The Economic Report of the President

TRANSMITTED TO THE CONGRESS

January 1950

Together With a Report to the President

THE ANNUAL ECONOMIC REVIEW

By the

COUNCIL OF ECONOMIC ADVISERS

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LETTER OF TRANSMITTAL

THE WHITE HOUSE,
Washington, D. C., January 6, 1950.

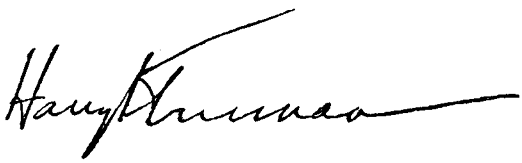
The Honorable the PRESIDENT OF THE SENATE,
The Honorable the SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIRS: I am presenting herewith my Economic Report to the Congress, as required under the Employment Act of 1946.

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

Together with this report, I am transmitting a report, the Annual Economic Review: January 1950, prepared for me by the Council of Economic Advisers in accordance with section 4 (c) (2) of the Employment Act of 1946.

Respectfully,



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To the Congress of the United States:

As 1950 opens, renewed confidence prevails in the American economy. This confidence is in itself an element of strength; and it is justified by the facts.

Late in 1948 we stood at the peak of the inflationary boom. It was clear that an eventual adjustment was inevitable before we would have a firm basis for stability and steady economic growth. During 1949 we met the test of that adjustment. Despite rough going for a few months, we made necessary changes with much less distress and difficulty than ever before. Today we are on firmer ground than we were a year ago.

Prices are down somewhat, and show the relative stability on which firm business and consumer plans can be based. Inventories of manufacturers and retailers have been reduced, and now are better adjusted to the rate of sales. These changes were accomplished with only very small reductions in dollar incomes and consumer spending. Allowing for price changes, the volume of goods and services purchased by consumers in 1949 was actually larger than in 1948. Business is proceeding with good profit prospects. Home building in 1949 reached a higher level than ever before.

More important still, employment and production, which declined during the first few months of 1949, have in recent months been moving upward again. Considerably more people now have jobs than at the low point last year. Industrial production has increased by 9 percent since July. Holiday sales have hit an all-time peak.

The relatively safe passage from inflation to greater stability was no accident. Businessmen, workers, and farmers demonstrated much greater judgment and restraint than in earlier similar periods. Their actions showed that they had gained understanding of the causes of our economic situation and what should be done to improve it. Their efforts were aided by public policies which had been developed over the years and had been improved by experience. Government measures in such fields as credit and banking, social insurance, and agricultural price supports, proved their worth in cushioning the downswing and lending strong support to the recovery movement.

This effective teamwork between free enterprise and Government confounded the enemies of freedom who waited eagerly, during 1949, for the collapse of the American economy. Our economy continues strong. We are able to continue and advance the domestic and international programs which are the hope of free peoples throughout the world.

We have succeeded in avoiding a serious set-back in 1949. We have regained stability; but we need more than stability. The great motivating force in our economic system is the perpetual will to move ahead, to use our skills and our resources more efficiently, to produce more at lower cost, and to provide a better and richer life for all our citizens. The American economy must expand steadily.

Maximum production and maximum employment are not static goals; they mean more jobs and more business opportunities in each succeeding year. If we are to attain these objectives, we must make full use of all the resources of the American economy.

During the past year, we did not do so. Our success thus far in reversing the forces of recession cannot hide the high price we paid for economic instability. The downturn brought anxiety and suffering to millions who became unemployed, and to their families. It brought failure to many small businesses. It reduced the opportunities for the creation of new enterprises. It hurt the free nations whose continuing revival depends upon trade with us. It caused our total output for 1949 to be some 10 to 13 billion dollars lower than it would have been if maximum production and employment had been maintained.

In earlier economic reports, I emphasized the dangers of permitting inflationary pressures to continue, and urged measures to hold them in check. Most of these measures were not adopted, and the break in the economic boom, against which I had warned, came to pass. Six months ago, the Midyear Economic Report pointed out the way to recovery. Additional steps should now be taken to complete the process of recovery. We must not again make the mistake of failing to adopt affirmative policies necessary for continued economic stability and growth.

At present, our economy is moving upward again. But we have not yet reached the point of fully employing our resources.

Although output is high, some resources of plant and equipment are not being fully used. Although employment is large, unemployment in recent months has been about 1½ to 2 million higher than in the corresponding months of 1948. Furthermore, our technology, productive facilities, and labor force are continuing to grow.

If we are to use all these resources, we must tap the dynamic forces of expansion within the American economy. One of the most important of these dynamic forces is the process of business investment, by which productive capacity is enlarged and improved. In the fourth quarter of the year, business investment has not kept pace with the improvement in economic conditions. If the downward trend in business investment were to continue, our prospects for full recovery and continued expansion would be seriously endangered.

There is no need for this decline to continue. There are immense opportunities for business investment in nearly every segment of the economy.

There are in general sufficient funds available to businessmen who want to seize these opportunities. The initiative of businessmen, aided by proper Government policies, can and should soon reverse the trend of business investment.

Business investment can continue at a high level only if markets for consumer goods continue to expand. Price and wage policies should be directed at enlarging these markets. For only by broadening the distribution of goods and services can our business system find full use for its expanding productive capacity.

The events of 1949 demonstrated anew the basic strength of the American economy. They also demonstrated that economic affairs are not beyond human control. We should now seek to establish a course that will complete the recovery and carry us on to steady economic growth.

Summary of the Economic Situation

Total civilian employment in 1949 averaged 58.7 million, somewhat less than the average of 59.4 million in 1948, and was 58.6 million in December 1949. Nonagricultural employment fell during the first five months, reaching a low of 49.7 million in May. Since that month it has increased at more than the usual seasonal rate, reaching 51.8 million in December.

Over the year, unemployment averaged 3.4 million, or about 5 percent of the labor force, compared with 2.1 million or 3 percent of the somewhat smaller labor force in 1948. Unemployment at its worst in July 1949 amounted to 4.1 million. In December, it was just below 3.5 million, 1.6 million more than in December 1948. There has been a rapid rise in the number of unemployed workers exhausting their rights to unemployment benefits.

Total production of all goods and services in 1949 was 259 billion dollars. Adjusted for changes in prices, this was about 1 percent lower than in 1948, and fell short of maximum production by 4 to 5 percent, or 10 to 13 billion dollars. The sharpest drop was in industrial production, which averaged 9 percent lower than in 1948, while agricultural output dropped about 1 percent. Construction advanced about 5 percent, and output of electricity and gas rose about 2 percent. There was a gain in the service industries.

From November 1948, until the low point of July 1949, industrial production declined 17 percent. Since July the trend has been upward, interrupted only by work stoppages. By December industrial production had regained nearly half of the lost ground.

Prices during the first half of 1949 showed a general but moderate decline, followed by relative stability in the second half. Wholesale prices by the end of the year were down 7 percent from their level of a year earlier and 11 percent below their 1948 peak. The sharpest declines were in farm and wholesale food prices. Farm prices are now 23 percent below the postwar peak and 12 percent below what they were a year ago. The drop in consumers' prices was much more moderate. By November 1949, consumers' prices had declined 2 percent below the level at the end of 1948 and 3 percent below their postwar peak.

Wage increases were received by a much smaller number of workers than in previous postwar years. There was no general wage pattern. Wages averaged slightly higher than in 1948, and consumers' prices were somewhat lower. One outstanding development was the growth of pension and social insurance plans financed in whole or in part by employers.

Work stoppages in 1949 were about the same in number as in 1948, but the two major stoppages, in coal and steel, involved such a large number of workers that the loss in man-days of work was about 50 percent greater than in 1948.

Profits were lower in 1949 than in 1948. For the year as a whole, corporate profits before taxes and the inventory valuation adjustment were 27.6 billion dollars, a drop of about 21 percent. Much of the loss in reported profits represented the effect of falling prices on inventory valuation.

Farm income (realized net income of farm operators) declined about 15 percent, reflecting the decline in prices. The agricultural price-support program prevented a much sharper decline in prices and incomes.

Credit terms generally eased during the year. Interest rates declined. Business loans, reflecting the liquidation of inventories, declined sharply during the first six months but began to advance again in the latter part of the year. Instalment credit, after a slight decline in the first quarter, resumed its advance and reached a new postwar peak. Most notable was the more than 60 percent increase in automobile instalment credit during the year.

Consumers' disposable income was slightly higher in 1949 than in 1948, rising from 190.8 billion dollars to 192.9 billion dollars. The trend, however, was different, rising every quarter in 1948 and falling every quarter in 1949. In the fourth quarter of 1949 the annual rate was 191.1 billion dollars. Unemployment compensation in 1949 contributed 1.9 billion dollars to consumer income, 1 billion dollars more than in 1948.

Consumer expenditures for goods and services were remarkably constant throughout 1949. Their total was 179 billion dollars. This was equal to the total for 1948 as a whole, but about 2 billion dollars lower than the annual rate in the second half of that year. Allowing for price changes, consumers' expenditures represented a slightly higher volume of goods and services purchased than in 1948. An increased proportion of consumer spending was devoted to purchases of services and durable goods, a decreased proportion to the purchase of nondurable goods.

Net personal saving amounted to 14.4 billion dollars, compared with 12 billion dollars in 1948. During 1949, however, the trend of saving was downward, from an annual rate of 16.3 billion dollars in the first quarter to 13.1 billion dollars in the fourth. While personal saving in 1949 was high by any previous peacetime standards, it is estimated that about one-third of all families did not add to their savings, but instead spent more than they earned.

Private domestic investment in 1949 was 18 percent below the preceding year, primarily because of a shift from accumulation to liquidation of inventories. By the fourth quarter, the liquidation of inventories was slowed down, but investment in plant and equipment continued to decline. The drop in business investment was the principal feature in the lower level of economic activity in 1949.

Construction, in spite of a slow start, exceeded the high level attained in 1948 by 3 percent in dollar volume, and was an important stabilizing force in the economy. Public construction increased by 25 percent over 1948. Private construction declined by 4 percent, but residential construction was particularly strong in the second half of the year, rising to a new postwar peak in the fourth quarter. Housing starts for the year exceeded 1,000,000, compared with 931,300 in 1948. The number of multi-family units started was about one-fourth larger than in 1948.

By the end of the year, the rate of total construction activity was 11 percent higher than it was a year earlier, and the backlog of contracts had increased considerably. A reduction in prices and costs, the easing of credit, the expanded authority of the RFC to purchase mortgages, and the renewal of FHA authority to insure rental projects, all contributed to the upsurge.

Corporate finance reflected the changes in the economic situation. The shift from increasing inventories and increasing customer credit in 1948, to inventory reduction and a lower rate of increase in customer credit in 1949, permitted corporations to improve their financial liquidity while continuing large outlays for new plant and equipment. Liquid assets increased by 2.5 billion dollars. Short-term debt decreased by 4 billion, but long-term debt increased by about the same amount. In 1949, internal sources of corporate funds were larger than required for capital investment; in 1948, internal sources of funds amounted to only about 70 percent of the requirements for capital investment.

The export surplus (the excess of our exports of goods and services over our imports) was only slightly lower in total in 1949 than in 1948, but it fell sharply in the second half of the year. This resulted primarily from a sharp drop in our exports of goods and services, following severe losses of gold and dollars by the countries in the sterling area. The devaluation of foreign currencies subsequent to these losses has so far had little effect on our economy.

Government fiscal transactions in 1949 helped to stabilize the economy. Cash payments by governments—Federal, State and local—were about 8 billion dollars higher in the calendar year 1949 than in 1948. Federal cash payments alone were 6.2 billion dollars higher. Nearly half of this rise resulted from the impact of recessionary forces on such programs as unemployment compensation and agricultural price supports, and the remainder was mainly the result of larger expenditures for international and defense programs. The increase in State and local cash payments was caused chiefly by higher expenditures for schools, roads, and other public works. With increasing government payments, and with a slight decline in the gross national product, the ratio of all government payments to total output increased from about 20 percent in 1948 to 23½ percent in 1949. Cash receipts declined primarily because of the 1948 cut in Federal taxes.

As a result of these changes, the cash surplus of all governments—Federal, State, and local—which amounted to over 7 billion dollars in the calendar year 1948, became a cash deficit of 3 billion dollars in 1949. For the Federal Government, the result was a shift from a cash surplus of 8 billion dollars to a cash deficit of about 1.7 billion dollars.

Unifying Principles for Action

These facts show our tremendous economic strength. But this strength does not rest in material things alone.

If we are to continue our economic growth the major economic groups must all pull together—businessmen, wage earners, and farmers must work toward the same ends. Government, in turn, must carry out the aspirations of the whole people.

Our success will depend upon the widespread conviction that all groups have a stake in the expansion of the economy—that all will share in the benefits of progress. In the days ahead we must broaden our understanding of how the various interests of our people are interrelated.

Toward this end, I should like to point out certain principles on which we can all base our economic efforts. The more widely these principles are understood, the better able we shall be to solve our common problems and reconcile the interests of different economic groups. The more widely these principles are used as the basis for economic action and decision, the more rapid will be our national progress.

First. Our economy can and must continue to grow.

An expanding population and an increasingly productive labor force require constantly expanding employment opportunities and steadily rising levels of investment and consumption. Within five years, we can achieve an annual output in excess of 300 billion dollars. The gain in national income would be equal to an average of nearly $1,000 for every family in the United States. This would greatly improve standards of living. It would go far toward our goal of the complete elimination of poverty. It would provide employment opportunities for about 64 million workers.

Such prospects are not fanciful. They are based upon our long-term record of achievement, including some years when we did not use fully our resources of plant, managerial skills, and labor force. And today, we are better equipped with these resources than ever before.

But we will not make this progress within five years unless we begin to move in that direction now. Our immediate goal for 1950 should be to regain maximum employment. This requires the reduction of unemployment to the minimum level consistent with labor mobility in a free economy. We should strive this year to reduce unemployment from 3½ million to 2 million, or 2½ million at most. This would mean about 61 million civilian jobs. It would mean stepping up our national output by about 7 percent above the 1949 total. These are our objectives for this year under the Employment Act. If we put forth sufficient effort, we can reach these objectives before the year's end.

Second. The benefits of growth and progress must extend to all groups.

Only in this way can the long-run welfare of any group be preserved. If any part of our economy is depressed, or fails to gain, it can only serve as a drag against the gains of other parts. There is no room for the feeling that one group can prosper only at the expense of another. There is abundant opportunity for all groups to prosper together. Expansion to a 300 billion dollar economy within five years would place 30 to 45 billion dollars more per year in the hands of consumers for buying the needs and comforts of life. It would provide opportunity for profitable business investment in plant, equipment, and housing which might run 3 to 6 billion dollars per year above the 1949 level. It would enable farmers to sell about 10 percent more food for domestic consumption.

Third. This growth will not come automatically, but requires conscious purpose and hard work.

Productivity per worker should be increased by at least 2 to 2½ percent a year. Labor should base its policies on the prospect of a stable and expanding economy. Businessmen should base their investment policies on confidence in growth, shape their price policies to the needs of larger markets, and proceed with vigor and ingenuity to develop new and better products of all kinds. Farmers should make full use of new technology, and make shifts in production toward those commodities most needed in a growing peacetime economy.

To promote an environment in which businessmen, labor, and farmers can act most effectively to achieve steady economic growth is a major task of the Government. It must perfect measures for helping to stabilize the economy. It must build up the natural resources which are essential to economic progress, and expand the protective measures against human insecurity. It must keep open the channels of competition, promote free collective bargaining, and encourage expanded opportunities for private initiative.

Fourth. The fiscal policy of the Federal Government must be designed to contribute to the growth of the economy.

The Federal Budget is an important part of the national economy. Wise budgetary policies can promote stability and maximum production and employment throughout the economy.

In fields such as resource development, education, health, and social security, Government programs are essential elements of our economic strength. If we cut these programs below the requirements of an expanding economy, we should be weakening some of the most important factors which promote that expansion. Furthermore, we must maintain our programs for national security and international peace. These programs are the defense of the world against disaster. Upon them, our whole future depends.

Government revenue policy should take into account both the needs of sound Government finance and the needs of an expanding economy. Federal receipts should be sufficient over a period of years to balance the budget and provide a surplus for debt reduction. At the same time, the tax structure, and the changes made in it from time to time, should be such as to promote the amounts and types of investment, consumption, and saving needed for economic expansion. We should recognize that the expansion of the economy will generate additional revenues and strengthen the fiscal position of the Government.

Fifth. We must deal vigorously with trouble spots which exist in our economy even in times of general prosperity.

Special measures are needed to help low-income groups and, even more important, to provide them with better opportunities to help themselves. We must deal with the particular problems of communities or areas which are depressed, or whose economic growth has been retarded. Whenever a shortage of jobs, or lack of business opportunity, affects as many persons as it does today, it is a matter for national concern. Economic stagnation anywhere is an injury to the whole economy. We must direct specific measures to these special problems.

In the light of these guiding principles, I turn to the consideration of needed economic policies.

Economic Policies

Under our system, private and public policies go hand in hand. Private economic policies provide motive power of the economy. Public economic policies provide the framework for economic activity. Sound plans for our future growth must take account of both, and blend them to achieve maximum effectiveness.

Price and wage policies

The basic economic problem facing the country now is not to combat inflation. Instead it is to increase production, employment, and incomes to complete the recovery from the 1949 downturn, and to go on to the higher levels which will be made possible by a growing population and rising productivity.

Business policies concerning prices should be determined with these objectives in mind. In general, prices now seem at or near a stable level consistent with continued expansion of business activity. There are few if any major areas in which price increases would be justified under present circumstances. In some outstanding areas, price cuts are feasible and needed to maintain and expand sales. Furthermore, technological progress should in part be reflected in price reductions from time to time.

Wage adjustments are one historic method by which buying power has increased with increasing productivity. These adjustments are now in the hands of management and labor. That is where they should remain. At the same time, the participants in collective bargaining, particularly in dominant industries, should recognize that wage adjustments affect not only the employers and workers immediately engaged, but also the whole economy.

I am glad to note that the Council of Economic Advisers is encouraging joint conferences in which representatives of industry, agriculture, and labor may together study the economic principles underlying maximum economic activity. Such conferences should be productive of improved policies.

Business investment

The large and imaginative programs of expansion and modernization of plant facilities which have been undertaken since the war represent a signal achievement by private enterprise. The trend of business investment, however, has recently been downward, and its continued decline would be a cause for real concern.

There are tremendous business opportunities in a growing economy. Not only are there more people in our country every year, needing food and clothing, homes and household equipment, and all the other goods and services of our bountiful productive system. Even more important, the results of research and experience give us every year new and better materials and productive methods; new products are constantly being developed, and whole new industries begun. All these changes are continually opening up new opportunities for productive investment.

There are, in general, ample funds available to businessmen who want to expand or build new plants, to replace obsolete equipment, or to extend their operations to new geographic areas. Banks are in a position to provide funds for sound loans, and interest rates have been declining. The flow of institutional savings, such as insurance premiums, is at record levels. Corporations as a whole are in excellent financial condition. While there are real difficulties facing some businessmen, particularly those whose enterprises are small or medium-sized, and those in certain parts of the country, as a whole there is no general financial bar to a steady expansion of business investment.

In order to reverse the present downward trend, and to achieve the rising volume of business investment consistent with an expanding economy, businessmen should grasp the opportunities which lie ahead; and should help to make the adjustments in prices and incomes which will translate potential markets into real markets. The enterprise and imagination of private businessmen will be a crucial factor in achieving the upward growth of which our economy is capable.

While our primary reliance should be placed upon private initiative, the Government can also help to encourage a reversal of the downward trend of business investment. The tax recommendations I shall transmit to the Congress in the near future will, in addition to providing some net increase in revenue, propose certain changes in our tax structure which will make it more equitable and stimulate business activity.

There is a great need to meet the problems of small businessmen who cannot now obtain adequate financing on reasonable terms. New devices for encouraging private financial institutions to furnish equity capital to small and medium-sized concerns are being studied in the Executive Branch, and I hope to make recommendations to the Congress on this subject during the present session. Meanwhile, I recommend that the Reconstruction Finance Corporation be authorized to increase the maximum maturity of its business loans substantially above the present 10-year limit.

Private housing investment

Housing is one of the major fields in which more investment is required to meet the growing needs of our people. The level of housing construction in 1949 was only slightly higher than in 1925, despite a much larger population. The relative lag of housing technology and various outmoded practices have resulted in a wide gap between the cost of producing good housing and the vast potential market for housing to be found in the needs and desires of families of low and middle incomes.

The housing problem requires a vigorous combination of action by private enterprise and by all levels of government. Reduction of housing costs, through technical progress, better organization, and improved financing, is imperative. Aside from public subsidized housing, further methods must be found to enlarge the flow of private capital into housing. The Federal Government should supplement the comprehensive housing legislation, enacted last year, with a new program to stimulate the flow of low-cost private money into the development of middle-income housing, mainly through cooperative and other non-profit ventures.

A high level of residential construction is an integral part of a generally expanding economy, and requires not only direct stimulation of investment but also continued growth in consumer purchasing power.

Rent control

While the preceding recommendations aim at the fundamental solution of the housing problem, the increases in rents which would follow a sudden ending of rent control would still create severe hardships in a large number of areas. It would lift the cost of living, impair consumer buying, and complicate the problem of wage adjustments. Therefore I recommend extension of rent control for another year.

Fiscal policy

At the present time the Federal Budget shows a deficit, principally because of the drop in incomes and employment in 1949, the untimely tax reductions in 1948, and the continuing heavy demands of national security programs. As business conditions continue to improve, we should bring Government receipts and expenditures into balance, and provide some surplus for debt reduction, at the earliest date consistent with the welfare of the country.

Despite the current deficit, the fiscal position of the Federal Government is basically strong. If the trend of business continues upward as it should, Federal revenue will increase. At the same time, under the policies I am recommending in the Budget, Federal expenditures should decline somewhat over the next few years. This movement toward a balanced budget should be accelerated by changes in our tax laws which will reduce present inequities, stimulate business activity, and yield a moderate amount of additional revenue.

This reliance upon a combination of three factors—an expanding economy, all reasonable reductions in expenditures, and a moderate increase in revenues through changes in the tax laws—is the wisest course toward a balanced budget. In the long run, the Government's fiscal position depends upon the health of the national economy. It will not be promoted by drastic slashes in expenditures which are essential to our economic growth and to continued peace. Neither will it be promoted by tax increases so drastic as to stifle business activity. Either action would impair our chances for achieving our major national and international objectives and would threaten further recovery.

Credit policies

To carry out the purposes of the Employment Act, the Government should be equipped, as a permanent matter, with the minimum tools necessary to control the basic factors of credit expansion.

To eliminate the competitive disadvantage of Federal Reserve membership, the authority of the Board of Governors of the Federal Reserve System over bank reserve requirements should be revised. The Board should have broader powers than it now has to increase bank reserve requirements in a period of inflation. This would be a protective measure for the entire banking

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system, and accordingly should be applicable to all banks insured by the Federal Deposit Insurance Corporation.

The Board's authority over instalment credit ended last June. Since that time the excessive relaxation of instalment terms offered to consumers has demonstrated the need for a restoration of the Board's authority.

I have heretofore pointed out the need for more effective Government supervision over speculative trading on the commodity exchanges. I recommend that the Congress grant more specific and more adequate authority for this purpose.

Farm policy

A generally prosperous economy will do more than all else to help the farmer. As the economy grows, it can absorb an expansion of total agricultural output, provided the necessary shifts in amounts and types of different products are made to meet the needs of a changing peacetime economy. Changes in our farm policy are needed to accelerate these shifts in production, to check the decline in farm incomes which has persisted for more than a year, and to accord to farmers a fair share of the fruits of prosperity. These basic objectives of farm policy call for some shift of emphasis from the support of prices of particular commodities to the support of farm income.

There is also need for additional methods of support. Perishable products, in particular, cannot be supported satisfactorily by loans and purchases alone, and yet these are the products the expansion of whose output is most desirable. I therefore urge that support through production payments be authorized.

Special measures are needed to aid low-income groups in agriculture. These include measures to provide credit and management aids to low-income farmers to help them enlarge and improve their farms. They include programs to provide rural electrification, rural telephones, better farm housing, and improved opportunity for medical care. In addition, we must continue to improve the education of our farm youth not only to make them more efficient farmers, but also to help some of the under-employed people in agriculture find useful work in other occupations.

Increased emphasis should be given to encouragement of types of farming which are most needed. Research and education, and conservation and credit programs, as well as the Government's support of farm prices and farm incomes, should be directed toward this end.

Developmental programs and community services

After the restraints imposed by war and by postwar inflation, Federal programs for resource development, transportation, education, and health are just beginning to adjust to the needs of an expanding national economy. Even now, the requirements of national security, international aid, and veterans' adjustments are so urgent and so large that progress in developmental programs and community services must necessarily be limited to gradual advancement at a rate below the genuine need.

Nevertheless, we are continuing to expand our investment in the development of our rivers for flood control, navigation, reclamation, and electric power, in the expansion of our highways, and in the development of atomic energy. I again urge early authorization of the St. Lawrence seaway and power project, which should be started as soon as plans can be completed. In most of our major river valleys we do not have satisfactory means for preparing integrated programs of development. I have already recommended, and I again urge, that the Congress authorize the consolidation of a number of Federal activities in the Pacific Northwest into a Columbia Valley Administration.

Present deficiencies in education and health are so compelling that I repeat my recommendation for new programs. Expansion of public health services, and of enrollments in schools of medicine, nursing, dentistry, and public health, should be started now. The growing number of children of school age cannot be permitted to delay their education. I therefore urge the prompt enactment of aid to elementary and secondary education, and the provision of funds for a survey to determine the extent of the need for school construction. There should also be authorized a limited program to assist capable young people who are now financially unable to secure the higher education essential to the full development of their talents.

Many of the existing procurement, construction, and loan programs of the Federal Government can be adapted, to some extent, to alleviate serious unemployment in particular local areas. The program initiated for this purpose in the summer of 1949 has shown some good results and it will be continued. It is evident, however, that some localities are faced with long-term rather than temporary difficulties and that effective programs to provide permanent solutions need to be worked out. The Federal Government will continue to use all available resources for the aid of such distressed areas and, cooperating with State and local agencies and private groups, will assist in preparing programs adjusted to the long-range problems and opportunities of those areas.

Social security

In our growing economy, there can be no excuse for failure to develop an adequate system for protecting our citizens against economic insecurity. As we produce more, we can and should make more adequate provision for the aged, those who cannot find work, and others in our society who are in need.

I urge the Congress to act promptly on the recommendations I have made for the extension and improvement of social security. We must move rapidly toward a comprehensive social insurance system protecting nearly all workers—including those employed in farming—and their families against the risks of old age, unemployment, disability, death of the family wage-earner, and illness. The costs of such a system, when measured against the growing output of our economy, are well within our capacity to pay.

The present programs of social security are grossly inadequate. Because of the limited coverage of the present law, and the exhaustion of benefits by many workers, one-third of the unemployed are now receiving no unemployment insurance benefits, and in some areas the proportion approaches two-thirds. Many communities provide no public funds for the relief of jobless workers and their families. There are also several million disabled workers, many with families to support, who are not eligible for public insurance benefits. In some places, they do not even receive public relief. Only 650,000 of the millions of bereaved or broken families with very low incomes are receiving survivors insurance. Only 30 percent of the aged population are eligible for social insurance benefits, which are so meager that few can retire voluntarily. Needed medical care is denied to millions of our citizens because they have no access to systematic and adequate methods of meeting the cost.

The current inadequacy of the social insurance programs is sharply reflected in the disproportionate load now being borne by public assistance programs. Increasing numbers of the aged, the disabled, and the unemployed have been forced to resort to public assistance. This distorts the original intent of the Social Security Act that people are entitled to security as a matter of right. The burden of public assistance is straining the fiscal capacities of State and local governments. While enactment of proposed social insurance programs will alleviate this problem in the future, provision must be made for dealing with the problem in the meantime. I therefore urge enactment of the proposals which I submitted to the Congress last spring for the extension and improvement of the program of Federal grants to States for public assistance.

International economic programs

We are now in a transitional stage in the development of our international economic policies. Our short-run programs of aid to friendly countries abroad have begun to bear fruit in increased production, expanding trade, and rising living standards. At the same time, the long-range nature of the problems of world production and trade has emerged more clearly, and the need for the United States to play a continuing role in world development through capital and technical assistance has become evident.

The progress already made toward achieving the objectives of the European recovery program and of other short-run aid programs should prompt the continuation of these programs on a basis commensurate with need. To cripple them now would imperil past progress and risk the waste of expenditures already made. I recommend that these programs be extended on a scale sufficient to accomplish the purposes for which they were established.

In the years ahead, we must lay increasing emphasis upon long-run international economic programs. We need to move vigorously toward a world-wide increase of international trade. This will result in larger imports into our country, which will assist other countries to earn the dollars they need, and will at the same time increase our own standard of living. An immediate step in this direction is to approve promptly the proposed Charter for the International Trade Organization, which has been negotiated to establish a code of fair trade practice and a means for steadily improving international commercial relations.

Even the maximum feasible reduction of barriers to world trade would not alone make possible the continued increases in world production and living standards which are essential to world peace. Such reductions are of little immediate benefit to the underdeveloped areas of the world, which cannot produce enough to achieve an export surplus and build up their productive capital. These areas urgently need improved technical knowledge and increased capital investment. The aim of the Point Four program for assistance to underdeveloped countries is to help meet these needs.

To make the most effective use of invested capital, underdeveloped countries require technical assistance. Hearings have already been held by the Congress on the legislation I have recommended to stimulate the interchange of technical assistance. I urge action on this proposal as soon as possible.

The United States has sufficient productive strength to provide capital for investment in productive developments abroad. In order to encourage the private investment of United States funds abroad, I urge the Congress to act promptly on the legislation now before it to authorize the Export-Import Bank to guarantee such investments against certain risks peculiar to foreign investment. Through the negotiation of treaties, the Government is moving to improve conditions for investment abroad and assure protection for the legitimate interests of United States investors. It will also continue to be the policy of the Government to encourage American investment abroad only when it is carried on in a way that protects the interests of the people in the foreign countries concerned.

I recommend also that certain provisions of the tax laws governing the taxation of income from foreign investments be revised in order to stimulate the flow of American capital abroad.

In addition to its direct contribution to increased production, the technical assistance program should prepare the way for, and stimulate the preparation of, concrete development projects, on the basis of which an increasing volume of private and public investment can be made. It is unlikely that private funds, including those invested through the International Bank, and the present resources of the Export-Import Bank, will be sufficient to meet the need for investment abroad. It will probably become necessary at a later time to increase the lending authority of the Export-Import Bank.

Summary of Legislative Recommendations

I summarize below the legislative recommendations contained in this Economic Report, and urge that the Congress enact them into law:

1. Make some revisions in the tax structure to reduce present inequities, stimulate business activity, and yield a moderate amount of net additional revenue. My specific recommendations on taxes will be transmitted to the Congress at an early date.
2. Enact a new program to stimulate private investment in housing for middle-income families.
3. Substantially increase the maximum maturity period for business loans made by the Reconstruction Finance Corporation.
4. Improve the protection of farm incomes and encourage needed shifts in farm production, by authorization of production payments and other changes in present legislation.
5. Establish a Columbia Valley Administration, and authorize the St. Lawrence seaway and power project.
6. Provide for Federal aid to elementary and secondary education, for a limited program of aid in support of higher education for capable students, for aid to medical education, for the improvement of local public health services, and for grants to States for surveys of the need for school construction.
7. Extend and liberalize the social security structure by improving old-age, survivors, and unemployment insurance, enacting disability and health insurance, and expanding Federal grants-in-aid to States for public assistance.
8. Extend rent control for another year.
9. Continue the foreign recovery programs on a basis commensurable with need.
10. Approve the Charter for the International Trade Organization.
11. Authorize the program for technical assistance to underdeveloped countries, and for guarantees by the Export-Import Bank against risks peculiar to private investment abroad; and revise certain provisions in the tax laws governing the taxation of income from foreign investments.
12. Provide additional authority over banking reserves to the Board of Governors of the Federal Reserve System; extend that authority to all banks insured by the Federal Deposit Insurance Corporation; and restore the Board's authority to regulate consumer credit. Provide authority to regulate speculation on the commodity exchanges.

* * * * *

In the Message on the State of the Union, I have stressed the fateful role which the United States has come to occupy in the progress of human destiny. Our responsibilities are already determined by the course of world events. But how well we measure up to these responsibilities remains in our own hands.

Moral leadership comes first, as we seek to inspire free men everywhere with confidence in their cause. But history proves that many great moral purposes have failed or faltered because the material strength to support them was lacking. The economic power of the United States, at its full potential, is the keystone of this support.

The Congress foresaw this when it gave our national economic policy the degree of central significance accorded to it under the Employment Act of 1946. As the deliberations of the United Nations demonstrate, other nations recognize the overwhelming importance to the cause of freedom of wise economic policies and full employment.

Our economic situation today is good, and it can be better. The lessons of the past and the magnificent challenge of the future continue to spur us on. For all to thrive and prosper together, all must work together—with mutual understanding and common purposes. That is the spirit of our democracy. That is the spirit in which I transmit these recommendations to the Congress, and to all those whose actions affect our economy.

HARRY S. TRUMAN.

JANUARY 6, 1950.

The Annual Economic Review

January 1950

A Report to the President

By the

COUNCIL OF ECONOMIC ADVISERS

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D. C., January 3, 1950.

The PRESIDENT:

SIR: The Council of Economic Advisers herewith submits a report, the Annual Economic Review: January 1950, in accordance with section 4 (c) (2) of the Employment Act of 1946.

Respectfully,

Leon H Keyserling
Acting Chairman.

John D. Clark

Contents

I. Economic Developments in 1949

The Course of Employment and Production

Employment

EMPLOYMENT levels for 1949 as a whole did not meet the maximum employment goal set forth at the beginning of the year, which called for an average employment about 1 million above that in 1948 to absorb a growing labor force. Average civilian employment in 1948 was 59.4 million, and in 1949 it was 58.7 million, a drop of 700 thousand, instead of the needed increase of 1 million. However, the fairly steady drop in total civilian employment which began late in 1948 and continued through February 1949 was checked in March, due primarily to a seasonal increase in agriculture. The low point in nonagricultural employment was reached in May. Since then the trend in nonagricultural employment has been upward, except for the period affected by the steel and coal stoppages. By the end of the year, total civilian employment stood at 58.6 million, or about 850 thousand below December 1948. (See chart 2.)

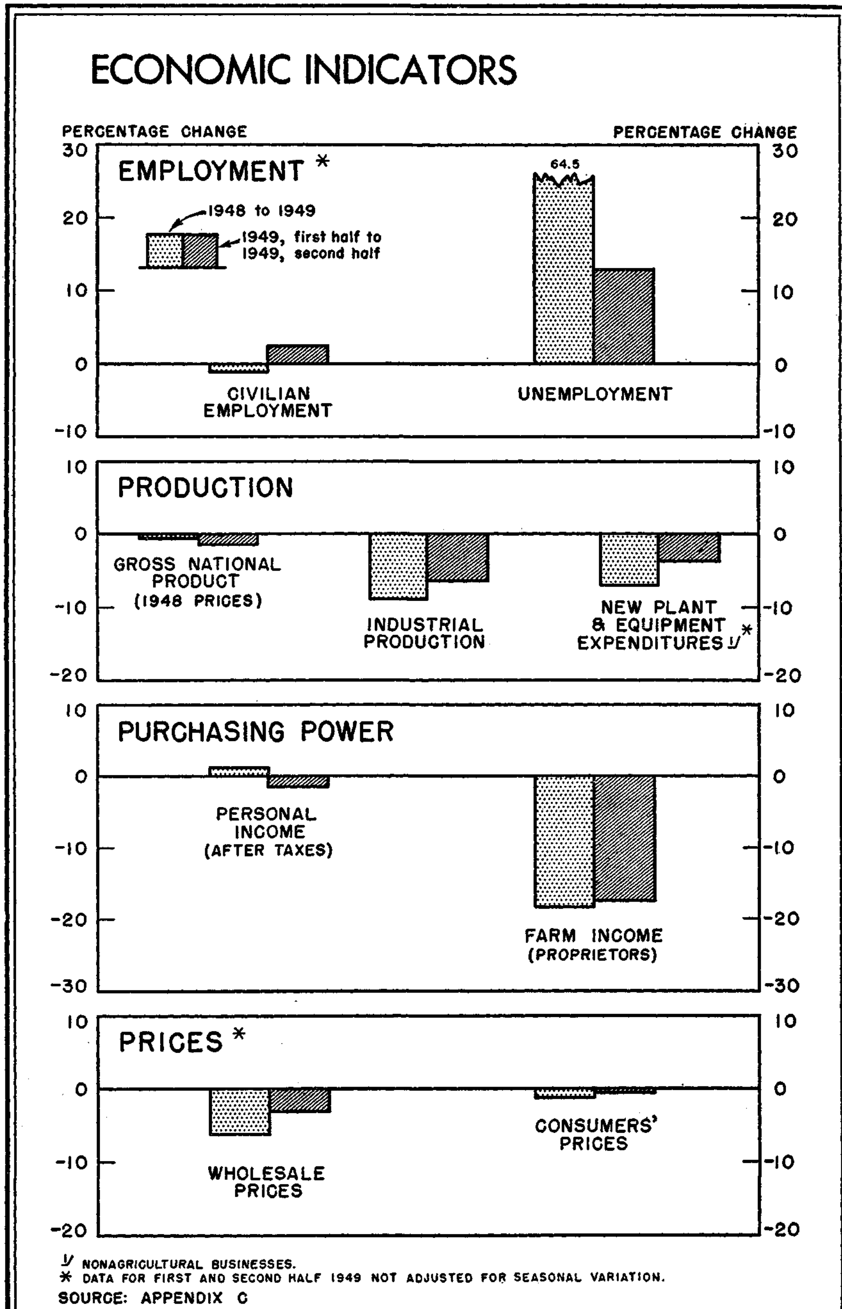
Manufacturing employment fell from an average of 15.3 million in 1948 to an average of 14.2 million in 1949. The decline from the September 1948 peak was steady until midsummer, when it was halted and reversed. The drop during the first half of the year was most notable in durable lines, although textiles also dropped significantly. Certain manufacturing segments, such as automobiles, aircraft, printing, and apparel, remained at high employment levels throughout 1949. Employment also continued at high levels in construction, trade, finance, and services. Government employment increased, largely in State and local government. There were significant decreases in mining and railroad transportation.

Particularly noteworthy during the latter half of 1949 was the improving employment situation in industries manufacturing nondurable goods. By the year's end, total nonagricultural employment was 2.1 million higher than in May.

Employment in agriculture averaged slightly higher in 1949 than in 1948, but in December 1949 the number of farm workers was about 600 thousand less than in December 1948.

The number of employed persons tells only part of the employment story, since the number of hours worked is also important. For all employed nonagricultural workers, the hours worked averaged about half an hour a

CHART 1


ECONOMIC INDICATORS
PERCENTAGE CHANGE
PERCENTAGE CHANGE
30
20
10
0
-10
EMPLOYMENT *
1948 to 1949
1949, first half to 1949, second half
64.5
CIVILIAN EMPLOYMENT
UNEMPLOYMENT
10
0
-10
-20
PRODUCTION
GROSS NATIONAL PRODUCT (1948 PRICES)
INDUSTRIAL PRODUCTION
NEW PLANT & EQUIPMENT EXPENDITURES 1/ *
10
0
-10
-20
-30
PURCHASING POWER
PERSONAL INCOME (AFTER TAXES)
FARM INCOME (PROPRIETORS)
10
0
-10
-20
PRICES *
WHOLESALE PRICES
CONSUMERS' PRICES
1/ NONAGRICULTURAL BUSINESSES.
* DATA FOR FIRST AND SECOND HALF 1949 NOT ADJUSTED FOR SEASONAL VARIATION.
SOURCE: APPENDIX C

week less in 1949 than in 1948. Relating the total number of persons employed to the average weekly hours of work indicates that total man-hours on the job in 1949 were some 2 percent lower than in 1948.

Part of this decline in working time was a result of the sizable increase in involuntary part-time work caused by the decline in production. In September 1948, less than 1.4 million workers were working part time because of work slack, inability to obtain full-time work, and job turn-over. The number had risen to nearly 2.5 million by May 1949, increased slightly during the summer, but probably declined somewhat in the fall and early winter.

As manufacturing activity declined, the number of jobless rose from a low of 1.6 million in October 1948 to 4.1 million at the high in July 1949. There was an average of 3.5 million persons unemployed during the fourth quarter of 1949, compared with 1.8 million during the last quarter of 1948. Virtually every important manufacturing area in the country experienced some increased unemployment in 1949; New England, with its heavy concentration of textile, leather, and machinery factories, was the most severely affected. In Rhode Island, as many as 20 percent of the workers covered by the State unemployment insurance laws were drawing benefits at midyear. In other States in this region, the ratio of insured unemployment at its peak ranged between 10 and 12 percent. Other States which had a relatively high incidence of unemployment were New York, New Jersey, Maryland, the Carolinas, Kentucky, Tennessee, Alabama, Illinois, and California.

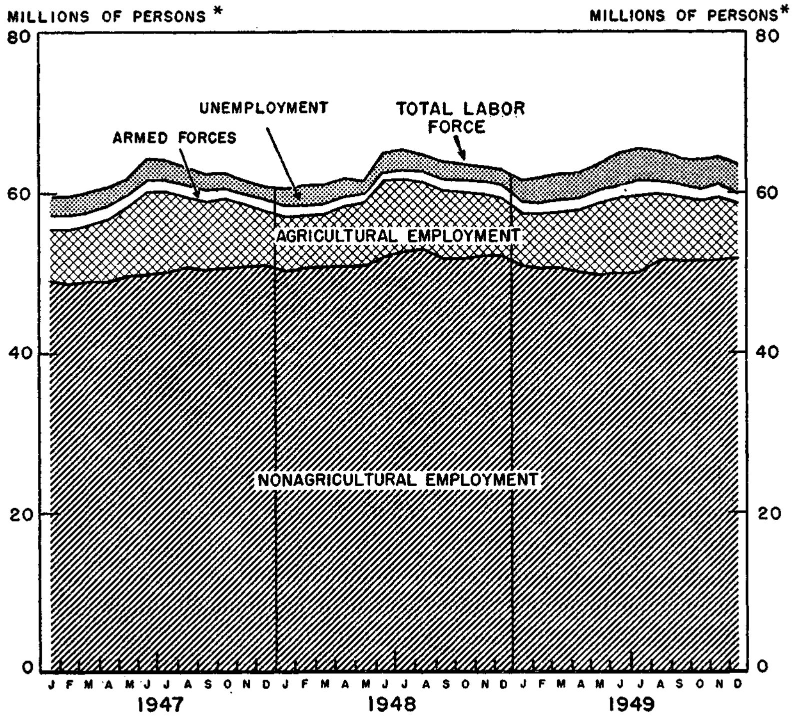
Unemployment represented 12 percent or more of the labor force in 12 major labor market areas out of the 100 reporting in December 1949. In addition, there were numerous smaller areas where unemployment was relatively as serious. These areas included textile and leather centers in New England, coal and copper mining areas in Pennsylvania, Illinois, Indiana, Michigan, and Alabama, and metal-working centers in New England and Michigan. Because of the nature of the industries affected, unemployment rose somewhat more sharply among men than among women. In the fall of 1948, 27 out of every thousand men in the labor force were unemployed, contrasted with 33 out of every thousand women. In the fall of 1949, the ratios were 54 per thousand men and 58 per thousand women.

For the whole of 1949 there was an average of 3.4 million persons unemployed or over 5 percent of the labor force, compared with an average in 1948 of 2.1 million or over 3 percent of the labor force. Since July, after allowing for the adverse effects of the strikes, there has been a more-than-seasonal decline in unemployment. During the latter part of the year unemployment receded in virtually all major labor market areas. In December 1949 there were just under 3.5 million persons unemployed, compared with 4.1 million in July.

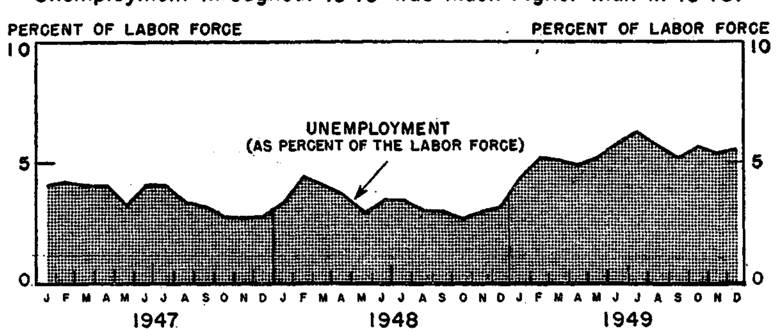
CHART 2

LABOR FORCE

The labor force increased by about 800,000 from 1948 to 1949 and civilian employment dropped about 700,000.



Unemployment throughout 1949 was much higher than in 1948.



* 14 YEARS OF AGE AND OVER.

SOURCE: DEPARTMENT OF COMMERCE.

There has been a rapid rise during the year in the number of unemployed workers exhausting their rights to unemployment benefits. During the third quarter of 1949 more than 500 thousand persons exhausted their rights to further benefits before finding employment, while in the comparable quarter of 1948 this was true of only about 225 thousand persons. In a considerable number of the major labor market areas as many as 60 to 70 percent of the unemployed are not now eligible for unemployment compensation, compared with about 35 percent nationally. (Statistics on employment are shown in appendix tables C–9 and C–10.)

Production

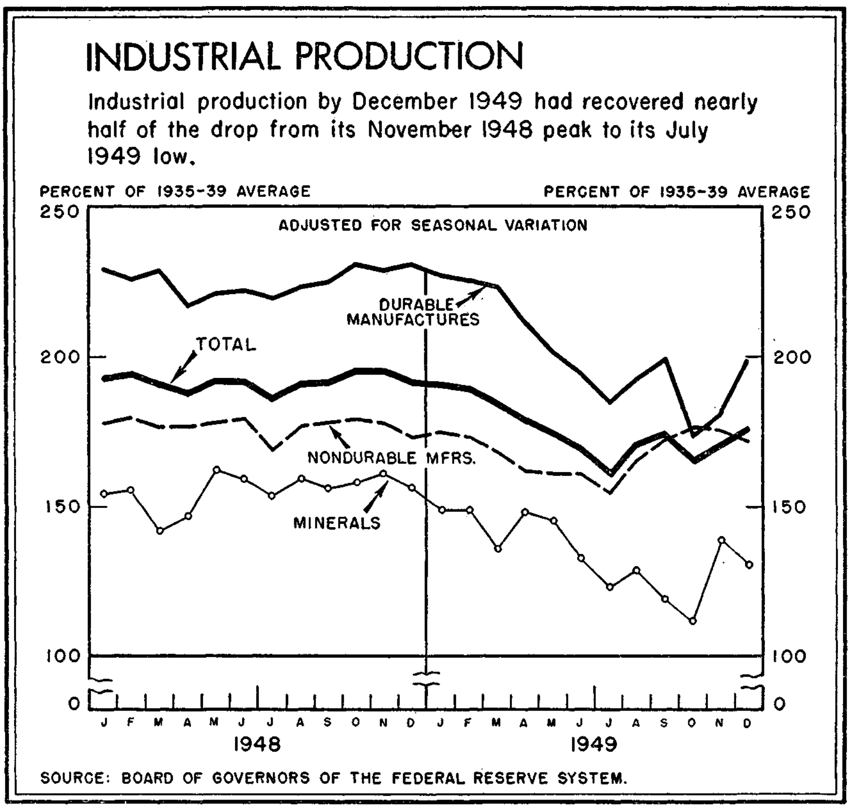
In January 1949, an increase in the total production of goods and services of 3 to 4 percent, or 8 to 10 billion dollars measured in 1948 prices, was set as a reasonable objective for the year. This production goal was not accomplished. The dollar value of all goods and services produced (the gross national product) was estimated at 262.4 billion dollars in 1948 and at 258.7 billion in 1949, a drop of about 1.5 percent. This drop in dollar value was due in part to lower prices and in part to a drop in real output. The gross national product estimates, together with statistics on the physical output of goods, indicate that the total production of goods and services dropped about 1 percent from 1948 to 1949. Thus we fell 4 to 5 percent below the goal set at the beginning of the year, a deficiency of 10 to 13 billion dollars. Moreover, since output in the second half of 1949 was less than in the first half, the deficiency widened during the year. (See appendix table C–1.)

The physical goods component of total output in 1949 was about 5 percent below the level of 1948. (See appendix table C–14.) Industrial production dropped 8.8 percent, and agricultural output fell 1.4 percent. Construction increased 4.6 percent and the output of electricity and gas rose 1.6 percent. The Department of Commerce estimates of changes in personal consumption expenditures from 1948 to 1949 suggest that there was some increase in the output of service industries. Evidently the drop in output of goods in 1949 was almost offset by an increase in services.

The 1.4 percent drop in agricultural output represented a decline of about 4 percent in the production of crops and an increase of about 5 percent in the output of meat and animal products. The production of wheat and of feed grains continued at very high levels, although falling a little below 1948. Larger plantings caused cotton production to increase in spite of a drop in yield per acre. Food supplies available to the American public continue ample compared with those of most previous years.

The index of industrial production reached a peak of 195 percent of the 1935–39 average in October and November 1948, and then fell rather steadily until it reached a low of 161 in July 1949. This represented a drop of 17 percent from the peak. The greatest rate of decline was in durable goods and minerals, production of which fell 20 percent and 24

CHART 3



percent, respectively, while the output of nondurables fell only 14 percent. (See appendix table C–15.)

Since July the trend of industrial production has been reversed and a considerable recovery has occurred. After the low of 161 in July, the index of industrial production recovered substantially in August and September, dropped temporarily in October because of the coal and steel stoppages, and recovered further in the last two months of the year, reaching 176 in December. The December figure was 9 percent above the midsummer low, but still 10 percent below the peak of October and November 1948. The recovery in industrial production has been greater in the nondurable goods industries, the output of which rose 12 percent, than in the output of durable goods industries, the output of which increased only 8 percent. (See chart 3.)

Thus, in the closing months of 1949, industrial output was rising, although it was still considerably below the peak level attained in 1948. Construction and the output of gas and electricity were above 1948 levels, and agricultural output was only slightly below the 1948 record.

Prices

Price movements during 1949 paralleled the course of total economic activity. A general but moderate decline in prices during the first half of the year was followed by relative stability in the second half. The abatement of the postwar inflationary boom did not bring with it an accelerating decline in prices.

Wholesale prices. Wholesale prices by the end of 1949 had declined 6.9 percent from their level of a year earlier and were 11.0 percent below their August 1948 postwar peak. The largest drops were in wholesale farm and food prices, while industrial prices fell least. (See chart 4 and table 1.) The bulk of the drop was during the first half of the year. During the second half, the slight further drop was accounted for mainly by wholesale farm and food prices while industrial prices levelled off.

Wholesale prices of farm products and prices received by farmers both fell about 12 percent during 1949, and ended the year more than 20 percent below their peak of January 1948. Prices paid by farmers decreased only about 3 percent during the year, and the ratio of prices received to prices paid fell to 98 percent of parity in December, compared with 108 a year before. This was the first time since 1941 that the parity ratio had stood below 100. (See appendix table C–23.)

Downward pressure on farm prices was exerted by the continuing high level of crop production, which brought some surpluses. The decline continued in the second half of the year, when marketings of hogs and of eggs and poultry increased markedly. The demand for the better grades of beef cattle continued strong, and while the drop in hog prices was sharp, marketing was orderly and support was not required. Grain prices were quite firm at the end of the year.

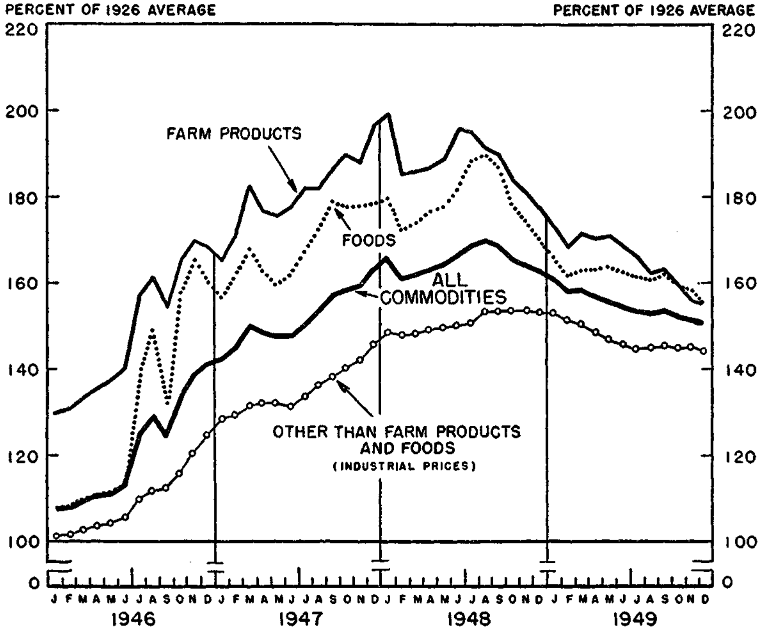
Wholesale food prices during the year declined 8.5 percent and at the end of the year were 18.0 percent below their 1948 peak level. Following a considerable decline early in the year, wholesale food prices were quite stable through the third quarter. Subsequently, under the pressure of seasonal increases in supply, food prices began to decline again. Noteworthy, however, was the strength of certain imported commodities, with coffee, cocoa, and pepper reflecting in part speculative expectations about the future size of the crops.

Industrial prices declined during the first half of the year and then levelled off. During the year, industrial prices declined 5.0 percent and ended 5.3 percent below the 1948 peak level. The weakness in industrial prices during the first half year reflected the process of inventory liquidation which was a major economic development during that period. The greatest pressure was on the prices of industrial materials, because manufacturers' inventories of such materials were reduced first and

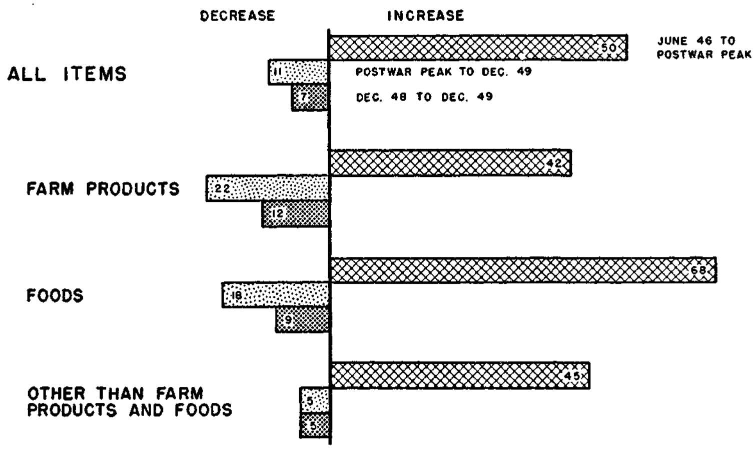
CHART 4

WHOLESALE PRICES

Industrial prices, after a moderate decline in the first 6 months, stabilized in the second half of the year. The trend of farm prices was downward. Wholesale food prices after little change for most of the period dropped in the last quarter.



PERCENTAGE CHANGES



SOURCE: DEPARTMENT OF LABOR

most sharply. (See appendix table C–19.) The downward movement embraced most categories, with notable exceptions, including the steel and automobile groups.

TABLE 1.—*Changes in wholesale prices*

Commodity group	Percentage change		
	December 1948 to June 1949	June 1949 to December 1949 [1]	December 1948 to December 1949 [1]
All commodities	−4.9	−2.1	−6.9
Farm products	−4.8	−8.1	−12.5
Foods	−4.6	−4.1	−8.5
Other than farm products and foods	−4.9	−.1	−5.0
Hides and leather products	−3.5	+.8	−2.8
Textile products	−5.1	−.6	−5.7
Fuel and lighting materials	−5.3	+.1	−5.2
Metals and metal products	−3.6	−.1	−3.7
Building materials	−5.3	−.7	−6.0
Chemicals and allied products	−10.9	−1.0	−11.8
Housefurnishing goods	−2.2	−.3	−2.5
Miscellaneous	−6.3	+.4	−6.0
Special groups:			
Raw materials	−4.5	[2] −2.5	[2] −6.9
Semimanufactured articles	−8.9	[2] −1.0	[2] −9.8
Manufactured products	−4.4	[2] −1.7	[2] −6.0

[1] Percentage changes based on preliminary estimates for December 1949, except as noted.
[2] Change from December 1948 to November 1949.

Source: Department of Labor (see appendix table C–22.)

By July the major wave of industrial price cuts was over. During the third quarter, there was a considerable firming up in the prices of many industrial materials, particularly those which had suffered the greatest decline during the first half of the year. Thus, there were increases in the prices of cotton and rayon textiles, steel scrap, the nonferrous metals, lumber, and other commodities.

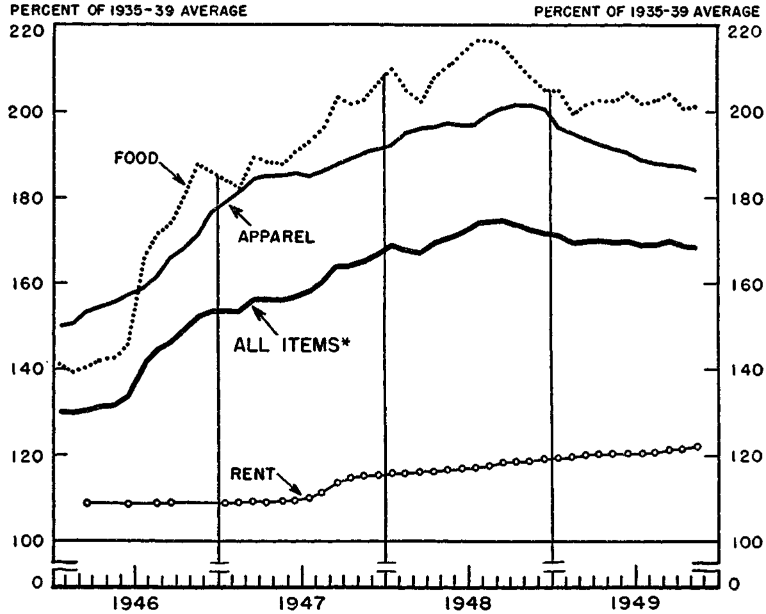
While the firmness of the industrial price level continued into the fourth quarter, there were a number of divergent trends. Copper and zinc continued strong while lead weakened again. Lead prices were under the pressure of foreign competition. Tin prices were dropping as they were freed to find their level in the open market and supplies were increasing. Lumber prices continued to reflect the high level of construction. Late in 1949 steel prices were advanced. Most finished goods prices continued stable but increases were recorded for tires and tubes, carpets, sheets, and some others. (Data on wholesale prices may be found in appendix table C–22.)

