
Appendix B

SOME RECENT ECONOMIC DEVELOPMENTS

- I. Growth of Population**
 - II. Employment and Earnings**
 - III. Agriculture**
 - IV. United States Foreign Trade and Payments**
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I. Growth of Population

Notable changes have occurred during the past decade in the size and structure of the United States population and in the composition of both families and households. The impact of these changes is already evident in numerous sectors of the economy and will have a further important bearing on national economic development in the decades immediately ahead. An understanding of the dimensions of the accelerated growth of the population in recent years and of the structural changes in economic demands that are inherent in its changing age composition should be helpful in orienting public and private policies appropriately to these important movements.

POPULATION INCREASES DURING 1950-59

Between January 1, 1950 and July 1, 1959, the estimated population of the United States, including armed forces abroad, increased from 150,552,000 to 177,103,000 persons. This increase of more than 17½ percent in the course of 9½ years resulted from 23,648,000 more births than deaths, a net immigration of 2,750,000, and the addition of 153,000 Alaskans (civilian population on January 1, 1959) to the United States

TABLE B-1.—Population and components of its year-to-year changes, 1950-59

[Thousands]

Year ended July 1	Population	Change from preceding year				
		Net change ¹		Births ²	Deaths ³	Net civilian immigration
		Number	Percent			
1950.....	151,683	2,495	1.67	3,620	1,460	337
1951.....	154,360	2,677	1.76	3,753	1,480	389
1952.....	157,028	2,667	1.73	3,839	1,506	331
1953.....	159,636	2,608	1.66	3,928	1,526	204
1954.....	162,417	2,782	1.74	4,022	1,483	241
1955.....	165,270	2,852	1.76	4,096	1,501	262
1956.....	168,176	2,907	1.76	4,142	1,566	332
1957.....	171,198	3,022	1.80	4,287	1,577	312
1958.....	174,054	2,856	1.67	4,293	1,679	244
1959.....	176,947	2,893	1.66	4,276	1,644	⁴ 261

¹ Includes change due to admissions into, and discharges from, armed forces abroad.

² Adjusted for underregistration.

³ Deaths occurring in the United States, adjusted for underregistration of infant deaths, plus estimated deaths occurring in armed forces abroad.

⁴ Preliminary; based on final statistics for period ended July 1, 1958.

NOTE.—The data in this table exclude Alaska (civilian population of 153,000 on January 1, 1959) and Hawaii but include armed forces abroad.

Sources: Department of Commerce and Department of Health, Education, and Welfare.

population. The population of Hawaii, which is estimated to have been about 603,000 on September 1, 1959, will further increase the national totals for January 1, 1960 and thereafter.

Except in 1952, 1953, and 1958, the estimated annual net increase in each year ended July 1 in the last decade exceeded that of the preceding year (Table B-1); the percentage increase ranged from 1.66 to 1.80 per annum. As recently as 1941, the increase had been less than 1 percent. The estimated number of births each year ended July 1 during the last decade was larger than the number in the preceding year, with the exception of 1950 and 1959. The number of deaths also increased each year, except in 1954 and 1959, but the annual average increase was only about one-third of the annual average increase in the number of births. Net civilian immigration varied from year to year, within the range of 200,000 to 400,000 per annum.

FUTURE AGE GROUPINGS OF PERSONS BORN BEFORE JULY 1, 1957

Because birth rates, as measured by the number of live births per 1,000 of population, have varied considerably over the last hundred years, the distribution of our population among age groups is relatively uneven. Not only did the rising birth rate after World War II cause a disproportionate increase in the number of persons now under 14 years of age, but the declining birth rate during the decade of the 1920's and the very low birth rate of the 1930's reduced the size of the group that is now between 25 and 35 years of age.

Many of our future demands for goods and services, as well as our needs for specific resources with which to supply them, will depend on the number of persons in the various age groups at the time. Needs for education and employment and also the timing of household formation are, for the population as a whole, closely related to the number of persons who pass certain age marks each year.

Table B-2 gives estimates of the number of persons in various age groups on July 1 of 1950, 1955, and 1957, and of the distribution in selected years up to 1980, on the assumption of a moderate reduction in mortality rates and about the same volume of immigration as in recent years. The percentage change from 1960 in the number of persons in each age group is shown in Table B-3.

Of particular interest is the marked increase during the next decade that is indicated for the number of high school and college-age boys and girls. Also, substantial increases are expected during at least the next 15 years for the age groups from which new entrants to the labor force are drawn. Those who reach the average age for marriage are generally in the same age groups as those who commence working. Thus the projected increase in the number in these groups foretells a corresponding growth in the rate of household formations and in the creation of additional demands for housing and for a wide range of commodities and services generally pur-

TABLE B-2.—Population born before July 1, 1957, by age groups: 1950, 1955, 1957, and projections for 1960-80

[Millions of persons ¹]

Age	1950	1955	1957	1960	1965	1970	1975	1980
Under 5 years.....	16.3	18.3	19.1	(2)	(2)	(2)	(2)	(2)
5 to 13 years.....	22.3	28.1	30.1	33.6	(2)	(2)	(2)	(2)
14 to 17 years.....	8.4	9.2	10.2	11.2	14.3	15.9	(2)	(2)
18 to 21 years.....	8.9	8.6	8.9	9.6	12.2	14.6	16.3	(2)
22 to 24 years.....	7.1	6.5	6.4	6.7	8.0	10.2	11.3	(2)
25 to 34 years.....	23.9	24.2	23.8	22.8	22.5	25.2	31.2	37.0
35 to 44 years.....	21.6	22.8	23.3	24.0	24.3	23.0	22.7	25.4
45 to 64 years.....	30.8	33.5	34.7	36.5	39.2	42.3	43.9	43.9
65 to 84 years.....	11.7	13.3	13.9	14.9	16.6	18.2	20.3	22.7
85 years and over.....	.6	.8	.8	.9	1.1	1.4	1.6	1.8

¹ As of July 1.

² Number of persons will depend on births occurring after July 1, 1957.

Source: Department of Commerce.

TABLE B-3.—Population born before July 1, 1957: Projected percentage changes, by age groups, 1960-80¹

Age	Percentage change from 1960			
	1965	1970	1975	1980
Under 5 years.....	(2)	(2)	(2)	(2)
5 to 13 years.....	(2)	(2)	(2)	(2)
14 to 17 years.....	27.9	41.7	(2)	(2)
18 to 21 years.....	26.5	51.7	69.3	(2)
22 to 24 years.....	19.2	52.9	69.7	(2)
25 to 34 years.....	-1.3	10.5	36.8	62.1
35 to 44 years.....	1.3	-4.1	-5.2	5.9
45 to 64 years.....	7.6	16.0	20.4	20.3
65 to 84 years.....	11.2	22.2	36.3	52.3
85 years and over.....	22.2	52.3	77.9	108.5

¹ Percentage changes are based on thousands of persons.

² Number of persons will depend on births occurring after July 1, 1957.

Source: Department of Commerce.

chased by newly employed and newly married persons. However, it is significant that almost no change during the next five years is indicated for the total number of persons between the ages of 25 and 45, the period of typical first ownership of homes. But the projections show that after 1965, the group between 25 and 35 years of age will expand considerably, while the group between 35 and 45 will decline slightly until after 1975. Rather sharp increases will occur during the next two decades in the number of persons aged 65 and over, and by 1980 there will be nearly twice as many persons in this group as there were in 1950.

Estimates of the size and composition of the labor force over the next decade have been constructed on the basis of various assumptions. These estimates point toward a labor force growth of from 12 million to 14 million by 1970, with the greater part of the increase occurring in the second half of the decade. Women are expected to comprise some 40 percent of the increase. For men, the rate of growth will be substantially greater in the younger working groups, particularly those under 25, than in the older

groups; for women, however, proportionately greater increases are expected in groups 45 years of age and older.

ESTIMATES OF POPULATION GROWTH

The future size of the population in the younger age groups will be influenced more by birth rates than by death rates or by net immigration. Over the past fifty years, the birth rate has fluctuated considerably, in contrast to the death rate, which has declined gradually; and in recent years, net immigration has been relatively unimportant in shaping the size of the total population. Thus, estimates of the number of persons expected to comprise the various groups under 25 years of age until 1980 will be governed largely by the assumptions made regarding the birth rate during the interim years.

Because of the previous variability in birth rates and their dependence on factors that, in many cases, cannot be accurately forecast, the projections of the population born after July 1, 1957, shown in Table B-4, were based on

TABLE B-4.—Population born after July 1, 1957: Projections by specific age groups under various assumptions regarding fertility, 1960-80

[Millions of persons]¹

Age	1960	1965	1970	1975	1980
Series I:					
Under 5 years.....	21.0	23.4	26.7	31.1	36.0
5 to 13 years.....	(2)	37.4	42.1	47.1	54.2
14 to 17 years.....	(2)	(2)	(2)	18.4	20.1
18 to 21 years.....	(2)	(2)	(2)	(2)	18.6
22 to 24 years.....	(2)	(2)	(2)	(2)	12.8
Series II:					
Under 5 years.....	20.0	21.2	24.2	28.1	32.0
5 to 13 years.....	(2)	36.4	38.9	42.9	49.3
14 to 17 years.....	(2)	(2)	(2)	17.0	18.3
18 to 21 years.....	(2)	(2)	(2)	(2)	17.2
22 to 24 years.....	(2)	(2)	(2)	(2)	12.5
Series III:					
Under 5 years.....	19.6	19.5	20.7	24.0	27.1
5 to 13 years.....	(2)	36.0	36.8	37.8	42.3
14 to 17 years.....	(2)	(2)	(2)	16.4	16.4
18 to 21 years.....	(2)	(2)	(2)	(2)	16.4
22 to 24 years.....	(2)	(2)	(2)	(2)	12.4
Series IV:					
Under 5 years.....	19.3	17.7	17.1	19.9	22.2
5 to 13 years.....	(2)	35.7	34.7	32.8	35.2
14 to 17 years.....	(2)	(2)	(2)	15.8	14.6
18 to 21 years.....	(2)	(2)	(2)	(2)	15.6
22 to 24 years.....	(2)	(2)	(2)	(2)	12.4

¹ As of July 1.

² Persons born before July 1, 1957; see Table B-2.

Source: Department of Commerce.

several fertility assumptions that span the high and low rates actually experienced in recent years. Fertility, as used in this connection, refers to a measure which takes into account both birth rates according to the ages of women and the number of women of childbearing age. Series I, which shows the largest increase over the period 1960-80, assumes a fertility rate from 1958 to 1980 of 10 percent above the 1955-57 average; Series II, that the rate will remain at the 1955-57 average until 1980; Series III, that by 1965-70 the

rate will decline to the 1949-51 level and will remain there to 1980; and Series IV, that by 1965-70 fertility will drop to the 1942-44 level and will then even out. All computations are carried forward from July 1, 1957 as a date of reference.

It is apparent from the projections that steady or rising fertility rates during the next two decades will cause substantial increases in the pre-school and school-age segments of the population. It should be noted, however, that there are significant differences in the various projections, depending on the assumptions made with respect to fertility rates.

CHANGES IN FARM POPULATION

The farm population has declined by about 34 percent since 1910 (Table B-5). The decrease in the number of persons living on farms was rather gradual until World War II, but since then net migration has proceeded more rapidly. While the farm population has been dwindling, the total

TABLE B-5.—*Farm population, 1910-59*

Year	Farm population ¹	
	Number (millions)	As percent of total population ²
1910.....	32.1	34.9
1920.....	32.0	30.1
1930.....	30.5	24.9
1940.....	30.5	23.1
1950.....	25.1	16.5
1953.....	22.7	14.3
1956.....	22.4	13.3
1959.....	21.2	12.0

¹ As of April 1.

² Based on thousands of persons. The percentages in this table may differ from those in Table D-66, which are based on total population as of July 1.

Sources: Department of Agriculture and Department of Commerce.

population of the United States has been growing, so that the proportion living on farms has declined substantially. Fifty years ago, one out of three persons lived on a farm; at present, one out of eight is a farm resident.

The decline in farm population since 1950 has been much greater among persons 18 to 44 years of age than among other age groups. Because of this, farm people 45 years old and over now outnumber, for the first time, farm persons who are 18 to 44 years of age. The total number of males on farms slightly exceeds the number of females, except in the age group 25 to 44 years.

