
Appendix B

SOME RECENT ECONOMIC DEVELOPMENTS

- I. Employment and Earnings
- II. Agriculture
- III. United States Foreign Trade and Payments

I. Employment and Earnings

Demand for labor was generally high during the first half of 1960, and in the second quarter of the year total civilian employment expanded to a record, seasonally adjusted figure of 66.9 million. For the year as a whole, employment averaged 66.4 million, nearly 800,000 above 1959. Growth of the labor force was about as large as the increase of employment, and unemployment, accordingly, averaged 5.6 percent of the civilian labor force for the year, approximately the same as in 1959 (Table B-1). (For comparability with earlier years, the 1960 data used here do not include the new States of Alaska and Hawaii.)

TABLE B-1.—*Growth of the labor force, by employment status, 1959-60*
[Millions of persons 14 years of age and over]

Employment status	1959	1960	1960			
			First quarter	Second quarter	Third quarter	Fourth quarter
Seasonally adjusted						
Total labor force.....	71.9	72.8	72.0	73.0	73.0	73.2
Armed forces.....	2.5	2.5	2.5	2.5	2.5	2.5
Civilian labor force.....	69.4	70.3	69.5	70.5	70.5	70.7
Employment.....	65.6	66.4	65.9	66.9	66.7	66.2
Agricultural.....	5.8	5.7	5.5	5.7	5.9	5.7
Nonagricultural.....	59.7	60.7	60.2	61.3	60.9	60.4
Unemployment.....	3.8	3.9	3.6	3.6	4.0	4.6
Unemployment as percent of civilian labor force.....	5.5	5.6	5.2	5.1	5.7	6.5

NOTE.—For comparability with earlier periods, data for 1960 have been adjusted to exclude Alaska and Hawaii.

Detail will not necessarily add to totals because of rounding; in addition, seasonally adjusted totals may differ from sum of components because totals and components have been seasonally adjusted separately.

Source: Department of Labor.

After the middle of 1960, however, employment tended to decline. In the third quarter the average was 66.7 million, and in the fourth quarter it was 66.2 million; the December figure, after allowance for seasonal influences, was 66.0 million. Unemployment, seasonally adjusted, increased from 3.6 million, or 5.1 percent of the civilian labor force, in the second quarter to 4.6 million, or 6.5 percent of the labor force, in the fourth. Hours worked in manufacturing industries declined through the year, and the work-week averaged 39.7 hours, compared with 40.3 hours in 1959.

Hourly earnings of production workers in manufacturing industries increased slightly during the year, averaging \$2.32 in December, against \$2.27 in December 1959. Average weekly earnings, reflecting the reduced work-week and lower employment in the more highly paid metalworking industries, tended to decline slightly in the course of the year, and real weekly earnings, adjusted for the change of consumer prices, also were lower. Basic wage rates, however, rose by somewhat more than 3 percent per year, as wage increases were put into effect for about 7 million employees, nearly 90 percent of those covered by major collective bargaining agreements.

GROWTH OF THE LABOR FORCE

The labor force expanded markedly during the first half of 1960, paralleling the increase of civilian employment. As Table B-2 indicates, growth

TABLE B-2.—*Growth of the labor force, by sex and age, 1950-60*

[Thousands of persons 14 years of age and over]

Sex and age	Net change			
	1950-55 annual average	1955-60 annual average	1958 to 1959	1950 to 1960
Total labor force.....	829	785	662	874
Male.....	397	253	279	236
14-19 years.....	-13	86	91	90
20-24 years.....	-75	45	138	88
25-34 years.....	84	-116	-128	-98
35-64 years.....	386	286	234	191
65 years and over.....	15	-48	-57	-36
Female.....	432	532	383	638
14-19 years.....	1	82	80	146
20-24 years.....	-45	22	-26	86
25-34 years.....	32	-30	-105	13
35-64 years.....	404	434	419	324
65 years and over.....	39	25	14	70

NOTE.—For comparability with earlier years, data for 1960 have been adjusted to exclude Alaska and Hawaii.

Detail will not necessarily add to totals because of rounding.

Source: Department of Labor.

was larger than in 1959, and moderately above the average for the past ten years.

Over the past decade, important structural changes have taken place in the age and sex distribution of the working population, and even more significant changes are to be expected in the next ten years. The proportion of women in the labor force has been increasing continuously, and the average age of the working population has been rising. Of the total labor force growth of 8.1 million in the decade of the 1950's, 4.8 million were women, most of whom were 35 years of age or older. A large part of this change occurred during the great expansion of employment from 1954 to 1956, when nearly 2 million women entered the labor force, but increasing participation in the labor force by women has characterized the entire

decade. In 1960, nearly three-fourths of the increase of the Nation's work force consisted of women.

Important shifts have also occurred in recent years in the age structure of the labor force. The number of workers 20 to 24 years of age has declined, while the number of those 25 to 34 years of age has remained practically unchanged. This was due to the low level of births during the 1930's. Workers 35 to 44 years old increased by 2.4 million, or 17 percent, from 1950 to 1960, while the number of those 45 and older expanded by 5.3 million, or at a rate nearly twice that for the labor force as a whole. The proportion of workers under 35 years of age is now 40 percent, compared with 44 percent in 1950, and the number 45 or older is now 38 percent, compared with 34 percent in 1950. However, the number of teenage workers started to rise in 1955 as the more numerous generation of the 1940's began to reach working age. In 1960 about 240,000 teenagers were added to the labor force, compared with 170,000 in the preceding year.

Under favorable economic conditions, the rising tide of young people and high labor force participation among older women may expand the labor force by more than 13 million over the course of the next decade. This would represent the greatest numerical expansion in the history of our country. Although a larger proportion of young people are expected to be in school, the number of members of the working population under 25 may increase by 6 million. There may be an especially great inflow of teenagers into the labor force in the middle of the decade as the large numbers born in 1946 and 1947 become 18, the usual age of high school graduation. The number of older workers will also rise sharply. Those over 45 may increase by 5½ million despite further declines of labor force participation by men over 65. The highly productive group 35 to 44 years of age, on the other hand, may decline slightly, and a relatively small increase of the number 25 to 34 is expected.

Thus, workers under 25 years of age and those 45 years and over will probably account for almost 90 percent of the total growth of the labor force between 1960 and 1970. With nearly half of the total increase in the younger group, they will comprise 23 percent of the total labor force in 1970, compared with 19 percent in 1960. At the same time the proportion that will be 25 to 44 years old will decline from 43 percent to less than 39 percent in 1970. These impending changes constitute both an impressive challenge and a great opportunity for the maximum development and utilization of our human resources.

CHANGES OF EMPLOYMENT

The total number of employees on nonagricultural payrolls expanded rapidly after the end of the long steel strike in November 1959, and continued to grow at a more moderate rate during the first six months of 1960, reaching a record level of 53.1 million, seasonally adjusted, by the

middle of the year. Early in the year, however, divergent trends began to appear in various industries.

Employment in durable goods manufacturing turned downward in March, as work forces were reduced in the transportation equipment and primary metals industries. As the year progressed, work force reductions occurred in other durable goods sectors. Considered as a group, durable goods manufacturing industries registered employment declines, after February, in nearly every month of 1960. In the manufacture of nondurable goods, employment increased until June; but after midyear, declines appeared also in this sector. In the latter months of the year, reductions of work forces continued in most of the 21 major manufacturing industries. In the group of nonmanufacturing industries, employment continued to expand until September, but moderate declines appeared during the final months of the year.

In December, total payroll employment, seasonally adjusted, in nonagricultural industries amounted to 52.2 million, which was 920,000 below the crest at midyear and about 500,000 below the December 1959 figure. The decline of employment has been concentrated in manufacturing industries, while there have been some offsets in other industries, especially those producing services rather than goods (Table B-3).

Events in the labor market of 1960 are better understood in the light of the longer-term changes which have been taking place in the industrial and occupational structure of employment in the United States. Since the passage of the Employment Act of 1946, the growth of nonagricultural jobs has increased total employment by more than 11 million. Agricultural employment, on the other hand, has continued to decline, dropping from 8.3 million, or 15 percent of the total, in 1946 to 5.7 million, or 8½ percent of total employment, in 1960. This shrinking of employment on farms extends a long-run trend that began generations ago when the United States economy was almost exclusively agricultural. The decline has continued as more power and machinery have been introduced into agriculture in partial replacement of farm labor, and as the national trend toward specialization in enterprise has lifted more procurement and marketing functions out of agriculture.

