than during 1972. Indeed, the steeper price trend of 1974 has turned the 1974 increase in the nominal money supply into a decline in real balances. Even though the prospective money growth rates of the near future are somewhat higher, this policy reflects determination to accommodate growth of output only as the inflation rate declines. As for fiscal policy, even the actual budget deficit remained small for the fiscal year 1974, though it was larger for calendar 1974; in view of the rise of the unemployment rate from about 5 percent to over 7 percent during the calendar year, the same fiscal policy would have produced a large surplus at high levels of employment (see Chapter 2).

THE UNSTABLE TRADEOFF

By the time the inflation problem became acute in most Western countries, the conviction had spread both within and outside the Government that a tradeoff between inflation and unemployment—the so-called Phillips tradeoff—was of considerable importance. A stable downward-sloping “Phillips curve” with rates of price or wage inflation plotted against the unemployment rate was often used to illustrate this thinking. Policy makers were supposed to have a choice as to how much inflation they would accept for achieving low unemployment rates. As discussed in Chapter 3, the shortcomings of such simple presentations were soon recognized. For instance, it was pointed out that, in view of changes in the composition of the labor

force, more refined measures than the official unemployment rate are needed for measuring the tightness of the labor market. It was suggested also that allowances need to be made for the role of further variables and of lags. The analysis would then show that a given increase in appropriately defined labor market tightness, if maintained, will gradually lead to a stable, though higher inflation rate to which the other economic variables could adjust. However, the ideas underlying the work of researchers who have suggested this conclusion are not easily reconciled with each other.

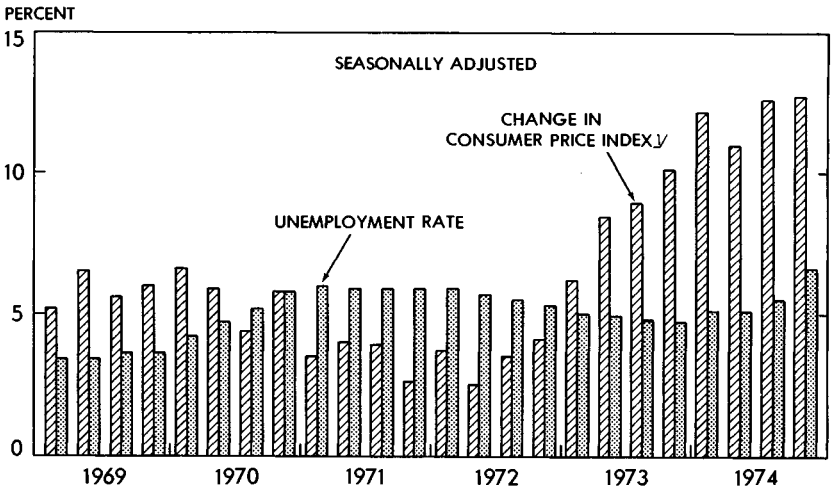
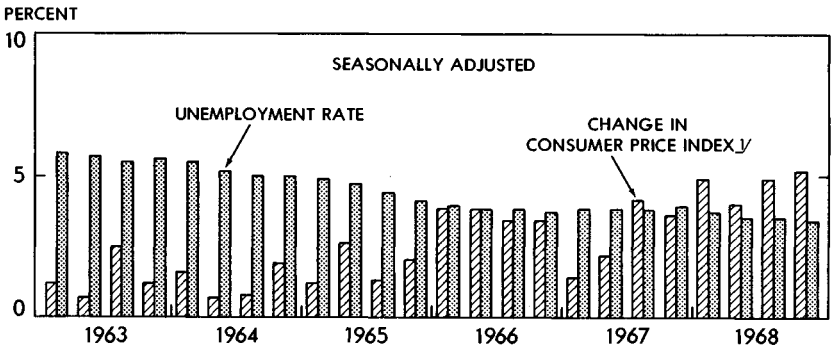
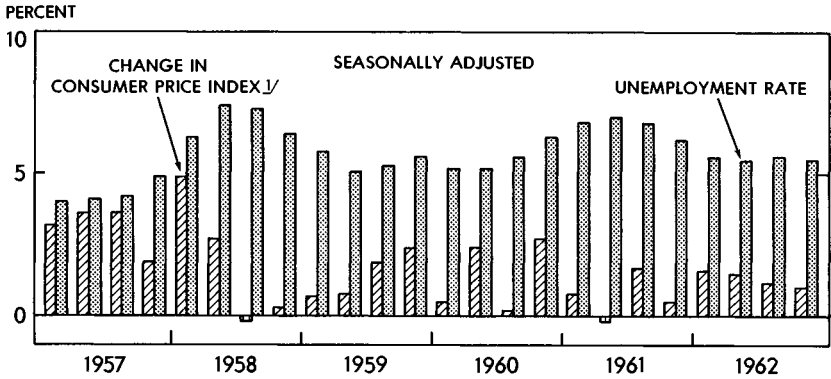
While econometric work on this question has yielded valuable by-products, the results remain far too inconclusive to serve as a basis for policy. There comes a point at which there is reason to return to the direct observation of simple facts, and what these show is that in the period following 1965 the relation between inflation and unemployment has been distinctly unstable. As can be seen from Chart 8, when similar unemployment rates recur, they tend to be accompanied by appreciably higher inflation rates.

When statistical testing of econometric models leads to inconclusive results, there is all the more reason to reexamine the basic logical underpinnings of the hypotheses. No convincing case can be made for the hypothesis that if inflation were fully anticipated, a higher anticipated rate of inflation to which all variables have adjusted would stimulate a higher level of activity and thus more employment than a lower rate. Inflationary policies can drive the actual rate of price increase temporarily above the expected rate so that greater real income gains are anticipated than will in fact be forthcoming. It is this unrealistic expectation of higher real incomes that results in an increased level of activity, thus giving rise to a Phillips tradeoff between inflation and unemployment in the short run. But such a tradeoff will be unstable when the expected rate of inflation is rising, so that a stimulative policy can be maintained only by allowing the actual rate of inflation to increase further. If the process were allowed to proceed far enough, price acceleration might even become associated with rising unemployment. This could happen because by then inflationary expectations would be rising even more rapidly than actual inflation, or because the uncertainties surrounding the decision-making processes in markets would reduce economic activity.

Since the tradeoff between unemployment and inflation lacks stability, trying to base policy on it compels one eventually to face the fact that the true choices or tradeoffs are of a different kind. In the first place, before the resulting process of accelerating inflation approaches its limits in a state of so-called hyperinflation, there is always a choice between accepting the difficulties of adjustments "now" or moving toward even greater future difficulties. Secondly, after an extended inflationary span there is a choice between facing the lag between output and price response or engineering a transition into a "controlled" system, the deficiencies of which are very severe even if the symptoms are different.

Chart 8

Inflation and the Unemployment Rate



\downarrow CHANGE FROM PRECEDING QUARTER AT AN ANNUAL RATE.

SOURCE: DEPARTMENT OF LABOR.

SPECIAL FACTORS AND THE LAGGED PRICE RESPONSE

There are a number of possible explanations for the unusual degree of the acceleration of price inflation during 1973, when after the first quarter the rate of increase of output was declining significantly, and during 1974 when output itself was declining. The termination of wage and price controls on April 30, 1974, needs to be mentioned even though opinions differ concerning the significance of decontrol for price acceleration. Controls had been imposed on a wide range of wages and prices in August 1971; they gradually came to operate against the increasing pressure of market forces, and they caused an increasing amount of distortion before being phased out. Wages and prices bulged to some extent in the month immediately after controls ended. The controls and their removal had an effect on the timing of price increases.

By the spring of 1973 another type of price fixing—the fixing of exchange rates in the currency markets—had been abandoned as most of the major trading countries had switched from fixed exchange rates to managed floating. This led to the depreciation of the dollar against most major currencies, continuing with some interruptions until July 1973. As American goods and services became more competitive in the world markets, the net exports of the United States increased by almost \$10 billion from 1972 to 1973. From the first of these years to the second, net exports turned from significantly negative to significantly positive, and remained very high through the first quarter of 1974, after which the consequences of the oil price increase started to show. While an increase in net exports tends to raise real GNP when resources are underutilized, it lowers the domestic availability of goods when resources are already approximately fully utilized, as they were through much of 1973, or if there exist shortages in specific areas of the economy, as was the case through part of 1974. For this reason, an increase in net exports has contributed to inflation.

Important special factors in the recent inflation were the unanticipated decision of the Arab countries to place an embargo on crude oil exports to the United States and the decision of the Organization of Petroleum Exporting Countries (OPEC) steeply to increase the price of oil. The precipitous increase of foreign crude oil prices during the year, similar price movement of “new,” “released,” and “stripper” domestic crude oil (which by October 1974 jointly accounted for 34 percent of U.S. domestic production), and the concurrent increase in the prices of other energy materials had a substantial cost-raising impact in 1974. Until the spring, crude material prices other than crude foodstuffs and feeds also continued to rise steeply. Large price increases in a number of important intermediate products continued even longer as capacity shortages persisted until midyear and inventory demand remained strong. Such industries as primary metals, chemicals, stone, clay and glass, and paper provide prominent illustrations of these specific shortages.

After increasing sharply in 1973, farm product prices behaved erratically during 1974. On the whole, however, the price-raising effect of shortages originating in specific sectors played a role in 1974 as well as in the preceding year. This statement must be understood in the context of the lag problem more generally discussed before. Even if a monetary and fiscal policy does not provide for a permanent speeding up of the general price trend, it will not prevent a temporary rise in general price indexes when raw material prices rise sharply.

The problem of lags has become more troublesome than it had been in earlier periods. The available data suggest that, particularly since 1965, prices and wages have responded less quickly to declining demand in the product and labor markets. For instance, Table 39 points in this direction by showing various rates of change, including changes in compensation per man-hour and in the private nonfarm deflator, for 4-quarter periods before and after cyclical peaks. Both compensation and the deflator show more resistance to moderating cyclical forces after the downturn in recent cycles than in earlier ones. Admittedly this statement is based on a rigid definition

TABLE 39.—*Comparisons of behavior of selected variables before and after cyclical peaks, 1947-74*

Period	Cyclical peak ¹	Percent change to or from peak					Civilian unemployment rate ⁵ (percent)
		Private nonfarm economy ²		GNP implicit price deflator		Real GNP	
		Output per man-hour	Compensation per man-hour	Private nonfarm	Farm		
Four-quarter change:							
Before peak.....	1948 IV	2.8	8.0	5.8	-16.8	4.5	3.8
After peak.....		3.1	.4	-1.2	-13.8	-1.6	7.0
Difference ⁴.....		.3	-7.6	-7.0	3.0	-6.1	3.2
Before peak.....	1953 II	3.5	6.0	2.3	-14.4	6.9	2.6
After peak.....		1.5	3.3	1.8	-3.5	-3.4	5.8
Difference.....		-2.0	-2.7	-.5	10.9	-10.3	3.2
Before peak.....	1957 III	2.8	5.4	3.5	2.3	2.4	4.2
After peak.....		3.0	3.8	1.4	6.2	-1.0	7.3
Difference.....		.2	-1.6	-2.1	3.9	-3.4	3.1
Before peak.....	1960 II	.7	4.3	1.6	-1.7	2.0	5.2
After peak.....		2.7	3.0	1.0	-1.3	.6	7.0
Difference.....		2.0	-1.3	-.6	.4	-1.4	1.8
Before peak.....	1969 IV	-1.1	6.7	4.8	10.4	1.2	3.6
After peak ⁶		2.5	7.4	5.8	-7.8	.4	6.0
Difference.....		3.6	.7	1.0	-18.2	-.8	2.4
Before peak.....	1973 IV ⁶	.4	8.0	5.9	54.8	3.9	4.7
After peak ⁷		-3.6	9.7	13.7	-11.1	-5.0	6.6
Difference ⁷		-4.0	1.7	7.8	-65.9	-8.9	1.9

¹ Quarter designated as cyclical peak by National Bureau of Economic Research (NBER), except as noted.

² All persons.

³ Rate for peak quarter and 4 quarters after peak.

⁴ All differences in this table are changes 4 quarters after peak minus changes 4 quarters before peak.

⁵ Change from 1969 IV to average of 1970 IV and 1971 I to smooth effect of auto strike.

⁶ Peak quarter of real GNP used as NBER has not yet designated this quarter as a cyclical peak.

⁷ Preliminary.

Sources: Department of Commerce (Bureau of Economic Analysis), Department of Labor (Bureau of Labor Statistics), and National Bureau of Economic Research.

of the time periods used for comparison and is so aggregative as to preclude consideration of special developments in various sectors of the economy. Nor does it take into account economic developments subsequent to the year following a peak or preceding the year leading up to the peak. Still this and other evidence points to less prompt deceleration of prices and wages in recent downturns.

As mentioned before, some of the increasing downward rigidities of the wage and price trends have resulted from the firming up of inflationary expectations. Past developments as well as observable political pressures may have made it more difficult even for the most determined policy makers to establish the credibility of their anti-inflationary policies.

By late 1974 various components of the wholesale price index started to signal impending general price deceleration, and so did some other measures of general price change, such as the fixed-weight GNP deflator. Even the present money wage trend is compatible with a reduction of the current rate of general price increase, though not to a level that could be considered acceptable. On the other hand, in the weakened commodity and labor markets of the near future, with the unemployment rate expected to rise to above 7.5 percent, price deceleration is very likely in time to result in wage deceleration with a feedback on prices. Still, after an unusually protracted period of inflation, the lags between the effect of restrictive policies on output and the desired effect on prices will prove to be long.

INDEXATION AND THE TAX STRUCTURE

The length of these lags has awakened interest in suitable mechanisms that can take into account the inevitable gradualness of the unwinding process, without preventing or even markedly slowing the process of unwinding the inflation. Opinions differ on whether "indexing" the commitments involving future payments of fixed dollar amounts meets these requirements. When such commitments are indexed, they are expressed in constant rather than in current dollars; that is, the amounts paid at a later date are adjusted for changes in a general price index.

Recently the question of formal indexation in this sense has attracted considerable attention. There is wide agreement that truly comprehensive indexing is not feasible immediately. A major obstacle is that many current-dollar payment obligations have been incurred in past periods. Furthermore, individuals can hardly be forced to index their future contracts if, instead of relying on some index number formula, they wish to make other allowances for the price movements they expect. But one has good reason to believe that during the phase of unwinding an inflation the automatic response of indexed wages to price deceleration, and the feedback of that response on prices, would indeed be helpful, since there would be no need to anticipate the future course of inflation to obtain the desired real wage bargain. On the other hand, the view has been expressed that in past phases of accelerating inflation such automatic responses would have further steep-

ened the inflation rate and that they also might be damaging in future phases of inflationary processes.

The expectation of rising prices can be reflected in allowances made in current-dollar contracts as well as through formal indexation of contracts. At present, however, a spreading of the practice of formal indexation is evident. In spite of the significant shortcomings of all available index numbers that may be selected for indexing payments, many parties to wage and other contracts rely on indexing instead of merely on current-dollar allowances for presumptive price movements. Various payment obligations of the Government, such as social security benefits and food stamps, are also indexed. Furthermore, automatic adjustments over the term of a contract are sometimes tied not to a price index but to some economic variable tending to move in the same direction as price expectations. For loan contracts the Treasury bill rate or the prime rates of banks have been used as such variables. These rates are influenced by inflation not because of indexation but because inflation expectations are among the factors determining their levels.

However, given present regulations, not all interest rates are allowed to move freely, nor can some interest rates be tied to other rates which would reflect market forces. This is illustrated by regulations applying to savings accounts. Thrift institutions characteristically lend long, mainly by acquiring mortgages at fixed interest rates, and they borrow short, mainly from small savers. The average mortgage in the portfolio of these institutions is several years old and was originated at a time when the rate of inflation, and hence money rates of interest, were lower. As interest rates rose in the free market, interest rate ceilings were maintained on the deposits of the thrift institutions, and also on the conventional time deposits of commercial banks, in an attempt to prevent a sharp squeeze on the thrift institutions, resulting from higher borrowing than lending rates.

One of the highly undesirable consequences of these regulations is that the small saver, to whom other outlets are rarely available, earns interest at an artificially reduced rate that is far below the current rate of inflation, and is grossly unrealistic by the standards of the markets for short-term instruments in general. When securities are issued in the money market on conditions attractive to small savers and at interest that would adjust to future rates of inflation, the thrift institutions and homebuilders feel threatened. Policy makers are strongly influenced by this resistance. The Administration's proposals for financial reform would gradually change (essentially diversify) the type of operations in which the thrift institutions are engaged and would gradually eliminate the interest rate ceilings on deposits. Until interest rate ceilings are removed, the present regulations remain disadvantageous to small savers.

Not even those savers and managers of funds who are able to make use of the facilities of major financial markets have been receiving interest at a rate which compensates for inflation and yields the kind of real rate of interest

that obtained in the past. However, for short rates this reflects either an underestimate of inflation or the low and uncertain real return on investment corresponding to the present business outlook, or some combination of these. For long rates it may also reflect the expectation that inflation will decrease in the future. The rates at which business borrows from banks are now often made to vary with the prime rate over the term of the loan. While, as was noted, this does not change the loan into one made in "constant dollars"—it is not indexation in the proper sense—the objectives which such arrangements attempt to achieve are similar to those of indexation.

Tax payments to the Government do not adjust for inflation under current tax laws. If during an inflationary period the definition of taxable income is unchanged in nominal terms, individuals move from tax exempt into taxable brackets, and from lower into higher tax brackets, merely because their money incomes are rising, though their real incomes are rising much less or may even be declining. In addition, capital gains computed in terms of money enter into the tax base, even though such nominal gains can represent very much smaller real gains, or possibly real losses. Such distortions call for adjustments, only a few of which have so far been undertaken, and even these are likely to become inadequate before inflation can be reduced to a negligible size.

The effect of inflation on the real Federal tax and nontax receipts from persons, predominantly Federal income taxes, can be shown as follows. From 1973 to 1974 personal income minus transfer payments rose by 8 percent, 3 percent less than the rise in the personal consumption expenditures deflator. Total real adjusted gross income reported on tax returns probably declined as well. Nevertheless Federal personal tax and nontax receipts rose by 15 percent, suggesting that the elasticity of Federal receipts from persons with respect to inflation is at least 1.6 in the aggregate. For individual returns it may in fact be even larger, considering that as more returns are filed, income reported per return rises less than total adjusted gross income. In any event, inflation raises personal taxes by a much larger percentage than nominal incomes, causing the average tax rate to rise and tax payments to increase in real terms.

While itemized deductions claimed on tax returns reflect price increases, individual exemptions and the low-income allowance and standard deduction limits have not been raised in nominal terms since 1972. Thus the tax-raising effect is strongest for low- and moderate-income taxpayers not itemizing deductions, as shown by the following example. Assume that consumer prices and a family's adjusted gross income both rise by 30 percent from 1972 to 1975, leaving their real income unchanged, and further assume that this is a family of four filing a joint return for an income that in 1972 was \$10,000. In 1972 this family would have paid Federal income taxes of \$905, while at current tax rates it would pay \$1,391 on \$13,000 of income in 1975. Its average tax rate would rise from 9.1 to 10.7 percent of adjusted

gross income because 30 percent inflation would cause tax liabilities to jump by 54 percent in this illustration. Stated differently, while the real before-tax income of this hypothetical family remains unchanged, its real after-tax income declines by almost 2 percent in 3 years. Thus, the effect of inflation on individual income taxes under existing tax schedules is to increase average tax rates or to increase the Government's share of personal income.

Similar problems have developed in the corporate sector. Here two types of inflationary tax-raising effects had reached considerable magnitudes by 1973. Both arise from standard accounting methods for computing business costs and profits. These accounting procedures understate costs, and hence overstate profits, except if we include in the concept of profits an inflationary period's capital gains, computed in terms of money, which are locked in for going enterprises as these need to replace their inventories and fixed capital at higher prices. Such capital revaluations *are* included in the concept of taxable profits, unless they are reflected in higher taxable interest payments to creditors.

Consider first the method of accounting for the value of inventories in the cost of goods sold. As was explained in Chapter 2, FIFO, the first in, first out method, includes in the tax base the kind of locked-in capital gain which was described in the preceding paragraph and is reflected in the rising valuation of the inventories held by the enterprise. Another accounting procedure, LIFO, or last in, first out, values an item taken from inventory at the price of the last unit added to the inventory, thus more accurately reflecting the prices at which replacement takes place. "

While firms have a choice between using FIFO and LIFO and many are switching to LIFO, they are required to value their plant and equipment for tax purposes on the basis of the historical cost of acquisition rather than at replacement cost. In inflationary periods this has consequences of the same kind as the FIFO method of valuing inventories, assuming the service-life guidelines and depreciation rules currently used are correct. If straight-line depreciation is arbitrarily taken to reflect the actual depreciation processes, then accelerated depreciation gives firms tax advantages. However, Table 40

TABLE 40.—*Profits of nonfinancial corporations,¹ selected periods, 1965-73*

[Billions of dollars]

Item	1965	1965-69 average	1973
After reported depreciation charges based on historical costs:			
1. Profits before taxes, before inventory valuation adjustment (IVA).....	65.3	68.1	95.1
2. Profits before taxes and after IVA.....	63.6	65.5	77.5
After straight line replacement-cost depreciation involving 85 percent of Bulletin F service lives and "current price (2)" valuation: ²			
3. Profits before taxes and after IVA.....	65.8	66.8	73.4
4. Profits after taxes ³	38.4	36.3	32.9

¹ Excludes profits originating in rest of world and profits on residential properties owned by nonfinancial corporations

² Eliminates the difference between "current price (2)" replacement-cost and historical-cost depreciation.

³ Profits before taxes and after IVA minus tax liabilities.

Source: Department of Commerce, Bureau of Economic Analysis.

suggests that this advantage has by now been significantly outweighed by the disadvantages of having to compute depreciation allowances on the basis of historical costs, and thus of prices at which plant and equipment cannot be replaced.

Aggregate taxable book profits as well as aggregate profits adjusted for the two inflationary effects mentioned above are presented in Table 40. After eliminating the understatements of replacement costs that result from inflation, the before-tax profit trend (row 3) is, of course, very different from the unadjusted book-profit trend (row 1), and this for a capital stock that rose substantially from 1965 to 1973. This contributes a good deal to the understanding of the rising indebtedness of the corporate sector, the accounts of which include in net corporate savings large amounts that are unavailable for investment in any sense other than that of replacing inventories and fixed capital at inflated prices. The point to be mainly stressed in the present context is, however, that once the adjustments are made for inflated replacement prices (as they are both in row 3 and row 4) a comparison of the trend in before-tax profits (row 3) with the trend in after-tax profits (row 4) shows the consequences of allowing the difference between past prices and the prices at which replacement takes place to boost taxable profits. Taxes are levied on the unadjusted book profits, and these have risen much faster than the adjusted profits. As we move forward in time, the figures in row 4 are becoming considerably smaller in relation to the figures in row 3. Preliminary data for 1974 suggest that this trend has continued to the present.

Thus, individuals and corporations alike are now exposed to substantial and haphazard tax-raising effects produced by inflation, even during a period of falling real incomes. One manifestation of this is that while in earlier recessions the temporary reduction of tax revenues in relation to Government expenditures provided a cyclical cushioning effect even without changes in tax schedules, this effect now is forcefully counteracted by the disproportionate tax-raising effect of inflation. In this regard and in others, adjustments in tax laws will be called for during the gradual process of price deceleration toward which we are heading.

Along these lines a strong case can be made for adopting statutory tax reductions during the present recession. Yet in view of the recently increased dependence of business and also of households on borrowed funds, the financing of large recession deficits might after a while create more tension in the credit markets than it had created in the past. Given the size of the output stimulus provided by some combination of expansionary monetary and fiscal policies, interest rates decline less to private borrowers during a recession if more of the stimulus results from fiscal policies involving a large increase in the quantity of government securities. This implies greater tightness of the credit markets in the subsequent recovery. Pressures may then be exerted on the monetary authority to try to reduce this tightness and to promote rapid expansion without sufficient regard to price-trend objectives.

The success of our anti-inflationary efforts would in this event depend essentially on the determination to resist these pressures, even if the recovery should proceed less rapidly than would otherwise be desirable.

CHAPTER 5

Government Regulation

UNTIL AFTER THE END OF THE CIVIL WAR, the Federal Government's policy toward the economy involved little or no direct regulation. Although some States experimented with railroad regulation as early as the 1840's, only toward the end of the century did the Federal Government undertake any significant economic regulation. The first steps toward regulation were designed to deal with problems of monopoly. In 1887 the Act to Regulate Commerce set up an Interstate Commerce Commission (ICC) to regulate the railroads, which eventually led to reduced competition throughout the surface transportation sector. In 1890 the Sherman Act outlawed contracts and activities designed to create monopolies in restraint of interstate trade, intending thereby to promote competition. In succeeding years the transportation and antitrust statutes were amended and complemented, and direct economic regulation spread to other industries. There has been a marked trend toward more rather than less governmental regulation, and this trend has been particularly evident in recent years. More requirements have been placed on the private sector, often to achieve objectives such as safety, health, and pollution control which are not included in conventional measures of economic output. The continuation of long-standing regulation as well as the recent proliferation of regulation have raised questions about the efficacy of regulation: in particular, what costs and benefits the various forms of regulation impose in the light of today's economic difficulties.

THE RATIONALE FOR REGULATION

Government regulation of business has been established for a number of reasons, all of which merit continued reexamination. At one extreme is the case of "natural monopoly"—a situation in which economies of scale (that is, falling unit costs with increasing output) are so pervasive that free competition might lead to a single firm in the market, able to exercise monopoly power. An unregulated monopolist may be in a position to charge excessive prices, restrict output, and discriminate among buyers. The cases of such natural monopolies are probably quite limited in the American economy, with certain utility services appearing to be the major exception.

In contrast to monopoly and inadequate competition, regulation is often considered justifiable to prevent excessive or "destructive" competition. One form of the argument is that in markets where there may be a tendency

toward natural monopoly a preferable course would be to avoid the costs of monopoly pricing or of monopoly regulation by maintaining several competitors, even though a perfectly regulated monopolist could provide services at lower cost. Another consideration is that even though competition may be viable it might result in swings in output and prices which some would judge too severe and too costly to consumers and producers. Regulation is thus said to be necessary to maintain stability and protect the equity of firms in the industry.

Another rationale often raised on behalf of regulation is that ill-defined property rights make it necessary for the Government to allocate certain "public" resources in order to prevent their overuse. The airwaves are one example of a scarce resource that would be rendered much less useful without some controls over its use. The environment is another example of a resource where there are conflicting claims on its use and where governments have intervened to allocate resources.

It is also asserted that in some markets the government should intervene between the seller and the consumer in order to protect either, or both, from certain conditions that might emerge in the absence of regulation. Since information is expensive to collect and once collected is "free" but costly to disseminate, the ideal government serves as a surrogate for the well-informed market participant by prohibiting certain transactions. For example, those selling their labor, according to this argument, must be protected from unsafe working conditions by the government's requiring employers to maintain certain safety standards. To protect consumers, it has been made unlawful for a firm in the United States to market certain drugs until they have been approved by the Federal Drug Administration (FDA). Likewise, the Consumer Product Safety Commission is authorized to establish mandatory standards and require the labeling of products which are found to be unsafe.

Government regulation may also serve as a convenient avenue for redistributing income. In regulated "competitive" markets less efficient producers are protected, and in effect are subsidized, by lower-cost producers who would expand their output in the absence of regulation and by consumers who end up paying higher prices and buying less. Rate regulation often leads to rate structures that "cross-subsidize" markets by requiring firms to charge prices that are above their costs in some markets and to use the extra profits to offset losses in more "deserving" markets. For example, telephone rates in any given region often do not differentiate between residential users in urban areas and those in sparsely populated localities where unit costs are usually higher. In transportation, "common-carrier obligations" are often enforced to assure below-cost service to some users, financed by higher prices to other users.

Whatever the rationale for regulation, once established it has a tendency not only to be maintained but to become more rigid with time, even if its economic costs become great and its effects differ from those originally

intended. The uncertainty associated with significant regulatory change can deter needed reform. Also, those who would be adversely affected by regulatory reform often are relatively few and have strong incentives to resist change. On the other hand, those who stand to gain from regulatory reform tend to be numerous (and thus the potential gain per person is relatively small) and seldom well organized; they may be unaware of the potential gains and thus less effective in obtaining reform. For these reasons, it is particularly important to view critically any proposals for increased regulation. It is equally important to look for ways of lessening regulation when the benefits of improved economic performance outweigh any sacrifice of other objectives.

THE FEDERAL ANTITRUST LAWS

Under the antitrust laws the Government is concerned with industry conduct, such as price fixing, and with industry structure which might foster monopoly power. With respect to price fixing, the most difficult problem is detection, and for this purpose antitrust authorities have relied primarily on informants. While industrial concentration is relatively easy to discover, it does not follow that monopoly power exists whenever concentration exceeds some arbitrary level. Each case must be judged on its own merits, and exclusive adherence to a "market share" approach may lead to unnecessary interference with ordinary business activities and to less efficient markets.

In encouraging economic efficiency, the enforcement of the antitrust laws raises obvious problems of balance. On the one hand, it would be possible for a misguided antitrust activity to inhibit innovation and cost-cutting action in the private sector; in this respect antitrust activity could constrain economic efficiency. On the other hand, antitrust activity that promotes competition will encourage resources to be used more efficiently. To further the second result, the Antitrust Division's Economic Policy Office was recently expanded, and the Division's funding for antitrust enforcement was increased.

Until lately the penalties for antitrust violation appear to have been too low. In weighing the costs and benefits of engaging in illegal activities, potential violators take into account the punishment if they are caught as well as the probability of successful prosecution. Increasing the penalty or the probability of apprehension, or both of these, raises the expected cost of illegal activity and should reduce its extent. Recent legislation (Public Law 93-528) substantially raised the penalties for violation and made certain activities felonies rather than misdemeanors. The additional deterrent may have a marked effect. This makes it even more important to allocate enforcement resources efficiently, since ill-defined and badly administered antitrust policies, backed by forceful penalties, might stifle business initiative and otherwise reduce economic efficiency.

The ability of the antitrust laws to improve market efficiency is limited by numerous exemptions. For example, the Miller-Tydings Act (1937) and

the McGuire Act (1952) allow States to establish "fair trade laws," which prevent retail establishments from selling merchandise at lower than manufacturers' suggested retail prices. In those situations, retailers are not allowed to engage in price competition, and consumers must frequently pay higher prices. At present such laws are in effect in States that comprise approximately half the U.S. population. Another example is the Capper-Volstead Act (1922) which exempts agricultural cooperatives from certain provisions of the Federal antitrust laws; among other things, this exemption has given producers greater control over marketing agricultural products. Some of the larger cooperatives may have gone beyond the original intent of the legislation, however, and with the aid of agricultural marketing orders may have been able to maintain certain commodity prices above competitive levels.

Some antitrust powers seem to limit competition rather than promote market efficiency. For example, the Robinson-Patman Act (1936), which limits certain forms of price discrimination, is almost universally criticized by economists as unduly protecting small firms from competition by larger firms. Two recent Presidential commissions on the antitrust laws, the Neal Commission appointed by President Johnson and the Stigler Commission appointed by President Nixon, recommended that this law be reformed.

REGULATION OF MONOPOLY

As mentioned earlier, some industries are characterized by economies of scale over relevant ranges of output. Among the examples frequently cited are local distribution systems for telephone service and electric power transmission, where the high fixed costs associated with fixed facilities tend to preclude viable competition. Under such circumstances, it is argued, the establishment of a regulated monopolist would be a more efficient way of organizing the market. Such regulation, however, is inherently limited in its ability to promote efficient production and resource allocation.

Effective regulation depends on a great deal of information which is often difficult to obtain and interpret. In practice, neither the judgment nor the information of those responsible for regulation can be perfect. For example, even under the best of conditions it is difficult to ascertain the true cost base of a regulated monopolist, and often it is not very easy to determine the firm's cost of capital for the purpose of regulating its return on investment.

Idealized regulation also presumes that firms are passive with respect to the restraints imposed by the regulations. Recent studies suggest that a regulated monopolist will overcapitalize or undercapitalize, depending on the relation between the regulator's "guaranteed" return on investment and the firm's perceived cost of capital. Moreover, by forbidding the regulated firm to raise prices during times of excess demand, regulation reduces the incentive for the monopolist to maintain sufficient excess capacity. On the other hand, the assurance that regulation will shelter the firm from the costs associated

with scheduling too much excess capacity will act in the opposite direction, so the net effect is open to question.

During times of rapidly rising or falling prices, strict adherence to historical costs may have significant adverse effects. The delays necessary in regulatory proceedings frequently cause regulated prices to be held down unduly during times of rapidly rising costs. Unless the firm has a considerable degree of flexibility in altering production costs by reducing the quality of service—and even here demand must not respond too negatively to this diminution in quality—relying on historical costs may erode the firm's cash flow position and possibly even lead to bankruptcy. Although the results are seldom so severe, regulatory delays often cause deterioration of service and costly deferments in investment and maintenance expenditures.

REGULATION OF COMPETITION

Most governmental regulation is now concerned with the regulation of competition rather than with the regulation of monopoly. This change has come partly as a result of historical and technological evolution. For example, the ICC was understandably concerned with railroad monopoly power during the first years of its existence. In the first part of this century, however, technological advances brought about considerable competition for the railroads from trucking. Because of cross-subsidy, some railroad rates were unduly high, and truckers tended to concentrate on this kind of traffic. If the system of regulation were to be preserved, there had to be ways of administering it without bankrupting the railroads. Therefore, in 1935 the ICC and the railroads were successful in bringing most trucking under the regulatory umbrella, despite objections at that time from some truckers. In 1940, coverage was extended to inland water carriers. Thus, an opportunity to deregulate railroads made possible by new competition was sacrificed, and the scope of regulation was expanded.

As opposed to monopoly, markets with significant competition present the regulator with a slightly different set of problems. Although as a matter of law the regulator must still determine the rate base and the "fair" profit element, the more important problem is to understand and assess the way rate changes affect service under these quasi-competitive conditions, and how policies regarding price, entry, and exit affect the financial viability of the regulated firms.

In regard to financial viability, although exit from an industry via bankruptcy is a normal characteristic of efficient competitive markets, the bankruptcy of a regulated firm tends to be viewed as a sign of regulatory failure. To prevent bankruptcies, regulators are thus prone to protect firms from competition—frequently to the detriment of efficient service. For example, since the establishment of the Civil Aeronautics Board (CAB) in 1938, not a single trunk air carrier has gone bankrupt, although several trunk airlines at the brink of bankruptcy have merged with stronger carriers. For the purpose of limiting institutional failures, the Federal Reserve Board (FRB), the

Federal Deposit Insurance Corporation (FDIC), and the Federal Home Loan Bank Board (FHLBB) have set maximum rates of interest that may be paid on deposits and on savings and loan shares. A policy of protection can lead to knotty problems when the competitors employ different production techniques—as, for example, with trucking and railroading. ICC regulation has not been able to prevent (and probably has contributed significantly toward) the bankruptcy of several rail carriers in the northeastern part of the country. Protection is also difficult when technology changes. Thus, some regulated competitive industries are slow in introducing innovations.

The second major problem for the regulator of a quasi-competitive industry derives from the fact that, depending on technical feasibility and how firms view the response patterns of their rivals, there will be a tendency for changes in the extent of nonprice competition to raise or lower costs to match the regulated price. In such cases, cost tends to be determined by price, rather than the other way around, and the regulator's control over price amounts to regulating the extent of nonprice competition in the industry—and thus the quality and price choices available to buyers. Since higher quality will be associated with higher costs, a broad range of combinations of price and quality is often consistent with reasonably competitive returns to the individual firms, or at least to the firms as a group. In these circumstances the regulatory commission, in effect, serves as a surrogate for the general public, choosing the price and quality option which will be offered.

One ramification of this behavior among regulated competitive industries is that explicit regulation of the industry's rate of return may not be possible without additional controls, such as direct restraints on the extent of non-price competition. Another aspect is that, whatever its justification, cross-subsidy may not be feasible. Purported "high-profit" markets will realize more costly, higher-quality service rather than excess profits; in alleged "losing" markets firms will restrict the quality of service to where average cost is in line with the low price.

EXAMPLES OF ECONOMIC REGULATION

Each regulated industry has different economic characteristics and ways of behaving under regulation. In several areas the economic costs of regulation have become apparent and are indeed significant.

TRANSPORTATION

Of all sectors of the American economy, few are more important than transportation, and none is more affected by Federal economic regulation.

Trucking

In interstate trucking an antitrust exemption allows carriers to agree upon rates in secret, through rate-bureau negotiations. Although these rates are subject to review by the ICC, they are seldom challenged except in cases

of general across-the-board increases. For example, during fiscal 1974, only 5 percent of motor common carrier rates were even challenged, and fewer than one-third of those challenged were ultimately disapproved. As a result of this process, rates tend to be set so as to cover the costs of less efficient carriers. The consequences are windfall profits to more efficient truckers and higher prices to consumers. In trucking markets with two or more carriers, service competition—for example, providing more frequent schedules or larger trucks—tends to eliminate the potential excess profits. However, the reduction in profits results not from lower rates but from the creation of excess capacity which has a lower value to the shipper than the extra price paid. In those markets where only one trucker has a certificate to serve, this process of rate setting helps the carrier to earn excess profits by offering poorer service, at the regulated price, than would be the case if other firms were allowed to compete.

The problems of excess capacity in “competitive” markets and of poor service in “monopoly” markets would both be eliminated if entry into the trucking industry were not restricted and if the ICC encouraged meaningful price competition. A monopolist earning excess profits would attract new firms; the result, in turn, would be lower rates and improved service. In those previously regulated competitive markets which had excess capacity, incumbent carriers would offer lower rates consistent with higher average loads. If they did not, new carriers would enter and force rates downward; the incumbent carriers would then have to respond with rate reductions or else lose out to the new competition. The ICC, however, has stringently controlled entry and price competition in trucking. Opportunities for profits attract many potential entrants, and during fiscal 1974 more than 70 percent of the Commission’s case workload consisted of processing motor carrier operating permits.

Railroads

In railroad freight transportation, the problem is exit rather than entry. As outlying areas of the country gained access to good highways, and especially interstate highways, firms began to utilize trucks for much of their transport. This meant that low-density rail lines were used less and less, until many of them were no longer economical to operate. Nevertheless, regulation has prevented the railroads from discontinuing such services as fast as would seem warranted. The losses on unprofitable lines have impaired the overall financial position of the railroads and have reduced needed maintenance and capital investments elsewhere.

The structure of railroad rates often provides incentives that are inconsistent with an efficiently organized transport sector. Regulation enforces a considerable amount of cross-subsidy among commodities—to the point where certain high-valued items, such as machinery and equipment, are hauled at rates greatly exceeding their transport costs, while the rates for other items, such as crude ores, are much less than their transport costs. Simi-

larly, regulation attempts to maintain an elaborate system of discriminatory rate "equalizations" which tend to favor certain regions over others.

Rates that rail carriers pay for the use of other carriers' cars (called per diem) and the rates shippers pay carriers when they hold freight cars for extended periods (demurrage) are maintained at levels far below the opportunity cost on rail cars. As a result, freight cars are retained by carriers and are used excessively by shippers for warehousing. On average, a rail boxcar moves only 1 hour in 8, and its average speed while moving is less than 20 miles per hour.

Air Travel

In the domestic airline industry, regulation has served primarily to bring about a nonoptimal choice of price and quality. Because the CAB had a fairly liberal policy during the 1950's and 1960's toward the entry of existing carriers into city-pair markets, the principal markets are now served by two or more airlines. However, since their fares are regulated by the CAB, the airlines tend to compete on the basis of scheduling, over which the Board does not exercise direct control. The result is "excess capacity," and efforts to raise the regulated fares in order to assure a return on investment greater than the industry's perceived cost of capital serve only to set the stage for further capacity augmentation.

Carriers as a group have consequently tended to earn neither excess profits nor losses, but the traveling public has paid higher fares because of the regulation-induced excess capacity. While excess capacity does yield some benefit in the form of more frequent departures, less crowding, and a better chance of obtaining a seat on the preferred departure, the value of this excess capacity is almost surely less than its cost. As evidence, in the relatively unregulated California and Texas intrastate markets the competitively determined (higher-load factor) service has historically been sold at prices some 40 percent below the prices of comparable interstate (CAB-regulated) services. Moreover, a recent study reports that in 1969 domestic air passengers paid "excess fares" ranging between \$366 million and \$538 million, for which they received service quality improvements valued at between \$118 and \$182 million. The difference, between \$248 million and \$356 million, represents a deadweight loss to society.

In its recent Domestic Passenger Fare Investigation the CAB established target load factors of 55 percent. Since the prevailing load factors were around 50 percent, this policy had the effect of reducing excess capacity and lowering fares. However, it would appear that a much higher load factor standard is justified, especially in view of the recent increases in fuel prices. The Board's new policy of encouraging agreements among carriers to limit capacity is not an appropriate way of dealing with this problem. In markets covered by agreements, the passenger's total cost of service is increased because of increased delays, but the fare is not reduced.

Airline regulation imposes other costs, which are not generally well perceived. For instance, through the regulatory process, fares have tended

to be set at levels and with a structure that maximizes total seat capacity, as opposed to maximizing total passenger traffic, the result being added congestion and environmental costs, as well as increased costs of airports and airways. By restricting the entry of new firms into trunk carrier service in order to protect less efficient incumbent firms, regulation has also penalized potentially more efficient firms and has resulted in higher fares for a given quality of service.

These costs of airline regulation could be reduced substantially or even eliminated if entry into and exit from markets were made easier and if control over fares were liberalized so as to encourage price competition. Under such circumstances an individual airline could attract more passengers by lowering its price rather than increasing its total capacity.

FINANCIAL INSTITUTIONS

Banks and thrift institutions are among the most highly regulated businesses in the United States. The FRB, the FDIC, and the FHLBB, together with a host of other Federal and State agencies, regulate virtually every aspect of financial intermediation: entry, expansion, and exit, as well as pricing practices and allowable assets and liabilities. Opening a new bank, for instance, requires a charter that can be obtained from the appropriate State or Federal agency only if the applicant can demonstrate that a new bank would be in the public interest. Opening a new branch of an existing bank requires similar evidence in those States which permit branch banking. Comparable entry tests exist for thrift institutions.

Financial institutions are subject to a number of regulations when they issue liabilities (deposits) or buy assets. Banks, for example, are required to hold cash reserves for their deposits, and they are precluded from holding certain assets, including common stocks. Thrift institutions are subject to similar restrictions; in addition they are not permitted to issue checking accounts. Finally, and perhaps most importantly, except on large certificates of deposit, financial institutions may not pay interest to their depositors at rates that exceed maximums imposed by law or by regulation.

Although the rationale for regulating financial institutions is to safeguard deposits and assure market stability, in recent years the desirability of some forms of financial regulation has been increasingly questioned. This is particularly true of those regulations that were established before the 1930's, when Federal insurance of deposits greatly increased the security of banks and thrift institutions. One suggested reform is to reduce the restriction on the types of assets that banks and thrift institutions may hold and to allow thrift institutions to issue checking accounts. These changes would make financial institutions more flexible in their adjustments to changing market conditions and would also make the industry more competitive. An even more important proposed reform would eliminate interest rate ceilings on all deposits. Depositors could then enjoy competitive rates of return (especially during high interest rate periods like 1969 and 1973-74), and the flow of loanable funds for such purposes as housing would increase.

NATURAL GAS

Regulation of the field price of natural gas by the Federal Power Commission illustrates the problems of controlling the price of a commodity when entry into and exit from the industry are free. It also illustrates the sometimes illogical results when statutory requirements are divorced from the economic rationale behind their enactment. In this case, the price of gas, a commodity, is regulated because of its connection with transporting gas, a service; the price of a similar commodity, oil (perhaps produced from the same well), is not similarly regulated, though it is a close substitute for gas in final use markets. Results contrary to intentions could have been expected and at least one such result has been perverse: instead of assuring consumers access to supplies of gas, regulation has done exactly the reverse.

By holding the price of gas below the market-clearing levels, regulation has created chronic and growing shortages in the regulated interstate market beginning in the late 1960's. The shortages have resulted partly because of inadequate incentives for producers to explore for gas and bring it to market. Additionally, consumers are charged a price based upon the average cost of gas, and this price is lower because of the large volumes of gas flowing at the lower prices established in the past. Consumers therefore base their purchase decisions on a price below the regulated price for gas currently coming on the market, which itself is below the market-clearing level. Consumers respond to this energy "bargain" by seeking to use more gas than if they had to pay the full cost of replacing the gas reserves they consume.

The final factor in the interstate gas shortage is the diversion of gas supplies to the intrastate market where the price is higher. Onshore producers of gas usually have the legal option to sell it into either the regulated or the unregulated market. (Producers from Federal offshore leases must sell into the regulated market.) Even at comparable prices the intrastate market would be preferred by on shore producers because the absence of Federal jurisdiction gives them more certainty. The interstate market has thus always been the residual market for producers. Consequently, the price for intrastate gas rose little with the increase in total gas demand relative to supply; instead a larger proportion of the available gas went to intrastate sales. When no more gas could be diverted, the intrastate price began to rise rapidly. Producers who had a choice ceased selling into the regulated market except under special emergency provisions which allow higher prices.

The interstate shortage of natural gas induced by regulation has led to losses in output and to unintended redistributions of income. For example, many gas distributors have been unable to add new customers. In this situation a loss occurs because the value of the gas to the customers willing to bid some of it away would outweigh that realized by consumers who use it at volumes based on its constrained lower price. Income is redistributed toward those who consume gas at a subsidized price and away from those who are unable to obtain gas at all.

Interstate shortages, accompanied as they have been by adequate gas intrastate, have led industries to move to gas-producing States merely to obtain fuel. Greater quantities of other resources are used when gas regulation induces these otherwise uneconomic changes in industry location. Potential output for the economy is again reduced, while some regions are benefited and others harmed.

Another result of regulation has been a deterioration of the reserve base underlying gas consumption, and especially of the gas deliverable in the interstate market. The full requirements of already connected customers cannot now be met. Consequently, regulatory authorities must decide which parties get gas and which do not, even though each potential purchaser has equal contractual standing.

The effect of these shortfalls is exacerbated because of the way authorities allocate the available gas. Residential and some commercial customers, for whom a shift to alternative fuels would be impractical, are given the highest priority of service. Other firms are granted different priorities on the basis of the end use to which gas is put. Under this method, firms which have high priorities in the curtailment scheme do not shift to alternative fuels, even if a switch is practical. For them, natural gas remains the cheapest fuel. They have no incentive to make even a minor adjustment. While some customers would find a loss of gas supply only moderately damaging, curtailed supplies may force other users out of business altogether because fuel substitution is either impossible or prohibitively expensive. Yet, under current regulatory practice, there is no opportunity for mutually beneficial exchanges to redirect the available gas to its most valuable use. Output falls as a result; even the shortage is not allocated efficiently.

Importation of natural gas in liquefied form and its manufacture from other fossil fuels have also been encouraged by regulation. These expedients would have been either uneconomic or less significant if the natural gas price had not been held below equilibrium. A higher field price would have restricted demand, slowed the depletion of existing reserves, and raised supply, with the result that shortages would not exist at prices below the cost of alternatives.

Finally, imports of petroleum and petroleum products have been increased because of the natural gas shortage. Regulation of natural gas increases the demand for fuels as a whole. It also decreases the supply of domestic natural gas and, to some extent, of crude oil and natural gas liquids. The unsatisfied demand for natural gas in part is shifted to its closest substitute, oil. Because domestic oil supplies are limited, this demand is largely translated into increased oil imports.

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The examples of regulation discussed above are primarily Federal regulation by independent commissions. There are other types of regulation that deserve close scrutiny for the costs they may impose on the economy.

State and local governments also practice the commission form of regulation, particularly with respect to insurance and financial institutions. Another pervasive form of State and local regulation is occupational licensure. Depending on the State, people in an extremely broad range of occupations must obtain licenses: accountants, architects, attorneys, automobile mechanics, barbers, beauticians, chiropractors, electricians, embalmers, opticians, pharmacists, physicians, plumbers, radio/TV repairmen, surveyors, and others. In a similar vein, State and local governments often acquiesce in price-fixing arrangements, such as real estate settlement fees and fee schedules by professional associations. Often too, local codes of ethics and State statutes prohibit sellers of professional services from advertising or competing on the basis of price.

Federal, State, and local governments are also involved in regulating the use of so-called public resources. With regard to social costs and benefits, perhaps the most important example is regulation of the environment. There are two issues here: first, balancing the polluting uses against the nonpolluting uses, and second, choosing the appropriate instruments in order to minimize the cost of achieving this balance.

Both points are illustrated in the Federal Government's control of automobile emissions under the 1970 Clean Air Act Amendments. A recent report sponsored by the National Academy of Sciences and the National Academy of Engineering estimates the annual benefits of the existing program at \$5 billion, but the annual cost at \$11 billion (assuming that catalytic converters are replaced after 50,000 miles). According to the study, however, if the long-term standards on oxides of nitrogen (NOX) were relaxed, from 0.4 grams to 2.0 grams per mile, that cost would fall to only \$5 billion. Alternatively, a policy of applying the long-term standards only to automobiles operated principally in seriously polluted or impacted areas, 37 percent of the total, also would lower the cost from \$11 billion to approximately \$5 billion. In either case, the reduction in benefits would not be substantial, and if the NOX standard were relaxed, changing technology might ultimately render the program's cost negligible.

Governments also regulate product and input standards. For example, in the case of drugs the costs of regulation include not only the direct costs of testing (borne by the FDA and private drug manufacturers) but also its side effects: fewer new drugs and delays in the introduction of those drugs which ultimately get to the market. In 1962 Congress amended the Food, Drug, and Cosmetic Act of 1938 to require that new drugs be proved effective as well as safe. Since then, the rate of introduction of new drugs has fallen more than 50 percent and the average testing period has more than doubled. Moreover, it is not clear that the average efficacy of drugs introduced after 1962 is any higher than that of drugs previously introduced. One recent study estimates that the 1962 drug amendments cost consumers, on balance, between \$300 million and \$400 million during 1970.

REGULATORY REFORM

This discussion of governmental regulation suggests that existing laws and institutions are imposing significant costs on the economy. In surface transportation alone, one study puts the cost of regulation at between \$4 billion and \$9 billion annually. Precise estimates of the total costs of regulation are not available, but existing evidence suggests that this may range up to 1 percent of gross national product, or approximately \$66 per person per year. Reforming regulation to eliminate these costs would undoubtedly entail some income transfers. Those favored by regulation (particularly existing regulated firms, their owners, and their employees) would lose somewhat and some others (particularly ultimate consumers) would gain. For that reason and to minimize other transitional difficulties it might be desirable to provide certain kinds of adjustment assistance and to introduce changes over a period of several years. But enacting such reforms could save billions of dollars by releasing resources for other uses, helping combat inflation, and making the economy more efficient and more productive in future years.

The Administration is moving forward to accomplish such needed reforms. During 1975 it plans to submit legislation to reform the regulation of airlines, railroads, trucking, and related areas. These legislative initiatives will call for a program which includes: more freedom for carriers to raise and lower rates without regulatory interference, greater freedom to enter markets and to exit from uneconomic services, and a narrowing of the regulator's power to grant antitrust immunity.

To address other regulatory issues, the Administration has taken or has in prospect several actions. First, the President has endorsed legislation to repeal the antitrust exemption that allows fair trade laws. Second, the Administration will resubmit proposals to reform the regulation of financial institutions. Third, the Administration's proposal for a National Commission on Regulatory Reform is being resubmitted. Fourth, the Administration plans to explore with State and local officials various concrete ways of reducing the anticompetitive effects of State and local regulations. Fifth, the Administration has created a high-level task force to examine the entire range of antitrust exemptions and to make recommendations to the President within 90 days. Finally, the President will shortly outline to the public his more detailed program of regulatory reform and may include additional proposals which are now under review.

CHAPTER 6

Food and Agriculture

AT THE BEGINNING OF 1974 it was expected that tight food supplies would boost retail food prices in the early months of the year, but domestic and world food production was also expected to expand later in the year. Barring unfavorable weather, a significant increase in American grain production was anticipated, which would improve the food outlook, enable some rebuilding of grain inventories, and help remove the upward pressure on prices in the second half of 1974.

Food prices, as expected, increased sharply in the early months, rising at an annual rate of 20 percent in the first quarter. The predicted leveling off began in the spring and continued until midsummer, but it was short-lived. Unfortunately, the anticipated increase in grain production did not materialize. Crop production was severely reduced in the major grain-producing areas of the United States by poor weather. Instead of the bumper harvests that had been forecast, crop production as a whole suffered the largest setback in nearly 40 years. Instead of substantially slower increases in the second half of 1974, retail food prices advanced at a 13.4 percent annual rate between June and December 1974. During all of 1974, food prices rose 12.2 percent, the same as all consumer prices.

Two other developments had a significant impact on retail food prices last year. First were the exceptionally large increases in charges for off-farm food processing and distribution in the first half of the year, partly because margins had lagged behind increasing costs during the period of price controls. Estimates of the spreads between farm and retail prices for farm foods consumed at home indicate that they rose at a 27 percent annual rate from the final quarter of 1973 to the second quarter of 1974. The second development was the extremely steep rise in sugar prices. Nearly half of U.S. sugar supplies are imported, and the price rise was mainly triggered by events outside this country. Wholesale prices of raw sugar jumped from 11 cents per pound at the start of 1974 to a peak exceeding 60 cents per pound in late November. This increase alone would have prolonged the upward pressures on retail food prices in the second half of 1974, even without the weather-induced setbacks in crop production.

At the end of 1974 the food supply situation was as tight as a year earlier, and the prospects for 1975 were uncertain because the full impact of reduced

grain and feedstuff output was not yet reflected in supplies of animal products. Although further increases in retail food prices were in prospect, reduced economic activity appeared to be dampening the demand for food. Indeed, by year-end, wholesale prices of farm products had actually fallen below those of a year earlier. Crop prices were up substantially; but livestock prices declined nearly 15 percent compared to the previous year.

DEVELOPMENTS IN 1974

Last year's events have demonstrated again the benefits to our economy and the world from good American harvests. Crop setbacks have affected the course of food prices, imposed stresses on the livestock industry, limited the capacity of the United States to provide food aid to developing countries, and prompted close monitoring and some limitations on commercial export sales. From the standpoint of the agricultural economy, 1974 was an uneven year. On the favorable side were these developments:

Foreign Demand

Foreign demand for agricultural products continued strong. The value of exports in fiscal 1974 reached a new high of \$21.3 billion, more than double the value only 2 years earlier. In the current fiscal year the volume of exports is expected to decline, primarily because of reduced crop supplies, but the associated higher prices should maintain the value of shipments near the previous year's record. The increasing role of foreign markets has become central to policy matters concerning food and agriculture.

Farm Income

Total farm income remained high in 1974. Preliminary estimates indicate that aggregate net farm income fell some 15 percent short of the record \$32.2 billion in 1973, but was nonetheless 50 percent higher than in 1972. In the past 3 years as a whole, returns to farm resources have been sufficiently high to encourage the expansion of productive potential, but the year-to-year changes in incomes emphasize the increased uncertainty of earnings, which is itself a deterrent to additional investment and production.

Food Consumption

Food demand was strong despite higher prices, and preliminary estimates indicate that consumption per person rose slightly above 1973. Per capita consumption of all animal products advanced 2.5 percent, reflecting the large increase in domestic production of red meats and poultry. Although meat production was down early in the year, from April through October it averaged a full 10 percent above the 1974 average. In contrast to meats, consumption of dairy products declined 2 percent for the year; retail prices rose sharply as the year began; later the increased supplies of other animal products and lower consumer income reduced demand. Despite their significance, the grain crop setbacks had little direct impact on the quantity of food consumed in 1974.

Three significant adverse developments last year will have consequences in 1975 and beyond:

Costs of Production

The costs of production inputs purchased from the nonfarm economy, particularly fertilizer, rose very sharply. The impact of general inflation on the agricultural economy has increased, along with the increased importance of nonfarm purchases for farm production. In 1974 the impact was particularly large: the cost index for purchased inputs increased 18 percent in 1974. Fertilizer prices were up more than 75 percent, partly in response to rising demand and partly because of a series of supply bottlenecks. The future availability of natural gas to produce fertilizer continues to be uncertain. The major significance of the steep rise in farm costs is that they are unlikely to decline, or they will do so only with a lag, if and when there is a significant decline in farm prices. As a consequence, the total crop-producing sector, which has enjoyed an extended period of increasing prices and returns, faces a possible deterioration in its current profitability at some point in the future.

Livestock Sector

The livestock-producing sector is undergoing large adjustments because of two related factors. First, the U.S. feed grain supply for 1974-75 is estimated to be the lowest since 1957, while the demand for feed grains is substantially greater. Supplies of other feedstuffs, such as oilseed meals, are also down. The situation is especially serious for hog and poultry producers who have little flexibility in feeding practices. Both are planning significant production cutbacks, and pork production is expected to be the lowest in many years. High feed costs have also reduced the number of cattle in feedlots, where feeding margins have been depressed for over a year. At latest count, cattle in feedlots were about one-fourth fewer than a year earlier, and prices of feeder cattle have consequently been driven down sharply.

The reduced profitability of cattle herds has, in turn, intensified a more fundamental adjustment problem in the cattle industry. A steady and large buildup in cattle numbers has been taking place since the early 1960's. Incentives to expand herds were especially great in recent years, and the buildup has averaged 3.2 percent annually from 1969 to 1974. In contrast to extremely tight beef supplies in 1973, cattle herds appear to be over-expanded under today's conditions. If herds expand more slowly, or if they should be cut back significantly, extra supplies of beef will reach the market in addition to the output of the herd itself. Total beef production would consequently increase markedly, even though the weight at which the animals are marketed declines. For instance, if the 1975 expansion in cattle inventories is reduced, as expected, to 2.4 percent from the 3.2 percent average rate of the past 5 years, beef production would increase 6.5 percent. A reduction to zero in the expansion of cattle inventories could mean

an increase in beef output by 15 percent. A slower rate of expansion in cattle inventories was already evident in 1974. Despite reduced marketing of cattle from feedlots, total marketings were up 9.0 percent in 1974; and the proportion of cows in total slaughter was substantially higher by year-end.

The American situation is replicated in many other beef-exporting nations as well as in traditional importing countries. The European Community, Canada, and Japan instituted embargoes or restraints on meat imports during 1974. Stocks of beef in the European Community, acquired to support prices to producers, are considered excessive. Australia has a very large potential supply of meat. During 1974, cattle were withheld from slaughter because of favorable pasture conditions in Australia, and also because of low meat prices and restricted markets outside Australia. American meat imports during 1974 fell rather sharply, even though they were not subject to quantitative restrictions. However, at the start of 1975 the Department of Agriculture announced plans to negotiate agreements with supplying countries designed to limit imports to about the same quantities as in 1974.

The appearance of a worldwide excess supply of beef, along with extremely large advances in food prices, was one of the paradoxes of 1974. Countries concerned with inflation were at the same time restricting meat imports to shield their beef producers. At year-end much of the oversupply had not yet been marketed and will be available in 1975 to offset reduced supplies of pork and poultry, which are more dependent than beef on grains and other feedstuffs.

Poor Crops

The poor crops in the United States during 1974 will have repercussions not only on our own economy but throughout the world. The 1974-75 world production of all grains is estimated to be down 5.0 percent from the previous year, a considerably larger drop than the 1.3 percent decline in 1972. Unlike those of 1972, the setbacks were mainly confined to the United States, and the losses were concentrated in feed grains rather than food grains.

In the spring of 1974 there seemed to be good reason to expect excellent U.S. grain production even if weather conditions were to be somewhat below average. Much field preparation had been completed the previous fall. Surveys showed that farmers were planning increases in their plantings because of favorable prices and the removal of Government acreage diversion programs. Fertilizer supplies were tight, but they exceeded the previous year; and efforts were under way to minimize bottlenecks in production and distribution. Then wet weather delayed spring plantings—which itself slightly reduced yields and made crops more vulnerable to early frosts—and prevented some fields from being planted at all. But the summer's dry and hot weather was the major setback. Preliminary official estimates of the

feed grain crop fell from 234 million (short) tons in March to 215 million tons in July, and then to 175 million tons in August, when the first survey based on actual yield estimates became available. Significant though smaller reductions occurred for wheat (from 2.1 billion bushels in March to 1.8 billion bushels in August) and soybeans (from 1.5 billion bushels in March to 1.3 billion bushels in August). Severe frosts in September and early October further damaged the feed grain and soybean crops.

This development created several problems. First, it reversed the expectation of price relief from improving food supply in the second half of 1974. Much of the adverse impact on food supplies will occur in 1975, however, as producers of livestock, poultry, and dairy products cut back their output in response to higher feed costs.

For this reason, it is important that the severe adjustments expected in the United States not be worsened by policies in other countries. Few countries permit agricultural markets to operate in an unrestricted way. If international markets were less restricted, however, the U.S. crop shortfall would result in higher feed costs to livestock producers abroad and in reduced feed consumption. Moreover, grain stocks would not be built up under such tight supply conditions. Consultations based on these principles were held with Japan, the European Community, the Soviet Union, and several other countries, the aim being to seek cooperation so that these countries would attempt neither to build stocks this crop year nor to insulate their economies from the adjustments to tight world grain supplies.

Further deterioration of U.S. crops in the fall of 1974, setbacks in other key countries, and speculation that the United States might impose export controls resulted in an upsurge of export orders reported under the Department of Agriculture's export monitoring system. Although pressures to control exports were intense, formal controls were resisted because the previous year's experience with soybean export controls demonstrated the serious impact of such a policy on our foreign customers. The prudent course consistent with international and domestic objectives seemed to be minimum Government interference with the flow of exports.

The Soviet Union, which had not been expected to purchase substantial quantities of grain from the United States, entered the market for larger quantities than had been anticipated. When this became evident, the Soviet sales were at first canceled; subsequently officials of both countries agreed that U.S.S.R. purchases would be limited to 1.0 million tons of corn and 1.2 million tons of wheat from the 1974 crops. A voluntary daily reporting system for larger orders was soon established under which approval is required before orders can be finalized. A number of other countries, including the European Community, have been requested to restrain their imports voluntarily during the current crop year.

Another related consequence of the crop shortfall has been the emergence, particularly in connection with the World Food Conference, of extraordinary pressures to increase substantially the volume of food aid

shipments under Public Law 480. The U.S. crop shortfall placed two new strains on the capacity to supply food aid. It first raised the opportunity costs of any given quantity of food aid, since any incremental exports would only aggravate the adjustments required in the United States. It also raised the budgetary costs of any given volume of food aid during a period of concerted effort to hold down Federal expenditures. At the same time, however, the immediate benefits to recipient countries from more food aid would be significant. The great difficulties in resolving the conflicting objectives have shown the pitfalls in existing food aid programs, which have been a by-product of U.S. surplus disposal programs and closely tied to supply conditions for particular commodities.

LONG-TERM CHANGES IN AGRICULTURE

American agriculture finds itself in the mid-1970's at a watershed. A number of economic forces have converged to change substantially the economic environment in which the agricultural sector operates. Some of these forces are new, while others have been operating for some time to change the economic conditions faced by agriculture.

Agricultural policy underwent considerable evolution during the 1960's. In the early years of the decade agriculture was characterized by excess productive capacity and burdensome stocks that were primarily the consequence of price support programs. Crop prices were sustained in nominal terms during the decade, but rising prices in the nonfarm sector meant a downward drift in real prices. Agricultural production was brought into better balance with demand by the late 1960's, although this result was achieved in part through land retirement programs and direct cash payments to producers that reached nearly \$4.0 billion per year.

Both the economic environment and the conditions in U.S. agriculture have since undergone substantial change. Excess capacity has declined, crop reserves have been drawn down, the world agricultural situation seems to have worsened, and agricultural products again appear to be subject to the unstable price conditions of an earlier era.

THE DECLINE IN EXCESS CAPACITY

Four major developments suggest that the excess capacity which characterized U.S. agriculture during much of the post-World War II period has declined. First, there appears to have been a decline in the growth rate of productivity of the combined factors used in farm production. Second, after many decades of excess labor in agriculture, the supply of labor appears to be moving into balance with demand. Third, what was believed to be a large acreage reserve withheld from production turned out to be in part illusory. Finally, there has been an increase in the demand for U.S. agricultural output, partly because of the two devaluations of the dollar and a shift to floating exchange rates, which have improved the competitive position of U.S. farm products in foreign markets.

Changing Sources of Growth

Contrary to the common notion that agriculture is a natural resource-based industry, the expansion of U.S. agricultural output since the 1920's has borne little relation to the total stock of physical resources used in agriculture. Major changes have taken place, however, in the proportions in which resources are used. For example, the stock of land in agriculture has remained relatively stable, while labor has moved out of agriculture at a rapid rate; the use of capital in the form of mechanization has increased, as has the use of modern inputs such as fertilizers and pesticides. Agricultural output has become progressively more dependent on resources produced in the nonfarm sector, and less dependent on land and labor.

Although the total stock of measured inputs has remained relatively stable, increasing productivity permitted fairly steady and sometimes burdensome increases in output. The source of improving productivity has been a subject of much debate. Public and private investments in research and development have led to better plant varieties, production techniques, and animal husbandry, and have improved the productivity of machinery, fertilizer, and other supplies purchased from the nonfarm sector. Better methods of production in the nonfarm sector have reduced the relative price of these inputs, causing them to be substituted for land and labor. Education has added greatly to the quality of labor and management in agriculture.

The changes in resource use and other indexes for the agricultural sector are shown in Table 41. The index of farm real estate, which reflects a charge for grazing fees and the use of land and service buildings, declined about 6 percent from 1950 to 1969-71. (Total land in farms remained virtually constant from 1940 to 1969, and land used for crops declined 10 percent.) But the application of fertilizer—an important land substitute—has increased rapidly, partly because successive technological breakthroughs in the fertilizer industry reduced fertilizer prices relative to the prices of output and

TABLE 41.—*Farm output and productivity, selected years, 1940-71*

[1967=100]

Category	1940	1950	1960	1969-71 average
Selected inputs:				
Labor.....	288	214	143	92
Farm real estate.....	102	104	99	98
Mechanical power and machinery.....	41	83	95	102
Agricultural chemicals ¹	13	30	50	113
Feed, seed, and livestock purchases.....	43	64	84	107
Taxes and interest.....	68	77	87	105
Miscellaneous.....	84	93	109	106
Total input.....	97	101	98	101
Total output.....	60	74	91	105
Productivity ²	62	73	93	103
Number of farms.....	201	179	125	93

¹ Fertilizer, lime, and pesticides.

² Farm output per unit of total input.

Source: Department of Agriculture.

other factors of production. The use of fertilizer had increased 129 percent from 1940 to 1950. This rise was from a relatively low base, but fertilizer use increased 69 percent from 1950 to 1960, and another 113 percent during the 1960's.

The use of labor has declined fairly steadily from 1940 through 1969-71. A reduction of 26 percent in the 1940's was followed by a 33 percent reduction in the 1950's and an additional 36 percent reduction in the 1960's. However, the quality of the labor force has improved substantially. The reduction in the measured labor force therefore overstates the true decline taking place in labor use as skills and knowledge become an increasingly important component of the total.

The decline in the labor input has been offset at least in part by mechanization. Mechanical power and machinery in Table 41 represent depreciation and a use charge on the mechanical inputs, expenditures for maintenance, and fuel and energy. The most rapid increase in this category took place in the 1940's (102 percent) and was partly a war-induced phenomenon that resulted from labor mobilization for the war effort. The increase was substantially lower in the 1950's (14 percent) and still lower in the 1960's (7 percent). However, the measurement of this input probably does not fully capture the improvements in the efficiency of machinery in the last two decades, and hence understates the true increase.

Associated with these large changes in resource proportions have been a large and persistent decline in the number of farms and fairly steady advances in productivity, as it is conventionally measured. Total factor productivity has risen over each of the past three decades. It grew most rapidly during the 1950's, showing an increase of 27 percent compared to an increase of 18 percent in the 1940's and of only 11 percent in the 1960's. The extent to which the dramatic decline in productivity growth in the 1960's represents a real and enduring decline is not clear, but the answer is of critical importance to the future trends of U.S. and world food supply. Growth in productivity has been an important source of output growth in the past. It has enabled the United States to be one of the best-fed countries in the world, yet provide substantial food aid to other countries and simultaneously increase commercial exports. At the same time it has enabled the agricultural sector to supply large quantities of labor to an expanding economy.

The Agricultural Labor Market

A major share of the so-called farm problem in the last 20 to 25 years was a consequence of excess labor in the agricultural sector. Historically, the rapid increase in farm productivity, compared to other sectors, and the slower relative increase in the demand for farm products have required a transfer of labor to the nonfarm sector. Farm incomes, of course, lag behind nonfarm incomes as long as transfers are continuing. For all practical purposes, however, this process appears to be nearing an end.

The Nation's farm population reached a peak of 32 million in the depression years of the early 1930's. Since that time the trend has been

downward, except for a brief period following World War II, with steep declines for each decade starting in 1940 (Table 42). This decline, which took place at a rate of 4.6 percent per year during the 1960's, has slowed substantially since 1970 to an average of only 1.2 percent a year, marking the first extended period since the late 1940's that the reduction of the farm population has slowed.

TABLE 42.—*Farm population and farm employment, selected years, 1930-74*

Year	Farm population ¹		Farm employment	
	Number (thousands)	Percent change (annual rate) ²	Number (thousands)	Percent change (annual rate) ²
1930.....	30,529	-----	12,497	-----
1940.....	30,547	0.0	10,979	-1.3
1950.....	23,048	-2.8	9,926	-1.0
1960.....	15,635	-3.8	7,057	-3.4
1970.....	9,712	-4.6	4,523	-4.4
1974.....	9,264	-1.2	4,294	-1.3

¹ Farm population includes people residing on units officially defined as farms. Since many of these "farms" are little more than rural residences for people attached to urban labor markets, the data overstate the number of people actually engaged in agricultural production.

² Annual rate of change from preceding year shown.

Source: Department of Agriculture.

Farm employment declined during the 1950's and 1960's at about the same rate as farm population, and has also declined at a much slower rate since 1970. Another indication of the increased balance between the farm and nonfarm labor markets is that the rise between 1970 and 1973 in median family income (measured in 1973 dollars) has been much more rapid among farm families, amounting to about 30 percent, compared to an increase of about 6 percent for nonfarm families in the same period. In 1970 the median income of farm families was about \$3,700 less than that of nonfarm families; by 1973 the differential had been reduced to about \$2,100.

The transfer of labor from agriculture to the nonfarm sector has been an important source of growth for the economy at large. Even if the aggregate farm population and labor force continue to decline, the movement of labor from the farm sector will probably make much smaller net contributions to a growing nonfarm labor force in the future. Average annual net outmigration during the 1950's and 1960's was 741,000 and 592,000 respectively, with a much larger gross outflow because of a considerable reverse movement. From 1970 to 1974, however, the average net outmigration was only slightly over 110,000 per year. The population base in agriculture is no longer large enough to provide outmigrants on the same scale as in the past, even with significant mechanical innovations and reorganizations within agriculture.

The problem of low relative incomes in agriculture has been the justification for many of the farm policy measures over the last 40 years. If the agricultural labor market is indeed near equilibrium, low farm incomes

should play a smaller role in shaping future farm policy. Certain groups in agriculture will continue to be disadvantaged, however, because of continuing regional imbalances and because certain components of the farm labor force do not have the skills to compete in nonfarm labor markets.

An Illusory Land Reserve

It was believed until recently that about one-sixth of the Nation's cropland was being withheld from production by Government programs and constituted reserve capacity. When these acres were released in 1973 and 1974, however, it became clear that many of them were unprofitable to bring back into production, even at higher prices. Crop acreage rose by only 37 million acres between 1972 and 1974, even though about 60 million acres were released from acreage controls. Thus, the actual excess capacity from this source was not nearly as large as the data suggested.

Undoubtedly the United States has additional land that could be brought into production. Substantial new investments will often be required, however, and such investments are unlikely to be made unless prices remain at higher levels than in the past. Moreover, for the most part such land will be marginal to that now in production, with the result that its contribution to output expansion will be less than that of land now being used.

Devaluation of the Dollar

American agriculture has benefited from an unprecedented export boom in the 1970's. The volume of exports averaged 39 percent higher in the 1972-74 period than in the previous 3 years (fiscal year basis). Part of this increased demand may be temporary. Demand for U.S. feed grains and soybeans was growing rapidly in 1972 and 1973 because of the rapid and simultaneous economic growth in Western Europe and Japan, and the consequent upgrading of their diets with more meat products. In addition, world output of grains declined in 1972 for the first time in 9 years. The bulk of the decline was outside of the United States; this situation, along with a shift in Soviet policy to maintain food consumption when output in their own agricultural sector declined, generated additional demand for U.S. exports.

Part of the increase in foreign demand for U.S. agricultural products was also due to the devaluations of the dollar in late 1971 and early 1973 and the shift to a system of floating exchange rates. Between May 1971 and the end of 1974 the dollar fell 13 percent relative to other currencies weighted by trade in our agricultural products.

The devaluations produced a once-and-for-all increase in the foreign demand for U.S. exports, although the effect is spread over several years. In addition, they caused imports of agricultural products—which grew substantially during the 1960's and early 1970's—to become less competitive in the U.S. market. The combination of greater foreign demand for U.S. agricultural output and a decline in competitive imports contributed to an increase in demand for U.S. products.

The depreciation of the dollar ended a period during which the overvaluation had reduced exports and kept domestic prices of agricultural products lower than they otherwise would have been (an effect that was offset at least in part by price supports, export subsidies, and other programs). During this period the United States sacrificed from a trade standpoint part of the comparative advantage that U.S. technological superiority in agriculture would have given it in world markets. Reduced exports also meant lower prices for U.S. consumers. The overvaluation of the dollar also intensified the normal need for resource adjustment that rapid increases in agricultural productivity had caused, and thereby contributed to the relatively low returns to resources employed in agriculture.

Owners of agricultural resources in the aggregate have benefited from the devaluation just as they had been penalized by the overvaluation, but the benefits have not been uniform. Grain producers have received significantly higher prices in the short term, but livestock producers have suffered because the prices of feedstuffs have increased. Once the increased demand has worked through the system, a new equilibrium will be established with higher prices for both grains and livestock products. The effect on factor returns will be determined largely by their relative elasticity of supply. The presumption is that the bulk of the benefits will be reflected in higher land values and larger returns to managerial skills, both of which are quite inelastic in supply.

Prices of grains are currently at relatively high levels, in part because of the shortfall in production of grains in the United States. As output recovers, prices should decline, but not to their pre-1972 levels unless there are other basic changes in demand and supply. Owners of agricultural resources will receive a larger share of the benefits of technical change in U.S. agriculture than they have in the past, as will foreign consumers. U.S. consumers, on the other hand, will receive a smaller share. The proportion of U.S. output that is exported should be larger than before the devaluations, and the price of food to U.S. consumers will be more heavily influenced by supply-demand conditions abroad.

A CHANGING WORLD AGRICULTURE

The capacity of the world to feed a growing population adequately has been a continuing concern. Beginning in the late 1960's, the world food situation began to improve markedly, and by 1971 considerable optimism was felt around the world. The so-called "Green Revolution" of miracle wheat and rice varieties and the greater use of fertilizer had increased the output of food grains, especially in Asia. Countries that had become traditional importers suddenly became self-sufficient or net exporters. India was even able to accumulate sizable reserves.

In sharp contrast, much has been made during this past year about a possible Malthusian crisis in the less developed countries. Population is growing at quite high rates in these countries and has done so since World

War II. Unless the growth of population slows, many question whether the necessary large increases in agricultural output can be achieved in the future. The upsurge in commodity prices these last 2 years and the famine conditions in the African Sahel and in South Asia bolster these fears.

This concern may be exaggerated, although there are a number of troublesome developments in world agriculture. One is a decline of approximately one-fourth in the growth rate of world agricultural production (excluding Communist Asia), from 3.0 percent in 1964-68 to 2.3 percent in 1968-73, or little more than the growth rate in the world's population. The decline is largely accounted for by a slowing of the growth of production in the developed countries, however, and was the result of explicit policies designed to bring the agricultural sectors of these countries into balance prior to 1973. Output increased at a rate of only 2.0 percent per year in the developed countries in the more recent period, a decline of one-third from their growth rate of 3.0 percent in 1964-68. In the less developed countries, on the other hand, where population pressures are greatest, output increased at 2.6 percent in the earlier period compared to 2.8 percent in the latter.

Viewed from a longer perspective, world agriculture has performed reasonably well. Prior to 1972 there had been 20 years of uninterrupted increases in output; as a result a population that was growing at unprecedented rates by historical standards was provided a small but significant increase in consumption per capita. During 1954-73 per capita food production in the developed countries increased about 1.8 percent annually. In the less developed countries, where the population was increasing most rapidly, the increase per capita was smaller, about 0.4 percent per year, but still significant.

Despite this relative success in feeding a larger population with increasing quantities of food, total agricultural output declined in 1972 after two decades of steady growth, and preliminary data for 1974 indicate no increase over 1973. Some attribute this to a fundamental change in the weather. Although climatic conditions may have been favorable in recent decades, 3 years are not enough to permit final conclusions about a shift in the weather. Whether output growth returns to sustained rates of increase will be a critical issue in the years ahead.

A second change is a reduction in the supply of new land that can be brought into production, at least at supply prices of the past. This fact is especially important for the developing countries, where the increases in output have been largely the result of increases in the area of land under cultivation. Grain yields in the developing regions, for example, were only 32 percent above the 1948-52 level in 1966-70. Over the same period, grain yields had increased by 63 percent in the industrial regions, with very little increase in land under cultivation. In countries like India, moreover, the land resource has been damaged by water and wind. Much land around the world can clearly be brought into production, but to do so requires investments in roads, transportation, land reclamation, and drainage.

The emerging land constraint need not limit increases in output, as the experience of the United States and other developed countries demonstrates. But the ability to achieve more rapid increases in yields will require the development and adoption of improved techniques of production and abundant quantities of modern agricultural inputs. This, in turn, will require greatly expanded public and private investments in research and development, as well as enlarged production capacity to provide adequate supplies of fertilizers. With rising costs of energy, at least nitrogen fertilizer is likely to be more expensive than in the past.

A third change in world agriculture is the increased dependence on the United States as a supplier of agricultural products (Table 43). As recently as the late 1930's, North Africa, the Middle East, and Asia were net exporters of grains. Now these regions are consistently net importers. Similar trends elsewhere have made the United States the dominant exporter of grains, responsible for more than 50 percent of the total.

A number of recent studies have projected a growing imbalance in food supplies between the developed and the developing economies. Unless production accelerates, the developing countries are expected to have growing food deficits well into the 1980's. The developed countries, on the other hand, are expected to have growing surpluses.

The post-World War II increase in overall trade has largely been among the developed countries, with a decline in the share of trade between the developed and developing countries. This trend must be reversed if the projected imbalance is to be accommodated. The developed countries may have to import more raw materials and industrial products from the developing countries in exchange for agricultural products.

TABLE 43.—*World net imports and exports of grain, selected periods, 1934–73*

[Millions of metric tons; annual averages]

Country	Net imports (—) or net exports				
	1934–38	1948–52	1960–62 ¹	1969–71 ¹	1972–73 ¹
Developed countries:					
United States.....	0.5	14.0	32.8	39.8	73.6
Canada.....	4.8	6.6	9.7	14.8	14.8
South Africa.....	.3	.0	2.1	2.5	3.1
Oceania.....	2.8	3.7	6.6	10.6	8.9
Western Europe.....	–23.8	–22.5	–25.6	–21.4	–21.0
Japan.....	–1.9	–2.3	–5.3	–14.4	–18.5
Centrally planned countries:					
U.S.S.R. and Eastern Europe.....	4.7	2.7	.5	–3.6	–14.2
China.....	–1.0	–.4	–3.6	–3.1	–6.3
Developing countries:					
Latin America.....	9.0	2.1	.8	3.2	.6
North Africa and Middle East.....	1.0	–.1	–4.6	–9.2	–13.7
Asia.....	2.4	–3.3	–5.6	–11.0	–14.8

¹ Fiscal years.

Note.—Grain includes wheat, milled rice, corn, rye, barley, oats, sorghum, and millet.

Source: Department of Agriculture, Economic Research Service.

GREATER PRICE INSTABILITY

A number of factors suggest that the U.S. food and agriculture sector has entered a period of greater price instability. The large stocks of agricultural products in Government hands, which reflected the excess capacity at prevailing prices, were largely liquidated during 1972 and 1973. These stocks provided a stabilizing influence on the market, since they offered a means of dampening and offsetting year-to-year fluctuations in production both in the United States and abroad. Similarly, a land reserve, withheld from production during the late 1950's and 1960's, provided another means of offsetting changing conditions of demand and supply. Without these cushions, agricultural prices are more subject to changing market conditions both at home and abroad. Moreover, the expectation that a larger share of U.S. output will go to export markets will further expose the agricultural sector to the vagaries of world markets.

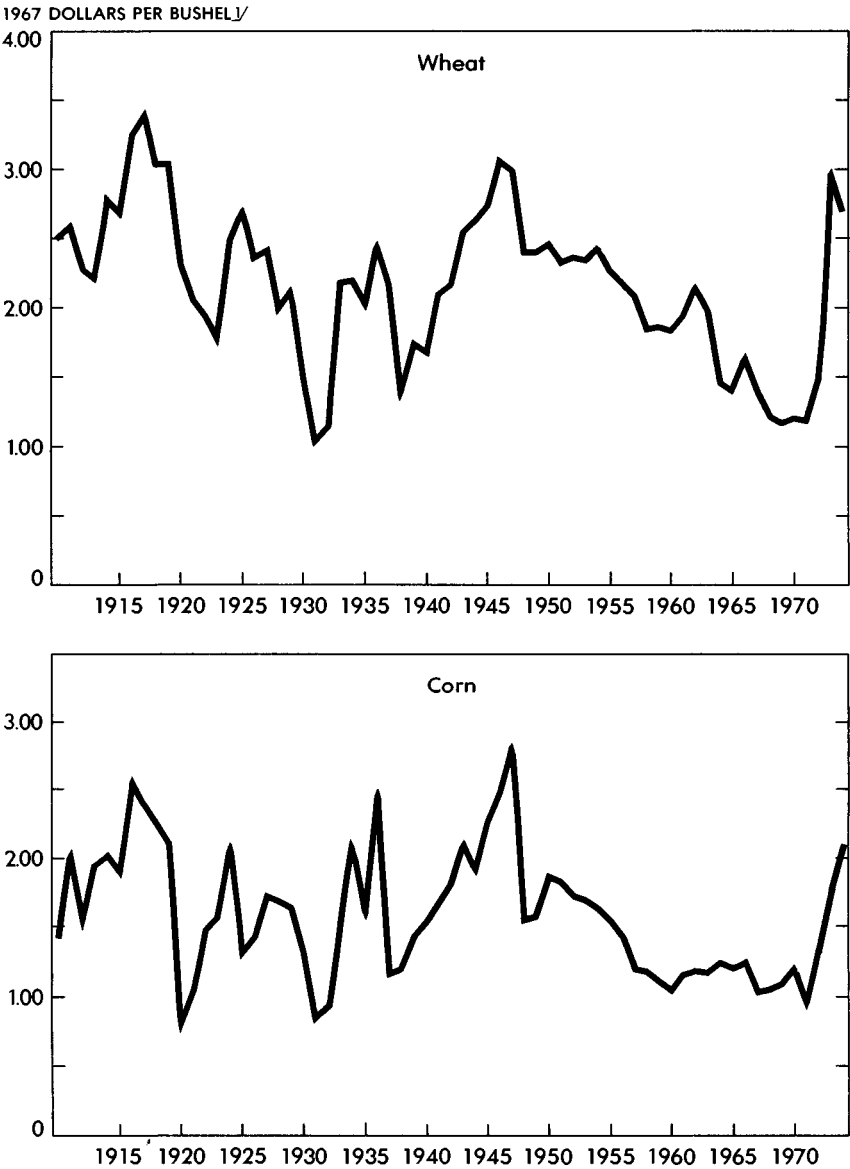
A number of conditions have intensified the effects in the United States of fluctuations in world agriculture. The domestic agricultural policies of the European Community and Japan inhibit the adjustments that can take place in their agricultural markets. Consequently, the burden of adjustment to changing conditions of demand and supply is pushed onto the United States and other exporting countries. In addition, the growing involvement of the U.S.S.R. in world trade in recent years has transmitted to world markets the shocks stemming from fluctuations in the relatively unstable agricultural sector of that country. Some 80 percent of the year-to-year fluctuations in the world wheat trade since 1960 have been accounted for by swings in Soviet wheat trade.

Charts 9 and 10 provide a historical perspective of the price instability problem for four important agricultural products. Actual prices have been deflated by the wholesale price index (1967=100) for all commodities in order to express them in real terms. Compared to prices before 1950, agricultural prices were much less volatile from 1950 to 1971, when there were larger reserves in the form of excess productive capacity and actual stocks of grain. The extent to which the price variability declined from 1910-49 to 1950-71 is shown in Table 44 for six important products. Measures of variability (variance and coefficient of variation) declined in every case except the coefficient of variation for wheat; and in some cases the decline was quite large.

Factors other than reserves undoubtedly influenced the degree of instability in the two periods. Recessions in the post-1950 period were mild compared to those earlier, and built-in stabilizers acted to cushion the declines in income when a recession did occur. Income-induced fluctuations in demand were therefore milder in the more recent period. Barriers to trade were relatively high from 1920 to 1950 but lower after World War II, despite the previously mentioned foreign agricultural policies which affect trade. A greater integration of countries by means of trade has taken place in the

Chart 9

Farm Prices of Wheat and Corn in Constant Dollars



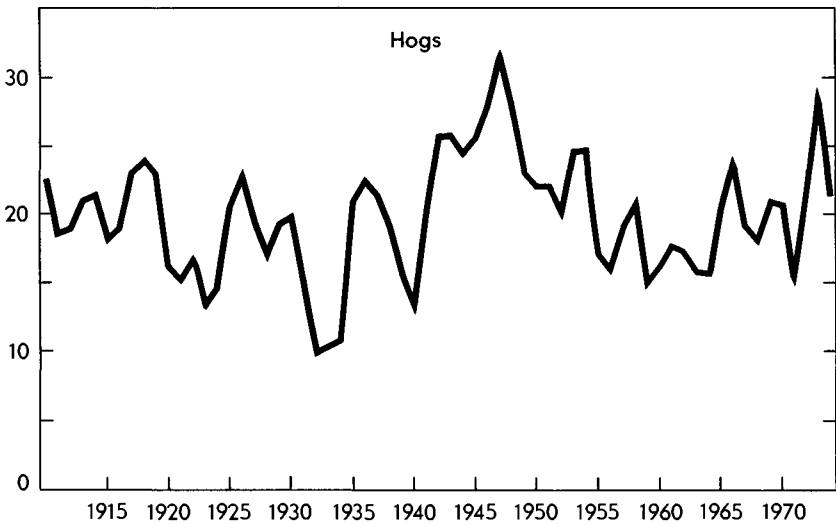
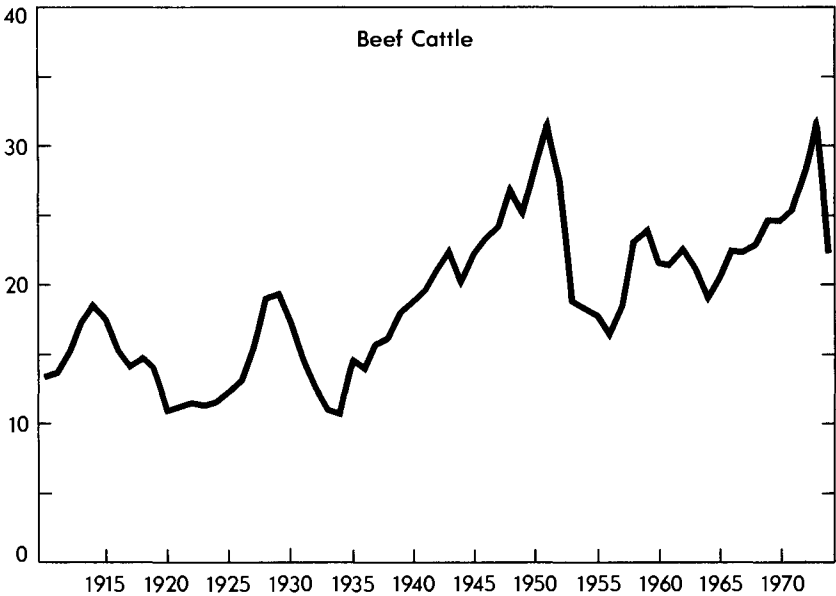
^{1/}CURRENT DOLLAR PRICES RECEIVED BY FARMERS DEFLATED BY THE WHOLESALE PRICE INDEX FOR ALL COMMODITIES (1967=100).

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

Chart 10

Farm Prices of Beef Cattle and Hogs in Constant Dollars

1967 DOLLARS PER HUNDREDWEIGHT ¹/_J



¹/_J CURRENT DOLLAR PRICES RECEIVED BY FARMERS DEFLATED BY THE WHOLESALE PRICE INDEX FOR ALL COMMODITIES (1967=100).

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

TABLE 44.—*Indicators of the variance of farm prices in constant dollars, selected periods, 1910-71*

Commodity and period	Mean ¹	Variance	Coefficient of variation
Wheat:			
1910-49.....	2.31	0.279	0.229
1950-71.....	1.84	.190	.236
Corn:			
1910-49.....	1.73	.227	.276
1950-71.....	1.31	.072	.206
Cotton:			
1910-49.....	33.8	92.9	.285
1950-71.....	32.3	50.2	.219
Soybeans:			
1910-49.....	3.08	.914	.311
1950-71.....	2.56	.091	.118
Beef cattle:			
1910-49.....	16.43	17.9	.258
1950-71.....	22.36	13.2	.162
Hogs:			
1910-49.....	19.88	23.7	.245
1950-71.....	19.13	8.7	.154

¹ Annual averages: Dollars per bushel for wheat, corn, and soybeans; cents per pound for cotton; dollars per hundred pounds for beef cattle and hogs.

Sources: Department of Agriculture and Council of Economic Advisers.

recent period, and transportation and communication systems are greatly improved. These improvements not only diffuse shocks from the supply side somewhat more broadly, but also make for a quicker adjustment to changing economic conditions.

Although the stocks in Government hands during 1950-71 were acquired as a means of supporting prices above market-clearing levels, not as a stabilization reserve, their acquisition and release appear to have provided an important stabilizing influence on commodity markets. This stability was not without its costs, however. The stocks were quite large, and consequently they were costly both to acquire and to maintain. Since they were acquired as a by-product of programs designed to support farm prices, the increased stability was also a by-product. But the maintenance of comparable reserves for stability purposes would have similar costs.

A key question is whether we have returned to a period of increased price variability comparable to that prior to 1950. Grain prices have increased very greatly in 1973 and 1974. Yet normal weather in the United States and around the world will enable grain output to recover sharply in 1975. This increased supply would come into the market under conditions of weakened demand both from cyclical downturns in the economies of the developed countries and from a reduction in livestock enterprises. The consequence could be an abrupt reversal of the present situation, with much lower grain prices and higher prices for livestock products.

Certainly there are some elements in the present situation that are comparable to the period prior to 1950, especially the absence of large stocks. On the other hand, as noted above, important differences exist in the current situation which should serve to attenuate the price fluctuations.

Without a significant rebuilding of stocks, more price instability should be expected than during the 1950's and 1960's, but it seems unlikely that year-to-year changes will be as large as in the earlier era.

POLICY CHALLENGES AND OPTIONS

U.S. agricultural policy has in the past been dominated by two somewhat contradictory themes. The first has been the attempt to increase agricultural output, largely through public investments in agricultural research, the dissemination of new agricultural techniques, and in some cases the subsidization of inputs. The second theme has been a concern with the problem of low relative incomes in agriculture, which led to programs aimed at supporting farm prices above market-clearing levels and holding production down through restricting acreage and at times marketings.

An unintended by-product of these programs was the accumulation of sizable stocks of agricultural products in Government hands. These stocks and the recently diverted acres provided a degree of increased stability to commodity markets. They were also the means by which considerable amounts of food aid were provided to foreign countries, aid that eventually became an important component of the Nation's foreign assistance programs. But these benefits were obtained at considerable cost: less efficient use of the Nation's resources and heavy Government involvement in the agricultural sector.

The changed conditions of agriculture and the shift to market-oriented domestic farm policies that took place during the 1960's and early 1970's have solved many of the earlier difficulties, but new issues have emerged. The decline in excess capacity in agriculture and the sharp increase in food prices have added to the importance of obtaining low-cost increases in agricultural output. Moreover, with the growing interdependence between U.S. and foreign markets, the U.S. consumer may for the first time have an obvious interest in expanding the agricultural output in developing countries and improving the stability of international markets.

The rise in incomes in agriculture has reduced the importance of the farm-income problem. There will undoubtedly be an increased concern about instability, however, with the danger that in attempting to deal with this problem we will return to policies that created other problems in the past. If prices should decline precipitously from their current high levels, the temptation will be great for the Government to intervene by raising price supports above market-clearing levels.

The return of the dollar to near equilibrium exchange rates and the shift to floating rates place the United States in a better position to capitalize on the considerable comparative advantage that it has in agricultural products. To do so, however, will require continued emphasis on trade liberalization. Parallel to this is the need to encourage more market-oriented agricultural policies among our trading partners in order that the United States need not carry a disproportionate share of the adjustment to changing conditions of

demand and supply in world markets. Further adjustments in our own agricultural and trade policies will also contribute to a more flexible agricultural sector.

AGRICULTURAL DEVELOPMENT

The World Food Conference held in Rome in November 1974 had the primary objective of devising means of coming to grips with the emerging world food problem. The United States proposed to the Conference a comprehensive program of urgent, cooperative worldwide action on five points:

1. Increasing production in food-exporting countries.
2. Accelerating production in developing countries.
3. Improving the means of food distribution and financing.
4. Enhancing food quality.
5. Ensuring security against food emergencies.

Increasing agricultural output both at home and abroad is probably the critical issue on this agenda. Our state of knowledge with respect to ways of fostering agricultural development has advanced considerably in the last decade. Studies have shown that investments in developing and disseminating new production technology tend to have a high rate of social return. The adoption of new production technology involves increased use of modern inputs, such as fertilizer and machinery, which are produced in the nonfarm sector. The capacity to produce these inputs usually needs to be increased if generalized modernization is to take place, and adequate price incentives are important for their adoption. Similarly, improvements in the human agent through investments in schooling and training programs are required for the rural population.

Many developing countries have tended to underinvest in agricultural research and in the schooling of their rural population. Moreover, they have often concentrated their industrialization efforts on steel mills and the accoutrements of a modern mass-consumption society, to the neglect of industries which would have provided expanded supplies of modern agricultural inputs. In addition, they have discriminated against their agricultural sectors by means of trade and domestic price policies, thereby reducing the incentives to adopt modern inputs.

If these policies are changed, there is good reason to expect food output to keep up with increasing population and growing demand into the foreseeable future. To change the policies, however, will require considerable political courage and the ability to focus on longer-run requirements rather than short-term exigencies.

Even with changed policies by the developing countries, there is still a role for assistance by the advanced countries to facilitate the modernization of world agriculture. The United States has a tradition of providing such assistance, starting with President Truman's Point IV program. However, foreign assistance provided through that program concentrated on the transfer of our own knowledge rather than the development of new knowl-

edge, and therefore placed undue emphasis on strengthening farm extension programs in developing countries. The limitations on the transfer of agricultural production technology from one area to another were not adequately recognized, nor was the importance of strengthening the capability for agricultural research under ecological and economic conditions similar to those in which the new production technology was to be used.

In recent years the United States has shifted a larger portion of its diminishing foreign aid budget toward agricultural development, with particular emphasis on assisting small producers and landless workers. The United States has also supported since its inception the Consultative Group on International Agricultural Research, which allocates resources to the International Centers for Agricultural Research, and more recently it has agreed to establish an International Fertilizer Development Center in the United States.

The immediate challenge in strengthening world agriculture is to develop the national capabilities for agricultural research in the low-income countries. The generation and application of new production technology are the keys to agricultural development, particularly where land constraints exist. Although basic principles and basic plant material can usefully be transferred, new production technology for the most part has to be developed under the conditions in which it will be used.

There is also continued need to support agricultural research in the United States, as well as a need to make more effective use of existing resources. The private sector can and does support a great deal of agricultural research, and its expenditures for this purpose have grown. However, the private sector can be expected to undertake only that research from which it will be able to capture a return. Much of the knowledge produced from agricultural research is a public good, and private entities cannot capture the full benefits from it. This is especially true of basic research.

There has been a shift toward more applied research in recent years, partly because of budget measures and partly to make the research effort both more visible and more accountable. In fact, however, publicly supported research might better concentrate on basic research, leaving the applied research to the private sector. At the same time, attention might be directed to the efficiency of the current research establishment. The appropriate number of research stations, the division of labor between the universities and other research institutions, and the priorities in the research program itself are questions that should be examined.

Public support (State and Federal) for agricultural research in the United States has increased only slightly (1.6 percent) in constant dollar terms from 1968 through 1973, with a somewhat larger increase in scientific man-years devoted to such research. As a fraction of the gross national product from agriculture, however, public expenditures on research have declined from 1.4 percent in 1968 to 1.2 percent in 1973. At the same time there has

been a shift away from output-increasing research and toward a greater emphasis on social and environmental problems.

THE INSTABILITY PROBLEM

Changes in relative prices are desirable because they provide important signals to both consumers and producers about changes in relative scarcity of products. They help ration limited supplies among competing uses in times of short supply and encourage consumption when supplies are large. Agricultural prices are subject to larger fluctuations than many other products, mainly because production is subject to unpredictable shocks from the weather. Moreover, the biological nature of the production process results in a considerable lag between the time resources are committed to production and the time output is forthcoming, and the climatically induced production cycle limits the extent to which crop shortfalls can be replenished. In contrast, many other sectors of the economy have a continuous production process and output can more easily be adjusted to changes in demand.

Large swings in agricultural prices result in a loss in resource efficiency, since producers will frequently have made the wrong decision *ex post*. In addition, wide fluctuations in agricultural prices lead to transfers of income between producers and consumers. While these shifts will be offsetting over several years, they can be severe from the standpoint of either group in a particular year.

For producers, part of the problem is obtaining adequate information. If at the time of committing resources to production they knew what the demand would be when their output was expected to be sold, they could adjust their production decisions accordingly. Hence, information has value to society, and both producers and society at large can afford to use resources to improve that information, although there are obvious limits to predicting the weather and to a lesser extent Government policy.

Institutions have developed which provide protection to participants in unstable agricultural markets. An important example is futures markets, which offer a way of reducing uncertainty through hedging operations. Futures markets furnish an efficient means of pooling informed judgments about what prices will be. But because they cannot remove the source of price instability, they do not remove the basic resource misallocation that results from widely fluctuating prices. The farmer who makes production decisions based on \$3 corn can protect that price through an appropriate hedging operation. However, if his corn is valued at \$1 when it is sold, the cost from producing inappropriate quantities will still be there.

Government policy can help alleviate the instability problem in many ways, through: (1) improved information and analysis, (2) greater coordination of domestic agricultural policies among countries, (3) freer trade in agricultural products, and (4) building and maintaining greater grain reserves or stocks for use in years of crop shortfall. Whether the latter is required will depend in part on success in the other endeavors.

Improved Information and Analysis

The traditional Government role of providing information and analysis is an essential component of a free market philosophy. The importance of both is now greater than ever, especially in view of the interdependence of the U.S. food and agriculture sector with the world economy. With increased instability, more accurate forecasts of future market conditions will lead to a more rational allocation of resources. But improved forecasting will require an improved data base both here and abroad, the cooperation of other governments, and a strengthened and expanded capability to analyze these data. During the past year several significant steps have been taken to upgrade the statistical programs and forecasting work of the Department of Agriculture.

Coordination of Domestic Agricultural Policies

The Government has also sought to improve coordination among countries in the conduct of their domestic agricultural policies. For example, consultations were held in 1974 with many countries in order to obtain adjustments in domestic policies that would help alleviate the pressures from reduced U.S. grain output and large worldwide supplies of beef. Greater coordination in the future can cushion the shocks imposed on U.S. agriculture from abroad.

Trade Liberalization

Trade liberalization is an essential element in providing increased stability in world markets and in assuring food security for all countries. Weather-induced fluctuations in production could be offset through changes in exports and imports, thereby evening out the supply for any one country. The larger market area that would result from freer trade would increase the chance that the effects of bad weather in one location would be offset by good weather in other areas.

Efforts to liberalize trade are hampered by domestic agricultural policies designed to fix prices either above or below what would be market-clearing levels in the absence of such policies. Both kinds of policies have trade implications and are potentially destabilizing to world markets. If prices are set above market-clearing levels, restrictions on imports have to be imposed. If they are set below market-clearing levels, then exports have to be limited in order to provide adequate supplies to the domestic market if the country is on balance a net exporter, or imports must be subsidized if the country is to attain its domestic price goals. Such policies in effect push adjustment problems onto other countries, thereby making their agricultural sectors more unstable.

The intertwined nature of trade policy, domestic agricultural policies, and reserves policies is illustrated by the experience of the last 2 years. The sharp rise in grain prices, combined with weakening prices for livestock and poultry products and unacceptable rates of inflation, gave rise to pressures to control and limit exports. With freer trade, a larger area of supply might

have been tapped to accommodate the demand. Similarly, with more flexible domestic prices in some countries, price increases would have dampened some of the demand. In either case there would have been a more general sharing of the burden.

Grain Reserves

In the absence of more flexibility on the side of trade and domestic agricultural policies, the availability of contingency reserves can serve to cushion price rises. The experience since 1972, however, points up that reserves would have had to be very large to provide a stabilizing influence, larger than any one country or even a few countries would be willing to carry.

For this reason, and to achieve greater world food security, the United States has proposed an international system of nationally held grain reserves. In the past, the exporting countries—primarily the United States—have carried the bulk of the grain reserves. Since reserves may also benefit importing countries, a greater sharing of the costs among countries seems justified in the future.

Negotiations on grain reserves will be held in 1975. These discussions are likely to be protracted, since there is little agreement either on who benefits and who loses from stabilization or on the appropriate quantities of contingency reserves. Similarly, agreement on rules and criteria for managing the stocks is lacking.

There are several additional difficulties in developing an international system of nationally held grain reserves. One problem is that the benefits will accrue partly to those who have not paid for them. A possible solution is to negotiate a system that includes penalties and sanctions for those who do not participate. For instance, such countries could be denied access to the reserves in a period of tight supplies. Alternatively, reserves that participant countries accumulate and pay for might be made available to nonparticipants on less attractive terms, perhaps by an export tax at least equal to the accumulated carrying charges.

The acquisition and maintenance of grain reserves will have a variety of costs. While stocks are being accumulated, consumers pay higher prices than they otherwise would; and when they are released, producers in a similar way receive lower prices. Unless stocks are managed properly, they can be destabilizing by untimely release or accumulation. Moreover, there is the danger that a reserve program will again, as in almost all past attempts, become a price-propping program, used largely to insulate one sector or another from market forces.

There are two reasons why the United States should build grain stocks above their current low levels. First, conditions of free trade do not prevail in the world, and the United States provides freer access to its supplies than most other countries do. Under these conditions contingency reserves, if correctly managed, would provide a means of offsetting the shocks that come from abroad and furnish some protection to U.S. consumers and producers

(especially livestock producers). Second, ample stocks are one way to maintain confidence among foreign customers that this country will be able to meet its export commitments. If access to supplies cannot be assured, countries have a tendency to diversify their supply sources, turn to self-sufficiency, or perhaps resort to both of these.

FOOD ASSISTANCE

The United States provides food assistance to low-income groups through a variety of programs, especially the Food Stamp Program. This program has been greatly expanded and extended in recent years. Although not all the families eligible for such assistance have made use of it, budget costs to the Government have grown from only \$250 million in fiscal 1969 to \$4.0 billion in fiscal 1975. Moreover, it is estimated that food stamp bonus dollars raise food expenditures by 60 to 65 cents per dollar in contrast to an increase of from 20 to 30 cents per dollar in food expenditures that would be expected from comparable cash income supplements to this low-income group. An additional demand therefore has been placed in the market for food at the very time that food prices were rising sharply.