Consumers' prices. Consumers' prices were firm during most of 1949. The decline which began in October 1948 continued steadily until February 1949. From then until November consumers' prices moved within a relatively narrow range. In November the consumers' price index was 168.6, less than 2 percent below the level of 171.4 reached in December 1948, and about 3 percent below their postwar peak of 174.5. (See chart 5 and table 2.) Preliminary indications are that consumers' prices declined in December.

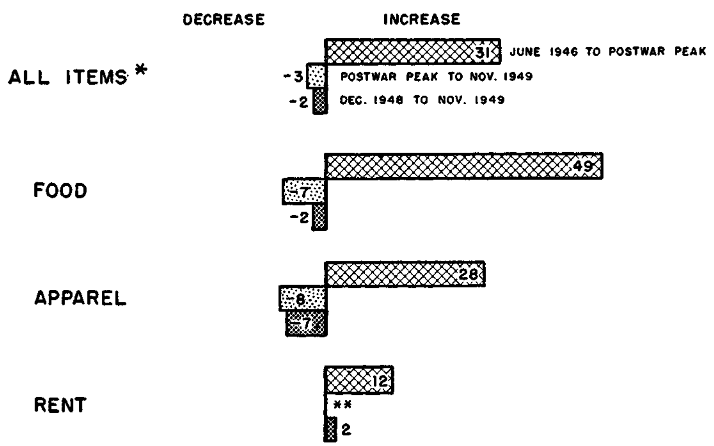
CHART 5

CONSUMERS' PRICES

For most of the year, consumers' prices fluctuated within a relatively narrow range primarily because of the movements in food prices. Apparel prices declined steadily while rents continued to rise.



PERCENTAGE CHANGES



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

** NOVEMBER 1949 IS POSTWAR PEAK.

SOURCE: DEPARTMENT OF LABOR

The course of consumers' prices throughout the year was dominated by the behavior of retail food prices, which had been declining steadily since July 1948 and reached an initial low point in February 1949. From then until June, retail food prices moved up again. A minor dip occurred in July, but by September there was a return almost to the June level. In November retail food prices were 2 percent below the level of December 1948. The drop from their postwar peak was about 7 percent, less than half that in wholesale food prices.

Apparel prices declined steadily, and housefurnishings declined for most of the year. Fuel prices recovered from the midyear decline. The miscellaneous items in the consumers' price index increased during the year and rents moved continuously upward. (See appendix table C–21 for more detail on consumers' prices.)

TABLE 2.—*Changes in consumers' prices*

Commodity group	Percentage change		
	December 1948 to June 1949	June 1949 to November 1949	December 1948 to November 1949
All items	−1.1	−.6	−1.6
Food	−.3	−1.7	−2.0
Apparel	−5.0	−2.1	−7.0
Rent	+.9	+1.2	+2.1
Fuel, electricity, and refrigeration	−1.6	+2.6	+.9
Housefurnishings	−5.7	−1.0	−6.6
Miscellaneous	+.1	+.5	+.6

Source: Department of Labor (see appendix table C–21).

Wages and related matters

Wages. In the face of some decline in the cost of living and a slackening in employment, demand, and profits in many industries, the pressure for wage increases, which had been general during the first three postwar years, became less urgent and more selective in 1949. A substantial number of organized workers obtained wage increases, but the increases were far fewer and somewhat smaller in amount than in previous years. With the labor market easing off, and with the union drive for higher wage rates slackening, nonunion and clerical workers in private industry apparently also received smaller increases than in previous years.

It is estimated that general wage rate increases negotiated in 1949 affected about one-third of the 15 million organized workers, while in 1948 a large majority of them received wage increases. The number of nonunion workers receiving wage increases in 1949 is not known, but it doubtless was well below previous postwar years. There was no general wage pattern in 1949. In fact, the industries where wage increases were common in 1949 were not pattern setters, and in many instances had not been pattern followers in former years. Federal legislation raised the salaries of some 3 million United States Government workers, including those in the armed services.

For the first time in the past decade, some organized workers were called upon to accept wage cuts. In the main, however, the wage decreases for unionized workers resulted from agreements tying wage rates to small changes in the consumers' price index. There were a few instances of union locals agreeing to a general cut in wage rates. Wage cuts were apparently more frequent among nonunion establishments.

Salaries, wages, and other labor income increased from 135.1 billion dollars in 1948 to 136.8 billion in 1949. Average weekly earnings in manufacturing increased from $54.14 to $54.78. Since the consumers' price index went down 1.6 percent, the real income of employed wage and salary workers appears to have increased slightly more than is indicated by the change in money income. (See appendix tables C–11, C–12, and C–13 for detail on hours and earnings.)

Pensions, insurance, and other supplementary benefits. One of the outstanding developments in 1949 was the growth of pension and social insurance plans financed in whole or in part by employers. Although an estimate of the number of workers securing additional benefits in 1949 under established plans or acquiring coverage for the first time is not presently available, it appears likely that it will be substantially more than 1 million. In many instances the change in established plans amounted to a small concession to unions seeking greater gains, but in other instances the changes represented an important long-run charge upon industry. Most of the recently negotiated plans are tied to the social security program, so that the costs involved in the private plans will decline if benefits under the Government program are increased.

Other supplementary benefits appeared in most of the year's settlements. Only a minority failed to provide either a wage increase or some fringe benefit, sometimes of significant size.

Commitments to establish company-financed pension and insurance plans and the adoption of a higher Federal minimum wage to take effect in January 1950, have substantially increased potential expenditures for labor.

Work stoppages. The number of work stoppages was about the same as in 1948. The two most important were those in the coal and steel industries which affected about 800 thousand workers and accounted for half of the man-days lost through work stoppages. As a result, man-days of idleness were 50 percent higher than in 1948. By the year's end, the steel shut-down was over and steel output was above 93 percent of capacity. The issues involved in the coal stoppage were still largely unsettled although the miners had returned to work on a 3-day-week basis.

Profits

The moderate decline in economic activity and in prices which marked 1949 was accompanied, as was only to be expected, by a sharper drop in profits. As conventionally measured, corporate profits before and after taxes averaged more than 20 percent below their 1948 levels, while the gross national product dropped less than 2 percent and wholesale prices less than 7 percent.

Corporate profits before taxes (not adjusted for inventory valuation) for 1949 are estimated at 27.6 billion dollars, compared with the 1948 level of 34.8 billion.

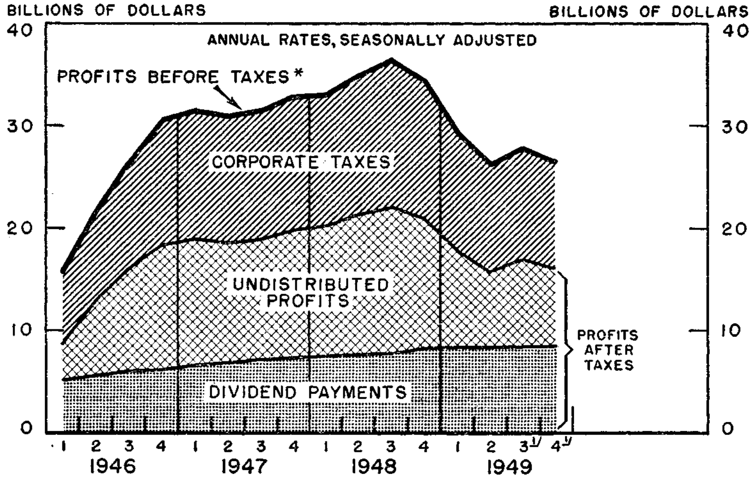
Corporate profits declined sharply during the first half of the year, and by the second quarter were at an annual rate of 26.4 billion dollars before taxes. During the third quarter, profits before taxes were at an annual rate of 28.0 billion dollars. The rebound in manufacturing activity and the peak rate of automobile output were mainly responsible for this increase. Largely because of the work stoppages, however, profits before taxes fell to an estimated annual rate of 26.5 billion in the fourth quarter. (See chart 6.)

Corporate profits after taxes in 1949 are estimated at 16.7 billion dollars, compared with 21.2 billion in 1948. The 1949 return represented over 4 percent on sales and over 8 percent on net worth, compared with about 5 percent and 11 percent, respectively, in 1948.

CHART 6

CORPORATE PROFITS

Corporate profits during the 1st half of 1949 showed a considerable decline reflecting the drop in prices and production. The trend of profits was upward in the second half of the year, interrupted by work stoppages. Dividends continued to rise.



* NO ALLOWANCE FOR INVENTORY VALUATION ADJUSTMENT.

[1] PRELIMINARY ESTIMATES BY COUNCIL OF ECONOMIC ADVISERS; BASED ON INCOMPLETE DATA.

SOURCE: DEPARTMENT OF COMMERCE (EXCEPT AS NOTED)

The drop in net farm income also was substantial. Net farm income before taxes (including value of physical changes in inventories) is estimated at 15.0 billion dollars for 1949, a drop of more than 18 percent from the 1948 level of 18.4 billion. The most stable element in profits was the income of unincorporated business and the professions. For this group, net income before taxes (not adjusted for inventory valuation) is estimated at about 23.4 billion dollars, a decline of 6 percent from the 1948 level of 24.9 billion. (See appendix table C-4.)

The conventional measures of business profits during the past four years have been complicated by the changes in the price level and by the effect of these changes upon the value placed upon inventories. Prior to the last quarter of 1948 the price level was constantly rising. Since then it has been falling. When inventories are sold and replaced at higher prices, part of the profits reported by business are locked up in the higher costs of the inventory and are therefore unavailable for other purposes. In periods when inventories are replaced at lower prices, funds are released, thus increasing the availability of funds to business beyond that indicated by the current reports on profits. Thus, the conventional measure of profits leaves uncertain the availability of such profits for investment in new plant and equipment, and for the payment of dividends.

For the years 1946 to 1948, when prices were rising, the added cost of replacing inventories relative to the profits reported by corporations was as shown in table 3. During 1949, when prices fell, the costs of replacing inventories were correspondingly reduced. The reduction in cost of replacing inventories during 1949 is estimated at 2.7 billion dollars, in contrast to an increase of 2.2 billion in 1948.

TABLE 3.—*Corporate profits and costs of replacing inventories*

[Billions of dollars]

Period	Corporate profits before taxes	Corporate profits after taxes	Changes in costs of replacing inventories [1]
1946	23.6	13.9	+5.2
1947	31.6	19.1	+6.0
1948	34.8	21.2	+2.2
1949 [2]	27.6	16.7	−2.7

[1] Inventory valuation adjustment with signs reversed. See appendix table C-4.
[2] Estimates based on incomplete data; first half by Department of Commerce and second half by Council of Economic Advisers.

Sources: Department of Commerce (except as noted).

This resulted in a net shift of 4.9 billion dollars in the cost of replacing inventories, compared with 1948. Hence, although corporate profits after taxes fell 4.5 billion dollars, the funds internally available for new plant and equipment and for the payment of dividends were somewhat more in 1949 than in 1948. There was no longer need for working capital to absorb an increasing value placed on goods in inventory, a factor which had been responsible for much of the increase in bank credit required by business in earlier years. Coupled with the liquidation of inventories which marked the recession in the first half of the year, this made funds available which permitted corporate managers to reduce bank borrowings and to increase dividends, while maintaining new investment in plant and equipment at a high level. (Detailed statistics on profits may be found in appendix tables C–4, and C–29 to C–34.)

Money and Credit

The four important features in the field of money and credit in 1949 were the relaxation of credit restrictions, the usual heavy draft upon the supply of money incident to the payment of Federal taxes in the first quarter of the year, the resumption of private credit expansion during the latter part of the year, and the beginning of a period of deficit financing and public debt enlargement.

The decline in business loans during the first half of the year did not reflect any real credit tightness. Most business firms were comfortable in their financial situation. The volume of business, even while the recessionary movement was under way, was sufficiently large and profitable for business loans to be paid off when declining inventories released a part of the working capital invested therein. In the first 7 months of the year, business loans of the leading city banks declined 17 percent reaching 12.9 billion dollars at the end of July.

Before the end of the third quarter, the downward trend of business loans was reversed. Expanding business activity again created a demand for working capital, and the movement continued to the end of the year, when the business loans of leading city banks were 13.9 billion dollars, compared with 15.6 billion a year earlier. The business loans and other loans of country banks were never affected in the same degree. Total loans of all commercial banks in the United States continued at a higher level in every month in 1949 than in the corresponding month of 1948. However, the course was very different in the two years. In 1948, bank loans were rising steadily throughout the year, reaching the postwar peak in December. In 1949, there was a slight decline in bank loans until July. There then began an expansion which gained a higher level in each succeeding month.

In the first quarter of the year, automobile instalment credit increased moderately while other kinds of instalment credit declined markedly. Regulations affecting instalment credit terms were then relaxed and the volume of instalment credit resumed its advance at about the previous postwar rate. In the third quarter, with the expiration of controls, the growth of instalment credit was accelerated. By the end of the year automobile instalment credit outstanding had increased over 60 percent from the end of 1948.

The Federal Reserve System contributed to the general easing of credit terms during the year by a number of actions including several reductions in reserve requirements. Although business loans continued to diminish as business requirements contracted, Federal Reserve action helped to avoid any general pressure for credit liquidation and improved the foundation for the expansion of business which occurred later in the year. There was also some easing in the terms and availability of credit to private borrowers and to State and local governments. Both long- and short-term interest rates declined during the year. One important observable result of the reduction of reserve requirements was an enlargement of bank holdings of Government securities, with a corresponding expansion in bank liquidity positions.

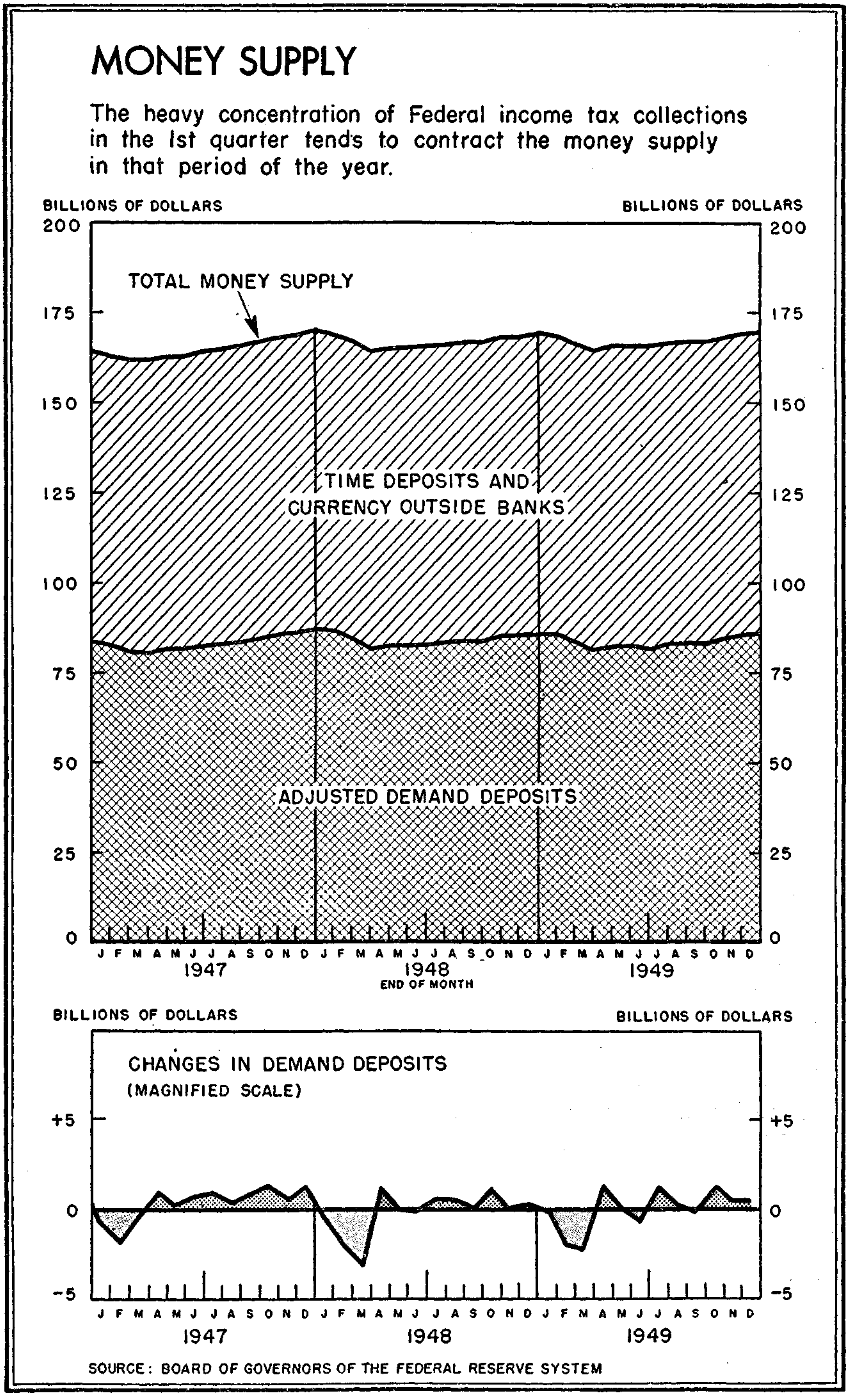
Since income tax payments are so much higher than before the war, the heavy concentration of Federal tax payments within the winter months has the effect of causing a sharp decline in bank deposits during the first quarter of each year. Although this decline is often anticipated in part by a preceding accumulation of deposits, the concentrated drain within a short period reduces buying power.

Demand bank deposits, the largest element in the money supply, declined 2.9 billion dollars from the end of December 1946 to the end of March 1947. In 1948, the decline in the first quarter was 5.6 billion dollars, and in the first quarter of 1949 it was 4.4 billion. These declines are closely related to the payment of Federal taxes within this period, when a heavily disproportionate part of the personal and corporate income taxes of each year are paid notwithstanding the shift to the withholding plan affecting most individual income taxpayers. The interruptions in the march of strong and inflationary forces in early 1947 and early 1948, and the progress of the recessionary movement in the first half of 1949, were not unrelated to this seasonal reduction in the money supply. (See chart 7.)

In April 1949, the gross national debt was reduced to 251.6 billion dollars by use of the Treasury surplus of the preceding 3 months. Federal expenditures exceeded receipts in every succeeding month except June, September, and December, when quarterly income tax payments created surpluses. The gross Government debt increased each month, reaching about 257 billion dollars by the end of the year.

In 1949, the monetary and fiscal policies adopted since the beginning of the war again permitted the Treasury to secure funds without causing a tightening of the money market or a restriction of credit. On the contrary, there developed a movement to lower interest rates which was exhibited in a market demand for Government securities so strong that the Open Market Committee of the Federal Reserve System felt that it should exert less pressure against a rise in the market price. Its statement on June 28, 1949, that its open market operations in buying and selling Government securities would permit greater freedom to the market was followed by a substantial rise in bond prices and by an increased

CHART 7


MONEY SUPPLY
The heavy concentration of Federal income tax collections in the 1st quarter tends to contract the money supply in that period of the year.
BILLIONS OF DOLLARS
BILLIONS OF DOLLARS
200
175
150
125
100
75
50
25
0
TOTAL MONEY SUPPLY
TIME DEPOSITS AND CURRENCY OUTSIDE BANKS
ADJUSTED DEMAND DEPOSITS
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1947
1948
1949
END OF MONTH
BILLIONS OF DOLLARS
BILLIONS OF DOLLARS
CHANGES IN DEMAND DEPOSITS
(MAGNIFIED SCALE)
+5
0
-5
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1947
1948
1949
SOURCE: BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

market demand for short-term securities. Yields were driven down so low that the Committee directed sales by the Federal Reserve Banks of large amounts of short-term issues in order to provide a means for investment of some of the excess reserves and thereby avoid disorderly money-market conditions. During the second half of the year, yields on long-term bonds continued at close to the lowest levels of the postwar period, while short-term rates rose somewhat from the low level reached in July. (Statistics on money, banking, and credit are given in appendix tables C–24 to C–28).

The Flow of Goods and Purchasing Power

Consumer income, spending, and saving

For 1949 as a whole, consumer income (personal income before taxes) and expenditures were about equal to the levels of 1948. Such income in each year totaled about 212 billion dollars, and expenditures were about 179 billion. Since income taxes were lower, income at the disposal of consumers increased slightly, and the rate of saving went up correspondingly.

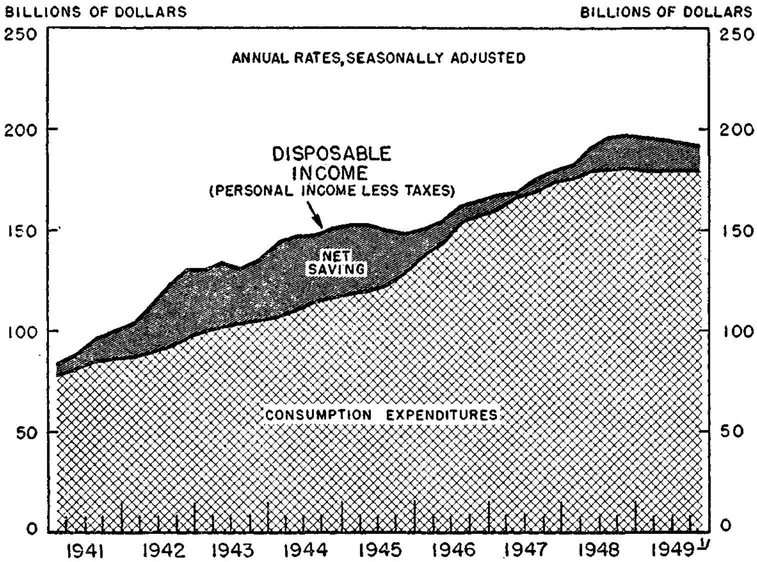
Peak rates of disposable income (income after taxes) were reached late in 1948, and personal saving reached a peak early in 1949. Disposable income in 1949 was 192.9 billion dollars, compared with 190.8 billion in 1948. But the trend of disposable income in 1949 was downward, falling in every quarter. (See chart 8.) It reached an annual rate of 191.1 billion in the fourth quarter. This was in marked contrast to the 1948 trend, when disposable income rose in each quarter. Personal saving declined from the exceptionally high rate of 16.3 billion dollars or 8.4 percent of disposable income in the first quarter of 1949 to 13.1 billion or 6.9 percent of disposable income in the fourth quarter. This decline resulted from declines in income coupled with remarkable stability in total consumption expenditures. (Appendix B and appendix tables C–2, C–5, C–6, C–7, and C–8 provide statistics on consumer income, spending, and saving.)

Major components of personal income. The major impact of the decline in business activity was registered principally in lower incomes of corporate business, rather than in personal incomes. During the first half of 1949 total compensation of employees dropped, but has since then remained firm despite work stoppages. Business and professional income was fairly constant in 1949 after a small initial drop from the fourth quarter of 1948. Farm income, on the other hand, dropped substantially throughout 1949. Cash farm incomes from marketings fell from 30.5 billion dollars in 1948 to 27.7 billion in 1949. Net farm income after expenses fell more than total income because farm expenses remained high, and inventories increased less than in 1948. The minor components of income (rents, dividends, and interest) remained nearly stable throughout last year or increased slightly.

CHART 8

CONSUMER INCOME, SPENDING, AND SAVING

Although postwar peaks of disposable income and expenditures were reached late in 1948, the crest in personal saving was not attained until the first part of 1949. Income and saving dropped during 1949, while expenditures remained almost stable.



[1] FOURTH QUARTER ESTIMATES BY COUNCIL OF ECONOMIC ADVISERS; BASED ON INCOMPLETE DATA.

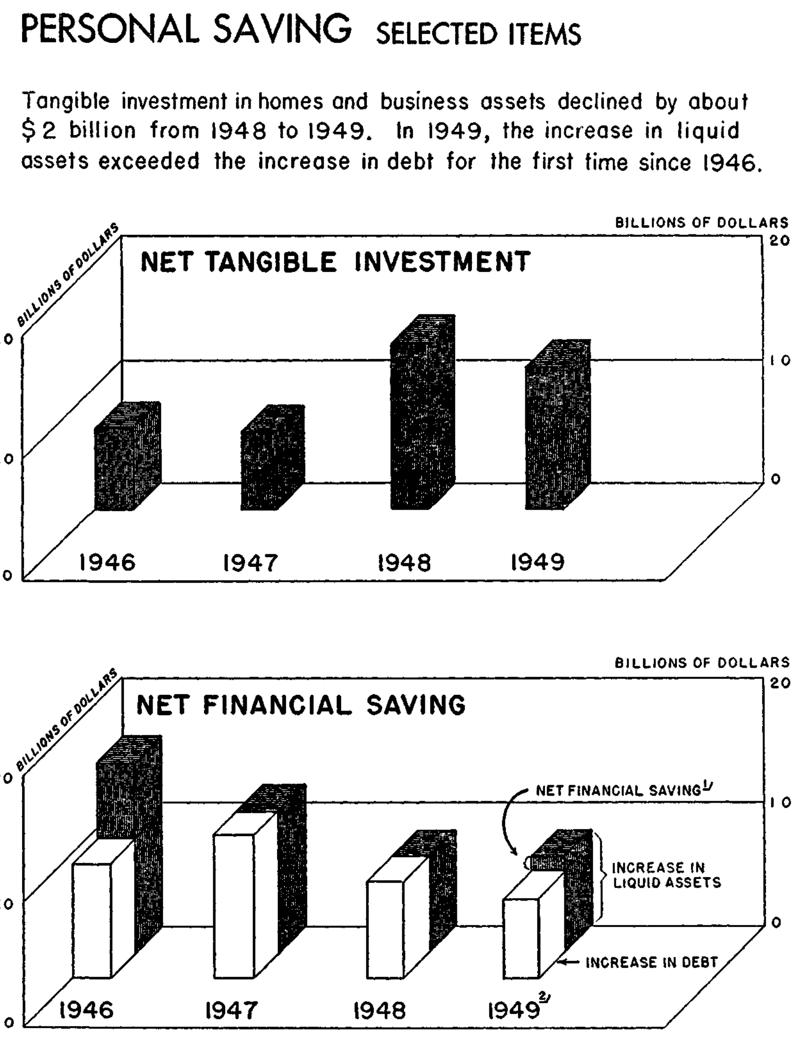
SOURCE: DEPARTMENT OF COMMERCE (EXCEPT AS NOTED)

Consumer expenditures. Consumer expenditures were fairly stable throughout 1949 at an annual rate between 178 and 179 billion dollars. This level was equal to that for 1948 as a whole, but about 2 billion dollars below that of the second half of that year. Throughout 1949 there was a noticeable change in the composition of expenditures, with an increased proportion going to services and durable goods.

Heavy purchase of durable goods in 1949 was due largely to the greater availability of automobiles, for which there was a substantial excess demand at the beginning of the year. Automobile instalment credit outstanding expanded rapidly starting in March, and other instalment credit also increased. Moderate drops in the prices of foods and apparel helped to sustain volume in nondurable lines. While department store sales were about 5 percent below the dollar volume of 1948, unit volume was probably maintained through price reductions, promotions, and sales of lower-priced merchandise. (See appendix table C–20.)

Service expenditures continued to increase in 1949. Housing services increased as a result of higher actual and imputed rental values, and an increased total supply of residential units. Rents and utility costs were both significantly above 1948, offsetting to a considerable extent declines in other consumer prices. A variety of miscellaneous service charges, such as interest on consumer debt, also rose, pushing total expenditure for services up significantly.

CHART 9



1/ NET FINANCIAL SAVING EQUALS THE INCREASE IN LIQUID ASSETS MINUS THE INCREASE IN DEBT.
2/ ESTIMATES BY COUNCIL OF ECONOMIC ADVISERS; BASED ON INCOMPLETE DATA.
SOURCES: DEPARTMENT OF COMMERCE AND SECURITIES AND EXCHANGE COMMISSION (EXCEPT AS NOTED)

Net personal saving. Net personal saving (gross saving less increases in consumer credit and other forms of dissaving) in 1949 as a whole was 14.4 billion dollars, compared with 12.0 billion in 1948. However, it decreased throughout the year. The first quarter saving was at an annual rate of 16.3 billion dollars. By the fourth quarter it had fallen to 13.1 billion.

This net saving represented a much larger positive saving on the part of many families, offset in part by very substantial dissaving by other families. The main forms of dissaving are drawing down liquid assets and going into debt for durable consumer goods or family expenses. Personal saving includes both investment in tangible assets—such as homes, business and farm equipment—and liquid (or financial) saving. It does not include purchases of durable consumer goods, even though the purchasers of such goods may regard them as long-term capital assets. Personal saving includes not only what we ordinarily think of as consumer saving, but also the saving done by unincorporated businesses, farms, and nonprofit organizations.

In chart 9, showing all forms of personal saving, the tangible forms are shown in the top segment, and in the lower segment is shown the financial saving, which includes increases in liquid assets (such as currency and deposits in banks, bonds, and stocks) less net increases in debt.

TABLE 4.—*Components of personal saving* [1]

[Billions of dollars]

Item	1946	1947	1948
Increases in liquid assets	15.3	11.5	7.8
Currency, deposits, U. S. Government bonds, and saving and loan shares	11.6	6.5	1.4
Insurance reserves	3.4	3.7	3.5
Corporate and State and municipal securities	.3	1.4	2.9
Less: Increase in debt	9.2	11.6	7.9
Mortgage debt (residential)	3.2	4.1	4.1
Consumer debt	3.3	3.3	2.5
Business debt	2.6	4.2	1.4
Equals: Net financial saving	6.1	-.1	-.1
Plus: Net tangible investment	6.8	6.4	13.6
Personal business investment	4.3	1.8	7.0
Purchases of new homes	2.5	4.6	6.6
Less: Statistical discrepancy	2.6	1.2	1.6
Equals: Net personal saving	10.3	5.1	12.0

[1] See appendix table B-2—for sources and uses of personal funds.

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

Sources: Department of Commerce and Securities and Exchange Commission.

Since the war a large part of personal saving has consisted of investment in tangible assets. This accounted for the increase in saving between 1947 and 1948. As shown in table 4, investment in assets of unincorporated businesses and farms rose from 1.8 billion dollars in 1947 to 7.0 billion in 1948, while home purchases increased from 4.6 billion to 6.6 billion. These tangible types of saving were in fact so large in 1947 and 1948 that a substantial amount of business and mortgage debt was incurred in financing them. This increase in debt offset the rise in holdings of liquid assets, so that financial saving fell from 6.1 billion dollars in 1946 to negligible amounts in 1947 and 1948. (See chart 9.) Thus on balance personal saving in 1947 and 1948 was of a type which added directly to demand and inflationary pressures but supplied no funds to the rest of the economy.

TABLE 5.—*Tangible and financial saving,*[1] *1948–49*

[Billions of dollars, unadjusted for seasonal variation]

Period	Tangible saving	Net financial saving
1948—year	13.6	−0.1
First half	6.0	−1.2
Second half	7.8	1.0
1949—year	11.6	1.4
First half	5.1	1.7
Second half	6.5	−.3

[1] The total of estimated financial and tangible saving differs from net personal saving by the statistical discrepancy of $1.6 billion in 1948 and —$1.4 billion in 1949. See Table 4 above.

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

Sources: Department of Commerce and Securities and Exchange Commission.

In 1949, as shown in table 5, according to estimates based on rather incomplete data, tangible investment declined, while for the first time since 1946 there was a significant volume of net financial saving. Liquid assets continued to accumulate at about the 1948 rate, but the rise in debt was less rapid, particularly in the first part of the year.

Saving by income groups. While personal saving in 1949 was high by any previous peacetime standards, it is estimated that about one-third of all American families did not add to their savings, but instead spent more than their current incomes, either by drawing down their assets or by going into debt. Data for 1948 (the most recent available) show that the lowest two-fifths of the population, classified in terms of current income, as a whole spent more than their incomes. There was a substantial amount of dissaving by many families in all income brackets (as shown in appendix table B–5); however, in the lower two-fifths of the population amounts dissaved greatly exceeded positive saving. Moreover, there was a sharp upward trend in the amount of dissaving by the lower-income groups from 1945 through 1948.

A great part of dissaving in the past 3 years in both lower- and middle-income groups has been in the form of consumer credit obtained to purchase automobiles and other consumer durables. About 59 percent of the dissaving families reported purchases of durable goods in 1948, despite the fact that the families in the lowest-fifth income group as a whole spent 20 percent more than their income for nondurable goods and services. (See appendix table B–8.)

In the lower- and middle-income groups a large volume of saving is now contractual, in the form of mortgage-amortization payments, life-insurance premiums, and payments into retirement funds. Private insurance equities, which are the type of asset most commonly owned by all income groups, have increased by about 3.5 billion dollars each year for the last several years. Home improvements as well as home purchases were also important in 1947 and 1948.

TABLE 6.—*Net personal saving and net income of each fifth of the Nation's spending units* [1]

Spending units ranked by size of income	Percentage of net saving [1]					Percentage of net income, 1948
	1941	1945	1946	1947	1948	
Lowest fifth	−7	0	−8	−13	−24	4
Second fifth	0	6	3	1	−3	11
Third fifth	8	9	5	7	7	16
Fourth fifth	11	21	21	12	21	22
Highest fifth	88	64	79	93	99	47
All spending units	100	100	100	100	100	100

[1] For a definition of the spending unit and a distribution of positive and negative saving, see appendix B.

Sources: Department of Labor (1941) and Board of Governors of the Federal Reserve System (1945–48).

Table 6 shows that saving has been highly concentrated among the groups with the largest incomes. Much of the saving was in the form of increased holdings of corporate securities and tax-exempt State and municipal issues. Personal holdings of these assets, which are held almost exclusively by upper-income recipients and trusts, increased 2.9 billion dollars in 1948, as shown in table 4.

The ability of families in all income ranges to spend in excess of current income has been greatly increased by the liquidation of personal debts and mortgages and the acquisition of liquid assets, mainly bank deposits and Government bonds, that occurred during the war. The increase in the amount of negative saving, especially among lower-income groups, indicates that since the war large groups of the population have incurred substantial debt obligations and made inroads into liquid reserves. Total holdings of liquid assets by all individuals have continued to increase, although at a diminishing rate.

Business investment and finance

The decline in the gross national product which marked 1949 reflected primarily a decline in the level of gross private domestic investment. In 1949 gross private domestic investment amounted to an estimated 36.8 billion dollars, compared with an estimated 45.0 billion in 1948, a drop of 8.2 billion, or about 18 percent. The drop in the gross national product was only 3.7 billion dollars. Gross private investment last year was 14.2 percent of the gross national product, compared with 17.1 percent in 1948. (See appendix table C–1.)

Investment fell steadily in the first two quarters of the year, and after that showed little change. It is estimated that the rate in the final quarter represented about 13.7 percent of the gross national product, compared with 17.8 percent in the peak fourth quarter of 1948. The current ratio is somewhat below that characteristic of previous peacetime high levels of activity.

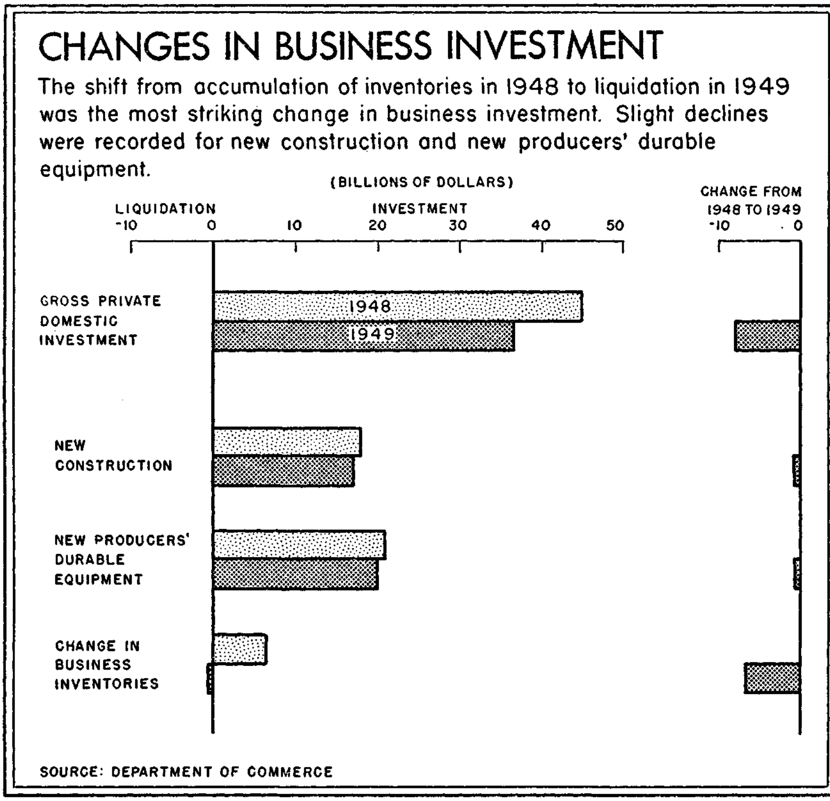
Of the three components of gross private domestic investment—construction, equipment, and inventory accumulation—it was mainly the shift from inventory accumulation to inventory liquidation which accounted for the fall in the total. Thus, on a seasonally adjusted basis the gross national product fell from its peak annual rate of about 270 billion dollars in the fourth quarter of 1948 to about 255 billion in the fourth quarter of 1949, a decline of 15 billion. During the same period, gross private domestic investment fell 13 billion dollars, or from an annual rate of 48 billion in the last quarter of 1948 to an annual rate of 35 billion dollars in the fourth quarter of 1949. The annual rate of inventory accumulation declined 10.5 billion dollars, from a rate of 9 billion dollars in the fourth quarter of 1948 to a liquidation of 1.5 billion dollars in the fourth quarter of 1949. The balance of the drop in gross private investment occurred in producers' durable equipment, which during the same period fell 3 billion dollars. Most of the drop in this component took place in the fourth quarter. Private new construction, which rose during the second half of the year, was running at a somewhat higher rate in the fourth quarter than a year earlier. (See chart 10.)

Plant and equipment. Total plant and equipment outlays declined 1.4 billion dollars, or almost 5 percent, in 1949 compared with 1948. The drop occurred in nonfarm outlays as farm expenditures for these items remained about the same. (See chart 10 and also appendix table C–3.)

Nonfarm plant and equipment outlays for 1949 are estimated at about 6 percent below the very high 1948 rate. After allowing for price changes, the decline in real volume was about two-thirds of the drop in money outlays. The trend of such expenditures has been downward from the peak in the last half of 1948, and by the fourth quarter of 1949 was almost 16 percent below the level a year earlier.

Manufacturing outlays for plant and equipment (see appendix table C–17) declined almost 15 percent between 1948 and 1949. Manufacturing (which represented 40 percent of the nonfarm plant and equipment outlays in 1949) accounted for over 90 percent of the decline in the total dollar volume of outlays for new plant and equipment. Transportation other than railroads showed a decline of over 27 percent. Outlays of mining, and commercial and miscellaneous industries declined about 9 percent and 6 percent, respectively. On the other hand, railroads and electric and gas utilities increased their investment outlays in 1949. The increase in railroad investment was only slight. Their plant and equipment outlays, which in 1949 had been ahead of 1948 in both of the first two quarters, were in the final quarter of 1949 sharply below the correspond-

CHART 10



ing quarter of 1948. Outlays by utilities increased 18 percent, gaining quarter by quarter over 1948, but the gains were narrowing.

The decline in nonfarm investment in plant and equipment during 1949 does not appear to have been accelerated by the downturn in the first half of 1949, but represents an orderly tapering off of programs along lines that had been planned by the end of 1948.

Nonfarm business inventories. The process of inventory liquidation, which was a major factor in the decline in business activity during 1949, was slackening by the latter part of the year and in many areas was being reversed. Since the level of consumption remained high, many producers discovered that inventories were being reduced more than was consistent with maintaining production equal to consumption. Business buying was resumed on a more normal basis and more in line with the rate of sales. A strong contributory factor was the firming up of the price structure. The process of rebuilding inventories in the main proceeded cautiously. There were few signs of any speculative developments.

The book value of inventories in manufacturing and trade reached a peak of 58.6 billion dollars on a seasonally adjusted basis at the end of

November 1948. By the end of October 1949, the book value had declined to 54.5 billion dollars, a drop of about 7 percent. The largest drop was in manufacturing, where book values dropped about 9 percent compared with about 5 percent in wholesaling and 4 percent in retailing. (See appendix tables C–18 to C–20.)

The drop in the book value of inventories reflected in part the drop in prices and in part actual physical liquidation. By the third quarter of 1949, the liquidation of nonfarm inventories was at a seasonally adjusted annual rate of 2.6 billion dollars, a shift of almost 10 billion dollars from an inventory accumulation at an annual rate of 7.1 billion dollars in the fourth quarter of 1948. The rate of liquidation of inventories in the third quarter of 1949 was higher than in the second quarter. However, in the last quarter of the year there was a drop to an annual rate of 1.5 billion dollars. Trade inventories, seasonally adjusted, in October were appreciably above their summer lows.

While the liquidation was continuing in manufacturing, its character was changing. Initially liquidation began in purchased materials, thus reflecting the fear of price declines. By the end of the third quarter, liquidation had substantially slackened for purchased materials but was continuing for finished durable goods. There was some evidence in the third quarter that inventories of steel were being built up in anticipation of the work stoppage. During the fourth quarter, work stoppages in the steel and the coal industries depleted the inventories of these commodities. The settlement of the work stoppage in the steel industry led to strong pressure to rebuild the stocks of this vital commodity.

The ratio of manufacturers' inventories to sales in November 1949 was lower than at the end of 1948. For wholesalers the October ratio was somewhat higher, for retailers slightly lower, than a year earlier. Manufacturers' and retailers' inventory-sales ratios were still considerably below prewar levels.

Corporate finance. The change from increasing inventory costs and increasing customer credit in 1948 to the situation of inventory reduction and small increase in customer credit in 1949 permitted corporate business to improve its liquidity position, while continuing large outlays for new plant and equipment. There were many corporations which experienced financial difficulty in 1949, but for the group as a whole there was a growth in financial strength and a large number of business firms increased their dividends.

Financing the growing volume and costs of inventories and the enlargement of customer credit in 1948 absorbed 8.6 billion dollars of corporate funds. In 1949, on the contrary, there was only a small increase in customer credit, and the liquidation of 3.7 billion dollars in inventory accounts added this sum to the funds resulting from the profits of current business operations. The internal funds available for new investment included also those from depreciation charges which rose by 13 percent, compared with 1948. (See appendix table C–34.)

On account of the improved financial position of corporations, funds from internal sources were more than equal to the requirements for capital investment in 1949, while in 1948, when there were large increases in inventories and customer credit as well as larger outlays for plant and equipment, they were only about 70 percent of such requirements. There was little change in the amount of corporate debt, a decline of 4.2 billion dollars in short-term debt being offset by an increase in bonded and other long-term debt. The net increase of 3.7 billion dollars in bond issues was substantially less than in 1948 while stock issues of 1.4 billion provided slightly more new equity capital than in the preceding year. An increase of 2.5 billion dollars in liquid assets marked the improved liquidity of corporate treasuries.

Construction. In spite of a slow start, the volume of construction in 1949 exceeded the high level attained in 1948. The strength in construction acted to minimize the general decline in the first half of 1949 and was one of the main forces of revival evident in the second half. The total volume of construction, public and private, amounted in 1949 to 19.3 billion dollars compared with 18.8 billion in 1948, a rise of 3 percent. Public construction, which accounted for 27 percent of total construction in 1949, increased by 25 percent. Private construction showed a slight drop of 4 percent in dollar terms, but residential construction was particularly strong in the second half of the year, rising on a seasonally adjusted basis to a new postwar peak in the fourth quarter. The total rate of activity at the year's end was about 11.4 percent above that for December 1948. In addition the backlog of contracts let is now considerably higher than a year ago, so that 1950 will begin at higher levels than 1949. (See appendix table C–16.)

The construction of factories and commercial facilities declined somewhat during the year. Since activity in these areas began promptly after the end of the war and went forward more rapidly than did public construction, the subsequent declines were not unexpected.

In the field of utilities, the large increase in the number of families and in income has greatly increased the demand for communication, power, and transportation facilities. To date public utilities (including a considerable amount of Federal power development) have not yet been able to meet these needs. Utility firms in general continued their long-range programs throughout the year despite the hesitancy evidenced by them early last year. While construction of communications facilities declined, this decrease was more than offset by increases in electric power and gas industries.

The year 1949 turned out to be a record one for residential construction. The increase in private building construction during the year was confined largely to residential building, and was particularly large in the field of multi-family structures. The slow start was due in part to the adjustment the industry was making to lower prices and to building for rent rather than for sale. The average cost per dwelling unit fell approximately 10 percent from the summer of 1948 to the first part of 1949. While less than 9 percent of private residential starts in 1947, and less than 11 percent in 1948, were multi-family units, over 14 percent were multi-family units in January 1949, and for the first 8 months of the year the number of these units started was 28 percent higher than in the comparable months of 1948 and represented 16 percent of all private starts.

It took time for builders, material manufacturers, and lenders to adjust to this shift in housing markets and housing types. The shift was facilitated by the renewal of section 608 of the National Housing Act which provided for insurance of rental projects on favorable terms. By May, the industry was responding to the improved conditions. In July, the private starts were higher than the July figure for any previous year since the war. The easing of interest rates and of credit, including liberalization of laws governing RFC purchases of real estate mortgages, also were important in holding this volume high through the rest of the year. Public housing rose also, and the total volume of private and public starts continued to rise until September when it reached approximately 100,000 units. It stayed at this level in October, making an all-time record for this month, and thereafter declined less than seasonally.

Public construction showed the greatest strength. This was due largely to the fact that public construction of a nonmilitary nature had been restrained since 1940. There was great need for schools, hospitals, highways, and natural resources development, despite high costs. A larger volume of public bond issues for public construction purposes was voted in 1949 than in any previous postwar year. Public school construction was three times as great as in 1947 and one and one-half times as great as in 1948. Public hospital construction was five times as great as in 1947, and more than twice as great as in 1948. Conservation and development construction also increased, being nearly double that for 1947, and one and one-fourth times that in 1948.

International developments

The most notable international economic developments of 1949 were the critical deterioration of the United Kingdom's and the rest of the sterling area's dollar position and the subsequent devaluation of the pound sterling and other foreign currencies in terms of the dollar. Although the conditions underlying these developments are of great long-run significance for the American economy, the developments themselves did not greatly affect the economy during 1949. Nevertheless, the world political and economic situation did exercise an important influence upon economic activity during 1949, not only through the continued necessity for high national defense expenditures, but also through a renewed expansion of government expenditures to aid foreign countries.

Such aid had declined from 1947 to the middle of 1948, as some of the early postwar aid programs ended and funds provided by others were used up. When the European Recovery Program got under way in the second half of 1948, our aid began to expand again. In 1949, it reached a postwar record total of 5.9 billion dollars, slightly exceeding the previous record total reached in 1947, and exceeding the 1948 total by 1.2 billion dollars. This increase did not result in an expansion of exports because it was more than offset by the decline in other sources of dollars used by foreign countries for making purchases in the United States. The dollar value of our imports of goods and services and the net outflow of private American capital decreased while foreign countries as a whole ceased liquidating their gold and dollar assets. As a result, our total exports of goods and services actually diminished by a billion dollars from 1948 to 1949. These developments, which are shown in tables 7 and 8, indicate that the effect of increased aid was to limit the decline of exports in the face of a reduction in other ways of financing them. (See also appendix tables C–35 to C–37.)

Table 7 shows that our total receipts from exports of goods and services and investment income remained high in the first half of the year but fell sharply in the second half as foreign countries took measures to stop the second and third quarter depletion of their reserves, while our total payments for goods and services, including income on investments, fell in the first half of the year and then recovered. As a result, the total export surplus first rose and then shrank rapidly. Although for the year as a whole the surplus of 5.8 billion dollars was only about one-half billion dollars below the 1948 figure, it had fallen to an estimated rate of 3.8 billion a year by the last quarter. These developments are shown in table 7 and in chart 11.

TABLE 7.—*United States exports and imports of goods and services*

[Billions of dollars]

Period	Exports of goods and services [1]	Imports of goods and services [1]	Surplus of exports of goods and services [1]
1936–38 average	4.1	3.6	0.5
1946	15.0	7.2	7.8
1947	19.7	8.5	11.2
1948	16.8	10.5	6.3
1949 [2]	15.8	10.0	5.8
Annual rates:			
1948—First quarter	17.7	10.1	7.6
Second quarter	16.9	10.1	6.8
Third quarter	15.8	11.0	4.8
Fourth quarter	16.8	10.7	6.1
1949—First quarter	17.0	10.4	6.6
Second quarter	17.7	9.7	8.0
Third quarter	14.5	9.9	4.6
Fourth quarter [2]	14.1	10.3	3.8

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

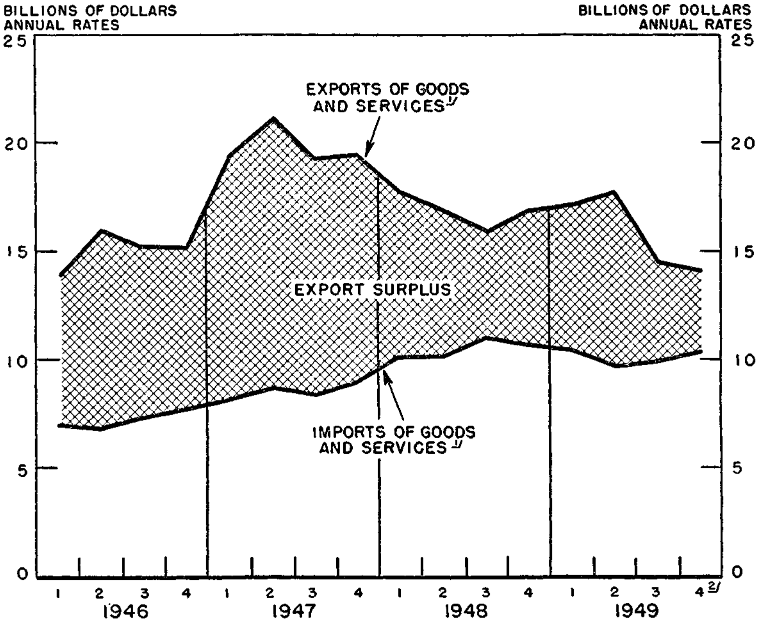
NOTE.—For greater detail see appendix tables C–35 and C–36.

Source: Department of Commerce.

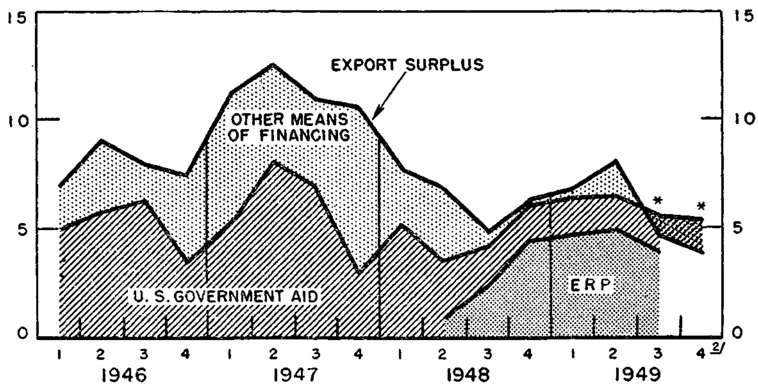
CHART 11

EXPORTS AND IMPORTS OF GOODS AND SERVICES

Exports and the export surplus fell sharply in the second half of 1949.



All of the export surplus was financed by ERP or other Government aid.



1/ INCLUDES INCOME ON INVESTMENTS.
2/ ESTIMATE BASED ON INCOMPLETE DATA.
* OTHER MEANS OF FINANCING WAS NEGATIVE IN THIS QUARTER.

SOURCE: U. S. DEPARTMENT OF COMMERCE

Imports of goods declined sharply during the first three quarters of 1949, and, despite a marked recovery beginning in the summer, were slightly lower than in 1948. Average prices of imported raw materials and foods had begun to decline in the second half of 1948. In the first half of 1949, price declines became more general among imported products, and the total quantity of goods imported also began to fall. The net result was that by the third quarter of 1949 the dollar value of our merchandise imports had fallen 20 percent below the level for the fourth quarter of 1948. All economic classes of imports fell in value during this period except manufactured foodstuffs, the average price of which rose more than enough to offset the decline in the quantity purchased. These price and quantity changes were largely a reflection of the improvement in world production of the products we import and the decline in our own demand for imports.

TABLE 8.—*Financing the surplus of goods and services supplied to foreign countries*

[Billions of dollars]

Period	Surplus of exports of goods and services [1]	Means of financing			
		Government aid (net) [2]	Liquidation of foreign gold and dollar assets [3] (net)	Outflow of United States private capital [4] (net)	Other means of financing [5] (net)
1936–38 average	0.5		0.8		
1946	7.8	5.1	2.0	0.3	0.4
1947	11.2	5.7	4.5	.7	.3
1948	6.3	4.7	.9	1.0	−.3
1949 [6]	5.8	5.9	−.1	.4	−.4
Annual rates:					
1948—First quarter	7.6	5.1	1.4	1.0	.1
Second quarter	6.8	3.4	2.2	1.4	−.2
Third quarter	4.8	4.1	.6	1.1	−1.0
Fourth quarter	6.1	6.0	−.8	.6	.3
1949—First quarter	6.6	6.3	−.1	.5	−.1
Second quarter	8.0	6.4	1.3	.2	.1
Third quarter	4.6	5.5	.4	.4	−1.7
Fourth quarter [6]	3.8	5.3	−1.8	.5	−.2

[1] Includes income on investments.

[2] Includes grants and loans, but excludes subscription to the capital of the International Bank for Reconstruction and Development and the International Monetary Fund. For detail, see appendix table C-37.

[3] Includes net sales of gold to the United States and net liquidation of foreign dollar assets, including long-term investments. Excludes liquidation of assets held by the International Bank and the International Monetary Fund.

[4] Includes both long-term and short-term capital but excludes purchase of obligations of the International Bank.

[5] Includes private gifts, net dollar disbursements by the International Bank and the International Monetary Fund, and allowance for errors and omissions.

[6] Estimates based on incomplete data.

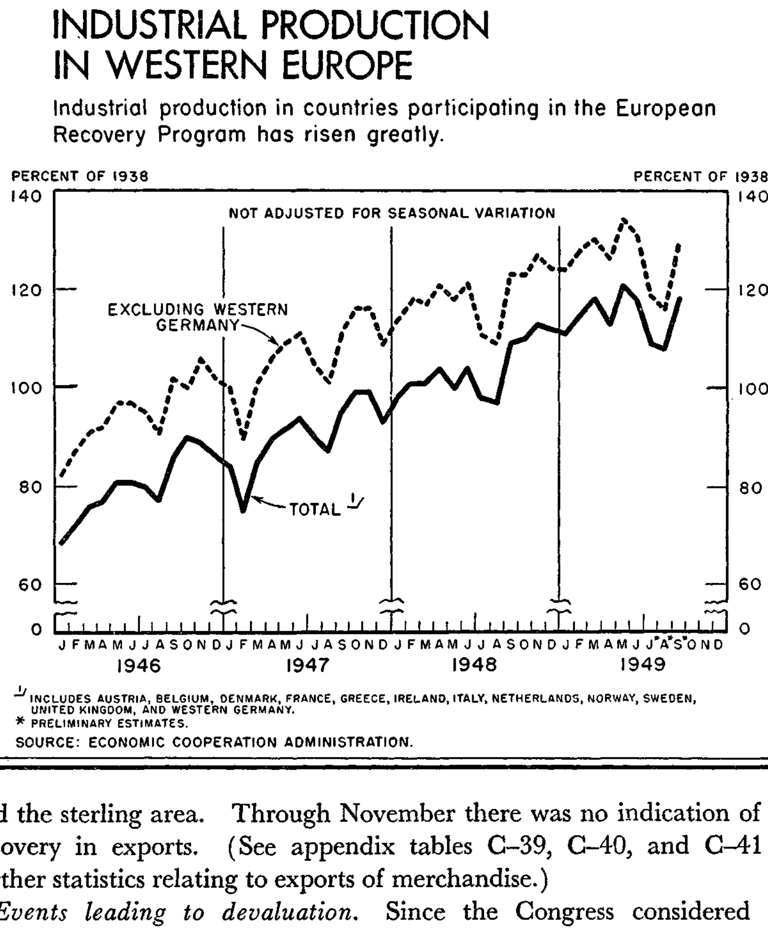
NOTE.—For greater detail see appendix table C-35.

Source: Department of Commerce.

The drop in our demand for foreign goods was chiefly the result of the decline of domestic industrial activity, especially business buying, which is the immediate determinant of imports. Following the reversal of the business trend the value of imports rose substantially. Most of the recovery was in the quantity of goods brought in. (For further statistics relating to imports of merchandise see appendix tables C–42, C–43, and C–44.)