The net migration of persons from farms in the past four decades has been substantially larger than the decline in the farm population, as farm families have continued to contribute to the growth of the total population. During the 1930's, as a result of the depression, the rate was considerably less than in the 1920's; but World War II caused a record increase. The

annual average migration was very high in the years 1950-53, owing in part to the Korean conflict, declined somewhat until 1956, but rose again in the following three-year period (Table B-6). Since 1920, net migration from farms has totaled nearly 27 million persons; however, the farm population has declined by only 11 million, from 32.1 million to 21.2 million. The continuing migration from farms to urban areas has contributed to the increase in the nonagricultural labor force and to the growth of towns and cities.

TABLE B-6.—*Net migration from farms, 1920-59*¹

Period ²	Annual average (thousands)	Percentage change (annual average)
1920 to 1930.....	-630	-2.0
1930 to 1940.....	-383	-1.2
1940 to 1950.....	-952	-3.5
1950 to 1953.....	-1,190	-4.9
1953 to 1956.....	-474	-2.1
1956 to 1959.....	-753	-3.5

¹ Includes persons who have not moved but whose residence is no longer classified as a farm.

² Years beginning April 1 and ending March 31.

Source: Department of Agriculture.

The employment status of persons 14 years old and over living on farms has changed significantly since 1950 when, out of nearly 9.5 million such persons employed, nearly 70 percent worked in agriculture. The number of employed farm residents has since declined by almost 2 million, and less than 60 percent, or 4½ million, now work in agriculture. During the past decade, the number of persons who live on farms but are engaged in nonagricultural activities increased, and, as a percentage of the farm-resident labor force, rose from 29 percent in 1950 to 38 percent in 1958. Participation in off-the-farm employment among employed farm residents is more common for women than for men.

CHANGES IN HOUSEHOLD FORMATION

The number of households in the United States increased from 15,992,000 in July 1900 to 51,302,000 in March 1959. Households that include both a husband and wife rose from 12,804,000 to 38,420,000 during this period, while all other households, including single persons living alone in a dwelling unit, increased from 3,188,000 to 12,882,000 (Table B-7).

Over the past fifty years, the number of nonfarm households has increased by 31,920,000; the number of farm households rose moderately until 1935, but since then it has declined by more than 1,800,000. During the past decade, nonfarm households have increased at an average rate of about 1,000,000 per year, while the number of farm households has declined at an annual average rate of about 100,000.

TABLE B-7.—Number of households, by type and residence, 1900–59

Year ¹	Number of households (millions)					Percent of total ³	
	Total households	By type of household		By residence ²		Husband-wife	Nonfarm households
		Husband-wife	Other	Nonfarm	Farm		
1900.....	16.0	12.8	3.2	(⁴)	(⁴)	80.1	(⁴)
1910.....	20.2	16.3	3.9	14.0	6.2	80.7	69.3
1920.....	24.5	19.7	4.8	17.7	6.8	80.3	72.2
1930.....	30.0	23.7	6.3	23.3	6.7	79.0	77.6
1940.....	35.2	26.8	8.4	28.0	7.2	76.2	79.7
1949.....	42.2	33.3	8.9	35.7	6.5	78.8	84.6
1950.....	43.6	34.1	9.5	37.3	6.3	78.2	85.6
1951.....	44.7	34.4	10.3	38.6	6.1	77.0	86.4
1952.....	45.5	35.1	10.4	39.6	5.9	77.2	86.9
1953.....	46.3	35.6	10.8	40.5	5.8	76.7	87.4
1954.....	46.9	35.9	11.0	41.4	5.5	76.5	88.3
1955.....	47.8	36.3	11.5	42.2	5.5	75.9	88.4
1956.....	48.8	37.0	11.7	43.1	5.6	75.9	88.4
1957.....	49.5	37.7	11.8	44.3	5.2	76.1	89.5
1958.....	50.4	38.0	12.4	45.2	5.2	75.3	89.7
1959.....	51.3	38.4	12.9	45.9	5.4	74.9	89.5

¹ Data relate to the following months: July (1900–40), April (1949 and 1951–55), and March (1950 and 1956–59).

² From 1900 to 1940 data represent total farm households and total nonfarm households; from 1949 to 1959, data are urban and rural nonfarm households and rural farm households.

³ Based on thousands of households.

⁴ Not available.

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

Source: Department of Commerce.

HOUSEHOLD AND FAMILY CHARACTERISTICS

Differences in the composition of households are a reflection of current economic and social influences. In 1959, nearly 75 percent of the households included a husband and wife, over 14 percent had as a head a person either living alone or with unrelated persons, and 11 percent were comprised of related persons but not including a husband and wife. More than three times as many women as men were the heads of families that did not contain both spouses.

In urban places, husband-wife families comprised only about 71 percent of all households, while in rural farms they accounted for nearly 84 percent. Conversely, the households of single and unrelated persons made up over 17 percent of the total in urban places but less than 8 percent in rural farm areas.

The median age of husbands in husband-wife households was 44 years in 1959, and the median age of wives was 41 years. However, in other households, the median age of the head was 57 years. In nearly a million cases where married couples lived in the household of relatives, the median age of the husband was 34 years and that of the wife was 30 years.

Since 1948, there has been a marked increase in the number of husband-wife families having two or more children under 18 years of age. In that year, 32 percent had two or more children of their own, 23 percent had one child, and 45 percent had none. By 1958, 40 percent had two or more chil-

dren, 19 percent had one child, and 41 percent had none. The increase in the number of their own children was less marked in farm families than in nonfarm families.

PROSPECTIVE INCREASES IN HOUSEHOLDS

On the basis of projected population growth and various assumptions concerning continuation of the changes in marital and household status that occurred between 1950 and 1957, estimates have been made of the number of households there will be in the United States up to 1980. In constructing such estimates, several assumptions had to be made, which involved different rates of household formation in future years. Accordingly, as shown in Table B-8, the outlook for household growth is expressed in terms of four separate series. Because of the variations in the assumptions, the four series differ in respect of the amount of increase in the number of households from 1960 to 1980.

TABLE B-8.—*Number of households, projections for 1960-80*

[Millions]

Period	Series A	Series B	Series C	Series D
July: 1960.....	52.4	51.9	51.6	51.4
1965.....	57.5	56.1	55.3	54.6
1970.....	62.9	61.1	59.7	58.8
1975.....	69.3	67.0	64.9	63.9
1980.....	76.0	73.1	70.5	69.4
1960 to 1980:				
Estimated increase.....	23.6	21.2	18.9	18.0
Percentage increase.....	45	41	37	35

Source: Department of Commerce.

These estimates rest in a considerable degree on projections of the population in various age brackets. Until the latter part of the 1970's, the number of households formed will be determined largely by the marriage, divorce, and mortality rates of persons now living, and by their actions regarding the formation or dissolution of households. Sometime before 1980, however, the number of households will be influenced also by the birth rate during the next several years.

The economic significance of the indicated growth in the number of households is considerable. Since most of the increase will arise in husband-wife households, the requirements for family dwelling units will grow correspondingly. From this will stem the related demands for household equipment and furnishings and a wide range of related items of consumption.

II. Employment and Earnings

As the recovery movement was extended in 1959 into a more general expansion, employment increased and unemployment was substantially reduced. During the first half of the year, workweeks were lengthened and hourly and weekly earnings increased rapidly. Real earnings also were sharply higher, because price increases were small. From July to November, however, prolonged strikes in industries producing primary metals adversely affected employment and earnings, but expansion was resumed by the end of the year.

EMPLOYMENT AND THE LABOR FORCE

The total number of persons employed in civilian occupations averaged 65.6 million in 1959, compared with 64.0 million in 1958 (Table B-9). Employment increased rapidly until July, but then was seriously checked by the widespread effects of the long strike in the steel industry; before the

TABLE B-9.—*Growth of the civilian labor force and expansion of employment, 1958-59*
[Millions of persons 14 years of age and over, seasonally adjusted data]

Employment status	1958	1959	1958		1959			
			Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Civilian labor force.....	68.6	69.4	68.5	68.5	69.2	69.5	69.3	69.5
Employment.....	64.0	65.6	63.7	64.3	64.9	65.9	65.6	65.8
Agricultural.....	5.8	5.8	5.8	5.8	5.9	6.1	5.7	5.6
Nonagricultural.....	58.1	59.7	58.0	58.6	58.9	59.8	60.1	60.1
Unemployment.....	4.7	3.8	5.1	4.3	4.1	3.5	3.8	3.9
Rate of unemployment (percent)....	6.8	5.5	7.4	6.4	6.0	5.0	5.4	5.6

NOTE.—Detail will not necessarily add to totals because series are seasonally adjusted separately and because of rounding.

Source: Department of Labor.

end of the year, however, expansion was renewed. In December, the total number employed was 66.2 million (seasonally adjusted), a rise of more than 2.8 million from the recession low of 1958 and an increase of nearly 800,000 above the high point attained in 1957. Agricultural employment, in which a decreasing proportion of the labor force is engaged, changed little during the year.

The civilian labor force increased by nearly 750,000 in 1959, but since employment increased by a greater amount, unemployment was substan-

tially reduced, averaging about 850,000 less than in 1958. The growth of the labor force, like the expansion of employment, was greater in the first half of the year than in the second. Women, especially those over 35 years of age, accounted for much of the increase in the labor force. For men over 25 years of age, the increase was slight; this reflected the small number of births in the 1930's and the greater inducements to retirement provided by the social security system for those reaching age 65. The great rise in the number of births, which began in the 1940's, is now beginning to affect the labor force, however; for the teen-age group, the labor force increase was comparatively large in 1959 (Table B-10). As the generation of the 1940's comes of working age in the next decade, the labor force is expected to grow more rapidly.

TABLE B-10.—*Growth of the total labor force, by sex and age, 1950-59*

[Thousands of persons 14 years of age and over]

Sex and age	Change		
	1950-55 annual average	1955-59 annual average	1958 to 1959
Total labor force.....	860	763	662
Males.....	427	257	279
14-19 years.....	-9	85	91
20-24 years.....	-64	34	138
25-34 years.....	92	-121	-128
35-64 years.....	393	310	234
65 years and over.....	15	-51	-57
Females.....	432	506	383
14-19 years.....	1	66	80
20-24 years.....	-45	7	-26
25-34 years.....	32	-41	-105
35-64 years.....	404	461	419
65 years and over.....	39	14	14

Source: Department of Labor.

Over the years, technological progress and rising levels of living bring about substantial changes in the occupational and industrial structure of employment. "White collar" employment, especially of professional and technical staff, gains rapidly; agricultural employment declines; and other manual occupations do not keep pace with the general long-term expansion. Employment in the service industries—trade, government, and others—tends to increase more, over the long run, than in industries producing goods (Tables B-11 and B-12). These trends suggest, in broad outline, the character of the employment opportunities that may be expected for the growing labor force.

Over the shorter period of the business cycle, however, different changes take place in the occupational and industrial distribution of the employed population. Just as employment declines most sharply among production workers in durable goods manufacturing industries during periods of recession, so it recovers most rapidly in these industries during periods of

TABLE B-11.—Civilian employment, by major occupational groups, 1947 and 1957-59

[Thousands of persons 14 years of age and over]

Major occupational group	1947 ¹	1957 ¹	1958	1959	Change, 1958 to 1959
Civilian employment.....	57,843	65,016	63,966	65,581	1,615
"White collar" employment.....	20,183	26,451	27,056	27,798	742
Managers, officials, and proprietors, except farm.....	5,795	6,703	6,785	6,935	150
Professional, technical, and kindred workers.....	3,794	6,468	6,961	7,143	182
Sales workers.....	3,394	4,128	4,173	4,394	221
Clerical workers.....	7,200	9,152	9,137	9,326	189
Manual workers except farm.....	29,540	32,506	31,319	32,202	883
Craftsmen and foremen.....	7,754	8,664	8,469	8,561	92
Operatives and kindred workers.....	12,274	12,530	11,441	11,858	417
Manufacturing.....	(²)	7,253	6,409	6,699	290
Service workers.....	4,256	5,534	5,605	5,843	238
Laborers.....	3,526	3,680	3,600	3,743	143
Household domestics.....	1,730	2,098	2,204	2,197	-7
Farm employment.....	8,119	6,059	5,591	5,582	-9
Farmers and farm managers.....	4,995	3,329	3,083	3,019	-64
Farm laborers and foremen.....	3,124	2,730	2,508	2,563	55

¹ Annual figures shown for 1947 and 1957 are averages of data for January, April, July, and October since data prior to 1958 are available only for these months. These averages, therefore, will differ slightly from the annual averages shown in Table D-17.