There is serious question as to whether the distribution of stamps is an efficient means of income transfer under current circumstances. A possible reform of the Food Stamp Program would be to replace the food stamps with direct transfers of money income to provide the recipient more freedom of choice and lead to a more efficient welfare program.

Large quantities of food aid have been supplied to foreign countries as part of our foreign aid program. This program has provided a convenient means of disposing of stocks accumulated in Government hands as a by-product of price support programs, and has thereby helped to reduce the costs to the taxpayer of carrying large stocks.

In contrast to the Food Stamp Program, food aid shipments under the Public Law 480 program have declined in recent years. Shipments fell from 10 million tons in fiscal 1972 to slightly over 7 million tons in 1973 and less than 4 million tons in 1974.

The objectives of food aid can be to alleviate human suffering caused by shortfalls in production in developing countries to furnish more limited relief when such natural disasters as earthquakes or hurricanes occur, or to supply continuous food aid as a means of balance of payments support or foreign aid to individual countries. The negotiations evolving out of the World Food Conference will attempt to solve the more persistent food security problems.

A country with a comparative advantage in agriculture might want to provide some fraction of its foreign aid in the form of agricultural products. With the decline in excess capacity in the U.S. agricultural sector, however, and the changes in domestic farm policy, such aid is no longer the "free" good that it was once imagined to be. Except to the extent that it substitutes for commercial sales, every incremental increase in tonnage shipped for this

purpose represents a corresponding reduction in the supply available to the domestic economy—and an increase in prices to the domestic economy. The costs of the program have now become more explicit, with the result that more rational policy choices may be made. The question is how desirable it is to provide food aid beyond the commitment to promote food security under conditions of stress, since continuing food aid can reduce incentives to strengthen the agricultural sector of the recipient country.

GUIDELINES FOR DOMESTIC FARM POLICY

Since the mid-1960's commercial farm policy has evolved toward much greater market orientation. The previous commodity programs, dating back to the 1930's, were built around a system of mandatory acreage allotments, marketing quotas, and high price supports for individual field crops. Today only a few crops (rice, peanuts, tobacco, and long-staple cotton) continue under such rigid programs. The difficulties with these programs were enormous: they were mandatory and inflexible to changes in supply and demand; they overstimulated the production of particular crops and led to the excess Government stocks of the 1950's and early 1960's; they provided "artificial" benefits, or subsidies, which became locked into land values; by holding up domestic prices, they conflicted with a liberal trade policy, requiring restrictions on imports and subsidies to make American products competitive in world markets.

The first major step in the transition was to reduce (market) price supports on individual crops and replace them with direct cash payments which were contingent on diverting land from crop production. Gradually the emphasis on individual crops was discontinued, allowing producers discretion to plant crops they considered most profitable. The principles that have guided the transition are economically sound.

1. Market prices should not be supported above market-clearing levels. Price supports to prevent excessive downside price declines in surplus years should be relatively low and cover only variable production costs. While providing an element of guarantee to producers, low floors avoid any need for export subsidies and encourage expanded domestic consumption and exports when supplies are large.
2. Production of individual crops should be free of controls. Controls interfere with producers' ability to make the best use of resources in response to changing conditions. If needed at all, production controls should be through general land diversion.
3. Direct cash payments are more efficient than high price supports as a means of providing income support to producers. Such payments are only warranted because of the volatility of agricultural markets, which can create excessive financial losses. In most years they should be unnecessary and should be limited to providing guarantees against the exceptional years of oversupply, thereby shifting some risk from

producers to taxpayers but permitting consumers to benefit from lower prices.

The agricultural developments beginning in 1972 enabled the principles to be implemented: almost all diverted land was released for production; export subsidies were phased out; import restrictions were relaxed to some degree; prices moved not only well above market supports but sufficiently high that direct payments under the provisions in the 1973 act were limited to wool and soil conservation. In effect, developments in the market contributed to a fairly dramatic move toward a policy of increased reliance on the market. These principles were, to a substantial degree, embraced in the Agriculture and Consumer Protection Act of 1973.

FARM POLICY IN 1975 AND BEYOND

In considering policy in 1975 and beyond, the principles that have guided farm policy in the past decade still apply. Government policy can function in complementary ways, as discussed above, through participation in a constructive international system of grain reserves, improvements in domestic and international information and analytical systems, measures to make international trade in agricultural products more flexible, and efforts to expand food production in developing countries. It is important, however, not to change farm policy in ways that are inconsistent with these principles. Efforts to raise price or income guarantees to producers, if successful, might have some small temporary effect in 1975 by reducing uncertainty and encouraging all-out production. However, even though market prices are expected to remain well above current guarantees in the immediate future, any substantial increase now would be a move backward for farm policy. When food supplies become more abundant in relation to demand, higher price supports would prompt a return to substantial land diversion, large Government payments, export subsidies, and import restrictions—and possibly even to the mandatory production controls of the past.

Current problems with dairy programs illustrate the pitfalls in heavy Government involvement. State and Federal marketing order programs institutionalize a higher price of milk for fluid consumption than for processing, and they restrict the free movement of raw milk. Together with import quotas and a relatively high Federal minimum price support, these measures place the dairy industry under heavy regulation and discourage efficient production. Consumers eventually pay extra for milk; and, because imports are usually limited to less than 2 percent of total consumption, trade in dairy products has become a constant source of dispute in trade policy. The dairy producers' welfare, on the other hand, is dependent on and affected by decisions setting Federal regulations. For many dairy farmers production is often unprofitable, and their numbers have been diminishing. Although there would be serious adjustment costs in reforming dairy programs according to the principles set forth above, the dairy industry could

in time become more efficient and prosperous, and consumers would purchase more milk and dairy products at lower prices.

* * * * *

Although economic circumstances have permitted a desirable move to a market-oriented commercial farm policy, they have also brought out a basic characteristic of agricultural markets: large price fluctuations and the uncertainty that these fluctuations generate. Producers, consumers, and Government policy makers will learn to adjust to the increased uncertainty. As this happens the instability itself will be diminished, but learning is not an instant process. In the meantime, steps that would return the agricultural sector to a more regulated basis in response to short-term or temporary problems should be avoided.

CHAPTER 7

The International Economy in 1974

IN 1974, THE WORLD ECONOMY experienced severe setbacks. Inflation in most major industrial countries reached the highest level in more than 20 years. The rate of real economic growth declined. Sharp price increases in energy, food, and other basic materials distorted price relationships and created new and large payments imbalances, affecting nearly all countries. Massive international capital movements of unusual complexity were required to continue the financing of world trade, which in terms of dollars rose by about 50 percent from mid-1973 to mid-1974.

Specifically, consumer prices in the industrial countries comprising the Organization for Economic Cooperation and Development (OECD) rose by almost 14 percent on the average from 1973 to 1974. This rate of advance was nearly double the average rise of $7\frac{1}{2}$ percent from 1972 to 1973, and nearly four times as high as the annual rate of increase of $3\frac{1}{2}$ percent during the period 1959–72.

Economic growth came to a virtual standstill as the growth of real GNP in the OECD countries, which had averaged about 5.4 percent per annum from 1959 to 1972, fell nearly to zero in 1974. Efforts to check the acceleration of inflation coincided with ongoing cyclical downturns in many countries, and the high costs and reduced availability of energy reinforced the adverse development of both prices and output.

In international trade, the sharp rise in the prices of crude oil implemented in October 1973 and January 1974 by the countries belonging to the Organization of Petroleum Exporting Countries (OPEC) created massive deficits in the current account balances of the oil-importing countries. This placed strains on the world's financial markets and raised the prospect for the long term of a large transfer of real resources or of ownership of nonfinancial assets from the oil-importing to the oil-exporting countries. Nonindustrial countries, particularly in Asia and Africa, were in many cases seriously afflicted by food shortages and the slowdown in world economic activity.

The international financial and economic system displayed a notable resilience in adjusting to some of these disturbances. Broadly speaking, countries have refrained from beggar-my-neighbor policies through which they might have tried to shift some of their domestic and international problems to other countries at the cost of a shrinkage in world trade and a loss in economic welfare. In the financial sphere, the world capital markets ab-

sorbed and recycled massive amounts of petro-dollars and provided most of the financing of international payments deficits and surpluses, with some assistance from official lending operations conducted either by the International Monetary Fund (IMF) or between governments. The existing system of floating exchange rates helped countries avoid massive movements of speculative funds.

The international monetary system was thus able to cope with differing rates of domestic inflation, the increased costs of energy and other basic goods, and the heavy capital movements associated with the accumulation of large amounts of liquid assets by OPEC countries.

STAGNATION AND INFLATION IN THE INDUSTRIAL WORLD IN 1974

The stage for "stagflation" during 1974 was largely set in 1970-71. Beginning in late 1969, a slowdown in economic activity occurred in industrial countries that, while relatively mild, was more widespread than any downturn in the postwar period. The stimulative measures which a majority of countries adopted almost in unison in 1971 and maintained well into 1972 resulted in a strong upswing in economic activity in 1972-73 throughout the industrial world.

The expansion in demand added to the inflationary tendencies; the rise in consumer prices in the seven largest OECD countries, that had been 4 percent from 1971 to 1972, was 7½ percent from 1972 to 1973. Moreover, the coincident upswing in business activity led to a sharp increase in demand for industrial commodities and strained the capacity of producers to supply that demand. The index of spot prices of world industrial materials (excluding fuel) rose by 80 percent between 1971 and 1973. Poor harvests in the Soviet Union and other parts of the world added to the emerging price pressures on food. World food prices almost doubled as the world commodity index for food (1970=100) gradually rose from 95 in 1971 to 173 in 1973.

The policy makers in most major industrial countries were confronted early in 1974 with the difficult task of dealing simultaneously with high inflation and slackening economic growth. Superimposed on these problems were domestic and international dislocations created by the sharp rise in the prices of crude oil. Deep concern about inflation prompted fairly restrictive fiscal and monetary policies to be maintained in most countries throughout the first half of the year.

The resulting pattern of economic change has been remarkably uniform in the major industrial countries during 1974. Table 45 highlights some measures of the economic performance of these countries. The growth of private consumption expenditures that had been the dynamic factor in the economic expansion in virtually all major countries during 1973 slowed down sharply in 1974.

TABLE 45.—*Changes in real gross national product and major components for selected industrial countries, 1962 to 1974*

[Seasonally adjusted annual rate]

Country and component	Percent change				
	1962 to 1971 average	From preceding year		From preceding half year	
		1972	1973	1974	
				1st half	2d half ¹
France:					
Real GDP ²	5.7	5.5	6.0	4.5	4.2
Private consumption	5.5	5.8	6.0	4.6	3.5
Government current expenditures	3.3	4.0	3.4	2.6	2.5
Gross fixed capital formation	8.2	7.6	6.5	5.6	5.0
Germany:					
Real GNP	4.7	3.5	5.3	2.0	.0
Private consumption	4.9	4.2	2.9	1.0	2.2
Government current expenditures	4.4	4.1	3.8	3.0	1.5
Gross fixed capital formation	5.3	2.7	1.1	-5.3	-8.5
Italy:					
Real GNP	5.0	3.1	6.0	4.9	.0
Private consumption	5.6	3.3	6.2	4.0	-1.0
Government current expenditures	3.9	4.6	3.3	3.6	.0
Gross fixed capital formation	3.7	.4	9.0	4.7	-2.2
United Kingdom:					
Real GDP ²	2.6	3.1	5.3	-3.4	5.0
Private consumption	2.3	6.0	4.6	-2.0	4.5
Government current expenditures	2.1	4.0	3.7	-.4	-.5
Gross fixed capital formation	4.0	2.4	4.8	-5.7	-7.5
Japan:					
Real GNP	10.3	8.9	10.2	-9.3	3.0
Private consumption	8.9	9.1	8.6	-6.6	5.5
Government current expenditures	6.7	9.6	6.9	-1.2	7.0
Gross fixed capital formation	13.0	9.5	15.2	-28.2	3.2
Canada:					
Real GNP	5.5	5.8	6.8	5.6	2.5
Private consumption	4.9	6.9	8.0	6.6	3.0
Government current expenditures	5.8	4.0	4.1	8.6	5.0
Gross fixed capital formation	5.8	5.3	10.4	8.4	.0

¹ Estimate.

² Gross domestic product.

Source: Organization for Economic Cooperation and Development.

With few exceptions, the tight monetary policies of early 1974 caused severe declines in residential construction in virtually all countries. Industrial investment in machinery and equipment, which had risen vigorously during 1973, dropped off sharply in response to much higher long-term interest rates and the deterioration of the business outlook.

The softening in economic activity was accompanied by rising unemployment; the 1974 unemployment rate exceeded the average of the past decade in most major industrial countries. Recent changes in unemployment in several OECD countries are summarized in Chapter 3.

In late 1974 the demand management policies in a number of countries began to move cautiously toward greater ease; but inflation continued to be of major concern to the policy makers. Assessing these policies, the OECD

in its *Economic Outlook* of December 1974 has projected a moderate upturn in economic growth and some easing of inflationary pressures in all major countries by the second half of 1975.

INTERNATIONAL REPERCUSSIONS OF THE OIL PRICE INCREASES

The oil embargo and the subsequent fivefold increase in the Persian Gulf price of crude over September 1973 levels imparted the most severe shocks to the world economy since World War II. The broad economic implications of these developments for production, consumption, and economic growth in the United States are discussed in Chapter 2. For other industrial and developing countries of the world the implications were qualitatively similar, but the force of the impact varied in proportion to the dependence of individual countries on imported oil as a source of energy.

In analyzing the effects of the increase in the price of oil on the world economy, one can single out four broad areas: income and output, prices, the current account, and the capital account.

Income and Output Effects

Given the relatively low short-run price elasticity of demand for oil, the economic consequence of the oil price rise was a diversion of consumption expenditures in the oil-importing countries from domestically produced goods to imported petroleum products. To the extent that prices of other consumer goods did not decline, the immediate result of such a diversion was a reduction in the real income of consumers in the oil-importing countries. When the purchasing power created in the production of domestic goods and services is transferred to the oil-exporting nations, and these nations do not increase their imports correspondingly, aggregate demand would tend to decline in the short run unless the reduction is offset by domestic policy action.

The gross transfer of purchasing power realized through export receipts of the OPEC countries in 1974 has been estimated at nearly \$100 billion, all but about \$5 billion of which were received in payments for exports of oil. This represented a more than threefold increase in revenues over 1973.

The increased exports to OPEC countries could offset only a small part of the reduction in aggregate demand stemming from the increase in the oil bill borne by the oil-importing countries. All estimates of non-oil transactions by the OPEC countries are subject to a great deal of uncertainty. It appears, however, that OPEC imports of goods and services increased by about \$15 billion in 1974 to about \$35 billion—approximately a third of the OPEC revenues. After subtracting grants to developing countries and adding income on their investments, the OPEC countries were left with roughly \$60 billion as current account surplus in 1974.

The nature and direction of investment of the surplus funds by the OPEC countries in 1974 are discussed below. As far as the immediate impact of

the oil price increase on income and output in the oil-consuming world is concerned, the surplus may be viewed as increased "saving" that resulted from the shift of world income from economic units with a relatively high average propensity to consume (consumers in the oil-importing countries) to economic units with an extremely high average propensity to save (oil exporters). The OPEC savings were made available to the oil-importing countries through the reflow of funds. To the extent that such funds were channeled toward financing current consumption or real investment in individual oil-importing countries, the reflow of financial capital into the credit markets of those countries has cushioned the demand-dampening effect of the higher bill for oil imports. How far the slack in demand created by the oil price rise was offset either by the return flow of OPEC funds or by the internal demand management policies of individual countries cannot be precisely determined. Domestic policies to dampen inflationary pressures, and the depressed state of the economies in many of the oil-importing countries provided little incentive for using the inflow of the OPEC funds to increase real investment or consumption.

In addition to the demand-dampening effects of the increase in "saving," the high price of energy reduced demand for goods that use energy intensively. This shift created structural unemployment of resources, since many factors of production are highly specialized in the short run and yield low productivity in other uses. The demand for autos, for instance, fell sharply in virtually all major countries, causing widespread unemployment in the world auto industry.

In the longer run, as the OPEC countries develop the capacity to increase their imports of goods and services, further structural changes will have to take place in the economies of the oil-importing nations: resources must be shifted to increase the production of goods and services for export. Thus, the real income of consumers in the oil-importing countries will be reduced as more domestically produced goods and services are exchanged for imports from the OPEC countries. Unlike the reduction in real income experienced in the short run, this reduction cannot be offset by domestic monetary or fiscal policies, since it represents the "real" payment for oil.

Price Effect

In general, a direct link between the increase of a specific price and that of the general price level exists only in the short run. For practical purposes the duration of the "short run" depends on the monetary and fiscal restraint accompanying the price rise. It is therefore difficult to quantify precisely the contribution that the rise in the oil price made to the inflation in the oil-importing countries during 1974.

The short-run effects of increased oil prices on the general price level in different countries occurred through several channels. The most obvious one was the direct impact arising from the higher prices that consumers in individual countries must pay for petroleum products like gasoline and heating oil. This effect is directly evident in the consumer price index (CPI)

of individual countries, depending on the weight these commodities are given in the market basket.

An indirect impact also occurs as increases in the prices of other goods and services follow from the rise in the price of petroleum products used in production. The strength of this indirect effect depends on the extent to which oil price increases are passed through to the prices of final products, absorbed by the producers, or amplified under a system of markup pricing. Finally, the higher prices of oil heighten the demand for substitute sources of energy, driving up their price and raising production costs. How long the effect on the general price level lasts and how output develops under such strains depend on the way in which demand management policies react to the dilemma, as discussed in Chapter 4.

While it would be hard to establish the total effect of these influences on price behavior, the direct effect of price increases for gasoline alone leaves no doubt that the oil price increase contributed significantly to the price pressures in the world economy during 1974. For example, the increase in the price of gasoline from October 1973 to August 1974 added between 1 and 2 percentage points to the rise of the consumer price index in Great Britain, Italy, and the United States.

Current Account Effect

The increase in the price of oil by the OPEC countries led to a large deficit in the current account of the oil-importing countries, and a matching surplus in the current account of the oil-exporting nations. Table 46 highlights the change that occurred between 1973 and 1974.

The magnitude of the imbalance has been and will continue to be the result of interaction among the following factors: the quantity of oil imported by the oil-consuming nations; the price of oil set by the OPEC cartel; the value of their imports of goods and services from the rest of the world; the flow of earnings on the financial assets of the OPEC countries; and the grants and aid donations they choose to make to the developing countries of the world.

TABLE 46.—*Balance on current account of major areas, 1973-74*

[Billions of dollars]

Area	1973	1974 ¹	Change, 1973 to 1974 ¹
OPEC countries ²	5.0	60.0	55.0
Industrial countries ³	2.5	-37.5	-40.0
Rest of world.....	-7.5	-22.5	-15.0

¹ Preliminary.

² Organization of Petroleum Exporting Countries.

³ The 24 countries of OECD.

Sources: Department of the Treasury and Organization for Economic Cooperation and Development (OECD).

The ability of the oil-consuming nations to lower their oil imports in response to the higher price has been limited. Oil represents an important source of energy for industrial countries and for many developing nations. The growth in world oil consumption came to a halt during 1974; a substantial reduction, however, must await implementation of further measures and development of alternative sources of energy.

The power to raise prices has been derived from the strong monopolistic position of the OPEC countries. An individual country cannot increase the price of a homogeneous commodity without facing sharply reduced exports and lower revenues, if there are alternative sources of supply. If a number of exporting countries act jointly to drive up the price, however, and the supply forthcoming from the remaining exporting countries cannot readily be increased, output restrictions can indeed be effective. With respect to the OPEC, this has clearly been the case so far, although the growing responsiveness of non-OPEC output and total import demand to the higher prices set by the OPEC should make maintenance of these relative prices more difficult over time.

The highly unequal distribution of income characteristic of the OPEC countries and the confinement of income gains from trade to narrow segments of the population precluded significant increases in demand for many imported products in the short run. For other countries in the OPEC group, the long lead time required in developing major projects was the main constraint limiting their ability to increase imports by the full amount of the increase in revenues. Most OPEC countries, particularly those with relatively small populations like Saudi Arabia and Kuwait, have been spending only a fraction of their additional oil revenues on imports of goods and services, because their ability to absorb additional imports has so far been limited. Thus it may be several years before the OPEC countries develop the capacity to increase imports of goods and services substantially.

Finally, while actual grants and commitments for future donations by the OPEC countries have risen sharply, current and prospective grants still represent only a small portion of their total revenue derived from oil. Furthermore, the flow of investment income from the financial and real assets acquired by the OPEC countries has been growing rapidly.

Given these factors, the elimination of the deficit poses special problems. Some of these can be identified conceptually by contrasting the increase in the price of oil with a hypothetical revaluation of the OPEC currencies. Analytically the oil price increases may be viewed as if they had been produced by an export tax. For the importing countries, the administrative increase in the price of foreign oil caused current account deficits that were larger than those that would have materialized if, instead of imposing an "export tax," the OPEC countries had chosen to revalue their currencies to achieve the same increase in the price of oil to importers. Given the low price responsiveness of demand by oil importers, even a revaluation might have the abnormal effect of raising the OPEC surplus if the import

demand of the OPEC countries is also quite unresponsive to any change in the domestic price of their imports. Conceptually, a revaluation is equivalent to a tax on all exports plus a subsidy of all imports. Compared to this, the OPEC countries chose to tax only the oil exports and not to subsidize imports, thus assuring that increased revenue from oil exports would not be accompanied by revenue losses from other exports and increased spending on imports due to lower prices.

Under present circumstances a current account deficit of the oil-consuming nations as a group vis-a-vis the oil-exporting nations must be accepted. Efforts by one of the oil-consuming nations to reduce the deficit, either by currency depreciation or by special measures designed to boost exports or reduce imports from other oil-importing countries, would inevitably mean an increase in the current deficits of others, leaving the total deficit of the oil-consuming nations largely unchanged. For the time being, oil-induced current account deficits must therefore be financed by drawing on reserves, by selling equities, or by accumulating international indebtedness.

To supplement the capacity of the world's money and capital markets to finance the deficits experienced by individual countries, special financial arrangements have been put into effect and are being developed further. Also, in May 1974 the OECD nations pledged not to take unilateral measures which would tend to shift deficits to other nations. Specifically, the governments of 24 member countries agreed, for one year, to avoid introducing restrictive measures affecting trade or other current account flows. The pledge will very likely be renewed in May 1975. In the United States, passage of the Trade Reform Act by Congress at the end of 1974 signified that pressures to restrict trade, which have been intensified by the oil crisis, will be resisted. Moreover, the act assures that the long-delayed multilateral trade negotiations can get under way. The purpose of these negotiations is to improve access to international markets for both buyers and sellers by reducing restrictions on imports and by limiting any restrictions on exports that prevent foreign buyers from competing with domestic buyers for certain basic materials, food, and feedstuffs on an equal footing.

The Capital Account Effect

The current account surplus experienced by the OPEC countries in 1974 was matched by the accumulation of financial claims on the oil-consuming world. This, of course, follows as a balance of payments accounting identity: funds received in payment for goods and services or as aid, and not spent on goods and services or given away as aid, must simply end up as financial claims or real assets of various forms in the hands of countries in the surplus area. What was true as an accounting identity for the oil-importing world as a whole, however, was not true for individual countries: there is no *a priori* reason why the oil-related current account deficit of an individual country should be matched by an inflow of funds directly from the oil-exporting countries. As expected, given a choice of where and how to invest their surplus funds, the oil-exporting countries have turned to those national mar-

kets that best meet their objectives with respect to security, return, and maturity.

Preliminary estimates for 1974 indicate that about \$11 billion of the \$60-billion surplus accruing to the OPEC countries has been invested directly in the United States. This was less than the increase in the U.S. bill for oil imports from the OPEC countries. Roughly half of this investment in the United States was in short- or long-term marketable Government and agency securities. Less than a billion was placed in U.S. real estate and private securities, and the remainder in banking and money market liquid assets, such as large negotiable certificates of deposit.

About \$7½ billion of the OPEC surplus was invested in the United Kingdom in pound sterling assets such as bank deposits, other money market instruments, and government securities. About \$5½ billion was lent by the OPEC countries to official and quasi-official institutions in other industrial countries, around \$2½ billion to the developing countries, and about \$3½ billion to international financial institutions. At least \$21 billion of the OPEC surplus was held as Eurocurrency deposits in banks in London and in other financial centers around the world. (The functioning of the Eurocurrency and Eurodollar markets is discussed in the supplement to this chapter.) The remainder, about \$9 billion, includes investment in European investment management accounts, in real estate and corporate securities in Europe and Japan, and in direct loans to private industry.

The financial intermediation by the world's commercial banks through both domestic and Eurocurrency markets has played an important role in financing the large current account deficits in the oil-importing countries during 1974. Such activity, in effect, accommodated the preferences of the OPEC countries for investment of their surplus funds, then redistributed these funds to countries where funds were needed. Banks operating in the Eurocurrency market publicly announced more than \$15 billion of Eurocurrency credits to developed countries during the first 3 quarters of 1974, \$4 billion more than was announced during all of 1973. Announced credits to developing countries were about \$7½ billion. Some of these credits were not actually drawn during the period; but it is assumed that sizable loans for which details are not available have been made by the Eurocurrency banks without prior, publicly announced commitments. International lending by U.S. banks also rose sharply in 1974, following the removal of restrictions on such activity and termination of the Interest Equalization Tax in January 1974. U.S. banks increased their claims on foreigners by about \$14.5 billion during the first 3 quarters of the year.

The recycling of OPEC funds by the international banking system has not, however, been accomplished without some strains. The concentration of liquid OPEC investments in a relatively small number of banks has raised questions about the absorptive capacity of some of these institutions under their present capital structures. Because the deposits by OPEC governments

in some banks are so large, and because they are concentrated among few depositors, the risk associated with the traditional banking practice of borrowing short and lending long is significantly increased. At the same time, the growing indebtedness of some borrowers increases the risk of default. Thus, questions have also been raised about the ability of the private banking system to continue to accommodate adequately the financial needs created by the oil crisis.

To supplement private market channels a special lending facility was established in June 1974 in the International Monetary Fund and expanded in January 1975. Loans are approved by the Fund after assessment of the balance of payments needs of deficit countries. Borrowers are expected to cooperate with the Fund in resolving difficulties in their balance of payments. The Fund had lent approximately \$2 billion by the end of 1974.

The pattern of international payments for 1975 is not easy to foresee. It is widely recognized, however, that additional reinforcement of the private financial markets may be required to provide for the financing needs of individual countries. The United States accordingly has advocated a three-track approach to official multilateral arrangements:

1. Financing under the regular procedures of the International Monetary Fund should be expanded, and the Fund should make fuller and more effective use of the currency resources which it now possesses.
2. A temporary trust fund should be established to provide longer-term, concessional assistance to a few of the very low-income countries which have special problems in adjusting to the current situation. The United States has proposed that this trust fund be financed by contributions from those individual countries which are in a position to help, as well as through the use of part of the IMF's gold holdings.
3. Resources of the IMF and other institutions should be supplemented by a new financial support arrangement of \$25 billion. The arrangement is designed to encourage cooperation in energy matters and to provide a financial "safety net" for participating OECD members. Early establishment of this support fund has been agreed to by the major industrial countries.

THE LESS DEVELOPED COUNTRIES IN 1974

Although many of the problems created by the oil price increases are common to both developed and less developed economies, there are several important differences. The less developed oil-importing countries are obviously far less able to afford the higher current prices, but their diversity makes generalizations difficult.

Developing countries that export primary products, such as iron ore and bauxite, for which demand was strong, have been able to offset a part of their increased oil bill with additional export earnings. A commodity boom which began in late 1972 drove up the prices of many primary products, but the prices of most of these commodities declined in the second half of 1974 with

the worldwide slowing of business activity. Moreover many countries which are heavily dependent on imports of oil, food, and fertilizer have not experienced increases in prices of their primary exports, and droughts and floods have compounded their problems.

The surplus revenue of the OPEC countries is derived in part from sales to other less developed nations that import oil; but relatively little of this surplus has yet been recycled directly by OPEC countries to the less developed ones. Partly because of the limited capital markets in these countries, initial placements of funds by oil producers have not been large. The consequences of the failure to recycle funds to the less developed countries are qualitatively similar to those facing the industrialized nations: if they cannot finance their deficits, they must cut back on imports. However, many less developed countries can reduce imports of oil or other inputs only at the immediate expense of their industrialization programs.

As has been true for many years, some form of foreign aid may be the only way to alleviate the deficiencies in financing and resources of the poorest countries. Special arrangements such as the IMF facility have helped in some measure and will probably continue to do so. At a time when even many industrial nations are in difficulty, more of the surplus of OPEC nations should be mobilized to help countries most in need of the funds, and these funds should be available at rates which do not further increase the already heavy burdens of debt service in developing nations.

RECENT DEVELOPMENTS IN INTERNATIONAL FINANCE

The international financial system has been fundamentally changed since August 1971, when the United States announced suspension of the convertibility into gold of dollars held by foreign monetary authorities. Following this action, major exchange rate realignments, coupled with devaluation of the dollar in terms of gold, were negotiated in December 1971 and February 1973; and negotiations were launched on a comprehensive reform of the international monetary system with establishment of the Committee of Twenty (C-20) under the auspices of the International Monetary Fund in July 1972. In March 1973, in response to great uncertainty and speculation in the foreign exchange markets following the second realignment, virtually all of the major industrial countries abandoned efforts to confine exchange rate movements within a narrow band around established par values. When the C-20 met during the IMF annual meetings in September 1973, it set July 31, 1974, as its target date for agreement on comprehensive monetary reform.

The oil price increases announced in October and December 1973, the acceleration of worldwide inflation, and *de facto* adoption of widespread floating radically altered the circumstances surrounding the C-20 negotiations. At its Rome meeting in January 1974, the C-20 shifted the focus of its negotiations. Instead of the early development of a comprehensive reform agreement, it began to work out a series of individual, less comprehensive

steps that were of particular importance in the current economic situation. In mid-June the C-20 Ministers agreed on a program for immediate action and released the *Outline of Reform* and accompanying annexes that described both the status of the negotiations on longer-term reform and the direction in which the Ministers believed the system could evolve in the future.

The program of immediate action was consistent with the longer-term *Outline of Reform*, constituting in essence a proposed first step in the evolution toward a fundamentally reformed system. It included:

1. Creation of an Interim Committee of the IMF with advisory powers to guide the adjustment process and oversee the operations of the system pending the establishment, through amendment of the IMF *Articles of Agreement*, of a Ministerial Council with decision-making powers.
2. Establishment of a Development Committee, also at the ministerial level, under the joint auspices of the IMF and the International Bank for Reconstruction and Development, to deal with questions relating to the transfer of resources to developing countries.
3. Establishment of guidelines for floating exchange rates.
4. An interim change in the method of valuation of special drawing rights (SDR's) to widen the base for calculating the transactions value of SDR's so that currencies other than the dollar are included.
5. Provision for IMF members to subscribe to a declaration against taking restrictive trade or other current account measures for balance of payments purposes without IMF approval.
6. Improved measures for surveillance of the adjustment process and of developments in global liquidity.
7. A request that the Executive Directors of the IMF prepare a series of amendments to the IMF *Articles of Agreement* for consideration when IMF quotas are reviewed early in 1975.

Among other items on which draft amendments were to be prepared were: establishment of a permanent IMF Council; "legalization" of floating exchange rates; a permanent declaration against trade restrictions for balance of payments purposes; the role of gold; and various modifications of the general and SDR accounts of the IMF.

The longer-term *Outline of Reform* put forward by the C-20 called for a more effective and symmetrical system of adjustment, in which efficient operation of the adjustment mechanism would not be obstructed by controls or restrictions on current or capital account transactions for balance of payments purposes. The *Outline* envisaged that the role of the SDR would be enhanced and that the roles of gold and reserve currencies in international reserves would be reduced. At the end of 1974, the transactions value of SDR's was around \$1.22 per unit of SDR.

Recognition that exchange rate flexibility must play a greater part in an efficient economic adjustment process was a key element of the reform

proposals. In sharp contrast to the central role of fixed par values and narrow margins of exchange rate fluctuations around par values in the Bretton Woods system, the *Outline* called for a system in which countries could either establish adjustable par values or allow their currencies to float in response to market forces. Agreement was lacking, however, on the relative roles of floating and par values, the conditions under which the par values would be adjusted, and the provisions for authorization of floating in the future system. The United States favors provisions that would permit a country to float its currency so long as it adhered to internationally agreed rules of conduct, without the need for further authorization or approval by the IMF. Some others favor a more constrained "floating option" under which floating would be limited to specified situations and subject to specific authorization by the IMF.

At its first session during the IMF annual meetings in early October 1974, the new Interim Committee of the IMF approved a work program focusing on energy-related financial problems and balance of payments adjustment in the light of the energy crisis. Pursuant to this work program, the Interim Committee, meeting in mid-January 1975, reached agreement on a broad range of key issues. The Committee agreed on:

1. A limited extension of the IMF oil facility in 1975, with borrowings of up to SDR 5 billion and with an indication that it would be appropriate to make greater use of the Fund's own resources. In conjunction with the Development Committee, the Interim Committee also endorsed a suggestion by the IMF's Managing Director that special provision be made to reduce the interest burden on oil facility borrowing by the poorest developing countries.
2. An IMF quota increase of 32.5 percent overall, "rounded up" to a new quota total of SDR 39 billion, with a doubling of the quota shares of the major oil-exporting countries as a group and no reduction of the collective share of other developing countries. No agreement was recorded on quota shares for other groups or for individual countries. It was agreed, however, that since an important purpose of increasing quotas is to strengthen the Fund's liquidity, arrangements should be made to ensure usability of all IMF currency holdings in accordance with Fund policies.
3. A request that the Executive Directors continue work on a narrowed range of amendments to the IMF *Articles of Agreement* and submit drafts to the Committee on: establishment of the Ministerial Council; legalization of floating; improvements in the general account, including elimination of requirements to make gold payments to the IMF and establishment of arrangements to ensure the usability of IMF currency holdings; and improvements in the characteristics of the SDR.

Progress was made toward agreement on a comprehensive set of amendments on gold, including abolition of the official price and freedom

for national monetary authorities to enter into gold transactions under certain specific arrangements with each other in order to ensure that the role of gold in the international monetary system would be gradually reduced. Additional agreements related to the financial support arrangement among the members of the OECD, described earlier in this chapter, and to other matters.

MANAGED FLOATING

The interim guidelines that have been recommended by the C-20 for the present situation of widespread floating represent a first effort to address in a formal way the complex issues that can arise under a floating system, as well as to develop codes of behavior that might apply under a regime of managed floating over the longer term. Under the guidelines, countries with floating rates may intervene to moderate sharp and disruptive fluctuations from day to day and from week to week in the exchange value of their currencies. Intervention should not be used, however, to moderate movements in the exchange value of any currency over longer periods like months or quarters, unless such official intervention is consistent with actual and expected world market conditions, and unless it accords also with a pattern of exchange rates considered reasonable as a medium-term norm by that country and the international community. For example, a rate of inflation substantially higher than that of a country's main trading partners or competitors would normally lead to expectations of a further depreciation of its currency. In that case, attempts to fix the exchange rate for an extended period, whether undertaken by the country itself or by its trading partners, might be viewed as violating the intent of the guidelines, since intervention for this purpose would be disequilibrating.

Even without imposing direct controls on the flow of goods and capital in international trade, official monetary agencies can modify the course of exchange rates, at least temporarily, under a system of managed floating. The techniques of management can take a variety of forms. The most common is for central banks to intervene in the international money markets by selling domestic currency for foreign currencies, thereby leaning against an appreciation of their currency. Alternately they may engage in the converse operation, possibly with exchange reserves that are supplemented through official borrowing of foreign currencies, to slow a depreciation of their currency. If, however, in the attempt to slow movements of the exchange rate in either direction by "leaning against the wind," intervention continues on the same side of the market for an extended period, the level of the exchange rate may be affected even after intervention has ceased. This would occur if persistent one-sided intervention repressed exchange rate movements substantially. Since any lasting distortion of the exchange rates achieved through one-sided intervention influences the pattern of international trade and investment after a lag, this changed pattern may reflect back on subsequent exchange rate levels.

Foreign Exchange Management Since March 1973

Although attempts to fix the exchange rates of all major countries within narrow ranges vis-a-vis the dollar were officially abandoned in March 1973, a group of European countries agreed on new sets of exchange rates, which they would maintain within $2\frac{1}{4}$ percent of the agreed parities relative to each other. The United Kingdom and Italy did not join this group, however, and the joint float was further eroded when France withdrew from the group in January 1974. By the end of 1974 only Germany, the Benelux countries, Denmark, Norway, and Sweden floated jointly against the dollar; and some other nations tied their exchange rates to those of other countries. Managed floating had thus become the rule among the industrial countries.

Since the start of generalized floating, the pattern and net amount of official intervention have not been the same as those prevailing before 1973. The direction of official intervention has changed more frequently. As exchange reserve decumulations were followed by accumulations, U.S. liabilities to foreign official institutions were only slightly higher at the end of the third quarter of 1974 than at the end of the first quarter of 1973. From that time until February 1974, the drop in U.S. liabilities to the official agencies of other industrial countries outweighed the increase in liabilities to the OPEC governments, so that total U.S. liabilities actually declined. By comparison, official claims on U.S. residents had more than quadrupled from the end of 1969 to the end of March 1973, and industrial countries accounted for almost all of this increase.

The reserves of industrial countries remained relatively stable, but only because of substantial international borrowing on the part of deficit countries. Some of this borrowing was carried out by the domestic banking system without direct governmental action; in other cases credits were raised by official entities either in the private money market or with foreign monetary authorities. Most deficit countries have used the proceeds of loans from official and private sources to counteract any large decline in their international reserves. Government-to-government loans by surplus countries to deficit countries may be treated as foreign exchange reserves by the former, whether or not they result in marketable claims on the latter. Still there was little growth in the official reserves of industrial surplus countries as exchange rates were allowed to rise to dampen inflows of funds. Specifically, of the countries whose currencies appreciated against the dollar, Canada, Germany, and Switzerland had approximately the same amount of reserves at the end of the third quarter of 1974 as at the end of the first quarter of 1973, and only a few of the countries with depreciating currencies, most notably Japan, lost reserves.

The pattern of reserve movements suggests a change in central bank behavior compared to the period prior to 1973, but a number of countries have continued to influence movements of their exchange rate through indirect forms of intervention in 1974. To slow the rise of its franc,

Switzerland discouraged interest payments on nonresident deposits and maintained higher reserve requirements on nonresident than on resident deposits. In October, Switzerland lifted the interest ban but soon afterwards imposed taxes at the rate of 3 percent per quarter on nonresident deposits in excess of normal working balances, in order to discourage the inflow of funds. Other countries, however, discouraged capital outflows. For instance, France took steps to reduce franc loans to nonresidents, and Japan required the sale of private dollar holdings to the central bank for use in foreign exchange intervention. Among the deficit countries, only Italy imposed direct restrictions affecting international trade and payments when it imposed a 50 percent deposit requirement on most categories of imports in May 1974.

For short periods during 1974 disturbances originating in the private market prevented foreign exchange markets from functioning efficiently. When daily fluctuations in exchange rates become large, and severe losses by various market participants add to the uncertainty, broad participation in the exchange markets may be discouraged and the fulfillment of contracts may become less certain. Risk premiums were raised by the failure of the German Herstatt bank in June 1974 and the disclosure that large losses from private exchange trading had occurred, involving a number of other institutions not only in Germany but also in Switzerland, Britain, Italy, and the United States. Banks were less willing to take foreign exchange positions; and official efforts to discourage participation even further—for instance in Germany—made the markets thinner. Under such conditions markets are less efficient in smoothing out temporary imbalances in spot offerings or in contracts for future delivery, bid-ask spreads are likely to widen, and hence the costs of financing international trade may rise.

On the whole, however, the fact that a number of important exchange rates were no longer fixed brought several distinct advantages. With no formal commitments about exchange rates or margins, the authorities have much more flexibility in dealing with speculative exchange pressures. That is, those interested in shifting funds from one currency to another can no longer make massive purchases or sales of foreign currencies at set prices in a short period and count on the country's monetary authorities' being committed to meeting exchange demands without allowing the rate to move, as was the case in earlier years. Rather, authorities can let their rates adjust to eliminate exchange rate imbalances.

The new system has also enabled countries to manage their money supply with a greater degree of independence. Prior to the adoption of generalized floating there were periodic complaints, particularly from some European countries, that efforts to achieve domestic monetary policy objectives were being overwhelmed by movements in dollar reserves occasioned by the official intervention required to maintain the exchange rates. The system of quasi-fixed exchange rates still existed among the major trading countries at that time; and when the dollar came under pressure, foreign central banks found it difficult to offset the growth in domestic bank reserves resulting

from their dollar purchases. It was therefore argued that inflation was transmitted between countries by reserve asset acquisitions on the part of the surplus countries causing their rates of monetary growth to rise while money supply growth was not allowed to fall symmetrically in the deficit countries. Yet around \$30 billion, or over 40 percent of the dollars held by foreign official agencies at the end of March 1973, were acquired after the summer of 1971, when the convertibility of the dollar into gold had already been suspended. In the interim, many countries appeared disinclined to have their currencies appreciate relative to the dollar, thus revealing more concern about promoting exports than avoiding the inflationary consequences of the dollar inflows.

Since March 1973, changes in official reserve holdings have shown no consistent relation to changes in the monetary base of most countries, and official intervention has been entirely discretionary. Hence, even if international reserve flows might have raised the monetary rates of growth more than some countries desired during the period of fixed exchange rates, they cannot have had this effect since that time unless countries chose to make exchange rate objectives paramount.

RECENT EXCHANGE RATE DEVELOPMENTS

Foreign central banks as a group ceased to observe formal intervention limits against the dollar after the international currency exchanges reopened on March 19, 1973, and the dollar declined soon afterwards. After falling through the first week of July, the value of the dollar increased in terms of most foreign currencies through August and then changed little through October.

With the cutback in oil supplies by the OPEC, the dollar soon strengthened relative to all major European currencies and the yen, since it was known that the United States was far less dependent on imported oil than Western Europe or Japan. Not only was the impact of the oil price increase on the U.S. trade balance and the domestic rate of inflation initially expected to be less, but it was widely anticipated abroad that a major share of the additional OPEC revenues would eventually be reinvested in the United States. This market assessment prompted a strong movement of short-term funds into the dollar and out of the major European currencies and the yen. Even though foreign central banks sold dollars to moderate the decline in their currencies, by mid-January the dollar prices of the German mark and the Swiss franc had fallen roughly 20 percent from their peak levels of early July 1973. Other major currencies had also declined sharply, and both the British pound and the Japanese yen were about 15 percent lower. Only the Canadian dollar remained approximately unchanged against the U.S. dollar.

The strengthening of the dollar did not continue past January 1974, because both the arrangement of substantial Eurocurrency loans to finance payments imbalances and the ending of capital controls by the United States began to depress the exchange value of the dollar. During the first half of

1974 the rate of inflation remained considerably lower in both Germany and the Netherlands than in the United States; and the trade surplus of these countries continued while the U.S. trade balance registered increasingly large deficits. The German mark, the Dutch guilder, and the Belgian and Swiss francs appreciated by about 14 percent against the dollar from mid-January to mid-May.

During the first half of 1974 the value of the dollar rose on balance in terms of the currencies of France, Italy, and Japan, because the rise of the dollar in late spring and early summer more than offset any earlier decline. The trade balances of these countries had deteriorated abruptly after the turn of the year, and inflation was much higher than in the United States. In spite of the high rates of inflation prevailing in the United Kingdom, the pound sterling rate deviated from this pattern because of unusually high short- and long-term interest rates in London and because the oil companies had expanding needs for sterling to meet tax and royalty payments to oil-exporting countries.

Around the middle of the year the United States and France were implementing some measures to reduce domestic rates of monetary growth in the hope of eventually lowering their rates of inflation, while other countries, particularly Germany, began to shift to more expansionary fiscal policies to combat rising unemployment. The French trade deficit fell and the German surplus declined, but the U.S. deficit grew little from the second to the third quarter. With interest rates reaching record levels in the United States, the dollar steadied or rose against all major currencies except the French and Swiss francs.

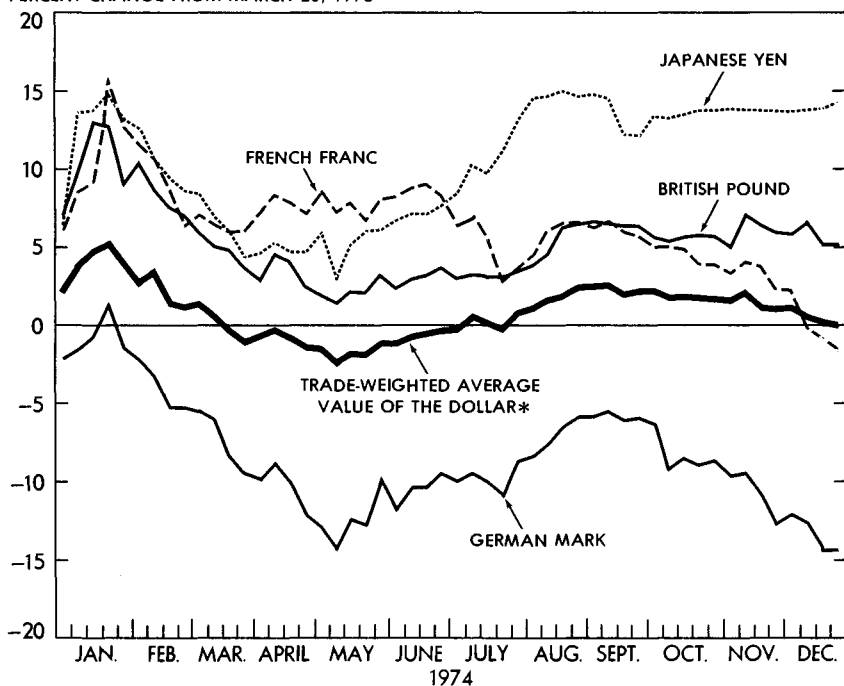
During the last quarter of the year, however, the dollar again declined against most currencies. The German mark recovered to its previous peak reached in May 1974, the French franc continued to rise, the Italian lira and British pound appreciated slightly, and only the Japanese yen continued to decline. Toward the end of the year the pound was jolted, but only temporarily, when Saudi Arabia announced that it would abandon its practice of taking about 25 percent of its oil payments in sterling. The effect of this statement was soon softened, however, by the Saudi announcement that it planned to continue investing in the London market. In addition, the Swiss franc rose sharply, by about 17 percent, during the fourth quarter.

Chart 11 shows that for the year as a whole the dollar depreciated against the German mark and the French franc, while it remained approximately unchanged against the British pound and appreciated against the Japanese yen. These movements were far from steady, however, during the course of the year. The Department of the Treasury's index of the change in the value of the U.S. dollar in terms of a trade-weighted basket of 22 foreign currencies indicates that the average value of the dollar declined from the end of January to May 1974; it then recovered most of its earlier losses before slipping again in the fourth quarter. At the end of 1974, the Treasury index

Chart 11

Change in the Value of the U.S. Dollar Relative to Selected Foreign Currencies

PERCENT CHANGE FROM MARCH 20, 1973



*RELATIVE TO THE 22 OECD CURRENCIES; COMPUTED BY DEPARTMENT OF THE TREASURY.

NOTE: FOR INDIVIDUAL CURRENCIES, WEDNESDAY PRICES WERE USED. FOR TRADE-WEIGHTED INDEX, THURSDAY PRICES WERE USED UNTIL JULY 17; THEREAFTER WEDNESDAY PRICES WERE USED.

SOURCE: DEPARTMENT OF THE TREASURY.

shows the value of the dollar to have been about the same as on March 20, 1973, just after the system of managed floating had come into full operation.

CHANGES IN INTERNATIONAL RESERVES

From September 1973 through the end of March 1974, total international reserves grew very little; they subsequently increased by \$22.5 billion from the end of March to the end of September (Table 47). All but \$3.1 billion of this increase accrued to the OPEC countries, mostly in the form of increased foreign exchange reserves held outside the United States. Thus, while the OPEC countries held a stable 7 percent of the world's reserves from March through September 1973, their holdings had increased to 10 percent by the end of March 1974 and to 18 percent by the end of September 1974. The shift was mainly at the expense of the industrial countries, whose share

TABLE 47.—*Composition and distribution of international reserve assets, selected months, 1973–74*

Type of reserve asset	Value of reserve assets (billions of U.S. dollars) ¹				Percent of total reserve assets			
	March 1973	September 1973	March 1974	September 1974	March 1973	September 1973	March 1974	September 1974
All countries: ²								
Total reserve assets.....	179.2	187.6	187.8	210.3	100	100	100	100
Gold stock.....	43.2	43.2	43.1	42.4	24	23	23	20
SDR.....	10.5	10.6	10.6	10.5	6	6	6	5
Reserve position in IMF.....	7.5	7.5	7.5	9.0	4	4	4	4
Foreign exchange.....	118.0	126.3	126.5	148.3	66	67	67	71
U.S. liabilities.....	71.3	69.8	65.5	72.5	40	37	35	34
OPEC countries: ³								
Total reserve assets.....	11.9	13.2	19.0	38.4	100	100	100	100
Gold stock.....	1.4	1.4	1.4	1.4	12	11	8	4
SDR.....	.4	.4	.4	.4	3	3	2	1
Reserve position in IMF.....	.3	.4	.4	1.0	3	3	2	3
Foreign exchange.....	9.8	11.0	16.8	35.6	82	84	88	93
Industrial countries: ⁴								
Total reserve assets.....	120.8	121.2	113.5	117.9	100	100	100	100
Gold stock.....	35.9	35.9	35.9	35.3	30	30	32	30
SDR.....	7.9	8.0	8.0	8.0	7	7	7	7
Reserve position in IMF.....	5.7	5.6	5.4	6.6	5	5	5	6
Foreign exchange.....	71.3	71.8	64.2	67.9	59	59	57	58
Other countries: ⁵								
Total reserve assets.....	46.6	53.1	55.3	53.9	100	100	100	100
Gold stock.....	5.8	5.8	5.7	5.7	13	11	10	11
SDR.....	2.2	2.3	2.3	2.1	5	4	4	4
Reserve position in IMF.....	1.5	1.6	1.7	1.4	3	3	3	3
Foreign exchange.....	36.9	43.4	45.6	44.8	79	82	82	83

¹ End of period.² Total of groups of countries listed in this table. Excludes Communist countries except Yugoslavia.³ Algeria, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, and Venezuela. Qatar and the United Arab Emirates are not included because the IMF does not publish data for these countries.⁴ United States, Canada, Japan, Austria, Norway, Sweden, Switzerland, and all EEC countries except Ireland.⁵ Nonindustrial countries other than OPEC countries.

Note.—Detail may not add to totals because of rounding.

Source: International Monetary Fund (IMF).

of the enlarged global reserves declined from 65 to 56 percent although the dollar value of their reserves did not decline significantly. The share held by the nonindustrial countries outside OPEC fell from 28 to 26 percent.

Globally, the liabilities of the United States and Britain to foreign official institutions have risen little since March 1973, but official holdings by the OPEC countries both in the United States and in the United Kingdom, as well as holdings in the form of Eurodollar and other Eurocurrency claims on private foreigners, have risen rapidly. This increase accounted for most of the growth in international reserves in the second and third quarters of 1974, and it changed the composition of reserves substantially as the share of official claims on private institutions increased relative to claims on other official institutions, including the IMF.

Another shift in the composition of international reserves could occur in 1975 if the quantity or valuation of monetary gold holdings were to change. At the end of September 1974 the industrial countries still owned 83 percent of the world's stock of monetary gold. The price of gold in the

free market has been subject to large fluctuations. At the end of 1974, the London price per ounce was \$186½ as compared with \$112¼ at the end of 1973. Compared to alternative forms in which international reserves can be held, however, gold yields no interest, nor has it yielded liquidity services in recent years. When the two-tier gold system was adopted in March 1968, central banks agreed to refrain from buying or selling gold in the private market. Neither has it been used in official settlements since the official accounting price fell to a fraction of its free-market price. From February 1973 through June 1974, monetary gold was valued at \$42.22 per ounce, while the free-market price was three to four times as high. No significant changes occurred in the distribution of gold reserves from the time that convertibility of the U.S. dollar into gold was suspended officially on August 15, 1971, until the end of 1974.

Several steps have been taken to help countries mobilize their gold holdings to assist in financing balance of payments deficits. Termination of the 1968 two-tier gold agreement in November 1973 permitted countries to sell gold on the private market, although official purchases of gold at prices above the official price of 35 SDR per ounce continued to be prohibited by the IMF. In June, 10 major industrial countries agreed in principle that gold could be used as collateral for international borrowing at a price to be determined by the borrower and the lender. Soon afterwards, Germany extended a \$2-billion loan to Italy that was backed by gold valued at approximately \$120 per ounce. Later in the year some countries discussed the possibility of valuing monetary gold at market prices, and France indicated that it planned to do so early in 1975. Also in January 1975, the United States sold a small amount of its monetary gold to private purchasers to satisfy demand that might have materialized after removal of the prohibition against private ownership of gold bullion, which had been in effect since 1934. Nevertheless, both the transactions value and the effective liquidity of gold in international reserves remained uncertain at the start of 1975.

From their inception the value of special drawing rights has been set at one ounce of gold equals 35 SDR's. From January 1970 through June 1974, the conversion of SDR's into dollars was made at the official U.S. price of gold. When this official price was raised from \$35 to \$38 per ounce as of December 1971, the transactions value of 1 SDR therefore rose from par with the dollar to \$1.0857, and it rose to \$1.20635 after the official price of gold had been raised to \$42.22 per ounce in February 1973. In order to enhance the transferability of SDR's and to move away from exclusive reliance on the official dollar price of gold in determining the value of SDR's, the IMF decided to widen the base for calculating the transactions value of SDR's by including currencies other than the dollar after July 1, 1974. Since that date, the currencies of 16 IMF member countries whose export trade amounted to more than 1 percent of the world

total in the 5-year period from 1968 through 1972 have entered into the "standard basket" valuation of the SDR. Countries whose currencies appreciate against the dollar consequently no longer find that the domestic book value of their SDR holdings with the IMF is reduced regardless of whether their currencies depreciate against third currencies that are now included in the standard basket. The relative weight of these currencies in the basket is proportional to each country's share in the world's total exports, but with some modification. Weights do compensate for the fact that the share of exports does not always accurately measure the importance of some currencies in the world economy. This applies particularly to the dollar, whose share is set at 33 percent. However, the standard basket valuation technique adopted in July 1974 represents only an interim agreement without prejudice to a new system of SDR valuation that may be negotiated in 1975.

U.S. INTERNATIONAL TRANSACTIONS IN 1974

The impact of world inflation, recession, and oil-related financing on flows of trade and capital was reflected in the international accounts of the United States in 1974. The physical volume of U.S. exports grew less than in the previous year because of the slowdown in economic growth in many foreign countries. Higher import prices, particularly for oil, led to a sharply higher value of U.S. imports despite a slightly decreased physical volume. These trends combined to push the merchandise trade account into deficit in 1974, after a surplus in 1973. In the monetary arena, the U.S. financial system was called upon to play a major role as intermediary, since U.S. capital markets were an important depository of the oil revenues which the foreign producers could not spend on imports from oil-consuming nations.

Merchandise Trade

The increasing deficit in the trade account during 1974 came after a strengthening of the U.S. trade position in the previous year. Cumulative depreciation of the dollar, combined with special factors such as shortfalls in foreign crop production and domestic price controls, produced a trade surplus in 1973. This surplus declined in January and February of 1974, and in March the United States registered the first deficit since June 1973.

During the first 3 quarters of 1974 the United States imported \$4.3 billion more than it exported, and by the third quarter the quarterly trade deficit had risen to \$2.6 billion. Although both imports and exports rose in current dollars, price increases were greater for the imported goods than for exports. As indicated in Table 48, from the first 3 quarters of 1973 to the first 3 quarters of 1974, the value of all merchandise exports grew 42 percent, and the value of imports 48 percent. The more rapid growth in the value of imports is attributable largely to the sharp rise in the price of imported oil; the value of all other imports increased only 24 percent during the year. The effect of higher oil prices is reflected in the 17

percent decline in the U.S. terms of trade from the pre-embargo third quarter of 1973 to the third quarter of 1974.

Table 48 also presents percentage changes in trade volume. The volume of exports was 11 percent greater in the first 9 months of 1974 than in the same period in 1973. While the rate of increase was less than in the preceding year, it was still remarkably high in view of the weakening world economy. Imports in constant dollars actually declined 1 percent in response to both the general decline in U.S. demand and the higher relative prices of imported goods.

TABLE 48.—*U.S. merchandise trade by principal end use categories, 1973–74*

Category	Value 1st 9 months 1974 (billions of dollars) ¹		Percent change, 1st 9 months 1973 to 1st 9 months 1974 ²			
	Exports	Imports	Value		Volume	
			Exports	Imports	Exports	Imports
Total.....	71.0	75.3	42	48	11	—1
Agricultural goods.....	16.7	7.8	33	28	—6	—3
Nonagricultural goods.....	54.3	67.4	45	51	17	0
Foods, feeds, and beverages.....	13.8	8.0	31	22	—8	—2
Industrial supplies.....	22.6	38.4	60	95	10	—4
Petroleum and products.....	.6	18.8	48	250	—19	—3
Capital goods, except autos.....	21.5	7.0	39	23	21	10
Automobiles and parts.....	5.8	8.9	27	17	14	9
Consumer goods.....	4.7	11.0	39	12	29	—10
All other.....	2.6	2.0	33	35	.....	.....

¹ Seasonally adjusted; detail may not add to totals because of rounding.

² Based on seasonally adjusted data.

Note.—Bureau of the Census trade data have been reconciled to balance of payments basis.

Source: Department of Commerce (Bureau of the Census and Bureau of Economic Analysis).

Considering the value of exports by major categories, agricultural items rose, but solely because of higher prices. World production of grains during 1974 declined for the second time in 3 years, reducing the available supply and driving up the price. The major food-exporting countries suffered declines in output. The shortfall in the United States—where late planting, summer drought, and early frost led to a 20 percent decline in feed grain production—had a major impact on world prices.

Exports of industrial materials, particularly coal, paper, and steel, remained strong throughout the first 3 quarters of 1974 despite the worldwide slowdown in economic growth. Exports of capital goods remained especially strong in the first 9 months of 1974; sales in this category were sustained by a continued demand from abroad for specialized equipment such as computers and machinery used in construction, mining, agriculture, and communications.

Imports were influenced by many of the same factors as exports, particularly by higher prices. Oil was the major cause of increases in import value, although volume in this commodity declined 3 percent. Despite the weakening U.S. economy, strong demand for capital goods throughout the first 3

quarters resulted in a 10 percent volume increase in this category compared to the same period the year before.

Services

Investment income, the major component of the services account, rose in the first 9 months of 1974 compared to the same period a year earlier. Higher earnings among foreign affiliates of U.S. oil companies accounted for most of the rise, but this effect was partially offset by the impact of foreign takeovers on the U.S. capital account. Interest income from loans to foreign borrowers increased because of higher U.S. rates and larger loan volume, but this effect too was countered by higher rates abroad and by the increase in U.S. liabilities to foreigners.

Long-Term Private Capital Flows

The net outflow of total long-term capital was \$0.5 billion in the first 9 months of 1974, compared to an inflow of \$0.8 billion in the same period a year earlier.

TABLE 49.—U.S. balance of payments transactions, 1973–74

(Billions of dollars; seasonally adjusted)

Type of transaction	First 3 quarters		1973 IV	1974		
	1973	1974		I	II	III
Goods ¹	-0.7	-4.3	1.2	-0.1	-1.6	-2.6
Services ¹	2.3	6.6	1.5	3.0	1.4	2.2
Military transactions.....	-2.1	-1.6	-.1	-.5	-.7	-.5
Investment income ²	3.9	7.1	1.4	3.1	1.8	2.2
Other ³.....	.6	1.1	.3	.4	.3	.5
GOODS AND SERVICES.....	1.6	2.4	2.7	2.9	-.2	-.3
Unilateral transfers, net ⁴	-2.7	-6.1	-1.2	-3.0	-1.9	-1.2
CURRENT ACCOUNT.....	-1.1	-3.7	1.6	-.1	-2.1	-1.6
Long-term capital.....	.8	-.5	-2.3	1.8	-.4	-2.0
U.S. Government ⁵	-.7	1.9	-.9	1.3	.6	.0
Direct investment.....	-1.7	-1.2	-.7	.7	.2	-2.0
Other private.....	3.2	-1.2	-.8	-.1	-1.1	.0
CURRENT ACCOUNT and LONG-TERM CAPITAL.....	-.3	-4.3	-.7	1.8	-2.5	-3.6
Nonliquid short-term private capital, net.....	-3.0	-11.1	-1.3	-4.0	-5.4	-1.7
Errors and omissions.....	-3.4	3.6	1.1	1.1	1.7	.8
NET LIQUIDITY BALANCE.....	-6.7	-11.7	-.9	-1.1	-6.2	-4.5
Liquid private capital, net.....	-1.2	7.9	3.5	2.1	1.7	4.1
OFFICIAL RESERVE TRANSACTIONS BALANCE.....	-8.0	-3.8	2.7	1.0	-4.5	-.3
Financed by:						
Liabilities to foreign official agencies.....	7.7	5.4	-2.6	-.8	4.9	1.3
U.S. official reserve assets.....	.2	-1.6	.0	-.2	-.4	-1.0

¹ Excludes military grants of goods and services.

² Excludes direct investment fees and royalties, included under other.

³ Includes travel and transportation and other services, net.

⁴ Excludes transfers under military grants.

⁵ Excludes official reserve transactions and includes transactions in some short-term U.S. Government assets.

Note.—Detail may not add to totals because of rounding.

Sources: Department of Commerce, Bureau of Economic Analysis.

Much of the turnaround represents reductions in purchases of U.S. stocks and bonds by foreign investors, traceable to the poor outlook for stock and bond prices during much of 1974. Although foreign purchases of U.S. equities declined, foreign direct investment in the United States increased; takeovers involving U.S. corporations engaged in petroleum operations abroad accounted for much of the increase. There was also a substantial rise in U.S. residents' purchases of foreign securities, primarily bonds issued by Canada. Despite the January 1974 removal of the Interest Equalization Tax, purchases of other foreign securities showed little change from 1973. Bank loans to foreigners reflected the greater demand for credit to finance higher oil bills, and they contributed to the outflow of long-term capital.

Short-Term Private Capital Flows

During 1974 there were substantial inflows of private capital into readily marketable assets. At the same time, large outflows of short-term capital took place in the form of bank loans and acceptance credits. Net nonliquid short-term private capital outflow was \$11.1 billion in the first 9 months of 1974, \$8.1 billion more than in 1973. Nonliquid claims on foreigners increased sharply in the first 2 quarters of the year, but the increase was reduced in the third quarter. The large outflow in the first part of the year was a reflection of the removal of restrictions on foreign lending by U.S. banks in January 1974. The diminished outflow later in the year may be attributable to higher U.S. interest rates.

Official Capital Flows

Official agencies of foreign governments purchased \$5.4 billion of U.S. assets during the first 3 quarters of 1974. Since OPEC government purchases during the period are estimated at \$7.2 billion, liabilities to official agencies of other nations declined during this time by \$1.8 billion. The preference for U.S. dollar reserves revealed by the official agencies of oil-exporting countries has implications for the U.S. balance of payments measures discussed below.

The Net Asset Position of the United States

Figures compiled during 1974 indicate that U.S. net assets increased during 1973 by \$11.8 billion, after declining \$6.4 billion in 1972 and \$11.5 billion in 1971. The value of U.S. assets abroad at the end of 1973 was \$226 billion, compared to \$163 billion in U.S. liabilities to foreigners.

The net asset position is affected not merely by balance of payments transactions, but also by factors not included in the balance of payments accounts. For instance, earnings reinvested by U.S. firms abroad (less earnings reinvested by foreign firms in the United States) added more than \$7 billion to the net asset position during 1973. Adjustments for price changes in the foreign securities held by U.S. residents and in the U.S. securities held by foreign residents also affect the net asset position. Data on reinvested earnings and valuation adjustments for 1974 are not yet available.

THE BALANCES

Under the regime of fixed exchange rates, foreign monetary authorities were required to intervene in foreign exchange markets to maintain the value of their currency within a narrow band. A deficit in the official reserve transactions balance of the United States then indicated that foreign central banks had purchased dollars, because at the parity rates (plus or minus a narrow margin) the private demand for dollar holdings by foreigners had been less than the available supply. The accumulation of these assets by foreign monetary authorities was taken as a gauge of pressure on the dollar in foreign exchange markets.

The net liquidity balance, which takes into account the net change in liquid liabilities to private parties as well as to official agencies in other countries, was designed as a broader indicator of potential as well as actual pressures on the U.S. currency.

The trend toward flexible exchange rates has made these two measures of the balance of payments unsuitable for analyzing exchange rate pressures. Since intervention has become discretionary, pressures on exchange rates are in large part allowed to move the exchange rates instead of being reflected in reserve movements. While official intervention under managed floating can be used to dampen exchange rate fluctuations, the balances do not serve as acceptable indicators even of these limited actions to remove pressure.

Because of the huge surplus of investable funds accruing to the oil-exporting countries, a large negative shift in the U.S. official reserve transactions balance can now result on account of the preference of the oil-exporting countries for placing their funds in the United States. Moreover, the net liquidity balance is far less significant than under the regime of fixed exchange rates, since the foreign central banks are not obligated to acquire dollars from private holders. Finally, the distinctions between liquid and nonliquid assets and liabilities and between private and official foreign exchange assets have become increasingly blurred.

Thus, reliance on these balances could lead to serious analytical misjudgments. The question of how the organization of our balance of payments data can be made more useful is currently under review.

SUPPLEMENT

The Eurocurrency and Eurodollar Markets

The discussion of the international financial aspects of the "energy crisis" brought into public focus the Eurodollar market as an important channel for moving funds from the oil-exporting countries to borrowers. The recycling of "petro-dollars" has been merely one of many functions performed by the Eurodollar market over the years of its existence.

The Eurodollar market, as such, has no specific location. Its physical dimension is a network of international telecommunications media which link financial centers around the world and through which Eurodollar transactions are conducted. Eurodollars are dollar-denominated claims on commercial banks located outside the United States, largely but not exclusively in Europe. They are dollar funds placed with foreign banks by either U.S. or foreign residents, and maintained on the books of these banks as dollar-denominated liabilities to the depositors. Dollars deposited with the foreign banks may be in the form of U.S. currency, but they seldom are. In virtually all instances, they are dollars held on deposit in U.S. banks. In establishing a Eurodollar deposit, the depositor, in effect, transfers the ownership of his deposit in a U.S. bank to the receiving foreign bank. When the foreign bank lends these dollars, it transfers their ownership to the borrower. Finally, when the original depositor "withdraws" the deposit, he in effect exchanges the dollar-denominated claim on the foreign bank for a dollar-denominated claim on a U.S. bank.

Eurodollars, while by far the largest, are merely one of several types of foreign-currency denominated deposits maintained by commercial banks around the world in currencies other than that of the country where the bank is located. Deposits denominated in British pounds (Eurosterling), German marks (Euromarks), Swiss francs (Eurofrancs), and others are also held and traded by banks domiciled outside the countries issuing these currencies.

The emergence and growth of the Eurodollar market may be viewed as a classic example of free market forces at work, overcoming obstacles created by regulations, and responding to market incentives to accommodate various needs. After World War II, when the dollar emerged as the major trading currency, the initial impetus to the growth of the Eurodollar market was given by certain Eastern European countries. Anxious to hold dollars to finance their badly needed imports from the West, but concerned that their dollar balances might be blocked or confiscated in retaliation for their expropriation of American-owned properties if such balances were held in banks under U.S. Government jurisdiction, these countries began placing their dollar balances with commercial banks in Western Europe. Since the late fifties, when most major countries removed restrictions on the holding of foreign exchange (including dollars) by their residents, higher interest rates offered by foreign banks, relative to interest rates offered by the U.S. banks, provided the main incentive for holders of dollar funds to place these with foreign banks rather than banks located in the United States.

The ability and willingness of foreign banks to offer a more attractive return than U.S. banks has been predicated on several factors. The U.S. banking authorities do not allow commercial banks in the United States to pay interest on deposits of less than 30 days, and they regulate the rate of interest that may be paid on deposits of longer maturity. Commercial banks abroad

are mostly exempt from such restrictions. Also, unlike U.S. banks, commercial banks in countries where the growth of the Eurodollar market has been the most spectacular are not subject to reserve requirements on their dollar-denominated liabilities. As a result, the net cost of such funds to these banks is reduced, and they can offer a higher yield. On the other hand, the willingness of foreign banks to offer a higher return has been predicated on the strong demand for dollar loans that has not been fully met by the U.S.-based banks, particularly when such lending was impeded by the existence of the Voluntary Foreign Credit Restraint Program and the Interest Equalization Tax.

Given these constraints, the U.S.-based banks were able to compete for dollar deposits with foreign-based banks through foreign subsidiaries and branches that were not subject to the same restraints as their parent institutions in the United States. Through these media, the U.S. banks have maintained significant participation in the Eurodollar market. The elimination or suspension of certain U.S. regulations in 1970 and 1974 has removed most of the impediments to the direct participation of U.S. banks in the global trade in dollars. By this time, however, the Eurodollar market had acquired a momentum of its own that assured its continued existence for years to come.

MEASURING THE SIZE OF THE EURODOLLAR MARKET

For a number of years, the Bank for International Settlements (BIS) in Basle, Switzerland, has been providing the most comprehensive set of statistics on the Eurodollar market, based on reports of foreign-currency denominated assets and liabilities of commercial banks in Belgium-Luxembourg, France, Germany, Italy, the Netherlands, Sweden, Switzerland, the United Kingdom, Canada, and Japan. The original reports include all foreign-currency denominated liabilities to residents (banks, individuals, and corporations) of countries other than the country in which the reporting bank is located, that is, all external liabilities. These totals are published as gross Eurocurrency positions.

Table 50 shows the size of the external Eurocurrency liabilities by the individual reporting countries. For the end of 1973, the BIS reported that total external liabilities in foreign currencies of banks in the reporting European countries identified in the table amounted to \$191 billion; roughly two-thirds of these liabilities were denominated in dollars.

TABLE 50.—*External liabilities denominated in foreign currencies of banks in selected countries, 1970-73*

[Billions of U.S. dollars; end of period]

Country	1970	1971	1972	1973
Selected countries.....	85.8	110.8	147.5	215.7
Reporting European countries.....	75.3	97.9	131.9	191.4
Belgium-Luxembourg.....	6.8	10.5	14.8	24.0
France.....	9.2	13.9	19.2	27.2
Germany.....	2.9	3.1	4.0	5.8
Italy.....	9.4	12.4	18.8	24.1
Netherlands.....	4.0	4.9	6.4	9.6
Sweden.....	.5	.6	.7	.9
Switzerland.....	6.1	6.5	8.5	9.2
United Kingdom.....	36.4	45.9	59.8	90.7
Canada.....	5.5	6.3	8.1	11.5
Japan.....	5.0	6.6	7.5	12.8

Note.—Detail may not add to totals because of rounding.

Source: Bank for International Settlements.

In addition to gross figures, the BIS publishes data on net Eurocurrency liabilities. The net liability measure is an estimate of the amount of credit outstanding in the Eurocurrency market, after an adjustment to exclude interbank deposits. Deposits by one Eurobank at another are made for several reasons. First, banks usually observe limits on loans to particular borrowers or markets. When limits are reached, many banks will lend to another bank which wants to increase the supply of loans to its nonbank borrowers. A second reason is that many banks whose lending is specialized by either function or region will supply funds to another intermediary for more general operations. The redepositing gives rise to double counting when the same funds pass through several banks on their way to final borrowers. The practice of the BIS has been to net out of the gross figure all interbank deposits within the reporting area, on the assumption that they result in duplication along the credit chain. Interbank deposits between this area and the areas not covered by the BIS reports, however, are assumed to derive from actual credit flows initiated by nonbank market participants and carried out by the banking intermediaries. Thus, interbank deposits between banks within the European countries comprising the reporting area are excluded, while deposits of banks outside the area are included in the net measure. Also included in the net measure are Eurocurrency liabilities of the area banks to the residents of the country in which the bank is located. On this net basis, the BIS had estimated the size of the Eurocurrency market at \$132 billion in the reporting European countries at the end of 1973. Of that total the Eurodollar component was estimated at \$97 billion.

In recent years banks in other financial centers such as Singapore and the Bahamas sharply increased their Eurocurrency deposits. Data on these liabilities are not included in the BIS figures. However, the Morgan Guaranty

Trust Company of New York, utilizing published national banking statistics of various countries, has been compiling data on the world Eurocurrency market. According to their estimates, the gross foreign currency liabilities of banks around the world (including interbank deposits and foreign-currency denominated liabilities to residents) amounted to \$295 billion at the end of 1973. Of the world total, \$215 billion were Eurodollar deposits; about \$80 billion of these were held at foreign branches of U.S. banks. After an adjustment for double counting resulting from interbank deposits, the net size of the world Eurocurrency market at the end of 1973 was estimated by Morgan Guaranty at \$155 billion, of which \$115 billion consisted of liabilities denominated in U.S. dollars.

In the first 3 quarters of 1974 the world Eurocurrency market expanded considerably. On a net basis it has been estimated that the deposits rose globally by some \$35 billion, from \$155 billion at the end of 1973 to \$190 billion at the end of September 1974. A large portion of that increase apparently took place at banks in the United Kingdom where gross Eurocurrency deposits rose by \$16 billion to \$106 billion.

Receiving foreign currency deposits and establishing foreign-currency denominated liabilities is, of course, only one side of the Eurobanks' activities. Lending the funds received and establishing foreign-currency denominated claims represents the other phase of their operations. The BIS also collects and publishes data on the asset side of the balance sheet of Eurobanks for the European countries comprising the reporting area. Table 51 shows the distribution of such assets around the world.

TABLE 51.—*Foreign-currency denominated claims of banks in reporting European countries, 1973*
[Billions of dollars ¹; end of 1973]

Area and country	Foreign-currency denominated claims		
	Total	Dollars	All other currencies
Claims on residents of			
Reporting European countries ²	106.6	67.3	39.3
Other areas	81.3	66.5	14.8
Other Western Europe	11.4	6.6	4.8
Eastern Europe	7.8	4.9	2.9
Canada	5.1	4.4	.7
Japan	8.1	7.5	.6
Latin America	11.3	10.3	1.0
Middle East	2.5	2.0	.5
United States	14.5	13.8	.7
Other	21.6	17.0	3.7

¹ Foreign currencies expressed in billions of U.S. dollars.

² Belgium-Luxembourg, France, Germany, Italy, Netherlands, Sweden, Switzerland, and United Kingdom.

Note.—Detail may not add to totals because of rounding.

Source: Bank for International Settlements.

Eurodollars are not included in the U.S. monetary aggregates (M_1 , M_2 , M_3) ; only dollars held by foreigners as currency or as deposits in U.S. banking institutions are included. Indeed, Eurodollar deposits must first be “converted” into deposits in U.S. banks before they can become means of payment in the United States. In general, such “conversion” has no impact on the U.S. money supply. On the other hand, owners of Eurodollar deposits undoubtedly consider them highly liquid dollar-denominated assets, and some degree of arbitrariness inevitably enters into distinctions between such assets and money.

Appendix A

**INFLATION CONTROL UNDER THE ECONOMIC
STABILIZATION ACT**

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Inflation Control Under the Economic Stabilization Act

Public Law 93-28, the Economic Stabilization Act Amendments of 1971, as amended, requires that the *Economic Report of the President* include a section "describing the actions taken under this title during the preceding year and giving his assessment of the progress attained in achieving the purposes of this title." This appendix is intended to fulfill that requirement. There is, however, no intent to represent the description of the control regulations contained herein as legally binding interpretations.

Price and wage controls were administered by the Cost of Living Council (CLC) under authority of the Economic Stabilization Act until April 30, 1974, when the act expired.* The Administration did not propose that authority for mandatory controls be extended (except in the construction and health sectors), nor was there substantial support in the Congress for extension. The Administration did propose, however, that Congress adopt legislation continuing certain functions of the CLC, including monitoring of compliance by firms which had made commitments when exempted from controls; review of Government and private actions which might inhibit the supply of materials; working with labor and management in sectors having special problems; conducting public hearings to highlight inflationary problems; focusing public attention on the need to increase productivity; and requiring business to report data relating to inflationary factors. At the request of President Ford, legislation was passed in August 1974, establishing the Council on Wage and Price Stability with authority to conduct several monitoring functions.

*The existence of the Cost of Living Council was extended to June 30, 1974, by Executive Order 11781, to permit orderly termination of the stabilization programs, including monitoring of voluntary commitments made by companies prior to decontrol. After June 30, the remaining legal activities and records of the stabilization program were transferred to a small staff in the Office of Economic Stabilization, Department of the Treasury. This organization in turn was terminated at the end of 1974.

THE CONTROLS PROGRAM IN 1974

At the start of 1974 the CLC was administering a controls program known as Phase IV, which had been established in August 1973 following the temporary price freeze begun on June 13, 1973. In general, standards of Phase IV limited price increases in most manufacturing and service industries to the dollar-for-dollar pass-through of allowable cost increases incurred since the last fiscal quarter ending prior to January 11, 1973. Profit margin limitations related to base-year averages remained in effect for the most part. Prenotification of price increases was required of firms with annual sales exceeding \$100 million; implementation was permitted after 30 days unless the CLC ruled otherwise. Firms with annual sales of more than \$50 million were required to file quarterly reports with the CLC.

The dollar-for-dollar pass-through and limitation of cost reach-back to late 1972 made price regulations in Phase IV more restrictive than earlier phases which had permitted maintenance of profit margins. In another respect, however, Phase IV was designed to be more flexible through a program of regulation more closely adapted to conditions in each sector and through progressive decontrol of industries.

For employees, the general standard of an annual 5.5 percent increase for wages and an additional 0.7 percent for qualified fringe benefits, adopted in Phase II and put on a self-administered basis in Phase III, remained in effect. But after the beginning of 1973 the operating philosophy of the wage control program had been to achieve a moderation of wage rate increases entailing less disruption of industrial peace or interference with the collective bargaining process than would result from uniform application of a mechanical standard. Emphasis was therefore placed on restraining settlements which might have had major "ripple effects" on the wage structure through their influence on bargaining situations in related industries, areas, and occupations, rather than on rigid adherence to a simple standard. The Labor-Management Advisory Committee had recommended this policy to the Cost of Living Council on February 26, 1973.

An important part of the work of the CLC in 1974 was its program of progressive decontrol (Table A-1). A major objective of the decontrol program was to provide for a smooth transition to free markets. By making decontrol a selective process and spreading the impact of large price increases over time, it was thought that the extent of any "bulge" in prices when controls ended could be lessened. Another objective was to avoid or reduce adverse effects of controls on the supply of products. Decontrol began in 1973 when Phase IV was put in place; but the process was accelerated toward the end of the year and into 1974.

Two approaches to decontrol that were considered were sector-by-sector decontrol and decontrol through a gradual easing of Phase IV rules. The sector-by-sector approach was adopted on a flexible basis related both to the particular conditions in each sector, and to voluntary company commitments

TABLE A-1.—*Selected exemptions of industrial sectors from wage and price controls, 1974*

Date	Exemption
January: 4....	Nonferrous alloys
14....	Ferronickel (prices only)
21....	Mobile homes and recreational vehicles
	Semiconductors
23....	Miscellaneous health service providers
25....	Nonprofit tax exempt organizations
	Selected steel products
30....	Rubber tires and tubes
	Most basic petrochemical feedstocks
February: 1....	Retail trade except: food; petroleum products; motor vehicles, parts, and equipment; large eating and drinking facilities
11....	Checker Motors Corporation
	Steel drum reconditioners
	Stevedoring and marine terminal services (prices only)
12....	Rendering industry
15....	Ferrous and ferroalloy scrap metal
	Nonrubber shoes
19....	Postcards
20....	Iron and steel foundries
22....	Furniture
26....	Valves
	Mining and oilfield machinery
March: 1....	Toys
5....	Ophthalmic goods: scientific, mechanical and optical instruments
	Jewelry and silverware
6....	Fabricated lumber and wood products
7....	Engineered fastener products
8....	Paper and allied products
13....	Fabricated rubber products
	Petrochemicals (medium- and small-sized firms)
15....	Printing, publishing, broadcasting, advertising, and other communications media
18....	Canned fruits and vegetables
20....	Selected machinery
21....	Ferroalloy metals (prices only)
26....	Cordage and twine
27....	Coal
28....	Aluminum
	Musical instruments
29....	Aerospace and general aviation
April: 15....	Food retailing and wholesaling

Source: Cost of Living Council.

to restrain prices for specified periods after decontrol, or in some cases to expand production capacity. Both wages and prices were usually decontrolled simultaneously in each sector. Many sectors had, of course, been exempted from controls prior to Phase IV. Less than half the value of items included in the consumer price index (CPI) and of wages and salaries were subject to Phase IV on September 10, 1973; on the other hand, 69 percent of the wholesale price index (WPI) was covered, with farm products the major exemption. The speed at which decontrol progressed is shown in Table A-2.

As noted above, a major concern was that widespread maintenance of controls until their legal termination on April 30 would result in a post-control bulge of price increases. The progressive decontrol program was designed to spread the bulge in two ways. First, price increases that were likely to be bunched just after that date were instead phased over the preceding several months. Second, in exchange for earlier decontrol, commitments were obtained from some companies to restrict price increases to specified amounts at the time of decontrol, with no further price increases to be implemented for various periods extending beyond April 30; the CLC thus sought to defer further into the future some of the post-control price increases. (In some

TABLE A-2.—Coverage of price and wage controls under the Economic Stabilization Program, selected dates during Phase IV

Date during Phase IV	Percent covered		
	Consumer price index (CPI)	Wholesale price index (WPI)	Civilian labor force ¹
1973: September 10.....	42.6	69.4	44.1
1974: March 1.....	28.0	54.2	37.4
April 1.....	24.2	37.4	26.8
30.....	² 8.6	² 27.6	24.1

¹ Percent of the civilian labor force whose wages and salaries were covered.

² An additional 3.5 percent of the CPI and 4.0 percent of the WPI were under price controls of the Federal Energy Office, which remained in effect after April 30.

Source: Cost of Living Council.

cases other commitments were obtained, such as agreements to allocate supplies to unaffiliated domestic firms, even though such supplies could command higher prices in export markets, and to make certain efforts to expand production capacity.) Most such commitments relating to actions subsequent to controls were kept, but later on some prices rose more than had been anticipated in the commitments.

EFFECTIVENESS OF THE CONTROLS PROGRAM IN 1974

The last two *Reports* have made clear the difficulty of assessing the effectiveness of controls in 1972 and 1973. In trying to provide an assessment for a period so short as the 4 months of 1974 when controls were in effect, these difficulties are magnified, particularly since this was the period in which the economy sustained the impact of the oil embargo and the approximate tripling of the landed price of imported crude oil. This increase and the steep rise in farm prices at the beginning of 1974 led to an acceleration in the pace of inflation. The Phase IV regulations may have played a role in delaying the pass-through of increases in prices of these two major raw commodity-producing sectors to the prices of final goods.

However, the special inflationary impact of the oil price increase and its effect on aggregate output during the first half of 1974 make it unrealistic to attempt an assessment of the stabilization program in the final months. More significantly, economic conditions of both 1973 and 1974 differed markedly from those prevailing when the Economic Stabilization Program was introduced, and no feasible controls program could have significantly restrained the resulting inflation. The conclusion of last year's *Report* on this point must apply to 1974 with even more relevance: although inflation might have been more rapid in the absence of controls, in the light of the actual experience both before and after their termination, it is difficult to

accept that thesis. The lack of widespread support for extension of the controls program, not only in Congress but among business and labor representatives and the general public, suggests broad acceptance of this judgment.

Probably a more meaningful assessment relates to the results of a major thrust of the 1974 program, the phased sector-by-sector decontrol of prices and wages aimed at facilitating the return to free markets, and in particular at leveling the bulge in prices and wages that was feared when controls were terminated on April 30, 1974. Price increases as measured by the CPI component for commodities other than foods and the WPI industrial commodities component (generally the controlled prices) showed little acceleration in the May–August period as compared with the first 4 months of the year (Table A-3). However, increases in various measures of wage rates and the

TABLE A-3.—*Measures of price and wage change during and after the Economic Stabilization Program*

Price or wage measure	[Percent change; seasonally adjusted annual rate]					
	Freeze and Phase II Aug. 1971 to Jan. 1973	Phase III Jan. 1973 to June 1973	Second freeze and Phase IV June 1973 to Apr. 1974	Phase IV Dec. 1973 to Apr. 1974	1974	
					Apr. to Aug.	Aug. to Dec.
PRICES						
Consumer price index:						
All items.....	3.4	8.3	10.7	12.2	12.7	11.8
Food.....	5.9	20.2	16.2	12.8	7.0	17.0
All items less food.....	2.7	5.0	8.7	11.8	15.3	9.7
Commodities less food.....	2.2	4.8	9.2	14.9	16.4	8.6
Services ¹	3.5	4.3	8.6	8.8	13.3	11.7
Personal consumption expenditures deflator ²	2.8	6.7	10.8	13.9	11.8	11.4
Wholesale price index: ³						
All commodities.....	5.9	22.2	15.2	21.9	31.8	10.2
Farm products and processed foods and feeds.....	13.4	48.9	6.3	4	24.5	9.5
Industrial commodities ⁴	2.9	12.3	19.6	33.9	35.5	9.4
Finished goods, consumer and producer ⁵	1.9	7.2	13.4	23.4	25.8	14.6
Crude and intermediate materials ⁵	3.6	15.1	23.3	39.1	40.9	7.1
WAGES⁶						
Average hourly earnings, private nonfarm economy: ⁷						
Monthly series.....	6.2	6.3	6.9	6.5	11.9	9.3
Quarterly series ²	6.4	5.9	7.0	6.3	10.3	9.7
Average hourly compensation:						
Total private economy ²	5.8	8.9	7.0	7.0	11.2	9.0
Nonfarm ²	5.9	8.8	7.5	7.9	10.7	9.3

¹ Not seasonally adjusted.

² Percent changes based on quarterly data: 1971–III to 1972–IV (col. 1), 1972–IV to 1973–II (col. 2), 1973–II to 1974–I (col. 3), 1973–IV to 1974–I (col. 4), 1974–I to 1974–III (col. 5), 1974–III to 1974–IV (col. 6).

³ Seasonally adjusted percentage changes in components of the WPI do not necessarily average to the seasonally adjusted percentage change in the total index because adjustment of the components and the total are calculated separately.

⁴ Includes a small number of items not shown separately.

⁵ Excludes foods but includes a small number of items not in the industrial commodity index.

⁶ Average hourly earnings are for production workers or nonsupervisory employees and average hourly compensation for all employees.

⁷ Adjusted for overtime (in manufacturing only) and interindustry shifts.

Sources: Department of Commerce (Bureau of Economic Analysis) and Department of Labor (Bureau of Labor Statistics).

WPI farm and food component (generally uncontrolled) did speed up markedly in the 4 months after decontrol. The GNP deflator, the most comprehensive measure of prices of final goods and services, rose more slowly in the second quarter of 1974 than in the first, but then more rapidly in the third. It would appear, therefore, that no pronounced increase in the aggregate inflation rate for all goods and services was directly traceable to the April 30 termination.

But the comparatively constant rate of inflation in 1974 both before and after decontrol does not justify the conclusion that there was no price bulge. With output weakening throughout the year, the rate of inflation might have been expected to slow. Indeed most forecasters thought it would slow after the initial effects of the winter increases in crude oil and farm prices were reflected in final markets. However, the prices of goods and services other than agricultural products and fuel accounted for a substantial part of the inflation after controls ended.

Part of these increases reflected the pass-through of earlier increases in prices of fuels and petrochemical feedstocks and other crude materials. The acceleration in wage increases, coupled with the decline in output per man-hour, also contributed to the widespread price increases following the end of controls. In addition, capacity shortages continued in certain primary producing industries like paper and chemicals. In such industries, output continued strong into the third quarter, even though overall economic activity was declining throughout 1974. Earlier shortages in these industries had apparently reduced inventories to levels below those desired; and purchases of materials were intended to rebuild stocks, in many cases to hedge against shortages or price increases. Finally, it is possible that frequent discussion about reimposing controls led to price and wage increases in anticipation of such an eventuality.

* * * * *

The final judgment on the effects of price and wage controls imposed under authority of the Economic Stabilization Act beginning in August 1971 and continuing for more than 32 months will be long debated and may never be resolved. The primary reason for an inconclusive judgment is that there is no way of accurately simulating the course of events which would have evolved in the absence of controls.

However, the evidence of the controls period—including not only the behavior of the recorded rate of inflation but also materials shortages and other significant market events—does support a partial but important judgment about the experience with the controls system: regardless of the overall effect of the program, whatever contribution it may have made was probably concentrated in its first 16 months, when the economy was operating well below its potential. As various industrial sectors reached capacity operations in 1973 under the stimulus of a booming domestic and world economy, the controls system began to obstruct normal supplier-purchaser relationships,

and in some cases the controls became quite unworkable. The sharply rising costs of basic materials, often reflecting world market influences and dollar devaluation, were largely uncontrolled; and when passed through to consumers, they resulted in accelerating inflation. Thus, the net benefit of the controls system, however evaluated, had become extremely small by the beginning of 1974, and legal termination of controls only ratified the inevitable process of dismantling them in response to public and market pressures.

Appendix B

**REPORT TO THE PRESIDENT ON THE ACTIVITIES
OF THE
COUNCIL OF ECONOMIC ADVISERS DURING 1974**

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., December 31, 1974.

THE PRESIDENT:

Sir: The Council of Economic Advisers submits this report on its activities during the calendar year 1974 in accordance with the requirements of the Congress, as set forth in Section 4(d) of the Employment Act of 1946.

Respectfully,

ALAN GREENSPAN, *Chairman.*
WILLIAM J. FELLNER.
GARY L. SEEVERS.

Report to the President on the Activities of the Council of Economic Advisers During 1974

The Council of Economic Advisers was created by the Employment Act of 1946 to provide economic analysis and advice to the President and thus assist him in establishing and maintaining conditions under which the objectives of the act can be secured.

Alan Greenspan became Chairman of the Council on September 4, 1974, succeeding Herbert Stein, who had served as Council Chairman since January 1, 1972. Mr. Stein has taken up his duties as A. Willis Robertson Professor of Economics at the University of Virginia. William J. Fellner and Gary L. Seevers served as Council Members throughout 1974.

Past Council Members and their dates of service are listed below

Name	Position	Oath of office date	Separation date
Edwin G. Nourse	Chairman	August 9, 1946	November 1, 1949.
Leon H. Keyserling	Vice Chairman	August 9, 1946	
	Acting Chairman	November 2, 1949	
	Chairman	May 10, 1950	January 20, 1953.
John D. Clark	Member	August 9, 1946	
	Vice Chairman	May 10, 1950	February 11, 1953.
Roy Blough	Member	June 29, 1950	August 20, 1952.
Robert C. Turner	Member	September 8, 1952	January 20, 1953.
Arthur F. Burns	Chairman	March 19, 1953	December 1, 1956.
Neil H. Jacoby	Member	September 15, 1953	February 9, 1955.
Walter W. Stewart	Member	December 2, 1953	April 29, 1955.
Raymond J. Saulnier	Member	April 4, 1955	
	Chairman	December 3, 1956	January 20, 1961.
Joseph S. Davis	Member	May 2, 1955	October 31, 1958.
Paul W. McCracken	Member	December 3, 1956	January 31, 1959.
Karl Brandt	Member	November 1, 1958	January 20, 1961.
Henry C. Wallich	Member	May 7, 1959	January 20, 1961.
Walter W. Heller	Chairman	January 29, 1961	November 15, 1964.
James Tobin	Member	January 29, 1961	July 31, 1962.
Kermit Gordon	Member	January 29, 1961	December 27, 1962.
Gardner Ackley	Member	August 3, 1962	
	Chairman	November 16, 1964	February 15, 1968.
John P. Lewis	Member	May 17, 1963	August 31, 1964.
Otto Eckstein	Member	September 2, 1964	February 1, 1966.
Arthur M. Okun	Member	November 16, 1964	
	Chairman	February 15, 1968	January 20, 1969.
James S. Duesenberry	Member	February 2, 1966	June 30, 1968.
Merton J. Peck	Member	February 15, 1968	January 20, 1969.
Warren L. Smith	Member	July 1, 1968	January 20, 1969.
Hendrik S. Houthakker	Member	February 4, 1969	July 15, 1971.
Paul W. McCracken	Chairman	February 4, 1969	December 31, 1971.
Herbert Stein	Member	February 4, 1969	
	Chairman	January 1, 1972	August 31, 1974.
Ezra Solomon	Member	September 9, 1971	March 26, 1973.
Marina v.N. Whitman	Member	March 13, 1972	August 15, 1973.

RESPONSIBILITIES OF THE COUNCIL

The principal directive of the Employment Act is that the Federal Government "use all practicable means consistent with its needs and obligations . . . for the purpose of creating and maintaining . . . conditions . . . to promote maximum employment, production, and purchasing power."

The basic responsibility of the Council of Economic Advisers is the analysis and interpretation of trends and changes in the economy and the development and evaluation of national economic policies to assist the President in reaching the goals specified in the act. The Council prepares regular reports on current economic conditions and forecasts of future economic developments, and its recommendations are an integral part of economic policy making.

The Council also has a responsibility "to appraise the various programs and functions of the Federal Government." The Council thus performs a direct advisory role involving a wide range of economic problems both within the Executive Office of the President and through participation in interagency study groups in which representatives of various departments, agencies, and offices in the executive branch evaluate current programs and consider and develop new ones.

During 1974 the Council and its staff shared in the analysis and examination of many different economic issues incident to the formulating of programs and policies. These included policy issues and proposals regarding agricultural and food policy; measures and programs to support housing construction; a wide range of programs and measures affecting environmental quality; alternative means of dealing with the energy problem; the evaluation of future supplies of strategic materials; exploitation of the resources of the seas; management of the Nation's timber resources; transportation problems and policies; measures to improve the functioning of the labor market and to alleviate the impact of the recession upon the unemployed; proposals for more effective health insurance and income maintenance; and needed improvements in the Government's economic statistics.

International trade and investment problems and policies continued to be a major concern of the Council, and during 1974 it examined the strains placed upon the world's international trade and financial mechanism by the large capital flows related to oil payments.

Early each year the President submits the *Economic Report of the President* to the Congress as required by the Employment Act. The Council assumes major responsibility for the preparation of this *Report*, which together with the Annual Report of the Council of Economic Advisers reviews the progress of the economy over the past year and outlines the Administration's policies and programs.

The Chairman is a member of the Economic Policy Board, which directs the formulation, coordination, and implementation of economic policy. The Chairman is also a member of the Executive Committee of the Economic

Policy Board, which serves as the focal point for economic policy decision making and meets daily to address current issues of economic policy.

The Economic Policy Board operates with a high degree of flexibility, requesting analyses of economic problems and recommendations from the various agencies and departments of the executive branch. The Executive Committee, often augmented by the Chairman of the Board of Governors of the Federal Reserve System, meets regularly with the President to review economic conditions, make recommendations, and discuss possible changes in economic policy.

The review and analysis of the overall performance of the economy is conducted and coordinated through a series of "Troika" working groups, comprising representatives of the Council, the Treasury, and the Office of Management and Budget (OMB). At regular intervals economists from these agencies evaluate recent economic performance and formulate economic forecasts which are then reviewed by a second group, chaired by a Council Member and including the Assistant Secretary of the Treasury for Economic Policy and the Economist for OMB. The analysis and projections are then reviewed and cleared through the Chairman of the Council for presentation and consideration by the Executive Committee, which is chaired by the Secretary of the Treasury and consists of the Chairman of the Council of Economic Advisers, the Director of OMB, the Executive Director of the Council on International Economic Policy, and the Assistant to the President for Economic Affairs, who is the Executive Director of both the Economic Policy Board and its Executive Committee.

The Chairman of the Council is a member of the President's Energy Resources Council, which was formed in October 1974 to formulate and coordinate energy policy. The Chairman is the head of the U.S. delegation to the Economic Policy Committee of the Organization for Economic Cooperation and Development, and he also serves as vice chairman of the Committee. Council Members and staff economists attended meetings of various working parties of the Committee during the year. The Chairman of the Council served as Chairman of the Advisory Committee on the Economic Role of Women, which on April 30, 1974, issued its recommendations for advancing women in industry; the Advisory Committee ended its term in August 1974.

In April Mr. Fellner and several staff economists from the Council visited the Economic Planning Agency for Japan to continue the exchange of information on economic problems and policies that was initiated during 1972. In November the Council was host to a delegation of economists from the Economic Planning Agency.

The Chairman and Council Members appeared before the full Joint Economic Committee (JEC) of the Congress three times during 1974. The JEC, like the Council, was created by the Employment Act of 1946, "to make a continuing study of matters relating to the *Economic Report* and to submit its own report and recommendations to the Congress." On Febru-

ary 7 the Council presented testimony before the JEC on the *Economic Report* and appeared again on July 30 to review economic developments during the first half of 1974. The Chairman presented testimony on September 26 regarding developments during the third quarter. The Council also appeared before the JEC Subcommittee on Consumer Economics on May 10. The Chairman presented testimony on the budget before the Senate Appropriations Committee on February 27 and appeared before the Senate Committee on Commerce and Government Operations on May 9. He also presented testimony before the JEC Subcommittee on Economic Growth on June 12, before the House Budget Committee on September 25, and before the Senate Permanent Subcommittee on Investigations on October 16. Mr. Seevers presented testimony on the Federal budget before the House Committee on Appropriations on February 20 and appeared before the Senate Government Operations Committee on November 26 to discuss regulatory reform.

PUBLIC INFORMATION

The Annual Report of the Council of Economic Advisers, contained in the *Economic Report of the President*, is the main vehicle through which the Council informs the public of its work and its views. It presents a comprehensive review and analysis of economic conditions, forecasts, and projections for the coming year, as well as an explanation of the Administration's economic policy. In recent years about 50,000 copies of the *Economic Report* have been distributed. The Council also assumes primary responsibility for the monthly publication, *Economic Indicators*, which is prepared by the Council's Statistical Office under the direction of Frances M. James and issued by the Joint Economic Committee with a distribution of about 10,000 copies.

The Council also presents information on and analyses of current economic problems and developments through occasional press briefings, testimony before various congressional committees, and speeches and papers presented by the Chairman and the Members of the Council. The Council answers numerous requests for information from the Congress, the press, and individual citizens, and receives individual visitors as well as business, academic, and other groups as often as is possible without interfering with other duties.

ORGANIZATION AND STAFF OF THE COUNCIL

OFFICE OF THE CHAIRMAN

The Chairman is responsible for communicating the Council's views to the President. This duty is performed both through direct consultation with the President and through regular reports on economic developments. The Chairman also represents the Council at Cabinet meetings, at the Executive Committee of the Economic Policy Board, and at many other formal and

informal meetings of Government officials. He also exercises ultimate responsibility for directing the work of the professional staff.

COUNCIL MEMBERS

The two Council Members directly supervise the work of the staff, are responsible for all subject matter covered by the Council, and represent the Council at numerous meetings, where they assume major responsibility for the Council's involvement. Whenever the Chairman is absent from Washington, one of the Council Members becomes Acting Chairman.

In practice the Chairman and the Council Members work as a team. For operational reasons, however, subject matter is divided informally between the Council Members. Mr. Fellner is responsible for analysis of business conditions, short-term forecasting, and matters related to monetary and fiscal policy; international finance; manpower employment and developments in the labor market; financial markets; housing; health, education, and welfare; taxation; and social security. Mr. Seevers is responsible for the areas encompassing international trade; energy and natural resources; food and agriculture; urban and national growth policy; environmental problems; transportation; regulated industries; and antitrust questions.

PROFESSIONAL STAFF

At the end of 1974 the professional staff consisted of 13 senior staff economists, two statisticians, and seven members of the junior research staff. The professional staff and their special fields of economic analysis at the end of the year were:

Senior Staff Economists

Barry R. Chiswick	Labor, Human Resources, and Income Distribution
John D. Darroch	Prices and Industry Studies
John M. Davis, Jr.	Special Assistant to the Chairman
Murray F. Foss	Business Conditions, Analysis, and Forecasting
Joseph G. Kvasnicka	International Finance and Trade
James C. Miller III	Regulated Industries, Transportation, and Economic Analysis
June A. O'Neill	Labor, Human Resources, and Income Distribution
Allan G. Pulsipher	Economic Analysis, Environment, Science, and Technology
Milton Russell	Energy Analysis and Policy
G. Edward Schuh	Agriculture and Food
George M. von Furstenberg	Fiscal Policy, Public Finance, and Housing
J. Richard Zecher	Monetary Policy, Financial Institutions, Capital Markets, and Interest Rates

Statisticians

Frances M. James	Senior Staff Statistician
Catherine H. Furlong	Statistician

Staff Economist

David Munro	Business Conditions, Analysis, and Forecasting
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Junior Staff Economists

David B. Crary	Monetary Policy and Financial Markets
Joseph P. Kalt	Fiscal Policy, Housing, and Capital Markets
Leroy O. Laney	International Trade and Finance
Rosemary Quintano	Economic Analysis, Prices, and Forecasting
Robert J. Schanzmeyer	Labor Markets, Manpower, Health, and Education
Robert S. Stillman	Energy and Agriculture

Research Assistant

Mary P. Kane

Frances M. James, Senior Staff Statistician, is in charge of the Statistical Office and manages the Council's economic and statistical information system. She supervises the publication of *Economic Indicators* and the preparation of tables and charts for the *Economic Report* and for the Council's work. She also directs the fact checking of memoranda, testimony, and speeches. Catherine H. Furlong, Dorothy Bagovich, Natalie V. Rentfro, and Mary P. Kane assist Miss James.

The Council conducts a student intern program, employing a limited number of graduate and undergraduate students of economics for temporary periods, particularly during the summer months. Interns who served during 1974 were Robert S. Dohner (Harvard University) and M. Cary Leahey (Clark University).

Consultants who provided services to the Council during 1974 included Richard N. Cooper (Yale University), Sidney Cottle (FRS Associates), Otto Eckstein (Harvard University), Gottfried Haberler (American Enterprise Institute), Gabriel Hauge (Manufacturers Hanover Trust Company), Walter W. Heller (University of Minnesota), Hendrik S. Houthakker (Harvard University), Paul W. McCracken (University of Michigan), Allan Meltzer (Carnegie Mellon University), Robert A. Mundell (Columbia University), Arthur M. Okun (The Brookings Institution), George L. Perry (The Brookings Institution), Paul Samuelson (Massachusetts Institute of Technology), W. Allen Wallis (University of Rochester), Murray L. Weidenbaum (Washington University), and Marina v.N. Whitman (University of Pittsburgh). Joel Popkin and Carl I. Van Duyn provided assistance with the *Economic Report*.

Kenneth J. Fedor served as a senior staff economist during the summer, working on matters relating to food and agriculture.

In preparing the *Economic Report* the Council relied upon the editorial assistance of Rosannah C. Steinhoff.

SUPPORTING STAFF

The Administrative Office provides administrative support for the entire Council staff, which includes preparation and analysis of the Council's budget; procurement of equipment and supplies; responding to correspondence and inquiries from the general public; and distribution of Council speeches, reports, and congressional testimony. During 1974 James H. Ayres

served as Administrative Officer, assisted by Nancy F. Skidmore, Elizabeth A. Kaminski, and Margaret L. Snyder. The duplicating, mail, and messenger department was operated by James W. Gatling, Frank C. Norman, and Jerry W. Gatling.

The secretarial staff for the Chairman and Council Members consisted of Anne V. Jackson, Joyce A. Pilkerton, Patricia A. Lee, and Alice H. Williams. Secretaries for the professional staff included Ruth Ann Butler, Mary C. Fibich, Dorothy L. Green, Bessie M. Lafakis, Earnestine Reid, Linda A. Reilly, and Lillie M. Sturniolo. Special assistance in connection with the *Report* was furnished by Dorothy L. Reid, a former member of the Council staff.