The fall in imports of goods during the first half of 1949 was followed by sharp cuts in merchandise exports after June. In the third quarter of 1949, exports fell in value 14 percent below the last quarter of 1948, partly because of reductions in prices throughout the year, and partly because of a very drastic cut in the quantities shipped, primarily to Western Europe

CHART 12



1/ INCLUDES AUSTRIA, BELGIUM, DENMARK, FRANCE, GREECE, IRELAND, ITALY, NETHERLANDS, NORWAY, SWEDEN, UNITED KINGDOM, AND WESTERN GERMANY.
* PRELIMINARY ESTIMATES.
SOURCE: ECONOMIC COOPERATION ADMINISTRATION.

and the sterling area. Through November there was no indication of any recovery in exports. (See appendix tables C–39, C–40, and C–41 for further statistics relating to exports of merchandise.)

Events leading to devaluation. Since the Congress considered and authorized the European Recovery Program, great progress has been made by the Western European countries. In the 12 months ending in September 1949, industrial production in these countries rose 29 percent above the level of two years earlier, reaching a figure 14 percent above 1938, and, when Western Germany is excluded, it rose 21 percent in the same two-year period to a level 26 percent above 1938. (See chart 12.) The quantity of Western European exports to the rest of the world rose even more sharply, going from 20 percent below the prewar figure in the first quarter of 1948 to 11 percent above it in the first quarter of 1949, an expansion of 39 percent in one year. A net shipping deficit of 400 million dollars in 1947 was converted into a net surplus of 300 million in 1948. At the same time substantial, though unequal, progress was made by the Western European countries in controlling inflationary pressures. As a result of these steps—combined, it is true, with intensified import restrictions—these countries were able to reduce substantially their current deficit with the United States and also with other areas between 1947 and early 1949.

Despite this very great progress, the sterling area's dollar deficit began to increase rapidly in 1949, causing an acute drain on the gold and dollar reserves of the United Kingdom and culminating in the devaluation of the pound sterling and other important currencies.

Reversal of the previous expansion of United States imports from Europe and the rest of the world was only one of several factors in this development. From the first to the second quarters of the year, the sterling area's gold and dollar deficit, which is affected by payments on capital as well as current account, increased by an amount equivalent to 1.2 billion dollars a year. Of this amount, the increase in its total import surplus with the United States was at an annual rate of a little more than 700 million dollars. Nearly half of this represented an increase in sterling area purchases from the United States and about half was accounted for by a decline in the sterling area's sale of goods and services to the United States. This decline was attributable largely to our domestic business decline, though also partly to a withholding of orders for goods as the maintenance of the pound at $4.03 came into question. The price decline in the United States also had the effect of widening the disparity between domestic and foreign, especially European, export prices for manufactured goods. (See appendix table C–38.)

Among other causes were the fall in the prices of raw materials exported by the dependent overseas territories of the Western European countries and the sterling area, the deterioration in Western Europe's competitive position resulting from the relatively greater fall in the prices of manufactured products in the United States than in Europe, and the speculation concerning the value of the pound sterling to which these all gave rise. At the same time the investment of American capital abroad began to diminish as the foreign expansion programs of American companies, particularly oil companies which were responsible for 60 percent of total private American long-term investment abroad in 1948, were brought nearer completion or curtailed. Import restrictions had to be further tightened in some countries and in others earlier relaxations had to be reversed.

The pressure on the gold and dollar assets of the ERP countries, particularly on those of the United Kingdom, appears to have been mainly the result of dollar payments to other areas rather than of an increase in Western

Europe's deficit with the United States. This is shown by the changes in certain international transactions between the first and second quarters of 1949, shown in the following table in terms of annual rates:

	Changes from first to second quarters of 1949 (millions of dollars, annual rates)
Increase in liquidation of ERP countries' gold and dollar assets	1,468
Increase in ERP countries' goods and services deficit with United States	160
Decrease in ERP countries' receipts from United States gifts and investments	176
Increase in dollar payments to other areas and errors and omissions	1,132

Most of the increase in dollar payments to the rest of the world went to the dependent overseas territories of the ERP countries and to other countries in Africa, Latin America, Asia, and Oceania, areas which consist largely of the underdeveloped parts of the world. Increased deficits with the United States were the principal reason for the higher dollar requirements of these areas, except in the case of Latin America. The deficit of Latin-American countries with the United States did not increase much. As a group they increased their dollar reserves and repaid short-term debt to this country, but a large portion of this debt was incurred in financing earlier deficits.

On September 18, the pound sterling was devalued 30½ percent in terms of the dollar, and in the next 2 months many other countries, including most of those in the sterling area and Western Europe, some in South America, Finland and Canada, also reduced the dollar values of their currencies. Most of them devalued by about the same amount as the United Kingdom but some countries important to our trade devalued by less. This widespread realignment of currency values in terms of the dollar was intended primarily to correct distortions in prices, costs, production, and trade, and to make possible an improvement in the balance of payments position of the devaluing countries in relation to the United States and the rest of the dollar area.

From the point of view of the United States, devaluation of foreign currencies tends to increase the quantity of our imports. Under normal conditions, it would also tend to reduce the quantity of our total exports. These influences would normally be expected to exert a downward pressure upon prices and production in industries competitively affected by imports, and in our export industries. Under present conditions, however, our exports are limited mainly by the dollars we make available to other countries through our purchases, gifts, and foreign investment. Unless these sources of dollars increased, foreign countries that were losing reserves would have had to cut their purchases from us in one way or another. It is quite likely, therefore, that the effect of devaluation, by making our goods more expensive to the citizens of devaluing countries, will be to lessen the need of these countries for direct restrictions upon imports. If this is the case, our exports are not likely to be any lower than they would have been had devaluation not occurred.

The limited data now available in the short period since devaluation indicate few major effects in United States markets which can clearly be attributed to devaluation. It takes time to make the shifts in trade which devaluation tends to bring about.

Government transactions

NOTE: As has been customary in previous reports, government transactions are here measured on the so-called consolidated cash basis, rather than in the terms of the conventional budget. Cash payments to and receipts from the public reflect the volume of current cash transactions between government, on the one hand, and the public, including business, foreign countries, and international institutions on the other. All intragovernmental transactions are eliminated. Such data are more useful for assessing the immediate economic impacts of government programs than are the data in the conventional budget. A detailed description of the concepts used is given in the "Budget of the United States, 1950," p. 1375.

Partly under the impact of recessionary tendencies which developed during the first half of the year, and partly as a result of the international situation, the volume of cash payments in 1949 by all levels of government—Federal, State, and local—rose substantially above their 1948 levels. The 1948 tax reduction and the 1949 decline in business caused cash receipts to drop off. The result was a shift of over 10 billion dollars in the net cash position of all governments, from a surplus of over 7 billion dollars in the calendar year 1948 to a deficit of 3 billion in 1949. (See table 9 and chart 13.)

TABLE 9.—*Government cash receipts from and payments to the public*

[Billions of dollars]

Receipt or payment	Calendar year 1948	Calendar year 1949 [1]
Cash receipts:		
Federal	44.9	41.4
State and local	15.0	16.1
Total cash receipts	59.9	57.5
Cash payments:		
Federal	36.9	43.1
State and local	15.8	17.5
Total cash payments	52.7	60.6
Surplus (+) or deficit (−):		
Federal	+8.0	−1.7
State and local	−.8	−1.4
Total, surplus (+) or deficit (−)	+7.2	−3.0

[1] Estimate based on incomplete data.

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

Source: See appendix A.

With increasing government payments, and with a slight decline in the gross national product as a result of price and other changes, the ratio of government payments to total output increased from about 20 percent in 1948 to about 23½ percent in 1949.

Cash payments by the Federal Government. Table 10 shows the volume of cash payments to the public by the Federal Government during the calendar years 1948 and 1949. Aggregate payments in 1949 were 6.2 billion dollars higher than in 1948.

TABLE 10.—*Federal cash payments to the public by type of recipient and transaction*

[Billions of dollars, seasonally adjusted annual rates]

Classification of payment [1]	Calendar years	
	1948	1949 [2]
Direct payments for goods and services:		
To individuals	8.4	9.0
To business and international	8.7	10.1
Loans and transfer payments to individuals	9.8	11.1
Loans, investments, subsidies and other transfers to business and agriculture	[3] 4.6	[3] 6.5
Loans and transfer payments to foreign countries and international institutions	5.5	6.5
Clearing account and adjustment to Daily Treasury Statement	-.2	-.3
Total Federal cash payments	36.9	43.1

[1] See appendix A for explanation of revised classification used in this table.
[2] Estimates based on incomplete data.
[3] Includes about 100 million dollars in interest payments to State and local governments.

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

Source: See appendix A.

The causes of the 6-billion-dollar rise in payments between 1948 and 1949 were divided between those arising from the impact of recession, and those reflecting mainly the international situation. Recessionary forces accounted for nearly one-half of the total increase in expenditures, leading to expansion in three major fields: they meant an increase of about 1 billion dollars in unemployment compensation payments, and they meant a sharp rise in the volume of farm price support loans not redeemed by producers and taken over from private banks by the Commodity Credit Corporation, and in the volume of mortgages purchased by the Reconstruction Finance Corporation. The increase in these latter cash payments in return for loans and mortgages amounted in the aggregate to nearly 2 billion dollars.

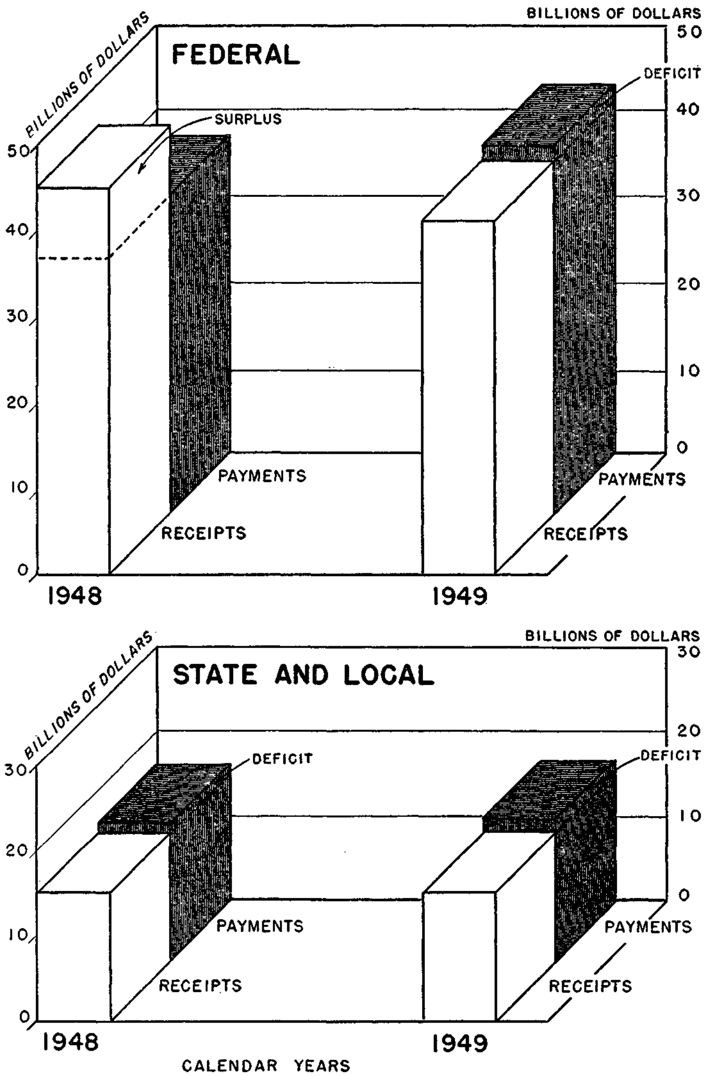
The needs of defense and foreign aid caused major program expansions, with an aggregate increase of about 2.8 billion dollars. Other important increases were in Federal public works, where construction activity in 1949 was some 20 percent higher than in 1948.

Cash payments by State and local governments. As was shown in table 9, cash payments by State and local governments increased by over 1½ billion dollars in 1949 above their 1948 level, thereby continuing the upward trend which has persisted since the war. Expenditures on schools, roads, and other public works still constitute the most rapidly

CHART 13

GOVERNMENT CASH RECEIPTS FROM AND PAYMENTS TO THE PUBLIC

The net cash position of the Federal Government shifted from a surplus in 1948 to a deficit in 1949. State and local governments showed a cash deficit in both years.



SOURCE: SEE APPENDIX A

expanding segment of State and local activities. The increase in unemployment during 1949 led to some expansion in public assistance and other welfare expenditures, but this was partly offset by a decline in the total volume of bonus payments to veterans by State governments.

Federal cash receipts; the cash deficit. The calendar year 1949 was the first full year in which the effects of the tax reduction of the Revenue Act of 1948 were fully reflected in cash receipts. Receipts from direct taxes on individuals were over 4 billion dollars lower (at an annual rate) during the first half of calendar 1949 than during the same period of 1948, and tax refunds were over half a billion dollars higher. These were the major factors explaining the decline of 3.5 billion dollars in cash receipts of the Federal Government, from 44.9 billion dollars in 1948 to 41.4 billion last year. Corporate tax payments rose nearly 1 billion dollars, reflecting the high profits of 1948. But this was more than offset by the continued sharp down trend in receipts from surplus property and in other miscellaneous receipts. Because of the deferred payment of taxes (particularly corporate income taxes) receipts during the next 18 months will reflect in considerable degree the recession of 1949. (See table 11.)

TABLE 11.—*Federal cash receipts from the public*

[Billions of dollars, annual rates, seasonally adjusted]

Source of cash receipts	Calendar 1948	Calendar 1949		
		Total [1]	First half	Second half [1]
Direct taxes on individuals	20.9	18.4	18.7	18.2
Direct taxes on corporations	11.1	12.0	12.0	12.0
Employment taxes	2.5	2.5	2.5	2.5
Excises and customs	7.9	8.0	7.9	8.0
Surplus property receipts	1.2	.5	.7	.3
Deposits by States, unemployment insurance	1.0	1.0	.9	1.1
Veterans' life insurance premiums	.4	.4	.4	.4
Other	2.1	1.4	1.4	1.4
Less: Refunds of receipts	2.2	2.8	2.8	2.8
Total Federal cash receipts from the public	44.9	41.4	41.7	41.2

[1] Estimates based on incomplete data.

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

Source: See appendix A.

Reduced receipts and higher expenditures meant a marked shift in the net cash position of the Federal Government. While 1948 showed a cash surplus of some 8 billion dollars, the result for 1949 was a deficit of about 1.7 billion. There was an increase during 1949 of approximately the same amount in the national debt held by the public, reflecting increased sales of securities to the public.

Cash receipts of State and local governments; the cash deficit. The cash receipts of State and local governments are less flexible with respect to general business conditions than are those of the Federal Government, and State and local tax rates, in conjunction with new taxes, have shown a continuing rising tendency, in contrast to the sharp reductions contained in the Federal Revenue Act of 1948. Thus the cash receipts of State and local governments showed an increase of over 1 billion dollars in 1949 compared with 1948, despite the 1949 recession. The increase in receipts was, however, less than the increase in expenditures, and the net cash deficit of State and local governments combined increased from about 800 million dollars in 1948 to nearly 1½ billion in 1949.

Summary: The Nation's Economic Budget

After 3 years of continuing increases, the year 1949 was the first year that showed a decline in the total output of the economy both in dollars and in real terms. This decline, however, was a very moderate one. Compared with the average of 1948, the dollar value of goods and services was less than ½ percent lower in the first half of 1949; and about 2½ percent lower in the second half. This decline continued from the first to the second half of the year and, as a matter of fact, continued from quarter to quarter, according to preliminary estimates. The regularity of the decline, however, is somewhat deceptive as an indicator of changes in effective demand for goods and services. First, some of the drop in dollar figures actually reflects a small drop in prices. Furthermore, the continued drop in the fourth quarter is explained in part by work stoppages in steel and coal.

Looking at the component parts of the Nation's Economic Budget, the most drastic cut occurred in business investment. As the details presented in appendix A show, this contraction was due mainly to the shift from inventory accumulation in 1948 to inventory liquidation in 1949. New construction and expenditures for producers' equipment remained at a high level. This was also true of business receipts, which include undistributed earnings, capital consumption allowances, and the inventory valuation adjustment. The change in inventory movement was so drastic that the net absorption of saving through domestic business investment dropped from about 18 billion dollars in 1948 to 9 billion in 1949. (See table 12 and chart 14.)

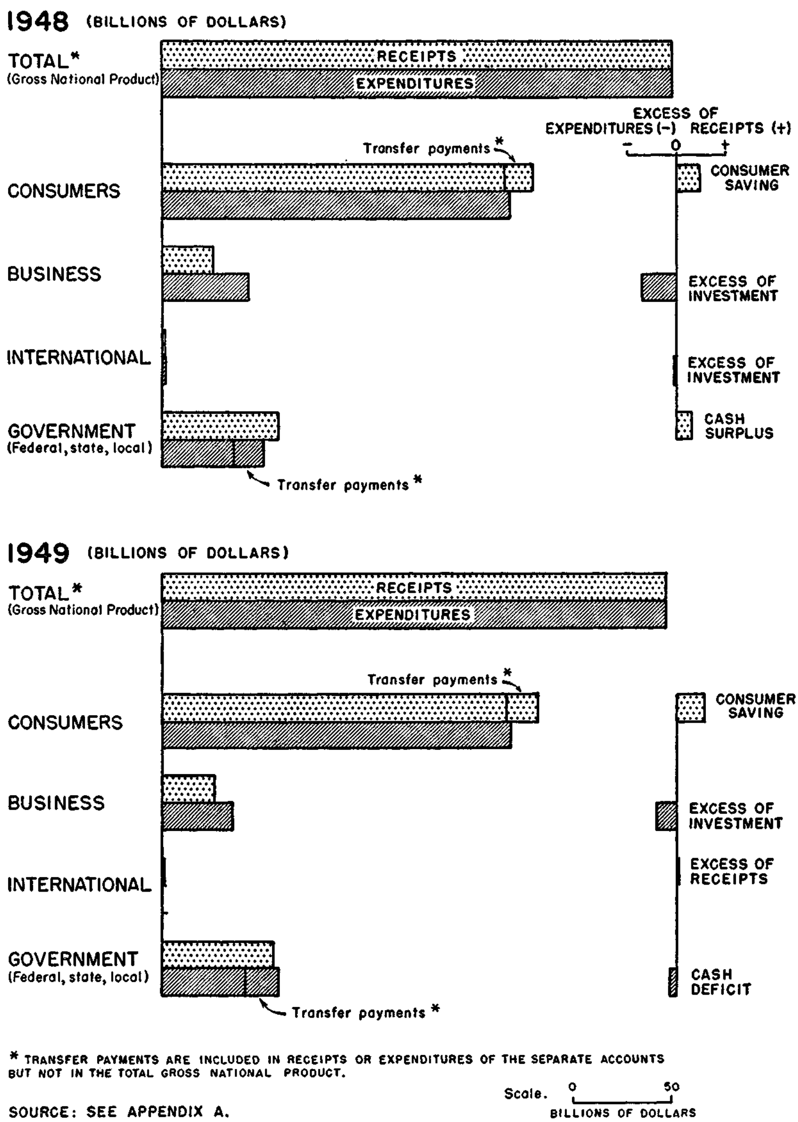
Even though the total export surplus in 1949 was nearly at 1948 levels, net foreign investment, which excludes exports financed by gifts and grants, disappeared almost entirely from the Nation's Economic Budget in 1949. In the second half of the year, both the export surplus and net foreign investment fell sharply, owing to reductions in private investment abroad, in net liquidation of foreign assets, and in other forms of foreign investment.

The significant fact is that the contraction in domestic business investment during 1949 did not initiate a downward spiral in the economy. Consumer disposable income dropped only slightly and consumer expenditures remained on an even keel. Thus consumer saving, which was very high during the first half of the year, declined somewhat during the second half. Federal, State, and local government expenditures increased nearly 8 billion dollars from 1948 to 1949. Government receipts declined,

CHART 14

THE NATION'S ECONOMIC BUDGET

The most significant development in the Nation's Economic Budget between 1948 and 1949 was a decline of about $8 billion in business investment, and a change from a Government surplus to a deficit.



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

SOURCE: SEE APPENDIX A.

transforming a 7-billion-dollar cash surplus into a 3-billion-dollar cash deficit in 1949, or a net shift of 10 billion dollars. This shift in the government position coincided with a decline in the net absorption of funds for business investment of nearly the same amount. Thus the high level of private domestic investment other than inventory accumulation, the substantial increase in government expenditures, and the high level of consumer demand prevented the inventory liquidation from initiating a serious downturn in general business conditions.

TABLE 12.—*The Nation's Economic Budget*

[Billions of dollars]

Economic group	Calendar year 1948			Calendar year 1949 [1]		
	Receipts	Expenditures	Excess of receipts (+) or deficit (−)	Receipts	Expenditures	Excess of receipts (+) or deficit (−)
CONSUMERS						
Disposable income relating to current production	175.8			177.0		
Government transfers and net interest payments	*14.9*			*15.9*		
Disposable personal income	*190.8*			*192.9*		
Expenditures for goods and services		178.8			178.5	
Personal savings (+)			*+12.0*			*+14.4*
BUSINESS						
Retained business receipts from current production	26.8			27.6		
Gross private domestic investment		45.0			36.8	
Excess of receipts (+) or investment (−)			*−18.2*			*−9.2*
INTERNATIONAL						
Government loan transfers abroad	*1.3*			*.7*		
Net foreign investment		1.9			0	
Excess of receipts (+) or investment (−)			*−.6*			*+.7*
GOVERNMENT (Federal, State, and local)						
Tax payments or liabilities	60.2			56.3		
Adjustment to cash basis	*−.3*			*+1.2*		
Cash receipts from the public	*59.9*			*57.5*		
Purchases of goods and services		36.7			43.5	
Government transfers		*16.0*			*17.1*	
Cash payments to the public		*52.7*			*60.6*	
Excess of receipts (+) or payments (−)			*+7.2*			*−3.0*
ADJUSTMENTS						
For receipts relating to gross national product	−.4		−.4	−2.2		−2.2
Other adjustments	*0*		*0*	*−.8*		*−.8*
Total: Gross national product	262.4	262.4	0	258.7	258.7	0

[1] Estimates based on incomplete data. See appendix A for detail for 1949 by half years.

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

Source: Based on data from the Department of Commerce and Bureau of the Budget. (See appendix A.)

II. The Significance of 1949 and the Economic Outlook

DURING the past year there has taken place an impressive demonstration of the strength and resiliency of the American economy. In the closing months of 1948, we were still confronted by inflation. We knew that it had to end and many feared that the longer the end was deferred the harder would be the fall. Our position now is more comfortable. The inevitable end of the inflationary process has come. We are now enjoying a recovery movement. The successful combination of private and public actions, which limited the recession of inflationary forces to a moderate and brief downturn in business, justifies an optimistic outlook for the coming months and confidence that we shall be able to deal with the problems of a somewhat more remote period.

Even at midyear, when the recessionary movement was reaching its most aggravated stage and a further substantial decline in industrial production in July had to be anticipated, the Council found that "many factors augur well for the successful culmination of the readjustment process in early stability followed by renewed growth." We looked forward to the "unique and fortunate experience of liquidating a major inflation without falling into a severe recession." But it was our expressed warning that the presence of some business decline should not be allowed to aggravate the pessimism which had appeared in the business world in the spring. For this would have led, as it had done in earlier periods, to a more serious deflationary movement with distributors withholding orders for new goods and manufacturers and other producers responding by reducing production and employment further.

Fortunately, business did not continue this pessimistic course. Even in July, before there had appeared many indications of improvement in scattered branches of the economy, a pronounced improvement in business sentiment developed. This made it possible for the underlying factors of economic strength, which had not yet suffered serious deterioration, to resume their upward pressure upon general business activity. By August, the signs that the recessionary movement was at or near its end were numerous, and in September the trend of revival became clear. The recovery movement was threatened by serious industrial controversies and work stoppages in the following weeks. But it proved strong enough to hold its place and to become active when production and employment in the steel industry was resumed in November and an uneasy armistice in the coal industry permitted limited production and employment.

Bases for Confidence as 1950 Opens

The past year furnished a test whether there would develop a serious deterioration in confidence which then seemed to the Council the main danger, and that main danger was surmounted. Other difficult problems still lie ahead. The recovery since last summer is still incomplete, and whether it continues and we achieve our national objective of maximum employment, production, and purchasing power in 1950 will depend upon the success of the actions of business, labor, farmers, and government in consolidating the strong forces underlying the economy.

The first basis for confidence today is that the size of the total decline in economic activity during 1949 was moderate. While drastic in some areas, it did not seriously impair our general strength. From the end of 1948 to the end of 1949, the total output of goods and services measured in dollar terms dropped about 5 percent, but when allowance is made for price changes the real decline was less than 2 percent. Total employment dropped less than 2 percent while unemployment rose from 3 percent of the labor force to over 5 percent. The decline in consumer disposable income was less than 3 percent, in industrial wholesale prices 5 percent, and in consumer prices less than 2 percent. No one should minimize the hardship and suffering inflicted upon the unemployed. But one must also give due regard to the high volume of income and employment which persisted. In these circumstances lay the force of recovery.

Although the Council was moderately optimistic at midyear 1949, few would have predicted during the decline of the first half year that the year's end would leave us in such good condition. The decline was not only moderate but also brief. By the second half, declining tendencies were supplanted by the forces of revival. Thus, there was no time for these declining tendencies to sap the confidence or reserves of business, undermine the morale or savings of the people, or impose heavy additional burdens upon government.

The simplest reason for confidence about the short-run future is the most important. It is that the economy is now moving upward, and thus is itself generating recuperative forces. At midyear, despite its basic optimism, the Council said that the most serious fact confronting us was that the decline had not yet been reversed. So long as it continued, we could not be sure that the strong factors of recovery, which we saw, would not be overcome by increasing weaknesses in other business conditions. Today the situation is reversed. Industrial production, which fell 17 percent in the 8 months from its November 1948 peak to its July 1949 low, had recovered almost half of the decline by December. A distinct upward movement has now been created, and it may be counted upon to continue unless it is interrupted by factors which we shall discuss and which must be faced. It would have to move a considerable distance in absorbing our unused resources of manpower and of plant capacity before it would encounter the danger of inflation.

Value of Affirmative Policies

The economic downturn during the first half of 1949, which began when production, employment, and personal incomes were at or near record levels, again proved that conflicting forces are always present in our complex economy, and that its basic elements of strength will at times be challenged. The course of events in the second half of the year demonstrated our improved capacity to protect the economy against depressions growing out of moderate recessions, and to fortify those forces to which a free economy must look for renewed expansion.

Evidence of this improvement was shown in the behavior of business in several ways: the avoidance of speculative excesses, the generally prudent management of inventories, the refusal to accelerate the decline by cutting wages or by resorting to large-scale lay-offs, and the general resistance to a deflationary complex. While many producers were unwilling to reduce prices, preferring to reduce output and employment, even in this respect there has been progress toward a long-range point of view. Correspondingly—and also with some exceptions—labor manifested fairness and moderation in its wage demands during the testing period and exhibited in other respects its mature concern about the condition of the whole economy and its confidence that the economic ship would safely ride through the storm.

Such economic behavior refutes those critics of our system who have argued that our difficulties and conflicts would become progressively more insoluble. The lesson of 1949 is that our free institutions, our educational processes, and the liberty of our people to make their own decisions have made us stronger than before.

The strength manifested within our business system has been matched by the contributions of government toward economic stability. The manifold improvements in our financial structure need no detailed description. Bank runs have become virtually impossible. Arrant speculation has been dampened. Credit measures have been improved. The flexible powers of the Federal Reserve System have been invoked. The management of the national debt has been prudent and reassuring to the public and has been consistent with maintaining favorable credit conditions for the benefit of business. The system of farm price supports has prevented collapse in the most volatile of all markets. Unemployment insurance has provided partial continuity of income to the main victims of declining production, and has thus served to support the demand for goods. The volume of government outlays, including those for foreign aid, while serving other important purposes, has unquestionably introduced stability into a large sector of the economy.

Clearly, in government policy no less than in private action there is need for further improvement. But the wide range of agreement about the proved utility of conscious efforts—both private and public—to protect our economy from disaster and to facilitate its intrinsic propensity for growth means that we are learning how to use our intelligence to accomplish all that our resources permit.

Short-Range Outlook

For the near future, the economic outlook is good. The revival in business activity which began in the summer of 1949 has already manifested sufficient strength to carry well into the first half of 1950. Liquidation of inventories has substantially slackened, and in many areas rebuilding is going forward. Consumer disposable income, though somewhat down from the peak level of the fourth quarter of 1948, is still above the average for that year as a whole. The demand for automobiles is still high. The large rate of construction contracts currently let promises a high level of activity for the coming months. The rate of business investment in plant and equipment, although declining, still continues relatively high. Government activity will provide strong support. It is estimated that aggregate cash payments by Federal, State, and local governments will increase by about 4 or 4½ billion dollars in calendar year 1950. The largest part of this in the form of a national insurance dividend will place about 2.6 billion dollars in the hands of veterans during the year, mostly in the first 6 months.

Although the short-range outlook is good, we are still a considerable distance from maximum employment, production, and purchasing power. The primary question in the minds of many is whether the rebound in productive activity will prove to be temporary or is the beginning of continuous growth.

The Longer-Range Outlook

There are two reasons why we cannot stop short with an analysis which presages a continued upswing of production, employment, and general business activity over the next few months. In the first place, the outlook for the next few months will be even brighter if our system of free enterprise—which includes businessmen, workers, farmers, and consumers—grows in confidence that rising prosperity is not to be short-lived and that we need not again be confronted by disruption or concern even as great as that of early 1949. And in the second place, just as improved analysis and action by business and government enabled us to get through 1949 as well as we did, similar efforts should now provide at least equivalent aid in dealing with the looming problems of the future.

The somewhat longer-range outlook may best be understood in the broad perspective of progressive adjustments since the end of the war. As earlier reports pointed out, the postwar period brought extraordinary demands for goods to carry out industrial modernization and expansion plans, to meet military and foreign requirements, to fill inventory pipe lines, and to restock the depleted store of goods in the hands of consumers. These demands, made effective by large liquid savings and access to ample credit in addition to current incomes at record levels, could not be satisfied by current levels of production. This gap between current demand and current supply generated the upward spiral of prices. The rising cost of living propelled wages upward, which further swelled the spending stream and in turn pressed costs and prices still higher. Even though the level of output was constantly reaching new peacetime peaks, it was failing to match the demand.

It was clearly foreseeable that in time the restocking boom on the part of both producers and consumers would wane, and that this demand would need to be replaced by more lasting peacetime demand in order to maintain maximum production and employment. It was also clear that this peacetime demand would have to grow even more than other types of demand declined, because the progress of technology and the growth of the labor force require a substantial increase in total national output from year to year in order to provide maximum employment. A key danger was found in the fact that the inflationary process was bringing about price-income relationships which would make the necessary adjustments difficult to achieve in an orderly fashion. If they were too long delayed, the ultimate result would be the forcing of so many adjustments into so short a period of time that an unfavorable chain reaction throughout the economy might precipitate a broad downward sweep.

Some of these adjustments took place gradually, but not sufficiently to prevent the turning point in the boom from leading into the decline of the first half of 1949. In a highly complex situation, the most crucial factor appears to have been the failure of demand to grow in proportion to the increasing potential output at maximum production and employment. There was a much greater physical availability of commodities, while rising prices had limited the growth of demand. By the latter part of 1948, consumer demand at current prices was far more selective and far less urgent than it had earlier been. There began to develop softening in some industrial prices, as the price-income structure and the current buying propensities of the public did not support a sufficient level of buying of a normal peacetime character. Thus, there was a substantial increase in the accumulation of inventories, largely of an involuntary character resulting from the failure of sales to grow at the expected rate. The sensitivity of businessmen to the possibility of further price declines, particularly in the value of inventories, led to a reduction in inventories. Orders were cut back. The weakening of price prospects created further hesitation on the part of buyers. The result was a sharp decline in industrial production and employment, and an extension of weakness to those areas, such as metals, which had been showing considerable market strength. Heavy seasonal tax payments added to the downward movement of private expenditure.

But soon after midyear, the reversal of the trend became apparent. Industrial production had been cut so sharply that it fell far below the level needed to support existing consumption, and inventories in many areas were depleted unduly. The stabilization of industrial prices by July, resulting in part from firmness in costs and in part from the sharp cut in industrial production which relieved the pressure of supply on the market, ended the expectation of further general price cuts. The sale of automobiles had continued to increase with an enlarged supply. Some readjustments in costs and prices of housing had kept production at high and increasing levels. A large upsurge in the building of rental units had followed the renewal of authority to insure projects on favorable terms. Government outlays were expanding. When renewed buying by those who had been waiting for price cuts was added to these continuing elements of high demand, the course of the economy again became definitely upward.

This review sheds light on 1950. Some changes, which can be fairly well foreseen, could halt the advance of the economy in the latter part of the year. The distribution of the insurance dividend to veterans, which will increase consumer buying power in the first six months, will have been largely completed and have a diminished effect on demand in the second half year. The diminution of the foreign aid program, together with the devalution of foreign currencies, may not be offset by an increase in foreign investment; in that case, the export surplus will be reduced. The market for automobiles at present prices has been brought fairly in line with normal demand, and continuance of production at the 1949 rate throughout the coming year may require tapping the large unfilled market among lower-income groups. Rental construction, although running strong, is primarily for those able to pay high rents, and as that limited demand is fully met, rental construction may ultimately decline unless new policies shift it into lower-cost projects. Coupling these and other possibilities with the currently declining trend of business investment, there are some who foresee a moderate business decline in the latter part of 1950. This could happen, but it is not necessary. The Council believes that affirmative action can and should be taken by business and Government to prevent it from happening.

The Council's confidence that action can be successfully undertaken to continue stability and growth throughout 1950 and beyond is based on several factors. In part it is based on the great potential demand of business and consumers, supported by ample funds and credit. The economy has demonstrated its elasticity, and we do not doubt its ability to make further adjustments. The stimulus afforded by lower prices and costs, as well as by favorable lending terms, is graphically illustrated by the sharp increase in the demand for residential construction, a segment of the economy which made a disappointing record in the second half of 1948. At the opening of the second quarter of 1949, when the general economic situation was deteriorating, housing construction began an up-trend leading to an all-time record. In the second place, our confidence is strengthened by the conviction that we have learned to take proper counter-measures when we are threatened with serious deficiencies in production, investment, or consumption. This applies to business action. It also applies to government, whose programs have been, and will continue to be, an underlying factor supporting demand.

Adjustments scaled to the longer-range outlook should begin now.

Adjustments Still To Be Made

The Council does not agree with those who suggest that business expansion may proceed so rapidly as to produce a new wave of inflation at an early date. It is true that some market shortages still exist at current levels of demand. But in general we are now operating considerably below the reasonably full utilization of our resources of plant and manpower, while technology is on the march, and further gains in population and productivity are to be expected. The ratio of demand to our producing ability would need to climb a considerable distance before we would again be confronted with the conditions which produce any generality of inflation in an economy with a basic financial structure as sound as ours and with resources for expansion so great. We may now concentrate our energies upon adjustments required for the sustained restoration of maximum levels of employment and production, confident that we can meet the dangers of inflation if and when they again confront us.

(1) The fact that we are not now threatened with general inflation does not justify price increases at any vital points in the industrial structure. Such price increases, instead of being called inflationary, should be regarded as fundamentally retarding in that they will reduce our likelihood of gaining maximum production and employment by imposing further restrictions upon a level of demand which is not yet sufficiently high. If there is any room for price change in some vital industrial areas, it is in a downward and not in an upward direction. Earnings are generally rewarding, though not so high as a year ago, and they can best be protected and advanced by those policies which will maintain and expand volume.

Steel prices are a case in point. Steel affects the whole economy, and some reduction in steel prices would favorably influence the whole economic situation. A stable and expanding economy requires a growing volume of steel output and of those other basic products which use steel. Some of these other products, whose prices are affected by steel prices, are also priced at a level where sustained and growing output seems uncertain at current prices. The statements of the steel industry accompanying the recent price increases did not in our judgment impair the shortly prior findings of the Steel Industry Board. These findings were to the effect that the price-profit-cost situation in the steel industry, allowing for pensions, did not justify price increases and in fact left room for price decreases in view of no wage-rate increases.

During the inflationary period, each price rise upon an article or service which affected the cost of production of other goods not only caused an increase in the price of the latter, but in addition such price increases were magnified through each successive step of production and distribution. Today the general situation will not always permit an increase in price to compensate for the increase in cost, and in any event it will not often be possible for the increase in price to spiral. Nonetheless, business should strive to the utmost to avoid price increases, which are unsettling even where not individually of major significance. The economy can expand more fully and confidently if prices do not rise, and the economy will be given favorable impulse by some selective downward adjustments now that the danger has been removed of a sweeping downward movement in the price structure.

(2) An outstanding problem is the maintenance of a sufficiently high level of business investment, primarily in plant and equipment. New investment for these purposes in 1949, while continuing at a level which belied the reports of business pessimism, declined by a substantial amount, and surveys of the investment plans of business firms indicate a further decline in the first quarter of 1950. Business investment should resume expansion as business recovery continues. We should also endeavor to shape our national policies to favor continued business investment at a high and growing rate. However, the real requirement for sustained business activity is the prospect of an adequate profit for a long enough time. Government policies in fields such as taxation affect the costs of enterprise, and consequently changes in such policies have some effect upon the profit expectations of the prospective investor and enterpriser. But this factor is of less significance than the current and prospective needs of consumers for goods or services to be produced. Changes in tax rates can, at most, be only small under present circumstances. The possibilities for increase in consumption are large.

(3) In a growing peacetime economy, the growth of consumption should be even more rapid than the growth in plant and equipment outlays, although both should continue to grow. We shall not be completely out of the woods after our recent difficulties until private adjustments and public policies are successful in raising the level of consumption, which is not now sufficiently high for sustained maximum production and employment or for the full prosperity of our business system.

(4) Investment and consumption cannot expand in balanced proportion unless those of influence in our business system realize fully—and many

of them now do—that domestic and world affairs do not permit even those deviations from maximum employment and production which were considered normal or tolerable in earlier times. The total real output of our economy in 1949 was between 10 and 13 billion dollars below the output that would have resulted at the maximum levels of production and employment contemplated under the Employment Act. We cannot afford for any length of time this wastage of our potential strength. The economic loss is accompanied by an aggravation of social tensions. It creates major fiscal problems as revenues decline at any given level of tax rates, thus disrupting long-range fiscal policy based on a reasonable balance between free enterprise and the inescapable obligations of responsible government. It produces international repercussions by reducing our imports, making it more difficult for other nations to solve their dollar problem, and undermining the exemplary position of our system in the eyes of the peoples of the free world.

(5) In addition to the purely domestic adjustments discussed in the present section is the problem of adjusting our policies to the prospective ending of the European Recovery Program. The international economic policies which this makes necessary are discussed in the final section of this report.

Awareness of our capacity for growth is the first step to its attainment. For our growth will be facilitated as investors, businessmen, workers, farmers, and consumers—and government—shape their judgments and actions confidently to conform to their belief in growth.

In succeeding sections of this report, we shall show to what great heights of economic strength we will be carried within a few years if we advance *steadily,* even though at a pace no more rapid than we have *averaged* in half a century of ups and downs, of booms and depressions, of war and peace. Then we shall consider the policies which may both protect the process of growth and also gain for it a greater degree of smoothness and stability.

III. Pathways to Economic Growth

In its Fourth Annual Report to the President, published last month, the Council singled out confidence in future growth as a prime conditioning factor of the American economy. In stressing the potentialities for growth, we do not propose a blueprint for the whole economy, but rather attempt to define the opportunities for future markets. This not only may serve as a guide for the course of public policy along constructive lines, but may also help to meet the needs of private business for basic bench marks for development of their programs and policies. We have stressed the fact that only through such growth could the various economic groups in this country prosper and progress together, instead of engaging in bitter and hopeless conflicts to obtain for themselves larger shares of a static national output.

Such an interpretation makes it clear that the problems of growth and stability are closely related. Affirmative efforts toward balanced growth are our main shield against serious periodic downturns. And the prevention of such downturns will remove the great obstacle to the speed and certainty of our long-range growth.

There is no *one* pathway to economic growth in a free economy, and that is why we have used the plural for the main heading of this discussion. Yet all business thinking and public decisions are based upon the realization that some roads are better than others, and that we must constantly seek to discern and follow the more promising ways in meeting the requirements under the Employment Act of 1946. The Council, under the Employment Act, must join in the search for these more promising ways.

We cannot be sure of all of our conclusions, and we would have neither the means nor the desire to enforce them upon others even if we could be sure. But in earlier reports, we set forth some tentative findings for constructive criticism. We are now prepared in the same spirit to present the results of further study and observation.

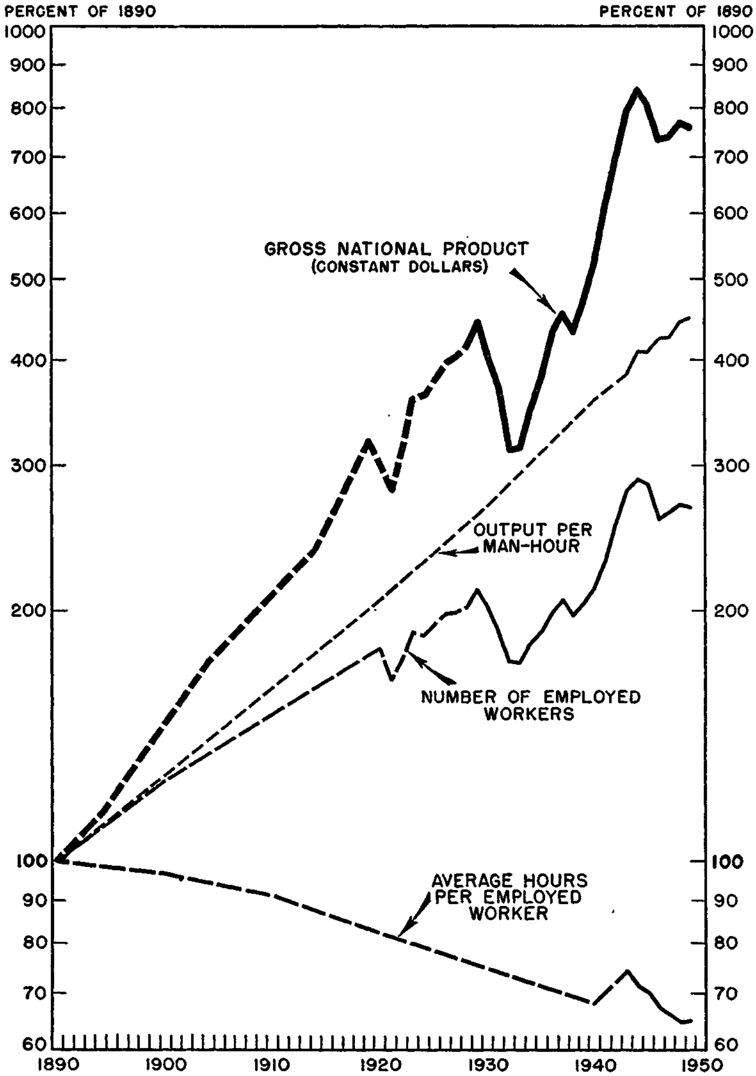
Growth Objectives for 1950–1954

There is a vital connection between the objectives which may be set for 1950 and those that we envisage over a somewhat longer span of time. It is only by looking backward over a number of years that we can truly appraise the strength and promise of the American economy. Correspond-

CHART 15

NATIONAL OUTPUT AND LABOR INPUT

Our long-run production achievements have been more the result of increased productivity than of increased employment. Output per man-hour has more than quadrupled in the last 60 years.



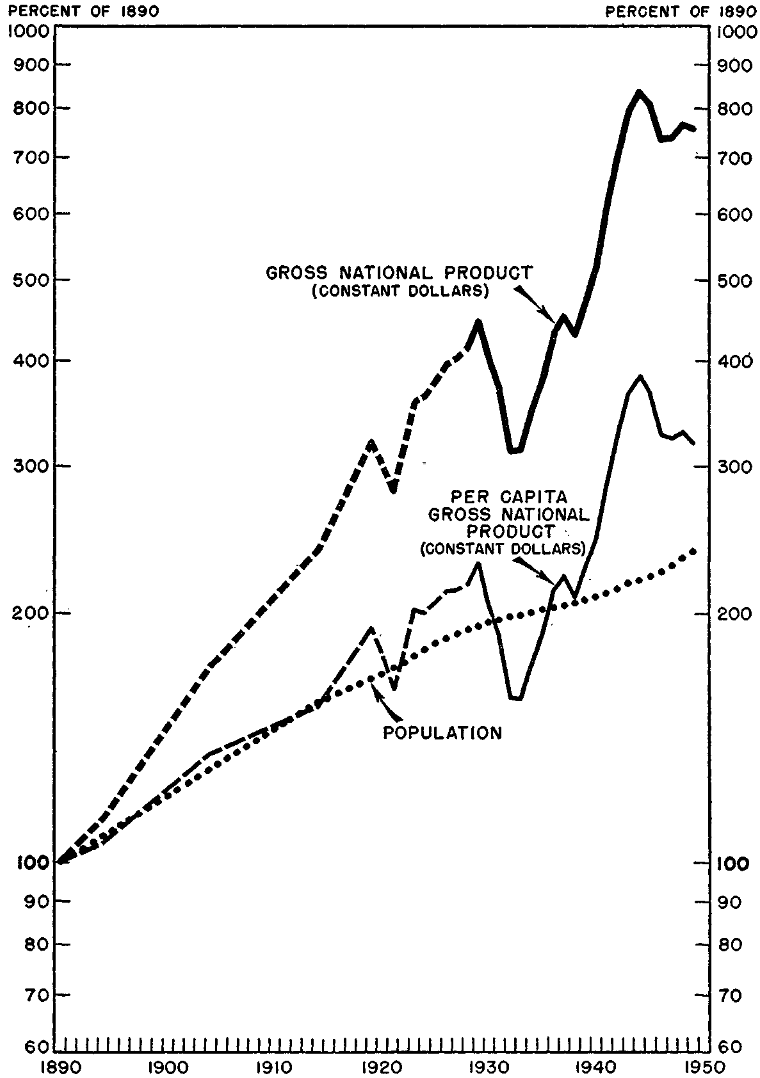
NOTE: BROKEN LINES SHOW ESTIMATES WHICH ARE BASED ON FRAGMENTARY DATA BUT WHICH INDICATE APPROXIMATE TRENDS.

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

CHART 16

NATIONAL OUTPUT AND POPULATION

Total output has increased nearly eight-fold since 1890 while the population has grown by 2½ times. As a result, production per capita has more than tripled.



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

SOURCES: DEPARTMENT OF COMMERCE AND COUNCIL OF ECONOMIC ADVISERS.

ingly, it is only by looking forward for a few years that we can appreciate the prospects before us sufficiently to begin their achievement in 1950.

Over the past six decades, our national output of goods and services has been multiplied seven- or eight-fold, representing an average annual rate of increase of nearly 3½ percent and a virtual doubling of total output every 20 years. In 1949, this total output was about 260 billion dollars; measured in the same price terms, it was about 35 billion dollars in 1890. During the same time span, our population increased to not quite two and one-half times its 1890 size, while average working hours in industry decreased by one-third. (See charts 15 and 16.)

With a somewhat larger proportion of the population now engaged in economic pursuits, the net result has been that our total production per man-hour of work has quadrupled. This growth in productivity averaged about 2 or 2½ percent, annually compounded, and brought amazing advances in our real wealth and general standards of living. Per capita output, measured in 1948 dollars, increased from $550 in 1890 to $1,750 in 1949, or over 200 percent. The purchasing power of a typical American family now is about 130 percent greater than that of the much larger typical American family of 60 years ago.

The beginning of 1950 finds the American economy greater in its potentialities than ever before. Our managerial and working skills are greater, our farms and factories better equipped, and indications are that the pace of our technological advance will be maintained. It is a reasonable estimate that we should be able by a combination of private and public efforts to continue to increase productivity per fully employed worker by about 2 to 2½ percent annually in coming years. The total output will be affected by the net increase in the labor force which, under conditions of ample job opportunities, should a few years hence, say in 1954, bear about the same relationship to the total population as at present. Lessened participation by school-age youths and the effect of the resumption of the long-term trend toward earlier retirement may be offset by higher participation by women. Even with some further reduction in the workweek, perhaps mainly through longer and more widely enjoyed vacations, we should achieve in 1954 an expansion of about 18 percent in total output and about 12½ percent in per capita output over that of 1949. At current price levels, this would mean attainment of a gross national product in excess of 300 billion dollars. This potential increase in the annual output of the American economy would be nearly 50 billion dollars, or approximately $1,000 per family.

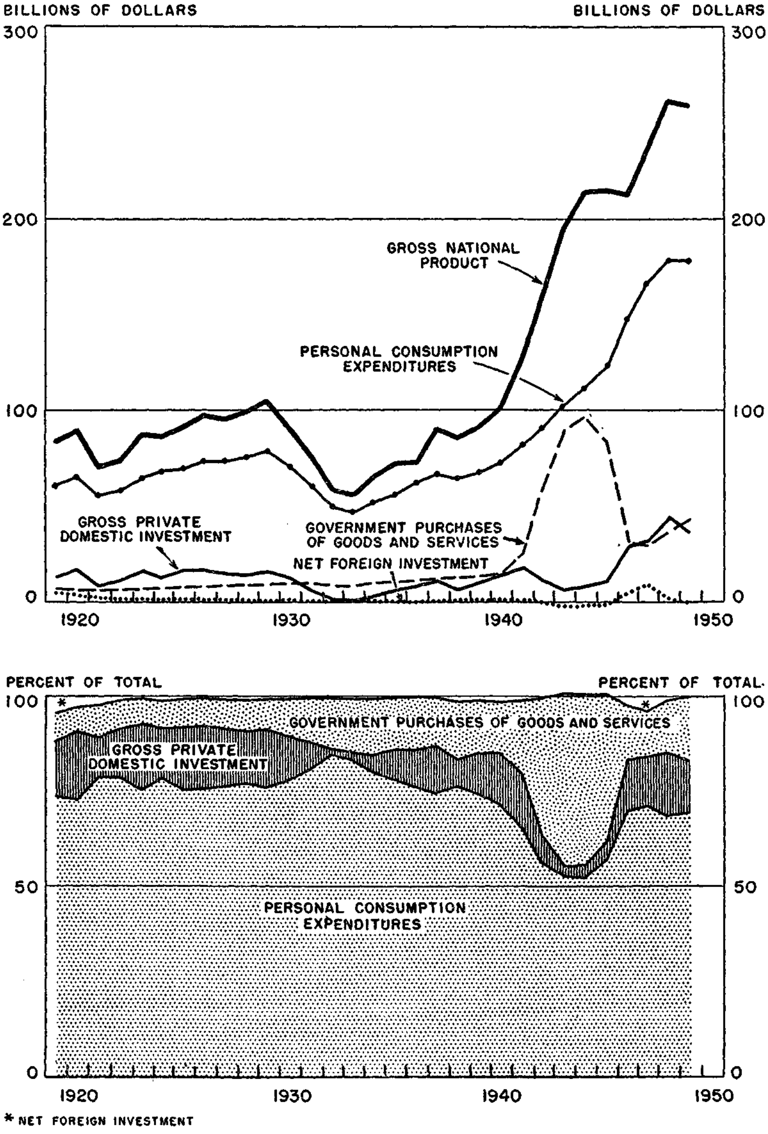
But the first step toward our goal for future years is our goal for 1950. Despite the process of recovery, we are not now measuring up even to a conservative definition of maximum employment, production, and purchasing power.

We should aim during this year to reduce unemployment from 3½ million to a figure in the neighborhood of 2, or at most 2½, million—

CHART 17

CHANGING SHARES IN NATIONAL OUTPUT

As compared with experience in the 1920's and 1930's, a relatively smaller share of national output now goes to consumers and relatively larger shares to business investment and Government.



SOURCES: DEPARTMENT OF COMMERCE AND COUNCIL OF ECONOMIC ADVISERS representing the "frictional" unemployment incident to the operations of a flexible economy, plus a hard core of unemployment in certain localities and occupations which can only gradually be reduced. Taking account also of the natural increase in the labor force, the goal of achieving maximum employment before the end of this year requires job opportunities for an addition of around 2 million people, bringing the total number of civilian employed to about 61 million. We must strive for fuller employment opportunities for those who are involuntarily underemployed, including people forced into low-grade employment by the absence of adequate job opportunities in their own occupations.

Maximum production for the year 1950 as a whole would require an increase of about 7 percent over last year, in order to offer the needed additional job opportunities to a growing labor force working at increasing productivity. We cannot achieve this improved level of production for the year as a whole, but it should be possible to attain maximum production on a stable basis by the end of the year.

The maximum purchasing power objective for 1950 is to promote those adjustments in the intricate network of the income and spending stream—both private and public—which will provide our economy with the requirements for both stability and growth.

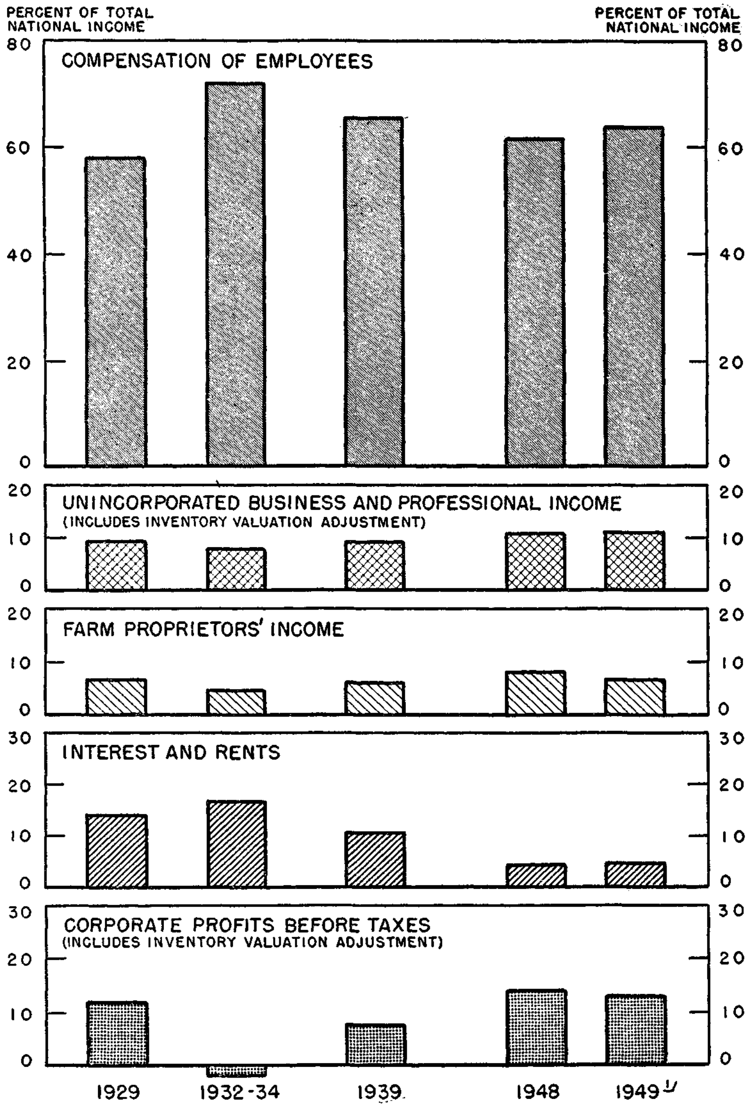
Toward a Balanced Economy

Whether or not we realize the gains within our reach depends upon achieving a sustainable balance among the various sectors of our economy. Attaining this balance requires that production and incomes shall not develop in a manner resulting in the periodic downturns we have witnessed in the past. Business income and investment should be large enough to make full use of our technology, our inventiveness, and our labor force, but not so large as to result in subsequent overproduction in relation to the absorptive capacity of markets. The income and spending of consumers should be sufficient to clear the markets of goods and to provide incentives for still more business enterprise, but not so large as to cause inflation. The expenditures of government should be large enough to provide those services which our resources permit, which our people need, and which cannot so effectively be provided in any other way, but not so large as to overstrain our resources or to dampen the incentives of free enterprise or alter the essential character of our economy. Our supply of goods to foreign countries should be sufficiently large to promote a more prosperous and more peaceful world, but not so large as to undermine our domestic strength and thus defeat the very objective which we seek. The whole task of economic policy, both private and public, is to work out these arrangements bit by bit, pragmatically as we go along, benefiting constantly by the lessons of past experience.

CHART 18

CHANGING SHARES IN NATIONAL INCOME

Wages and salaries and business earnings accounted for somewhat larger shares of national income in 1948-49 than in 1929. Interest and rents accounted for a sharply reduced share.