² Not available.

NOTE.—The data represent total employment of the civilian labor force and, therefore, include proprietors and self-employed.

Detail will not necessarily add to totals because of rounding.

Source: Department of Labor.

TABLE B-12.—Industrial structure of employment, 1947 and 1957-59

[Thousands of persons]

Industry	1947	1957	1958	1959 ¹	Change, 1958 to 1959 ¹
Total.....	53,844	59,739	58,068	59,336	1,268
Goods-producing industries.....	28,597	27,976	26,362	26,979	617
Manufacturing.....	15,290	16,782	15,468	16,156	688
Production employees.....	12,795	12,911	11,658	12,226	568
Salaried employees.....	2,495	3,871	3,810	3,930	120
Agriculture.....	10,382	7,577	7,525	7,384	-141
Contract construction.....	1,982	2,808	2,648	2,764	116
Mining.....	943	809	721	675	-46
Service-producing industries.....	25,247	31,763	31,706	32,357	651
Trade.....	9,196	11,302	11,141	11,379	238
Service and miscellaneous.....	4,783	6,336	6,395	6,524	129
Transportation and public utilities.....	4,122	4,151	3,903	3,903	0
Finance, insurance, and real estate.....	1,672	2,348	2,374	2,425	51
Government.....	5,474	7,626	7,893	8,126	233
Federal.....	1,892	2,217	2,191	2,198	7
State and local.....	3,582	5,409	5,702	5,928	226

¹ Preliminary.

NOTE.—The data in this table include employees in nonagricultural establishments, reported by the Department of Labor, and all persons doing work on farms, reported by the Department of Agriculture. The figures for total employment and agricultural employment will differ from those shown in Tables B-11 and D-17. For explanation of differences, see Table D-22, footnote 1, and Table D-69, footnote 4.

Sources: Department of Agriculture and Department of Labor.

expansion. This occurred in the recent recovery, when between April 1958 and the middle of 1959 there was a net increase of 1.3 million in employment in the Nation's factories, a rise of 9 percent. The industries in which employment recovered most rapidly were primary and fabricated metals, machinery, transportation equipment, and apparel, but nearly all major industries shared in the expansion. Employment in nonmanufacturing industries, which had been less affected by the recession, rose by nearly 1.2 million—an increase of 3 percent—in the same period (Table B-13).

TABLE B-13.—Changes in nonagricultural employment after April 1958, by major industry groups
[Thousands of persons, seasonally adjusted data]

Major industry group	Change		
	April 1958 to July 1959 (15 months)	July 1959 to October 1959 (steel strike: 3 months)	October 1959 to Decem- ber 1959 ¹ (2 months)
Total ²	2,504	-556	483
Manufacturing.....	1,337	-558	328
Durable goods.....	1,069	-506	334
Primary metal industries.....	210	-452	410
Electrical machinery.....	180	30	-7
Machinery (except electrical).....	144	9	-12
Transportation equipment.....	123	-1	-63
Fabricated metal industries.....	111	-62	28
Lumber and wood products (except furniture).....	83	-19	-13
Stone, clay, and glass products.....	71	-15	0
Furniture and fixtures.....	50	-9	-2
Miscellaneous manufacturing industries.....	47	3	-11
Instruments and related products.....	31	7	1
Ordnance and accessories.....	19	3	3
Nondurable goods.....	268	-52	-6
Apparel and other finished textile products.....	93	-16	-1
Textile-mill products.....	64	-13	-29
Chemicals and allied products.....	37	-3	4
Leather and leather products.....	36	-4	-2
Rubber products.....	32	1	-7
Paper and allied products.....	20	-4	-2
Printing, publishing, and allied industries.....	17	9	0
Tobacco manufactures.....	-4	1	-3
Products of petroleum and coal.....	-5	-5	-1
Food and kindred products.....	-22	-18	35
Nonmanufacturing.....	1,167	2	155
Wholesale and retail trade.....	415	13	-48
Government.....	267	134	71
Federal.....	29	0	30
State and local.....	238	134	41
Service and miscellaneous.....	218	-21	62
Contract construction.....	176	-38	15
Transportation.....	73	-21	13
Finance, insurance, and real estate.....	70	27	2
Public utilities.....	-43	1	0
Mining.....	-9	-93	40

¹ Based on preliminary data for December.

² See Table D-22, footnote 1, for types of workers included.

Source: Department of Labor.

During the long steel strike, which began on July 15 and continued until suspended by injunction on November 7, employment ultimately declined by more than 500,000 persons in the industries affected, exclusive of the steel industry, whose striking workers also numbered approximately 500,000.

In the early weeks of the stoppage, employment fell by less than 100,000, almost all the decline occurring in the mining and transportation industries, which service steel production. Layoffs in steel-using industries increased slowly at first. By the middle of October, however, work forces were being cut back rapidly as inventories were drawn down. Because of the need to replenish working stocks of steel, additional layoffs occurred in some steel-using industries for nearly a month after the mills were reopened. Employment ceased to expand in most other major industries during the period of the strike; but as steel output was resumed in November, employment began to recover rapidly.

UNEMPLOYMENT

Unemployment in 1959 averaged 3.8 million or 5.5 percent of the civilian labor force, compared with 4.7 million, or 6.8 percent, in the previous year. During the spring and early summer, the number unemployed was reduced to about 5 percent of the labor force, seasonally adjusted, as employment expanded and furloughed employees were recalled. However, for reasons associated with the strike in the steel industry, the number increased in the third quarter. This trend was reversed during the final months of the year, and in December unemployment was 5.2 percent of the civilian labor force, seasonally adjusted.

The individuals comprising the jobless group changed substantially in every month of 1959, as people seeking work found jobs or retired from the labor force, and as others became unemployed or began to look for work. On the average, about 1.8 million persons became unemployed, voluntarily or involuntarily, each month, and nearly 1.9 million found work or left the labor market. During the spring, the number of people newly unemployed (i.e., those seeking work for less than 5 weeks) declined to pre-recession levels; it increased again in the autumn, with the spreading effects of the steel strike. The number unemployed for periods of 15 weeks or more, which had reached the high figure of almost 2 million in 1958, declined rapidly in the first half of 1959 but did not change much thereafter. By December, this group had been reduced by 1 million, but it still numbered about 300,000 more than before the recession.

Unemployment during the recession increased most among men aged 20 to 44; correspondingly, the reduction during recovery was greatest for this group. Rates of unemployment were also reduced, but not so substantially, for younger people, for men over 65, and for women. Unemployment among married men living with their families—the group most firmly committed to the labor force—averaged 3.6 percent of their number in the labor force during 1959, compared with 5.1 percent in 1958 and 2.8 percent in 1957. The increase of unemployment attributable to the steel strike occurred chiefly among men.

During the recession, unemployment was highest in durable goods manufacturing, mining, rail transportation, and construction. But by May 1959, unemployment rates in these industries had been sharply reduced

by extensive recalls of laid-off employees and by shifts of workers to other lines of activity. Rates of unemployment for less experienced workers, employees in mining and construction, and nonwhite workers remained higher in 1959 than before the recession.

Insured unemployment, which covers only persons eligible to draw unemployment compensation benefits, declined rapidly in the first half of 1959. By July, the number in this group was 1.4 million, or about 3.3 percent of the number of insured employees; this was approximately the level prevailing before the recession. Beginning in August, insured unemployment, seasonally adjusted, increased again, as employees laid off in industries related to steel production filed claims for benefits. By the end of the year, 2.1 million people, or 5 percent of insured employees, were claiming benefits. In all, about \$2.6 billion was paid in unemployment benefits in 1959; payments in 1958 totaled \$4.2 billion.

The general expansion of employment is reflected in data on employment conditions in the Nation's 145 major continental labor markets. In July 1958, 86 major urban areas were officially classified as "areas of substantial labor surplus," indicating unemployment in excess of 6 percent of the labor force. The number was reduced to 73 in January 1959, to 43 in July, and to 29 in November. Of the major areas where unemployment remained relatively high in November, 21 were in New England or other eastern States. In this month, 116 of the 145 areas were classified in categories indicating a rate of unemployment lower than 6 percent, in contrast to 59 in July 1958; of the 116 areas, 27 (including 11 in the midwestern industrial region) had unemployment rates lower than 3 percent. Surveys indicated that, while there were adequate numbers of workers in nearly all of the Nation's labor markets, persons seeking work often lacked the skill or training required for the job opportunities that were available. Shortages of professional, scientific, clerical, and skilled manpower are the rule in most labor markets.

HOURS OF WORK AND EARNINGS

The average length of the workweek of production employees in manufacturing industries turned upward in March 1958 and increased without significant interruption through June 1959. From the low point in February 1958, the average workweek increased by 2.3 hours, or 6 percent—a larger expansion than occurred in the corresponding period of the 1954–55 recovery. Increases were greatest in the durable goods industries, but they were substantial also in nondurable goods and nonmanufacturing industries.

Longer workweeks normally mean more overtime hours of work and result in sharply increased hourly, as well as weekly, earnings. An increase in overtime was general throughout manufacturing industry in the first half of 1959 and was especially important in the industries producing primary and fabricated metals, machinery, textiles, and rubber products.

The annual rate of flow of labor income was augmented by \$29 billion between April 1958 and June 1959. This rise of 12 percent in 14 months of recovery and expansion was larger than that in the corresponding 14-month period from July 1954 to September 1955. Important elements of the increase were the longer workweeks and higher employment, which have already been noted, and the substantial increase in hourly earnings resulting from higher wage rates and increased overtime (Table B-14). Average weekly earnings of production workers in manufacturing industries rose from \$80.81 in April 1958 to \$91.17 in June 1959, or by nearly 13 percent; and the increase in real purchasing power was nearly as great, since prices of consumer goods advanced only a little during this period.

TABLE B-14.—*Expansion of labor income and related items during 14 months following cyclical low points*

Item	Percentage increase ¹		
	October 1949 to December 1950	July 1954 to September 1955	April 1958 to June 1959
Income:			
Labor income ²	21.3	10.4	12.0
Wage and salary disbursements in manufacturing.....	32.1	13.4	17.7
Employment:			
Nonagricultural employment ³	9.2	5.2	4.7
Manufacturing ⁴	15.4	6.0	8.4
Hours and earnings for production workers in manufacturing industries:			
Average weekly earnings: Gross.....	15.6	9.6	12.8
Average weekly "real" earnings ⁵	9.8	9.9	11.9
Average hourly earnings: Gross.....	10.8	5.6	6.2
Wage rate ⁶	7.8	4.4	4.2
Overtime, etc.....	3.0	1.2	2.0
Average weekly hours.....	4.1	2.8	4.9

¹ Percentage increases are based on seasonally adjusted data for all series except weekly and hourly earnings.

² Wage and salary disbursements and other labor income.

³ Employees in nonagricultural establishments: See Table D-22, footnote 1, for employees included.

⁴ All employees.

⁵ Based on earnings in current prices divided by the consumer price index on a 1947-49 base.

⁶ Excludes overtime and interindustry shifts.

Sources: Department of Commerce and Department of Labor.

Labor income declined during the steel strike from an annual rate of \$272 billion in June to \$269 billion in October; by December, it had increased again, to \$274 billion. Lower employment, reduction of the average workweek, and reduction of average hourly and weekly earnings—because the employees on strike or laid off had been employed in relatively high-paid industries—were important factors in the decline.

DEVELOPMENTS IN COLLECTIVE BARGAINING

Wage rates continued to rise and fringe benefits continued to grow in 1959. Wage increases were put into effect for 7 million employees, about

TABLE B-15.—*Distribution of employees receiving wage increases under major labor agreements, by size of increase, 1956-59*¹

Item	1956	1957	1958	1959 ²
Employees receiving wage increases:				
Number (millions).....	7.5	7.6	7.2	7.0
	Percent			
Percentage distribution:				
Total.....	100	100	100	100
Under 5 cents.....	1	2	4	³ 29
5 and under 9 cents.....	19	21	23	28
9 and under 13 cents.....	62	30	32	35
13 and under 17 cents.....	8	38	22	6
17 cents and over.....	7	5	18	2
Not specified or computed.....	3	2	2	2

¹ Includes cost of living, deferred, and newly negotiated wage increases received under collective bargaining situations affecting 1,000 or more employees and coming to the attention of the Department of Labor. Excludes construction, services, finance, and government.