DEPARTURES

The Council's professional staff members are drawn primarily from universities and research institutions, and these economists normally serve for 1 or 2 years. Senior staff economists who resigned during the year were George A. Akerlof (University of California, Berkeley), Geza M. Feke-tekuty (Office of the Special Representative for Trade Negotiations), Mary W. Hook (Department of Commerce), Benton F. Massell (Office of Management and Budget), Leo V. Mayer (Library of Congress), Joel Popkin (National Bureau of Economic Research, Washington), and Sung W. Son (Northwestern National Bank, Minneapolis).

Junior economists who resigned in 1974 were Lydia Segal, Eric B. Herr (Data Resources, Inc.), James S. Fackler (Indiana University), Laura B. Peterson (Department of the Treasury), and Carl I. Van Duyne (Stanford University). Other resignations included D. Carolyn Fletcher, secretary, and Kharl A. Williams, student aide. Jean P. Noll, secretary, retired from the Federal service during 1974.

Appendix C

STATISTICAL TABLES RELATING TO INCOME, EMPLOYMENT, AND PRODUCTION

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General Notes

Detail in these tables may not add to totals because of rounding.

Unless otherwise noted, all dollar figures are in current dollars.

See Economic Report 1972 for data for intervening years not shown here.

Symbols used:

• Preliminary.

-- Not available (also, not applicable).

NATIONAL INCOME OR EXPENDITURE

TABLE C-1.—Gross national product or expenditure, 1929-74

Year or quarter	Total gross national product	Personal consumption expenditures ¹	Gross private domestic investment ²	Net exports of goods and services ³	Government purchases of goods and services ⁴				Percent change from preceding period, total gross national product ⁵	
					Total	Federal				State and local
						Total	National defense ⁶	Other		
Billions of dollars										
1929.....	103.1	77.2	16.2	1.1	8.5	1.3	1.3	7.2	-----	
1933.....	55.6	45.8	1.4	.4	8.0	2.0	2.0	6.0	-4.2	
1939.....	90.5	66.8	9.3	1.1	13.3	5.1	1.2	3.9	6.9	
1940.....	99.7	70.8	13.1	1.7	14.0	6.0	2.2	3.8	10.2	
1941.....	124.5	80.6	17.9	1.3	24.8	16.9	13.8	3.1	24.9	
1942.....	157.9	88.5	9.8	.0	59.6	51.9	49.4	2.5	26.8	
1943.....	191.6	99.3	5.7	-2.0	88.6	81.1	79.7	1.4	21.3	
1944.....	210.1	108.3	7.1	-1.8	96.5	89.0	87.4	1.6	9.7	
1945.....	211.9	119.7	10.6	-6	82.3	74.2	73.5	.7	.9	
1946.....	208.5	143.4	30.6	7.5	27.0	17.2	14.7	2.5	9.8	
1947.....	231.3	160.7	34.0	11.5	25.1	12.5	9.1	3.5	10.9	
1948.....	257.6	173.6	46.0	6.4	31.6	16.5	10.7	5.8	11.3	
1949.....	256.5	176.8	35.7	6.1	37.8	20.1	13.3	6.8	-4	
1950.....	284.8	191.0	54.1	1.8	37.9	18.4	14.1	4.3	11.0	
1951.....	328.4	206.3	59.3	3.7	59.1	37.7	33.6	4.1	15.3	
1952.....	345.5	216.7	51.9	2.2	74.7	51.8	45.9	5.9	5.2	
1953.....	364.6	230.0	52.6	.4	81.6	57.0	48.7	8.4	5.5	
1954.....	364.8	236.5	51.7	1.8	74.8	47.4	41.2	6.2	9.1	
1955.....	398.0	254.4	67.4	2.0	74.2	44.1	38.6	5.5	30.1	
1956.....	419.2	266.7	70.0	4.0	78.6	45.6	40.3	5.3	5.3	
1957.....	441.1	281.4	67.9	5.7	86.1	49.5	44.2	5.3	5.2	
1958.....	447.3	290.1	60.9	2.2	94.2	53.6	45.9	7.7	1.4	
1959.....	483.7	311.2	75.3	.1	97.0	53.7	46.0	7.6	8.2	
1960.....	503.7	325.2	74.8	4.0	99.6	53.5	44.9	8.6	4.1	
1961.....	520.1	335.2	71.7	5.6	107.6	57.4	47.8	9.6	3.2	
1962.....	560.3	355.1	83.0	5.1	117.1	63.4	51.6	11.8	7.7	
1963.....	590.5	375.0	87.1	5.9	122.5	64.2	50.8	13.5	5.4	
1964.....	632.4	401.2	94.0	8.5	128.7	65.2	50.0	15.2	7.1	
1965.....	684.9	432.8	108.1	6.9	137.0	66.9	50.1	16.8	8.3	
1966.....	749.9	466.3	121.4	5.3	156.8	77.8	60.7	17.1	9.5	
1967.....	793.9	492.1	116.6	5.2	180.1	90.7	72.4	18.4	5.9	
1968.....	864.2	536.2	126.0	2.5	199.6	98.8	78.3	20.5	8.9	
1969.....	930.3	579.5	139.0	1.9	210.0	98.8	78.4	20.4	7.6	
1970.....	977.1	617.6	136.3	3.6	219.5	96.2	74.6	21.6	123.3	
1971.....	1,054.9	667.1	153.7	-2	234.2	97.6	71.2	26.5	136.6	
1972.....	1,158.0	729.0	179.3	-6.0	255.7	104.9	74.8	30.1	150.8	
1973.....	1,294.9	805.2	209.4	3.9	276.4	106.6	74.4	32.2	169.8	
1974.....	1,396.7	877.0	208.9	2.0	308.8	116.4	78.6	37.9	192.4	
Seasonally adjusted annual rates										
1972: I.....	1,115.0	701.5	169.4	-7.1	251.1	105.6	75.9	29.7	145.5	
II.....	1,143.0	720.6	175.5	-6.9	253.8	105.9	75.9	30.0	147.9	
III.....	1,169.3	736.8	182.1	-4.8	255.1	102.7	72.6	30.1	152.4	
IV.....	1,204.7	757.2	190.2	-5.3	262.6	105.2	74.7	30.5	157.4	
1973: I.....	1,248.9	781.7	199.0	-8	269.0	106.4	75.0	31.4	162.6	
II.....	1,277.9	799.0	205.1	.5	273.3	106.2	74.0	32.2	167.1	
III.....	1,308.9	816.3	209.0	6.7	276.9	105.3	73.3	32.0	171.6	
IV.....	1,344.0	823.9	224.5	9.3	286.4	108.4	75.3	33.1	177.9	
1974: I.....	1,358.8	840.6	210.5	11.3	296.3	111.5	75.8	35.7	184.8	
II.....	1,383.8	869.1	211.8	-1.5	304.4	114.3	76.6	37.7	190.1	
III.....	1,416.3	901.3	205.8	-3.1	312.3	117.2	78.4	38.8	195.1	
IV.....	1,428.0	896.8	207.6	1.2	322.4	122.8	83.5	39.3	199.6	

¹ See Table C-12 for detailed components.

² See Table C-13 for detailed components.

³ See Table C-8 for exports and imports separately.

⁴ Net of Government sales.

⁵ This category corresponds closely to the national defense classification in the "Budget of the United States Government for the Fiscal Year ending June 30, 1976."

⁶ Changes are based on unrounded data and therefore may differ slightly from those obtained from published data, shown here.

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-2.—Gross national product or expenditure in 1958 dollars, 1929-74

Year or quarter	Total gross national product	Personal consumption expenditures				Gross private domestic investment							Change in business inventories
		Total	Durable goods	Non-durable goods	Services	Total	Fixed investment						
							Total	Nonresidential		Residential structures			
								Structures	Producers' durable equipment				
Billions of 1958 dollars													
1929.....	203.6	139.6	16.3	69.3	54.0	40.4	36.9	26.5	13.9	12.6	10.4	3.5	
1933.....	141.5	112.8	8.3	58.6	46.0	5.3	9.7	7.6	3.3	4.3	2.1	-4.3	
1939.....	209.4	148.2	14.5	81.2	52.5	24.7	23.5	15.3	5.9	9.4	8.2	1.2	
1940.....	227.2	155.7	16.7	84.6	54.4	33.0	28.1	18.9	6.8	12.1	9.2	4.9	
1941.....	263.7	165.4	19.1	89.9	56.3	41.6	32.0	22.2	8.1	14.2	9.8	9.6	
1942.....	297.8	161.4	11.7	91.3	58.5	21.4	17.3	12.5	4.6	7.9	4.9	4.0	
1943.....	337.1	165.8	10.2	93.7	61.8	12.7	12.9	10.0	2.9	7.2	2.9	-2	
1944.....	361.3	171.4	9.4	97.3	64.7	14.0	15.9	13.4	3.8	9.6	2.5	-1.9	
1945.....	355.2	183.0	10.6	104.7	67.7	19.6	22.6	19.8	5.7	14.1	2.8	-2.9	
1946.....	312.6	203.5	20.5	110.8	72.1	52.3	42.3	30.2	12.5	17.7	12.1	10.0	
1947.....	309.9	206.3	24.7	108.3	73.4	51.5	51.7	36.2	11.6	24.6	15.4	-2	
1948.....	323.7	210.8	26.3	108.7	75.8	60.4	55.9	38.0	12.3	25.7	17.9	4.6	
1949.....	324.1	216.5	28.4	110.5	77.6	48.0	51.9	34.5	11.9	22.6	17.4	-3.9	
1950.....	355.3	230.5	34.7	114.0	81.8	69.3	61.0	37.5	12.7	24.8	23.5	8.3	
1951.....	383.4	232.8	31.5	116.5	84.8	70.0	59.0	39.6	14.1	25.5	19.5	10.9	
1952.....	395.1	239.4	30.8	120.8	87.8	60.5	57.2	38.3	13.7	24.6	18.9	3.3	
1953.....	412.8	250.8	35.3	124.4	91.1	61.2	60.2	40.7	14.9	25.8	19.6	9	
1954.....	407.0	255.7	35.4	125.5	94.8	59.4	61.4	39.6	15.2	24.5	21.7	-2.0	
1955.....	438.0	274.2	43.2	131.7	99.3	75.4	69.0	43.9	16.2	27.7	25.1	6.4	
1956.....	446.1	281.4	41.0	136.2	104.1	74.3	69.5	47.3	18.5	28.8	22.2	4.8	
1957.....	452.5	288.2	41.5	138.7	108.0	68.8	67.6	47.4	18.2	29.1	20.2	1.2	
1958.....	447.3	290.1	37.9	140.2	112.0	60.9	62.4	41.6	16.6	25.0	20.8	-1.5	
1959.....	475.9	307.3	43.7	146.8	116.8	73.6	68.8	44.1	16.2	27.9	24.7	4.8	
1960.....	487.7	316.1	44.9	149.6	121.6	72.4	68.9	47.1	17.4	29.6	21.9	3.5	
1961.....	497.2	322.5	43.9	153.0	125.6	69.0	67.0	45.5	17.4	28.1	21.6	2.0	
1962.....	529.8	338.4	49.2	158.2	131.1	79.4	73.4	49.7	17.9	31.7	23.8	6.0	
1963.....	551.0	353.3	53.7	162.2	137.4	82.5	76.7	51.9	17.9	34.0	24.8	5.8	
1964.....	581.1	373.7	59.0	170.3	144.4	87.8	81.9	57.8	19.1	38.7	24.2	5.8	
1965.....	617.8	397.7	66.6	178.6	152.5	99.2	90.1	66.3	22.3	44.0	23.8	9.0	
1966.....	658.1	418.1	71.7	187.0	159.4	109.3	95.4	74.1	24.0	50.1	21.3	13.9	
1967.....	675.2	430.1	72.9	190.2	167.0	101.2	93.5	73.2	22.6	50.6	20.4	7.7	
1968.....	706.6	452.7	81.3	197.1	174.4	105.2	98.8	75.6	23.4	52.2	23.2	6.4	
1969.....	725.6	469.1	85.6	201.3	182.2	110.5	103.8	80.1	24.3	55.8	23.7	6.7	
1970.....	722.5	477.5	83.8	206.5	187.2	103.4	99.5	77.2	23.7	53.5	22.2	3.9	
1971.....	746.3	496.4	92.5	211.3	192.6	111.1	105.8	76.7	23.2	53.5	29.1	5.3	
1972.....	792.5	527.3	104.9	220.2	202.2	125.0	118.0	83.7	23.8	59.8	34.3	7.0	
1973.....	839.2	552.1	113.6	228.6	209.9	138.1	127.3	94.4	25.4	69.0	32.9	10.8	
1974.....	821.1	539.9	103.4	223.8	212.8	126.3	118.1	94.1	26.2	67.8	24.0	8.2	
Seasonally adjusted annual rates													
1972: I.....	770.9	512.8	99.8	214.4	198.6	119.4	115.2	81.3	23.9	57.4	33.8	4.2	
II.....	786.6	523.2	103.0	219.8	200.4	123.2	116.6	82.4	24.0	58.4	34.2	6.6	
III.....	798.1	531.2	106.8	221.3	203.0	126.6	118.1	83.8	23.5	60.3	34.3	8.5	
IV.....	814.2	542.2	110.1	225.4	206.6	130.9	122.0	87.2	23.9	63.3	34.8	8.8	
1973: I.....	832.8	552.9	117.2	228.7	207.1	134.4	127.1	92.2	24.7	67.4	35.0	7.3	
II.....	837.4	553.7	115.7	228.3	209.7	136.3	128.4	94.3	25.1	69.2	34.1	7.8	
III.....	840.8	555.4	114.3	230.0	211.2	135.8	127.7	95.1	25.6	69.5	32.6	8.0	
IV.....	845.7	546.3	107.2	227.4	211.7	145.8	125.8	96.0	26.0	70.0	29.8	20.0	
1974: I.....	830.5	539.7	105.2	223.9	210.6	133.3	122.7	96.3	26.7	69.7	26.4	10.6	
II.....	827.1	542.7	106.8	223.6	212.2	130.3	122.2	96.5	26.6	69.9	25.7	8.2	
III.....	823.1	547.2	107.8	225.8	213.7	122.7	117.7	94.1	25.4	68.7	23.6	5.0	
IV.....	803.7	530.1	93.7	221.7	214.7	118.9	109.7	89.3	26.2	63.1	20.4	9.1	

See footnotes at end of table.

TABLE C-2.—Gross national product or expenditure in 1958 dollars, 1929-74—Continued

Year or quarter	Net exports of goods and services			Government purchases of goods and services ¹			Addendum: Gross private product	Percent change from preceding period ²	
	Net exports	Exports	Imports	Total	Federal	State and local		Total gross national product	Gross private product
	Billions of 1958 dollars								
1929.....	1.5	11.8	10.3	22.0	3.5	18.5	190.9		
1933.....	.0	7.1	7.1	23.3	6.0	17.3	127.5	-1.9	-2.7
1939.....	1.3	10.0	8.7	35.2	12.5	22.7	188.7	8.5	9.4
1940.....	2.1	11.0	8.9	36.4	15.0	21.4	205.6	8.5	9.0
1941.....	.4	11.2	10.8	56.3	36.2	20.1	236.6	16.1	15.0
1942.....	-2.1	7.8	9.9	117.1	98.9	18.3	257.3	12.9	8.8
1943.....	-5.9	6.8	12.6	164.4	147.8	16.6	272.8	13.2	6.1
1944.....	-5.8	7.6	13.4	181.7	165.4	16.3	286.9	7.2	5.2
1945.....	-3.8	10.2	13.9	156.4	139.7	16.7	282.5	-1.7	-1.5
1946.....	8.4	19.6	11.2	48.4	30.1	18.4	275.1	-12.0	-2.6
1947.....	12.3	22.6	10.3	39.9	19.1	20.8	281.4	-9	2.3
1948.....	6.1	18.1	12.0	46.3	23.7	22.7	295.0	4.4	4.8
1949.....	6.4	18.1	11.7	53.3	27.6	25.7	294.1	.2	-3
1950.....	2.7	16.3	13.6	52.8	25.3	27.5	324.2	9.6	10.2
1951.....	5.3	19.3	14.1	75.4	47.4	27.9	344.6	7.9	6.3
1952.....	3.0	18.2	15.2	92.1	63.8	28.4	353.2	3.0	2.5
1953.....	1.1	17.8	16.7	99.8	70.0	29.7	371.1	4.5	5.0
1954.....	3.0	18.8	15.8	88.9	56.8	32.1	366.2	-1.4	-1.3
1955.....	3.2	20.9	17.7	85.2	50.7	34.4	397.2	7.6	8.5
1956.....	5.0	24.2	19.1	85.3	49.7	35.6	404.8	1.8	1.9
1957.....	6.2	26.2	19.9	89.3	51.7	37.6	410.5	1.5	1.4
1958.....	2.2	23.1	20.9	94.2	53.6	40.6	405.2	-1.1	-1.3
1959.....	.3	23.8	23.5	94.7	52.5	42.2	433.4	6.4	7.0
1960.....	4.3	27.3	23.0	94.9	51.4	43.5	444.0	2.5	2.4
1961.....	5.1	28.0	22.9	100.5	54.6	45.9	452.3	1.9	1.9
1962.....	4.5	30.0	25.5	107.5	60.0	47.5	482.9	6.6	6.7
1963.....	5.6	32.1	26.6	109.6	59.5	50.1	503.2	4.0	4.2
1964.....	8.3	36.5	28.2	111.2	58.1	53.2	532.0	5.4	5.7
1965.....	6.2	37.4	31.2	114.7	57.9	56.8	567.0	6.3	6.6
1966.....	4.2	40.2	36.1	126.5	65.4	61.1	603.5	6.5	6.4
1967.....	3.6	42.1	38.5	140.2	74.7	65.5	617.5	2.6	2.3
1968.....	1.0	45.7	44.7	147.7	78.1	69.6	647.0	4.7	4.8
1969.....	.2	48.4	48.3	145.9	73.5	72.4	664.9	2.7	2.8
1970.....	2.3	52.2	50.0	139.3	64.3	75.0	661.7	-4	-5
1971.....	-5	52.2	52.6	139.3	60.9	78.4	685.6	3.3	3.6
1972.....	-3.0	55.7	58.7	143.1	61.0	82.1	731.7	6.2	6.7
1973.....	4.6	66.6	62.0	144.4	57.3	87.0	776.9	5.9	6.2
1974.....	9.0	71.6	62.6	145.9	56.3	89.5	757.0	-2.2	-2.6
	Seasonally adjusted annual rates								
1972: I.....	-4.9	54.3	59.2	143.8	62.9	80.9	710.2	6.4	7.0
II.....	-3.6	53.3	56.9	143.8	62.5	81.3	726.2	8.4	9.3
III.....	-1.4	56.2	57.6	141.8	59.5	82.4	737.5	6.0	6.4
IV.....	-1.9	59.0	60.9	143.0	59.2	83.8	753.0	8.3	8.7
1973: I.....	1.4	64.8	63.4	144.1	58.9	85.2	771.2	9.5	10.3
II.....	3.5	65.9	62.4	143.9	57.7	86.2	775.3	2.2	2.1
III.....	5.8	66.9	61.1	143.7	56.2	87.5	778.4	1.6	1.6
IV.....	7.9	68.9	61.0	145.7	56.4	89.3	782.8	2.3	2.3
1974: I.....	11.5	73.3	61.8	146.0	56.3	89.7	767.0	-7.0	-7.8
II.....	8.2	73.4	65.1	145.8	56.3	89.5	763.2	-1.6	-2.0
III.....	7.3	70.9	63.6	145.9	56.5	89.4	758.8	-1.9	-2.3
IV.....	8.9	68.9	60.0	145.8	56.3	89.5	738.9	-9.1	-10.1

¹ Net of Government sales.² Changes are based on unrounded data and therefore may differ slightly from those obtained from published data, shown here.

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-3.—Implicit price deflators for gross national product, 1929-74

[Index numbers, 1958=100]

Year or quarter	Total gross national product ¹	Persona consumption expenditures				Gross private domestic investment ¹				
		Total	Dur-able goods	Non-durable goods	Serv-ices	Fixed investment				
						Total	Struc-tures	Pro-ducers' durable equip-ment	Resi-dential struc-tures	
1929.....	50.64	55.3	56.4	54.5	56.1	39.4	39.9	35.7	44.6	38.1
1933.....	39.29	40.6	41.9	38.0	43.6	30.6	31.6	27.9	34.5	27.1
1939.....	43.23	45.1	46.0	43.2	47.7	37.7	38.7	33.1	42.2	35.7
1940.....	43.87	45.5	46.5	43.8	47.9	39.0	40.0	33.9	43.4	36.9
1941.....	47.22	48.7	50.4	47.7	49.8	42.0	42.7	36.4	46.3	40.3
1942.....	53.03	54.8	59.3	55.6	52.7	46.5	47.8	41.3	51.5	43.3
1943.....	56.83	59.9	64.2	62.5	55.3	49.3	49.9	46.8	51.1	47.0
1944.....	58.16	63.2	71.5	66.2	57.5	51.1	51.0	48.6	51.9	51.6
1945.....	59.66	65.4	75.9	68.7	58.7	51.5	51.0	49.2	51.7	54.9
1946.....	66.70	70.5	76.8	74.3	62.7	58.5	56.3	54.4	57.5	59.7
1947.....	74.64	77.9	82.7	83.6	67.9	66.7	64.5	64.4	64.6	71.7
1948.....	79.57	82.3	86.3	88.5	72.1	73.9	70.7	71.5	70.3	80.8
1949.....	79.12	81.7	86.8	85.6	74.3	74.7	72.8	71.2	73.6	78.5
1950.....	80.16	82.9	87.8	86.0	76.3	77.5	74.4	72.9	75.2	82.5
1951.....	85.64	88.6	94.2	93.3	80.0	83.1	80.4	79.3	80.9	88.6
1952.....	87.45	90.5	95.4	94.3	83.6	85.3	82.6	83.2	82.2	90.8
1953.....	88.33	91.7	94.3	93.9	87.7	86.6	84.0	84.9	83.5	91.9
1954.....	89.63	92.5	92.9	94.2	90.0	86.8	84.8	86.0	84.0	90.4
1955.....	90.86	92.8	91.9	93.6	92.0	89.0	86.7	88.1	85.9	92.9
1956.....	93.99	94.8	94.9	94.9	94.6	94.0	92.4	93.4	91.8	97.4
1957.....	97.49	97.7	98.4	97.7	97.3	98.5	97.9	98.6	97.5	99.8
1958.....	100.00	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1959.....	101.66	101.3	101.4	99.9	103.0	102.6	102.2	102.7	102.0	103.1
1960.....	103.29	102.9	100.9	101.2	105.8	103.4	102.9	104.0	102.2	104.5
1961.....	104.62	103.9	100.6	101.9	107.6	103.9	103.4	105.6	102.1	105.0
1962.....	105.78	104.9	100.8	102.8	109.0	104.9	104.1	107.1	102.3	106.7
1963.....	107.17	106.1	100.4	104.0	110.9	106.0	104.5	108.9	102.3	108.9
1964.....	108.85	107.4	100.4	104.9	113.1	107.6	105.7	111.1	103.0	112.3
1965.....	110.86	108.8	99.6	106.9	115.1	109.3	107.5	114.7	103.9	114.2
1966.....	113.94	111.5	98.7	110.7	118.3	111.8	110.2	118.9	106.0	117.4
1967.....	117.59	114.4	100.3	113.0	122.2	115.9	113.8	124.0	109.3	123.1
1968.....	122.30	118.4	103.4	117.1	126.9	120.4	117.5	129.8	112.0	129.7
1969.....	128.20	123.5	106.1	122.2	133.2	126.4	123.0	141.0	115.2	137.7
1970.....	135.24	129.3	108.9	127.8	140.2	132.5	130.2	152.6	120.3	140.2
1971.....	141.35	134.4	112.3	131.8	147.9	139.3	136.3	163.5	124.5	147.4
1972.....	146.12	138.2	112.9	136.1	153.8	144.8	139.6	172.6	126.5	157.4
1973.....	154.31	145.9	114.7	147.9	160.5	152.4	144.9	185.4	130.0	174.0
1974 *.....	170.11	162.4	123.6	169.9	173.4	165.6	159.0	199.1	143.5	191.5
Seasonally adjusted										
1972: I.....	144.62	136.8	112.4	134.5	151.6	142.8	138.5	170.1	125.4	153.2
II.....	145.31	137.7	112.8	135.3	153.2	143.8	139.3	171.3	126.1	154.6
III.....	146.50	138.7	113.4	136.5	154.4	145.6	140.2	172.8	127.5	158.9
IV.....	147.96	139.7	112.9	137.9	155.9	146.9	140.5	176.2	127.0	162.8
1973: I.....	149.95	141.4	113.0	141.4	157.4	148.7	141.7	180.4	127.5	167.1
II.....	152.61	144.3	114.2	145.7	159.4	151.4	143.9	184.1	129.2	172.1
III.....	155.67	147.0	115.9	149.5	161.0	154.3	146.1	187.1	131.1	178.1
IV.....	158.93	150.8	116.0	154.8	164.1	155.4	147.9	189.7	132.3	179.7
1974: I.....	163.61	155.8	117.8	162.7	167.3	157.8	150.7	192.2	134.8	183.8
II.....	167.31	160.2	121.3	168.0	171.4	162.3	154.9	196.2	139.2	190.0
III.....	172.07	164.7	126.3	172.3	176.1	167.5	160.4	200.6	145.5	195.9
IV *.....	177.68	169.2	129.7	176.6	178.7	176.0	170.9	207.5	155.8	198.3

See footnotes at end of table.

TABLE C-3.—Implicit price deflators for gross national product, 1929-74—Continued

[Index numbers, 1958=100]

Year or quarter	Exports and imports of goods and services ¹		Government purchases of goods and services			Gross national product by sector		
	Exports	Imports	Total	Federal	State and local	Private ²		General government
						Total	Nonfarm	
1929.....	59.5	57.3	38.6	36.0	39.1	51.73	51.2	34.1
1933.....	33.7	28.8	34.5	33.1	35.0	39.92	42.1	33.5
1939.....	44.1	38.6	37.9	40.8	36.3	43.93	44.9	36.8
1940.....	48.6	40.8	38.5	40.2	37.3	44.69	45.4	36.0
1941.....	53.0	43.0	44.0	46.6	39.2	48.66	48.8	34.7
1942.....	61.5	48.3	50.9	52.5	42.3	55.51	54.8	37.3
1943.....	65.2	51.2	53.9	54.9	44.6	60.85	59.5	39.7
1944.....	69.9	53.2	53.1	53.8	46.1	62.02	60.8	43.3
1945.....	71.3	56.4	52.6	53.1	48.6	62.59	60.9	48.3
1946.....	75.4	64.9	55.8	57.3	53.2	68.25	65.8	55.4
1947.....	87.3	79.4	62.9	65.6	60.4	76.27	73.5	58.5
1948.....	92.7	86.4	68.1	69.8	66.4	81.40	78.5	60.8
1949.....	87.0	82.2	71.0	73.0	68.9	80.60	79.2	64.7
1950.....	84.9	88.7	71.8	72.9	70.8	81.41	80.0	67.1
1951.....	97.0	107.2	78.5	79.4	76.9	87.35	85.3	70.5
1952.....	98.8	103.6	81.0	81.2	80.6	88.99	87.4	74.4
1953.....	95.2	99.1	81.8	81.4	82.8	89.65	89.0	76.6
1954.....	94.3	100.8	84.1	83.5	85.3	90.77	90.5	79.5
1955.....	94.9	100.6	87.1	86.9	87.5	91.57	91.7	84.0
1956.....	97.5	102.5	92.1	91.7	92.7	94.53	94.8	88.7
1957.....	101.3	104.0	96.4	95.8	97.3	97.92	98.3	93.3
1958.....	100.0	100.0	100.0	100.0	100.0	100.00	100.0	100.0
1959.....	98.8	99.3	102.4	102.2	102.6	101.41	101.8	104.2
1960.....	99.9	101.0	105.0	104.2	105.9	102.76	103.2	108.6
1961.....	101.9	100.1	107.1	105.2	109.4	103.73	104.2	113.6
1962.....	100.8	98.5	109.0	105.6	113.2	104.73	105.1	116.6
1963.....	100.6	99.5	111.8	108.0	116.3	105.80	106.3	121.5
1964.....	101.5	101.5	115.7	112.2	119.5	107.05	107.7	128.4
1965.....	104.7	103.4	119.4	115.5	123.5	108.83	109.2	133.5
1966.....	107.7	105.6	124.0	118.8	129.4	111.56	111.6	140.3
1967.....	109.7	106.5	128.5	121.5	136.4	114.79	115.3	147.7
1968.....	110.9	107.7	135.1	126.5	144.8	118.90	119.3	159.1
1969.....	114.6	111.1	144.0	134.5	153.6	124.30	124.6	171.0
1970.....	120.5	118.6	157.6	149.5	164.6	130.32	130.8	188.9
1971.....	125.5	124.7	168.1	160.3	174.2	135.70	136.4	205.1
1972.....	130.0	133.7	178.6	171.9	183.7	139.61	139.8	224.6
1973.....	150.6	155.6	191.5	185.9	195.1	147.56	145.4	238.5
1974.....	194.7	219.5	211.7	206.6	214.9	163.27	162.1	250.9
Seasonally adjusted								
1972: I.....	127.2	128.6	174.6	168.0	179.8	138.31	138.8	218.4
II.....	129.1	133.0	176.5	169.4	181.9	138.92	139.3	222.1
III.....	130.4	135.5	179.9	172.7	185.0	139.95	139.9	226.1
IV.....	133.0	137.6	183.6	177.7	187.8	141.16	140.9	231.8
1973: I.....	137.1	141.2	186.7	180.5	190.9	143.22	142.2	234.3
II.....	144.8	152.2	189.9	184.0	193.9	145.90	144.2	236.3
III.....	155.0	158.7	192.6	187.3	196.0	148.96	146.1	239.3
IV.....	164.8	170.9	196.5	192.1	199.3	152.10	149.2	244.0
1974: I.....	179.0	194.0	202.9	198.0	206.0	156.77	154.3	246.2
II.....	188.7	214.9	208.8	203.0	212.4	160.51	159.8	248.5
III.....	202.5	230.8	214.1	207.4	218.3	165.35	164.8	251.5
IV.....	209.6	238.8	221.0	218.1	222.9	170.72	169.6	257.1

¹ Separate deflators are not available for total gross private domestic investment, change in business inventories, and net exports of goods and services.

² Gross national product less compensation of general government employees. See also Tables C-9 and C-10.

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-4.—Implicit price deflators and alternative price measures of gross national product and gross private product, 1939-74

Year or quarter	Gross national product price measures, 1958=100				Percent change from preceding period ¹					
	Total		Private		Total			Private		
	Implicit price deflator	Price index, 1967 weights	Implicit price deflator	Price index, 1967 weights	Implicit price deflator	Price index, 1967 weights	Chain price index	Implicit price deflator	Price index, 1967 weights	Chain price index
1939	43.23		43.93		-1.5			-1.6		
1940	43.87		44.69		1.5			1.7		
1941	47.22		48.66		7.7			8.9		
1942	53.03		55.51		12.3			14.1		
1943	56.83		60.85		7.2			9.6		
1944	58.16		62.02		2.3			1.9		
1945	59.66		62.59		2.6			.9		
1946	66.70		68.25		11.8			9.0		
1947	74.64		76.27		11.9			11.8		
1948	79.57		81.40		6.6			6.7		
1949	79.12		80.60		- .6			-1.0		
1950	80.16		81.41		1.3			1.0		
1951	85.64		87.35		6.8			7.3		
1952	87.45		88.99		2.1			1.9		
1953	88.33		89.65		1.0			.7		
1954	89.63		90.77		1.5			1.2		
1955	90.86		91.57		1.4			.9		
1956	93.99		94.53		3.4			3.2		
1957	97.49		97.92		3.7			3.6		
1958	100.00		100.00		2.5			2.1		
1959	101.66		101.41		1.7			1.4		
1960	103.29		102.76		1.6			1.3		
1961	104.62		103.73		1.3			.9		
1962	105.78		104.73		1.1			1.0		
1963	107.17		105.80		1.3			1.0		
1964	108.85		107.05		1.6			1.2		
1965	110.86	110.75	108.83	108.65	1.8			1.7		
1966	113.94	114.06	111.56	111.62	2.8	3.0		2.5	2.7	
1967	117.59	117.58	114.79	114.78	3.2	3.1	3.1	2.9	2.8	2.9
1968	122.30	122.51	118.90	119.10	4.0	4.2	4.2	3.6	3.8	3.8
1969	128.20	128.61	124.30	124.67	4.8	5.0	4.9	4.5	4.7	4.6
1970	135.24	135.60	130.32	130.67	5.5	5.4	5.3	4.8	4.8	4.7
1971	141.35	142.18	135.70	136.34	4.5	4.9	4.8	4.1	4.3	4.3
1972	146.12	148.03	139.61	140.77	3.4	4.1	3.9	2.9	3.3	3.2
1973	154.31	157.36	147.56	149.63	5.6	6.3	6.0	5.7	6.3	5.9
1974 ^a	170.11	174.12	163.27	166.68	10.2	10.6	10.0	10.6	11.4	10.6
Seasonally adjusted annual rates										
1972: I	144.62	146.05	138.31	139.17	5.5	5.6	5.4	4.4	3.7	3.8
II	145.31	147.12	138.92	140.02	1.9	3.0	2.9	1.8	2.5	2.3
III	146.50	148.57	139.95	141.26	3.3	4.0	4.0	3.0	3.6	3.6
IV	147.96	150.33	141.16	142.59	4.1	4.8	4.3	3.5	3.8	3.5
1973: I	149.95	152.87	143.22	145.14	5.5	6.9	6.4	6.0	7.4	6.7
II	152.61	155.65	145.90	148.00	7.3	7.5	7.1	7.7	8.1	7.5
III	155.67	158.68	148.96	151.02	8.3	8.0	8.1	8.7	8.4	8.4
IV	158.93	162.23	152.10	154.36	8.6	9.3	8.5	8.7	9.1	8.6
1974: I	163.61	167.17	156.77	159.54	12.3	12.7	11.6	12.9	14.1	12.6
II	167.31	171.64	160.51	164.22	9.4	11.1	9.8	9.9	12.3	10.6
III	172.07	176.63	165.35	169.40	11.9	12.7	12.7	12.6	13.8	13.8
IV ^a	177.68	181.66	170.72	174.25	13.7	11.9	11.3	13.7	12.0	11.5

¹ Changes are based on unrounded data and therefore may differ slightly from those obtained from published indexes, shown here.

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-5.—Gross national product by industry in 1958 dollars, 1947-73

[Billions of 1958 dollars]

Year	Total gross national product	Agriculture, forestry, and fisheries	Contract construction	Manufacturing			Transportation, communication, and utilities	Wholesale and retail trade	Finance, insurance, and real estate	Services	Government and government enterprises	All other ¹
				Total	Durable goods industries	Non-durable goods industries						
1947.....	309.9	17.9	12.9	91.8	52.3	39.4	29.6	52.7	35.6	30.6	32.4	6.7
1948.....	323.7	20.0	14.1	96.3	55.0	41.3	30.4	54.2	36.5	31.9	33.2	7.1
1949.....	324.1	19.4	14.7	90.9	50.5	40.4	28.7	55.2	37.8	32.1	34.7	10.6
1950.....	355.3	20.4	16.2	105.5	60.8	44.7	30.8	60.4	41.0	33.1	35.9	12.1
1951.....	383.4	19.5	18.2	116.2	69.0	47.2	34.3	61.4	42.9	34.0	43.9	13.0
1952.....	395.1	20.2	18.3	118.7	71.5	47.3	34.6	62.9	44.7	34.5	47.2	14.0
1953.....	412.8	21.2	18.9	128.6	79.1	49.5	35.7	64.9	46.8	35.3	47.1	14.3
1954.....	407.0	21.6	19.3	119.5	71.2	48.3	36.4	65.5	49.8	35.4	46.1	13.5
1955.....	438.0	22.1	20.8	133.6	80.7	52.9	38.6	71.6	52.7	38.2	46.0	14.4
1956.....	446.1	22.0	21.8	134.1	79.4	54.6	40.5	73.8	54.8	40.2	46.2	12.7
1957.....	452.5	21.5	21.1	134.6	79.6	54.9	41.3	75.1	57.0	41.8	46.9	13.1
1958.....	447.3	22.0	20.7	123.7	69.6	54.0	40.6	75.1	59.2	42.9	47.3	16.0
1959.....	475.9	22.3	22.0	138.9	79.9	59.0	43.3	80.8	61.4	45.1	47.9	14.1
1960.....	487.7	23.1	21.7	140.9	81.0	59.9	44.9	82.3	64.1	46.7	49.2	14.7
1961.....	497.2	23.4	21.4	140.4	79.7	60.7	46.0	83.5	67.1	48.3	50.6	16.3
1962.....	529.8	23.3	21.7	154.6	90.0	64.7	48.9	88.9	71.2	50.8	52.6	17.9
1963.....	551.0	24.0	21.9	162.4	95.6	66.8	51.9	92.8	74.4	52.2	53.9	17.4
1964.....	581.1	23.6	23.3	173.7	102.4	71.3	54.7	98.9	78.3	54.7	56.1	17.8
1965.....	617.8	25.0	23.5	190.5	114.8	75.7	59.2	104.8	83.1	57.7	58.0	15.8
1966.....	658.1	23.7	24.7	205.7	125.1	80.7	64.0	111.6	86.8	60.6	61.8	19.4
1967.....	675.2	25.2	23.1	205.4	123.9	81.4	66.5	113.9	91.6	63.4	65.5	20.6
1968.....	706.6	24.8	23.8	219.2	131.8	87.4	70.9	120.8	95.2	65.8	68.6	17.6
1969.....	725.6	25.4	24.1	228.6	136.9	91.7	75.4	124.2	95.5	67.7	70.3	14.3
1970.....	722.5	26.2	23.6	217.5	125.1	92.4	77.4	126.5	96.4	69.2	70.0	15.8
1971.....	746.3	27.7	24.0	223.1	127.1	96.0	80.1	131.2	101.0	69.8	70.3	19.2
1972.....	792.5	27.4	25.7	245.4	141.6	103.8	85.3	141.2	105.2	73.2	70.8	18.1
1973.....	839.2	28.9	25.7	272.4	159.7	112.7	90.1	146.1	108.3	77.5	72.7	17.5

¹ Mining, rest of the world, and residual (the difference between gross national product measured as sum of final products and gross national product measured as sum of gross product by industries).

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-6.—Gross national product by major type of product, 1929-74

[Billions of dollars]

Year or quarter	Total gross national product	Final sales	Inventory change	Goods output									Services	Structures	Gross auto product
				Total			Durable goods			Nondurable goods					
				Total	Final sales	Inventory change	Total	Final sales	Inventory change	Total	Final sales	Inventory change			
1929.....	103.1	101.4	1.7	56.1	54.3	1.7	17.5	16.1	1.4	38.5	38.2	0.3	35.6	11.4	
1933.....	55.6	57.2	-1.6	27.0	28.6	-1.6	4.9	5.4	-0.5	22.1	23.2	-1.1	25.7	2.9	
1939.....	90.5	90.1	.4	49.0	48.6	.4	12.7	12.4	.3	36.3	36.2	.1	34.0	7.5	
1940.....	99.7	97.5	2.2	56.0	53.8	2.2	16.6	15.4	1.2	39.3	38.4	1.0	35.4	8.3	
1941.....	124.5	120.1	4.5	72.5	68.0	4.5	26.8	23.8	3.0	45.6	44.2	1.4	40.3	11.8	
1942.....	157.9	156.2	1.8	93.6	91.9	1.8	35.5	34.5	1.0	58.1	57.4	.7	50.3	14.0	
1943.....	191.6	192.2	-.6	120.4	121.0	-.6	54.2	54.2	0	66.2	66.8	-.6	62.5	8.7	
1944.....	210.1	211.1	-1.0	132.3	133.3	-1.0	57.9	58.5	-.6	74.4	74.8	-.3	71.8	6.1	
1945.....	211.9	213.0	-1.0	128.9	129.9	-1.0	48.9	50.2	-1.3	80.0	79.7	.2	76.5	6.5	
1946.....	208.5	202.1	6.4	124.9	118.5	6.4	36.9	31.6	5.3	88.0	86.9	1.1	68.0	15.6	
1947.....	231.3	231.8	-.5	139.7	140.1	-.5	46.0	44.3	1.7	93.7	95.9	-2.2	70.2	21.4	7.2
1948.....	257.6	252.9	4.7	154.2	149.4	4.7	48.7	48.0	.7	105.5	101.5	4.0	75.7	27.7	8.8
1949.....	256.5	259.6	-3.1	147.5	150.5	-3.1	47.8	49.9	-2.1	99.7	100.6	-1.0	80.8	28.3	11.9
1950.....	284.8	278.0	6.8	162.4	155.6	6.8	60.4	56.3	4.1	102.0	99.3	2.7	87.0	35.4	15.4
1951.....	328.4	318.1	10.3	189.7	179.4	10.3	73.7	66.8	6.9	116.0	112.6	3.4	101.2	37.5	13.5
1952.....	345.5	342.4	3.1	195.6	192.5	3.1	74.6	73.5	1.1	121.0	119.1	2.0	110.8	39.1	12.0
1953.....	364.6	364.1	.4	204.1	203.7	.4	79.4	78.5	.9	124.8	125.2	-.5	118.8	41.7	16.3
1954.....	364.8	366.4	-1.5	197.1	198.6	-1.5	72.1	74.6	-2.5	125.0	124.1	1.0	123.5	44.2	14.6
1955.....	398.0	392.0	6.0	216.4	210.4	6.0	85.7	82.7	3.0	130.7	127.7	2.9	132.6	49.0	21.2
1956.....	419.2	414.5	4.7	225.4	220.7	4.7	90.3	87.5	2.8	135.1	133.2	1.9	142.3	51.5	16.9
1957.....	441.1	439.8	1.3	234.6	233.3	1.3	94.4	93.1	1.3	140.2	140.2	0	154.2	52.3	19.5
1958.....	447.3	448.8	-1.5	230.8	232.3	-1.5	83.6	86.4	-2.8	147.2	145.9	1.3	163.4	53.1	14.5
1959.....	483.7	478.9	4.8	249.1	244.4	4.8	95.6	93.2	2.3	153.6	151.1	2.4	176.2	58.3	19.1
1960.....	503.7	500.2	3.6	259.6	256.0	3.6	99.5	97.4	2.1	160.1	158.6	1.5	187.3	56.8	21.4
1961.....	520.1	518.1	2.0	262.3	260.2	2.0	96.5	96.6	-.1	165.8	163.7	2.1	199.5	58.3	17.9
1962.....	560.3	554.3	6.0	284.5	278.5	6.0	109.0	106.2	2.8	175.5	172.2	3.2	213.3	62.6	22.5
1963.....	590.5	584.6	5.9	298.6	292.7	5.9	116.1	113.3	2.8	182.5	179.4	3.1	226.2	65.7	25.1
1964.....	632.4	626.6	5.8	319.4	313.6	5.8	127.0	122.8	4.2	192.4	190.7	1.6	244.2	68.8	25.8
1965.....	684.9	675.3	9.6	347.2	337.6	9.6	139.6	133.0	6.7	207.6	204.7	3.0	262.9	74.8	31.8
1966.....	749.9	735.1	14.8	383.3	368.5	14.8	156.7	146.2	10.5	226.6	222.3	4.3	289.1	77.5	30.0
1967.....	793.9	785.7	8.2	398.9	390.7	8.2	161.1	156.5	4.7	237.7	234.2	3.5	316.5	78.6	28.9
1968.....	864.2	857.1	7.1	429.5	422.4	7.1	174.5	169.6	4.9	255.0	252.9	2.1	346.6	88.1	36.3
1969.....	930.3	922.5	7.8	457.5	449.7	7.8	187.3	182.3	5.0	270.2	267.4	2.8	379.7	94.9	36.6
1970.....	977.1	972.6	4.5	471.2	466.7	4.5	183.7	182.5	1.2	287.5	284.1	3.3	410.3	95.6	30.7
1971.....	1,054.9	1,048.6	6.3	497.9	491.6	6.3	194.2	191.8	2.4	303.7	299.8	4.0	446.0	111.0	40.8
1972.....	1,158.0	1,149.5	8.5	543.8	535.2	8.5	221.4	214.3	7.1	322.4	321.0	1.4	488.1	126.1	43.9
1973.....	1,294.9	1,279.6	15.4	622.7	607.3	15.4	250.3	240.9	9.4	372.4	366.5	6.0	534.4	137.8	49.9
1974.....	1,396.1	1,383.3	13.4	670.4	657.1	13.4	256.4	249.9	6.5	414.0	407.1	6.9	589.1	137.1	40.8
Seasonally adjusted annual rates															
1972: I.....	1,115.0	1,110.0	5.0	519.2	514.3	5.0	207.3	204.6	2.7	311.9	309.7	2.2	472.1	123.6	40.3
II.....	1,143.0	1,135.1	8.0	537.4	529.4	8.0	216.4	210.6	5.8	321.0	318.9	2.2	481.5	124.1	42.1
III.....	1,169.3	1,159.1	10.2	551.2	541.0	10.2	225.1	218.3	6.8	326.1	322.7	3.4	492.4	125.6	46.5
IV.....	1,204.7	1,193.7	11.0	567.2	556.2	11.0	236.8	223.6	13.2	330.4	332.6	-2.2	506.5	130.9	46.6
1973: I.....	1,248.9	1,238.9	10.0	595.8	585.8	10.0	244.0	237.8	6.1	351.8	347.9	3.9	516.0	137.1	51.5
II.....	1,277.9	1,267.2	10.7	611.6	600.9	10.7	248.9	241.2	7.7	362.7	359.7	3.0	528.3	138.0	50.8
III.....	1,308.9	1,297.0	11.8	629.9	618.0	11.8	252.8	243.9	9.0	377.1	374.2	2.9	540.2	138.8	50.3
IV.....	1,344.0	1,315.1	28.9	653.6	624.7	28.9	255.4	240.6	14.8	398.2	384.1	14.1	553.2	137.2	47.0
1974: I.....	1,358.8	1,341.9	16.9	651.9	635.0	16.9	251.0	242.3	8.7	401.0	392.8	8.2	569.7	137.1	33.5
II.....	1,383.8	1,370.3	13.5	664.9	651.3	13.5	246.6	248.5	-1.8	418.2	402.9	15.4	579.2	139.7	38.6
III.....	1,416.3	1,407.6	8.7	681.7	673.0	8.7	265.5	259.8	5.7	416.2	413.2	3.0	597.8	136.7	48.3
IV.....	1,428.0	1,413.5	14.4	683.2	668.8	14.4	262.5	249.3	13.2	420.7	419.5	1.2	609.8	135.0	42.9

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-7.—Gross national product by major type of product in 1958 dollars, 1929-74

(Billions of 1958 dollars)

Year or quarter	Total gross national product	Final sales	Inventory change	Goods output									Services	Structures	Gross auto product
				Total			Durable goods			Nondurable goods					
				Total	Final sales	Inventory change	Total	Final sales	Inventory change	Total	Final sales	Inventory change			
1929	203.6	200.1	3.5	103.9	100.4	3.5	33.6	30.9	2.7	70.4	69.5	0.8	69.3	30.3	
1933	141.5	145.9	-4.3	68.8	73.2	-4.3	11.7	13.4	-1.7	57.1	59.8	-2.7	63.0	9.8	
1939	209.4	208.2	1.2	110.7	109.5	1.2	27.6	27.0	.6	83.0	82.5	.6	76.9	21.8	
1940	227.2	222.3	4.9	124.0	119.0	4.9	35.6	32.8	2.7	88.4	86.2	2.2	80.0	23.2	
1941	263.7	254.1	9.6	143.4	133.8	9.6	50.0	43.5	6.6	93.4	90.3	3.1	89.8	30.5	
1942	297.8	293.8	4.0	158.1	154.1	4.0	57.2	54.4	2.9	100.9	99.7	1.2	107.7	31.9	
1943	337.1	337.3	-.2	187.4	187.6	-.2	85.6	85.2	-.4	101.7	102.4	-.7	131.8	17.9	
1944	337.1	363.3	-1.9	204.8	206.7	-1.9	95.9	97.4	-1.5	108.8	109.3	-.4	144.0	12.4	
1945	355.2	358.2	-2.9	198.0	201.0	-2.9	84.3	87.4	-3.1	113.7	113.6	.2	144.3	12.9	
1946	312.6	302.6	10.0	172.1	162.1	10.0	54.7	46.1	8.6	117.4	116.0	1.4	113.3	27.2	
1947	309.9	310.1	-.2	172.2	172.4	-.2	60.1	58.6	1.5	112.2	113.8	-1.7	106.5	31.2	10.3
1948	323.7	319.1	4.6	174.4	173.8	4.6	61.3	60.0	1.2	117.1	113.8	3.3	109.3	36.1	11.4
1949	324.1	328.1	-3.9	174.2	178.1	-3.9	58.0	61.0	-3.0	116.2	117.1	-.9	112.4	37.5	14.8
1950	355.3	347.0	8.3	192.6	184.3	8.3	73.4	68.3	5.2	119.1	116.0	3.1	117.5	45.2	19.1
1951	383.4	372.5	10.9	208.4	197.5	10.9	84.1	76.1	8.0	124.3	121.4	2.9	130.5	44.4	15.9
1952	395.1	391.8	3.3	214.0	210.7	3.3	84.6	83.2	1.5	129.4	127.6	1.8	136.3	44.7	13.5
1953	412.8	411.8	.9	225.4	224.5	.9	91.0	89.9	1.2	134.4	134.6	-.2	140.3	47.0	18.7
1954	407.0	409.0	-2.0	215.1	217.1	-2.0	81.9	84.8	-3.0	133.2	132.3	.9	141.8	50.2	17.1
1955	438.0	431.6	6.4	236.1	229.7	6.4	96.5	93.0	3.4	139.7	136.7	3.0	147.5	54.3	24.6
1956	446.4	441.2	4.8	239.0	234.2	4.8	96.5	93.5	3.0	142.5	140.7	1.8	153.0	54.0	18.6
1957	452.5	451.2	1.2	239.8	238.5	1.2	96.2	95.0	1.2	143.6	143.6	.0	160.1	52.6	20.2
1958	447.3	448.8	-1.5	230.8	232.3	-1.5	83.6	86.4	-2.8	147.2	145.9	1.3	163.4	53.1	14.5
1959	475.9	471.1	4.8	247.7	242.9	4.8	94.0	91.6	2.4	153.7	151.2	2.5	171.2	57.0	18.5
1960	487.7	484.2	3.5	256.0	252.6	3.5	97.8	95.9	2.0	158.2	156.7	1.5	176.6	55.0	21.0
1961	497.2	495.2	2.0	257.3	255.3	2.0	94.9	94.9	.0	162.3	160.3	2.0	184.0	55.8	17.5
1962	529.8	523.8	6.0	277.3	271.3	6.0	107.0	104.1	2.8	170.3	167.2	3.1	193.7	58.8	22.0
1963	551.0	545.2	5.8	289.7	283.9	5.8	114.2	111.4	2.8	175.6	172.5	3.1	200.9	60.4	24.7
1964	581.1	575.2	5.8	308.6	302.8	5.8	124.6	120.4	4.1	184.1	182.3	1.7	210.8	61.6	25.5
1965	617.8	608.8	9.0	330.7	321.7	9.0	136.5	130.1	6.5	194.2	191.6	2.6	221.9	65.2	31.8
1966	658.1	644.2	13.9	356.8	342.9	13.9	151.8	141.9	9.8	205.1	201.0	4.1	236.3	65.0	30.6
1967	675.2	667.5	7.7	363.1	355.4	7.7	152.2	148.0	4.3	210.9	207.4	3.5	249.1	63.0	29.0
1968	706.6	700.2	6.4	379.7	373.3	6.4	160.7	156.2	4.4	219.0	217.0	2.0	259.7	67.2	35.4
1969	725.6	718.9	6.7	390.0	383.3	6.7	167.5	163.2	4.3	222.5	220.1	2.5	268.2	67.3	35.0
1970	722.5	718.5	3.9	385.4	381.4	3.9	159.0	158.0	.9	226.4	223.4	3.0	273.3	63.8	28.5
1971	746.3	741.0	5.3	396.3	391.0	5.3	163.6	161.7	1.9	232.7	229.3	3.4	279.7	70.3	36.2
1972	792.5	785.4	7.0	425.5	418.5	7.0	185.8	180.1	5.7	239.7	238.4	1.3	291.4	75.6	39.1
1973	839.2	828.4	10.8	459.1	448.3	10.8	206.0	198.5	7.5	253.1	249.9	3.3	304.5	75.5	44.2
1974 p	821.1	812.9	8.2	443.0	434.8	8.2	195.6	191.4	4.2	247.4	243.3	4.0	310.5	67.6	33.6
Seasonally adjusted annual rates															
1972: I	770.9	766.7	4.2	409.2	405.0	4.2	174.5	172.3	2.2	234.7	232.7	2.0	286.2	75.5	36.1
II	786.6	780.0	6.6	422.1	415.5	6.6	182.1	177.2	4.8	240.1	238.3	1.8	289.0	75.5	37.5
III	798.1	789.7	8.5	430.2	421.8	8.5	188.2	182.8	5.4	242.1	239.0	3.1	292.8	75.1	40.9
IV	814.2	805.3	8.8	440.4	431.6	8.8	198.6	188.1	10.5	241.9	243.5	-1.6	297.5	76.3	41.8
1973: I	832.8	825.5	7.3	455.1	447.8	7.3	204.6	199.5	5.1	250.4	248.3	2.2	299.9	77.8	46.3
II	837.4	829.6	7.8	457.6	449.8	7.8	206.7	200.5	6.2	250.8	249.3	1.6	303.5	76.3	45.2
III	840.8	832.7	8.0	458.8	450.8	8.0	206.3	199.0	7.2	252.6	251.7	.8	306.9	75.1	43.6
IV	845.7	825.7	20.0	465.1	445.1	20.0	206.3	194.9	11.5	258.7	250.2	8.5	307.8	72.8	41.6
1974: I	830.5	819.9	10.6	449.1	438.5	10.6	200.2	194.3	5.8	248.9	244.2	4.7	310.7	70.7	29.2
II	827.1	818.9	8.2	448.9	440.8	8.2	195.4	196.6	-1.2	253.6	244.2	9.4	308.3	69.8	32.6
III	823.1	818.1	5.0	446.0	441.0	5.0	200.2	196.6	3.6	245.8	244.4	1.4	310.7	66.4	38.9
IV p	803.7	794.6	9.1	427.8	418.7	9.1	186.7	178.2	8.5	241.1	240.5	.6	312.2	63.7	33.8

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-8.—Gross national product: Receipts and expenditures by major economic groups, 1929-74

[Billions of dollars]

Year or quarter	Persons					Government						
	Disposable personal income			Personal consumption expenditures	Personal saving or dis-saving (—)	Net receipts			Expenditures			Surplus or deficit (—), national income and product accounts
	Total ¹	Less: Interest paid and transfer payments to foreigners	Equals: Total excluding interest and transfers			Tax and non-tax receipts or accruals	Less: Transfers, interest, and subsidies ²	Equals: Net receipts	Total expenditures	Less: Transfers, interest, and subsidies ²	Equals: Purchases of goods and services	
1929.....	83.3	1.9	81.4	77.2	4.2	11.3	1.8	9.5	10.3	1.8	8.5	1.0
1933.....	45.5	.7	44.9	45.8	— .9	9.3	2.7	6.7	10.7	2.7	8.0	—1.4
1939.....	70.3	.9	69.4	66.8	2.6	15.4	4.2	11.2	17.6	4.2	13.3	—2.2
1940.....	75.7	1.0	74.7	70.8	3.8	17.7	4.4	13.3	18.4	4.4	14.0	— .7
1941.....	92.7	1.1	91.6	80.6	11.0	25.0	4.0	21.0	28.8	4.0	24.8	—3.8
1942.....	116.9	.8	116.1	88.5	27.6	32.6	4.4	28.2	64.0	4.4	59.6	—31.4
1943.....	133.5	.8	132.7	99.3	33.4	49.2	4.7	44.4	93.3	4.7	88.6	—44.1
1944.....	146.3	.8	145.5	108.3	37.3	51.2	6.5	44.7	103.0	6.5	96.5	—51.8
1945.....	150.2	1.0	149.3	119.7	29.6	53.2	10.4	42.8	92.7	10.4	82.3	—39.5
1946.....	160.0	1.4	158.6	143.4	15.2	50.9	18.5	32.4	45.5	18.5	27.0	5.4
1947.....	169.8	1.8	168.0	160.7	7.3	56.8	17.3	39.5	42.4	17.3	25.1	14.4
1948.....	189.1	2.2	186.9	173.6	13.4	58.9	18.8	40.1	50.3	18.8	31.6	8.5
1949.....	188.6	2.4	186.2	176.8	9.4	56.0	21.3	34.7	59.1	21.3	37.8	—3.2
1950.....	206.9	2.9	204.1	191.0	13.1	68.7	22.9	45.8	60.8	22.9	37.9	7.9
1951.....	226.6	3.1	223.5	206.3	17.3	84.8	19.9	64.9	79.0	19.9	59.1	5.8
1952.....	238.3	3.5	234.8	216.7	18.1	89.8	19.0	70.8	93.7	19.0	74.7	—3.8
1953.....	252.6	4.3	248.3	230.0	18.3	94.3	19.5	74.8	101.2	19.5	81.6	—6.9
1954.....	257.4	4.6	252.9	236.5	16.4	89.7	21.9	67.8	96.7	21.9	74.8	—7.0
1955.....	275.3	5.1	270.2	254.4	15.8	100.4	23.4	76.9	97.6	23.4	74.2	2.7
1956.....	293.2	5.9	287.2	266.7	20.6	109.0	25.5	83.5	104.1	25.5	78.6	4.9
1957.....	308.5	6.4	302.2	281.4	20.7	115.6	28.7	86.8	114.9	28.7	86.1	.7
1958.....	318.8	6.5	312.3	290.1	22.3	114.7	33.0	81.6	127.2	33.0	94.2	—12.5
1959.....	337.3	7.1	330.3	311.2	19.1	128.9	34.0	95.0	131.0	34.0	97.0	—2.1
1960.....	350.0	7.8	342.3	325.2	17.0	139.8	36.5	103.3	136.1	36.5	99.6	3.7
1961.....	364.4	8.1	356.3	335.2	21.2	144.6	41.3	103.3	149.0	41.3	107.6	—4.3
1962.....	385.3	8.6	376.6	355.1	21.6	157.0	42.8	114.2	159.9	42.8	117.1	—2.9
1963.....	404.6	9.7	394.9	375.0	19.9	168.8	44.4	124.3	166.9	44.4	122.5	1.8
1964.....	438.1	10.7	427.4	401.2	26.2	174.1	46.7	127.3	175.4	46.7	128.7	—1.4
1965.....	473.2	12.0	461.3	432.8	28.4	189.1	49.9	139.2	186.9	49.9	137.0	2.2
1966.....	511.9	13.0	498.9	466.3	32.5	213.3	55.5	157.9	212.3	55.5	156.8	1.1
1967.....	546.3	13.9	532.4	492.1	40.4	228.9	62.8	166.2	242.9	62.8	180.1	—13.9
1968.....	591.0	15.1	575.9	536.2	39.8	263.5	70.7	192.7	270.3	70.7	199.6	—6.8
1969.....	634.4	16.7	617.7	579.5	38.2	296.7	77.9	218.8	287.9	77.9	210.0	8.8
1970.....	691.7	17.9	673.8	617.6	56.2	302.5	93.2	209.4	312.7	93.2	219.5	—10.1
1971.....	746.4	18.8	727.6	667.1	60.5	321.6	105.9	215.7	340.2	105.9	234.2	—18.5
1972.....	802.5	20.9	781.6	729.0	52.6	367.0	116.5	250.5	372.1	116.5	255.7	—5.1
1973.....	903.7	24.1	879.6	805.2	74.4	411.5	131.6	279.9	408.0	131.6	276.4	3.5
1974 ^a	979.7	26.0	953.7	877.0	76.7	455.0	152.0	303.1	460.9	152.0	308.8	—5.9
Seasonally adjusted annual rates												
1972: I.....	774.7	19.9	754.8	701.5	53.3	355.3	112.5	242.8	363.5	112.5	251.1	—8.2
II.....	790.0	20.5	769.5	720.6	49.0	362.4	113.8	248.7	367.6	113.8	253.8	—5.2
III.....	807.2	21.2	786.0	736.8	49.3	369.8	115.3	254.5	370.4	115.3	255.1	—6.1
IV.....	838.1	22.0	816.1	757.2	58.9	380.5	124.4	256.2	387.0	124.4	262.6	—6.5
1973: I.....	869.5	22.5	847.0	781.7	65.3	398.1	127.2	271.0	396.1	127.2	269.0	2.1
II.....	892.1	23.5	868.6	799.0	69.6	406.9	130.7	276.2	403.9	130.7	273.3	3.0
III.....	913.9	24.3	889.6	816.3	73.2	416.5	133.0	283.6	409.8	133.0	276.9	6.7
IV.....	939.4	26.2	913.2	823.9	89.3	424.6	135.9	288.7	422.3	135.9	286.4	2.3
1974: I.....	950.6	25.6	925.0	840.6	84.4	435.9	139.3	296.5	435.5	139.3	296.3	.4
II.....	966.5	25.8	940.7	869.1	71.5	450.7	147.4	303.3	451.7	147.4	304.4	—1.0
III.....	993.1	26.2	966.9	901.3	65.5	470.3	157.8	312.4	470.0	157.8	312.3	.2
IV ^a	1,008.7	26.4	982.3	896.8	85.4	-----	163.9	-----	486.2	163.9	322.4	-----

See footnotes at end of table.

TABLE C-8.—Gross national product: Receipts and expenditures by major economic groups, 1929-74—Continued

[Billions of dollars]

Year or quarter	Business			International				Total income or receipts	Statistical discrepancy	Gross national product or expenditure	
	Gross retained earnings ³	Gross private domestic investment ⁴	Excess of investment (-)	Net transfers to foreigners by persons and Government	Net exports of goods and services						Excess of transfers or of net exports (-) ⁵
					Exports	Less: Imports	Equals: Net exports				
1929.....	11.2	16.2	-5.1	0.4	7.0	5.9	1.1	-0.8	102.4	0.7	103.1
1933.....	3.2	1.4	1.8	.2	2.4	2.0	.4	-.2	55.0	.6	55.6
1939.....	8.4	9.3	-.9	.2	4.4	3.4	1.1	-.9	89.2	1.3	90.5
1940.....	10.5	13.1	-2.7	.2	5.4	3.6	1.7	-1.5	98.7	1.0	99.7
1941.....	11.4	17.9	-6.5	.2	5.9	4.6	1.3	-1.1	124.1	.4	124.5
1942.....	14.5	9.8	4.6	.2	4.8	4.8	.0	.2	159.0	-1.1	157.9
1943.....	16.3	5.7	10.6	.2	4.4	6.5	-2.0	2.2	193.6	-2.0	191.6
1944.....	17.1	7.1	10.0	.8	5.3	7.1	-1.8	2.1	207.6	2.5	210.1
1945.....	15.1	10.6	4.6	.8	7.2	7.9	-.6	1.4	208.0	3.9	211.9
1946.....	14.5	30.6	-16.1	2.9	14.7	7.2	7.5	-4.6	208.4	.1	208.5
1947.....	20.2	34.0	-13.8	4.6	19.7	8.2	11.5	-8.9	230.4	.9	231.3
1948.....	28.0	46.0	-18.0	4.5	16.8	10.3	6.4	-1.9	259.5	-2.0	257.6
1949.....	29.7	35.7	-6.0	5.6	15.8	9.6	6.1	-.5	256.2	.3	256.5
1950.....	29.4	54.1	-24.7	4.0	13.8	12.0	1.8	2.2	283.3	1.5	284.8
1951.....	33.1	59.3	-26.2	3.5	18.7	15.1	3.7	-.2	325.1	3.3	328.4
1952.....	35.1	51.9	-16.8	2.5	18.0	15.8	2.2	.3	343.3	2.2	345.5
1953.....	36.1	52.6	-16.5	2.5	16.9	16.6	.4	2.1	361.6	3.0	364.6
1954.....	39.2	51.7	-12.5	2.3	17.8	15.9	1.8	.5	362.1	2.7	364.8
1955.....	46.3	67.4	-21.1	2.5	19.8	17.8	2.0	.5	395.9	2.1	398.0
1956.....	47.3	70.0	-22.8	2.4	23.6	19.6	4.0	-1.5	420.4	-1.1	419.2
1957.....	49.8	67.9	-18.1	2.3	26.5	20.8	5.7	-3.4	441.1	.0	441.1
1958.....	49.4	60.9	-11.5	2.4	23.1	20.9	2.2	.2	445.8	1.6	447.3
1959.....	56.8	75.3	-18.5	2.4	23.5	23.3	.1	2.3	484.5	-.8	483.7
1960.....	56.8	74.8	-18.0	2.4	27.2	23.2	4.0	-1.7	504.8	-1.0	503.7
1961.....	58.7	71.7	-13.0	2.6	28.6	23.0	5.6	-3.0	520.8	-.8	520.1
1962.....	66.3	83.0	-16.8	2.7	30.3	25.1	5.1	-2.5	559.8	.5	560.3
1963.....	68.8	87.1	-18.4	2.8	32.3	26.4	5.9	-3.1	590.8	-.3	590.5
1964.....	76.2	94.0	-17.8	2.8	37.1	28.6	8.5	-5.7	633.7	-1.3	632.4
1965.....	84.7	108.1	-23.4	2.8	39.2	32.3	6.9	-4.1	688.0	-3.1	684.9
1966.....	91.3	121.4	-30.1	2.8	43.4	38.1	5.3	-2.4	750.9	-1.0	749.9
1967.....	93.0	116.6	-23.5	3.0	46.2	41.0	5.2	-2.2	794.6	-.7	793.9
1968.....	95.4	126.0	-30.6	2.9	50.6	48.1	2.5	.4	866.9	-2.7	864.2
1969.....	97.0	139.0	-42.0	2.9	55.5	53.6	1.9	1.0	936.3	-6.1	930.3
1970.....	97.0	136.3	-39.3	3.2	62.9	59.3	3.6	-.4	983.5	-6.4	977.1
1971.....	110.2	153.7	-43.5	3.6	65.4	65.6	-.2	3.8	1,057.2	-2.3	1,054.9
1972.....	125.9	179.3	-53.5	3.8	72.4	78.4	-6.0	9.8	1,161.8	-3.8	1,158.0
1973.....	136.5	209.4	-72.9	3.9	100.4	96.4	3.9	-.1	1,299.9	-5.0	1,294.9
1974 p.....	136.5	208.9	-72.4	3.6	139.4	137.5	2.0	1.6	1,396.7	.0	1,396.7
Seasonally adjusted annual rates											
1972: I.....	119.3	169.4	-50.1	4.0	69.1	76.1	-7.1	11.0	1,120.9	-5.9	1,115.0
II.....	125.6	175.5	-49.9	3.8	68.8	75.7	-6.9	10.7	1,147.6	-4.5	1,143.0
III.....	126.4	182.1	-55.7	3.8	73.3	78.1	-4.8	8.6	1,170.8	-1.5	1,169.3
IV.....	132.2	190.2	-58.0	3.6	78.5	83.8	-5.3	8.9	1,208.0	-3.3	1,204.7
1973: I.....	133.7	199.0	-65.3	3.0	88.8	89.5	-.8	3.8	1,254.7	-5.9	1,248.9
II.....	135.3	205.1	-69.8	4.2	95.4	94.9	.5	3.7	1,284.4	-6.5	1,277.9
III.....	137.1	209.0	-71.9	3.6	103.7	96.9	6.7	-3.1	1,313.8	-4.9	1,308.9
IV.....	140.0	224.5	-84.5	4.7	113.6	104.3	9.3	-4.7	1,346.6	-2.6	1,344.0
1974: I.....	139.7	210.5	-70.8	3.7	131.2	119.9	11.3	-7.7	1,365.1	-6.3	1,358.8
II.....	135.7	211.8	-76.1	3.7	138.5	140.0	-1.5	5.2	1,383.5	.3	1,383.8
III.....	130.6	205.8	-75.2	3.3	143.6	146.7	-3.1	6.5	1,413.3	3.0	1,416.3
IV p.....	207.6	207.6	0.0	3.6	144.3	143.2	1.2	2.4	1,428.0	0.0	1,428.0

¹ Personal income less personal tax and nontax payments (fines, penalties, etc.).

² Government transfer payments to persons, foreign net transfers by Government, net interest paid by government, subsidies less current surplus of government enterprises, and disbursements less wage accruals.

³ Capital consumption allowances, corporate inventory valuation adjustment, undistributed corporate profits, and private wage accruals less disbursements.

⁴ Private business investment, purchases of capital goods by private nonprofit institutions, and residential housing. See Table C-13.

⁵ Net foreign investment less capital grants received by the United States, with sign changed.

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-9.—Gross national product by sector, 1929-74

(Billions of dollars)

Year or quarter	Total gross national product	Gross domestic product								Rest of the world	Addendum: Gross private product ³
		Total	Business			Households and institutions	General government ²				
			Total	Nonfarm ¹	Farm		Total	Federal	State and local		
1929.....	103.1	102.3	95.1	85.4	9.7	2.9	4.3	0.9	3.5	0.8	98.8
1933.....	55.6	55.3	48.9	44.3	4.6	1.7	4.7	1.2	3.5	.3	50.9
1939.....	90.5	90.2	80.3	74.0	6.3	2.3	7.6	3.4	4.2	.3	82.9
1940.....	99.7	99.3	89.1	82.6	6.5	2.4	7.8	3.5	4.3	.4	91.9
1941.....	124.5	124.2	112.2	103.3	8.9	2.5	9.4	5.0	4.4	.4	115.1
1942.....	157.9	157.5	139.5	126.5	13.0	2.9	15.1	10.6	4.5	.4	142.8
1943.....	191.6	191.2	162.4	147.2	15.3	3.2	25.6	20.9	4.7	.4	166.0
1944.....	210.1	209.7	173.8	158.5	15.3	3.7	32.2	27.3	4.9	.4	177.9
1945.....	211.9	211.6	172.3	156.4	15.9	4.1	35.2	29.8	5.4	.4	176.8
1946.....	208.5	207.9	182.7	163.9	18.8	4.5	20.8	14.6	6.2	.6	187.7
1947.....	231.3	230.5	208.6	188.5	20.2	5.1	16.7	9.4	7.3	.8	214.6
1948.....	257.6	256.6	233.5	210.2	23.3	5.6	17.4	8.9	8.5	1.0	240.1
1949.....	256.5	255.5	230.1	211.4	18.8	5.9	19.4	10.0	9.4	1.0	237.0
1950.....	284.8	283.6	256.3	236.3	20.0	6.4	20.9	10.8	10.1	1.2	263.9
1951.....	328.4	327.1	292.8	269.9	22.9	6.9	27.4	16.3	11.1	1.3	301.0
1952.....	345.5	344.2	305.8	283.7	22.2	7.2	31.2	18.9	12.2	1.3	314.3
1953.....	364.6	363.3	323.6	303.3	20.3	7.8	31.9	18.6	13.3	1.3	332.7
1954.....	364.8	363.2	322.7	303.1	19.6	8.1	32.5	17.8	14.7	1.6	332.4
1955.....	398.0	396.2	352.9	334.1	18.8	9.1	34.2	18.4	15.8	1.8	363.8
1956.....	419.2	417.2	370.8	352.2	18.6	9.8	36.6	19.0	17.6	2.1	382.6
1957.....	441.1	438.9	389.3	370.9	18.4	10.5	39.1	19.6	19.5	2.2	402.0
1958.....	447.3	445.3	391.7	370.9	20.8	11.4	42.1	20.6	21.5	2.0	405.2
1959.....	483.7	481.5	425.0	405.3	19.6	12.2	44.3	21.0	23.3	2.2	439.4
1960.....	503.7	501.4	440.7	420.2	20.5	13.2	47.5	21.9	25.6	2.4	456.3
1961.....	520.1	517.2	452.3	431.4	20.9	14.0	50.9	22.9	28.0	2.9	469.2
1962.....	560.3	557.1	487.4	466.2	21.2	15.0	54.7	24.3	30.4	3.3	505.7
1963.....	590.5	587.1	513.0	491.5	21.5	16.0	58.1	25.3	32.9	3.4	532.4
1964.....	632.4	628.5	548.2	527.6	20.6	17.3	63.0	27.1	35.9	4.0	569.4
1965.....	684.9	680.7	594.4	570.8	23.7	18.5	67.8	28.4	39.3	4.2	617.1
1966.....	749.9	745.8	648.9	624.0	24.9	20.2	76.6	32.6	44.0	4.1	673.3
1967.....	793.9	789.4	681.6	657.0	24.6	22.8	85.1	35.9	49.2	4.5	708.8
1968.....	864.2	859.5	739.0	713.9	25.2	25.5	94.9	39.5	55.4	4.7	769.3
1969.....	930.3	926.0	794.1	766.2	27.9	28.1	103.8	42.2	61.6	4.3	826.5
1970.....	977.1	972.5	827.0	797.9	29.0	30.8	114.7	45.2	69.6	4.6	862.4
1971.....	1,054.9	1,048.9	890.5	859.6	30.9	33.7	124.6	47.3	77.4	6.0	930.3
1972.....	1,158.0	1,151.5	977.9	942.6	35.3	37.2	136.4	50.7	85.7	6.5	1,021.6
1973.....	1,294.9	1,286.5	1,096.8	1,040.3	56.5	41.3	148.5	52.8	95.7	8.4	1,146.5
1974 ^a	1,396.7	1,385.6	1,177.9	1,124.1	53.8	47.0	160.8	55.7	105.1	11.1	1,235.9
Seasonally adjusted annual rates											
1972: I.....	1,115.0	1,109.2	940.5	907.2	33.3	36.0	132.6	50.4	82.2	5.8	982.3
II.....	1,143.0	1,137.1	965.9	931.6	34.4	37.0	134.2	49.9	84.3	5.9	1,008.9
III.....	1,169.3	1,162.4	987.4	952.9	34.6	37.8	137.1	50.2	87.0	6.9	1,032.1
IV.....	1,204.7	1,197.4	1,017.7	978.9	38.8	38.0	141.7	52.5	89.2	7.4	1,063.0
1973: I.....	1,248.9	1,240.5	1,056.7	1,008.8	47.9	39.5	144.3	52.5	91.8	8.4	1,104.6
II.....	1,277.9	1,269.9	1,082.4	1,029.0	53.4	40.7	146.8	52.1	94.7	8.0	1,131.1
III.....	1,308.9	1,300.6	1,109.2	1,049.0	60.2	42.0	149.4	52.4	97.1	8.3	1,159.5
IV.....	1,344.0	1,335.2	1,138.8	1,074.5	64.4	43.0	153.4	54.3	99.1	8.9	1,190.7
1974: I.....	1,358.8	1,344.0	1,143.1	1,082.6	60.5	44.6	156.3	54.8	101.5	14.7	1,202.5
II.....	1,383.8	1,374.1	1,168.8	1,117.8	51.1	46.5	158.8	55.0	103.9	9.7	1,225.0
III.....	1,416.3	1,405.2	1,195.7	1,144.4	51.3	48.0	161.6	55.3	106.3	11.1	1,254.7
IV ^a	1,428.0	1,419.2	1,203.8	1,151.7	52.1	48.9	166.5	57.9	108.6	8.8	1,261.5

¹ Includes compensation of employees in government enterprises.² Compensation of general government employees.³ Gross national product less compensation of general government employees.

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-10.—Gross national product by sector in 1958 dollars, 1929-74

[Billions of 1958 dollars]

Year or quarter	Total gross national product	Gross domestic product								Rest of the world	Addendum: Gross private product ³
		Total	Business			Households and institutions	General government ²				
			Total	Non-farm ¹	Farm		Total	Federal	State and local		
1929.....	203.6	202.2	182.1	165.1	17.0	7.4	12.7	2.6	10.1	1.4	190.9
1933.....	141.5	140.3	120.6	103.0	17.5	5.7	14.0	3.3	10.7	1.2	127.5
1939.....	209.4	208.4	180.7	162.5	18.2	7.1	20.6	8.5	12.2	.9	188.7
1940.....	227.2	226.3	197.1	179.6	17.5	7.6	21.6	9.3	12.3	1.0	205.6
1941.....	263.7	262.8	228.1	209.3	18.8	7.5	27.2	14.8	12.4	.9	236.6
1942.....	297.8	296.9	248.7	228.0	20.6	7.8	40.5	28.4	12.1	.8	257.3
1943.....	337.1	336.3	264.9	245.3	19.6	7.2	64.3	52.5	11.8	.8	272.8
1944.....	361.3	360.4	278.9	259.5	19.4	7.1	74.4	62.6	11.7	.9	286.9
1945.....	355.2	354.5	274.6	256.5	18.1	7.1	72.8	60.9	11.9	.8	282.5
1946.....	312.6	311.7	267.0	248.6	18.5	7.1	37.5	24.9	12.6	.9	275.1
1947.....	309.9	308.9	272.8	255.8	17.0	7.5	28.6	14.9	13.7	1.1	281.4
1948.....	323.7	322.5	286.0	267.0	19.0	7.9	28.7	14.3	14.4	1.2	295.0
1949.....	324.1	322.9	284.7	266.2	18.4	8.2	30.1	15.0	15.1	1.2	294.1
1950.....	355.3	354.0	314.2	294.9	19.4	8.7	31.1	15.5	15.6	1.3	324.2
1951.....	383.4	382.2	334.5	316.2	18.4	8.8	38.8	22.9	15.9	1.2	344.6
1952.....	395.1	393.9	343.2	324.2	19.0	8.8	41.8	25.4	16.4	1.2	353.2
1953.....	412.8	411.5	360.7	340.7	20.0	9.1	41.7	24.6	17.1	1.3	371.1
1954.....	407.0	405.5	355.4	335.0	20.4	9.2	40.9	23.0	17.8	1.6	366.2
1955.....	438.0	436.2	385.4	364.4	20.9	10.1	40.7	22.2	18.6	1.8	397.2
1956.....	446.1	444.1	392.2	371.4	20.8	10.6	41.3	21.7	19.6	2.0	404.8
1957.....	452.5	450.4	397.5	377.2	20.3	10.9	41.9	21.5	20.5	2.1	410.5
1958.....	447.3	445.3	391.7	370.9	20.8	11.4	42.1	20.6	21.5	2.0	405.2
1959.....	475.9	473.7	419.4	398.3	21.1	11.7	42.5	20.2	22.3	2.2	433.4
1960.....	487.7	485.4	429.5	407.6	21.9	12.2	43.7	20.4	23.3	2.3	444.0
1961.....	497.2	494.2	436.9	414.8	22.2	12.4	44.8	20.6	24.2	2.9	452.3
1962.....	529.8	526.4	466.7	444.6	22.1	12.9	46.9	21.8	25.1	3.4	482.9
1963.....	551.0	547.6	486.6	463.8	22.8	13.2	47.8	21.6	26.2	3.4	503.2
1964.....	581.1	577.2	514.4	492.1	22.3	13.7	49.1	21.6	27.4	3.9	532.0
1965.....	617.8	613.7	548.9	525.2	23.7	14.0	50.8	21.8	29.0	4.1	567.0
1966.....	658.1	654.1	584.9	562.5	22.4	14.6	54.6	23.9	30.7	3.9	603.5
1967.....	675.2	670.8	597.8	573.9	23.9	15.4	57.3	25.7	31.9	4.3	617.5
1968.....	706.6	702.2	626.5	603.1	23.4	16.0	59.7	26.3	33.4	4.5	647.0
1969.....	725.6	721.6	644.6	620.5	24.1	16.3	60.7	26.0	34.7	4.0	664.9
1970.....	722.5	718.5	641.1	616.4	24.8	16.6	60.7	24.5	36.2	4.0	661.7
1971.....	746.3	741.5	663.7	637.4	26.3	17.0	60.8	23.0	37.8	4.9	685.6
1972.....	792.5	787.7	709.4	683.4	26.0	17.6	60.7	21.8	38.9	4.7	731.7
1973.....	839.2	833.9	753.1	725.8	27.4	18.5	62.3	21.3	41.0	5.2	776.9
1974 ^a	821.1	817.1	734.1	706.6	27.5	18.9	64.1	21.1	43.1	4.0	757.0
Seasonally adjusted annual rates											
1972: I.....	770.9	766.5	688.3	661.8	26.5	17.4	60.7	22.1	38.6	4.5	710.2
II.....	786.6	782.3	704.3	677.8	26.5	17.6	60.4	21.7	38.7	4.4	726.2
III.....	798.1	793.2	714.8	690.2	24.6	17.7	60.6	21.7	39.0	5.0	737.5
IV.....	814.2	809.0	730.3	704.0	26.3	17.5	61.1	21.7	39.4	5.2	753.0
1973: I.....	832.8	827.0	747.3	719.2	28.1	18.1	61.6	21.5	40.1	5.8	771.2
II.....	837.4	832.4	751.8	724.3	27.5	18.5	62.1	21.3	40.8	5.0	775.3
III.....	840.8	835.7	754.4	728.6	25.8	18.8	62.4	21.1	41.3	5.1	778.4
IV.....	845.7	840.7	759.2	731.0	28.2	18.7	62.9	21.1	41.7	5.0	782.8
1974: I.....	830.5	823.5	740.9	713.9	27.0	19.1	63.5	21.1	42.3	7.0	767.0
II.....	827.1	824.1	741.4	712.7	28.7	18.8	63.9	21.1	42.8	3.0	763.2
III.....	823.1	819.8	736.6	708.0	28.6	18.9	64.2	21.0	43.2	3.3	758.8
IV ^a	803.7	800.9	717.3	691.6	25.7	18.9	64.8	21.0	43.7	2.8	738.9

¹ Includes compensation of employees in government enterprises.² Compensation of general government employees.³ Gross national product less compensation of general government employees.

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-11.—Gross product originating in nonfinancial corporations and dollar costs per unit of output, 1948-74

Year or quarter	Gross product originating in nonfinancial corporations (billions of dollars)		Current dollar costs per unit of 1958 dollar gross product (dollars)							
	Current dollars	1958 dollars	Total costs ¹	Capital consumption allowances	Indirect business taxes ²	Compensation of employees	Net interest	Corporate profits and inventory valuation adjustment		
								Total	Profits tax liability	Profits after taxes plus inventory valuation adjustment
1948.....	137.0	172.9	0.793	0.040	0.070	0.507	0.005	0.171	0.069	0.103
1949.....	133.3	165.6	.805	.047	.076	.514	.006	.162	.057	.104
1950.....	151.7	186.4	.814	.046	.075	.507	.005	.180	.090	.090
1951.....	174.3	203.5	.857	.049	.075	.541	.005	.186	.103	.083
1952.....	182.0	207.1	.879	.054	.081	.570	.006	.168	.086	.082
1953.....	194.7	219.8	.886	.059	.083	.584	.006	.154	.084	.070
1954.....	191.6	213.4	.898	.069	.081	.591	.007	.149	.074	.075
1955.....	216.3	237.2	.912	.072	.081	.582	.007	.170	.084	.086
1956.....	231.2	244.0	.948	.076	.085	.619	.007	.160	.081	.079
1957.....	241.9	247.2	.979	.082	.090	.642	.009	.155	.076	.078
1958.....	236.0	236.0	1.000	.091	.097	.659	.011	.142	.069	.073
1959.....	263.7	260.8	1.011	.088	.094	.654	.010	.164	.080	.084
1960.....	273.1	267.1	1.022	.091	.099	.670	.011	.151	.073	.078
1961.....	278.4	270.6	1.029	.095	.103	.670	.013	.149	.073	.076
1962.....	302.8	292.9	1.034	.100	.101	.665	.014	.154	.071	.082
1963.....	320.0	308.0	1.039	.100	.102	.664	.015	.158	.074	.084
1964.....	346.0	329.7	1.050	.100	.103	.664	.015	.168	.074	.094
1965.....	377.6	357.8	1.055	.099	.100	.660	.017	.179	.077	.102
1966.....	413.0	385.0	1.073	.100	.096	.678	.019	.180	.078	.102
1967.....	430.8	390.2	1.104	.107	.100	.707	.023	.167	.073	.094
1968.....	469.9	415.0	1.132	.109	.105	.727	.025	.166	.082	.084
1969.....	504.3	433.9	1.162	.115	.109	.764	.029	.145	.078	.067
1970.....	519.1	427.7	1.214	.126	.119	.812	.038	.119	.064	.055
1971.....	555.1	441.5	1.258	.132	.126	.830	.038	.132	.067	.065
1972.....	614.3	479.0	1.282	.133	.123	.845	.037	.145	.070	.075
1973.....	684.3	516.4	1.325	.132	.123	.879	.040	.151	.079	.079
1974.....	731.8	504.2	1.451	.145	.133	.978	.045	.150	.091	.053
	Seasonally adjusted annual rates		Seasonally adjusted							
1972: I.....	591.4	463.6	1.276	0.132	0.124	0.843	0.037	0.140	0.067	0.074
II.....	607.4	475.0	1.279	.134	.123	.843	.037	.142	.068	.074
III.....	618.6	482.0	1.284	.133	.123	.846	.037	.144	.070	.075
IV.....	639.7	495.3	1.292	.132	.122	.848	.037	.152	.074	.078
1973: I.....	663.5	510.1	1.301	.130	.122	.858	.038	.153	.079	.074
II.....	678.6	516.1	1.315	.131	.122	.870	.039	.152	.081	.071
III.....	690.0	518.7	1.330	.132	.124	.884	.040	.151	.078	.072
IV.....	704.9	520.6	1.354	.134	.124	.905	.041	.150	.077	.073
1974: I.....	709.3	509.7	1.391	.139	.128	.937	.043	.145	.083	.062
II.....	727.9	507.9	1.433	.142	.131	.964	.045	.152	.090	.061
III.....	743.5	505.2	1.472	.146	.136	.993	.046	.151	.104	.047

¹ This is equal to the deflator for gross product of nonfinancial corporations, with the decimal point shifted two places to the left.

² Also includes business transfer payments less subsidies.

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-12.—Personal consumption expenditures, 1929-74

[Billions of dollars]

Year or quarter	Total personal consumption expenditures	Durable goods				Nondurable goods					Services				
		Total	Automobiles and parts ¹	Furniture and household equipment	Other	Total	Food and beverages	Clothing and shoes	Gasoline and oil	Other	Total	Housing ²	Household operation	Transportation	Other
1929	77.2	9.2	3.2	4.8	1.2	37.7	19.5	9.4	1.8	7.0	30.3	11.5	4.0	2.6	12.2
1933	45.8	3.5	1.1	1.9	.5	22.3	11.5	4.6	1.5	4.6	20.1	7.9	2.8	1.5	7.9
1939	66.8	6.7	2.2	3.5	1.0	35.1	19.1	7.1	2.2	6.7	25.0	9.1	3.8	2.0	10.1
1940	70.8	7.8	2.7	3.9	1.1	37.0	20.2	7.4	2.3	7.1	26.0	9.4	4.0	2.1	10.4
1941	80.6	9.6	3.4	4.9	1.4	42.9	23.4	8.8	2.6	8.0	28.1	10.2	4.3	2.4	11.2
1942	88.5	9.6	3.7	4.7	1.6	50.8	28.4	11.0	2.1	9.3	30.8	11.0	4.8	2.7	12.3
1943	99.3	6.6	.8	3.9	1.9	58.6	33.2	13.4	1.3	10.6	34.2	11.5	5.2	3.4	14.0
1944	108.3	6.7	.8	3.8	2.2	64.3	36.7	14.4	1.6	11.7	37.2	12.0	5.9	3.7	15.6
1945	119.7	8.0	1.0	4.6	2.5	71.9	40.7	16.5	1.8	13.0	39.8	12.5	6.4	4.0	16.8
1946	143.4	15.8	4.0	8.6	3.2	92.4	47.4	18.2	3.0	13.8	45.3	13.9	6.8	5.0	19.7
1947	160.7	20.4	6.2	10.9	3.3	90.5	52.3	18.8	3.6	15.7	49.8	15.7	7.5	5.3	21.4
1948	173.6	22.7	7.5	11.9	3.4	96.2	54.2	20.1	4.4	17.5	54.7	17.5	8.1	5.8	23.3
1949	176.8	24.6	9.9	11.6	3.2	94.5	52.5	19.3	5.0	17.7	57.6	19.3	8.5	5.9	23.9
1950	191.0	30.5	13.1	14.1	3.3	98.1	53.9	19.6	5.4	19.2	62.4	21.3	9.5	6.2	25.4
1951	206.3	29.6	11.6	14.4	3.6	108.8	60.4	21.2	6.1	21.1	67.9	23.9	10.4	6.7	26.9
1952	216.7	29.3	11.1	14.3	3.9	114.0	63.4	21.9	6.8	21.7	73.4	26.5	11.1	7.1	28.7
1953	230.0	33.2	14.2	14.9	4.1	116.8	64.4	22.1	7.7	22.7	79.9	29.3	12.0	7.8	30.8
1954	236.5	32.8	13.6	15.0	4.2	118.3	65.4	22.1	8.2	22.6	85.4	31.7	12.6	7.9	33.2
1955	254.4	39.6	18.4	16.6	4.6	123.3	67.2	23.1	9.0	24.0	91.4	33.7	14.0	8.2	35.5
1956	266.7	38.9	16.4	17.5	5.0	129.3	69.9	24.1	9.8	25.0	98.5	36.0	15.2	8.6	38.6
1957	281.4	40.8	18.3	17.3	5.2	135.6	73.6	24.3	10.6	27.1	105.0	38.5	16.2	9.0	41.3
1958	290.1	37.9	15.4	17.1	5.4	140.2	76.4	24.7	11.0	28.2	112.0	41.1	17.3	9.3	44.3
1959	311.2	44.3	19.5	18.9	5.9	146.6	78.6	26.4	11.6	30.1	120.3	43.7	18.5	10.1	48.0
1960	325.2	45.3	20.1	18.9	6.3	151.3	80.5	27.3	12.3	31.2	128.7	46.3	20.0	10.8	51.6
1961	335.2	44.2	18.4	19.3	6.5	155.9	82.9	27.9	12.4	32.7	135.1	48.7	20.8	10.6	54.9
1962	351.1	49.5	22.0	20.5	6.9	162.6	85.7	29.6	12.9	34.4	143.0	52.0	22.0	11.0	58.0
1963	375.0	53.9	24.3	22.2	7.5	168.6	88.2	30.6	13.5	36.3	152.4	55.4	23.1	11.4	62.5
1964	401.2	59.2	25.8	25.0	8.5	178.7	92.9	33.5	14.0	38.2	163.3	59.3	24.3	11.6	68.1
1965	432.8	66.3	30.3	26.9	9.1	191.1	98.8	35.9	15.3	41.1	175.5	63.5	25.6	12.6	73.8
1966	465.3	70.8	30.3	29.9	10.5	205.9	105.8	40.3	16.6	44.0	188.6	67.5	27.1	13.6	80.4
1967	492.1	73.1	30.5	31.4	11.2	216.0	108.5	42.3	17.6	46.6	204.0	71.8	29.1	14.5	88.5
1968	536.2	84.1	37.5	34.3	12.3	230.8	115.3	46.3	19.0	50.2	221.3	77.3	31.2	15.5	97.3
1969	579.5	90.8	40.2	37.1	13.5	245.9	120.6	50.2	20.9	54.2	242.7	84.1	33.8	16.6	108.2
Seasonally adjusted annual rates															
1972:															
I	701.5	112.1	49.4	47.2	15.6	288.4	139.3	60.0	24.6	64.6	301.0	105.1	41.2	21.5	133.1
II	720.6	116.2	51.5	47.9	16.8	297.4	142.4	62.5	24.5	68.1	307.0	106.9	42.6	21.6	135.9
III	736.8	121.2	55.3	49.3	16.7	302.0	144.7	63.7	25.1	68.5	313.6	108.9	43.9	21.9	138.8
IV	757.2	124.3	56.4	50.7	17.2	310.9	148.5	66.0	25.8	70.7	322.0	110.7	45.5	22.3	143.6
1973:															
I	781.7	132.4	60.4	54.3	17.7	323.3	155.9	69.1	26.8	71.5	325.9	113.1	45.6	22.8	144.5
II	799.0	132.1	59.2	54.9	18.0	332.7	160.9	70.1	28.0	73.6	334.2	115.6	46.6	23.1	148.8
III	816.3	132.4	59.3	55.5	17.6	343.8	169.1	70.6	28.7	75.4	340.1	117.0	48.3	23.6	151.2
IV	823.9	124.3	51.2	55.4	17.7	352.1	174.5	70.9	29.8	77.0	347.4	119.7	48.7	24.1	155.0
1974:															
I	840.6	123.9	48.0	57.5	18.3	364.4	180.1	72.8	31.5	80.0	352.4	122.2	49.2	25.0	156.0
II	869.1	129.5	50.6	59.5	19.4	375.8	183.5	74.4	36.8	81.1	363.8	124.9	51.7	25.6	161.6
III	901.3	136.1	56.2	60.4	19.4	389.0	191.3	75.7	37.9	84.2	376.2	127.7	54.6	26.5	167.5
IV	896.8	121.5	43.7	58.4	19.5	391.5	196.6	73.5	37.5	84.0	383.8	130.9	56.2	27.5	169.3

¹ Includes consumer purchases of mobile homes.² Includes imputed rental value of owner-occupied dwellings.

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-13.—Gross private domestic investment, 1929-74

[Billions of dollars]

Year or quarter	Total gross private domestic investment	Fixed investment									Change in business inventories	
		Total	Nonresidential					Residential structures			Total	Non-farm
			Total	Structures		Producers' durable equipment		Total	Non-farm	Farm		
				Total	Non-farm	Total	Non-farm					
1929.....	16.2	14.5	10.6	5.0	4.8	5.6	4.9	4.0	3.8	0.2	1.7	1.8
1933.....	1.4	3.0	2.4	.9	.9	1.5	1.3	.6	.5	.0	-1.6	-1.4
1939.....	9.3	8.9	5.9	2.0	1.9	4.0	3.4	2.9	2.8	.1	.4	.3
1940.....	13.1	11.0	7.5	2.3	2.2	5.3	4.6	3.4	3.2	.2	2.2	1.9
1941.....	17.9	13.4	9.5	2.9	2.8	6.6	5.6	3.9	3.7	.2	4.5	4.0
1942.....	9.8	8.1	6.0	1.9	1.8	4.1	3.5	2.1	1.9	.2	1.8	.7
1943.....	5.7	6.4	5.0	1.3	1.2	3.7	3.2	1.4	1.2	.2	-.6	-.6
1944.....	7.1	8.1	6.8	1.8	1.7	5.0	4.2	1.3	1.1	.1	-1.0	-.6
1945.....	10.6	11.6	10.1	2.8	2.7	7.3	6.3	1.5	1.4	.1	-1.0	-.6
1946.....	30.6	24.2	17.0	6.8	6.1	10.2	9.2	7.2	6.7	.5	6.4	6.4
1947.....	34.0	34.4	23.4	7.5	6.7	15.9	14.0	11.1	10.4	.7	-.5	1.3
1948.....	46.0	41.3	26.9	8.8	8.0	18.1	15.5	14.4	13.6	.9	4.7	3.0
1949.....	35.7	38.8	25.1	8.5	7.7	16.6	13.7	13.7	12.8	.8	-3.1	-2.2
1950.....	54.1	47.3	27.9	9.2	8.5	18.7	15.7	19.4	18.6	.8	6.8	6.0
1951.....	59.3	49.0	31.8	11.2	10.4	20.7	17.7	17.2	16.4	.8	10.3	9.1
1952.....	51.9	48.8	31.6	11.4	10.5	20.2	17.6	17.2	16.4	.8	3.1	2.1
1953.....	52.6	52.1	34.2	12.7	11.9	21.5	18.6	18.0	17.2	.8	.4	1.1
1954.....	51.7	53.3	33.6	13.1	12.3	20.6	18.0	19.7	19.0	.7	-1.5	-2.1
1955.....	67.4	61.4	38.1	14.3	13.6	23.8	21.2	23.3	22.7	.6	6.0	5.5
1956.....	70.0	65.3	43.7	17.2	16.5	26.5	24.2	21.6	20.9	.7	4.7	5.1
1957.....	67.9	66.5	46.4	18.0	17.2	28.4	25.9	20.2	19.5	.7	1.3	.8
1958.....	60.9	62.4	41.6	16.6	15.8	25.0	22.0	20.8	20.1	.6	-1.5	-2.3
1959.....	75.3	70.5	45.1	16.7	15.9	28.4	25.4	25.5	24.8	.6	4.8	4.8
1960.....	74.8	71.3	48.4	18.1	17.4	30.3	27.7	22.8	22.2	.6	3.6	3.3
1961.....	71.7	69.7	47.0	18.4	17.7	28.6	25.8	22.6	22.0	.6	2.0	1.7
1962.....	83.0	77.0	51.7	19.2	18.5	32.5	29.5	25.3	24.8	.6	6.0	5.3
1963.....	87.1	81.3	54.3	19.5	18.8	34.8	31.2	27.0	26.4	.6	5.9	5.1
1964.....	94.0	88.2	61.1	21.2	20.5	39.9	36.3	27.1	26.6	.5	5.8	6.4
1965.....	108.1	98.5	71.3	25.5	24.9	45.8	41.6	27.2	26.7	.5	9.6	8.6
1966.....	121.4	106.6	81.6	28.5	27.8	53.1	48.4	25.0	24.5	.5	14.8	15.0
1967.....	116.6	108.4	83.3	28.0	27.3	55.3	50.0	25.1	24.5	.6	8.2	7.5
1968.....	126.0	118.9	88.8	30.3	29.6	58.5	53.6	30.1	29.5	.5	7.1	6.9
1969.....	139.0	131.1	98.5	34.2	33.5	64.3	59.2	32.6	32.0	.6	7.8	7.7
1970.....	136.3	131.7	100.6	36.1	35.3	64.4	58.9	31.2	30.7	.5	4.5	4.3
1971.....	153.7	147.4	104.6	37.9	37.1	66.6	61.1	42.8	42.3	.6	6.3	4.9
1972.....	179.3	170.8	116.8	41.1	40.4	75.7	69.4	54.0	53.4	.6	8.5	7.8
1973.....	209.4	194.0	136.8	47.0	45.7	89.8	81.4	57.2	56.7	.5	15.4	11.4
1974 p.....	208.9	195.6	149.6	52.2	50.3	97.4	86.8	46.0	45.2	.7	13.4	11.0
Seasonally adjusted annual rates												
1972: I.....	169.4	164.5	112.7	40.7	39.9	72.0	66.5	51.8	51.2	0.6	5.0	4.1
II.....	175.5	167.6	114.7	41.0	40.3	73.7	68.0	52.9	52.3	.5	8.0	7.0
III.....	182.1	171.9	117.5	40.6	39.9	76.8	70.1	54.5	53.9	.6	10.2	9.6
IV.....	190.2	179.2	122.5	42.2	41.3	80.3	72.9	56.7	56.2	.5	11.0	10.4
1973: I.....	199.0	189.0	130.5	44.6	43.6	85.9	78.5	58.5	58.0	.5	10.0	6.5
II.....	205.1	194.4	135.6	46.2	44.9	89.4	81.1	58.7	58.4	.4	10.7	7.7
III.....	209.0	197.1	139.0	47.9	46.4	91.1	82.6	58.1	57.6	.5	11.8	7.4
IV.....	224.5	195.5	141.9	49.3	47.8	92.6	83.5	53.6	53.0	.6	28.9	24.0
1974: I.....	210.5	193.6	145.2	51.3	49.5	93.9	84.6	48.4	47.8	.7	16.9	13.1
II.....	211.8	198.3	149.4	52.2	50.4	97.2	86.9	48.8	48.0	.8	13.5	10.4
III.....	205.8	197.1	150.9	51.0	49.2	99.9	89.2	46.2	45.4	.8	8.7	6.6
IV p.....	207.6	193.2	152.7	54.3	52.3	98.4	86.3	40.5	39.8	.7	14.4	13.8

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-14.—*Relation of gross national product and national income, 1929-74*

[Billions of dollars]

Year or quarter	Gross national product	Less: Capital consumption allowances	Equals: Net national product	Plus: Subsidies less current surplus of government enterprises	Less:			Equals: National income
					Indirect business tax and nontax liability	Business transfer payments	Statistical discrepancy	
1929.....	103.1	7.9	95.2	-0.1	7.0	0.6	0.7	86.8
1933.....	55.6	7.0	48.6	.0	7.1	.7	.6	40.3
1939.....	90.5	7.3	83.2	.5	9.4	.5	1.3	72.6
1940.....	99.7	7.5	92.2	.4	10.0	.4	1.0	81.1
1941.....	124.5	8.2	116.3	.1	11.3	.5	.4	104.2
1942.....	157.9	9.8	148.1	.2	11.8	.5	-1.1	137.1
1943.....	191.6	10.3	181.3	.2	12.7	.5	-2.0	170.3
1944.....	210.1	11.0	199.1	.7	14.1	.5	2.5	182.6
1945.....	211.9	11.3	200.7	.8	15.5	.5	3.9	181.5
1946.....	208.5	9.9	198.6	.9	17.1	.5	.1	181.9
1947.....	231.3	12.2	219.1	-.2	18.4	.6	.9	199.0
1948.....	257.6	14.5	243.1	-.1	20.1	.7	-2.0	224.2
1949.....	256.5	16.6	239.9	-.1	21.3	.8	.3	217.5
1950.....	284.8	18.3	266.4	.2	23.3	.8	1.5	241.1
1951.....	328.4	21.2	307.2	.2	25.2	.9	3.3	278.0
1952.....	345.5	23.2	322.3	-.1	27.6	1.0	2.2	291.4
1953.....	364.6	25.7	338.9	-.4	29.6	1.2	3.0	304.7
1954.....	364.8	28.2	336.6	-.2	29.4	1.1	2.7	303.1
1955.....	398.0	31.5	366.5	-.1	32.1	1.2	2.1	331.0
1956.....	419.2	34.1	385.2	.8	34.9	1.4	-1.1	350.8
1957.....	441.1	37.1	404.0	.9	37.3	1.5	.0	366.1
1958.....	447.3	38.9	408.4	.9	38.5	1.6	1.6	367.8
1959.....	483.7	41.4	442.3	.1	41.5	1.7	-.8	400.0
1960.....	503.7	43.4	460.3	.2	45.2	1.9	-1.0	414.5
1961.....	520.1	45.2	474.9	1.4	47.7	2.0	-.8	427.3
1962.....	560.3	50.0	510.4	1.4	51.5	2.1	.5	457.7
1963.....	590.5	52.6	537.9	.8	54.7	2.3	-.3	481.9
1964.....	632.4	56.1	576.3	1.3	58.4	2.5	-1.3	518.1
1965.....	684.9	59.8	625.1	1.3	62.5	2.7	-3.1	564.3
1966.....	749.9	63.9	685.9	2.3	65.7	3.0	-1.0	620.6
1967.....	793.9	68.9	725.0	1.4	70.4	3.1	-.7	653.6
1968.....	864.2	74.5	789.7	.7	78.6	3.4	-2.7	711.1
1969.....	930.3	81.6	848.7	1.0	85.9	3.8	-6.1	766.0
1970.....	977.1	87.3	889.8	1.7	93.5	4.0	-6.4	800.5
1971.....	1,054.9	93.7	961.2	1.1	102.7	4.3	-2.3	857.7
1972.....	1,158.0	102.9	1,055.1	2.3	110.0	4.6	-3.8	946.5
1973.....	1,294.9	110.8	1,184.1	.6	119.2	4.9	-5.0	1,065.6
1974 P.....	1,396.7	119.5	1,277.2	-2.9	126.9	5.2	.0	1,142.2
Seasonally adjusted annual rates								
1972: I.....	1,115.0	98.9	1,016.1	1.5	106.7	4.5	-5.9	912.3
II.....	1,143.0	103.7	1,039.3	2.1	109.0	4.5	-4.5	932.5
III.....	1,169.3	103.3	1,066.0	2.5	111.1	4.6	-1.5	954.3
IV.....	1,204.7	105.8	1,098.9	2.9	113.4	4.6	-3.3	987.0
1973: I.....	1,248.9	107.4	1,141.5	1.5	116.5	4.7	-5.9	1,027.6
II.....	1,277.9	110.5	1,167.4	.7	118.6	4.8	-6.5	1,051.2
III.....	1,308.9	111.5	1,197.4	.3	120.4	4.9	-4.9	1,077.3
IV.....	1,344.0	113.9	1,230.1	-.1	121.3	5.0	-2.6	1,106.3
1974: I.....	1,358.8	115.8	1,243.0	-2.7	122.6	5.1	-6.3	1,118.8
II.....	1,383.8	118.6	1,265.2	-3.7	125.9	5.2	.3	1,130.2
III.....	1,416.3	120.7	1,295.6	-2.4	129.5	5.3	3.0	1,155.5
IV P.....	1,428.0	123.0	1,305.0	-2.7	129.8	5.3	-----	-----

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-15.—National income by type of income, 1929-74

[Billions of dollars]

Year or quarter	Total national income ¹	Compensation of employees			Business and professional income			Income of farm proprietors ²	Rental income of persons	Corporate profits and inventory valuation adjustment			Net interest
		Total	Wages and salaries	Supplements to wages and salaries ²	Total	Income of unincorporated enterprises	Inventory valuation adjustment			Total	Corporate profits before taxes ⁴	Inventory valuation adjustment	
1929.....	86.8	51.1	50.4	0.7	9.0	8.8	0.1	6.2	5.4	10.5	10.0	0.5	4.7
1933.....	40.3	29.5	29.0	.5	3.3	3.9	-.5	2.6	2.0	-1.2	1.0	-2.1	4.1
1939.....	72.6	48.1	45.9	2.2	7.4	7.6	-.2	4.4	2.7	6.3	7.0	-.7	3.5
1940.....	81.1	52.1	49.8	2.3	8.6	8.6	.0	4.5	2.9	9.8	10.0	-.2	3.3
1941.....	104.2	64.8	62.1	2.7	11.1	11.7	-.6	6.4	3.5	15.2	17.7	-2.5	3.2
1942.....	137.1	85.3	82.1	3.2	14.0	14.4	-.4	9.8	4.5	20.3	21.5	-1.2	3.1
1943.....	170.3	109.5	105.8	3.8	17.0	17.1	-.2	11.7	5.1	24.4	25.1	-.8	2.7
1944.....	182.6	121.2	116.7	4.5	18.2	18.3	-.1	11.6	5.4	23.8	24.1	-.3	2.3
1945.....	181.5	123.1	117.5	5.6	19.2	19.3	-.1	12.2	5.6	19.2	19.7	-.6	2.2
1946.....	181.9	117.9	112.0	5.9	21.6	23.3	-1.7	14.9	6.6	19.3	24.6	-5.3	1.5
1947.....	199.0	128.9	123.0	5.9	20.3	21.8	-1.5	15.2	7.1	25.6	31.5	-5.9	1.9
1948.....	224.2	141.1	135.4	5.8	22.7	23.1	-.4	17.5	8.0	33.0	35.2	-2.2	1.8
1949.....	217.5	141.0	134.5	6.5	22.6	22.2	.5	12.7	8.4	30.8	28.9	1.9	1.9
1950.....	241.1	154.6	146.8	7.8	24.0	25.1	-1.1	13.5	9.4	37.7	42.6	-5.0	2.0
1951.....	278.0	180.7	171.1	9.6	26.1	26.5	-.3	15.8	10.3	42.7	43.9	-1.2	2.3
1952.....	291.4	195.3	185.1	10.2	27.1	26.9	.2	15.0	11.5	39.9	38.9	1.0	2.6
1953.....	304.7	209.1	198.3	10.9	27.5	27.6	-.2	13.0	12.7	39.6	40.6	-1.0	2.8
1954.....	303.1	208.0	196.5	11.5	27.6	27.6	.0	12.4	13.6	38.0	38.3	-.3	3.6
1955.....	331.0	224.5	211.3	13.2	30.3	30.5	-.2	11.4	13.9	46.9	48.6	-1.7	4.1
1956.....	350.8	243.1	227.8	15.2	31.3	31.8	-.5	11.4	14.3	46.1	48.8	-2.7	4.6
1957.....	366.1	256.0	238.7	17.3	32.8	33.1	-.3	11.3	14.8	45.6	47.2	-1.5	5.6
1958.....	367.8	257.8	239.9	17.9	33.2	33.2	-.1	13.4	15.4	41.1	41.4	-.3	6.8
1959.....	400.0	279.1	258.2	20.9	35.1	35.3	-.1	11.4	15.6	51.7	52.1	-.5	7.1
1960.....	414.5	294.2	270.8	23.4	34.2	34.3	.0	12.0	15.8	49.9	49.7	.2	8.4
1961.....	427.3	302.6	278.1	24.6	35.6	35.6	.0	12.8	16.0	50.3	50.3	-.1	10.0
1962.....	457.7	323.6	296.1	27.5	37.1	37.1	.0	13.0	16.7	55.7	55.4	.3	11.6
1963.....	481.9	341.0	311.1	29.9	37.9	37.9	.0	13.1	17.1	58.9	59.4	-.5	13.8
1964.....	518.1	365.7	333.7	32.0	40.2	40.3	-.1	12.1	18.0	66.3	66.8	-.5	15.8
1965.....	564.3	393.8	358.9	35.0	42.4	42.8	-.4	14.8	19.0	76.1	77.8	-1.7	18.2
1966.....	620.6	435.5	394.5	41.0	45.2	45.6	-.4	16.1	20.0	82.4	84.2	-1.8	21.4
1967.....	653.6	467.2	423.1	44.2	47.3	47.6	-.3	14.8	21.1	78.7	79.8	-1.1	24.4
1968.....	711.1	514.6	464.9	49.7	49.5	50.3	-.7	14.7	21.2	84.3	87.6	-3.3	26.9
1969.....	766.0	566.0	509.7	56.3	50.5	51.2	-.8	16.7	22.6	79.8	84.9	-5.1	30.5
1970.....	800.5	603.9	542.0	61.9	50.0	50.7	-.7	16.9	23.9	69.2	74.0	-4.8	36.5
1971.....	857.7	643.1	573.6	69.5	52.0	52.7	-.7	17.2	25.2	78.7	83.6	-4.9	41.6
1972.....	946.5	707.1	626.8	80.3	54.9	56.0	-1.1	21.0	25.9	92.2	99.2	-7.0	45.6
1973.....	1,065.6	786.0	691.6	94.4	57.6	59.8	-2.3	38.5	26.1	105.1	122.7	-17.6	52.3
1974.....	1,142.2	855.7	750.6	105.0	61.2	64.7	-3.5	31.8	26.5	105.4	141.0	-35.5	61.6
Seasonally adjusted annual rates													
1972: I.....	912.3	683.8	606.6	77.1	53.7	-----	-----	19.2	25.5	86.5	92.3	-5.8	43.6
II.....	932.5	699.0	619.7	79.3	54.3	-----	-----	20.3	24.4	89.5	96.0	-6.5	44.9
III.....	954.3	712.6	631.2	81.4	55.5	-----	-----	20.3	26.8	92.9	100.2	-7.3	46.2
IV.....	987.0	732.9	649.6	83.4	56.1	-----	-----	24.0	26.7	99.8	108.2	-8.4	47.5
1973: I.....	1,027.6	759.1	667.6	91.5	57.0	-----	-----	32.1	26.3	103.9	120.4	-16.5	49.2
II.....	1,051.2	776.7	683.6	93.1	57.1	-----	-----	35.6	25.7	105.0	124.9	-20.0	51.1
III.....	1,077.3	793.3	698.2	95.1	57.7	-----	-----	41.5	26.2	105.2	122.7	-17.5	53.2
IV.....	1,106.3	814.8	717.0	97.7	58.4	-----	-----	44.9	26.4	106.4	122.7	-16.3	55.5
1974: I.....	1,118.8	828.8	727.6	101.2	59.3	-----	-----	39.1	26.4	107.7	135.4	-27.7	57.5
II.....	1,130.2	848.3	744.6	103.7	60.7	-----	-----	29.1	26.3	105.6	139.0	-33.4	60.1
III.....	1,155.5	868.2	761.5	106.7	62.3	-----	-----	29.8	26.6	105.8	157.0	-51.2	62.8
IV.....	-----	877.3	768.8	108.5	62.5	-----	-----	29.1	26.8	-----	-----	-29.8	65.9

¹ National income is the total net income earned in production. It differs from gross national product mainly in that it excludes depreciation charges and other allowances for business and institutional consumption of durable capital goods, and indirect business taxes. See Table C-14.