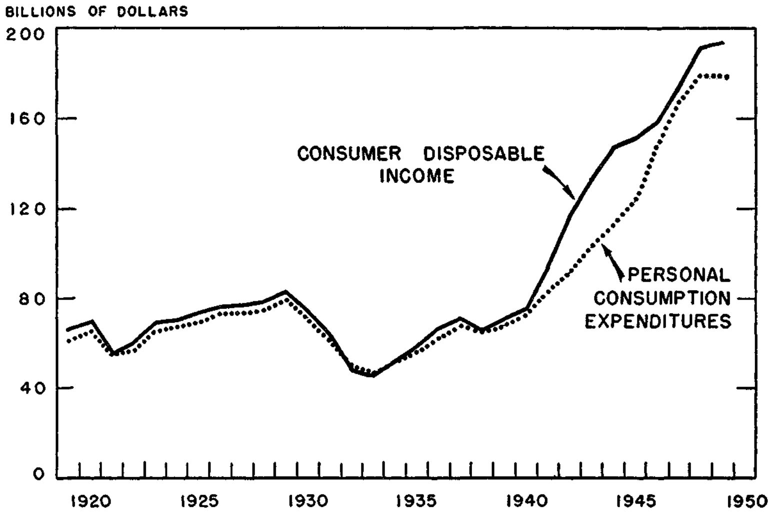
1/ ESTIMATES BASED ON INCOMPLETE DATA; INCLUDES SECOND HALF ESTIMATES BY COUNCIL OF ECONOMIC ADVISERS

SOURCE: DEPARTMENT OF COMMERCE (EXCEPT AS NOTED)

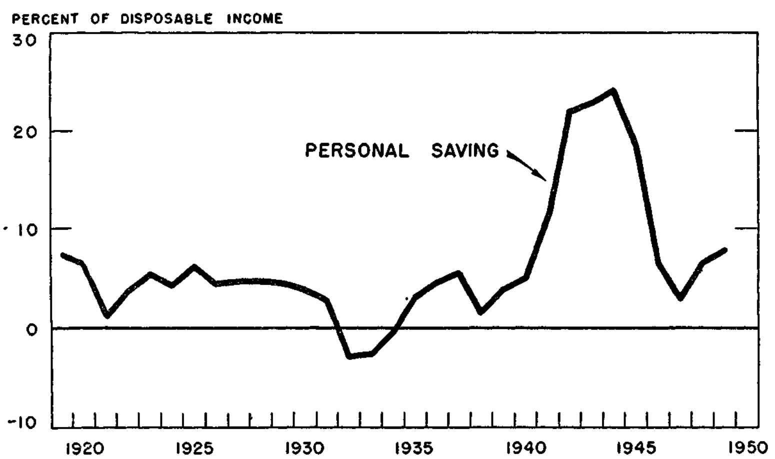
CHART 19

HOW CONSUMERS USED THEIR INCOME

Consumer income and spending have fluctuated with general economic activity, rising during prosperous years and falling during depressions.



Personal saving, which was negative in the early thirties, averaged about 5 percent of disposable income in prosperous prewar years.



SOURCES: U. S. DEPARTMENT OF COMMERCE AND COUNCIL OF ECONOMIC ADVISERS

Past experience can never give us any one exact pattern for these balanced relationships. But, when combined with quantitative analysis, it can help to point the way toward some workable relationships within a broad range. More important, past experience demonstrates fairly conclusively that enormous variations in these patterns from time to time have been a concomitant of the vast instabilities to which our economy has been unnecessarily subjected.

Whether the instabilities in these relationships are regarded as the cause or the result of the business cycle, it is clear that economic stability cannot be achieved without reduction in these excessive swings in various categories of private activities. Of course, private and public policy in a free-enterprise economy cannot completely remove fluctuations in business investment and other economic activities.

These extraordinary variations in the composition of our gross national product may be illustrated by the experience of the last three decades. (See chart 17.)

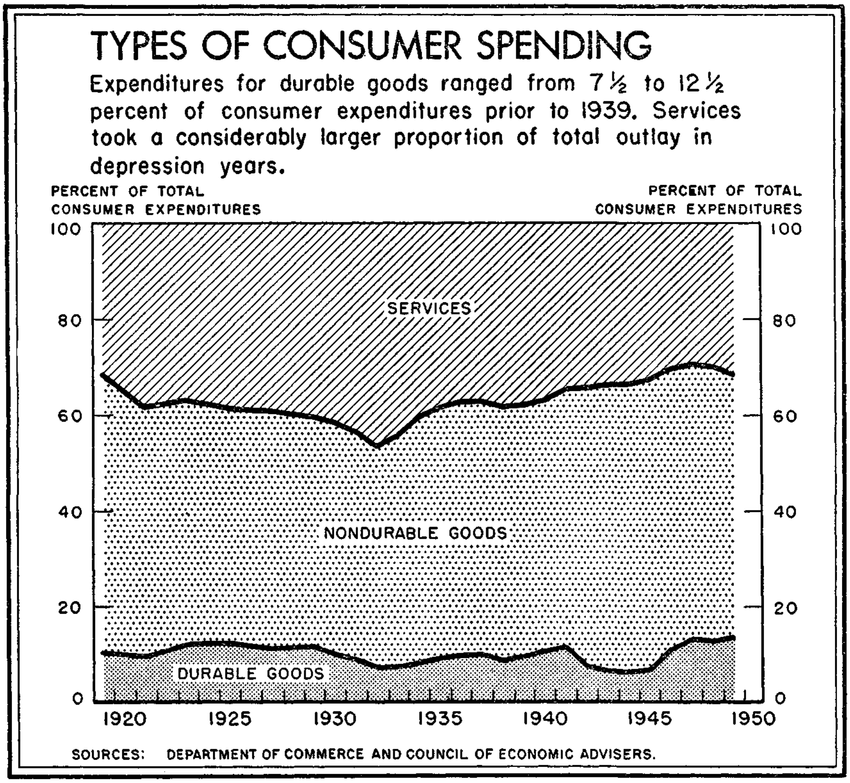
Some of these variations were caused by wars. But it will be more profitable to focus attention upon aspects of the business cycle at least partly independent of wars. Certainly we could not expect reasonably permanent stability in an economy in which gross private domestic investment swung from 15 percent of the total national product in 1919–29 to 1.5 percent in 1932. Consequently we must be deeply concerned that private domestic investment, which reached an even higher percentage in 1948 than in the boom year 1929, does not take another drastic downward swing. Certainly the cyclical shifts in the portion of gross national product represented by personal consumption expenditures from 76 percent in 1929 to 83 percent in 1933 to 68 percent in 1948 were not consistent with a reasonably stable economy.

Expenditures are mainly although not wholly determined by income, and the excessive variation in our levels of general economic activity have also been closely associated with income relationships which were not sustainable and therefore were subject to excessive periodic change. Chart 18 shows the relative changes in the main shares of national income since 1929.

Clearly, a smoothly functioning economic system was unattainable with corporate profits after taxes ranging from 9.6 percent of the national income in 1929 to minus 2.2 percent in 1932–34, or with a level of farm income dropping by more than two-thirds between 1929 and 1932. Acceptance of such wide variations as "inevitable" or "normal" in a free economy would drive business policy, labor and farm action, and Government programs along most undesirable lines.

Success in business operations requires the ability to forecast marketing conditions, which means largely forecasting the buying ability and habits of consumers. Chart 19 shows, for the period 1919–49, the excessive and unpredictable variations in consumer income, expenditure, and saving, while chart 20 indicates the impossibility of appraising even roughly the composition of consumer demand, so long as income and expenditure are subject to such wide fluctuations.

CHART 20



In an economy growing toward a gross national product of more than 300 billion dollars by 1954, the various sectors of the economy would need to function in a balanced relationship, so as to avoid the inflationary effect of demand exceeding supply or the deflationary effect of production running ahead of effective demand. If this balance can be achieved—and we believe that it can—it is possible to outline in broad terms the vast opportunities that this would offer to our business system in the form both of high investment levels and high sales of goods to ultimate consumers. The broad depiction of these opportunities is a logical extension of the idea of market analysis of business prospects, the value of which has been increasingly recognized by the business world. It is a composite estimate of what our resources can do and what our people may buy, which is correspondingly an estimate of what business may have an opportunity to sell.

The Council, since its inception and in response to its mandate, has been making exploratory studies of potentialities for economic growth. While it is relatively easy to estimate what the total output of the economy would be in a future year if resources are effectively used, it is more difficult to discern the broad relationships among the various sectors of the economy which may facilitate growth without generating the disproportions that threaten either inflations or depressions. Studies have been made specifically of expansion and modernization of productive capacity consistent with the projected rise in total output, and of the increase in consumption consistent with taking off the market the entire output of an expanding production without undue price fluctuations. In addition to domestic investment and consumption, these estimates have taken into consideration the governmental and international transactions which enter into the Nation's Economic Budget. These studies are still in the exploratory stage; The Council hopes that eventually they may develop into useful guides to voluntary adjustments and to the evolution of public policies to stabilize the economy at a high level.

Preliminary study, however, permits estimates of investment and consumption opportunities in an expanding economy within a range of variation wide enough not to seem either arbitrary or all-wise, as set forth in the following table.

TABLE 13.—*Output, consumption, and investment.*

[Billions of dollars]

Item	1948	1949	1954 [1]
Gross national product	262.4	258.7	300–310
Personal consumption expenditures	178.8	178.5	210–225
Gross private domestic investment, exclusive of inventory accumulation	38.6	37.2	38–43

[1] The 1954 estimates allow for only minor variation of prices from the present level.

Source: Department of Commerce (1948–49).

Some comments are here desirable with regard to the foregoing estimates. First, these estimates present objectives for an economy of maximum employment and production. This means that affirmative policies, both public and private, will be needed to achieve them; they are not *forecasts* of developments which will occur inevitably. Second, usefulness for the purposes intended would not be impaired if the figures were varied moderately from those shown. Third, it should be noted particularly that the figures involve a high level of private investment in equipment and construction—a level well above that contemplated for 1950 in most current forecasts. This investment trend should soon rise above the 1949 level, and within five years might even surpass the record established in 1948, when postwar making-up of deferred capital needs was in full swing. Fourth, the estimates contemplate, over the five-year period, a growth in consumer buying at a more rapid rate than the growth in business investment. Analysis indicates that this is necessary to maintain maximum employment and production in a growing peacetime economy, which in turn is necessary to provide incentives for a high and growing level of business investment. Fifth, the estimates contemplate programs in the governmental sector based upon the assumption that some programs, such as those for veterans, will decline. They assume moderate extension of certain accepted programs, such as social security, upon foundations already established, and also allow for some new programs in the domestic and international fields. But they do not assume an intensification of international tensions, which would necessitate a considerably higher level of activity in the government sector as a whole. By 1954, this outline of peacetime growth would lead to the government sector accounting for a smaller proportion of the total gross national product than in 1949.

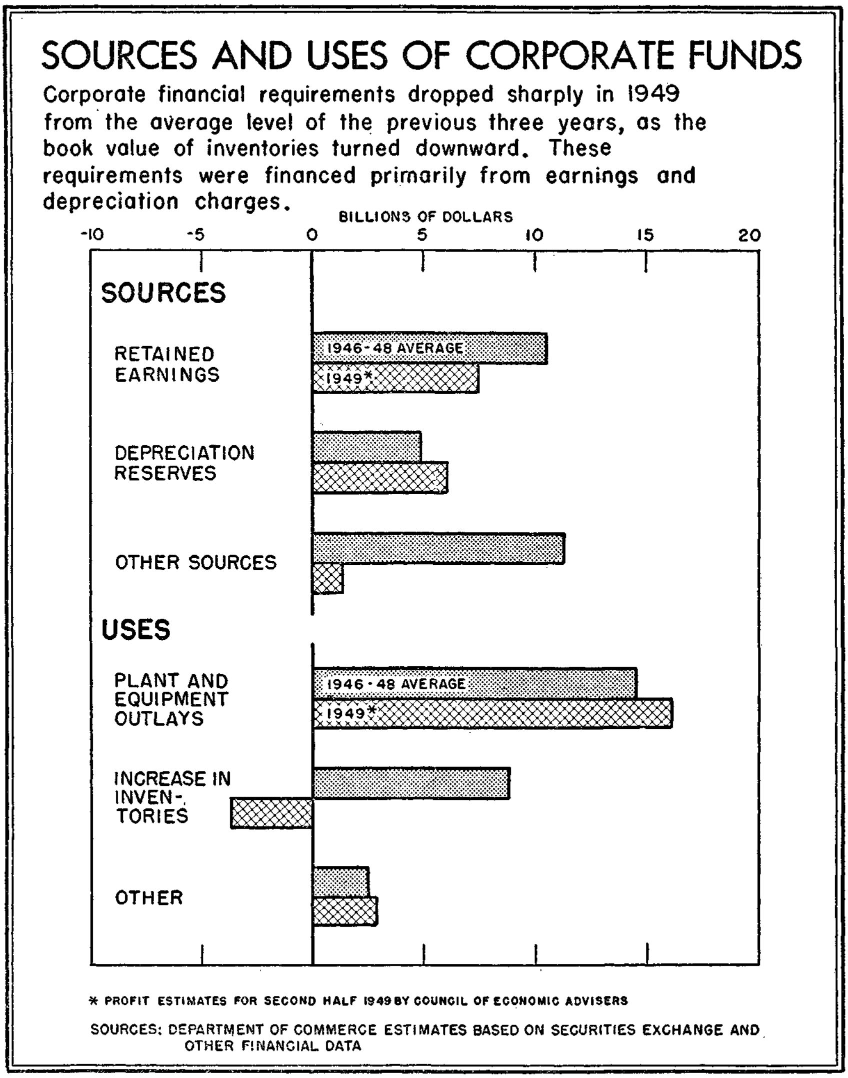
High Business Investment Needs

It has been indicated that our growth toward a 300 billion dollar economy by 1954 should afford opportunity by that year for an annual gross private domestic investment, excluding investment in inventories, ranging from 38 to 43 billion dollars. The upper figure is considerably higher than the level of either 1948 or 1949.

The realization of an adequate volume of investment between now and 1954 cannot be reconciled with a downturn for a substantial period, followed by another boom. Analysis points up the conclusion that the growth in investment should be encouraged at a fairly steady rate. We know only too well from historical experience that large variations in investment activity are inseparable from intermittent idleness and waste of our productive potentialities and a sacrifice of growth opportunities. With allowance for some backlogs of deferred expansion or replacement to be liquidated over the next few years, the growth potential of investment should be correlated with the general growth of the economy as a whole.

Very high outlays for the expansion of nonfarm plant and equipment in the postwar years appear to have brought productive capacity as a whole—with some exceptions—into a fairly workable relationship with requirements for a maximum employment economy. There has also been considerable modernization of equipment, although railroad equipment and a few other types still present a backlog of deferred replacement. Abundant opportunities exist for further modernization of productive facilities, and the upper range of the figures shown assumes that a large increase in outlays could perhaps be achieved by more rapid retirement of facilities for obsolescence. But present investment expectations of businessmen are one indication that such an increase might be difficult. For nonfarm producers' plant and equipment, investment trends should reflect a reasonably consistent historical relationship between such outlays and the growth of buying power.

CHART 21



The trend of investment in farm equipment and construction should allow for expansion, increased mechanization, and replacement in keeping with the agricultural output requirements of a fully active economy. For other private nonresidential construction—such as churches, schools, hospitals, institutions, social and recreational buildings—about the 1949 rate of outlays (which was about one-fifth above that of 1948) should be carried forward. Inventories are in a reasonably workable relationship to sales at the present time, and they may therefore be expected to increase roughly in proportion to the output of the private sector of the economy. The greatest increase above current levels of private investment is clearly required in the field of housing, because it is here that the total available supply of goods lags farthest behind the needs of the people and presents the greatest challenge to production and financial ingenuity.

For now and the foreseeable future, the problem of encouraging an adequate level of business investment assumes greater importance than is indicated by the mere quantitative relationship of such investment to the total size of the economy. A timely checking of the current downtrend in investment, followed by resumption of growth, is by no means to be taken for granted. Neither investment nor consumption can long sustain satisfactory growth unless both do; and the relatively modest growth in investment contemplated in the estimates presented above may well present even more difficulty of attainment than the larger growth set as a consumption goal. It is easier for public programs to stimulate consumer spending than it is for these programs to enlarge business investment direct. Yet we know from the experience of the 1930's that, without a large and growing volume of business investment, maximum employment and production can hardly be achieved and can certainly not be maintained.

Availability of funds for investment

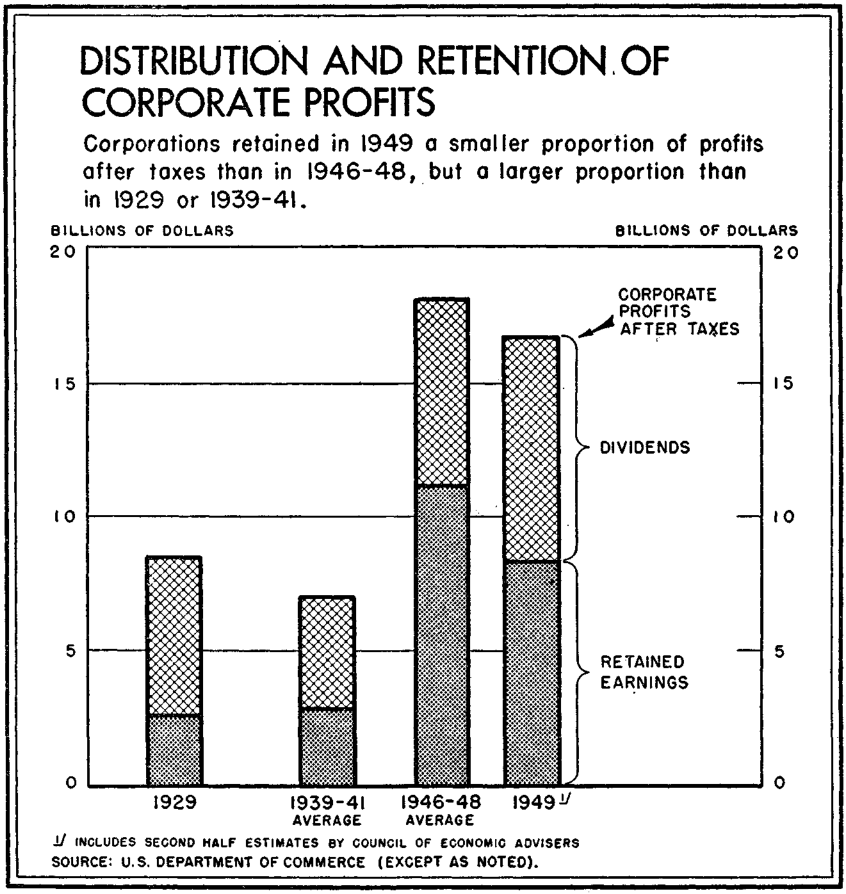
Consideration of the problem of supplying adequate funds for business investment calls for a comparison of corporate financial requirements, under conditions of maximum employment and production, with the sources of funds likely to be available to meet these requirements. Corporations account for the major share of business investment, and depend more heavily than other businesses upon outside capital.

During the period 1946–48, as chart 21 and appendix table C–34 show, corporations used an average of about 28 billion dollars a year to finance plant and equipment expenditures, expansion of inventories, and expansion of accounts receivable. These requirements were very high in comparison with prewar experience, even after taking into account the rise in sales volume and prices. They reflected not only a volume of plant and equipment expenditures nearly twice that reached in any previous year, but also an impressively large volume of funds to finance expansion of working capital.

In general, corporations during the very high investment period 1946–48 were adequately supplied with funds to finance their investment programs along conservative lines despite the high level of taxation. In fact, a striking characteristic of the period was the extent to which corporations were able to meet these unprecedented financial requirements from their own funds. During this period, corporations reinvested about 62 percent of their profits after taxes, as compared with 31 percent in 1929 and 41 percent in the 3 years before the war. (See chart 22.) This large volume of retained earnings enabled corporations to remain in a generally strong financial position in spite of the large requirements for funds. Their liquidity, as revealed by various types of liquidity ratios, compared very favorably with the prewar years. Relative to income after taxes, corporate debt at the end of 1948 was only about 50 percent as large as in 1929, and 45 percent as large as in the period 1939–41. During 1949, as was shown in Part I, corporations were generally able to improve their financial position and at the same time to step up their dividend disbursements.

The postwar experience indicates that, in a period of high employment and production, corporations experienced little difficulty in financing their expansion in a manner which left them generally in a favorable financial position. It seems unlikely that an expansion of the economy such as was outlined above would pose a more difficult financial problem. We should expect that in such an economy a higher level of business investment in plant and equipment could be attained without imposing upon corporations financial requirements as high as during the period 1946–48. The reason for this is that probably not more than 3 to 4 billion dollars annually would

CHART 22



be needed in an enlarging economy to expand inventories and customer accounts in line with sales. These figures are far below the annual average of about 13 billion dollars absorbed in rebuilding of inventories and in financing customer credit during the inflationary period 1946–48.

The main sources of funds for corporations will be retained earnings and depreciation reserves. If the economy continues to grow in line with its indicated potential, corporate profits should increase enough so that, even with a dividend disbursement ratio as high as in the late 1920's, retained earnings and increasing depreciation reserves will furnish a major part of new capital requirements. In these circumstances, the necessary outside financing would be much less than the 11 billion dollars annually secured from outside sources in 1946–48. The larger and established corporations will not face any serious problem of equity capital. Reinvested earnings should be large enough, in conjunction with new stock issues no larger than those of recent years, to improve the ratio of equity capital to debt. Provided we are able to realize a sustained period of growth, dividend disbursements may even be higher in the future than they have been in recent years. We should then expect a sizable increase in the amount of new capital forthcoming from stock issues. Indeed, late in 1949, and probably as a result of these factors, the market for new stock issues improved noticeably. Corporate managers have recently preferred to borrow funds at prevailing low rates of interest, rather than to "dilute the corporate equity capital," as they describe the issue of new stock at the price at which it would be absorbed by the existing market. If the recent movement in stock prices continues, many corporations will reverse their policy and seek outside equity capital. Others will continue to be attracted by the tax advantage of debt financing and by the continuance of low interest rates, which is assured by the Government debt-management policy.

While corporations as a whole may not experience serious difficulty in financing their expansion, individual corporations will fare unevenly in the gains of prosperity. Some will be capable of meeting temporary market adversities and financing expansion needs entirely from internal resources. Others may better this record and in addition improve their liquidity positions. Still others, however, may find internal resources quite inadequate for these purposes and will seek funds actively from external sources, in order to provide for corporate growth in line with expanding markets and at times to cushion adjustments to changing competitive trends.

Specific problem areas

Despite the generally adequate supply of funds, there are important gaps in our financial and investment structure. The prospect that total saving is likely to be fully adequate for total investment opportunity does not dispose of the problem of increasing the availability of funds for particular types of businesses, and of making them available in all regions of the country in such forms and on such terms as to promote their full and effective use. There is danger that the proportion of funds seeking fixed-return investment will continue to rise and that the economy will generate a larger volume of saving for such purposes than it can absorb, while at the same time important types of investment will be impeded by lack of risk capital. Small and new business concerns have always experienced great difficulty in securing long-term loans and in acquiring outside equity capital, and this problem has now been intensified by the larger concentration of investment funds in the savings accounts of persons of moderate income who seek fixed-return investments, and in institutions which have little interest in financing small business.

There are particular industries, such as the railroads, in which capital needs are very large in relation to earnings and which face especially thorny problems of obtaining either debt or equity capital. Special consideration must be given to certain strategic industries in which expansion desirable for national security calls for larger or more rapid investment outlays than are likely to be forthcoming from private investment.

CHART 23

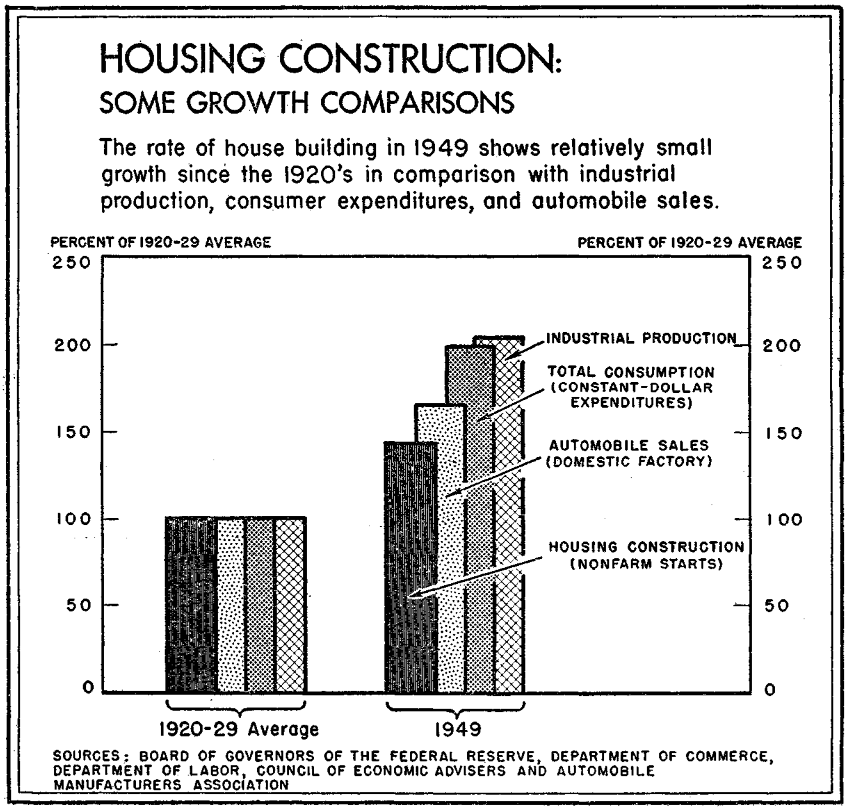
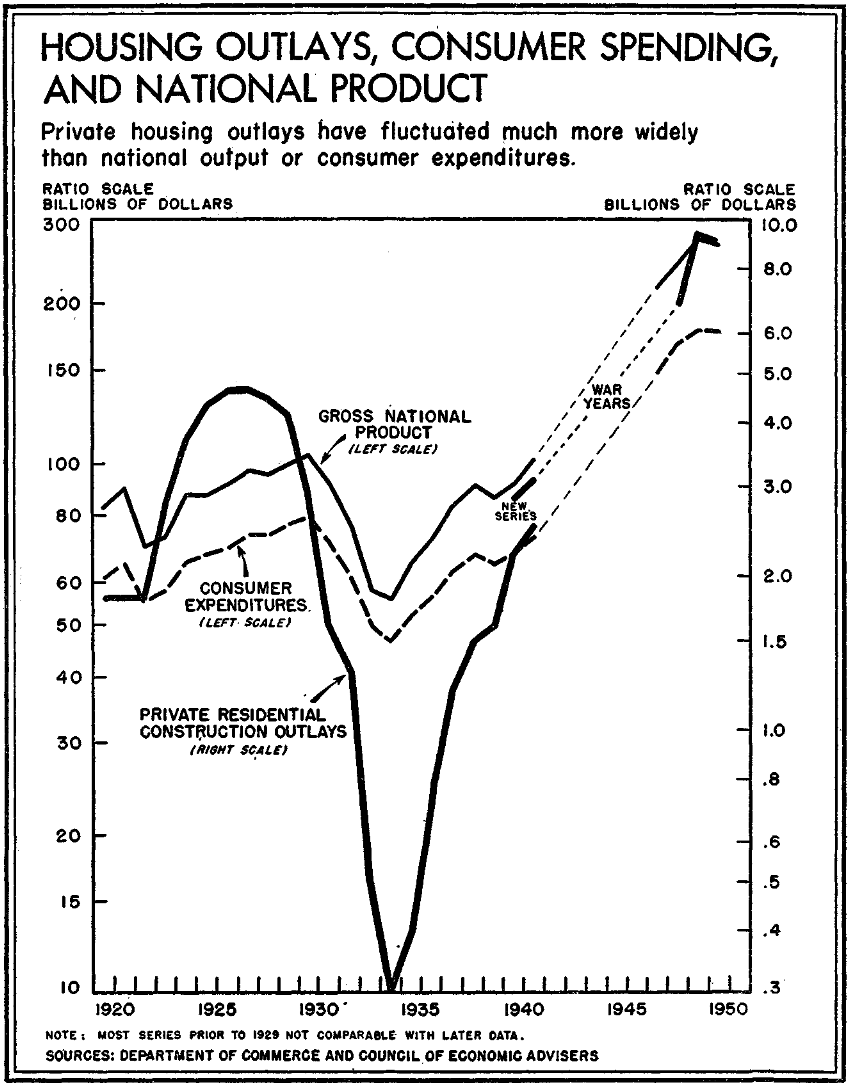


CHART 24



The housing problem

The housing shortage is still acute, and the desire of the people for more and better housing presents the largest single potential market now open for increased investment. While 1949 was a peak year for housing, the construction of new nonfarm housing in 1949 showed a much smaller increase from the levels of the 1920's than did the total physical volume of consumption, the volume of industrial production, or the purchases of new passenger automobiles. (See chart 23.) Housing has failed to keep pace with over-all economic growth in the past quarter century.

Instability in so important a sector as housing has contributed powerfully toward general economic instability. As shown by chart 24, which omits the period 1942–45 to avoid the special complications of wartime, private housing outlays have fluctuated more violently in the past three decades than either total output or consumer expenditures.

Housing production should be stabilized at very high levels. Based upon needs and resources, the objective over the next few years should be to build on the average about 1½ million new residential units annually, or substantially more than the million in the year 1949—which, while an all-time peak year for home-building, was only slightly above the level of 1925. A considerable part of this new construction should represent replacement of hopelessly obsolete housing, which should be cleared away on a much enlarged scale. Improvements and enlargement of existing houses should also require very large new investment. Allowing for some further decrease in housing costs, and for the trend toward more economical design to meet the needs of families of moderate income, but allowing also for the related facilities and community developments which such a large amount of residential construction would carry with it, this volume of housing and related improvements over the next few years would probably require an average annual investment in the neighborhood of 12 to 14 billion dollars. This is not a *forecast* of what the level of such housing investment is likely to be without special efforts. On the contrary, we face the danger of a decline rather than an increase in residential construction unless new means are developed to enable more middle-income families to obtain new housing, particularly as the backlog of postwar demand tapers off. This will require strenuous efforts to develop workable stimuli along new lines. The Council regards the maintenance of a high and growing level of private investment in housing as perhaps the most important issue in connection with the maintenance of a total level of investment high enough to support maximum employment and production over the next few years.

Adequacy of market opportunity

Adequate market opportunity for business means conditions favorable to the disposition of full output at a return providing sufficient funds and incentives in the form of profits. In the final analysis it is the appraisal of market potential which mainly controls the rate of investment. No redundancy of funds available for investment will promote a sufficiently high level of investment if this market opportunity does not exist. If it does exist, investment in general will grow with the rest of the economy and will not in general be hampered by lack of capital funds.

A large contraction in business investment sets in because those making investment decisions forecast a level of general economic activity not sufficiently high to assure profitable utilization of additional capacity. They recognize that a generally expanding economy would continue to support a high and growing investment level, but feel that the short-run outlook does not presage the resumption or continuation of expansion. Thus the first and foremost step toward solving the investment problem is to promote the environment which will encourage businessmen to make their investment decisions in the light of longer-run prospects for growth.

Our analysis of the magnitude and of a few of the probable characteristics of an economy expanding toward the 300 to 310 billion dollar level indicates that high and growing levels of business investment—and the business earnings necessary to motivate and help finance it—are entirely compatible with expansion of ultimate consumer incomes and expenditures sufficient to absorb the swelling product. If this absorption occurs, there should be no real problem of business profits failing to provide generally adequate incentives.

It is recognized that any prolonged contraction in corporate profits from present levels would spell a sizable reduction in business investment, and that an expanding economy cannot be founded upon a continually declining level of profits. But an expanding economy, associated with sufficiently high market prospects and their full appreciation by the business community, would result in a rising level of corporate profits even if profit margins should be somewhat reduced. There is ground for belief that somewhat reduced profit margins would still provide generally adequate investment incentives under conditions of an expanding market furnishing a *rising absolute level of profits.*

It should be recognized, however, that such expansion of the economy may not occur if business pricing practices are not adapted to encouraging a rising level of consumption. Pricing practices also bear directly on investment insofar as they are associated with restriction of capacity. The degree of competition is an important determinant of outlays for cost-reducing improvements of productive facilities.

A High Consumption Economy

The broad estimate that consumer expenditures in a 300 to 310 billion dollar economy would range from 210 to 225 billion dollars represents an expansion in consumption of about 22 percent, or about 15 percent per capita after allowing for population increase, over the level of 1949. This measures the market opportunity for our business system.

Expenditures for consumer durable goods

Over the past decade, despite the war, there has been a great increase in the ownership of durable goods by American families. Between the end of 1939 and the end of 1949, the number of radios in use increased from 39 million to 62 million, electric refrigerators from 14 million to 29½ million, and electric washers from 14½ million to 25½ million.

Future economic growth would maintain large opportunities in the consumer durables field. About one-third of all households still lack electric refrigerators, and a continued high rate of residential construction would create a need for all types of appliances. The number of television sets in use at the end of 1948 was slightly above a million; during 1949 almost 2½ million sets were produced, indicating the very rapid expansion afforded by this market.

More than 5 million passenger cars were produced in 1949, bringing total private registrations to 35.5 million, or an average of one car for every 4.2 persons. This compares with 26 million passenger cars at the end of 1939, or an average of one car for every 5 persons. The character of the demand for automobiles since the war, despite the mounting prices, should be sufficient warning that it is very easy to underestimate the future market. Nor does the scope of demand at this time furnish a clear guide to the demand when and if prices are reduced, or to the demand when family incomes become larger. The universality of the desire of Americans for automobiles has been thoroughly proved, and the history of the industry does not permit doubt that management, once it finds that it has exploited the market for higher-priced cars, will find ways through price reductions and through cheaper models to attract the vast potential demand not now able to come into the market for new cars.

The proportion of consumption expenditures now devoted to purchases of durable consumer goods, including automobiles, appliances, and furniture, is about 14 percent, compared with 12 percent in 1929 and 10 percent in 1939. (See chart 19, page 82.) There will be further working off of backlog demand for certain goods, but a lifting of standards of living would probably increase the share of expenditures on durable goods above that of prewar years.

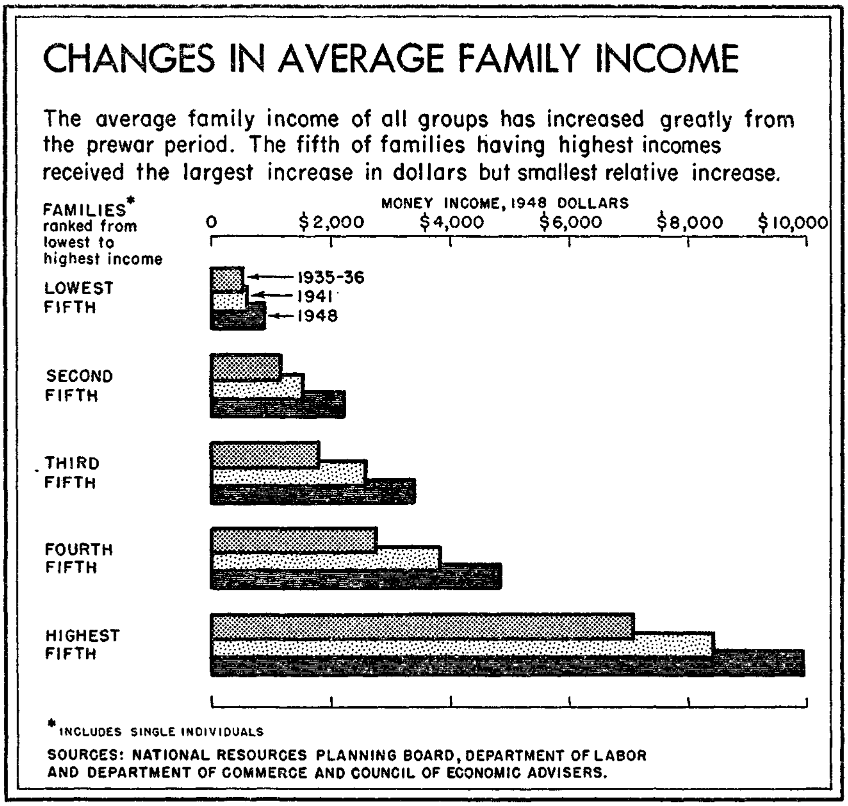
Expenditures for nondurable goods

The two major items of consumption in the category of nondurable goods are food and clothing. The percentage of income spent currently for food is higher than it used to be, reflecting higher prices for food and higher quantities of consumption. Per capita food consumption is about 10 percent above the 1935–39 level. The level of 19 percent above prewar, reached in 1946, would be exceeded if the diets of low-income families were raised to an adequate nutritional level. Clothing expenditures, as a percentage of total expenditure, have shown a declining trend over the last three decades. Nevertheless, budgetary studies show that many families, particularly in rural areas, obtain no more than minimum requirements. Income gains which would lift low-income families to a more satisfactory standard of living would greatly enlarge the market for clothing.

Expenditures for services

Even with the expanded consumption of durable and nondurable goods which has been outlined, the markets for these goods are not limitless. The full utilization of our productive resources requires that the enterprise and imagination which have created new products like automobiles and radios shall increasingly be devoted to the development of even newer products in an even wider variety. Beyond this, as standards of living rise, a larger proportion of the people's wants and needs turn from the basic requirements of life toward those things which add to the enjoyment of living. Services such as education, health, and recreation are an area of economic development yet in relative infancy. The expansion of these services may involve varying patterns of private and public action, but in any event they will vastly increase private employment and business opportunity for a wide range of related and supporting activities.

CHART 25



Distribution of income

The percentage of income going to various groups does not change greatly over a short period of time. Nevertheless, the conditions of full employment during the war were instrumental in bringing about a distribution of income in the United States more favorable to lower-income recipients. Chart 25 and table 14 show the average income of each fifth of the population, from those with the lowest income to those with the highest, in two prewar years and in 1948. The greatest relative improvement since

1935–36 appears to have been in the second and third of the five brackets. The top fifth had the largest average gain in absolute amounts but the smallest percentage increases. In appraising the average income in the lower brackets, it should be noted that these brackets include many young single persons and retired persons whose income runs considerably lower than that of families of two or more. In addition, many families have non-money income, such as home-produced food or fuel, not reflected in the distributions. Nevertheless, income for many families is clearly below the level required for an American standard of living. Recent investigations by the Joint Committee on the Economic Report have shed light on the plight of these families, and on many of the social and economic conditions contributing to inadequate income.

TABLE 14.—*Money income received by each fifth of families and single persons, 1935–36, 1941 and 1948*

Families and single persons ranked from lowest to highest income	Percentage of money income			Average money income in dollars of 1948 purchasing power [1]			Percent increase in average income	
	1935–36	1941	1948	1935–36	1941	1948	1935–36 to 1948	1941 to 1948
Lowest fifth	4.0	3.5	4.2	$534	$592	$893	67	51
Second fifth	8.7	9.1	10.5	1,159	1,546	2,232	93	44
Third fifth	13.6	15.3	16.1	1,810	2,597	3,410	88	31
Fourth fifth	20.5	22.5	22.3	2,734	3,816	4,711	72	23
Highest fifth	53.2	49.6	46 9	7,083	8,418	9,911	40	18
All groups	100.0	100.0	100.0	2,664	3,396	4,231	59	25

[1] Current dollars divided by the consumers' price index on the base 1948=100 to give a rough measure of changes in purchasing power of income. (See appendix table C–8.)

NOTE.—Adjustments have been made in basic survey data for each year. See appendix table B–1 for a distribution of families and single persons by income level for 1948. Detail will not necessarily add to totals because of rounding.

Sources: National Resources Planning Board (1935–36), Department of Labor (1941), and Council of Economic Advisers (1948).

The purely social consequences of income distribution are not within the scope of this report, but it should not be forgotten that the functioning of the economic system as a whole bears upon the life and livelihoods of the people whom it is designed to serve. In addition, the distribution of income has a recognized bearing upon the functioning of the whole economy and upon its prospects for growth. A balanced growth of investment and consumption is closely related to income flow, which in turn has a bearing upon the proportion of income that is spent for consumption.

In 1948, consumer income and consumer expenditure each represented a considerably lower percentage of gross national product than in prewar years. The high tax structure necessitated by the war and its aftermath absorbed part of the income which would otherwise have been available to consumers. In 1949, the percentage of the total product represented by this type of income and expenditure moved upward slightly. This is shown by table 15.

TABLE 15.—*Selected series relating to consumption*

Series	1923–29 average	1933–35 average	1937	1939	1948	1949
Personal consumption expenditures as percent of gross national product	76.0	80.1	74.4	73.9	68.1	69.0
Net personal saving as percent of disposable personal income	4.9	.2	5.5	3.8	6.3	7.5
Disposable personal income as percent of gross national product	79.9	80.2	78.8	76.9	72.7	74.6
Per capita disposable personal income:						
Current dollars	641	408	552	536	1,302	1,293
1948 dollars [1]	888	732	920	923	1,302	1,309
Index (1948 dollars, 1948=100)	68.2	56.2	70.7	70.9	100.0	100.5

[1] Current dollars divided by the consumers' price index on the base 1948=100 to give a rough measure of changes in purchasing power of income. (See appendix table C–8.)

Sources: Department of Commerce and Department of Labor (see appendix C for basic data).

The expansion of consumer demand which will be necessary in future to sustain a high level of business investment, and to promote maximum employment and production, will hinge not only upon the proportion of total disposable income in the hands of consumers, but also upon the trend of current saving. In 1949, as table 15 shows, the rate of saving reached 7.5 percent of disposable income, compared with 3.8 percent in 1939 and about 5 percent during the 1920's. It may well be that a higher rate of saving than in the prewar period will characterize postwar prosperity, and this may create a problem of finding adequate investment outlets. Earlier in this report, however, we noted the fact that the proportion of saving to income decreases at the lower ends of the income structure. As the national income grows, a trend toward relatively greater increases in income for families in the lowest brackets of the income structure would therefore give an extra stimulus to demand for consumption goods.

Thus greater relative gains by those groups who at present share least in the benefits of our economy not only serve fair social objectives, but also tend to improve the balance in the relationship between intended saving and intended investment. Such a development contributes to the stability and growth of the whole economy, and thus is beneficial to all groups in the long run. This offers a wide area for agreement and cooperation throughout the country, as the people look to free enterprise and free government for continuous improvement in the functioning of the economic system.

IV. Needed Policies

The early reversal of the downturn in 1949 was accomplished with the aid of a composite of private and public policies. The Council has stressed the importance of policies in the business world itself, coupled with our confidence that as these policies constantly improve there will be progressively less likelihood of the drastic Government action which follows from the emergence of critical conditions.

Government should also exert an affirmative influence if we are to accomplish the objective of steady economic growth. The Government has become a large partner in the modern productive process by contributing to the development of resources, transportation, research, and the productivity of labor, all of which are essential to an expanding economy. Tax and credit programs have an immense impact upon the flow of incomes and funds, and upon the decisions of business and consumers.

The following treatment includes an appraisal of some of the measures which are significant for economic growth and stability under current and foreseeable circumstances. This treatment does not attempt to be all-inclusive. For example, other programs (such as those involving the power to deal broadly and flexibly with credit developments through the Federal Reserve System) should be made available to be used if conditions sufficiently change to call for them. Still others may need to be developed if deficiencies in market adjustments unfold.

What is recomended now might appear as a piecemeal approach, were not each piece appraised in the perspective of the current economic situation and of the general objectives defined for the years immediately ahead.

The Function of Prices

Our economy is sometimes called a price economy. This means more than that changes in particular prices influence the decisions which determine the kinds and volumes of goods which are produced. It also means that the price factor exercises so important an influence upon levels of real profits and real wages and other incomes that it vitally affects the economic balance between investment and consumption which is essential for a high level of general activity.

The current price level in general is now high enough to sustain a generally rewarding level of profits, if activity is high, and this level of profits would increase substantially if the volume of sales approaches the levels required to sustain maximum production. For this reason, there would be no justification for a general upward movement of prices, and neither the current nor shortly prospective relationship between supply and demand is likely to force general prices upward. While our economy is so complex that a few isolated upward adjustments may seem justifiable, every effort should be made to avoid them, because they will not add to stability or confidence and will make it harder to achieve a level of sales consonant with maximum production and employment.

There are some prices which are too high to permit continuance for a long period of the current volume of sales. These prices will need to be reduced or production and employment will eventually suffer. These prices are in the field of the administered-price industries where price policy is firmly controlled; but it may be expected that managers in these industries will not fail to reach for the larger market demand which will follow price adjustments.

The Council believes that in general—and noting the exceptions mentioned above—the price level is now within a range where stability should be feasible at workable levels. By workable levels, we mean those which will enable buyers, as incomes rise gradually in a growing economy, to increase their purchases sufficiently so that maximum production and employment will be achieved and maintained. We feel that, with respect to the general situation, it will be safer for the immediate future to depend mainly upon income adjustments rather than upon sweeping and widespread price adjustments to enlarge the volume of demand.

This is not to say that a long-run downward trend of some prices in those areas where technological gains are unusually great, or where productivity increases with extraordinary rapidity, is not one of the best ways of enabling these gains to be enjoyed by the whole population instead of merely by a specific group of income recipients. Such trends in some prices have appeared in the past and will appear again, and they are all to the good. Nonetheless, as a general proposition serving as a guide to economic policy, the practical dynamics of our economy indicate that a fairly stable general price level and a rising level of money income as productivity increases are more conducive to business confidence and to the expansion of enterprise than a generally declining price level.

The Council is mindful of the critical problems confronting those whose incomes have remained at low or moderate levels fixed since before the war. But without a serious and prolonged downturn throughout the economy, the price level could not conceivably be reduced to the point where these people would find themselves in a satisfactory position. And that very process of downturn would hurt many of them as much as anybody else. These people, if they are to progress, must look to income gains.

The Function of Wages

With a growing potential for national output, the only way to translate this potential into actuality is to distribute more goods. If the price level is reasonably stable, then the increasing purchasing power necessary for expanding markets must come mainly in the form of money incomes rising in accord with improved productivity. And since wages constitute the bulk of personal income, the soundest general formula, once wages, prices, and profits are in a workable relationship, is for money wages to increase with productivity trends in the whole economy.

Such a general wage principle does not, however, imply that all wages will or should move at the same rate, any more than the general desirability of a stable price level implies that individual prices should not move either up or down. What this general wage principle does imply is that wage changes should cluster around a norm determined by the over-all productivity developments of the economy. It is also recognized that there will be business concerns with productivity gains which justify wage increases above the norm, while others cannot afford to go as high as the norm. Widely divergent rates of growth in productivity in particular industries should also be reflected in shifts in some relative prices. The detailed process of adjusting individual wages and prices to productivity must necessarily be pragmatic.

Over a long time span, it appears that wage increases as a whole and productivity increases for the Nation as a whole have tended to move closely together. But this should not blind us to the fact that there have been periods when wage trends and productivity trends have gotten out of line, and this has been a factor contributing to general economic instability. Now, when we are not immediately threatened either by inflation or by deflation, management and labor have a most challenging opportunity to develop some broad economic principles for wage negotiation which take account both of the over-all national situation and of widely differing situations in different areas, industries, and businesses.

In view of the powers which reside in strong employers and in strong labor organizations, which make it possible now for one and then for the other to force adjustments which are not in accord with the interests of the whole economy, a twofold program is called for. In the first place, increasing study of what constitutes sound wage policy should bring larger conformity to it, because basically both management and labor are propelled by the desire to pursue a reasonable course. In the second place, we are exploring conference techniques, so that representatives of management, labor, and agriculture may make further progress on joint study of the conditions and actions underlying a stable and growing economy.

Aids to Business Investment

The primary influences upon business investment are to be found in the market place. If markets are broad and rewarding, funds will find their way into productive investment. And whether these markets will be broad and rewarding mainly depends upon the functioning of the wage-price system in the distribution of purchasing power.

Nonetheless, there are some special problem areas in the investment field. The rapidly growing volume of insurance and pension funds raises the problem of facilitating absorption of personal and institutional savings into productive investment, by making a somewhat larger part of these savings available to business as venture capital. The influence of direct Federal action on this problem, however, is limited. To a large extent, the solution appears to involve liberalization in State regulatory standards and valuation concepts, and in the policies of many of the fiduciary institutions themselves.

New and small businesses are at a marked disadvantage in seeking to obtain equity capital. They also find difficulties in obtaining long-term loans. The commendable efforts of the Reconstruction Finance Corporation to mitigate the financial problems of small and medium-sized concerns would be aided if the maximum maturity period on loans were increased; and if the agency could expand its capacity to provide loan applicants with technical assistance, thereby increasing the effectiveness of its lending operation and improving the borrowers' ability to repay. Also, more expeditious and less costly means should be found to provide very small business concerns with loan assistance.

In treating of investment needs, the Council has pointed out that housing investment needs stimulation more than any other type, whether measured by the opportunities which this would afford to business enterprise or by the people's needs for shelter. With a well established and nation-wide program for subsidized low-rent housing under way, the outstanding problem now relates to housing for middle-income groups. Further reductions in housing costs, and further income gains in an expanding economy, would both contribute toward the solution of this problem. Important revisions are being proposed in existing Federal Housing Administration programs, to encourage production of housing at lower rents and lower sales prices and of a size commensurate with family needs. These changes, however, will not provide a complete solution. Even with the new aids, adequate funds are not available for this kind of housing investment at sufficiently low interest rates and for a sufficiently long period of amortization, since most investors require a greater degree of security than is offered by this kind of investment. Legislation should therefore be enacted to place the credit of the Government, directly or indirectly, in back of private ventures into cooperative or nonprofit housing built under adequate standards. Since the housing shortage continues, rent control is still needed.

Although the present business tax structure has not interfered generally with high over-all levels of business investment in the postwar period, some tax adjustments offer possibilities for encouraging over the long run an adequate and regular flow of business investment. The Council hopes that before too long, general revision of the tax structure will become more feasible than it is just now.

In its Fourth Annual Report to the President, published last month, the Council stressed the contribution which a reasonably stable fiscal policy could make toward general economic stability and growth. But we recognized that drastic changes in expenditure and tax programs of Government had been necessitated by the appearance of wars and depressions. We also recognized that the large tax changes in 1948, the condition of the Federal budget, and the rapid shifts in business trends in 1949, call for some tax changes very soon. Further, some improvements in the tax structure are needed before a sound base will be established on which to rest a long-range effort to achieve more stability in fiscal policy.

The level of taxes did not prevent a magnificent record of postwar economic achievement. A valuable result of the Government surpluses in 1947 and 1948 was in helping to restrain the forces of inflation. The subsequent downturn in business activity during the first half of 1949 was not due to excessive taxation. Nor did the level of taxation prevent the upturn in business activity from coming sooner after the beginning of the downturn than in any comparable period in the past. Turning to the expenditure side, while the high outlays necessitated by the international situation complicated the inflationary problem until early 1949, the steadiness of these outlays cushioned the downturn very substantially. On the other hand, the Council at midyear 1949 did not recommend increases in public spending for the purpose of stimulating the economy, and our confidence in its internal recuperative forces has thus far proved justified.

An examination of the outlook for Federal finances is relevant to the current concern over the appearance of a substantial Federal deficit and to the justified belief that its enlargement or even its long continuance would be most undesirable.

Effect of general economic conditions upon Federal finance

The Federal cash position, measured in terms of the consolidated cash budget (see the explanatory note on page 59), shifted from an 8-billion-dollar cash surplus in calendar 1948 to a cash deficit of about 1.7 billion dollars in the calendar year 1949, and an estimated deficit of approximately 5.7 billion dollars for 1950. This shift is explained by the following factors: (1) the Revenue Act of 1948 resulted in very large reductions in tax payments; (2) the mild recession of 1949 was marked by a considerable decline in corporate profits as reported for tax purposes. This depressing effect upon receipts will be felt most sharply during the calendar year 1950, when most taxes upon 1949 corporate profits will be paid; (3) certain Government programs, such as unemployment compensation and farm price supports, rose sharply in 1949 under the impact of recessionary tendencies; (4) other major expenditure commitments, particularly for veterans' programs and foreign aid, reach a peak in 1949 or 1950 and will decline thereafter. One major item for 1950, the national service life insurance dividend, of which 2.6 billion dollars will be paid in that year, will not recur in that amount.

An examination of these causes for the deficit reveals certain trends which would be reversed in a growing economy. Along with the effect which a continuation of the current upward movement of the economy would have in reducing certain expenditures, it would also have an effect in increasing Federal revenues. This report has already discussed the secular growth of the economy since 1890, and long-range policies, especially fiscal policy, should take into account the probability that over the next few years this secular trend will continue at a rate slightly increased on account of the very large new capital investment of recent years plus the extraordinary technical improvements of the war and postwar periods. An increase in gross national product at the rate of approximately 3 percent a year would raise the annual product by 1954 to 300 to 310 billion dollars, contrasted with the 1949 level of 259 billion. The exact effect of this increase upon Federal revenues will depend upon the distribution of national income among the several groups of recipients. The effect upon the budgetary situation will also depend on the rate of expenditures.

Expenditure policy

The prime purpose of Federal expenditure is to furnish those services which cannot be provided effectively in any other way, and which are necessary to our national security, welfare, and progress. Examination of the Federal Budget indicates that outlays are reasonable by this test. Outlays for national defense and international affairs are higher than they would be in a more peaceful world, but the fact must be accepted that their present level is determined by security reasons. Growing international stability will permit a progressive decline in these types of outlays. The proposed increases in social insurance programs and in other welfare and developmental programs reflect recognized needs and conform to the clearly expressed purpose of the people.

The level of current and proposed public outlays will not impose an undue inflationary strain upon the economy as a whole. Our economy is now functioning at high levels, but considerably below maximum employment and production or full utilization of its resources, and in the Council's judgment there is no presently foreseeable prospect that a renewal of general inflation will require that Government programs be cut below essential requirements. On the other hand, we do not now believe that current and proposed Government programs should be expanded above their contemplated rate merely in order to take up the slack in employment. We should instead rely upon the recuperative forces now at work.

There is no previous experience with an economy of the size that ours has now reached, from which there may be drawn any firm rule as to the proportion of the national income which may safely in the long run be channeled back into the economic stream through the Government. But the Council's whole approach focuses upon the objective of economic expansion through the enlarging activity of consumers and of business, and this means that Federal expenditures should be held as low as the requirements of programs essential to national growth and welfare will permit.

Because so large a proportion of present Government programs is devoted to purposes which, while essential to national security and world political stability, make little direct contribution to increased standards of living, we wish to emphasize the desirability of working toward lower levels of expenditures as rapidly as international conditions permit. We also wish to emphasize the importance of constant vigilance against the dangers of waste and inefficiency everywhere and at all times. Measures of economy, however, must not be so distorted in application as to involve the sacrifice of essential objectives.

For this reason, we have expressed the hope that world conditions will make it possible to make a steady reduction in national security and other extraordinary expenditures related to the international situation, for it is here and in related activities arising from the war that there lies the greatest opportunity for future reduction in the Federal budget.

Tax policy

Current and prospective tax policy should be considered in the light of the foregoing discussion.

While general reduction in personal or corporate income taxes always has some stimulating effect upon business and consumption, such reduction at this time would enlarge the deficit, and would be justified only if found necessary to fortify business against a serious recessionary threat. At midyear 1949, in the face of a far more unfavorable business situation than now exists, the Council did not favor general tax reductions. The upturn since then makes them even less desirable in the present budgetary situation. Analysis earlier in this report indicates that there is no general lack of funds for business enterprise, and that the main influence which should be relied upon to accelerate business advance resides in adjustments within the price-income structure which will promote an increasing demand for the products which business produces. In spite of existing problems in some areas, business investment in general can go ahead on a sufficiently large scale under the current tax structure, if business managers grasp fully the prospects offered to them by the expansive quality of the economy.

Balancing the budget by attaining a surplus in periods of high business activity to offset deficits which might appear under less favorable conditions is, in our opinion, an important policy. Further, the national debt should be reduced. Business continued throughout 1949 at a reasonably prosperous level despite recessionary tendencies. Now that business is advancing again, we are sharply challenged to apply the principle of budget balancing. We cannot avoid answering the question: If a balanced budget is ever to be attained, why not at once at the current level of the economy?

Our answer is that the economy is indeed strong. We also feel that it was unfortunate that tax rates were reduced in 1948, and that if the higher rates had remained in effect they would not be such a burden that business recovery would not continue. But the tax rates were reduced, countless personal and business relationships are now based upon the lower rates, and, if taxes were now raised sufficiently to attain an immediate budget balance, the process itself would involve disturbing maladjustments. The real questions is this: to what extent may there be some tax increases at this stage of business recovery without impeding business progress enough to defeat the purpose of the tax program?

It is important that action be taken to reduce the deficit, and to move as rapidly as the need to maintain business progress will permit toward attaining a surplus to apply upon the Government debt. For this purpose, some increases in taxes may be made, without threatening the recovery of business now under way. The revision of some taxes should be sufficient to achieve a net increase in revenue, even while making certain other adjustments in taxes to improve the equity of the structure and to provide some stimulus to business investment and consumer buying.

There is urgent necessity that a review of the whole tax structure be completed at the earliest possible date, toward the end of initiating long-range improvements as soon as compelling short-range problems are disposed of.

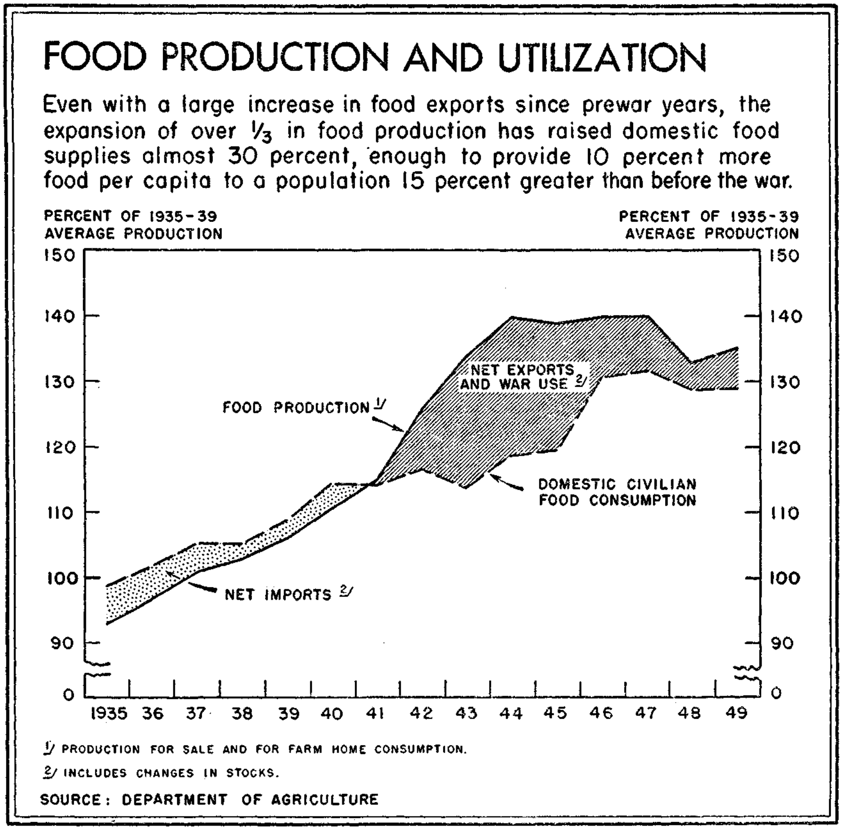
Farm Policy

Recent trends in agriculture present one of the most dramatic illustrations of the expanding consumption capacity of a growing economy. In the years immediately before the war, there were farm "surpluses"; in the postwar years, with farm output 35 percent above the prewar levels, there were shortages. Exports played an important part in this amazing shift, but the central cause was rising standards of living at home. The paramount fact about the agricultural situation today is that we shall need more total output—and not less—if we are to achieve a 300-billion-dollar economy within a few years.