Nearly all of the growth of employment since World War II is accounted for by the gain in service type activities and industries, including education, distribution, finance, and business and personal services. Employment in State and local governments has increased very sharply, with 55 percent of the expansion occurring in the school systems of the country. Trade, finance, and other services have also afforded expanding job opportunities. An interesting parallel to this trend is found within manufacturing industry, where the numbers of salaried or "nonproduction" employees engaged in service functions have increased in every major industry, while employment of production workers has fluctuated widely and shown a tendency to decline. These areas of expanding employment have continued to grow, or at least have remained relatively steady, even during periods of recession. Producing

TABLE B-3.—*Changes in nonagricultural employment, by major industry groups, October 1959—December 1960*

[Thousands of persons, seasonally adjusted data]

Major industry group	October 1959 to February 1960	February 1960 to June 1960	June 1960 to December 1960 ¹
Total nonagricultural employment.....	970	168	-916
Manufacturing.....	545	-69	-698
Durable goods.....	538	-168	-452
Transportation equipment.....	29	-113	13
Primary metal industries.....	452	-73	-129
Machinery (except electrical).....	13	-25	-82
Fabricated metal products.....	48	-7	-54
Electrical machinery.....	7	-3	-19
Instruments and related products.....	3	0	-12
Ordnance and accessories.....	5	0	1
Stone, clay, and glass products.....	3	2	-38
Lumber and wood products (except furniture).....	-7	9	-67
Furniture and fixtures.....	-1	16	-33
Miscellaneous manufacturing industries.....	-15	26	-32
Nondurable goods.....	7	99	-246
Rubber products.....	-3	-10	-12
Food and kindred products.....	51	-6	-23
Tobacco manufactures.....	3	-3	-4
Products of petroleum and coal.....	4	-3	-10
Leather and leather products.....	-11	5	-12
Paper and allied products.....	0	5	-15
Printing, publishing, and allied industries.....	6	6	6
Textile mill products.....	-36	19	-58
Chemicals and allied products.....	6	26	-19
Apparel and other finished textile products.....	-13	60	-99
Nonmanufacturing.....	425	237	-218
Transportation.....	37	-13	-101
Public utilities.....	-4	6	-3
Finance, insurance, and real estate.....	11	7	45
Contract construction.....	19	9	-168
Mining.....	48	9	-40
Service and miscellaneous.....	67	29	36
Wholesale and retail trade.....	149	85	-158
Government.....	98	105	169
Federal.....	-15	29	10
State and local.....	113	76	159

¹ Based on preliminary data for December.

NOTE.—These data represent employees in nonagricultural establishments. The figures for total nonagricultural employment will therefore differ from those shown in Tables B-5 and C-17. For explanation of differences, see footnote 1, Table C-22.

Figures exclude data for Alaska and Hawaii.

Source: Department of Labor.

services, they have been relatively immune to the employment impact of the wide inventory fluctuations which have characterized postwar business cycles. Consequently, the growing proportion of workers in service types of employment has strengthened the resistance of the economy to cumulative business downturns (Table B-4).

Analogous trends are clearly evident in the changing occupational structure of the employed labor force. "White-collar" occupations have grown in importance as manual occupations have relatively declined. The growing occupational groups have also been those in which employment has been relatively steady over the business cycle (Table B-5). It is perhaps even more important that developments of recent years have resulted in a general upgrading of the level of skill in the labor force. There has been

TABLE B-4.—*Industrial structure of nonagricultural employment, 1929, 1947, and 1957-60*

[Thousands of persons]

Industry	1929	1947	1957	1958	1959	1960 ¹
Total nonagricultural employment.....	31,041	43,462	52,162	50,543	51,975	52,895
Stable and growing.....	16,114	23,620	31,483	31,613	32,392	33,294
Trade.....	6,401	9,196	11,302	11,141	11,385	11,645
Government.....	3,066	5,474	7,626	7,893	8,126	8,455
Federal.....	534	1,892	2,217	2,191	2,198	2,236
State and local.....	2,532	3,582	5,409	5,702	5,928	6,219
Service and miscellaneous.....	3,127	4,783	6,336	6,395	6,525	6,637
Salaried employees in manufacturing.....	2,089	2,495	3,871	3,810	3,931	4,072
Finance, insurance, and real estate.....	1,431	1,672	2,348	2,374	2,425	2,485
Fluctuating or declining.....	14,927	19,842	20,679	18,930	19,582	19,603
Production employees in manufacturing.....	8,445	12,795	12,910	11,658	12,237	12,266
Contract construction.....	1,497	1,982	2,808	2,648	2,767	2,770
Transportation and public utilities.....	3,907	4,122	4,151	3,903	3,902	3,901
Mining.....	1,078	943	809	721	676	666
Stable and growing as percent of total.....	51.9	54.3	60.4	62.5	62.3	62.6

¹ Preliminary.

NOTE.—These data represent employees in nonagricultural establishments. The figures for total nonagricultural employment will therefore differ from those shown in Tables B-5 and C-17, which relate to nonagricultural employment of the civilian labor force. For explanation of differences, see footnote 1, Table C-22.

Data exclude Alaska and Hawaii.

Source: Department of Labor.

TABLE B-5.—*Civilian nonagricultural employment, by major occupational groups, 1930, 1947, and 1957-60*

[Thousands of persons 14 years of age and over]

Occupational group	1930 ¹	1947 ²	1957 ²	1958	1959	1960
Total nonagricultural.....	38,365	49,724	58,957	58,375	59,999	61,010
Stable and growing.....	19,092	26,169	34,083	34,865	35,838	36,906
Clerical workers.....	4,336	7,200	9,152	9,137	9,326	9,734
Service workers, including private household.....	4,772	5,986	7,632	7,809	8,040	8,306
Professional, technical, and kindred workers.....	3,311	3,794	6,468	6,961	7,143	7,437
Managers, officials, and proprietors, except farm.....	3,614	5,795	6,703	6,785	6,935	7,047
Sales workers.....	3,059	3,394	4,128	4,173	4,394	4,382
Fluctuating or declining.....	19,272	23,554	24,874	23,510	24,162	24,104
Operatives and kindred workers.....	7,601	12,274	12,530	11,441	11,858	11,938
Craftsmen and foremen.....	6,246	7,754	8,664	8,469	8,561	8,511
Laborers.....	5,335	3,526	3,680	3,600	3,743	3,655
Stable and growing as percent of total.....	49.8	52.6	57.8	59.7	59.7	60.5

¹ Data for 1930 pertain to the "economically active civilian population" 10 years of age and over and are similar, but not strictly comparable, to other annual data in this table.

² 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 C-17.

NOTE.—These data represent nonagricultural employment of the civilian labor force. The figures for total nonagricultural employment will therefore differ from those shown in Tables B-4 and C-22. For explanation of differences, see footnote 1, Table C-22.

For comparability with earlier years, data for 1960 have been adjusted to exclude Alaska and Hawaii.

Detail will not necessarily add to totals because of rounding.

Sources: Department of Commerce and Department of Labor.

a trend away from jobs requiring heavy, arduous, unskilled labor and toward those which require broad education and training. For professional and technical workers, for example, employment opportunities have increased dramatically. Heavy expenditures in industry as well as in educational institutions for research and development, and rising demands for scientists, engineers, teachers, and technicians have strengthened this trend. Employment of unskilled or semiskilled manual workers, on the other hand, has expanded very little, or has actually declined, and has fluctuated with the business cycle. High and rising levels of education and training required for employment in the occupations where ample job opportunities are most likely to be found emphasize the great importance of good secondary and higher educations for the large numbers of young people who are entering the labor force. These occupational and industrial trends make more difficult the problem of unemployment for unskilled and semiskilled workers in fluctuating or declining industries.

UNEMPLOYMENT

For the year 1960 as a whole, unemployment amounted to 3.9 million persons or 5.6 percent of the civilian labor force, about the same as in 1959. This was lower than in the recession year of 1958, when unemployment reached a postwar peak of nearly 7 percent of the labor force, but higher than in the period 1955 to 1957, when it averaged a little over 4 percent.

In the course of the year 1960, unemployment changed markedly. With the recovery of employment after the long steel strike, unemployment declined from about 4 million in the closing months of 1959 to 3.5 million in the early part of 1960, or from about 6 to 5 percent of the civilian labor force, seasonally adjusted. When in the second half of the year employment declined, unemployment increased, reaching an average of 4 million in the third and of 4.6 million in the final quarter. In December 1960, unemployment amounted to 4.9 million, or 6.8 percent of the labor force, compared with 3.8 million, or 5.5 percent of the labor force, in December 1959. The increase during the second half of the year mainly affected adult men and women, reflecting job cutbacks in manufacturing and related industries.