² Employer contributions for social insurance and to private pension, health, and welfare funds; compensation for injuries; directors' fees; pay of the military reserve; and a few other minor items.

³ Includes change in inventories.

⁴ See Table C-74 for corporate tax liability and profits after taxes.

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-16.—*Relation of national income and personal income, 1929-74*

(Billions of dollars)

Year or quarter	National income	Less:			Plus:				Equals:
		Corporate profits and inventory valuation adjustment	Contributions for social insurance	Wage accruals less disbursements	Government transfer payments to persons	Interest paid by government (net) and by consumers	Dividends	Business transfer payments	Personal income
1929.....	86.8	10.5	0.2	0.0	0.9	2.5	5.8	0.6	85.9
1933.....	40.3	-1.2	.3	.0	1.5	1.6	2.0	.7	47.0
1939.....	72.6	6.3	2.1	.0	2.5	1.9	3.8	.5	72.8
1940.....	81.1	9.8	2.3	.0	2.7	2.1	4.0	.4	78.3
1941.....	104.2	15.2	2.8	.0	2.6	2.2	4.4	.5	96.0
1942.....	137.1	20.3	3.5	.0	2.6	2.2	4.3	.5	122.9
1943.....	170.3	24.4	4.5	.2	2.5	2.6	4.4	.5	151.3
1944.....	182.6	23.8	5.2	-.2	3.1	3.3	4.6	.5	165.3
1945.....	181.5	19.2	6.1	.0	5.6	4.2	4.6	.5	171.1
1946.....	181.9	19.3	6.0	.0	10.8	5.2	5.6	.5	178.7
1947.....	199.0	25.6	5.7	.0	11.1	5.5	6.3	.6	191.3
1948.....	224.2	33.0	5.2	.0	10.5	6.1	7.0	.7	210.2
1949.....	217.5	30.8	5.7	.0	11.6	6.5	7.2	.8	207.2
1950.....	241.1	37.7	6.9	.0	14.3	7.2	8.8	.8	227.6
1951.....	278.0	42.7	8.2	.1	11.5	7.6	8.6	.9	255.6
1952.....	291.4	39.9	8.7	.0	12.0	8.1	8.6	1.0	272.5
1953.....	304.7	39.6	8.8	-.1	12.8	9.0	8.9	1.2	288.2
1954.....	303.1	38.0	9.8	.0	14.9	9.5	9.3	1.1	290.1
1955.....	331.0	46.9	11.1	.0	16.1	10.1	10.5	1.2	310.9
1956.....	350.8	46.1	12.6	.0	17.1	11.2	11.3	1.4	333.0
1957.....	366.1	45.6	14.5	.0	19.9	12.0	11.7	1.5	351.1
1958.....	367.8	41.1	14.8	.0	24.1	12.1	11.6	1.6	361.2
1959.....	400.0	51.7	17.6	.0	24.9	13.6	12.6	1.7	383.5
1960.....	414.5	49.9	20.7	.0	26.6	15.1	13.4	1.9	401.0
1961.....	427.3	50.3	21.4	.0	30.4	15.0	13.8	2.0	416.8
1962.....	457.7	55.7	24.0	.0	31.2	16.1	15.2	2.1	442.6
1963.....	481.9	58.9	26.9	.0	33.0	17.6	16.5	2.3	465.5
1964.....	518.1	66.3	27.9	.0	34.2	19.1	17.8	2.5	497.5
1965.....	564.3	76.1	29.6	.0	37.2	20.5	19.8	2.7	538.9
1966.....	620.6	82.4	38.0	.0	41.1	22.2	20.8	3.0	587.2
1967.....	653.6	78.7	42.4	.0	48.7	23.6	21.4	3.1	629.3
1968.....	711.1	84.3	47.1	.0	56.1	26.1	23.6	3.4	688.9
1969.....	766.0	79.8	54.2	.0	61.9	28.7	24.3	3.8	750.9
1970.....	800.5	69.2	57.7	.0	75.1	31.0	24.7	4.0	808.3
1971.....	857.7	78.7	63.8	.6	89.0	31.2	25.0	4.3	864.0
1972.....	946.5	92.2	73.0	.0	98.6	33.0	27.3	4.6	944.9
1973.....	1,065.6	105.1	91.2	-.1	113.0	38.3	29.6	4.9	1,055.0
1974 ^p	1,142.2	105.4	101.5	-.5	134.6	42.3	32.7	5.2	1,150.4
Seasonally adjusted annual rates									
1972: I.....	912.3	86.5	71.2	-1.4	94.5	31.8	26.4	4.5	913.3
II.....	932.5	89.5	72.3	-.4	95.5	32.7	27.1	4.5	930.9
III.....	954.3	92.9	73.8	-.2	96.9	33.2	27.8	4.6	950.3
IV.....	987.0	99.8	74.9	2.1	107.6	34.4	28.2	4.6	985.0
1973: I.....	1,027.6	103.9	88.7	.0	109.3	35.9	28.7	4.7	1,013.6
II.....	1,051.2	105.0	90.2	-.3	111.3	37.7	29.1	4.8	1,039.2
III.....	1,077.3	105.2	92.1	.0	114.1	39.3	29.8	4.9	1,068.0
IV.....	1,106.3	106.4	93.9	.0	117.1	40.4	30.7	5.0	1,099.3
1974: I.....	1,118.8	107.7	99.1	.0	123.1	40.8	31.6	5.1	1,112.5
II.....	1,130.2	105.6	100.8	-.6	130.6	41.9	32.5	5.2	1,134.6
III.....	1,155.5	105.8	103.0	-1.5	138.7	42.7	33.2	5.3	1,168.2
IV ^p			103.2	.0	145.8	43.6	33.3	5.3	1,186.4

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-17.—Disposition of personal income, 1929-74

Year or quarter	Personal income	Less: Personal tax and nontax payments	Equals: Disposable personal income	Less: Personal outlays				Equals: Personal saving	Percent of disposable personal income		
				Total	Personal consumption expenditures	Interest paid by consumers	Personal transfer payments to foreigners		Personal outlays		Personal saving
									Total	Consumption expenditures	
Billions of dollars									Percent		
1929.....	85.9	2.6	83.3	79.1	77.2	1.5	0.3	4.2	95.0	92.7	5.0
1933.....	47.0	1.5	45.5	46.5	45.8	.5	.2	-.9	102.0	100.6	-2.0
1939.....	72.8	2.4	70.3	67.7	66.8	.7	.2	2.6	96.3	95.0	3.7
1940.....	78.3	2.6	75.7	71.8	70.8	.8	.2	3.8	94.9	93.6	5.1
1941.....	96.0	3.3	92.7	81.7	80.6	.9	.2	11.0	88.2	86.9	11.8
1942.....	122.9	6.0	116.9	89.3	88.5	.7	.1	27.6	76.4	75.7	23.6
1943.....	151.3	17.8	133.5	100.1	99.3	.5	.2	33.4	75.0	74.4	25.0
1944.....	165.3	18.9	146.3	109.1	108.3	.5	.4	37.3	74.5	74.0	25.5
1945.....	171.1	20.9	150.2	120.7	119.7	.5	.5	29.6	80.3	79.7	19.7
1946.....	178.7	18.7	160.0	144.8	143.4	.8	.7	15.2	90.5	89.6	9.5
1947.....	191.3	21.4	169.8	162.5	160.7	1.1	.7	7.3	95.7	94.6	4.3
1948.....	210.2	21.1	189.1	175.8	173.6	1.5	.7	13.4	92.9	91.8	7.1
1949.....	207.2	18.6	188.6	179.2	176.8	1.9	.5	9.4	95.0	93.8	5.0
1950.....	227.6	20.7	206.9	193.9	191.0	2.4	.5	13.1	93.7	92.3	6.3
1951.....	255.6	29.0	226.6	209.3	206.3	2.7	.4	17.3	92.4	91.0	7.6
1952.....	272.5	34.1	238.3	220.2	216.7	3.0	.4	18.1	92.4	90.9	7.6
1953.....	288.2	35.6	252.6	234.3	230.0	3.8	.5	18.3	92.8	91.1	7.2
1954.....	290.1	32.7	257.4	241.0	236.5	4.0	.5	16.4	93.6	91.9	6.4
1955.....	310.9	35.5	275.3	259.5	254.4	4.7	.5	15.8	94.3	92.4	5.7
1956.....	333.0	39.8	293.2	272.6	266.7	5.4	.6	20.6	93.0	91.0	7.0
1957.....	351.1	42.6	308.5	287.8	281.4	5.8	.6	20.7	93.3	91.2	6.7
1958.....	361.2	42.3	318.8	296.6	290.1	5.9	.6	22.3	93.0	91.0	7.0
1959.....	383.5	46.2	337.3	318.3	311.2	6.5	.6	19.1	94.4	92.3	5.6
1960.....	401.0	50.9	350.0	333.0	325.2	7.3	.5	17.0	95.1	92.9	4.9
1961.....	416.8	52.4	364.4	343.3	335.2	7.6	.5	21.2	94.2	92.0	5.8
1962.....	442.6	57.4	385.3	363.7	355.1	8.1	.5	21.6	94.4	92.2	5.6
1963.....	465.5	60.9	404.6	384.7	375.0	9.1	.6	19.9	95.1	92.7	4.9
1964.....	497.5	59.4	438.1	411.9	401.2	10.1	.6	26.2	94.0	91.6	6.0
1965.....	538.9	65.7	473.2	444.8	432.8	11.3	.7	28.4	94.0	91.5	6.0
1966.....	587.2	75.4	511.9	479.3	466.3	12.4	.6	32.5	93.6	91.1	6.4
1967.....	629.3	83.0	546.3	506.0	492.1	13.2	.7	40.4	92.6	90.1	7.4
1968.....	688.9	97.9	591.0	551.2	536.2	14.3	.8	39.8	93.3	90.7	6.7
1969.....	750.9	116.5	634.4	596.2	579.5	15.8	.9	38.2	94.0	91.3	6.0
1970.....	808.3	116.6	691.7	635.5	617.6	16.8	1.0	56.2	91.9	89.3	8.1
1971.....	864.0	117.6	746.4	685.9	667.1	17.7	1.1	60.5	91.9	89.4	8.1
1972.....	944.9	142.4	802.5	749.9	729.0	19.8	1.1	52.6	93.4	90.8	6.6
1973.....	1,055.0	151.3	903.7	829.4	805.2	22.9	1.3	74.4	91.8	89.1	8.2
1974.....	1,150.4	170.7	979.7	903.0	877.0	25.0	1.0	76.7	92.2	89.5	7.8
Seasonally adjusted annual rates									Seasonally adjusted		
1972: I.....	913.3	138.6	774.7	721.4	701.5	18.9	1.0	53.3	93.1	90.6	6.9
II.....	930.9	140.9	790.0	741.1	720.6	19.5	1.0	49.0	93.8	91.2	6.2
III.....	950.3	143.1	807.2	757.9	736.8	20.1	1.1	49.3	93.9	91.3	6.1
IV.....	985.0	147.0	838.1	779.2	757.2	20.9	1.1	58.9	93.0	90.3	7.0
1973: I.....	1,013.6	144.1	869.5	804.2	781.7	21.6	.9	65.3	92.5	89.9	7.5
II.....	1,039.2	147.2	892.1	822.5	799.0	22.5	1.0	69.6	92.2	89.6	7.8
III.....	1,068.0	154.2	913.9	840.7	816.3	23.4	.9	73.2	92.0	89.3	8.0
IV.....	1,099.3	159.9	939.4	850.1	823.9	24.0	2.2	89.3	90.5	87.7	9.5
1974: I.....	1,112.5	161.9	950.6	866.2	840.6	24.4	1.2	84.4	91.1	88.4	8.9
II.....	1,134.6	168.2	966.5	894.9	869.1	24.8	1.0	71.5	92.6	89.9	7.4
III.....	1,168.2	175.1	993.1	927.6	901.3	25.3	.9	65.5	93.4	90.8	6.6
IV.....	1,186.4	177.8	1,008.7	923.3	896.8	25.5	.9	85.4	91.5	88.9	8.5

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-18.—Total and per capita disposable personal income and personal consumption expenditures in current and 1958 dollars, 1929-74

Year or quarter	Disposable personal income				Personal consumption expenditures				Population (thousands) ¹
	Total (billions of dollars)		Per capita (dollars)		Total (billions of dollars)		Per capita (dollars)		
	Current dollars	1958 dollars	Current dollars	1958 dollars	Current dollars	1958 dollars	Current dollars	1958 dollars	
1929.....	83.3	150.6	683	1,236	77.2	139.6	634	1,145	121,875
1933.....	45.5	112.2	362	893	45.8	112.8	364	897	125,690
1939.....	70.3	155.9	537	1,190	66.8	148.2	510	1,131	131,028
1940.....	75.7	166.3	573	1,259	70.8	155.7	536	1,178	132,122
1941.....	92.7	190.3	695	1,427	80.6	165.4	604	1,240	133,402
1942.....	116.9	213.4	867	1,582	88.5	161.4	656	1,197	134,860
1943.....	133.5	222.8	976	1,629	99.3	165.8	726	1,213	136,739
1944.....	146.3	231.6	1,057	1,673	108.3	171.4	782	1,238	138,397
1945.....	150.2	229.7	1,074	1,642	119.7	183.0	855	1,308	139,928
1946.....	160.0	227.0	1,132	1,606	143.4	203.5	1,014	1,439	141,389
1947.....	169.8	218.0	1,178	1,513	160.7	206.3	1,115	1,431	144,126
1948.....	189.1	229.8	1,290	1,567	173.6	210.8	1,184	1,438	146,631
1949.....	188.6	230.8	1,264	1,547	176.8	216.5	1,185	1,451	149,188
1950.....	206.9	249.6	1,364	1,646	191.0	230.5	1,259	1,520	151,684
1951.....	226.6	255.7	1,469	1,657	206.3	232.8	1,337	1,509	154,287
1952.....	238.3	263.3	1,518	1,678	216.7	239.4	1,381	1,525	156,954
1953.....	252.6	275.4	1,583	1,726	230.0	250.8	1,441	1,572	159,565
1954.....	257.4	278.3	1,585	1,714	236.5	255.7	1,456	1,575	162,391
1955.....	275.3	296.7	1,666	1,795	254.4	274.2	1,539	1,659	165,275
1956.....	293.2	309.3	1,743	1,839	266.7	281.4	1,585	1,673	168,221
1957.....	308.5	315.8	1,801	1,844	281.4	288.2	1,643	1,683	171,274
1958.....	318.8	318.8	1,831	1,831	290.1	290.1	1,666	1,666	174,141
1959.....	337.3	333.0	1,905	1,881	311.2	307.3	1,758	1,735	177,073
1960.....	350.0	340.2	1,937	1,883	325.2	316.1	1,800	1,749	180,671
1961.....	364.4	350.7	1,984	1,909	335.2	322.5	1,825	1,756	183,691
1962.....	385.3	367.3	2,065	1,969	355.1	338.4	1,903	1,814	186,538
1963.....	404.6	381.3	2,138	2,015	375.0	353.3	1,981	1,867	189,242
1964.....	438.1	407.9	2,283	2,126	401.2	373.7	2,091	1,948	191,889
1965.....	473.2	435.0	2,436	2,239	432.8	397.7	2,228	2,047	194,303
1966.....	511.9	458.9	2,604	2,335	466.3	418.1	2,372	2,127	196,560
1967.....	546.3	477.5	2,749	2,403	492.1	430.1	2,476	2,164	198,712
1968.....	591.0	499.0	2,945	2,486	536.2	452.7	2,671	2,256	200,706
1969.....	634.4	513.6	3,130	2,534	579.5	469.1	2,859	2,315	202,677
1970.....	691.7	534.8	3,376	2,610	617.6	477.5	3,015	2,331	204,875
1971.....	746.4	555.4	3,605	2,683	667.1	496.4	3,222	2,398	207,045
1972.....	802.5	580.5	3,843	2,779	729.0	527.3	3,491	2,525	208,842
1973.....	903.7	619.6	4,295	2,945	805.2	552.1	3,827	2,624	210,396
1974 p.....	979.7	603.2	4,623	2,846	877.0	539.9	4,139	2,548	211,909
Seasonally adjusted annual rates									
1972: I.....	774.7	566.2	3,720	2,719	701.5	512.8	3,368	2,462	208,259
II.....	790.0	573.6	3,787	2,749	720.6	523.2	3,454	2,508	208,634
III.....	807.2	581.9	3,861	2,784	736.8	531.2	3,524	2,541	209,054
IV.....	838.1	600.1	4,000	2,864	757.2	542.2	3,614	2,588	209,505
1973: I.....	869.5	615.1	4,143	2,931	781.7	552.9	3,725	2,635	209,852
II.....	892.1	618.2	4,244	2,941	799.0	553.7	3,801	2,634	210,205
III.....	913.9	621.8	4,339	2,952	816.3	555.4	3,876	2,637	210,610
IV.....	939.4	622.9	4,452	2,952	823.9	546.3	3,904	2,589	211,030
1974: I.....	950.6	610.3	4,497	2,887	840.6	539.7	3,977	2,553	211,381
II.....	966.5	603.5	4,565	2,850	869.1	542.7	4,105	2,563	211,721
III.....	993.1	602.9	4,681	2,842	901.3	547.2	4,249	2,579	212,139
IV p.....	1,008.7	596.2	4,744	2,804	896.8	530.1	4,218	2,493	212,600

¹ Population of the United States including Armed Forces overseas; includes Alaska and Hawaii beginning 1960. Annual data are for July 1; quarterly data are for middle of period, interpolated from monthly data.

Source: Department of Commerce (Bureau of Economic Analysis and Bureau of the Census).

TABLE C-19.—Sources of personal income, 1929-74

[Billions of dollars]

Year or quarter	Total personal income	Wage and salary disbursements ¹						Other labor income ¹	Proprietors' income	
		Total	Commodity-producing industries		Distributive industries	Service industries	Government		Business and professional	Farm ²
			Total	Manufacturing						
1929	85.9	50.4	21.5	16.1	15.6	8.4	4.9	0.6	9.0	6.2
1933	47.0	29.0	9.8	7.8	8.8	5.2	5.1	.4	3.3	2.6
1939	72.8	45.9	17.4	13.6	13.3	7.1	8.2	.6	7.4	4.4
1940	78.3	49.8	19.7	15.6	14.2	7.5	8.4	.7	8.6	4.5
1941	96.0	62.1	27.5	21.7	16.3	8.1	10.2	.7	11.1	6.4
1942	122.9	82.1	39.1	30.9	18.0	9.0	16.0	.9	14.0	9.8
1943	151.3	105.6	48.9	40.9	20.1	9.9	26.6	1.1	17.0	11.7
1944	165.3	116.9	50.3	42.9	22.7	10.9	33.0	1.5	18.2	11.6
1945	171.1	117.5	45.8	38.2	24.8	12.0	34.9	1.8	19.2	12.2
1946	178.7	112.0	46.0	36.5	31.0	14.4	20.7	1.9	21.6	14.9
1947	191.3	123.0	54.3	42.5	35.2	16.1	17.4	2.3	20.3	15.2
1948	210.2	135.3	61.0	47.2	37.6	17.9	18.9	2.7	22.7	17.5
1949	207.2	134.6	57.7	44.7	37.7	18.6	20.6	3.0	22.6	12.7
1950	227.6	146.7	64.6	50.3	39.9	19.9	22.4	3.8	24.0	13.5
1951	255.6	171.0	76.1	59.4	44.3	21.7	28.9	4.8	26.1	15.8
1952	272.5	185.1	81.8	64.2	46.9	23.3	33.1	5.3	27.1	15.0
1953	288.2	198.3	89.4	71.2	49.8	25.1	34.1	6.0	27.5	13.0
1954	290.1	196.5	85.4	67.6	50.2	26.4	34.6	6.3	27.6	12.4
1955	310.9	211.3	92.8	73.9	53.4	28.9	36.2	7.3	30.3	11.4
1956	333.0	227.8	100.2	79.5	57.7	31.6	38.3	8.4	31.3	11.4
1957	351.1	238.7	103.8	82.5	60.5	33.9	40.4	9.5	32.8	11.3
1958	361.2	239.9	99.7	78.7	60.8	35.9	43.5	9.9	33.2	13.4
1959	383.5	258.2	109.1	86.9	64.8	38.7	45.6	11.3	35.1	11.4
1960	401.0	270.8	112.5	89.7	68.1	41.5	48.7	12.0	34.2	12.0
1961	416.8	278.1	112.8	89.8	69.1	44.0	52.2	12.7	35.6	12.8
1962	442.6	296.1	120.8	96.7	72.5	46.8	56.0	13.9	37.1	13.0
1963	465.5	311.1	125.7	100.6	76.0	49.9	59.5	14.9	37.9	13.1
1964	497.5	333.7	134.1	107.2	81.2	54.1	64.3	16.6	40.2	12.1
1965	538.9	358.9	144.5	115.6	86.9	58.3	69.3	18.7	42.4	14.8
1966	587.2	394.5	159.3	128.1	93.8	63.7	77.7	20.7	45.2	16.1
1967	629.3	423.1	166.5	134.2	100.3	70.5	85.8	22.3	47.3	14.8
1968	688.9	464.9	181.5	145.9	109.2	78.5	95.7	25.4	49.5	14.7
1969	750.9	509.7	197.5	157.6	120.0	88.1	104.1	28.4	50.5	16.7
1970	808.3	542.0	200.9	158.3	129.3	96.6	115.1	32.2	50.0	16.9
1971	864.0	573.0	206.2	160.5	138.3	104.6	123.9	36.4	52.0	17.2
1972	944.9	626.8	225.4	175.8	151.0	115.3	135.0	41.7	54.9	21.0
1973	1,055.0	691.7	251.9	196.6	165.1	128.2	146.6	46.0	57.6	38.5
1974	1,150.4	751.1	270.9	211.3	178.9	142.6	158.8	51.4	61.2	31.8
Seasonally adjusted annual rates										
1972: I	913.3	608.1	217.8	168.9	147.0	111.2	132.1	39.6	53.7	19.2
II	930.9	620.1	223.0	173.8	149.5	114.3	133.3	41.2	54.3	20.3
III	950.3	631.4	226.6	176.8	151.9	117.0	135.9	42.6	55.5	20.3
IV	985.0	647.5	234.3	183.6	155.5	119.0	138.8	43.7	56.1	24.0
1973: I	1,013.6	667.6	241.8	188.9	159.7	123.5	142.6	44.6	57.0	32.1
II	1,039.2	683.8	248.5	194.4	163.8	126.6	145.0	45.4	57.1	35.6
III	1,068.0	698.2	254.6	198.3	166.5	129.7	147.4	46.3	57.7	41.5
IV	1,099.3	717.0	262.6	204.6	170.4	132.8	151.3	47.6	58.4	44.9
1974: I	1,112.5	727.6	264.0	204.8	172.9	136.9	153.8	48.9	59.3	39.1
II	1,134.6	745.2	270.0	210.1	177.4	140.9	156.9	50.5	60.7	29.1
III	1,168.2	763.0	276.0	215.8	181.6	144.9	160.5	52.3	62.3	29.8
IV	1,186.4	768.8	273.4	214.3	183.8	147.5	164.0	54.0	62.5	29.1

See footnotes at end of table.

TABLE C-19.—Sources of personal income, 1929-74—Continued

[Billions of dollars]

Year or quarter	Rental income of persons	Dividends	Personal interest income	Transfer payments					Less: Personal contributions for social insurance	Non-agricultural personal income ³
				Total	Old age, survivors, disability, and health insurance benefits	State unemployment insurance benefits	Veterans benefits	Other		
1929.....	5.4	5.8	7.2	1.5	-----	-----	0.6	0.9	0.1	77.6
1933.....	2.0	2.0	5.7	2.1	-----	-----	.5	1.6	.2	43.2
1939.....	2.7	3.8	5.5	3.0	0.0	0.4	.5	2.0	.6	66.9
1940.....	2.9	4.0	5.4	3.1	.0	.5	.5	2.0	.7	72.3
1941.....	3.5	4.4	5.5	3.1	.1	.3	.5	2.2	.8	87.8
1942.....	4.5	4.3	5.3	3.1	.1	.3	.5	2.2	1.2	111.0
1943.....	5.1	4.4	5.3	3.0	.2	.1	.5	2.2	1.8	137.3
1944.....	5.4	4.6	5.6	3.6	.2	.1	.9	2.4	2.2	151.2
1945.....	5.6	4.6	6.3	6.2	.3	.4	2.8	2.7	2.3	156.4
1946.....	6.6	5.6	6.8	11.3	.4	1.1	6.7	3.1	2.0	161.0
1947.....	7.1	6.3	7.5	11.7	.5	.8	6.7	3.7	2.1	173.0
1948.....	8.0	7.0	7.9	11.2	.6	.8	5.8	4.1	2.2	189.4
1949.....	8.4	7.2	8.5	12.4	.7	1.7	5.1	4.9	2.2	191.3
1950.....	9.4	8.8	9.2	15.1	1.0	1.4	4.9	7.9	2.9	210.9
1951.....	10.3	8.6	9.9	12.5	1.9	.8	3.9	5.9	3.4	236.4
1952.....	11.5	8.6	10.6	13.0	2.2	1.0	3.9	6.0	3.8	254.1
1953.....	12.7	8.9	11.8	14.0	3.0	1.0	3.7	6.3	4.0	271.9
1954.....	13.6	9.3	13.1	16.0	3.6	2.0	3.9	6.5	4.6	274.7
1955.....	13.9	10.5	14.2	17.3	4.9	1.4	4.3	6.8	5.2	296.4
1956.....	14.3	11.3	15.7	18.5	5.7	1.4	4.3	7.2	5.8	318.5
1957.....	14.8	11.7	17.6	21.4	7.3	1.8	4.4	7.9	6.7	336.6
1958.....	15.4	11.6	18.9	25.7	8.5	3.9	4.6	8.7	6.9	344.3
1959.....	15.6	12.6	20.7	26.6	10.2	2.5	4.6	9.4	7.9	368.5
1960.....	15.8	13.4	23.4	28.5	11.1	2.8	4.6	10.0	9.3	385.2
1961.....	16.0	13.8	25.0	32.4	12.6	4.0	4.8	10.9	9.6	400.0
1962.....	16.7	15.2	27.7	33.3	14.3	2.9	4.8	11.2	10.3	425.5
1963.....	17.1	16.5	31.4	35.3	15.2	2.8	5.0	12.2	11.8	448.1
1964.....	18.0	17.8	34.9	36.7	16.0	2.6	5.3	12.9	12.5	480.9
1965.....	19.0	19.8	38.7	39.9	18.1	2.2	5.6	14.0	13.4	519.5
1966.....	20.0	20.8	43.6	44.1	20.8	1.8	5.7	15.7	17.7	566.3
1967.....	21.1	21.4	48.0	51.8	25.7	2.1	6.6	17.5	20.5	609.4
1968.....	21.2	23.6	52.9	59.6	30.3	2.1	7.3	20.0	22.8	668.8
1969.....	22.6	24.3	59.3	65.8	33.0	2.1	8.3	22.4	26.3	728.3
1970.....	23.9	24.7	67.5	79.1	38.5	3.9	9.7	27.1	28.0	784.8
1971.....	25.2	25.0	72.8	93.3	44.5	5.7	11.2	31.9	30.7	840.0
1972.....	25.9	27.3	78.6	103.2	49.6	5.5	12.7	35.4	34.5	916.5
1973.....	26.1	29.6	90.6	117.8	60.4	4.2	13.9	39.3	42.8	1,008.0
1974 p.....	26.5	32.7	103.8	139.8	69.8	7.1	16.1	46.8	47.9	1,108.9
Seasonally adjusted annual rates										
1972: I.....	25.5	26.4	75.4	99.0	46.5	5.9	12.0	34.7	33.6	886.8
II.....	24.4	27.1	77.5	100.1	47.2	6.3	12.2	34.4	34.1	903.3
III.....	26.8	27.8	79.5	101.4	48.0	5.3	12.6	35.5	34.9	922.6
IV.....	26.7	28.2	81.9	112.2	56.6	4.6	14.1	37.0	35.2	953.4
1973: I.....	26.3	28.7	85.1	114.1	58.4	4.2	13.4	38.1	41.8	973.3
II.....	25.7	29.1	88.8	116.1	59.9	4.1	13.5	38.7	42.5	995.3
III.....	26.2	29.8	92.5	119.0	61.0	4.2	14.2	39.6	43.3	1,018.0
IV.....	26.4	30.7	95.9	122.1	62.3	4.4	14.5	40.9	43.8	1,045.3
1974: I.....	26.4	31.6	98.2	128.2	63.6	5.4	15.0	44.1	46.8	1,064.0
II.....	26.3	32.5	102.0	135.8	68.7	6.3	15.2	45.7	47.6	1,096.0
III.....	26.6	33.2	105.5	144.0	72.5	7.3	16.6	47.7	48.5	1,128.6
IV p.....	26.8	33.3	109.5	151.1	74.3	9.4	17.5	49.9	48.6	1,147.1

¹ The total of wage and salary disbursements and other labor income differs from compensation of employees in Table C-15 in that it excludes employer contributions for social insurance and the excess of wage accruals over wage disbursements.

² Includes change in inventories.

³ Nonagricultural income is personal income exclusive of net income of unincorporated farm enterprises, farm wages, agricultural net interest, and net dividends paid by agricultural corporations.

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-20.—Sources and uses of gross saving, 1929-74

(Billions of dollars)

Year or quarter	Gross private saving and government surplus or deficit, national income and product accounts							Capital grants received by the United States ¹	Gross investment			Statistical discrepancy
	Total	Private saving			Government surplus or deficit (—)				Total	Gross private domestic investment	Net foreign investment ²	
		Total	Personal saving	Gross business saving	Total	Federal	State and local					
1929.....	16.3	15.3	4.2	11.2	1.0	1.2	-0.2	-----	17.0	16.2	0.8	0.7
1933.....	.9	2.3	-9	3.2	-1.4	-1.3	-1	-----	1.6	1.4	.2	.6
1939.....	8.8	11.0	2.6	8.4	-2.2	-2.2	(?)	-----	10.2	9.3	.9	1.3
1940.....	13.6	14.3	3.8	10.5	-.7	-1.3	.6	-----	14.6	13.1	1.5	1.0
1941.....	18.6	22.4	11.0	11.4	-3.8	-5.1	1.3	-----	19.0	17.9	1.1	.4
1942.....	10.7	42.0	27.6	14.5	-31.4	-33.1	1.8	-----	9.6	9.8	-.2	-1.1
1943.....	5.5	49.7	33.4	16.3	-44.1	-46.6	2.5	-----	3.5	5.7	-2.2	-2.0
1944.....	2.5	54.3	37.3	17.1	-51.8	-54.5	2.7	-----	5.0	7.1	-2.1	2.5
1945.....	5.2	44.7	29.6	15.1	-39.5	-42.1	2.6	-----	9.1	10.6	-1.4	3.9
1946.....	35.1	29.7	15.2	14.5	5.4	3.5	1.9	-----	35.2	30.6	4.6	.1
1947.....	42.0	27.5	7.3	20.2	14.4	13.4	1.0	-----	42.9	34.0	8.9	.9
1948.....	49.9	41.4	13.4	28.0	8.5	8.4	.1	-----	47.9	46.0	1.9	-2.0
1949.....	35.9	39.0	9.4	29.7	-3.2	-2.4	-.7	-----	36.2	35.7	.5	.3
1950.....	50.4	42.5	13.1	29.4	7.9	9.1	-1.2	-----	51.8	54.1	-2.2	1.5
1951.....	56.1	50.3	17.3	33.1	5.8	6.2	-.4	-----	59.5	59.3	.2	3.3
1952.....	49.5	53.3	18.1	35.1	-3.8	-3.8	(?)	-----	51.6	51.9	-.3	2.2
1953.....	47.5	54.4	18.3	36.1	-6.9	-7.0	.1	-----	50.5	52.6	-2.1	3.0
1954.....	48.5	55.6	16.4	39.2	-7.0	-5.9	-1.1	-----	51.3	51.7	-.4	2.7
1955.....	64.8	62.1	15.8	46.3	2.7	4.0	-1.3	-----	66.9	67.4	-.5	2.1
1956.....	72.7	67.8	20.6	47.3	4.9	5.7	-.9	-----	71.6	70.0	1.5	-1.1
1957.....	71.2	70.5	20.7	49.8	7.7	2.1	-1.4	-----	71.2	67.9	3.4	1.6
1958.....	59.2	71.7	22.3	49.4	-12.5	-10.2	-2.3	-----	60.7	60.9	-.2	1.0
1959.....	73.8	75.9	19.1	56.8	-2.1	-1.2	-.8	-----	73.0	75.3	-2.3	-.8
1960.....	77.5	73.9	17.0	56.8	3.7	3.5	.2	-----	76.5	74.8	1.7	-1.0
1961.....	75.5	79.8	21.2	58.7	-4.3	-3.8	-.5	-----	74.7	71.7	3.0	-.8
1962.....	85.0	87.9	21.6	66.3	-2.9	-3.8	.9	-----	85.5	83.0	2.5	-.3
1963.....	90.5	88.7	19.9	68.8	1.8	.7	1.2	-----	90.3	87.1	3.1	-.3
1964.....	101.0	102.4	26.2	76.2	-1.4	-3.0	1.7	-----	99.7	94.0	5.7	-1.3
1965.....	115.3	113.1	28.4	84.7	2.2	1.2	1.0	-----	112.2	108.1	4.1	-3.1
1966.....	124.9	123.8	32.5	91.3	1.1	-.2	1.3	-----	123.9	121.4	2.4	-1.0
1967.....	119.5	133.4	40.4	93.0	-13.9	-12.4	-1.6	-----	118.8	116.6	2.2	-.7
1968.....	128.3	135.2	39.8	95.4	-6.8	-6.5	-.3	-----	125.6	126.0	-.4	-2.7
1969.....	144.0	135.2	38.2	97.0	8.8	8.1	.7	0.0	137.9	139.0	-1.0	-6.1
1970.....	143.1	153.2	56.2	97.0	-10.1	-11.9	1.8	.9	137.6	136.3	1.3	-6.4
1971.....	152.2	170.7	60.5	110.2	-18.5	-21.9	3.4	.7	150.6	153.7	-3.1	-2.3
1972.....	173.3	178.5	52.6	125.9	-.5	-17.5	12.3	.7	170.2	179.3	-9.1	-3.8
1973.....	214.4	210.9	74.4	136.5	3.5	-5.6	9.2	.0	209.4	209.4	.1	-5.0
1974.....	207.3	213.2	76.7	136.5	-5.9	-7.6	1.7	5-2.0	205.3	208.9	-3.6	.0
Seasonally adjusted annual rates												
1972: I.....	164.4	172.6	53.3	119.3	-8.2	-14.9	6.7	0.7	159.1	169.4	-10.3	-5.9
II.....	169.4	174.6	49.0	125.6	-5.2	-19.6	14.4	.7	165.6	175.5	-10.0	-4.5
III.....	175.0	175.6	49.3	126.3	-.6	-9.8	9.2	.7	174.2	182.1	-7.9	-1.5
IV.....	184.6	191.1	58.9	132.2	-6.5	-25.6	19.1	.7	182.0	190.2	-8.2	-3.3
1973: I.....	201.1	199.0	65.3	133.7	2.1	-11.2	13.2	.0	195.2	199.0	-3.8	-5.9
II.....	207.9	204.9	69.6	135.3	3.0	-7.4	10.4	.0	201.4	205.1	-3.7	-6.5
III.....	217.0	210.3	73.2	137.1	6.7	-1.7	8.4	.0	212.1	209.0	3.1	-4.9
IV.....	231.7	229.4	89.3	140.1	2.3	-2.3	4.6	.0	229.1	224.5	4.7	-2.6
1974: I.....	224.5	224.1	84.4	139.7	.4	-2.8	3.2	5-8.1	210.1	210.5	-.4	-6.3
II.....	206.3	207.3	71.5	135.8	-1.0	-3.0	2.0	.0	206.6	211.8	-5.2	.3
III.....	196.4	196.2	65.5	130.7	.2	-1.9	2.1	.0	199.3	205.8	-6.5	3.0
IV.....	85.4	85.4	85.4	85.4	85.4	85.4	85.4	.0	205.2	207.6	-2.4	-----

¹ Allocations of special drawing rights (SDR).² Net exports of goods and services less net transfers to foreigners.³ Surplus of \$32 million.⁴ Deficit of \$41 million.⁵ In February 1974, the U.S. Government granted to India \$2,015 million (quarterly rate) in rupees under provisions of the Agricultural Trade Development and Adjustment Act. Tentatively, this transaction is being treated as capital grants paid to foreigners, and is included in the first quarter of 1974 as -\$8.1 (annual rate) in capital grants received by the United States.

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-21.—Saving by individuals, 1946-74¹

[Billions of dollars]

Year or quarter	Total	Increase in financial assets							Net investment in			Less: Increase in debt		
		Total ²	Cur- rency and demand deposits	Sav- ings ac- counts	Securities			Insur- ance and pension re- serves ⁽³⁾	Non- farm homes	Con- sumer du- rables	Non- cor- porate busi- ness assets	Mort- gage debt on non- farm homes	Con- sumer credit	Other debt ⁴
					Gov- ern- ment securi- ties ⁵	Corpo- rate and foreign bonds	Corpo- rate equi- ties ⁶							
1946.....	25.7	18.9	5.6	6.3	-1.4	-0.9	1.1	5.3	4.2	5.8	3.3	3.8	2.7	0.0
1947.....	20.8	13.2	.1	3.4	1.6	-.8	1.1	5.4	6.9	7.5	3.2	4.3	3.2	2.5
1948.....	23.3	9.0	-2.9	2.3	1.3	-.1	1.0	5.3	10.5	7.1	7.4	5.0	2.8	2.9
1949.....	18.9	10.0	-2.0	2.7	1.8	-.4	.8	5.6	9.0	7.0	2.5	4.1	2.9	2.6
1950.....	26.9	13.8	2.6	2.5	-.1	-.8	.7	6.9	13.7	10.2	6.4	7.4	4.1	5.6
1951.....	30.3	18.8	4.6	4.9	-.4	.0	1.6	6.3	13.5	5.5	4.6	7.1	1.2	3.8
1952.....	27.2	22.7	1.6	7.8	1.9	.0	1.6	7.8	12.8	3.6	2.5	6.4	4.8	3.0
1953.....	30.4	22.5	1.0	8.3	2.3	-.1	.9	8.0	13.5	6.4	1.6	7.7	3.9	2.1
1954.....	28.2	22.7	2.2	9.3	.8	-.3	.7	7.9	13.7	4.9	2.7	8.6	1.1	6.0
1955.....	34.1	28.4	1.2	8.8	6.0	1.0	1.1	8.5	17.7	9.9	3.5	12.2	6.4	6.8
1956.....	36.0	30.0	1.8	9.6	3.9	.9	1.9	9.5	16.4	5.9	1.9	11.2	3.5	3.4
1957.....	34.1	28.6	-.5	12.1	2.2	1.1	1.5	9.5	13.8	4.9	2.3	8.8	2.6	4.2
1958.....	33.0	31.6	3.8	14.1	-2.4	1.3	1.5	10.4	12.7	6.4	3.3	8.8	.2	6.2
1959.....	34.7	36.5	.8	11.3	9.0	.3	.6	11.9	16.5	5.5	3.2	12.6	6.4	8.0
1960.....	32.3	31.6	1.9	11.4	3.5	.6	-.4	11.6	14.5	5.1	2.2	10.8	4.6	5.7
1961.....	31.7	35.1	2.5	16.5	.7	.1	.4	12.2	12.0	2.9	3.2	10.9	1.8	8.7
1962.....	37.1	39.1	1.7	25.7	-.8	-.1	-2.1	12.7	12.8	6.7	5.6	12.7	5.8	8.5
1963.....	39.3	45.1	3.0	24.6	4.4	.0	-2.9	14.1	12.6	8.9	6.9	14.8	7.9	11.8
1964.....	49.5	55.5	4.7	27.4	5.7	.1	-.2	15.6	12.5	11.2	6.2	16.0	8.5	11.4
1965.....	55.4	58.2	7.8	28.0	4.3	1.0	-2.2	17.0	12.0	14.8	9.0	15.2	9.6	13.7
1966.....	65.1	62.6	3.9	20.5	11.3	2.0	-.9	19.4	11.5	15.2	7.2	12.7	6.4	12.4
1967.....	65.0	69.0	11.3	34.8	-.7	4.6	-4.3	19.6	9.2	12.4	8.2	10.4	4.5	18.9
1968.....	68.3	73.3	12.5	30.3	4.8	4.7	-6.5	20.1	12.8	16.7	7.9	14.6	10.0	17.7
1969.....	60.6	62.1	1.6	6.0	22.5	6.6	-3.8	21.3	13.3	16.2	9.0	16.1	10.4	13.5
1970.....	76.2	80.6	11.3	44.4	-10.4	10.7	-1.7	24.3	10.6	10.6	6.6	12.5	6.0	13.7
1971.....	87.4	99.7	11.1	70.3	-14.5	9.3	-5.3	27.7	17.6	16.5	11.0	24.2	11.2	21.9
1972.....	97.9	124.4	12.1	75.4	1.6	5.2	-5.4	30.3	24.3	24.4	10.6	38.4	19.2	28.2
1973.....	120.2	138.2	13.1	67.7	24.7	1.1	-8.2	31.6	27.2	27.1	15.4	44.2	22.9	20.5
Seasonally adjusted annual rates														
1973: I.....	106.8	124.3	10.6	83.8	15.7	-0.5	-9.3	31.9	27.0	32.1	15.2	41.4	25.6	24.9
II.....	131.9	148.1	10.3	74.2	30.7	.0	-3.1	32.3	27.4	28.6	14.3	47.2	24.6	14.6
III.....	116.7	141.4	5.4	50.8	36.0	-1.4	-.3	32.8	27.7	27.5	15.4	47.8	22.3	25.3
IV.....	125.4	138.8	26.0	61.9	16.4	6.1	-20.0	29.8	26.6	20.0	16.6	40.4	19.2	17.1
1974: I.....	123.3	137.1	4.1	74.4	20.0	3.4	-2.7	27.3	22.4	19.6	9.5	35.2	8.2	22.0
II.....	131.3	147.5	.9	73.9	20.0	.3	-4.1	46.6	19.9	25.0	12.2	39.9	17.2	16.0
III.....	120.5	127.8	-4.6	22.9	49.3	4.9	3.2	34.3	22.5	31.7	10.6	31.7	15.8	24.5

¹ Saving by households, personal trust funds, nonprofit institutions, farms, and other noncorporate business.² Includes commercial paper and miscellaneous financial assets, not shown separately.³ Consists of U.S. savings bonds, other U.S. Treasury securities, U.S. Government agency securities and sponsored agency securities, and State and local obligations.⁴ Includes investment company shares.⁵ Private life insurance reserves, private insured and noninsured pension reserves, and government insurance and pension reserves.⁶ Security credit, policy loans, noncorporate business mortgage debt, and other debt.

Source: Board of Governors of the Federal Reserve System.

TABLE C-22.—*Number and money income (in 1973 dollars) of families and unrelated individuals by race of head, 1947-73*

Year	Total				White				Negro and other races			
	Total number (mil- lions)	Median income	With incomes under \$3,000		Total number (mil- lions)	Median income	With incomes under \$3,000		Total number (mil- lions)	Median income	With incomes under \$3,000	
			Number (mil- lions)	Per- cent			Number (mil- lions)	Per- cent			Number (mil- lions)	Per- cent
FAMILIES ¹												
1947.....	37.2	\$6,032	6.9	18.6	34.1	\$6,285	5.4	15.9	3.1	\$3,212	1.4	46.6
1948.....	38.6	5,876	7.6	19.6	35.3	6,124	6.0	17.0	3.3	3,264	1.5	46.4
1949.....	39.3	5,783	8.3	21.1	-----	6,026	-----	18.3	-----	3,076	-----	48.9
1950.....	39.9	6,146	7.8	19.5	-----	6,405	-----	17.4	-----	3,449	-----	43.8
1951.....	40.6	6,349	7.1	17.6	-----	6,609	-----	15.0	-----	3,479	-----	43.2
1952.....	40.8	6,523	6.9	17.0	-----	6,890	-----	14.8	-----	3,915	-----	36.4
1953.....	41.2	7,054	6.8	16.5	-----	7,335	-----	14.7	-----	4,112	-----	35.2
1954.....	42.0	6,884	7.5	17.9	38.2	7,187	6.0	15.6	3.8	3,996	1.5	39.3
1955.....	42.9	7,354	6.7	15.7	39.0	7,673	5.3	13.6	3.9	4,236	1.4	36.3
1956.....	43.5	7,825	6.0	13.9	39.5	8,178	4.7	12.0	4.0	4,310	1.4	34.3
1957.....	43.7	7,837	6.1	14.0	39.7	8,160	4.7	11.9	4.0	4,362	1.4	34.4
1958.....	44.2	7,812	6.2	14.0	40.2	8,146	4.7	11.8	4.0	4,174	1.4	35.3
1959.....	45.1	8,261	6.0	13.2	40.9	8,606	4.4	10.8	4.2	4,445	1.5	35.5
1960.....	² 45.5	8,436	5.9	13.0	41.1	8,758	4.5	10.9	4.3	4,848	1.4	31.7
1961.....	² 46.4	8,523	6.0	13.0	41.9	8,891	4.6	11.0	4.5	4,739	1.4	31.0
1962.....	² 47.1	8,757	5.6	11.9	42.4	9,163	4.3	10.2	4.6	4,889	1.3	29.1
1963.....	² 47.5	9,067	5.3	11.2	42.7	9,502	4.0	9.3	4.8	5,033	1.3	26.9
1964.....	² 48.0	9,413	4.9	10.2	43.1	9,827	3.7	8.7	4.8	5,510	1.1	23.2
1965.....	² 48.5	9,792	4.8	9.8	43.5	10,210	3.7	8.4	4.8	5,677	1.1	22.6
1966.....	² 49.2	10,269	4.3	8.7	44.1	10,670	3.3	7.4	5.0	6,394	1.0	19.9
1967.....	² 50.1	10,571	4.2	8.3	44.8	10,960	3.2	7.1	5.0	6,777	.9	18.0
1968.....	² 50.8	11,024	3.6	7.0	45.4	11,425	2.8	6.1	5.1	7,145	.8	16.4
1969.....	² 51.6	11,433	3.6	7.0	46.0	11,869	2.7	5.9	5.2	7,513	.8	16.0
1970.....	² 52.2	11,277	3.8	7.2	46.5	11,671	2.8	6.1	5.4	7,454	.9	17.0
1971.....	53.3	11,249	3.7	7.0	47.6	11,628	2.8	5.9	5.7	7,361	1.0	16.8
1972.....	54.4	11,813	3.5	6.4	48.5	12,723	2.6	5.3	5.9	7,534	1.0	16.2
1973.....	55.1	12,051	3.3	6.0	48.9	12,595	2.4	4.9	6.1	7,596	.9	15.4
UNRELATED INDIVIDUALS ²												
With incomes under \$1,500				With incomes under \$1,500				With incomes under \$1,500				
Number (mil- lions)				Number (mil- lions)				Number (mil- lions)				
Per- cent				Per- cent				Per- cent				
1947.....	8.2	\$1,953	3.4	41.4	7.2	\$2,061	2.9	40.0	1.0	\$1,484	0.5	50.4
1948.....	8.4	1,891	3.5	41.6	7.3	1,962	2.9	40.4	1.0	1,457	.5	51.2
1949.....	9.0	1,973	3.6	40.4	-----	2,114	-----	38.9	-----	1,527	-----	49.3
1950.....	9.4	1,959	3.9	41.1	-----	2,058	-----	39.7	-----	1,509	-----	49.8
1951.....	9.1	2,044	3.8	41.5	-----	2,153	-----	40.3	-----	1,632	-----	47.8
1952.....	9.7	2,359	3.5	36.0	-----	2,544	-----	34.7	-----	1,771	-----	43.6
1953.....	9.5	2,321	3.6	38.1	-----	2,450	-----	37.4	-----	1,941	-----	41.0
1954.....	9.7	2,021	4.0	40.9	8.3	2,177	3.2	38.8	1.4	1,444	.7	51.9
1955.....	9.9	2,188	3.8	37.9	8.5	2,326	3.1	36.0	1.4	1,575	.7	48.5
1956.....	9.8	2,337	3.6	36.5	8.5	2,401	3.0	35.3	1.3	1,857	.6	44.2
1957.....	10.4	2,393	3.7	35.5	8.9	2,523	3.0	33.5	1.5	1,677	.7	46.8
1958.....	10.9	2,339	3.9	36.1	9.2	2,462	3.2	34.3	1.6	1,677	.7	46.7
1959.....	10.9	2,402	3.8	35.2	9.3	2,537	3.1	33.3	1.6	1,658	.8	47.5
1960.....	² 11.1	2,582	3.7	33.6	9.6	2,791	3.0	31.1	1.5	1,602	.7	48.3
1961.....	² 11.2	2,605	3.7	32.6	9.6	2,803	2.9	30.5	1.6	1,719	.7	45.6
1962.....	² 11.0	2,578	3.3	29.6	9.5	2,764	2.6	27.5	1.5	1,839	.6	41.9
1963.....	² 11.2	2,619	3.3	29.3	9.7	2,753	2.6	27.3	1.5	1,878	.6	42.0
1964.....	² 12.1	2,851	3.3	27.5	10.4	2,994	2.7	25.9	1.6	2,084	.6	37.3
1965.....	² 12.2	3,031	3.1	25.0	10.5	3,161	2.5	23.7	1.7	2,339	.6	33.0
1966.....	² 12.5	3,113	2.9	23.4	10.7	3,241	2.4	22.1	1.6	2,361	.5	32.4
1967.....	² 13.2	3,182	3.1	23.3	11.3	3,316	2.5	22.2	1.8	2,425	.6	31.0
1968.....	² 13.9	3,552	2.7	19.7	12.0	3,742	2.2	18.4	1.8	2,569	.5	27.7
1969.....	² 14.6	3,557	2.9	19.8	12.5	3,740	2.3	18.2	2.0	2,631	.6	29.8
1970.....	² 15.5	3,588	2.9	18.8	13.4	3,754	2.3	17.4	1.9	2,575	.6	29.2
1971.....	16.3	3,647	2.9	17.9	14.2	3,822	2.3	16.4	2.1	2,562	.6	27.9
1972.....	16.8	3,770	2.8	16.5	14.5	3,915	2.2	15.2	2.3	2,905	.6	24.7
1973.....	18.3	4,134	2.6	14.0	15.8	4,270	2.0	12.6	2.5	3,191	.6	22.4

¹ The term "family" refers to a group of two or more persons related by blood, marriage, or adoption and residing together; all such persons are considered members of the same family.

² Revised using population controls based on the 1970 Census. Population controls based on the 1970 Census not available by race.

³ The term "unrelated individuals" refers to persons 14 years old and over (other than inmates of institutions) who are not living with any relatives.

Source: Department of Commerce, Bureau of the Census.

POPULATION, EMPLOYMENT, WAGES, AND PRODUCTIVITY

TABLE C-23.—Population by age groups, 1929-74

[Thousands of persons]

July 1	Total	Age (years)						
		Under 5	5-15	16-19	20-24	25-44	45-64	65 and over
1929	121,767	11,734	26,800	9,127	10,694	35,862	21,076	6,474
1933	125,579	10,612	26,897	9,302	11,152	37,319	22,933	7,363
1939	130,880	10,418	25,179	9,822	11,519	39,354	25,823	8,764
1940	132,122	10,579	24,811	9,895	11,690	39,868	26,249	9,031
1941	133,402	10,850	24,516	9,840	11,807	40,383	26,718	9,288
1942	134,860	11,301	24,231	9,730	11,955	40,861	27,196	9,584
1943	136,739	12,016	24,093	9,607	12,064	41,420	27,671	9,867
1944	138,397	12,524	23,949	9,561	12,062	42,016	28,138	10,147
1945	139,928	12,979	23,907	9,361	12,036	42,521	28,630	10,494
1946	141,389	13,244	24,103	9,119	12,004	43,027	29,064	10,828
1947	144,126	14,406	24,468	9,097	11,814	43,657	29,498	11,185
1948	146,631	14,919	25,209	8,952	11,794	44,288	29,931	11,538
1949	149,188	15,607	25,852	8,788	11,700	44,916	30,405	11,921
1950	152,271	16,410	26,721	8,542	11,680	45,672	30,849	12,397
1951	154,878	17,333	27,279	8,446	11,552	46,103	31,362	12,803
1952	157,553	17,312	28,894	8,414	11,350	46,495	31,884	13,203
1953	160,184	17,638	30,227	8,460	11,062	46,786	32,394	13,617
1954	163,026	18,057	31,480	8,637	10,832	47,001	32,942	14,076
1955	165,931	18,566	32,682	8,744	10,714	47,194	33,506	14,525
1956	168,903	19,003	33,994	8,916	10,616	47,379	34,057	14,938
1957	171,984	19,494	35,272	9,195	10,603	47,440	34,591	15,388
1958	174,882	19,887	36,445	9,543	10,756	47,337	35,109	15,806
1959	177,830	20,175	37,368	10,215	10,969	47,192	35,663	16,248
1960	180,671	20,341	38,494	10,683	11,134	47,140	36,203	16,675
1961	183,691	20,522	39,765	11,025	11,483	47,084	36,722	17,089
1962	186,538	20,469	41,205	11,180	11,959	47,013	37,255	17,457
1963	189,242	20,342	41,626	12,007	12,714	46,994	37,782	17,778
1964	191,889	20,165	42,297	12,736	13,269	46,958	38,338	18,127
1965	194,303	19,824	42,938	13,516	13,746	46,912	38,916	18,451
1966	196,560	19,208	43,702	14,311	14,050	47,001	39,534	18,755
1967	198,712	18,563	44,244	14,200	15,248	47,194	40,193	19,071
1968	200,706	17,913	44,622	14,452	15,786	47,721	40,846	19,365
1969	202,677	17,376	44,840	14,800	16,480	48,064	41,437	19,680
1970	¹ 204,875	17,156	44,774	15,274	17,180	48,435	41,974	20,085
1971	207,045	17,174	44,441	15,635	18,086	48,809	42,413	20,487
1972	208,842	17,006	43,948	15,945	18,021	50,250	42,789	20,883
1973	¹ 210,396	16,714	43,227	16,307	18,331	51,412	43,084	21,329
1974	211,909	16,304	42,547	16,588	18,733	52,593	43,328	21,815

¹ Age detail does not add to total because total was computed using revised components of change for the period.

Note.—Includes Armed Forces overseas beginning 1940. Includes Alaska and Hawaii beginning 1950.

Source: Department of Commerce, Bureau of the Census.

TABLE C-24.—Noninstitutional population and the labor force, 1929-74

Year or month	Nonin- stitu- tional popu- lation ¹	Total labor force (includ- ing Armed Forces)	Armed Forces ¹	Civilian labor force					Unem- plov- ment rate (percent of civilian labor force)	Labor force partici- pation rate (total labor force as percent of non- institu- tional popu- lation)			
				Total	Employment			Unem- plov- ment					
					Total	Agricul- tural	Non- agri- cultural						
Thousands of persons 14 years of age and over												Percent	
1929.....	-----	49,440	260	49,180	47,630	10,450	37,180	1,550	3.2	-----			
1933.....	-----	51,840	250	51,590	38,760	10,090	28,670	12,830	24.9	-----			
1939.....	-----	55,600	370	55,230	45,750	9,610	36,140	9,480	17.2	-----			
1940.....	100,380	56,180	540	55,640	47,520	9,540	37,980	8,120	14.6	56.0			
1941.....	101,520	57,530	1,620	55,910	50,350	9,100	41,250	5,560	9.9	56.7			
1942.....	102,610	60,380	3,970	56,410	53,750	9,250	44,500	2,660	4.7	58.8			
1943.....	103,660	64,560	9,020	55,540	54,470	9,080	45,390	1,070	1.9	62.3			
1944.....	104,630	66,040	11,410	54,630	53,960	8,950	45,010	670	1.2	63.1			
1945.....	105,530	65,300	11,440	53,860	52,820	8,580	44,240	1,040	1.9	61.9			
1946.....	106,520	60,970	3,450	57,520	55,250	8,320	46,930	2,270	3.9	57.2			
1947.....	107,608	61,758	1,590	60,168	57,812	8,256	49,557	2,356	3.9	57.4			
Thousands of persons 16 years of age and over													
1947.....	103,418	60,941	1,591	59,350	57,039	7,891	49,148	2,311	3.9	58.9			
1948.....	104,527	62,080	1,459	60,621	58,344	7,629	50,713	2,276	3.8	59.4			
1949.....	105,611	62,903	1,617	61,286	57,649	7,656	49,990	3,637	5.9	59.6			
1950.....	106,645	63,858	1,650	62,208	58,920	7,160	51,760	3,288	5.3	59.9			
1951.....	107,721	65,117	3,100	62,017	59,962	6,726	53,239	2,055	3.3	60.4			
1952.....	108,823	65,730	3,592	62,138	60,254	6,501	53,753	1,883	3.0	60.4			
1953 ²	110,601	66,560	3,545	63,015	61,181	6,261	54,922	1,834	2.9	60.2			
1954.....	111,671	66,993	3,350	63,643	60,110	6,206	53,903	3,532	5.5	60.0			
1955.....	112,732	68,072	3,049	65,023	62,171	6,449	55,724	2,852	4.4	60.4			
1956.....	113,811	69,409	2,857	66,552	63,802	6,283	57,517	2,750	4.1	61.0			
1957.....	115,065	69,729	2,800	66,929	64,071	5,947	58,123	2,859	4.3	60.6			
1958.....	116,363	70,275	2,636	67,639	63,036	5,586	57,450	4,602	6.8	60.4			
1959.....	117,881	70,921	2,552	68,369	64,630	5,565	59,065	3,740	5.5	60.2			
1960 ²	119,759	72,142	2,514	69,628	65,778	5,458	60,318	3,852	5.5	60.2			
1961.....	121,343	73,031	2,572	70,459	65,746	5,200	60,546	4,714	6.7	60.2			
1962 ²	122,981	73,442	2,828	70,614	66,702	4,944	61,759	3,911	5.5	59.7			
1963.....	125,154	74,571	2,738	71,833	67,762	4,687	63,076	4,070	5.7	59.6			
1964.....	127,224	75,830	2,739	73,091	69,305	4,523	64,782	3,786	5.2	59.6			
1965.....	129,236	77,178	2,723	74,455	71,088	4,361	66,726	3,366	4.5	59.7			
1966.....	131,180	78,893	3,123	75,770	72,895	3,979	68,915	2,875	3.8	60.1			
1967.....	133,319	80,793	3,446	77,347	74,372	3,844	70,527	2,975	3.8	60.6			
1968.....	135,562	82,272	3,535	78,737	75,920	3,817	72,103	2,817	3.6	60.7			
1969.....	137,841	84,240	3,506	80,734	77,902	3,606	74,296	2,832	3.5	61.1			
1970.....	140,182	85,903	3,188	82,715	78,627	3,462	75,165	4,088	4.9	61.3			
1971.....	142,596	86,929	2,817	84,113	79,120	3,387	75,732	4,993	5.9	61.0			
1972 ²	145,775	88,991	2,449	86,542	81,702	3,472	78,230	4,840	5.6	61.0			
1973 ²	148,263	91,040	2,326	88,714	84,409	3,452	80,957	4,304	4.9	61.4			
1974.....	150,827	93,240	2,229	91,011	85,936	3,492	82,443	5,076	5.6	61.8			

See footnotes at end of table.

TABLE C-24.—Noninstitutional population and the labor force, 1929-74—Continued

Year or month	Non-institutional population ¹	Total labor force (including Armed Forces)	Armed Forces ¹	Civilian labor force					Unemployment rate (percent of civilian labor force)	Labor force participation rate (total labor force as percent of non-institutional population)	
				Total	Employment			Unemployment			
					Total	Agricultural	Non-agricultural				
Seasonally adjusted											
1973:	Jan.....	147, 129	89, 368	2, 404	86, 964	82, 633	3, 451	79, 182	4, 331	5.0	60.7
	Feb.....	147, 313	90, 095	2, 392	87, 703	83, 276	3, 413	79, 863	4, 427	5.0	61.2
	Mar ²	147, 541	90, 404	2, 361	88, 043	83, 686	3, 430	80, 256	4, 357	4.9	61.3
	Apr.....	147, 729	90, 646	2, 350	88, 296	83, 877	3, 356	80, 521	4, 419	5.0	61.4
	May.....	147, 940	90, 659	2, 334	88, 325	84, 021	3, 352	80, 669	4, 304	4.9	61.3
	June.....	148, 147	91, 106	2, 315	88, 791	84, 487	3, 465	81, 022	4, 304	4.8	61.5
	July.....	148, 361	91, 212	2, 310	88, 902	84, 679	3, 535	81, 144	4, 223	4.8	61.5
	Aug.....	148, 565	91, 123	2, 307	88, 816	84, 582	3, 434	81, 148	4, 234	4.8	61.3
	Sept.....	148, 782	91, 515	2, 292	89, 223	84, 983	3, 357	81, 626	4, 240	4.8	61.5
	Oct.....	149, 001	91, 857	2, 289	89, 568	85, 452	3, 428	82, 024	4, 116	4.6	61.6
	Nov.....	149, 208	92, 136	2, 284	89, 852	85, 577	3, 571	82, 006	4, 275	4.8	61.8
	Dec.....	149, 436	92, 330	2, 282	90, 048	85, 646	3, 635	82, 011	4, 402	4.9	61.8
1974:	Jan.....	149, 656	92, 723	2, 258	90, 465	85, 800	3, 749	82, 051	4, 665	5.2	62.0
	Feb.....	149, 857	92, 809	2, 258	90, 551	85, 861	3, 811	82, 050	4, 690	5.2	61.9
	Mar.....	150, 066	92, 632	2, 251	90, 381	85, 779	3, 653	82, 126	4, 602	5.1	61.7
	Apr.....	150, 283	92, 567	2, 243	90, 324	85, 787	3, 515	82, 272	4, 537	5.0	61.6
	May.....	150, 507	92, 982	2, 229	90, 753	86, 062	3, 497	82, 565	4, 691	5.2	61.8
	June.....	150, 710	93, 069	2, 212	90, 857	86, 088	3, 333	82, 755	4, 769	5.2	61.8
	July.....	150, 922	93, 503	2, 220	91, 283	86, 403	3, 433	82, 970	4, 880	5.3	62.0
	Aug.....	151, 135	93, 419	2, 220	91, 199	86, 274	3, 451	82, 823	4, 925	5.4	61.8
	Sept.....	151, 367	93, 922	2, 217	91, 705	86, 402	3, 489	82, 913	5, 303	5.8	62.0
	Oct.....	151, 593	94, 058	2, 214	91, 844	86, 304	3, 440	82, 864	5, 540	6.0	62.0
	Nov.....	151, 812	93, 921	2, 213	91, 708	85, 689	3, 375	82, 314	6, 019	6.6	61.9
	Dec.....	152, 020	94, 015	2, 212	91, 803	85, 202	3, 339	81, 863	6, 601	7.2	61.8

¹ Not seasonally adjusted.

² Not strictly comparable with earlier data due to population adjustments as follows: Beginning 1953, introduction of 1950 Census data added about 600,000 to population and about 350,000 to labor force, total employment, and agricultural employment. Beginning 1960, inclusion of Alaska and Hawaii added about 500,000 to population, about 300,000 to labor force, and about 240,000 to nonagricultural employment. Beginning 1962, introduction of 1960 Census data reduced population by about 50,000 and labor force and employment by about 200,000. Beginning 1972, introduction of 1970 Census data added about 800,000 to civilian noninstitutional population and about 333,000 to labor force and employment. A subsequent adjustment based on 1970 Census in March 1973 added 60,000 to labor force and to employment. Overall categories of the labor force other than those noted were not appreciably affected.

Note.—Labor force data in Tables C-24 through C-27 are based on household interviews and relate to the calendar week including the 12th of the month. For definitions of terms, area samples used, historical comparability of the data, comparability with other series, etc., see "Employment and Earnings."

Source: Department of Labor, Bureau of Labor Statistics.

TABLE C-25.—Civilian employment and unemployment by sex and age, 1947-74

(Thousands of persons 16 years of age and over)

Year or month	Employment							Unemployment						
	Total	Males			Females			Total	Males			Females		
		Total	16-19 years	20 years and over	Total	16-19 years	20 years and over		Total	16-19 years	20 years and over	Total	16-19 years	20 years and over
1947---	57,039	40,994	2,218	38,776	16,045	1,691	14,354	2,311	1,692	270	1,422	619	144	475
1948---	58,344	41,726	2,345	39,382	16,618	1,683	14,937	2,276	1,559	255	1,305	717	152	564
1949---	57,649	40,926	2,124	38,803	16,723	1,588	15,137	3,637	2,572	352	2,219	1,065	223	841
1950---	58,920	41,580	2,186	39,394	17,340	1,517	15,824	3,288	2,239	318	1,922	1,049	195	854
1951---	59,962	41,780	2,156	39,626	18,182	1,611	16,570	2,055	1,221	191	1,029	834	145	689
1952---	60,254	41,684	2,106	39,578	18,570	1,612	16,958	1,883	1,185	205	980	698	140	559
1953 ¹	61,181	42,431	2,135	40,296	18,750	1,584	17,164	1,834	1,202	184	1,019	632	123	510
1954---	60,110	41,620	1,985	39,634	18,490	1,490	17,000	3,532	2,344	310	2,035	1,188	191	997
1955---	62,171	42,621	2,095	40,526	19,550	1,548	18,002	2,852	1,854	274	1,580	998	176	823
1956---	63,802	43,280	2,164	41,116	20,422	1,654	18,767	2,750	1,711	269	1,442	1,039	209	832
1957---	64,071	43,357	2,117	41,239	20,714	1,663	19,052	2,859	1,841	299	1,541	1,018	197	821
1958---	63,036	42,423	2,012	40,411	20,613	1,570	19,043	4,602	3,098	416	2,681	1,504	262	1,242
1959---	64,630	43,466	2,198	41,267	21,164	1,640	19,524	3,740	2,420	398	2,022	1,320	256	1,063
1960 ¹	65,778	43,904	2,360	41,543	21,874	1,769	20,105	3,852	2,486	425	2,060	1,366	286	1,080
1961---	65,746	43,656	2,314	41,342	22,090	1,793	20,296	4,714	2,997	479	2,518	1,717	349	1,368
1962---	66,702	44,177	2,362	41,815	22,525	1,833	20,693	3,911	2,423	407	2,016	1,488	313	1,175
1963 ¹	67,762	44,657	2,406	42,251	23,105	1,849	21,257	4,070	2,472	500	1,971	1,598	383	1,216
1964---	69,305	45,474	2,587	42,886	23,831	1,929	21,903	3,786	2,205	487	1,718	1,581	386	1,195
1965---	71,088	46,340	2,918	43,422	24,748	2,118	22,630	3,366	1,914	479	1,435	1,452	395	1,056
1966---	72,895	46,919	3,252	43,668	25,976	2,469	23,507	1,551	951	432	1,120	1,324	404	921
1967---	74,372	47,479	3,186	44,293	26,893	2,497	24,397	2,975	1,508	448	1,060	1,468	391	1,078
1968---	75,920	48,114	3,255	44,859	27,807	2,525	25,281	2,817	1,419	427	993	1,397	412	985
1969---	77,902	48,818	3,430	45,388	29,084	2,686	26,397	2,832	1,403	441	963	1,429	412	1,016
1970---	78,627	48,960	3,407	45,553	29,667	2,734	26,933	4,088	2,235	599	1,636	1,853	506	1,347
1971---	79,120	49,245	3,470	45,775	29,875	2,725	27,149	4,993	2,776	691	2,086	2,217	567	1,650
1972 ¹	81,702	50,630	3,750	46,880	31,072	2,972	28,100	4,840	2,635	707	1,928	2,205	595	1,610
1973 ¹	84,409	51,963	4,017	47,946	32,446	3,219	29,228	4,304	2,240	647	1,974	2,064	579	1,485
1974---	85,936	52,519	4,074	48,445	33,417	3,329	30,088	5,076	2,668	749	1,918	2,408	660	1,748
Seasonally adjusted														
1973:														
Jan.	82,633	51,188	3,805	47,383	31,445	3,039	28,406	4,331	2,237	589	1,648	2,094	549	1,545
Feb.	83,276	51,464	3,935	47,529	31,812	3,077	28,735	4,427	2,297	643	1,654	2,130	637	1,493
Mar.	83,686	51,688	4,036	47,652	31,998	3,166	28,832	4,357	2,290	626	1,664	2,067	568	1,499
Apr.	83,877	51,687	3,980	47,707	32,190	3,162	29,028	4,419	2,335	690	1,645	2,084	605	1,479
May	84,021	51,673	3,926	47,747	32,348	3,200	29,148	4,304	2,309	659	1,650	1,995	594	1,401
June	84,487	51,876	4,021	47,855	32,611	3,324	29,287	4,304	2,227	630	1,597	2,077	567	1,510
July	84,679	52,113	3,996	48,117	32,566	3,135	29,431	4,223	2,183	647	1,536	2,040	545	1,495
Aug.	84,582	51,965	3,953	48,012	32,617	3,210	29,407	4,234	2,190	654	1,536	2,044	545	1,499
Sept.	84,983	52,197	4,100	48,097	32,786	3,299	29,487	4,240	2,163	644	1,519	2,077	592	1,485
Oct.	85,452	52,498	4,162	48,336	32,954	3,327	29,627	4,116	2,159	655	1,504	1,957	576	1,381
Nov.	85,577	52,541	4,152	48,389	33,036	3,346	29,690	4,275	2,207	684	1,523	2,068	593	1,475
Dec.	85,646	52,663	4,173	48,490	32,983	3,340	29,643	4,402	2,237	657	1,580	2,165	603	1,562
1974:														
Jan.	85,800	52,845	4,197	48,648	32,955	3,361	29,594	4,665	2,383	688	1,695	2,282	694	1,588
Feb.	85,861	52,731	4,177	48,554	33,130	3,358	29,772	4,690	2,358	703	1,755	2,232	631	1,601
Mar.	85,779	52,502	4,148	48,354	33,277	3,361	29,916	4,602	2,485	691	1,694	2,217	631	1,586
Apr.	85,787	52,430	4,089	48,341	33,357	3,324	30,033	4,537	2,440	684	1,756	2,097	518	1,579
May	86,062	52,740	4,118	48,622	33,322	3,277	30,045	4,691	2,415	707	1,708	2,276	664	1,612
June	86,088	52,492	4,042	48,450	33,596	3,341	30,255	4,769	2,505	748	1,757	2,264	637	1,627
July	86,403	52,473	4,022	48,451	33,930	3,246	30,684	4,880	2,528	733	1,795	2,352	671	1,681
Aug.	86,274	52,522	4,007	48,515	33,752	3,300	30,452	4,925	2,628	727	1,901	2,297	597	1,700
Sept.	86,402	52,671	4,088	48,583	33,731	3,441	30,290	5,303	2,784	832	1,952	2,519	680	1,839
Oct.	86,304	52,674	4,090	48,584	33,630	3,393	30,237	5,540	3,004	807	2,197	2,536	734	1,802
Nov.	85,689	52,410	4,031	48,379	33,279	3,334	29,945	6,019	3,191	833	2,358	2,828	714	2,114
Dec.	85,202	51,953	3,992	47,961	33,249	3,257	29,992	6,601	3,523	842	2,681	3,078	765	2,313

¹ See footnote 2, Table C-24.

Note.—See Note, Table C-24.

Source: Department of Labor, Bureau of Labor Statistics.

TABLE C-26.—Selected unemployment rates, 1948-74

[Percent]

Year or month	All workers	By sex and age			By color		By selected groups					Labor force time lost ⁴
		Both sexes 16-19 years	Men 20 years and over	Women 20 years and over	White	Negro and other races	Experienced wage and salary workers	Household heads	Married men ¹	Full-time workers ²	Blue-collar workers ³	
1948	3.8	9.2	3.2	3.6	3.5	5.9	4.3				4.2	
1949	5.9	13.4	5.4	5.3	5.6	8.9	6.8		3.5	5.4	8.0	
1950	5.3	12.2	4.7	5.1	4.9	9.0	6.0		4.6	5.0	7.2	
1951	3.3	8.2	2.5	4.0	3.1	5.3	3.7		1.5	2.6	3.9	
1952	3.0	8.5	2.4	3.2	2.8	5.4	3.3		1.4	2.5	3.6	
1953	2.9	7.6	2.5	2.9	2.7	4.5	3.2		1.7		3.4	
1954	5.5	12.6	4.9	5.5	5.0	9.9	6.2		4.0	5.2	7.2	
1955	4.4	11.0	3.8	4.4	3.9	8.7	4.8		2.8	3.8	5.8	4.8
1956	4.1	11.1	3.4	4.2	3.6	8.3	4.4		2.6	3.7	5.1	5.1
1957	4.3	11.6	3.6	4.1	3.8	7.9	4.6		2.8	4.0	6.2	5.3
1958	6.8	15.9	6.2	6.1	6.1	12.6	7.2		5.1	7.2	10.2	8.1
1959	5.5	14.6	4.7	5.2	4.8	10.7	5.7		3.6		7.6	6.6
1960	5.5	14.7	4.7	5.1	4.9	10.2	5.7		3.7		7.8	6.7
1961	6.7	16.8	5.7	6.3	6.0	12.4	6.8		4.6	6.7	9.2	8.0
1962	5.5	14.7	4.6	5.4	4.9	10.9	5.6		3.6		7.4	6.7
1963	5.7	17.2	4.5	5.4	5.0	10.8	5.5	3.7	3.4	5.5	7.3	6.4
1964	5.2	16.2	3.9	5.2	4.6	9.6	5.0	3.2	2.8	4.9	6.3	5.8
1965	4.5	14.8	3.2	4.5	4.1	8.1	4.3	2.7	2.4	4.2	5.3	5.0
1966	3.8	12.8	2.5	3.8	3.4	7.3	3.5	2.2	1.9	3.5	4.2	4.2
1967	3.8	12.8	2.3	4.2	3.4	7.4	3.6	2.1	1.8	3.4	4.4	4.2
1968	3.6	12.7	2.2	3.8	3.2	6.7	3.4	1.9	1.6	3.1	4.1	4.0
1969	3.5	12.2	2.1	3.7	3.1	6.4	3.3	1.8	1.5	3.1	3.9	3.9
1970	4.9	15.2	3.5	4.8	4.5	8.2	4.8	2.9	2.6	4.5	6.2	5.3
1971	5.9	16.9	4.4	5.7	5.4	9.9	5.7	3.6	3.2	5.5	7.4	6.4
1972	5.6	16.2	4.0	5.4	5.0	10.0	5.3	3.3	2.8	5.1	6.5	6.0
1973	4.9	14.5	3.2	4.8	4.3	8.9	4.5	2.9	2.3	4.3	5.3	5.2
1974	5.6	16.0	3.8	5.5	5.0	9.9	4.9	3.3	2.7	5.1	6.7	5.1
Seasonally adjusted												
1973: Jan.	5.0	14.2	3.4	5.2	4.5	8.8	4.6	2.9	2.4	4.5	5.6	5.3
Feb.	5.0	15.0	3.4	4.9	4.5	9.0	4.7	3.0	2.4	4.5	5.5	5.3
Mar.	4.9	14.3	3.4	4.9	4.4	8.9	4.6	3.0	2.4	4.4	5.4	5.3
Apr.	5.0	15.3	3.3	4.8	4.4	9.3	4.7	2.9	2.4	4.4	5.3	5.3
May	4.9	14.9	3.3	4.6	4.4	9.1	4.5	2.9	2.3	4.3	5.4	5.2
June	4.8	14.1	3.2	4.9	4.3	8.9	4.4	2.9	2.2	4.3	5.3	5.3
July	4.8	14.3	3.1	4.8	4.2	9.2	4.4	2.8	2.1	4.2	5.3	5.2
Aug.	4.8	14.3	3.1	4.9	4.2	8.9	4.5	2.8	2.1	4.2	5.3	5.1
Sept.	4.8	14.6	3.1	4.8	4.2	9.3	4.4	2.7	2.1	4.2	5.2	5.1
Oct.	4.6	14.1	3.0	4.5	4.1	8.4	4.3	2.7	2.1	4.1	5.2	5.2
Nov.	4.8	14.6	3.1	4.7	4.2	8.8	4.5	2.8	2.2	4.3	5.5	5.2
Dec.	4.9	14.5	3.2	5.0	4.4	8.4	4.6	2.9	2.2	4.4	5.2	5.4
1974: Jan.	5.2	15.4	3.4	5.1	4.7	9.2	4.7	2.9	2.3	4.6	5.9	5.6
Feb.	5.2	14.8	3.5	5.1	4.6	9.2	4.9	3.0	2.4	4.6	6.0	5.6
Mar.	5.1	15.0	3.4	5.0	4.6	9.2	4.8	3.0	2.3	4.6	6.0	5.6
Apr.	5.0	13.9	3.5	5.0	4.5	8.8	4.9	3.0	2.4	4.6	6.3	5.7
May	5.2	15.7	3.4	5.1	4.7	9.3	4.9	3.0	2.2	4.6	5.8	5.7
June	5.2	15.8	3.5	5.1	4.8	9.0	5.0	3.1	2.6	4.7	6.2	5.6
July	5.3	16.2	3.6	5.2	4.8	9.4	5.1	3.0	2.7	4.8	6.2	5.8
Aug.	5.4	15.3	3.8	5.3	4.9	9.4	5.2	3.2	2.7	4.8	6.6	5.8
Sept.	5.8	17.0	3.9	5.7	5.3	9.9	5.5	3.4	2.8	5.3	7.0	6.4
Oct.	6.0	17.0	4.3	5.6	5.5	10.9	5.7	3.7	3.0	5.8	7.4	6.6
Nov.	6.6	17.4	4.6	6.6	5.9	11.6	6.2	3.9	3.3	6.2	8.3	7.2
Dec.	7.2	18.2	5.3	7.2	6.4	12.5	6.9	4.6	3.8	6.8	9.3	7.9

¹ Married men living with their wives. Data for 1949 and 1951-54 are for April; 1950, for March.² Data for 1949-61 are for May.³ Includes craft and kindred workers, operatives, and nonfarm laborers. Data for 1948-57 are based on data for January, April, July, and October.⁴ Man-hours lost by the unemployed and persons on part-time for economic reasons as a percent of potentially available labor force man-hours.

Note.—See footnote 2 and Note, Table C-24.

Source: Department of Labor, Bureau of Labor Statistics.

TABLE C-27.—Unemployment by duration, 1947-74

Year or month	Total unemployment	Duration of unemployment				Average (mean) duration in weeks
		Less than 5 weeks	5-14 weeks	15-26 weeks	27 weeks and over	
Thousands of persons 16 years of age and over						
1947.....	2,311	1,210	704	234	164	8.6 10.0
1948.....	2,276	1,300	669	193	116	
1949.....	3,637	1,756	1,194	428	256	
1950.....	3,288	1,450	1,055	425	357	12.1
1951.....	2,055	1,177	574	166	137	9.7
1952.....	1,883	1,135	516	148	84	8.4
1953.....	1,834	1,142	482	132	78	8.0
1954.....	3,532	1,605	1,116	495	317	11.8
1955.....	2,852	1,335	815	366	336	13.0
1956.....	2,750	1,412	805	301	232	11.3
1957.....	2,859	1,408	891	321	239	10.5
1958.....	4,602	1,753	1,396	785	667	13.9
1959.....	3,740	1,585	1,114	469	571	14.4
1960.....	3,852	1,719	1,176	503	454	12.8
1961.....	4,714	1,806	1,376	728	804	15.6
1962.....	3,911	1,663	1,134	534	585	14.7
1963.....	4,070	1,751	1,231	535	553	14.0
1964.....	3,786	1,697	1,117	491	482	13.3
1965.....	3,366	1,628	983	404	351	11.8
1966.....	2,875	1,573	779	287	239	10.4
1967.....	2,975	1,634	893	271	177	8.8
1968.....	2,817	1,594	810	256	156	8.4
1969.....	2,832	1,629	827	242	133	7.9
1970.....	4,088	2,137	1,289	427	235	8.7
1971.....	4,993	2,234	1,578	665	517	11.3
1972.....	4,840	2,223	1,459	597	562	12.0
1973.....	4,304	2,196	1,296	475	337	10.0
1974.....	5,076	2,567	1,572	563	373	9.7
Seasonally adjusted ¹						
1973: Jan.....	4,331	2,037	1,344	526	404	11.0
Feb.....	4,427	2,250	1,254	515	365	10.5
Mar.....	4,357	2,143	1,340	494	377	10.6
Apr.....	4,419	2,234	1,466	467	335	10.0
May.....	4,304	2,218	1,304	469	347	10.1
June.....	4,304	2,250	1,227	457	326	9.7
July.....	4,223	2,225	1,273	476	278	9.7
Aug.....	4,234	2,220	1,228	444	328	9.9
Sept.....	4,240	2,165	1,345	468	292	9.5
Oct.....	4,116	2,069	1,299	435	320	10.1
Nov.....	4,275	2,240	1,239	470	343	10.0
Dec.....	4,402	2,305	1,255	427	322	9.3
1974: Jan.....	4,665	2,408	1,405	454	326	9.5
Feb.....	4,690	2,411	1,414	488	324	9.6
Mar.....	4,602	2,434	1,398	504	316	9.5
Apr.....	4,537	2,312	1,444	528	347	9.8
May.....	4,691	2,481	1,378	527	350	9.6
June.....	4,769	2,378	1,489	565	369	9.8
July.....	4,880	2,472	1,522	546	381	10.1
Aug.....	4,925	2,506	1,449	560	380	9.9
Sept.....	5,303	2,654	1,701	603	386	9.7
Oct.....	5,540	2,765	1,754	640	376	9.8
Nov.....	6,019	2,981	1,931	691	426	9.8
Dec.....	6,601	3,077	2,062	782	537	10.0

¹ Because of independent seasonal adjustment of the various series, detail will not add to totals.

Note.—See footnote 2 and Note, Table C-24.

Source: Department of Labor, Bureau of Labor Statistics.

TABLE C-28.—Unemployment insurance programs, selected data, 1946-74

Year or month	All programs			State programs							
	Covered employment ¹	Insured unemployment (weekly average) ^{2,3}	Total benefits paid (millions of dollars) ⁴	Insured unemployment ⁵	Initial claims	Ex-haustions ⁶	Insured unemployment as percent of covered employment		Benefits paid		
							Unadjusted	Seasonally adjusted	Total (millions of dollars) ⁴	Average weekly check (dollars) ⁴	
Thousands			Weekly average, thousands			Percent					
1946.....	31,856	2,804	2,878.5	1,295	189	38	4.3	-----	1,094.9	18.50	
1947.....	33,876	1,793	1,785.5	997	187	24	3.1	-----	775.1	17.83	
1948.....	34,646	1,446	1,328.7	980	200	20	3.0	-----	789.9	19.03	
1949.....	33,098	2,474	2,269.8	1,973	340	37	6.2	-----	1,736.0	20.48	
1950.....	34,308	1,605	1,467.6	1,513	236	36	4.6	-----	1,373.1	20.76	
1951.....	36,334	1,000	862.9	969	208	16	2.8	-----	840.4	21.09	
1952.....	37,006	1,069	1,043.5	1,044	215	18	2.9	-----	998.2	22.79	
1953.....	38,072	1,067	1,050.6	990	218	15	2.8	-----	962.2	23.58	
1954.....	36,622	2,051	2,291.8	1,870	304	34	5.2	-----	2,026.9	24.93	
1955.....	40,018	1,399	1,560.2	1,265	226	25	3.5	-----	1,350.3	25.04	
1956.....	42,751	1,323	1,540.6	1,215	227	20	3.2	-----	1,380.7	27.02	
1957.....	43,436	1,571	1,913.0	1,446	270	23	3.6	-----	1,733.9	28.17	
1958.....	44,411	3,269	4,290.6	2,526	369	50	6.4	-----	3,512.7	30.58	
1959.....	45,728	2,099	2,854.3	1,684	277	33	4.4	-----	2,279.0	30.41	
1960.....	46,334	2,071	3,022.8	1,908	331	31	4.8	-----	2,726.7	32.87	
1961.....	46,266	2,994	4,358.1	2,290	350	46	5.6	-----	3,422.7	33.80	
1962.....	47,776	1,946	3,145.1	1,783	302	32	4.4	-----	2,675.4	34.56	
1963.....	48,434	1,973	3,025.9	1,806	298	30	4.3	-----	2,774.7	35.27	
1964.....	49,637	1,753	2,749.2	1,605	268	26	3.8	-----	2,522.1	35.92	
1965.....	51,580	1,450	2,360.4	1,328	232	21	3.0	-----	2,166.0	37.19	
1966.....	54,739	1,129	1,890.9	1,061	203	15	2.3	-----	1,771.3	38.75	
1967.....	56,342	1,270	2,221.5	1,205	226	17	2.5	-----	2,092.3	41.25	
1968.....	57,977	1,187	2,191.0	1,111	201	16	2.2	-----	2,031.6	43.43	
1969.....	59,999	1,177	2,298.6	1,101	200	16	2.1	-----	2,127.9	46.17	
1970.....	59,526	2,070	4,209.3	1,805	296	25	3.4	-----	3,848.5	50.34	
1971.....	59,375	2,313	6,214.9	2,150	295	38	4.1	-----	4,957.0	54.02	
1972.....	66,900	2,185	5,510.5	1,848	261	35	3.5	-----	4,471.0	56.76	
1973 P.....	*70,379	1,783	4,527.0	1,632	246	29	2.7	-----	4,007.6	59.00	
1974 P.....		2,578	6,987.9	2,269	361	39	3.6	-----	4,521.1	63.97	
1973: Jan.....		2,333	523.7	2,124	331	33	3.8	2.9	466.6	59.17	
Feb.....		2,250	461.3	2,062	249	32	3.7	2.9	417.2	59.56	
Mar.....		2,075	492.1	1,898	213	33	3.4	2.9	444.8	58.95	
Apr.....		1,828	404.7	1,669	216	33	2.8	2.7	363.8	59.58	
May.....		1,610	379.2	1,465	193	31	2.5	2.7	339.1	58.44	
June.....		1,523	315.6	1,384	206	28	2.4	2.7	286.7	58.12	
July.....		1,640	326.9	1,505	275	27	2.5	2.7	296.3	57.42	
Aug.....		1,572	353.5	1,436	212	27	2.4	2.6	316.3	57.46	
Sept.....		1,441	281.8	1,299	186	25	2.1	2.6	248.3	58.13	
Oct.....		1,452	322.9	1,299	210	24	2.1	2.6	280.7	58.97	
Nov.....		1,667	332.5	1,503	266	25	2.4	2.7	289.4	59.61	
Dec.....		2,093	378.2	1,922	395	27	3.1	2.8	335.8	60.40	
1974: Jan.....		2,740	622.7	2,561	446	32	4.1	3.1	570.8	62.28	
Feb.....		2,824	599.3	2,630	359	32	4.2	3.3	553.3	63.35	
Mar.....		2,751	652.4	2,502	293	35	4.0	3.4	593.9	63.85	
Apr.....		2,564	639.3	2,217	263	38	3.5	3.3	552.7	63.62	
May.....		2,278	584.5	1,934	237	39	3.0	3.3	486.4	62.69	
June.....		2,161	472.4	1,834	269	40	2.9	3.3	383.4	62.50	
July.....		2,290	541.6	1,989	340	41	3.1	3.3	459.1	62.93	
Aug.....		2,153	522.3	1,874	283	40	2.9	3.2	444.9	64.14	
Sept.....		2,081	478.1	1,783	274	35	2.7	3.4	381.0	64.23	
Oct P.....		2,247	530.2	1,947	348	36	3.0	3.7	442.0	65.20	
Nov.....		2,826	561.3	2,499	480	43	3.8	4.2	489.7	65.46	
Dec P.....		3,913	781.8	3,552	703	45	5.4	4.9	675.3	65.51	

¹ Includes persons under the State, UCFL (Federal employee, effective January 1955), and RRB (Railroad Retirement Board) programs. Beginning October 1958, also includes the UCX program (unemployment compensation for ex-service-men).

² Includes State, UCFL, RR, UCX, UCV (unemployment compensation for veterans, October 1952-January 1960), and SRA (Servicemen's Readjustment Act, September 1944-September 1951) programs. Also includes Federal and State extended benefit programs.

³ Covered workers who have completed at least 1 week of unemployment.

⁴ Annual data are net amounts and monthly data are gross amounts. Monthly data exclude extended benefit payments.

⁵ Individuals receiving final payments in benefit year. Data for New Jersey not available for April-June 1971.

⁶ For total unemployment only. Excludes data for New Jersey for April-December 1971.

⁷ Programs include Puerto Rican sugarcane workers for initial claims and insured unemployment beginning July 1963.

⁸ Latest data available for all programs combined. Workers covered by State programs account for about 89 percent of the total.

Source: Department of Labor, Manpower Administration.

TABLE C-29.—*Wage and salary workers in nonagricultural establishments, 1929-74*

[All employees; thousands of persons]

Year or month	Total wage and salary workers	Manufacturing			Mining	Contract construction	Transportation and public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Services	Government	
		Total	Durable goods	Non-durable goods							Federal	State and local
1929.....	31,339	10,702	-----	-----	1,087	1,497	3,916	6,123	1,509	3,440	533	2,532
1933.....	23,711	7,397	-----	-----	744	809	2,672	4,755	1,295	2,873	565	2,601
1939.....	30,618	10,278	4,715	5,564	854	1,150	2,936	6,426	1,462	3,517	905	3,090
1940.....	32,376	10,985	5,363	5,622	925	1,294	3,038	6,750	1,502	3,681	996	3,206
1941.....	36,554	13,192	6,968	6,225	957	1,790	3,274	7,210	1,549	3,921	1,340	3,320
1942.....	40,125	15,280	8,823	6,458	992	2,170	3,460	7,118	1,538	4,084	2,213	3,270
1943.....	42,452	17,602	11,084	6,518	925	1,567	3,647	6,982	1,502	4,148	2,905	3,174
1944.....	41,883	17,328	10,856	6,472	892	1,094	3,829	7,058	1,476	4,163	2,928	3,116
1945.....	40,394	15,524	9,074	6,450	836	1,132	3,906	7,314	1,497	4,241	2,808	3,137
1946.....	41,674	14,703	7,742	6,962	862	1,661	4,061	8,376	1,697	4,719	2,254	3,341
1947.....	43,881	15,545	8,385	7,159	955	1,982	4,166	8,955	1,754	5,050	1,892	3,582
1948.....	44,891	15,582	8,326	7,256	994	2,169	4,189	9,272	1,829	5,206	1,863	3,787
1949.....	43,778	14,441	7,489	6,953	930	2,165	4,001	9,264	1,857	5,264	1,908	3,948
1950.....	45,222	15,241	8,094	7,147	901	2,333	4,034	9,386	1,919	5,382	1,928	4,098
1951.....	47,849	16,393	9,089	7,304	929	2,603	4,226	9,742	1,991	5,576	2,302	4,087
1952.....	48,825	16,632	9,349	7,284	898	2,634	4,248	10,004	2,069	5,730	2,420	4,188
1953.....	50,232	17,549	10,110	7,438	866	2,623	4,290	10,247	2,146	5,867	2,305	4,340
1954.....	49,022	16,314	9,129	7,185	791	2,612	4,084	10,235	2,234	6,002	2,188	4,563
1955.....	50,675	16,882	9,541	7,340	792	2,802	4,141	10,535	2,335	6,274	2,187	4,727
1956.....	52,408	17,243	9,834	7,409	822	2,999	4,244	10,858	2,429	6,536	2,209	5,069
1957.....	52,894	17,174	9,856	7,319	828	2,923	4,241	10,886	2,477	6,749	2,217	5,399
1958.....	51,363	15,945	8,830	7,116	751	2,776	3,976	10,750	2,519	6,806	2,191	5,648
1959.....	53,313	16,675	9,373	7,303	732	2,960	4,011	11,127	2,594	7,130	2,233	5,850
1960.....	54,234	16,796	9,459	7,336	712	2,885	4,004	11,391	2,669	7,423	2,270	6,083
1961.....	54,042	16,326	9,070	7,256	672	2,816	3,903	11,337	2,731	7,664	2,279	6,315
1962.....	55,596	16,853	9,480	7,373	650	2,902	3,906	11,566	2,800	8,028	2,340	6,550
1963.....	56,702	16,995	9,616	7,380	635	2,963	3,903	11,778	2,877	8,325	2,358	6,868
1964.....	58,331	17,274	9,816	7,458	634	3,050	3,951	12,160	2,957	8,709	2,348	7,248
1965.....	60,815	18,062	10,406	7,656	632	3,186	4,036	12,716	3,023	9,087	2,378	7,696
1966.....	63,955	19,214	11,284	7,930	627	3,275	4,151	13,245	3,100	9,551	2,564	8,227
1967.....	65,857	19,447	11,439	8,008	613	3,208	4,261	13,606	3,225	10,099	2,719	8,679
1968.....	67,951	19,781	11,626	8,155	606	3,306	4,311	14,099	3,381	10,622	2,737	9,109
1969.....	70,442	20,167	11,895	8,272	619	3,525	4,435	14,704	3,562	11,228	2,758	9,444
1970.....	70,920	19,349	11,195	8,154	623	3,536	4,504	15,040	3,687	11,621	2,731	9,830
1971.....	71,216	18,572	10,597	7,975	603	3,639	4,457	15,352	3,802	11,903	2,696	10,192
1972.....	73,711	19,090	11,006	8,084	622	3,831	4,517	15,975	3,943	12,392	2,684	10,656
1973.....	76,833	20,054	11,814	8,240	638	4,028	4,646	16,665	4,075	12,986	2,663	11,079
1974 p.....	78,337	20,017	11,838	8,179	672	3,984	4,699	17,010	4,161	13,508	2,725	11,561

See footnotes at end of table.