The farm program must give increasing attention to the maintenance and enlargement of markets for agricultural products. We must give greater emphasis to improvements in the marketing and distribution of these products, including nutritional education and special measures to improve the diets of school children and low-income families. We must also cooperate closely with other nations in developing satisfactory techniques for maintaining a continuing flow of farm products into international trade without demoralizing world markets. The World Wheat Agreement is one example of what can be done along this line. But it is only a beginning. Our Government has recently expressed the purpose to continue to explore fully with other producing and consuming nations any feasible way of making better use of the world's supplies of food and fiber, to help stabilize world prices, and to improve world standards of nutrition.

The expansion of farm output above prewar levels has been accomplished with only a minor enlargement of cropland, and with a substantial reduc-

CHART 26



tion in the number of farm workers. It reflects in part more favorable weather. But it has resulted chiefly from widespread application of new technology. This has included new and improved machines; new varieties of crops and improved breeding of livestock; the more advantageous use of fertilizers and lime; the better control of pests and diseases; and the development of new systems of farming to apply these new techniques toward more efficient production and more conservative use of soil and water resources.

With a growing national income in real terms, consumption has grown along with production. For the 3 years 1945–47, per capita consumption of food averaged 16 percent above the period 1935–39, and population was larger. The quality and composition of diet have vastly improved. Meats and dairy products, fresh fruits and vegetables have found their way to more and more tables. The per capita consumption of eggs rose from less than 300 per year before the war to nearly 400 in 1945. Since 1946, per capita food consumption has been cut back from 119 percent to 110 percent of the prewar level. Some of this resulted from changes in the income structure relative to prices. But another important factor was the imbalance of production among different commodities, relative to the wants and needs of consumers. This was caused partly by short feed supplies in 1947–48. People would have continued to buy larger quantities of meat and milk if these products had been available.

A fully producing agricultural plant in the years ahead would not result in production increases as rapid as those which have occurred in recent years. The new technology has already made itself felt. But an economy moving toward the over-all growth objectives which have been outlined for the next few years would require an increase of 1 to 1½ percent a year in total farm output. This increase is feasible, and can be absorbed by an economy functioning at maximum employment. Domestic disappearance 5 years ahead, in comparison with the past 2 years, might be expected to increase 25 to 30 percent for fruit; 15 to 20 percent for dairy products; and 10 to 15 percent for meat, vegetables, and food fats. Tobacco consumption would probably continue to rise. Domestic utilization of cotton and wool should be much higher than in 1949. The use of food grains and potatoes may continue about stable, at least in terms of total food use.

The level of per capita food consumption involved in these estimates would be about 5 percent above the present level—still a little below the wartime peak, but 17 percent above the average for 1935–39. Even these estimates take into account the inadequacy of purchasing power which serves as a barrier to adequate nutrition for many families. Raising such families to an adequate dietary level would require increasing the supplies of meat and dairy products another 5 percent, and of poultry products, fruits and vegetables in smaller proportions. Such supplementary consumption would raise the per capita level to about 20 percent above prewar. With a 20 percent larger population, this would mean within a few years total domestic food disappearance about 45 percent above the average during the immediate prewar years. In addition, substantial possibilities for increased consumption of farm products are being revealed by research to develop and demonstrate new uses for them in industry.

The necessities of war, and trends in the immediate postwar period, have driven our farm production into a pattern which is unsuited to the requirements of the future. The acreage devoted to wheat and cotton is higher than necessary to fill prospective domestic and foreign requirements. Production of milk, meat, fruits and vegetables should be substantially expanded, if diets are to be improved and the objective of a 300-billion-dollar economy realized. Some temporary curtailment of feed-grain production may be desirable until livestock production catches up. These shifts are in line not only with the requirements for consumption, but also with the requirements for conservation. A substantial part of the acreage plowed for wheat in recent years should be returned to sod; a good deal of land in the cotton South has been used too intensively and should be turned into pasture or farmed under more conservative systems of rotation. In general, the shift of land from tilled crops to pasture and forage for livestock will help maintain the soil for the use of future generations.

The speed and efficiency with which wartime shifts in production were accomplished show that the Nation can certainly devise the methods for desirable peacetime shifts. But the commodity goals and market supports, which sufficed when more of everything was needed, are not adequate to the more complex task of combining expansion in some areas with moderate or drastic contraction in others. New methods are needed for new times.

The present price-support legislation offers the most definite assurance with respect to returns from the basic cash crops, somewhat weaker assurance for dairy products, and no certain assurance at all to other livestock enterprises except wool. Relatively more emphasis in price-support legislation should be placed upon livestock items if a positive, forward-looking farm program is to be developed.

Needed adjustments in production and consumption will require important changes in land use. Not only are these changes necessary in order to avoid persistent surpluses and to obtain a better balance of agricultural output in line with the demands potential in a growing full-employment economy; they are also needed to bring about better conservation of our soil resources. And in most instances they should, in the long run, prove more profitable for farmers themselves. Major reliance in bringing about adjustments must therefore be placed, not on price support alone, but also upon gearing together research and education, conservation payments and technical aids, and farm credit, in an aggressive program to encourage and enable farmers to make the shifts in land use that are desired.

A primary purpose of farm price supports is to achieve parity of income for agriculture. The need for support from this standpoint, however, chiefly arises out of recessionary economic developments originating outside agriculture. Farm support programs are essentially supplementary. Their benefits are secondary, compared with the benefits flowing from a prosperous and growing economy. A prosperous and growing economy would not only expand the market demand of consumers, but would also make possible effective programs for improving nutrition, expanding distribution, and developing new uses, in which there lie wide opportunities for a desirable expansion of consumption of farm products.

At the same time, a properly designed farm support program can contribute toward overcoming recessionary developments and maintaining the kind of economy in which these opportunities may be realized. It can do this by helping to maintain purchasing power in the rural areas of the economy, particularly in those areas which are the temporary victims of maladjustments like those with which many farmers are now faced.

A proper adjustment of the support program from this standpoint involves, as previously indicated, a structure of supports which will help to encourage the basic shifts needed in production, rather than to perpetuate maladjustments. It involves also the provision of greater variety in the methods of support. It has been possible for the Government to maintain prices through purchases or loans which enable farmers to hold supplies off the market. But such operations involve many difficulties of storage and disposal, especially of livestock products and other perishables.

The desirable alternative method of supporting farm returns from livestock and other perishables involves payments to farmers when market prices fall below desired levels. This method has important economic advantages. By permitting market prices of foods or other farm products to be determined by normal demand factors when supplies are abundant, it passes on to consumers the benefits of such abundance and gets larger amounts moved into consumption. Support of market prices, on the other hand, impedes this desirable consumption response. In addition, market-price support maintains an upward pressure on prices at numerous points in the economy, where costs of production of other goods are directly or indirectly affected by the prices of farm products. The reductions in prices which become possible where payments are used relieve such upward pressures and permit readjustments which may tend, over a period of time, to bring about more stable price relationships and hence to reduce the cost and the difficulty of the support program itself.

Either direct supports or payments may prove costly in certain periods, and may need to be supplemented by programs to hold down the production or marketings of commodities that are in surplus. But it is important to recognize that such restrictive measures, though they may be temporarily effective, are no substitute for a positive adjustment program to bring about enduring shifts that are needed in production. So long as there are too many farmers engaged in the wrong kind of production, the pursuit of parity of income for agriculture will not provide a complete solution. But if accompanied with measures to adjust agricultural production to the needs of a growing economy, the objective of income parity for agriculture means a better balance throughout our whole national economy. It means protection of a vital sector of the economy against the extraordinary fluctuations in income which have peculiarly affected it in the past; and it means a more stable and expanding demand in rural communities for the products of industry.

In the final analysis, programs to reach and maintain parity of income for agriculture will not fully meet the objective of adequate farm purchasing power unless they include a direct attack upon the special problem of low-income farmers. In 1948, the per capita income of the farm population was estimated at $905, compared with $1,572 for nonfarm people. During the same year, one-fourth of our 6.7 million farm families received cash incomes of less than $1,000. Although this figure omits the value of nonmoney income from home production, it nonetheless indicates the plight of these families, and their low position in the market for commercial goods and services. While not all of the low-income people on farms are farmers in a strict occupational sense, there were in 1945 nearly 1 million small holdings whose operators apparently derived their main income from the farm. In addition, more than 1½ million small family farms turned out products valued annually at between $1,200 and $3,000. These two groups accounted for more than 44 percent of the farms reported, and nearly 43 percent of the population on farms.

Many of these farmers, having little to sell, receive little benefit from price-support programs. In addition, there are some 4,000,000 hired farm workers, whose average wages, including perquisites, are substantially below the levels of most urban employment.

A frontal attack upon farm poverty involves many measures. It should include increased emphasis upon the provision of credit and other aids to small farmers in enlarging, improving, and equipping their farms. This program should be tied in closely with production adjustment measures, with soil conservation activities, and with management advice and guidance. For families whose best opportunities lie outside farming, stress should be placed upon vocational adjustment, help in locating new jobs, and financial aid during their period of training and relocation. These undertakings would be facilitated if nonfarm employment opportunities in rural areas were expanded through regional development and rural industrialization activities.

Foremost among those programs which will be of general benefit to farmers, particularly those of low income, will be further improvements in education. The consolidation and improvement of rural schools would broaden the opportunities for vocational training. Measures to improve health and housing in rural areas, and to extend to rural people a fuller participation in our social security programs, are of comparable importance.

The advancement of a prosperous and secure agriculture, measuring up to the requirements and benefiting by the richness of an economy functioning at maximum levels of employment and production, is one of our major economic tasks. That task calls for all the resources of thought and of material things that can be made available. The time to move resolutely in that direction is now.

Economic growth depends on what people do with land, water, minerals, transport, and plant and machinery. What they can do in turn is measured by the care with which they have conserved and utilized their physical resources. It rests equally upon general health standards, and upon the level and kind of education they have. Increases in our total national production to more than 300 billion dollars in 1954, and maintenance of a 2 to 2½ percent annual rate of increase in productivity over the next few years, would require expanded and improved developmental programs in the two broad areas of physical and human resources.

To attain the prosperous economy which is within our reach, plans relating to natural resources development, transportation, urban development, education, and health must be correlated. In nearly every one of these areas, construction and nonconstruction or service activities are interrelated. Soil-conservation techniques are useless unless farmers have an appreciation of their value and an understanding of how to use them. New schools and hospitals are of little consequence without trained staff personnel. Developmental and works programs, such as land reclamation, hydroelectric power development, intercity and interregional highways, and better housing, hospitals, and schools, should be viewed in long-range perspective in terms of socially desirable and economically feasible standards.

It is highly significant that achievement of the balanced economic growth envisaged earlier in this report requires a level of expenditure for the foregoing developmental activities rising at least about 20 percent above that of 1949 within five years. This increase is about the same as the potential increase in total output projected for that period of years, but is less than half the rate of growth which would be desirable if other elements in the budget were not so extraordinarily large. As economic objectives become better defined, the magnitude of these programs should be reviewed continuously to assure their maintenance at adequate levels. The discrepancy between the minimum and desirable levels of growth illustrates that, with present budget commitments for national security, progress in these programs must of necessity be limited. On the other hand, an insufficient allowance for the development of our natural and human resources would do irreparable damage, and would impair our ability to produce for peace or defense.

Physical resources

The importance of the development of our natural resources in the economic progress of our country has been so well known that the "Winning of the West" has been a favorite and romantic theme in the school histories of American children. Our pride in the ability, intelligence, and industry of our forefathers has not concealed from us the fact that the speed of economic growth has been possible because the human forces of production were applied to a bountiful supply of undeveloped natural resources.

The primitive stage in which the individual could create his own field of work and production lasted a long time. As late as the close of the nineteenth century, the single enterpriser was setting up his mill and waterwheel, the farmer was establishing himself on a productive homestead, the prospector was hunting unknown ledges, and the wildcatter was drilling shallow wells for oil or gas. Even the numerous projects for the exploitation of natural resources, which were beyond the financial capacity of such individuals, were generally small enough to be supported by capital supplied by a few persons, often by a single capitalist backer of the entrepreneur.

The twentieth century has seen the continuous replacement of individual enterprise by large corporate enterprise in the development of natural resources. The simple prospects have been exploited, and the opportunities have been increasingly in projects requiring large capital. The place of small business has grown progressively smaller in an industrial environment of 500,000-dollar oil wells, 10-million-dollar ore treating plants, 50-million-dollar hydroelectric stations, and timber factories which reproduce as well as cut down the forests. And even while large corporate enterprise has expanded its operations in the development of natural resources in the past 50 years, it has become increasingly clear that some projects which must be undertaken in an adequate program are beyond the field of private enterprise. Only the Government can meet the problems of high cost and of exceedingly long periods of amortization of investment which are usually combined in these undertakings.

This historical trend is well illustrated by our unfolding policies and programs in the field of land reclamation by irrigation. One of the first actions by the Federal Government in this direction was the passage of the Reclamation Act in 1902. Irrigation development began with the one-field ditch, became a neighborhood group project, and then moved into the stage of corporate operations, which the Government assisted where public lands were involved by furnishing free reservoir sites and free rights-of-way for canals, and by restricting land acquisition to persons buying water rights.

The Reclamation Act was passed because these aids were not adequate to enable private capital to construct the larger and more expensive projects which would extend the limits of irrigation beyond the narrow zones near the streams and would establish a water supply, despite the earlier overappropriation of the natural flow of a river, by constructing great reservoirs. In the beginning, the moving idea was that the Government could easily finance a project which a corporation would find had little chance of attracting private investors, and that the Government could extend very long credit to the buyers of water rights. Much later, there came Congressional recognition that the establishment of a prosperous, growing community, for so many of which the reclamation programs have been responsible, brings great benefits to the state, not only in an increase in its general well-being, but also in direct financial gains affecting its revenue. The private corporation cannot realize such benefits. The Federal Government does secure them, and it may take them into account in determining whether to undertake a project the cost of which will be recovered only in part from those directly served.

Great opportunities still lie before private capital for the further development of natural resources, and Federal legislation is specifically directed, in many respects, to assisting private enterprise engaged in such projects. But the ability of the Nation to benefit as greatly from our natural resources in coming years as in the past depends also upon enormous undertakings which private capital cannot attempt. We have made a beginning of Government projects, especially in the Tennessee and other river valleys, and other possibilities are so many that they surpass the possible limit of Federal expenditure. Appropriations must be allocated between resources development and other Government purposes, and between projects affecting natural resources and those affecting human resources. Some of the factors which should influence the decisions are indicated in the following discussion.

Programs for the conservation and development of natural resources need to be expanded at a rate somewhat greater than the secular growth of the economy. The public expenditures involved are investments which result in the production of goods and specific services indispensable to economic growth, nationally and regionally. They make available, for the benefit of all the potentials which exist in our regions. For example, if the well-established trend of increasing use of electricity is to continue, the production of low-cost electrical energy will have to expand more rapidly than the increase in national product. River basin development programs can account for a considerable portion of the 6,000,000 kilowatts of additional power capacity needed annually for some time into the future. In the West, these programs contribute to meeting needs imposed by great population increases. In the more mature area of northern New York State and New England, the economic prospects can be improved by making available the low-cost power potential in the St. Lawrence seaway and power project. By the time the seaway can be completed, we may be heavily dependent upon imported ore to keep our steel industry operating at capacity. For reasons of national security as well as economic development, the seaway is an urgently needed link between the inland centers of our iron and steel industry and foreign sources of ore.

We should speed up the gathering of geologic, topographic, hydrologic, and other basic data upon which so many resources development projects rest. Forest resource and soil surveys should also be pushed vigorously.

Continued emphasis on the synthetic liquid fuels program and the under-ground coal gasification programs are desirable as a part of the Government's long-range effort to develop new techniques and alternative sources of supply in the interest of conservation of diminishing resources. Exploration for scarce minerals should also be encouraged.

About one-fourth of our cropland is being damaged at a rapid rate, while another 25 percent is deteriorating, although at a less serious rate. These lands should be placed under good management at soon as possible, while farmers generally need to give increased attention to soil-conserving techniques. Soil conservation and improvement work is not being done rapidly enough, nor upon a scale broad enough to protect the soil. About one-half of the western grazing lands are in poor condition and call for immediate attention such as seeding, fencing, provision of stock water, and control of noxious plants. More than 100,000,000 acres of public range need restorative work. Large tracts of marginal wheatland, for which adequate rainfall cannot be counted upon, should be returned to range.

A flexible long-term forest development program should aim to build up the annual growth of saw-size timber to about double the present rate. This would allow for potential needs in a prosperous, expanding economy. Cutting and forestry practices on almost two-thirds of our private forest land are detrimental to future growth.

We have standards permitting measurement of our present deficiency in highways. A good highway costs less all around than a poor highway, because of increased safety and savings in wear and tear on cars and tires. More than half our major highways were built in the 1920's or early 1930's, and have already served the major part of their useful lives. It would cost more to maintain them over the next decade than to replace them; so our choice is between building good roads and riding on them, or losing the price of good roads by riding on poor ones. Out of a needed expenditure for highways of about 4 billion dollars a year over the next decade, approximately one-half should be for replacement.

The atom represents a new resource of almost limitless opportunities, the development of which we have scarcely begun. Through use of radioactive atoms, we are pushing back the boundaries of hitherto unknown mysteries of human life and plant growth, and we are gaining new knowledge that has already improved industrial processes in textiles, chemicals, and metals. In addition to gains in medicine, agriculture, and other fields, radioactive atoms are leading the way toward new and better industrial products, better assurance of profitable business operations, and higher standards of productivity accompanied by higher returns to labor and management. Construction has begun on several experimental atomic energy power plants, which may prove to be the forerunners of a new age in the application of electric power. The precise economic significance of these developments can now be seen only dimly, but it cannot be doubted that they will exert an increasing force in the growth of the American economy and in its several regions.

Human resources

We shall fail to realize the potentials of our physical resources, unless we remember always that it is people who translate these potentials into actual goods and services. Ever-advancing health and educational programs should be recognized as the necessary foundation for the improved technology and social organization upon which economic growth depends. These developmental programs include construction of schools, hospitals, and other facilities, as well as educational and health services.

The need for improved educational opportunities is persistent. The more urgent problem is the enlargement of staff and facilities required by the postwar growth in the juvenile population. Five years from now elementary school enrollment will be 30 percent above the present level. A similar expansion of secondary school enrollment will follow. Suffering as we now do from the overcrowded classrooms and the overburdened teachers which are the nation-wide rule, we should add approximately one-third to our elementary school plant capacity within a few years, replace an additional third, and increase the number of elementary teachers more than correspondingly. We shall have to expand secondary school facilities, but not so rapidly. Another serious problem is found in the current inability of a large proportion of our most capable youth to obtain the post-high school education necessary to full realization of their economic and cultural capacity. Additional thousands of doctors and nurses should be professionally trained each year, as an essential part of improved health programs.

The disparity of financial resources among the States of the Union is such that the States with the greatest proportion of children of school age are generally lagging in their provision for elementary and secondary education, although they devote a larger part of the income of their people to this purpose than do many wealthier States with much better educational facilities. It is now widely recognized that Federal aid is required, to support enlarged educational programs which will meet the problems of hard pressed areas, and which in addition will expedite the provision of wider opportunities for higher education generally as well as the professional training of doctors and nurses throughout the country.

The need for greatly improved health services and facilities is also a matter of common agreement. The economic costs of preventable illness, of reduced physical and mental capacities, and of premature aging are such that public expenditures in improved health are as much sound economic investments as they are a major contribution to individual well-being.

To meet desirable standards, the Nation should double its present acceptable hospital facilities by 1960. This would mean more than 900,000 additional hospital beds. Public health service units should be made available in the more than 1,000 counties which now do not have them on a full-time basis, and services in many existing units should be strengthened. Improved access to competent medical attention should be provided for the millions who are now without it. Vocational rehabilitation and medical research activities need expansion. Federal aid is essential to the achievement of these standards in many areas of the Nation, as well as for expanded training of medical and public health personnel.

The timing of developmental programs

Critical problems arise with respect to the flexibility and timing of these programs. How much variation from year to year might be desirable and feasible in these programs, in order to contribute in some measure to the stability of the general economy? Even more troublesome has been the problem of the extent to which these programs may be shaped to the varying needs of different parts of the country.

The Council believes that these programs for the development of basic physical and human resources should be primarily along lines of long-range steady growth. By this approach, it should be feasible to arrive at determinations, partly but not purely economic in character, as to what part of the resources of a growing economy should be allocated to these fundamental objectives. This should contribute more to the stability of the general economy than the treatment of these programs mainly as compensatory devices. The economic outlook now—with neither inflation nor deflation clearly in prospect—presents as good a time as any to develop these programs systematically and in close accord with the long-range needs of the country. The Council believes that this is the sounder approach, not only from the viewpoint of general economic policy, but also from the viewpoint of the sound management of the Federal budget.

Economic trouble spots

Despite the high levels of employment throughout the Nation, there are some areas with quite heavy unemployment, and with far less than maximum levels of production and business activity. This presents a challenge because there cannot be maximum employment and production throughout the Nation so long as some areas are relatively depressed; and there is always danger that economic dislocations in spot areas may spread if they are not remedied.

For more than a year, there has been a noticeable concentration of unemployment and distress in particular areas. According to the end-of-December reports, 12 of 100 labor market areas of major importance had an estimated 12 percent or more of their labor force unemployed. In addition, this percentage is known to have prevailed in numerous smaller labor market areas.

At midyear 1949, a program was initiated to provide aid to these trouble spots through modification, within the limitations of existing laws, of procedures governing Federal procurement, construction, and lending operations. Action along these lines should be continued. However, the more persistent and fundamental aspect of the problem is the long-term or chronic unemployment so prevalent in many distressed areas. It should be recognized that some New England textile areas, the cut-over section in the Northern Lakes States, and various coal mining districts in Pennsylvania, Illinois, and Indiana, have been in difficulty for 20 years or longer. This calls for even more determined efforts, broader in scope and longer-range in character.

The search for solutions to these area problems is the joint responsibility of Federal, State, and local governments, working with the private groups concerned. Integrated programs of action need to be worked out to meet the unique situation in each depressed area. The possibilities of more vigorous retraining, lending, and capital development activities, should be examined. These actions should contribute to permanent solutions, and not only alleviate current difficulties.

Advance planning and program flexibility

Advance planning of developmental programs is necessary, if they are to be directed more fully toward long-range economic objectives for the Nation as a whole and for specific regions. In addition, such advance planning will make such programs more effective in some of the economic trouble spots which exist even in times of general prosperity. And if, despite all efforts, a dangerously inflationary or deflationary situation should develop, advance planning will make it easier to adjust developmental programs accordingly without loss of time or waste of funds. Such planning would not be inconsistent with a decision to defer projects in periods of threatening inflation, and it would assist their acceleration if that should become necessary to halt serious deflation.

The following table summarizes the present status of advance construction planning for such projects as highways, various community facilities, and dams and other stream improvements.

TABLE 16.—*Status of plans for a public works reserve*

[Billions of dollars]

Item	Estimate of construction in 1950	Blueprints on hand, Dec. 31, 1949	Blueprints in process
State and local [1]	4.1	3.0	3.0
Federal	1.9	1.5	3.0
Total	6.0	4.5	6.0

[1] Based on data provided by the General Services Administration.

At the present time, State and local backlogs of drawings and specifications do not exceed 3 billion dollars. This is less than 6 months' work at the level which should be maintained over the next few years. The Congress has renewed authority for the Federal Government to aid State and local governments in building up their shelves of construction plans, and this work should be pushed vigorously.

One major weakness is in the broad field of river basin development. Existing programs, several involving hundreds of millions of dollars, lack consistency and balance. In most of our major river valleys, we do not now have satisfactory means for preparing and agreeing upon integrated programs of development, including watershed land development as well as construction along the stream. Thorough reexamination of the problems and presently authorized programs in a number of our major river basins would be desirable. This is especially true of the Missouri Basin. In addition, there should be continuing efforts to improve policies and methods of program formulation, to assure that objectives for river basin development are consistent with our national economic goals.

The preparation of advance plans requires consideration of the suitability of various programs for possible acceleration, both Nation-wide and in specific areas. Examples of projects and programs which are susceptible to prompt expansion include improvements in city streets, sewer- and water-line extension, school building additions, and maintenance and repair of public buildings. Nonconstruction programs, including research, recreation, and public health services, are also susceptible to flexible expansion. In rural areas, soil, range, and forest conservation work are examples of the more flexible type of development programs. Public housing, hospital, and major highway construction requires more time to get under way, but is still available within limits. Federal technical assistance for State and local planning of nonconstruction as well as construction projects, would go far toward making sure that such assistance as the Congress might make available in time of need would be fitted in with carefully considered long-term needs and opportunities, nationally and in special areas.

Successful advance planning of developmental and works programs requires continuous efforts to coordinate the planning activities of the Federal agencies concerned. Furthermore, it may well be desirable to provide for a greater degree of discretionary authority over the timing and placing of public development expenditures, as an aid in stabilizing the economy nationally and in particular areas. This subject is being studied by the Council.

Social Security

In the 250-billion-dollar economy of today, the social security programs are still adjusted largely to the 70-billion-dollar economy of 1935—the year when the Social Security Act was adopted. The interests of the Nation require that these programs now make an about-face and, instead of looking backward, look forward to the 300-billion-dollar economy that we can achieve within a few years and to the still larger economy which should exist by the time that most of those who are now working reach retirement age.

In its Annual Report to the President published last month, the Council pointed out that social security programs should be measured primarily against what a strong economy can afford to do. Workers are more productive when they live in the assurance of protection against foreseeable hazards, rather than in dread of their incapacity to cope with them. Social security programs also serve to cushion the effects of recessionary trends whenever these may appear, because old-age payments constitute a steady flow of income, and because unemployment insurance benefits and assistance payments rise as other forms of income decline.

Unemployment insurance

Unemployment benefits are now replacing an average of only about 35 percent of the wage loss of covered workers, and the limitations on coverage and duration greatly reduce their total effectiveness. In November 1949, public unemployment benefits were being received by about two-thirds of laid-off workers, and represented compensation for only 20 to 25 percent of the Nation's total wage loss due to unemployment. In some of the areas with severe and long-continued unemployment, only about one-third of the laid-off workers were receiving benefits at the end of 1949.

The need for strengthening the Federal-State unemployment insurance system through the establishment of minimum Federal standards is urgent. Benefits should replace at least 50 percent of the wage loss due to unemployment up to a maximum of $30 a week for single workers, with additional amounts ranging up to a total of $42 for workers with three or more dependents. Coverage should be expanded to include employers with one or more employees; and benefits should be made payable for at least 26 weeks of unemployment. To guard against the danger that prolonged unemployment may strain the solvency of the trust funds of individual States, a Federal reinsurance system should be established. This would assure that no State is forced into disproportionate taxation which would further aggravate its economic problems.

Old-age, survivorship, and disability protection

The inadequacy of current systematic protection of the aged is set forth vividly in this single contrast: the Old-Age and Survivors Insurance system is now paying $26 a month to single workers and $41 to couples, at a time when a minimum food bill alone for a retired couple is about $45 a month. Furthermore, of 11.5 million persons in the country over 65 years of age, only about 2.3 million are receiving public insurance benefits. Only 650,000 families are recipients of survivors' insurance benefits, and no social insurance protection is provided for families whose wage earners are disabled for reasons not connected with their employment.

The Old-Age and Survivors Insurance program should be enlarged to approach universal coverage, and the benefit level should be raised enough to permit the aged worker a real choice between retirement and continued work, and to provide widows and children and the disabled with a healthful standard of living without dependence on public relief.

Employer-employee pension plans may serve as a legitimate private supplementation to Government social insurance programs. Too great a reliance on private plans, however, may interfere with desirable mobility of labor. Furthermore, private plans provide true protection only if accrued and current pension liabilities are fully reflected in trust fund accumulations. Only public and nearly-universal social insurance programs can be financed in a manner adjusted to the overall needs of the economy. It is incumbent upon the Government to develop a sound and adequate social insurance structure which, with continuing improvements as the Nation's productivity increases, can satisfy basic needs for individual security.

Health insurance

The gap in social insurance resulting from our continued failure to provide a national system for the prepayment of the costs of medical care also creates hardship in many cases and is responsible for the fact that millions of Americans remain without adequate medical care. Health insurance, with the same nearly-universal coverage as Old Age, Survivors, and Disability Insurance would make an all-important contribution to the Nation's health, with resulting long-range benefits to productivity and income.

Public assistance

The inadequacies of the insurance system have thrown a disproportionate load upon the relief agencies. Public assistance for the aged, the blind, and dependent children on a means-test basis has outstripped social insurance received as a matter of right, whether measured by level of benefits or by number of recipients. In a large number of communities, however, only inadequate public funds are available for the needy individuals who do not fall into the special categories for which Federal aid is available. The public-assistance program should be bolstered by the extension of Federal grants-in-aid for needy families not now eligible under the Federal-State program. In the allocation of the public assistance grants, the differing financial abilities of the States should be taken into account.

Social security costs

The Council in its Annual Report to the President last month pointed out the distortion which results when the future cost of old-age benefits is measured against the current size of the economy. For whatever method of financing may be employed, the fact remains that the goods and services consumed by those who retire some decades hence will be provided by the economy of that time and not by the economy of today.

The following table illustrates, for the next quarter century, the probable growth of the total aged population and of the numbers eligible for and receiving retirement benefits under proposed legislation. The estimates are based on our belief that many aged individuals will not retire voluntarily in an economy with abundant job opportunities. Accordingly, the number of individuals receiving benefits is estimated to be well below the number eligible under the insurance system.

TABLE 17.—*Estimated proportion of the aged population eligible for and receiving old-age insurance benefits, 1950–1975*

Year	Population aged 65 years and over					
	Total (millions)	Eligible for benefits upon retirement of earner [1]		Retired and receiving benefits [1]		
		Number (millions)	Percent of total aged population	Number (millions)	Percent of total aged population	Percent of total eligible
1950	11.5	3.5	30	2.0	17	57
1955	12.9	6.9	53	4.1	32	59
1960	14.4	9.0	62	5.9	41	66
1965	15.8	11.1	70	7.7	49	69
1970	17.2	13.0	76	9.5	55	73
1975	18.7	14.9	80	11.2	60	75

[1] Assumes prompt adoption of administration program and intermediate population and labor force estimates.

Source: Federal Security Agency, Social Security Administration.

Under the broadened social insurance coverage illustrated above, and with the benefit levels proposed by the President, ranging up to a family maximum of 150 dollars a month, the total cost of old-age insurance would approach 8½ billion dollars 25 years from now. Existing and presently proposed programs of insurance for survivors, the disabled and the unemployed, and for the payment of the costs of medical care, together with the public assistance programs of the Federal, State, and local governments, might require an additional 14 to 16 billion dollars in benefit payments. Thus the total costs of all presently recommended programs in the fields of social insurance and public assistance, including the costs of State and local governments, might range up to 25 billion dollars a quarter of a century from now, or 20 billion dollars above the current level.

This is a very large figure. It should be viewed, however, in the light of the total national income and production which would flow from a growing economy. The rate of growth which would result from fairly constant maximum production and employment would mean a total national output of 500 to 600 billion dollars 25 years from now, or in the range of 300 billion dollars above the present level. The prospective increase of 20 billion dollars in social welfare costs would thus represent less than 7 percent of the total increase in national output. This would be only a moderate proportion of its increasing income for a prosperous democracy to devote to the aid of those least able to protect themselves against economic risks. Furthermore, these costs should not be regarded as entirely new costs. Much of the expenditure would occur in the complete absence of social security, but its burden would then be distributed unevenly among relatives, friends, medical practitioners, and creditors.

International Economic Policies

For some time, the broad long-range purpose of American international economic policies has been to expand international trade and investment, and thus to contribute to our own economic well-being and to peace and freedom throughout the world. The immediate postwar situation, which has forced us to adopt extraordinary programs of foreign grants, should not divert us from this long-range purpose. Expanding trade and investment between the United States and other countries will aid world political stability and reduce the need for extraordinary grants. The problem is no longer a long-range one of moving gradually toward a purely economic goal. It is an urgent problem of both security and economics.

The problem arises from the intensity of foreign demand for our goods and services, which since the war has vastly exceeded what foreign countries could finance by selling goods and services to us or by attracting private United States capital. The surplus of our exports over our imports of goods and services in the four postwar years 1946–49 has totaled 31 billion dollars, and even this amount was inadequate to meet foreign needs. This excess demand for American goods has been general, and by no means confined to Europe. As appendix table C–36 shows, about half of our export surplus in the postwar period has been with countries other than those of Western Europe and their dependencies. In 1949, dollar deficits were a world problem.

Two years ago, difficulties created by the war were regarded as at the root of the payments problem. Although it was recognized that many specific factors were involved, some of which would be permanent, it was obvious that the immediate necessity was to expand production in foreign countries above prewar levels and to eliminate their internal inflationary pressures and the overvaluation of their currencies. Great progress has been made along these lines, but further steps are now necessary if the European countries are to become self-supporting at satisfactory standards of living, thus eliminating the need for further large extraordinary aid from the United States.

The dollar problem

The problem of overcoming the shortage of dollars with which to pay for American goods must be attacked from several directions.

One method is to increase our total imports of goods and services, and total Western European exports. This was one of the principal objectives of the devaluation of the British pound sterling in September 1949, which was followed by devaluation of many other currencies. It is too early to determine the effects of these devaluations, but certainly they alone will not provide an expansion of world trade sufficient to overcome the dollar shortage.

We, as well as others, have barriers to imports which we have the power to remove or reduce. With the maintenance of vigorous domestic demand, the value of our imports could be substantially increased in the coming years with benefit to our standards of living and without injury to domestic industries. Despite recent tariff reductions, imports are still hampered by tariffs which may safely be reduced by reciprocal trade agreements negotiated in the conferences to begin next September. Burdensome customs procedures should be modified. Other legislative restrictions upon imports of goods and services should be limited or eliminated as far as practicable, except to the extent that they are required for our national security or other domestic objectives; and they should be made consistent with the proposed charter for the International Trade Organization. This charter, which provides a code of rules and a mechanism for dealing with international trade problems, has been negotiated and placed before the Congress for approval.

Important though these measures are, a solution which placed the entire burden upon increasing American imports between now and the end of the European Recovery Program would not be desirable from the point of view of foreign or domestic policy, even if it were feasible. The cutting off of our present net contribution to the resources of foreign countries, by eliminating our export surplus in less than 3 years, would mean severe limitations on their domestic development or living standards. Both alternatives would involve serious dangers of political instability in many parts of the world which would be harmful to our national security. In this country, so sharp a rise of imports within a few years might create difficulties for particular industries, and also have some generally unfavorable economic effects.

Nor should the solution be sought in a drastic reduction of American exports. This would be disastrous for many foreign countries throughout the world if it occurred before their requirements could be supplied from other sources. It would also have a serious effect upon the markets for many United States products, and would aggravate our problem of agricultural surpluses. In the fiscal year 1948–49, we exported to Europe 21 percent of our total raw cotton production, 21 percent of our leaf-tobacco production, and 26 percent of our total wheat and wheat-flour production.

The Point Four Program

In January 1949, the President proposed what has become known as the Point Four Program to assist the underdeveloped areas of the world in raising their standards of living and creating an environment favorable to the maintenance and development of freedom and democracy. The expanded flow of capital under the Point Four

Program would create new international markets. A substantial flow of dollars, which the underdeveloped countries could spend where they choose, would provide the countries of Western Europe with the opportunity of finding new outlets for the export of capital goods and other products by an expansion of total world markets, rather than by a self-defeating struggle for present limited markets. Thus, the export of capital under the Point Four Program, which is a basic element in our foreign policy, would contribute greatly to the supply of dollars needed by foreign countries to purchase essential supplies in the United States.

The Point Four Program proposes, in the first instance, to furnish technical assistance and to expedite the flow of capital to the countries which have made little progress in development. Legislation to provide technical assistance, and to provide guaranties to private capital against risks peculiar to foreign investment, has been recommended and is under consideration by the Congress. The investment of private capital is being encouraged through the negotiation of treaties to assure private capital against discriminatory treatment. It is also desirable to revise certain provisions of the tax laws dealing with the taxation of income from foreign investment.

The present volume of requests for soundly based loans from the International Bank for Reconstruction and Development and the Export-Import Bank has been limited, because development plans of many underdeveloped countries have not been translated into sufficiently concrete projects. The United States should provide positive assistance to the underdeveloped countries in formulating such projects, through its technical assistance programs and through its support of those of the United Nations. At a later time, it may be necessary to increase the lending authority of the Export-Import Bank so that it can increase substantially its guaranty and direct lending activities.

In the underdeveloped countries, there is an enormous potential demand for the products of Western Europe and of the United States which will become active as their resources are more efficiently used and the standards of living of their people raised. It is the purpose of the Point Four Program to activate these powers of economic growth. In doing so, it will also expand the opportunities for world trade. Here lies the opportunity for the countries of Western Europe to escape from the limitations of existing world markets in which they are now confined, and within which they find little room for adjustment. Our own policies under the Point Four Program, and the business policies of Western Europe, should be directed to permit them to participate in this expansion of world trade. They will then find an outlet for their increasing production, and will begin to create a new source of dollars to support their purchases in the United States.

Appendix A

The Nation's Economic Budget

Contents

Tables

The Nation's Economic Budget

The Nation's Economic Budget is designed to give a synoptic picture of the economy. It shows the magnitudes of income and expenditure of major economic groups, net additions and absorption of saving by these groups, and the gross national income and product. Statistics for the Nation's Economic Budget are drawn from various sources and are made as comparable as possible. Statistics relating to the private sectors of the economy are based on the "National income and product" accounts of the Department of Commerce,[1] while the Government account is based mainly on "Cash receipts from the public" and "Cash payments to the public" as compiled by the Bureau of the Budget.[2]

The gross national product or income includes all those receipts or payments arising from current production. Other types of receipts or payments represent transfers of claims, using the term in the broadest sense. For example, the Government transfers purchasing power to the recipients of veterans' pensions. Such payments have an important bearing both on Government outlays and on the spending and saving of individuals. In order to portray the role of Government payments in the economy, it was necessary in the Nation's Economic Budget to include the main flows of transfer payments in addition to the flows associated with current production. To indicate the distinction, the former are in italics and the latter in roman type. Obviously, only the latter may be totaled to arrive at the gross national product.

Referring to table A–1, Government expenditures for goods and services are shown in line 15, and all other Government cash payments in line 16 (italics). The receipts of transfers to individuals and Government interest are shown in line 2, and included in consumer disposable income. Government cash loans to the "rest of the world" have also been entered as a receipt in the international account (line 9) because they increase the purchasing power of the "rest of the world." For various reasons, indicated later, unilateral transfers to foreign countries (gifts, etc.) are

[1] Estimates of national income and product and related series are published in the July 1949 *Survey of Current Business*, Department of Commerce.

[2] Federal cash receipts from the public and payments to the public represent a consolidation of the United States budget with the government trust and corporation accounts. All intragovernmental and noncash transactions have been eliminated. A detailed explanation of this consolidation may be found in the Budget of the United States Government for the fiscal year 1950, p. 1375. A summary of the derivation of cash receipts and payments from budgetary receipts and expenditures for calendar year 1948 was presented in the Annual Review of the Council of Economic Advisers, January 1949, pp. 89 and 90.

TABLE A–1.—*The Nation's Economic Budget, calendar years 1948 and 1949*

[Billions of dollars, annual rates, seasonally adjusted]

Economic group	1948			1949, first half			1949, second half [1]		
	Receipts	Expenditures	Excess of receipts (+) or deficit (−)	Receipts	Expenditures	Excess of receipts (+) or deficit (−)	Receipts	Expenditures	Excess of receipts (+) or deficit (−)
CONSUMERS									
1. Disposable income relating to current production	175.8			178.5			175.5		
2. *Government transfers to individuals and net interest payments*	*14.9*			*15.9*			*16.0*		
3. *Disposable personal income*	*190.8*			*194.4*			*191.5*		
4. Expenditures for goods and services		178.8			178.8			178.2	
5. *Personal savings (+)*			*+12.0*			*+15.6*			*+13.2*
BUSINESS									
6. Retained business receipts from current production	26.8			28.3			27.0		
7. Gross private domestic investment		45.0			38.5			35.0	
8. *Excess of receipts (+) or investment (−)*			*−18.2*			*−10.2*			*−8.0*
INTERNATIONAL									
9. *Government loan transfers abroad*	*1.3*			*.9*			*.4*		
10. Net foreign investment		1.9			1.2			−1.2	
11. *Excess of receipts (+) or investment (−)*			*−.6*			*−.3*			*+1.6*
GOVERNMENT (Federal, State, and local)									
12. Tax payments or liabilities	60.2			56.0			56.6		
13. *Adjustment to cash basis*	*−.3*			*+1.6*			*+.9*		
14. *Cash receipts from the public*	*59.9*			*57.6*			*57.5*		
15. Purchases of goods and services		36.7			43.2			43.8	
16. *Government transfers*		*16.0*			*16.7*			*17.4*	
17. *Cash payments to the public*		*52.7*			*59.9*			*61.2*	
18. *Excess of receipts (+) or payments (−)*			*+7.2*			*−2.3*			*−3.7*
ADJUSTMENTS									
19. For receipts relating to gross national product	−.4		−.4	−1.2		−1.2	−3.2		−3.2
20. *Other adjustments*				*−1.6*		*−1.6*	*+.1*		*+.1*
21. Total: Gross national product	262.4	262.4	0	261.6	261.6	0	255.9	255.9	0

[1] Estimates based on incomplete data. See Part I, table 12 for 1949 totals.

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

Detail will not necessarily add to totals because of rounding.

Source: Based on data from the Department of Commerce and Bureau of the Budget excluded from this category; they are considered as a direct goods and service expenditure of either consumers or Government and do not appear at all in the international account.

In order to show the equivalence of income derived from current production with gross national product or expenditure, some adjustments must be made. For example, "subsidies, less the surplus on current account of Government enterprises" is included in national income, but not in the gross national product. A deduction from income is therefore necessary. This adjustment, plus the statistical discrepancy (i. e., the difference between largely independent estimates of income and product) is shown in line 19. Remaining Government payments not included anywhere in receipts (e. g., net loans to business, purchases of existing assets, etc.[3]) were netted against adjustments on the receipts side of the account, line 20.

Adjustments are required in receipts because of a lack of comparability in the method of estimating Government and private receipts. Discrepancies arise from the fact that in calculating consumers' disposable income, for example, or corporate income after taxes, taxes were reckoned on a liability basis whereas actual collections by the Government enter into the Government account. Government tax receipts lag behind liabilities; in the case of corporations the lag is as much as a year. The identity of income and expenditure is thus destroyed by the different bases of the tax estimates, unless an adjusting item is introduced.

The magnitude and nature of the adjustments required to go from the income and product basis of accounting to cash receipts and payments is shown in table A-5, the Government account. Some remarks on this account follow the discussion of the composition of the private sectors of the economy below.

Consumer account

Table A-2 shows personal income and its principal components, personal taxes, and a break-down of expenditures by important classifications. Consumer income includes the net profits of unincorporated businesses after adjustment for inventory valuation and farm proprietors' income. Expenditures for new dwellings are considered as a business investment but other durable goods purchases are included in consumption expenditure. Personal saving is a residual figure derived by deducting consumption expenditures from disposable income.

[3] However, one very large category of loans, crop-secured loans, is included in Government expenditures for goods and services. Such loans are included in farm income at the time they are made.

TABLE A-2.—*Consumer account, calendar years 1948 and 1949*

[Billions of dollars, annual rates, seasonally adjusted]

Receipts or expenditures	1948	1949		
		Total [1]	First half	Second half [1]
Personal income arising from current production of goods and services	196.9	195.8	197.3	194.3
Wage and salary receipts and other labor income	135.1	136.8	136.9	136.7
Proprietors' and rental income	49.5	45.7	47.2	44.2
Dividends and private interest	11.7	12.7	12.6	12.8
Business transfer payments	.6	.6	.6	.6
Plus: Net interest paid by Government	4.4	4.6	4.6	4.6
Government transfer payments to individuals	10.5	11.4	11.3	11.4
Equals: Total personal income	211.9	211.7	213.1	210.3
Less: Personal tax and nontax payments	21.1	18.8	18.8	18.8
Equals: Disposable personal income	190.8	192.9	194.4	191.5
Less: Consumer expenditures	178.8	178.5	178.8	178.2
Durable goods	23.5	24.8	23.4	26.2
Nondurable goods	102.2	97.7	99.7	95.8
Services	53.1	56.0	55.6	56.4
Equals: Personal saving	12.0	14.4	15.6	13.2
Addendum				
Personal income arising from current production	196.9	195.8	197.3	194.3
Less: Personal tax and nontax payments	21.1	18.8	18.8	18.8
Equals: Disposable income arising from current production	175.8	177.0	178.5	175.5

[1] Estimates based on incomplete data.

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

Business account

Business income includes undistributed corporate profits after adjustment for inventory valuation, plus capital consumption allowances on corporate and noncorporate capital, including residences. Gross investment includes noncorporate and corporate investment, including residential construction.

Profits are included after inventory valuation adjustment in business receipts in accordance with the national income and product basis of accounting. The gross national output or product for any period includes only the real change in inventories (net change in physical volume valued at current prices) rather than the change in the book value. (In table A-2, proprietors' income is shown after inventory valuation adjustment.)

TABLE A–3.—*Business account, calendar years 1948 and 1949*

[Billions of dollars, annual rates, seasonally adjusted]

Receipts or investment	1948	1949		
		Total [1]	First half	Second half [1]
Corporate profits before tax	34.8	27.6	27.9	27.2
Less: Corporate profits tax liabilities	13.6	10.9	11.0	10.7
Dividends	7.9	8.4	8.4	8.4
Equals: Corporate undivided profits	13.2	8.3	8.4	8.2
Plus: Capital consumption allowances	15.7	16.6	16.4	16.8
Corporate inventory valuation adjustment [2]	−2.2	2.7	3.4	2.0
Equals: Retained business receipts from current production	26.8	27.6	28.3	27.0
Less: Private domestic gross investment	45.0	36.8	38.5	35.0
Construction	17.9	17.2	16.6	17.8
Residential (nonfarm)	9.1	8.8	8.0	9.4
Nonresidential	8.8	8.5	8.7	8.4
Producers' durable equipment	20.7	20.0	20.8	19.2
Change in inventories	6.5	−.4	1.1	−2.0
Nonfarm only	5.1	−1.0	0.1	−2.0
Equals: Excess of receipts (+) or investment (−)	−18.2	−9.2	−10.2	−8.0

[1] Estimates based on incomplete data. Profits by the Council of Economic Advisers.

[2] This adjustment is required because corporate income is reckoned inclusive of changes in the book value of inventory, as is customary in business accounting, whereas only the value of the real change in inventories is counted as current output in the gross national product.

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

International account

In the international account, United States Government net cash long-term loans abroad and cash subscriptions to the International Monetary Fund or International Bank for Reconstruction and Development are included as a receipt of the "rest of the world." Investment consists of the net balance of payments on current account (or net foreign investment), which excludes that part of the export surplus financed by net United States gifts, public or private. Thus exports financed under European Recovery Program grants or other unilateral aid programs or by private remittances are not represented in the international account. They are included as a direct public or consumer expenditure for goods and services. The excess of receipts or investment (line 11, table A–1) thus shows that part of the surplus of exports of goods and services not financed through public or private gifts or by Government cash loans or subscriptions.

From many points of view this treatment is unsatisfactory. It would perhaps have been preferable, in view of the fact that there is more interest in the volume of real exports than in the net balance of payments on current account, to show the entire surplus of exports of goods and services as investment, and the entire means of finance made available by the United States Government and private remittances as a receipt. In this case, net United States grants and private gifts would be deducted from Government expenditures for goods and services and consumer expenditures, respectively.

Receipts from Government sales abroad are included in net foreign investment at the time of sale, although commodities transferred have already been recorded in the output of current or preceding periods. In order to avoid overstating current gross national product, a compensating deduction is made in current Government expenditures for goods and services at the time a receipt from sales abroad is recorded in the balance of payments. (See footnote 5, table A–5.)

Table A–4 shows the derivation of net foreign investment from the export surplus; the estimates of net unilateral transfers are from official balance of payment statistics published by the Department of Commerce; loans and subscriptions are on a Daily Treasury Statement or cash payments basis. Thus, "Payments to the International Monetary Fund and International Bank" represent the cash payment to these organizations by the United States on subscriptions.

Tables A–7 and A–8 give a more comprehensive picture of the expenditures of the United States Government relating to international affairs broadly conceived. Table A–7 breaks down all Federal cash payments according to major governmental function. The "International affairs and finance" function includes cash disbursements for foreign aid, including grants whether rendered in cash or in goods, and long and short-term loans; expenses connected with the administration of such programs; subscriptions to the International Bank and the International Monetary Fund; membership in other international organizations such as the United Nations, Food and Agriculture Organization, et al., State Department expenditures, etc. It is to be noted, however, that substantial amounts of credit have been extended foreign countries not involving current outlays of cash, e. g., surplus property and lend-lease pipe-line credits.

TABLE A–4.—*International account, calendar years 1948 and 1949*

[Billions of dollars, annual rates]

Receipts or investment	1948	1949		
		Total [1]	First half	Second half [1]
Receipts:				
Net long-term loans [2]	1.0	0.5	0.8	0.2
Payments to the International Monetary Fund and International Bank [3]	.4	.2	.1	.2
Total Government loan transfers abroad	1.3	.7	.9	.4
Investment:				
Surplus of exports of goods and services	6.3	5.8	7.3	4.2
Less: Net unilateral transfers				
Government [4]	3.8	5.2	5.5	5.0
Private	.6	.6	.6	.5
Equals: Net foreign investment	1.9	----------	1.2	−1.2
Excess of receipts (+) or investment (−)	−.6	+.7	−.3	+1.6

[1] Estimates based on incomplete data.
[2] Includes only cash withdrawals under loan agreements. Does not include noncash transactions such as lend-lease and surplus property credits.
[3] Cash payments on subscriptions.
[4] Does not agree with unilateral aid included in table A–8 which is on a Daily Treasury Statement basis.

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

Government account

The Government account reconciles cash receipts from and payments to the public with the Government revenue and expenditure estimates which have been incorporated in the national income and product accounts. It also provides a break-down of Government receipts and expenditures into Federal and State and local components.

In the cash payments series, the receipts of the Government corporations have been offset against the expenditures and only the net expenditure has been included. The same treatment is accorded the Post Office because of the quasi-commercial character of its operations. Ideally, Government corporations expenditures should be broken down into strictly administrative and quasi-commercial functions and only the latter included on a net basis. So far, this has not been feasible, due to the complexity of the operations of the corporations.

Grants-in-aid to State and local governments are included as a cash payment of the Federal Government and are not counted as either a cash receipt or payment of the States and localities.

The major revenue sources of the Federal Government are shown in table A–6, Cash receipts from the public other than borrowing. Expenditures according to major governmental function are shown in table A–7, Cash payments to the public. Table A–8, Federal cash payments to the public by type of recipient and transaction appears for the first time in its present form in this report. It differs from the table, Federal cash payments to the public by type of recipient, which has appeared in previous reports, in containing some additional detail and some rearrangement of the data.

Both changes are intended to facilitate the assessment of the economic impacts of Government programs. The basic purpose governing the major groupings of the new table has been to distinguish between those Government programs which, on the one hand, represent a direct allocation of resources by decision of the Federal Government; and those under which this allocation depends in part or in whole on the decisions of individuals, business, and agriculture, or of foreign governments. The volume and character of defense expenditures, for example, and hence their impact on industry and the labor force, are directly determined by the Federal Government. By way of contrast, while the Government determines the amount of old-age or disability pensions, it has no control over the way in which they are spent, or, indeed, over whether they are spent at all. Hence the economic impact of pensions depends in large part on the decisions of those who receive them.

Direct cash payments for goods and services: This category includes: (*a*) wages and salaries of Federal personnel, including military pay; (*b*) grants-in-aid to State and local governments for performance of specified services in such fields as public health, education, administration of employment offices, and unemployment compensation, etc.; (*c*) purchases of goods and services from business, embracing such fields as defense and housekeeping purchases, and contract construction on Federal public works; (*d*) grants-in-aid and loans to State and local governments for public works; and (*e*) purchases of goods and services from abroad, of which stock-piling purchases are the most important component, and payment of membership fees in international institutions.

The general concept underlying this category is similar to the national income concept of "Government purchases of goods and services" but there are major differences. Two large items, farm price support expenditures and unilateral aid to foreign countries, which are included in the latter, are placed elsewhere in table A–8 on the ground that neither represents a direct allocation of resources by decision of the Federal Government, which is what the present category is intended to show. The acquisition of commodities by the Federal Government in the course of farm price-support operations is an incidental result of a program whose main purposes are to support farm income at equitable levels, and to provide incentives to individual farmers to change their farm operations in directions needed for agricultural readjustment. The character of commodities purchased in the United States by foreign governments with the help of unilateral aid programs is largely determined by the economic needs of the countries concerned. Grants to States and localities for public works, here included as a Federal expenditure, would be included in the national income accounts as a State-local expenditure. There are other less significant differences between the two concepts.

Loans, transfer and interest payments to individuals: The title of this category is almost self-explanatory. In addition to direct Federal payments to individuals, including social insurance and veterans' benefits, it includes Federal grants-in-aid to State and local governments for payment to individuals under public assistance programs.

Loans, transfer, interest and incentive payments to business and agriculture: This category includes: (*a*) the net result of farm price-support operations, whether involving a net acquisition of commodities by the Federal Government or a net acquisition of price-support loans from private banks; (*b*) loans and direct subsidies to farmers; (*c*) loans to, or purchases of mortgages or other claims from, private business firms and financial institutions; (*d*) interest payments thereto; and (*e*) the subsidy arising from the postal deficit, of which business firms are the chief beneficiaries.

Loans and transfer payments to foreign countries and international institutions: This category includes all direct foreign aid programs of the United States Government, whether the aid takes the form of loans or of grants, as well as cash payments on subscriptions of the United States Government to such international institutions as the International Monetary Fund, the International Bank for Reconstruction and Development, and the International Refugee Organization. Payments for stock-piling purchases abroad, for the costs incurred abroad of American embassies and other missions, and for participation in the continuing activities of international organizations are included under "Direct payment for goods and services."

The special analysis of investment, operating and other budget expenditures: The Budget document for fiscal 1951 (part III) contains for the first time a "Special analysis of investment, operating, and other budget expenditures." This analysis segregates expenditures which are recoverable or which represent the acquisition of assets which will give returns in future years from other expenditures.

TABLE A–5.—*Government account (Federal, State, and local), calendar years 1948 and 1949*

[Billions of dollars, annual rates, seasonally adjusted]

Receipt or expenditure	1948	1949		
		Total [1]	First half	Second half [1]
Receipts:				
Tax and nontax payments or liabilities: [2]				
Federal	44.6	39.5	39.4	39.6
State and local	15.6	16.8	16.6	17.0
Total	60.2	56.3	56.0	56.6
Adjustment to cash basis:				
Noncash receipts [3]	−1.2	−1.8	−1.7	−1.9
Excess of cash receipts over tax liabilities or payments [4]	.9	3.0	3.3	2.8
Cash receipts from the public	59.9	57.5	57.6	57.5
Expenditures:				
Purchases of goods and services:				
Federal [5]	20.9	25.6	25.7	25.6
State and local	15.8	17.8	17.4	18.2
Total	36.7	43.5	43.2	43.8
Other Government payments:				
Transfers to individuals	10.5	11.4	11.3	11.4
Cash interest payments to the public [6]	4.2	4.4	4.2	4.5
Loans to foreign governments and subscriptions to the International Bank and International Monetary Fund [7]	1.3	.6	.9	.4
All other [8]		.8	.4	1.1
Total	16.0	17.1	16.8	17.4
Cash payments to the public	52.7	60.6	59.9	61.2
Cash surplus (+) or deficit (−)	+7.2	−3.0	−2.3	−3.7
Addendum				
Federal:				
Cash receipts	44.9	41.4	41.7	41.2
Cash payments	36.9	43.1	42.7	43.5
Surplus (+) or deficit (−)	+8.0	−1.7	−1.0	−2.3
State and local:				
Cash receipts	15.0	16.1	15.9	16.3
Cash payments	15.8	17.5	17.2	17.7
Surplus (+) or deficit (−)	−.8	−1.4	−1.3	−1.4

[1] Estimates based on incomplete data.
[2] Personal and indirect business tax payments, corporation tax liabilities and contributions for social insurance.
[3] Consists of deductions from Government employees' salaries for retirement funds, and Government contributions to retirement funds, National Service Life Insurance and Government life insurance funds.
[4] Includes excess of corporation tax receipts over liabilities and excess of personal tax receipts over payments. Cash receipts also include some items of miscellaneous internal revenue not included in tax and nontax payments, such as receipts from sales of surplus property.
[5] Government sales of $600 million in 1948 and $300 million in each half of 1949 have been deducted from gross expenditures.
[6] Does not agree with net interest paid by Government (table A-2) which is on an accrual basis.
[7] See table A-4, International account.
[8] Includes all other cash payments less noncash payments for goods and services. Other cash payments include net payments by Government corporations (except capital formation), net prepayments, and the excess of checks paid over checks issued. Noncash purchases of goods and services include deductions from Government employees' salaries for retirement funds and the Government contribution to such funds.