² Preliminary.

³ In 1959, 13 percent of employees receiving wage increases received less than 3 cents, and 16 percent received 3 cents to 5 cents.

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

Source: Department of Labor.

85 to 90 percent of those covered by major labor agreements (Table B-15). The average wage increase was smaller in 1959 than in 1958 primarily because cost of living changes were smaller. The most common increase was about 9 cents per hour, compared with about 12 cents in 1958.

Settlements negotiated in 1959 were concentrated in nondurable goods manufacturing and in nonmanufacturing industries and affected nearly 3 million workers. As in 1958, negotiated wage increases averaged 7 or 8 cents per hour, and fringe benefits were improved in 7 out of 10 major contracts. Revisions of health and welfare plans were the most frequent type of fringe improvement. Relatively few settlements were concluded in heavy industries in 1959; negotiations were not completed in railroads; settlement of the steel dispute was not reached until January 4, 1960; and contracts negotiated in earlier years and providing for deferred increases were already in existence in the automobile and related industries.

The steel agreement provided for wage rate increases which, including incentive pay effects, average 9.4 cents per hour, effective on December 1, 1960, and 8.6 cents per hour on October 1, 1961, in addition to liberalized insurance and pension benefits. The companies will assume immediately employee contributions for insurance, thus increasing hourly take-home pay by about 6½ cents. Steel companies estimate the increase in hourly employment costs by the end of the 30-month contract period at 39 to 41 cents, including maximum effects of cost of living adjustments and indirect effects on premium pay for overtime, social security, holidays, etc. This settlement involves substantially smaller percentage hourly employment cost increases than in previous postwar steel settlements.

In the construction trades, about 9 out of 10 union wage scales were raised in 1959, about the same proportion as in prior years. The average increase

for all scales was about 16 cents per hour, compared with 15 cents in 1957 and 1958.

Longer-term contracts and the use of cost of living escalator clauses continued to be important in 1959. However, cost of living increases were much smaller than in 1958, amounting to 1 cent per hour in steel, 3 cents in railroads, 3 cents in the automobile and related industries, and 2 cents in major bargaining situations in the trucking industry. Several new agreements reached in 1959 placed limits on cost of living adjustments. Agreements in the aluminum industry and in can manufacturing limited adjustments to a maximum of 3 cents in each of the second and third years of the contract. In the steel industry, the agreements concluded in January 1960 also limited such increases to 3 cents in each of the last two years of the contract period, and provided that increases due under these clauses will be used to offset anticipated higher costs of insurance. Deferred increases, most commonly amounting to 6 or 7 cents an hour, became effective for 2¼ million workers in 1959.

Concern with problems of unemployment was evident in the terms of some settlements. Severance pay was established or liberalized, and in two instances funds were established to cushion the impact of technological change on employment.

Extended work stoppages occurred in 1959 in the basic steel, nonferrous metals, meat-packing, and rubber industries. For the year as a whole, the number of strikes recorded and the number of workers involved were not notably high, judged by experience since World War II, but the number of man-days of idleness due directly to labor-management disputes was estimated at 69 million, the highest total for any year since 1946. The 116-day steel strike, lasting from July 15 to November 7, accounted for more than one-fourth of the 1.9 million workers directly involved in strikes during the year, and for about 60 percent of the time lost.

III. Agriculture

Despite less favorable weather, output on the Nation's 4.6 million farms in 1959 slightly exceeded the record volume attained in 1958 and was 25 percent above the 1947-49 average. Crop production was virtually unchanged, while livestock production increased slightly. The corn harvest increased by 560 million bushels, to a new high of 4.4 billion, and cotton output rose by 3.2 million bales, to 14.7 million. These gains offset a decrease of 330 million bushels in wheat and sizable declines in oats, barley, and soybeans. Production of hogs, broilers, and eggs increased substantially while milk production declined somewhat.

OVERPRODUCTION AND EXCESS STOCKS

Food and natural fiber production in 1959 was so great that it exceeded, once again, the absorptive capacity of domestic and foreign demand. As a consequence, carryover stocks, already excessive, continued to grow. The magnitude of present and prospective stocks is indicated by the data in Table B-16.

TABLE B-16.—*Carryover of grains, cotton, and tobacco, 1957-59, and prospect for 1960*¹

Crop	1957	1958	1959	1960 ²
Million short tons				
Grains (5):				
Total.....	76.2	85.5	105.8	121.0
Wheat.....	27.3	26.4	38.4	41.0
4 feed grains.....	48.9	59.1	67.4	80.0
Government financed.....	65.9	74.8	93.3	109.0
Million bales				
Cotton:				
Total.....	11.3	8.7	8.9	9.0
Government financed ³	8.5	3.4	7.0	6.7
Million pounds (farm-sales weight)				
Tobacco:				
Total.....	4,414	4,164	3,976	3,800
Government financed.....	1,028	1,000	958	600

¹ Inventory date is July 1 for wheat, oats, and barley; October 1 for corn and grain sorghums; August 1 for cotton; July 1 for flue-cured types (11-14) of tobacco and cigar wrapper types (61-62), and October 1 for all other types of tobacco.

² Prospective.

³ Fiscal and not operating data.

Source: Department of Agriculture.

The stock of 121 million tons of five grains expected to be on hand by the summer and fall of 1960 exceeds by 70 million tons the estimated size of reserves required to meet the initial needs of defense emergencies and all but the worst weather contingencies. Cotton stocks also are much in excess of a desirable carryover.

The major part of total stocks is in Government hands and constitutes a burden on the Federal budget. This ties up sizable amounts of Federal funds: during the fiscal year 1960, Commodity Credit Corporation investment in inventory and loans may at times reach nearly \$10 billion, and by June 30, 1960 it is expected to be about \$9 billion. Expenditures during the year for storage, transportation, and interest will exceed \$1.25 billion, and substantial losses will be incurred as those commodities are disposed of in domestic and export markets.

MAGNITUDE OF OUTPUT

As Table B-17 indicates, United States agricultural output increased slowly during the three decades preceding World War II, and then advanced steeply during the two decades from 1940 through 1959. Output

TABLE B-17.—Output of farm products, 1910-59

Product group	1910-19 average	1920-29 average	1930-39 average	1940-49 average	1950-59 average ¹	1958	1959 ¹
Million short tons							
Crops:							
14 major food and feed crops.	(²)	150	136	180	208	253	250
8 grains.....	³ 123	129	112	148	168	205	203
3 root crops ⁴	(²)	19.9	22.1	23.7	25.9	29.3	30.1
3 oil-bearing crops ⁵7	.9	1.9	7.4	13.5	19.4	17.6
29 commercial vegetables.....	(²)	(²)	(²)	13.1	17.0	18.2	17.3
15 fruits.....	8.4	10.6	12.6	15.9	16.9	17.6	18.2
Cotton.....	3.1	3.2	3.2	2.9	3.3	2.8	3.5
Tobacco.....	.6	.7	.7	.9	1.0	.9	.9
Livestock products:							
Red meat and poultry ⁶	(²)	(²)	9.3	12.6	14.9	15.9	16.7
Beef and veal.....	3.6	3.7	3.8	5.2	6.8	7.3	7.4
Lamb and mutton.....	.3	.3	.4	.5	.3	.3	.4
Pork, excluding lard.....	3.7	4.2	4.0	5.5	5.4	5.3	5.9
Poultry.....	(²)	(²)	1.0	1.5	2.3	3.0	3.1
Milk.....	(²)	⁷ 46.9	51.6	58.0	60.6	62.6	62.2
Eggs.....	1.8	2.2	2.3	3.3	3.9	4.0	4.1
1947-49=100							
Index of total output.....	64	70	73	95	112	125	125
All crops.....	73	78	76	95	106	118	118
All livestock and products ⁸	64	72	78	100	118	125	128

¹ Preliminary.

² Not available.

³ Excludes grain sorghums, which probably average 1 million tons.

⁴ Potatoes, sweet potatoes, sugar beets.

⁵ Soybeans, flaxseed, peanuts.

⁶ Dressed weight of slaughter.

⁷ 1924-29 average.

⁸ Meat animal component is based on live weight production on farms.

Source: Department of Agriculture.

was particularly large in 1958 and 1959 when, for the first time, annual grain production exceeded 200 million tons; this is 80 percent more than the average annual production during the decade before World War II. Production in 1959 of all kinds of meat, including poultry meat, exceeded 16 million tons, a rise of nearly 80 percent since the 1930's. Cotton and tobacco production have increased less rapidly.

The more than 200 million tons of grain and 16 million tons of meat currently produced in the United States compare with an estimated 125 million tons of grain and 7 million tons of meat produced in the Soviet Union in 1957-58, and with a total of 107 million tons of grain and 14 million of meat produced in the 17 member countries of the Organization for European Economic Cooperation (OEEC), Yugoslavia, and Spain. Yet the population of the Soviet Union is 30 million more than that of the United States, and the population of the 19 European countries is almost twice the United States total. Production per capita in the United States, averaging 2,325 pounds of grain and 185 pounds of meat, compares with 1,200 pounds of grain and 70 pounds of meat in the Soviet Union, and 625 pounds of grain and 80 pounds of meat in the 19 European countries.

GROWTH IN PRODUCTIVITY

The growth in United States farm output has been achieved through an extraordinary increase in production per unit of labor and per unit of land (Table B-18). Production per man-hour on farms in 1958 was more than three times the 1930-39 average. The increase in the last ten years was about 80 percent, a growth rate of 6 percent per year, or from 2 to 3 times the increase per year in nonfarm output per man-hour. Production

TABLE B-18.—*Indexes of productivity in agriculture, 1910-58*

[1947-49=100]

Output ratio	1910-19 average	1920-29 average	1930-39 average	1940-49 average	1950-58 average	1958
Per man-hour of farm work:						
All farm output.....	46	51	57	85	143	188
Livestock and products.....	72	75	74	92	126	144
Crops.....	46	50	55	85	146	203
Per acre:						
All crops ¹	80	80	77	96	106	126.
Corn.....	72	74	65	93	116	143
Wheat.....	84	83	79	101	116	162
Cotton.....	64	57	68	93	123	163
Per unit of capital:						
Livestock production per breeding unit ²	(³)	76	86	96	114	125
Farm output per unit of assets used...	(³)	(³)	(³)	97	100	108
Per unit of total input ⁴	73	74	80	95	109	123

¹ Aggregate index computed from variable yearly weights.

² Live weight of farm production of meat animals plus output of livestock products, per head of breeding stock.

³ Not available.

⁴ Aggregate farm output per unit of total input.

Source: Department of Agriculture.

per man-hour has increased much faster in crop production than in animal husbandry, since high mechanization and the heavy use of fertilizer in crops have had no equivalent counterparts in livestock production.

The national average production of crops per acre increased by 15 percent from 1946-48 to 1956-58. In view of the very large acreage devoted to farming and the wide variation in latitude and climatic conditions under which farming is carried on, this over-all productivity increase is most significant. Underlying it is an even more rapid rise in yields per acre of such important crops as wheat, corn, and cotton, which have been pushed in recent years to levels twice those in the decade prior to World War II. There is as yet no sign of a halt in the uptrend in yields per acre.

Although the increase in productivity has been less for livestock than for crops, livestock output per man-hour, per animal, and per dollar of total capital has shown sizable gains, especially since the 1940's.

Because, as described below, increasing quantities of resources other than labor and land have been employed in agriculture, productivity has risen less rapidly in terms of total input than in terms of labor and land. The ratio of output to total input is estimated to have increased at an annual rate of about 2 percent during the last ten years, and to have been more than 50 percent higher in 1959 than in the 1930's. This increase in efficiency is the composite result of greater precision in apportioning and coordinating factors of production, the use of improved crop varieties and hybrid animals, a reduction of losses by plant and animal protection, and—most important of all—the increased managerial skill of farm operators.