The number of persons who normally work full time but for economic reasons are working only part time is a measure of one form of underemployment. In 1960 such part-time workers averaged 1.2 million, compared with 1 million in 1959 and 1.6 million in 1958. The rise of part-time employment in 1960 occurred mainly among factory workers, and was especially marked during the late months of the year. A second group of underemployed, those who work part time primarily because of inability to find full-time work, averaged 1.3 million in 1960, the same as in 1959, but about 375,000 higher than the average in 1956-57. Most of these were women and teenagers in the trade and service industries.

Characteristics of the Unemployed

The movement into and out of the unemployed group, or the turnover among persons without jobs, was comparatively large in 1960. Almost half of those unemployed in any month were no longer seeking work in the following month either because they had found jobs or had left the labor market. Consistent with this substantial turnover, persons seeking work for less than 5 weeks accounted for nearly half of total unemployment during 1960. This proportion was higher than in 1958 or 1959, but lower than in the years before the 1957-58 recession. Long-term unemployment, defined as persons seeking work for 15 weeks or more, averaged about 1 million in 1960. While this average was about the same as in 1959, it was nearly 500,000 lower than in the recession year of 1958, yet almost twice as high as in 1956-57. Long-term unemployment was reduced during the first half of 1960, but afterward increased. In December, the number of long-term unemployed amounted to 1.0 million, compared with 800,000 in December 1959. Extended periods of unemployment are most commonly found among the following groups: older persons; blue-collar workers generally; non-white workers; and workers laid off in industries manufacturing durable goods.

For most of the age-sex groups of the labor force, rates of unemployment in 1960 did not differ much from those in 1959, considering the year as a whole. Unemployment was, as usual, highest among teenage workers who are likely to change jobs more frequently than older persons. The rate of unemployment among married men living with their families, who account for about one-third of all unemployed persons, averaged 3.7 percent in 1960, about the same as in 1959; however, this rate was increasing during the second half of the year. For non-white men, the rate of unemployment averaged 11 percent, and it was as usual more than twice the rate for white male workers. Non-white workers are concentrated in unskilled and semiskilled occupations where unemployment rates are generally high. Unemployment in various occupations and industries also averaged about the same in 1960 as in 1959. Significant increases occurred, however, during the third and fourth quarters of 1960 in durable goods manufacturing and among the occupation groups important in this industry, such as metal craftsmen, semiskilled factory operatives, and factory laborers.

In the past decade there has been little change in the ranking of occupations by rates of unemployment. Highest rates prevail among laborers, followed by operatives and service workers. White-collar workers, in 1960 as in the past, were least affected by unemployment.

Trends in Major Labor Markets

Less vigorous demand for labor became apparent after the spring of 1960 in most of the Nation's 147 major labor market areas, which account for about 70 percent of all nonagricultural wage and salary employment

in the country. In January 1960, labor market surveys conducted by State employment security agencies for the Department of Labor found demand and supply of labor in reasonable balance in 118 of the major areas; in 93 of them, unemployment ranged between 3 and 6 percent of the local labor force, while in 25 areas unemployment was below 3 percent. The remaining areas had substantial labor surpluses, that is, unemployment rates of 6 percent or higher, for other than seasonal or temporary reasons. Through the year, the number of major labor markets having an unemployment rate of less than 6 percent gradually diminished to 99 in November 1960, 11 of which had a rate of less than 3 percent. At the same time, the number of areas having substantial labor surpluses increased to 48, compared with 29 a year earlier.

These changes in labor markets in 1960 mainly reflect lower employment in durable goods industries. Many places with substantial labor surpluses have, however, had persistent problems of unemployment for many years, although they are not, primarily, centers of durable goods production. In November 1960, 19 major labor markets in the United States were classified as areas having "substantial and persistent labor surpluses," that is, unemployment rates of 6 percent or higher for other than temporary reasons and jobless rates substantially above the national average for extended periods of time. All but 4 of these had had substantial labor surpluses in September 1957, before the effects of the 1957-58 recession. In only 6 of the 19 major areas were employment losses in durable goods manufacturing the cause of persistent problems of local unemployment. In the remaining areas, which are all located in the northeastern part of the country, long-term declines of the mining, textile and apparel manufacturing, and railroad equipment maintenance industries have caused chronic unemployment. At mid-1960, before the downturn of total employment, about 11 percent of the unemployment in major labor markets was accounted for by areas with chronic and persistent labor surpluses, although they have only 7 percent of the labor force. At that time, the average rate of unemployment in these areas was estimated at 7.9 percent, compared with 4.7 percent for the other major areas.

Despite higher unemployment during the latter months of 1960, continuing shortages of professional, technical, clerical, and skilled workers were still noted in most labor market areas. In many places, available workers were not considered by employers to be qualified for existing job openings with respect to the required training, experience, and skill. At the same time the semiskilled, the unskilled, and persons without work experience were reported in surplus supply in nearly all sections of the country.

Trends of Insured Unemployment

Insured unemployment, the number of persons out of work and eligible to receive unemployment benefits, declined slightly (seasonally adjusted) in the early months of 1960. Beginning in June, however, their number

began to increase, and in the later months of the year it was sharply higher. In December, the number of persons eligible for benefits averaged 2.8 million, compared with 2 million in December 1959. Most of the increase over the year resulted from job cutbacks in industries manufacturing durable goods. Payments of unemployment insurance benefits increased rapidly, and in December 1960 amounted to about \$350 million, compared with \$251 million in December 1959. These insurance payments, together with other government transfer payments, and augmented by the private supplements negotiated in collective bargaining in the steel and other industries, were a substantial support to labor income in 1960.

HOURS OF WORK AND EARNINGS

With moderately declining use of labor in many important industries, and more frequent adoption of reduced weekly work schedules, the average workweek of production workers in manufacturing industries tended downward in 1960 and reached 38.5 hours (seasonally adjusted) in December, compared with 40.2 hours in December 1959. Reduced workweeks and less overtime, together with lower employment in the more highly paid metalworking industries, meant that the general average of hourly earnings in manufacturing industries increased little in 1960, despite a continued rise of basic wage rates. Average hourly earnings were \$2.32 in December, compared with \$2.27 in December 1959. Average weekly earnings, reflecting the reduced workweek, receded slightly in the course of the year, and were \$90.02 in December, compared with \$92.16 in December 1959. When adjusted for the rise of consumer prices, weekly earnings in manufacturing showed a slightly larger decline; however, the annual average for real weekly earnings was practically unchanged from 1959. In nonmanufacturing industries, weekly earnings rose in 1960 by an average of about 3 percent. Salaries of civilian employees of the Federal Government were increased by legislative action. For employees of the postal service the increases averaged 8.4 percent; for other employees the average increase was 7.5 percent. By this action, total wage and salary payments were increased by about \$750 million annually.

Lower employment and earnings in several industries stemmed the increase of labor income in the latter months of 1960. After rising by \$10 billion from December through June, labor income was steady at an annual rate of \$286.2 billion through the third quarter of the year. During the fourth quarter, it declined to \$282.1 billion in December.

DEVELOPMENTS IN COLLECTIVE BARGAINING

Basic wage rates advanced in 1960 by somewhat more than 3 percent, about the same average rate of increase as in 1959. Wage increases, including cost of living adjustments and deferred increases negotiated in earlier years, were put into effect for about 7 million employees, nearly 90 percent of those covered by major labor agreements (Table B-6).

TABLE B-6.—*Employees receiving wage increases under major labor agreements, by size of increase, 1956-60*¹

Item	1956	1957	1958	1959	1960 ²
Employees receiving wage increases:					
Number (millions)	7.5	7.6	7.2	7.0	7.0
Percent					
Percentage distribution:					
Total	100	100	100	100	100
Under 5 cents	1	2	4	³ 26	5
5 and under 9 cents	19	21	23	26	38
9 and under 13 cents	62	30	32	39	46
13 and under 17 cents	8	38	22	6	5
17 cents and over	7	5	18	3	5
Not specified or computed	3	2	2	1	1

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, 12 percent of employees receiving wage increases received less than 3 cents, and 14 percent received 3 cents to 5 cents.

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

Source: Department of Labor.

Major collective bargaining settlements were concluded in 1960 in the steel industry, railroads, electrical equipment manufacturing, aircraft, rubber, textiles, chemicals, and other manufacturing and nonmanufacturing industries. These agreements affected about 4.3 million workers, all but 3 percent of whom received or were scheduled to receive wage-rate increases within 12 months of the effective date of the contract. These negotiated wage adjustments most frequently averaged either 5 to 6 cents or 9 to 10 cents per hour. New or liberalized supplementary benefits were negotiated for 80 percent of employees covered by agreements concluded in 1960. Health and welfare plans, pensions, and vacations continued to be the most frequent kinds of supplementary benefits established or improved in bargaining negotiations.