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

TABLE A-6.—*Federal cash receipts from the public other than borrowing, calendar years 1948 and 1949*

[Billions of dollars, annual rates, seasonally adjusted]

Cash receipts from	1948	1949		
		Total [1]	First half	Second half [1]
Direct taxes on individuals [2]	20.9	18.4	18.7	18.2
Direct taxes on corporations	11.1	12.0	12.0	12.0
Employment taxes	2.5	2.5	2.5	2.5
Excises and customs	7.9	8.0	7.9	8.0
Surplus property receipts	1.2	.5	.7	.3
Deposits by States, unemployment insurance	1.0	1.0	.9	1.1
Veterans' life insurance premiums	.4	.4	.4	.4
Other	2.1	1.4	1.4	1.4
Refunds of receipts	−2.2	−2.8	−2.8	−2.8
Total Federal cash receipts from the public	44.9	41.4	41.7	41.2

[1] Estimates based on incomplete data.
[2] Includes personal income taxes and estate and gift taxes.

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

TABLE A-7.—*Federal cash payments to the public by function, calendar years 1948 and 1949*

[Billions of dollars, annual rates, seasonally adjusted]

Function	1948	1949		
		Total [1]	First half	Second half [1]
National defense	11.2	12.9	12.9	12.9
International affairs and finance	5.7	6.8	7.3	6.2
Veterans' services and benefits	6.8	7.0	7.2	6.9
Social welfare, health, and security	2.3	2.7	2.5	2.9
Housing and community development	.3	.4	(2)	.8
Agriculture and agricultural resources	1.4	2.8	2.8	2.8
Interest on the public debt	3.9	4.1	4.0	4.2
Other	5.7	7.0	6.6	7.4
Deduction from Federal employees' salaries for retirement	−.3	−.4	−.3	−.4
Clearing account for outstanding checks and telegraphic reports	−.2	−.3	−.2	−.4
Total Federal cash payments to the public	36.9	43.1	42.7	43.5

[1] Estimates based on incomplete data.
[2] Less than $50 million.

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

TABLE A-8.—*Federal cash payments to the public by type of recipient and transaction, calendar years 1948 and 1949*

[Billions of dollars]

Payment	1948	19[1]
Direct cash payments for goods and services:		
Payments to individuals for services rendered:		
Military [2]	3.5	3.9
Civilian wages and salaries (excluding Post Office): [3]		
Defense	2.4	2.5
Other Federal	2.1	2.2
Grants and loans in aid for performance of specified services, net [4]	.4	.4
Total	8.4	9.0
Payments to business for goods and services:		
Public works:		
Defense	.2	.2
Other Federal	.8	1.2
Grants-in-aid and loans for public works [5]	.8	.9
Other goods and services:		
Defense	4.3	5.7
Civilian [6]	1.7	1.0
Payments to foreign countries and international institutions	.9	1.1
Total	8.7	10.1
Loans and transfer payments to individuals:		
Social insurance and public assistance:		
Federal employees' retirement benefit payments	.2	.2
Old-age and disability benefit payments	.8	1.0
Unemployment insurance benefit payments	.9	1.9
Grants-in-aid for public assistance	.8	1.0
Readjustment benefits, pensions, and other payments to veterans [7]	5.7	5.4
Loans to home owners, net	-.1	-.1
Interest [8]	1.1	1.3
Other	.4	.4
Total	9.8	11.1
Loans, investments, subsidies, and other transfers to business and agriculture:		
Farmers:		
Price support, net (including supply programs)	.4	1.8
International wheat agreement	------	(9)
Other loans and direct subsidies to farmers	.7	.6
Business:		
Home mortgage purchases from financial institutions	.2	.7
Loans, net	(9)	.1
Direct subsidy payments	(9)	(9)
Subsidy arising from postal deficit	.4	.5
Interest [8]	2.9	2.8
Total	4.6	6.5
Loans and transfer payments to foreign countries and international institutions:		
European Recovery Program loans and grants	1.8	4.3
Other loans (net withdrawals)	.5	.1
Other grants	2.8	1.9
Subscriptions to the International Bank and Monetary Fund [10]	.4	.2
Total	5.5	6.5
Clearing account and adjustment to Daily Treasury Statement	-.2	-.3
Total Federal cash payments to the public	36.9	43.1

[1] Based on incomplete data.
[2] Excludes terminal-leave pay and food and clothing allowances which are primarily paid in kind. Includes family allowances and reserve pay.
[3] Excludes pay-roll deductions for Federal employees' retirement and Post Office wages and salaries.
[4] Includes all grants-in-aid and loans to public bodies for purposes other than public works and public assistance.
[5] Includes Rural Electrification Administration loans for public works which are not made to State and local governments but primarily to private cooperatives.
[6] Equals the excess of total cash payments to the public over all items shown separately. Includes primarily purchases of goods and services.
[7] Includes cashing of terminal-leave bonds, mustering-out pay, and National Service Life Insurance and Government life insurance refunds and benefits in addition to veterans' readjustment benefits and pensions.
[8] Includes a small amount of interest on tax refunds in addition to interest on the public debt. Interest figures in this table are not comparable with those in table A-2 which are on an accrual basis. Includes about $100 million of interest payments to State and local governments in both years.
[9] Less than $50 million.
[10] Cash withdrawals.

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

Appendix B

Statistical Tables Relating to the Distribution of Income and Personal Saving

CONTENTS

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Statistical Tables Relating to the Distribution of Income and Personal Saving

TABLE B-1.—*Distribution of families and single persons not in families, by income level, 1948*

Income size classes[1]	Percent of all families and single persons	
	Unadjusted distribution	Adjusted distribution
Under $1,000	17.4	9.8
$1,000 to $2,000	16.0	16.7
$2,000 to $3,000	19.6	16.3
$3,000 to $4,000	18.4	17.7
$4,000 to $5,000	11.1	13.6
$5,000 to $10,000	15.1	21.2
$10,000 and over	2.4	4.7
All income groups	100.0	100.0
Median income	$2,840	$3,420

[1] Income includes money income of the civilian noninstitutional population.

Sources: Department of Commerce, Bureau of the Census, (unadjusted distribution) and Council of Economic Advisers (adjusted distribution).

The unadjusted income distribution compiled by the Bureau of the Census comprises the results of a sample survey of about 25,000 families made in April 1949, but covering incomes for the year 1948. The results of this survey will be published in full in the Current Population Reports of the Bureau of the Census.

An estimate of the total money income of the civilian population can be derived from the statistics of national income for each year. For any year, this estimate of income will be in excess of that yielded by a sample survey of income, since some income always fails to be reported by persons interviewed. The degree of under-reporting varies according to the income source, wages and salaries being more completely reported than entrepreneurial or other types of income.

In 1948, the degree of under-reporting of income in the Census survey, as indicated by comparison with an estimate derived from the national income aggregate, was sufficient to justify making a statistical adjustment to distribute the unreported income by income levels. Separate adjustments were therefore made in the three types of income for which separate estimates of income coverage in the survey were available: wages and salaries, net entrepreneurial income, and "all other" income, raising each of these to the appropriate aggregate for that source. The effect of this adjustment was to raise incomes somewhat all along the income scale; however, the percentage increases in the lower and upper segments of the distribution were somewhat greater than in the middle-income groups.

The family, as defined in these distributions, includes two or more related persons living in one dwelling. Single persons living alone are also included in the distributions. It should be noted that the family differs from the "spending unit," the unit of measurement used in tables B–4 through B–9. The spending unit consists of related persons living together who pool their income for major items of expense. A family may include more than one spending unit; for example, a young couple dwelling with parents may manage their finances separately from the parents. Since there are more spending units than families, the average income is lower.

The distribution of income by fifths of families and single persons ranked by size of income, shown in the table appearing on page 97 of the text of this report, is consistent with the distribution of families and single persons by income levels shown above. For information concerning the quintile distributions for 1941 and 1935–36 appearing in the text, see the Economic Report of the President, January 1949, appendix B.

TABLE B–2.—*Sources and uses of personal funds, 1939 and 1946–48* [1]

[Billions of dollars]

USE OF FUNDS

	Use or source	1939	1946	1947	1948
A	Personal consumption expenditures and taxes	69.9	166.6	188.5	199.9
B	Durable commodities	6.7	16.5	22.0	23.5
C	Nondurable commodities	35.3	86.8	96.2	102.2
D	Services	25.5	44.5	48.8	53.1
E	Personal taxes	2.4	18.8	21.5	21.1
F	Other nonfinancial uses	5.9	12.3	15.2	20.6
G	Purchases of 1-4 family nonfarm dwellings	2.9	4.1	6.2	8.0
H	New construction by nonprofit organizations	.2	.4	.5	.9
	New construction and producers' durable equipment expenditures:				
I	Farms	1.2	2.6	3.7	4.9
J	Other unincorporated businesses [2]	1.4	4.2	4.8	4.5
	Additions to inventories (net) [1]				
K	Farms	.1	-------	-------	1.3
L	Other unincorporated businesses	.1	.9	-------	1.0
M	Purchases of existing tangible assets (net)	-------	(3)	(3)	-------
N	Financial uses (net) [4]	4.8	15.4	11.5	7.8
	Adding to liquid asset balances (net):				
O	Currency and deposits [5]	3.1	11.8	4.1	-------
P	Insurance reserves [6]	1.7	3.4	3.7	3.5
Q	Security portfolios:				
R	U. S. Government securities [7]	.1	-------	2.4	1.5
S	Other [8]	-------	.3	1.4	2.9
	Retirement of debt (net):				
T	Mortgages on 1-4 family nonfarm dwellings	-------	-------	-------	-------
U	Other consumer debt	-------	-------	-------	-------
V	Subtotal of above net additions to liquid assets and net retirement of debt	4.8	15.4	11.5	7.8
W	Farm mortgage and other farm debt	.1	-------	-------	-------
X	Other unincorporated business debt to banks	-------	-------	-------	-------
Y	Other unincorporated business debt to corporations	-------	-------	-------	-------
Z	Total of above uses of funds	80.7	194.3	215.3	228.3
a	Net uses not accounted for	-------	-------	-------	-------
b	Total uses of funds	80.7	194.3	215.3	228.3
c	Memorandum: Liquid saving, adjusted [9] (line V minus V')	3.1	8.8	4.2	1.2

Footnotes at end of table, p. 142.

TABLE B–2.—*Sources and uses of personal funds, 1939 and 1946–48*—Continued

SOURCE OF FUNDS

	Use or source	1939	1946	1947	1948
A′	Personal income	72.6	176.9	193.5	211.9
B′	Wages, salaries, and other labor income	45.7	111.0	122.0	135.1
C′	Net income of unincorporated business and farms	11.3	35.0	38.5	42.9
D′	Rental, dividend, and interest income	12.7	19.4	21.3	22.8
E′	Transfer receipts	3.0	11.4	11.7	11.1
F′	Other nonfinancial sources	3.7	5.6	8.9	6.9
	Depreciation charges:				
G′	Residential property	1.5	1.8	1.9	2.1
H′	Nonprofit organization property	.2	.2	.2	.2
I′	Farm equipment and property	1.1	2.2	2.7	3.3
J′	Other unincorporated business equipment and property	.9	1.1	1.2	1.3
	Drawing down inventories (net): [1]				
K′	Farms		.2	2.2	
L′	Other unincorporated businesses			.7	
M′	Sales of existing tangible assets (net)				
N′	Financial sources (net) [4]	2.1	9.3	11.6	7.9
	Drawing upon liquid asset balances (net): [1]				
O′	Currency and deposits [5]				(3)
P′	Insurance reserves [6]				
Q′	Security portfolios:				
R′	U. S. Government securities [7]		.2		
S′	Other [8]	.5			
	Adding to debt (net):				
T′	Mortgages on 1–4 family nonfarm dwellings	.5	3.2	4.1	4.1
U′	Other consumer debt	.8	3.3	3.3	2.5
V′	Subtotal of above net reductions in liquid assets and net additions to debt	1.7	6.7	7.4	6.5
W′	Farm mortgage and other farm debt		.2	.8	.6
X′	Other unincorporated business debt to banks	.1	2.1	2.2	.8
Y′	Other unincorporated business debt to corporations	.3	.3	1.2	
Z′	Total of above sources of funds	78.4	191.7	214.0	226.7
a′	Net sources not accounted for	2.3	2.6	1.2	1.6
b′	Total sources of funds	80.7	194.3	215.3	228.3
c′	Personal saving [10] (line A′ minus A)	2.7	10.3	5.1	12.0

[1] Consumers, unincorporated business, farms, and nonprofit organizations are included in the table. Inventories and income are included after adjustment for inventory revaluation.

[2] Includes purchase of used plant and equipment from the U. S. Government.

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

[4] Financial sources and uses are shown on a net basis. In arriving at the totals shown for financial sources and uses of funds, a net addition to holdings of a particular type of asset is shown as a use, and a net decrease in holdings of a particular type of asset as a source. Also, additions to cash balances by some individuals are net of withdrawals by other individuals, borrowings by some individuals are net of repayments by other individuals.

[5] Includes shares in saving and loan associations.

[6] Excludes additions to Government insurance and pension reserves.

[7] Excludes armed forces leave bonds.

[8] Includes changes in holdings of State and local government, foreign, corporate, and other securities.

[9] This corresponds to liquid saving as defined by the Securities and Exchange Commission, except that armed forces leave bonds and changes in Government insurance and pension reserves are excluded.

[10] This equals personal saving, national income concept. Personal saving may also be obtained as follows: (F–F′)+(N–N′)+(a–a′)=A′–A.

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

Source: Compiled by Board of Governors of the Federal Reserve System from data published by the Department of Commerce and the Securities and Exchange Commission. A discussion of a similar table may be found in an article entitled "Measurements of Savings", Federal Reserve Bulletin, November 1949. The present table incorporates revised estimates for 1948 and includes saving and loan shares with currency and deposits rather than with "other securities".

TABLE B-3.—*Sources and uses of funds by consumers and nonprofit organizations, 1946, 1947, and 1948*

	Source or use	1946	1947	1948
	USE OF FUNDS:			
A	Personal consumption expenditures and taxes	149.1	165.3	175.1
B	Expenditures for consumer nondurable goods and services less estimated expenditures of incidental landlords	130.3	143.8	154.0
C	Personal taxes	18.8	21.5	21.1
D	Other nonfinancial uses	20.9	28.6	32.2
E	Expenditures for consumer durable goods less estimated expenditures of incidental landlords	16.2	21.7	23.2
F	Purchases of 1-4 family nonfarm dwellings less purchases for tenant occupancy	4.0	6.1	7.8
G	Purchases of farm dwellings	.2	.3	.3
H	Nonprofit organization construction	.4	.5	.9
I	Financial uses (net)	14.4	12.0	9.4
J	Net additions to liquid asset balances	14.4	12.0	9.4
K	Total above uses	184.3	205.9	216.7
a	Net uses not accounted for		.2	
b	Total uses of funds	184.3	206.1	216.7
	SOURCE OF FUNDS:			
A′	Personal income received by consumers	174.6	196.8	207.9
B′	Wages, salaries and other labor income	111.0	122.0	135.1
C′	Dividend and interest income, less receipts by noncorporate business	12.3	13.8	15.1
D′	Transfer payments	11.4	11.7	11.1
E′	Imputed income from owner-occupied dwellings	2.3	2.3	2.4
F′	Net entrepreneurial withdrawals [1]	37.6	47.0	44.2
G′	Other nonfinancial sources	1.7	2.0	2.2
H	Depreciation on owner-occupied farm and nonfarm dwellings and nonprofit institution properties	1.7	2.0	2.2
I′	Financial sources (net)	6.4	7.3	6.5
J′	Net additions to debt, excluding mortgage debt, on tenant-occupied property	6.4	7.3	6.5
K′	Total above sources	182.7	206.1	216.6
a′	Net sources not accounted for	1.6		.1
b′	Total sources of funds	184.3	206.1	216.7

[1] Total funds available for withdrawal by owners from unincorporated businesses and farms less the estimated capital formation of businesses and farms, landlord purchases of consumer durable goods and of residential construction for tenant occupancy, and net money advanced through financial channels.

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

Sources: Based on data from the Department of Commerce, Securities and Exchange Commission, and Board of Governors of the Federal Reserve System.

TABLE B–4.—*Net income and net saving of each fifth of spending units*,[1] *1941 and 1945–1948*

Spending units ranked by size of income	1941	1945	1946	1947	1948
	Percentage of net income accounted for by each fifth				
Lowest fifth	3	4	4	4	4
Second fifth	9	11	11	10	11
Third fifth	16	16	16	16	16
Fourth fifth	22	24	22	22	22
Highest fifth	50	45	47	48	47
All groups	100	100	100	100	100
	Percentage of net saving accounted for by each fifth				
Lowest fifth	−7	0	−8	−13	−24
Second fifth	0	6	3	1	−3
Third fifth	8	9	5	7	7
Fourth fifth	11	21	21	12	21
Highest fifth	88	64	79	93	99
All groups	100	100	100	100	100

[1] The spending unit consists of all persons living in the same dwelling and belonging to the same family who pool their income to meet major expenses. See notes to table B–1.

Source: Board of Governors of the Federal Reserve System. Estimates for the years 1945 through 1948 are based on the Survey of Consumer Finances which is conducted annually by the Survey Research Center of the University of Michigan for the Board of Governors. The year 1941 was estimated from information obtained in Family Spending and Saving During Wartime (Bureau of Labor Statistics Bulletin No. 822), April 1945. The findings of the Survey of Consumer Finances are published each year in full in the Federal Reserve Bulletin.

Savings distributions by income level as well as by deciles or quintiles for 1948, with comparative data for earlier years, may be found in the Bulletin for January 1950, in an article entitled, "1949 Survey of Consumer Finances, Distribution of Consumer Saving in 1948." Components of saving and dissaving have varied somewhat from year to year as explained in the appendix to this article. In general, these variations are not believed to affect inter-year comparability to any great extent for the years 1946 through 1948. Comparisons of later years with 1945, however, are limited by substantial changes in definitions and methodology.

TABLE B–5.—*Positive and negative saving of each fifth of spending units, 1941 and 1945–1948*

Spending units ranked by size of income	Percentage of saving				
	1941	1945	1946	1947	1948
Spending units with negative saving:[1]					
Lowest fifth	23	25	25	21	27
Second fifth	17	19	15	12	15
Third fifth	14	28	24	17	16
Fourth fifth	25	14	18	20	18
Highest fifth	21	14	18	30	24
All groups	100	100	100	100	100
Spending units with positive saving:[2]					
Lowest fifth	1	3	3	2	3
Second fifth	5	9	7	6	6
Third fifth	10	12	11	11	12
Fourth fifth	15	20	20	15	19
Highest fifth	69	56	59	66	60
All groups	100	100	100	100	100

[1] Spending units with negative saving are those whose expenditures for consumer durables (excluding homes), nondurables, and services, exceed current money incomes.
[2] Spending units whose current money incomes exceed expenditures for consumer durables (excluding homes), nondurables, and services.

Source: See table B–4.

TABLE B-6.—*Median income, median saving, and percent of income saved by each fifth of spending units, 1948*

Spending units ranked by size of income	Median income	Median saving	Median percent of income saved
Lowest fifth	$860	$0	0.0
Second fifth	2,000	85	1.0
Third fifth	2,840	115	4.0
Fourth fifth	3,750	235	6.0
Highest fifth	6,000	610	10.0
All groups	$2,840	$75	3.5

Source: See table B-4.

TABLE B-7.—*Positive and negative savers within each fifth of spending units, 1941 and 1948*

Spending units ranked by size of income	Percent of spending units in each fifth					
	1941			1948		
	Positive savers	Zero savers	Negative savers	Positive savers	Zero savers	Negative savers
Lowest fifth	38	19	43	44	20	36
Second fifth	57	5	38	61	7	32
Third fifth	66	1	33	66	3	31
Fourth fifth	69	1	30	69	1	30
Highest fifth	80	(1)	20	74	(1)	26
All groups	62	5	33	63	6	31

[1] Less than one-half of 1 percent.

Source: See table B-4.

TABLE B-8.—*Proportion of money income allocated to taxes, saving, selected durable goods, and other consumer expenditures, by each fifth of spending units, 1948*

Type of expenditure or saving	Percent of total income					
	All spending units	Lowest fifth	Second fifth	Third fifth	Fourth fifth	Highest fifth
Federal income tax [1]	9	1	4	5	6	13
Automobiles and other selected durable goods [2]	9	8	8	9	10	8
Other consumer expenditures [3]	76	121	90	83	78	65
Net saving	7	−31	−2	3	6	14
Total	100	100	100	100	100	100
Percent of income saved by positive savers [4]	19	15	12	15	17	2

[1] Estimated Federal personal income tax liability, apart from capital gains and losses. See the appendix to part III, the 1949 Survey of Consumer Finances, Federal Reserve Bulletin, July 1949, for a description of the methods used in estimating the tax liability.

[2] Includes automobiles, furniture, radios, and household appliances such as refrigerators, ranges, washing machines, vacuum cleaners, home freezers, and miscellaneous other appliances. Expenditures for automobiles are net of trade-in allowances.

[3] This is a residual item covering expenditures for all goods and services not included in selected durable goods (see footnote 2). Includes food, housing, clothing, medical care, other living costs. State and local taxes, recreation, transportation, and education, as well as expenditures for durable goods such as floor coverings, jewelry, fur coats, and other miscellaneous durable items are also included.

[4] Total saving of positive savers as percent of their income.

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

Source: See table B-4.

TABLE B–9.—*Distribution of money income, taxes, disposable income, net saving, selected durable goods expenditures, and other consumer goods expenditures by income fifth groups, 1948*

[Percent]

Spending units ranked by size of income [1]	Total money income before taxes	Total Federal personal income tax [2]	Total disposable income [3]	Total selected durable goods expenditures [4]	Total other consumer expenditures [5]	Total net saving
Lowest fifth	4	1	5	4	8	—24
Second fifth	11	5	12	10	13	—3
Third fifth	16	9	17	17	18	7
Fourth fifth	22	16	22	25	22	21
Highest fifth	47	70	44	44	39	99
All groups	100	100	100	100	100	100

[1] Annual money income before taxes in 1948.
[2] Estimated Federal personal income-tax liability, apart from capital gains and losses.
[3] Disposable income is defined as money income less estimated Federal personal income-tax liability.
[4] Includes automobiles, furniture, radios, and household appliances such as refrigerators, ranges, washing machines, vacuum cleaners, home freezers, and miscellaneous other appliances. Expenditures for automobiles are net of trade-in allowances.
[5] This is a residual item covering expenditures for all goods and services not included in selected durable goods (see footnote 4). Includes food, housing, clothing, medical care, other living costs, State and local taxes, recreation, transportation, and education, as well as expenditures for durable goods such as floor coverings, jewelry, fur coats, and other miscellaneous durable items.

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

Source: See table B–4.

Appendix C

Statistical Tables Relating to Employment, Production, and Purchasing Power

CONTENTS

Statistical Tables Relating to Employment, Production, and Purchasing Power

TABLE C-1.—*Gross national product or expenditure, 1929–49*

[Billions of dollars]

Period	Gross national product	Personal consumption expenditures	Gross private domestic investment	Net foreign investment	Government purchases of goods and services
1929	103.8	78.8	15.8	0.8	8.5
1930	90.9	70.8	10.2	.7	9.2
1931	75.9	61.2	5.4	.2	9.2
1932	58.3	49.2	.9	.2	8.1
1933	55.8	46.3	1.3	.2	8.0
1934	64.9	51.9	2.8	.4	9.8
1935	72.2	56.2	6.1	−.1	9.9
1936	82.5	62.5	8.3	−.1	11.7
1937	90.2	67.1	11.4	.1	11.6
1938	84.7	64.5	6.3	1.1	12.8
1939	91.3	67.5	9.9	.9	13.1
1940	101.4	72.1	13.9	1.5	13.9
1941	126.4	82.3	18.3	1.1	24.7
1942	161.6	91.2	10.9	−.2	59.7
1943	194.3	102.2	5.7	−2.2	88.6
1944	213.7	111.6	7.7	−2.1	96.5
1945	215.2	123.1	10.7	−1.4	82.8
1946	212.6	147.8	29.5	4.7	30.7
1947	235.7	166.9	31.1	8.9	28.8
1948	262.4	178.8	45.0	1.9	36.7
1949 [1]	258.7	178.5	36.8	----------	43.5
	Annual rates, seasonally adjusted				
1948—First half	256.5	177.0	42.4	3.4	33.7
Second half	268.4	180.6	47.6	.4	39.8
1949—First half	261.6	178.8	38.5	1.1	43.2
Second half [1]	255.9	178.2	35.0	−1.2	43.8
1948—First quarter	251.4	175.2	40.7	3.9	31.5
Second quarter	261.6	178.7	44.2	2.8	35.9
Third quarter	266.5	180.3	47.1	−.1	39.2
Fourth quarter	270.3	180.9	48.0	1.0	40.3
1949—First quarter	263.5	178.6	41.6	1.0	42.3
Second quarter	259.6	178.9	35.4	1.2	44.0
Third quarter	256.3	178.5	35.0	−.8	43.6
Fourth quarter [1]	255.5	178.0	35.0	−1.5	44.0

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

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

Source: Department of Commerce (except as noted).

Table C-2.—*Personal consumption expenditures, 1929–49*

[Billions of dollars]

Period	Total expenditures	Durable goods: Total	Durable goods: Automobiles and parts	Durable goods: Other	Nondurable goods: Total	Nondurable goods: Food[1]	Nondurable goods: Clothing[2]	Nondurable goods: Other	Services: Total	Services: Housing[3]	Services: Other
1929	78.8	9.4	3.2	6.1	37.7	19.7	9.2	8.9	31.7	11.4	20.2
1930	70.8	7.3	2.2	5.1	34.1	18.1	7.9	8.1	29.5	11.0	18.5
1931	61.2	5.6	1.6	4.0	29.0	14.8	6.8	7.4	26.6	10.2	16.4
1932	49.2	3.7	.9	2.8	22.7	11.4	5.0	6.4	22.8	9.0	13.8
1933	46.3	3.5	1.0	2.5	22.3	11.5	4.6	6.2	20.6	7.8	12.7
1934	51.9	4.3	1.4	2.9	26.7	14.3	5.6	6.9	20.9	7.5	13.4
1935	56.2	5.2	1.9	3.3	29.4	16.3	5.9	7.2	21.7	7.6	14.1
1936	62.5	6.4	2.3	4.1	32.9	18.5	6.5	7.9	23.3	7.9	15.4
1937	67.1	7.0	2.4	4.6	35.2	20.0	6.7	8.6	24.9	8.4	16.5
1938	64.5	5.8	1.6	4.1	34.0	19.0	6.6	8.4	24.7	8.7	16.0
1939	67.5	6.7	2.1	4.6	35.3	19.3	7.0	8.9	25.5	8.9	16.5
1940	72.1	7.9	2.7	5.2	37.6	20.7	7.4	9.5	26.6	9.2	17.4
1941	82.3	9.8	3.3	6.4	44.0	24.4	8.8	10.8	28.5	9.9	18.7
1942	91.2	7.1	.7	6.4	52.9	30.5	11.0	11.4	31.2	10.6	20.6
1943	102.2	6.8	.8	6.0	61.0	35.3	13.7	11.9	34.4	11.1	23.3
1944	111.6	7.1	.9	6.2	67.1	38.9	15.3	12.9	37.4	11.7	25.7
1945	123.1	8.5	1.1	7.4	74.9	43.0	17.1	14.8	39.7	12.2	27.5
1946	147.8	16.5	4.4	12.1	86.8	51.0	18.6	17.1	44.5	13.1	31.4
1947	166.9	22.0	7.2	14.8	96.2	57.8	19.1	19.3	48.8	14.5	34.2
1948	178.8	23.5	8.2	15.3	102.2	61.1	20.0	21.1	53.1	15.9	37.2
1949 [4]	178.5	24.8	10.4	14.4	97.7	58.8	18.4	20.5	56.0	17.0	39.0
	Annual rates, seasonally adjusted										
1948—First half	177.0	23.2	7.7	15.5	101.8	61.1	19.8	21.0	51.9	15.6	36.3
Second half	180.6	23.8	8.6	15.2	102.6	61.1	20.2	21.3	54.2	16.2	38.0
1949—First half	178.8	23.4	9.5	13.9	99.7	59.8	19.2	20.7	55.6	16.8	38.9
Second half [4]	178.2	26.2	11.2	14.9	95.8	58.0	17.6	20.2	56.4	17.2	39.2
1948—First quarter	175.2	22.7	7.5	15.2	101.2	61.0	19.3	21.0	51.3	15.4	35.9
Second quarter	178.7	23.8	8.0	15.8	102.4	61.2	20.2	21.0	52.5	15.8	36.7
Third quarter	180.3	24.8	8.7	16.0	101.8	60.5	19.9	21.4	53.7	16.0	37.7
Fourth quarter	180.9	22.9	8.5	14.4	103.3	61.7	20.5	21.2	54.8	16.3	38.4
1949—First quarter	178.6	23.1	9.2	13.9	100.1	60.0	19.3	20.7	55.4	16.6	38.8
Second quarter	178.9	23.8	9.8	13.9	99.3	59.5	19.1	20.7	55.9	16.9	39.0
Third quarter	178.5	25.8	11.0	14.8	96.5	58.4	17.7	20.4	56.2	17.1	39.1
Fourth quarter [4]	178.0	26.5	11.5	15.0	95.0	57.5	17.4	20.1	56.5	17.3	39.2

[1] Includes alcoholic beverages.
[2] Includes shoes and standard clothing issued to military personnel.
[3] Includes imputed rental value of owner-occupied dwellings.
[4] Estimates based on incomplete data; fourth quarter by Council of Economic Advisers.

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

Source: Department of Commerce (except as noted).

TABLE C–3.—*Gross private domestic investment, 1929–49*

[Billions of dollars]

Year	Total gross private domestic investment [1]	Nonfarm producers' plant and equipment			Farm equipment and construction [4]	Residential construction (nonfarm) [1]	Other private construction [5]	Net change in business inventories		
		Total [1]	Equipment [2]	Construction [1] [3]				Total	Nonfarm after revaluation adjustment	Farm
1929	15.8	9.8	5.7	4.1	1.1	2.8	0.5	1.6	1.8	−0.3
1930	10.2	7.6	4.3	3.4	.9	1.4	.5	−.3	(6)	−.2
1931	5.4	4.6	2.8	1.8	.5	1.2	.4	−1.4	−1.7	.3
1932	.9	2.5	1.6	1.0	.3	.5	.2	−2.6	−2.6	(6)
1933	1.3	2.3	1.6	.7	.3	.3	.1	−1.6	−1.3	−.3
1934	2.8	3.1	2.2	.9	.4	.4	.1	−1.1	.2	−1.3
1935	6.1	3.8	2.9	1.0	.6	.7	.1	.9	.4	.5
1936	8.3	5.2	3.9	1.3	.8	1.1	.1	1.0	2.1	−1.1
1937	11.4	6.6	4.7	1.9	1.0	1.4	.2	2.3	1.8	.5
1938	6.3	4.7	3.4	1.4	.8	1.5	.2	−1.0	−1.1	.1
1939	9.9	5.7	4.0	1.7	.8	2.7	.2	.4	.3	.1
1940	13.9	7.4	5.3	2.1	1.0	3.0	.2	2.3	2.0	.2
1941	18.3	9.3	6.6	2.7	1.3	3.4	.3	3.9	3.4	.5
1942	10.9	5.8	4.1	1.7	1.0	1.8	.1	2.1	.8	1.3
1943	5.7	4.6	3.5	1.1	.9	1.0	(6)	−.9	−.5	−.4
1944	7.7	6.3	4.7	1.6	1.2	.8	.1	−.8	−.3	−.5
1945	10.7	8.7	6.3	2.4	1.4	1.1	.2	−.7	−.6	−.1
1946	29.5	16.0	10.8	5.2	2.0	4.1	.6	6.7	6.9	−.2
1947	31.1	20.6	14.6	6.0	3.1	6.6	.7	.1	2.2	−2.2
1948	45.0	24.7	17.3	7.4	3.9	9.1	1.0	6.5	5.1	1.3
1949 [7]	36.8	23.2	16.4	6.8	4.0	8.8	1.2	−.4	−1.0	.6
	Annual rates, seasonally adjusted									
1948—First half	42.4	24.2	17.0	7.2	3.8	9.0	.8	4.7	4.0	.7
Second half	47.6	25.1	17.6	7.5	4.0	9.2	1.1	8.2	6.2	2.0
1949—First half	38.5	24.2	17.2	7.0	4.0	8.0	1.2	1.1	.1	1.0
Second half [7]	35.0	22.3	15.6	6.6	4.0	9.4	1.2	−1.9	−2.0	.1
1948—First quarter	40.7	23.7	16.7	7.0	3.5	8.7	.8	4.1	4.2	−.1
Second quarter	44.2	24.6	17.3	7.3	4.0	9.4	.9	5.3	3.8	1.5
Third quarter	47.1	25.1	17.5	7.6	4.0	9.5	1.0	7.4	5.4	2.0
Fourth quarter	48.0	25.1	17.7	7.4	4.0	8.8	1.2	9.0	7.1	1.9
1949—First quarter	41.6	24.5	17.4	7.1	4.2	8.0	1.2	3.6	2.3	1.3
Second quarter	35.4	23.8	16.9	6.9	3.9	7.9	1.1	−1.4	−2.1	.7
Third quarter	35.0	23.4	16.6	6.8	3.9	8.9	1.2	−2.4	−2.6	.2
Fourth quarter [7]	35.0	21.2	14.7	6.5	4.1	10.0	1.3	−1.5	−1.5	(6)

[1] Items for 1939 and subsequent years are not comparable to those for earlier years, since they include certain outlays incident to construction which have not yet been estimated for years prior to 1939. For further details see Survey of Current Business, July 1949, p. 7.

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

[3] Industrial buildings, public utilities, gas and oil well drilling, warehouses, office and loft buildings, stores, restaurants, garages, and hotels.

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

[5] Includes religious, educational, social and recreational, hospital and institutional, and miscellaneous nonresidential.

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

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

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

Source: Department of Commerce (except as noted).

TABLE C-4.—*National income by distributive shares, 1929–49*

[Billions of dollars]

Period	Total national income[1]	Compensation of employees[2]	Business and professional income and inventory valuation adjustment: Total	Business and professional income and inventory valuation adjustment: Income of unincorporated enterprises	Business and professional income and inventory valuation adjustment: Inventory valuation adjustment	Income of farm proprietors	Rental income of persons	Corporate profits and inventory valuation adjustment: Total	Corporate profits and inventory valuation adjustment: Corporate profits before tax[3]	Corporate profits and inventory valuation adjustment: Inventory valuation adjustment	Net interest
1929	87.4	50.8	8.3	8.1	0.1	5.7	5.8	10.3	9.8	0.5	6.5
1930	75.0	46.5	7.0	6.3	.8	3.9	4.8	6.6	3.3	3.3	6.2
1931	58.9	39.5	5.3	4.7	.6	2.9	3.6	1.6	−.8	2.4	5.9
1932	41.7	30.8	3.2	2.9	.3	1.7	2.5	−2.0	−3.0	1.0	5.4
1933	39.6	29.3	2.9	3.4	−.5	2.3	2.0	−2.0	.2	−2.1	5.0
1934	48.6	34.1	4.3	4.3	−.1	2.3	2.1	1.1	1.7	−.6	4.8
1935	56.8	37.1	5.0	5.0	−.1	4.9	2.3	3.0	3.2	−.2	4.5
1936	64.7	42.7	6.1	6.2	−.1	3.9	2.7	4.9	5.7	−.7	4.5
1937	73.6	47.7	6.6	6.7	(4)	5.6	3.1	6.2	6.2	(4)	4.4
1938	67.4	44.7	6.3	6.1	.2	4.4	3.3	4.3	3.3	1.0	4.3
1939	72.5	47.8	6.8	6.9	−.2	4.5	3.5	5.8	6.5	−.7	4.2
1940	81.3	51.8	7.7	7.8	−.1	4.9	3.6	9.2	9.3	−.1	4.1
1941	103.8	64.3	9.6	10.2	−.6	6.9	4.3	14.6	17.2	−2.6	4.1
1942	137.1	84.9	12.6	12.9	−.4	10.5	5.4	19.9	21.1	−1.2	3.9
1943	169.7	109.2	15.0	15.1	−.2	11.8	6.1	24.3	25.1	−.8	3.4
1944	183.8	121.2	17.2	17.2	−.1	11.8	6.5	24.0	24.3	−.3	3.1
1945	182.7	123.0	18.7	18.8	−.1	12.5	6.3	19.2	19.7	−.6	3.0
1946	179.6	117.0	20.8	22.7	−1.9	14.2	6.2	18.3	23.6	−5.2	3.0
1947	201.7	127.6	23.1	24.7	−1.6	15.4	6.5	25.6	31.6	−6.0	3.4
1948	226.2	140.3	24.5	24.9	−.4	18.4	6.6	32.6	34.8	−2.2	3.8
1949 [5]	222.5	142.2	24.1	23.4	.7	15.0	6.6	30.3	27.6	2.7	4.3
	Annual rates, seasonally adjusted										
1948: First half	220.0	136.4	24.4	25.2	−.8	18.1	6.6	30.8	34.0	−3.2	3.6
Second half	232.4	144.1	24.5	24.5	......	18.6	6.6	34.5	35.6	−1.0	4.0
1949: First half	224.8	142.1	24.0	23.0	1.1	16.4	6.7	31.4	27.9	3.4	4.2
Second half [5]	220.2	142.2	24.1	23.7	.4	13.6	6.5	29.3	27.2	2.0	4.4
1948: First quarter	215.1	135.1	24.2	25.1	−.9	17.1	6.6	28.5	33.0	−4.5	3.6
Second quarter	224.9	137.7	24.6	25.3	−.7	19.1	6.7	33.0	35.0	−2.0	3.7
Third quarter	230.4	143.3	24.5	25.9	−1.4	18.8	6.6	33.3	36.6	−3.3	3.9
Fourth quarter	234.3	144.9	24.5	23.1	1.4	18.5	6.7	35.7	34.5	1.2	4.1
1949: First quarter	226.3	142.5	24.0	22.9	1.1	17.1	6.7	31.8	29.4	2.3	4.2
Second quarter	223.4	141.8	24.1	23.1	1.0	15.7	6.7	30.9	26.4	4.5	4.3
Third quarter [5]	222.5	142.2	24.2	23.6	.6	13.8	6.5	31.5	28.0	3.5	4.3
Fourth quarter [5]	217.8	142.3	24.0	23.8	.2	13.5	6.5	27.1	26.5	.6	4.4

1 National income is the total net income earned in production by individuals of businesses. The concept of national income currently used differs from the concept of gross national product in that it excludes depreciation charges and other allowances for business and institutional consumption of durable capital goods.
2 Includes wage and salary receipts and other labor income (see appendix table C-5), and employer and employee contribution for social insurance.
3 See appendix table C-29 for corporate tax liability (Federal and State income and excess profits taxes) and corporate profits after taxes.
4 Less than $50,000,000.
5 Estimates based on incomplete data; profits and total national income for third quarter and all items for fourth quarter by Council of Economic Advisers.

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

Source: Department of Commerce (except as noted).

TABLE C-5.—*Personal income, 1929-49*

[Billions of dollars]

Period	Total personal income	Salaries, wages, and other labor income [1]	Proprietors' and rental income [2]	Dividends and personal interest income [3]	Transfer payments	Nonagricultural personal income [4]
1929	85.1	50.5	19.7	13.3	1.5	76.8
1930	76.2	46.3	15.7	12.6	1.5	70.0
1931	64.8	39.2	11.8	11.1	2.7	60.1
1932	49.3	30.5	7.4	9.1	2.2	46.2
1933	46.6	29.0	7.2	8.2	2.1	43.0
1934	53.2	33.8	8.7	8.6	2.2	49.5
1935	59.9	36.8	12.1	8.6	2.4	53.4
1936	68.4	42.1	12.6	10.1	3.5	62.8
1937	74.0	45.9	15.4	10.3	2.4	66.5
1938	68.3	42.8	14.0	8.7	2.8	62.1
1939	72.6	45.7	14.7	9.2	3.0	66.3
1940	78.3	49.5	16.3	9.4	3.1	71.5
1941	95.3	61.5	20.8	9.9	3.1	86.1
1942	122.7	81.4	28.4	9.7	3.2	109.4
1943	150.3	104.5	32.8	10.0	3.0	135.2
1944	165.9	116.2	35.5	10.6	3.6	150.5
1945	171.9	116.9	37.5	11.4	6.2	155.7
1946	176.9	111.0	41.2	13.2	11.4	158.5
1947	193.5	121.9	45.1	14.8	11.7	173.5
1948	211.9	135.1	49.5	16.2	11.1	188.8
1949 [5]	211.7	136.8	45.7	17.3	12.0	192.0
	Annual rates, seasonally adjusted					
1948: First half	207.7	131.3	49.2	15.7	11.5	184.9
Second half	216.0	138.9	49.8	16.6	10.8	192.4
1949: First half	213.1	136.9	47.2	17.2	11.9	192.0
Second half [5]	210.3	136.6	44.2	17.4	12.0	192.0
1948: First quarter	205.1	129.9	48.0	15.6	11.6	183.4
Second quarter	210.3	132.7	50.4	15.8	11.4	186.4
Third quarter	215.4	138.3	49.9	16.3	11.0	191.8
Fourth quarter	216.6	139.5	49.7	16.9	10.5	193.1
1949: First quarter	213.7	137.1	47.8	17.1	11.7	191.9
Second quarter	212.5	136.7	46.5	17.2	12.1	192.1
Third quarter	210.6	136.6	44.5	17.3	12.2	192.2
Fourth quarter [5]	210.0	136.7	44.0	17.5	11.8	191.9

[1] Differs from "compensation of employees" in appendix table C-4, in that it excludes employer and employee contributions to social insurance. Includes wage and salary receipts and other labor income—compensation for injuries, employer contributions to private pension and welfare funds, pay of military reservists not on full-time active duty (pay for full-time active duty included in military wages and salaries), directors' fees, jury and witness fees, compensation of prison inmates, Government payments to enemy prisoners of war, marriage fees to justices of the peace, and merchant marine war-risk life and injury claims.
[2] See appendix table C-4, for major components.
[3] See appendix table C-29, for dividend payments.
[4] Equals personal income exclusive of net income of unincorporated farm enterprises, farm wages, agricultural net rents, agricultural net interest, and net dividends paid by agricultural corporations.
[5] Estimates based on incomplete data; fourth quarter by Council of Economic Advisers.

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

Source: Department of Commerce (except as noted).

TABLE C-6.—*Relation of national income and personal income, 1929–49*

[Billions of dollars]

Period	National income	Less: Corporate profits and inventory valuation adjustment	Less: Contributions to social insurance	Less: Excess of wage accruals over disbursements	Plus: Government transfer payments	Plus: Net interest paid by Government	Plus: Dividends	Plus: Business transfer payments	Equals: personal income
1929	87.4	10.3	0.2		0.9	1.0	5.8	0.6	85.1
1930	75.0	6.6	.3		1.0	1.0	5.5	.5	76.2
1931	58.9	1.6	.3		2.0	1.1	4.1	.6	64.8
1932	41.7	−2.0	.3		1.4	1.1	2.6	.7	49.3
1933	39.6	−2.0	.3		1.5	1.2	2.1	.7	46.6
1934	48.6	1.1	.3		1.6	1.2	2.6	.6	53.2
1935	56.8	3.0	.3		1.8	1.1	2.9	.6	59.9
1936	64.7	4.9	.6		2.9	1.1	4.6	.6	68.4
1937	73.6	6.2	1.8		1.9	1.2	4.7	.6	74.0
1938	67.4	4.3	2.0		2.4	1.2	3.2	.4	68.3
1939	72.5	5.8	2.1		2.5	1.2	3.8	.5	72.6
1940	81.3	9.2	2.3		2.7	1.3	4.0	.4	78.3
1941	103.8	14.6	2.8		2.6	1.3	4.5	.5	95.3
1942	137.1	19.9	3.5		2.7	1.5	4.3	.5	122.7
1943	169.7	24.3	4.5	.2	2.5	2.1	4.5	.5	150.3
1944	183.8	24.0	5.2	−.2	3.1	2.8	4.7	.5	165.9
1945	182.7	19.2	6.1		5.6	3.7	4.7	.5	171.9
1946	179.6	18.3	6.0		10.8	4.4	5.8	.6	176.9
1947	201.7	25.6	5.6		11.1	4.4	7.0	.6	193.5
1948	226.2	32.6	5.1		10.5	4.4	7.9	.6	211.9
1949 [1]	222.5	30.3	5.4		11.4	4.6	8.4	.6	211.7
	Annual rates, seasonally adjusted								
1948—First half	220.0	30.8	5.0	.1	10.9	4.4	7.6	.6	207.7
Second half	232.4	34.5	5.2		10.2	4.5	8.1	.6	216.0
1949—First half	224.8	31.4	5.3	−.1	11.3	4.6	8.4	.6	213.1
Second half [1]	220.2	29.3	5.6		11.4	4.6	8.4	.6	210.3
1948—First quarter	215.1	28.5	5.1	.1	11.0	4.4	7.6	.6	205.1
Second quarter	224.9	33.0	5.0	.1	10.8	4.4	7.7	.6	210.3
Third quarter	230.4	33.3	5.2	−.1	10.4	4.5	7.9	.6	215.4
Fourth quarter	234.3	35.7	5.3	.1	9.9	4.5	8.3	.6	216.6
1949—First quarter	226.3	31.8	5.2	.1	11.1	4.5	8.4	.6	213.7
Second quarter	223.4	30.9	5.4	−.3	11.5	4.6	8.4	.6	212.5
Third quarter	222.5	31.5	5.6		11.6	4.6	8.4	.6	210.6
Fourth quarter [1]	217.8	27.1	5.6		11.2	4.6	8.5	.6	210.0

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

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

Source: Department of Commerce (except as noted).

TABLE C–7.—*Disposition of personal income, 1929–49*

Period	Personal income	Less: Personal tax and nontax payments	Equals: Disposable personal income	Less: Personal consumption expenditures	Equals: Personal net saving	Net saving as percent of disposable income
	Billions of dollars					
1929	85.1	2.6	82.5	78.8	3.7	4.5
1930	76.2	2.5	73.7	70.8	2.9	3.9
1931	64.8	1.9	63.0	61.2	1.8	2.9
1932	49.3	1.5	47.8	49.2	−1.4	−2.9
1933	46.6	1.5	45.2	46.3	−1.2	−2.7
1934	53.2	1.6	51.6	51.9	−.2	−.4
1935	59.9	1.9	58.0	56.2	1.8	3.1
1936	68.4	2.3	66.1	62.5	3.6	5.4
1937	74.0	2.9	71.1	67.1	3.9	5.5
1938	68.3	2.9	65.5	64.5	1.0	1.5
1939	72.6	2.4	70.2	67.5	2.7	3.8
1940	78.3	2.6	75.7	72.1	3.7	4.9
1941	95.3	3.3	92.0	82.3	9.8	10.7
1942	122.7	6.0	116.7	91.2	25.6	21.9
1943	150.3	17.8	132.4	102.2	30.2	22.8
1944	165.9	18.9	147.0	111.6	35.4	24.1
1945	171.9	20.9	151.1	123.1	28.0	18.5
1946	176.9	18.8	158.1	147.8	10.3	6.5
1947	193.5	21.5	172.0	166.9	5.1	3.0
1948	211.9	21.1	190.8	178.8	12.0	6.3
1949 [1]	211.7	18.8	192.9	178.5	14.4	7.5
	Annual rates, seasonally adjusted					
1948: First half	207.7	22.0	185.8	177.0	8.8	4.7
Second half	216.0	20.3	195.7	180.6	15.2	7.8
1949: First half	213.1	18.8	194.4	178.8	15.6	8.0
Second half [1]	210.3	18.8	191.5	178.2	13.2	6.9
1948: First quarter	205.1	23.2	181.9	175.2	6.7	3.7
Second quarter	210.3	20.7	189.6	178.7	10.8	5.7
Third quarter	215.4	20.2	195.2	180.3	15.0	7.7
Fourth quarter	216.6	20.4	196.2	180.9	15.3	7.8
1949: First quarter	213.7	18.8	194.9	178.6	16.3	8.4
Second quarter	212.5	18.7	193.8	178.9	14.8	7.6
Third quarter	210.6	18.8	191.9	178.5	13.3	6.9
Fourth quarter [1]	210.0	18.9	191.1	178.0	13.1	6.9

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

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

Source: Department of Commerce (except as noted).

TABLE C-8.—*Per capita disposable income in current and 1948 dollars, 1929–49*

Period	Disposable personal income (billions of dollars)	Population (thousands) [1]	Consumers' price index, 1948=100	Per capita disposable personal income: Current dollars	Per capita disposable personal income: 1948 dollars [2]
1929	82.5	121,770	71.6	678	947
1930	73.7	123,077	69.7	599	859
1931	63.0	124,040	63.5	508	800
1932	47.8	124,840	57.0	383	672
1933	45.2	125,579	54.0	360	667
1934	51.6	126,374	55.9	408	730
1935	58.0	127,250	57.3	456	796
1936	66.1	128,053	57.9	516	891
1937	71.1	128,825	60.0	552	920
1938	65.5	129,825	58.9	505	857
1939	70.2	130,880	58.1	536	923
1940	75.7	131,970	58.5	574	981
1941	92.0	133,203	61.4	691	1,125
1942	116.7	134,665	[3] 68.7	867	1,262
1943	132.4	136,497	[3] 73.8	970	1,314
1944	147.0	138,083	[3] 75.8	1,065	1,405
1945	151.1	139,586	[3] 77.9	1,082	1,389
1946	158.1	141,235	[3] 83.4	1,119	1,342
1947	172.0	144,024	[3] 93.1	1,194	1,282
1948	190.8	146,571	100.0	1,302	1,302
1949 [4]	192.9	149,215	98.8	1,293	1,309
	Annual rates, seasonally adjusted		Not adjusted for seasonal variation	Annual rates, seasonally adjusted	
1948—First half	185.8	146,007	98.8	1,273	1,288
Second half	195.7	147,358	101.2	1,328	1,312
1949—First half	194.4	148,639	99.1	1,308	1,320
Second half [4]	191.5	149,947	98.5	1,277	1,296
1948—First quarter	181.9	145,713	98.0	1,248	1,273
Second quarter	189.6	146,293	99.6	1,296	1,301
Third quarter	195.2	146,937	101.8	1,328	1,305
Fourth quarter	196.2	147,724	100.7	1,328	1,319
1949—First quarter	194.9	148,337	99.2	1,314	1,325
Second quarter	193.8	148,919	99.0	1,301	1,314
Third quarter	191.9	149,578	98.7	1,283	1,300
Fourth quarter [4]	191.1	150,304	98.2	1,271	1,294

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

[2] Current dollars divided by the consumers' price index on the base 1948=100 to give a rough measure of changes in buying power of disposable income.

[3] The consumers' price index has been roughly adjusted to take account of the understatement during the price-control period. This adjustment is in line with the report of the Technical Committee (better known as the Mitchell Committee) on the consumers' price index. The unadjusted index will be found in appendix table C-21.

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

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

Table C-9.—*Labor force, employment and unemployment, 1929–49*

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

Period	Total labor force (including armed forces) [1]	Armed forces [1]	Civilian labor force: Total civilian labor force	Civilian labor force: Employment [2]: Total	Civilian labor force: Employment [2]: Nonagricultural	Civilian labor force: Employment [2]: Agricultural	Civilian labor force: Unemployment
Monthly average:							
1929	49,440	260	49,180	47,630	37,180	10,450	1,550
1930	50,080	260	49,820	45,480	35,140	10,340	4,340
1931	50,680	260	50,420	42,400	32,110	10,290	8,020
1932	51,250	250	51,000	38,940	28,770	10,170	12,060
1933	51,840	250	51,590	38,760	28,670	10,090	12,830
1934	52,490	260	52,230	40,890	30,990	9,900	11,340
1935	53,140	270	52,870	42,260	32,150	10,110	10,610
1936	53,740	300	53,440	44,410	34,410	10,000	9,030
1937	54,320	320	54,000	46,300	36,480	9,820	7,700
1938	54,950	340	54,610	44,220	34,530	9,690	10,390
1939	55,600	370	55,230	45,750	36,140	9,610	9,480
1940	56,030	390	55,640	47,520	37,980	9,540	8,120
1941	57,380	1,470	55,910	50,350	41,250	9,100	5,560
1942	60,230	3,820	56,410	53,750	44,500	9,250	2,660
1943	64,410	8,870	55,540	54,470	45,390	9,080	1,070
1944	65,890	11,260	54,630	53,960	45,010	8,950	670
1945	65,140	11,280	53,860	52,820	44,240	8,580	1,040
1946	60,820	3,300	57,520	55,250	46,930	8,320	2,270
1947	61,608	1,440	60,168	58,027	49,761	8,266	2,142
1948	62,748	1,307	61,442	59,378	51,405	7,973	2,064
1949	63,571	1,466	62,105	58,710	50,684	8,026	3,395
1948—First half	61,771	1,240	60,531	58,317	50,754	7,564	2,214
Second half	63,726	1,374	62,352	60,439	52,057	8,382	1,914
1949—First half	62,732	1,483	61,249	58,060	50,120	7,940	3,189
Second half	64,411	1,450	62,961	59,359	51,247	8,112	3,601
1948—January	60,455	1,241	59,214	57,149	50,089	7,060	2,065
February	61,004	1,226	59,778	57,139	50,368	6,771	2,639
March	61,005	1,236	59,769	57,329	50,482	6,847	2,440
April	61,760	1,236	60,524	58,330	50,883	7,448	2,193
May	61,660	1,238	60,422	58,660	50,800	7,861	1,761
June	64,740	1,261	63,479	61,296	51,899	9,396	2,184
July	65,135	1,293	63,842	61,615	52,452	9,163	2,227
August	64,511	1,325	63,186	61,245	52,801	8,444	1,941
September	63,578	1,366	62,212	60,312	51,590	8,723	1,899
October	63,166	1,391	61,775	60,134	51,506	8,627	1,642
November	63,138	1,414	61,724	59,893	51,932	7,961	1,831
December	62,828	1,453	61,375	59,434	52,059	7,375	1,941
1949—January	61,546	1,468	60,078	57,414	50,651	6,763	2,664
February	61,896	1,508	60,388	57,168	50,174	6,993	3,221
March	62,305	1,491	60,814	57,647	50,254	7,393	3,167
April	62,327	1,492	60,835	57,819	49,999	7,820	3,016
May	63,452	1,469	61,983	58,694	49,720	8,974	3,289
June	64,866	1,468	63,398	59,619	49,924	9,696	3,778
July	65,278	1,463	63,815	59,720	50,073	9,647	4,095
August	65,105	1,468	63,637	59,947	51,441	8,507	3,689
September	64,222	1,459	62,763	59,411	51,254	8,158	3,351
October	64,021	1,445	62,576	59,001	51,290	7,710	3,576
November	64,363	1,436	62,927	59,518	51,640	7,878	3,409
December	63,475	1,430	62,045	58,556	51,783	6,773	3,489

[1] Data for 1940–49 exclude about 150,000 members of the armed forces who were outside the continental United States in 1940 and who were therefore not enumerated in the 1940 census. This figure is deducted by the Census Bureau from its current estimates for comparability with 1940 data.

[2] Includes part-time workers and those who had jobs but were not at work for such reasons as vacation, illness, bad weather, temporary lay-off, and industrial disputes.

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

Survey on which labor force data are based is made during the week including the 8th of the month.

Sources: Department of Labor (1929–39) and Department of Commerce (1940–49).

