

Paralleling the 1957 experience, construction outlays were firm after the peak in general business in both 1948-49 and 1953-54, total expenditures remaining about unchanged during the following half year in each case. In

the two earlier postwar recessions, construction activity then rose rapidly and was a substantial expansionary element in the economy.

As in the more recent period, its general strength reflected the basic

uptrend in government purchasing and firmness followed by rapid expansion in residential building as the Federal authorities took affirmative action. Earlier the backlog and legacy of the war had been factors.

## National Product and Income

(Continued from page 12)

The recent course of the various types of personal income is traced in table 11, and quarterly changes so far this year are summarized on a national income basis in the accompanying text table.

### Income from corporate business

The production declines which took place were largely in areas such as manufacturing, metal mining, and rail transportation, where the corporate form of business organization is the rule. A number of the areas where expansion occurred, by contrast, are largely or entirely outside the corporate sphere. Government, for example, provided much of the increase over the second quarter in total compensation of employees.

This pattern of change in the industrial composition of the national income was not favorable to corporate business, and meant more pressure on profit margins, which moved lower. From present indications there was a substantial reduction in profits, though data are not available to measure its size. Marked declines in profits and margins are reported for primary metals, auto manufacturing and chemicals, among other industries.

### Pattern of payroll rise

Strength in the wage and salary component of national income since midyear has been mainly a reflection of developments in government and other lines which are more influenced by the growth trend in the national economy than by short-term market fluctuations. Underlying the \$2-billion increase in the annual payroll rate for the summer quarter was a \$1-billion dip in manufacturing, mining, and railroads, more than offset by increases of \$3 billion elsewhere. Of the latter total, the Federal Government accounted for \$1 billion—mostly reflecting the recent pay increase—and State and local governments provided  $\$ \frac{1}{2}$  billion. Most of the remainder came from trade, construction, and services, in roughly equal proportions; minor advances also occurred in finance and communications. In the majority of these industries, the flow of labor income continued strong from month to month during the third quarter.

The decline in manufacturing was sharpest in those durables industries for which production cutbacks have been noted in the analysis elsewhere in this

issue. Among the nondurables, wage and salary payments reflected some tapering in employment and hours worked in food, textile and certain other lines.

Table 17.—Changes in National Income, 1960

	Change from preceding quarter at seasonally adjusted annual rates		
	I	II	III
	(Billions of dollars)		
<b>National income, total.....</b>	<b>11.6</b>	<b>1.9</b>	<b>n. a.</b>
Wages and salaries:			
Private.....	6.5	3.4	0.5
Government.....	.7	1.0	1.4
Supplements to wages and salaries.....	1.4	.4	.4
Interest income.....	.9	.8	.6
Proprietors' and rental income.....	-.3	2.0	.2
Corporate profits and inventory valuation adjustment.....	2.5	-2.6	n. a.

The factors responsible for payroll change were somewhat different after midyear than before. Overall—and in most of the individual industries for which data are available—shifts in employment and weekly hours played a neutral or negative role; expansion stemmed from pay increases.