In addition to wage and benefit improvements negotiated in 1960, about 2.7 million workers covered by major agreements received deferred wage increases, cost of living adjustments, or in the majority of cases both, as a result of contracts signed before 1960. Typical of these dual adjustments were those in the automobile and farm equipment industries, where deferred increases averaged 6 to 7 cents, supplemented by 4 cents more in automatic cost of living adjustments. Other industries in which deferred increases were put into effect included trucking and meatpacking (where workers also received cost of living increases), the cement industry, and various metalworking and chemical firms. Before renegotiation of agreements in the course of the year, cost of living adjustments were made in the railroad, aircraft, and electrical equipment industries. Cost of living escalator clauses were eliminated from important wage agreements in railroads and in electrical manufacturing, and were narrowly limited in their

operation in the steel and related industries. During the year, the number of workers covered by labor agreements containing such clauses was reduced from 4 million to less than 2.8 million.

In the construction trades, about 85 percent of union wage scales were increased in 1960, a slightly smaller proportion than during the preceding three years. The average increase for all scales was about 14 cents per hour, compared with 16 cents in 1959 and 15 cents in 1958 and in 1957.

Labor disputes were infrequent and generally of short duration in 1960. Both the number of employees involved in work stoppages and the number of man-days of idleness were very low, judged by the record of the years since World War II. There was evidence of increasing recognition of the need for constructive study and resolution of the serious economic issues being raised in negotiations by rapid technological change and by competitive pressures. In the railroad industry, the long-standing and complex dispute over changes in working rules was referred, by agreement of the parties, to a Presidential commission for study, recommendations, and mediatory assistance in the resolution of the issues. The commission's study and recommendations, which will not be binding upon the parties, are to be completed by December 1, 1961. Study groups and committees were also established in the steel and construction industries and by national labor and business groups.

II. Agriculture

Agriculture in the United States consists of two parts that are becoming more and more distinct: (1) commercial farm enterprises and (2) non-commercial holdings, many of which are little more than farm living units. Each is composed of numerous types. Commercial farms vary in area under operation from small vegetable farms to very large western cattle ranches; noncommercial units comprise backyard cow-and-garden farms, farms of retired and semiretired people, part-time farms, and others.

The distinctions between the two broad parts are real and meaningful for any attempt at weighing the economic and social problems of agriculture. Commercial and noncommercial agriculture differ in economic status, in the nature of their problems, and in the trends they exhibit. Commercial farms outnumber the noncommercial holdings in a ratio of almost two to one; the two groups together total roughly 3.7 million units, most of them family operated.

Commercial agriculture produces more than nine-tenths of all farm output, earns the major part of all net farm income, and holds most of agriculture's proprietary assets. Aggregate statistical measures, which seldom distinguish between commercial and noncommercial agriculture, must therefore be interpreted as pertaining chiefly to the commercial portion. Because of the differences in the economic performance of the two types of farms and their changing relative numbers, a conversion of aggregate totals into averages per farm tends to be misleading.

Since commercial agriculture contributes so much of all market supplies of farm products and absorbs even more of the capital resources used, its problems are essentially those of commodity markets. National concern with adjustment problems of underdeveloped and underemployed human resources in agriculture is associated with low income farms—those in noncommercial agriculture and the smallest-sized fringe of commercial agriculture.

PRODUCTION AND INCOME IN 1960

The commercial part of agriculture accounted for the rapid expansion in farm output during the last few years and for the record high production in 1960—a record attained despite the reduction of the planted acreage, brought about chiefly by the Conservation Reserve Program, to the smallest area since 1916. While the index of livestock production dropped 1 point, to 129 (1947-49=100), the index of crop production rose to a new high

of 122 and caused a rise of 3 points, to 129, in the all-products index (Table B-7).

TABLE B-7.—*Farm production, prices, assets, and liabilities: Selected data, 1953, 1956, and 1958-60*

Item	1953	1956	1958	1959	1960 ¹
Millions of acres					
Planted acreage, 59 crops.....	360	345	330	335	329
Index, 1947-49=100					
Output.....	109	114	124	126	129
Crops.....	103	106	118	117	122
Livestock.....	114	122	124	130	129
Inputs.....	103	102	101	103	103
Labor.....	83	72	66	66	63
Real estate.....	105	105	106	107	106
All other.....	124	133	137	143	145
Index, 1910-14=100					
Prices received by farmers.....	255	230	250	240	238
Prices paid by farmers (all items, interest, taxes, and wage rates).....	277	278	293	297	299
Family living items.....	269	274	287	288	290
Production items.....	256	250	264	266	264
Interest.....	117	150	176	194	213
Taxes (real estate).....	365	421	470	496	536
Wage rates.....	513	536	574	612	631
Billions of dollars					
Income of farm population from all sources ²	21.1	20.1	22.2	20.4	20.7
Gross farm income.....	35.3	34.6	38.2	37.5	37.9
Production expenses.....	21.4	22.6	25.2	26.2	26.3
Realized net farm income.....	13.9	12.0	13.0	11.3	11.6
Balance sheet of agriculture: ³					
Assets.....	159.7	176.3	202.3	203.6	199.3
Real estate.....	94.7	109.5	125.1	129.1	125.0
Other.....	65.0	66.8	77.2	74.5	74.3
Liabilities.....	17.1	19.5	23.3	24.3	25.7
Proprietors' equities.....	142.6	156.8	179.0	179.3	173.6

¹ Preliminary.

² Includes farm wages received by farm resident workers, net change in farm inventories, and all income received from nonfarm sources.

³ As of December 31.

Source: Department of Agriculture.

During the course of the year there was relative improvement in agricultural prices and incomes. Both had declined late in 1959 to their lowest points in several years; by December 1959, the index of prices received by farmers for all commodities had fallen to 230 (1910-14=100), from 244 in the first quarter of that year. The same factors responsible for that decline, principally a cyclical change in output of poultry products and hogs, were also responsible for the rise. As production of both decreased in

early 1960 their prices improved, lending strength to the average of all-product prices; by April the price index had risen to 242. Small declines after April were followed by a new recovery, and the index in December was again 242.

Price advances underpinned a rise in gross income in agriculture to an appreciably higher level in the second quarter of 1960 than in the second half of 1959 and first quarter of 1960. The increased income of the second quarter was sustained later by the harvest of large crops of price-supported grains. The movement of wheat into Commodity Credit Corporation loans in the fall of 1960 was greater than a year earlier, and the loan advances were an addition to gross income. For the entire year, gross farm income exceeded the \$37.5 billion of 1959 by \$0.4 billion, according to preliminary data.

Production expenses in 1960 were about the same as in 1959. Their near-stability ended a steady and marked 4-year rise, and was due largely to lower prices for feed and feeder livestock. Prices of most commodities bought from nonfarm sources were as high as in 1959, or slightly higher, and interest, taxes, and wage rates increased substantially.

As gross income was up and expenses of production were almost unchanged, realized net income of farm operators from farming increased a little—from \$11.3 billion in 1959 to \$11.6 billion (preliminary) in 1960. Income received from nonfarm sources, which has increased to about a third of the total income of the farm population, was up slightly in 1960, to a new record of \$6.9 billion. Total net income received by the farm population from all sources, which also includes the \$1.8 billion of farm wages received by workers who live on farms and the net change in value of farm inventories, rose to \$20.7 billion, from \$20.4 billion in 1959.

The previous uptrend in values of farm land came to a halt during 1960. As a consequence, total assets in agriculture were reduced by 2 percent during the year, to \$199 billion on December 31, 1960. Several of the factors that had sustained the previous uptrend in land values had run their course, as values reached or exceeded a historical ratio to current income. Moreover, rising taxes on the increased capital value, and higher interest charges on new mortgages, contributed to the downturn in values. Farm debts continued to rise slowly during 1960; yet at \$25.7 billion on December 31, they were only 13 percent of assets.

Current indebtedness in agriculture appears especially small in relation to the very sizable rise in the value of assets that has taken place during the last 20–25 years. Since 1940, for instance, assets in agriculture have increased three times, or by \$146 billion. While these values include farm assets held by nonfarm landlords, the larger part of the rise has accrued to operators of commercial farms. Capital gains have been one of the major elements of financial strength of commercial agriculture during the last quarter century.