TABLE C-10.—*Number of wage and salary workers in nonagricultural establishments, 1929–49* [1]

[Thousands of employees]

Period	Total wage and salary workers	Manufacturing: Total	Manufacturing: Durable goods	Manufacturing: Nondurable goods	Mining	Contract construction	Transportation and public utilities	Trade (2)	Finance	Service 2	Government (Federal, State, and local)
Monthly average:											
1929	31,041	10,534	(3)	(3)	1,078	1,497	3,907	6,401	1,431	3,127	3,066
1930	29,143	9,401	(3)	(3)	1,000	1,372	3,675	6,064	1,398	3,084	3,149
1931	26,383	8,021	(3)	(3)	864	1,214	3,243	5,531	1,333	2,913	3,264
1932	23,377	6,797	(3)	(3)	722	970	2,804	4,907	1,270	2,682	3,225
1933	23,466	7,258	(3)	(3)	735	809	2,659	4,999	1,225	2,614	3,167
1934	25,699	8,346	(3)	(3)	874	862	2,736	5,552	1,247	2,784	3,298
1935	26,792	8,907	(3)	(3)	888	912	2,771	5,692	1,262	2,883	3,477
1936	28,802	9,653	(3)	(3)	937	1,145	2,956	6,076	1,313	3,060	3,662
1937	30,718	10,606	(3)	(3)	1,006	1,112	3,114	6,543	1,355	3,233	3,749
1938	28,902	9,253	(3)	(3)	882	1,055	2,840	6,453	1,347	3,196	3,876
1939	30,287	10,078	(3)	(3)	845	1,150	2,912	6,705	1,382	3,228	3,987
1940	32,031	10,780	(3)	(3)	916	1,294	3,013	7,055	1,419	3,362	4,192
1941	36,164	12,974	(3)	(3)	947	1,790	3,248	7,567	1,462	3,554	4,622
1942	39,697	15,051	(3)	(3)	983	2,170	3,433	7,481	1,440	3,708	5,431
1943	42,042	17,381	(3)	(3)	917	1,567	3,619	7,322	1,401	3,786	6,049
1944	41,480	17,111	(3)	(3)	883	1,094	3,798	7,399	1,374	3,795	6,026
1945	40,069	15,302	(3)	(3)	826	1,132	3,872	7,685	1,394	3.891	5,967
1946	41,412	14,461	(3)	(3)	852	1,661	4,023	8,815	1,586	4,408	5,607
1947	43,371	15,247	8,373	6,874	943	1,982	4,122	9,196	1,641	4,786	5,454
1948	44,201	15,286	8,315	6,970	981	2,165	4,151	9,491	1,716	4,799	5,613
1949 [4]	42,936	14,152	7,479	6,673	932	2,162	3,984	9,370	1,761	4,785	5,791
1948—First half	43,633	15,200	8,320	6,881	964	2,010	4,114	9,318	1,702	4,778	5,546
Second half	44,769	15,371	8,311	7,060	998	2,320	4,188	9,664	1,729	4,819	5,680
1949—First half	42,993	14,307	7,713	6,595	981	2,045	4,016	9,358	1,752	4,760	5,776
Second half [4]	42,867	13,965	7,200	6,766	873	2,303	3,945	9,385	1,772	4,814	5,809
1948—January	43,639	15,406	8,429	6,977	974	1,929	4,094	9,325	1,674	4,746	5,491
Febrary	43,350	15,345	8,367	6,978	966	1,792	4,113	9,239	1,683	4,728	5,484
March	43,632	15,369	8,414	6,955	980	1,877	4,117	9,312	1,696	4,742	5,539
April	43,352	15,028	8,292	6,736	870	2,019	4,054	9,301	1,708	4,789	5,583
May	43,704	14,947	8,221	6,726	989	2,153	4,127	9,340	1,717	4,816	5,615
June	44,119	15,107	8,196	6,911	1,005	2,289	4,181	9,389	1,736	4,848	5,564
July	44,164	15,155	8,232	6,923	974	2,348	4,212	9,363	1,742	4,866	5,504
August	44,494	15,400	8,271	7,129	1,006	2,384	4,213	9,366	1,742	4,850	5,533
September	44,946	15,617	8,360	7,257	1,007	2,369	4,189	9,522	1,725	4,849	5,668
October	44,915	15,514	8,393	7,121	1,000	2,334	4,188	9,654	1,720	4,811	5,694
November	44,815	15,368	8,352	7,016	999	2,287	4,166	9,807	1,721	4,782	5,685
December	45,282	15,174	8,258	6,916	1,002	2,200	4,158	10,273	1,724	4,757	5,994
1949—January	43,449	14,782	8,044	6,738	991	2,016	4,054	9,388	1,731	4,723	5,764
February	43,061	14,649	7,923	6,726	986	1,926	4,024	9,292	1,735	4,712	5,737
March	42,918	14,475	7,819	6,656	981	1,947	3,975	9,310	1,749	4,720	5,761
April	42,966	14,177	7,656	6,521	984	2,036	3,991	9,478	1,757	4,768	5,775
May	42,731	13,877	7,441	6,436	974	2,137	4,021	9,342	1,763	4,804	5,813
June	42,835	13,884	7,392	6,492	968	2,205	4,031	9,336	1,774	4,834	5,803
July	42,573	13,757	7,255	6,502	943	2,277	4,007	9,220	1,780	4,851	5,738
August	42,994	14,114	7,302	6,812	956	2,340	3,992	9,213	1,780	4,836	5,763
September [4]	43,464	14,312	7,416	6,896	948	2,341	3,959	9,409	1,770	4,832	5,893
October [4]	42,607	13,903	7,006	6,897	593	2,310	3,873	9,503	1,767	4,792	5,866
November [4]	42,695	13,741	7,019	6,722	927	2,245	3,896	9,579	1,764	4,760	5,783

[1] Includes all full- and part-time wage and salary workers in nonagricultural establishments who worked or received pay during the pay period ending nearest the 15th of the month. Excludes proprietors, self-employed persons, domestic servants, and personnel of the armed forces. Not comparable with estimates of nonagricultural employment of the civilian labor force reported by the Department of Commerce (appendix table C-9) which include proprietors, self-employed persons, and domestic servants; which count persons as employed when they are not at work because of industrial disputes, bad weather, or temporary lay-offs and which are based on an enumeration of population, whereas the estimates in this table are based on reports from employing establishments.

[2] Data for the trade and service divisions, beginning with January 1947, are not comparable with data shown for earlier years because of the shift of the automotive repair service industry from the trade to the service divison. In January 1947, this industry amounted to approximately 230,000 employees.

[3] Not available.

[4] Estimates based on incomplete data.

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

Adjustments have been made to levels indicated by unemployment insurance agencies and the Bureau of Old-Age and Survivors Insurance data through 1947, and have been carried forward from 1947 bench mark levels, thereby providing consistent series.

Source: Department of Labor.

TABLE C–11.—*Average gross weekly earnings in selected industries, 1929–49*

Period	Manufacturing: Total	Manufacturing: Durable goods	Manufacturing: Nondurable goods	Bituminous coal mining	Building construction	Class I steam railroads	Telephone	Wholesale trade	Retail trade	Hotels (year round) [1]
Monthly average:										
1929	$25.03	$27.22	(2)	$25.72	(2)	$28.49	(2)	(2)	(2)	(2)
1930	23.25	24.77	(2)	22.21	(2)	27.76	(2)	(2)	(2)	(2)
1931	20.87	21.28	(2)	17.69	(2)	26.76	(2)	(2)	(2)	(2)
1932	17.05	16.21	(2)	13.91	(2)	23.34	(2)	(2)	(2)	(2)
1933	16.73	16.43	(2)	14.47	(2)	23.09	(2)	(2)	(2)	(2)
1934	18.40	18.87	(2)	18.10	$22.97	24.32	(2)	(2)	(2)	(2)
1935	20.13	21.52	(2)	19.58	24.51	26.76	(2)	(2)	(2)	(2)
1936	21.78	24.04	(2)	22.71	27.01	28.01	(2)	(2)	(2)	(2)
1937	24.05	26.91	(2)	23.84	30.14	29.20	$29.81	(2)	(2)	(2)
1938	22.30	24.01	(2)	20.80	29.19	30.26	31.53	(2)	(2)	(2)
1939	23.86	26.50	(2)	23.88	30.39	30.99	31.94	(2)	(2)	(2)
1940	25.20	28.44	(2)	24.71	31.70	31.55	32.44	(2)	(2)	(2)
1941	29.58	34.04	(2)	30.86	35.14	34.25	32.74	(2)	(2)	(2)
1942	36.65	42.73	(2)	35.02	41.80	38.65	33.97	(2)	(2)	(2)
1943	43.14	49.30	(2)	41.62	48.13	43.68	36.30	(2)	(2)	(2)
1944	46.08	52.07	(2)	51.27	52.18	46.06	38.39	(2)	(2)	(2)
1945	44.39	49.05	(2)	52.25	53.73	45.69	(3)	(2)	(2)	(2)
1946	43.82	46.49	(2)	58.03	56.[illegible]4	[4] 51.22	44.04	(2)	(2)	(2)
1947	49.97	52.46	$46.96	66.59	63.30	54.22	44.77	$51.99	$40.66	$29.36
1948	54.14	57.11	50.61	72.12	[5] 68.85	[6] 59.27	48.92	55.58	43.85	31.41
1949 [7]	54.78	57.85	51.32	63.92	71.05	60.70	51.48	57.43	45.96	32.68
1948—										
First half	52.94	55.47	49.88	69.61	66.62	[6] 58.71	48.15	54.88	43.06	30.81
Second half	55.26	58.60	51.32	73.42	70.83	[6] 59.57	49.66	56.18	44.60	31.96
1949—										
First half	54.64	57.90	50.80	70.94	70.80	60.39	50.90	57.23	45.56	32.60
Second half [7]	54.95	57.78	51.95	53.40	71.42	61.33	52.34	57.73	46.58	32.80
1948—January	52.86	55.46	49.56	75.15	65.51	59.60	48.20	53.90	42.49	30.29
February	52.58	55.04	49.76	70.55	65.16	60.54	47.71	55.02	42.95	30.89
March	52.92	55.53	49.80	74.54	65.87	58.94	47.45	54.21	42.48	30.50
April	52.56	55.15	49.50	[8] 49.79	66.45	56.86	47.77	54.88	43.11	30.86
May	52.83	55.10	49.98	74.27	67.22	57.24	48.93	55.79	43.28	31.12
June	53.87	56.54	50.67	73.38	69.53	59.05	48.82	55.45	44.04	31.19
July	53.97	56.54	50.85	64.70	70.47	58.22	49.23	55.77	45.06	31.38
August	55.06	58.50	51.07	76.48	70.91	59.17	48.42	55.87	45.33	31.85
September	55.16	58.28	51.64	74.11	71.29	59.48	49.21	55.83	44.70	31.78
October	55.60	59.50	50.91	76.24	70.59	59.92	49.85	56.28	44.17	32.06
November	55.60	59.11	51.63	72.73	69.39	60.42	51.42	56.48	43.99	32.35
December	56.14	59.67	51.84	76.28	72.33	60.19	49.85	56.87	44.36	32.35
1949—January	55.50	58.83	51.35	76.32	70.88	60.21	49.84	57.24	45.51	32.41
February	55.20	58.49	51.33	73.56	70.53	61.64	50.84	56.82	45.14	32.47
March	54.74	57.83	51.07	70.54	69.83	60.00	50.82	56.88	44.95	32.53
April	53.80	57.21	49.67	72.33	70.33	62.51	50.58	57.12	45.31	32.35
May	54.08	57.21	50.41	72.98	71.81	60.69	51.84	57.83	45.98	32.99
June	54.51	57.82	50.97	[8] 59.90	71.44	57.27	51.46	57.49	46.45	32.85
July	54.63	57.31	51.55	[9] 47.94	71.28	60.37	51.90	58.18	46.95	32.90
August	54.70	57.89	51.31	[9] 49.51	71.95	62.64	51.57	57.10	46.87	32.93
September [7]	55.72	58.84	52.59	[9] 52.77	70.69	60.98	52.57	57.39	46.42	32.71
October [7]	55.26	58.03	52.51	[8] 63.39	71.76	(2)	53.33	58.26	46.06	32.65
November [7]	54.45	56.85	51.78	(2)	(2)	(2)	(2)	(2)	(2)	(2)

[1] Money payments only; additional value of room, board, uniforms, and tips not included.
[2] Not available.
[3] Not available. Series beginning April 1945 includes only employees subject to provisions of the Fair Labor Standards Act and is not comparable with preceding series which includes all employees. Beginning June 1949 data relate to nonsupervisory employees.
[4] Annual average includes retroactive pay increases not included in monthly averages.
[5] Not strictly comparable with previous data.
[6] Preliminary average; does not include any retroactive wage payments.
[7] Estimates based on incomplete data.
[8] Data reflect work stoppages.
[9] 3-day work week.

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

Adjustments have been made to levels indicated by unemployment insurance agencies and the Bureau of Old-Age and Survivors Insurance data through 1947, and have been carried forward from 1947 bench mark levels, thereby providing consistent series.

The monthly average for each year except 1949 has been weighted by man-hours and therefore does not agree with the straight arithmetic average of the monthly or half year data.

Source: Department of Labor.

TABLE C-12.—*Average hourly earnings in selected industries, 1929–49*

Period	Manufacturing: Total	Manufacturing: Durable goods	Manufacturing: Nondurable goods	Bituminous coal mining	Building construction	Class I steam railroads	Telephone	Wholesale trade	Retail trade	Hotels (year round) [1]
Monthly average:										
1929	$0.566	(2)	(2)	$0.681	(2)	$0.636	(2)	(2)	(2)	(2)
1930	.552	(2)	(2)	.684	(2)	.644	(2)	(2)	(2)	(2)
1931	.515	(2)	(2)	.647	(2)	.651	(2)	(2)	(2)	(2)
1932	.446	$0.497	(2)	.520	(2)	.600	(2)	(2)	(2)	(2)
1933	.442	.472	(2)	.501	(2)	.595	(2)	(2)	(2)	(2)
1934	.532	.556	(2)	.673	$0.795	.602	(2)	(2)	(2)	(2)
1935	.550	.577	(2)	.745	.815	.651	(2)	(2)	(2)	(2)
1936	.556	.586	(2)	.794	.824	.659	(2)	(2)	(2)	(2)
1937	.624	.674	(2)	.856	.903	.676	$0.774	(2)	(2)	(2)
1938	.627	.686	(2)	.878	.908	.712	.816	(2)	(2)	(2)
1939	.633	.698	(2)	.886	.932	.714	.822	(2)	(2)	(2)
1940	.661	.724	(2)	.883	.958	.717	.827	(2)	(2)	(2)
1941	.729	.808	(2)	.993	1.010	.751	.820	(2)	(2)	(2)
1942	.853	.947	(2)	1.059	1.148	.824	.843	(2)	(2)	(2)
1943	.961	1.059	(2)	1.139	1.252	.897	.870	(2)	(2)	(2)
1944	1.019	1.117	(2)	1.186	1.319	.938	.911	(2)	(2)	(2)
1945	1.023	1.111	(2)	1.240	1.379	.942	(3)	(2)	(2)	(2)
1946	1.086	1.156	(2)	1.401	1.478	[4] 1.116	1.124	(2)	(2)	(2)
1947	1.237	1.292	$1.171	1.636	1.681	1.171	1.197	$1.268	$1.009	$0.650
1948	1.350	1.410	1.278	1.898	[5] 1.848	[6] 1.283	1.248	1.359	1.088	.709
1949 [7]	1.401	1.468	1.324	1.938	1.931	1.371	1.338	1.412	1.138	.740
1948:—First half	1.316	1.369	1.253	1.837	1.800	[6] 1.272	1.235	1.344	1.072	.695
Second half	1.384	1.451	1.303	1.954	1.891	[6] 1.296	1.262	1.374	1.105	.722
1949:—First half	1.402	1.468	1.324	1.943	1.928	1.346	1.325	1.409	1.132	.737
Second half [7]	1.399	1.469	1.325	1.932	1.934	1.421	1.358	1.417	1.146	.744
1948:										
January	1.302	1.356	1.236	1.842	1.766	1.279	1.239	1.321	1.057	.690
February	1.308	1.359	1.247	1.823	1.791	1.302	1.236	1.342	1.063	.688
March	1.310	1.361	1.248	1.845	1.786	1.262	1.226	1.332	1.062	.690
April	1.314	1.365	1.250	1.817	1.804	1.258	1.228	1.345	1.075	.695
May	1.324	1.374	1.262	1.843	1.815	1.272	1.242	1.364	1.082	.701
June	1.340	1.396	1.273	1.853	1.836	1.259	1.236	1.359	1.090	.704
July	1.356	1.417	1.284	1.937	1.862	1.263	1.237	1.367	1.099	.710
August	1.373	1.441	1.293	1.961	1.874	1.278	1.229	1.366	1.103	.711
September	1.386	1.457	1.304	1.971	1.895	1.293	1.249	1.365	1.112	.724
October	1.390	1.462	1.302	1.945	1.892	1.297	1.262	1.376	1.107	.727
November	1.397	1.463	1.317	1.955	1.906	1.322	1.305	1.381	1.108	.732
December	1.400	1.466	1.319	1.956	1.915	1.320	1.288	1.387	1.098	.732
1949:										
January	1.405	1.467	1.327	1.947	1.918	1.333	1.298	1.403	1.132	.735
February	1.401	1.466	1.323	1.941	1.930	1.343	1.317	1.403	1.123	.738
March	1.400	1.464	1.323	1.938	1.933	1.318	1.327	1.401	1.121	.731
April	1.401	1.467	1.321	1.934	1.934	1.359	1.324	1.407	1.127	.732
May	1.401	1.467	1.323	1.946	1.930	1.367	1.343	1.421	1.141	.738
June	1.405	1.475	1.324	1.951	1.924	1.354	1.340	1.416	1.147	.745
July	1.408	1.477	1.332	1.910	1.922	1.369	1.348	1.426	1.148	.746
August	1.399	1.473	1.319	1.897	1.932	1.354	1.343	1.403	1.146	.745
September [7]	1.407	1.482	1.328	1.940	1.940	1.540	1.362	1.410	1.149	.745
October [7]	1.392	1.458	1.326	1.981	1.943	(2)	1.378	1.428	1.143	.742
November [7]	1.389	1.454	1.321	(2)	(2)	(2)	(2)	(2)	(2)	(2)

[1] Money payments only; additional value of room, board, uniforms, and tips not included.
[2] Not available.
[3] Not available. Series beginning April 1945 includes only employees subject to provisions of the Fair Labor Standards Act and is not comparable with preceding series which includes all employees. Beginning June 1949 data relate to nonsupervisory employees.
[4] Annual average includes retroactive pay increases not included in monthly averages.
[5] Not strictly comparable with previous data.
[6] Preliminary average; does not include any retroactive wage payments.
[7] Estimates based on incomplete data.

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

Adjustments have been made to levels indicated by unemployment insurance agencies and the Bureau of Old-Age and Survivors Insurance data through 1947, and have been carried forward from 1947 bench mark levels, thereby providing consistent series.

The monthly average for each year except 1949 has been weighted by man-hours and therefore does not agree with the straight arithmetic average of the monthly or half year data.

Source: Department of Labor.

TABLE C–13.—*Average weekly hours in selected industries, 1929–49*

Period	Manufacturing: Total	Manufacturing: Durable goods	Manufacturing: Nondurable goods	Bituminous coal mining	Building construction	Class I steam railroads	Telephone	Wholesale trade	Retail trade	Hotels (year round)
Monthly average:										
1929	44.2	[1]	[1]	38.4	[1]	44.8	[1]	[1]	[1]	[1]
1930	42.1	[1]	[1]	33.5	[1]	43.1	[1]	[1]	[1]	[1]
1931	40.5	[1]	[1]	28.3	[1]	41.1	[1]	[1]	[1]	[1]
1932	38.3	32.6	41.9	27.2	[1]	38.9	[1]	[1]	[1]	[1]
1933	38.1	34.8	40.0	29.5	[1]	38.8	[1]	[1]	[1]	[1]
1934	34.6	33.9	35.1	27.0	28.9	40.4	[1]	[1]	[1]	[1]
1935	36.6	37.3	36.1	26.4	30.1	41.1	[1]	[1]	[1]	[1]
1936	39.2	41.0	37.7	28.8	32.8	42.5	[1]	[1]	[1]	[1]
1937	38.6	40.0	37.4	27.9	33.4	43.2	38.8	[1]	[1]	[1]
1938	35.6	35.0	36.1	23.5	32.1	42.5	38.9	[1]	[1]	[1]
1939	37.7	38.0	37.4	27.1	32.6	43.4	39.1	[1]	[1]	[1]
1940	38.1	39.3	37.0	28.1	33.1	44.0	39.5	[1]	[1]	[1]
1941	40.6	42.1	38.9	31.1	34.8	45.6	40.1	[1]	[1]	[1]
1942	42.9	45.1	40.3	32.9	36.4	46.9	40.5	[1]	[1]	[1]
1943	44.9	46.6	42.5	36.6	38.4	48.7	41.9	[1]	[1]	[1]
1944	45.2	46.6	43.1	43.4	39.6	49.1	42.3	[1]	[1]	[1]
1945	43.4	44.1	42.3	42.3	39.0	48.5	[2]	[1]	[1]	[1]
1946	40.4	40.2	40.5	41.6	38.1	45.9	39.4	[1]	[1]	[1]
1947	40.4	40.6	40.1	40.7	37.6	46.3	37.4	41.0	40.3	45.2
1948	40.1	40.5	39.6	37.7	[3] 37.3	46.1	39.2	40.9	40.3	44.3
1949 [4]	39.1	39.4	38.8	32.9	36.8	44.4	38.5	40.7	40.4	44.2
1948—First half	40.2	40.5	39.8	37.9	37.0	46.2	39.0	40.8	40.2	44.4
Second half	39.9	40.4	39.4	37.6	37.5	46.0	39.4	40.9	40.4	44.2
1949—First half	39.0	39.5	38.4	36.5	36.7	44.9	38.4	40.6	40.3	44.3
Second half [4]	39.3	39.3	39.2	27.6	36.9	43.4	38.6	40.8	40.6	44.0
1948—January	40.6	40.9	40.1	40.8	37.1	46.6	38.9	40.8	40.2	43.9
February	40.2	40.5	39.9	[5] 38.7	36.4	46.5	38.6	41.0	40.4	44.9
March	40.4	40.8	39.9	40.4	36.9	46.7	38.7	40.7	40.0	44.2
April	40.0	40.4	39.6	[5] 27.4	36.7	45.2	38.9	40.8	40.1	44.4
May	39.9	40.1	39.6	40.3	37.0	45.0	39.4	40.9	40.0	44.4
June	40.2	40.5	39.8	39.6	37.9	46.9	39.5	40.8	40.4	44.3
July	39.8	39.9	39.6	[5] 33.4	37.8	46.1	39.8	40.8	41.0	44.2
August	40.1	40.6	39.5	39.0	37.8	46.3	39.4	40.9	41.1	44.8
September	39.8	40.0	39.6	37.6	37.6	46.0	39.4	40.9	40.2	43.9
October	40.0	40.7	39.1	39.2	37.3	46.2	39.5	40.9	39.9	44.1
November	39.8	40.4	39.2	37.2	36.4	45.7	39.4	40.9	39.7	44.2
December	40.1	40.7	39.3	39.0	37.8	45.6	38.7	41.0	40.4	44.2
1949—January	39.5	40.1	38.7	39.2	37.0	45.2	38.4	40.8	40.2	44.1
February	39.4	39.9	38.8	37.9	36.5	45.9	38.6	40.5	40.2	44.0
March	39.1	39.5	38.6	36.4	36.1	45.5	38.3	40.6	40.1	44.5
April	38.4	39.0	37.6	37.4	36.4	46.0	38.2	40.6	40.2	44.2
May	38.6	39.0	38.1	37.5	37.2	44.4	38.6	40.7	40.3	44.7
June	38.8	39.2	38.5	[5] 30.7	37.1	42.3	38.4	40.6	40.5	44.1
July	38.8	38.8	38.7	[6] 25.1	37.1	44.1	38.5	40.8	40.9	44.1
August	39.1	39.3	38.9	[6] 26.1	37.2	46.4	38.4	40.7	40.9	44.2
September [4]	39.6	39.7	39.6	[6] 27.2	36.4	39.6	38.6	40.7	40.4	43.9
October [4]	39.7	39.8	39.6	[5] 32.0	36.9	[1]	38.7	40.8	40.3	44.0
November [4]	39.2	39.1	39.2	[1]	[1]	[1]	[1]	[1]	[1]	[1]

[1] Not available.
[2] Average for year not available because new series was started in April 1945. Beginning with June 1949 data relate to nonsupervisory employees only.
[3] Not comparable with previous data.
[4] Estimates based on incomplete data.
[5] Data reflect work stoppages.
[6] 3-day workweek.

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

Adjustments have been made to levels indicated by unemployment insurance agencies and the Bureau of Old-Age and Survivors Insurance data through 1947, and have been carried forward from 1947 bench mark levels, thereby providing consistent series.

The monthly average for each year except 1949 has been weighted by man-hours and therefore does not agree with the straight arithmetic average of the monthly or half year data.

Source: Department of Labor.

TABLE C-14.—*Physical production index of goods and selected services, 1929–49*

[1935–39=100 [1]]

Period	Production of goods						Production of selected services	
	Total production of goods	Agricultural production	Nonagricultural production: Total	Nonagricultural production: Industrial production	Nonagricultural production: Construction	Nonagricultural production: Electric and gas utilities	Transportation	Telephone and telegraph
Weights: [2]								
Total	100.0	19.5	78.0	65.6	9.0	5.8		
Nonagricultural			100.0	81.6	11.1	7.2		
1929	112	97	116	110	180	88	117	110
1930	96	95	97	91	153	87	104	106
1931	85	104	81	75	124	84	89	101
1932	69	101	62	58	79	76	73	91
1933	72	93	68	69	53	77	76	84
1934	74	79	73	75	58	81	83	86
1935	87	96	85	87	69	87	88	90
1936	99	85	103	103	101	97	101	98
1937	111	108	112	113	106	104	110	102
1938	93	105	90	89	101	100	95	102
1939	110	106	110	109	123	111	106	108
1940	123	110	126	125	133	123	117	115
1941	154	114	164	162	182	141	146	126
1942	187	128	201	199	202	158	185	135
1943	207	125	227	239	112	183	220	143
1944	201	130	218	235	60	191	230	147
1945	178	129	190	203	68	187	217	158
1946	162	134	169	170	128	188	198	182
1947	176	129	187	187	147	214	208	196
1948	184	140	195	192	174	243	209	207
1949 [3]	175	138	184	175	182	247	191	(4)
1948—First half	(4)	(5)	196	192	171	242	210	(4)
Second half	(4)	(5)	196	192	179	244	208	(4)
1949—First half	(4)	(5)	187	181	172	249	197	(4)
Second half [3]	(4)	(5)	180	170	191	245	185	(4)

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

[2] Computed from the Department of Commerce national income data. The weight factors are percentages of the national income for each industry to the total for the 5 industries. The agriculture weight excludes net rents paid by landlords living on farms, imputed rents and subsidy payments. The weight for construction has been adjusted to include force account and other construction done outside of the contract construction industry, the weights for other industry groups to exclude such construction. Manufactures and minerals of the industrial production index were weighted into the total indexes separately but only the total industrial production index is shown here. See appendix table C-15 for the individual components of the index of industrial production.

[3] Estimates based on incomplete data.

[4] Not available.

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

NOTE.—A composite index of production of goods and services has not been compiled because of the inadequate data for measuring the production of services. The only service production data used were for transportation and for communications by telephone and telegraph. Data for measuring such services as wholesale and retail trade, finance, insurance, real estate, government, and communication other than telephone and telegraph were inadequate for separate indexes and for an index for all services other than transportation, telephone, and telegraph.

Sources: Based on the following data:

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

Industrial production: Federal Reserve index of industrial production.

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

Electric and gas utilities: Based on the following series: Electric power produced by utilities as reported by the Federal Power Commission, and sales of manufactured and mixed gas to consumers as reported by the American Gas Association. The two series are converted into relatives with the average for the period 1935–39 as 100. The relative series are combined into an index with electric power given a weight of 85 and gas 15. the respective percentages of the revenues of each of the utilities to the total revenues produced by both in the base period 1935–39.

Transportation: Department of Commerce index of transportation.

Telephone and telegraph· Based on Department of Labor production indexes for 1935–48 and on a series of Works Progress Administration for 1929–34. These indexes are for class A telephone carriers and the principal wire-telegraph and ocean-cable carriers which file annual reports with the Federal Communications Commission.

TABLE C-15.—*Industrial production index, 1929–49*

[1935–39=100, seasonally adjusted]

Period	Total industrial production	Manufactures			Minerals
		Total	Durable	Nondurable	
Monthly average:					
1929	110	110	132	93	107
1930	91	90	98	84	93
1931	75	74	67	79	80
1932	58	57	41	70	67
1933	69	68	54	79	76
1934	75	74	65	81	80
1935	87	87	83	90	86
1936	103	104	108	100	99
1937	113	113	122	106	112
1938	89	87	78	95	97
1939	109	109	109	109	106
1940	125	126	139	115	117
1941	162	168	201	142	125
1942	199	212	279	158	129
1943	239	258	360	176	132
1944	235	252	353	171	140
1945	203	214	274	166	137
1946	170	177	192	165	134
1947	187	194	220	172	149
1948	192	198	225	177	155
1949 [1]	175	183	201	168	134
1948—First half	192	199	224	178	153
Second half	192	198	226	176	157
1949—First half	181	188	214	167	143
Second half [1]	170	178	188	169	126
1948—January	193	201	229	178	154
February	194	201	226	180	155
March	191	200	229	177	142
April	188	195	217	177	147
May	192	197	221	178	162
June	192	198	222	179	159
July	186	192	219	169	153
August	191	197	223	177	159
September	192	199	225	178	156
October	195	202	231	179	158
November	195	201	229	178	161
December	192	199	231	173	156
1949—January	191	198	227	175	149
February	189	196	225	173	149
March	184	193	223	168	136
April	179	184	212	162	148
May	174	179	201	161	145
June	169	176	194	161	133
July	161	168	185	154	123
August	170	177	193	165	129
September	174	184	199	172	119
October	166	176	175	177	112
November [1]	171	177	180	175	139
December [1]	176	184	199	172	131

[1] Estimates based on incomplete data.

Source: Board of Governors of the Federal Reserve System.

TABLE C-16.—*New construction activity, 1929–49*

[Value put in place, millions of dollars]

Period	Total new construction[1]	Private construction: Total private	Private construction: Residential building (nonfarm)[2]	Private construction: Nonresidential building[3]	Private construction: Public utility and farm	Public construction: Total public	Public construction: By source of funds: Federal	Public construction: By source of funds: State and local	Public construction: By type of construction: Military and federally financed industrial	Public construction: By type of construction: Highways	Public construction: By type of construction: Other public
1929	9,873	7,476	2,797	2,822	1,857	2,397	237	2,160	19	1,254	1,124
1930	8,042	5,265	1,446	2,099	1,720	2,777	338	2,439	29	1,505	1,243
1931	5,967	3,375	1,228	1,104	1,043	2,592	451	2,141	40	1,351	1,201
1932	3,290	1,467	462	499	506	1,823	510	1,313	34	961	828
1933	2,376	1,012	278	404	330	1,364	552	812	38	809	517
1934	2,805	1,235	361	455	419	1,570	720	850	58	826	686
1935	3,230	1.676	665	472	539	1,554	828	726	39	709	806
1936	4,836	2,550	1,131	712	707	2,286	1,262	1,024	33	927	1,326
1937	5,487	3,390	1,372	1,088	930	2,097	1,154	943	39	902	1,156
1938	5,186	3,076	1,511	764	801	2,110	989	1,121	74	858	1,178
1939	6,307	3,808	2,114	785	909	2,499	1,257	1,242	148	867	1,484
1940	7,042	4,390	2,355	1.028	1,007	2,652	1,397	1,255	549	882	1,221
1941	10,490	5,426	2,765	1,486	1,175	5,064	3,853	1,211	2,900	800	1,364
1942	13,412	3,007	1,315	635	1,057	10,405	9.544	861	8,453	616	1,336
1943	7,784	1,744	650	232	862	6,040	5,614	426	4,218	420	1,402
1944	4,136	1,823	535	350	938	2,313	1,912	401	1,344	346	623
1945	4,808	2,716	684	1,014	1,018	2,092	1,558	534	1,160	386	546
1946	10,464	8,253	3,183	3,346	1,724	2,211	1,096	1,115	272	778	1,161
1947	14,324	11,179	5,260	3,131	2,788	3,145	1,181	1,964	229	1,300	1,616
1948	18,775	14,563	7,223	3.578	3,762	4,212	1,339	2,873	157	1,585	2,470
1949[4]	19,329	14,059	7,025	3,178	3,856	5,270	1,588	3,682	120	1,670	3,480
	Totals for period, not adjusted for seasonal variation										
1948—First half	8,159	6,519	3,257	1,640	1,622	1,640	521	1,119	81	559	1,000
Second half	10,616	8,044	3,966	1,938	2,140	2,572	818	1,754	76	1,026	1,470
1949—First half	8,413	6,184	2,870	1,594	1,720	2,229	658	1,571	49	633	1,547
Second half[4]	10,916	7,875	4,155	1,584	2,136	3,041	930	2,111	71	1,037	1,933
1948—January	1,180	974	500	270	204	206	67	139	14	54	138
February	1,049	875	410	263	202	174	54	120	12	40	122
March	1,226	1,001	490	266	245	225	71	154	13	57	155
April	1,378	1,099	550	263	286	279	87	192	15	89	175
May	1,572	1.222	625	275	322	350	112	238	14	140	196
June	1,754	1,348	682	303	363	406	130	276	13	179	214
July	1,874	1,423	707	321	395	451	143	308	13	206	232
August	1,934	1,454	720	329	405	480	154	326	14	220	246
September	1,901	1,427	707	331	389	474	156	318	13	200	261
October	1,814	1,355	670	327	358	459	146	313	13	186	260
November	1,646	1,256	615	325	316	390	123	267	13	131	246
December	1,447	1,129	547	305	277	318	96	222	10	83	225
1949—January	1,293	1,002	475	285	242	291	81	210	7	68	216
February	1,172	905	400	271	234	267	72	195	7	52	208
March	1,267	951	420	262	269	316	91	225	9	68	239
April	1,370	989	445	251	293	381	113	268	8	100	273
May	1,576	1,108	530	257	321	468	144	324	9	160	299
June	1,735	1.229	600	268	361	506	157	349	9	185	312
July	1,833	1,301	650	269	382	532	166	366	10	200	322
August	1,903	1,343	675	264	404	560	174	386	12	215	333
September	1,922	1.368	710	263	395	554	174	380	14	200	340
October	1.879	1,343	715	261	367	536	166	370	14	185	337
November[4]	1,767	1,295	715	266	314	472	140	332	12	145	315
December[4]	1,612	1,225	690	261	274	387	110	277	9	92	286

[1] Excludes construction expenditures for crude petroleum and natural-gas drilling, and, therefore does not agree with the new construction expenditures in the gross national product.
[2] 1939 and subsequent years are not comparable to nonfarm residential construction in table C-3 since this series excludes certain outlays incident to construction which have been included in gross private domestic investment.
[3] Excludes farm and public utility; for 1929–32 includes negligible amount of public industrial and commercial building not segregable.
[4] Estimates based on incomplete data.

Sources: Department of Commerce and Department of Labor.

TABLE C–17.—*Business expenditures for new plant and equipment, 1929–50*

[Millions of dollars]

Period	Total [1]	Manufacturing and mining: Total	Manufacturing and mining: Manufacturing	Manufacturing and mining: Mining	Transportation: Railroad	Transportation: Other	Electric and gas utilities	Commercial and miscellaneous [2]
1929	9,165	3,596	(3)	(3)	840	(4)	(4)	4,729
1930	7,610	2,541	(3)	(3)	865	(4)	(4)	4,204
1931	4,712	1,435	(3)	(3)	360	(4)	(4)	2,917
1932	2,608	930	(3)	(3)	164	(4)	(4)	1,514
1933	2,137	992	(3)	(3)	101	(4)	(4)	1,044
1934	3,080	1,460	(3)	(3)	218	(4)	(4)	1,402
1935	3,738	1,790	(3)	(3)	166	(4)	(4)	1,782
1936	5,077	2,450	(3)	(3)	306	(4)	(4)	2,321
1937	6,730	3,330	(3)	(3)	525	(4)	(4)	2,875
1938	4,520	1,830	(3)	(3)	238	(4)	(4)	2,452
1939	5,200	2,310	1,930	380	280	280	480	1,850
1940	6,490	3,140	2,580	560	440	390	550	1,980
1941	8,190	4,080	3,400	680	560	340	710	2,490
1942	6,110	3,170	2,760	410	540	260	680	1,470
1943	4,530	2,610	2,250	360	460	190	540	730
1944	5,210	2,890	2,390	500	580	280	490	970
1945	6,630	3,650	3,210	440	550	320	630	1,480
1946	12,040	6,470	5,910	560	570	660	1,040	3,300
1947	16,180	8,150	7,460	690	910	800	1,900	4,430
1948	19,230	9,140	8,340	800	1,320	700	2,680	5,390
1949 [5]	17,910	7,860	7,130	730	1,340	510	3,160	5,040
	Annual rates, not adjusted for seasonal variation							
1948—First half	17,980	8,640	7,880	760	1,160	740	2,280	5,160
Second half	20,480	9,660	8,820	840	1,460	680	3,080	5,600
1949—First half	18,240	8,220	7,460	760	1,480	540	2,920	5,100
Second half [5]	17,580	7,500	6,800	700	1,200	480	3,380	5,020
1948—First quarter	16,680	7,920	7,200	720	1,080	720	2,000	4,960
Second quarter	19,280	9,360	8,560	800	1,240	760	2,560	5,360
Third quarter	19,320	9,160	8,360	800	1,280	680	2,760	5,440
Fourth quarter	21,640	10,160	9,280	880	1,640	680	3,400	5,760
1949—First quarter	17,840	8,160	7,400	760	1,440	520	2,720	5,040
Second quarter	18,640	8,280	7,520	760	1,520	560	3,120	5,160
Third quarter	17,440	7,480	6,760	720	1,240	520	3,160	5,040
Fourth quarter [5]	17,720	7,520	6,840	680	1,160	440	3,600	5,000
1950—First quarter [5]	15,280	6,720	6,080	640	880	320	2,960	4,440

[1] Excludes agriculture.

[2] Commercial and miscellaneous includes trade, service, finance, and communication for all years shown. Prior to 1939, miscellaneous also included transportation other than railroad, and electric and gas utilities which are not available separately for these years.

[3] Not available separately for years prior to 1939.

[4] Included in commercial and miscellaneous prior to 1939.

[5] Estimates for fourth quarter of 1949 and the first quarter of 1950 are based on anticipated capital expenditures of business.

NOTE.—These figures do not agree with those shown in column 2 of table C–3 and included in the gross national product estimates of the Department of Commerce, principally because the latter cover certain equipment and construction outlays charged to current expense. Figures for 1929–44 are Federal Reserve Board estimates based on Securities and Exchange Commission and other data.

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

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

TABLE C-18.—*Inventories and sales in manufacturing and trade, 1939–49*

[Adjusted for seasonal variation]

Period	Manufacturing			Wholesale trade			Retail trade		
	Millions of dollars		Ratio of average inventories to monthly sales [3]	Millions of dollars		Ratio of average inventories to monthly sales [3]	Millions of dollars		Ratio of average inventories to monthly sales [3]
	Inventories [1]	Sales [2]		Inventories [1]	Sales [2]		Inventories [1]	Sales [2]	
1939	11,465	5,100	2.11	3,175	2,505	1.21	5,532	3,504	1.53
1940	12,819	5,852	2.06	3,325	2,802	1.16	6,040	3,866	1.47
1941	16,960	8,168	1.78	4,182	3,620	1.03	7,630	4,624	1.46
1942	19,287	10,425	1.77	3,858	4,012	1.02	7,868	4,803	1.71
1943	20,098	12,822	1.51	3,684	4,273	0.86	7,361	5,277	1.38
1944	19,507	13,788	1.45	3,980	4,561	0.86	7,400	5,735	1.31
1945	18,390	12,883	1.48	4,638	4,983	0.82	7,543	6,315	1.20
1946	24,818	12,841	1.65	6,665	6,601	0.81	11,226	8,358	1.11
1947	29,818	17,076	1.64	8,653	7,754	1.03	13,221	9,909	1.22
1948	34,066	18,998	1.68	9,511	8,355	1.09	14,969	10,837	1.32
1948—First half	32,211	18,686	1.65	8,926	8,378	1.05	14,349	10,742	1.30
Second half	34,066	19,310	1.72	9,511	8,353	1.13	14,969	10,932	1.35
1949—First half	33,250	17,980	1.89	9,002	7,662	1.22	14,182	10,696	1.36
1948—January	30,044	18,229	1.64	8,695	8,352	1.04	13,662	10,590	1.27
February	30,318	18,470	1.63	8,719	8,146	1.07	14,006	10,597	1.31
March	30,686	18,761	1.63	8,669	8,433	1.03	14,253	10,809	1.31
April	31,040	18,631	1.66	8,773	8,415	1.04	14,156	10,962	1.30
May	31,491	18,574	1.68	8,811	8,240	1.07	14,089	10,640	1.33
June	32,211	19,454	1.64	8,926	8,685	1.02	14,349	10,855	1.31
July	32,580	18,972	1.71	9,177	8,630	1.05	14,372	10,949	1.31
August	32,841	19,652	1.66	9,420	8,522	1.09	14,490	11,030	1.31
September	33,380	19,902	1.66	9,581	8,489	1.12	14,877	10,961	1.34
October	33,528	18,978	1.76	9,730	8,083	1.19	14,937	10,899	1.37
November	33,810	19,288	1.75	9,714	8,236	1.18	15,027	10,763	1.39
December	34,066	19,065	1.78	9,511	8,158	1.18	14,969	10,987	1.37
1949—January	34,409	17,880	1.91	9,464	7,723	1.23	14,659	10,592	1.40
February	34,408	18,175	1.89	9,479	7,680	1.23	14,479	10,686	1.36
March	34,223	18,451	1.86	9,293	7,890	1.19	14,700	10,705	1.36
April	34,018	17,643	1.93	9,330	7,422	1.25	14,458	10,790	1.35
May	33,565	17,741	1.90	9,153	7,539	1.23	14,139	10,738	1.33
June	33,250	17,990	1.86	9,002	7,718	1.18	14,182	10,663	1.33
July	32,367	17,114	1.92	9,091	7,158	1.26	13,862	10,521	1.33
August	31,638	18,945	1.69	9,061	7,697	1.18	13,932	10,644	1.31
September	31,060	18,866	1.66	9,186	7,572	1.20	14,355	10,824	1.31
October [4]	30,754	16,805	1.84	9,220	7,166	1.28	14,478	10,647	1.35
November [4]	30,700	18,000	1.71	(5)	(5)	(5)	(5)	10,630	(5)

[1] Book value, end of period.
[2] Monthly average shown for year and half year and total for month.
[3] Average inventories based on centered averages of month-end figures.
[4] Estimates based on incomplete data.
[5] Not available.

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

Source: Department of Commerce.

TABLE C-19.—*Manufacturers' inventories by stage of fabrication and as ratios to sales, 1946–49*

[Not adjusted for seasonal variation]

Period	Durable goods industries				Nondurable goods industries			
	Book value of inventories at end of period (billions of dollars)		Ratio of average inventories to monthly sales [1]		Book value of inventories at end of period (billions of dollars)		Ratio of average inventories to monthly sales [1]	
	Materials and goods in process	Finished goods	Materials and goods in process	Finished goods	Materials and goods in process	Finished goods	Materials and goods in process	Finished goods
1946	9.0	2.7	1.58	0.50	8.8	4.5	0.92	0.47
1947	10.3	3.8	1.45	.50	10.3	5.6	.92	.51
1948	11.4	4.7	1.37	.53	10.8	7.3	.95	.58
1948—First half	10.7	4.2	1.38	.53	10.5	6.4	.96	.54
Second half	11.4	4.7	1.36	.53	10.8	7.3	.95	.61
1949—First half	10.4	5.2	1.48	.67	10.0	7.2	1.03	.72
1948—January	10.3	3.9	1.45	.54	10.3	5.8	.94	.52
February	10.4	4.0	1.44	.55	10.4	5.8	.97	.55
March	10.4	4.1	1.27	.49	10.5	5.8	.92	.51
April	10.5	4.2	1.36	.54	10.6	5.8	.97	.53
May	10.7	4.2	1.42	.57	10.6	6.1	1.00	.56
June	10.7	4.2	1.34	.53	10.5	6.4	.95	.56
July	11.0	4.2	1.54	.59	10.6	6.7	1.02	.63
August	11.1	4.2	1.38	.53	10.7	6.8	.92	.59
September	11.2	4.3	1.30	.50	10.6	7.0	.90	.58
October	11.2	4.4	1.30	.51	10.9	7.0	.90	.59
November	11.3	4.5	1.36	.54	10.8	7.2	.96	.63
December	11.4	4.7	1.32	.53	10.8	7.3	.99	.67
1949—January	11.6	4.9	1.56	.65	10.7	7.4	1.05	.72
February	11.5	5.0	1.56	.67	10.6	7.3	1.06	.73
March	11.4	5.2	1.40	.62	10.4	7.3	.96	.67
April	11.3	5.2	1.49	.68	10.2	7.2	1.04	.72
May	10.8	5.3	1.51	.72	10.2	7.1	1.04	.73
June	10.4	5.2	1.38	.68	10.0	7.2	1.02	.73
July	10.1	5.1	1.54	.78	10.0	7.1	1.09	.78
August	9.9	4.9	1.27	.63	9.9	7.1	.90	.64
September	9.5	4.7	1.21	.60	9.7	7.0	.87	.62
October [2]	9.4	4.5	1.36	.65	9.7	7.2	.87	.64

[1] Ratios based on centered averages of month-end figures.
[2] Estimates based on incomplete data.

Source: Department of Commerce.

TABLE C-20.—*Sales, stocks, and outstanding orders at 296 department stores, 1939–49*

Period	Millions of dollars [1]			Ratio of stocks to sales	Ratio of orders to sales	Ratio of orders to stocks
	Sales (total for month)	Stocks (end of month)	Outstanding orders (end of month)			
Monthly average:						
1939	128	344	(2)	2.69	(2)	(2)
1940	136	353	108	2.60	0.79	0.31
1941	156	419	194	2.69	1.24	.46
1942	179	599	263	3.35	1.47	.44
1943	204	509	530	2.50	2.60	1.04
1944	227	535	560	2.36	2.47	1.05
1945	255	563	729	2.21	2.86	1.29
1946	318	715	909	2.25	2.86	1.27
1947	337	826	552	2.45	1.64	.67
1948	353	912	465	2.58	1.32	.51
1949 [3]	314	877	359	2.79	1.14	.41
1948—First half	317	895	462	2.82	1.46	.52
Second half	388	929	467	2.39	1.20	.50
1949—First half	306	864	301	2.82	.98	.35
Second half [3]	325	892	427	2.74	1.31	.48
1948—January	272	799	629	2.94	2.31	.79
February	264	890	571	3.37	2.16	.64
March	356	954	416	2.68	1.17	.44
April	333	943	357	2.83	1.07	.38
May	339	918	338	2.71	1.00	.37
June	337	868	460	2.58	1.36	.53
July	270	835	550	3.09	2.04	.66
August	296	899	537	3.04	1.81	.60
September	359	947	539	2.64	1.50	.57
October	389	1,011	507	2.60	1.30	.50
November	415	1,057	379	2.55	.91	.36
December	599	821	292	1.37	.49	.36
1949—January	267	790	388	2.96	1.45	.49
February	255	852	378	3.34	1.48	.44
March	320	918	310	2.87	.97	.34
April	347	907	236	2.61	.68	.26
May	328	894	210	2.73	.64	.23
June	318	824	286	2.59	.90	.35
July	238	775	399	3.26	1.68	.51
August	288	817	413	2.84	1.43	.51
September	342	881	510	2.58	1.49	.58
October	350	975	454	2.79	1.30	.47
November [3]	406	1,011	361	2.49	.89	.36

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

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

Source: Board of Governors of the Federal Reserve System.

TABLE C-21.—*Consumers' price index, 1929–49*

For moderate-income families in large cities

[1935-39=100]

Period	All items	Food	Apparel	Rent	Fuel, electricity, and refrigeration	House furnishings	Miscellaneous
1929	122.5	132.5	115.3	141.4	112.5	111.7	104.6
1930	119.4	126.0	112.7	137.5	111.4	108.9	105.1
1931	108.7	103.9	102.6	130.3	108.9	98.0	104.1
1932	97.6	86.5	90.8	116.9	103.4	85.4	101.7
1933	92.4	84.1	87.9	100.7	100.0	84.2	98.4
1934	95.7	93.7	96.1	94.4	101.4	92.8	97.9
1935	98.1	100.4	96.8	94.2	100.7	94.8	98.1
1936	99.1	101.3	97.6	96.4	100.2	96.3	98.7
1937	102.7	105.3	102.8	100.9	100.2	104.3	101.0
1938	100.8	97.8	102.2	104.1	99.9	103.3	101.5
1939	99.4	95.2	100.5	104.3	99.0	101.3	100.7
1940	100.2	96.6	101.7	104.6	99.7	100.5	101.1
1941	105.2	105.5	106.3	106.2	102.2	107.3	104.0
1942	116.5	123.9	124.2	108.5	105.4	122.2	110.9
1943	123.6	138.0	129.7	108.0	107.7	125.6	115.8
1944	125.5	136.1	138.8	108.2	109.8	136.4	121.3
1945	128.4	139.1	145.9	108.3	110.3	145.8	124.1
1946	139.3	159.6	160.2	108.6	112.4	159.2	128.8
1947	159.2	193.8	185.8	111.2	121.1	184.4	139.9
1948	171.2	210.2	198.0	117.4	133.9	195.8	149.9
1949 [1]	169.3	202.3	190.5	120.7	137.3	189.3	154.6
1948—First half	169.1	208.3	195.7	116.4	130.8	193.9	147.0
Second half	173.3	212.1	200.2	118.4	137.1	197.7	152.9
1949—First half	169.6	202.6	193.3	120.2	137.4	192.4	154.3
Second half [1]	168.8	202.0	187.2	121.2	137.2	185.6	154.9
1948—January 15	168.8	209.7	192.1	115.9	129.5	192.3	146.4
February 15	167.5	204.7	195.1	116.0	130.0	193.0	146.4
March 15	166.9	202.3	196.3	116.3	130.3	194.9	146.2
April 15	169.3	207.9	196.4	116.3	130.7	194.7	147.8
May 15	170.5	210.9	197.5	116.7	131.8	193.6	147.5
June 15	171.7	214.1	196.9	117.0	132.6	194.8	147.5
July 15	173.7	216.8	197.1	117.3	134.8	195.9	150.8
August 15	174.5	216.6	199.7	117.7	136.8	196.3	152.4
September 15	174.5	215.2	201.0	118.5	137.3	198.1	152.7
October 15	173.6	211.5	201.6	118.7	137.8	198.8	153.7
November 15	172.2	207.5	201.4	118.8	137.9	198.7	153.9
December 15	171.4	205.0	200.4	119.5	137.8	198.6	154.0
1949—January 15	170.9	204.8	196.5	119.7	138.2	196.5	154.1
February 15	169.0	199.7	195.1	119.9	138.8	195.6	154.1
March 15	169.5	201.6	193.9	120.1	138.9	193.8	154.4
April 15	169.7	202.8	192.5	120.3	137.4	191.9	154.6
May 15	169.2	202.4	191.3	120.4	135.4	189.5	154.5
June 15	169.6	204.3	190.3	120.6	135.6	187.3	154.2
July 15	168.5	201.7	188.5	120.7	135.6	186.8	154.3
August 15	168.8	202.6	187.4	120.8	135.8	184.8	154.8
September 15	169.6	204.2	187.2	121.2	137.0	185.6	155.2
October 15	168.5	200.6	186.8	121.5	138.4	185.2	155.2
November 15	168.6	200.8	186.3	122.0	139.1	185.4	154.9

[1] Estimates based on data available through November 15, 1949.

Source: Department of Labor.

TABLE C-22.—*Wholesale price index, 1929–49*

[1926=100]

Period	All commodities	Farm products	Foods	Other than farm products and foods: Total	Hides and leather products	Textile products	Fuel and lighting materials	Metals and metal products	Building materials	Chemicals and allied products	Housefurnishing goods	Miscellaneous
Monthly average:												
1929	95.3	104.9	99.9	91.6	109.1	90.4	83.0	100.5	95.4	94.0	94.3	82.6
1930	86.4	88.3	90.5	85.2	100.0	80.3	78.5	92.1	89.9	88.7	92.7	77.7
1931	73.0	64.8	74.6	75.0	86.1	66.3	67.5	84.5	79.2	79.3	84.9	69.8
1932	64.8	48.2	61.0	70.2	72.9	54.9	70.3	80.2	71.4	73.9	75.1	64.4
1933	65.9	51.4	60.5	71.2	80.9	64.8	66.3	79.8	77.0	72.1	75.8	62.5
1934	74.9	65.3	70.5	78.4	86.6	72.9	73.3	86.9	86.2	75.3	81.5	69.7
1935	80.0	78.8	83.7	77.9	89.6	70.9	73.5	86.4	85.3	79.0	80.6	68.3
1936	80.8	80.9	82.1	79.6	95.4	71.5	76.2	87.0	86.7	78.7	81.7	70.5
1937	86.3	86.4	85.5	85.3	104.6	76.3	77.6	95.7	95.2	82.6	89.7	77.8
1938	78.6	68.5	73.6	81.7	92.8	66.7	76.5	95.7	90.3	77.0	86.8	73.3
1939	77.1	65.3	70.4	81.3	95.6	69.7	73.1	94.4	90.5	76.0	86.3	74.8
1940	78.6	67.7	71.3	83.0	100.8	73.8	71.7	95.8	94.8	77.0	88.5	77.3
1941	87.3	82.4	82.7	89.0	108.3	84.8	76.2	99.4	103.2	84.4	94.3	82.0
1942	98.8	105.9	99.6	95.5	117.7	96.9	78.5	103.8	110.2	95.5	102.4	89.7
1943	103.1	122.6	106.6	96.9	117.5	97.4	80.8	103.8	111.4	94.9	102.7	92.2
1944	104.0	123.3	104.9	98.5	116.7	98.4	83.0	103.8	115.5	95.2	104.3	93.6
1945	105.8	128.2	106.2	99.7	118.1	100.1	84.0	104.7	117.8	95.2	104.5	94.7
1946	121.1	148.9	130.7	109.5	137.2	116.3	90.1	115.5	132.6	101.4	111.6	100.3
1947	152.1	181.2	168.7	135.2	182.4	141.7	108.7	145.0	179.7	127.3	131.1	115.5
1948	165.1	188.3	179.1	151.0	188.8	149.8	134.2	163.6	199.1	135.7	144.5	120.5
1949	154.9	165.5	161.4	147.3	180.5	140.5	131.6	170.0	193.4	118.8	145.2	112.4
1948—First half	163.7	190.4	176.9	148.8	190.6	151.0	131.5	156.4	195.3	137.3	142.2	121.6
Second half	166.6	186.4	181.3	153.1	187.0	148.8	136.9	170.8	202.8	134.1	146.8	119.4
1949—First half	157.4	170.5	163.2	149.4	180.9	142.8	133.2	172.2	197.6	120.5	147.1	114.7
Second half	152.5	160.5	159.7	145.1	180.0	138.2	130.0	167.7	189.2	117.2	143.3	110.0
1948—January	165.9	199.2	179.8	148.6	200.9	149.4	130.0	154.3	194.1	139.9	141.3	123.6
February	161.0	185.3	172.4	147.9	193.3	150.0	130.9	155.3	193.5	135.7	141.8	120.1
March	161.6	186.0	173.8	148.1	186.3	151.1	130.9	155.9	193.9	137.2	142.0	120.8
April	163.0	186.7	176.7	149.0	187.0	151.7	131.5	157.2	195.7	137.5	142.3	121.8
May	164.2	189.1	177.4	149.5	188.4	152.1	132.6	157.1	197.0	136.3	142.6	121.5
June	166.4	196.0	181.4	149.9	187.7	151.4	133.1	158.6	197.4	137.2	143.2	121.5
July	168.8	195.2	188.3	151.4	189.2	150.8	135.9	162.2	200.0	135.7	144.5	120.3
August	169.8	191.5	189.8	153.3	188.4	150.4	136.4	171.0	203.8	133.2	145.4	119.7
September	168.9	189.9	186.9	153.6	187.4	149.3	136.9	172.0	204.1	134.5	146.6	119.9
October	165.4	183.5	178.2	153.4	185.5	148.3	137.3	172.4	203.7	135.5	147.5	119.0
November	164.0	180.8	174.3	153.6	186.2	147.4	137.6	173.3	203.1	134.4	148.2	119.2
December	162.4	177.3	170.2	153.1	185.3	146.7	137.2	173.8	202.2	131.1	148.4	118.5
1949—January	160.6	172.5	165.8	152.9	184.8	146.1	137.1	175.6	202.3	126.3	148.1	117.3
February	158.1	168.3	161.5	151.8	182.3	145.2	135.9	175.5	201.5	122.8	148.3	115.3
March	158.4	171.5	162.9	150.7	180.4	143.8	134.3	174.4	200.0	121.1	148.0	115.7
April	156.9	170.5	162.9	148.9	179.9	142.2	132.0	171.8	196.5	117.7	147.0	115.6
May	155.7	171.2	163.8	146.8	179.2	140.5	130.1	168.4	193.9	118.2	146.2	113.5
June	154.5	168.8	162.4	145.6	178.8	139.2	129.9	167.5	191.4	116.8	145.1	111.0
July	153.5	166.2	161.3	145.0	177.8	138.0	129.9	167.9	189.0	118.1	143.0	110.3
August	152.9	162.3	160.6	145.0	178.9	138.1	129.7	168.2	188.2	119.7	142.9	109.8
September	153.6	163.1	162.0	145.3	181.1	139.0	130.0	168.2	189.4	117.7	142.9	109.6
October	152.2	159.6	159.6	145.0	181.3	138.0	130.5	167.3	189.2	116.0	143.0	109.0
November	151.6	156.8	158.9	145.0	180.8	138.0	130.0	167.3	189.5	116.1	143.4	109.7
December	151.2	155.2	155.7	145.4	180.2	138.4	130.0	167.4	190.0	115.6	144.7	111.4

Source: Department of Labor.

TABLE C–23.—*Indexes of prices received and prices paid by farmers and parity ratio, 1929–49*

Period	Prices received	Prices paid (including interest and taxes)	Parity ratio [1]
	August 1909–July 1914=100	*1910–14=100*	
Monthly average:			
1929	149	167	89
1930	128	160	80
1931	90	141	64
1932	68	124	55
1933	72	120	60
1934	90	129	70
1935	109	130	84
1936	114	127	90
1937	122	133	92
1938	97	126	77
1939	95	124	77
1940	100	125	80
1941	124	132	94
1942	159	150	106
1943	192	162	119
1944	195	169	116
1945	202	172	117
1946	233	193	121
1947	278	231	120
1948	287	249	115
1949	251	244	103
1948—First half	291	250	116
Second half	283	249	114
1949—First half	259	246	105
Second half	244	241	101
1948—January 15	307	251	122
February 15	279	249	112
March 15	283	248	114
April 15	291	249	117
May 15	289	250	116
June 15	295	251	118
July 15	301	251	120
August 15	293	251	117
September 15	290	250	116
October 15	277	249	111
November 15	271	248	109
December 15	268	246	109
1949—January 15	268	248	108
February 15	258	245	105
March 15	261	246	106
April 15	260	246	106
May 15	256	245	104
June 15	252	245	103
July 15	249	244	102
August 15	245	243	101
September 15	249	242	103
October 15	243	239	101
November 15	239	240	100
December 15	236	240	98

[1] Ratio of prices received to prices paid (including interest and taxes).

Source: Department of Agriculture.