CHANGES IN TYPES AND RATES OF INPUT

The changes in technology and management in agriculture leading to the remarkable growth in output per man-hour and in output per acre of land have involved extensive shifts in the mix of factors of production. By 1958, labor input had been reduced to scarcely half that used in 1930-39 (Table B-19). Much labor has been replaced by capital. Investment in labor-saving machinery has increased greatly, and purchases of petroleum fuels have multiplied several times. The 1958 inputs of mechanical power and machinery, including fuels, were more than 2.5 times the inputs in the decade prior to World War II, owing in part to the substantially faster increase in farm wage rates than in prices of farm machinery and motor fuels.

A second important factor has been the increase in the application of purchased plant nutrients to crops and pastures. Commercial fertilizer applied in 1958 was 5 times the 1930-39 average. In addition to intensive application to cotton, truck crops, root crops, soybeans, and irrigated pasture, the use of fertilizer in the production of feed crops has increased rapidly in recent years. According to the latest Census of Agriculture data, the amount of nitrogen used on corn, oats, and barley in 1954 was 3 times that in 1947. A comparatively stable cost has encouraged this larger use of

TABLE B-19.—Indexes of agricultural inputs, 1910-58

Item	1910-19 average	1920-29 average	1930-39 average	1940-49 average	1950-58 average	1958
1947-49=100						
Aggregate inputs: ¹						
Total.....	88	94	92	100	102	101
Farm real estate.....	95	96	94	97	105	105
Farm labor.....	140	139	129	113	79	66
Mechanical power and machinery.....	35	47	50	78	133	137
Fertilizer and lime.....	22	29	31	77	147	166
Feed, seed, livestock services ²	23	37	38	88	119	141
Paid vs. unpaid inputs:						
Paid.....	58	70	70	93	112	117
Unpaid ³	134	133	126	108	90	82
Labor.....	148	149	139	115	79	64
Capital.....	96	90	91	88	120	128
Short tons						
Concentrate feeds:						
Supply per animal unit.....	(4)	⁵ 0.81	0.78	0.91	1.14	⁶ 1.36
Fed per animal unit.....	(4)	⁵ .69	.64	.73	.80	⁶ .87

¹ Proportion of total inputs:

	Farm real estate	Farm labor	Mechanical power and machinery	Fertilizer and lime	Feed, seed, livestock services	Miscellaneous
1940.....	14.4	56.4	9.5	1.6	5.4	12.7
1958.....	14.9	29.6	21.7	5.5	11.6	16.7

² Nonfarm inputs associated with farmers' purchases.

³ Farm operator and family labor plus inputs of real estate and other capital owned by farm operator.

⁴ Not available.

⁵ 1927-29 average.

⁶ 1957-58 feeding season.

Source: Department of Agriculture.

fertilizer. For instance, the 1959 price of \$1.06 per unit of 20 pounds of pure nitrogen, in the form of anhydrous ammonia, differed little from the average for the last 25 years. The marginal return for expenditures on fertilizer appears to have continued high. For 1954 it is estimated to have been \$3.00 per dollar spent on fertilizer for corn, \$2.27 for soybeans, \$1.55 for grain sorghum, \$1.62 for barley, \$1.44 for oats, and \$2.26 for wheat. Since then, it appears to have been reduced somewhat, as prices of those commodities have declined.

Another input factor that has contributed to the expansion of output is the application of supplementary sprinkler irrigation in subhumid and humid climates, which is being used increasingly in connection with nitrogen fertilizer. Also, such inputs as commercial mixing of feed, pesticides and other materials, the services used in livestock production, selective weed-killing chemicals, and related items used in crop production have been rising rapidly.

When all inputs are combined, their total traces a slowly rising long-term trend. During the last few years, however, withdrawal of land from use by the Soil Bank and continued reductions in labor inputs have brought some declines in total inputs.

Indicative of the changing mix of inputs is the shifting proportion between those which are "paid" and "unpaid." The former refer to cur-

rent cash costs, the latter to farm family labor and owned capital including land. Paid inputs increased by two-thirds from 1930-39 to 1958; unpaid declined by one-third. The increase in paid inputs, reflecting greater commercialization in farming, makes agriculture increasingly sensitive to the prices of goods and services that farmers buy—prices that recently have been rising.

CHANGING ORGANIZATION OF AGRICULTURAL RESOURCES

The rapid increase in productivity in agriculture has been a major factor in releasing resources for use in the industrial economy. Only 8½ percent of the civilian labor force is now engaged in agricultural production on the farm; the remainder is available to the nonfarm economy.

High productivity in agriculture, reducing labor needed for farm production, was achieved as profound structural changes in agricultural resources took place. The number of farms declined from 6.7 million in the 1930's to 4.6 million in 1959 (Table B-20). The average size increased by approximately 100 acres. Yet the total acreage of cropland

TABLE B-20.—*Agricultural resources in use, 1910-59*

Item	Unit	1910-19 average	1920-29 average	1930-39 average	1940-49 average	1950-59 average ¹	1958	1959 ¹
Farms:								
Number.....	Millions.....	6.5	6.5	6.7	6.0	5.1	4.7	4.6
Cropland per farm.....	Acres.....	69	72	72	78	92	99	101
Grazing land per farm ^{2,3}	Acres.....	37	53	66	89	111	121	124
Cropland:								
Total.....	Million acres.....	447	470	477	470	472	470	470
Harvested ⁴	Million acres.....	332	350	335	344	323	321	325
Idle, fallow, soil improvement.....	Million acres.....	42	52	74	60	81	83	79
Pasture.....	Million acres.....	73	68	68	66	68	66	66
Grazing land:								
In farms ^{2,3}	Million acres.....	240	347	442	535	570	575	575
Not in farms ²	Million acres.....	607	592	502	413	350	320	320
Manpower:								
Family workers.....	Millions.....	10.1	9.7	9.4	8.0	6.4	5.6	5.5
Hired workers.....	Millions.....	3.4	3.4	2.9	2.4	2.1	2.0	1.9
Man-hours used in farm work.....	Billions.....	23.3	23.3	21.7	18.9	13.0	11.1	11.1
Power and machinery:								
Horses and mules.....	Millions.....	25.9	22.9	16.8	11.9	4.9	3.4	3.1
Tractors.....	Millions.....	(⁵)	.5	1.1	2.3	4.2	4.7	4.8
Trucks.....	Millions.....	(⁵)	.5	.9	1.5	2.6	3.0	3.1
Automobiles.....	Millions.....	.6	3.1	3.8	4.3	4.2	4.3	4.3
Combines.....	Millions.....	(⁵)	(⁵)	(⁵)	.4	.9	1.0	1.1
Livestock on farms:								
Grain consuming.....	Million units.....	140	152	147	168	164	⁶ 161	⁶ 171
Per farm.....	Units.....	22	23	22	28	32	34	37
Roughage consuming.....	Million units.....	87	86	85	89	92	⁶ 92	⁶ 95
Per farm.....	Units.....	14	13	13	15	18	19	21
Units of production ⁷	Millions.....	124	138	136	167	176	181	191

¹ Preliminary.

² Averages for census years, except 1958 and 1959.

³ Permanent pasture and woodland pasture; excludes cropland pasture.

⁴ Census concept of land area.

⁵ Less than 50,000.

⁶ Feeding year beginning during previous calendar year.

⁷ Based on concentrate feed.

Source: Department of Agriculture.

declined slightly. Moreover, in 1959 only 69 percent of cropland was actually used for harvested crops; of the other 31 percent, much is reserve capacity. Even so, at present yields per acre, the number of acres used for harvested crops is too great relative to the effective demand.

The number of tractors, trucks, and automobiles on farms increased from 5.8 million in the 1930's to 12.2 million in 1959, or from less than 1 per farm to nearly 3 per farm. The value of the inventory of machinery and motor vehicles increased from \$3.1 billion in 1940 to \$18.4 billion in 1959.

INCREASING PREDOMINANCE OF LIVESTOCK PRODUCTION

Among agriculture's major structural changes is the shift in land utilization toward more animal husbandry. Some 960 million acres of land are used for grazing animals. In 1959, 154 million acres were planted to the 4 feed grains and 23 million acres to soybeans—all sources of concentrate feed. The milling and other processing by-products of oilseeds, sugar beets, other bread grains, and other food cereals, as well as the by-products of the dairy and meat-packing industries, are converted to food by animals.

As the farmers' managerial skill in primary production of vegetable matter increased, the secondary livestock industry expanded, converting more and more feed into animal products in response to increasing consumer demand. Livestock and products contributed roughly 57 percent to the cash receipts from marketing in 1959.

The number of grain-consuming animal units (each equivalent to 1 milk cow) increased from 147 million in the 1930's to 171 million in 1959 (Table B-20). With an increase in output per animal, livestock production rose even more—from 136 million units (each equivalent to the milk produced from 1 milk cow) to 191 million units. The value of all livestock on farms in 1959 was \$18.1 billion, considerably above the value of \$5.1 billion in 1940.

FARMERS' INCOME AND FINANCIAL POSITION

Realized gross income from farming (including cash receipts from farm marketings, Government payments to farmers, home consumption of farm products, and the rental value of farm dwellings) declined from \$38.3 billion in 1958 to \$36.9 billion in 1959. With a slightly increased volume of farm marketings, prices averaged about 4 percent less in 1959 than in 1958. Because of increased prices of production cost items, farm operators' realized net income from farming (Table B-21) was probably \$11.0 billion in 1959, compared with \$13.1 billion in 1958, \$11.0 billion in 1957, and \$12.0 billion in 1956. Since the number of farms has been declining, the average of \$2,363 per farm operator, while \$404 less than in 1958, was about equal to the average for 1954-57.

Despite rapid adjustments in the structure of resources and the number and size of operational units, average income of farm operators has not

shown the same advance that has generally characterized the nonfarm economy. On the other hand, many farm people, particularly those living on units with a small income-earning capacity, have availed themselves of the opportunities afforded by general economic expansion and are earning income outside the farm. In 1959, farmers' income from nonfarm sources amounted to \$6.7 billion, compared with \$6.3 billion in 1958 and \$6.6 billion in 1957. The average total net income per capita of the farm population from all sources was \$960 in 1959, compared with \$1,043 in 1958 and \$933 in 1957.

TABLE B-21.—Farmers' income and financial position, selected periods, 1935-59

Item	1935-39 average	1947-49 average	1953	1956	1958	1959 ¹
Billions of dollars						
Realized net income: ²						
Operators', from farming.....	4.7	15.7	13.9	12.0	13.1	11.0
Farm population, all sources.....	7.7	22.7	21.7	20.5	21.2	19.6
From farming ³	5.4	17.6	15.7	13.8	14.9	12.9
Nonfarm sources.....	2.3	5.1	6.0	6.7	6.3	6.7
Assets of farmers ⁴	(5)	124.0	163.0	168.0	186.0	203.0
Machinery.....	(5)	7.2	15.6	16.7	17.4	18.4
Livestock.....	(5)	13.2	14.8	10.7	14.1	18.1
Real estate debt ⁴	(5)	5.1	7.3	9.1	10.5	11.3
Other debt ⁴	(5)	4.6	8.8	9.8	9.7	12.0
Proprietors' equities ⁴	(5)	114.0	147.0	149.0	166.0	180.0
Dollars						
Operators' realized net income from farming per farm ²	713	2,708	2,619	2,421	2,767	2,363
Average net income of farm population from all sources, per capita ⁶	251	851	931	897	1,043	960

¹ Preliminary.

² "Realized" income as received, without adjustment for change in inventories. Includes Government payments.

³ Operators', plus farm wages received by farm residents.

⁴ For other items not shown separately, see Table D-71. Preliminary estimate for January 1960: Assets, total, 208; real estate debt, 12.0; other debt, 12.0; proprietors' equities, 184.

⁵ Not available.

⁶ Based on total net income, which includes net change in inventories.

Source: Department of Agriculture.

Agriculture as an industry continues to be in a financially strong position. Total agricultural assets have risen steadily for many years; the increase in 1959 was 2.5 percent, to \$208 billion at the end of the year. This value was 68 percent above the 1947-49 average and 293 percent above that for 1940. Farm real-estate debt at the end of 1959 was about 6 percent higher than at the end of 1958, or more than twice the 1947-49 average. Yet total liabilities, including non-real-estate debt, amounted to only 11.5 percent of total assets; thus proprietors' equities of \$184 billion were 56 percent higher than in 1950 and 328 percent higher than in 1940. The foreclosure rate of 1.6 per 1,000 farms for the year ended March 15, 1959 was near the very favorable low average of the last decade; since March, the rate probably has changed very little.