NET INCOME OF SELECTED COMMERCIAL FARM TYPES

Although reported data on total farm income unfortunately do not distinguish between commercial and noncommercial agriculture, statistical series have been developed by the Department of Agriculture to describe trends in organization and income on typical commercial family-operated farms of 32 selected types. Preliminary data presented in Table B-8 for

TABLE B-8.—*Net farm income of selected types of commercial family-operated farms, 1953, 1956, and 1958-60*

[Dollars per farm]

Type of farm	1953	1956	1958	1959	1960 ¹
Wheat farms, Southern Plains.....	5,423	3,768	13,283	9,033	11,439
Cattle ranches, Intermountain Region.....	5,324	5,728	13,124	12,327	9,044
Hog-dairy farms, Corn Belt.....	6,067	5,176	7,453	6,003	5,338
Wheat-small grain-livestock farms, Northern Plains.....	3,758	6,970	6,445	2,876	4,684
Dairy farms, Central Northeast.....	3,175	3,824	4,337	4,364	4,208
Tobacco-cotton farms, Coastal Plains, North Carolina.....	3,240	3,674	3,394	2,718	3,290
Peanut-cotton farms, Southern Coastal Plains.....	2,660	2,743	3,467	2,437	2,837
Cotton farms, Black Prairie, Texas.....	3,530	899	3,035	2,483	2,110

¹ Preliminary.

NOTE.—Figures in this table were computed by applying reported prices to data on the organization of typical farms.

Source: Department of Agriculture.

eight of these types illustrate the wide variation between different types of farming—both in size of income and in fluctuations in income from year to year. In 1960, for instance, net farm income for half of the eight types was higher than in 1959; for the other half, it was lower. Bumper crops of wheat in 1960 which sold at or near support prices boosted the income of wheat farms. A moderate cyclical decline in the price of cattle reduced the income of cattle ranches from the very favorable level of the preceding two years. Recovery in prices of hogs during 1960 did not fully restore the previous year's income to hog-dairy farms of the Corn Belt. Dairy farms of the Northeast apparently experienced a small decline in income. The stability of dairy incomes in the Northeast, in comparison with the sharp variability for some other types of farm income, is brought out by the data in Table B-8.

It should be noted that net farm income as reported in Table B-8 includes returns on both capital and family labor. Large differences between farm types in the amount of capital invested, as well as in the amount of family labor utilized, account for a part of the differences in the amount of net income.

INCREASING IMPORTANCE OF COMMERCIAL FARMS

The proportion of all farms that are operating on a commercial scale, and the share of such farms in the national output of farm products, are increasing. Also, commercial farms are employing an increasing percentage of all persons engaged in agriculture. Hence commercial farming

represents a growing part of United States agriculture as a whole. In 1959, the Census of Agriculture reported that about 2.1 million commercial farms had sales of \$2,500 or more. This number was almost the same as in 1950 and 1954, and was 56 percent of all farms reported in 1959. Comparisons of this relative proportion with earlier censuses are complicated by a new definition of a farm introduced in the 1959 Census. In that year, approximately 232,000 units then in existence which would have been counted as farms according to the 1954 definition were excluded by the more restrictive new definition. If, for purposes of comparison, the 1954 definition is applied to the 1959 Census, commercial farms with sales of \$2,500 or more would have constituted 52.5 percent of all farms in 1959, a gain of 14 percent from 1950 (Table B-9).

TABLE B-9.—Number of farms, by economic class, 1950, 1954, and 1959

Economic class	Number of farms				Percent of total farms				Percentage change in number of farms, 1950 to 1959 ¹	
	1954 definition			1959 (new definition) ¹	1954 definition		1959 (new definition) ¹			
	1950	1954	1959 ¹		1950	1959 ¹				
Thousands					Percent					
Total farms.....	5,382	4,782	3,936	3,704	100.0	100.0	100.0	100.0	-26.9	
Sales \$2,500 and over (commercial).....	2,087	2,101	2,065	2,065	38.8	52.5	55.8	55.8	-1.1	
Sales \$2,500 to \$4,999.....	882	811	617	617	16.4	15.7	16.7	16.7	-30.0	
Sales \$5,000 to \$9,999.....	721	707	654	654	13.4	16.6	17.7	17.7	-9.3	
Sales \$10,000 and over.....	484	583	794	794	9.0	20.2	21.4	21.4	64.0	
Sales less than \$2,500.....	3,295	2,681	1,871	1,639	61.2	47.5	44.2	44.2	-43.2	
Commercial.....	1,619	1,226	(4)	348	30.1	(4)	9.4	(4)	(4)	
Noncommercial.....	1,676	1,455	(4)	1,291	31.1	(4)	34.8	(4)	(4)	
Part-time.....	(4)	(4)	(4)	883	(4)	(4)	23.8	(4)	(4)	
Part-retirement.....	(4)	(4)	(4)	405	(4)	(4)	10.9	(4)	(4)	
Miscellaneous.....	(4)	(4)	(4)	3	(4)	(4)	.1	(4)	(4)	

¹ Preliminary.

² Based on 1954 definition.

³ Not comparable with data for 1950 and 1954.

⁴ Not available.

NOTE.—The number of farms in this table is as reported in the Census of Agriculture. The total is smaller than that estimated annually by the Department of Agriculture (Table C-70) because of adjustments for underenumeration.

Sources: Department of Commerce and Department of Agriculture.

Moreover, within the 2.1 million commercial farms having sales of \$2,500 or more, those with sales of \$10,000 or more have increased as those with sales of less than \$10,000 have decreased. In 1959, 800,000 farms were in the larger category—64 percent more than in 1950. Those with sales of \$2,500-\$5,000 decreased by 30 percent, and those in the \$5,000-\$10,000 class decreased by 9 percent.

Above-average growing conditions during 1959 contributed somewhat to the increased number of farms achieving a higher sales volume.

Although expenses of production have been rising gradually, so that gross sales are not an exact measure of relative net income, it nevertheless seems likely that more and more commercial farms have succeeded in increasing their business to a volume that improves the chances of returning a satisfactory net income to the farm family. The 10-year increase of almost two-thirds in the number of farms having sales of \$10,000 or more is evidence that this is true.

All these data apply to commercial farms selling farm products valued at \$2,500 or more during the Census year. They omit those farms selling less than \$2,500 of products that are technically classed as commercial owing to lack of any other sizable income. This classification of farms was chosen both because farms selling less than \$2,500 of products are clearly inadequate as sources of farm income, and in order to facilitate statistical comparisons between Censuses.

DECREASE IN NUMBER OF SMALL FARMS

According to the Census of 1959, there were 1,639,000 farms in the United States which sold less than \$2,500 worth of farm products. This number included 348,000 so-called "midget" commercial farms—those for which the small volume of sales of farm products nevertheless was the primary source of family income. It also included 883,000 part-time and 405,000 part-retirement farms. The total of 1,639,000 was 44 percent of all farms, as enumerated according to the new definition.

All the farms omitted in the 1959 Census because of a more restrictive definition were small farms—those with less than \$2,500 of sales. When these omissions are added, in order to make comparisons with data of earlier Censuses, the number of small farms becomes 1.9 million, a substantial reduction from the 2.7 million of 1954 and 3.3 million of 1950 (Table B-9).

These reductions in numbers of small farms doubtless reflect some amelioration of the problem of low-income farms. Progress has been made in either enlarging the production resources on small farms, or in supplementing the farm income from sources off the farm. Yet also evident in recent trends is a gradual disappearance of units that have qualified as farms only by virtue of sideline "backyard" farming, a time-consuming occupation yielding minimum returns to labor.

On the other hand, the Conservation Reserve has probably shifted a number of farms of sizable acreage into the small-farms category, because of the small value of products now sold from their idled acreage.

DECLINE IN TOTAL NUMBER OF FARMS

The total number of all farms reported in the 1959 Census, according to preliminary data, was 3.7 million. By use of the same definition as in 1954, the number in 1959 would have been reported as 3.9 million, compared with 4.8 million in 1954 and 5.4 million in 1950 (Table B-9).

This 10-year decrease amounts to no less than 27 percent, and occurred, as noted above, exclusively in small farms—those selling less than \$2,500 worth of farm products per year. While a later revision of these Census data may increase the reported number of farms slightly, owing particularly to the inclusion of idled Conservation Reserve farms, it is unlikely that the basic changes as shown will be affected significantly.

INCREASE IN ACREAGE AND ASSETS OF FARMS

Year by year, commercial agriculture has become an increasingly technical enterprise demanding a high degree of managerial skill and requiring a larger acreage and investment base. Not only does the inventory of farm equipment and machinery on a typical farm now make it possible for each farmer to till more acres, but the accompanying heavy capital investment makes a larger acreage mandatory if efficiency in operation is to be achieved. The modern commercial farm uses capital in the same manner—and in larger amount per person employed—as do nonfarm manufacturing enterprises.