TABLE C-29.—*Wage and salary workers in nonagricultural establishments, 1929-74—Continued*

[All employees; thousands of persons]

Year or month	Total wage and salary workers	Manufacturing			Mining	Contract construction	Transportation and public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Services	Government	
		Total	Durable goods	Non-durable goods							Federal	State and local
Seasonally adjusted												
1972: Jan...	72,350	18,645	10,651	7,994	617	3,846	4,465	15,645	3,877	12,117	2,703	10,435
Feb...	72,490	18,733	10,721	8,012	615	3,749	4,455	15,710	3,885	12,165	2,695	10,483
Mar...	72,831	18,827	10,787	8,040	617	3,787	4,494	15,789	3,897	12,209	2,688	10,523
Apr...	73,093	18,910	10,850	8,060	621	3,806	4,488	15,841	3,907	12,273	2,692	10,555
May...	73,386	19,001	10,927	8,074	621	3,836	4,501	15,887	3,925	12,328	2,686	10,601
June...	73,637	19,082	10,976	8,106	622	3,846	4,506	15,970	3,942	12,403	2,670	10,596
July...	73,697	19,059	10,996	8,063	620	3,800	4,506	15,986	3,947	12,441	2,653	10,685
Aug...	74,054	19,149	11,064	8,085	622	3,863	4,508	16,067	3,960	12,487	2,669	10,729
Sept...	74,307	19,249	11,137	8,112	628	3,876	4,531	16,102	3,973	12,491	2,674	10,783
Oct...	74,646	19,395	11,255	8,140	629	3,897	4,562	16,151	3,989	12,548	2,680	10,795
Nov...	74,916	19,487	11,330	8,157	629	3,872	4,583	16,231	4,000	12,595	2,680	10,839
Dec...	75,118	19,599	11,421	8,178	628	3,785	4,596	16,291	4,011	12,650	2,684	10,874
1973: Jan...	75,472	19,683	11,500	8,183	631	3,908	4,596	16,358	4,018	12,724	2,673	10,881
Feb...	75,851	19,814	11,609	8,205	634	3,931	4,599	16,467	4,034	12,788	2,662	10,922
Mar...	76,111	19,888	11,661	8,227	633	3,953	4,609	16,529	4,045	12,829	2,661	10,964
Apr...	76,339	19,950	11,708	8,242	631	3,963	4,628	16,577	4,052	12,878	2,661	10,999
May...	76,508	19,994	11,766	8,228	629	3,996	4,632	16,615	4,064	12,887	2,662	11,029
June...	76,787	20,083	11,826	8,257	632	4,034	4,638	16,641	4,068	12,954	2,649	11,088
July...	76,867	20,064	11,842	8,222	637	4,063	4,642	16,688	4,077	12,978	2,632	11,086
Aug...	77,163	20,124	11,892	8,232	640	4,063	4,657	16,746	4,092	13,058	2,650	11,133
Sept...	77,315	20,155	11,914	8,241	640	4,091	4,667	16,777	4,102	13,110	2,660	11,113
Oct...	77,649	20,252	11,979	8,273	644	4,083	4,696	16,847	4,110	13,160	2,665	11,192
Nov...	77,915	20,314	12,021	8,293	648	4,099	4,692	16,904	4,116	13,221	2,673	11,248
Dec...	77,924	20,323	12,036	8,287	652	4,115	4,688	16,826	4,121	13,236	2,680	11,283
1974: Jan...	77,925	20,253	11,968	8,285	658	4,098	4,710	16,851	4,132	13,236	2,680	11,307
Feb...	78,053	20,155	11,883	8,272	661	4,127	4,717	16,871	4,142	13,313	2,696	11,371
Mar...	78,089	20,116	11,862	8,254	662	4,102	4,708	16,914	4,145	13,339	2,699	11,404
Apr...	78,226	20,147	11,913	8,234	665	4,087	4,704	16,945	4,154	13,367	2,705	11,452
May...	78,357	20,151	11,908	8,243	668	4,066	4,701	16,994	4,161	13,429	2,711	11,476
June...	78,421	20,184	11,959	8,225	669	3,994	4,698	17,031	4,156	13,488	2,715	11,486
July...	78,479	20,169	11,959	8,210	675	3,920	4,693	17,107	4,157	13,516	2,735	11,507
Aug...	78,661	20,112	11,899	8,213	676	3,965	4,701	17,140	4,168	13,573	2,740	11,586
Sept...	78,844	20,112	11,906	8,206	682	3,939	4,679	17,166	4,176	13,647	2,747	11,696
Oct...	78,865	19,982	11,841	8,141	692	3,911	4,699	17,160	4,185	13,705	2,748	11,783
Nov...	78,400	19,646	11,626	8,020	696	3,852	4,693	17,042	4,179	13,726	2,746	11,820
Dec...	77,726	19,141	11,290	7,851	666	3,802	4,680	16,906	4,178	13,754	2,744	11,855

Note.—Data in Tables C-29 through C-31 are based on reports from employing establishments and relate to full- and part-time wage and salary workers in nonagricultural establishments who worked during, or received pay for, any part of the pay period which includes the 12th of the month.

Not comparable with labor force data (Tables C-24 through C-27), which include proprietors, self-employed persons, domestic servants, and unpaid family workers, and which count persons as employed when they are not at work because of industrial disputes, bad weather, etc.

For description and details of the various establishment data, see "Employment and Earnings."

Source: Department of Labor, Bureau of Labor Statistics.

TABLE C-30.—Average weekly hours and hourly earnings in selected private nonagricultural industries, 1947-74

(For production or nonsupervisory workers)

Year or month	Average weekly hours				Average gross hourly earnings, current dollars				Adjusted hourly earnings, total private nonagricultural *			
	Total private nonagricultural ¹	Manufacturing	Contract construction	Retail trade ²	Total private nonagricultural ¹	Manufacturing	Contract construction	Retail trade ²	Index, 1967=100		Percent change from preceding period	
									Current dollars	1967 dollars ⁴	Current dollars	1967 dollars
1947.....	40.3	40.4	38.2	40.3	\$1.131	\$1.217	\$1.541	\$0.838	42.6	63.7	8.0	0.2
1948.....	40.0	40.0	38.1	40.2	1.225	1.328	1.713	.901	46.0	63.8	8.0	0.2
1949.....	39.4	39.1	37.7	40.4	1.275	1.378	1.792	.951	48.2	67.5	4.8	5.8
1950.....	39.8	40.5	37.4	40.4	1.335	1.440	1.863	.983	50.0	69.3	3.7	2.7
1951.....	39.9	40.6	38.1	40.4	1.45	1.56	2.02	1.06	53.7	69.0	7.4	-4
1952.....	39.9	40.7	38.9	39.8	1.52	1.65	2.13	1.09	56.4	70.9	5.0	2.8
1953.....	39.6	40.5	37.9	39.1	1.61	1.74	2.28	1.16	59.6	74.4	5.7	4.9
1954.....	39.1	39.6	37.2	39.2	1.65	1.78	2.39	1.20	61.7	76.6	3.5	3.0
1955.....	39.6	40.7	37.1	39.0	1.71	1.86	2.45	1.25	63.7	79.4	3.2	3.7
1956.....	39.3	40.4	37.5	38.6	1.80	1.95	2.57	1.30	67.0	82.3	5.2	3.7
1957.....	38.8	39.8	37.0	38.1	1.89	2.05	2.71	1.37	70.3	83.4	4.9	1.3
1958.....	38.5	39.2	36.8	38.1	1.95	2.11	2.82	1.42	73.2	84.5	4.1	1.3
1959.....	39.0	40.3	37.0	38.2	2.02	2.19	2.93	1.47	75.8	86.8	3.6	2.7
1960.....	38.6	39.7	36.7	38.0	2.09	2.26	3.08	1.52	78.4	88.4	3.4	1.8
1961.....	38.6	39.8	36.9	37.6	2.14	2.32	3.20	1.56	80.8	90.2	3.1	2.0
1962.....	38.7	40.4	37.0	37.4	2.22	2.39	3.31	1.63	83.5	92.2	3.3	2.2
1963.....	38.8	40.5	37.3	37.3	2.28	2.46	3.41	1.68	85.9	93.7	2.9	1.6
1964.....	38.7	40.7	37.2	37.0	2.36	2.53	3.55	1.75	88.3	95.1	2.8	1.5
1965.....	38.8	41.2	37.4	36.6	2.45	2.61	3.70	1.82	91.6	97.0	3.7	2.0
1966.....	38.6	41.3	37.6	35.9	2.56	2.72	3.89	1.91	95.4	98.1	4.1	1.1
1967.....	38.0	40.6	37.7	35.3	2.68	2.83	4.11	2.01	100.0	100.0	4.9	1.9
1968.....	37.8	40.7	37.3	34.7	2.85	3.01	4.41	2.16	106.3	102.0	6.3	2.0
1969.....	37.7	40.6	37.9	34.2	3.04	3.19	4.79	2.30	113.3	103.2	6.6	1.2
1970.....	37.1	39.8	37.3	33.8	3.22	3.36	5.24	2.44	120.8	103.9	6.6	.7
1971.....	37.0	39.9	37.2	33.7	3.44	3.57	5.69	2.57	129.4	106.7	7.1	2.7
1972.....	37.1	40.6	36.9	33.7	3.67	3.81	6.03	2.70	137.8	110.0	6.5	3.1
1973.....	37.1	40.7	37.0	33.3	3.92	4.07	6.38	2.87	146.6	110.1	8.0	0
1974.....	36.6	40.0	36.9	32.7	4.22	4.40	6.74	3.09	158.3	107.2	6.4	-2.6
Seasonally adjusted												
											Seasonally adjusted annual rates *	
1973: Jan.....	37.0	40.5	36.1	33.6	\$3.79	\$3.97	\$6.34	\$2.77	142.3	111.2	3.9	-2.2
Feb.....	37.1	40.9	36.0	33.5	3.80	3.98	6.24	2.79	142.7	110.8	2.9	-4.7
Mar.....	37.1	40.9	36.7	33.5	3.83	3.98	6.27	2.80	143.5	110.5	6.9	-3.5
Apr.....	37.2	40.9	36.9	33.4	3.86	4.02	6.29	2.82	144.4	110.5	8.5	-4
May.....	37.1	40.7	37.1	33.4	3.87	4.03	6.30	2.83	144.8	110.2	2.9	-3.7
June.....	37.1	40.6	37.1	33.4	3.90	4.05	6.36	2.86	146.0	110.4	10.3	2.5
July.....	37.1	40.7	37.1	33.3	3.93	4.08	6.37	2.87	146.8	110.8	6.9	4.8
Aug.....	37.0	40.6	36.9	33.1	3.95	4.10	6.40	2.89	147.7	109.4	7.3	-14.1
Sept.....	37.1	40.7	36.7	33.1	3.98	4.13	6.46	2.91	148.9	109.9	10.2	4.9
Oct.....	36.9	40.7	36.8	33.0	4.00	4.15	6.45	2.93	149.6	109.5	6.0	-3.9
Nov.....	36.9	40.6	37.9	33.1	4.03	4.17	6.46	2.95	150.3	109.2	6.3	-3.2
Dec.....	37.0	40.6	37.2	33.0	4.04	4.19	6.48	2.96	151.1	109.1	6.4	-1.0
1974: Jan.....	36.7	40.4	36.4	32.9	4.05	4.19	6.48	2.98	151.7	108.4	4.4	-8.0
Feb.....	36.8	40.4	37.6	32.9	4.08	4.22	6.52	2.98	152.7	107.7	8.1	-6.6
Mar.....	36.7	40.3	36.7	32.9	4.10	4.24	6.57	3.00	153.6	107.3	8.1	-4.8
Apr.....	36.6	39.3	36.3	33.0	4.11	4.25	6.60	3.00	154.3	107.2	5.5	-1.4
May.....	36.7	40.3	36.7	32.9	4.17	4.33	6.62	3.07	156.1	107.3	14.8	1.1
June.....	36.7	40.1	36.9	32.7	4.21	4.38	6.74	3.10	158.2	107.8	17.3	5.5
July.....	36.7	40.2	36.9	32.6	4.23	4.43	6.75	3.12	158.7	107.4	3.8	-4.5
Aug.....	36.7	40.2	36.4	32.6	4.27	4.48	6.89	3.14	160.2	107.0	12.2	-4.4
Sept.....	36.7	40.0	36.5	32.5	4.32	4.53	6.94	3.15	162.1	106.8	14.8	-1.9
Oct.....	36.6	40.1	37.2	32.4	4.35	4.57	6.90	3.18	163.3	106.7	9.3	-1.2
Nov.....	36.2	39.5	37.2	32.4	4.36	4.58	6.88	3.19	164.0	106.2	5.2	-5.6
Dec.....	36.4	39.4	37.8	32.3	4.39	4.61	6.96	3.19	165.1	106.2	8.2	.0

¹ Also includes other private industry groups shown in Table C-29.

² Includes eating and drinking places.

³ Adjusted for overtime (in manufacturing only) and for interindustry employment shifts.

⁴ Current dollar earnings index divided by the consumer price index.

* Computed from indexes to two decimal places.

Note.—See Note, Table C-29.

Source: Department of Labor, Bureau of Labor Statistics.

TABLE C-31.—Average weekly earnings in selected private nonagricultural industries, 1947-74

[For production or nonsupervisory workers]

Year or month	Average gross weekly earnings					Average spendable weekly earnings, total private nonagricultural ⁴					
	Total private nonagricultural ¹		Manu- facturing	Contract construc- tion	Retail trade ³	Amount		Percent change from preceding period			
	Current dollars	1967 dollars ²				Current dollars		Current dollars	1967 dollars ²	Current dollars	1967 dollars
1947	\$45.58	\$68.13	\$49.17	\$58.87	\$33.77	\$44.64	\$66.73				
1948	49.00	67.96	53.12	65.27	36.22	48.51	67.28	8.7	0.8		
1949	50.24	70.36	53.88	67.56	38.42	49.74	69.66	2.5	3.5		
1950	53.13	73.69	58.32	69.68	39.71	52.04	72.18	4.6	3.6		
1951	57.86	74.37	63.34	76.96	42.82	55.79	71.71	7.2	-7.7		
1952	60.65	76.29	67.16	82.86	43.38	57.87	72.79	3.7	1.5		
1953	63.76	79.60	70.47	86.41	45.36	60.31	75.29	4.2	3.4		
1954	64.52	80.15	70.49	88.91	47.04	60.85	75.59	.9	.4		
1955	67.72	84.44	75.70	90.90	48.75	63.41	79.06	4.2	4.6		
1956	70.74	86.90	78.78	96.38	50.18	65.82	80.86	3.8	2.3		
1957	73.33	86.99	81.59	100.27	52.20	67.71	80.32	2.9	-7.7		
1958	75.08	86.70	82.71	103.78	54.10	69.11	79.80	2.1	-6.6		
1959	78.78	90.24	88.26	108.41	56.15	71.86	82.31	4.0	3.1		
1960	80.67	90.95	89.72	113.04	57.76	72.96	82.25	1.5	-1.1		
1961	82.60	92.19	92.34	118.08	58.66	74.48	83.13	2.1	1.1		
1962	85.91	94.82	96.56	122.47	60.96	76.99	84.98	3.4	2.2		
1963	88.46	96.47	99.63	127.19	62.66	78.56	85.67	2.0	.8		
1964	91.33	98.31	102.97	132.06	64.75	82.57	88.88	5.1	3.7		
1965	95.06	100.59	107.53	138.38	66.61	86.30	91.32	4.5	2.7		
1966	98.82	101.67	112.34	146.26	68.57	88.66	91.21	2.7	-1.1		
1967	101.84	101.84	114.90	154.95	70.95	90.86	90.86	2.5	-4.4		
1968	107.73	103.39	122.51	164.49	74.95	95.28	91.44	4.9	-6.6		
1969	114.61	104.38	129.51	181.54	78.66	99.99	91.07	4.9	-4.4		
1970	119.46	102.72	133.73	195.45	82.47	104.61	89.95	4.6	-1.2		
1971	127.28	104.93	142.44	211.67	86.61	112.41	92.67	7.5	3.0		
1972	136.16	108.67	154.69	222.51	90.99	121.09	96.64	7.7	4.3		
1973	145.43	109.26	165.65	236.06	95.57	127.41	95.73	5.2	-9.9		
1974 ^p	154.45	104.57	176.00	248.71	101.04	134.37	90.97	5.5	-5.0		
Seasonally adjusted								Seasonally adjusted annual rates			
1973: Jan	\$140.23	\$109.61	\$160.79	\$228.87	\$93.07	\$123.39	\$96.44	\$ 3.5	\$ -2.6		
Feb	140.98	109.48	162.78	224.64	93.47	123.98	96.28	5.9	-2.0		
Mar	142.09	109.40	162.78	230.11	93.80	124.83	96.11	8.5	-2.1		
Apr	143.59	109.85	164.42	232.10	94.19	125.99	96.39	11.7	3.6		
May	143.58	109.23	164.02	233.73	94.52	125.98	95.84	-1.1	-6.6		
June	144.69	109.41	164.43	235.96	95.52	126.84	95.91	8.5	.9		
July	145.80	110.06	166.06	236.33	95.57	127.69	96.39	8.3	6.2		
Aug	146.15	108.30	166.46	236.16	95.66	127.96	94.82	2.6	-17.9		
Sept	147.66	108.97	168.09	237.08	96.32	129.13	95.30	11.5	6.2		
Oct	147.60	108.05	168.91	237.36	96.69	129.08	94.49	-5.5	-9.7		
Nov	148.71	108.02	169.30	244.83	97.65	129.94	94.39	8.3	-1.3		
Dec	149.48	107.93	170.11	241.06	97.68	130.53	94.25	5.6	-1.8		
1974: Jan	148.64	106.19	169.28	235.87	98.04	129.89	92.80	\$ -5.7	\$ -17.0		
Feb	150.14	105.97	170.49	245.15	98.04	131.04	92.49	11.2	-3.9		
Mar	150.47	105.08	170.87	241.12	98.70	131.30	91.70	2.4	-9.8		
Apr	150.43	104.53	167.03	239.58	99.00	131.27	91.22	-3.3	-6.1		
May	153.04	105.23	174.50	242.95	101.00	133.28	91.64	20.0	5.7		
June	154.51	105.30	175.64	248.71	101.37	134.41	91.60	10.7	-5.5		
July	155.24	105.07	178.09	249.08	101.71	134.98	91.36	5.2	-3.1		
Aug	156.71	104.65	180.10	250.80	102.36	136.11	90.90	10.5	-5.9		
Sept	158.54	104.51	181.20	253.31	102.38	137.52	90.65	13.2	-3.3		
Oct	159.21	104.06	183.26	256.68	103.03	138.04	90.22	4.6	-5.5		
Nov ^p	157.83	102.23	180.91	255.94	103.36	136.98	88.73	-8.8	-18.1		
Dec ^p	159.80	102.83	181.63	263.09	103.04	138.50	89.12	14.2	5.4		

¹ Also includes other private industry groups shown in Table C-29.² Earnings in current dollars divided by the consumer price index.³ Includes eating and drinking places.⁴ Average gross weekly earnings less social security and income taxes for a worker with three dependents.⁵ In annualizing the rates of change, the effect of the change in tax rates at the beginning of 1973 and 1974 is taken into account separately.

Note.—See Note, Table C-29.

Source: Department of Labor, Bureau of Labor Statistics.

TABLE C-32.—Output per man-hour and related data, private economy, 1947-74

[1967=100]

Year or quarter	Output ¹		Man-hours ²		Output per man-hour		Compensation per man-hour ³		Unit labor costs		Implicit price deflator ⁴	
	Total private	Private non-farm	Total private	Private non-farm	Total private	Private non-farm	Total private	Private non-farm	Total private	Private non-farm	Total private	Private non-farm
1947	45.6	44.5	88.8	78.0	51.3	57.1	36.2	38.3	70.6	67.1	66.4	63.8
1948	47.8	46.5	89.2	79.1	53.6	58.8	39.5	41.8	73.7	71.0	70.9	68.2
1949	47.6	46.4	86.2	76.0	55.3	61.1	40.1	43.0	72.5	70.3	70.2	68.7
1950	52.5	51.3	87.9	79.0	59.7	65.0	42.8	45.3	71.7	69.7	70.9	69.4
1951	55.8	55.0	90.7	82.9	61.5	66.3	46.9	49.3	76.3	74.3	76.1	74.0
1952	57.2	56.3	91.2	84.1	62.7	66.9	49.8	52.0	79.4	77.6	77.5	75.9
1953	60.1	59.1	92.0	85.9	65.3	68.9	52.9	54.9	81.0	79.7	78.1	77.2
1954	59.3	58.3	88.6	82.6	66.9	70.5	54.5	56.6	81.5	80.3	79.1	78.5
1955	64.3	63.4	92.1	86.1	69.9	73.6	55.9	58.6	80.1	79.6	79.8	79.5
1956	65.6	64.7	93.7	88.4	70.0	73.2	59.5	62.0	85.0	84.7	82.3	82.3
1957	66.5	65.7	92.3	87.9	72.0	74.8	63.3	65.5	87.9	87.6	85.3	85.3
1958	65.6	64.8	88.4	84.5	74.3	76.7	66.0	68.1	88.9	88.7	87.1	86.8
1959	70.2	69.5	91.2	87.6	76.9	79.3	69.0	71.0	89.8	89.5	88.3	88.3
1960	71.9	71.1	92.0	88.6	78.2	80.3	71.7	73.9	91.8	92.0	89.5	89.6
1961	73.2	72.5	90.6	87.7	80.9	82.7	74.4	76.3	92.1	92.3	90.4	90.4
1962	78.2	77.6	92.4	89.8	84.7	86.4	77.7	79.3	91.8	91.8	91.2	91.2
1963	81.5	80.9	92.9	90.9	87.7	89.1	80.8	82.2	92.1	92.3	92.2	92.3
1964	86.2	85.9	94.5	92.9	91.1	92.4	84.9	86.1	93.1	93.2	93.2	93.4
1965	91.8	91.5	97.4	96.3	94.2	95.1	88.4	89.2	93.8	93.9	94.8	94.8
1966	97.7	97.9	99.7	99.5	98.0	98.4	94.5	94.6	96.5	96.2	97.2	96.8
1967	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1968	104.8	105.1	102.0	102.3	102.8	102.7	107.8	107.5	105.0	104.6	103.6	103.5
1969	107.7	108.0	104.4	105.3	103.2	102.5	115.6	114.6	112.1	111.8	108.3	108.1
1970	107.2	107.3	103.0	104.2	104.0	103.0	124.0	122.6	119.3	119.0	113.5	113.5
1971	111.0	111.1	102.7	103.9	108.2	106.9	132.1	130.6	122.2	122.2	118.2	118.4
1972	118.5	118.9	106.0	107.3	111.8	110.8	140.2	138.7	125.3	125.1	121.6	121.2
1973	125.8	126.3	109.6	111.3	114.8	113.4	151.0	149.0	131.5	131.3	128.6	126.2
1974 p	122.6	122.9	109.7	111.4	111.7	110.3	164.0	162.0	146.8	146.9	142.2	140.6
Seasonally adjusted												
1972: I	115.0	115.2	104.6	105.8	110.0	108.8	137.4	135.9	125.0	124.9	120.5	120.4
II	117.6	117.9	105.6	107.1	111.3	110.0	139.2	137.5	125.1	125.0	121.0	120.8
III	119.4	120.1	106.4	107.6	112.3	111.6	140.8	139.5	125.4	125.0	121.9	121.4
IV	121.9	122.4	107.2	108.6	113.7	112.7	143.2	141.7	125.9	125.7	123.0	122.3
1973: I	124.9	125.2	108.3	109.9	115.3	113.9	147.6	145.5	128.0	127.8	124.8	123.4
II	125.6	126.0	109.3	111.0	114.9	113.4	149.6	147.6	130.3	130.1	127.1	125.0
III	126.1	126.8	110.2	111.9	114.4	113.3	151.6	149.7	132.5	132.1	129.8	126.7
IV	126.8	127.1	110.7	112.3	114.5	113.2	154.9	153.0	135.2	135.2	132.5	129.5
1974: I	124.2	124.7	110.6	111.8	112.3	111.5	157.3	156.0	140.1	140.0	136.6	133.9
II	123.6	123.7	109.9	111.7	112.4	110.7	162.5	160.3	144.5	144.7	139.8	138.7
III	122.9	123.0	109.9	111.8	111.8	110.1	166.5	164.2	148.9	149.2	144.0	143.0
IV p	119.7	120.2	108.5	110.2	110.3	109.0	170.0	167.9	154.1	153.9	148.7	147.1

¹ Output refers to gross product originating in the sector in 1958 dollars.² Hours of all persons in private industry engaged in production, including man-hours of proprietors and unpaid family workers. Man-hours estimates based primarily on establishment data.³ Wages and salaries of employees plus employers' contributions for social insurance and private benefits plans. Also includes an estimate of wages, salaries, and supplemental payments for the self-employed.⁴ Current dollar gross product divided by constant dollar product.

Note.—Data relate to all persons.

Source: Department of Labor, Bureau of Labor Statistics.

TABLE C-33.—Changes in output per man-hour and related data, private economy, 1948-74

(Percent change from preceding period)

Year or quarter	Output ¹		Man-hours ²		Output per man-hour		Compensation per man-hour ³		Unit labor costs		Implicit price deflator ⁴	
	Total private	Private non-farm	Total private	Private non-farm	Total private	Private non-farm	Total private	Private non-farm	Total private	Private non-farm	Total private	Private non-farm
1948.....	4.8	4.4	0.4	1.3	4.5	3.0	9.0	9.0	4.3	5.8	6.7	6.8
1949.....	-3	-1	-3.4	-3.9	3.2	4.0	1.5	2.9	-1.6	-1.0	-1.0	.8
1950.....	10.2	10.6	2.0	4.0	8.1	6.3	6.8	5.5	-1.2	-8	1.0	1.1
1951.....	6.3	7.0	3.2	4.9	3.0	2.0	9.6	8.7	6.4	6.6	7.3	6.5
1952.....	2.5	2.5	.5	1.5	1.9	.9	6.1	5.5	4.1	4.5	1.9	2.6
1953.....	5.1	5.1	.8	2.1	4.2	2.9	6.3	5.6	2.0	2.6	.7	1.8
1954.....	-1.3	-1.5	-3.7	-3.8	2.4	2.3	3.1	3.2	.6	.9	1.2	1.7
1955.....	8.5	8.8	3.9	4.2	4.4	4.4	2.6	3.5	-1.7	-9	.9	1.3
1956.....	1.9	2.0	1.7	2.6	.2	-6	6.4	5.8	6.2	6.4	3.2	3.4
1957.....	1.4	1.6	-1.5	-6	2.9	2.2	6.5	5.7	3.5	3.4	3.6	3.7
1958.....	-1.3	-1.5	-4.2	-3.9	3.1	2.5	4.2	3.8	1.1	1.3	2.1	1.7
1959.....	7.0	7.3	3.3	3.7	3.6	3.4	4.6	4.3	1.0	.9	1.4	1.8
1960.....	2.4	2.4	.8	1.1	1.6	1.2	3.9	4.1	2.2	2.8	1.4	1.4
1961.....	1.9	1.9	-1.5	-1.0	3.5	3.0	3.8	3.2	.3	.2	.9	.9
1962.....	6.8	7.1	2.0	2.5	4.7	4.6	4.4	4.0	-3	-5	.9	.9
1963.....	4.2	4.3	.6	1.2	3.6	3.1	4.0	3.6	.4	.5	1.0	1.2
1964.....	5.7	6.1	1.8	2.3	3.9	3.7	5.0	4.7	1.1	1.0	1.2	1.3
1965.....	6.6	6.6	3.1	3.6	3.4	2.9	4.1	3.7	.7	.8	1.7	1.4
1966.....	6.4	7.0	2.4	3.3	4.0	3.5	6.9	6.1	2.8	2.5	2.5	2.2
1967.....	2.3	2.2	.3	.5	2.1	1.6	5.8	5.7	3.7	4.0	2.9	3.3
1968.....	4.8	5.1	2.0	2.3	2.8	2.7	7.8	7.5	5.0	4.6	3.6	3.5
1969.....	2.8	2.8	2.4	2.9	.4	-2	7.2	6.7	6.8	6.9	4.5	4.5
1970.....	-5	-6	-1.3	-1.0	.8	.4	7.2	6.9	6.4	6.5	4.8	5.0
1971.....	3.6	3.5	-4	-3	4.0	3.8	6.5	6.6	2.5	2.6	4.1	4.3
1972.....	6.7	7.1	3.2	3.3	3.4	3.6	6.1	6.2	2.6	2.4	2.9	2.4
1973.....	6.2	6.2	3.5	3.7	2.6	2.4	7.7	7.4	4.9	4.9	5.7	4.1
1974 ^p	-2.6	-2.7	.1	.1	-2.7	-2.8	8.7	8.8	11.6	11.9	10.6	11.4
Seasonally adjusted annual rates												
1972: I.....	7.1	7.0	4.5	4.5	2.5	2.5	8.9	8.7	6.2	6.1	4.3	4.2
II.....	9.3	9.7	4.1	5.0	5.0	4.5	5.2	4.8	.2	.3	1.8	1.4
III.....	6.4	7.8	2.8	1.8	3.5	5.9	4.7	5.9	1.1	.0	3.0	1.9
IV.....	8.7	8.0	3.2	3.9	5.3	3.9	7.1	6.4	1.7	2.4	3.5	2.9
1973: I.....	10.0	9.4	4.1	4.9	5.7	4.3	12.9	11.2	6.7	6.7	6.0	3.6
II.....	2.1	2.5	3.9	4.1	-1.7	-1.5	5.5	5.9	7.3	7.6	7.6	5.6
III.....	1.6	2.5	3.3	3.0	-1.6	-5	5.3	5.9	7.0	6.4	8.7	5.6
IV.....	2.3	1.1	1.7	1.6	.5	-5	9.1	9.1	8.5	9.6	8.7	9.0
1974: I.....	-7.8	-7.5	-3	-1.8	-7.5	-5.9	6.5	8.1	15.1	14.9	12.9	14.2
II.....	-2.0	-2.9	-2.3	-4	.3	-2.5	13.7	11.3	13.3	14.2	9.9	15.1
III.....	-2.3	-2.3	.0	.1	-2.3	-2.4	10.2	10.2	12.8	13.0	12.6	13.1
IV ^p	-10.1	-9.0	-5.2	-5.5	-5.1	-3.7	8.8	9.1	14.7	13.3	13.6	12.0

¹ Output refers to gross product originating in the sector in 1958 dollars.² Hours of all persons in private industry engaged in production, including man-hours of proprietors and unpaid family workers. Man-hours estimates based primarily on establishment data.³ Wages and salaries of employees plus employers' contributions for social insurance and private benefits plans. Also includes an estimate of wages, salaries, and supplemental payments for the self-employed.⁴ Current dollar gross product divided by constant dollar product.

Note.—Data relate to all persons.

Percent changes are based on original data and therefore may differ slightly from percent changes based on indexes in Table C-32.

Source: Department of Labor, Bureau of Labor Statistics.

PRODUCTION AND BUSINESS ACTIVITY

TABLE C-34.—*Industrial production indexes, major industry divisions, 1929-74*

[1967=100]

Year or month	Total industrial production	Manufacturing			Mining	Utilities
		Total	Durable	Nondurable		
1929.....	21.6	22.8	22.6	23.0	44.4	7.2
1933.....	13.7	14.0	9.1	19.7	31.5	6.5
1939.....	21.7	21.5	17.8	25.9	43.4	10.4
1940.....	25.0	25.4	23.7	27.2	48.2	11.5
1941.....	31.6	32.4	31.6	32.9	51.2	13.0
1942.....	36.3	37.8	40.1	34.3	52.8	14.6
1943.....	44.0	47.0	54.5	36.7	54.0	16.1
1944.....	47.4	50.9	60.2	38.2	57.9	17.1
1945.....	40.6	42.6	45.5	38.1	56.8	17.4
1946.....	35.0	35.3	31.8	39.3	55.8	18.1
1947.....	39.4	39.4	37.9	40.9	63.1	19.6
1948.....	41.0	40.9	39.5	42.2	66.3	21.9
1949.....	38.8	38.7	35.9	41.5	58.8	23.3
1950.....	44.9	45.0	43.7	46.2	65.7	26.5
1951.....	48.7	48.6	49.2	47.8	72.1	30.3
1952.....	50.6	50.6	52.2	48.7	71.5	32.8
1953.....	54.8	55.1	59.0	50.7	73.4	35.6
1954.....	51.9	51.5	52.0	51.0	71.9	38.3
1955.....	58.5	58.2	59.5	56.6	80.2	42.8
1956.....	61.1	60.5	61.5	59.5	84.4	47.0
1957.....	61.9	61.2	61.9	60.5	84.5	50.2
1958.....	57.9	56.9	54.2	61.0	77.5	52.5
1959.....	64.8	64.1	62.2	67.0	81.1	57.8
1960.....	66.2	65.4	63.3	68.6	82.7	61.8
1961.....	66.7	65.6	62.1	70.7	83.2	65.3
1962.....	72.2	71.4	69.0	75.1	85.6	70.2
1963.....	76.5	75.8	73.5	79.2	89.0	75.1
1964.....	81.7	81.2	79.0	84.4	91.1	81.9
1965.....	89.2	89.1	88.5	90.0	93.9	86.9
1966.....	97.9	98.3	99.0	97.3	98.4	93.6
1967.....	100.0	100.0	100.0	100.0	100.0	100.0
1968.....	105.7	105.7	105.5	106.0	103.9	109.4
1969.....	110.7	110.5	110.0	111.1	107.2	119.5
1970.....	106.6	105.2	101.4	110.6	109.7	128.3
1971.....	106.8	105.2	99.4	113.5	107.0	133.9
1972.....	115.2	114.0	108.4	122.1	108.8	143.4
1973.....	125.6	125.1	122.0	129.7	110.3	152.6
1974 p.....	124.8	124.5	120.8	129.9	109.1	149.4
Seasonally adjusted						
1973: Jan.....	122.2	121.4	117.5	127.0	108.5	151.0
Feb.....	123.4	122.7	118.7	128.4	110.2	150.5
Mar.....	123.7	123.4	119.9	128.6	109.5	149.6
Apr.....	124.1	123.8	120.6	128.4	109.0	148.7
May.....	124.9	124.9	121.9	129.2	109.1	149.5
June.....	125.6	125.6	123.0	129.3	109.5	151.6
July.....	126.7	126.5	123.8	130.6	111.0	154.8
Aug.....	126.5	126.1	122.6	130.9	111.5	154.8
Sept.....	126.8	126.3	123.3	130.7	111.8	155.8
Oct.....	127.0	126.4	123.6	130.4	111.9	156.2
Nov.....	127.5	127.4	124.3	131.3	111.3	154.6
Dec.....	126.5	126.4	123.1	131.2	110.4	147.6
1974: Jan.....	125.4	125.3	121.0	131.4	109.9	144.9
Feb.....	124.6	124.5	119.4	131.5	111.7	146.1
Mar.....	124.7	124.6	120.4	131.0	112.2	146.5
Apr.....	124.9	124.8	120.7	130.4	111.3	148.7
May.....	125.7	125.7	122.1	130.9	111.0	149.1
June.....	125.8	125.6	122.1	130.7	110.2	150.6
July.....	125.5	125.2	121.6	130.8	110.2	152.4
Aug.....	125.2	125.2	121.6	130.4	107.3	152.7
Sept.....	125.6	125.5	122.1	130.5	109.2	153.1
Oct.....	124.8	124.5	121.4	129.0	109.1	152.2
Nov p.....	121.7	121.0	117.8	125.7	104.0	151.9
Dec p.....	118.3	117.6	113.5	123.5	104.0	151.2

Source: Board of Governors of the Federal Reserve System.

TABLE C-35.—Industrial production indexes, market groupings, 1947-74

[1967=100]

Year or month	Total industrial production	Final products						Intermediate products	Materials ¹		
		Total	Consumer goods ¹			Equipment			Total	Durable goods	Non-durable goods
			Total	Auto-motive products	Home goods	Total	Business				
1947	39.4	38.3	42.7	47.8	39.1	29.7	38.0	42.5	39.7	39.1	38.8
1948	41.0	39.7	44.0	50.0	40.8	31.2	39.5	44.9	41.4	40.2	40.9
1949	38.8	38.5	43.8	49.6	37.7	27.9	34.5	42.6	37.8	36.0	37.8
1950	44.9	43.4	50.0	62.4	52.0	30.2	37.0	49.6	45.2	45.3	43.6
1951	48.7	46.8	49.5	55.2	44.8	42.1	45.2	52.0	50.0	51.6	47.1
1952	50.6	50.3	50.6	49.7	44.8	50.5	51.2	51.7	50.7	52.7	47.3
1953	54.8	53.7	53.7	62.8	50.7	54.7	53.2	55.3	56.3	61.5	50.2
1954	51.9	50.8	53.3	58.4	46.8	47.9	46.8	55.1	52.0	53.1	50.3
1955	58.5	54.9	59.5	77.7	55.2	48.9	50.7	62.6	61.5	65.0	56.9
1956	61.1	58.2	61.7	63.9	58.1	53.7	58.7	65.3	63.1	65.2	59.5
1957	61.9	59.9	63.2	66.9	56.8	55.9	61.0	65.3	63.1	65.1	59.3
1958	57.9	57.1	62.6	53.2	53.6	50.0	51.5	63.9	56.8	54.8	58.1
1959	64.8	62.7	68.7	66.8	61.6	54.9	57.9	70.5	65.5	65.3	65.0
1960	66.2	64.8	71.3	76.4	62.0	56.4	59.4	71.0	66.4	66.1	65.9
1961	66.7	65.3	72.8	69.8	63.9	55.6	57.7	72.4	66.4	64.6	68.2
1962	72.2	70.8	77.7	84.5	69.4	61.9	62.7	76.9	72.4	71.8	72.9
1963	76.5	74.9	82.0	92.5	74.9	65.6	65.8	81.1	77.0	76.6	77.1
1964	81.7	79.6	86.8	96.8	81.7	70.1	74.7	87.3	82.6	82.7	82.1
1965	89.2	86.8	93.0	112.3	91.4	78.7	84.4	93.0	91.0	93.0	88.5
1966	97.9	96.1	98.6	108.8	100.7	93.0	98.8	99.2	99.8	103.0	96.3
1967	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1968	105.7	105.8	106.6	117.9	106.9	104.7	103.4	105.7	105.7	105.0	106.9
1969	110.7	109.0	111.1	117.4	111.6	106.1	107.9	112.0	112.4	112.2	112.8
1970	106.6	104.5	110.3	99.9	107.6	96.3	101.4	111.7	107.7	103.2	112.5
1971	106.8	104.7	115.7	119.5	112.6	89.4	96.8	112.5	107.4	101.7	114.1
1972	115.2	111.9	123.6	127.7	124.5	95.5	106.1	121.1	117.4	113.5	122.5
1973	125.6	121.3	131.7	136.6	140.1	106.7	122.6	131.0	129.3	130.0	129.2
1974 p	124.8	123.1	121.8	110.5	138.3	118.8	129.6	128.2	127.6	127.7	128.6
Seasonally adjusted											
1973: Jan	122.2	118.6	129.8	138.6	134.5	102.9	116.9	128.4	124.5	124.1	126.3
Feb	123.4	119.3	130.2	141.7	135.8	104.1	118.2	129.5	126.7	126.6	127.7
Mar	123.7	119.6	130.8	144.1	138.3	104.1	118.6	129.4	127.0	127.6	127.1
Apr	124.1	120.0	130.9	141.7	139.8	104.7	119.6	129.3	127.7	127.9	128.5
May	124.9	120.8	131.7	142.6	140.9	105.7	121.3	130.5	128.3	128.6	128.9
June	125.6	121.3	131.9	142.6	141.3	106.6	122.5	132.0	129.0	129.2	129.4
July	126.7	122.1	132.9	141.7	142.9	107.3	123.0	132.5	130.9	131.6	130.4
Aug	126.5	121.4	131.2	121.1	141.1	107.6	124.6	132.1	130.9	131.8	130.6
Sept	126.8	122.4	132.3	129.8	142.8	108.5	125.8	131.0	131.3	132.3	130.3
Oct	127.0	122.7	132.6	131.4	140.9	108.9	126.2	130.6	131.1	132.2	130.1
Nov	127.5	123.6	133.5	133.7	141.1	110.1	127.8	131.1	131.5	133.0	130.7
Dec	126.5	122.6	131.3	120.6	138.7	110.1	126.9	129.1	130.6	132.7	129.2
1974: Jan	125.4	121.3	129.2	108.0	139.6	109.8	126.8	129.2	129.7	129.8	131.1
Feb	124.6	120.6	128.3	106.6	137.5	109.9	127.3	129.1	128.3	127.3	131.1
Mar	124.7	121.0	128.5	108.0	140.1	110.1	127.6	128.1	128.9	127.2	131.9
Apr	124.9	120.7	128.5	113.8	140.6	110.1	127.9	129.4	128.7	127.3	131.9
May	125.7	122.4	129.6	116.1	142.4	112.2	130.3	129.2	129.1	128.3	130.9
June	125.8	122.5	130.3	117.3	142.7	112.0	130.2	128.9	128.8	127.6	131.3
July	125.5	122.8	130.0	113.5	141.8	113.0	131.3	127.8	128.0	125.8	131.1
Aug	125.2	122.1	129.8	114.9	141.2	111.4	128.8	128.6	128.5	128.1	130.4
Sept	125.6	122.6	128.8	111.6	139.0	113.8	132.3	127.6	129.3	129.2	129.3
Oct	124.8	122.4	128.3	114.7	133.2	113.9	131.9	125.3	128.0	129.4	126.4
Nov p	121.7	120.9	126.4	104.0	129.7	113.2	130.9	122.0	122.7	124.0	122.0
Dec p	118.3	118.7	123.5	91.1	125.7	112.0	128.9	120.6	117.5	117.8	117.2

¹ Also includes clothing and consumer staples, not shown separately.² Also includes industrial fuel and power, not shown separately.

Source: Board of Governors of the Federal Reserve System.

TABLE C-36.—Industrial production indexes, selected manufactures, 1947-74

[1967=100]

Year or month	Durable manufactures							Nondurable manufactures				
	Primary metals	Fabricated metal products	Machinery	Transportation equipment	Instruments	Ordinance, private and government	Lumber, clay, and glass	Furniture and miscellaneous	Textiles, apparel, and leather	Paper and printing	Chemicals, petroleum, and rubber	Foods and tobacco
1947.....	64.8	50.2	-----	31.0	24.5	7.8	-----	-----	-----	-----	-----	-----
1948.....	67.4	51.1	-----	33.9	25.2	9.0	-----	-----	-----	-----	-----	-----
1949.....	56.7	46.1	-----	34.0	22.5	9.2	-----	-----	-----	-----	-----	-----
1950.....	71.4	56.5	-----	40.7	26.1	11.4	-----	-----	-----	-----	-----	-----
1951.....	77.7	60.4	-----	45.4	30.0	42.2	-----	-----	-----	-----	-----	-----
1952.....	70.9	58.9	-----	52.8	35.7	52.0	-----	-----	-----	-----	-----	-----
1953.....	80.4	66.5	-----	66.2	39.2	63.2	-----	-----	-----	-----	-----	-----
1954.....	65.0	59.9	41.7	57.6	39.6	48.4	64.7	53.7	65.7	52.2	35.4	63.2
1955.....	84.5	68.3	46.7	66.3	44.2	36.1	73.8	65.8	73.4	57.8	41.2	66.6
1956.....	84.0	69.3	52.2	64.3	48.5	31.8	75.9	68.7	75.1	61.5	43.5	70.3
1957.....	80.4	71.1	52.0	68.9	50.7	35.9	73.3	67.1	73.4	62.2	45.8	71.5
1958.....	63.8	63.7	45.4	54.3	47.7	44.4	71.4	62.1	71.8	61.5	46.5	73.6
1959.....	74.5	71.5	53.9	61.5	55.2	46.1	82.2	68.7	79.6	67.0	53.8	77.2
1960.....	74.2	71.6	56.2	63.7	57.8	46.4	78.5	69.7	79.2	69.2	55.6	79.2
1961.....	72.9	69.8	57.1	59.9	57.3	39.2	79.7	70.6	80.2	71.0	58.3	81.5
1962.....	78.2	75.9	64.8	69.3	59.8	45.0	84.3	76.1	84.3	74.3	64.5	84.0
1963.....	84.3	78.4	67.9	75.9	66.4	51.6	88.9	79.5	86.9	78.4	70.0	87.0
1964.....	95.7	83.3	74.3	79.6	71.3	50.7	94.0	84.7	91.9	84.5	75.9	90.6
1965.....	104.0	92.6	84.1	91.3	82.9	60.5	98.7	93.8	97.8	90.5	83.8	92.6
1966.....	108.8	100.5	98.6	101.2	95.3	75.1	102.6	100.8	101.7	98.9	94.1	97.0
1967.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1968.....	103.2	106.3	101.9	109.7	106.7	113.7	105.6	106.2	104.9	104.2	109.6	103.6
1969.....	114.1	113.6	106.8	107.6	116.1	111.6	111.1	111.6	105.9	109.1	118.4	107.5
1970.....	106.9	109.4	100.3	90.4	110.8	95.3	106.3	108.8	100.2	107.8	118.2	110.8
1971.....	100.9	107.4	96.2	92.9	108.5	86.1	111.5	111.7	100.7	107.8	124.7	113.7
1972.....	113.1	114.8	107.5	99.0	120.2	86.0	120.0	122.7	108.1	116.1	137.8	117.6
1973.....	127.0	130.5	125.8	109.1	138.3	85.7	129.1	135.1	115.0	122.2	149.3	121.9
1974.....	124.4	131.3	129.8	97.0	144.1	86.3	123.8	135.9	108.8	121.1	151.9	124.8
Seasonally adjusted												
1973: Jan.....	123.1	125.7	118.4	107.6	130.1	87.0	126.4	130.3	113.4	120.0	145.5	119.6
Feb.....	124.7	126.2	119.1	110.0	131.9	87.6	127.3	132.8	114.4	121.5	146.3	122.0
Mar.....	123.5	128.4	121.4	110.3	133.8	87.1	129.1	133.4	114.6	122.4	146.3	121.5
Apr.....	125.8	128.9	122.6	110.0	134.7	86.4	129.9	133.1	114.0	120.8	147.9	120.7
May.....	126.1	130.3	124.7	111.0	138.9	85.4	130.3	136.0	113.3	121.9	150.2	121.5
June.....	124.5	133.4	126.9	112.2	140.2	86.7	129.2	135.4	115.0	122.8	149.8	119.5
July.....	128.1	133.5	127.6	112.1	140.8	86.7	129.8	135.9	114.5	123.8	151.8	121.3
Aug.....	125.6	133.8	128.5	105.7	140.9	83.8	129.2	137.5	115.4	124.5	151.0	122.0
Sept.....	127.8	131.5	130.0	107.3	141.5	83.7	128.8	138.2	117.5	122.1	150.9	122.2
Oct.....	128.7	132.4	129.3	108.8	141.0	83.8	129.7	136.1	116.8	121.3	151.1	121.7
Nov.....	128.9	133.1	130.4	109.8	142.6	84.3	129.3	136.3	116.7	121.9	151.6	124.7
Dec.....	130.7	130.0	130.9	103.0	142.7	86.1	127.8	135.3	118.8	121.2	151.6	123.0
1974: Jan.....	129.5	131.4	128.6	95.7	143.0	85.2	129.7	133.4	116.2	121.7	151.5	125.4
Feb.....	125.0	130.6	127.2	93.9	142.8	84.2	127.4	135.2	115.3	122.2	151.2	126.2
Mar.....	125.3	131.6	128.4	95.0	142.8	84.9	128.1	136.8	112.4	122.5	151.2	125.3
Apr.....	124.0	131.3	128.2	97.8	143.8	84.3	128.9	136.8	109.3	121.2	153.5	124.3
May.....	124.6	131.9	129.7	100.6	146.1	86.1	128.0	138.9	109.8	121.3	153.0	126.5
June.....	124.7	132.5	130.4	99.4	147.5	86.4	126.4	138.5	108.5	122.3	153.8	125.3
July.....	123.2	131.1	129.9	98.7	146.7	87.2	125.5	139.7	108.1	122.4	153.9	124.8
Aug.....	121.9	131.6	130.5	99.9	146.7	87.1	123.4	140.1	107.4	121.0	154.4	124.8
Sept.....	123.0	132.0	132.5	100.4	144.9	87.5	120.6	138.8	106.5	122.7	154.7	124.3
Oct.....	124.2	129.3	130.7	102.0	142.0	87.4	117.7	136.7	104.7	120.6	153.0	123.6
Nov.....	120.6	127.1	128.9	93.9	142.7	87.2	114.9	128.3	101.6	115.7	147.7	123.7
Dec.....	112.3	124.3	125.8	85.3	141.5	87.7	112.2	126.8	99.8	114.7	142.9	123.7

Source: Board of Governors of the Federal Reserve System.

TABLE C-37.—Capacity utilization rate in manufacturing and major materials industries, 1948-74

Period	Manufacturing					Major materials industries		
	Output ¹	Capacity	Utilization rate ²			Output	Capacity	Utilization rate ²
			Total	Primary processing	Advanced processing			
	1967 output=100		Percent			1967 output=100		Percent
1948.....	41.5	44.8	92.7	98.1	89.8	42.2	49.9	84.5
1949.....	39.1	47.3	82.7	83.8	82.1	39.7	52.1	76.1
1950.....	45.4	49.4	91.9	97.8	88.8	46.4	54.2	85.6
1951.....	49.3	51.8	95.1	100.1	92.5	50.1	56.3	89.1
1952.....	50.9	54.9	92.8	91.2	93.7	48.7	58.4	83.3
1953.....	55.4	58.1	95.5	94.3	96.1	52.6	61.2	86.0
1954.....	51.4	61.2	84.1	82.9	84.7	50.8	64.6	78.6
1955.....	58.1	64.4	90.0	93.7	87.7	60.4	67.7	89.2
1956.....	60.3	68.3	88.2	90.7	86.9	62.4	70.7	88.3
1957.....	61.1	74.8	84.5	85.2	84.1	62.2	74.6	83.4
1958.....	56.9	75.7	75.1	75.2	75.0	58.8	78.6	74.7
1959.....	64.0	78.6	81.4	82.7	80.7	66.2	82.5	80.2
1960.....	65.3	81.6	80.1	79.4	80.3	67.3	85.5	78.7
1961.....	65.6	84.5	77.6	78.2	77.3	69.7	88.4	78.8
1962.....	71.3	87.7	81.4	81.8	81.1	74.6	92.0	81.1
1963.....	75.7	91.2	83.0	84.0	82.5	79.4	94.9	83.7
1964.....	81.1	94.8	85.5	88.0	84.2	87.2	98.4	88.6
1965.....	89.0	100.0	89.0	91.1	87.8	93.8	103.4	90.8
1966.....	98.1	106.7	91.9	92.1	91.8	100.5	109.1	92.1
1967.....	100.0	113.7	87.9	85.7	89.1	100.0	114.3	87.4
1968.....	105.6	120.5	87.7	86.8	88.1	107.1	119.9	89.3
1969.....	110.4	127.7	86.5	88.5	85.4	113.6	126.2	90.0
1970.....	105.3	134.6	78.3	81.5	76.5	112.7	130.7	86.2
1971.....	105.2	140.3	75.0	79.3	72.7	115.3	135.1	85.3
1972.....	114.0	145.0	78.6	84.6	75.4	126.2	140.8	89.6
1973.....	125.1	150.7	83.0	89.7	79.4	136.3	146.5	93.0
1974 ^p	124.1	157.1	79.0	84.6	76.0	133.8	153.3	87.4
Seasonally adjusted								
1969: I.....	109.5	124.9	87.7	88.6	87.1	110.9	124.3	89.2
II.....	110.4	126.7	87.1	88.7	86.2	112.8	125.5	89.9
III.....	111.8	128.6	86.9	88.9	85.8	114.6	126.9	90.3
IV.....	110.1	130.5	84.3	87.7	82.5	116.1	128.1	90.7
1970: I.....	106.8	132.2	80.8	83.5	79.3	112.7	129.0	87.3
II.....	106.8	133.8	79.8	82.4	78.4	111.9	130.3	85.9
III.....	105.9	135.3	78.3	81.7	76.5	113.3	131.5	86.2
IV.....	101.6	136.9	74.2	78.5	71.9	113.1	132.2	85.5
1971: I.....	103.8	138.3	75.0	79.4	72.7	115.0	133.1	86.4
II.....	105.6	139.6	75.6	81.1	72.7	117.3	134.4	87.3
III.....	105.3	141.0	74.7	78.0	72.9	113.1	135.9	83.2
IV.....	106.1	142.3	74.6	78.6	72.4	115.6	137.2	84.3
1972: I.....	108.5	143.5	75.6	80.8	72.9	120.9	138.8	87.1
II.....	112.5	144.5	77.9	83.5	74.9	124.2	140.1	88.7
III.....	115.5	145.5	79.4	85.9	75.9	128.1	141.4	90.6
IV.....	119.4	146.6	81.5	88.3	77.8	131.6	142.9	92.1
1973: I.....	122.5	148.0	82.8	89.6	79.1	134.2	144.3	93.0
II.....	124.8	149.8	83.3	90.1	79.7	136.1	145.9	93.4
III.....	126.2	151.6	83.3	90.0	79.7	137.6	147.2	93.5
IV.....	126.7	153.4	82.6	89.0	79.2	137.2	148.7	92.3
1974: I ^p	124.8	155.0	80.5	87.3	76.9	135.6	150.4	90.2
II ^p	125.3	156.4	80.1	86.3	76.8	137.3	152.3	90.2
III ^p	125.3	157.9	79.4	85.1	76.3	136.5	154.2	88.5
IV ^p	121.0	159.3	75.9	79.9	73.8	125.8	156.2	80.6

¹ May differ slightly from data shown in Table C-34 because of rounding.² Output as percent of capacity.

Note.—For description of series, see "Federal Reserve Bulletin," October 1971 and November 1966 issues for manufacturing series and April 1974 issue for major materials industries series.

Source: Board of Governors of the Federal Reserve System, based on data of Federal Reserve, Department of Commerce, McGraw-Hill Information Systems Company, and various industry organizations.

TABLE C-38.—New construction activity, 1929-74

[Value put in place, billions of dollars]

Year or month	Total new construction	Private construction							Public construction		
		Total	Residential buildings ¹		Nonresidential buildings and other construction ¹				Total	Federally owned	State and locally owned ³
			Total ²	New housing units	Total	Commer- cial ²	Indus- trial	Other ⁴			
1929	10.8	8.3	3.6	3.0	4.7	1.1	0.9	2.6	2.5	0.2	2.3
1933	2.9	1.2	.5	.3	.8	.1	.2	.5	1.6	.5	1.1
1939	8.2	4.4	2.7	2.3	1.7	.3	.3	1.2	3.8	.8	3.1
1940	8.7	5.1	3.0	2.6	2.1	.3	.4	1.3	3.6	1.2	2.4
1941	12.0	6.2	3.5	3.0	2.7	.4	.8	1.5	5.8	3.8	2.0
1942	14.1	3.4	1.7	1.4	1.7	.2	.3	1.2	10.7	9.3	1.3
1943	8.3	2.0	.9	.7	1.1	.0	.2	.9	6.3	5.6	.7
1944	5.3	2.2	.8	.6	1.4	.1	.2	1.1	3.1	2.5	.6
1945	5.8	3.4	1.3	.7	2.1	.2	.6	1.3	2.4	1.7	.7
1946	12.6	10.4	4.8	3.3	5.6	1.2	1.7	2.8	2.2	.9	1.4
New series											
1946	14.3	12.1	6.2	4.8	5.8	1.2	1.7	3.0	2.2	.9	1.4
1947	20.0	16.7	9.9	7.8	6.9	1.0	1.7	4.2	3.3	.8	2.5
1948	26.1	21.4	13.1	10.5	8.2	1.4	1.4	5.5	4.7	1.2	3.5
1949	26.7	20.5	12.4	10.0	8.0	1.2	1.0	5.9	6.3	1.5	4.8
1950	33.6	26.7	18.1	15.6	8.6	1.4	1.1	6.1	6.9	1.6	5.2
1951	35.4	26.2	15.9	13.2	10.3	1.5	2.1	6.7	9.3	3.0	6.3
1952	36.8	26.0	15.8	12.9	10.2	1.1	2.3	6.8	10.8	4.2	6.6
1953	39.1	27.9	16.6	13.4	11.3	1.8	2.2	7.3	11.2	4.1	7.1
1954	41.4	29.7	18.2	14.9	11.5	2.2	2.0	7.2	11.7	3.4	8.3
1955	46.5	34.8	21.9	18.2	12.9	3.2	2.4	7.3	11.7	2.8	8.9
1956	47.6	34.9	20.2	16.1	14.7	3.6	3.1	8.0	12.7	2.7	10.0
1957	49.1	35.1	19.0	14.7	16.1	3.6	3.6	9.0	14.1	3.0	11.1
1958	50.0	34.6	19.8	15.4	14.8	3.6	2.4	8.8	15.5	3.4	12.1
1959	55.4	39.3	24.3	19.2	15.1	3.9	2.1	9.0	16.1	3.7	12.3
1960	54.7	38.9	23.0	17.3	15.9	4.2	2.9	8.9	15.9	3.6	12.2
1961	56.4	39.3	23.1	17.1	16.2	4.7	2.8	8.7	17.1	3.9	13.3
1962	60.2	42.3	25.2	19.4	17.2	5.1	2.8	9.2	17.9	3.9	14.0
1963	64.8	45.5	27.9	21.7	17.6	5.0	2.9	9.7	19.4	4.0	15.4
1964	67.7	47.3	28.0	21.8	19.3	5.4	3.6	10.3	20.4	3.9	16.5
1965	73.7	51.7	27.9	21.7	23.8	-----	-----	-----	22.1	4.0	18.0
1966	76.4	52.4	25.7	19.4	26.7	-----	-----	-----	24.0	4.0	20.0
1967	78.1	52.5	25.6	19.0	27.0	-----	-----	-----	25.5	3.5	22.1
1968	87.1	59.5	30.6	24.0	28.9	7.8	6.0	15.1	27.6	3.4	24.2
1969	93.9	66.0	33.2	25.9	32.8	9.4	6.8	16.6	28.0	3.3	24.7
1970	94.9	66.8	31.9	24.3	34.9	9.8	6.5	18.6	28.1	3.3	24.8
1971	110.0	80.1	43.3	35.1	36.8	11.6	5.4	19.8	29.9	4.0	25.9
1972	124.1	93.9	54.3	44.9	39.6	13.5	4.7	21.5	30.2	4.4	25.8
1973	135.5	102.9	57.6	47.8	45.3	15.5	6.2	23.6	32.6	4.9	27.7
1974 ^p	134.4	96.1	46.5	37.0	49.6	16.0	7.7	25.9	38.3	5.4	---

See footnotes at end of table.

TABLE C-38.—*New construction activity, 1929-74—Continued*

[Value put in place, billions of dollars]

Year or month	Total new construction	Private construction							Public construction		
		Total	Residential buildings ¹		Nonresidential buildings and other construction ¹			Total	Federally owned	State and locally owned ³	
			Total ²	New housing units	Total	Commer- cial ²	Indus- trial				Other ⁴
Seasonally adjusted annual rates											
1973: Jan.....	134.5	101.7	59.3	48.4	42.4	14.5	5.4	22.5	32.8	4.9	27.9
Feb.....	136.1	104.0	60.8	49.2	43.2	15.0	5.4	22.8	32.1	4.9	27.2
Mar.....	136.5	103.3	60.3	49.4	43.0	14.8	5.5	22.7	33.3	5.4	27.8
Apr.....	134.0	101.7	58.4	49.0	43.3	15.0	5.5	22.8	32.4	4.7	27.7
May.....	134.5	101.9	57.6	49.3	44.3	15.4	5.8	23.1	32.6	5.2	27.4
June.....	134.7	103.2	58.2	49.7	45.0	15.6	6.0	23.4	31.5	4.9	26.6
July.....	137.2	105.6	59.1	49.7	46.4	16.0	6.5	24.0	31.6	4.8	26.8
Aug.....	137.4	105.5	59.3	49.5	46.2	15.8	6.4	24.0	31.9	4.7	27.2
Sept.....	137.3	104.1	58.0	48.2	46.1	15.4	6.8	23.8	33.2	4.8	28.4
Oct.....	136.4	103.3	56.3	46.2	47.0	15.8	6.7	24.5	33.2	4.8	28.3
Nov.....	135.7	102.3	54.5	44.2	47.7	16.1	7.1	24.6	33.4	4.9	28.5
Dec.....	133.2	100.1	52.4	42.1	47.8	15.9	7.3	24.5	33.1	4.8	28.3
1974: Jan.....	132.6	97.8	49.7	39.8	48.1	15.8	6.8	25.5	34.8	4.7	30.1
Feb.....	136.3	98.8	48.9	38.9	49.9	16.7	7.9	25.4	37.5	5.1	32.4
Mar.....	135.1	98.6	48.6	39.1	50.0	16.7	7.5	25.8	36.4	5.4	31.0
Apr.....	136.4	97.4	48.2	39.3	49.3	16.3	6.9	26.1	39.0	5.7	33.2
May.....	138.2	97.9	48.0	39.7	49.9	16.4	7.6	25.9	40.3	5.3	35.0
June.....	136.9	98.4	48.3	39.5	50.1	16.4	8.0	25.7	38.5	5.8	32.7
July.....	137.9	98.0	48.9	38.9	49.0	16.0	7.2	25.9	40.0	5.1	34.9
Aug.....	134.5	96.3	48.3	37.5	48.0	15.1	7.6	25.4	38.2	4.9	33.3
Sept.....	132.9	94.6	45.9	35.5	48.7	15.7	7.7	25.4	38.3	5.4	32.9
Oct p.....	133.0	94.2	43.3	33.7	50.9	16.3	8.3	26.3	38.9	5.5	33.4
Nov p.....	130.1	92.1	40.9	31.7	51.2	16.0	8.7	26.5	38.0	5.4	32.6
Dec p.....	129.1	90.1	38.9	29.7	51.2	15.4	8.7	27.1	39.0	6.2	-----

¹ Beginning 1960, farm residential buildings included in residential buildings; prior to 1960, included in nonresidential buildings and other construction.

² Total includes additions and alterations and nonhousekeeping units, not shown separately.

³ Office buildings, warehouses, stores, restaurants, garages, etc.

⁴ Religious, educational, hospital and institutional, miscellaneous nonresidential, farm, public utilities, and all other private.

⁵ Includes Federal grants-in-aid for State and locally owned projects.

Source: Department of Commerce, Bureau of the Census, except as noted.

TABLE C-39.—*New housing starts and applications for financing, 1929-74*

[Thousands of units]

Year or month	Housing starts							New private housing units authorized ⁵	Proposed home construction ⁶	
	Private and public ¹		Private ¹				Applications for FHA commitments ⁴		Requests for VA appraisals	
	Total (farm and non-farm)	Non-farm	Total (farm and nonfarm)		Government home programs (nonfarm) ²					
			Total	Type of structure ³		FHA ⁴				VA
				One unit	Two or more units					
1929		509.0								
1933		93.0								
1939		515.0				144.7		179.8		
1940		602.6				176.6		231.2		
1941		706.1				217.1		288.5		
1942		356.0				160.2		238.5		
1943		191.0				126.1		144.4		
1944		141.8				83.6		62.9		
New series										
1945		326.0				38.9	78.8	56.6		
1946		1,023.0				67.1	91.8	121.7		
1947		1,268.0				178.3	160.3	286.4		
1948		1,362.0				216.4	71.1	293.2		
1949		1,466.0				252.6	90.8	327.0		
1950		1,952.0				328.2	191.2	397.7		
1951		1,491.0				186.9	148.6	192.8	164.4	
1952		1,504.0				229.1	141.3	267.9	226.3	
1953		1,438.0				216.5	156.5	253.7	251.4	
1954		1,551.0				250.9	307.0	338.6	535.4	
1955		1,646.0				268.7	392.9	306.2	620.8	
1956		1,349.0				183.4	270.7	197.7	401.5	
1957		1,224.0				150.1	128.3	198.8	159.4	
1958		1,382.0				270.3	102.1	341.7	234.2	
1959	1,553.7	1,531.3	1,517.0	1,234.0	283.0	307.0	109.3	369.7	234.0	
1960	1,296.1	1,274.0	1,252.2	994.7	257.4	225.7	74.6	998.0	242.4	
1961	1,365.0	1,336.8	1,313.0	974.3	338.7	198.8	83.3	1,064.2	243.8	
1962	1,492.5	1,468.7	1,462.9	991.4	471.5	197.3	77.8	1,186.6	221.1	
1963	1,634.9	1,614.8	1,603.2	1,012.4	590.8	166.2	71.0	1,334.7	190.2	
1964	1,561.0	1,534.0	1,528.8	970.5	558.3	154.0	59.2	1,285.8	182.1	
1965	1,509.7	1,487.5	1,472.8	963.7	509.1	159.9	49.4	1,239.8	188.9	
1966	1,195.8	1,172.8	1,164.9	778.6	386.3	129.1	36.8	971.9	153.0	
1967	1,321.9	1,298.8	1,291.6	843.9	447.7	141.9	52.5	1,141.0	167.2	
1968	1,545.4	1,521.4	1,507.6	899.4	608.2	147.7	56.1	1,353.4	168.9	
1969	1,499.5	1,482.3	1,466.8	810.6	656.2	153.6	51.2	1,323.7	187.6	
1970	1,469.0	(*)	1,433.6	812.9	620.7	233.5	61.0	1,351.5	315.0	
1971	2,084.5	(*)	2,052.2	1,151.0	901.2	301.2	94.0	1,924.6	366.8	
1972	2,378.5	(*)	2,356.6	1,309.2	1,047.5	198.4	104.0	2,218.9	225.2	
1973	2,057.5	(*)	2,045.3	1,132.0	913.3	73.6	86.1	1,819.5	83.2	
1974 ^a	1,351.0	(*)	1,336.3	887.4	448.8	56.8	72.8	1,051.8	87.1	

See footnotes at end of table.

TABLE C-39.—*New housing starts and applications for financing, 1929-74—Continued*

[Thousands of units]

Year or month	Housing starts							New private housing units authorized ⁵	Proposed home construction ⁶	
	Private and public ¹		Private ¹							
	Total (farm and non-farm)	Non-farm	Total (farm and nonfarm)		Government home programs (nonfarm) ³		Applications for FHA commitments ⁴		Requests for VA appraisals	
			Total	Type of structure ²	FHA ⁴	VA				
				One unit						Two or more units
Seasonally adjusted annual rates										
1973: Jan.....	147.3	(*)	2,472	1,418	1,054	89	96	2,267	124	217
Feb.....	139.5	(*)	2,423	1,363	1,060	110	105	2,256	102	216
Mar.....	201.1	(*)	2,283	1,244	1,040	92	100	2,121	94	200
Apr.....	205.4	(*)	2,153	1,231	922	75	98	1,987	71	168
May.....	234.2	(*)	2,330	1,243	1,088	82	109	1,902	91	166
June.....	203.4	(*)	2,152	1,140	1,013	79	89	2,070	99	166
July.....	203.2	(*)	2,152	1,232	920	81	88	1,814	92	136
Aug.....	199.9	(*)	2,030	1,108	921	69	92	1,777	69	141
Sept.....	148.9	(*)	1,844	990	854	66	71	1,656	94	137
Oct.....	149.5	(*)	1,674	957	718	52	62	1,379	51	142
Nov.....	134.6	(*)	1,675	938	737	57	57	1,361	56	134
Dec.....	90.6	(*)	1,403	767	636	37	68	1,285	30	124
1974: Jan.....	86.2	(*)	1,464	793	671	39	61	1,282	46	124
Feb.....	109.6	(*)	1,922	1,056	866	48	64	1,325	62	163
Mar.....	127.2	(*)	1,499	962	537	48	72	1,410	71	144
Apr.....	160.9	(*)	1,630	995	634	41	74	1,296	71	150
May.....	149.9	(*)	1,471	931	540	63	79	1,120	89	157
June.....	149.5	(*)	1,596	1,014	582	57	75	1,106	91	185
July.....	127.2	(*)	1,338	958	380	54	71	1,017	106	159
Aug.....	114.0	(*)	1,134	812	322	58	69	900	83	184
Sept.....	99.6	(*)	1,150	844	306	61	75	823	97	167
Oct.....	97.2	(*)	1,109	777	332	73	79	782	127	187
Nov ^p	74.9	(*)	990	788	202	71	71	730	105	158
Dec ^p	54.6	(*)	868	678	190	67	77	802	73	127

¹ Units in structures built by private developers for sale upon completion to local public housing authorities under the Department of Housing and Urban Development "Turnkey" program are classified as private housing. Military housing starts, including those financed with mortgages insured by FHA under Section 803 of the National Housing Act, are included in publicly owned starts but excluded from total private starts and from FHA starts.

² Not available prior to 1959 except for nonfarm for 1929-44.

³ Data are not available for new homes started under the Department of Agriculture, Farmers Home Administration program.

⁴ For 1- to 4-unit structures.

⁵ Authorized by issuance of local building permit: in 14,000 permit-issuing places beginning 1972; 13,000 for 1967-71; 12,000 for 1963-66; and 10,000 prior to 1963.

⁶ Units in mortgage applications or appraisal requests for new home construction.

⁷ Monthly estimates for September 1945-May 1950 were prepared by Housing and Home Finance Agency.

⁸ Not available separately beginning January 1970.

Sources: Department of Commerce, Department of Housing and Urban Development, and Veterans Administration (except as noted).

TABLE C-40.—Business expenditures for new plant and equipment, 1947-75¹

[Billions of dollars]

Year or quarter	Total	Manufacturing			Nonmanufacturing							
		Total	Dura- ble goods	Non-durable goods	Total	Mining	Transportation			Public utili- ties	Com-mu- nication	Com- mer- cial and other ²
							Rail- road	Air	Other			
1947.....	19.33	8.44	3.25	5.19	10.89	0.69	0.91	0.17	1.13	1.54	1.40	5.05
1948.....	21.30	9.01	3.30	5.71	12.29	.93	1.37	.10	1.17	2.54	1.74	4.42
1949.....	18.98	7.12	2.45	4.68	11.86	.88	1.42	.12	.76	3.10	1.34	4.24
1950.....	20.21	7.39	2.94	4.45	12.82	.84	1.18	.10	1.09	3.24	1.14	5.22
1951.....	25.46	10.71	4.82	5.89	14.75	1.11	1.58	.14	1.33	3.56	1.37	5.67
1952.....	26.43	11.45	5.21	6.24	14.98	1.21	1.50	.24	1.23	3.74	1.61	5.45
1953.....	28.20	11.86	5.31	6.56	16.34	1.25	1.42	.24	1.29	4.34	1.78	6.02
1954.....	27.19	11.24	4.91	6.33	15.95	1.28	.93	.24	1.22	3.99	1.82	6.45
1955.....	29.53	11.89	5.41	6.48	17.64	1.31	1.02	.26	1.30	4.03	2.11	7.63
1956.....	35.73	15.40	7.45	7.95	20.34	1.64	1.37	.35	1.31	4.52	2.82	8.32
1957.....	37.94	16.51	7.84	8.68	21.43	1.69	1.58	.41	1.30	5.67	3.19	7.60
1958.....	31.89	12.38	5.61	6.77	19.51	1.43	.86	.37	1.06	5.52	2.79	7.48
1959.....	33.55	12.77	5.81	6.95	20.78	1.36	1.02	.78	1.33	5.14	2.72	8.44
1960.....	36.75	15.09	7.23	7.85	21.66	1.30	1.16	.66	1.30	5.24	3.24	8.75
1961.....	35.91	14.33	6.31	8.02	21.58	1.29	.82	.73	1.23	5.00	3.39	9.13
1962.....	38.39	15.06	6.79	8.26	23.33	1.40	1.02	.52	1.65	4.90	3.85	9.99
1963.....	40.77	16.22	7.53	8.70	24.55	1.27	1.26	.40	1.58	4.98	4.06	10.99
1964.....	46.97	19.34	9.28	10.07	27.62	1.34	1.66	1.02	1.50	5.49	4.61	12.02
1965.....	54.42	23.44	11.50	11.94	30.98	1.46	1.99	1.22	1.68	6.13	5.30	13.19
1966.....	63.51	28.20	14.06	14.14	35.32	1.62	2.37	1.74	1.64	7.43	6.02	14.48
1967.....	65.47	28.51	14.06	14.45	36.96	1.65	1.86	2.29	1.48	8.74	6.34	14.59
1968.....	67.76	28.37	14.12	14.25	39.40	1.63	1.45	2.56	1.59	10.20	6.83	15.14
1969.....	75.56	31.68	15.96	15.72	43.88	1.86	1.86	2.51	1.68	11.61	8.30	16.05
1970.....	79.71	31.95	15.80	16.15	47.76	1.89	1.78	3.03	1.23	13.14	10.10	16.59
1971.....	81.21	29.99	14.15	15.84	51.22	2.16	1.67	1.88	1.38	15.30	10.77	18.05
1972.....	88.44	31.35	15.64	15.72	57.09	2.42	1.80	2.46	1.46	17.00	11.89	20.07
1973.....	99.74	38.01	19.25	18.76	61.73	2.74	1.96	2.41	1.66	18.71	12.85	21.40
1974 ³	111.92	45.80	22.67	23.13	66.12	3.10	2.48	1.97	2.03	20.60	13.86	22.08
1975 ³	117.09	49.92	23.08	26.83	67.17	3.67	3.17	1.78	2.34	21.46	34.75	
Seasonally adjusted annual rates												
1972: I.....	86.79	30.09	15.06	15.02	56.70	2.42	2.10	1.96	1.48	16.92	11.71	20.10
II.....	87.12	30.37	14.77	15.60	56.75	2.38	1.88	2.89	1.53	16.60	11.59	19.88
III.....	87.67	30.98	15.67	15.31	56.70	2.40	1.50	2.67	1.41	17.01	11.56	20.16
IV.....	91.94	33.64	16.86	16.78	58.30	2.46	1.71	2.33	1.42	17.53	12.63	20.21
1973: I.....	96.19	35.51	17.88	17.63	60.68	2.59	2.11	2.21	1.53	18.38	12.34	21.53
II.....	97.76	36.58	18.64	17.94	61.18	2.77	1.75	2.72	1.62	18.08	12.70	21.55
III.....	100.90	38.81	19.73	19.08	62.09	2.82	1.95	2.49	1.79	18.58	13.12	21.36
IV.....	103.74	40.61	20.48	20.13	63.12	2.76	2.05	2.20	1.73	19.80	13.24	21.35
1974: I.....	107.27	42.96	21.43	21.53	64.31	2.80	2.10	2.13	1.63	20.12	13.83	21.69
II.....	111.40	45.32	22.50	22.82	66.08	3.07	2.42	2.21	1.84	20.97	13.94	21.63
III.....	113.99	47.04	23.08	23.96	66.94	3.27	2.68	1.84	2.16	20.16	14.01	22.84
IV ³	114.40	47.33	23.45	23.88	67.06	3.24	2.79	1.70	2.38	21.11	35.83	
1975: I ³	118.06	50.68	24.09	26.59	67.38	3.34	2.68	1.91	2.42	21.68	35.36	
II ³	119.47	52.62	24.50	28.12	66.85							

¹ Excludes agricultural business; real estate operators; medical, legal, educational, and cultural service; and nonprofit organizations. These figures do not agree precisely with the nonresidential fixed investment data in the gross national product estimates, mainly because those data include investment by farmers, professionals, institutions, and real estate firms, and certain outlays charged to current account.

² Commercial and other includes trade, service, construction, finance, and insurance.

³ Estimates based on expected capital expenditures reported by business in October-December 1974. Includes adjustments when necessary for systematic tendencies in expectations data.

Note.—Annual total is the sum of unadjusted expenditures; it does not necessarily coincide with the average of seasonally adjusted figures.

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-41.—Sales and inventories in manufacturing and trade, 1947-74

[Amounts in millions of dollars]

Year or month	Total manufacturing and trade			Manufacturing			Merchant wholesalers			Retail trade		
	Sales ¹	Inventories ²	Ratio ³	Sales ¹	Inventories ²	Ratio ³	Sales ¹	Inventories ²	Ratio ³	Sales ¹	Inventories ²	Ratio ³
1947.....				15,513	25,897	1.58				10,200	14,241	1.26
1948.....	35,260	52,507	1.42	17,316	28,543	1.57	6,808	7,957	1.13	11,135	16,007	1.39
1949.....	33,788	49,497	1.53	16,126	26,321	1.75	6,514	7,706	1.19	11,149	15,470	1.41
1950.....	38,596	59,822	1.36	18,634	31,078	1.48	7,695	9,284	1.07	12,268	19,460	1.38
1951.....	43,356	70,242	1.55	21,714	39,306	1.66	8,597	9,886	1.16	13,046	21,050	1.64
1952.....	44,840	72,377	1.58	22,529	41,136	1.78	8,782	10,210	1.12	13,529	21,031	1.52
1953.....	47,987	76,122	1.58	24,843	43,948	1.76	9,052	10,686	1.17	14,091	21,488	1.53
1954.....	46,443	73,175	1.60	23,355	41,612	1.81	8,993	10,637	1.18	14,095	20,926	1.51
1955.....	51,694	79,516	1.47	26,480	45,069	1.62	9,893	11,678	1.13	15,321	22,769	1.43
1956.....	54,063	87,304	1.55	27,740	50,642	1.73	10,513	13,260	1.19	15,811	23,402	1.47
1957.....	55,879	89,052	1.59	28,736	51,871	1.80	10,475	12,730	1.23	16,667	24,451	1.44
1958.....	54,233	86,922	1.60	27,280	50,070	1.84	10,257	12,739	1.24	16,696	24,113	1.43
1959.....	59,661	91,891	1.50	30,219	52,707	1.70	11,491	13,879	1.15	17,951	25,305	1.40
1960.....	60,746	94,747	1.56	30,796	53,814	1.76	11,656	14,120	1.22	18,294	26,813	1.45
1961.....	61,133	95,648	1.54	30,896	54,939	1.74	11,988	14,488	1.20	18,249	26,221	1.43
1962.....	65,417	101,090	1.51	33,113	58,213	1.72	12,674	14,936	1.16	19,630	27,941	1.38
1963.....	68,969	105,477	1.49	35,032	60,043	1.69	13,382	16,048	1.15	20,556	29,386	1.39
1964.....	73,687	111,480	1.47	37,335	63,386	1.64	14,529	17,000	1.14	21,823	31,094	1.40
1965.....	80,292	120,943	1.45	41,003	68,221	1.60	15,611	18,317	1.15	23,677	34,405	1.39
1966.....	87,186	136,803	1.47	44,869	77,965	1.62	16,987	20,765	1.15	25,330	38,073	1.44
1967.....	89,707	145,492	1.57	46,449	84,655	1.76	17,108	21,885	1.23	26,151	38,952	1.46
1968.....	97,138	155,845	1.55	50,282	90,875	1.74	18,366	22,997	1.22	28,490	41,973	1.43
1969.....	103,134	167,360	1.57	53,555	97,074	1.76	19,756	24,910	1.21	29,824	45,376	1.46
1970.....	104,736	175,561	1.64	52,859	101,645	1.89	20,583	27,290	1.26	31,294	46,626	1.47
1971.....	112,315	184,401	1.61	55,917	102,445	1.82	22,327	29,695	1.27	34,071	52,261	1.47
1972.....	124,244	197,087	1.53	62,017	107,719	1.69	24,862	32,817	1.24	37,365	56,551	1.45
1973.....	143,742	224,004	1.45	71,398	120,870	1.58	30,400	38,302	1.16	41,943	64,832	1.44
1974 ⁴	164,344	267,818	1.48	82,078	147,135	1.62	37,394	45,847	1.12	44,872	74,836	1.52
Seasonally adjusted												
1973: Jan.....	135,848	198,939	1.46	67,639	108,187	1.60	27,502	33,503	1.22	40,707	57,249	1.41
Feb.....	138,047	200,887	1.46	68,496	109,082	1.59	28,309	33,897	1.20	41,242	57,908	1.40
Mar.....	140,074	202,524	1.45	69,166	110,174	1.59	28,929	34,128	1.18	41,979	58,222	1.39
Apr.....	140,022	203,912	1.46	69,627	110,577	1.59	29,210	34,476	1.18	41,185	58,859	1.43
May.....	141,726	206,228	1.46	70,376	111,625	1.59	29,627	35,029	1.18	41,723	59,574	1.43
June.....	141,354	208,770	1.48	70,639	113,025	1.60	29,548	35,335	1.20	41,167	60,410	1.47
July.....	145,583	210,773	1.45	72,257	113,910	1.58	30,559	35,770	1.17	42,767	61,093	1.43
Aug.....	145,584	212,765	1.46	72,290	114,907	1.59	30,939	36,238	1.17	42,355	61,620	1.45
Sept.....	145,679	214,645	1.47	72,146	116,114	1.61	31,004	36,588	1.18	42,529	61,943	1.46
Oct.....	149,789	216,889	1.45	74,581	117,224	1.57	32,238	36,809	1.14	42,970	62,856	1.46
Nov.....	152,335	219,867	1.44	76,178	118,435	1.55	33,181	37,509	1.13	42,976	63,923	1.49
Dec.....	150,711	224,004	1.49	74,617	120,870	1.62	33,978	38,302	1.13	42,116	64,832	1.54
1974: Jan.....	154,064	226,918	1.47	76,389	122,570	1.60	34,743	38,986	1.12	42,932	65,362	1.52
Feb.....	156,098	230,140	1.47	76,978	124,831	1.62	35,986	39,640	1.10	43,134	65,669	1.52
Mar.....	159,239	233,120	1.46	78,197	126,500	1.62	37,140	40,425	1.09	43,872	66,195	1.51
Apr.....	160,675	235,216	1.46	79,050	128,438	1.62	37,372	40,423	1.08	44,283	66,355	1.50
May.....	162,924	239,217	1.47	81,117	130,936	1.61	36,913	41,203	1.12	44,894	67,078	1.49
June.....	163,052	243,831	1.50	81,166	133,541	1.65	37,293	42,347	1.14	44,593	67,943	1.52
July.....	168,824	248,775	1.47	84,019	136,731	1.63	38,449	43,171	1.12	46,356	68,873	1.49
Aug.....	171,644	253,308	1.48	85,760	139,727	1.63	38,828	43,704	1.13	47,056	69,877	1.48
Sept.....	170,862	258,622	1.51	85,937	142,975	1.66	38,748	44,500	1.15	46,177	71,147	1.54
Oct.....	171,647	264,612	1.54	88,093	145,062	1.65	37,751	45,642	1.21	45,803	73,908	1.61
Nov.....	168,751	267,818	1.59	86,152	147,135	1.71	38,109	45,847	1.20	44,490	74,836	1.68
Dec.....				80,009	150,059	1.88				44,808		

¹ Monthly average for year and total for month.² Seasonally adjusted, end of period.³ Inventory/sales ratio. For annual periods, ratio of weighted average inventories to average monthly sales; for monthly data, ratio of inventories at end of month to sales for month.⁴ Manufacturing data prior to 1961 not completely comparable with later data. See Department of Commerce, Bureau of the Census, "Series M3-1.1," September 1968.⁵ Based on seasonally adjusted data through November. (See Table C-42 for manufacturing data through December. Based on those data, manufacturing ratio for 1974 is 1.64.)

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 these figures 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 (Bureau of Economic Analysis and Bureau of the Census).

TABLE C-42.—Manufacturers' shipments and inventories, 1947-74

[Millions of dollars]

Year or month	Shipments ¹			Inventories ²								
	Total	Durable goods industries	Non-durable goods industries	Total	Durable goods industries				Nondurable goods industries			
					Total	Materials and supplies	Work in process	Finished goods	Total	Materials and supplies	Work in process	Finished goods
1947	15,513	6,694	8,819	25,897	13,061				12,836			
1948	17,316	7,579	9,738	28,543	14,662				13,881			
1949	16,126	7,191	8,935	26,321	13,060				13,261			
1950	18,634	8,845	9,789	31,078	15,539				15,539			
1951	21,714	10,493	11,221	39,306	20,991				18,315			
1952	22,529	11,313	11,216	41,136	23,731				17,405			
1953	24,843	13,349	11,494	43,948	25,878	8,966	10,720	6,206	18,070	8,317	2,472	7,409
1954	23,355	11,828	11,527	41,612	23,710	7,894	9,721	6,040	17,902	8,167	2,440	7,415
1955	26,480	14,071	12,409	45,069	26,405	9,194	10,756	6,348	18,664	8,556	2,571	7,666
1956	27,740	14,715	13,025	50,642	30,447	10,417	12,317	7,565	20,195	8,971	2,721	8,622
1957	28,736	15,237	13,499	51,871	31,728	10,608	12,837	8,125	20,143	7,725	2,864	8,624
1958	27,280	13,571	13,708	50,070	30,095	9,847	12,294	7,749	19,975	8,671	2,800	8,498
1959	30,219	15,545	14,674	52,707	31,839	10,585	12,952	8,143	20,868	9,089	2,928	8,857
1960	30,796	15,817	14,979	53,814	32,360	10,286	12,780	9,190	21,454	9,113	2,935	9,353
1961 *	30,896	15,544	15,352	54,939	32,509	10,242	13,211	9,056	22,430	9,464	3,193	9,773
1962	33,113	17,103	16,010	58,213	34,605	10,798	14,205	9,602	23,608	9,841	3,304	10,463
1963	35,032	18,247	16,786	60,043	35,813	11,001	14,997	9,815	24,230	10,003	3,410	10,817
1964	37,335	19,634	17,701	63,386	38,436	11,927	16,253	10,256	24,950	10,185	3,519	11,246
1965	41,003	22,216	18,788	68,221	42,227	13,299	18,152	10,776	25,994	10,488	3,823	11,683
1966	44,869	24,633	20,236	77,965	49,818	15,501	21,978	12,339	28,147	11,220	4,237	12,690
1967	46,449	25,212	21,236	84,655	54,931	16,445	25,017	13,469	29,724	11,746	4,434	13,544
1968	50,282	27,694	22,588	90,875	59,112	17,418	27,605	14,089	31,763	12,299	4,849	14,615
1969	53,555	29,459	24,096	97,074	63,371	18,668	29,175	15,528	33,703	12,823	5,152	15,728
1970	52,859	28,229	24,629	101,645	66,768	19,000	30,393	17,375	34,877	13,130	5,278	16,469
1971	55,917	29,948	25,969	102,445	66,050	19,270	29,142	17,638	36,995	13,578	5,647	17,170
1972	62,017	33,443	28,573	107,719	70,218	20,010	32,074	18,134	37,501	13,865	5,968	17,668
1973	71,398	38,724	32,674	120,870	79,441	24,423	36,078	18,940	41,429	15,818	6,597	19,014
1974 *	81,759	42,648	39,111	150,059	97,630	32,758	41,731	23,141	52,429	20,698	8,228	23,503
Seasonally adjusted												
1973: Jan.	67,639	37,011	30,628	108,187	70,590	20,252	32,286	18,052	37,597	13,965	5,960	17,672
Feb.	68,496	37,373	31,123	109,082	71,136	20,463	32,559	18,114	37,946	14,194	5,999	17,753
Mar.	69,166	37,511	31,655	110,174	71,873	20,659	33,005	18,209	38,301	14,261	6,061	17,980
Apr.	69,627	37,810	31,817	110,577	72,213	20,887	33,114	18,212	38,364	14,383	6,110	17,871
May	70,376	38,376	32,000	111,625	72,867	21,198	33,318	18,351	38,758	14,510	6,151	18,097
June	70,639	38,280	32,359	113,025	73,801	21,424	33,735	18,642	39,224	14,857	6,170	18,197
July	72,257	39,788	32,469	113,910	74,278	21,721	33,944	18,613	39,632	15,195	6,196	18,241
Aug.	72,290	38,902	33,388	114,907	75,213	22,080	34,461	18,672	39,694	15,358	6,270	18,066
Sept.	72,146	39,248	32,898	116,114	76,249	22,621	34,742	18,886	39,865	15,395	6,320	18,150
Oct.	74,581	40,879	33,702	117,224	76,951	23,064	35,082	18,805	40,273	15,613	6,347	18,313
Nov.	76,178	41,055	35,123	118,435	77,645	23,444	35,519	18,682	40,790	15,704	6,442	18,644
Dec.	74,617	39,465	35,152	120,870	79,441	24,423	36,078	18,940	41,429	15,818	6,597	19,014
1974: Jan.	76,389	39,994	36,395	122,570	80,541	24,923	36,285	19,333	42,029	16,335	6,568	19,126
Feb.	76,978	40,073	36,905	124,831	81,925	25,494	36,942	19,489	42,906	16,751	6,754	19,401
Mar.	78,197	40,635	37,562	126,500	83,014	26,335	37,264	19,415	43,486	17,062	6,732	19,692
Apr.	79,050	41,232	37,818	128,438	84,108	26,913	37,721	19,474	44,330	17,535	6,922	19,873
May	81,117	42,538	38,579	130,936	85,715	27,739	38,335	19,641	45,221	18,046	7,056	20,119
June	81,166	42,785	38,381	133,541	87,366	28,471	38,870	20,025	46,175	18,506	7,307	20,362
July	84,019	44,122	39,897	136,731	89,286	29,439	39,341	20,506	47,445	19,111	7,503	20,831
Aug.	85,760	44,825	40,935	139,727	91,004	30,416	39,913	20,675	48,723	19,623	7,681	21,419
Sept.	85,937	45,016	40,921	142,975	93,184	31,102	40,488	21,594	49,791	20,226	7,748	21,817
Oct.	88,093	46,548	41,545	145,062	94,680	31,846	40,848	21,986	50,382	20,773	7,823	22,286
Nov *	86,152	44,752	41,400	147,135	95,787	32,164	41,121	22,502	51,348	20,353	7,917	23,078
Dec *	80,009	40,778	39,231	150,059	97,630	32,758	41,731	23,141	52,429	20,698	8,228	23,503

¹ Monthly average for year and total for month.² Book value, seasonally adjusted, end of period, except as noted.³ Data prior to 1961 not completely comparable with later data. See Department of Commerce, Bureau of the Census, "Series M3-1.1," September 1968.

Source: Department of Commerce, Bureau of the Census.

TABLE C-43.—Manufacturers' new and unfilled orders, 1947-74

[Amounts in millions of dollars]

Year or month	New orders ¹				Unfilled orders ²			Unfilled orders-shipments ratio ³		
	Total	Durable goods industries		Non-durable goods industries, non-defense	Total	Durable goods industries	Non-durable goods industries	Total	Durable goods industries	Non-durable goods industries
		Total	Capital goods industries, non-defense							
1947	15,256	6,388		8,868	34,473	28,579	5,894			
1948	17,693	8,126		9,566	30,736	26,619	4,117			
1949	15,614	6,633		8,981	24,045	19,622	4,423			
1950	20,110	10,165		9,945	41,456	35,435	6,021			
1951	23,907	12,841		11,066	67,266	63,394	3,872			
1952	23,204	12,061		11,143	75,857	72,680	3,177			
1953	23,586	12,147		11,439	61,178	58,637	2,541			
1954	22,335	10,768		11,566	48,266	45,250	3,016	3.42	4.12	0.96
1955	27,465	14,996		12,469	60,004	56,241	3,763	3.63	4.27	1.12
1956	28,368	15,365		13,003	67,375	63,880	3,495	3.87	4.55	1.04
1957	27,559	14,111		13,448	53,183	50,352	2,831	3.35	4.00	.85
1958	26,903	13,171		13,733	48,882	45,739	3,143	2.60	3.49	.55
1959	30,672	15,948		14,724	54,494	50,654	3,840	2.85	3.44	.88
1960	30,115	15,223		14,893	46,133	43,401	2,732	2.58	3.21	.63
1961	31,086	15,699		15,387	48,395	45,241	3,154	2.52	3.01	.72
1962	33,005	17,025		15,980	47,307	44,485	2,822	2.46	2.95	.65
1963	35,322	18,521		16,801	50,940	47,958	2,982	2.40	2.89	.63
1964	37,952	20,258		17,694	58,506	55,623	2,883	2.49	2.99	.57
1965	41,803	22,986		18,817	68,146	64,920	3,226	2.62	3.12	.60
1966	45,944	25,720		20,224	81,029	77,964	3,065	2.93	3.51	.56
1967	46,763	25,526		21,238	84,994	81,904	3,090	2.81	3.38	.52
1968	50,243	27,666	6,971	22,577	84,146	81,209	2,937	2.71	3.27	.47
1969	53,646	29,549	7,694	24,097	85,265	82,313	2,952	2.59	3.13	.45
1970	52,118	27,486	7,055	24,632	76,272	73,286	2,986	2.41	2.92	.45
1971	55,726	29,745	7,324	25,981	73,928	70,798	3,130	2.17	2.62	.44
1972	62,922	34,274	8,487	28,648	84,948	80,914	4,034	2.19	2.61	.52
1973	73,836	41,098	10,310	32,738	114,694	109,862	4,832	2.64	3.14	.57
1974 ^p	83,330	44,291	11,465	39,038	133,796	129,825	3,971	2.97	3.59	.45
Seasonally adjusted										
1973: Jan.	69,164	33,366	9,567	30,798	86,473	82,269	4,204	2.19	2.59	0.53
Feb.	70,274	39,017	9,449	31,257	88,251	83,913	4,338	2.20	2.61	.54
Mar.	72,184	40,399	10,035	31,785	91,269	86,801	4,468	2.25	2.67	.55
Apr.	72,599	40,615	9,945	31,984	94,239	89,604	4,635	2.30	2.73	.57
May	73,600	41,514	10,044	32,086	97,460	92,740	4,720	2.34	2.79	.57
June	74,291	41,946	10,564	32,345	101,120	96,412	4,708	2.43	2.89	.57
July	74,288	41,840	10,571	32,448	103,145	98,459	4,686	2.44	2.89	.57
Aug.	75,407	41,983	10,283	33,424	106,268	101,545	4,723	2.53	3.01	.57
Sept.	74,024	41,154	10,389	32,870	108,144	103,450	4,694	2.57	3.06	.60
Oct.	77,025	43,304	10,928	33,721	110,586	105,874	4,712	2.53	3.00	.56
Nov.	78,601	43,475	11,160	35,126	113,015	108,297	4,718	2.55	3.04	.54
Dec.	76,292	41,027	10,943	35,265	114,694	109,862	4,832	2.64	3.14	.57
1974: Jan.	78,139	41,515	11,003	36,624	116,445	111,384	5,061	2.63	3.13	.57
Feb.	79,127	42,267	11,415	36,860	118,599	113,584	5,015	2.64	3.16	.56
Mar.	79,547	41,974	11,300	37,573	119,955	114,927	5,028	2.64	3.15	.57
Apr.	82,059	44,124	11,925	37,935	122,961	117,817	5,144	2.68	3.21	.56
May	85,264	46,730	11,804	38,534	127,114	122,016	5,098	2.69	3.22	.54
June	85,176	46,848	12,011	38,328	131,129	126,082	5,047	2.76	3.30	.54
July	87,517	47,709	12,800	39,808	134,623	129,667	4,956	2.81	3.38	.52
Aug.	90,393	49,463	11,805	40,930	139,256	134,305	4,951	2.87	3.44	.52
Sept.	87,147	46,402	11,832	40,745	140,467	135,695	4,772	2.87	3.45	.50
Oct.	86,369	45,084	11,383	41,285	138,738	134,224	4,514	2.76	3.30	.47
Nov ^p	84,282	43,182	10,623	41,100	136,869	132,656	4,213	2.81	3.38	.44
Dec ^p	76,935	37,946	10,108	38,989	133,796	129,825	3,971	2.97	3.59	.45

¹ Monthly average for year and total for month.² Seasonally adjusted, end of period.³ Ratio of unfilled orders at end of period to shipments for period; excludes industries with no unfilled orders. Annual figures relate to seasonally adjusted data for December, except as noted.⁴ Data prior to 1961 not completely comparable with later data. Comparable data for new orders (total, durable, and nondurable) are available for 1958, 1959, and 1960 only. See Department of Commerce, Bureau of the Census, "Series M3-1.1," September 1968, for these data.

Source: Department of Commerce, Bureau of the Census.

PRICES

TABLE C-44.—Consumer price indexes by expenditure classes, 1929-74

For urban wage earners and clerical workers

[1967=100]

Year or month	All items	Food	Housing		Apparel and upkeep	Transportation	Medical care	Personal care	Reading and recreation	Other goods and services
			Total	Rent						
1929	51.3	48.3		76.0	48.5					
1933	38.8	30.6		54.1	36.9					
1939	41.6	34.6	52.2	56.0	42.4	43.0	36.7	40.3	45.3	46.9
1940	42.0	35.2	52.4	56.2	42.8	42.7	36.8	40.2	46.1	48.3
1941	44.1	38.4	53.7	57.2	44.8	44.2	37.0	41.2	47.7	49.2
1942	48.8	45.1	56.2	58.5	52.3	48.1	38.0	45.2	50.0	50.7
1943	51.8	50.3	56.8	58.5	54.6	47.9	39.9	49.9	54.1	53.3
1944	52.7	49.6	58.1	58.6	58.5	47.9	41.1	53.4	60.0	54.7
1945	53.9	50.7	59.1	58.8	61.5	47.8	42.1	55.1	62.4	56.9
1946	58.5	58.1	60.6	59.2	67.5	50.3	44.4	59.0	64.5	58.8
1947	66.9	70.6	65.2	61.1	78.2	55.5	48.1	66.0	68.7	63.8
1948	72.1	76.6	69.8	65.1	83.3	61.8	51.1	68.5	72.2	66.8
1949	71.4	73.5	70.9	68.0	80.1	66.4	52.7	68.3	74.9	68.7
1950	72.1	74.5	72.8	70.4	79.0	68.2	53.7	68.3	74.4	69.9
1951	77.8	82.8	77.2	73.2	86.1	72.5	56.3	74.7	76.6	72.8
1952	79.5	84.3	78.7	76.2	85.3	77.3	59.3	75.6	76.9	76.6
1953	80.1	83.0	80.8	80.3	84.6	79.5	61.4	76.3	77.7	78.5
1954	80.5	82.8	81.7	83.2	84.5	78.3	63.4	76.6	76.9	79.8
1955	80.2	81.6	82.3	84.3	84.1	77.4	64.8	77.9	76.7	79.8
1956	81.4	82.2	83.6	85.9	85.8	78.8	67.2	81.1	77.8	81.0
1957	84.3	84.9	86.2	87.5	87.3	83.3	69.9	84.1	80.7	83.3
1958	86.6	88.5	87.7	89.1	87.5	86.0	73.2	86.9	83.9	84.4
1959	87.3	87.1	88.6	90.4	88.2	89.6	76.4	88.7	85.3	86.1
1960	88.7	88.0	90.2	91.7	89.6	89.6	79.1	90.1	87.3	87.8
1961	89.6	89.1	90.9	92.9	90.4	90.6	81.4	90.6	89.3	88.5
1962	90.6	89.9	91.7	94.0	90.9	92.5	83.5	92.2	91.3	89.1
1963	91.7	91.2	92.7	95.0	91.9	93.0	85.6	93.4	92.8	90.6
1964	92.9	92.4	93.8	95.9	92.7	94.3	87.3	94.5	95.0	92.0
1965	94.5	94.4	94.9	96.9	93.7	95.9	89.5	95.2	95.9	94.2
1966	97.2	99.1	97.2	98.2	96.1	97.2	93.4	97.1	97.5	97.2
1967	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1968	104.2	103.6	104.2	102.4	105.4	103.2	106.1	104.2	104.7	104.6
1969	109.8	108.9	110.8	105.7	111.5	107.2	113.4	109.3	108.7	109.1
1970	116.3	114.9	118.9	110.1	116.1	112.7	120.6	113.2	113.4	116.0
1971	121.3	118.4	124.3	115.2	119.8	118.6	128.4	116.8	119.3	120.9
1972	125.3	123.5	129.2	119.2	122.3	119.9	132.5	119.8	122.8	125.5
1973	133.1	141.4	135.0	124.3	126.8	123.8	137.7	125.2	125.9	129.0
1974	147.7	161.7	150.6	130.2	136.2	137.7	150.5	137.3	133.8	137.2
1973: Jan.	127.7	128.6	131.5	121.8	123.0	121.0	134.9	121.8	124.1	126.7
Feb.	128.6	131.1	132.0	122.3	123.6	121.1	135.3	122.4	124.3	127.1
Mar.	129.8	134.5	132.4	122.8	124.8	121.5	135.8	123.1	124.5	127.6
Apr.	130.7	136.5	132.8	123.2	125.8	122.6	136.2	123.8	125.2	128.2
May	131.5	137.9	133.3	123.7	126.7	123.5	136.6	124.4	125.6	128.5
June	132.4	139.8	133.9	124.0	126.8	124.6	137.0	124.9	125.9	129.0
July	132.7	140.9	134.2	124.4	125.8	124.8	137.3	125.3	126.2	129.5
Aug.	135.1	149.4	135.2	125.0	126.5	124.5	137.6	125.7	126.1	129.4
Sept.	135.5	148.3	136.6	125.4	128.3	123.9	138.3	126.3	126.8	129.9
Oct.	136.6	148.4	138.1	125.9	129.6	125.0	140.6	127.3	127.2	130.3
Nov.	137.6	150.0	139.4	126.3	130.5	125.8	140.9	128.1	127.5	130.8
Dec.	138.5	151.3	140.6	126.9	130.5	126.7	141.4	129.2	127.6	131.3
1974: Jan.	139.7	153.7	142.2	127.3	128.8	128.1	142.2	129.8	128.3	131.8
Feb.	141.5	157.6	143.4	128.0	130.4	129.3	143.4	130.8	128.9	132.3
Mar.	143.1	159.1	144.9	128.4	132.2	132.0	144.8	131.8	129.5	132.8
Apr.	143.9	158.6	146.0	128.8	133.6	133.7	145.6	133.1	130.4	133.6
May	145.5	159.7	147.6	129.3	135.0	136.3	147.2	134.9	132.0	134.4
June	146.9	160.3	149.2	129.8	135.7	138.8	149.4	136.5	133.5	135.8
July	148.0	160.5	150.9	130.3	135.3	140.6	151.4	137.8	134.6	137.7
Aug.	149.9	162.8	152.8	130.9	138.1	141.3	153.7	139.3	135.2	139.4
Sept.	151.7	165.0	154.9	131.4	139.9	142.2	155.2	141.2	137.0	140.4
Oct.	153.0	166.1	156.7	132.2	141.1	142.9	156.3	143.0	137.8	141.4
Nov.	154.3	167.8	158.3	132.8	142.4	143.4	157.5	144.2	138.8	142.7
Dec.	155.4	169.7	159.9	133.5	141.9	143.5	159.0	145.3	139.8	143.9

Source: Department of Labor, Bureau of Labor Statistics.