CHANGES IN DEMAND FOR FOOD

The structural change in the resources used in agriculture, as well as the shift to more animal production, has been induced by the general expansion of the United States economy, rising consumer incomes, and the resulting trend in demand toward preferred food commodities within a better balanced diet.

TABLE B-22.—*Civilian food consumption, per capita, selected periods, 1935-59*

[Pounds]

Food group	1935-39 aver- age	1947-49 aver- age	1953	1956	1958	1959 ¹
Red meat and poultry.....	143	170	182	196	186	194
Beef and veal.....	64	75	87	95	87	87
Lamb and mutton.....	6.8	4.8	4.7	4.4	4.1	4.5
Pork, excluding lard.....	56	68	64	67	61	67
Chicken and turkey ²	15.6	22.0	26.7	29.8	34.1	35.8
Eggs.....	37.5	48.8	49.3	47.8	45.6	46.3
Fluid milk and cream.....	330	359	348	354	345	348
Cheese.....	5.6	7.0	7.5	8.0	8.2	8.3
Other milk products ³	75	102	98	96	96	90
Fats and oils, fat content.....	45	42	44	45	46	46
Fruits, farm weight equivalent.....	187	212	202	199	188	198
Vegetables, farm weight equivalent.....	193	227	228	230	226	221
Cereal products ⁴	215	185	171	162	161	160
Dry beans and peas.....	9.4	7.3	8.2	8.7	7.8	8.4
Potatoes and sweet potatoes.....	152	127	114	107	107	110
Sugar, refined.....	97	95	98	98	98	98

¹ Preliminary.

² Ready-to-cook weight.

³ Excluding butter. Milk equivalent, fat solids basis.

⁴ Includes corn sugar and sirup.

Source: Department of Agriculture.

TABLE B-23.—*Caloric and protein content of daily food consumption of civilians, per capita, 1935-59*

Food group	Quantity			Percent of total consumption		
	1935-39 average	1947-49 average	1959 ¹	1935-39 average	1947-49 average	1959 ¹
Number of calories						
Total.....	3,314	3,270	3,210	100	100	100
Foods of livestock origin ²	795	938	986	24	29	31
Fats and oils ³	633	628	661	19	19	21
Flour and cereal products.....	921	778	668	28	24	21
Potatoes and sweet potatoes.....	133	108	103	4	3	3
Sugar and sirup.....	517	504	498	16	15	15
Other foods.....	316	314	295	9	10	9
Grams of protein						
Total.....	91	95	96	100	100	100
Foods of livestock origin ²	49	58	63	54	61	65
Flour and cereal products.....	26	22	19	29	23	20
Other foods.....	16	15	14	17	16	15

¹ Preliminary.

² Excludes fat cuts and butter; includes fish.

³ Includes fat cuts and butter.

Source: Department of Agriculture.

According to the data in Table B-22, the civilian per capita consumption of red and poultry meat increased by 24 pounds between 1947-49 and 1959. By contrast, consumption of wheat products declined by 18 pounds in the same period, and of all cereal foods by 25 pounds.

Of the total caloric content of the American diet in 1959, 31 percent was derived from foodstuffs of livestock origin; in 1935-39, those foods contributed 24 percent of the total (Table B-23). The share of the total caloric intake in 1959 obtained from the starchy items, such as bread, cereals, potatoes, and sweet potatoes, was only 24 percent, appreciably less than in 1935-39. Animal protein made up 65 percent of all protein consumed in 1959, compared with 54 percent in 1935-39. Nevertheless, there is no indication that per capita consumption of animal products has reached saturation.

SCOPE AND DEGREE OF MALADJUSTMENT

The problems of commercial agriculture are chiefly the result of oversupply—a supply which exceeds even the very strong domestic, and fairly strong foreign, demand—and rising costs of production. Changes in the output of major commodity groups measured in pounds per capita of the total population of the United States are given in Table B-24. The most impressive change shown is for the output of all grains, root crops, and oil-bearing crops; on a per capita basis, the output of these crops in 1959 was about 260 pounds, or 10 percent, above the high average for 1940-49.

TABLE B-24.—*Agricultural output per capita of total population, 1910-59*

[Pounds]

Product group	1910-19 average	1920-29 average	1930-39 average	1940-49 average	1950-59 average ¹	1959 ¹
Crops:						
14 major food and feed crops	(²)	2,619	2,148	2,572	2,534	2,831
8 grains	³ 2,470	2,257	1,769	2,126	2,052	2,291
3 root crops ⁴	(²)	347	348	340	316	340
3 oil-bearing crops ⁵	13	15	31	107	165	199
29 commercial vegetables	(²)	(²)	(²)	188	208	195
15 fruits	169	185	199	228	206	206
Cotton	62	55	50	41	40	40
Tobacco	12	12	11	13	12	10
Livestock products:						
Red meat and poultry	(²)	(²)	146	181	182	188
Beef and veal	73	64	61	74	83	83
Lamb and mutton	6	5	7	7	4	4
Pork, excluding lard	74	74	63	79	66	67
Poultry	(²)	(²)	15	21	29	35
Milk	(²)	⁶ 794	813	830	739	703
Eggs	36	38	36	47	47	46

¹ Preliminary.

² Not available.

³ Excludes grain sorghums.

⁴ Potatoes, sweet potatoes, sugar beets.

⁵ Soybeans, flaxseed, peanuts.

⁶ 1924-29 average.

Source: Department of Agriculture.

Correction of the existing maladjustment would require persistent efforts to lower output toward market equilibrium and to dispose of the accumulated excess carryover of commodities with the least possible market impact. The magnitude of the problem is demonstrated by the size of the surplus: the excess carryover of grain would feed all the Nation's livestock for almost six months; if converted over a period of six years into meat, it would yield more than 1 million short tons (carcass weight) per year, or more than 500,000 short tons of canned meat. The excess stocks of cotton would run the cotton mills for six months. Obviously, correction requires an adjustment of production to effective demand. Until this adjustment is accomplished, the problem of surpluses will—even when seemingly dormant—remain a cause of public concern.

IV. United States Foreign Trade and Payments

The United States has had a large deficit in its balance of payments for the greater part of two years; over most of this period, it has ranged around \$4 billion, on an annual rate basis, as measured by net transfers of gold and recorded liquid dollar assets to foreign ownership. The main constituents of the deficit have varied much more widely, however, with partially offsetting changes in goods and services and in capital movements.

There were indications in the second half of 1959 that the deficit was diminishing. The third quarter brought a substantial rise in exports, seasonally adjusted, for the first time in two years (Table B-25). Imports, which had been increasing rapidly, held steady, on a seasonally adjusted basis, and the net outflow of United States capital on private and public

TABLE B-25.—United States balance of payments, 1953-55 average and 1956-59

[Billions of dollars]

Payment or receipt	1953-55 (annual average)	1956	1957	1958	1959		
					First quarter	Second quarter	Third quarter
					Seasonally adjusted annual rates		
United States payments ¹	20.5	25.8	27.4	27.1	26.6	29.4	29.4
Merchandise imports.....	11.0	12.8	13.3	12.9	14.2	15.7	15.8
Services and military expenditures ²	5.9	7.0	7.6	8.0	7.9	8.2	8.1
Remittances and pensions.....	.6	.7	.7	.7	.7	.7	.8
Government grants and related capital outflows (net).....	2.1	2.6	2.6	2.4	2.6	2.2	2.5
United States private and other Gov- ernment capital outflows (net).....	.9	2.8	3.2	3.0	³ 1.2	⁴ 2.5	2.2
United States receipts ¹	18.6	24.2	27.1	23.2	22.5	23.5	25.2
Merchandise exports.....	13.1	17.4	19.4	16.2	15.2	15.7	17.3
Services and military transactions.....	5.2	6.3	7.3	7.0	6.9	7.0	7.4
Foreign long-term investments in United States.....	.3	.5	.4	(⁵)	.3	.8	.5
Errors and omissions (net receipts).....	.3	.6	.7	.4	.5	1.4	(⁵)
Increase in foreign gold and liquid dollar assets through transactions with the United States.....	1.6	1.0	- .5	3.4	³ 3.7	⁴ 4.5	4.2

¹ Transfers of military aid are excluded both from exports (under receipts) and from grants (under payments).

² Includes United States military expenditures abroad, in billions of dollars as follows: 1953-55, 2.7; 1956, 3.0; 1957, 3.2; 1958, 3.4; 1959, 3.1 (first 3 quarters at an annual rate).

³ Reflects \$150 million advance repayment by Germany on postwar debt to the United States.

⁴ Excludes \$1,375 million for increase in United States subscription to the International Monetary Fund.

⁵ Less than \$50 million.

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

Source: Department of Commerce.

account combined showed no change from the second to the third quarter, at a level lower than in 1958. Total recorded receipts thus increased in the third quarter, while total recorded payments leveled out, but the improvement was only partially reflected in a decrease in net transfers of gold and liquid dollar assets to other countries. This discrepancy (which is reflected in the wide shifts in the errors and omissions item of the balance of payments) is believed to be attributable to lags in crediting payments to foreign accounts, with the result of understating gold and dollar transfers in the second quarter and of overstating them in the third. Incomplete data for the fourth quarter show a much lower rate of transfer of such assets, partly because of a \$250 million repayment by the United Kingdom to the Export-Import Bank.

Development of the Deficit

With respect to the evolution of the deficit, it is relevant to note that in the last several years the United States would have had to achieve an extraordinarily rapid growth in its earnings from exports and other receipts to match, within the same period, the swift rise which occurred in its payments.

As a starting point for this comparison, the years 1953-55 may be taken. This was a relatively quiet period between the disturbances associated with the Korean conflict and those produced by the Suez crisis. It may be noted, however, that the United States was in deficit in its balance of payments at that time, in the sense of transferring gold and liquid dollar assets to other countries at a rate averaging some \$1.6 billion annually. These transfers were related, on the one hand, to the position of the United States as an international reserve center and, on the other hand, to the needs of other countries to reconstitute, and to add to, their exchange reserves as international trade expanded.

Measured from the 1953-55 average, United States payments to other countries rose, with some irregularity, by almost \$9 billion, or 43 percent, to the second and third quarters of 1959. All of the main categories of payments contributed to this increase, as may be seen in Table B-25 (also Chart 11 in Chapter 2). The magnitude of this expansion, as well as the adjustment problem which it presented for exports, is brought out by the fact that the total value of world trade rose by only about 30 percent over the same period.

A striking feature of the evolution of the United States balance of payments is that until mid-1957 the rise, relative to 1953-55, in export earnings and other receipts was even faster than the rise in payments. The underlying circumstances proved, however, to be short-lived. Starting in the latter part of 1957, total receipts fell back sharply and then fluctuated for a time before recovering in the third quarter of 1959 to the level reached three years before, that is, some 36 percent higher than in 1953-55.

INCREASE IN PAYMENTS SINCE 1953-55

The outflow of United States capital and grants at the rates prevailing in the second and third quarters of 1959 was more than one and one-half times the rate in 1953-55 (when, however, the movement averaged less than in earlier years), after having risen to even higher rates in the intervening period. United States private direct investment abroad moved up rapidly in 1956 and 1957 in connection with major petroleum and other resource development projects, especially in Latin America and Canada. This movement subsided during the 1957-58 recession, but in the first half of 1958 the outflow of United States capital through new issues of foreign securities and other portfolio investments rose in response to the markedly higher level of yields prevailing in other financial centers. But these capital flows also declined subsequently as monetary policies in the United States became more restrictive. Net credits by the United States Government increased in 1956 and 1957 and have since varied only moderately, except as they were reduced by large repayments by the Federal Republic of Germany in the first quarter of 1959 and by the United Kingdom in the fourth quarter.

Among services, the chief increases have been in payments for transportation and foreign travel, both of which were some \$500 million higher in 1959 than in 1953-55. These outlays have been stimulated by the rise in the volume of foreign commerce and in personal incomes in this country. United States military expenditures abroad rose by some \$750 million from 1953-55 to 1958, but they have now moved part way back to the earlier level, as payments on procurement contracts and construction projects abroad have declined.

Expansion of Merchandise Imports

The rise in the value of merchandise imports by the United States was interrupted briefly by a dip, chiefly affecting industrial materials, during the 1957-58 recession. After that, the increase became extraordinarily rapid for a time, the total value of imports expanding by almost one-quarter from April-June 1958 to the same period in 1959.