Between 1950 and 1959, the number of farms in every size class below 500 acres decreased (Table B-10). The percentage reductions were greatest for the smaller farms; the number having 50-99 acres was reduced by 37 percent, and the 100-139 acre group by 32 percent. Farms above 500 acres in size increased in number—to 336,000 in 1959 from 303,000 in 1950.

The quantity of assets other than land used in agriculture has risen substantially—generally faster than have land assets. From 1940 to 1960,

TABLE B-10.—Number of farms, by acreage groups, 1950, 1954, and 1959

Size in acres	Number of farms				Percentage change ²	
	1954 definition			1959 (new definition) ¹	1950 to 1959 ¹	1954 to 1959 ¹
	1950	1954	1959 ¹			
Thousands						
Total farms.....	5,382	4,782	3,936	3,704	-27	-18
0-10.....	485	484	(3)	241	(3)	(3)
10-49.....	1,478	1,213	(3)	811	(3)	(3)
50-99.....	1,048	864	658	658	-37	-24
100-139.....	579	491	394	394	-32	-20
140-179.....	523	462	378	378	-28	-18
180-219.....	275	257	226	226	-13	-12
220-259.....	212	206	189	189	-11	-8
260-499.....	478	482	471	471	-1	-2
500-999.....	182	192	200	200	11	4
1,000 and over.....	121	130	136	136	12	5

¹ Preliminary.

² Based on 1954 definition.

³ Not available.

NOTE.—The number of farms in this table is as reported in the Census of Agriculture. The total is smaller than that estimated annually by the Department of Agriculture (Table C-70) because of adjustments for underenumeration.

Detail will not necessarily add to totals because of rounding. Virtually all the farms excluded from the 1959 Census (new definition) because of more restrictive definition were smaller than 50 acres in size.

Source: Department of Commerce.

when improvements on land raised the physical real estate assets in agriculture by 22 percent, the amount of machinery employed increased by 151 percent. Although livestock inventories increased by only 19 percent, all other assets combined—primarily crop inventories and demand deposits in banks—increased by 46 percent. Total production assets in agriculture increased by 30 percent during the 20-year period. These are estimated quantities, valued at constant (1947-49) prices (Table B-11).

TABLE B-11.—*Production assets used in agriculture, 1940, 1950, and 1960*

Kind of asset	1940	1950	1960	Percentage change	
	1940 to 1960	1950 to 1960			
Billions of dollars, 1947-49 prices					
Total production assets.....	83.3	95.9	108.6	30	13
Farm real estate.....	58.2	63.4	71.1	22	12
Livestock.....	12.9	13.1	15.4	19	18
Machinery and motor vehicles.....	4.1	8.6	10.3	151	20
Other ¹	8.1	10.8	11.8	46	9
Dollars, 1947-49 prices					
Per farm ²	13,118	16,979	23,921	82	41
Per farm worker.....	7,347	9,625	14,707	100	53

¹ Includes crop inventories held for livestock feed and the portion of demand deposits owned by farmers estimated as being held to meet farm production costs.

² Based on number of farms as reported by the Department of Agriculture, according to 1954 Census definition. (See footnote 1, Table C-70.)

Source: Department of Agriculture.

As the number of farms has decreased, real production assets per farm have increased considerably. Valued in constant dollars, assets per farm advanced 82 percent between 1940 and 1960. Assets per farm worker increased even more: their average doubled during the 20 years, to \$14,700 in 1960, valued in 1947-49 dollars. Valued in 1960 dollars, farm assets per farm worker in 1960 averaged \$21,300, considerably more than the average investment of \$15,900 per employee in manufacturing in the same year. Data on average assets per farm pertain to all farms, commercial and non-commercial, as reported by the Department of Agriculture according to the pre-1960 Census definition (see Table C-70); they doubtless overstate the rate of increase, but underreport the present average size, of assets held on commercial farms alone.

FARMER COOPERATIVES IN COMMERCIAL AGRICULTURE

Today's agriculture in all its complexity, particularly its commercial part, rests on three kinds of supporting services. One is technical and educational; it begins with public elementary and secondary education, including vocational training, and ends with the broad programs of

research and education carried out by the Land Grant Colleges, Agricultural Experiment Stations, and the Federal-State Extension Service. The second is the assistance provided by Government in fields ranging from aid in soil conservation to regulation of markets for farm products, and to certain assistance in maintaining prices and incomes of farmers.

The third supporting service, one also essential to agriculture of the 1950's and 1960's, is self-provided by agriculture—the joining of individual producers in many types of cooperative associations. Farmer cooperatives, designed in manifold ways for a multitude of purposes, are in many respects a bridge between the technological and management demands of modern commercial agriculture and its decentralized, small-unit, family-farm organizational structure. As a form of business enterprise, the cooperative associations perform for agriculture what is done by corporate organization in industry and commerce.

Farmers make wide use of cooperatives in obtaining essential services ranging from marketing of farm products to purchasing of farm supplies, and including organized mortgage and production credit, electric power, telephone service, medical service, insurance, irrigation, and dairy herd improvement. In 1957-58 farmers held over 3.8 million memberships in 6,102 marketing cooperatives, and 3.5 million in 3,381 farm supply associations. The 13 banks for cooperatives, in which farmers are developing substantial ownership equities, served cooperatives with farmer memberships totaling more than 3.6 million. Memberships and participants in rural electric cooperatives number over 4.4 million (Table B-12).

TABLE B-12.—*Farmers' cooperative associations and their membership, by type*¹

Type	Number of associations	Number of members or participants (thousands) ²
Marketing, supply, and service.....	9,716	7,485
Marketing.....	6,102	3,878
Purchasing.....	3,381	3,543
Miscellaneous service.....	233	64
Federal land bank associations.....	831	374
Production credit associations.....	494	508
Banks for cooperatives.....	13	3,650
Rural credit unions.....	550	150
Rural electric cooperatives.....	908	4,420
Rural Electrification Administration telephone cooperatives.....	210	405
Rural health cooperatives.....	19	66
Farmers' mutual fire insurance companies.....	1,625	3,000
Mutual irrigation companies.....	9,374	138
Dairy herd improvement associations.....	1,509	41
Dairy cattle artificial breeding associations.....	47	636

¹ Data apply to dates ranging from 1957 to 1960, except that mutual irrigation company data are for 1950.

² Estimated.

Source: Department of Agriculture.

Provisions of Federal law have long granted farmer cooperatives certain exemptions from the Federal corporate income tax. Under legislation enacted in 1951, the exemptions were narrowed and tightened. To qualify, a

cooperative must be farmer owned and controlled, must do virtually all of its business with farmers and a major part with members, and must meet several other criteria. About 60 percent of all cooperatives currently elect to take advantage of the right to exemption.

In 1957-58, the 9,700 marketing, farm supply, and service cooperatives did an aggregate business volume of \$10.7 billion, exclusive of intercooperative sales (Table B-13). The average volume of a little over \$1 million

TABLE B-13.—*Net business volume of farmer cooperative associations engaged in marketing, farm supply, and related services, 1957-58*

Item	Farmer cooperative associations ¹	
	Number	Net business (millions of dollars)
Total business.....	9,716	10,693
Products marketed for patrons.....	6,855	8,261
Dairy products.....	1,771	2,913
Grain, soybeans, soybean meal and oil.....	2,692	1,678
Livestock and poultry.....	(²)	1,644
Fruits and vegetables.....	759	787
Cotton and cotton products.....	613	413
All other products.....	(²)	826
Supplies purchased for patrons.....	7,339	2,185
Feed.....	4,523	808
Fertilizer.....	4,222	283
Seed.....	3,820	96
Petroleum products.....	2,784	552
Building materials.....	1,498	76
All other.....	(²)	370
Receipts for services.....	5,465	247

¹ Preliminary data as developed by Farmer Cooperative Service.

² Not available.

NOTE.—Detail does not add to totals because individual cooperatives may perform multiple services.

Source: Department of Agriculture.

per cooperative, however, masks the diversity in size and scope of individual associations; whereas some are small and localized, others are large nationwide federations. It is estimated that for each of more than 80 percent of all cooperatives the annual business volume is less than \$1 million. Yet for each of about 100 cooperatives the annual business exceeds \$20 million. A number of the larger cooperatives have resulted from mergers and consolidations. Many regional or national federations of cooperatives also have been established.

Recently, farmers have turned to cooperative action as a means of forestalling loss of management control of their farming through vertical integration. Vertical integration has increased in some sectors of agriculture, such as the production of commercial broilers.

Farmers have also found cooperatives helpful in connection with the adoption of marketing agreements under agricultural price support legislation and the operations authorized by them.

As of January 1, 1960, farmers had slightly over \$4 billion invested in marketing, farm supply, telephone, irrigation, insurance, and rural electric cooperatives, cooperative production credit associations, and the Federal land bank system.