TABLE C-45.—Consumer price indexes by commodity and service groups, 1939-74

For urban wage earners and clerical workers

[1967=100]

Year or month	All items	Commodities					Services			Special indexes		
		All commodities	Food	Commodities less food			All services	Rent	Services less rent	All items less food	All items less shelter	Non-durable commodities
				All	Durable	Non-durable						
1939.....	41.6	40.2	34.6	47.7	48.5	44.3	43.5	56.0	38.1	47.2	39.7	38.4
1940.....	42.0	40.6	35.2	48.0	48.1	44.7	43.6	56.2	38.1	47.3	39.9	38.9
1941.....	44.1	43.3	38.4	50.4	51.4	46.7	44.2	57.2	38.6	48.7	42.4	41.6
1942.....	48.8	49.6	45.1	56.0	58.4	51.6	45.6	58.5	40.3	52.1	47.7	47.6
1943.....	51.8	54.0	50.3	58.4	60.3	53.8	46.4	58.5	42.1	53.6	51.3	51.8
1944.....	52.7	54.7	49.6	61.6	65.9	56.6	47.5	58.6	44.2	55.7	52.2	52.2
1945.....	53.9	56.3	50.7	64.1	70.9	58.6	48.2	58.8	45.1	56.9	53.6	53.7
1946.....	58.5	62.4	58.1	68.1	74.1	62.9	49.1	59.2	46.7	59.4	59.0	59.6
1947.....	66.9	75.0	70.6	76.8	80.3	72.2	51.1	61.1	49.0	64.9	68.5	71.9
1948.....	72.1	80.4	76.6	82.7	86.2	77.8	54.3	65.1	51.9	69.6	73.9	77.2
1949.....	71.4	78.3	73.5	81.5	87.4	76.3	56.9	68.0	54.5	70.3	72.6	74.9
1950.....	72.1	78.8	74.5	81.4	88.4	76.2	58.7	70.4	56.0	71.1	73.1	75.4
1951.....	77.8	85.9	82.8	87.5	95.1	82.0	61.8	73.2	59.3	75.7	79.2	82.5
1952.....	79.5	87.0	84.3	88.3	96.4	82.4	64.5	76.2	62.2	77.5	80.8	83.4
1953.....	80.1	86.7	83.0	88.5	95.7	83.1	67.3	80.3	64.8	79.0	81.0	83.2
1954.....	80.5	85.9	82.8	87.5	93.3	83.5	69.5	83.2	66.7	79.5	81.0	83.2
1955.....	80.2	85.1	81.6	86.9	91.5	83.5	70.9	84.3	68.2	79.7	80.6	82.5
1956.....	81.4	85.9	82.2	87.8	91.5	85.3	72.7	85.9	70.1	81.1	81.7	83.7
1957.....	84.3	88.6	84.9	90.5	94.4	87.6	75.6	87.5	73.3	83.8	84.4	86.3
1958.....	86.6	90.6	88.5	91.5	95.9	88.2	78.5	89.1	76.4	85.7	86.9	88.6
1959.....	87.3	90.7	87.1	92.7	97.3	89.3	80.8	90.4	79.0	87.3	87.6	88.2
1960.....	88.7	91.5	88.0	93.1	96.7	90.7	83.5	91.7	81.9	88.8	88.9	89.4
1961.....	89.6	92.0	89.1	93.4	96.6	91.2	85.2	92.9	83.9	89.7	89.9	90.2
1962.....	90.6	92.8	89.9	94.1	97.6	91.8	86.8	94.0	85.5	90.8	90.9	90.9
1963.....	91.7	93.6	91.2	94.8	97.9	92.7	88.5	95.0	87.3	92.0	92.1	92.0
1964.....	92.9	94.6	92.4	95.6	98.8	93.5	90.2	95.9	89.2	93.2	93.2	93.0
1965.....	94.5	95.7	94.4	96.2	98.4	94.8	92.2	96.9	91.5	94.5	94.6	94.6
1966.....	97.2	98.2	99.1	97.5	98.5	97.0	95.8	98.2	95.3	96.7	97.4	98.1
1967.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1968.....	104.2	103.7	103.6	103.7	103.1	104.1	105.2	102.4	105.7	104.4	104.1	103.9
1969.....	109.8	108.4	108.9	108.1	107.0	108.8	112.5	105.7	113.8	110.1	109.0	108.9
1970.....	116.3	113.5	114.9	112.5	111.8	113.1	121.6	110.1	123.7	116.7	114.4	114.0
1971.....	121.3	117.4	118.4	116.8	116.5	117.0	128.4	115.2	130.8	122.1	119.3	117.7
1972.....	125.3	120.9	123.5	119.4	118.9	119.8	133.3	119.2	135.9	125.8	122.9	121.7
1973.....	133.1	129.9	141.4	123.5	121.9	124.8	139.1	124.3	141.8	130.7	131.1	132.8
1974.....	147.7	145.5	161.7	136.6	130.6	140.9	152.0	130.2	156.0	143.6	146.1	151.0
1973: Jan.....	127.7	123.4	128.6	120.5	119.9	120.9	135.7	121.8	138.3	127.5	125.3	124.7
Feb.....	128.6	124.5	131.1	120.9	119.9	121.6	136.2	122.3	138.7	127.9	126.4	126.2
Mar.....	129.8	126.1	134.5	121.5	120.2	122.4	136.6	122.8	139.2	128.4	127.8	128.3
Apr.....	137.7	127.4	136.5	122.3	121.0	123.3	137.1	123.2	139.6	129.1	128.9	129.7
May.....	131.5	128.3	137.9	123.0	121.8	124.0	137.6	123.7	140.1	129.7	129.7	130.7
June.....	132.4	129.4	139.8	123.7	122.3	124.7	138.1	124.0	140.7	130.3	130.6	132.0
July.....	132.7	129.7	140.9	123.5	122.4	124.4	138.4	124.4	141.0	130.4	131.0	132.4
Aug.....	135.1	132.8	149.4	123.8	122.6	124.7	139.3	125.0	141.9	130.9	133.5	136.6
Sept.....	135.5	132.8	148.3	124.3	122.6	125.5	140.6	125.4	143.4	131.8	133.6	136.5
Oct.....	136.6	133.5	148.4	125.4	123.2	127.0	142.2	125.9	145.2	133.1	134.5	137.4
Nov.....	137.6	134.7	150.0	126.3	123.3	128.5	143.0	126.3	146.1	134.0	135.6	138.9
Dec.....	138.5	135.7	151.3	127.1	123.2	130.0	143.8	126.9	146.9	134.8	136.5	140.3
1974: Jan.....	139.7	137.0	153.7	127.9	123.3	131.3	144.8	127.3	148.0	135.6	137.8	142.1
Feb.....	141.5	139.3	157.6	129.2	123.4	133.5	145.8	128.0	149.1	136.8	139.8	145.2
Mar.....	141.1	141.0	159.1	131.1	124.3	136.1	147.0	128.4	150.4	138.4	141.5	147.2
Apr.....	143.9	141.8	158.6	132.6	125.6	137.7	147.9	128.8	151.4	139.6	142.3	147.8
May.....	145.5	143.4	159.7	134.5	127.5	139.5	149.4	129.3	153.1	141.3	144.0	149.3
June.....	146.9	144.8	160.3	136.2	129.7	141.0	150.9	129.8	154.7	142.9	145.4	150.4
July.....	148.0	145.6	160.5	137.5	131.5	141.8	152.5	130.3	156.6	144.4	146.4	150.9
Aug.....	149.9	147.6	162.8	139.3	133.2	143.7	154.2	130.9	158.4	146.1	148.3	153.0
Sep.....	151.7	149.4	165.0	140.9	134.8	145.3	155.9	131.4	160.3	147.8	150.0	154.8
Oct.....	153.0	150.7	166.1	142.2	136.8	146.1	157.3	132.2	161.9	149.1	151.2	155.8
Nov.....	154.3	152.0	167.8	143.3	138.0	147.2	158.6	132.8	163.3	150.4	152.5	157.2
Dec.....	155.4	153.0	169.7	143.9	138.8	147.7	160.0	133.5	164.8	151.3	153.5	158.3

Source: Department of Labor, Bureau of Labor Statistics.

TABLE C-46.—Consumer price indexes, selected commodities and services, 1939–74
For urban wage earners and clerical workers
[1967=100]

Year or month	Durable commodities				Nondurable commodities less food			Services less rent				
	Total ¹	New cars	Used cars	Household durables	Total	Apparel commodities	Nondurables less food and apparel	Total	Household services less rent	Transportation services	Medical care services	Other ²
1939.....	48.5	43.2	-----	56.6	44.3	43.0	46.3	38.1	-----	36.1	32.5	-----
1940.....	48.1	43.3	-----	55.9	44.7	43.5	46.8	38.1	-----	36.1	32.5	-----
1941.....	51.4	46.6	-----	59.8	46.7	45.8	48.4	38.6	-----	36.3	32.7	-----
1942.....	58.4	-----	-----	66.9	51.6	53.5	51.1	40.3	-----	38.2	33.7	-----
1943.....	60.3	-----	-----	69.5	53.8	55.9	53.2	42.1	-----	38.2	35.4	-----
1944.....	65.9	-----	-----	76.0	56.6	59.8	54.7	44.2	-----	38.2	36.9	-----
1945.....	70.9	-----	-----	81.8	58.6	63.0	55.8	45.1	-----	38.2	37.9	-----
1946.....	74.1	-----	-----	86.5	62.9	69.5	58.2	46.7	-----	39.0	40.1	-----
1947.....	80.3	69.2	-----	95.6	72.2	80.4	66.2	49.0	-----	40.3	43.5	-----
1948.....	86.2	75.6	-----	101.7	77.8	85.4	72.3	51.9	-----	44.9	46.4	-----
1949.....	87.4	82.8	-----	99.0	76.3	82.0	72.4	54.5	-----	50.0	48.1	-----
1950.....	88.4	83.4	-----	100.2	76.2	81.1	72.9	56.0	-----	53.3	49.2	-----
1951.....	95.1	87.4	-----	109.8	82.0	88.7	77.5	59.3	-----	58.3	51.7	-----
1952.....	96.4	94.9	-----	106.9	82.4	87.7	79.0	62.2	-----	62.4	55.0	-----
1953.....	95.7	95.8	89.2	105.7	83.1	86.7	81.0	64.8	-----	66.4	57.0	-----
1954.....	93.3	94.3	75.9	102.9	83.5	86.3	81.8	66.7	-----	69.2	58.7	-----
1955.....	91.5	90.9	71.8	100.1	83.5	85.8	82.1	68.2	-----	69.4	60.4	-----
1956.....	91.5	93.5	69.1	99.7	85.3	87.3	84.1	70.1	71.2	70.5	62.8	71.1
1957.....	94.4	98.4	77.4	101.4	87.6	88.2	87.4	73.3	75.4	73.8	65.5	73.9
1958.....	95.9	101.5	80.2	102.1	88.2	88.2	88.3	76.4	79.4	78.5	68.7	76.2
1959.....	97.3	105.9	89.5	102.0	89.3	89.0	89.6	79.0	81.6	81.2	72.0	78.0
1960.....	96.7	104.5	83.6	101.9	90.7	90.3	90.9	81.9	85.0	83.3	74.9	80.8
1961.....	96.6	104.5	86.9	100.7	91.2	90.8	91.3	83.9	86.0	85.3	77.7	83.4
1962.....	97.6	104.1	94.8	100.6	91.8	91.2	92.1	85.5	87.1	86.6	80.2	85.6
1963.....	97.9	103.5	96.0	100.3	92.7	92.0	93.1	87.3	89.0	87.5	82.6	87.7
1964.....	98.8	103.2	100.1	100.2	93.5	92.8	93.9	89.2	90.4	89.6	84.6	90.1
1965.....	98.4	100.9	93.4	98.7	94.8	93.6	95.5	91.5	92.1	92.9	87.3	92.6
1966.....	98.5	99.1	97.0	98.6	97.0	96.0	97.5	95.3	95.7	96.8	92.0	96.2
1967.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1968.....	103.1	102.8	(*)	103.3	104.1	105.6	103.3	105.7	105.9	104.0	107.3	105.6
1969.....	107.0	104.4	103.1	107.4	108.8	111.9	107.0	113.8	115.3	111.3	116.0	110.6
1970.....	111.8	107.6	104.3	110.2	113.1	116.5	111.2	123.7	126.8	123.1	124.2	116.7
1971.....	116.5	112.0	110.2	112.9	117.0	120.1	115.2	130.8	132.6	133.0	133.3	122.5
1972.....	118.9	111.0	110.5	115.0	119.8	122.7	118.2	135.9	139.2	136.0	138.2	125.8
1973.....	121.9	111.1	117.6	118.8	124.8	127.1	123.4	141.8	146.8	136.9	144.3	131.6
1974.....	130.6	117.5	122.6	128.9	140.9	136.1	143.8	156.0	166.0	141.9	159.1	141.7
1973: Jan.....	119.9	111.1	112.8	116.1	120.9	123.1	119.7	138.3	142.3	136.0	141.0	128.1
Feb.....	119.9	111.0	112.4	116.3	121.6	123.8	120.4	138.7	142.8	136.1	141.5	128.6
Mar.....	120.2	110.8	113.7	116.9	122.4	125.2	120.8	139.2	143.2	136.3	142.2	129.2
Apr.....	121.0	111.1	117.3	117.7	123.3	126.2	121.7	139.6	143.6	136.5	142.7	129.9
May.....	121.8	111.1	120.6	118.5	124.0	127.2	122.2	140.1	144.2	136.6	143.1	130.6
June.....	122.3	111.0	122.3	119.2	124.7	127.2	123.3	140.7	144.9	137.0	143.6	131.3
July.....	122.4	110.9	122.7	119.4	124.4	126.0	123.5	141.0	145.3	137.0	143.9	131.7
Aug.....	122.6	110.6	121.3	119.6	124.7	126.6	123.6	141.9	146.8	137.1	144.3	132.1
Sept.....	122.6	109.1	120.3	120.1	125.5	128.7	123.8	143.4	149.3	137.2	145.1	133.3
Oct.....	123.2	111.9	118.5	120.4	127.0	130.0	125.3	145.2	151.7	137.4	147.8	134.0
Nov.....	123.3	112.2	116.1	120.8	128.5	130.8	127.3	146.1	153.2	137.4	148.2	134.8
Dec.....	123.2	112.0	112.6	121.0	130.0	130.7	129.6	146.9	154.3	138.1	148.7	135.3
1974: Jan.....	123.3	112.9	107.0	121.8	131.3	128.6	132.9	148.0	155.8	138.8	149.7	135.9
Feb.....	123.4	112.7	103.0	122.5	133.5	130.3	135.5	149.1	157.1	139.1	151.1	136.8
Mar.....	124.3	112.8	102.2	123.7	136.1	132.1	138.5	150.4	158.8	139.6	152.7	137.6
Apr.....	125.6	113.3	107.0	125.1	137.7	133.6	140.1	151.4	160.1	140.1	153.6	138.4
May.....	127.5	114.6	114.4	126.5	139.5	135.0	142.2	153.1	162.1	140.5	155.4	140.2
June.....	129.7	116.4	122.2	128.2	141.0	135.6	144.3	154.7	164.0	141.5	158.0	141.1
July.....	131.5	118.0	127.9	129.5	141.8	135.0	145.9	156.6	166.5	142.3	160.2	142.1
Aug.....	133.2	118.1	132.0	131.5	143.7	138.0	147.2	158.4	169.0	142.7	162.8	143.0
Sept.....	134.8	118.4	135.9	133.0	145.3	139.8	148.6	160.3	171.5	143.4	164.5	144.7
Oct.....	136.8	123.7	139.4	134.1	146.1	141.0	149.2	161.9	173.8	144.0	165.6	145.5
Nov.....	138.0	124.5	141.6	135.4	147.2	142.3	150.2	163.3	175.7	144.9	167.0	146.7
Dec.....	138.8	124.9	138.4	136.0	147.7	141.6	151.3	164.8	177.5	146.0	168.5	147.7

¹ Includes certain items not shown separately.

² Includes the services components of apparel, personal care, reading and recreation, and other goods and services.

³ Not available.

Source: Department of Labor, Bureau of Labor Statistics.

TABLE C-47.—*Consumer price indexes, seasonally adjusted, 1971-74*
For urban wage earners and clerical workers
 (1967=100, seasonally adjusted)

Year and month		Special indexes			Commodity groups						Selected expenditure classes				
		All items less food	All items less shelter	All items less medical care	All commodities	Food	Commodities less food			Shelter	Fuel and utilities	Apparel and upkeep	Transportation	Medical care	
							Total	Durable	Non-durable						
1971:	Jan.	120.4	117.2	119.1	115.7	116.0	115.5	115.3	115.8	128.0	112.0	118.4	117.3	125.2	
	Feb.	120.6	117.6	119.3	115.8	116.1	115.5	115.5	115.7	127.4	112.8	118.8	117.9	125.9	
	Mar.	120.7	118.0	119.5	116.2	116.9	115.7	115.8	115.8	126.8	113.3	118.8	118.2	126.7	
	Apr.	120.9	118.5	119.8	116.6	117.7	115.9	115.9	116.0	126.6	113.8	119.1	118.2	127.2	
	May	121.6	119.1	120.4	117.1	118.2	116.5	116.5	116.5	127.6	114.3	119.7	118.6	128.0	
	June	122.1	119.6	121.0	117.7	118.8	116.7	116.9	116.8	128.6	114.8	120.0	119.0	128.5	
	July	122.5	119.9	121.3	117.9	119.0	117.1	117.1	117.1	128.8	115.7	120.3	119.0	129.2	
	Aug.	122.9	120.2	121.5	118.1	119.2	117.3	116.9	117.8	129.4	116.1	120.2	119.3	129.9	
	Sept.	123.2	120.2	121.7	118.1	118.9	117.5	116.8	118.0	129.9	116.3	120.4	119.6	130.3	
	Oct.	123.3	120.3	122.0	118.4	119.4	117.6	116.9	118.2	130.3	116.6	120.6	119.2	129.9	
	Nov.	123.5	120.5	122.2	118.5	120.0	117.6	116.9	118.1	131.0	116.5	120.7	118.7	130.0	
	Dec.	123.7	121.0	122.7	118.9	120.8	117.7	117.1	118.4	131.3	117.6	120.8	118.4	130.4	
1972:	Jan.	124.1	121.3	123.0	119.2	120.8	118.1	117.4	118.6	132.4	118.3	121.2	118.7	130.8	
	Feb.	124.4	121.7	123.6	119.8	122.4	118.3	117.7	118.9	132.7	118.6	121.4	118.7	131.1	
	Mar.	124.6	121.8	123.7	119.8	122.3	118.6	117.9	119.1	132.9	118.8	121.5	118.9	131.3	
	Apr.	124.9	121.9	123.9	119.9	122.2	118.6	118.1	119.1	133.2	119.1	121.8	118.7	131.4	
	May	125.3	122.3	124.2	120.2	122.3	119.0	118.3	119.6	133.9	119.6	122.0	119.1	131.9	
	June	125.6	122.5	124.5	120.5	122.6	119.0	118.6	119.4	134.4	120.0	122.0	119.2	132.3	
	July	126.0	123.0	125.0	121.0	123.2	119.5	119.2	119.8	135.1	120.2	122.1	119.7	132.6	
	Aug.	126.4	123.2	125.2	121.3	123.7	119.9	119.6	120.0	135.5	120.3	122.0	120.5	132.8	
	Sept.	126.7	123.8	125.9	122.0	124.6	120.4	120.2	120.4	135.6	120.9	122.9	122.0	133.0	
	Oct.	126.8	124.2	126.2	122.3	125.5	120.4	119.9	120.8	135.7	121.2	123.3	121.1	134.2	
	Nov.	127.1	124.7	126.6	122.7	126.4	120.5	119.9	121.1	135.9	121.7	123.6	121.4	134.4	
	Dec.	127.3	124.9	126.9	122.9	126.5	120.7	120.2	121.3	136.5	121.9	124.0	121.2	134.7	
1973:	Jan.	127.6	125.7	127.6	123.9	129.2	120.9	120.1	121.4	136.9	122.7	124.0	120.8	135.2	
	Feb.	128.2	126.5	128.3	124.9	131.4	121.4	120.5	122.0	137.5	123.6	124.3	121.5	135.4	
	Mar.	128.5	127.8	129.6	126.2	134.2	121.9	120.8	122.6	137.8	124.0	125.1	122.0	135.7	
	Apr.	129.1	128.8	130.5	127.4	136.1	122.4	121.4	123.3	138.4	124.6	125.8	122.7	135.9	
	May	129.6	129.4	131.2	128.2	137.8	122.8	121.7	123.8	139.1	125.1	126.2	123.1	136.5	
	June	130.2	130.3	132.1	129.1	139.5	123.3	121.7	124.6	139.7	125.9	126.7	124.0	136.9	
	July	130.5	130.9	132.2	129.3	139.9	123.6	121.9	124.9	139.8	126.0	126.9	124.3	137.2	
	Aug.	131.2	133.5	134.9	132.7	148.4	124.0	122.5	125.3	141.1	126.6	127.9	124.4	137.5	
	Sept.	131.9	133.6	135.4	132.7	148.0	124.4	122.8	125.1	142.8	127.3	128.0	124.9	138.3	
	Oct.	132.8	134.5	136.4	133.5	149.1	125.0	123.0	126.5	144.4	129.2	128.6	125.0	140.9	
	Nov.	133.7	135.7	137.5	134.7	151.2	125.9	122.9	127.9	145.2	132.2	129.1	125.8	141.2	
	Dec.	134.5	136.6	138.4	135.7	151.9	126.7	123.1	129.5	146.0	136.0	129.5	126.6	141.7	
1974:	Jan.	135.7	138.2	140.0	137.6	154.5	128.3	123.5	131.8	147.3	140.7	129.8	127.8	142.5	
	Feb.	137.1	139.9	141.6	139.7	157.9	129.7	124.0	133.9	148.4	142.9	131.2	129.7	143.5	
	Mar.	138.5	141.5	143.2	141.1	158.8	131.5	124.9	136.4	149.5	144.2	132.5	132.5	144.7	
	Apr.	139.6	142.2	143.9	141.8	158.1	132.7	126.0	137.7	150.5	146.3	133.6	133.8	145.3	
	May	141.2	143.7	145.3	143.3	159.5	134.2	127.4	139.2	151.8	148.3	134.5	135.9	147.1	
	June	142.8	145.1	146.7	144.5	160.0	135.8	129.1	140.9	153.1	149.7	135.6	138.1	149.3	
	July	144.5	146.3	147.6	145.2	159.4	137.6	131.0	142.4	154.6	151.2	136.5	140.0	151.2	
	Aug.	146.4	148.3	149.6	147.5	161.7	139.6	133.1	144.4	156.1	152.9	139.6	141.2	153.5	
	Sept.	147.9	150.0	151.5	149.3	164.7	141.0	135.1	144.9	157.9	154.6	139.6	143.3	155.2	
	Oct.	148.8	151.2	152.8	150.7	166.9	141.8	136.5	145.5	159.6	156.0	140.0	142.9	156.6	
	Nov.	150.1	152.7	154.2	152.0	169.2	142.9	137.6	146.5	160.7	157.3	140.9	143.4	157.8	
	Dec.	151.0	153.7	155.3	153.0	170.4	143.5	138.7	147.1	162.5	158.6	140.8	143.4	159.3	

Source: Department of Labor, Bureau of Labor Statistics.

TABLE C-48.—Percent changes in consumer price indexes, major groups, 1948-74

[Percent change]

Year or month	All items		Food		Commodities less food		Services ¹	
	Dec. to Dec. ²	Year to year	Dec. to Dec. ²	Year to year	Dec. to Dec. ²	Year to year	Dec. to Dec.	Year to year
1948	2.7	7.8	-0.8	8.5	5.3	7.7	6.1	6.3
1949	-1.8	-1.0	-3.7	-4.0	-4.8	-1.5	3.6	4.8
1950	5.8	1.0	9.6	1.4	-5.7	-1	3.6	3.2
1951	5.9	7.9	7.4	11.1	4.6	7.5	5.2	5.3
1952	.9	2.2	-1.1	1.8	-5	.9	4.6	4.4
1953	.6	.8	-1.3	-1.5	.2	.2	4.2	4.3
1954	-1.5	.5	-1.6	-2	-1.4	-1.1	1.9	3.3
1955	.4	-.4	-.9	-1.4	.0	-.7	2.3	2.0
1956	2.9	1.5	3.1	.7	2.5	1.0	3.1	2.5
1957	3.0	3.6	2.8	3.3	2.2	3.1	4.5	4.0
1958	1.8	2.7	2.2	4.2	.8	1.1	2.7	3.8
1959	1.5	.8	-.8	-1.6	1.5	1.3	3.7	2.9
1960	1.5	1.6	3.1	1.0	-.3	.4	2.7	3.3
1961	.7	1.0	-.9	1.3	.6	.3	1.9	2.0
1962	1.2	1.1	1.5	.9	.7	.7	1.7	1.9
1963	1.6	1.2	1.9	1.4	1.2	.7	2.3	2.0
1964	1.2	1.3	1.4	1.3	.4	.8	1.8	1.9
1965	1.9	1.7	3.4	2.2	.7	.6	2.6	2.2
1966	3.4	2.9	3.9	5.0	1.9	1.4	4.9	3.9
1967	3.0	2.9	1.2	.9	3.1	2.6	4.0	4.4
1968	4.7	4.2	4.3	3.6	3.7	3.7	6.1	5.2
1969	6.1	5.4	7.2	5.1	4.5	4.2	7.4	6.9
1970	5.5	5.9	2.2	5.5	4.8	4.1	8.2	8.1
1971	3.4	4.3	4.3	3.0	2.3	3.8	4.1	5.6
1972	3.4	3.3	4.7	4.3	2.5	2.2	3.6	3.8
1973	8.8	6.2	20.1	14.5	5.0	3.4	6.2	4.4
1974	12.2	11.0	12.2	14.4	13.2	10.6	11.3	9.3
Change from preceding month								
	Un-adjusted	Seasonally adjusted	Un-adjusted	Seasonally adjusted	Un-adjusted	Seasonally adjusted	Un-adjusted	
1973: Jan.	0.3	0.5	2.1	2.1	-0.5	0.2	0.2	
Feb.	.7	.6	1.9	1.7	.3	.4	.4	
Mar.	.9	.9	2.6	2.1	.5	.4	.3	
Apr.	.7	.6	1.5	1.4	.7	.4	.4	
May	.6	.6	1.0	1.2	.6	.3	.4	
June	.7	.6	1.4	1.2	.6	.4	.4	
July	.2	.2	.8	.3	-.2	.2	.2	
Aug.	1.8	1.9	6.0	6.1	.2	.3	.7	
Sept.	.3	.4	-.7	-.3	.4	.3	.9	
Oct.	.8	.8	.1	.7	.9	.5	1.1	
Nov.	.7	.8	1.1	1.4	.7	.7	.6	
Dec.	.7	.6	.9	.5	.6	.6	.6	
1974: Jan.	.9	1.1	1.6	1.7	.6	1.3	.7	
Feb.	1.3	1.2	2.5	2.2	1.0	1.1	.7	
Mar.	1.1	1.1	1.0	.6	1.5	1.4	.8	
Apr.	.6	.5	-.3	-.4	1.1	.9	.6	
May	1.1	1.1	.7	.9	1.4	1.1	1.0	
June	1.0	.9	.4	.3	1.3	1.2	1.0	
July	.7	.7	.1	-.4	1.0	1.3	1.1	
Aug.	1.3	1.3	1.4	1.4	1.3	1.5	1.1	
Sept.	1.2	1.3	1.4	1.9	1.1	1.0	1.1	
Oct.	.9	.9	.7	1.3	.9	.6	.9	
Nov.	.8	.9	1.0	1.4	.8	.8	.8	
Dec.	.7	.7	1.1	.7	.4	.4	.9	

¹ Percent changes for services are based on unadjusted indexes since these prices have little seasonal movement.² Changes from December to December based on unadjusted indexes.

Note.—The seasonally adjusted changes for the all items index are based on seasonal adjustment factors and seasonally adjusted indexes to two decimal places.

Source: Department of Labor, Bureau of Labor Statistics.

TABLE C-49.—Wholesale price indexes by major commodity groups, 1929-74

[1967=100]

Year or month	All commodities	Farm products and processed foods and feeds			Industrial commodities				
		Total	Farm products	Processed foods and feeds	Total	Textile products and apparel	Hides, skins, leather, and related products	Fuels and related products, and power ¹	Chemicals and allied products ¹
1929.....	49.1		64.1		48.6		48.9	59.4	
1933.....	34.0		31.4		37.8		36.3	47.6	47.4
1939.....	39.8		40.0		43.3		42.8	52.3	51.5
1940.....	40.5		41.4		44.0		45.2	51.4	52.4
1941.....	45.1		50.3		47.3		48.4	54.6	57.0
1942.....	50.9		64.8		50.7		52.8	56.2	63.3
1943.....	53.3		75.0		51.5		52.7	57.8	64.1
1944.....	53.6		75.5		52.3		52.2	59.5	64.8
1945.....	54.6		78.5		53.0		52.9	60.1	65.2
1946.....	62.3		90.9		58.0		61.1	64.4	70.5
1947.....	76.5	94.3	109.4	82.9	70.8	103.6	83.3	76.9	93.7
1948.....	82.8	101.5	117.5	88.7	76.9	108.1	84.2	90.5	95.9
1949.....	78.7	89.6	101.6	80.6	75.3	98.9	79.9	86.2	87.6
1950.....	81.8	93.9	106.7	83.4	78.0	102.7	86.3	87.1	88.9
1951.....	91.1	106.9	124.2	92.7	86.1	114.6	99.1	90.3	101.7
1952.....	88.6	102.7	117.2	91.6	84.1	103.4	80.1	90.1	96.5
1953.....	87.4	96.0	106.2	87.4	84.8	100.8	81.3	92.6	97.7
1954.....	87.6	95.7	104.7	88.9	85.0	98.6	77.6	91.3	98.9
1955.....	87.8	91.2	98.2	85.0	86.9	98.7	77.3	91.2	98.5
1956.....	90.7	90.6	96.9	84.9	90.8	98.7	81.9	94.0	99.1
1957.....	93.3	93.7	99.5	87.4	93.3	98.8	82.0	99.1	102.2
1958.....	94.6	98.1	103.9	91.8	93.6	97.0	82.9	95.3	102.0
1959.....	94.8	93.5	97.5	89.4	95.3	98.4	94.2	95.3	101.6
1960.....	94.9	93.7	97.2	89.5	95.3	99.5	90.8	96.1	101.8
1961.....	94.5	93.7	96.3	91.0	94.8	97.7	91.7	97.2	100.7
1962.....	94.8	94.7	98.0	91.9	94.8	98.6	92.7	96.7	99.1
1963.....	94.5	93.8	96.0	92.5	94.8	98.5	90.0	96.3	97.9
1964.....	94.7	93.2	94.6	92.3	95.2	99.2	90.3	93.7	98.3
1965.....	96.6	97.1	98.7	95.5	96.4	99.8	94.3	95.5	99.0
1966.....	99.8	103.5	105.9	101.2	98.5	100.1	103.4	97.8	99.4
1967.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1968.....	102.5	102.4	102.5	102.2	102.5	103.7	103.2	98.9	99.8
1969.....	106.5	108.0	109.1	107.3	106.0	106.0	108.9	100.9	99.9
1970.....	110.4	111.7	111.0	112.1	110.0	107.1	110.3	106.2	102.2
1971.....	113.9	113.8	112.9	114.3	114.0	108.6	114.0	114.2	104.2
1972.....	119.1	122.4	125.0	120.8	117.9	113.6	131.3	118.6	104.2
1973.....	134.7	159.1	176.3	148.1	125.9	123.8	143.1	134.3	110.0
1974.....	160.1	177.4	187.7	170.9	153.8	139.1	145.1	208.3	146.8
1973: Jan.....	124.5	137.0	144.2	132.4	120.0	116.6	143.9	122.2	105.1
Feb.....	126.9	142.4	150.9	137.0	121.3	117.4	144.9	126.0	105.6
Mar.....	129.8	149.0	160.9	141.4	122.8	119.0	143.5	127.4	106.7
Apr.....	130.5	147.9	160.6	139.8	124.2	120.8	145.0	129.2	107.7
May.....	133.2	154.9	170.4	145.0	125.3	122.3	142.2	131.1	109.3
June.....	136.0	163.6	182.3	151.8	126.0	123.7	140.9	133.4	110.4
July.....	134.3	156.9	173.3	146.5	126.1	124.2	141.4	134.7	110.8
Aug.....	142.1	184.5	213.3	166.2	126.7	125.2	143.0	135.2	111.0
Sept.....	139.7	173.5	200.4	156.3	127.4	126.8	143.8	137.4	111.5
Oct.....	138.7	166.8	188.4	153.1	128.5	128.5	143.8	139.3	112.7
Nov.....	139.2	164.4	184.0	151.9	130.1	130.0	143.0	144.1	113.5
Dec.....	141.8	168.0	187.2	155.7	132.2	131.4	141.9	151.5	115.6
1974: Jan.....	146.6	177.8	202.6	162.1	135.3	133.8	142.6	162.5	118.2
Feb.....	149.5	180.6	205.6	164.7	138.2	135.2	143.4	177.4	120.2
Mar.....	151.4	176.2	197.0	163.0	142.4	136.1	143.4	189.0	127.3
Apr.....	152.7	169.6	186.2	159.1	146.6	137.5	145.4	197.9	132.3
May.....	155.0	167.4	180.8	158.9	150.5	139.1	146.3	204.3	137.0
June.....	155.7	161.7	168.6	157.4	153.6	141.7	146.0	210.5	142.8
July.....	161.7	172.7	180.8	167.6	157.8	142.1	146.6	221.7	148.4
Aug.....	167.4	183.4	189.2	179.7	161.6	142.3	146.2	226.0	158.5
Sept.....	167.2	179.1	182.7	176.8	162.9	142.1	148.1	225.0	161.7
Oct.....	170.2	185.1	187.5	183.5	164.8	140.5	145.2	228.5	168.5
Nov.....	171.9	189.0	187.8	189.7	165.8	139.8	144.5	227.4	172.9
Dec.....	171.5	186.5	183.7	188.2	166.1	138.4	143.2	229.0	174.0

See next page for continuation of table and for footnotes.

TABLE C-49.—Wholesale price indexes by major commodity groups, 1929-74—Continued

[1967=100]

Year or month	Industrial commodities—Continued							
	Rubber and plastic products	Lumber and wood products	Pulp, paper, and allied products	Metals and metal products	Machinery and equipment	Furniture and household durables	Nonmetallic mineral products	Transportation equipment: Motor vehicles and equipment ²
1929.....	59.4	25.0	-----	40.2	-----	55.8	51.2	41.9
1933.....	40.2	19.0	-----	30.7	-----	44.6	47.2	34.8
1939.....	61.2	24.8	-----	37.6	41.3	52.6	49.1	39.1
1940.....	57.1	27.4	-----	37.8	41.4	53.8	49.1	40.4
1941.....	61.5	32.7	-----	38.5	42.1	57.2	50.2	43.2
1942.....	71.6	35.6	-----	39.1	42.8	61.8	52.3	47.2
1943.....	73.6	37.7	-----	39.0	42.4	61.4	52.4	47.2
1944.....	72.7	40.6	-----	39.0	42.1	63.1	53.5	47.5
1945.....	70.5	41.2	-----	39.6	42.2	63.2	55.7	48.3
1946.....	70.8	47.2	-----	44.3	46.4	67.1	59.3	56.0
1947.....	70.5	73.4	72.5	54.9	53.7	77.0	66.3	64.1
1948.....	72.8	84.0	75.7	62.5	58.2	81.6	71.6	70.8
1949.....	70.5	77.7	72.4	63.0	61.0	82.9	73.5	75.7
1950.....	85.9	89.3	74.3	66.3	63.1	84.7	75.4	75.3
1951.....	105.4	97.2	88.0	73.8	70.5	91.8	80.1	79.4
1952.....	95.5	94.4	85.7	73.9	70.6	90.1	80.1	84.0
1953.....	89.1	94.3	85.5	76.3	72.2	91.9	83.3	83.6
1954.....	90.4	92.6	85.5	76.9	73.4	92.9	85.1	83.8
1955.....	102.4	97.1	87.8	82.1	75.7	93.3	87.5	86.3
1956.....	103.8	98.5	93.6	89.2	81.8	95.8	91.3	91.2
1957.....	103.4	93.5	95.4	91.0	87.6	98.3	94.8	95.1
1958.....	103.3	92.4	96.4	90.4	89.4	99.1	95.8	98.1
1959.....	102.9	98.8	97.3	92.3	91.3	99.3	97.0	100.3
1960.....	103.1	95.3	98.1	92.4	92.0	99.0	97.2	98.8
1961.....	99.2	91.0	95.2	91.9	91.9	98.4	97.6	98.6
1962.....	96.3	91.6	96.3	91.2	92.0	97.7	97.6	98.6
1963.....	96.8	93.5	95.6	91.3	92.2	97.0	97.1	97.8
1964.....	95.5	95.4	95.4	93.8	92.8	97.4	97.3	98.3
1965.....	95.9	95.9	96.2	96.4	93.9	96.9	97.5	98.5
1966.....	97.8	100.2	98.8	98.8	96.8	98.0	98.4	98.6
1967.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1968.....	103.4	113.3	101.1	102.6	103.2	102.8	103.7	102.8
1969.....	105.3	125.3	104.0	108.5	106.5	104.9	107.7	104.8
1970.....	108.3	113.6	108.2	116.6	111.4	107.5	112.9	108.7
1971.....	109.2	127.0	110.1	119.0	115.5	109.9	122.4	114.7
1972.....	109.3	144.3	113.4	123.5	117.9	111.4	126.1	118.0
1973.....	112.4	177.2	122.1	132.8	121.7	115.2	130.2	119.2
1974.....	136.2	183.6	151.7	171.9	139.4	127.9	153.2	129.2
1973: Jan.....	110.0	151.0	115.8	125.6	118.9	112.6	128.2	118.2
Feb.....	110.1	161.0	116.5	126.9	119.4	113.1	128.4	118.2
Mar.....	110.3	173.2	118.3	129.2	120.0	113.5	129.0	118.6
Apr.....	110.6	182.0	119.8	130.5	120.8	114.1	130.0	119.0
May.....	111.5	186.9	120.7	131.7	121.5	115.1	130.5	119.1
June.....	112.6	183.1	122.0	132.5	121.9	115.2	131.1	118.9
July.....	112.9	177.8	122.3	132.8	122.0	115.2	130.0	119.0
Aug.....	113.1	178.8	123.3	133.7	122.3	115.9	130.0	119.0
Sept.....	112.8	181.9	124.4	134.4	122.6	116.0	129.9	118.3
Oct.....	114.0	180.3	125.8	135.9	123.1	116.6	130.9	120.0
Nov.....	114.8	184.7	127.6	138.5	123.8	117.2	131.5	120.1
Dec.....	116.5	186.1	128.7	141.8	124.6	117.5	132.6	121.4
1974: Jan.....	117.7	183.7	131.8	145.0	126.0	119.0	138.7	122.9
Feb.....	119.8	184.1	132.9	148.0	127.0	120.2	142.1	123.1
Mar.....	123.8	191.3	137.2	154.7	129.0	121.3	144.2	123.2
Apr.....	129.4	200.2	144.4	161.2	130.8	122.9	146.7	123.3
May.....	133.7	198.0	146.6	168.7	134.1	124.5	150.7	124.9
June.....	135.6	192.2	147.5	174.0	137.2	126.1	152.3	126.1
July.....	139.5	188.6	153.3	180.3	140.3	128.2	156.4	128.5
Aug.....	143.4	183.7	162.9	185.6	144.3	129.8	157.6	130.1
Sept.....	145.6	180.4	164.2	187.1	146.8	132.8	159.8	130.6
Oct.....	147.5	169.4	166.0	186.9	150.0	135.5	162.2	138.1
Nov.....	148.5	165.8	166.9	186.7	152.7	136.9	163.4	138.9
Dec.....	149.4	165.4	167.2	184.6	154.0	137.7	164.3	140.7

¹ Prices for most items in this grouping are lagged and refer to 1 or 2 months earlier than the index month.² Index for total transportation equipment is not shown but is available beginning December 1968.

Source: Department of Labor, Bureau of Labor Statistics.

TABLE C-50.—Wholesale price indexes by stage of processing, 1947-74

[1967=100]

Year or month	All commodities	Crude materials				Intermediate materials, supplies, and components ¹						
		Total	Food-stuffs and feed-stuffs	Non-food materials except fuel	Fuel	Total	Materials and components for manufacturing				Materials and components for construction	
							Total	Materials				Components
								For food manufacturing	For non-durable manufacturing	For durable manufacturing		
1947.....	76.5	101.2	111.7	90.6	66.6	72.4	72.1	94.0	95.2	54.4	58.3	66.0
1948.....	82.8	110.9	120.8	100.7	78.7	78.3	77.8	96.9	100.8	61.4	63.0	73.1
1949.....	78.7	96.0	100.3	91.6	78.3	75.2	74.5	83.3	91.9	63.1	64.2	73.2
1950.....	81.8	104.6	107.6	104.7	77.9	78.6	78.1	86.7	96.5	66.7	66.6	77.0
1951.....	91.1	120.1	124.5	120.7	79.4	88.1	88.5	96.6	111.7	74.1	75.6	84.3
1952.....	88.6	110.3	117.2	104.6	79.9	85.5	84.8	92.9	100.6	74.3	75.7	83.7
1953.....	87.4	101.9	104.9	100.1	82.7	86.0	86.2	93.0	99.8	77.6	77.1	85.1
1954.....	87.6	101.0	104.9	98.2	79.0	86.5	86.3	92.2	98.2	79.3	77.5	85.5
1955.....	87.8	97.1	95.1	103.8	78.8	88.1	88.4	89.3	98.6	83.3	80.9	88.9
1956.....	90.7	97.6	93.1	107.6	84.4	92.0	92.6	89.7	100.1	88.5	88.3	93.5
1957.....	93.3	99.8	97.2	106.2	89.2	94.1	94.8	91.3	101.4	91.4	91.8	94.0
1958.....	94.6	102.0	103.0	102.2	90.3	94.3	95.2	93.4	100.4	92.0	92.5	94.0
1959.....	94.8	99.4	96.2	105.8	91.9	95.6	96.5	90.0	102.1	94.2	93.6	96.6
1960.....	94.9	97.0	95.1	101.4	92.8	95.6	96.5	91.1	102.1	94.3	93.1	95.9
1961.....	94.5	96.5	93.8	102.5	92.6	95.0	95.3	94.0	99.9	93.0	92.2	94.6
1962.....	94.8	97.5	95.7	102.0	92.1	94.9	94.7	92.0	99.3	92.9	91.5	94.2
1963.....	94.5	95.4	92.9	100.7	93.2	95.2	94.9	96.6	98.4	93.0	91.5	94.5
1964.....	94.7	94.5	90.8	102.4	92.8	95.5	95.9	95.2	99.1	94.8	92.3	95.4
1965.....	96.6	99.3	97.1	104.5	93.5	96.8	97.4	97.6	100.0	96.8	93.8	96.2
1966.....	99.8	105.7	105.9	106.7	96.3	99.2	99.3	101.9	100.8	98.6	97.1	98.8
1967.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1968.....	102.5	101.6	101.3	102.1	102.3	102.3	102.2	101.5	101.3	103.3	102.3	104.9
1969.....	106.5	108.4	101.9	106.8	106.4	105.9	105.8	107.0	102.5	109.3	105.6	110.9
1970.....	110.4	112.2	112.1	109.8	122.3	109.8	110.0	112.9	104.0	115.1	111.1	112.6
1971.....	113.9	115.0	114.2	110.5	138.5	114.0	113.0	116.2	105.6	118.8	114.7	119.5
1972.....	119.1	127.6	127.5	121.9	148.7	118.7	117.0	119.9	109.4	123.8	117.6	126.2
1973.....	134.7	174.0	180.0	161.5	164.5	131.6	127.7	146.0	121.2	133.7	121.4	136.7
1974.....	160.1	196.1	189.4	205.2	219.4	162.9	162.2	209.2	155.0	171.7	139.9	161.6
1973: Jan.....	124.5	143.3	146.4	132.1	155.5	123.1	119.7	126.9	112.6	125.9	118.5	128.6
Feb.....	126.9	151.3	156.0	138.1	156.3	125.1	121.1	130.8	113.6	127.7	118.8	130.9
Mar.....	129.8	159.0	166.2	141.4	156.9	127.4	123.5	136.0	115.7	130.9	119.6	134.2
Apr.....	130.5	158.8	164.2	144.6	160.4	128.4	125.0	136.4	117.8	132.7	120.1	136.8
May.....	133.2	167.7	173.7	154.2	161.6	131.3	126.5	138.1	119.8	134.0	121.0	138.5
June.....	136.0	177.5	185.4	161.8	162.6	134.0	127.7	142.6	121.7	134.3	121.3	137.9
July.....	134.3	170.9	177.7	155.9	163.0	131.7	128.1	143.3	122.5	134.1	121.6	136.7
Aug.....	142.1	207.5	226.2	172.7	164.4	135.8	130.6	163.5	123.4	134.5	122.0	137.3
Sept.....	139.7	197.1	205.2	184.7	169.2	133.7	130.7	157.6	124.9	135.0	122.3	138.3
Oct.....	138.7	185.7	189.2	180.8	169.9	134.3	131.7	158.7	126.0	135.9	122.9	138.7
Nov.....	139.2	182.7	184.2	180.8	175.0	135.4	132.6	156.0	127.0	137.8	123.8	140.7
Dec.....	141.8	186.4	185.3	190.5	179.5	138.5	135.4	162.6	129.3	141.7	124.5	142.0
1974: Jan.....	146.6	201.3	203.2	201.4	182.4	142.0	138.9	173.5	132.6	144.7	126.1	145.0
Feb.....	149.5	205.6	207.2	206.8	186.3	144.6	141.6	184.0	135.0	146.5	127.2	147.0
Mar.....	151.4	200.6	197.6	210.4	190.3	149.1	146.8	186.4	140.8	154.0	129.4	151.1
Apr.....	152.7	192.9	182.6	214.1	205.4	152.8	150.9	180.4	146.4	161.1	131.1	156.0
May.....	155.0	186.5	176.6	203.7	207.4	157.6	156.6	187.0	147.9	169.6	135.2	160.7
June.....	155.7	178.5	164.6	202.3	213.6	160.9	160.7	191.5	154.1	174.7	138.2	163.0
July.....	161.7	194.5	184.9	210.0	222.0	166.3	166.7	205.9	159.8	180.2	141.6	166.6
Aug.....	167.4	203.5	196.5	213.1	228.4	174.0	172.7	221.2	166.0	184.9	145.6	169.3
Sept.....	167.2	196.8	187.4	206.1	236.8	173.8	174.1	222.6	166.6	186.5	148.0	170.9
Oct.....	170.2	200.3	192.9	205.4	244.3	176.8	176.6	234.5	169.5	185.9	150.2	169.7
Nov.....	171.9	198.2	190.9	200.7	251.9	178.6	180.7	265.8	171.1	186.2	152.6	169.7
Dec.....	171.5	193.9	187.8	188.8	263.7	178.4	179.8	257.3	170.7	185.5	153.6	170.1

See next page for continuation of table and for footnotes.

TABLE C-50.—Wholesale price indexes by stage of processing, 1947-74—Continued

[1967=100]

Year or month	Finished goods				Special groups of industrial products			
	Total	Consumer finished goods			Pro- ducer finished goods	Crude materi- als ¹	Inter- mediate materials, supplies, and com- ponents ²	Con- sumer finished goods excluding foods
		Total	Foods	Other non- durable goods				
1947.....	74.0	80.5	82.8	80.7	74.6	55.4	79.2	79.0
1948.....	79.9	86.5	90.4	85.8	79.7	60.4	92.5	84.0
1949.....	77.6	82.5	83.1	82.3	81.8	63.4	84.0	82.2
1950.....	79.0	83.9	84.7	83.6	82.7	64.9	93.6	83.5
1951.....	86.5	91.8	95.2	90.0	88.2	71.2	102.9	89.5
1952.....	86.0	90.7	94.3	87.8	88.9	72.4	93.1	88.3
1953.....	85.1	89.2	89.4	88.6	89.6	73.6	92.4	89.1
1954.....	85.3	89.1	88.7	88.9	90.3	74.5	88.0	89.4
1955.....	85.5	88.5	86.5	89.4	91.2	76.7	96.6	90.1
1956.....	87.9	89.8	86.3	91.1	94.3	82.4	102.3	92.3
1957.....	91.1	92.4	89.3	93.2	97.1	87.5	100.9	94.6
1958.....	93.2	94.4	94.5	92.6	98.4	89.8	96.9	94.7
1959.....	93.0	93.6	90.1	94.0	99.6	91.5	102.3	95.9
1960.....	93.7	94.5	92.1	94.7	99.2	91.7	98.3	96.3
1961.....	93.7	94.3	91.7	94.7	98.8	91.8	97.2	96.2
1962.....	94.0	94.6	92.5	94.8	98.3	92.2	95.6	96.0
1963.....	93.7	94.1	91.4	95.1	97.8	92.4	94.3	96.0
1964.....	94.1	94.3	91.9	94.8	98.2	93.3	97.1	95.9
1965.....	95.7	96.1	95.4	95.9	97.9	94.4	100.9	96.7
1966.....	98.8	99.4	101.6	97.8	98.5	96.8	104.5	98.1
1967.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1968.....	102.9	102.7	103.7	102.2	102.2	103.5	102.0	102.1
1969.....	106.6	106.5	110.0	105.0	104.0	106.9	110.6	104.6
1970.....	110.4	109.9	113.5	108.3	107.0	111.9	118.8	107.7
1971.....	113.5	112.7	115.2	111.3	110.9	116.6	122.7	111.2
1972.....	117.2	116.6	121.7	113.6	113.2	119.5	131.1	113.5
1973.....	127.9	129.2	146.4	120.5	115.8	123.5	155.2	118.6
1974.....	147.5	149.3	166.9	146.8	126.3	141.0	219.1	138.6
1973: Jan.....	121.0	121.2	131.8	115.4	113.8	120.6	139.1	114.8
Feb.....	122.5	122.9	134.1	117.4	114.0	121.2	142.3	116.0
Mar.....	124.7	125.7	140.2	118.1	114.5	121.7	142.5	116.6
Apr.....	125.4	126.3	140.7	118.8	115.3	122.3	146.8	117.4
May.....	126.2	127.1	141.9	119.5	115.7	123.1	149.6	118.0
June.....	127.4	128.6	145.0	120.2	115.9	123.4	152.8	118.4
July.....	127.7	128.9	145.4	120.5	116.1	123.5	153.5	118.7
Aug.....	131.9	134.2	158.6	120.9	116.3	123.9	156.0	119.0
Sept.....	131.2	133.2	156.1	121.2	115.8	124.2	161.0	119.0
Oct.....	131.2	133.0	153.6	122.6	116.7	125.1	164.7	120.2
Nov.....	132.0	133.6	153.7	124.4	117.0	125.7	174.2	121.4
Dec.....	133.6	135.5	155.7	126.6	117.9	126.7	179.8	123.1
1974: Jan.....	137.4	139.9	162.7	130.2	119.6	128.3	188.2	125.6
Feb.....	140.1	143.2	167.0	134.0	120.2	129.3	202.7	128.4
Mar.....	141.0	143.8	164.6	137.8	120.9	130.9	212.2	131.0
Apr.....	142.1	144.7	163.1	141.2	122.0	132.4	224.8	133.5
May.....	143.8	146.0	162.4	144.3	123.7	135.9	216.5	136.0
June.....	144.0	145.4	157.0	147.7	125.0	138.7	217.5	138.6
July.....	148.1	149.9	164.6	150.6	126.8	141.5	228.9	141.1
Aug.....	150.6	152.1	167.7	153.0	127.3	145.2	229.5	142.7
Sept.....	152.1	153.2	168.7	154.2	128.4	148.0	229.8	143.9
Oct.....	155.2	156.0	171.4	155.7	133.1	151.9	229.0	146.7
Nov.....	157.7	158.6	177.4	156.2	133.8	154.1	228.7	147.2
Dec.....	158.0	158.7	175.9	156.9	135.3	155.3	221.2	148.3

¹ Includes, in addition to subgroups shown, processed fuels and lubricants, containers, and supplies.² Excludes crude foodstuffs and feedstuffs, plant and animal fibers, oilseeds, and leaf tobacco.³ Excludes intermediate materials for food manufacturing and manufactured animal feeds.

Note.—For a listing of the commodities included in each sector, see monthly report, "Wholesale Prices and Price Indexes," January-February 1967.

Source: Department of Labor, Bureau of Labor Statistics.

TABLE C-51.—Percent changes in wholesale price indexes, major groups, 1948-74

[Percent change]												
Year or month	All commodities		Industrial commodities		Farm products and processed foods and feeds		Consumer finished goods					
							Total		Foods		All except foods	
	Dec. to Dec. ¹	Year to year	Dec. to Dec. ¹	Year to year	Dec. to Dec. ¹	Year to year	Dec. to Dec. ¹	Year to year	Dec. to Dec. ¹	Year to year	Dec. to Dec. ¹	Year to year
1948.....	1.5	8.2	5.0	8.6	-6.8	-7.6	1.2	7.5	-2.4	9.2	4.0	6.3
1949.....	-6.1	-5.0	-5.0	-2.1	-8.9	-11.7	-5.6	-4.6	-7.4	-8.1	-4.5	-2.1
1950.....	14.7	3.9	14.0	3.6	17.0	4.8	10.2	1.7	13.3	1.9	8.2	1.6
1951.....	1.2	11.4	.4	10.4	3.5	13.8	2.7	9.4	5.3	12.4	.9	7.2
1952.....	-3.4	-2.7	-1.4	-2.3	-8.2	-3.9	-3.1	-1.2	-5.9	-.9	-1.1	-1.3
1953.....	.5	-1.4	1.4	.8	-2.3	-6.5	-.1	-1.7	-2.2	-5.2	1.6	.9
1954.....	-6	.2	.2	.2	-2.6	-.3	-.6	-.1	-1.9	-.8	.3	.3
1955.....	1.6	.2	4.3	2.2	-6.4	-4.7	-.1	-.7	-2.9	-2.5	1.7	.8
1956.....	4.5	3.3	4.2	4.5	6.0	-.7	3.1	1.5	3.6	-.2	2.5	2.4
1957.....	2.0	2.9	1.1	2.8	4.2	3.4	3.0	2.9	5.3	3.5	1.7	2.5
1958.....	.5	1.4	.9	.3	-.2	4.7	.2	2.2	.4	5.8	.2	.1
1959.....	-3.3	.2	1.2	1.8	-4.4	-4.7	-.7	-.8	-3.7	-4.7	.8	1.3
1960.....	.5	.1	-.6	.0	3.9	.2	2.1	1.0	5.2	2.2	.4	.4
1961.....	-2	-.4	-.1	-.5	-.6	.0	-.8	-.2	-1.8	-.4	-.3	-.1
1962.....	.0	.3	-.2	.0	.6	1.1	.1	.3	.5	.9	-.1	-.2
1963.....	-.1	-.3	.5	-.1	-2.1	-1.0	-.4	-.5	-1.3	-1.2	.1	.0
1964.....	.4	.2	.6	.5	.0	-.6	.2	.2	.4	.5	.1	-.1
1965.....	3.4	2.0	1.4	1.3	9.5	4.2	4.0	1.9	9.1	3.8	.9	.8
1966.....	1.7	3.3	2.2	2.2	.2	6.6	1.6	3.4	1.4	6.5	1.7	1.4
1967.....	1.0	.2	1.9	1.5	-1.8	-3.4	1.2	.6	-.4	-1.6	2.1	1.9
1968.....	2.8	2.5	2.7	2.5	3.5	2.4	3.1	2.7	4.8	3.7	2.0	2.1
1969.....	4.8	3.9	3.9	3.4	7.5	5.5	4.9	3.7	8.2	6.1	2.9	2.4
1970.....	2.2	3.7	3.6	3.8	-1.4	3.4	1.4	3.2	-2.5	3.2	3.9	3.0
1971.....	4.0	3.2	3.2	3.6	6.0	1.9	3.3	2.5	5.9	1.5	1.8	3.2
1972.....	6.5	4.0	3.6	3.4	14.4	7.6	4.5	3.5	8.0	5.6	2.2	2.1
1973.....	15.4	13.1	10.7	6.8	26.7	30.0	13.6	10.8	22.5	20.3	7.4	4.5
1974.....	20.9	18.9	25.6	22.2	11.0	11.5	17.1	15.6	13.0	14.0	26.5	16.9
Change from preceding month												
	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted
1973: Jan.....	1.3	0.9	0.5	0.2	3.3	2.3	1.6	1.1	3.7	2.3	0.2	0.2
Feb.....	1.9	1.4	1.1	1.1	3.9	2.8	1.4	1.1	1.7	1.5	1.0	1.0
Mar.....	2.3	2.2	1.2	1.1	4.6	4.6	2.3	2.5	4.5	4.7	.5	.6
Apr.....	.5	.8	1.1	.9	-.7	.6	.5	1.0	.4	1.1	.7	.7
May.....	2.1	1.9	.9	1.0	4.7	3.8	.6	.3	.9	.6	.5	.4
June.....	2.1	2.1	.6	.7	5.6	5.0	1.2	1.0	2.2	1.8	.3	.4
July.....	-1.3	-1.4	.1	.1	-4.1	-4.4	.2	.0	.3	-.9	.3	.3
Aug.....	5.8	6.2	.5	.6	17.6	19.1	4.1	4.4	9.1	10.5	.3	.4
Sept.....	-1.7	-1.5	.6	.8	-6.0	-5.6	-.7	-.6	-1.6	-2.5	.0	.3
Oct.....	-.7	-.1	.9	.8	-3.9	-2.2	-.2	.6	-1.6	1.0	1.0	.8
Nov.....	.4	.6	1.2	1.5	-1.4	-1.0	.6	.7	.1	.1	1.0	1.2
Dec.....	1.9	1.6	1.6	1.4	2.2	1.0	1.3	.8	1.3	.9	1.4	1.0
1974: Jan.....	3.4	2.9	2.3	2.0	5.8	4.6	3.2	2.6	4.5	3.0	2.0	2.0
Feb.....	2.0	1.5	2.1	2.1	1.6	.4	2.4	2.1	2.6	2.4	2.2	2.1
Mar.....	1.3	1.2	3.0	2.9	-2.4	-2.4	.4	.7	-1.4	-1.3	2.0	2.2
Apr.....	-.9	1.1	2.9	2.8	-3.7	-2.4	.6	1.0	-.9	-.1	1.9	1.9
May.....	1.5	1.3	2.7	2.7	-1.3	-2.2	.9	.6	-.4	-.6	1.9	1.7
June.....	.5	.5	2.1	2.2	-3.4	-4.0	-.4	-.5	-3.3	-3.8	1.9	2.1
July.....	3.9	3.7	2.7	2.7	6.8	6.4	3.1	2.8	4.8	3.6	1.8	1.8
Aug.....	3.5	3.9	2.4	2.5	6.2	7.6	1.5	1.7	1.9	3.2	1.1	1.3
Sept.....	-.1	.1	.8	1.0	-2.3	-1.9	.7	.8	.6	-.3	.8	1.2
Oct.....	1.8	2.5	1.2	1.1	3.4	5.1	1.8	2.7	1.6	4.3	1.9	1.7
Nov.....	1.0	1.2	.6	.9	2.1	2.5	1.7	1.8	3.5	3.5	.3	.4
Dec.....	-.2	-.5	.2	.0	-1.3	-2.5	.1	-.4	-.8	-1.2	.7	.4

¹ Changes from December to December are based on unadjusted indexes.

Note.—The seasonally adjusted changes for all commodities and industrial commodities are based on seasonal adjustment factors and seasonally adjusted indexes to two decimal places.

Source: Department of Labor, Bureau of Labor Statistics.

MONEY STOCK, CREDIT, AND FINANCE

TABLE C-52.—*Money stock measures, 1947-74*

[Averages of daily figures; billions of dollars, seasonally adjusted]

Year and month	Overall measures			Components and related items						
	M ₁ (Currency plus demand deposits)	M ₂ (M ₁ plus time deposits at commercial banks other than large CD's)	M ₃ (M ₂ plus deposits at non-bank thrift institutions)	Currency ¹	Deposits at commercial banks				Deposits at non-bank thrift institutions ⁵	U.S. Government demand deposits (unadjusted) ⁶
					De-mand ²	Time and savings ³				
						Total	Large CD's ⁴	Other		
1947: Dec	113.1			26.4	86.7	35.4				1.0
1948: Dec	111.5			25.8	85.8	36.0				1.8
1949: Dec	111.2			25.1	86.0	36.4				2.8
1950: Dec	116.2			25.0	91.2	36.7				2.4
1951: Dec	122.7			26.1	96.5	38.2				2.7
1952: Dec	127.4			27.3	100.1	41.1				4.9
1953: Dec	128.8			27.7	101.1	44.5				3.8
1954: Dec	132.3			27.4	104.9	48.3				5.0
1955: Dec	135.2			27.8	107.4	50.0				3.4
1956: Dec	136.9			28.2	108.7	51.9				3.4
1957: Dec	135.9			28.3	107.6	57.4				3.5
1958: Dec	141.1			28.6	112.6	65.4				3.9
1959: Dec	143.4	210.9	299.4	28.9	114.5	67.4		67.4	88.5	4.9
1960: Dec	144.2	217.1	314.4	29.0	115.2	72.9		72.9	97.3	4.7
1961: Dec	148.7	228.6	336.5	29.6	119.1	82.7	2.8	79.9	107.9	4.9
1962: Dec	150.9	242.8	362.9	30.6	120.3	97.6	5.7	92.0	120.1	5.6
1963: Dec	156.5	258.9	393.2	32.5	124.1	112.0	9.6	102.3	134.4	5.1
1964: Dec	163.7	277.1	426.3	34.3	129.5	126.2	12.8	113.4	149.2	5.5
1965: Dec	171.3	301.3	462.6	36.3	134.9	146.3	16.2	130.1	161.3	4.6
1966: Dec	175.4	317.8	485.2	38.3	137.0	157.9	15.4	142.5	167.4	3.4
1967: Dec	186.9	349.6	532.6	40.4	146.5	183.1	20.5	162.7	183.0	5.0
1968: Dec	201.7	382.3	576.8	43.4	158.2	204.1	23.5	180.6	194.5	5.0
1969: Dec	208.7	392.2	593.5	46.1	162.7	194.5	11.0	183.5	201.3	5.6
1970: Dec	221.4	425.3	642.8	49.1	172.3	229.3	25.4	203.9	217.5	7.3
1971: Dec	235.3	473.1	727.9	52.6	182.7	271.2	33.5	237.7	254.9	6.9
1972: Dec	255.8	525.7	823.2	56.9	198.9	313.8	43.9	269.9	297.5	7.4
1973: Dec	271.5	572.2	895.3	61.6	209.9	364.5	63.8	300.7	323.1	6.3
1974: Dec	283.8	613.9	955.0	67.7	216.1	420.4	90.3	330.1	341.1	4.6
1973: Jan	256.9	529.8	830.5	57.2	199.8	318.1	45.2	272.9	300.7	8.1
Feb	257.9	532.9	836.2	57.5	200.4	324.4	49.4	275.0	303.3	9.9
Mar	258.0	535.3	840.9	57.9	200.1	331.7	54.4	277.3	305.6	10.4
Apr	259.4	538.8	846.5	58.6	200.8	337.1	57.7	279.4	307.8	8.3
May	262.3	544.2	854.4	58.9	203.4	341.5	59.6	281.9	310.2	8.7
June	265.3	549.5	862.6	59.3	206.0	344.9	60.6	284.2	313.1	7.1
July	266.1	551.9	866.8	59.5	206.6	348.3	62.5	285.8	314.9	6.5
Aug	266.0	555.1	870.7	59.8	206.2	354.3	65.3	289.0	315.6	4.1
Sept	265.7	557.2	873.9	60.2	205.5	357.6	66.1	291.5	316.7	5.3
Oct	266.6	561.6	880.0	60.5	206.1	359.6	64.7	295.0	318.4	6.0
Nov	269.4	567.2	887.8	61.0	208.4	360.8	63.1	297.7	320.6	4.3
Dec	271.5	572.2	895.3	61.6	209.9	364.5	63.8	300.7	323.1	6.3
1974: Jan	270.9	575.5	900.7	62.0	208.9	371.0	66.4	304.6	325.2	8.1
Feb	273.1	580.8	907.7	62.7	210.4	375.9	68.2	307.7	326.9	6.6
Mar	275.2	585.5	914.9	63.3	211.9	378.3	68.0	310.3	329.5	6.4
Apr	276.6	589.4	920.5	63.9	212.8	386.7	73.9	312.7	331.1	6.0
May	277.6	591.5	923.0	64.3	213.2	392.5	78.5	314.0	331.5	7.6
June	279.7	596.7	929.5	64.6	215.0	398.4	81.3	317.0	332.7	6.1
July	280.2	599.4	933.4	64.8	215.4	402.8	83.6	319.2	334.0	5.4
Aug	280.5	602.0	936.6	65.4	215.1	405.3	83.8	321.5	334.5	4.0
Sept	280.8	603.6	938.9	65.8	215.0	407.6	84.8	322.8	335.3	5.4
Oct	281.7	607.8	944.3	66.4	215.3	412.3	86.2	326.1	336.6	3.7
Nov	283.3	612.6	951.1	67.3	216.0	414.9	85.5	329.3	338.5	3.3
Dec	283.8	613.9	955.0	67.7	216.1	420.4	90.3	330.1	341.1	4.6

¹ Currency outside the Treasury, the Federal Reserve Banks, and the vaults of all commercial banks.

² Demand deposits other than those due to domestic commercial banks and the U.S. Government, less cash items in process of collection and Federal Reserve float, plus foreign demand balances at Federal Reserve Banks.

³ Time and savings deposits other than those due to domestic commercial banks and the U.S. Government. Effective June 1966, excludes balances accumulated for payment of personal loans (about \$1.1 billion).

⁴ Negotiable time certificates of deposit issued in denominations of \$100,000 or more by large weekly reporting commercial banks.

⁵ Average of the beginning- and end-of-month deposits of mutual savings banks and savings capital at savings and loan associations.

⁶ Deposits at all commercial banks.

Source: Board of Governors of the Federal Reserve System.

TABLE C-53.—Commercial bank loans and investments, 1930-74

[Billions of dollars¹]

End of year or month ¹	Total loans and investments ²	Loans		Investments		Loans plus loans sold to bank affiliates ²
		Total ³	Commercial and industrial	U.S. Government securities	Other securities	
1930: June.....	48.9	34.5	-----	5.0	9.4	-----
1933: June.....	30.4	16.3	-----	7.5	6.5	-----
1939.....	40.7	17.2	-----	16.3	7.1	-----
1940.....	43.9	18.8	-----	17.8	7.4	-----
1941.....	50.7	21.7	-----	21.8	7.2	-----
1942.....	67.4	19.2	-----	41.4	6.8	-----
1943.....	85.1	19.1	-----	59.8	6.1	-----
1944.....	105.5	21.6	-----	77.6	6.3	-----
1945.....	124.0	26.1	-----	90.6	7.3	-----
1946.....	114.0	31.1	-----	74.8	8.1	-----
1947.....	116.3	38.1	-----	69.2	9.0	-----
1948.....	114.2	42.4	-----	62.6	9.2	-----
Seasonally adjusted						
1948.....	113.0	41.5	-----	62.3	9.2	-----
1949.....	118.7	42.0	-----	66.4	10.3	-----
1950.....	124.7	51.1	-----	61.1	12.4	-----
1951.....	130.2	56.5	-----	60.4	13.4	-----
1952.....	139.1	62.8	-----	62.2	14.2	-----
1953.....	143.1	66.2	-----	62.2	14.7	-----
1954.....	153.1	69.1	-----	67.6	16.4	-----
1955.....	157.6	80.6	-----	60.3	16.8	-----
1956.....	161.6	88.1	-----	57.2	16.3	-----
1957.....	166.4	91.5	-----	56.9	17.9	-----
1958.....	181.2	95.6	-----	65.1	20.5	-----
1959 ⁴	188.7	110.5	39.4	57.7	20.5	-----
1960.....	197.4	116.7	42.1	59.9	20.8	-----
1961.....	212.8	123.6	43.9	65.3	23.9	-----
1962.....	231.2	137.3	47.6	64.7	29.2	-----
1963.....	250.2	153.7	52.1	61.5	35.0	-----
1964.....	272.4	172.9	58.4	60.8	38.7	-----
1965.....	300.1	198.2	69.5	57.1	44.8	-----
1966.....	316.1	213.9	78.6	53.5	48.7	-----
1967.....	352.0	231.3	86.2	59.4	61.3	-----
1968.....	390.2	258.2	95.9	60.7	71.3	-----
1969 ⁴	401.7	279.1	105.7	51.5	71.1	283.0
1970.....	435.5	291.7	110.0	57.9	85.9	294.7
1971.....	484.8	320.3	115.9	60.1	104.4	323.1
1972.....	556.4	377.8	129.7	61.9	116.7	380.4
1973.....	630.3	447.3	155.8	52.8	130.2	451.6
1974 ⁵	681.2	494.1	180.5	48.8	138.3	498.9
1974: Jan.....	638.9	452.9	157.9	54.5	131.5	457.3
Feb.....	647.4	458.3	159.5	56.4	132.7	463.3
Mar.....	657.5	468.2	165.1	56.4	132.9	473.1
Apr.....	666.9	476.3	169.5	57.1	133.5	481.7
May.....	673.4	481.4	172.9	57.2	134.8	487.1
June.....	677.5	484.5	174.6	56.4	136.6	489.9
July ⁶	686.6	494.3	177.9	55.8	136.5	499.7
Aug ⁶	692.0	500.2	180.7	55.3	136.5	505.5
Sept ⁶	687.0	498.2	180.8	52.2	136.6	503.5
Oct ⁶	687.1	499.5	182.5	49.7	137.9	504.7
Nov ⁶	688.5	500.9	183.0	49.3	138.3	505.8
Dec ⁶	681.2	494.1	180.5	48.8	138.3	498.9

¹ Data are for last Wednesday of month or year (except June 30 and December 31 call dates).² Adjusted to exclude all interbank loans beginning 1948 and domestic bank loans only beginning January 1959.³ Beginning January 1959, loans and investments are reported gross, without valuation reserves deducted, rather than net of valuation reserves, as in earlier periods.⁴ Effective June 1966, balances accumulated for payment of personal loans (about \$1.1 billion) are excluded from loans at all commercial banks, and certain certificates of CCC and Export-Import Bank totaling about \$1 billion are included in other securities rather than in loans.⁵ Beginning June 1969, data include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries; earlier data include commercial banks only.⁶ Beginning June 1971, Farmers Home Administration insured notes totaling about \$0.7 billion are classified as other securities rather than as loans.⁷ Beginning June 1972, commercial and industrial loans were reduced by about \$0.4 billion due to loan reclassifications at one large bank.⁸ Beginning June 1974, the merger of a large mutual savings bank and a nonmember commercial bank increased total loans and investments by \$0.6 billion, loans by \$0.5 billion, and other securities by \$0.1 billion.⁹ Beginning November 1974, the liquidation of one large bank reduced total loans and investments by \$1.5 billion, total loans by \$1.0 billion, commercial and industrial loans by \$0.6 billion, and other securities by \$0.5 billion. In addition, commercial and industrial loans were increased by \$0.1 billion due to loan reclassifications at one large bank.¹⁰ Beginning August 1974, reflects new definition of affiliates included and different group of reporting banks. Amount of total loans sold was reduced by \$0.1 billion.

Source: Board of Governors of the Federal Reserve System.

TABLE C-54.—Total funds raised in credit markets by nonfinancial sectors, 1966-74

[Billions of dollars]

Item	1966	1967	1968	1969	1970	1971	1972	1973
Total funds raised.....	67.9	82.4	95.9	91.8	98.2	147.4	169.4	187.4
U.S. Government.....	3.6	13.0	13.4	-3.6	12.8	25.5	17.3	9.7
Public debt securities.....	2.3	8.9	10.3	-1.3	12.9	26.0	13.9	7.7
Agency issues and mortgages.....	1.3	4.1	3.1	-2.4	-1.1	-5.5	3.4	2.0
All other nonfinancial sectors.....	64.3	69.4	82.5	95.5	85.4	121.9	152.1	177.7
Corporate equities.....	1.0	2.4	.0	3.9	5.8	11.5	10.5	7.2
Debt instruments.....	63.3	67.0	82.6	91.6	79.7	110.4	141.6	170.4
Debt capital instruments.....	38.9	45.7	50.6	50.6	57.6	84.2	94.9	97.1
State and local government securities.....	5.6	7.8	9.5	9.9	11.2	17.6	14.4	13.7
Corporate and foreign bonds.....	11.0	15.9	14.0	13.0	20.6	19.7	13.2	10.2
Mortgages.....	22.3	22.0	27.1	27.7	25.7	46.9	67.3	73.2
Home.....	11.7	11.5	15.1	15.7	12.8	26.1	39.6	43.3
Other residential.....	3.1	3.6	3.4	4.7	5.8	8.8	10.3	8.4
Commercial.....	5.7	4.7	6.4	5.3	5.3	10.0	14.8	17.0
Farm.....	1.8	2.3	2.2	1.9	1.8	2.0	2.6	4.4
Other private credit.....	24.4	21.3	32.0	41.0	22.1	26.3	46.7	73.4
Bank loans n.e.c.....	10.7	9.5	13.1	15.3	6.4	9.3	21.8	38.6
Consumer credit.....	6.4	4.5	10.0	10.4	6.0	11.2	19.2	22.9
Open-market paper.....	1.0	2.1	1.6	3.3	3.8	-9.9	-1.6	1.8
Other.....	6.2	5.1	7.2	12.0	5.9	6.6	7.3	10.0
By borrowing sector:								
Total funds raised.....	64.3	69.4	82.5	95.5	85.4	121.9	152.1	177.7
Foreign.....	1.5	4.0	2.8	3.7	2.7	4.6	4.3	7.5
State and local governments.....	6.3	7.9	9.8	10.7	11.3	17.8	14.2	12.3
Households.....	22.7	19.3	30.0	31.7	23.4	39.8	63.1	72.8
Nonfinancial business.....	33.8	38.1	39.9	49.4	48.0	59.6	70.5	85.1
Farm.....	3.1	3.6	2.8	3.2	3.2	4.1	4.9	8.6
Nonfarm noncorporate.....	5.4	5.0	5.6	7.4	5.3	8.7	10.4	9.3
Corporate.....	25.3	29.6	31.5	38.9	39.5	46.8	55.3	67.2
Total funds advanced to nonfinancial sectors.....	67.9	82.4	95.9	91.8	98.2	147.4	169.4	187.4
Financed directly or indirectly by:								
Private domestic nonfinancial sectors.....	41.3	50.5	61.4	47.7	63.3	83.1	105.8	124.3
Deposits.....	24.4	52.1	48.3	5.4	66.6	93.7	101.9	88.8
Demand deposits and currency.....	4.1	12.8	14.5	7.7	10.5	12.7	16.7	12.6
Time and savings accounts.....	20.3	39.3	33.9	-2.3	56.1	81.0	85.2	76.3
At commercial banks.....	13.0	22.6	21.0	-10.3	39.2	40.6	39.3	48.1
At savings institutions.....	7.3	16.7	12.9	8.0	16.9	40.4	45.9	28.2
Credit market instruments, net.....	16.9	-1.5	13.0	42.3	-3.4	-10.6	3.8	35.5
U.S. Government securities.....	8.4	-1.4	8.1	17.0	-9.0	-14.0	1.6	18.8
Private credit market instruments.....	9.2	5.7	12.3	27.5	6.5	10.7	12.1	20.5
Corporate equities.....	-9.9	-4.3	-6.5	-3.8	-1.7	-5.3	-5.4	-8.2
Less security debt.....	-1.3	1.5	.8	-1.6	-1.9	2.1	4.5	-4.4
Other sources:								
Foreign funds.....	1.8	4.9	5.1	10.6	2.4	23.9	15.8	10.1
At banks.....	3.7	2.3	2.6	9.3	-8.5	-3.2	5.2	6.5
Direct.....	-1.9	2.7	2.5	1.3	10.9	27.2	10.6	3.6
Change in U.S. Government cash balance.....	-4.4	1.2	-1.1	.4	2.8	3.2	-3.3	-1.7
U.S. Government loans.....	4.9	4.6	4.9	2.9	2.8	3.2	2.6	3.0
Private insurance and pension reserves.....	18.1	18.2	18.8	19.7	21.8	24.8	27.1	29.5
Other.....	2.2	3.0	6.9	10.6	5.1	9.1	18.4	22.1

See footnotes at end of table.

TABLE C-54.—Total funds raised in credit markets by nonfinancial sectors, 1966-74—Continued

[Billions of dollars]

Item	1974 unadjusted quarterly flows			1974 seasonally adjusted annual rates		
	I	II	III	I	II	III
Total funds raised.....	35.0	52.0	48.5	177.3	206.5	199.1
U.S. Government.....	3.4	-6.2	4.5	8.7	2.1	15.1
Public debt securities.....	3.0	-6.4	4.9	7.0	1.3	16.6
Agency issues and mortgages.....	.4	.2	-.4	1.7	.8	-1.5
All other nonfinancial sectors.....	31.6	58.2	44.0	168.7	204.5	184.0
Corporate equities.....	1.6	1.1	1.4	6.3	4.5	5.4
Debt instruments.....	30.0	57.1	42.6	162.4	200.0	178.6
Debt capital instruments.....	20.2	29.3	23.9	92.7	110.8	87.7
State and local government securities.....	4.0	4.9	3.2	15.8	19.7	12.3
Corporate and foreign bonds.....	4.3	5.9	5.5	19.6	20.9	21.8
Mortgages.....	11.9	18.5	15.2	57.3	70.2	53.5
Home.....	6.6	11.0	9.4	33.0	41.7	31.1
Other residential.....	1.4	2.4	2.3	7.1	8.7	9.2
Commercial.....	2.9	3.7	2.4	13.4	15.1	8.8
Farm.....	1.0	1.4	1.1	3.8	4.8	4.4
Other private credit.....	9.8	27.7	18.7	69.7	89.1	90.8
Bank loans n.e.c.....	6.1	16.2	5.7	41.7	47.1	35.2
Consumer credit.....	-2.9	5.9	4.5	8.2	17.2	15.8
Open-market paper.....	3.6	3.6	5.9	11.4	18.0	22.5
Other.....	3.0	2.1	2.7	8.4	6.8	17.3
By borrowing sector:						
Total funds raised.....	31.6	58.2	44.0	168.7	204.5	184.0
Foreign.....	3.4	6.5	3.0	14.1	25.1	13.3
State and local governments.....	3.7	4.4	3.0	14.5	17.4	11.5
Households.....	6.0	15.8	13.9	51.4	53.6	57.6
Nonfinancial business.....	18.5	31.6	24.1	88.7	108.3	101.5
Farm.....	1.7	3.1	1.8	6.3	8.5	8.7
Nonfarm noncorporate.....	-.4	3.1	2.2	4.4	10.2	8.3
Corporate.....	17.2	25.4	20.2	78.0	89.7	84.6
Total funds advanced to nonfinancial sectors.....	35.0	52.0	48.5	177.3	206.5	199.1
Financed directly or indirectly by:						
Private domestic nonfinancial sectors.....	22.9	33.0	26.7	132.8	124.7	127.7
Deposits.....	11.4	30.7	3.1	89.7	105.9	38.7
Demand deposits and currency.....	-12.9	8.2	-5.7	7.1	9.3	2.4
Time and savings accounts.....	24.3	22.5	8.8	82.6	96.5	36.3
At commercial banks.....	13.9	18.1	8.4	45.1	81.0	28.7
At savings institutions.....	10.4	4.4	.4	37.6	15.5	7.6
Credit market instruments, net.....	11.6	2.3	23.6	43.1	18.8	89.0
U.S. Government securities.....	5.2	-1.0	11.4	19.0	5.3	37.4
Private credit market instruments.....	5.7	4.7	10.4	27.8	18.6	44.0
Corporate equities.....	.9	-1.2	.7	-2.7	-4.1	3.2
Less security debt.....	.2	.2	-1.1	.9	1.0	-4.5
Other sources:						
Foreign funds.....	2.7	6.7	5.6	12.4	28.8	15.9
At banks.....	2.3	2.7	3.2	11.1	9.5	14.2
Direct.....	.4	3.9	2.4	1.4	19.3	1.7
Change in U.S. Government cash balance.....	-1.6	.4	-.6	.2	-3.8	1.6
U.S. Government loans.....	.4	.5	1.1	2.2	1.7	4.3
Private insurance and pension reserves.....	6.6	9.0	8.8	25.6	36.9	35.0
Other.....	4.0	2.5	6.9	4.0	18.3	14.5

Source: Board of Governors of the Federal Reserve System.

TABLE C-55.—Private liquid asset holdings, nonfinancial investors, 1959-74

(Averages of daily figures; billions of dollars, seasonally adjusted)

Year and month	Total liquid assets	Currency and deposits				U.S. Government securities		Negotiable certificates of deposit ⁴	Commercial paper ⁵	
		Total	Currency ¹	Demand deposits ¹	Time deposits		Savings bonds ³			Short-term marketable securities ⁴
					Commercial banks ¹	Non-bank thrift institutions ²				
1959: Dec	375.4	290.6	28.9	104.1	64.7	92.9	46.1	37.7		1.0
1960: Dec	388.1	305.7	29.0	104.6	69.9	102.2	45.7	34.0		2.8
1961: Dec	412.5	326.3	29.6	106.3	77.0	113.5	46.5	34.0	2.7	3.1
1962: Dec	444.5	352.3	30.6	106.5	88.8	126.4	46.9	36.1	5.3	3.9
1963: Dec	482.5	382.3	32.5	109.8	98.6	141.5	48.0	38.5	9.0	4.7
1964: Dec	518.4	415.1	34.3	114.6	108.9	157.3	48.9	35.7	11.6	7.0
1965: Dec	562.9	451.5	36.3	119.6	125.2	170.4	49.5	38.4	15.0	8.4
1966: Dec	593.5	474.3	38.3	121.7	137.0	177.3	50.1	43.8	14.5	10.7
1967: Dec	643.2	520.9	40.4	130.0	156.3	194.2	51.0	39.5	19.2	12.7
1968: Dec	704.1	564.5	43.4	140.1	174.3	206.7	51.4	46.8	22.5	18.8
1969: Dec	737.1	583.0	46.1	144.7	177.3	215.0	51.1	64.9	9.1	28.9
1970: Dec	786.5	634.4	49.1	153.2	199.2	232.8	51.3	53.2	23.1	24.5
1971: Dec	868.3	721.0	52.6	161.7	233.6	273.1	53.7	39.5	30.3	23.9
1972: Dec	979.8	815.9	56.9	175.1	264.7	319.1	57.0	39.7	39.9	27.4
1973: Dec	1,093.3	885.4	61.6	181.3	294.8	347.6	59.9	52.0	58.0	38.0
1974: Dec	1,197.2	945.6	67.7	186.7	322.8	368.4	62.8	60.6	80.2	47.9
1973: Jan	988.7	823.2	57.2	175.7	267.7	322.7	57.3	39.8	40.8	27.6
Feb	997.9	828.7	57.5	175.9	269.7	325.6	57.6	39.9	44.6	27.0
Mar	1,008.5	833.8	57.9	175.7	272.1	328.1	57.9	41.2	49.2	26.5
Apr	1,019.7	839.1	58.6	176.1	273.9	330.6	58.2	43.3	52.4	26.6
May	1,031.3	846.6	58.9	178.1	276.3	333.3	58.5	45.0	54.1	27.2
June	1,042.5	854.8	59.3	180.2	278.6	336.6	58.8	46.0	54.8	28.2
July	1,050.8	858.8	59.5	180.5	280.2	338.6	59.0	46.4	56.9	29.7
Aug	1,061.1	862.2	59.8	179.6	283.3	339.4	59.2	48.6	59.7	31.4
Sept	1,068.8	865.4	60.2	178.6	285.9	340.7	59.3	50.5	60.3	33.2
Oct	1,074.6	870.9	60.5	178.7	289.2	342.5	59.5	50.4	58.8	35.1
Nov	1,083.1	878.2	61.0	180.5	291.8	344.9	59.7	51.1	57.2	36.9
Dec	1,093.3	885.4	61.6	181.3	294.8	347.6	59.9	52.0	58.0	38.0
1974: Jan	1,102.7	890.5	62.0	180.0	298.6	350.0	60.0	52.1	60.6	39.5
Feb	1,113.2	897.6	62.7	181.4	301.6	351.9	60.3	52.1	62.5	40.8
Mar	1,123.2	904.6	63.3	182.4	304.1	354.8	60.5	53.7	62.4	41.8
Apr	1,137.6	910.1	63.9	183.0	306.4	356.8	60.8	55.7	68.3	42.6
May	1,145.3	912.3	64.3	182.9	307.6	357.5	61.0	56.3	72.8	43.0
June	1,155.0	918.5	64.6	184.2	310.5	359.1	61.3	56.8	75.1	43.3
July	1,163.3	922.3	64.8	184.7	312.3	360.5	61.5	58.2	76.7	44.7
Aug	1,158.2	925.0	65.4	184.4	314.1	361.1	61.7	59.3	76.1	46.2
Sept	1,173.4	927.3	65.8	184.2	315.3	362.0	62.0	60.2	76.4	47.5
Oct	1,182.8	933.6	66.4	185.1	318.6	363.5	62.3	61.4	77.3	48.3
Nov	1,189.2	941.4	67.3	186.4	322.1	365.6	62.5	61.0	76.0	48.2
Dec	1,197.2	945.6	67.7	186.7	322.8	368.4	62.8	60.6	80.2	47.9

¹ Money stock components (see Table C-52) after deducting foreign holdings and holdings by domestic financial institutions. The three columns add to M₂ held by domestic nonfinancial sectors.

² Deposits at nonbank thrift institutions, as published in money stock statistics, plus monthly-average deposits at credit unions.

³ Series E and H savings bonds held by individuals.

⁴ Short-term marketable U.S. Government securities excluding official, foreign, and financial institution holdings.

⁵ Certificates over \$100,000 at weekly reporting banks, except foreign holdings.

⁶ Commercial paper held outside banks and other financial institutions.

Source: Board of Governors of the Federal Reserve System.

TABLE C-56.—Federal Reserve Bank credit and member bank reserves, 1929-74

(Averages of daily figures; millions of dollars)

Year and month	Reserve Bank credit outstanding				Member bank reserves			
	Total	U.S. Government securities	Member bank borrowings		All other, mainly float	Total	Re-quired	Excess
			Total	Seasonal				
1929: Dec.....	1, 643	446	801		396	2, 395	2, 347	48
1933: Dec.....	2, 669	2, 432	95		142	2, 588	1, 822	1 766
1939: Dec.....	2, 612	2, 510	3		99	11, 473	6, 462	5, 011
1940: Dec.....	2, 305	2, 188	3		114	14, 049	7, 403	6, 646
1941: Dec.....	2, 404	2, 219	5		180	12, 812	9, 422	3, 390
1942: Dec.....	6, 035	5, 549	4		482	13, 152	10, 776	2, 376
1943: Dec.....	11, 914	11, 166	90		658	12, 749	11, 701	1, 048
1944: Dec.....	19, 612	18, 693	265		654	14, 168	12, 884	1, 284
1945: Dec.....	24, 744	23, 708	334		702	16, 027	14, 536	1, 491
1946: Dec.....	24, 746	23, 767	157		822	16, 517	15, 617	900
1947: Dec.....	22, 858	21, 905	224		729	17, 261	16, 275	986
1948: Dec.....	23, 978	23, 002	134		842	19, 990	19, 193	797
1949: Dec.....	19, 012	18, 287	118		607	16, 291	15, 488	803
1950: Dec.....	21, 606	20, 345	142		1, 119	17, 391	16, 364	1, 027
1951: Dec.....	25, 446	23, 409	657		1, 380	20, 310	19, 484	826
1952: Dec.....	27, 299	24, 400	1, 593		1, 306	21, 180	20, 457	723
1953: Dec.....	27, 107	25, 639	441		1, 027	19, 920	19, 227	693
1954: Dec.....	26, 317	24, 917	246		1, 154	19, 279	18, 576	703
1955: Dec.....	26, 853	24, 602	839		1, 412	19, 240	18, 646	594
1956: Dec.....	27, 156	24, 765	688		1, 703	19, 535	18, 883	652
1957: Dec.....	26, 186	23, 982	710		1, 494	19, 420	18, 843	577
1958: Dec.....	28, 412	26, 312	557		1, 543	18, 899	18, 383	516
1959: Dec.....	29, 435	27, 036	906		1, 493	* 18, 932	18, 450	482
1960: Dec.....	29, 060	27, 248	87		1, 725	19, 283	18, 527	756
1961: Dec.....	31, 217	29, 098	149		1, 970	20, 118	19, 550	568
1962: Dec.....	33, 218	30, 546	304		2, 368	20, 040	19, 468	572
1963: Dec.....	36, 610	33, 729	327		2, 554	20, 746	20, 210	536
1964: Dec.....	39, 873	37, 126	243		2, 504	21, 609	21, 198	411
1965: Dec.....	43, 853	40, 885	454		2, 514	22, 719	22, 267	452
1966: Dec.....	46, 864	43, 760	557		2, 547	23, 830	23, 438	392
1967: Dec.....	51, 268	48, 891	238		2, 139	25, 260	24, 915	345
1968: Dec.....	56, 610	52, 529	765		3, 316	27, 221	26, 766	455
1969: Dec.....	64, 100	57, 500	1, 086		5, 514	28, 031	27, 774	257
1970: Dec.....	66, 708	61, 688	321		4, 699	29, 265	28, 993	272
1971: Dec.....	74, 255	69, 158	107		4, 990	31, 329	31, 164	165
1972: Dec.....	76, 851	71, 094	1, 049		4, 708	* 31, 353	31, 134	* 219
1973: Dec.....	85, 642	79, 701	1, 298	41	4, 643	* 35, 068	34, 806	* 262
1974: Dec.....	93, 993	86, 679	704	31	6, 610	* 36, 960	36, 621	* 339
1973: Jan.....	78, 057	72, 194	1, 164		4, 699	* 32, 950	32, 601	* 349
Feb.....	77, 594	72, 307	1, 593		3, 694	31, 734	31, 537	197
Mar.....	79, 219	74, 019	1, 858		3, 342	31, 969	31, 682	287
Apr.....	80, 542	75, 353	1, 721	5	3, 468	32, 275	32, 126	149
May.....	81, 831	76, 758	1, 786	30	3, 287	32, 336	32, 277	59
June.....	80, 547	75, 355	1, 788	77	3, 404	32, 029	31, 970	59
July.....	83, 929	77, 448	2, 051	124	4, 430	33, 590	33, 199	391
Aug.....	82, 443	76, 653	2, 144	163	3, 646	33, 783	33, 540	243
Sept.....	81, 810	76, 073	1, 861	147	3, 876	34, 020	33, 775	245
Oct.....	83, 644	78, 042	1, 465	126	4, 137	34, 913	34, 690	223
Nov.....	83, 756	78, 457	1, 399	84	3, 900	34, 725	34, 543	182
Dec.....	85, 642	79, 701	1, 298	41	4, 643	35, 068	34, 806	262
1974: Jan.....	86, 568	80, 793	1, 044	18	4, 731	36, 655	36, 419	236
Feb.....	85, 493	80, 801	1, 186	17	3, 506	35, 242	35, 053	189
Mar.....	84, 943	80, 686	1, 352	32	2, 905	34, 966	34, 790	176
Apr.....	86, 907	81, 567	1, 714	50	3, 626	35, 929	35, 771	158
May.....	89, 405	83, 434	2, 580	102	3, 391	36, 519	36, 325	194
June.....	89, 254	82, 812	3, 000	130	3, 442	36, 390	36, 259	131
July.....	91, 554	84, 313	3, 308	149	3, 933	37, 338	37, 161	177
Aug.....	91, 367	84, 493	3, 351	165	3, 523	37, 029	36, 851	178
Sept.....	91, 617	84, 384	3, 285	139	3, 946	37, 076	36, 885	191
Oct.....	90, 971	83, 735	1, 793	117	5, 443	36, 796	36, 705	91
Nov.....	91, 302	84, 052	1, 285	67	5, 965	36, 837	36, 579	258
Dec.....	93, 993	86, 679	704	31	6, 610	36, 960	36, 621	339

¹ Data are for licensed banks only.² Beginning December 1959, total reserves held include vault cash allowed.³ Beginning November 1972, includes \$450 million of reserve deficiencies on which Federal Reserve Banks are allowed to waive penalties for a transition period in connection with bank adaptation to Regulation J as amended effective November 9, 1972. Beginning 1973, allowable deficiencies included are (beginning with first statement week of quarter): first quarter, \$279 million; second quarter, \$172 million; third quarter, \$112 million; fourth quarter, \$84 million. Beginning 1974 allowable deficiencies included are: first quarter, \$67 million and second quarter, \$58 million. Transition period ended after second quarter 1974.

Source: Board of Governors of the Federal Reserve System.

TABLE C-57.—Aggregate reserves and member bank deposits, 1959-74

[Averages of daily figures; ¹ billions of dollars, seasonally adjusted]

Year and month	Member bank reserves ²				Deposits subject to reserve requirements ⁴				Total member bank deposits plus non-deposit items ⁵
	Total	Nonborrowed	Required	Available ³	Total	Time and savings	Demand		
							Private	U.S. Government	
1959: Dec	18.57	17.63	18.07	16.62	158.2	54.3	99.0	4.8	158.2
1960: Dec	18.88	18.81	18.14	17.01	162.5	58.8	99.1	4.6	162.5
1961: Dec	19.71	19.57	19.12	17.71	175.5	67.7	102.9	4.9	175.5
1962: Dec	19.64	19.38	19.07	17.58	189.0	79.9	103.3	5.7	189.0
1963: Dec	20.26	19.93	19.77	18.24	203.2	92.1	105.9	5.2	203.4
1964: Dec	21.17	20.91	20.77	19.09	218.7	103.7	109.1	5.9	220.1
1965: Dec	22.24	21.80	21.82	20.20	238.5	120.5	112.8	5.1	240.0
1966: Dec	23.34	22.81	23.00	21.40	246.7	128.6	113.9	4.3	250.9
1967: Dec	24.81	24.58	24.44	22.49	275.5	148.8	121.2	5.5	279.9
1968: Dec	27.28	26.54	26.86	24.85	299.6	164.3	130.3	5.0	306.6
1969: Dec	28.01	26.90	27.73	25.39	287.7	150.5	131.9	5.3	307.0
1970: Dec	29.20	28.87	28.95	27.13	321.3	178.9	136.0	6.4	333.4
1971: Dec	31.33	31.20	31.15	29.03	360.3	210.7	143.8	5.8	365.2
1972: Dec	31.46	30.41	31.17	29.09	402.0	242.0	154.5	5.6	406.4
1973: Dec	35.16	33.87	34.86	32.97	442.2	280.0	158.2	3.9	448.7
1974: Dec	36.92	36.19	36.66	34.63	485.9	323.3	160.8	1.8	494.3
1973: Jan	32.17	31.01	31.92	29.45	404.7	244.5	154.2	6.0	409.2
Feb	31.67	30.08	31.46	29.43	409.4	249.7	154.0	5.7	413.9
Mar	31.94	30.12	31.73	29.63	416.3	255.9	153.3	7.1	421.1
Apr	32.27	30.56	32.05	29.89	421.0	260.6	153.4	6.9	426.1
May	32.43	30.59	32.28	30.09	425.1	263.9	154.8	6.4	430.3
June	32.46	30.61	32.22	30.51	428.9	266.2	156.3	6.4	433.9
July	33.57	31.62	33.29	31.27	431.1	268.8	156.9	5.4	437.0
Aug	33.92	31.76	33.75	31.99	436.7	274.2	156.8	5.7	443.5
Sept	34.19	32.34	33.97	32.37	438.6	277.0	156.2	5.4	445.3
Oct	34.93	33.45	34.70	32.83	439.7	277.9	156.5	5.2	446.2
Nov	34.87	33.48	34.63	32.78	440.4	277.8	157.5	5.1	446.8
Dec	35.16	33.87	34.86	32.97	442.2	280.0	158.2	3.9	448.7
1974: Jan	35.82	34.77	35.66	32.82	446.8	284.1	157.5	5.1	453.3
Feb	35.12	33.92	34.93	32.90	447.5	287.4	157.9	2.2	454.4
Mar	34.98	33.66	34.84	33.13	450.4	288.6	158.7	3.2	457.9
Apr	35.88	34.15	35.70	33.66	461.2	296.6	160.0	4.6	469.2
May	36.52	33.93	36.34	34.26	467.0	302.3	159.1	5.6	475.8
June	36.74	33.73	36.54	34.71	472.9	307.0	160.6	5.3	481.2
July	37.40	34.10	37.24	34.96	475.7	310.7	160.7	4.2	484.9
Aug	37.27	33.93	37.08	35.27	478.5	312.4	159.9	6.2	487.5
Sept	37.28	34.00	37.09	35.30	480.6	314.4	159.9	6.3	489.1
Oct	36.86	35.04	36.73	34.89	480.5	317.2	159.5	3.7	488.3
Nov	36.87	35.62	36.67	34.87	483.6	318.4	160.6	4.6	491.2
Dec	36.92	36.19	36.66	34.63	485.9	323.3	160.8	1.8	494.3

¹ Except as noted in footnote 5.² Member bank reserves series reflects actual reserve requirement percentages with no adjustment to eliminate the effect of changes in Regulations D and M.³ Reserves available to support private nonbank deposits are defined as (1) required reserves for (a) private demand deposits, (b) total time and savings deposits, and (c) nondeposit sources subject to reserve requirements and (2) excess reserves. This series excludes required reserves for net interbank and U.S. Government demand deposits.⁴ Deposits subject to reserve requirements include total time and savings deposits and net demand deposits as defined by Regulation D. Private demand deposits include all demand deposits except those due to the U.S. Government, less cash items in process of collection and demand balances due from domestic commercial banks.⁵ Total member bank deposits subject to reserve requirements, plus Eurodollar borrowings, bank-related commercial paper (data relate to Wednesday figures), and certain other nondeposit items. This series for deposits is referred to as "the adjusted bank credit proxy."

Source: Board of Governors of the Federal Reserve System.

TABLE C-58.—Bond yields and interest rates, 1929-74

[Percent per annum]

Year or month	U.S. Government securities			Corporate bonds (Moody's)		High-grade municipal bonds (Standard & Poor's)	Average rate on short-term bank loans to business—selected cities	Prime commercial paper, 4-6 months	Federal Reserve Bank discount rate ⁴	Federal funds rate ⁵	FHA new home mortgage yields ⁶
	3-month Treasury bills ¹	3-5 year issues ²	Taxable bonds ³	Aaa	Baa						
1929				4.73	5.90	4.27		5.85	5.16		
1933	0.515	2.66		4.49	7.76	4.71		1.73	2.56		
1939	.023	.59		3.01	4.96	2.76	2.1	.59	1.00		
1940	.014	.50		2.84	4.75	2.50	2.1	.56	1.00		
1941	.103	.73		2.77	4.33	2.10	2.0	.53	1.00		
1942	.326	1.46	2.46	2.83	4.28	2.36	2.2	.66	1.00		
1943	.373	1.34	2.47	2.73	3.91	2.06	2.6	.69	1.00		
1944	.375	1.33	2.48	2.72	3.61	1.86	2.4	.73	1.00		
1945	.375	1.18	2.37	2.62	3.29	1.67	2.2	.75	1.00		
1946	.375	1.16	2.19	2.53	3.05	1.64	2.1	.81	1.00		
1947	.594	1.32	2.25	2.61	3.24	2.01	2.1	1.03	1.00		
1948	1.040	1.62	2.44	2.82	3.47	2.40	2.5	1.44	1.34		
1949	1.102	1.43	2.31	2.66	3.42	2.21	2.68	1.49	1.50		4.34
1950	1.218	1.50	2.32	2.62	3.24	1.98	2.69	1.45	1.59		4.17
1951	1.552	1.93	2.57	2.86	3.41	2.00	3.11	2.16	1.75		4.21
1952	1.766	2.13	2.68	2.96	3.52	2.19	3.49	2.33	1.75		4.29
1953	1.931	2.56	2.94	3.20	3.74	2.72	3.69	2.52	1.99		4.61
1954	.953	1.82	2.55	2.90	3.51	2.37	3.61	1.58	1.60		4.62
1955	1.753	2.50	2.84	3.06	3.53	2.53	3.70	2.18	1.89	1.78	4.64
1956	2.658	3.12	3.08	3.36	3.88	2.93	4.20	3.31	2.77	2.73	4.79
1957	3.267	3.62	3.47	3.89	4.71	3.60	4.62	3.81	3.12	3.11	5.42
1958	1.839	2.90	3.43	3.79	4.73	3.56	4.34	2.46	2.15	1.57	5.49
1959	3.405	4.33	4.07	4.38	5.05	3.95	5.00	3.97	3.36	3.30	5.71
1960	2.928	3.99	4.01	4.41	5.19	3.73	5.16	3.85	3.53	3.22	6.18
1961	2.378	3.60	3.90	4.35	5.08	3.46	4.97	2.97	3.00	1.96	5.80
1962	2.778	3.57	3.95	4.33	5.02	3.18	5.00	3.26	3.00	2.68	5.61
1963	3.157	3.72	4.00	4.26	4.86	3.23	5.01	3.55	3.23	3.18	5.47
1964	3.549	4.06	4.15	4.40	4.83	3.22	4.99	3.97	3.55	3.50	5.45
1965	3.954	4.22	4.21	4.49	4.87	3.27	5.06	4.38	4.04	4.07	5.46
1966	4.881	5.16	4.66	5.13	5.67	3.82	6.00	5.55	4.50	5.11	6.29
1967	4.321	5.07	4.85	5.51	6.23	3.98	6.00	5.10	4.19	4.22	6.55
1968	5.339	5.59	5.25	6.18	6.94	4.51	6.68	5.90	5.17	5.66	7.13
1969	6.677	6.85	6.10	7.03	7.81	5.81	8.21	7.83	5.87	8.21	8.19
1970	6.458	7.37	6.59	8.04	9.11	6.51	8.48	7.72	5.95	7.17	9.05
1971	4.348	5.77	5.74	7.39	8.56	5.70	6.32	5.11	4.88	4.67	7.78
1972	4.071	5.85	5.63	7.21	8.16	5.27	5.82	4.69	4.50	4.44	7.53
1973	7.041	6.92	6.30	7.44	8.24	5.18	8.30	8.15	6.44	8.74	8.08
1974	7.886	7.81	6.99	8.57	9.50	6.09	11.28	9.87	7.83	10.51	9.47

See next page for continuation of table and for footnotes.

TABLE C-58.—Bond yields and interest rates, 1929-74—Continued

[Percent per annum]

Year or month	U.S. Government securities			Corporate bonds (Moody's)		High-grade municipal bonds (Standard & Poor's)	Average rate on short-term bank loans to business—selected cities	Prime commercial paper, 4-6 months	Federal Reserve Bank discount rate ⁴	Federal funds rate ⁵	FHA new home mortgage yields ⁶
	3-month Treasury bills ¹	3-5 year issues ²	Taxable bonds ³	Aaa	Baa						
1972: Jan.....	3.403	5.33	5.62	7.19	8.23	5.25	—	4.08	4.50	3.50	7.59
Feb.....	3.180	5.51	5.67	7.27	8.23	5.33	5.52	3.93	4.50	3.29	7.49
Mar.....	3.723	5.74	5.66	7.24	8.24	5.30	—	4.17	4.50	3.83	7.46
Apr.....	3.723	6.01	5.74	7.30	8.24	5.45	—	4.58	4.50	4.17	7.45
May.....	3.648	5.69	5.64	7.30	8.23	5.26	5.59	4.51	4.50	4.27	7.50
June.....	3.874	5.77	5.59	7.23	8.20	5.37	—	4.64	4.50	4.46	7.53
July.....	4.059	5.86	5.57	7.21	8.23	5.39	—	4.85	4.50	4.55	7.54
Aug.....	4.014	5.92	5.54	7.19	8.19	5.29	5.84	4.82	4.50	4.80	7.54
Sept.....	4.651	6.16	5.70	7.22	8.09	5.36	—	5.14	4.50	4.87	7.55
Oct.....	4.719	6.11	5.69	7.21	8.06	5.20	—	5.30	4.50	5.04	7.56
Nov.....	4.774	6.03	5.50	7.12	7.99	5.03	6.33	5.25	4.50	5.06	7.57
Dec.....	5.061	6.07	5.63	7.08	7.93	5.03	—	5.45	4.50	5.33	7.57
1973: Jan.....	5.307	6.29	5.94	7.15	7.90	5.05	—	5.78	4.77	5.94	7.56
Feb.....	5.558	6.61	6.14	7.22	7.97	5.12	6.52	6.22	5.05	6.58	7.55
Mar.....	6.054	6.85	6.20	7.29	8.03	5.30	—	6.85	5.50	7.09	7.56
Apr.....	6.289	6.74	6.11	7.26	8.09	5.16	—	7.14	5.50	7.12	7.63
May.....	6.348	6.78	6.22	7.29	8.06	5.12	7.35	7.27	5.90	7.84	7.73
June.....	7.188	6.76	6.32	7.37	8.13	5.15	—	7.99	6.33	8.49	7.79
July.....	8.015	7.49	6.53	7.45	8.24	5.39	—	9.18	6.98	10.40	7.89
Aug.....	8.672	7.75	6.81	7.68	8.53	5.47	9.24	10.21	7.29	10.50	8.19
Sept.....	8.478	7.16	6.42	7.63	8.63	5.11	—	10.23	7.50	10.78	—
Oct.....	7.155	6.81	6.26	7.60	8.41	5.05	—	8.92	7.50	10.01	9.18
Nov.....	7.866	6.96	6.31	7.67	8.42	5.17	10.08	8.94	7.50	10.03	8.97
Dec.....	7.364	6.80	6.35	7.68	8.48	5.12	—	9.08	7.50	9.95	8.86
1974: Jan.....	7.755	6.94	6.56	7.83	8.58	5.20	—	8.66	7.50	9.65	8.78
Feb.....	7.060	6.77	6.54	7.85	8.59	5.19	9.91	7.83	7.50	8.97	—
Mar.....	7.986	7.33	6.81	8.01	8.65	5.36	—	8.42	7.50	9.35	8.54
Apr.....	8.229	7.99	7.04	8.25	8.88	5.67	—	9.79	7.60	10.51	8.66
May.....	8.430	8.24	7.07	8.37	9.10	5.96	11.15	10.62	8.00	11.31	9.17
June.....	8.145	8.14	7.03	8.47	9.34	6.08	—	10.96	8.00	11.93	9.46
July.....	7.752	8.39	7.18	8.72	9.55	6.54	—	11.72	8.00	12.92	9.46
Aug.....	8.744	8.64	7.33	9.00	9.77	6.58	12.40	11.65	8.00	12.01	9.85
Sept.....	8.363	8.38	7.30	9.24	10.12	6.65	—	11.23	8.00	11.34	10.30
Oct.....	7.244	7.98	7.22	9.27	10.41	6.46	—	9.36	8.00	10.06	10.38
Nov.....	7.585	7.65	6.93	8.90	10.50	6.47	11.64	8.81	8.00	9.45	10.13
Dec.....	7.179	7.22	6.78	8.89	10.55	6.93	—	8.98	7.81	8.53	—

¹ Rate on new issues within period. First issued in December 1929.² Selected note and bond issues.³ First issued in 1941. Series includes bonds which are neither due nor callable before a given number of years as follows: April 1953 to date, 10 years; April 1952–March 1953, 12 years; October 1941–March 1952, 15 years.⁴ Average effective rate for the period.⁵ Based on seven-day averages for weeks ending Wednesday. Beginning with statement week ending July 25, 1973, weekly averages are based on the daily average of the range of rates on a given day weighted by the volume of transactions at these rates. For earlier statement weeks, the averages were based on the daily effective rate—the rate considered most representative of the day's transactions, usually the one at which most transactions occurred.⁶ Data for first of the month, based on the maximum permissible interest rate (9 percent beginning November 25, 1974). Through July 1961, computed on 25-year mortgages paid in 12 years and thereafter, 30-year mortgages paid in 15 years.⁷ From October 30, 1942, to April 24, 1946, a preferential rate of 0.50 percent was in effect for advances secured by Government securities maturing in 1 year or less.⁸ Series revised. Not strictly comparable with earlier data.