Finished manufactures have been among the most important elements of growth since 1953-55 (Table B-26). Passenger cars led the rise until mid-1959 but were imported at lower rates during the rest of the year. The growth of imports of other consumer goods was resumed, after a pause during the recession; these goods have included both wearing apparel and a wide variety of sundry consumer items (Appendix Table D-74). Imports of capital goods, though small compared with the amounts exported, have also moved up rapidly. Petroleum figured prominently in the import increase until 1958 but has since been limited by import controls.

In addition, imports of certain other products rose substantially in 1959, owing in part to temporary circumstances: steel because of the anticipated

TABLE B-26.—United States imports, 1953-55 average and 1957-59

(Millions of dollars)

Commodity or source	1953-55 average	1957	1958		1959
			First half	Second half	April-September
Annual rates					
Total general imports	10,824	12,982	12,546	13,180	15,368
By commodity:					
Meat products and edible animals.....	191	250	402	530	524
Coffee.....	1,437	1,375	1,232	1,114	1,090
Other foods and drugs.....	1,558	1,625	1,822	1,746	1,976
Newsprint and paper base stocks.....	904	971	898	952	1,028
Petroleum and products.....	875	1,534	1,570	1,654	1,310
Building materials.....	387	400	356	496	646
Steel-mill products.....	153	212	186	276	570
Other industrial materials.....	3,637	4,020	3,382	3,286	4,324
Passenger cars and parts.....	62	327	474	594	824
Wearing apparel.....	164	254	223	284	370
Other consumer manufactures ¹	687	953	792	1,046	1,260
Materials and equipment for use in agriculture.....	451	448	534	428	574
Capital equipment (nonfarm).....	156	329	328	382	432
All other ²	162	284	342	392	440
By source:					
Industrial countries:					
Western Europe.....	2,242	3,078	3,026	3,550	4,601
Canada.....	2,497	2,907	2,541	2,834	3,143
Japan.....	324	601	603	739	1,051
Oil-exporting countries:					
Venezuela and Caribbean.....	694	1,188	1,238	1,273	1,018
Middle East.....	225	263	349	351	327
Other nonindustrial countries:					
Latin American Republics, excluding Venezuela.....	2,847	2,869	2,783	2,611	2,789
Sterling area, excluding oil exporters.....	1,002	1,064	1,041	914	1,322
All other.....	993	1,012	965	908	1,119

¹ See Table D-74 for detail.

² Includes noncommercial entries, unclassified imports, and military equipment.

Source: Department of Commerce.

and actual effects of the strike on deliveries from domestic producers; building materials because of the high level of housing construction during recovery from the recession; and feeder cattle and beef for processing because of relatively short domestic supplies of beef and veal while cattle herds were being built up. Normal demands for imported industrial materials were also intensified as expansion spread throughout the economy.

The unusual speed of the increase in United States imports from the second quarter of 1958 to the second quarter of 1959 may thus be attributed to a combination of forces. Some of these began to exercise a less buoyant effect in the second half of 1959, and total imports, seasonally adjusted, remained at about the level set in the second quarter.

The products leading the import expansion since 1953-55 have come mainly from the industrially developed countries. Until 1958, imports from the petroleum-producing countries also grew rapidly. Imports from other nonindustrial countries, on the other hand, showed little tendency to rise until stimulated by the quickening of United States demand for industrial materials in 1959. Even with this pick-up, the value of imports from Latin America (exclusive of Venezuela) remained lower than in 1953-55; the fall in coffee prices from the extraordinary 1954 peak had a particularly depressing influence on the value of imports from this area.

VARIATIONS IN RECEIPTS

Merchandise exports have accounted for the greater part of the swings noted in United States receipts from abroad since 1953-55; these changes will be examined more closely below. It is also relevant to observe that receipts from services, including earnings on foreign investments, rose swiftly up to 1957 but then fell the next year by more than \$300 million (Table B-25; also Appendix Table D-72). This decline (largely in transportation earnings as a result of the reduction in export cargoes and in freight rates) contrasted with a further increase of about the same amount in 1958 in United States payments abroad on services and military expenditures. The two sides of the services account together thus contributed some \$700 million to the deficit in that year.

The 1957-58 Decline in Exports

The fall in United States exports after mid-1957 was not unrelated to the forces behind the preceding upsurge. Some of these forces were of a quite specific character, including the effort to ensure Europe's petroleum supplies during the closure of the Suez Canal in 1956-57 and the special supply and demand situations affecting cotton and wheat (Table B-27).

These developments for particular commodities were superimposed on a much more general shift in the world economic climate. For some years, foreign countries, especially the more developed ones, had been experiencing a rapid growth in capacity and in output. Inflationary tendencies were fairly common, and there was a general pressure on supplies of fuels, industrial materials, and capital equipment. The Suez crisis accentuated these demands. Whether or not the expansion had run its course, policies of restraint became imperative in a number of countries whose imports of capital goods and industrial materials had grown faster than their export earnings or other means of financing. As a result, the pace of production abroad slowed down and capacity was less fully utilized; investment activity became more hesitant in many countries; inventory policies shifted toward liquidation; and prices and earnings of countries supplying primary products weakened.

TABLE B-27.—United States exports, 1953-55 average and 1957-59

[Millions of dollars]

Product	1953-55 (annual average)	1957	1958	1959, April- Sep- tember	Change from 1958 to April- September 1959, by areas		
					Western Europe, Canada, and Japan	Latin Ameri- can Repub- lics	All other
					Annual rates		
Total exports, excluding "special category".....	12,710	18,868	15,789	15,794	409	-496	92
Foodstuffs.....	1,648	2,325	2,224	2,464	166	-29	103
Coal and related products.....	385	846	534	418	-116	2	-2
Petroleum and products.....	546	872	462	416	-6	-24	-16
Cotton, unmanufactured.....	549	1,059	661	292	-328	-2	-39
Inedible vegetable oils and oil- seeds.....	208	374	269	408	137	-2	4
Iron and steel-making raw ma- terials.....	112	432	137	224	85	4	-2
Iron and steel-mill products.....	529	993	563	392	-76	-66	-29
Nonferrous metals.....	267	448	345	292	-52	-7	6
Metal manufactures.....	362	517	480	456	10	-46	3
Construction, excavating, min- ing and hauling equipment ¹	1,138	1,708	1,300	1,456	173	-44	27
Other machinery.....	1,949	2,731	2,655	2,642	97	-116	6
Passenger cars, parts, and ac- cessories ²	767	874	780	790	46	-32	-13
Aircraft and engines.....	131	267	217	138	-72	-42	35
Railroad equipment.....	110	145	209	74	-9	-80	-46
Textile semi- and finished ma- nufactures.....	629	670	602	620	25	-12	5
Chemicals and related products.....	956	1,379	1,342	1,514	118	20	34
All other, including reexports....	2,424	3,228	3,000	3,198	202	-20	16

¹ Includes tractors and trucks.

² Also includes busses, special-purpose vehicles, and truck parts and accessories.

Source: Department of Commerce.

This shift in the foreign economic situation, together with the changes that affected particular commodities, brought a severe setback to United States exports. About two-thirds of the decline from 1957 to 1958 was in fuels and industrial materials. For petroleum and coal, the decline, though immediately attributable to the short-term factors mentioned, seemed to mark a shift in the world energy situation. The weakness in the steel market abroad, largely attributable to a reduction in inventories by the steel-consuming industries, was more temporary, but enough to cause a fall in aggregate steel output in Western Europe and Japan.

Finished manufactures accounted for only about one-third of the decline in total exports from 1957 to 1958. Within this group, a few major types of capital equipment (Table B-27) were affected most sharply because of their apparent sensitivity to the investment cycle. These items are construction, excavating, and mining equipment, and tractors and trucks. Among other finished manufactures, the declines from 1957 appear relatively modest when the change in the business situation in some of our leading markets is taken into consideration.

Divergent Tendencies in Exports During 1959

Unfavorable conditions continued to affect certain of our main export commodities and markets through part, and in some cases all, of 1959. Among our leading exports, cotton shipments to all destinations were extremely low through the third quarter (Table B-27). Market conditions abroad improved as consumption rose and stocks fell, but United States exports lagged pending an announced change in export price policy with the start of the new crop year. In the fourth quarter, this change was reflected in a steep rise in cotton shipments, and heavy export bookings extended well into 1960.

Exports of coal, petroleum products, and steel remained very weak throughout the year. For the first two, this weakness reflected the shift in the world fuel balance and the growth of foreign refining capacity. The further decrease in steel exports, like the rise in steel imports, may have been influenced by diverging trends of United States and foreign prices, but the more immediate factor in both cases was the prolonged steel strike in the United States. Late in the year, the steel shortage began to affect also the availability of products made of steel.

Exports of railway equipment fell in 1959, following large deliveries in the two preceding years financed by export credits. Exports of civilian aircraft in each of the first three quarters of 1959 also were consistently lower than a year earlier but rose from the second to the third quarter of 1959, as deliveries started against large orders for the new plane models.

Among our major markets, United States exports during 1959 were particularly affected by weaknesses in the trade and payments position of the Latin American countries, which normally take about one-quarter of our total exports. The reductions were in a broad range of export products, especially in the capital equipment field.

The weaknesses noted in certain key products and in some of our main markets tended, during much of the year, to offset the increases in exports of foodstuffs, oils and oilseeds, machinery, tractors, automotive parts, chemicals, and other manufactures to Canada, Western Europe, and Japan, where economic activity was expanding. But as the year advanced, and the tempo of economic activity increased further in the leading industrial countries, the gains outweighed the losses and total exports in the third quarter were above those a year earlier. Subsequently, however, exports were restrained by the relatively brief dock strike in October and possibly also by the spreading effects of the steel shortage.

RELATIVE PERFORMANCE OF UNITED STATES EXPORTS

As the preceding analysis points out, changes in foreign demand associated with changes in general economic conditions abroad and shifts in the market situation with respect to particular products have had an important effect on United States exports. It is also relevant to consider whether the behavior of our exports reflects any general deterioration in the ability of

United States producers to compete in foreign markets. This question is chiefly of interest with respect to finished manufactures. These constitute about 60 percent of total United States exports, though, as noted above, they accounted for a much smaller part of the setback in exports after 1957.

United States Share in Export Markets for Manufactures

Measured on a global basis, the share of the United States in total exports of manufactures by all industrial countries to all destinations has declined appreciably in the last ten years. Its share, so computed, was around 26 or 27 percent in the early 1950's, remained slightly over 25 percent through 1957, and has since declined to 22 or 23 percent. There are, however, several reasons why this type of global calculation is unsatisfactory as a criterion of the performance of United States exports. For one thing, the shift was in part a necessary consequence of the belated, but then swift, recovery in the exports of Germany and Japan, which caused a decline not only in the United States share of the export market but still more, up to 1957, in the shares of other industrial countries. Second, the over-all shares are appreciably affected by the rapid increase in recent years in other countries' exports of manufactures to the United States itself. Similarly, the global percentages are affected by the rapid expansion of Western European exports of machinery and steel to the Sino-Soviet bloc. A further distorting influence arises from the fact that two markets which are of much greater importance to the United States than to Europe or Japan have recently been rather depressed—Canada in 1958 and Latin America in 1959—thus reducing the United States share in any simple global calculation.

An analysis by the Department of Commerce examines recent changes in the United States share for each of 45 items or groups of manufactures in each of six regional markets (that is, 270 product-market subdivisions) comprising together by far the greater part of free world trade in manufactured goods. The analysis compares the shares in 1958 with the averages for 1954–56 on the basis of uniformly classified trade statistics compiled by the United Nations. Had the earlier United States shares prevailed in all the cases considered, United States exports of manufactures would have been some \$500 million greater in 1958 than they actually were (Table B-28).