ADJUSTMENT OF FARM PRODUCTION THROUGH THE CONSERVATION RESERVE PROGRAM

Programs of the Federal Government to support prices of farm products are of significance chiefly to commercial farmers. Small farmers benefit from them only in proportion to the volume of produce they have to sell, which invariably is small.

Price-support programs have been accompanied by an accumulation of huge stocks of wheat and corn and smaller quantities of cotton, small feed grains, tobacco, and other commodities by the Federal Government, despite aggressive efforts to make food available in distribution programs at home and in both distribution and sales programs abroad. In an effort to relieve the condition resulting from surpluses and the accumulation of stocks, Soil Bank programs were introduced beginning in 1956. About 12.2 million acres of cropland were placed in the Acreage Reserve of that year. Participation increased to 21 million in 1957, then declined to 17 million in 1958, the final year of the program (Table B-14).

The Acreage Reserve applied only to crops subject to acreage allotments, and only those farmers who complied with allotments were eligible to participate. The Conservation Reserve was originally a supplement to the Acreage Reserve, and later supplanted it. The Conservation Reserve is not confined to allotment crops; all cropland is eligible. In recent years emphasis has been placed on obtaining participation by entire farms. The leased land must be protected by adequate conservation practices, for which cost-sharing payments are made available under specified conditions. Participation increased to 28.7 million acres on 306,000 farms in 1960. The average rental per acre was \$11.85. Obligations for payments for both rental and cost-sharing practices were \$368 million in 1960.

Since the Congress did not authorize any further increase, the Conservation Reserve in 1961 will be confined to land already under contract. Because only about 100,000 acres of contracts are due to expire, 28.6 million acres will remain under Reserve. In the absence of new authority, the Reserve acreage would decline slowly until 1963, and more rapidly thereafter (Table B-15).

In 1960 a total of 17 million acres of land that would otherwise have grown wheat, corn, and small feed grains were removed from production by the Conservation Reserve contracts. This amounted to only 9 percent of the combined acreage of the three crops. Since the quality of land

TABLE B-14.—*Acreage Reserve and Conservation Reserve Programs, 1956-60*

Item	Acreage Reserve Program			Conservation Reserve Program				
	1956	1957	1958	1956	1957	1958	1959	1960
Thousands								
Number of contracts.....	548	914	1,049	16	80	128	246	306
Millions of acres								
Cropland acreage in the reserve.....	12.2	21.4	17.2	1.4	6.4	9.9	22.4	28.7
Whole farms.....				(1)	5.3	7.5	14.8	20.4
Part farms.....	12.2	21.4	17.2	(1)	1.1	2.4	7.6	8.3
Cropland acreage idled: ²								
Wheat.....	5.7	12.8	5.3	(1)	.5	.8	2.3	3.2
Corn.....	5.3	5.2	6.7	(1)	.9	1.5	3.5	4.6
Small feed grains.....				(1)	3.5	5.0	7.9	9.4
Rice.....	(1)	.2	.2	(1)	(1)	(1)	(1)	(1)
Cotton.....	1.1	3.0	4.9	(1)	.1	.2	.5	.7
Tobacco.....	(1)	.1	.1	(1)	(1)	(1)	(1)	(1)
All other crops ⁴				(1)	1.7	2.8	8.7	11.4
Millions of dollars								
Obligated payments.....	260	614	696	23	100	118	360	368
Rental.....	260	614	696	12	57	87	259	339
Cost-sharing in conservation practices ⁵				11	43	31	101	29

¹ Not available.

² Acreage of crop allotments idled under Acreage Reserve; estimated acreage under Conservation Reserve. Total acreage for Conservation Reserve exceeds Reserve acreage due to double-cropping and other multiple uses.

³ Less than 50,000 acres.

⁴ Includes acreage that had intermittently been idle, fallow, or a fallow.

⁵ Payments obligated for any year will be distributed during several years.

Source: Department of Agriculture.

TABLE B-15.—*Conservation Reserve Program acreage under contracts for future years, 1961-69*

Year	Acreage (millions of acres)
1961.....	28.6
1962.....	26.4
1963.....	25.2
1964.....	17.6
1965.....	14.0
1966.....	13.4
1967.....	11.5
1968.....	10.1
1969.....	3.6

NOTE.—Data are for contracts in force December 31, 1960.

Source: Department of Agriculture.

under Conservation Reserve lease was somewhat below average, the actual adjustment achieved in output was less than 9 percent.

CHANGES IN LOW-INCOME FARMS

On the 1.6 million small farms reported in the 1959 Census (Table B-9), the income earned from farming alone is low by any standard. Persons living on those farms can be divided into three groups: (1) those of working age who receive an income from nonfarm sources that is satisfactory, either of itself or when combined with the net income earned on the farm; (2) those past working age whose income status depends in large measure on retirement income available to them, derived from social security, private retirement plans, or private investments; and (3) those of working age who depend principally for their income on the operation of units with very small economic resources.

This third group faces more serious economic problems than do the other two, and from the standpoint of the national economy it represents a pool of human resources that is partially wasted. This group is a principal focus of the Rural Development Program. Since 1955 that program has coordinated and directed the efforts of various departments and agencies of the Federal Government, in cooperation with State and local organizations, toward rural betterment. In addition to five departments of the Federal Government, the Small Business Administration has been particularly active in assisting development of low-income areas.

The primary objective of the Rural Development Program is to build up local economic resources of low-income areas and to provide job opportunities for rural people. In some low-income areas where local resources are inadequate or have not been developed sufficiently to alleviate serious underemployment or unemployment, regional decreases in population are taking place. The 1960 Census of Population shows that within the national pattern of geographic shifts in distribution of the population, resulting primarily from internal migration, a number of localities previously designated as low income have increased their population in the last decade, some at more than the national average rate, others at less than the national rate. Usually these increases reflected new opportunities that developed for local employment. In other low-income localities the resident population remained constant or declined.

The Atlantic Coast and Piedmont regions were the main ones with above-average population gains. There, vigorous industrial development or expanded military installations contributed to growing local employment. Regions in which the population decreased were primarily those of the upper Appalachian and the South Central areas extending from eastern Oklahoma and Texas to Mississippi.

The decade of the 1950's lowered, in general, the population density in the rural low-income areas relative to the rest of the country. As indicated by Table B-16, the total population of the Nation increased by 18.4 per-

TABLE B-16.—*Total population and population in low-income farming areas, 1950 and 1960*

Area classification	Population ¹				Percentage change 1950 to 1960 ²	
	Total		Nonmetropolitan		Total	Non- metro- politan
	1950	1960	1950	1960		
Millions of persons						
Total population.....	150.7	178.5	66.2	72.6	18.4	9.7
Low-income farming areas ³	34.8	36.6	29.8	30.7	5.2	3.2
By income:						
Moderately low-income.....	12.3	13.1	10.7	11.3	6.4	5.6
Substantially low-income.....	8.4	9.2	7.1	7.6	10.2	7.3
Seriously low-income.....	14.2	14.4	11.9	11.8	1.3	-1.3
By location:						
Appalachian Mountain and border areas.....	12.1	12.1	9.7	9.5	-5	-1.9
Southern Piedmont and Coastal Plains.....	9.6	11.1	8.1	9.0	15.2	11.8
Southeastern Hilly areas.....	3.4	3.4	3.2	3.1	-6	-3.0
Mississippi Delta.....	2.3	2.4	2.2	2.2	3.7	1.8
Sandy Coastal Plains ⁴	2.2	2.1	2.2	2.1	-6.3	-6.3
Ozark-Ouachita Mountains and border.....	1.9	1.9	1.7	1.6	-2.1	-5.0
Northern Lake States.....	1.8	2.0	1.4	1.6	9.9	8.4
Northwestern New Mexico.....	.3	.5	.3	.5	58.1	58.1
Cascade and Rocky Mountain areas.....	1.0	1.2	1.0	1.2	16.7	16.7

¹ As of April 1.² Based on actual number of persons.³ For description of areas, see *Development of Agriculture's Human Resources—A Report on Problems of Low-Income Farmers*, House Document No. 149, 84th Congress, 1st Session.⁴ Plains of Arkansas, Louisiana, Oklahoma, and Texas.

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

Sources: Department of Commerce and Department of Agriculture.

cent from 1950 to 1960, while the increase in the low-income farming areas was only 5.2 percent. In the areas with serious social and economic problems, the increase was a mere 1.3 percent. The nonmetropolitan population of the Nation as a whole increased by 9.7 percent, but in all low-income farm areas it increased only 3.2 percent. In the serious problem areas, the nonmetropolitan population actually decreased by 1.3 percent. Data in Table B-16 are broad totals developed for areas as described in a special report prepared for the 84th Congress, published in 1955.