TABLE C-24.—*Consumer credit outstanding, 1929–49*

[Millions of dollars]

End of period	Total consumer credit	Instalment credit: Total	Instalment credit: Automobile sale credit	Instalment credit: Other [1]	Charge accounts	Other consumer credit [2]
1929	7,628	3,158	1,318	1,840	1,749	2,721
1930	6,821	2,688	928	1,760	1,611	2,522
1931	5,518	2,204	637	1,567	1,381	1,933
1932	4,085	1,518	322	1,196	1,114	1,453
1933	3,912	1,588	459	1,129	1,081	1,243
1934	4,389	1,860	576	1,284	1,203	1,326
1935	5,434	2,622	940	1,682	1,292	1,520
1936	6,788	3,518	1,289	2,229	1,419	1,851
1937	7,480	3,960	1,384	2,576	1,459	2,061
1938	7,047	3,595	970	2,625	1,487	1,965
1939	7,969	4,424	1,267	3,157	1,544	2,001
1940	9,115	5,417	1,729	3,688	1,650	2,048
1941	9,862	5,887	1,942	3,945	1,764	2,211
1942	6,578	3,048	482	2,566	1,513	2,017
1943	5,378	2,001	175	1,826	1,498	1,879
1944	5,803	2,061	200	1,861	1,758	1,984
1945	6,637	2,364	227	2,137	1,981	2,292
1946	10,191	4,000	544	3,456	3,054	3,137
1947	13,673	6,434	1,151	5,283	3,612	3,627
1948	16,319	8,600	1,961	6,639	3,854	3,865
1949 [3]	18,700	10,900	3,200	7,700	3,800	4,000
1948—First half	14,669	7,533	1,602	5,931	3,352	3,784
Second half	16,319	8,600	1,961	6,639	3,854	3,865
1949—First half	16,124	9,123	2,499	6,624	3,274	3,727
Second half [3]	18,700	10,900	3,200	7,700	3,800	4,000
1948—January	13,374	6,468	1,202	5,266	3,240	3,666
February	13,302	6,548	1,254	5,294	3,061	3,693
March	13,805	6,821	1,367	5,454	3,275	3,709
April	14,059	7,094	1,468	5,626	3,236	3,729
May	14,311	7,318	1,536	5,782	3,245	3,748
June	14,669	7,533	1,602	5,931	3,352	3,784
July	14,723	7,738	1,689	6,049	3,185	3,800
August	14,916	7,972	1,781	6,191	3,130	3,814
September	15,231	8,190	1,858	6,332	3,227	3,814
October	15,518	8,233	1,889	6,344	3,457	3,828
November	15,739	8,322	1,922	6,400	3,557	3,860
December	16,319	8,600	1,961	6,639	3,854	3,865
1949—January	15,748	8,424	1,965	6,459	3,457	3,867
February	15,325	8,339	1,996	6,343	3,169	3,817
March	15,335	8,429	2,105	6,324	3,121	3,785
April	15,595	8,630	2,241	6,389	3,232	3,733
May	15,843	8,888	2,386	6,502	3,235	3,720
June	16,124	9,123	2,499	6,624	3,274	3,727
July	16,198	9,335	2,610	6,725	3,123	3,740
August	16,453	9,622	2,761	6,861	3,064	3,767
September	16,801	9,897	2,876	7,021	3,123	3,781
October [4]	17,220	10,162	2,986	7,176	3,197	3,861
November [3]	17,823	10,450	3,095	7,355	3,454	3,919
December [3]	18,700	10,900	3,200	7,700	3,800	4,000

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

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

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

TABLE C–25.—*Loans and investments of all commercial banks and weekly reporting member banks, 1929–49*

[Billions of dollars]

End of period [1]	All commercial banks					Weekly reporting member banks	
	Total loans and investments	Loans	Investments			Total loans	Commercial, industrial, and agricultural loans
			Total	U. S. Government obligations	Other securities		
1929—June [2]	49.4	35.7	13.7	4.9	8.7	16.7	(3)
1930—June [2]	48.9	34.5	14.4	5.0	9.4	16.9	(3)
1931—June [2]	44.9	29.2	15.7	6.0	9.7	14.5	(3)
1932—June [2]	36.1	21.8	14.3	6.2	8.1	11.3	(3)
1933—June [2]	30.4	16.3	14.0	7.5	6.5	8.9	(3)
1934—June [2]	32.7	15.7	17.0	10.3	6.7	8.5	(2)
1935—June [2]	34.6	14.9	19.7	12.7	7.0	8.0	(3)
1936	39.5	16.4	23.1	15.3	7.8	9.2	(3)
1937	38.3	17.1	21.2	14.2	7.1	9.4	4.6
1938	38.7	16.4	22.3	15.1	7.2	8.4	3.8
1939	40.7	17.2	23.4	16.3	7.1	8.8	4.4
1940	43.9	18.8	25.1	17.8	7.4	9.4	5.0
1941	50.7	21.7	29.0	21.8	7.2	11.4	6.7
1942	67.4	19.2	48.2	41.4	6.8	10.3	6.1
1943	85.1	19.1	66.0	59.8	6.1	10.8	6.4
1944	105.5	21.6	83.9	77.6	6.3	13.0	6.5
1945	124.0	26.1	97.9	90.6	7.3	15.8	7.3
1946	114.0	31.1	82.9	74.8	8.1	16.7	10.3
1947	116.3	38.1	78.2	69.2	9.0	23.3	14.6
1948	114.3	42.5	71.8	62.6	9.2	25.6	15.6
1949 [4]	119.9	43.5	76.4	66.2	10.2	24.9	13.7
1948—January	116.6	38.2	78.4	69.4	9.0	23.4	14.7
February	115.5	38.7	76.9	67.9	9.0	23.6	14.6
March	113.6	38.9	74.7	65.5	9.3	23.5	14.4
April	114.3	38.8	75.5	66.3	9.2	23.2	14.2
May	114.6	39.5	75.0	65.9	9.2	23.6	14.2
June	113.9	39.9	74.0	64.8	9.2	23.7	[5] 14.3
July	114.8	40.1	74.6	65.3	9.3	23.9	14.5
August	115.1	40.6	74.5	65.1	9.4	24.1	14.8
September	113.6	41.7	71.9	62.5	9.4	24.9	15.2
October	114.1	41.6	72.5	63.3	9.2	24.6	15.4
November	114.2	42.3	71.9	62.8	9.1	25.2	15.5
December	114.3	42.5	71.8	62.6	9.2	25.6	15.6
1949—January	114.5	42.4	72.0	63.0	9.1	25.3	15.4
February	113.4	42.0	71.4	62.2	9.1	24.9	15.2
March	112.5	42.4	70.1	60.9	9.2	25.0	14.9
April	112.5	41.3	71.2	62.0	9.2	24.0	14.2
May	113.4	40.9	72.5	63.2	9.3	23.7	13.6
June	113.8	41.0	72.7	63.2	9.5	23.9	13.2
July	114.8	40.5	74.3	64.4	9.8	23.0	12.9
August	117.9	41.2	76.7	66.7	10.0	23.5	13.0
September	118.8	41.8	77.0	66.8	10.2	24.0	13.4
October	119.8	41.9	77.9	67.7	10.2	23.9	13.7
November [6]	120.2	42.9	77.3	67.1	10.2	24.6	13.8
December [4]	121.0	43.2	77.8	67.5	10.3	24.8	13.9

[1] Reporting date nearest end of period.

[2] June data are used because complete end-of-year data prior to 1936 are not available for U. S. Government obligations.

[3] Not available prior to May 12, 1937, when the loan classification was revised.

[4] Estimates by Council of Economic Advisers.

[5] Beginning June, reported gross, i. e., before deduction of valuation reserves, instead of net as previously reported.

[6] Estimates based on incomplete data.

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

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

TABLE C–26.—*Adjusted deposits of all banks and currency outside banks, 1929–49*

[Billions of dollars]

End of period [1]	Total deposits adjusted and currency outside banks	Demand deposits adjusted [2]	Time deposits [3]	Currency outside banks
1929	54.6	22.8	28.2	3.6
1930	53.2	21.0	28.7	3.6
1931	47.9	17.4	26.0	4.5
1932	44.9	15.7	24.5	4.7
1933	41.5	15.0	21.7	4.8
1934	46.3	18.5	23.2	4.7
1935	51.3	22.1	24.2	4.9
1936	56.4	25.5	25.4	5.5
1937	55.8	24.0	26.2	5.6
1938	58.1	26.0	26.3	5.8
1939	63.3	29.8	27.1	6.4
1940	70.0	34.9	27.7	7.3
1941	76.3	39.0	27.7	9.6
1942	91.3	48.9	28.4	13.9
1943	112.4	60.8	32.7	18.8
1944	130.2	66.9	39.8	23.5
1945	150.8	75.9	48.5	26.5
1946	164.0	83.3	54.0	26.7
1947	170.0	87.1	56.4	26.5
1948	169.1	85.5	57.5	26.1
1949 [4]	169.1	85.6	58.4	25.1
1948—January	168.9	86.6	56.5	25.8
February	167.1	84.6	56.8	25.7
March	164.0	81.5	56.9	25.6
April	165.0	82.7	56.9	25.4
May	165.1	82.8	56.9	25.4
June	165.7	82.7	57.4	25.6
July	166.0	83.3	57.3	25.5
August	166.7	83.8	57.3	25.6
September	166.9	83.9	57.3	25.7
October	168.1	85.1	57.3	25.7
November	168.1	85.2	57.0	25.9
December	169.1	85.5	57.5	26.1
1949—January	168.2	85.4	57.6	25.2
February	166.3	83.4	57.8	25.1
March	164.2	81.1	58.0	25.1
April	165.5	82.4	58.1	24.9
May	165.7	82.6	58.2	25.0
June	165.6	82.2	58.4	25.0
July	166.3	83.1	58.4	24.9
August	166.9	83.4	58.3	25.1
September	166.6	83.3	58.4	24.9
October	168.0	84.6	58.4	24.9
November [5]	168.6	85.5	58.0	25.1
December [4]	170.1	86.7	58.2	25.2

[1] Reporting date nearest end of period.
[2] Includes demand deposits, other than interbank and U. S. Government, less cash items in process of collection.
[3] Includes deposits in commercial banks, mutual savings banks, and Postal Savings System.
[4] Estimates by Council of Economic Advisers.
[5] Estimates based on incomplete data.

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

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

TABLE C–27.—*Estimated ownership of Federal securities, 1939–49*

[Billions of dollars—par values [1]]

End of period	Gross debt and guaranteed obligations outstanding							
	Total [2]	Held by U. S. Government agencies and trust funds	Held by public					
			Total held by public	State and local governments [3]	Commercial banks [4]	Federal Reserve banks	Nonbank private corporations and associations [5]	Individuals [6]
1939	47.6	6.5	41.1	0.4	15.9	2.5	12.0	10.4
1940	50.9	7.6	43.3	.5	17.3	2.2	12.5	10.9
1941	64.3	9.5	54.7	.7	21.4	2.3	16.3	14.1
1942	112.5	12.2	100.2	1.0	41.1	6.2	27.4	24.5
1943	170.1	16.9	153.2	2.1	59.9	11.5	41.2	38.4
1944	232.1	21.7	210.5	4.3	77.7	18.8	56.0	53.5
1945	278.7	27.0	251.6	6.5	90.8	24.3	65.3	64.8
1946	259.5	30.9	228.6	6.3	74.5	23.3	59.5	64.9
1947	257.0	34.4	222.6	7.3	68.7	22.6	57.5	66.6
1948	252.9	37.3	215.6	7.9	62.5	23.3	54.4	67.6
1949 [7]	257.0	39.5	217.5	8.0	67.0	18.5	54.5	69.5
1948—January	256.7	34.6	222.1	7.3	69.0	21.9	57.2	66.6
February	254.7	34.9	219.8	7.4	67.4	21.0	57.2	66.7
March	253.1	35.0	218.1	7.8	65.1	20.9	57.6	66.8
April	252.3	34.8	217.5	7.8	66.1	20.3	56.4	66.8
May	252.3	34.9	217.4	7.7	65.6	20.7	56.6	66.9
June	252.4	35.7	216.7	7.8	64.6	21.4	55.9	67.0
July	253.4	36.4	217.0	7.9	65.1	21.3	55.4	67.3
August	253.1	36.5	216.6	8.0	64.8	21.6	55.0	67.4
September	252.7	36.8	215.9	7.8	62.4	23.4	54.8	67.4
October	252.5	36.8	215.7	7.8	63.0	23.0	54.3	67.5
November	252.6	37.0	215.6	7.9	62.4	23.2	54.5	67.5
December	252.9	37.3	215.6	7.9	62.5	23.3	54.4	67.6
1949—January	252.7	37.4	215.3	7.8	62.7	22.1	54.8	67.9
February	252.7	37.5	215.2	7.9	62.2	22.3	54.7	68.3
March	251.7	37.7	214.0	7.9	60.5	21.7	55.3	68.6
April	251.6	37.5	214.0	7.9	61.8	21.1	54.7	68.5
May	251.9	37.5	214.4	8.0	62.7	19.7	55.2	68.8
June	252.8	38.3	214.5	8.0	63.0	19.3	55.2	68.9
July	253.9	38.5	215.4	8.0	64.7	18.5	55.1	69.1
August	255.9	38.8	217.1	8.1	66.5	17.5	55.7	69.2
September	256.7	39.4	217.3	8.1	66.5	18.0	55.4	69.2
October	256.8	39.3	217.5	8.1	67.4	17.3	55.4	69.3
November [7]	257.0	39.3	217.7	8.1	66.9	17.7	55.6	69.4
December [7]	257.2	39.4	217.8	8.0	67.0	18.9	54.4	69.5

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

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

Source: Treasury Department (except as noted).

TABLE C–28.—*Bond yields and interest rates, selected years, 1929–49*

[Percent per annum]

Period	U. S. Government security yields			High grade corporate bond yields (Moody's)		Bank rates on short-term business loans	Bankers acceptances 90 days—New York	Federal Reserve Bank discount rate—New York
	9–12 month certificates of indebtedness	Long-term bonds		Aaa bonds	Baa bonds			
		Partially tax-exempt [2]	15 years and over, taxable					
1929 average	(1)	3.60	----------	4.73	5.90	(3)	5.03	5.16
1933 average	(1)	3.31	----------	4.49	7.76	(3)	.63	2.56
1935 average	(1)	2.79	----------	3.60	5.75	(3)	.13	1.50
1937 average	(1)	2.74	----------	3.26	5.03	(3)	.43	1.29
1939 average	(1)	2.41	----------	3.01	4.96	2.1	.44	1.00
1941 average	(1)	2.05	----------	2.77	4.33	2.0	.44	1.00
1943 average	0.75	1.98	2.47	2.73	3.91	2.6	.44	[4] 1.00
1945 average	.81	1.66	2.37	2.62	3.29	2.2	.44	[4] 1.00
1946 average	.82	(5)	2.19	2.53	3.05	2.1	.61	[4] 1.00
1947 average	.88	(5)	2.25	2.61	3.24	2.1	.87	1.00
1948 average	1.14	(5)	2.44	2.82	3.47	2.5	1.11	1.34
1949 average [6]	1.14	(5)	2.31	2.67	3.42	(3)	1.13	1.50
1948—First quarter	1.09	(5)	2.45	2.85	3.53	2.4	1.06	1.22
Second quarter	1.09	(5)	2.42	2.77	3.40	2.47	1.06	1.25
Third quarter	1.14	(5)	2.45	2.83	3.42	2.60	1.13	1.38
Fourth quarter	1.22	(5)	2.44	2.82	3.52	2.64	1.19	1.50
1949—First quarter	1.22	(5)	2.40	2.71	3.46	2.70	1.19	1.50
Second quarter	1.20	(5)	2.38	2.70	3.45	2.74	1.19	1.50
Third quarter	1.06	(5)	2.24	2.63	3.41	2.63	1.06	1.50
Fourth quarter [6]	1.10	(5)	2.20	2.60	3.35	(3)	1.06	1.50

[1] Tax exempt prior to March 1, 1941; taxable thereafter.
[2] Average of yields on all outstanding partially tax-exempt Government bonds due or callable after 12 years, in 1929 and 1933; and after 15 years, from 1935.
[3] Not available.
[4] 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.
[5] No partially tax-exempt bonds due or callable in 15 years and over.
[6] Estimates based on incomplete data; fourth quarter by Council of Economic Advisers.

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

TABLE C–29.—*Profits before and after tax, all private corporations, 1929–49*

[Billions of dollars]

Period	Corporate profits before tax	Corporate tax liability [1]	Corporate profits after tax: Total	Corporate profits after tax: Dividend payments	Corporate profits after tax: Undistributed profits
1929	9.8	1.4	8.4	5.8	2.6
1930	3.3	.8	2.5	5.5	−3.0
1931	−.8	.5	−1.3	4.1	−5.4
1932	−3.0	.4	−3.4	2.6	−6.0
1933	.2	.5	−.4	2.1	−2.4
1934	1.7	.7	1.0	2.6	−1.6
1935	3.2	1.0	2.3	2.9	−.6
1936	5.7	1.4	4.3	4.6	−.3
1937	6.2	1.5	4.7	4.7	(2)
1938	3.3	1.0	2.3	3.2	−.9
1939	6.5	1.5	5.0	3.8	1.2
1940	9.3	2.9	6.4	4.0	2.4
1941	17.2	7.8	9.4	4.5	4.9
1942	21.1	11.7	9.4	4.3	5.1
1943	25.1	14.4	10.6	4.5	6.2
1944	24.3	13.5	10.8	4.7	6.1
1945	19.7	11.2	8.5	4.7	3.8
1946	23.6	9.6	13.9	5.8	8.1
1947	31.6	12.5	19.1	7.0	12.1
1948	34.8	13.6	21.2	7.9	13.2
1949 [3]	27.6	10.9	16.7	8.4	8.3
	Annual rates, seasonally adjusted				
1948—First half	34.0	13.2	20.8	7.6	13.1
Second half	35.6	14.0	21.6	8.1	13.4
1949—First half	27.9	11.0	16.8	8.4	8.4
Second half [3]	27.2	10.7	16.6	8.4	8.2
1948—First quarter	33.0	12.8	20.2	7.6	12.6
Second quarter	35.0	13.7	21.3	7.7	13.6
Third quarter	36.6	14.4	22.2	7.9	14.3
Fourth quarter	34.5	13.6	20.9	8.3	12.6
1949—First quarter	29.4	11.5	17.9	8.4	9.5
Second quarter	26.4	10.6	15.8	8.4	7.4
Third quarter [3]	28.0	11.0	17.0	8.4	8.6
Fourth quarter [3]	26.5	10.4	16.1	8.5	7.6

[1] Federal and State corporate income and excess profits taxes.
[2] Minus $8,000,000.
[3] Estimates based on incomplete data; third and fourth quarters by Council of Economic Advisers.

NOTE.—No allowance has been made for inventory valuation adjustment. See appendix table C–4 for profits before tax and inventory valuation adjustment.

Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce (except as noted).

TABLE C–30.—*Sales and profits of large manufacturing corporations, 1939–49*

[Millions of dollars]

Period	Durable goods industries (106 corporations)[1]			Nondurable goods industries (94 corporations)[1]		
	Sales	Profits		Sales	Profits	
		Before taxes	After taxes		Before taxes	After taxes
1939	6, 748	734	597	3, 843	476	400
1940	8, 750	1, 226	830	4, 257	617	443
1941	12, 806	2, 175	982	5, 485	980	538
1942	15, 362	2, 326	782	6, 408	1, 069	438
1943	20, 633	2, 389	755	7, 607	1, 293	506
1944	22, 085	2, 192	726	8, 263	1, 339	529
1945	18, 161	1, 288	574	8, 371	1, 133	555
1946	12, 623	607	295	8, 940	1, 426	908
1947	19. 831	2, 312	1, 355	11, 313	1, 787	1, 167
1948	23, 818	3, 107	1, 836	13, 364	2, 208	1, 474
	Totals for period, not adjusted for seasonal variation					
1948—First half	11, 154	1, 360	803	6, 508	1, 099	718
Second half	12, 664	1, 746	1, 034	6, 856	1, 108	756
1949—First half	12, 545	1, 660	989	6, 294	901	584
1948—First quarter	5, 440	672	395	3, 219	546	356
Second quarter	5, 714	688	408	3, 289	553	362
Third quarter	5, 991	788	470	3, 324	543	362
Fourth quarter	6, 673	958	564	3, 532	565	394
1949—First quarter	6, 153	840	498	3, 245	501	325
Second quarter	6, 392	820	491	3, 049	400	259
Third quarter	6, 323	862	504	3, 179	451	295

[1] See Federal Reserve Bulletin, June 1949 and subsequent issues, for similar data for the following industry groups: primary metals and products, machinery, automobiles and equipment, foods and kindred products, chemicals and allied products, and petroleum refining.

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

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

TABLE C–31.—*Relation of profits before and after taxes to stockholders' equity, private manufacturing corporations, by industry groups, 1948–49*

Industry groups	Percentage ratio of profits (annual rate) to stockholders' equity					
	1948			1949		
	Total for year	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter
	Before Federal taxes					
All private manufacturing corporations	25.6	25.2	25.2	20.4	16.8	18.8
Food	21.3	24.0	20.8	16.8	20.0	23.2
Tobacco manufactures	21.9	28.0	25.6	18.4	20.8	22.0
Textile mill products	30.9	26.8	23.6	16.8	8.4	10.8
Apparel and finished textiles	20.5	23.6	9.2	17.6	10.0	16.0
Lumber and wood products	30.4	30.8	19.2	14.8	14.4	12.8
Furniture and fixtures	26.8	23.2	22.4	16.0	12.4	13.2
Paper and allied products	26.7	24.8	22.8	19.6	14.0	14.8
Printing and publishing (except newspapers)	24.0	26.0	18.0	23.2	19.6	21.2
Chemicals and allied products	25.0	25.2	24.4	22.8	16.8	22.4
Products of petroleum and coal	26.7	24.0	22.4	18.0	14.8	14.0
Rubber products	21.5	20.8	21.6	13.6	11.6	10.8
Leather and leather products	17.8	20.0	14.0	11.6	7.6	12.8
Stone, clay, and glass products	24.3	27.6	25.2	18.8	21.2	24.4
Primary nonferrous metal industries	22.3	21.2	24.8	21.6	8.0	9.2
Primary iron and steel industries	23.8	24.0	30.0	25.6	17.6	14.4
Fabricated metal products	27.5	28.0	28.0	20.0	14.0	20.4
Machinery (except electrical and transportation)	27.3	24.8	27.6	23.6	20.4	17.2
Electrical machinery	27.6	22.8	32.0	22.0	16.4	17.6
Transportation equipment (except motor vehicles)	14.2	11.6	18.8	15.2	11.2	11.6
Motor vehicles and parts	34.7	36.4	42.0	33.6	36.0	46.8
Instruments; photographic and optical goods; watches and clocks	22.6	21.6	26.8	20.8	19.2	19.2
Miscellaneous manufacturing (including ordnance)	20.7	23.6	19.6	16.0	5.2	13.6
	After Federal taxes					
All private manufacturing corporations	16.1	16.0	15.6	12.8	10.4	12.0
Food	12.9	14.8	12.4	9.6	12.4	14.4
Tobacco manufactures	13.7	17.6	15.6	11.6	12.8	13.6
Textile mill products	18.8	16.0	14.4	10.0	4.4	6.4
Apparel and finished textiles	12.2	14.4	5.2	10.4	5.2	9.6
Lumber and wood products	19.3	19.2	12.4	8.8	9.2	8.0
Furniture and fixtures	16.0	13.6	13.2	9.2	6.4	7.2
Paper and allied products	16.4	15.2	14.0	12.0	8.4	9.2
Printing and publishing (except newspapers)	14.6	16.8	10.0	14.4	11.6	13.2
Chemicals and allied products	15.8	16.0	16.0	14.0	10.0	14.0
Products of petroleum and coal	19.8	18.0	18.0	13.2	11.6	11.2
Rubber products	12.4	12.0	12.8	8.0	7.2	6.8
Leather and leather products	10.4	11.6	7.6	6.4	3.6	7.2
Stone, clay, and glass products	15.0	17.2	15.2	11.2	13.2	15.2
Primary nonferrous metal industries	14.1	13.6	15.2	13.6	4.0	5.6
Primary iron and steel industries	14.7	14.8	18.4	14.8	10.0	8.4
Fabricated metal products	17.0	17.2	17.2	12.0	7.6	12.0
Machinery (except electrical and transportation)	16.6	14.8	16.8	14.0	12.4	10.4
Electrical machinery	16.1	14.0	18.0	12.4	10.0	10.8
Transportation equipment (except motor vehicles)	8.2	6.8	10.8	9.6	6.8	7.2
Motor vehicles and parts	19.8	21.2	22.8	19.6	20.8	27.2
Instruments; photographic and optical goods; watches and clocks	14.0	13.2	16.8	12.4	11.6	11.2
Miscellaneous manufacturing (including ordnance)	12.2	14.8	11.2	10.0	2.0	7.6

Sources: Federal Trade Commission and Securities and Exchange Commission.

TABLE C–32.—*Relation of profits before and after taxes to sales, private manufacturing corporations, by industry groups, 1948–49*

Industry groups	Profits in cents per dollar of sales					
	1948			1949		
	Total for year	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter
	Before Federal taxes					
All private manufacturing corporations	11.1	11.0	10.9	9.9	8.5	9.5
Food	5.6	6.1	5.5	4.6	5.6	6.5
Tobacco manufactures	8.3	9.7	10.1	7.7	8.2	8.5
Textile mill products	13.5	12.8	11.3	8.9	4.9	5.9
Apparel and finished textiles	5.1	5.8	2.3	4.8	3.1	4.3
Lumber and wood products	15.4	15.1	11.0	10.4	9.2	8.1
Furniture and fixtures	9.2	8.3	7.5	6.5	5.2	5.7
Paper and allied products	13.8	12.8	12.0	11.5	9.1	9.5
Printing and publishing (except newspapers)	8.5	9.4	6.2	9.1	7.7	8.6
Chemicals and allied products	13.9	14.5	13.3	13.2	10.8	14.5
Products of petroleum and coal	17.4	16.4	15.2	13.8	11.8	11.6
Rubber products	8.2	7.8	8.4	6.2	5.0	4.5
Leather and leather products	5.6	6.2	4.5	4.1	2.9	4.3
Stone, clay, and glass products	13.9	15.5	14.1	12.3	14.0	15.7
Primary nonferrous metal industries	14.2	12.6	16.2	15.2	7.5	8.8
Primary iron and steel industries	12.2	12.5	14.2	13.4	10.8	9.9
Fabricated metal products	11.5	11.4	11.2	9.8	7.1	9.5
Machinery (except electrical and transportation)	12.0	11.5	12.0	11.8	10.7	10.2
Electrical machinery	10.1	9.0	10.7	9.0	7.1	7.9
Transportation equipment (except motor vehicles)	7.0	5.3	8.6	7.2	5.5	6.1
Motor vehicles and parts	12.0	12.5	13.7	12.0	12.1	15.4
Instruments; photographic and optical goods; watches and clocks	12.5	12.3	13.0	12.0	11.3	11.5
Miscellaneous manufacturing (including ordnance)	9.5	10.8	8.7	8.4	2.7	6.9
	After Federal taxes					
All private manufacturing corporations	7.0	6.9	6.8	6.1	5.2	6.0
Food	3.3	3.7	3.3	2.7	3.4	4.0
Tobacco manufactures	5.1	6.1	6.1	4.8	5.0	5.3
Textile mill products	8.2	7.7	6.9	5.3	2.7	3.5
Apparel and finished textiles	3.0	3.6	1.3	2.9	1.6	2.5
Lumber and wood products	9.8	9.5	7.2	6.4	5.8	5.2
Furniture and fixtures	5.5	4.8	4.4	3.7	2.7	3.1
Paper and allied products	8.4	7.8	7.4	7.0	5.5	5.7
Printing and publishing (except newspapers)	5.2	6.1	3.4	5.7	4.6	5.4
Chemicals and allied products	8.8	9.2	8.7	8.1	6.5	9.1
Products of petroleum and coal	12.9	12.2	12.2	10.3	9.2	9.1
Rubber products	4.7	4.5	4.9	3.7	3.1	2.9
Leather and leather products	3.3	3.7	2.5	2.2	1.4	2.5
Stone, clay, and glass products	8.6	9.6	8.7	7.2	8.6	9.7
Primary nonferrous metal industries	9.0	8.1	10.0	9.5	3.9	5.6
Primary iron and steel industries	7.5	7.7	8.7	7.9	6.2	5.7
Fabricated metal products	7.1	7.0	7.0	5.8	3.8	5.7
Machinery (except electrical and transportation)	7.3	6.9	7.2	7.1	6.4	6.2
Electrical machinery	5.9	5.5	6.0	5.1	4.5	4.8
Transportation equipment (except motor vehicles)	4.0	3.0	4.9	4.5	3.3	3.7
Motor vehicles and parts	6.9	7.3	7.4	7.1	7.1	9.0
Instruments; photographic and optical goods; watches and clocks	7.8	7.6	8.2	7.2	6.9	6.7
Miscellaneous manufacturing (including ordnance)	5.6	6.8	5.0	5.2	1.1	3.9

Sources: Federal Trade Commission and Securities and Exchange Commission.

TABLE C-33.—*Relation of profits before and after taxes to stockholders' equity and to sales, all private manufacturing corporations, by size classes, 1948–49*

Assets class (thousands of dollars)	1948			1949		
	Total for year	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter
	Ratio of profits before Federal taxes (annual rate) to stockholders' equity					
All sizes	25.6	25.2	25.2	20.4	16.8	18.8
1 to 249	15.5	23.2	2.8	14.4	10.4	14.0
250 to 999	23.8	23.2	16.4	17.2	12.8	16.0
1,000 to 4,999	24.8	25.2	19.6	17.2	15.2	16.0
5,000 to 99,999	26.4	25.6	26.0	20.0	16.0	17.2
100,000 and over	26.1	26.4	27.6	22.4	18.8	30.8
	Profits before Federal taxes in cents per dollar of sales					
All sizes	11.1	11.0	10.9	9.9	8.5	9.5
1 to 249	4.0	5.8	0.7	4.0	2.8	3.8
250 to 999	7.4	7.3	5.2	6.2	4.8	6.0
1,000 to 4,999	9.0	9.2	7.1	7.0	6.5	6.9
5,000 to 99,999	11.3	11.1	11.1	9.7	8.2	8.9
100,000 and over	13.2	12.8	14.1	12.2	10.5	11.9
	Ratio of profits after Federal taxes (annual rate) to stockholders' equity					
All sizes	16.1	16.0	15.6	12.8	10.4	12.0
1 to 249	8.8	15.2	−0.8	8.4	4.8	8.4
250 to 999	14.2	14.0	9.2	9.6	6.8	9.2
1,000 to 4,999	14.8	15.2	11.6	10.0	8.8	9.2
5,000 to 99,999	16.1	15.6	16.0	12.0	9.6	10.4
100,000 and over	16.9	17.2	18.0	14.4	12.0	13.6
	Profits after Federal taxes in cents per dollar of sales					
All sizes	7.0	6.9	6.8	6.1	5.2	6.0
1 to 249	2.3	3.8	−0.2	2.4	1.3	2.3
250 to 999	4.4	4.4	3.0	3.5	2.5	3.4
1,000 to 4,999	5.4	5.6	4.2	4.0	3.7	4.0
5,000 to 99,999	7.0	6.8	6.8	5.9	5.0	5.5
100,000 and over	8.6	8.3	9.2	7.8	6.7	7.6

Sources: Federal Trade Commission and Securities and Exchange Commission.

TABLE C-34.—*Sources and uses of corporate funds, 1946–49*[1]

[Billions of dollars]

Source or use of funds	1946	1947	1948	1949 [2]
Sources:				
Internal:				
Retained profits and depletion allowances	7.7	11.4	12.5	7.5
Depreciation allowances	4.2	4.9	5.5	6.2
Total internal sources	11.9	16.3	18.0	13.7
External:				
Change in trade debt	4.0	2.6	.9	-.2
Change in Federal income tax liability	-1.6	2.7	.9	-2.4
Other current liabilities	1.8	.6	(3)	(3)
Change in bank loans	3.3	2.6	1.2	-1.6
Change in mortgages	.6	.8	.7	.5
Net new issues	2.3	4.4	6.0	5.1
Bonds	1.0	3.1	4.8	3.7
Stocks	1.3	1.3	1.2	1.4
Total external sources	10.4	13.7	9.7	1.4
Total sources	22.3	30.0	27.7	15.1
Uses:				
Plant and equipment outlays	11.6	15.0	17.3	16.0
Inventories (change in book value)	11.2	8.9	6.3	-3.7
Change in customer receivables	4.8	5.7	2.3	.7
Cash and deposits	1.1	1.3	-.1	1.0
United States Government securities	-5.8	-1.5	.1	1.5
Other current assets	-.7	-.1	(3)	-.4
Total uses	22.2	29.3	25.9	15.1
Discrepancy (uses less sources)	-.1	-.7	-1.8	....

[1] Excludes banks and insurance companies.
[2] Estimates based on incomplete data.
[3] Less than $50,000,000.

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

TABLE C-35.—*The international transactions of the United States, 1946–49*

[Millions of dollars]

Type of transaction	1946	1947	1948	1949				
				Total [1]	First quarter	Second quarter	Third quarter	Fourth quarter [1]
Exports of goods and services:								
Recorded goods [2]	10,186	15,230	12,615	11,925	3,286	3,356	2,683	2,600
Other goods [3]	1,688	826	830	579	167	138	134	140
Total goods	11,874	16,056	13,445	12,504	3,453	3,494	2,817	2,740
Services	2,272	2,611	2,083	2,061	550	570	516	425
Income on investments	820	1,074	1,263	1,261	263	350	298	350
Total exports	14,966	19,741	16,791	15,826	4,266	4,414	3,631	3,515
Imports of goods and services:								
Recorded goods	4,933	5,756	7,124	6,618	1,790	1,601	1,477	1,750
Other goods [3]	235	315	573	596	173	140	143	140
Total goods	5,168	6,071	7,697	7,214	1,963	1,741	1,620	1,890
Services	1,783	2,165	2,493	2,584	564	624	786	610
Income on investments	216	227	291	277	81	57	64	75
Total imports	7,167	8,463	10,481	10,075	2,608	2,422	2,470	2,575
Surplus of exports of goods and services:								
Recorded goods [2]	5,253	9,474	5,491	5,307	1,496	1,755	1,206	850
Other goods [3]	1,453	511	257	−17	−6	−2	−9	--------
Total goods	6,706	9,985	5,748	5,290	1,490	1,753	1,197	850
Services	489	446	−410	−523	−14	−54	−270	−185
Income on investments	604	847	972	984	182	293	234	275
Total surplus of exports	7,799	11,278	6,310	5,751	1,658	1,992	1,161	940
Means of financing surplus of exports of goods and services: [4]								
Liquidation of gold and dollar assets by foreign countries	1,968	4,513	857	−42	−28	330	106	−450
Dollar disbursements by:								
International Monetary Fund	--------	464	196	83	32	18	3	30
International Bank	--------	297	176	47	8	8	11	20
United States Government sources: [5]								
Grants	2,279	1,812	3,761	5,243	1,273	1,490	1,215	1,265
Long- and short-term loans	2,774	3,901	897	618	292	110	161	55
United States private sources:								
Remittances	598	568	648	537	147	141	124	125
Long- and short-term capital	335	727	1,017	374	115	53	91	115
Total means of financing	7,954	12,282	7,552	6,860	1,839	2,150	1,711	1,160
Errors and omissions	−155	−1,004	−1,242	−1,109	−181	−158	−550	−220

[1] Estimates based on incomplete data.

[2] Figures for recorded exports of goods in 1946 and 1947 have been adjusted to include goods shipped to United States armed forces abroad for distribution to civilians in occupied areas in order to make them comparable with figures for 1948 and 1949. Such shipments are included in exports as recorded by the Bureau of the Census in 1948 and 1949 but were not so included in prior years.

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

[4] All figures for means of financing are on a net basis.

[5] For detail see table C-37.

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

Source: Departments of Commerce.

TABLE C-36.—*United States exports and imports of goods and services, by area, 1937 and 1946–49*

[Billions of dollars]

Area	1937	1946	1947	Annual rates					
				1948				1949	
				First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter
Export surplus:									
ERP countries	0.28	4.18	5.36	4.68	3.40	3.07	2.76	3.53	3.69
ERP dependencies	−.31	.30	.33	--------	.20	.05	.02	.10	.26
Europe, except ERP countries	−.03	.85	.34	.19	−.03	−.03	--------	.05	.07
Canada and Newfoundland		.68	1.16	.56	.70	−.08	.39	.57	1.11
Latin-American Republics	.34	.63	2.00	.96	1.22	.78	1.23	.75	.78
Other [1]		1.16	2.09	1.19	1.30	1.03	1.68	1.63	2.05
Total [2]	.28	7.80	11.28	7.58	6.79	4.82	6.08	6.63	7.96
Exports of goods and services:									
ERP countries	1.60	5.62	7.25	6.86	5.76	5.61	5.42	6.19	6.18
ERP dependencies	.18	.68	.92	.82	.85	.74	.78	.92	.93
Europe, except ERP countries	.13	1.08	.56	.44	.20	.22	.22	.22	.23
Canada and Newfoundland		1.94	2.66	2.13	2.53	2.42	2.63	2.35	3.04
Latin-American Republics	2.64	2.88	4.74	4.32	4.35	3.64	4.24	3.88	3.62
Other [1]		2.77	3.61	3.09	3.24	3.15	3.52	3.50	3.65
Total [2]	4.55	14.97	19.74	17.66	16.93	15.78	16.81	17.06	17.65
Imports of goods and services:									
ERP countries	1.33	1.44	1.89	2.18	2.36	2.54	2.66	2.66	2.49
ERP dependencies	.50	.38	.59	.82	.65	.69	.76	.82	.67
Europe, except ERP countries	.15	.23	.22	.25	.23	.25	.22	.17	.16
Canada and Newfoundland		1.26	1.50	1.57	1.83	2.50	2.24	1.78	1.93
Latin-American Republics	2.29	2.25	2.74	3.36	3.13	2.86	3.01	3.13	2.84
Other [1]		1.61	1.52	1.90	1.94	2.12	1.84	1.87	1.60
Total [2]	4.27	7.17	8.46	10.08	10.14	10.96	10.73	10.43	9.69

[1] Includes international institutions.
[2] Includes income on investments.

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

Source: Department of Commerce.

TABLE C-37.—*United States Government aid to foreign countries, 1946–49*

[Millions of dollars]

Type of aid	1946	1947	1948	1949				
				Total [1]	First quarter	Second quarter	Third quarter	Fourth quarter[1]
A. Unilateral payments (net):								
Lend-lease	209	-------	-------	-------	-------	-------	-------	-------
UNRRA and post-UNRRA	1,524	761	85	-------	-------	-------	-------	-------
Civilian supplies distributed by the armed forces	539	980	1,280	(2)	243	244	330	(2)
Transfers to Philippines	60	96	130	(2)	53	44	62	(2)
Chinese aid [3]	15	-------	168	(2)	53	55	13	(2)
Greek-Turkish aid	-------	74	349	(2)	53	43	43	(2)
International Refugee Organizations	-------	17	89	(2)	18	18	17	(2)
Interim aid	-------	12	546	-------	-------	-------	-------	-------
European Recovery Program	-------	-------	1,388	(2)	905	1,122	940	(2)
Other	170	332	115	(2)	47	50	29	(2)
Total unilateral payments	2,517	2,272	4,150	5,692	1,372	1,576	1,434	1,310
Less unilateral receipts	238	460	389	449	99	86	219	45
Equals net unilateral payments	2,279	1,812	3,761	5,243	1,273	1,490	1,215	1,265
B. Long-term loans and investments (net):								
Lend-lease credits	600	2	2	-------	-------	-------	-------	-------
Surplus property including ship sales	841	274	210	(2)	-------	-------	-------	(2)
Export-Import Bank loans	945	796	454	(2)	50	42	35	(2)
United Kingdom loan	600	2,850	300	-------	-------	-------	-------	-------
Subscription to—								
International Bank	317	318	-------	-------	-------	-------	-------	-------
International Monetary Fund	5	2,745	-------	-------	-------	-------	-------	-------
European Recovery Program	-------	-------	486	(2)	280	98	16	(2)
Other	12	80	22	(2)	29	28	22	(2)
Total long-term loans and investments	3,320	7,065	1,474	695	359	168	73	95
Less repayments	90	174	332	203	63	56	44	40
Equals net long-term loans and investments, including International Bank and International Monetary Fund	3,230	6,891	1,142	492	296	112	29	55
Less subscriptions to International Bank and International Monetary Fund	322	3,063	-------	-------	-------	-------	-------	-------
Equals net long-term loans and investments, excluding International Bank and International Monetary Fund	2,908	3,828	1,142	492	296	112	29	55
C. Outflow of short-term capital (net)	−134	73	−245	126	−4	−2	132	-------
Total net unilateral payments, loans, and investments, excluding International Bank and International Monetary Fund (A+B+C)	5,053	5,713	4,658	5,861	1,565	1,600	1,376	1,320

[1] Estimates based on incomplete data.
[2] Not available.
[3] Includes Korean aid in 1949.

Source: Department of Commerce.

TABLE C-38.—*Export price indexes of selected countries converted to dollars, 1937–40 and 1946–49*

[1937=100]

Period	United States [1]	United Kingdom	France [3]	Sweden	Belgium [2]
1937	100	100	100	100	100
1938	99	101	87	86	100
1939	97	91	80	80	90
1940	106	99	89	100	----------
1946	152	162	193	153	247
1947	178	186	212	201	259
1948	189	203	177	226	255
1949—January	189	209	221	217	260
February	186	207	215	214	259
March	184	207	215	209	282
April	185	207	211	200	276
May	181	209	210	196	271
June	182	209	215	192	263
July	177	209	209	188	266
August	177	211	214	187	262
September	178	[3] 181	[3] 192	[3] 160	----------
October	175	145	----------	139	----------

[1] Unit value of finished manufactures other than foodstuffs.
[2] Unit value of exports.
[3] National indexes converted to dollar equivalents on basis of average of old and new exchange rates.

Source: Based on data obtained from Department of Commerce and International Monetary Fund.

TABLE C-39.—*United States merchandise exports, including reexports, by areas, 1936–38 quarterly average and 1947–49*

Period	Total exports including reexports	Canada	Other Western Hemisphere	ERP countries [1]	Other Europe	Asia [1]	Australia and Oceania	Africa
	Millions of dollars							
Quarterly average:								
1936–38	742	113	138	282	31	122	23	32
1947	3,835	519	1,027	1,324	118	562	80	205
1948	3,163	479	848	1,046	49	507	38	196
1949 [2]	2,990	(3)	(3)	(3)	(3)	(3)	(3)	(3)
1948—First quarter	3,315	425	913	1,140	84	513	42	197
Second quarter	3,237	493	902	1,059	33	508	34	207
Third quarter	2,937	485	738	966	38	486	30	194
Fourth quarter	3,162	511	840	1,018	40	520	47	186
1949—First quarter	3,324	464	843	1,159	42	599	54	163
Second quarter	3,358	566	742	1,186	46	581	50	187
Third quarter	2,683	472	671	840	35	474	47	143
Fourth quarter [2]	2,600	(3)	(3)	(3)	(3)	(3)	(3)	(3)
	Percentage of total							
Quarterly average:								
1936–38	100	15.2	18.6	38.0	4.2	16.4	3.1	4.3
1947	100	13.5	26.8	34.5	3.1	14.7	2.1	5.3
1948	100	15.1	26.8	33.1	1.5	16.0	1.2	6.2
1948—First quarter	100	12.8	27.5	34.4	2.5	15.5	1.3	5.9
Second quarter	100	15.2	27.9	32.7	1.0	15.7	1.1	6.4
Third quarter	100	16.5	25.1	32.9	1.3	16.5	1.0	6.6
Fourth quarter	100	16.2	26.6	32.2	1.3	16.4	1.5	5.9
1949—First quarter	100	14.0	25.4	34.9	1.3	18.0	1.6	4.9
Second quarter	100	16.9	22.1	35.3	1.4	17.3	1.5	5.6
Third quarter	100	17.6	25.0	31.3	1.3	17.7	1.8	5.3

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

NOTE.—Data in this table cover all merchandise, including reexports, shipped from the United States customs area to foreign countries including, in 1947 to 1949, goods destined to United States armed forces abroad for distribution in occupied areas as civilian supplies.
Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE C-40.—*United States domestic merchandise exports, by economic classes, 1936–38 quarterly average and 1947–49*

Period	Total domestic exports	Crude materials	Crude food-stuffs	Manu-factured foodstuffs	Semi-manu-factures	Finished manu-factures
	Millions of dollars					
Quarterly average:						
1936–38	731	167	34	42	130	358
1947	3,791	400	337	439	446	2,168
1948	3,132	372	316	329	342	1,773
1949 [1]	2,960	(2)	(2)	(2)	(2)	(2)
1948—First quarter	3,283	329	322	341	381	1,910
Second quarter	3,205	327	245	369	357	1,906
Third quarter	2,909	373	358	310	314	1,554
Fourth quarter	3,133	459	341	296	316	1,722
1949—First quarter	3,288	466	396	256	385	1,785
Second quarter	3,327	549	349	270	386	1,773
Third quarter	2,656	330	325	175	310	1,517
Fourth quarter [1]	2,575	(2)	(2)	(2)	(2)	(2)
	Percentage of total					
Quarterly average:						
1936–38	100	22.8	4.7	5.7	17.8	49.0
1947	100	10.6	8.9	11.6	11.8	57.2
1948	100	11.9	10.1	10.5	10.9	56.6
1948—First quarter	100	10.0	9.8	10.4	11.6	58.2
Second quarter	100	10.2	7.6	11.5	11.1	59.5
Third quarter	100	12.8	12.3	10.7	10.8	53.4
Fourth quarter	100	14.7	10.9	9.4	10.1	55.0
1949—First quarter	100	14.2	12.0	7.8	11.7	54.3
Second quarter	100	16.5	10.5	8.1	11.6	53.3
Third quarter	100	12.4	12.2	6.6	11.7	57.1

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

NOTE.—Data in this table cover all domestic merchandise shipped from the United States customs area to foreign countries including, in 1947 to 1949, goods destined to United States armed forces abroad for distribution in occupied areas as civilian supplies.
Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE C–41.—*Indexes of quantity and unit value of United States domestic merchandise exports, by economic classes, 1936–38 quarterly average and 1947–49*

[1936-38=100]

Period	Total domestic exports	Crude materials	Crude foodstuffs	Manufactured foodstuffs	Semimanufactures	Finished manufactures
	Quantity indexes					
Quarterly average:						
1936–38	100	100	100	100	100	100
1947	275	123	397	478	203	332
1948	214	100	362	350	143	257
1949 [1]	224	126	457	306	158	254
1948—First quarter	220	87	323	353	160	275
Second quarter	217	86	265	388	149	275
Third quarter	198	100	407	319	130	225
Fourth quarter	218	124	429	335	131	252
1949—First quarter	232	129	495	317	162	262
Second quarter	242	155	438	366	167	266
Third quarter	199	93	439	236	144	234
	Unit value indexes					
Quarterly average:						
1936–38	100	100	100	100	100	100
1947	188	195	248	218	169	182
1948	200	223	255	223	184	193
1949 [1]	188	213	227	181	176	186
1948—First quarter	204	227	290	230	184	194
Second quarter	202	229	269	225	185	194
Third quarter	201	222	256	230	186	193
Fourth quarter	196	220	231	209	186	191
1949—First quarter	194	216	233	191	184	190
Second quarter	188	212	233	175	179	186
Third quarter	183	212	216	176	165	181

[1] Average of three quarters.

NOTE.—The indexes of quantity are a measure of the volume of trade after the influence on value of changes in average prices has been eliminated. The indexes of unit value provide a measure of change in the average prices at which trade transactions are reported in official foreign trade statistics, including change in average prices that result from changes in the commodity composition of trade. The indexes for 1947 to 1949 are based on data which include goods destined to the United States armed forces abroad for distribution to civilians in occupied areas.

Source: Department of Commerce.

TABLE C-42.—*United States general merchandise imports, by areas, 1936–38 quarterly average and 1947–49*

Period	Total general imports	Canada	Other Western Hemisphere	ERP countries [1]	Other Europe	Asia [1]	Australia and Oceania	Africa
	Millions of dollars							
Quarterly average:								
1936–38	622	86	145	152	30	183	10	17
1947	1,439	274	576	174	45	249	39	82
1948	1,781	388	636	244	49	324	41	98
1949 [2]	1,655	(3)	(3)	(3)	(3)	(3)	(3)	(3)
1948—First quarter	1,810	328	705	232	53	328	48	116
Second quarter	1,710	355	630	232	48	321	34	90
Third quarter	1,729	410	586	234	49	301	48	102
Fourth quarter	1,875	461	625	280	43	346	34	85
1949—First quarter	1,791	366	676	250	34	328	34	103
Second quarter	1,601	374	589	190	33	302	39	74
Third quarter	1,477	340	569	175	33	265	22	73
Fourth quarter [2]	1,750	(3)	(3)	(3)	(3)	(3)	(3)	(3)
	Percentage of total							
Quarterly average:								
1936–38	100	13.8	23.3	24.4	4.8	29.4	1.6	2.7
1947	100	19.0	40.0	12.1	3.1	17.3	2.7	5.7
1948	100	21.8	35.7	13.7	2.8	18.2	2.3	5.5
1948—First quarter	100	18.1	39.0	12.8	2.9	18.1	2.7	6.4
Second quarter	100	20.8	36.8	13.6	2.8	18.8	2.0	5.3
Third quarter	100	23.7	33.9	13.5	2.8	17.4	2.8	5.9
Fourth quarter	100	24.6	33.3	14.9	2.3	18.5	1.8	4.5
1949—First quarter	100	20.4	37.7	14.0	1.9	18.3	1.9	5.8
Second quarter	100	23.4	36.8	11.9	2.1	18.9	2.4	4.6
Third quarter	100	23.0	38.5	11.9	2.2	17.9	1.5	4.9

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

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

Source: Department of Commerce

TABLE C-43.—*United States merchandise imports for consumption, by economic classes, 1936–38 quarterly average and 1947–49*

Period	Total imports for consumption	Crude materials	Crude foodstuffs	Manufactured foodstuffs	Semimanufactures	Finished manufactures
	Millions of dollars					
Quarterly average:						
1936–38	615	190	85	95	126	120
1947	1,416	441	254	164	311	246
1948	1,773	537	318	183	408	327
1949 [1]	1,650	(2)	(2)	(2)	(2)	(2)
1948—First quarter	1,785	577	346	161	396	304
Second quarter	1,682	506	287	180	384	323
Third quarter	1,754	543	271	199	419	322
Fourth quarter	1,871	520	367	190	434	359
1949—First quarter	1,759	504	340	182	397	336
Second quarter	1,590	451	304	198	333	304
Third quarter	1,501	426	287	194	303	289
Fourth quarter [1]	1,740	(2)	(2)	(2)	(2)	(2)
	Percentage of total					
Quarterly average:						
1936–38	100	30.9	13.8	15.4	20.5	19.5
1947	100	31.1	17.9	11.6	22.0	17.4
1948	100	30.3	17.9	10.3	23.0	18.3
1948—First quarter	100	32.3	19.4	9.0	22.2	17.0
Second quarter	100	30.1	17.1	10.7	22.8	19.2
Third quarter	100	31.0	15.5	11.3	23.9	18.4
Fourth quarter	100	27.8	19.6	10.2	23.2	19.2
1949—First quarter	100	28.7	19.3	10.3	22.6	19.1
Second quarter	100	28.4	19.1	12.5	20.9	19.1
Third quarter	100	28.4	19.1	12.9	20.2	19.3

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

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

Source: Department of Commerce.

TABLE C-44.—*Indexes of quantity and unit value of United States merchandise imports for consumption, by economic classes, 1936–38 quarterly average and 1947–49*

[1936-38=100]

Period	Total imports for consumption	Crude materials	Crude foodstuffs	Manufactured foodstuffs	Semimanufactures	Finished manufactures
	Quantity indexes					
Quarterly average:						
1936-38	100	100	100	100	100	100
1947	108	129	96	83	130	84
1948	123	139	109	91	149	103
1949 [1]	116	122	114	99	132	99
1948—First quarter	126	154	117	81	153	96
Second quarter	117	132	100	89	142	101
Third quarter	119	136	91	99	151	102
Fourth quarter	128	132	127	95	152	113
1949—First quarter	121	129	121	93	139	105
Second quarter	115	119	116	105	128	98
Third quarter	111	117	104	100	129	94
	Unit value indexes					
Quarterly average:						
1936-38	100	100	100	100	100	100
1947	213	180	311	208	191	245
1948	235	203	343	212	217	266
1949 [1]	226	199	320	203	207	262
1948—First quarter	230	197	347	210	206	266
Second quarter	234	202	338	214	215	268
Third quarter	239	210	349	212	221	265
Fourth quarter	238	207	338	212	227	267
1949—First quarter	236	206	330	205	227	267
Second quarter	224	199	307	199	208	261
Third quarter	219	192	324	205	187	258

[1] Average of three quarters.

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

Source: Department of Commerce.

TABLE C-45.—*Changes in selected economic series since 1939 and 1948 and during 1949*

Source: Appendix table No.	Economic series	1939=100				Percentage change [2]	
		1948	1949			1948 to 1949	1949, first half to 1949, second half [1]
			Total [1]	First half	Second half [1]		
C-1	Gross national product	287	283	281	280	−1.4	−2.2
	Personal consumption expenditures	265	264	265	264	−.2	−.3
	Gross private domestic investment	455	372	389	359	−18.2	−7.8
	Net foreign investment	211		122	−133		−1.1
	Government purchases of goods and services	280	332	330	334	+18.5	+1.4
C-4	National income	312	307	310	304	−1.6	−2.0
	Compensation of employees	294	297	297	297	+1.4	+.1
C-7	Personal income	292	292	294	290	−.1	−1.3
	Disposable personal income	272	275	277	273	+1.1	−1.5
	Personal net saving	444	533	578	489	+20.0	−15.4
C-8	Per capita disposable personal income:						
	Current dollars	243	241	244	238	−.7	−2.4
	1948 dollars	141	142	143	140	+.5	−1.8
C-9	Labor force, including armed forces	113	114	113	116	+1.3	+2.7
	Civilian labor force	111	112	111	114	+1.1	+2.8
	Employment	130	128	127	130	−1.1	+2.2
	Nonagricultural	142	140	139	142	−1.4	+2.2
	Agricultural	83	84	83	84	+.7	+2.2
	Unemployment	22	36	34	38	+64.5	+12.9
C-11	Average gross weekly earnings:						
	Manufacturing	227	230	229	230	+1.2	+.6
	Bituminous coal mining	302	268	297	224	−11.4	−24.7
	Building construction	227	234	233	235	+3.2	+.9
C-14	Physical production index of goods and selected services:						
	Total	167	159	(3)	(3)	−4.9	(3)
	Agricultural	132	130	(3)	(3)	−1.4	(3)
	Nonagricultural	177	167	170	164	−5.6	−3.7
C-15	Industrial production: Total	176	161	166	156	−8.9	−6.1
	Durable manufactures	206	184	196	172	−10.7	−12.2
	Nondurable manufactures	162	154	153	155	−5.1	+1.2
	Minerals	146	126	135	119	−13.5	−11.9
C-16	New construction: Total	298	306	133	173	+3.0	+29.8
	Private	382	369	162	207	−3.5	+27.3
	Residential	342	332	136	197	−2.7	+44.8
	Nonresidential	456	405	203	202	−11.2	−.6
	Public utility and farm	414	424	189	235	+2.5	+24.2
	Public	169	211	89	122	+25.1	+36.4
C-17	Business expenditures for new plant and equipment	370	344	351	338	−6.9	−3.6
C-18	Inventories:						
	Manufacturing	297	(3)	290	(3)	(3)	(3)
	Wholesale trade	300	(3)	284	(3)	(3)	(3)
	Retail	271	(3)	256	(3)	(3)	(3)
	Sales:						
	Manufacturing	373	(3)	353	(3)	(3)	(3)
	Wholesale trade	334	(3)	306	(3)	(3)	(3)
	Retail	309	(3)	305	(3)	(3)	(3)
C-21	Consumers' price index: All items	172	170	171	170	−1.1	−.5
	Food	221	212	213	212	−3.8	−.3
	Apparel	197	190	192	186	−3.8	−3.2
	Rent	113	116	115	116	+2.8	+.8
C-22	Wholesale price index: All commodities	214	201	204	198	−6.2	−3.1
	Farm products	288	253	261	246	−12.1	−5.9
	Foods	254	229	232	227	−9.9	−2.1
	Other than farm products and foods	186	181	184	178	−2.5	−2.9

See footnotes at end of table, p. 194.

TABLE C-45.—*Changes in selected economic series since 1939 and 1948 and during 1949*—Con.

Source: Appendix table No.	Economic series	1939=100				Percentage change [2]	
		1948	1949			1948 to 1949	1949, first half to 1949, second half [1]
			Total [1]	First half	Second half [1]		
C-23	Prices received by farmers	302	264	273	257	−12.6	−5.9
	Prices paid by farmers (including interest and taxes)	202	197	198	195	−2.5	−1.5
C-24	Consumer credit outstanding, end of period	205	235	202	235	+14.6	+16.0
C-29	Corporate profits:						
	Profits before taxes	535	425	429	418	−20.7	−2.5
	Profits after taxes	424	334	336	332	−21.2	−1.2
	Dividend payments	208	221	221	221	+6.3	(3)
	Undistributed profits	1,100	692	700	683	−37.1	−2.4
C-39	Merchandise exports, including reexports [4]	426	403	450	356	−5.5	−20.9
C-42	General merchandise imports [4]	286	266	273	259	−7.1	−4.8

[1] Estimates based on incomplete data.
[2] Changes are computed from data as reported and therefore may differ slightly from changes computed from the indexes shown here.
[3] Not available.
[4] 1936–38 average=100.

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