It is noteworthy, moreover, that the declines in the United States share were heavily concentrated in automobiles, iron and steel, and aircraft. Shortfalls in these three categories totaled \$483 million. It may be significant that the first two of these groups, especially iron and steel, were marked by greater-than-average price increases in the United States over the last ten years. United States losses in the automobile market abroad were universal and were the continuation of a trend of some years' duration. The decrease in our share of steel exports, on the other hand, was predominantly in Europe and was attributable, at least in part, to tempo-

TABLE B-28.—Changes in United States shares of world exports of manufactures to selected markets, 1954-56 to 1958¹

Product group ²	Standard International Trade Classification number	United States exports to 6 regional markets in 1958		1958	
		Value (millions of dollars)	Percentage share ³	Index of United States shares (1954-56=100) ⁴	Value equivalent of change from 1954-56 average (millions of dollars)
Total of groups specified.....		7,576	27.5	⁵ 94	-511
Total, excluding iron and steel, automobiles and other road motor vehicles, ships, and aircraft.....		5,774	29.5	⁵ 100	-3
Chemicals.....	511-599	1,159	33.0	98	-20
Rubber manufactures.....	621, 629	124	29.7	98	-3
Paper and manufactures.....	641, 642	194	25.7	99	-1
Textiles, excluding clothing.....	651-657	364	13.2	102	8
Iron and steel.....	681	570	17.1	83	-112
Other metals.....	682-689	272	28.9	127	58
Metal manufactures.....	699	289	21.9	101	3
Power generating machinery.....	711	229	24.2	96	-8
Agricultural machinery.....	712	109	44.7	95	-5
Tractors.....	713	271	52.3	89	-33
Office machinery.....	714	121	38.5	92	-11
Metalworking machinery.....	715	244	38.1	103	8
Industrial machinery.....	716	1,456	38.6	98	-27
Electrical machinery and appliances.....	721	604	25.5	97	-18
Railway vehicles.....	731	184	35.5	131	43
Automobiles and other road motor vehicles.....	732	966	33.3	76	-305
Ships and miscellaneous road vehicles.....	733, 735	105	7.4	81	-25
Aircraft.....	734	185	36.9	74	-66
Scientific, photographic, professional and other instruments.....	861	130	32.3	103	4

¹ Canada, Latin America, Western Europe, Africa, Near East, and Far East (excluding Japan and Australasia). Trade with communist countries excluded.

² Condensation of 45 product groups, making up about 90 percent of total United States exports of manufactures, covered in the analysis.

³ Share of United States exports in total exports by the United States, OEEC countries (excluding Iceland, Ireland, and Switzerland), and Japan to markets specified.

⁴ Weighted average for 6 regional markets.

⁵ Weighted average of indexes for individual commodity groups.

Sources: Department of Commerce and United Nations.

rary market conditions in that area in 1958, though in 1959 the steel strike here continued to depress our share in export markets for this product. In aircraft, the decline was attributable to the switchover in production to the new jet and turbo-jet models; large export deliveries of the new planes are scheduled for 1960, after which, however, they are expected to fall again as the reequipping of the major airlines is completed.

Exclusive of these three groups and also of ships (exports of which from the United States include mere transfers of registry), the weighted index of United States shares in the six regional markets for manufactures showed virtually no change in 1958 compared with 1954-56. In none of the 41 manufactured items other than those specified were the decreases in market shares particularly great insofar as the dollar magnitudes are concerned. The decreases as well as the increases in the United States share in different products and regions were not sufficiently great to provide any

clear sign of significant shifts. This reserved judgment seems all the more warranted when account is taken of the effects of cyclical movements during the period on United States exports of machinery.

Machinery Exports and Investment Activity Abroad

The competitive position of the United States as a supplier of machinery is of particular importance to its trade and payments position. Machinery alone accounts for almost one-quarter of United States exports and has a strong growth potential in view of the stress placed on construction projects and industrial expansion in both underdeveloped and developed economies.

In 1958, the United States supplied one-third of all machinery exports of the industrial countries to markets outside the United States. Its share in the total and in most machinery categories was, however, slightly less than in 1954-56 (Table B-28) and still less than in the early postwar years when the United States was drawn upon even for items of which it had not been traditionally a major exporter. The supply capacity of other countries has greatly strengthened since that time. There are also some indications, though this is a difficult area of measurement, that machinery prices may have increased rather more in the United States than in most other countries, especially during the investment upsurge in 1955-57.

Foreign demand for United States machinery is also closely related to the state of business abroad and especially to changes in investment activity. This relationship may be further examined in the light of Table B-29, which shows, for a number of countries, investment in machinery and equipment (exclusive of transportation equipment wherever possible) and machinery imports, both total and from the United States, over the period 1954-59. The availability of information limits these comparisons to Canada, Japan, and a number of Western European countries, and the data for 1959 are necessarily based on partial information or forecasts for the year. Most of the countries considered went through fairly pronounced cyclical phases in machinery and equipment investment over the last several years; in the United Kingdom, however, the fluctuations were small after 1957, and in Germany, Sweden, and Denmark the expansion proceeded without interruption. The data in the table permit the following generalizations with respect to the behavior of the machinery imports of the various countries:

- (1) When investment rose strongly, total imports of machinery tended to rise proportionately more strongly. It is also true that machinery imports from the United States tended to rise more than proportionately when investment activity in these countries was expanding rapidly. At such times, the rise in machinery imports from the United States tended to equal, or frequently to exceed, the rise in total machinery imports of the countries considered—at least up to 1956 or 1957.

TABLE B-29.—Relation of machinery imports to investment in machinery and equipment, excluding transportation equipment,¹ selected countries, 1954-59

Country	1954-56 average value (millions of dollars)	Indexes of current dollar values, 1954-56=100					
		1954	1955	1956	1957	1958	1959 ²
Canada:							
Machinery and equipment investment.....	1,700	88	91	121	134	107	117
Machinery imports.....	1,019	81	94	125	125	109	127
From the United States.....	923	81	94	125	122	104	121
Japan:							
Machinery and equipment investment.....	1,600	91	89	119	151	141	184
Machinery imports.....	122	103	90	107	198	249	252
From the United States.....	85	104	87	109	189	251	263
OEEC (member countries combined):							
Machinery and equipment investment, including transportation equipment.....	20,400	87	100	112	121	125	(³)
Machinery imports.....	2,960	86	99	115	130	134	(³)
From the United States.....	543	85	99	116	128	123	4 130
United Kingdom:							
Machinery and equipment investment.....	2,907	89	101	110	123	126	124
Machinery imports.....	317	80	102	118	134	147	177
From the United States.....	101	72	103	125	133	133	152
Germany, Federal Republic of:							
Machinery and equipment investment, including transportation equipment.....	4,880	83	103	114	118	126	138
Machinery imports.....	204	70	101	128	149	200	261
From the United States.....	47	62	112	125	153	190	245
France:⁴							
Machinery and equipment investment.....	2,414	85	96	119	137	136	124
Machinery imports.....	442	81	98	122	148	140	132
From the United States.....	111	88	93	119	143	142	114
Italy:							
Machinery and equipment investment.....	1,691	91	102	108	117	113	(³)
Machinery imports.....	306	99	98	103	117	107	114
From the United States.....	72	111	93	97	106	93	74
Netherlands:							
Machinery and equipment investment.....	605	84	97	119	121	108	114
Machinery imports.....	293	84	97	120	120	106	121
From the United States.....	30	86	96	118	120	101	107
Belgium:							
Machinery and equipment investment.....	609	93	96	111	119	100	(³)
Machinery imports.....	320	86	96	117	116	110	115
From the United States.....	47	69	106	125	103	79	77
Switzerland:							
Machinery and equipment investment, including transportation equipment.....	600	86	97	117	136	133	(³)
Machinery imports.....	149	82	97	121	146	131	143
From the United States.....	27	75	98	127	144	108	119
Sweden, Norway, and Denmark:							
Machinery and equipment investment.....	939	101	98	101	108	117	124
Machinery imports.....	473	94	99	107	125	141	155
From the United States.....	53	85	101	114	136	147	181

¹ Except as noted for the OEEC group, Germany, and Switzerland.

² Figures for 1959 are based on first six or nine months or, in some cases, on official estimates.

³ Not available.

⁴ Based on trend shown in United States export statistics.

⁵ Investment and trade indexes are derived from dollar equivalents of data in French francs, converted at average annual exchange rates, and reflect the franc devaluations of August-October 1957 and December 1958. Indexes of current franc values are higher by 5 percent in 1957, 20 percent in 1958, and 40 percent in 1959.

Sources: United Nations, OEEC, national statistical sources, and Council of Economic Advisers.

(2) In most countries where investment activity ceased to rise after 1956-57, or where it fell, there was a weakening tendency in total machinery imports and, still more, in machinery imports from the United States. In countries, which were still fairly numerous, where investment remained below earlier peaks, the relative weakness in imports of machinery from the United States usually continued into 1959.

(3) Where, however, the expansion of machinery investment continued or was resumed in strength in 1959, machinery imports from the United States usually responded vigorously. The increase in such imports by Germany, one of the strongest competitors in this field, is especially noteworthy, though Germany's total machinery imports rose even more strongly. The increase in imports of United States machinery by the Scandinavian countries in 1959 was also substantial and greatly exceeded the increase in their total machinery imports.

Machinery exports from the United States in 1959 thus appeared to reflect, in accentuated measure, the differing degrees of intensity in the investment activity of foreign countries. A firmer view of these relationships and trends as currently experienced can scarcely be formed until investment has risen further in countries where it is still sluggish in relation to earlier peaks. As far as the past is concerned, however, the observations made with respect to Table B-29 suggest that machinery exports from the United States do well under conditions of sustained investment expansion in other countries or in periods of strong cyclical upswing, but may fare relatively badly when investment abroad slows down and the machinery production capacity in other countries is underutilized. Price disparities could contribute to this result. Another influence could be the greater cyclical sensitivity of some types of machinery than of others (as suggested above with regard to the 1958 fall in United States exports of construction, excavating, and mining equipment). Moreover, even in the absence of price or other differences, any foreign discrimination against imports from the United States would have a greater adverse impact in slack periods when foreign producers have spare capacity available than in periods when they have long delivery dates.

THE CONTINUING ADJUSTMENT PROBLEM

The preceding analysis has described the present balance of payments position of the United States largely in terms of the changes that have taken place since 1953-55. At that time, payments already exceeded receipts by some \$1.6 billion annually, and since then have risen faster, the increase being about 43 percent in payments against some 36 percent in receipts, measured to the third quarter of 1959.

Neither of these percentage increases is in any sense a stable figure. On the payments side, imports contain certain strong growth elements, even though there were some exceptional ones in the recent past which are not expected to continue. And the outflow of private capital from the United States for investment abroad, which was lower in 1959 than in the three

preceding years, has undoubtedly been restrained in some measure by conditions that may be subject to change. These include the relatively lower demand for capital prevailing until recently in foreign financial centers and the relatively large production facilities, built up in earlier years, for certain raw materials, which, especially in a period of slack demand, have been a deterrent to the further expansion of capacity.

Receipts have varied rather more widely than payments over the last five years, first rising and then falling abruptly in response to a combination of cyclical and special influences. More recently, despite unfavorable conditions affecting some of our main export products and markets, export earnings have strengthened in response to the renewed upswing in other industrial countries. Other more temporary factors have also influenced the current development of exports, some favorably, as in the case of aircraft deliveries, and others unfavorably, as in the case of steel. These factors, too, are subject to change.

By some standards, our recent export performance in relation to the 1953-55 level is not unfavorable. The increase in exports, for example, was greater than the rise of about 30 percent in world trade as a whole over the same period, though less than the rise of some 45 percent since 1953-55 in intra-European trade, which has set a remarkably fast pace.

The rise in export earnings and other receipts has not been sufficient so far, however, to offset the extraordinary rise in payments, and the deficiency appears to be greater than can be attributed to still depressed conditions in some of our major markets or to temporary factors which have affected trade in cotton and steel.

The problem has been complicated by obstacles that have developed to our coal exports and by changes in the international automobile trade. The latter alone has had an adverse effect of some \$1 billion on the United States trade position, including both the rise in our imports and our failure to share in the growth in export markets abroad.

Such changes as these increase the burden of adjustment to be borne by other United States exports, and especially by other manufactures. Some of the latter have gained and others have lost in relative standing in different markets but without a decisive impact either way on the dollar magnitudes involved. Increases in United States shares of export markets sufficient to meet the balance of payments problem would have been difficult to attain under the relatively dull or depressed conditions prevailing in international trade until the last few months. The current upturn in economic activity abroad and in world trade, together with further steps taken recently by other countries to eliminate or to reduce discrimination against dollar goods and the anticipated increase in their financing extended to the less developed countries, provides a more favorable setting for the attainment of the desired expansion in our exports. As discussed in Chapter 4, the realization of these potentials would be aided by efforts of United States producers to strengthen their competitive position in foreign markets.