Note.—Yields and rates computed for New York City except for short-term bank loans.

Sources: Department of Housing and Urban Development, Department of the Treasury, Board of Governors of the Federal Reserve System, Moody's Investors Service, and Standard & Poor's Corporation.

TABLE C-59.—Short- and intermediate-term consumer credit outstanding, 1929-74

(Millions of dollars)

End of year or month	Total	Installment credit					Noninstallment credit			Addendum: Policy loans by life insurance companies ³
		Total	Auto-mobile paper	Other consumer goods paper	Home improvement loans ¹	Personal loans	Total	Charge accounts	Other ²	
1929.....	7, 116	3, 524	1, 384	1, 544	27	569	3, 592	1, 996	1, 596	2, 379
1933.....	3, 885	1, 723	493	799	15	416	2, 162	1, 286	876	3, 769
1939.....	7, 222	4, 503	1, 497	1, 620	298	1, 088	2, 719	1, 414	1, 305	3, 248
1940.....	8, 338	5, 514	2, 071	1, 827	371	1, 245	2, 824	1, 471	1, 353	3, 091
1941.....	9, 172	6, 085	2, 458	1, 929	376	1, 322	3, 087	1, 645	1, 442	2, 919
1942.....	5, 983	3, 166	742	1, 195	255	974	2, 817	1, 444	1, 373	2, 683
1943.....	4, 901	2, 136	355	819	130	832	2, 765	1, 440	1, 325	2, 373
1944.....	5, 111	2, 176	397	791	119	869	2, 935	1, 517	1, 418	2, 134
1945.....	5, 665	2, 462	455	816	182	1, 009	3, 203	1, 612	1, 591	1, 962
1946.....	8, 384	4, 172	981	1, 290	405	1, 496	4, 212	2, 076	2, 136	1, 894
1947.....	11, 598	6, 695	1, 924	2, 143	718	1, 910	4, 903	2, 381	2, 522	1, 937
1948.....	14, 447	8, 996	3, 018	2, 901	853	2, 224	5, 451	2, 722	2, 729	2, 057
1949.....	17, 364	11, 590	4, 555	3, 706	898	2, 431	5, 774	2, 854	2, 920	2, 240
1950.....	21, 471	14, 703	6, 074	4, 799	1, 016	2, 814	6, 768	3, 367	3, 401	2, 413
1951.....	22, 712	15, 294	5, 972	4, 880	1, 085	3, 357	7, 418	3, 700	3, 718	2, 590
1952.....	27, 520	19, 403	7, 733	6, 174	1, 385	4, 111	8, 117	4, 130	3, 987	2, 713
1953.....	31, 393	23, 005	9, 835	6, 779	1, 610	4, 781	8, 388	4, 274	4, 114	2, 914
1954.....	32, 464	23, 568	9, 809	6, 751	1, 616	5, 392	8, 896	4, 485	4, 411	3, 127
1955.....	38, 830	28, 906	13, 460	7, 641	1, 693	6, 132	9, 924	4, 795	5, 129	3, 290
1956.....	42, 334	31, 720	14, 420	8, 606	1, 905	6, 789	10, 614	4, 995	5, 619	3, 519
1957.....	44, 971	33, 868	15, 340	8, 844	2, 101	7, 582	11, 103	5, 146	5, 957	3, 869
1958.....	45, 129	33, 642	14, 152	9, 028	2, 346	8, 116	11, 487	5, 060	6, 427	4, 188
1959.....	51, 544	39, 247	16, 420	10, 631	2, 809	9, 386	12, 297	5, 104	7, 193	4, 618
1960.....	56, 141	42, 968	17, 658	11, 545	3, 148	10, 617	13, 173	5, 329	7, 844	5, 231
1961.....	57, 982	43, 891	17, 135	11, 852	3, 221	11, 673	14, 091	5, 324	8, 767	5, 733
1962.....	63, 821	48, 720	19, 381	12, 627	3, 298	13, 414	15, 101	5, 684	9, 417	6, 234
1963.....	71, 739	55, 486	22, 254	14, 177	3, 437	15, 618	16, 253	5, 903	10, 350	6, 655
1964.....	80, 268	62, 692	24, 934	16, 333	3, 577	17, 848	17, 576	6, 195	11, 381	7, 140
1965.....	89, 883	70, 893	28, 437	18, 483	3, 736	20, 237	18, 990	6, 430	12, 560	7, 678
1966.....	96, 239	76, 245	30, 010	20, 732	3, 841	21, 662	19, 994	6, 686	13, 308	9, 117
1967.....	100, 783	79, 428	29, 796	22, 389	4, 008	23, 235	21, 355	7, 070	14, 285	10, 059
1968.....	110, 770	87, 745	32, 948	24, 626	4, 239	25, 932	23, 025	7, 193	15, 832	11, 306
1969.....	121, 146	97, 105	35, 527	28, 313	4, 613	28, 652	24, 041	7, 373	16, 668	13, 825
1970.....	127, 163	102, 064	35, 184	31, 465	5, 070	30, 345	25, 099	7, 968	17, 131	16, 064
1971.....	138, 394	111, 295	38, 664	34, 353	5, 413	32, 865	27, 099	8, 350	18, 749	17, 065
1972.....	157, 564	127, 332	44, 129	40, 080	6, 201	36, 922	30, 232	9, 002	21, 230	18, 003
1973.....	180, 486	147, 437	51, 130	47, 530	7, 352	41, 425	33, 049	9, 829	23, 220	20, 139
1974 ⁴	190, 400	156, 200	51, 800	51, 900	8, 200	44, 300	34, 200	10, 400	23, 800	-----
1973: Jan.....	157, 227	127, 368	44, 353	39, 952	6, 193	36, 870	29, 859	8, 357	21, 502	18, 080
Feb.....	157, 582	127, 959	44, 817	39, 795	6, 239	37, 108	29, 623	7, 646	21, 977	18, 163
Mar.....	159, 320	129, 375	45, 610	39, 951	6, 328	37, 486	29, 945	7, 702	22, 243	18, 284
Apr.....	161, 491	131, 022	46, 478	40, 441	6, 408	37, 695	30, 469	8, 036	22, 433	18, 425
May.....	164, 277	133, 531	47, 518	41, 096	6, 541	38, 376	30, 746	8, 319	22, 427	18, 556
June.....	167, 083	136, 018	48, 549	41, 853	6, 688	38, 928	31, 065	8, 555	22, 510	18, 713
July.....	169, 148	138, 212	49, 352	42, 575	6, 845	39, 440	30, 936	8, 479	22, 457	18, 895
Aug.....	171, 978	140, 810	50, 232	43, 505	7, 009	40, 064	31, 168	8, 605	22, 563	19, 252
Sept.....	173, 035	142, 093	50, 557	44, 019	7, 120	40, 397	30, 942	8, 335	22, 607	19, 597
Oct.....	174, 840	143, 610	51, 092	44, 632	7, 235	40, 651	31, 230	8, 590	22, 640	19, 870
Nov.....	176, 969	145, 400	51, 371	45, 592	7, 321	41, 116	31, 569	8, 785	22, 784	20, 039
Dec.....	180, 486	147, 437	51, 130	47, 530	7, 352	41, 425	33, 049	9, 829	23, 220	20, 199
1974: Jan.....	178, 686	146, 575	50, 617	47, 303	7, 303	41, 352	32, 111	8, 875	23, 236	20, 242
Feb.....	177, 522	145, 927	50, 386	46, 781	7, 343	41, 417	31, 595	8, 018	23, 577	20, 382
Mar.....	177, 572	145, 768	50, 310	46, 536	7, 430	41, 492	31, 804	7, 939	23, 865	20, 538
Apr.....	179, 495	147, 047	50, 606	47, 017	7, 573	41, 851	32, 448	8, 434	24, 014	20, 830
May.....	181, 680	148, 852	51, 076	47, 588	7, 786	42, 402	32, 828	8, 947	23, 881	21, 067
June.....	183, 425	150, 615	51, 641	48, 099	7, 930	42, 945	32, 810	9, 106	23, 704	21, 321
July.....	184, 805	152, 142	52, 082	48, 592	8, 068	43, 400	32, 663	9, 140	23, 523	21, 581
Aug.....	187, 369	154, 472	52, 772	49, 322	8, 214	44, 164	32, 897	9, 265	23, 632	21, 888
Sept.....	187, 906	155, 139	52, 848	49, 664	8, 252	44, 375	32, 767	9, 153	23, 614	22, 202
Oct.....	188, 023	155, 328	52, 736	49, 986	8, 287	44, 319	32, 695	9, 183	23, 512	22, 503
Nov.....	188, 084	155, 166	52, 325	50, 401	8, 260	44, 180	32, 913	9, 318	23, 600	22, 710
Dec ⁴	190, 400	156, 200	51, 800	51, 900	8, 200	44, 300	34, 200	10, 400	23, 800	-----

¹ Holdings of financial institutions only; holdings of retail outlets are included in other consumer goods paper.² Single-payment loans and service credit.³ Data are annual statement asset values. These loans are not included in consumer credit series.⁴ Preliminary; by Council of Economic Advisers.

Sources: Board of Governors of the Federal Reserve System and Institute of Life Insurance (except as noted).

TABLE C-60.—*Instalment credit extended and repaid, 1946-74*

[Millions of dollars]

Year or month	Total		Automobile paper		Other consumer goods paper		Home improvement loans		Personal loans	
	Ex- tended	Re- paid	Ex- tended	Re- paid	Ex- tended	Re- paid	Ex- tended	Re- paid	Ex- tended	Re- paid
1946.....	8,495	6,785	1,969	1,443	3,077	2,603	423	200	3,026	2,539
1947.....	12,713	10,190	3,692	2,749	4,498	3,645	704	391	3,819	3,405
1948.....	15,585	13,284	5,217	4,123	5,383	4,625	714	579	4,271	3,957
1949.....	18,108	15,514	6,967	5,430	5,865	5,060	734	689	4,542	4,335
1950.....	21,558	18,445	8,530	7,011	7,150	6,057	835	717	5,043	4,660
1951.....	23,576	22,985	8,956	9,058	7,485	7,404	841	772	6,294	5,751
1952.....	29,514	25,405	11,764	10,003	9,186	7,892	1,217	917	7,347	6,593
1953.....	31,558	27,956	12,981	10,879	9,227	8,622	1,344	1,119	8,006	7,336
1954.....	31,051	30,488	11,807	11,833	9,117	9,145	1,261	1,255	8,866	8,255
1955.....	38,972	33,634	16,734	13,082	10,642	9,752	1,393	1,316	10,203	9,484
1956.....	39,866	37,056	15,515	14,555	11,721	10,758	1,582	1,370	11,051	10,373
1957.....	42,019	39,870	16,465	15,545	11,810	11,574	1,674	1,477	12,069	11,276
1958.....	40,110	40,339	14,226	15,415	11,738	11,557	1,871	1,626	12,275	11,741
1959.....	48,048	42,603	17,779	15,579	13,981	12,402	2,222	1,765	14,070	12,857
1960.....	49,793	46,073	17,657	16,419	14,525	13,613	2,215	1,876	15,396	14,165
1961.....	49,048	48,124	16,029	16,552	14,551	14,235	2,092	2,015	16,377	15,319
1962.....	56,191	51,360	19,694	17,447	15,701	14,935	2,084	2,010	18,710	16,969
1963.....	63,591	56,825	22,126	19,254	17,320	16,369	2,186	2,046	21,359	19,156
1964.....	70,670	63,470	24,046	21,369	20,821	18,666	2,225	2,086	23,578	21,349
1965.....	78,661	70,463	27,208	23,706	22,857	20,707	2,270	2,112	26,326	23,938
1966.....	82,832	77,480	27,192	25,619	26,329	24,080	2,223	2,118	27,088	25,663
1967.....	87,171	83,988	26,320	26,534	29,504	27,847	2,369	2,202	28,978	27,405
1968.....	99,984	91,667	31,083	27,931	33,507	31,270	2,534	2,303	32,860	30,163
1969.....	109,146	99,786	32,553	29,974	38,332	34,645	2,831	2,457	35,430	32,710
1970.....	112,158	107,199	29,794	30,137	43,873	40,721	2,963	2,506	35,528	33,835
1971.....	124,281	115,050	34,873	31,393	47,821	44,933	3,244	2,901	38,343	35,823
1972.....	142,951	126,914	40,194	34,729	55,599	49,872	4,006	3,218	43,152	39,095
1973.....	165,083	144,978	46,453	39,452	66,859	59,409	4,728	3,577	47,043	42,540
1974 ¹	165,850	157,075	42,625	41,950	70,525	66,150	4,650	3,800	48,050	45,175
Seasonally adjusted										
1973: Jan.....	13,304	11,355	4,006	3,097	5,282	4,649	329	267	3,687	3,342
Feb.....	13,434	11,437	3,972	3,145	5,245	4,627	364	275	3,853	3,390
Mar.....	13,852	11,808	4,001	3,225	5,349	4,755	406	286	4,096	3,542
Apr.....	13,465	12,061	3,822	3,218	5,563	4,963	365	294	3,715	3,586
May.....	13,932	11,941	3,989	3,261	5,504	4,917	374	290	4,065	3,473
June.....	13,646	12,034	3,762	3,253	5,505	4,955	400	300	3,979	3,526
July.....	14,542	12,544	3,930	3,334	5,943	5,141	433	308	4,236	3,761
Aug.....	14,294	12,399	3,968	3,293	5,961	5,168	408	298	3,957	3,640
Sept.....	13,691	12,332	3,939	3,406	5,537	5,072	410	322	3,805	3,532
Oct.....	14,149	12,449	3,912	3,427	5,911	5,149	415	308	3,911	3,565
Nov.....	14,275	12,549	3,819	3,471	5,978	5,154	402	301	4,076	3,623
Dec.....	12,677	12,267	3,315	3,338	5,254	5,001	429	332	3,679	3,596
1974: Jan.....	13,714	12,797	3,492	3,433	5,662	5,193	373	356	4,187	3,815
Feb.....	13,541	12,870	3,389	3,394	5,647	5,340	409	323	4,096	3,813
Mar.....	13,823	13,206	3,484	3,544	5,933	5,596	424	308	3,982	3,758
Apr.....	14,179	13,026	3,545	3,498	6,034	5,483	447	312	4,153	3,733
May.....	14,669	13,407	3,769	3,601	6,156	5,607	468	315	4,276	3,884
June.....	14,387	13,301	3,731	3,577	6,043	5,615	425	335	4,188	3,774
July.....	14,635	13,310	3,812	3,563	6,164	5,610	416	320	4,243	3,817
Aug.....	14,394	12,882	3,887	3,443	5,993	5,444	388	309	4,126	3,686
Sept.....	14,089	13,412	3,835	3,604	5,935	5,700	302	279	4,017	3,829
Oct.....	13,626	13,224	3,369	3,470	5,948	5,499	348	321	3,961	3,934
Nov.....	12,609	13,009	3,062	3,423	5,700	5,561	321	325	3,526	3,700
Dec ¹	12,700	13,000	3,100	3,400	5,700	5,600	300	300	3,600	3,700

¹ Preliminary; December by Council of Economic Advisers.

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

TABLE C-61.—*Mortgage debt outstanding by type of property and of financing, 1939-74*

[Billions of dollars]

End of year or quarter	All properties	Farm properties	Nonfarm properties				Nonfarm properties by type of mortgage					
			Total	1- to 4-family houses	Multi-family properties ¹	Commercial properties ¹	Government underwritten				Conventional ²	
							Total	1- to 4-family houses			Total	1- to 4-family houses
								Total	FHA insured	VA guaranteed		
1939	35.5	6.6	28.9	16.3	5.6	7.0	1.8	1.8	1.8	-----	27.1	14.5
1940	36.5	6.5	30.0	17.4	5.7	6.9	2.3	2.3	2.3	-----	27.7	15.1
1941	37.6	6.4	31.2	18.4	5.9	7.0	3.0	3.0	3.0	-----	28.2	15.4
1942	36.7	6.0	30.8	18.2	5.8	6.7	3.7	3.7	3.7	-----	27.1	14.5
1943	35.3	5.4	29.9	17.8	5.8	6.3	4.1	4.1	4.1	-----	25.8	13.7
1944	34.7	4.9	29.7	17.9	5.6	6.2	4.2	4.2	4.2	-----	25.5	13.7
1945	35.5	4.8	30.8	18.6	5.7	6.4	4.3	4.3	4.1	0.2	26.5	14.3
1946	41.8	4.9	36.9	23.0	6.1	7.7	6.3	6.1	3.7	2.4	30.6	16.9
1947	48.9	5.1	43.9	28.2	6.6	9.1	9.8	9.3	3.8	5.5	34.1	18.9
1948	56.2	5.3	50.9	33.3	7.5	10.2	13.6	12.5	5.3	7.2	37.3	20.8
1949	62.7	5.6	57.1	37.6	8.6	10.8	18.1	15.0	6.9	8.1	39.0	22.6
1950	72.8	6.1	66.7	45.2	10.1	11.5	22.1	18.9	8.6	10.3	44.6	26.3
1951	82.3	6.7	75.6	51.7	11.5	12.5	26.6	22.9	9.7	13.2	49.0	28.8
1952	91.4	7.2	84.2	58.5	12.3	13.4	29.3	25.4	10.8	14.6	54.9	33.1
1953	101.3	7.7	93.6	66.1	12.9	14.5	32.1	28.1	12.0	16.1	61.5	38.0
1954	113.7	8.2	105.4	75.7	13.5	16.3	36.2	32.1	12.8	19.3	69.2	43.6
1955	129.9	9.0	120.9	88.2	14.3	18.3	42.9	38.9	14.3	24.6	78.0	49.3
1956	144.5	9.8	134.6	99.0	14.9	20.7	47.8	43.9	15.5	28.4	86.8	55.1
1957	156.5	10.4	146.1	107.6	15.3	23.2	51.6	47.2	16.5	30.7	94.6	60.4
1958	171.8	11.1	160.7	117.7	16.8	26.1	55.1	50.1	19.7	30.4	105.5	67.6
1959	190.8	12.1	178.7	130.9	18.7	29.2	59.3	53.8	23.8	30.0	119.4	77.0
1960	206.8	12.8	194.0	141.3	20.3	32.4	62.3	56.4	26.7	29.7	131.7	84.8
1961	226.3	13.9	212.4	153.1	23.0	36.4	65.6	59.1	29.5	29.6	146.8	93.9
1962	248.6	15.2	233.4	166.5	25.8	41.1	69.4	62.2	32.3	29.9	164.1	104.3
1963	274.3	16.8	257.4	182.2	29.0	46.2	73.4	65.9	35.0	30.9	184.0	116.3
1964	300.1	18.9	281.2	197.6	33.6	50.0	77.2	69.2	38.3	30.9	204.0	128.3
1965	325.8	21.2	304.6	212.9	37.2	54.5	81.2	73.1	42.0	31.1	223.4	139.8
1966	347.4	23.3	324.1	223.6	40.3	60.1	84.1	76.1	44.8	31.3	240.0	147.6
1967	370.2	25.5	344.8	236.1	43.9	64.8	88.2	79.9	47.4	32.5	256.6	156.1
1968	397.5	27.5	370.0	251.2	47.3	71.4	93.4	84.4	50.6	33.8	276.6	166.8
1969	425.3	29.5	395.9	266.8	52.2	76.9	100.2	90.2	54.5	35.7	295.7	176.6
1970	451.7	31.2	420.5	280.2	58.0	82.3	109.2	97.3	59.9	37.3	311.3	182.9
1971	499.8	32.9	466.9	307.2	67.4	92.3	120.7	105.2	65.7	39.5	346.2	202.0
1972	564.8	35.4	529.4	345.4	76.5	107.5	131.1	113.0	68.2	44.7	398.3	232.4
1973	635.0	39.3	595.6	386.2	85.4	124.0	135.0	116.2	66.2	50.0	460.6	270.0
1974 ^a	686.9	44.2	642.8	414.8	92.2	135.8	-----	-----	-----	-----	-----	-----
1972: I	511.6	33.5	478.1	313.8	69.1	95.2	123.7	107.5	66.8	40.7	354.4	206.3
II	528.9	34.4	494.5	324.2	71.6	98.8	126.6	109.6	67.6	42.0	367.9	214.5
III	546.9	35.0	511.9	335.2	73.8	102.9	129.0	111.5	68.4	43.1	382.9	223.7
IV	564.8	35.4	529.4	345.4	76.5	107.5	131.1	113.0	68.2	44.7	398.3	232.4
1973: I	579.3	36.4	542.9	353.8	78.4	110.7	132.5	113.7	67.9	45.8	410.4	240.0
II	600.0	37.7	562.3	366.0	81.1	115.2	133.6	114.7	67.5	47.2	428.7	251.4
III	619.8	38.6	581.2	378.2	83.5	119.5	133.8	115.1	66.9	48.2	447.4	263.1
IV	635.0	39.3	595.6	386.2	85.4	124.0	135.0	116.2	66.2	50.0	460.6	270.0
1974: I	645.9	40.2	605.7	391.7	86.7	127.2	136.6	117.7	66.0	51.7	469.0	274.0
II	663.4	41.6	621.8	402.0	88.4	131.4	137.7	118.4	65.5	52.9	484.1	283.6
III	677.2	42.9	634.4	410.1	90.4	133.8	-----	-----	-----	-----	-----	-----
IV ^a	686.9	44.2	642.8	414.8	92.2	135.8	-----	-----	-----	-----	-----	-----

¹ Includes negligible amount of farm loans held by savings and loan associations.² Derived figures.

Source: Board of Governors of the Federal Reserve System, estimated and compiled from data supplied by various Government and private organizations.

TABLE C-62.—Mortgage debt outstanding by lender, 1939-74

[Billions of dollars]

End of year or quarter	Total	Private financial institutions					Other lenders	
		Total	Savings and loan associa- tions	Mutual savings banks	Com- mer- cial banks ¹	Life insurance com- panies	Federal and related agencies ²	Indi- viduals and others
1939.....	35.5	18.6	3.8	4.8	4.3	5.7	5.0	11.9
1940.....	36.5	19.5	4.1	4.9	4.6	6.0	4.9	12.0
1941.....	37.6	20.7	4.6	4.8	4.9	6.4	4.7	12.2
1942.....	36.7	20.7	4.6	4.6	4.7	6.7	4.3	11.7
1943.....	35.3	20.2	4.6	4.4	4.5	6.7	3.6	11.5
1944.....	34.7	20.2	4.8	4.3	4.4	6.7	3.0	11.5
1945.....	35.5	21.0	5.4	4.2	4.8	6.6	2.4	12.1
1946.....	41.8	26.0	7.1	4.4	7.2	7.2	2.0	13.8
1947.....	48.9	31.8	8.9	4.9	9.4	8.7	1.8	15.3
1948.....	56.2	37.8	10.3	5.8	10.9	10.8	1.9	16.5
1949.....	62.7	42.9	11.6	6.7	11.6	12.9	2.4	17.4
1950.....	72.8	51.7	13.7	8.3	13.7	16.1	2.7	18.4
1951.....	82.3	59.5	15.6	9.9	14.7	19.3	3.4	19.4
1952.....	91.4	66.9	18.4	11.4	15.9	21.3	4.0	20.5
1953.....	101.3	75.1	22.0	12.9	16.8	23.3	4.4	21.8
1954.....	113.7	85.7	26.1	15.0	18.6	26.0	4.6	23.4
1955.....	129.9	99.3	31.4	17.5	21.0	29.4	5.2	25.4
1956.....	144.5	111.2	35.7	19.7	22.7	33.0	6.0	27.3
1957.....	156.5	119.7	40.0	21.2	23.3	35.2	7.5	29.3
1958.....	171.8	131.5	45.6	23.3	25.5	37.1	7.8	32.5
1959.....	190.8	145.5	53.1	25.0	28.1	39.2	10.0	35.4
1960.....	206.8	157.6	60.1	26.9	28.8	41.8	11.2	38.0
1961.....	226.3	172.6	68.8	29.1	30.4	44.2	11.8	41.9
1962.....	248.6	192.5	78.8	32.3	34.5	46.9	12.2	44.0
1963.....	274.3	217.1	90.9	36.2	39.4	50.5	11.2	45.9
1964.....	300.1	241.0	101.3	40.6	44.0	55.2	11.4	47.7
1965.....	325.8	264.6	110.3	44.6	49.7	60.0	12.4	48.7
1966.....	347.4	280.8	114.4	47.3	54.4	64.6	15.8	50.9
1967.....	370.2	298.8	121.8	50.5	59.0	67.5	18.4	53.0
1968.....	397.5	319.9	130.8	53.5	65.7	70.0	21.7	55.8
1969.....	425.3	339.1	140.2	56.1	70.7	72.0	26.8	59.4
1970.....	451.7	355.9	150.3	57.9	73.3	74.4	33.0	62.8
1971.....	499.8	394.2	174.3	62.0	82.5	75.5	39.4	66.2
1972.....	564.8	450.0	206.2	67.6	99.3	76.9	45.8	69.0
1973.....	635.0	505.4	231.7	73.2	119.1	81.4	55.7	73.9
1974 p.....	686.9	541.4	249.4	75.0	130.7	86.3	72.3	73.2
1972: I.....	511.6	404.0	180.0	63.0	85.6	75.4	41.2	66.4
II.....	528.9	418.7	188.8	64.4	90.1	75.4	42.7	67.5
III.....	546.9	434.3	197.7	65.9	95.0	75.6	44.3	68.3
IV.....	564.8	450.0	206.2	67.6	99.3	76.9	45.8	69.0
1973: I.....	579.3	462.6	212.9	68.9	103.5	77.2	47.3	69.5
II.....	600.0	480.1	222.3	70.6	109.1	78.0	49.0	71.0
III.....	619.8	494.9	228.9	72.0	114.8	79.2	53.0	71.9
IV.....	635.0	505.4	231.7	73.2	119.1	81.4	55.7	73.9
1974: I.....	645.9	513.7	236.1	74.0	121.7	82.0	58.4	73.7
II.....	663.4	527.4	243.4	74.3	126.5	83.2	62.5	73.5
III.....	677.2	536.2	247.6	74.8	129.3	84.5	67.7	73.3
IV p.....	686.9	541.4	249.4	75.0	130.7	86.3	72.3	73.2

¹ Includes loans held by nondeposit trust companies, but not by bank trust departments.² Includes former Federal National Mortgage Association and new Government National Mortgage Association, as well as Federal Housing Administration, Veterans Administration, Public Housing Administration, Farmers Home Administration, and in earlier years Reconstruction Finance Corporation, Homeowners Loan Corporation, and Federal Farm Mortgage Corporation. Also includes U.S.-sponsored agencies such as new FNMA, Federal Land Banks, GNMA (Pools), and Federal Home Loan Mortgage Corporation. Other U.S. agencies (a mounts small or current separate data not readily available) included with "Individuals and others."

Source: Board of Governors of the Federal Reserve System, based on data from various Government and private organizations.

TABLE C-63.—*Net public and private debt, 1929-73*¹

[Billions of dollars]

End of year	Total	Public			Private							
		Federal Gov- ernment ²	Federal financial agencies ³	State and local gov- ernments	Total	Cor- porate	Individual and noncorporate					
							Total	Farm ⁴	Nonfarm			
									Total	Mort- gage	Com- mer- cial and financial ⁵	Con- sumer
1929	191.9	16.5		13.6	161.8	88.9	72.9	12.2	60.7	31.2	22.4	7.1
1933	168.5	24.3		16.3	127.9	76.9	51.0	9.1	41.9	26.3	11.7	3.9
1939	183.3	42.6		16.4	124.3	73.5	50.8	8.8	42.0	25.0	9.8	7.2
1940	189.8	44.8		16.4	128.6	75.6	53.0	9.1	43.9	26.1	9.5	8.3
1941	211.4	56.3		16.1	139.0	83.4	55.6	9.3	46.3	27.1	10.0	9.2
1942	258.6	101.7		15.4	141.5	91.6	49.9	9.0	40.9	26.8	8.1	6.0
1943	313.2	154.4		14.5	144.3	95.5	48.8	8.2	40.5	26.1	9.5	4.9
1944	370.6	211.9		13.9	144.8	94.1	50.7	7.7	42.9	26.0	11.8	5.1
1945	405.9	252.5		13.4	140.0	85.3	54.7	7.3	47.4	27.0	14.7	5.7
1946	396.6	229.5		13.7	153.4	93.5	59.9	7.6	52.3	31.8	12.1	8.4
1947	415.7	221.7	0.7	15.0	178.3	108.9	69.4	8.6	60.7	37.2	11.9	11.6
1948	431.3	215.3	.6	17.0	198.4	117.8	80.6	10.8	69.7	42.4	12.9	14.4
1949	445.8	217.6	.7	19.1	208.4	118.0	90.4	12.0	78.4	47.1	13.9	17.4
1950	486.2	217.4	.7	21.7	246.4	142.1	104.3	12.3	92.0	54.8	15.8	21.5
1951	519.2	216.9	1.3	24.2	276.8	162.5	114.3	13.7	100.6	61.7	16.2	22.7
1952	550.2	221.5	1.3	27.0	300.4	171.0	129.4	15.2	114.2	68.9	17.8	27.5
1953	581.6	226.8	1.4	30.7	322.7	179.5	143.2	16.8	126.4	76.7	18.4	31.4
1954	605.9	229.1	1.3	35.5	340.0	182.8	157.2	17.5	139.7	86.4	20.8	32.5
1955	665.8	229.6	2.9	41.1	392.2	212.1	180.1	18.7	161.4	98.7	24.0	38.8
1956	698.4	224.3	2.4	44.5	427.2	231.7	195.5	19.4	176.1	109.4	24.4	42.3
1957	728.3	223.0	2.4	48.6	454.3	246.7	207.6	20.2	187.4	118.1	24.3	45.0
1958	769.6	231.0	2.5	53.7	482.4	259.5	222.9	23.2	199.7	128.1	26.5	45.1
1959	833.0	241.4	3.7	59.6	528.3	283.3	245.0	23.8	221.2	141.0	28.7	51.5
1960	874.2	239.8	3.5	64.9	566.1	302.8	263.3	25.1	238.2	151.3	30.8	56.1
1961	930.3	246.7	4.0	70.5	609.1	324.3	284.8	27.5	257.3	164.5	34.8	58.0
1962	996.0	253.6	5.3	77.0	660.1	348.2	311.9	30.2	281.7	180.3	37.6	63.8
1963	1,070.9	257.5	7.2	83.9	722.3	376.4	345.8	33.2	312.6	198.6	42.3	71.7
1964	1,151.6	264.0	7.5	90.4	789.7	409.6	380.1	36.0	344.1	218.9	45.0	80.3
1965	1,243.6	266.4	8.9	98.3	870.0	454.3	415.7	39.3	376.4	236.8	49.7	89.9
1966	1,338.7	271.8	11.2	104.8	950.8	506.6	444.2	42.4	401.8	251.6	53.9	96.2
1967	1,438.7	286.5	9.0	113.4	1,029.9	553.7	476.2	48.3	427.9	266.9	60.2	100.8
1968	1,582.5	291.9	21.4	123.9	1,145.4	631.5	513.9	51.8	462.1	284.9	66.4	110.8
1969	1,736.0	289.3	30.6	133.3	1,282.9	734.2	548.7	55.5	493.2	303.9	68.1	121.1
1970	1,868.9	301.1	38.8	145.0	1,384.0	797.7	586.3	58.7	527.6	332.1	68.3	127.2
1971	2,045.8	325.9	39.9	162.4	1,517.6	869.3	648.3	63.2	585.1	373.4	73.4	138.4
1972	2,270.2	341.2	41.4	175.0	1,712.7	978.3	734.4	67.8	666.6	426.0	82.9	157.6
1973	2,525.8	349.1	59.8	184.5	1,932.4	1,111.1	821.3	77.3	744.0	480.1	83.4	180.5

¹ Net public and private debt is a comprehensive aggregate of the indebtedness of borrowers after eliminating certain types of duplicating governmental and corporate debt.

² Net Federal Government and agency debt is the outstanding debt held by the public, as defined in the "Budget of the United States Government, for the Fiscal Year ending June 30, 1976."

³ This comprises the debt of federally sponsored agencies, in which there is no longer any Federal proprietary interest. The obligations of the Federal Land Banks are included beginning with 1947, the debt of the Federal Home Loan Banks is included beginning with 1951, and the debts of the Federal National Mortgage Association, Federal Intermediate Credit Banks, and Banks for Cooperatives are included beginning with 1968.

⁴ Farm mortgages and farm production loans. Farmers' financial and consumer debt is included in the nonfarm categories.

⁵ Financial debt is debt owed to banks for purchasing or carrying securities, customers' debt to brokers, and debt owed to life insurance companies by policyholders.

Sources: Department of Commerce (Bureau of Economic Analysis), Department of the Treasury, Department of Agriculture, Board of Governors of the Federal Reserve System, Federal Home Loan Bank Board, Federal Land Banks, Department of Housing and Urban Development, and Federal National Mortgage Association.

GOVERNMENT FINANCE

TABLE C-64.—Federal budget receipts and outlays, fiscal years 1929–76

[Millions of dollars]

Fiscal year	Receipts	Outlays	Surplus or deficit (—)
1929.....	3,862	3,127	734
1933.....	1,997	4,598	—2,602
1939.....	4,979	8,841	—3,862
1940.....	6,361	9,456	—3,095
1941.....	8,621	13,634	—5,013
1942.....	14,350	35,114	—20,764
1943.....	23,649	78,533	—54,884
1944.....	44,276	91,280	—47,004
1945.....	45,216	92,690	—47,474
1946.....	39,327	55,183	—15,856
1947.....	38,394	34,532	3,862
1948.....	41,774	29,773	12,001
1949.....	39,437	38,834	603
1950.....	39,485	42,597	—3,112
1951.....	51,646	45,546	6,100
1952.....	66,204	67,721	—1,517
1953.....	69,574	76,107	—6,533
1954.....	69,719	70,890	—1,170
1955.....	65,469	68,509	—3,041
1956.....	74,547	70,460	4,087
1957.....	79,990	76,741	3,249
1958.....	79,636	82,575	—2,939
1959.....	79,249	92,104	—12,855
1960.....	92,492	92,223	269
1961.....	94,389	97,795	—3,406
1962.....	99,676	106,813	—7,137
1963.....	106,560	111,311	—4,751
1964.....	112,662	118,584	—5,922
1965.....	116,833	118,430	—1,596
1966.....	130,856	134,652	—3,796
1967.....	149,552	158,254	—8,702
1968.....	153,671	178,833	—25,161
1969.....	187,784	184,548	3,236
1970.....	193,743	196,588	—2,845
1971.....	188,392	211,425	—23,033
1972.....	208,649	231,876	—23,227
1973.....	232,225	246,526	—14,301
1974.....	264,932	268,392	—3,460
1975 ¹	278,750	313,446	—34,696
1976 ¹	297,520	349,372	—51,852

¹ Estimate.

Note.—Data for 1929–39 are according to the administrative budget and those for 1940–76 according to the unified budget. Certain interfund transactions are excluded from receipts and outlays beginning 1932. For years prior to 1932 the amounts of such transactions are not significant.

Refunds of receipts are excluded from receipts and outlays.

Sources: Department of the Treasury and Office of Management and Budget.

TABLE C-65.—Federal budget receipts, outlays, and debt, fiscal years 1965-76

[Millions of dollars; fiscal years]

Description	Actual					
	1965	1966	1967	1968	1969	1970
BUDGET RECEIPTS AND OUTLAYS:						
Total receipts.....	116,833	130,856	149,552	153,671	187,784	193,743
Federal funds.....	90,943	101,427	111,835	114,726	143,321	143,158
Trust funds.....	29,230	32,997	42,935	44,716	52,009	59,362
Interfund transactions.....	-3,339	-3,568	-5,218	-5,771	-7,547	-8,778
Total outlays.....	118,430	134,652	158,254	178,833	184,548	196,588
Federal funds.....	94,807	106,512	126,779	143,105	148,811	156,301
Trust funds.....	26,962	31,708	36,693	41,499	43,284	49,065
Interfund transactions.....	-3,339	-3,568	-5,218	-5,771	-7,547	-8,778
Total surplus or deficit (-).....	-1,596	-3,796	-8,702	-25,161	3,236	-2,845
Federal funds.....	-3,864	-5,085	-14,944	-28,379	-5,490	-13,143
Trust funds.....	2,268	1,289	6,242	3,217	8,725	10,297
OUTSTANDING DEBT, END OF YEAR:						
Gross Federal debt.....	323,154	329,474	341,348	369,769	367,144	382,603
Held by Government agencies.....	61,540	64,784	73,819	79,140	87,661	97,723
Held by the public.....	261,614	264,690	267,529	290,629	279,483	284,880
Federal Reserve System.....	39,100	42,169	46,719	52,230	54,095	57,714
Others.....	222,514	222,521	220,810	238,399	225,388	227,166
BUDGET RECEIPTS.....						
Individual income taxes.....	48,792	55,446	61,526	68,726	87,249	90,412
Corporation income taxes.....	25,461	30,073	33,971	28,665	36,678	32,829
Social insurance taxes and contributions.....	22,258	25,567	33,349	34,622	39,918	45,298
Excise taxes.....	14,570	13,062	13,719	14,079	15,222	15,705
Estate and gift taxes.....	2,716	3,066	2,978	3,051	3,491	3,644
Customs duties.....	1,442	1,767	1,901	2,038	2,319	2,430
Miscellaneous receipts:						
Deposit of earnings by Federal Reserve System.....	1,372	1,713	1,805	2,091	2,662	3,266
All other.....	222	162	303	400	247	158
BUDGET OUTLAYS.....						
National defense.....	48,581	55,856	69,101	79,409	80,207	79,284
International affairs.....	4,121	4,554	4,695	4,612	3,784	3,564
General science, space, and technology.....	5,890	6,790	6,311	5,610	5,108	4,611
Natural resources, environment, and energy.....	2,968	3,074	3,379	3,624	3,503	3,611
Agriculture.....	3,948	2,441	2,982	4,541	5,779	5,164
Commerce and transportation.....	6,894	8,956	9,205	10,637	7,065	9,090
Community and regional development.....	1,255	1,540	1,651	2,189	2,531	3,495
Education, manpower, and social services.....	2,104	4,093	6,023	7,004	6,871	7,888
Health.....	1,790	2,638	6,759	9,708	11,758	13,051
Income security.....	25,741	28,895	30,821	33,680	37,281	43,066
Veterans benefits and services.....	5,722	5,921	6,899	6,882	7,640	8,683
Law enforcement and justice.....	529	554	610	650	761	952
General government.....	1,460	1,426	1,569	1,684	1,649	1,934
Revenue sharing and general purpose fiscal assistance.....	229	242	288	311	365	451
Interest.....	10,359	11,286	12,533	13,751	15,793	18,312
Allowances.....						
Undistributed offsetting receipts.....	-3,162	-3,613	-4,573	-5,460	-5,545	-6,567
Composition of undistributed offsetting receipts:						
Employer share, employee retirement.....	-1,329	-1,447	-1,661	-1,825	-2,018	-2,444
Interest received by trust funds.....	-1,780	-1,917	-2,275	-2,674	-3,099	-3,936
Rents and royalties on the Outer Continental Shelf.....	-53	-248	-637	-961	-428	-187

See next page for continuation of table and for footnotes.

TABLE C-65.—Federal budget receipts, outlays, and debt, fiscal years 1965-76—Con.

[Millions of dollars; fiscal years]

Description	Actual				Estimate	
	1971	1972	1973	1974	1975	1976
BUDGET RECEIPTS AND OUTLAYS:						
Total receipts.....	188,392	208,649	232,225	264,932	278,750	297,520
Federal funds.....	133,785	148,846	161,357	181,219	185,966	199,278
Trust funds.....	66,193	72,959	92,193	104,846	118,681	126,510
Interfund transactions.....	-11,586	-13,156	-21,325	-21,133	-25,897	-28,268
Total outlays.....	211,425	231,876	246,526	268,392	313,446	349,372
Federal funds.....	163,651	177,959	186,403	198,692	229,005	254,215
Trust funds.....	59,361	67,073	81,447	90,833	110,338	123,425
Interfund transactions.....	-11,586	-13,156	-21,325	-21,133	-25,897	-28,268
Total surplus or deficit (-).....	-23,033	-23,227	-14,301	-3,460	-34,696	-51,852
Federal funds.....	-29,866	-29,114	-25,046	-17,473	-43,039	-54,937
Trust funds.....	6,832	5,886	10,746	14,013	8,343	3,085
OUTSTANDING DEBT, END OF YEAR:						
Gross Federal debt.....	409,467	437,329	468,426	486,247	538,541	605,925
Held by Government agencies.....	105,140	113,559	125,381	140,194	148,988	152,872
Held by the public.....	304,328	323,770	343,045	346,053	389,553	453,053
Federal Reserve System.....	65,518	71,426	75,182	80,649	-----	-----
Others.....	238,810	252,344	267,863	265,404	-----	-----
BUDGET RECEIPTS.....						
Individual income taxes.....	86,230	94,737	103,246	118,952	117,700	106,300
Corporation income taxes.....	26,785	32,166	36,153	38,620	38,500	47,700
Social insurance taxes and contributions.....	48,578	53,914	64,542	76,780	86,225	91,550
Excise taxes.....	16,614	15,477	16,260	16,844	19,947	32,145
Estate and gift taxes.....	3,735	5,436	4,917	5,035	4,800	4,600
Customs duties.....	2,591	3,287	3,188	3,334	3,910	4,300
Miscellaneous receipts:						
Deposit of earnings by Federal Reserve System.....	3,533	3,252	3,495	4,845	5,700	6,100
All other.....	325	381	426	524	1,968	4,825
BUDGET OUTLAYS.....						
National defense.....	76,807	77,356	75,072	78,569	85,276	94,027
International affairs.....	3,093	3,723	2,956	3,593	4,853	6,294
General science, space, and technology.....	4,294	4,299	4,169	4,154	4,183	4,581
Natural resources, environment, and energy.....	4,449	5,019	5,461	6,390	9,412	10,028
Agriculture.....	4,288	5,279	4,855	2,230	1,773	1,816
Commerce and transportation.....	10,397	10,601	9,938	13,100	11,796	13,723
Community and regional development.....	4,010	4,699	5,869	4,910	4,887	5,920
Education, manpower, and social services.....	9,045	11,696	11,874	11,600	14,714	14,623
Health.....	14,716	17,471	18,832	22,074	26,486	28,050
Income security.....	55,423	63,911	72,358	84,431	106,702	118,724
Veterans benefits and services.....	9,776	10,730	12,013	13,386	15,466	15,592
Law enforcement and justice.....	1,299	1,650	2,131	2,462	3,026	3,288
General government.....	2,159	2,466	2,682	3,327	2,646	3,180
Revenue sharing and general purpose fiscal assistance.....	488	531	7,222	6,746	7,033	7,249
Interest.....	19,609	20,582	22,813	28,072	31,331	34,419
Allowances.....	-----	-----	-----	-----	700	8,050
Undistributed offsetting receipts.....	-8,427	-8,137	-12,318	-16,650	-16,839	-20,193
Composition of undistributed offsetting receipts:						
Employer share, employee retirement.....	-2,611	-2,768	-2,927	-3,319	-4,070	-3,888
Interest received by trust funds.....	-4,765	-5,089	-5,436	-6,583	-7,769	-8,305
Rents and royalties on the Outer Continental Shelf.....	-1,051	-279	-3,956	-6,478	-5,000	-8,000

Sources: Department of the Treasury and Office of Management and Budget.

TABLE C-66.—Relation of the Federal budget to the Federal sector of the national income and product accounts, fiscal years 1973–76

[Billions of dollars; fiscal years]

Receipts and expenditures	Actual		Estimate	
	1973	1974	1975	1976
RECEIPTS				
Total receipts, budget.....	232.2	264.9	278.8	297.5
Government contribution for employee retirement (grossing).....	3.8	4.3	5.0	5.4
Other netting and grossing.....	1.6	1.9	2.1	2.2
Adjustment to accruals.....	3.3	3.1	2.6	1.1
Other.....	— .5	— .6	— .8	— 1.1
Federal sector, national income and product accounts, receipts.....	240.4	273.6	287.6	305.1
EXPENDITURES				
Total outlays, budget.....	246.5	268.4	313.4	349.4
Lending and financial transactions.....	— 1.7	— 2.9	— 1.2	— 4.2
Government contribution for employee retirement (grossing).....	3.8	4.3	5.0	5.4
Other netting and grossing.....	1.6	1.9	2.1	2.2
Defense timing adjustment.....	2.7	.4	— .3	— .3
Bonuses on Outer Continental Shelf land leases.....	3.6	6.0	4.2	6.9
Other.....	— 1.2	.2	.5	1.0
Federal sector, national income and product accounts, expenditures.....	255.4	278.3	323.7	361.0

Note.—See Special Analysis A, "Budget of the United States Government for the Fiscal Year Ending June 30, 1976," for description of these categories.

Sources: Department of Commerce (Bureau of Economic Analysis), Department of the Treasury, and Office of Management and Budget.

TABLE C-67.—Receipts and expenditures of the government sector of the national income and product accounts, 1929-74

[Billions of dollars]

Calendar year or quarter	Total government			Federal Government			State and local government		
	Re-ceipts	Ex-pen-ditures	Sur-plus or deficit (-), national income and product accounts	Re-ceipts	Ex-pen-ditures	Sur-plus or deficit (-), national income and product accounts	Re-ceipts	Ex-pen-ditures	Sur-plus or deficit (-), national income and product accounts
1929.....	11.3	10.3	1.0	3.8	2.6	1.2	7.6	7.8	-0.2
1933.....	9.3	10.7	-1.4	2.7	4.0	-1.3	7.2	7.2	-.1
1939.....	15.4	17.6	-2.2	6.7	8.9	-2.2	9.6	9.6	(¹)
1940.....	17.7	18.4	-.7	8.6	10.0	-1.3	10.0	9.3	.6
1941.....	25.0	28.8	-3.8	15.4	20.5	-5.1	10.4	9.1	1.3
1942.....	32.6	64.0	-31.4	22.9	56.1	-33.1	10.6	8.8	1.8
1943.....	49.2	93.3	-44.1	39.3	85.8	-46.6	10.9	8.4	2.5
1944.....	51.2	103.0	-51.8	41.0	95.5	-54.5	11.1	8.5	2.7
1945.....	53.2	92.7	-39.5	42.5	84.6	-42.1	11.6	9.0	2.6
1946.....	50.9	45.5	5.4	39.1	35.6	3.5	12.9	11.0	1.9
1947.....	56.8	42.4	14.4	43.2	29.8	13.4	15.3	14.3	1.0
1948.....	58.9	50.3	8.5	43.3	34.9	8.4	17.6	17.4	.1
1949.....	56.0	59.1	-3.2	38.9	41.3	-2.4	19.3	20.0	-.7
1950.....	68.7	60.8	7.9	49.9	40.8	9.1	21.1	22.3	-1.2
1951.....	84.8	79.0	5.8	64.0	57.8	6.2	23.3	23.7	-.4
1952.....	89.8	93.7	-3.8	67.2	71.0	-3.8	25.2	25.3	(²)
1953.....	94.3	101.2	-6.9	70.0	77.0	-7.0	27.2	27.0	.1
1954.....	89.7	96.7	-7.0	63.8	69.7	-5.9	28.8	29.9	-1.1
1955.....	100.4	97.6	2.7	72.1	68.1	4.0	31.4	32.7	-1.3
1956.....	109.0	104.1	4.9	77.6	71.9	5.7	34.7	35.6	-.9
1957.....	115.6	114.9	.7	81.6	79.6	2.1	38.2	39.5	-1.4
1958.....	114.7	127.2	-12.5	78.7	88.9	-10.2	41.6	44.0	-2.3
1959.....	128.9	131.0	-2.1	89.7	91.0	-1.2	46.0	46.8	-.8
1960.....	139.8	136.1	3.7	96.5	93.0	3.5	49.9	49.6	.2
1961.....	144.6	149.0	-4.3	98.3	102.1	-3.8	53.6	54.1	-.5
1962.....	157.0	159.9	-2.9	106.4	110.3	-3.8	58.6	57.6	.9
1963.....	168.8	166.9	1.8	114.5	113.9	.7	63.4	62.2	1.2
1964.....	174.1	175.4	-1.4	115.0	118.1	-3.0	69.5	67.8	1.7
1965.....	189.1	186.9	2.2	124.7	123.5	1.2	75.5	74.5	1.0
1966.....	213.3	212.3	1.1	142.5	142.8	-.2	85.2	83.9	1.3
1967.....	228.9	242.9	-13.9	151.2	163.6	-12.4	93.5	95.1	-1.6
1968.....	263.5	270.3	-6.8	175.0	181.5	-6.5	107.1	107.5	-.3
1969.....	296.7	287.9	8.8	197.3	189.2	8.1	119.7	119.0	.7
1970.....	302.5	312.7	-10.1	192.0	203.9	-11.9	135.0	133.2	1.8
1971.....	321.6	340.2	-18.5	198.5	220.3	-21.9	152.2	148.8	3.4
1972.....	367.0	372.1	-5.1	227.2	244.7	-17.5	177.2	164.9	12.3
1973.....	411.5	408.0	3.5	258.5	264.2	-5.6	193.5	184.4	9.2
1974 ^a	455.0	460.9	-5.9	291.1	298.6	-7.6	207.7	206.0	1.7
Seasonally adjusted annual rates									
1972: I.....	355.3	363.5	-8.2	220.9	235.8	-14.9	166.1	159.5	6.7
II.....	362.4	367.6	-5.2	224.1	243.7	-19.6	176.2	161.7	14.4
III.....	369.8	370.4	-.6	228.4	238.2	-9.8	175.8	166.5	9.2
IV.....	380.5	387.0	-6.5	235.6	261.2	-25.6	190.8	171.7	19.1
1973: I.....	398.1	396.1	2.1	249.1	260.2	-11.2	190.3	177.0	13.2
II.....	406.9	403.9	3.0	255.0	262.4	-7.4	192.0	181.7	10.4
III.....	416.5	409.8	6.7	261.8	263.4	-1.7	194.6	186.2	8.4
IV.....	424.6	422.3	2.3	268.3	270.6	-2.3	197.3	192.7	4.6
1974: I.....	435.9	435.5	.4	278.1	281.0	-2.8	200.6	197.4	3.2
II.....	450.7	451.7	-1.0	288.6	291.6	-3.0	205.3	203.3	2.0
III.....	470.3	470.0	.2	302.8	304.7	-1.9	210.9	208.8	2.1
IV ^a	486.2	486.2	0	317.3	317.3	0	214.4	214.4	0

¹ Surplus of \$32 million.

² Deficit of \$41 million.

Note.—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.

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-68.—Receipts and expenditures of the Federal Government sector of the national income and product accounts, 1949-76

(Billions of dollars)

Year or quarter	Receipts				Total 1	Expenditures						Subsidies less current surplus of government enterprises	Surplus or deficit (-), national income and product accounts
	Total	Personal tax and non-tax receipts	Corporate profits tax accruals	Indirect business tax and non-tax accruals		Contributions for social insurance	Purchases of goods and services	Transfer payments		Grants-in-aid to State and local governments	Net interest paid		
								To persons	To foreigners (net)				
Fiscal year:													
1949	40.0	16.3	11.0	8.0	4.8	39.6	19.3	8.1	5.0	2.1	4.3	0.8	0.4
1950	42.0	16.5	11.9	8.2	5.5	42.4	19.0	11.3	4.3	2.4	4.4	1.0	-0.5
1951	60.8	23.2	21.5	9.5	6.6	44.6	25.1	8.1	3.1	2.4	4.6	1.3	16.2
1952	65.1	28.8	19.3	9.7	7.3	66.0	46.6	8.5	2.6	2.5	4.8	1.1	-1.0
1953	69.3	31.4	19.7	10.7	7.5	75.8	56.1	9.3	2.1	2.8	4.8	1.9	-6.5
1954	65.8	30.3	17.3	10.4	7.8	74.2	53.2	10.5	1.7	2.9	5.0	1.0	-8.5
1955	67.2	29.7	18.7	10.0	8.7	67.3	43.9	12.1	2.1	3.0	4.9	1.3	-1.1
1956	75.8	33.6	21.1	10.8	10.2	69.8	45.2	12.8	1.8	3.2	5.1	1.7	6.0
1957	80.7	36.7	20.6	11.7	11.7	76.0	47.7	14.4	1.9	3.7	5.5	2.8	4.7
1958	77.9	36.3	17.8	11.6	12.2	83.1	50.7	17.8	1.7	4.7	5.7	2.5	-5.1
1959	85.4	38.2	21.5	11.9	13.8	90.9	54.7	19.8	1.8	6.2	5.9	2.4	-5.5
1960	94.8	42.5	22.3	13.2	16.7	91.3	52.7	20.6	1.8	6.8	7.0	2.3	3.5
1961	95.3	43.6	20.3	13.3	18.1	98.0	55.5	23.6	2.1	6.9	6.8	3.2	-2.7
1962	104.2	47.3	22.9	14.2	19.9	106.4	60.9	25.1	2.1	7.6	6.8	3.8	-2.1
1963	110.2	49.6	23.5	15.0	22.1	111.4	63.4	26.4	2.1	8.4	7.5	3.6	-1.2
1964	115.5	50.7	25.7	15.6	23.5	116.9	65.7	27.3	2.2	9.8	8.1	3.8	-1.4
1965	120.5	51.3	27.7	16.9	24.6	118.5	64.4	28.3	2.2	10.9	8.5	4.1	2.0
1966	132.8	57.6	31.0	15.7	28.5	131.9	71.7	31.8	2.3	12.7	9.0	4.5	9.9
1967	147.2	64.5	31.2	15.8	35.7	154.5	85.3	37.2	2.2	14.8	9.9	5.1	-7.3
1968	160.6	71.4	33.7	17.1	38.3	172.5	94.9	42.7	2.1	17.8	10.9	4.1	-11.9
1969	190.4	90.0	37.4	18.6	44.4	185.7	99.4	48.5	2.2	19.2	12.3	4.1	4.7
1970	195.2	93.6	33.3	19.2	49.1	195.9	98.0	54.8	2.0	22.6	14.0	4.7	-7.7
1971	192.5	87.5	32.3	20.1	52.6	212.4	95.8	67.4	2.3	26.8	14.3	5.7	-19.8
1972	213.2	100.7	34.1	20.0	58.5	232.9	103.2	75.7	2.8	32.6	13.4	5.3	-19.7
1973	240.4	106.8	41.2	20.7	71.7	255.4	105.3	86.7	2.7	40.2	14.5	6.7	-15.0
1974	273.6	123.1	45.6	21.6	83.3	278.3	110.3	101.3	2.9	41.5	17.4	4.7	-4.7
1975 ²	287.6	122.1	41.0	33.1	91.4	323.7	121.1	128.2	3.5	47.0	19.8	3.7	-36.1
1976 ²	305.1	111.1	39.9	54.7	99.4	361.0	136.1	143.0	4.0	50.8	23.0	4.1	-55.9
Calendar year:													
1949	38.9	16.1	9.8	8.0	4.9	41.3	20.1	8.7	5.1	2.2	4.4	8	-2.4
1950	49.9	18.1	17.0	8.9	5.9	40.8	18.4	10.8	3.6	2.3	4.5	1.2	9.1
1951	64.0	26.1	21.5	9.4	7.1	57.8	37.7	8.5	3.1	2.5	4.7	1.3	6.2
1952	67.2	31.0	18.5	10.3	7.4	71.0	51.8	8.8	2.1	2.6	4.7	1.0	-3.8
1953	70.0	32.2	19.5	10.9	7.4	77.0	57.0	9.5	2.0	2.8	4.9	8	-7.0
1954	63.8	29.0	17.0	9.7	8.1	69.7	47.4	11.5	1.8	2.9	5.0	1.1	-5.9
1955	72.1	31.4	20.6	10.7	9.3	68.1	44.1	12.4	2.0	3.1	4.9	1.5	4.0
1956	77.6	35.2	20.6	11.2	10.6	71.9	45.6	13.4	1.9	3.3	5.3	2.4	5.7
1957	81.6	37.4	20.2	11.8	12.2	79.6	49.5	15.7	1.8	4.2	5.7	2.6	2.1
1958	78.7	36.8	18.0	11.5	12.4	88.9	53.6	19.5	1.8	5.6	5.6	2.7	-10.2
1959	89.7	39.9	22.5	12.5	14.8	91.0	53.7	20.1	1.8	6.8	6.4	2.1	-1.2
1960	96.5	43.6	21.7	13.5	17.7	93.0	53.5	21.5	1.9	6.5	7.1	2.5	3.5
1961	98.3	44.7	21.8	13.6	18.2	102.1	57.4	24.9	2.1	7.2	6.6	3.8	-3.8
1962	106.4	48.6	22.7	14.6	20.5	110.3	63.4	25.5	2.2	8.0	7.2	4.0	-3.8
1963	114.5	51.5	24.6	15.3	23.1	113.9	64.2	27.0	2.2	9.1	7.7	3.6	7.7
1964	115.0	48.6	26.4	16.1	23.8	118.1	65.2	27.8	2.2	10.4	8.3	4.2	-3.0
1965	124.7	53.8	29.3	16.5	25.1	123.5	66.9	30.3	2.2	11.1	8.7	4.3	1.2
1966	142.5	61.7	32.1	15.7	33.0	142.8	77.8	33.4	2.3	14.4	9.5	5.4	-2.4
1967	151.2	67.5	30.7	16.3	36.7	163.6	90.7	40.0	2.2	15.8	10.2	4.6	-12.4
1968	175.0	79.7	36.7	18.0	40.7	181.5	98.8	46.1	2.1	18.7	11.7	4.1	-6.5
1969	197.3	94.8	36.6	19.0	46.9	189.2	98.8	50.3	2.1	20.3	13.1	4.6	8.1
1970	192.0	92.2	31.0	19.3	49.5	203.9	96.2	61.0	2.2	24.4	14.6	5.5	-11.9
1971	198.5	89.9	33.4	20.4	54.6	220.3	97.6	72.3	2.6	29.0	13.6	5.2	-21.9
1972	227.2	108.2	36.6	20.0	62.5	244.7	104.9	80.1	2.7	37.4	13.5	6.6	-17.5
1973	258.5	114.1	43.7	21.2	79.5	264.2	106.6	92.9	2.6	40.5	16.3	5.3	-5.6
1974 ²	291.1	131.2	49.1	22.0	88.7	298.6	116.4	114.4	2.6	43.7	18.8	2.1	-7.6
Seasonally adjusted annual rates													
1973: I	249.1	107.9	42.8	20.9	77.4	260.2	106.4	89.9	2.1	41.2	14.8	6.1	-11.2
II	255.0	110.3	44.7	21.4	78.6	262.4	106.2	91.5	3.3	40.1	15.9	5.4	-7.4
III	261.8	116.7	43.8	21.0	80.2	263.4	105.3	93.9	2.7	39.8	16.8	5.0	-1.7
IV	268.3	121.6	43.5	21.3	81.8	270.6	108.4	96.3	2.5	41.0	17.6	4.8	-2.3
1974: I	278.1	124.1	45.9	21.5	86.7	281.0	111.5	104.0	2.5	42.9	17.9	2.2	-2.8
II	288.6	129.4	49.2	21.9	88.1	291.6	114.3	110.8	2.7	43.2	18.7	1.3	-3.0
III	302.8	134.8	55.4	22.5	90.0	304.7	117.2	118.4	2.4	43.4	19.1	2.7	-1.9
IV ²	136.6	-----	-----	22.2	90.0	317.3	122.8	124.4	2.7	45.5	19.7	2.3	-----

¹ Wage accruals less disbursements have been subtracted from total. These were (in billions of dollars) at seasonally adjusted annual rates: .1, -.1, .0, and .0 in the 4 quarters of 1973 and .0, -.6, -1.5, and .0 in the 4 quarters of 1974.

² Estimates.

Sources: Department of Commerce (Bureau of Economic Analysis) and Office of Management and Budget.

TABLE C-69.—Receipts and expenditures of the State and local government sector of the national income and product accounts, 1946-74

[Billions of dollars]

Calendar year or quarter	Receipts						Expenditures					Surplus or deficit (-), national income and product accounts
	Total	Personal tax and nontax receipts	Corporate profits tax accruals	Indirect business tax and nontax accruals	Contributions for social insurance	Federal grants-in-aid	Total ¹	Purchases of goods and services	Transfer payments to persons	Net interest paid	Subsidies less current surplus of government enterprises	
1946	12.9	1.5	0.5	9.3	0.5	1.1	11.0	9.8	1.7	0.3	-0.7	1.9
1947	15.3	1.8	.6	10.6	.6	1.7	14.3	12.6	2.3	.3	-.8	1.0
1948	17.6	2.1	.7	12.1	.7	2.0	17.4	15.0	2.9	.3	-.8	.1
1949	19.3	2.4	.6	13.3	.8	2.2	20.0	17.7	2.9	.3	-.9	-.7
1950	21.1	2.6	.8	14.5	1.0	2.3	22.3	19.5	3.5	.3	-.9	-1.2
1951	23.3	2.9	.9	15.8	1.2	2.5	23.7	21.5	3.0	.3	-1.1	-.4
1952	25.2	3.1	.8	17.3	1.3	2.6	25.3	22.9	3.2	.3	-1.1	(?)
1953	27.2	3.4	.8	18.7	1.5	2.8	27.0	24.6	3.3	.3	-1.2	.1
1954	28.8	3.7	.8	19.7	1.7	2.9	29.9	27.4	3.4	.4	-1.4	-1.1
1955	31.4	4.1	1.0	21.4	1.8	3.1	32.7	30.1	3.7	.5	-1.6	-1.3
1956	34.7	4.7	1.0	23.6	2.0	3.3	35.6	33.0	3.8	.5	-1.7	-.9
1957	38.2	5.2	1.0	25.5	2.3	4.2	39.5	36.6	4.2	.5	-1.8	-1.4
1958	41.6	5.6	1.0	27.0	2.5	5.6	44.0	40.6	4.6	.6	-1.8	-2.3
1959	46.0	6.3	1.2	28.9	2.7	6.8	46.8	43.3	4.8	.7	-2.0	-.8
1960	49.9	7.3	1.3	31.7	3.0	6.5	49.6	46.1	5.1	.7	-2.2	.2
1961	53.6	7.7	1.4	34.1	3.2	7.2	54.1	50.2	5.5	.8	-2.3	-.5
1962	58.6	8.7	1.4	36.9	3.5	8.0	57.6	53.7	5.7	.8	-2.6	-.9
1963	63.4	9.4	1.7	39.4	3.8	9.1	62.2	58.2	6.0	.8	-2.8	1.2
1964	69.5	10.8	1.9	42.3	4.1	10.4	67.8	63.5	6.5	.7	-2.9	1.7
1965	75.5	11.8	2.1	45.9	4.5	11.1	74.5	70.1	6.9	.5	-3.0	1.0
1966	85.2	13.7	2.2	49.9	5.0	14.4	83.9	79.0	7.7	.3	-3.1	1.3
1967	93.5	15.5	2.4	54.1	5.7	15.8	95.1	89.4	8.7	.2	-3.2	-1.6
1968	107.1	18.3	3.2	60.6	6.4	18.7	107.5	100.8	10.0	.0	-3.4	-.3
1969	119.7	21.7	3.4	67.0	7.3	20.3	119.0	111.2	11.6	-.2	-3.5	.7
1970	135.0	24.4	3.8	74.1	8.3	24.4	133.2	123.3	14.1	-.4	-3.8	1.8
1971	152.2	27.7	4.1	82.2	9.2	29.0	148.8	136.6	16.7	-.2	-4.1	3.4
1972	177.2	34.2	5.0	90.0	10.6	37.4	164.9	150.8	18.6	.3	-4.4	12.3
1973	193.5	37.2	6.1	98.0	11.7	40.5	184.4	169.8	20.1	-.8	-4.7	9.2
1974 ^p	207.7	39.5	6.7	104.9	12.8	43.7	206.0	192.4	20.2	-1.6	-5.0	1.7
Seasonally adjusted annual rates												
1972: I	166.1	32.7	4.6	87.0	10.1	31.7	159.5	145.5	17.9	-0.2	-4.2	6.7
II	176.2	33.9	4.8	89.2	10.4	37.8	161.7	147.9	18.4	-.3	-4.3	14.4
III	175.8	34.6	5.0	91.0	10.7	34.4	166.5	152.4	18.9	.3	-4.4	9.2
IV	190.8	35.5	5.4	93.0	11.0	45.8	171.7	157.4	19.2	-.3	-4.5	19.1
1973: I	190.3	36.2	6.0	95.6	11.3	41.2	177.0	162.6	19.5	-.5	-4.6	13.2
II	192.0	36.9	6.2	97.2	11.6	40.1	181.7	167.1	19.9	-.7	-4.7	10.4
III	194.6	37.4	6.1	99.4	11.9	39.8	186.2	171.6	20.3	-.9	-4.8	8.4
IV	197.3	38.2	6.0	100.0	12.1	41.0	192.7	177.9	20.8	-1.2	-4.9	4.6
1974: I	200.6	37.8	6.3	101.2	12.4	42.9	197.4	184.8	19.1	-1.5	-4.9	3.2
II	205.3	38.8	6.7	104.0	12.7	43.2	203.3	190.1	19.8	-1.6	-5.0	2.0
III	210.9	40.3	7.3	107.0	13.0	43.4	208.8	195.1	20.4	-.6	-5.0	2.1
IV ^p	211.1	41.1	7.3	107.6	13.3	45.5	214.4	199.6	21.4	-1.5	-5.0	-----

¹ Wage accruals less disbursements have been subtracted from total. These were (in billions of dollars, at seasonally adjusted annual rates) -.6, -.1, 0, and 0 in the 4 quarters of 1972; 0, -.1, 0, and 0 in the 4 quarters of 1973; and 0 in each of the 4 quarters of 1974.

² Deficit of \$41 million.

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-70.—State and local government revenues and expenditures, selected fiscal years, 1927-73

[Millions of dollars]

Fiscal year ¹	General revenues by source ²							General expenditures by function ³				
	Total	Prop- erty taxes	Sales and gross re- ceipts taxes	Indi- vidual income taxes	Corpo- ration net income taxes	Reve- nue from Federal Govern- ment	All other re- venues ⁴	Total	Edu- cation	High- ways	Public welfare	All other ⁴
1927.....	7, 271	4, 730	470	70	92	116	1, 793	7, 210	2, 235	1, 809	151	3, 015
1932.....	7, 267	4, 487	752	74	79	232	1, 643	7, 765	2, 311	1, 741	444	3, 269
1934.....	7, 678	4, 076	1, 008	80	49	1, 016	1, 449	7, 181	1, 831	1, 509	889	2, 952
1936.....	8, 395	4, 093	1, 484	153	113	948	1, 604	7, 644	2, 177	1, 425	827	3, 215
1938.....	9, 228	4, 440	1, 794	218	165	800	1, 811	8, 757	2, 491	1, 650	1, 069	3, 547
1940.....	9, 609	4, 430	1, 982	224	156	945	1, 872	9, 229	2, 638	1, 573	1, 156	3, 862
1942.....	10, 418	4, 537	2, 351	276	272	858	1, 990	9, 190	2, 586	1, 490	1, 225	3, 889
1944.....	10, 908	4, 604	2, 289	451	451	954	2, 269	8, 863	2, 793	1, 200	1, 133	3, 737
1946.....	12, 356	4, 986	2, 986	422	447	855	2, 661	11, 028	3, 356	1, 672	1, 409	4, 591
1948.....	17, 250	6, 126	4, 442	543	592	1, 861	3, 685	17, 684	5, 379	3, 036	2, 099	7, 170
1950.....	20, 911	7, 349	5, 154	788	593	2, 486	4, 541	22, 787	7, 177	3, 803	2, 940	8, 867
1952.....	25, 181	8, 652	6, 357	998	846	2, 566	5, 763	26, 098	8, 318	4, 650	2, 788	10, 342
1953.....	27, 307	9, 375	6, 927	1, 065	817	2, 870	6, 252	27, 910	9, 390	4, 987	2, 914	10, 619
1954.....	29, 012	9, 967	7, 276	1, 127	778	2, 966	6, 897	30, 701	10, 557	5, 527	3, 060	11, 557
1955.....	31, 073	10, 735	7, 643	1, 237	744	3, 131	7, 584	33, 724	11, 907	6, 452	3, 168	12, 197
1956.....	34, 667	11, 749	8, 691	1, 538	890	3, 335	8, 465	36, 711	13, 220	6, 953	3, 139	13, 399
1957.....	38, 164	12, 864	9, 467	1, 754	984	3, 843	9, 250	40, 375	14, 134	7, 816	3, 485	14, 940
1958.....	41, 219	14, 047	9, 829	1, 759	1, 018	4, 865	9, 699	44, 851	15, 919	8, 567	3, 818	16, 547
1959.....	45, 306	14, 983	10, 437	1, 994	1, 001	6, 377	10, 516	48, 887	17, 283	9, 592	4, 136	17, 876
1960.....	50, 505	16, 405	11, 849	2, 463	1, 180	6, 974	11, 634	51, 876	18, 719	9, 428	4, 404	19, 325
1961.....	54, 037	18, 002	12, 463	2, 613	1, 266	7, 131	12, 563	56, 201	20, 574	9, 844	4, 720	21, 063
1962.....	58, 252	19, 054	13, 494	3, 037	1, 308	7, 871	13, 489	60, 206	22, 216	10, 357	5, 084	22, 549
1963.....	62, 890	20, 089	14, 456	3, 269	1, 505	8, 722	14, 850	64, 816	23, 776	11, 136	5, 481	24, 423
1962-63 ⁵	62, 269	19, 833	14, 446	3, 267	1, 505	8, 663	14, 556	63, 977	23, 729	11, 150	5, 420	23, 678
1963-64 ⁵	68, 443	21, 241	15, 762	3, 791	1, 695	10, 002	15, 951	69, 302	26, 286	11, 664	5, 766	25, 586
1964-65 ⁵	74, 000	22, 583	17, 118	4, 090	1, 929	11, 029	17, 250	74, 546	28, 563	12, 221	6, 315	27, 447
1965-66 ⁵	83, 036	24, 670	19, 085	4, 760	2, 038	13, 214	19, 269	82, 843	33, 287	12, 770	6, 757	30, 029
1966-67 ⁵	91, 197	26, 047	20, 530	5, 826	2, 227	15, 370	21, 197	93, 350	37, 919	13, 932	8, 218	33, 281
1967-68 ⁵	101, 264	27, 747	22, 911	7, 308	2, 518	17, 181	23, 598	102, 411	41, 158	14, 481	9, 857	36, 915
1968-69 ⁵	114, 550	30, 673	26, 519	8, 908	3, 180	19, 153	26, 118	116, 728	47, 238	15, 417	12, 110	41, 963
1969-70 ⁵	130, 756	34, 054	30, 322	10, 812	3, 738	21, 857	29, 971	131, 332	52, 718	16, 427	14, 679	47, 508
1970-71 ⁵	144, 927	37, 852	33, 233	11, 900	3, 424	26, 146	32, 374	150, 674	59, 413	18, 095	18, 226	54, 940
1971-72 ⁵	166, 352	42, 133	37, 488	15, 237	4, 416	31, 253	35, 825	166, 873	64, 886	19, 010	21, 070	61, 907
1972-73 ⁵	190, 177	45, 283	42, 047	17, 994	5, 425	39, 256	40, 172	181, 086	69, 573	18, 615	23, 582	69, 316

¹ Fiscal years not the same for all governments. See footnote 5.² Excludes revenues or expenditures of publicly owned utilities and liquor stores, and of insurance-trust activities. Intergovernmental receipts and payments between State and local governments are also excluded.³ Includes licenses and other taxes and charges and miscellaneous revenues.⁴ Includes expenditures for health, hospitals, police, local fire protection, natural resources, sanitation, housing and urban renewal, local parks and recreation, general control, financial administration, interest on general debt, and unallocable expenditures.⁵ Data for fiscal year ending in the 12-month period through June 30. Data for 1963 and earlier years include local government amounts grouped in terms of fiscal years ended during the particular calendar year.

Note.—Data are not available for intervening years.

See Table C-63 for net debt of State and local governments.

Source: Department of Commerce, Bureau of the Census.

TABLE C-71.—Public debt securities by kind of obligation, 1946-74

[Billions of dollars]

End of year or month	Total public debt securities	Interest-bearing public debt						Matured public debt and debt bearing no interest	
		Marketable public issues by maturity class			Nonmarketable public issues				Government account series ¹
		Within 1 year	1 to 10 years	10 years and over	U.S. savings bonds and notes	Foreign and international	Other		
1946.....	259.1	54.8	61.7	60.1	49.8	-----	6.7	24.6	1.5
1947.....	256.9	49.6	56.1	60.0	52.1	-----	7.4	29.0	2.7
1948.....	252.8	44.6	55.1	57.7	55.1	-----	6.3	31.7	2.2
1949.....	257.1	49.4	51.8	53.9	56.7	-----	9.3	33.9	2.1
1950.....	256.7	49.4	50.5	52.5	58.0	-----	10.1	33.7	2.4
1951.....	259.4	47.1	56.7	38.8	57.6	-----	20.9	35.9	2.3
1952.....	267.4	57.7	62.2	28.7	57.9	-----	19.6	39.1	2.1
1953.....	275.2	73.9	50.4	30.3	57.7	-----	19.3	41.2	2.3
1954.....	278.7	62.8	64.7	30.2	57.7	-----	17.7	42.6	3.0
1955.....	280.8	61.7	68.6	32.9	57.9	-----	12.7	43.9	3.0
1956.....	276.6	68.6	58.9	32.9	56.3	-----	11.9	45.6	2.4
1957.....	274.9	75.3	56.9	32.0	52.5	-----	10.4	45.8	2.0
1958.....	282.9	72.6	71.0	32.0	51.2	-----	9.2	44.8	2.1
1959.....	290.8	79.9	83.7	24.6	48.2	-----	7.8	43.5	3.1
1960.....	290.2	75.3	89.5	24.2	47.2	-----	6.3	44.3	3.4
1961.....	296.2	85.9	84.7	25.4	47.5	0.5	5.3	43.5	3.5
1962.....	303.5	87.3	95.6	20.1	47.5	.7	4.6	43.4	4.3
1963.....	309.3	89.4	94.2	24.0	48.8	1.3	3.8	43.7	4.1
1964.....	317.9	88.5	100.4	23.6	49.7	1.8	3.5	46.1	4.4
1965.....	320.9	93.4	95.6	25.6	50.3	2.4	2.9	46.3	4.4
1966.....	329.3	105.2	87.5	25.4	50.8	1.5	2.7	52.0	4.3
1967.....	344.7	104.4	97.0	25.1	51.7	3.2	2.6	57.2	3.5
1968.....	358.0	108.6	103.4	24.8	52.3	4.4	2.6	59.1	2.9
1969.....	368.2	118.1	93.3	24.4	52.2	4.7	2.5	71.0	2.0
1970.....	389.2	123.4	104.9	19.4	52.5	6.5	2.4	78.1	1.9
1971.....	424.1	119.1	123.0	19.9	54.9	17.4	2.4	85.7	1.8
1972.....	449.3	130.4	117.7	21.4	58.1	21.3	2.4	95.9	2.0
1973.....	469.9	141.6	106.8	21.8	60.8	26.9	2.8	107.1	2.1
1974.....	² 492.7	148.1	113.2	21.6	63.8	22.8	3.0	119.1	² 1.1
1973: Jan.....	450.1	131.5	117.7	22.0	58.4	21.2	2.5	95.0	1.9
Feb.....	454.8	130.2	117.8	21.9	58.7	26.1	2.5	95.8	1.9
Mar.....	458.6	130.2	117.8	21.8	59.0	29.1	2.5	96.4	1.8
Apr.....	457.1	128.4	117.7	21.7	59.3	29.2	2.5	96.4	1.8
May.....	457.3	125.7	117.8	22.4	59.7	29.0	2.5	98.3	1.9
June.....	458.1	122.8	119.3	20.8	59.9	29.2	2.5	101.7	1.8
July.....	459.0	122.6	119.3	20.8	60.2	28.8	2.5	103.0	1.8
Aug.....	461.8	129.1	111.7	21.6	60.3	28.6	2.5	106.1	1.9
Sept.....	461.4	129.1	111.7	21.6	60.3	28.9	2.5	105.4	2.0
Oct.....	462.5	130.9	111.6	21.5	60.5	28.4	2.6	105.1	1.9
Nov.....	464.0	139.4	109.0	21.8	60.8	26.7	2.8	101.6	2.0
Dec.....	469.9	141.6	106.8	21.8	60.8	26.9	2.8	107.1	2.1
1974: Jan.....	468.2	141.6	106.8	21.7	61.0	26.2	2.8	106.2	1.9
Feb.....	470.7	141.4	106.0	22.2	61.3	26.3	2.8	108.6	2.1
Mar.....	474.5	145.5	106.0	22.1	61.6	26.1	2.9	108.5	1.9
Apr.....	471.9	140.9	107.5	22.0	61.9	26.6	2.9	108.4	1.8
May.....	474.7	142.9	104.1	22.6	62.1	26.9	2.9	111.3	1.9
June.....	475.1	139.9	104.2	22.5	62.4	25.9	2.9	115.4	1.8
July.....	² 475.3	142.2	104.2	22.4	62.7	24.4	3.0	115.5	² 1.0
Aug.....	481.8	142.9	108.4	20.8	62.8	23.2	3.0	119.6	1.1
Sept.....	481.5	143.4	108.4	20.8	63.0	23.2	3.0	118.3	1.4
Oct.....	480.2	144.4	108.4	20.8	63.3	23.1	3.0	116.2	1.2
Nov.....	485.4	143.4	112.6	21.5	63.6	23.1	3.0	116.9	1.1
Dec.....	492.7	148.1	113.2	21.6	63.8	22.8	3.0	119.1	1.1

¹ Prior to July 1974, this series was shown as "Special issues."² Beginning July 1974, excludes the non-interest-bearing notes issued to International Monetary Fund to conform with Budget presentation.

Source: Department of the Treasury.

TABLE C-72.—Estimated ownership of public debt securities, 1946-74

[Par values,¹ billions of dollars]

End of year or month	Total public debt securities ²									
	Total	Held by Government accounts	Held by Federal Reserve Banks	Held by private investors						
				Total	Commercial banks ³	Mutual savings banks and insurance companies	Other corporations ⁴	State and local governments ⁵	Individuals ⁶	Miscellaneous investors ⁷
1946	259.1	27.4	23.3	208.3	74.5	36.7	15.3	6.3	64.1	11.4
1947	256.9	30.8	22.6	203.6	68.7	35.9	14.1	7.3	65.7	11.9
1948	252.8	33.7	23.3	195.8	62.4	32.7	14.8	7.9	65.5	12.5
1949	257.1	35.9	18.9	202.4	66.8	31.5	16.8	8.1	66.3	12.9
1950	256.7	36.0	20.8	199.9	61.8	29.6	19.7	8.8	66.3	13.6
1951	259.4	39.3	23.8	196.3	61.5	26.2	20.7	9.6	64.6	13.7
1952	267.4	42.9	24.7	199.8	63.4	25.5	19.9	11.1	65.2	14.7
1953	275.2	45.4	25.9	203.8	63.7	25.1	21.5	12.7	64.8	16.1
1954	278.7	46.7	24.9	207.1	69.1	24.1	19.1	14.4	63.5	16.9
1955	280.8	49.0	24.8	207.0	62.0	23.1	23.2	15.4	65.0	18.3
1956	276.6	51.2	24.9	200.5	59.5	21.2	18.7	16.3	65.9	18.9
1957	274.9	52.8	24.2	197.9	59.5	20.1	17.7	16.6	64.9	19.1
1958	282.9	52.1	26.3	204.5	67.5	19.8	18.1	16.5	63.7	18.9
1959	290.8	51.4	26.6	212.7	60.3	19.4	21.4	18.0	69.4	24.3
1960	290.2	52.8	27.4	210.0	62.1	18.1	18.7	18.7	66.1	26.5
1961	296.2	52.5	28.9	214.8	67.2	17.6	18.5	19.0	65.8	26.9
1962	303.5	53.2	30.8	219.5	67.1	17.6	18.6	20.1	65.9	30.2
1963	309.3	53.3	33.6	220.5	64.2	17.0	18.7	21.1	68.0	31.6
1964	317.9	58.4	37.0	222.5	63.9	16.8	18.2	21.1	69.5	33.0
1965	320.9	59.7	40.8	220.5	60.7	15.8	15.8	22.9	71.9	33.4
1966	329.3	65.8	44.3	219.2	57.4	14.5	14.9	24.3	74.2	33.9
1967	344.7	73.1	49.1	222.4	63.8	13.2	12.2	24.1	73.5	35.7
1968	358.0	76.6	52.9	228.5	66.0	12.2	14.2	24.9	75.1	36.1
1969	368.2	89.0	57.2	222.0	56.8	10.7	10.4	27.2	80.8	36.1
1970	389.2	97.1	62.1	229.9	62.7	10.5	7.3	27.8	81.2	40.4
1971	424.1	106.0	70.2	247.9	65.3	10.1	11.4	25.4	73.2	62.5
1972	449.3	116.9	69.9	262.5	67.7	10.0	9.8	28.9	73.9	72.3
1973	469.9	129.6	78.5	261.7	60.3	9.3	10.9	29.2	77.3	74.8
1974	⁸ 492.7	141.2	80.5	⁸ 271.0	55.5	8.4	11.5	29.5	84.6	⁸ 81.5
1973: Jan	450.1	116.2	72.0	261.8	66.4	10.0	10.3	30.0	74.9	70.1
Feb	454.8	117.1	72.6	265.1	62.8	9.9	10.9	29.4	75.0	77.1
Mar	458.6	117.9	74.3	266.4	62.0	9.9	11.2	29.4	75.3	78.6
Apr	457.1	117.9	75.5	263.7	60.5	9.7	10.0	29.2	75.4	78.9
May	457.3	120.1	74.1	263.1	58.9	9.6	10.8	28.6	75.7	79.5
June	458.1	123.4	75.0	259.7	58.8	9.6	9.8	28.8	75.9	76.8
July	459.0	125.0	77.1	256.9	56.5	9.5	10.3	28.4	76.7	75.5
Aug	461.8	128.7	76.1	257.1	55.1	9.2	11.5	27.7	77.0	76.5
Sept	461.4	127.8	76.2	257.4	55.4	9.2	9.2	29.0	77.2	77.4
Oct	462.5	127.4	78.5	256.5	56.3	9.2	10.2	28.5	77.0	75.4
Nov	464.0	127.1	77.2	259.8	58.5	9.1	11.1	28.9	77.2	75.1
Dec	469.9	129.6	78.5	261.7	60.3	9.3	10.9	29.2	77.3	74.8
1974: Jan	468.2	128.7	78.2	261.2	60.2	9.1	10.7	29.9	77.4	73.9
Feb	470.7	131.3	78.2	261.1	59.0	8.8	10.9	30.7	77.9	73.9
Mar	474.5	131.2	79.5	263.8	59.5	8.9	11.7	30.6	78.4	74.7
Apr	471.9	131.1	80.0	260.7	56.8	8.6	10.5	30.1	79.2	75.6
May	474.7	133.9	81.4	259.4	54.4	8.6	11.2	29.2	80.0	75.9
June	475.1	138.2	80.5	256.4	53.2	8.5	10.8	28.3	80.7	75.0
July	⁸ 475.3	137.5	78.1	⁸ 259.7	53.9	8.3	11.3	28.8	81.6	⁸ 75.7
Aug	481.8	141.6	81.1	259.0	53.0	8.3	11.0	29.2	82.6	75.0
Sept	481.5	140.6	81.0	260.1	52.9	8.3	10.5	29.3	83.3	75.7
Oct	480.2	138.4	79.4	262.5	53.5	8.4	11.2	28.8	83.8	76.8
Nov	485.4	139.0	81.0	265.3	54.5	8.4	11.0	28.7	84.3	78.4
Dec	492.7	141.2	80.5	271.0	55.5	8.4	11.5	29.5	84.6	81.5

¹ U.S. savings bonds, series A-F and J, and U.S. savings notes are included at current redemption value.² Not all of total shown is subject to statutory debt limitation.³ Includes commercial banks, trust companies, and stock savings banks in the United States and Territories and island possessions; figures exclude securities held in trust departments. Since the estimates in this table are on the basis of par values and include holdings of banks in United States Territories and possessions, they do not agree with the estimates in Table C-53, which are based on book values and relate only to banks within the United States.⁴ Exclusive of banks and insurance companies.⁵ Includes trust, sinking, and investment funds of State and local governments and their agencies, and of Territories and possessions.⁶ Includes partnerships and personal trust accounts.⁷ Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, Federal oriented agencies not included in Government accounts, and investments of foreign balances and international accounts in this country. Beginning with December 1946, the international accounts include investments by the International Bank for Reconstruction and Development, the International Monetary Fund, the International Development Association, the Inter-American Development Bank, and various United Nations' funds, in special non-interest-bearing notes and bonds issued by the U.S. Government. See also footnote 8.⁸ Beginning July 1974, excludes non-interest-bearing notes issued to International Monetary Fund to conform with Budget presentation.

Source: Department of the Treasury.

TABLE C-73.—Average length and maturity distribution of marketable interest-bearing public debt, 1946-74

End of year or month	Amount out- standing	Maturity class					Average length	
		Within 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and over	Years	Months
Millions of dollars								
Fiscal year:								
1946.....	189,606	61,974	24,763	41,807	17,461	43,599	9	1
1947.....	168,702	51,211	21,851	35,562	18,597	41,481	9	5
1948.....	160,346	48,742	21,630	32,264	16,229	41,481	9	2
1949.....	155,147	48,130	32,562	16,746	22,821	34,888	8	9
1950.....	155,310	42,338	51,292	7,792	28,035	25,853	8	2
1951.....	137,917	43,908	46,526	8,707	29,979	8,797	6	7
1952.....	140,407	46,367	47,814	13,933	25,700	6,594	5	8
1953.....	147,335	65,270	36,161	15,651	28,662	1,592	5	4
1954.....	150,354	62,734	29,866	27,515	28,634	1,606	5	6
1955.....	155,206	49,703	39,107	34,253	28,613	3,530	5	10
1956.....	154,953	58,714	34,401	28,908	28,578	4,351	5	4
1957.....	155,705	71,952	40,669	12,328	26,407	4,349	4	9
1958.....	166,675	67,782	42,557	21,476	27,652	7,208	5	3
1959.....	178,027	72,958	58,304	17,052	21,625	8,088	4	7
1960.....	183,845	70,467	72,844	20,246	12,630	7,658	4	4
1961.....	187,148	81,120	58,400	26,435	10,233	10,960	4	6
1962.....	196,072	88,442	57,041	26,049	9,319	15,221	4	11
1963.....	203,508	85,294	58,026	37,385	8,360	14,444	5	1
1964.....	206,489	81,424	65,453	34,929	8,355	16,328	5	0
1965.....	208,695	87,637	56,198	39,169	8,449	17,241	5	4
1966.....	209,127	89,136	60,933	33,596	8,439	17,023	4	11
1967.....	210,672	89,648	71,424	24,378	8,425	16,797	4	7
1968.....	226,592	106,407	64,470	30,754	8,407	16,553	4	2
1969.....	226,107	103,910	62,770	34,837	8,374	16,217	4	0
1970.....	232,599	105,530	89,615	15,882	10,524	11,048	3	8
1971.....	245,473	112,772	89,074	24,503	8,455	10,670	3	6
1972.....	257,202	121,944	89,004	26,852	9,343	10,059	3	3
1973.....	262,971	122,803	88,223	31,111	14,477	6,357	3	2
1974.....	266,575	139,942	77,199	26,957	17,403	5,074	3	0
1973: Jan.....	271,121	131,454	88,572	29,142	15,271	6,682	3	1
Feb.....	269,881	130,205	95,422	22,357	16,114	5,783	3	1
Mar.....	269,775	130,187	95,425	22,356	16,058	5,748	3	0
Apr.....	267,847	128,359	95,392	22,356	16,022	5,718	3	0
May.....	265,919	125,697	88,222	29,620	15,996	6,385	3	3
June.....	262,971	122,803	88,223	31,111	14,477	6,357	3	2
July.....	262,708	122,602	88,223	31,108	14,457	6,318	3	2
Aug.....	262,405	129,072	80,594	31,106	15,345	6,288	3	3
Sept.....	262,356	129,114	80,576	31,103	15,317	6,245	3	2
Oct.....	264,047	130,940	80,535	31,102	15,269	6,201	3	1
Nov.....	270,234	139,433	83,817	25,136	15,679	6,169	3	1
Dec.....	270,224	141,571	81,715	25,134	15,659	6,145	3	0
1974: Jan.....	270,131	141,590	81,716	25,132	15,596	6,098	3	0
Feb.....	269,650	141,444	79,045	26,968	16,129	6,063	3	0
Mar.....	273,596	145,453	79,045	26,965	16,092	6,040	2	11
Apr.....	270,452	140,905	80,570	26,961	16,036	5,981	2	11
May.....	269,550	142,864	77,165	26,960	17,458	5,103	3	0
June.....	266,575	139,942	77,199	26,957	17,403	5,074	3	0
July.....	268,782	142,245	77,200	26,953	17,346	5,039	2	11
Aug.....	272,111	142,900	79,366	28,997	14,952	5,897	3	0
Sept.....	272,608	143,400	79,361	29,044	14,924	5,879	3	0
Oct.....	273,529	144,373	79,369	29,027	14,894	5,866	2	11
Nov.....	277,538	143,381	84,730	27,916	14,865	6,645	3	0
Dec.....	282,891	148,122	85,273	27,899	14,832	6,765	2	11

Note.—All issues classified to final maturity except partially tax-exempt bonds, which were classified to earliest call date (the last of these bonds were called on August 14, 1962 for redemption on December 15, 1962).

Source: Department of the Treasury.

CORPORATE PROFITS AND FINANCE

TABLE C-74.—*Profits before and after taxes, all private corporations, 1929-74*

[Billions of dollars]

Year or quarter	Corporate profits (before taxes) and inventory valuation adjustment						Corporate profits before taxes	Corporate tax liability ¹	Corporate profits after taxes			Corporate capital consumption allowances ²	Profits plus capital consumption allowances ³
	All industries	Manufacturing			Transportation, communication, and public utilities	All other industries			Total	Dividends	Undistributed profits		
		Total	Durable goods industries	Non-durable goods industries									
1929.....	10.5	5.2	2.6	2.6	1.8	3.4	10.0	1.4	8.6	5.8	2.8	4.2	12.8
1933.....	-1.2	-4	-4	0	0	-8	1.0	.5	.4	2.0	-1.6	3.8	4.2
1939.....	6.3	3.3	1.7	1.7	1.0	2.0	7.0	1.4	5.6	3.8	1.8	3.7	9.3
1940.....	9.8	5.5	3.1	2.4	1.3	3.0	10.0	2.8	7.2	4.0	3.2	3.8	11.0
1941.....	15.2	9.5	6.4	3.1	2.0	3.7	17.7	7.6	10.1	4.4	5.7	4.2	14.4
1942.....	20.3	11.8	7.2	4.6	3.4	5.1	21.5	11.4	10.1	4.3	5.9	5.0	15.2
1943.....	24.4	13.8	8.1	5.7	4.4	6.2	25.1	14.1	11.1	4.4	6.6	5.4	16.4
1944.....	23.8	13.2	7.4	5.9	3.9	6.7	24.1	12.9	11.2	4.6	6.5	6.1	15.2
1945.....	19.2	9.7	4.5	5.2	2.7	6.7	19.7	10.7	9.0	4.6	4.4	6.4	15.4
1946.....	19.3	9.0	2.4	6.6	1.8	8.5	24.6	9.1	15.5	5.6	9.9	4.7	20.2
1947.....	25.6	13.6	5.8	7.8	2.2	9.9	31.5	11.3	20.2	6.3	13.9	5.8	26.0
1948.....	33.0	17.6	7.5	10.0	3.0	12.5	35.2	12.5	22.7	7.0	15.6	7.0	29.7
1949.....	30.8	16.2	8.1	8.1	3.0	11.6	28.9	10.4	18.5	7.2	11.3	7.9	26.5
1950.....	37.7	20.9	12.0	8.9	4.0	12.7	42.6	17.8	24.9	8.8	16.0	8.8	33.7
1951.....	42.7	24.6	13.2	11.4	4.6	13.5	43.9	22.3	21.6	8.6	13.0	10.3	31.8
1952.....	39.9	21.6	11.7	9.9	4.9	13.3	38.9	19.4	19.6	8.6	11.0	11.5	31.0
1953.....	39.6	22.0	11.9	10.1	5.0	12.6	40.6	20.3	20.4	8.9	11.5	13.2	33.5
1954.....	38.0	19.9	10.5	9.4	4.7	13.4	38.3	17.7	20.6	9.3	11.3	15.0	35.5
1955.....	46.9	26.0	14.3	11.8	5.6	15.2	48.6	21.6	27.0	10.5	16.5	17.4	44.4
1956.....	46.1	24.7	12.8	11.9	5.9	15.6	48.8	21.7	27.2	11.3	15.9	18.9	46.1
1957.....	45.6	24.0	13.3	10.7	5.8	15.8	47.2	21.2	26.0	11.7	14.2	20.8	46.8
1958.....	41.1	19.3	9.3	10.0	5.9	15.9	41.4	19.0	22.3	11.6	10.8	22.0	44.3
1959.....	51.7	26.3	13.6	12.7	7.0	18.4	52.1	23.7	28.5	12.6	15.9	23.5	52.0
1960.....	49.9	24.4	12.0	12.4	7.5	17.9	49.7	23.0	26.7	13.4	13.2	24.9	51.6
1961.....	50.3	23.3	11.4	11.9	7.9	19.1	50.3	23.1	27.2	13.8	13.5	26.2	53.5
1962.....	55.7	26.6	14.1	12.5	8.5	20.5	55.4	24.2	31.2	15.2	16.0	30.1	61.3
1963.....	58.9	28.8	15.8	13.0	9.5	20.6	59.4	26.3	33.1	16.5	16.6	31.8	64.8
1964.....	66.3	32.7	17.8	14.9	10.1	23.5	66.8	28.3	38.4	17.8	20.6	33.9	72.3
1965.....	76.1	39.3	22.8	16.6	11.1	25.6	77.8	31.3	46.5	19.8	26.7	36.4	82.9
1966.....	82.4	42.6	24.0	18.6	11.9	27.9	84.2	34.3	49.9	20.8	29.1	39.5	89.5
1967.....	78.7	38.7	20.7	18.0	10.8	29.1	79.8	33.2	46.6	21.4	25.3	43.0	89.6
1968.....	84.3	41.7	22.4	19.3	10.6	32.0	87.6	39.9	47.8	23.6	24.2	46.8	94.6
1969.....	79.8	36.6	18.8	17.7	10.1	33.1	84.9	40.1	44.8	24.3	20.5	51.9	96.8
1970.....	69.2	27.8	10.5	17.3	7.8	33.7	74.0	34.8	39.3	24.7	14.6	56.0	95.2
1971.....	78.7	32.3	14.5	17.8	8.3	38.1	83.6	37.5	46.1	25.0	21.1	60.4	106.5
1972.....	92.2	40.8	21.8	19.0	9.2	42.2	99.2	41.5	57.7	27.3	30.3	66.3	124.0
1973.....	105.1	47.6	26.1	21.5	9.2	48.3	122.7	49.8	72.9	29.6	43.3	71.2	144.1
1974 ^p	105.4	46.8	16.0	30.8	8.7	49.9	141.0	55.8	85.2	32.7	52.5	76.7	161.9
Seasonally adjusted annual rates													
1972: I.....	86.5	37.7	19.3	18.4	8.5	40.3	92.3	38.9	53.4	26.4	27.1	63.9	117.3
II.....	89.5	39.6	21.5	18.1	8.9	41.0	96.0	40.3	55.7	27.1	28.6	66.4	122.1
III.....	92.9	40.8	21.4	19.4	9.5	42.6	100.2	41.8	58.4	27.8	30.6	66.7	125.1
IV.....	99.8	45.1	25.1	20.0	9.9	44.8	108.2	45.2	63.1	28.2	34.9	68.2	131.3
1973: I.....	103.9	48.6	27.6	20.9	9.4	45.9	120.4	48.9	71.5	28.7	42.8	69.2	140.7
II.....	105.0	48.4	26.9	21.5	8.8	47.8	124.9	50.9	74.0	29.1	44.9	70.8	144.8
III.....	105.2	47.1	25.7	21.4	9.5	48.6	122.7	49.9	72.9	29.8	43.1	71.6	144.5
IV.....	106.4	46.4	24.3	22.1	9.2	50.8	122.7	49.5	73.2	30.7	42.5	73.1	146.3
1974: I.....	107.7	46.2	19.3	26.9	7.1	54.5	135.4	52.2	83.2	31.6	51.6	74.1	157.3
II.....	105.6	46.8	17.1	29.7	8.0	50.8	139.0	55.9	83.1	32.5	50.5	75.7	158.8
III.....	105.8	48.6	15.3	33.3	8.6	48.7	157.0	62.7	94.3	33.2	61.1	77.6	171.8
IV ^p										33.3		79.4	

¹ Federal and State corporate income and excess profits taxes.

² Includes depreciation and accidental damages.

³ Corporate profits after taxes plus corporate capital consumption allowances.

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-75.—Sales, profits, and stockholders' equity, all manufacturing corporations, 1947-74

(Billions of dollars)

Year or quarter	All manufacturing corporations				Durable goods industries				Nondurable goods industries			
	Sales (net)	Profits		Stockholders' equity ¹	Sales (net)	Profits		Stockholders' equity ¹	Sales (net)	Profits		Stockholders' equity ¹
		Before Federal income taxes	After Federal income taxes			Before Federal income taxes	After Federal income taxes			Before Federal income taxes	After Federal income taxes	
1947.....	150.7	16.6	10.1	65.1	66.6	7.6	4.5	31.1	84.1	9.0	5.6	34.0
1948.....	165.6	18.4	11.5	72.2	75.3	8.9	5.4	34.1	90.4	9.5	6.2	38.1
1949.....	154.9	14.4	9.0	77.6	70.3	7.5	4.5	37.0	84.6	7.0	4.6	40.6
1950.....	181.9	23.2	12.9	83.3	86.8	12.9	6.7	39.9	95.1	10.3	6.1	43.5
1951.....	245.0	27.4	11.9	98.3	116.8	15.4	6.1	47.2	128.1	12.1	5.7	51.1
1952.....	250.2	22.9	10.7	103.7	122.0	12.9	5.5	49.8	128.0	10.0	5.2	53.9
1953.....	265.9	24.4	11.3	108.2	137.9	14.0	5.8	52.4	128.0	10.4	5.5	55.7
1954.....	248.5	20.9	11.2	113.1	122.8	11.4	5.6	54.9	125.7	9.6	5.6	58.2
1955.....	278.4	28.6	15.1	120.1	142.1	16.5	8.1	58.8	136.3	12.1	7.0	61.3
1956.....	307.3	29.8	16.2	131.6	159.5	16.5	8.3	65.2	147.8	13.2	7.8	66.4
1957.....	320.0	28.2	15.4	141.1	166.0	15.8	7.9	70.5	154.1	12.4	7.5	70.6
1958.....	305.3	22.7	12.7	147.4	148.6	11.4	5.8	72.8	156.7	11.3	6.9	74.6
1959.....	338.0	29.7	16.3	157.1	169.4	15.8	8.1	77.9	168.5	13.9	8.3	79.2
1960.....	345.7	27.5	15.2	165.4	173.9	14.0	7.0	82.3	171.8	13.5	8.2	83.1
1961.....	356.4	27.5	15.3	172.6	175.2	13.6	6.9	84.9	181.2	13.9	8.5	87.7
1962.....	389.9	31.9	17.7	181.4	195.5	16.7	8.6	89.1	194.4	15.1	9.2	92.3
1963.....	412.7	34.9	19.5	189.7	209.0	18.5	9.5	93.3	203.6	16.4	10.0	96.3
1964.....	443.1	39.6	23.2	199.8	226.3	21.2	11.6	98.5	216.8	18.3	11.6	101.3
1965.....	492.2	46.5	27.5	211.7	257.0	26.2	14.5	105.4	235.2	20.3	13.0	106.3
1966.....	554.2	51.8	30.9	230.3	291.7	29.2	16.4	115.2	262.4	22.6	14.6	115.1
1967.....	575.4	47.8	29.0	247.6	300.6	25.7	14.6	125.0	274.8	22.0	14.4	122.6
1968.....	631.9	55.4	32.1	265.9	335.5	30.6	16.5	135.6	296.4	24.8	15.5	130.3
1969.....	694.6	58.1	33.2	289.9	366.5	31.5	16.9	147.6	328.1	26.6	16.4	142.3
1970.....	708.8	48.1	28.6	306.8	363.1	23.0	12.9	155.1	345.7	25.2	15.7	151.7
1971.....	751.4	53.2	31.3	320.9	382.5	26.5	14.5	160.6	368.9	26.7	16.7	160.3
1972.....	849.5	63.2	36.5	343.4	435.8	33.6	18.4	171.4	413.7	29.6	18.0	172.0
1973.....	1,017.2	81.4	48.1	374.1	527.3	43.6	24.8	188.7	489.9	37.8	23.3	185.4
1972: I.....	197.2	13.9	7.9	332.6	100.0	7.3	3.9	165.5	97.2	6.6	4.1	167.1
II.....	213.2	16.7	9.6	340.4	111.5	9.6	5.3	170.3	101.7	7.2	4.3	170.1
III.....	210.6	15.1	8.8	347.4	106.2	7.5	4.2	173.6	104.4	7.6	4.6	173.9
IV.....	228.6	17.5	10.1	353.1	118.1	9.2	5.1	176.3	110.4	8.3	5.0	176.8
1973: I.....	232.5	18.3	10.5	361.1	121.2	10.3	5.7	181.9	111.3	8.0	4.8	179.2
II.....	256.3	22.2	13.0	370.8	136.5	12.7	7.1	187.1	119.9	9.5	5.8	183.7
III.....	253.2	19.5	11.6	378.3	129.5	9.9	5.7	191.3	123.7	9.7	5.9	186.9
IV.....	275.1	21.4	13.0	386.4	140.1	10.8	6.3	194.7	135.0	10.6	6.7	191.7
New series: ²												
1973: IV.....	236.5	20.6	13.1	367.5	122.7	10.1	6.2	185.8	113.9	10.5	7.0	181.7
1974: I.....	242.2	21.1	13.5	378.7	120.6	9.4	5.7	190.6	121.6	11.7	7.8	188.0
II.....	269.6	25.8	16.3	389.6	137.1	12.5	7.5	195.3	132.5	13.4	8.8	194.2
III.....	271.9	25.0	15.5	401.8	134.7	10.5	6.2	201.0	137.2	14.5	9.3	200.8

¹ Annual data are average equity for the year (using four end-of-quarter figures).² See "Quarterly Financial Report for Manufacturing Corporations, First Quarter 1974," Federal Trade Commission.

Note.—Data are not necessarily comparable from one period to another due to changes in accounting procedures, industry classifications, sampling procedures, etc. For explanatory notes concerning compilation of the series, see "Quarterly Financial Report for Manufacturing Corporations," Federal Trade Commission.

Source: Federal Trade Commission.

TABLE C-76.—*Relation of profits after taxes to stockholders' equity and to sales, all manufacturing corporations, 1947-74*

Year or quarter	Ratio of profits after Federal income taxes (annual rate) to stockholders' equity—percent ¹			Profits after Federal income taxes per dollar of sales—cents		
	All manufacturing corporations	Durable goods industries	Nondurable goods industries	All manufacturing corporations	Durable goods industries	Nondurable goods industries
1947.....	15.6	14.4	16.6	6.7	6.7	6.7
1948.....	16.0	15.7	16.2	7.0	7.1	6.8
1949.....	11.6	12.1	11.2	5.8	6.4	5.4
1950.....	15.4	16.9	14.1	7.1	7.7	6.5
1951.....	12.1	13.0	11.2	4.8	5.3	4.5
1952.....	10.3	11.1	9.7	4.3	4.5	4.1
1953.....	10.5	11.1	9.9	4.3	4.2	4.3
1954.....	9.9	10.3	9.6	4.5	4.6	4.4
1955.....	12.6	13.8	11.4	5.4	5.7	5.1
1956.....	12.3	12.8	11.8	5.3	5.2	5.3
1957.....	10.9	11.3	10.6	4.8	4.8	4.9
1958.....	8.6	8.0	9.2	4.2	3.9	4.4
1959.....	10.4	10.4	10.4	4.8	4.8	4.9
1960.....	9.2	8.5	9.8	4.4	4.0	4.8
1961.....	8.9	8.1	9.6	4.3	3.9	4.7
1962.....	9.8	9.6	9.9	4.5	4.4	4.7
1963.....	10.3	10.1	10.4	4.7	4.5	4.9
1964.....	11.6	11.7	11.5	5.2	5.1	5.4
1965.....	13.0	13.8	12.2	5.6	5.7	5.5
1966.....	13.4	14.2	12.7	5.6	5.6	5.6
1967.....	11.7	11.7	11.8	5.0	4.8	5.3
1968.....	12.1	12.2	11.9	5.1	4.9	5.2
1969.....	11.5	11.4	11.5	4.8	4.6	5.0
1970.....	9.3	8.3	10.3	4.0	3.5	4.5
1971.....	9.7	9.0	10.3	4.1	3.8	4.5
1972.....	10.6	10.8	10.5	4.3	4.2	4.4
1973.....	12.8	13.1	12.6	4.7	4.7	4.8
1972: I.....	9.5	9.3	9.8	4.0	3.9	4.2
II.....	11.3	12.4	10.2	4.5	4.7	4.3
III.....	10.1	9.7	10.5	4.2	4.0	4.4
IV.....	11.5	11.6	11.4	4.4	4.3	4.6
1973: I.....	11.6	12.5	10.8	4.5	4.7	4.3
II.....	14.0	15.3	12.7	5.1	5.2	4.9
III.....	12.3	11.8	12.7	4.6	4.4	4.8
IV.....	13.4	12.9	14.0	4.7	4.5	5.0
New series: ²						
1973: IV.....	14.3	13.3	15.3	5.6	5.0	6.1
1974: I.....	14.3	12.0	16.5	5.6	4.8	6.4
II.....	16.7	15.4	18.0	6.0	5.5	6.6
III.....	15.5	12.4	18.6	5.7	4.6	6.8

¹ Annual ratios based on average equity for the year (using four end-of-quarter figures). Quarterly ratios based on equity at end of quarter only.

² See "Quarterly Financial Report for Manufacturing Corporations, First Quarter 1974," Federal Trade Commission.

Note.—Based on data in millions of dollars.

For explanatory notes concerning compilation of the series, see "Quarterly Financial Report for Manufacturing Corporations," Federal Trade Commission. See also Note, Table C-75.

Source: Federal Trade Commission.

TABLE C-77.—*Relation of profits after taxes to stockholders' equity and to sales, all manufacturing corporations, by industry group, 1973-74*

Industry	Ratio of profits after Federal income taxes (annual rate) to stockholders' equity—percent ¹				Profits after Federal income taxes per dollar of sales—cents			
	1973 IV	1974			1973 IV	1974		
		I	II	III		I	II	III
All manufacturing corporations.....	14.3	14.3	16.7	15.5	5.6	5.6	6.0	5.7
Durable goods industries.....	13.3	12.0	15.4	12.4	5.0	4.8	5.5	4.6
Stone, clay, and glass products.....	11.5	6.0	14.8	15.0	5.0	2.8	6.0	5.9
Primary metal industries.....	12.7	13.7	19.5	19.0	5.6	5.9	7.4	7.6
Iron and steel.....	11.1	11.3	18.5	20.8	4.7	4.7	6.7	7.5
Nonferrous metals.....	15.3	17.3	20.9	16.3	7.0	7.6	8.5	7.6
Fabricated metal products.....	14.4	14.2	20.1	18.5	4.2	4.2	5.4	5.1
Machinery, except electrical.....	13.9	13.4	15.3	12.1	6.7	6.3	6.6	5.6
Electrical and electronic equipment.....	14.6	12.0	12.5	10.7	5.1	4.3	4.2	3.8
Transportation equipment.....	10.9	8.0	11.2	4.7	3.7	3.0	3.7	1.7
Motor vehicles and equipment.....	12.0	7.2	10.1	2.5	4.3	3.0	3.8	1.0
Aircraft, guided missiles, and parts.....	9.6	11.3	12.6	9.8	2.8	3.4	3.4	2.9
Instruments and related products.....	16.5	16.6	16.5	15.2	9.4	10.2	9.3	8.5
Other durable manufacturing products.....	14.6	14.4	17.3	11.1	4.1	4.5	4.8	3.3
Nondurable goods industries.....	15.3	16.5	18.0	18.6	6.1	6.4	6.6	6.8
Food and kindred products.....	15.0	12.5	13.6	15.5	3.0	2.5	2.7	3.0
Tobacco manufactures.....	17.0	13.8	17.2	15.9	8.9	8.7	10.8	9.0
Textile mill products.....	8.1	10.1	12.0	7.2	2.5	3.1	3.5	2.3
Paper and allied products.....	13.0	15.8	20.5	20.1	5.6	6.6	7.9	7.8
Printing and publishing.....	15.0	11.6	14.8	13.0	5.3	4.1	5.3	4.7
Chemicals and allied products.....	15.5	18.1	21.3	18.9	7.9	8.7	9.6	8.3
Industrial chemicals and synthetics.....	13.7	16.6	21.3	19.4	7.3	8.3	9.7	8.6
Drugs.....	18.7	20.1	20.0	19.0	12.6	12.9	13.3	12.2
Petroleum and coal products.....	17.0	20.5	20.0	23.2	13.8	13.4	11.7	13.7
Rubber and miscellaneous plastics products.....	14.6	14.0	17.6	14.4	5.0	5.0	5.6	4.6
Other nondurable manufacturing products.....	13.4	11.1	11.5	14.2	2.6	2.4	2.4	2.9

¹ Ratios based on equity at end of quarter.

Note.—Industry data are not available prior to 1973 IV on a basis comparable with figures shown here. Beginning 1973 IV, there are fewer industry categories because of the recent merger movement and other forms of corporate diversification. See "Quarterly Financial Report for Manufacturing Corporations, First Quarter 1974," Federal Trade Commission.

Source: Federal Trade Commission.

TABLE C-78.—Sources and uses of funds, nonfarm nonfinancial corporate business, 1946-74

[Billions of dollars]

Period	Sources							Uses			Discrepancy (sources less uses)
	Total	Internal ¹	External					Total	Purchase of physical assets ⁴	Increase in financial assets	
			Total	Credit market funds			Other				
				Total	Long-term ²	Short-term ³					
1946	18.3	7.8	10.5	6.8	3.4	3.3	3.7	16.5	17.9	-1.4	1.8
1947	27.0	12.6	14.4	8.6	5.5	3.1	5.8	25.5	17.2	8.4	1.4
1948	28.2	18.7	9.6	6.3	6.4	-1.1	3.3	25.2	20.2	5.0	3.0
1949	19.6	19.1	.6	3.2	5.1	-1.8	-2.7	18.7	15.2	3.5	.9
1950	41.1	17.9	23.2	7.2	3.8	3.4	15.9	40.4	24.0	16.4	.7
1951	35.5	19.9	15.6	10.0	5.9	4.1	5.6	37.2	29.8	7.4	-1.7
1952	29.1	21.2	7.9	9.2	7.8	1.4	-1.3	28.9	24.3	4.6	.2
1953	27.2	21.1	6.1	5.6	5.9	-1.3	.5	26.8	24.5	2.3	.4
1954	28.8	23.3	5.5	6.3	6.6	-1.3	-.8	26.4	21.5	4.9	2.5
1955	52.5	29.2	23.3	10.3	6.5	3.8	13.0	47.8	31.3	16.5	4.6
1956	44.3	28.9	15.4	12.9	7.5	5.4	2.5	39.7	35.7	4.0	4.6
1957	42.2	30.6	11.6	12.0	10.3	1.7	-.4	38.7	34.5	4.2	3.5
1958	41.2	29.5	11.7	10.6	10.5	.0	1.2	37.8	27.0	10.8	3.4
1959	55.1	35.0	20.1	12.6	8.1	4.6	7.5	50.8	36.7	14.2	4.3
1960	47.4	34.4	12.9	11.9	7.5	4.5	1.0	41.4	38.7	2.7	6.0
1961	54.5	35.6	19.0	12.3	10.8	1.5	6.7	49.5	36.3	13.2	5.0
1962	59.2	41.8	17.4	12.5	9.5	2.9	4.9	54.7	43.6	11.1	4.5
1963	65.0	43.9	21.1	12.1	8.2	3.9	9.0	59.3	45.2	14.2	5.6
1964	72.4	50.5	21.9	14.5	8.8	5.6	7.4	65.0	51.6	13.4	7.4
1965	91.3	56.6	34.8	20.4	9.2	11.2	14.4	82.5	62.3	20.2	8.9
1966	97.3	61.2	36.1	25.3	15.7	9.6	10.9	89.1	76.5	12.6	8.2
1967	94.0	61.5	32.5	29.6	21.6	8.0	3.0	88.2	71.4	16.8	5.8
1968	113.6	61.7	51.9	31.5	18.4	13.2	20.4	104.0	75.0	29.0	9.6
1969	118.1	60.7	57.4	38.9	20.0	18.9	18.5	112.1	83.7	28.4	6.0
1970	103.7	59.4	44.2	39.5	30.7	8.8	4.8	97.0	84.0	12.9	6.7
1971	120.4	68.0	52.5	46.8	41.8	5.0	5.7	110.3	87.2	23.1	10.2
1972	148.0	78.7	69.3	55.3	39.3	16.0	14.0	133.3	102.5	30.8	14.8
1973	176.2	84.6	91.6	67.2	34.5	32.7	24.5	162.4	121.5	40.9	13.8
Seasonally adjusted annual rates											
1973: I	175.6	83.7	91.9	73.9	31.3	42.5	18.0	159.8	112.7	47.1	15.7
II	182.3	83.6	98.7	70.7	38.9	31.7	28.1	167.9	117.7	50.2	14.3
III	173.4	84.8	88.6	66.1	35.3	30.7	22.4	158.1	120.4	37.7	15.3
IV	173.6	86.3	87.3	57.9	32.5	25.5	29.3	163.7	135.2	28.5	10.0
1974: I	200.1	83.8	116.3	78.0	36.7	41.4	38.3	187.1	128.8	58.3	13.1
II	206.7	78.5	128.2	89.7	41.3	48.3	38.5	192.4	131.4	61.0	14.3
III	204.4	72.8	131.6	84.6	35.3	49.2	47.1	189.7	123.4	66.3	14.7

¹ Undistributed profits (after inventory valuation adjustment) and capital consumption allowances.² Stocks, bonds, and mortgages.³ Bank loans, commercial paper, finance company loans, bankers' acceptances, and Government loans.⁴ Plant and equipment, residential structures, and inventory investment.

Source: Board of Governors of the Federal Reserve System.

TABLE C-79.—Current assets and liabilities of U.S. corporations, 1939-74
[Billions of dollars]

End of year or quarter	Current assets							Current liabilities					Net working capital
	Total	Cash on hand and in banks ¹	U.S. Government securities ²	Receivables from U.S. Government ³	Notes and accounts receivable	Inventories	Other current assets ⁴	Total	Advances and pre-payments, U.S. Government ⁵	Notes and accounts payable	Federal income tax liabilities	Other current liabilities	
All corporations ⁶													
1939-----	54.5	10.8	2.2	-----	22.1	18.0	1.4	30.0	-----	21.9	1.2	6.9	24.5
1940-----	60.3	13.1	2.0	0.1	23.9	19.8	1.5	32.8	0.6	22.6	2.5	7.1	27.5
1941-----	72.9	13.9	4.0	.6	27.4	25.6	1.4	40.7	.8	25.6	7.1	7.2	32.3
1942-----	83.6	17.6	10.1	4.0	23.3	27.3	1.3	47.3	2.0	24.0	12.6	8.7	36.3
1943-----	93.8	21.6	16.4	5.0	21.9	27.6	1.3	51.6	2.2	24.1	16.6	8.7	42.1
1944-----	97.2	21.6	20.9	4.7	21.8	26.8	1.4	51.7	1.8	25.0	15.5	9.4	45.6
1945-----	97.4	21.7	21.1	2.7	23.2	26.3	2.4	45.8	.9	24.8	10.4	9.7	51.6
1946-----	108.1	22.8	15.3	.7	30.0	37.6	1.7	51.9	.1	31.5	8.5	11.8	56.2
1947-----	123.6	25.0	14.1	38.3	44.6	1.6	61.5	37.6			10.7	13.2	62.1
1948-----	133.0	25.3	14.8	42.4	48.9	1.6	64.4	39.3			11.5	13.5	68.6
1949-----	133.1	26.5	16.8	43.0	45.3	1.4	60.7	37.5			9.3	14.0	72.4
1950-----	161.5	28.1	19.7	1.1	55.7	55.1	1.7	79.8	.4	47.9	16.7	14.9	81.6
1951-----	179.1	30.0	20.7	2.7	58.8	64.9	2.1	92.6	1.3	53.6	21.3	16.5	86.5
1952-----	186.2	30.8	19.9	2.8	64.6	65.8	2.4	96.1	2.3	57.0	18.1	18.7	90.1
1953-----	190.6	31.1	21.5	2.6	65.9	67.2	2.4	98.9	2.2	57.3	18.7	20.7	91.8
1954-----	194.6	33.4	19.2	2.4	71.2	65.3	3.1	99.7	2.4	59.3	15.5	22.5	94.9
1955-----	224.0	34.6	23.5	2.3	86.6	72.8	4.2	121.0	2.3	73.8	19.3	25.7	103.0
1956-----	237.9	34.8	19.1	2.6	95.1	80.4	5.9	130.5	2.4	81.5	17.6	29.0	107.4
1957-----	244.7	34.9	18.6	2.8	99.4	82.2	6.7	133.1	2.3	84.3	15.4	31.1	111.6
1958-----	255.3	37.4	18.8	2.8	106.9	81.9	7.5	136.6	1.7	88.7	12.9	33.3	118.7
1959-----	277.3	36.3	22.8	2.9	117.7	88.4	9.1	153.1	1.7	99.3	15.0	37.0	124.2
1960-----	289.0	37.2	20.1	3.1	126.1	91.8	10.6	160.4	1.8	105.0	13.5	40.1	128.6
1961-----	306.8	41.1	20.0	3.4	135.8	95.2	11.4	171.2	1.8	112.8	14.1	42.5	135.6
Nonfinancial corporations ⁶													
1961-----	254.7	34.8	16.5	3.4	94.5	95.0	10.5	123.7	1.8	82.6	13.3	26.0	131.0
1962-----	269.7	37.1	16.8	3.7	99.5	100.5	12.1	132.4	2.0	86.7	14.3	29.4	137.3
1963-----	288.2	39.8	16.7	3.6	106.9	106.8	14.4	145.5	2.5	94.5	15.7	32.8	142.7
1964-----	305.6	40.5	15.8	3.4	116.5	113.1	16.3	156.6	2.7	102.2	16.2	35.5	149.0
1965-----	336.0	42.8	14.4	3.9	130.2	126.6	18.1	178.8	3.1	118.4	18.3	39.0	157.2
1966-----	364.0	41.9	13.0	4.5	142.1	142.8	19.7	199.4	4.4	133.1	17.4	44.5	164.6
1967-----	386.2	45.5	10.3	5.1	150.2	153.1	22.0	211.3	5.8	141.3	13.2	51.0	174.9
1968-----	426.5	48.2	11.5	5.1	168.8	166.0	26.9	244.1	6.4	162.4	14.3	61.0	182.4
1969-----	473.6	47.9	10.6	4.8	192.2	186.4	31.6	287.9	7.3	191.9	12.6	76.0	185.7
1970-----	492.3	50.2	7.7	4.2	201.9	193.3	35.0	304.9	6.6	204.7	10.0	83.6	187.4
1971-----	518.8	55.7	10.7	3.5	208.8	200.3	39.7	313.9	4.9	207.3	12.2	89.5	204.8
1972-----	563.1	60.5	9.9	3.4	230.5	215.1	43.6	338.8	4.0	221.6	14.1	99.1	224.3
1973-----	631.4	65.2	10.7	3.5	255.8	247.0	49.3	386.1	4.3	251.9	16.6	113.3	245.3
1973: I-----	579.2	61.2	10.8	3.2	235.7	222.8	45.5	347.4	4.1	222.8	15.7	104.7	231.8
II-----	596.8	62.3	9.6	2.9	245.6	230.3	46.0	359.1	4.5	232.5	13.9	108.1	237.7
III-----	613.6	62.2	9.5	3.0	254.2	238.2	46.6	371.7	4.4	240.8	15.3	111.2	241.9
IV-----	631.4	65.2	10.7	3.5	255.8	247.0	49.3	386.1	4.3	251.9	16.6	113.3	245.3
1974: I-----	653.9	62.8	11.7	3.2	265.6	258.9	51.6	400.7	4.5	256.7	18.7	120.7	253.2
II-----	673.3	62.2	10.4	3.4	278.7	269.7	48.8	415.8	4.7	268.3	17.4	125.3	257.4
III-----	696.0	63.9	10.7	3.5	284.1	282.7	51.1	432.4	5.1	276.6	20.5	130.2	263.6

¹ Includes time certificates of deposit.

² Includes Federal agency issues.

³ Receivables from and payables to the U.S. Government do not include amounts offset against each other on corporations' books or amounts arising from subcontracting which are not directly due from or to the U.S. Government. Wherever possible, adjustments have been made to include U.S. Government advances offset against inventories on corporations' books.

⁴ Includes marketable investments (other than Government securities and time certificates of deposit) as well as sundry current assets.

⁵ Excludes banks, savings and loan associations, and insurance companies.

⁶ Excludes banks, savings and loan associations, insurance companies, investment companies, finance companies (personal and commercial), real estate companies, and security and commodity brokers, dealers, and exchanges.

Note.—Year-end data through 1970 are based on "Statistics of Income" (Department of the Treasury), covering virtually all corporations in the United States. "Statistics of Income" data may not be strictly comparable from year to year because of changes in the tax laws, basis for filing returns, and processing of data for compilation purposes. All other figures shown are estimates based on data compiled from many different sources, including data on corporations registered with the Securities and Exchange Commission.

Source: Securities and Exchange Commission.

TABLE C-80.—State and municipal and corporate securities offered, 1934-74

(Millions of dollars)

Year or quarter	State and municipal securities offered for cash (principal amounts)	Corporate securities offered for cash								
		Total corporate offerings	Type of corporate security			Industry of corporate issuer				
			Common stock	Preferred stock	Bonds and notes	Manufacturing ¹	Electric, gas, and water ²	Transportation ³	Communication	Other
1934.....	939	397	19	6	371	67	133	176		21
1939.....	1, 128	2, 164	87	98	1, 980	604	1, 271	186		103
1940.....	1, 238	2, 677	108	183	2, 386	992	1, 203	324		159
1941.....	956	2, 667	110	167	2, 390	848	1, 357	366		96
1942.....	524	1, 062	34	112	917	539	472	48		4
1943.....	435	1, 170	56	124	990	510	477	161		21
1944.....	661	3, 202	163	369	2, 669	1, 061	1, 422	609		109
1945.....	795	6, 011	397	758	4, 855	2, 026	2, 319	1, 454		211
1946.....	1, 157	6, 900	891	1, 127	4, 882	3, 701	2, 158	711		329
1947.....	2, 324	6, 577	779	762	5, 036	2, 742	3, 257	286		293
1948.....	2, 690	7, 078	614	492	5, 973	2, 226	2, 187	755	902	1, 008
1949.....	2, 907	6, 052	736	425	4, 890	1, 414	2, 320	800	571	946
1950.....	3, 532	6, 361	811	631	4, 920	1, 200	2, 649	813	399	1, 300
1951.....	3, 189	7, 741	1, 212	838	5, 691	3, 122	2, 455	494	612	1, 058
1952.....	4, 401	9, 534	1, 369	564	7, 601	4, 039	2, 675	992	760	1, 068
1953.....	5, 558	8, 898	1, 326	489	7, 083	2, 254	3, 029	595	882	2, 138
1954.....	6, 969	9, 516	1, 213	816	7, 488	2, 268	3, 713	778	720	2, 037
1955.....	5, 977	10, 240	2, 185	635	7, 420	2, 994	2, 464	893	1, 132	2, 757
1956.....	5, 446	10, 939	2, 301	636	8, 002	3, 647	2, 529	724	1, 419	2, 619
1957.....	6, 958	12, 884	2, 516	411	9, 957	4, 234	3, 938	824	1, 462	2, 426
1958.....	7, 449	11, 558	1, 334	571	9, 653	3, 515	3, 804	824	1, 424	1, 991
1959.....	7, 681	9, 748	2, 027	531	7, 190	2, 073	3, 258	967	717	2, 733
1960.....	7, 230	10, 154	1, 664	409	8, 081	2, 152	2, 851	718	1, 050	3, 383
1961.....	8, 360	13, 165	3, 294	450	9, 420	4, 077	3, 032	694	1, 834	3, 527
1962.....	8, 558	10, 705	1, 314	422	8, 969	3, 249	2, 825	567	1, 303	2, 761
1963.....	10, 107	12, 211	1, 011	343	10, 856	3, 514	2, 677	957	1, 105	3, 957
1964.....	10, 544	13, 957	2, 679	412	10, 865	3, 046	2, 760	982	2, 189	4, 980
1965.....	11, 148	15, 992	1, 547	725	13, 720	5, 417	2, 936	1, 013	947	5, 680
1966.....	11, 089	18, 074	1, 939	574	15, 561	7, 070	3, 665	1, 972	2, 003	3, 364
1967.....	14, 288	24, 798	1, 959	885	21, 954	11, 058	4, 935	2, 067	1, 979	4, 759
1968.....	16, 374	21, 966	3, 946	637	17, 383	6, 979	5, 281	1, 875	1, 766	6, 064
1969.....	11, 460	26, 744	7, 714	682	18, 348	6, 356	6, 736	2, 146	2, 188	9, 319
1970.....	17, 762	38, 943	7, 238	1, 393	30, 312	10, 513	11, 016	2, 218	5, 138	10, 058
1971.....	24, 370	43, 446	9, 561	3, 682	30, 203	11, 624	11, 746	1, 314	5, 815	12, 947
1972.....	22, 944	39, 888	10, 723	3, 340	25, 825	6, 482	11, 314	937	4, 835	16, 320
1973.....	22, 953	32, 128	7, 741	3, 375	21, 012	4, 837	10, 270	1, 127	4, 905	10, 989
1974 p.....	22, 726	37, 611	4, 082	2, 235	31, 294	10, 316	12, 785	1, 032	3, 915	9, 563
1973: I.....	5, 629	7, 968	2, 733	1, 141	4, 094	866	2, 428	185	1, 212	3, 277
II.....	5, 589	8, 133	1, 819	597	5, 717	1, 366	2, 904	234	962	2, 667
III.....	5, 096	6, 231	1, 296	447	4, 488	1, 115	2, 041	340	869	1, 866
IV.....	6, 639	9, 796	1, 893	1, 190	6, 713	1, 490	2, 897	368	1, 862	3, 179
1974: I.....	6, 349	9, 246	959	818	7, 469	1, 926	3, 569	171	874	2, 706
II.....	6, 441	9, 199	1, 002	534	7, 663	2, 534	3, 190	70	1, 313	2, 092
III.....	4, 063	7, 453	835	459	6, 159	1, 865	2, 349	147	999	2, 093
IV p.....	5, 873	11, 713	1, 286	424	10, 003	3, 991	3, 677	644	729	2, 672

¹ Prior to 1948, also includes extractive, radio broadcasting, airline companies, commercial, and miscellaneous company issues.² Prior to 1948, also includes telephone, street railway, and bus company issues.³ Prior to 1948, includes railroad issues only.

Note.—Covers substantially all new issues of State, municipal, and corporate securities offered for cash sale in the United States in amounts over \$100,000 and with terms to maturity of more than 1 year; excludes notes issued exclusively to commercial banks, intercorporate transactions, investment company issues, and issues to be sold over an extended period, such as employee-purchase plans.

Sources: Securities and Exchange Commission, "The Commercial and Financial Chronicle," and "The Bond Buyer."

TABLE C-81.—Common stock prices, earnings, and yields, and stock market credit, 1949-74

Year or month	Standard & Poor's common stock data						Margin credit at brokers and banks (end of period) ⁴				
	Price indexes ¹				Dividend yield (per- cent) ²	Price/ earnings ratio ³	Regulated ⁵			Unreg- ulated; non- margin stock credit at banks ⁶	
	Total (500 stocks)	Indus- trial (425 stocks)	Public utilities (55 stocks)	Rail- roads (20 stocks)			Total	Brokers	Banks		
	1941-43=10						Millions of dollars				
1949.....	15.23	15.00	17.87	12.83	6.59	6.49					
1950.....	18.40	18.33	19.96	15.53	6.57	7.15					
1951.....	22.34	22.68	20.59	19.91	6.13	8.57					
1952.....	24.50	24.78	22.86	22.49	5.80	10.57					
1953.....	24.73	24.84	24.03	22.60	5.80	9.77					
1954.....	29.69	30.25	27.57	23.96	4.95	11.75					
1955.....	40.49	42.40	31.37	32.94	4.08	12.59					
1956.....	46.62	49.80	32.25	33.65	4.09	13.25					
1957.....	44.38	47.63	32.19	28.11	4.35	12.73					
1958.....	46.24	49.36	37.22	27.05	3.97	16.33					
1959.....	57.38	61.45	44.15	35.09	3.23	17.32					
1960.....	55.85	59.43	46.86	30.31	3.47	16.98					
1961.....	66.27	69.99	60.20	32.83	2.98	21.68					
1962.....	62.38	65.54	59.16	30.56	3.37	17.39					
1963.....	69.87	73.39	64.99	37.58	3.17	18.20					
1964.....	81.37	86.19	69.91	45.46	3.01	18.81					
1965.....	88.17	93.48	76.08	46.78	3.00	17.92					
1966.....	85.26	91.08	68.21	46.34	3.40	15.15					
1967.....	91.93	99.18	68.10	46.72	3.20	17.48					
1968.....	98.70	107.49	66.42	48.84	3.07	17.66					
1969.....	97.84	107.13	62.64	45.95	3.24	16.48					
1970.....	83.22	91.29	54.48	32.13	3.83	15.69					
1971.....	98.29	108.35	59.33	41.94	3.14	18.50	6,535	5,700	835		
1972.....	109.20	121.79	56.90	44.11	2.84	18.20	9,045	8,180	865		
1973.....	107.43	120.44	53.47	38.01	3.06	14.22	6,382	5,251	1,131	1,866	
1974.....	82.85	92.91	38.91	37.53	4.47						
1973: Jan.....	118.42	132.55	60.01	42.87	2.69		8,840	7,975	865	1,932	
Feb.....	114.16	127.87	57.52	40.61	2.80		8,640	7,773	867	1,951	
Mar.....	112.42	126.05	55.94	39.29	2.83	16.40	8,347	7,468	879	1,862	
Apr.....	110.27	123.56	55.34	38.88	2.90		8,165	7,293	872	1,952	
May.....	107.22	119.95	55.43	36.14	3.01		7,650	6,784	866	1,992	
June.....	104.75	117.20	54.37	34.35	3.06	14.42	7,369	6,416	953	1,973	
July.....	105.83	118.65	53.31	35.22	3.04		7,299	6,243	1,056	1,957	
Aug.....	103.80	116.75	50.14	33.76	3.16		7,081	6,056	1,025	1,952	
Sept.....	105.61	118.52	52.31	35.49	3.13	14.10	6,954	5,949	1,005	1,909	
Oct.....	109.84	123.42	53.22	38.24	3.05		7,093	5,912	1,181	1,878	
Nov.....	102.03	114.64	48.30	39.74	3.36	11.95	6,774	5,671	1,103	1,917	
Dec.....	94.78	106.16	45.73	41.48	3.70		6,382	5,251	1,131	1,866	
1974: Jan.....	96.11	107.18	48.60	44.37	3.64		6,343	5,323	1,020	1,845	
Feb.....	93.45	104.13	48.13	41.85	3.81		6,462	5,423	1,039	1,843	
Mar.....	97.44	108.98	47.90	42.80	3.65	11.16	6,527	5,519	1,008	1,869	
Apr.....	92.46	103.66	44.03	40.26	3.86		6,567	5,558	1,009	1,868	
May.....	89.67	101.17	39.35	37.04	4.00		6,381	5,361	1,020	1,858	
June.....	89.79	101.62	37.46	37.31	4.02	9.71	6,297	5,260	1,037	2,072	
July.....	82.82	93.54	35.37	35.63	4.42		5,948	4,925	1,023	2,091	
Aug.....	76.03	85.51	34.00	35.06	4.90		5,625	4,672	953	2,119	
Sept.....	68.12	76.54	30.93	31.55	5.45	6.86	5,097	4,173	924	2,060	
Oct.....	69.44	77.57	33.80	33.70	5.38			4,080			
Nov.....	71.74	80.17	34.45	35.95	5.13			4,103			
Dec.....	67.07	74.80	32.85	34.81	5.43						

¹ Monthly data are averages of daily figures and annual data are averages of monthly figures.

² Aggregate cash dividends (based on latest known annual rate) divided by aggregate market value based on Wednesday closing prices. Monthly data are averages of weekly figures; annual data are averages of monthly figures.

³ Ratio of price index for last day of quarter to quarterly earnings (seasonally adjusted annual rate). Annual ratios are averages of quarterly data.

⁴ Margin credit includes all credit extended to purchase or carry stocks or related equity instruments and secured at least in part by stock. Credit extended by brokers is end-of-month data for member firms of the New York Stock Exchange. June data for banks are universe totals; all other data for banks represent estimates for all commercial banks, which accounted for 60 percent of security credit outstanding at banks on June 30, 1971.

⁵ In addition to assigning a current loan value to margin stock generally, Regulations T and U permit special loan values for convertible bonds and stock acquired through exercise of subscription rights.

⁶ Nonmargin stocks are those not listed on a national securities exchange and not included in the Board of Governors of the Federal Reserve System's list of over-the-counter margin stocks. At banks, loans to purchase or carry nonmargin stocks are unregulated; at brokers, such stocks have no loan value.

Sources: Board of Governors of the Federal Reserve System, New York Stock Exchange, and Standard & Poor's Corporation.

TABLE C-82.—Business formation and business failures, 1929-74

Year or month	Index of net business formation (1967=100)	New business incorporations (number)	Business failures ¹						
			Business failure rate ²	Number of failures			Amount of current liabilities (millions of dollars)		
				Total	Liability size class		Total	Liability size class	
					Under \$100,000	\$100,000 and over		Under \$100,000	\$100,000 and over
1929			103.9	22,909	22,165	744	483.3	261.5	221.8
1933 ³			100.3	19,859	18,880	979	457.5	215.5	242.0
1939 ³			69.6	14,768	14,541	227	182.5	132.9	49.7
1940			63.0	13,619	13,400	219	166.7	119.9	46.8
1941			54.4	11,848	11,685	163	136.1	100.7	35.4
1942			44.6	9,405	9,282	123	100.8	80.3	20.5
1943			16.4	3,221	3,155	66	45.3	30.2	15.1
1944			6.5	1,222	1,176	46	31.7	14.5	17.1
1945			4.2	809	759	50	30.2	11.4	18.8
1946		132,916	5.2	1,129	1,003	126	67.3	15.7	51.6
1947		112,897	14.3	3,474	3,103	371	204.6	63.7	140.9
1948	112.6	96,346	20.4	5,250	4,853	397	234.6	93.9	140.7
1949	87.8	85,640	34.4	9,246	8,708	538	308.1	161.4	146.7
1950	93.1	93,092	34.3	9,162	8,746	416	248.3	151.2	97.1
1951	93.3	83,778	30.7	8,058	7,626	432	259.5	131.6	128.0
1952	98.2	92,946	28.7	7,611	7,081	530	283.3	131.9	151.4
1953	94.4	102,706	33.2	8,862	8,075	787	394.2	167.5	226.6
1954	91.3	117,411	42.0	11,086	10,226	860	462.6	211.4	251.2
1955	99.1	139,915	41.6	10,969	10,113	856	449.4	206.4	243.0
1956	95.2	141,163	48.0	12,686	11,615	1,071	562.7	239.8	322.9
1957	90.4	137,112	51.7	13,739	12,547	1,192	615.3	267.1	348.2
1958	89.5	150,781	55.9	14,964	13,499	1,465	728.3	297.6	430.7
1959	96.8	193,067	51.8	14,053	12,707	1,346	692.8	278.9	413.9
1960	92.4	182,713	57.0	15,445	13,650	1,795	938.6	327.2	611.4
1961	88.3	181,535	64.4	17,075	15,006	2,069	1,090.1	370.1	720.0
1962	90.7	182,057	60.8	15,782	13,772	2,010	1,213.6	346.5	867.1
1963	93.3	186,404	56.3	14,374	12,192	2,182	1,352.6	321.0	1,031.6
1964	97.2	197,724	53.2	13,501	11,346	2,155	1,329.2	313.6	1,015.6
1965	98.6	203,897	53.3	13,514	11,340	2,174	1,321.7	321.7	1,000.0
1966	98.2	200,010	51.6	13,061	10,833	2,228	1,385.7	321.5	1,064.1
1967	100.0	206,569	49.0	12,364	10,144	2,220	1,265.2	297.9	967.3
1968	109.8	233,635	38.6	9,636	7,829	1,807	941.0	241.1	699.9
1969	116.2	274,267	37.3	9,154	7,192	1,962	1,142.1	231.3	910.8
1970	108.0	264,209	43.8	10,748	8,019	2,729	1,887.8	269.3	1,618.4
1971	111.0	287,577	41.7	10,326	7,611	2,715	1,916.9	271.3	1,645.6
1972	117.9	316,601	38.3	9,566	7,040	2,526	2,000.2	258.8	1,741.5
1973	117.9	329,358	36.4	9,345	6,627	2,718	2,298.6	235.6	2,063.0
1974	*113.4	*294,279	38.4	9,915	6,733	3,182	3,053.1	256.9	2,796.3
Seasonally adjusted									
1973: Jan	119.1	27,796	34.9	772	534	238	205.8	19.1	186.7
Feb	119.9	28,752	36.0	753	557	196	137.2	19.3	117.9
Mar	120.8	28,964	35.9	874	647	227	252.3	23.1	229.2
Apr	119.3	28,522	35.2	796	598	198	119.3	20.7	98.7
May	118.8	28,286	36.3	838	559	279	167.9	19.0	149.0
June	118.5	27,999	38.2	840	608	232	180.2	20.4	159.8
July	118.2	27,477	35.7	714	520	194	206.2	19.6	186.6
Aug	117.2	26,689	39.1	837	580	257	190.1	20.4	169.8
Sept	115.6	26,240	38.6	717	502	215	189.5	18.5	171.0
Oct	116.2	26,809	37.0	772	519	253	185.7	18.7	167.0
Nov	117.6	26,718	34.7	739	513	226	218.7	19.6	199.1
Dec	113.8	24,627	35.7	693	490	203	245.6	17.2	228.4
1974: Jan	113.0	26,209	35.5	795	505	290	337.3	19.3	317.9
Feb	113.1	27,142	37.5	797	559	238	213.1	22.2	191.0
Mar	114.0	26,578	40.8	971	686	285	204.6	25.5	179.1
Apr	116.1	29,406	34.1	802	606	196	209.8	22.1	187.7
May	116.7	28,012	39.7	925	619	306	375.7	23.6	352.1
June	115.8	25,877	37.0	789	521	268	215.5	19.8	195.7
July	118.8	28,036	37.7	782	522	260	153.4	19.8	133.6
Aug	114.8	26,139	33.4	709	474	235	232.7	18.1	214.6
Sept	110.5	26,143	45.2	839	559	280	217.0	22.5	194.5
Oct	106.9	25,303	47.0	993	634	359	306.8	23.9	282.9
Nov	107.4	25,434	36.3	785	544	241	344.7	21.8	322.9
Dec			37.0	728	503	225	242.6	18.3	224.3

¹ Commercial and industrial failures only. Excludes failures of banks and railroads and, beginning 1933, of real estate, insurance, holding, and financial companies, steamship lines, travel agencies, etc.

² Failure rate per 10,000 listed enterprises.

³ Series revised; not strictly comparable with earlier data.

* Preliminary; based on seasonally adjusted data through November.

Sources: Department of Commerce (Bureau of Economic Analysis) and Dun & Bradstreet, Inc.

AGRICULTURE

TABLE C-83.—*Income of farm people and farmers, 1929-74*

Year or quarter	Personal income received by total farm population			Income received from farming					Net income per farm, including net inventory change	
				Realized gross		Production expenses	Net to farm operators			
	From all sources	From farm sources ¹	From non-farm sources ²	Total ³	Cash receipts from marketings		Excluding net inventory change	Including net inventory change ⁴	Current dollars	1967 dollars ⁵
	Billions of dollars							Dollars		
1929				13.9	11.3	7.7	6.3	6.2	945	1,969
1933				7.1	5.3	4.4	2.7	2.6	379	1,115
1939	7.4	4.8	2.6	10.6	7.9	6.3	4.3	4.4	685	1,851
1940	7.6	4.8	2.8	11.1	8.4	6.9	4.2	4.5	706	1,858
1941	10.1	6.8	3.3	13.9	11.1	7.8	6.1	6.5	1,031	2,578
1942	14.1	10.1	3.9	18.8	15.6	10.0	8.8	9.9	1,588	3,452
1943	16.5	12.1	4.4	23.4	19.6	11.6	11.8	11.7	1,927	3,706
1944	16.6	12.2	4.4	24.4	20.5	12.3	12.1	11.7	1,950	3,611
1945	17.2	12.8	4.4	25.8	21.7	13.1	12.8	12.3	2,063	3,619
1946	20.0	15.5	4.6	29.5	24.8	14.5	15.0	15.1	2,543	4,037
1947	21.1	15.8	5.3	34.1	29.6	17.0	17.1	15.4	2,615	3,534
1948	23.8	18.0	5.8	34.7	30.2	18.8	15.9	17.7	3,044	3,903
1949	19.5	13.3	6.2	31.6	27.8	18.0	13.6	12.8	2,233	2,977
1950	20.3	14.1	6.3	32.3	28.5	19.5	12.8	13.6	2,417	3,180
1951	22.7	16.1	6.5	37.1	32.9	22.3	14.8	15.9	2,936	3,537
1952	22.0	15.3	6.7	36.8	32.5	22.8	14.0	15.0	2,878	3,426
1953	19.7	13.3	6.4	35.1	31.0	21.5	13.6	13.0	2,604	3,100
1954	18.3	12.4	5.9	33.7	29.8	21.8	11.9	12.4	2,579	3,070
1955	17.4	11.2	6.2	33.3	29.5	22.2	11.1	11.3	2,429	2,892
1956	17.6	11.1	6.6	34.4	30.4	22.7	11.7	11.3	2,493	2,933
1957	17.5	10.8	6.6	34.2	29.7	23.7	10.5	11.1	2,536	2,882
1958	19.2	12.5	6.7	38.1	33.5	25.8	12.3	13.2	3,111	3,496
1959	17.4	10.4	7.1	37.9	33.6	27.2	10.7	10.7	2,606	2,928
1960	18.2	11.1	7.1	38.5	34.2	27.4	11.1	11.5	2,896	3,218
1961	19.0	11.4	7.6	40.2	35.2	28.6	11.6	12.0	3,127	3,474
1962	19.8	11.4	8.4	41.7	36.5	30.2	11.5	12.1	3,277	3,601
1963	19.8	11.1	8.8	42.7	37.5	31.5	11.2	11.9	3,318	3,607
1964	19.7	10.1	9.7	43.1	37.3	31.7	11.4	10.6	3,064	3,295
1965	22.6	12.1	10.5	45.5	39.4	33.5	12.0	13.0	3,883	4,087
1966	23.7	12.7	11.0	50.6	43.4	36.4	14.1	14.1	4,316	4,404
1967	22.6	11.0	11.6	49.9	42.8	38.3	11.6	12.3	3,877	3,877
1968	23.9	11.3	12.7	51.7	44.2	39.5	12.2	12.3	4,018	3,863
1969	26.6	12.9	13.7	56.3	48.2	42.2	14.2	14.3	4,753	4,361
1970	27.1	12.9	14.2	58.6	50.5	44.6	14.0	14.0	4,752	4,168
1971	28.2	13.2	15.0	60.6	52.9	47.6	13.0	14.4	4,957	4,166
1972	33.7	16.5	17.2	69.9	61.0	52.4	17.5	18.4	6,410	5,169
1973	50.4	31.3	19.0	97.0	88.6	64.7	32.2	36.2	12,744	9,235
1974 ^a	46.7	25.8	20.9	102.0	95.0	74.8	27.2	29.6	10,460	6,500
	Seasonally adjusted annual rates									
1972: I				66.0	57.4	50.5	15.5	16.6	5,780	4,740
II				68.9	60.0	52.1	16.8	17.7	6,170	4,980
III				69.5	60.2	52.5	17.0	17.8	6,200	4,960
IV				75.4	66.4	54.6	20.8	21.5	7,490	5,940
1973: I				86.2	77.5	60.1	26.1	29.6	10,410	7,950
II				93.2	84.8	62.9	30.3	33.3	11,710	8,610
III				101.8	93.6	67.0	34.8	39.3	13,820	9,870
IV				106.7	98.5	69.0	37.7	42.7	15,010	10,350
1974: I				105.0	98.0	72.1	32.9	36.9	13,040	8,580
II				98.4	91.3	74.5	23.9	26.9	9,500	5,970
III				102.1	94.5	76.5	25.6	27.6	9,750	5,950
IV ^a				102.5	96.2	76.1	26.4	26.9	9,500	5,590

¹ Net income to farm operators including net inventory change, less net income of nonresident operators, plus wages and salaries and other labor income of farm resident workers, less contributions of farm resident operators and workers to social insurance.

² Consists of income received by farm residents from nonfarm sources, such as wages and salaries from nonfarm employment, nonfarm business and professional income, rents from nonfarm real estate, dividends, interest, royalties, unemployment compensation, and social security payments.

³ Cash receipts from marketings, Government payments, and nonmoney and other farm income furnished by farms (excluding net inventory change).

⁴ Includes net value of physical change in inventory of crops and livestock valued at average prices for the year.

⁵ Income in current dollars divided by the index of prices paid by farmers for family living items on a 1967 base.

Source: Department of Agriculture.

TABLE C-84.—*Farm production indexes, 1929-74*

[1967=100]

Year	Farm out- put ¹	Crops ²									Livestock and products ²			
		Total ³	Feed grains	Hay and for- age	Food grains	Vege- tables	Fruits and nuts	Cot- ton	To- bacco	Oil crops	Total ³	Meat ani- mals	Dairy prod- ucts	Poul- try and eggs
1929...	53	62	48	69	52	73	70	204	77	10	54	52	76	32
1933...	51	56	44	61	35	65	72	178	70	9	57	58	80	32
1939...	58	64	51	66	48	72	91	162	97	25	59	59	82	35
1940...	60	67	52	76	52	74	88	173	74	27	61	60	85	36
1941...	63	68	56	75	59	75	93	148	64	29	64	63	89	39
1942...	70	76	64	82	62	79	92	176	72	40	71	72	92	45
1943...	69	72	58	80	54	86	80	157	71	41	77	81	91	52
1944...	71	75	61	79	66	82	92	168	99	36	74	73	93	52
1945...	70	73	59	82	69	84	84	124	101	35	73	70	95	54
1946...	72	77	64	77	72	93	100	119	118	34	71	68	94	50
1947...	69	73	49	74	84	81	95	163	107	39	70	67	93	50
1948...	76	84	71	73	81	86	87	205	101	47	68	66	90	49
1949...	74	79	63	73	69	83	92	220	100	45	72	69	93	54
1950...	74	77	63	78	65	85	93	137	103	46	75	74	93	57
1951...	76	78	59	81	64	80	94	208	119	47	78	79	92	59
1952...	79	82	62	79	82	80	91	208	114	46	79	79	92	60
1953...	80	81	61	81	75	84	93	208	105	47	80	78	97	61
1954...	80	80	64	81	66	82	93	226	114	49	82	81	98	64
1955...	83	83	68	86	63	85	93	188	112	53	84	86	99	63
1956...	83	82	67	82	65	91	97	202	111	60	85	83	101	69
1957...	81	81	73	89	62	88	89	183	85	58	83	80	101	70
1958...	87	89	80	89	91	90	96	150	88	69	85	82	101	74
1959...	89	89	83	85	73	89	99	157	91	64	89	88	100	76
1960...	91	93	86	90	86	90	93	170	99	68	88	85	101	76
1961...	92	92	77	90	79	96	97	195	105	77	91	89	104	82
1962...	92	92	78	93	74	94	97	204	118	78	92	90	105	82
1963...	96	96	85	94	77	94	95	211	119	81	95	95	104	84
1964...	95	93	74	94	85	90	95	232	113	81	98	98	105	87
1965...	98	99	87	98	88	96	100	205	94	95	95	92	104	90
1966...	95	95	89	96	88	97	98	130	96	97	97	96	101	96
1967...	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1968...	102	103	95	99	105	104	98	148	87	114	100	101	99	98
1969...	102	104	99	101	98	101	116	137	91	116	101	102	98	100
1970...	101	101	89	100	91	101	109	139	97	117	105	108	100	106
1971...	111	112	116	106	107	100	116	145	86	121	108	112	101	107
1972...	110	113	112	105	102	101	104	187	88	131	108	110	102	109
1973...	112	119	115	110	112	103	124	174	89	155	105	109	98	106
1974...	109	110	92	104	120	110	122	157	100	129	109	117	98	106

¹ Farm output measures the annual volume of net farm production available for eventual human use through sales from farms or consumption in farm households.

² Gross production.

³ Includes certain items not shown separately.

Source: Department of Agriculture.

TABLE C-85.—Farm population, employment, and productivity, 1929-74

Year	Farm population (April 1) ¹		Farm employment (thousands) ²			Farm output				Crop production per acre ⁴	
	Num- ber (thou- sands)	As per- cent of total popu- lation ³	Total	Family workers	Hired workers	Per unit of total input	Per man-hour				
							Total	Crops	Live- stock and products		
							Index, 1967=100				
1929.....	30,580	25.1	12,763	9,360	3,403	54	17	17	26	56	
1933.....	32,393	25.8	12,739	9,874	2,865	55	16	17	25	50	
1939.....	30,840	23.5	11,338	8,611	2,727	61	20	21	27	60	
1940.....	30,547	23.1	10,979	8,300	2,679	62	21	22	27	62	
1941.....	30,118	22.6	10,669	8,017	2,652	64	22	24	28	63	
1942.....	28,914	21.4	10,504	7,949	2,555	70	24	26	30	70	
1943.....	26,186	19.2	10,446	8,010	2,436	68	24	26	32	64	
1944.....	24,815	17.9	10,219	7,988	2,231	69	25	27	31	68	
1945.....	24,420	17.5	10,000	7,881	2,119	70	27	29	31	67	
1946.....	25,403	18.0	10,295	8,106	2,189	73	29	31	32	71	
1947.....	25,829	17.9	10,382	8,115	2,267	70	29	31	33	67	
1948.....	24,383	16.6	10,363	8,026	2,337	76	32	35	34	75	
1949.....	24,194	16.2	9,964	7,712	2,252	73	33	36	36	70	
1950.....	23,048	15.2	9,926	7,597	2,329	73	34	37	37	69	
1951.....	21,890	14.2	9,546	7,310	2,236	73	35	36	39	70	
1952.....	21,748	13.9	9,149	7,005	2,144	76	38	40	40	73	
1953.....	19,874	12.5	8,864	6,775	2,089	77	40	41	41	72	
1954.....	19,019	11.7	8,651	6,570	2,081	78	42	43	43	71	
1955.....	19,078	11.5	8,381	6,345	2,036	80	45	46	46	74	
1956.....	18,712	11.1	7,852	5,900	1,952	82	48	50	48	76	
1957.....	17,656	10.3	7,600	5,660	1,940	82	51	54	50	77	
1958.....	17,128	9.8	7,503	5,521	1,982	89	57	62	54	86	
1959.....	16,592	9.4	7,342	5,390	1,952	89	60	63	58	85	
1960.....	15,635	8.7	7,057	5,172	1,885	93	65	68	62	89	
1961.....	14,803	8.1	6,919	5,029	1,890	94	68	70	66	92	
1962.....	14,313	7.7	6,700	4,873	1,827	95	72	74	71	95	
1963.....	13,367	7.1	6,518	4,738	1,780	99	77	79	77	97	
1964.....	12,954	6.8	6,110	4,506	1,604	98	81	81	82	95	
1965.....	12,363	6.4	5,610	4,128	1,482	102	91	93	86	100	
1966.....	11,595	5.9	5,214	3,854	1,360	97	93	95	93	97	
1967.....	10,875	5.5	4,903	3,650	1,253	100	100	100	100	100	
1968.....	10,454	5.2	4,749	3,535	1,213	101	106	105	105	105	
1969.....	10,307	5.1	4,596	3,419	1,176	101	109	106	112	106	
1970.....	9,712	4.7	4,523	3,348	1,175	100	111	106	121	104	
1971.....	9,425	4.6	4,436	3,275	1,161	108	123	115	130	112	
1972.....	9,610	4.6	4,373	3,228	1,146	107	126	119	138	115	
1973.....	9,472	4.5	4,337	3,169	1,168	106	129	126	144	115	
1974 ^p	9,264	4.4	4,294	3,116	1,178	103	125	116	140	104	

¹ Farm population as defined by Department of Agriculture and Department of Commerce, i.e., civilian population living on farms, regardless of occupation.

² Total population of United States as of July 1 including Armed Forces overseas.

³ Includes persons doing farmwork on all farms. These data, published by the Department of Agriculture, Statistical Reporting Service, differ from those on agricultural employment by the Department of Labor (see Table C-24) because of differences in the method of approach, in concepts of employment, and in time of month for which the data are collected. See monthly report on "Farm Labor."

⁴ Computed from variable weights for individual crops produced each year.

Sources: Department of Agriculture and Department of Commerce (Bureau of the Census).

TABLE C-86.—*Indexes of prices received and prices paid by farmers, and parity ratio, 1929-74*
[Index, 1967=100, except as noted]

Year or month	Prices received by farmers			Prices paid by farmers			Parity ratio ¹	
	All farm products	Crops	Livestock and products	All items, interest, taxes, and wage rates	Family living items	Production items	Actual	Adjusted ²
1929.....	58	65	57	47	48	51	92	-----
1933.....	28	31	25	32	34	34	64	66
1939.....	37	42	39	36	37	42	77	85
1940.....	39	44	39	36	38	43	81	88
1941.....	49	55	50	39	40	45	93	98
1942.....	63	70	62	44	46	52	105	109
1943.....	76	85	71	50	52	57	113	116
1944.....	78	87	71	53	54	60	108	110
1945.....	81	92	76	56	57	61	109	111
1946.....	93	104	87	61	63	67	113	115
1947.....	109	122	104	70	74	78	115	116
1948.....	113	127	114	76	78	87	110	111
1949.....	98	111	98	73	75	83	100	100
1950.....	102	103	101	75	76	86	101	102
1951.....	119	117	121	82	83	95	107	108
1952.....	113	118	110	84	84	95	100	101
1953.....	100	106	97	81	84	89	92	93
1954.....	97	107	90	81	84	89	89	89
1955.....	91	102	84	81	84	87	84	85
1956.....	91	104	82	81	85	87	83	84
1957.....	92	99	88	84	88	90	82	85
1958.....	98	99	99	86	89	92	85	88
1959.....	95	98	93	87	89	93	81	82
1960.....	94	99	91	88	90	92	80	82
1961.....	94	100	91	88	90	93	79	83
1962.....	96	103	92	90	91	94	80	83
1963.....	96	106	89	91	92	95	78	81
1964.....	93	106	85	92	93	94	76	80
1965.....	98	103	94	94	95	96	77	82
1966.....	105	105	105	98	98	99	80	86
1967.....	100	100	100	100	100	100	74	79
1968.....	103	101	104	104	104	102	73	79
1969.....	108	97	117	109	109	106	74	80
1970.....	110	100	118	114	114	110	72	77
1971.....	112	107	116	120	119	115	69	74
1972.....	126	115	134	127	124	122	74	79
1973.....	172	164	179	145	138	146	88	91
1974.....	183	212	163	168	161	172	81	81
1973: Jan 15.....	145	131	155	134	129	132	80	83
Feb 15.....	149	131	162	136	131	134	82	84
Mar 15.....	159	138	174	138	133	138	85	88
Apr 15.....	158	143	169	141	134	139	83	86
May 15.....	163	154	170	143	136	143	85	88
June 15.....	172	170	174	146	138	149	87	90
July 15.....	173	162	181	146	138	148	88	91
Aug 15.....	208	196	218	151	141	157	102	105
Sept 15.....	191	182	198	150	142	154	95	97
Oct 15.....	184	180	188	151	143	153	91	94
Nov 15.....	181	181	183	152	146	153	89	92
Dec 15.....	185	195	179	154	147	156	90	92
1974: Jan 15.....	198	208	193	157	149	161	94	94
Feb 15.....	202	220	190	159	153	161	94	94
Mar 15.....	194	216	179	161	155	162	90	90
Apr 15.....	183	205	169	164	157	167	83	83
May 15.....	175	201	158	165	159	166	79	79
June 15.....	165	199	142	166	160	168	74	74
July 15.....	175	204	155	168	161	170	77	78
Aug 15.....	181	214	160	173	164	178	78	78
Sept 15.....	178	211	154	175	166	182	75	75
Oct 15.....	185	228	155	176	167	183	78	78
Nov 15.....	182	224	153	178	171	183	76	76
Dec 15.....	177	211	153	179	173	184	73	73

¹ Percentage ratio of index of prices received by farmers to index of prices paid, interest, taxes, and wages rates on 1910-14=100 base.

² The adjusted parity ratio reflects Government payments made directly to farmers.

Source: Department of Agriculture.

TABLE C-87.—*Selected measures of farm resources and inputs, 1929-74*

Year	Crops harvested (millions of acres) ¹	Man-hours of farm work (billions)	Index numbers of inputs (1967=100)							
			Total	Farm labor	Farm real estate	Mechanical power and machinery	Agricultural chemicals ²	Feed, seed, and livestock purchases ³	Taxes and interest	Miscellaneous
1929.....	365	23.2	100	324	102	38	10	31	69	92
1933.....	340	22.6	94	316	96	32	6	28	71	88
1939.....	331	20.7	96	290	101	39	12	41	67	83
1940.....	341	20.5	97	288	102	41	13	43	68	84
1941.....	344	20.0	98	284	101	44	14	46	68	84
1942.....	348	20.6	101	291	99	51	15	49	69	82
1943.....	357	20.3	102	287	97	54	17	53	72	84
1944.....	362	20.2	103	285	97	57	20	53	74	88
1945.....	354	18.8	100	267	97	58	20	55	75	85
1946.....	352	18.1	99	256	101	57	21	54	76	87
1947.....	355	17.2	99	242	102	63	24	56	76	88
1948.....	356	16.8	100	236	102	71	26	57	74	93
1949.....	360	16.2	102	228	103	79	28	63	77	98
1950.....	345	15.1	101	214	104	83	30	64	77	93
1951.....	344	15.2	104	214	104	89	33	68	77	100
1952.....	349	14.5	105	205	103	94	36	70	79	99
1953.....	348	14.0	104	197	103	95	37	70	80	99
1954.....	346	13.3	103	189	104	95	38	72	80	96
1955.....	340	12.8	103	182	103	96	40	73	82	100
1956.....	324	12.0	101	172	101	97	41	76	82	96
1957.....	324	11.1	98	160	101	96	41	75	81	100
1958.....	324	10.5	98	153	99	97	44	81	82	105
1959.....	324	10.3	100	149	100	97	50	84	86	109
1960.....	324	9.8	98	143	99	95	50	84	87	109
1961.....	302	9.4	97	137	99	93	54	87	89	108
1962.....	295	9.0	97	131	99	94	59	89	90	110
1963.....	298	8.7	97	127	99	92	66	89	92	110
1964.....	298	8.2	97	120	99	93	72	91	94	112
1965.....	298	7.4	96	108	99	94	77	92	95	109
1966.....	294	6.9	98	102	99	99	86	97	98	104
1967.....	306	6.8	100	100	100	100	100	100	100	100
1968.....	300	6.5	101	97	99	102	106	101	103	106
1969.....	290	6.4	101	94	98	101	110	104	105	105
1970.....	293	6.2	101	92	98	101	110	109	106	107
1971.....	305	6.1	102	90	97	103	120	109	104	109
1972.....	296	5.9	102	87	95	101	125	110	107	113
1973.....	322	5.9	106	87	97	111	131	109	105	120
1974 p.....	326	5.9	105	87	97	109	135	108	104	120

¹ Acreage harvested (excluding duplication) plus acreages in fruits, tree nuts, and farm gardens.² Fertilizer, lime, and pesticides.³ Nonfarm portion of feed, seed, and livestock purchases.

Source: Department of Agriculture.

TABLE C-88.—Comparative balance sheet of the farming sector, 1929-75

[Billions of dollars]

Beginning of year	Assets									Claims			
	Total	Real estate	Live- stock ¹	Other physical assets			Financial assets			Total	Real estate debt	Other debt	Pro- pri- etors' equi- ties
				Ma- chin- ery and motor veh- cles	Crops ²	House- hold equip- ment and furnish- ings	De- posits and cur- rency	U.S. savings bonds	Invest- ment in co- opera- tives				
1929		48.0	6.6	3.2							9.8		
1933		30.8	3.0	2.5							8.5		
1939		34.1	5.1	3.2							6.8		
1940	52.9	33.6	5.1	3.1	2.7	4.2	3.2	0.2	0.8	52.9	6.6	3.4	42.9
1941	55.0	34.4	5.3	3.3	3.0	4.2	3.5	.4	.9	55.0	6.5	3.9	44.6
1942	62.9	37.5	7.1	4.0	3.8	4.9	4.2	.5	.9	62.9	6.4	4.1	52.4
1943	73.7	41.6	9.6	4.9	5.1	5.0	5.4	1.1	1.0	73.7	6.0	4.0	63.7
1944	84.6	48.2	9.7	5.4	6.1	5.3	6.6	2.2	1.1	84.6	5.4	3.5	75.7
1945	94.2	53.9	9.0	6.5	6.7	5.6	7.9	3.4	1.2	94.2	4.9	3.4	85.9
1946	103.5	61.0	9.7	5.4	6.3	6.1	9.4	4.2	1.4	103.5	4.8	3.2	95.5
1947	116.4	68.5	11.9	5.3	7.1	7.7	10.2	4.2	1.5	116.4	4.9	3.6	107.9
1948	127.9	73.7	13.3	7.4	9.0	8.5	9.9	4.4	1.7	127.9	5.1	4.2	118.6
1949	134.9	76.6	14.4	10.1	8.6	9.1	9.6	4.6	1.9	134.9	5.3	6.1	123.5
1950	132.5	75.3	12.9	12.2	7.6	8.6	9.1	4.7	2.1	132.5	5.6	6.8	120.1
1951	151.5	86.6	17.1	14.1	7.9	9.7	9.1	4.7	2.3	151.5	6.1	7.0	138.4
1952	167.0	95.1	19.5	16.7	8.8	10.3	9.4	4.7	2.5	167.0	6.7	8.0	152.3
1953	164.3	96.5	14.8	17.4	9.0	9.9	9.4	4.6	2.7	164.3	7.2	8.9	148.2
1954	161.2	95.0	11.7	18.4	9.2	9.9	9.4	4.7	2.9	161.2	7.7	9.2	144.3
1955	165.1	98.2	11.2	18.6	9.6	10.0	9.4	5.0	3.1	165.1	8.2	9.4	147.5
1956	169.6	102.9	10.6	19.3	8.4	10.5	9.5	5.2	3.2	169.6	9.0	9.8	150.8
1957	177.9	110.4	11.0	20.2	8.3	10.0	9.4	5.1	3.5	177.9	9.8	9.5	158.6
1958	185.8	115.9	13.9	20.2	7.6	9.9	9.5	5.1	3.7	185.8	10.4	10.0	165.4
1959	202.1	124.4	17.7	21.8	9.3	9.8	10.0	5.2	3.9	202.1	11.1	12.5	178.5
1960	203.5	130.2	15.2	22.7	7.7	9.6	9.2	4.7	4.2	203.5	12.1	12.7	178.7
1961	204.2	131.8	15.5	22.2	8.0	8.9	8.7	4.6	4.5	204.2	12.8	13.4	178.0
1962	212.8	138.0	16.4	22.5	8.8	9.1	8.8	4.4	4.8	212.8	13.9	14.8	184.1
1963	221.4	143.8	17.3	23.4	9.3	9.0	9.2	4.4	5.0	221.4	15.2	16.5	189.7
1964	229.3	152.1	15.8	23.9	9.8	8.9	9.2	4.2	5.4	229.3	16.8	18.1	194.4
1965	237.3	160.9	14.4	24.8	9.2	8.6	9.6	4.2	5.6	237.3	18.9	18.6	199.8
1966	253.8	172.2	17.5	25.9	9.7	8.6	10.0	4.0	5.9	253.8	21.2	20.4	212.2
1967	266.8	181.7	18.9	27.4	10.0	8.4	10.3	3.9	6.2	266.8	23.3	22.4	221.1
1968	280.3	191.9	18.8	29.8	9.6	9.0	10.9	3.8	6.5	280.3	25.5	24.9	229.9
1969	295.2	201.4	20.2	31.3	10.6	9.6	11.5	3.8	6.8	295.2	27.4	27.6	240.2
1970	306.0	206.9	23.4	32.3	10.9	9.7	11.9	3.7	7.2	306.0	29.2	29.7	247.1
1971	317.5	214.9	23.8	34.4	10.7	10.1	12.4	3.6	7.6	317.5	30.3	31.6	255.6
1972	343.1	231.5	27.3	36.6	11.8	11.0	13.2	3.7	8.0	343.1	32.2	35.6	275.3
1973	386.8	260.6	34.1	39.1	14.5	11.9	14.0	4.0	8.6	386.8	35.8	39.1	311.9
1974	478.8	325.3	45.8	43.6	22.1	13.6	14.9	4.0	9.5	478.8	41.3	42.8	394.7
1975 p.	530.9	374.1		126.8			30.0			530.9	47.4	47.5	436.0

¹ Beginning with 1961, horses and mules are excluded.² Includes all crops held on farms and crops held off farms by farmers as security for Commodity Credit Corporation loans. The latter on January 1, 1975 totaled approximately \$0.3 billion.

Note.—Beginning 1969, data include Alaska and Hawaii.

Source: Department of Agriculture.

INTERNATIONAL STATISTICS

TABLE C-89.—U.S. balance of payments, 1946-74

(Millions of dollars)

Year or quarter	Merchandise ^{1,2}			Military transactions			Net investment income		Net travel and transportation expenditures	Other services, net ³	Balance on goods and services ^{1,4}	Remittances, pensions, and other unilateral transfers ¹	Balance on current account
	Exports	Imports	Net balance	Direct expenditures	Sales	Net balance	Private ⁵	U.S. Government					
1946	11,764	-5,067	6,697	-493	(¹⁰)	-493	554	6	733	310	7,807	-2,922	4,885
1947	16,097	-5,973	10,124	-455	(¹⁰)	-455	807	50	946	145	11,617	-2,625	8,992
1948	13,265	-7,557	5,708	-799	(¹⁰)	-799	975	85	374	175	6,518	-4,525	1,993
1949	12,213	-6,874	5,339	-621	(¹⁰)	-621	989	73	230	208	6,218	-5,638	580
1950	10,203	-9,081	1,122	-576	(¹⁰)	-576	1,146	78	-120	242	1,892	-4,017	-2,125
1951	14,243	-11,176	3,067	-1,270	(¹⁰)	-1,270	1,317	151	298	254	3,817	-3,515	302
1952	13,449	-10,838	2,611	-2,054	(¹⁰)	-2,054	1,267	140	83	309	2,356	-2,531	-175
1953	12,412	-10,975	1,437	-2,615	192	-2,423	1,283	166	-238	307	532	-2,481	-1,949
1954	12,929	-10,353	2,576	-2,642	182	-2,460	1,594	213	-269	305	1,959	-2,280	-321
1955	14,424	-11,527	2,897	-2,901	200	-2,701	1,775	180	-297	299	2,153	-2,498	-345
1956	17,556	-12,803	4,753	-2,949	161	-2,788	2,054	40	-361	447	4,145	-2,423	1,722
1957	19,562	-13,291	6,271	-3,216	375	-2,841	2,174	4	-189	482	5,901	-2,345	3,556
1958	16,414	-12,952	3,462	-3,435	300	-3,135	2,008	168	-633	486	2,356	-2,361	-5
1959	16,458	-15,310	1,148	-3,107	302	-2,805	2,147	68	-821	573	310	-2,448	-2,138
1960	19,650	-14,758	4,892	-3,087	335	-2,753	2,270	17	-964	632	4,094	-2,300	1,794
1961	20,108	-14,537	5,571	-2,998	402	-2,596	2,832	105	-978	649	5,584	-2,514	3,070
1962	20,781	-16,260	4,521	-3,105	656	-2,448	3,177	134	-1,155	860	5,088	-2,628	2,460
1963	22,272	-17,048	5,224	-2,961	657	-2,304	3,227	98	-1,312	1,007	5,941	-2,742	3,199
1964	25,501	-18,700	6,801	-2,880	747	-2,133	3,926	9	-1,149	1,088	8,542	-2,754	5,788
1965	26,461	-21,510	4,951	-2,952	830	-2,122	4,143	26	-1,284	1,426	7,140	-2,853	4,287
1966	29,310	-25,493	3,817	-2,998	829	-2,935	3,728	55	-1,332	1,536	4,868	-2,925	1,943
1967	30,666	-26,866	3,800	-4,378	1,150	-3,228	4,087	41	-1,751	1,710	4,657	-3,113	1,544
1968	33,626	-32,991	635	-4,535	1,392	-3,143	4,207	63	-1,548	1,766	1,980	-2,943	-962
1969	36,414	-35,807	607	-4,856	1,512	-3,344	3,655	156	-1,763	2,034	1,344	-2,978	-1,633
1970	41,947	-39,788	2,159	-4,855	1,478	-3,377	3,895	-111	-2,023	2,388	2,932	-3,256	-324
1971	42,754	-45,476	-2,722	-4,819	1,912	-2,908	5,976	-955	-2,341	2,781	-170	-3,647	-3,817
1972	48,768	-55,754	-6,986	-4,759	1,154	-3,604	6,413	-1,887	-3,055	3,110	-6,010	-3,797	-9,807
1973	70,277	-69,806	471	-4,620	2,354	-2,266	8,298	-3,008	-2,710	3,540	4,327	-3,876	450
1974 ¹²	94,696	-100,379	-5,683	-4,989	2,839	-2,150	12,649	-3,133	-2,355	3,837	3,165 ¹³	-8,136 ¹³	-4,971
Seasonally adjusted													
1972:													
I	11,655	-13,482	-1,827	-1,222	326	-896	1,426	-406	-807	747	-1,763	-990	-2,753
II	11,534	-13,329	-1,795	-1,242	281	-961	1,466	-448	-737	753	-1,722	-954	-2,676
III	12,357	-13,953	-1,596	-1,109	252	-857	1,702	-490	-741	788	-1,194	-958	-2,152
IV	13,222	-14,990	-1,768	-1,185	295	-890	1,819	-543	-770	822	-1,330	-896	-2,226
1973:													
I	15,230	-16,184	-954	-1,175	342	-833	2,081	-634	-686	841	-185	-761	-946
II	16,679	-17,042	-363	-1,209	446	-763	1,968	-760	-781	815	116	-1,056	-940
III	18,152	-17,574	578	-1,067	520	-547	2,052	-795	-613	984	1,659	-897	762
IV	20,216	-19,006	1,210	-1,169	1,046	-123	2,197	-819	-630	901	2,736	-1,164	1,572
1974:													
I	22,299	-22,373	-74	-1,166	673	-493	3,843	-767	-533	921	2,897 ¹³	-2,951 ¹³	-54
II	24,089	-25,720	-1,631	-1,319	655	-664	2,635	-789	-730	995	-184	-1,902	-2,086
III	24,634	-27,191	-2,557	-1,257	801	-456	3,009	-794	-503	962	-339	-1,249	-1,588
IV ¹⁴	26,109	-27,631	-1,522										

¹ Excludes military grants.

² Adjusted from Census data for differences in timing and coverage.

³ Fees and royalties from U.S. direct investments abroad or from foreign direct investments in the United States are excluded from net investment income and included in other services, net.

⁴ In concept, equal to net exports of goods and services in the national income and product accounts, although the two series may differ because of revisions, special handling of certain items, etc.

⁵ Excludes liabilities to foreign official reserve agencies.

⁶ Private foreigners exclude the International Monetary Fund (IMF), but include other international and regional organizations.

⁷ Includes liabilities to foreign official agencies reported by U.S. Government and U.S. banks and U.S. liabilities to the IMF arising from reversible gold sales to, and gold deposits with, the United States.

⁸ Official reserve assets include gold, special drawing rights, convertible currencies, and the U.S. gold tranche position in the IMF. Minus sign indicates increase.

(Footnotes continued on following page.)

TABLE C-89.—U.S. balance of payments, 1946-74—Continued

[Millions of dollars]

Year or quarter	Long-term capital flows, net		Balance on current account and long-term capital	Non-liquid short-term private capital flows, net ^a	Allocations of special drawing rights (SDR)	Errors and omissions, net	Net liquidity balance **	Liquid private capital flows, net ^a	Official reserve transactions balance **	Changes in liabilities to foreign official agencies, net ⁷	Changes in U.S. official reserve assets, net ⁸	U.S. official reserve assets, net (end of period) ⁹
	U.S. Government ⁵	Private ⁶										
1946				-253		155					-623	20,706
1947				-236		861					-3,315	24,021
1948				-131		1,115					-1,736	25,758
1949				158		717					-266	26,024
1950				75		-124					1,758	24,265
1951				-227		354					-33	24,299
1952				-41		497					-415	24,714
1953				183		220					1,256	23,458
1954				-556		60					480	22,978
1955				-328		371					182	22,797
1956				-479		390					-869	23,666
1957				-174		1,012					-1,165	24,832
1958				-145		361					2,292	22,540
1959				-89		260					1,035	21,504
1960	-884	-2,100	-1,191	-1,405		-1,081	11-3,677	11 273	-3,403	1,258	2,145	19,359
1961	-886	-2,182	2	-1,200		-1,053	11-2,252	11 904	-1,348	742	606	18,753
1962	-882	-2,606	-1,028	-657		-1,179	11-2,864	11 214	-2,650	1,117	1,533	17,220
1963	-1,151	-3,376	-1,328	-968		-418	11-2,713	11 779	-1,934	1,557	377	16,843
1964	-1,353	-4,511	-75	-1,643		-978	-2,696	1,162	-1,534	1,363	171	16,672
1965	-1,539	-4,577	-1,829	-154		-494	-2,478	1,188	-1,290	67	1,222	15,450
1966	-1,479	-2,575	-2,110	-104		64	-2,151	2,370	219	-787	568	14,882
1967	-2,336	-2,932	-3,723	-522		-439	-4,683	1,265	-3,418	3,366	52	14,830
1968	-2,164	1,191	-1,935	231		94	-1,611	3,252	1,641	-761	-880	15,710
1969	-1,933	-70	-3,637	-640		-1,805	-6,081	8,820	2,739	-1,552	-1,187	16,964
1970	-2,025	-1,429	-3,778	-482	867	-458	-3,851	-5,988	-9,839	7,362	2,477	14,487
1971	-2,362	-4,381	-10,559	-2,347	717	-9,776	-21,965	-7,788	-29,753	27,405	2,348	12,167
1972	-1,330	-98	-11,235	-1,541	710	-1,790	-13,856	3,502	-10,354	10,322	32	13,151
1973	-1,539	62	-1,026	-4,276		-2,303	-7,606	2,302	-5,304	5,095	209	14,378
1974 ¹²	-2,571	-3,287	-5,687	-14,751		4,783	-15,655	10,573	-5,082	7,176	-2,095	15,883
Seasonally adjusted												Unadjusted
1972:												
I	-309	-836	-3,898	-423	178	816	-3,327	180	-3,147	2,718	429	12,270
II	-105	398	-2,383	301	177	-442	-2,346	1,474	-872	1,103	-231	13,339
III	-370	-386	-2,908	-420	178	-1,294	-4,445	-277	-4,722	4,777	-55	13,217
IV	-544	726	-2,044	-999	177	-870	-3,736	2,125	-1,611	1,722	-111	13,151
1973:												
I	-371	309	-1,008	-1,663		-3,943	-6,614	-3,581	-10,195	9,975	220	12,931
II	94	-324	-1,170	-1,457		850	-1,777	2,063	286	-303	17	12,914
III	-398	1,527	1,891	97		-336	1,652	290	1,942	-1,929	-13	12,927
IV	-862	-1,451	-741	-1,253		1,125	-869	3,530	2,661	-2,646	-15	14,378
1974:												
I	1,343	506	1,795	-3,966		1,118	-1,053	2,095	1,042	-832	-210	14,588
II	580	-973	-2,479	-5,429		1,686	-6,222	1,697	-4,525	4,883	-358	14,946
III	5	-1,998	-3,581	-1,668		783	-4,466	4,138	-328	1,331	-1,603	15,893
IV												15,883

⁹ Includes increases as follows: for 1969, \$67 million resulting from revaluation of the German mark in October 1969; for 1971, \$28 million in dollar value of foreign currencies revalued to reflect market exchange rates as of December 31, 1971; for second quarter and year 1972, \$1,016 million resulting from change in par value of the dollar on May 8, 1972; and for fourth quarter and year 1973, \$1,436 million resulting from change in par value of the dollar on October 18, 1973.

Beginning July 1974, valuation of SDR and reserve position in the IMF based on a weighted average of exchange rates for the currencies of 16 member countries. On a pre-July 1974 basis, reserve assets for September 30, 1974 are \$15,949 million and for December 31, 1974, \$15,812 million.

¹⁰ Not available separately.

¹¹ Coverage of liquid banking claims for 1960-63 and of nonliquid nonbanking claims for 1960-62 is limited to foreign currency deposits only; other liquid items are not available separately and are included with nonliquid claims.

¹² First 3 quarters on a seasonally adjusted annual rates basis (except reserve assets are for end of December).

¹³ Includes extraordinary U.S. Government transactions with India.

¹⁴ Includes return import into the United States, at a depreciated value of \$21 million in 1972 IV, and \$22 million in 1973 II, of aircraft originally reported in 1970 III sales as a long-term lease to Australia.

**These balances have been used to measure exchange market pressures on the dollar. Under current floating exchange rate conditions, these pressures are inadequately reflected in the balances.

Sources: Department of Commerce (Bureau of Economic Analysis) and Department of the Treasury.

TABLE C-90.—U.S. merchandise exports and imports by commodity groups, 1958-74

[Millions of dollars]

Year or quarter	Merchandise exports ¹						Merchandise imports					Gross merchandise trade balance, seasonally adjusted ⁷
	Total, including reexports ²		Domestic exports				General imports ⁶					
	Seasonally adjusted	Unadjusted	Total ³	Food, beverages, and tobacco	Crude materials and fuels ⁴	Manufactured goods ⁵	Total ³		Food, beverages, and tobacco	Crude materials and fuels ⁴	Manufactured goods ⁵	
							Seasonally adjusted	Unadjusted				
1958		16,375	16,211	2,688	3,052	11,547		13,392	3,550	4,164	5,311	2,983
1959		16,426	16,243	2,852	2,996	11,179		15,690	3,580	4,615	7,117	736
1960		19,659	19,459	3,167	3,942	12,583		15,073	3,392	4,418	6,863	4,586
1961		20,226	19,982	3,466	3,864	12,784		14,761	3,455	4,334	6,537	5,465
1962		20,986	20,717	3,743	3,356	13,668		16,464	3,674	4,691	7,649	4,522
1963		22,467	22,182	4,188	3,775	14,297		17,207	3,863	4,755	8,070	5,260
1964		25,832	25,479	4,637	4,337	16,529		18,749	4,022	5,029	9,106	7,083
1965		26,742	26,399	4,519	4,273	17,433		21,427	4,013	5,440	11,244	5,315
1966		29,490	29,054	5,186	4,404	19,218		25,618	4,590	5,718	14,446	3,872
1967		31,030	30,646	4,710	4,726	20,844		26,889	4,701	5,367	15,756	4,141
1968		34,063	33,626	4,592	4,865	23,818		33,226	5,365	6,031	20,624	837
1969		37,332	36,788	4,446	5,006	26,785		36,043	5,308	6,391	23,011	1,289
1970		42,659	42,025	5,058	6,692	29,344		39,951	6,230	6,542	25,907	2,708
1971		43,549	42,911	5,076	6,441	30,443		45,563	6,404	7,268	30,414	-2,014
1972		49,199	48,399	6,569	7,091	33,740		55,583	7,379	8,838	37,767	-6,384
1973		70,823	69,730	12,938	10,735	44,731		69,476	9,235	13,446	45,001	1,348
1974		97,907	96,544	15,231	15,800	63,526		100,972	10,701	31,809	56,210	-3,065
1972:												
I	11,767	11,890	11,724	1,416	1,704	8,340	13,424	13,302	1,810	2,130	8,985	-1,657
II	11,673	12,040	11,826	1,432	1,688	8,430	13,370	13,743	1,769	2,105	9,478	-1,697
III	12,442	11,570	11,371	1,625	1,536	8,009	13,903	13,532	1,807	2,195	9,135	-1,462
IV	13,333	13,700	13,479	2,095	2,163	8,960	14,888	15,006	1,993	2,408	10,169	-1,555
1973:												
I	15,337	15,523	15,288	2,382	2,572	10,068	16,140	15,969	2,084	2,780	10,663	-804
II	16,783	17,448	17,145	2,773	2,745	11,256	16,839	17,301	2,318	3,076	11,472	-56
III	18,327	17,081	16,817	3,558	2,216	10,730	17,483	16,983	2,190	3,340	10,998	844
IV	20,413	20,771	20,481	4,225	3,202	12,677	18,972	19,223	2,644	4,251	11,868	1,441
1974:												
I	22,358	22,615	22,329	3,861	3,695	14,334	21,713	21,173	2,726	6,082	11,894	645
II	24,212	25,128	24,761	3,651	4,214	16,398	25,161	25,827	2,772	8,374	14,146	-949
III	24,958	23,192	22,858	3,373	3,533	15,443	27,060	26,614	2,542	8,760	14,729	-2,102
IV	26,455	26,972	26,597	4,345	4,359	17,352	27,145	27,358	2,661	8,592	15,441	-690

¹ Beginning 1960, data have been adjusted for comparability with the revised commodity classifications effective in 1965.² Totals exclude Department of Defense shipments of grant-aid military supplies and equipment under the Military Assistance Program.³ Total includes commodities and transactions not classified according to kind.⁴ Includes fats and oils.⁵ Includes machinery, transportation equipment, chemicals, metals, and other manufactures. Export data for these items include military grant-aid shipments.⁶ Total arrivals of imported goods other than intransit shipments.⁷ Exports, excluding military grant-aid, less general imports; quarterly data seasonally adjusted.

Note.—Data are as reported by the Bureau of the Census adjusted to include silver ore and bullion reported separately prior to 1969. Export statistics cover all merchandise shipped from the U.S. customs area, except supplies for U.S. Armed Forces. Export values are f.a.s. port of export and include shipments under Agency for International Development and Food for Peace programs as well as other private relief shipments. Import values are defined generally as the market value in the foreign country, excluding the U.S. import duty and transportation costs such as ocean freight and marine insurance.

Source: Department of Commerce (Bureau of the Census and International Economic Policy and Research).

TABLE C-91.—U.S. merchandise exports and imports by area, 1968-74

[Millions of dollars]

Area	1968	1969	1970	1971	1972	1973	1974
Exports (including reexports and special category shipments): Total	34, 636	38, 006	43, 224	44, 130	49, 758	71, 339	98, 506
Developed countries.....	23, 600	26, 479	30, 877	30, 335	34, 319	47, 209	63, 018
Developing countries.....	10, 821	11, 277	12, 993	13, 410	14, 556	20, 963	32, 698
Canada ¹	8, 072	9, 137	9, 079	10, 365	12, 415	15, 104	19, 932
Other Western Hemisphere.....	5, 339	5, 576	6, 532	6, 484	7, 275	9, 929	15, 812
Western Europe ²	11, 132	12, 392	14, 463	14, 178	15, 361	21, 359	28, 638
Eastern Europe.....	215	249	354	384	819	1, 801	1, 432
Asia.....	7, 582	8, 261	10, 028	9, 855	11, 278	18, 419	25, 784
Australia and Oceania.....	1, 026	998	1, 189	1, 168	1, 034	1, 744	2, 697
Africa.....	1, 269	1, 392	1, 579	1, 694	1, 576	2, 306	3, 659
Unidentified countries ³						677	552
General imports: Total	33, 226	36, 043	39, 952	45, 563	55, 583	69, 476	100, 972
Developed countries.....	24, 130	26, 460	29, 259	33, 744	40, 822	48, 530	60, 479
Developing countries.....	8, 886	9, 373	10, 442	11, 549	14, 356	20, 313	39, 471
Canada.....	9, 005	10, 384	11, 092	12, 691	14, 927	17, 715	22, 282
Other Western Hemisphere.....	5, 143	5, 163	5, 836	6, 038	7, 003	9, 607	18, 420
Western Europe ²	10, 139	10, 138	11, 169	12, 658	15, 423	19, 286	23, 745
Eastern Europe.....	198	195	226	223	321	526	891
Asia.....	6, 911	8, 275	9, 621	11, 779	15, 117	18, 157	27, 500
Australia and Oceania.....	697	828	871	895	1, 145	1, 562	1, 503
Africa.....	1, 122	1, 046	1, 113	1, 236	1, 595	2, 583	6, 617
Unidentified countries ³	11	12	24	41	51	40	15

¹ Beginning January 1973, transshipments of certain grains and oilseeds through Canada are shown as exports to unidentified countries.

² Includes Finland, Yugoslavia, Greece, and Turkey.

³ Consists of certain low-valued shipments not identified by country.

Note.—Developed countries include Canada, Western Europe, Japan, Australia, New Zealand, and the Republic of South Africa. Developing countries include rest of the world except Communist areas in Eastern Europe and Asia and unidentified countries.

Source: Department of Commerce (Bureau of the Census and International Economic Policy and Research).

TABLE C-92.—U.S. overseas loans and grants, by type and area, fiscal years, 1962-74

(Millions of dollars)

Type of program and fiscal period	Total	Near East and South Asia	Latin America	East Asia and Vietnam	Africa	Europe	Other and inter-regional
TOTAL ECONOMIC LOANS AND GRANTS (OBLIGATIONS AND LOAN AUTHORIZATIONS)¹							
1962-73 average.....	5,301	1,357	1,136	1,191	403	546	668
Loans.....	3,016	986	715	483	203	517	111
Grants.....	2,286	371	421	708	200	29	556
1974.....	7,775	919	1,410	1,887	577	1,537	1,445
Loans.....	5,062	649	986	1,335	344	1,524	224
Grants.....	2,713	270	424	552	233	13	1,221
OFFICIAL DEVELOPMENT ASSISTANCE TO LESS DEVELOPED COUNTRIES²							
Obligations and loan authorizations:							
1962-73 average.....	3,994	1,199	887	951	340	52	566
1974.....	3,787	465	600	1,188	299	13	1,223
Loan repayments and interest receipts:							
1962-73 average.....	482	253	72	69	32	51	5
1974.....	1,242	678	115	300	72	78	-----
Agency for International Development							
Obligations and loan authorizations:							
1962-73 average.....	2,190	606	482	590	194	4	315
1974.....	1,786	219	232	673	133	13	516
Loan repayments and interest receipts:							
1962-73 average.....	264	146	39	35	22	20	2
1974.....	642	458	85	40	42	18	-----
Food for Peace							
Obligations:							
1962-73 average.....	1,269	582	134	333	124	48	48
1974.....	973	240	51	491	141	-----	50
Loan repayments and interest receipts:							
1962-73 average.....	192	103	17	32	8	31	-----
1974.....	600	220	30	260	30	60	-----
Contributions and subscriptions to international financial institutions³							
Obligations:							
1962-73 average.....	327	-----	198	-----	-----	-----	129
1974.....	800	-----	275	-----	-----	-----	525
Other official development assistance, including Peace Corps⁴							
Obligations:							
1962-73 average.....	208	11	73	28	22	-----	75
1974.....	228	6	42	24	24	-----	131
OTHER ECONOMIC LOANS AND GRANTS TO LESS DEVELOPED COUNTRIES							
Obligations:							
1962-73 average.....	721	158	249	122	63	126	3
1974.....	2,561	454	810	583	278	436	-----
Loan repayments and interest receipts							
1962-73 average.....	480	98	278	34	19	50	-----
1974.....	950	275	324	166	74	109	2
ECONOMIC LOANS AND GRANTS TO DEVELOPED COUNTRIES							
Obligations:							
1962-73 average.....	586	-----	-----	119	-----	368	99
1974.....	1,427	-----	-----	116	-----	1,089	222

¹ Some data are preliminary.

² Official development assistance is defined as concessional aid for development purposes. Countries have been classified "less developed" on the basis of the standard list of less developed countries used by the Development Assistance Committee of the Organization for Economic Cooperation and Development. On this basis, "less developed" countries include all countries receiving U.S. loans or grants except the following which are considered "developed": Japan, Australia, New Zealand, Republic of South Africa, Canada, and all of Europe except Malta, Spain, and Yugoslavia.

³ Includes paid-in capital subscriptions and contributions to the Inter-American Development Bank, the International Bank for Reconstruction and Development, the International Development Association, and the Asian Development Bank.

⁴ Data for certain programs from: Department of Commerce, Bureau of Economic Analysis.

Source: Agency for International Development (except as noted).

TABLE C-93.—*International reserves, 1949, 1953, and 1969-74*

[Millions of U.S. dollars; end of period]

Area and country	1949	1953	1969	1970	1971	1972	1973	1974
								Novem- ber
All countries	46,037	51,840	78,126	92,604	130,581	158,714	183,848	216,118
Developed areas	37,274	41,478	62,636	74,318	107,197	126,596	139,151	140,682
United States	26,024	23,458	16,964	14,487	13,190	13,150	14,378	15,845
United Kingdom	1,751	2,670	2,527	2,827	6,582	5,647	6,476	7,917
Other Western Europe	6,502	10,597	33,613	44,654	62,023	75,375	92,601	91,347
Austria	13	277	1,530	1,751	2,343	2,719	2,873	3,125
Belgium	978	1,144	2,388	2,847	3,473	3,870	5,100	5,412
France	580	829	3,833	4,960	8,253	10,015	8,529	8,990
Germany	196	1,773	7,129	13,610	18,657	23,785	33,147	32,866
Italy	723	848	5,045	5,352	6,787	6,079	6,434	6,424
Netherlands	386	1,230	2,529	3,241	3,796	4,785	6,547	7,150
Scandinavian countries (Den- mark, Finland, Norway, and Sweden)	537	1,026	2,214	2,538	3,701	4,513	6,071	5,295
Spain	122	150	1,281	1,817	3,268	5,014	6,772	6,277
Switzerland	1,692	1,768	4,425	5,132	6,966	7,488	8,078	7,563
Other	1,275	1,552	3,239	3,406	4,779	7,107	9,050	8,245
Canada	1,197	1,909	3,106	4,679	5,701	6,050	5,768	5,797
Japan	226	892	3,654	4,840	15,360	18,365	12,246	13,738
Australia, New Zealand, and South Africa	1,572	1,952	2,772	2,831	4,342	8,009	7,682	6,038
Less developed areas ¹	8,763	10,362	15,490	18,285	23,384	32,119	44,697	75,436
Latin America	2,800	3,416	4,470	5,641	6,584	10,549	16,310	18,851
Middle East	1,534	1,256	3,035	3,246	5,249	7,625	11,547	30,132
Other Asia	3,642	3,742	4,742	5,092	5,920	7,829	10,132	13,025
Other Africa ²	639	1,787	3,094	4,182	5,497	5,981	6,558	13,278

¹ Includes areas in addition to those listed.² All Africa except South Africa.

Note.—International reserves is comprised of monetary authorities' holdings of gold, special drawing rights (SDR), reserve positions in the International Monetary Fund, and foreign exchange. Conversions from national currencies to U.S. dollars from December 1971 through January 1973 are calculated at the cross rates reflecting the parities and central rates agreed in December 1971. From February 1973 through June 1974, the intention is to reflect the cross rates of parities or central rates for countries having effective parities or central rates and market rates for others. Beginning July 1974, foreign exchange is valued at end-of-month market rates or in the absence of market rate quotations at prevailing official rates. Gold is valued throughout at SDR 35 per ounce, equivalent to US\$38 per ounce from December 1971 through January 1973, to US\$42.22 per ounce from February 1973 through June 1974, but to the respective US\$/SDR transactions value as measured by the "basket" valuation of the SDR beginning July 1974. Data exclude U.S.S.R., other Eastern European countries, Mainland China, and Cuba (after 1960).

Source: International Monetary Fund, "International Financial Statistics."

TABLE C-94.—U.S. reserve assets, 1946-74

[Millions of dollars]

End of year or month	Total reserve assets	Gold stock ¹		Special drawing rights (SDR) ³	Convertible foreign currencies ⁴	Reserve position in International Monetary Fund ⁵
		Total ²	Treasury			
1946.....	20,706	20,706	20,529			
1947.....	24,021	22,868	22,754			1,153
1948.....	25,758	24,399	24,244			1,359
1949.....	26,024	24,563	24,427			1,461
1950.....	24,265	22,820	22,706			1,445
1951.....	24,299	22,873	22,695			1,426
1952.....	24,714	23,252	23,187			1,462
1953.....	23,458	22,091	22,030			1,367
1954.....	22,978	21,793	21,713			1,185
1955.....	22,797	21,753	21,690			1,044
1956.....	23,666	22,058	21,949			1,608
1957.....	24,832	22,857	22,781			1,975
1958.....	22,540	20,582	20,534			1,358
1959.....	21,504	19,507	19,456			1,997
1960.....	19,359	17,804	17,767			1,555
1961.....	18,753	16,947	16,889		116	1,690
1962.....	17,220	16,057	15,978		99	1,064
1963.....	16,843	15,596	15,513		212	1,035
1964.....	16,672	15,471	15,388		432	769
1965.....	15,450	13,806	13,733		781	863
1966.....	14,882	13,235	13,159		1,321	326
1967.....	14,830	12,065	11,982		2,345	420
1968.....	15,710	10,892	10,367		3,528	1,290
1969.....	16,964	11,859	10,367		7,271	2,324
1970.....	14,487	11,072	10,732	851	629	1,935
1971.....	12,167	10,206	10,132	1,100	276	585
1972.....	13,151	10,487	10,410	1,958	241	465
1973.....	14,378	11,652	11,567	2,166	8	552
1974.....	15,883	11,652	11,567	2,374	5	1,852
1974: Jan.....	14,565	11,652	11,567	2,166	59	688
Feb.....	14,643	11,652	11,567	2,166	68	757
Mar.....	14,588	11,652	11,567	2,166	9	761
Apr.....	14,642	11,652	11,567	2,157	9	824
May.....	14,870	11,652	11,567	2,163	66	989
June.....	14,946	11,652	11,567	2,195	94	1,005
July.....	14,912	11,652	11,567	2,227	12	1,021
Aug.....	15,460	11,652	11,567	2,200	224	1,384
Sept.....	15,893	11,652	11,567	2,282	246	1,713
Oct.....	15,890	11,652	11,567	2,306	193	1,739
Nov.....	15,840	11,652	11,567	2,329	43	1,816
Dec.....	15,883	11,652	11,567	2,374	5	1,852

¹ Includes gold sold to the United States by the International Monetary Fund (IMF) with the right of repurchase and gold deposited by the IMF to mitigate the impact on the U.S. gold stock of purchases by foreign countries for gold subscriptions on increased IMF quotas.

² Includes gold in Exchange Stabilization Fund.

³ Includes initial allocation on January 1, 1970 of \$867 million, second allocation on January 1, 1971 of \$717 million, and third allocation on January 1, 1972 of \$710 million of special drawing rights (SDR) in the Special Drawing Account in the IMF, plus or minus transactions in SDR.

⁴ Includes holdings of Treasury and Federal Reserve System.

⁵ The United States has the right to purchase foreign currencies equivalent to its reserve position in the Fund automatically if needed. Under appropriate conditions the United States could purchase additional amounts equal to the United States quota.

⁶ Reserve position includes, and gold stock excludes, \$259 million gold subscription to the Fund in June 1965 for a U.S. quota increase which became effective on February 23, 1966. In figures published by the Fund from June 1965 through January 1966, this gold subscription was included in the U.S. gold stock and excluded from the reserve position.

⁷ Includes gain of \$67 million resulting from revaluation of German mark in October 1969, of which \$13 million represents gain on mark holdings at time of revaluation.

⁸ Includes \$28 million increase in dollar value of foreign currencies revalued to reflect market exchange rates as of December 31, 1971.

⁹ Includes \$1,016 million increase in total reserve assets resulting from the change in par value of the U.S. dollar on May 8, 1972, consisting of \$828 million total gold stock, \$822 million Treasury gold stock, \$155 million SDR, and \$33 million reserve position in the IMF.

¹⁰ Includes \$1,436 million increase in total reserve assets resulting from the change in par value of the dollar on October 18, 1973, consisting of \$1,165 million total gold stock, \$1,157 million Treasury gold stock, \$217 million SDR, and \$54 million reserve position in IMF.

¹¹ Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of 16 member countries. SDR holdings and reserve position in the IMF are also valued on this basis beginning July 1974. At valuation used prior to July 1974 (SDR 1 = \$1.20635), end of month values are (in millions):

	Total reserve assets	SDR	Reserve position in IMF
July.....	\$14,921	\$2,233	\$1,024
Aug.....	15,523	2,240	1,407
Sept.....	15,949	2,318	1,733
Oct.....	15,919	2,326	1,748
Nov.....	15,828	2,326	1,807
Dec.....	15,812	2,338	1,817

Note.—Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States.

Sources: Department of the Treasury and Board of Governors of the Federal Reserve System.

TABLE C-95.—*International investment position of the United States at year-end, 1960 and 1969-73*

[Billions of dollars]

Type of investment	1960	1969 ¹	1970 ¹	1971	1972	1973 ²
Net international investment position of the United States ³	44.7	67.3	69.1	57.7	51.2	63.0
U.S. assets abroad	85.6	158.3	166.8	180.8	200.6	226.1
Nonliquid assets	66.2	138.6	149.9	164.7	181.8	204.2
U.S. Government	16.9	30.7	32.1	34.2	36.1	38.8
Long-term credits	14.0	28.2	29.6	31.8	34.1	36.2
Foreign currencies and other short-term assets	2.9	2.5	2.4	2.4	2.0	2.6
Private long-term	44.5	96.5	105.0	115.9	129.0	143.5
Direct investments abroad	31.9	71.0	78.2	86.2	94.3	107.3
Foreign securities	9.6	18.7	19.6	21.7	24.9	25.2
Other claims ⁴	3.1	6.8	7.2	8.0	9.7	11.0
Private short-term nonliquid claims ⁴	⁴ 4.8	11.4	12.8	14.6	16.7	21.9
Liquid assets	19.4	19.6	16.9	16.1	18.8	22.0
Private claims ⁴	(⁵)	2.7	2.4	4.0	5.6	7.6
U.S. monetary reserve assets	19.4	17.0	14.5	12.2	⁶ 13.2	⁶ 14.4
Gold	17.8	11.9	11.1	10.2	⁶ 10.5	⁶ 11.7
Special drawing rights (SDR) .....			.9	1.1	⁶ 2.0	⁶ 2.2
Convertible currencies		2.8	.6	.3	.2	
Gold tranche position in IMF	1.6	2.3	1.9	.6	⁶ .5	⁶ .6
U.S. liabilities to foreigners	40.9	90.9	97.7	123.1	149.4	163.1
Nonliquid liabilities to other than foreign official agencies	19.8	45.0	50.7	55.3	66.5	70.5
U.S. Government .....	.8	2.4	2.0	1.5	1.8	2.9
Private long-term	18.4	39.6	44.8	49.8	60.2	62.2
Direct investments in the United States	6.9	11.8	13.3	13.7	14.3	17.7
U.S. securities	10.0	22.9	25.6	30.1	38.8	36.8
Other liabilities ⁴	1.6	4.8	5.9	6.1	7.1	7.7
Private short-term nonliquid ⁷ .....	.6	3.0	3.9	3.9	4.5	5.4
Liquid liabilities to private foreigners and liquid, other readily marketable, and nonliquid liabilities to foreign official agencies	21.0	45.9	47.0	67.8	82.9	92.6
To private foreigners	9.1	28.9	22.6	16.6	21.4	25.8
To foreign official agencies	11.9	17.0	24.4	51.2	61.6	66.8
Liquid	11.9	13.0	20.6	47.6	57.3	61.9
Other readily marketable		1.5	.7	.1	.5	1.7
Nonliquid, reported by U.S. Government		2.5	3.1	3.5	3.7	3.2

¹ Data do not reflect revisions made in balance-of-payments statistics in June 1974.

² Preliminary.

³ Includes U.S. gold stock.

⁴ Reported by U.S. banks and nonbanking concerns.

⁵ Liquid claims are not available separately and are included with nonliquid claims.

⁶ Reserve assets include increases from changes in the par value of the dollar, as officially implemented; on May 8, 1972, the increase totaled \$1,016 million, consisting of \$828 million gold stock, \$155 million SDR, and \$33 million gold tranche position in IMF; and on October 18, 1973, the increase was \$1,436 million, consisting of \$1,165 million gold stock, \$217 million SDR, and \$54 million gold tranche position in IMF.

⁷ Reported by U.S. nonbanking concerns.

Source: Department of Commerce, Bureau of Economic Analysis.

TABLE C-96.—Price changes in international trade, 1966-74

[1963=100]

Area or commodity class	1966	1967	1968	1969	1970	1971	1972	1973	1974
									Third quarter
	Unit value indexes by area								
Developed areas									
Total:									
Exports.....	105	105	104	108	114	119	130	156	201
Terms of trade ¹	100	101	101	101	102	101	102	101	89
United States:									
Exports.....	107	110	111	115	121	125	129	150	197
Terms of trade ¹	101	102	103	103	101	99	95	94	78
Developing areas									
Total:									
Exports.....	104	103	103	106	109	116	121	146	224
Terms of trade ¹	101	100	101	101	100	102	100	104	124
Latin America:									
Exports.....	108	105	106	109	115	122	129	143	175
Terms of trade ¹	103	100	99	100	101	101	102	100	98
Southern and Eastern Asia:									
Exports.....	101	99	97	102	106	108	111	135	165
Terms of trade ¹	100	99	100	102	104	104	100	102	92
	World export price indexes								
Primary commodities: Total	104	101	100	103	108	115	130	188	293
Foodstuffs.....	105	104	101	104	111	117	132	191	236
Coffee, tea, and cocoa.....	112	108	110	119	136	119	132	174	200
Cereals.....	103	105	100	98	96	100	111	203	249
Other agricultural commodities ²	104	96	96	101	101	105	120	184	228
Fats, oils, and oilseeds.....	111	102	99	101	118	118	116	197	332
Textile fibers.....	92	88	88	85	83	85	109	186	181
Wool.....	90	77	74	73	63	57	88	183	130
Rubber.....	91	75	74	98	78	64	65	129	162
Minerals.....	104	103	102	104	111	127	141	181	480
Metal ores.....	105	109	108	114	122	126	134	161	204
Manufactured goods: Total ³	106	107	107	110	117	124	134	156	189
Nonferrous base metals ⁴	156	142	150	175	180	154	154	222	257

¹ Terms of trade indexes are unit value indexes of exports divided by unit value indexes of imports.² Data are for second quarter 1974.³ Includes forest products.⁴ Data are an average for first 3 quarters of 1974.⁵ Data for manufactured goods are unit value indexes.

Note.—Data exclude trade of Communist areas in Eastern Europe (except Yugoslavia) and Asia.

Sources: United Nations and Department of Commerce (International Economic Policy and Research and Bureau of Resources and Trade Assistance).

TABLE C-97.—Consumer price indexes in the United States and other major industrial countries, 1955-74

[1970=100]

Period	United States	Canada	Japan	France	Germany	Italy	Netherlands	United Kingdom
1955	69.0	69.9	52.6	50.4	70.1	62.2	57.8	59.0
1956	70.0	70.9	52.8	51.4	71.9	64.3	58.9	61.9
1957	72.5	73.2	54.4	53.2	73.3	65.2	62.7	64.2
1958	74.5	75.0	54.2	61.2	75.0	67.0	63.8	66.2
1959	75.1	75.9	54.7	65.0	75.7	66.7	64.3	66.5
1960	76.3	76.7	56.7	67.3	76.7	68.2	66.4	67.2
1961	77.0	77.1	59.7	69.5	78.5	69.7	67.0	69.5
1962	77.9	78.0	63.8	72.9	80.9	72.9	68.3	72.5
1963	78.8	79.4	68.2	76.4	83.3	78.3	70.9	73.9
1964	79.9	80.8	71.9	79.0	85.2	83.0	74.8	76.3
1965	81.3	82.8	76.7	81.0	88.1	86.7	78.7	80.0
1966	83.6	85.9	80.6	83.2	91.2	88.8	83.3	83.1
1967	86.0	88.9	83.8	85.4	92.5	91.6	86.0	85.2
1968	89.6	92.6	88.3	89.3	93.9	92.8	89.1	89.2
1969	94.4	96.8	92.9	95.0	96.4	95.2	95.8	94.0
1970	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1971	104.3	102.9	106.3	105.5	105.3	105.0	107.5	109.5
1972	107.7	107.8	111.5	111.7	111.1	110.9	115.9	117.0
1973	114.4	116.0	124.5	119.9	118.8	122.4	125.2	126.7
1974 ¹	127.0	127.9	152.4	135.5	126.8	146.0	136.6	145.9
1972: I	106.4	105.7	108.8	108.9	109.0	108.2	112.7	113.9
II	107.2	106.7	111.2	110.4	110.2	109.6	115.4	115.9
III	108.2	108.8	112.3	112.5	111.6	111.5	116.3	117.8
IV	109.1	109.9	113.9	114.9	113.4	114.5	119.2	120.7
1973: I	110.7	111.9	116.9	115.9	116.0	117.5	121.3	122.2
II	113.1	114.5	122.7	118.2	118.2	121.3	124.9	125.2
III	115.6	117.7	126.5	121.1	119.3	123.6	125.9	127.7
IV	118.3	119.8	131.9	124.4	121.7	127.2	128.8	131.8
1974: I	121.6	122.7	144.1	129.0	124.6	133.6	131.9	137.2
II	125.0	126.8	150.5	134.3	126.6	140.9	135.9	145.3
III	128.9	130.6	156.1	138.7	127.8	² 148.3	138.3	149.4
IV ³	132.6	133.5	162.3	142.5	129.3		142.5	154.9

¹ For United States, 12-month average; for all other countries, January–November average, except Italy, January–August average.

² July–August average.

³ October–December average for United States; October–November average for all other countries.

Sources: Department of Labor and Organization for Economic Cooperation and Development.