Of the low-income areas for which data are presented in Table B-16, only one, that surrounding the fast-growing city of Albuquerque, had a total population growth during the 1950's that exceeded the national average rate.

While notable improvement made it possible for a number of areas to retain their local population during the 1950-60 period of high level performance of the economy, there is still a problem of underemployment in many areas, i.e., an excessive potential supply of labor and a need for more opportunities for employment, particularly off the farm.

III. United States Foreign Trade and Payments

In 1960, the United States merchandise trade position improved substantially. This improvement, however, was largely offset by increased outflows of short-term capital, mainly in response to more attractive interest rates abroad. The over-all balance of payments thus showed a sizable deficit for the third consecutive year. As the capital outflow accelerated during the year, the over-all deficit in the balance of payments increased from a seasonally adjusted annual rate of \$2.6 billion in the last quarter of 1959 to a rate of \$4.1 billion in the third quarter of 1960 (Table B-17).

In the closing months of the year, the deficit—omitting one large transfer of private capital for direct investment abroad—appears, on the basis of incomplete data, to have diminished somewhat. The surplus on goods and services rose further. The outflows of liquid capital, which were

TABLE B-17.—*United States balance of payments, 1959-60*

[Billions of dollars, seasonally adjusted annual rates]

Payment or receipt	1959				1960		
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter ¹
United States payments ²	28.1	30.1	30.1	30.2	29.8	30.7	31.5
Merchandise imports.....	14.4	15.7	15.8	15.4	15.2	15.4	14.9
Services and military expenditures.....	8.1	8.1	8.3	8.4	8.6	8.7	8.7
Remittances and pensions.....	.7	.8	.8	.8	.9	.9	.9
Government grants and related capital outflows.....	2.5	2.4	2.5	2.5	2.5	3.0	2.5
United States private and other Government capital outflows.....	2.4	3.1	2.6	3.2	2.8	2.7	4.6
United States receipts ³	23.9	24.1	25.8	26.2	27.3	28.4	28.5
Merchandise exports.....	15.3	15.8	17.3	16.5	18.4	19.5	20.0
Services and military transactions.....	7.1	7.0	7.3	7.5	7.5	7.7	7.8
Repayments on U.S. Government loans.....	1.2	.6	.6	1.7	.7	.6	.7
Foreign long-term investments in United States.....	.3	.8	.6	.5	.7	.6	(4)
Errors and omissions, net receipts or payments (—).....	.6	1.4	—.3	1.4	—.1	—.6	—1.1
Total (balanced by decline in United States gold holdings and increase in recorded liquid liabilities).....	—3.6	—4.6	—4.5	—2.6	—2.6	—2.8	—4.1

¹ Preliminary.

² Transfers of military aid are excluded both from exports and from grants.

³ Excludes \$1,375 million for increase in United States subscription to the International Monetary Fund.

⁴ Less than \$50 million.

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

Source: Department of Commerce.

still large in October, the time of the speculative flurry on the London gold market, seem to have fallen off following the reductions in short-term rates in several European countries and the announcement of various measures to reduce the payments deficit which confirmed United States determination to defend the dollar.

The increase in the over-all deficit in the balance of payments in the second half of the year was accompanied by a rise in foreign acquisitions of gold from the United States. The drop in the United States gold stock during 1960 amounted to \$1.7 billion, against \$2.3 billion in 1958 and \$1.1 billion in 1959. The 1960 reduction was moderated, as was that of 1959, by the sale of \$300 million of gold to the United States by the International Monetary Fund, designed to enlarge the income earning assets of the Fund. Despite its decrease during the year, the United States gold stock of \$17 $\frac{3}{4}$ billion at the end of 1960 was almost one-half of the total held by all countries of the free world.

IMPROVEMENT IN CURRENT ACCOUNT SURPLUS

The surplus of United States transactions on goods and services improved steadily throughout 1960. By the third quarter it reached a seasonally adjusted annual rate of over \$4 billion, a shift of more than \$5 billion from the sizable deficit recorded in the second quarter of 1959. The improvement occurred chiefly in the merchandise trade account; the combined movement in service transactions remained small. Among the service receipts, income on investments increased for the second consecutive year, following a small decrease in 1958. On the payments side, military expenditures abroad, which had already fallen somewhat in 1959, declined slightly, although they still were at an annual rate of about \$3 billion. Payments on transportation and travel, however, continued to rise rapidly.

The merchandise trade surplus rose to a seasonally adjusted annual rate of more than \$5 billion by the third quarter of 1960. Except during the 1956-57 period of the Suez crisis, the surplus had not been so large since the early postwar years, when Marshall Plan aid swelled exports. For 1960 as a whole, it probably exceeded \$4.5 billion, far above the \$0.9 billion of 1959.

Exports made the largest contribution to the improvement in the trade surplus. From an annual rate of \$15.3 billion in the first quarter of 1959 they rose to an annual rate of \$20.0 billion in the third quarter of 1960, and continued at a high rate in the fourth quarter. A higher export level had been achieved only in the Suez-crisis months of early 1957, when fuel exports were at a record annual rate, about \$1.5 billion above that for 1960. The near record rate of exports in the second half of 1960, moreover, was achieved despite weakness in two of our major export markets, Canada and Latin America.

The year's upsurge in exports covered a broad range of commodities, but the sharpest increases, on the whole, were recorded by a variety of crude

and semimanufactured materials (Table B-18). Coal was an exception, as import restrictions on coal continued to prevail in several countries of Western Europe. The advance in total exports was the result of a combination of circumstances: the boom in business activity in most industrial countries outside of North America; the removal of many foreign import restrictions on United States goods; an increase in sales of surplus farm products for foreign currencies; and, finally, some improvement in our competitive position in world markets.

TABLE B-18.—*United States merchandise exports, 1956-60*

[Millions of dollars]

Commodity	1956	1957	1958	January-October	
				1959	1960
Annual rates					
Total exports, excluding "special category".....	16,901	18,868	15,823	15,502	18,550
Foodstuffs.....	2,423	2,325	2,223	2,386	2,586
Grains and preparations.....	1,342	1,370	1,297	1,418	1,618
Coal and related products.....	746	846	534	397	371
Petroleum and products.....	652	872	462	406	434
Cotton, unmanufactured.....	729	1,059	661	342	906
Oilseeds and crude vegetable oils.....	305	374	270	377	428
Rubber and manufactures.....	276	300	278	319	382
Wood, paper, and products.....	446	482	450	499	612
Textile semi- and finished manufactures.....	630	667	600	611	694
Iron and steel-making raw materials.....	362	432	138	184	306
Iron and steel-mill products.....	762	993	563	390	632
Nonferrous metals.....	407	440	341	280	691
Aluminum.....	47	46	47	67	175
Copper and copper-base alloys.....	276	304	230	137	376
Machinery.....	3,580	4,005	3,682	3,661	4,036
Industrial machinery.....	2,152	2,502	2,269	2,198	2,465
Tractors, parts, and accessories.....	390	380	311	366	394
Automobiles, parts, and accessories.....	1,359	1,309	1,087	1,146	1,207
Passenger cars and chassis, new.....	334	301	260	221	215
Aircraft and engines.....	184	267	217	133	570
Chemicals.....	1,239	1,379	1,343	1,460	1,672
All other, including reexports.....	2,802	3,118	2,975	2,911	3,023

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

Source: Department of Commerce.

In addition, increases from 1959 to 1960 in exports of four major categories of commodities reflected special circumstances that had depressed exports in 1959. Exports of raw cotton in 1960 were substantially larger than in 1959, when foreign purchasers awaited an increase in the United States Government export subsidy and a consequent lowering of price. However, the heavy volume of cotton exports in 1960 also reflected the boom abroad. Similarly, aircraft shipments, which had dropped in 1959 as deliveries of piston aircraft fell and production of jet aircraft was not

fully under way, mounted rapidly in 1960 as a result of an unusual backlog of orders for jet aircraft. In 1959, domestic stockpiling in anticipation of strikes in the steel and copper industries, and small output during the strikes, reduced supplies of those products available for export that year; in 1960, shipments were at a more normal level. The increase in steel and copper exports in 1960 also reflected the high economic activity in Western Europe and Japan, although these exports fell off somewhat after the third quarter, with the easing in demand pressures in some of these countries. In addition, the rise in copper exports in 1960 was in part a byproduct of the uncertainties surrounding supplies from African and Latin American sources.

The impact which the business upswing abroad had on United States exports in 1960 can be gauged by the geographical distribution of the year's export gains: three areas of the world experiencing the most pronounced industrial boom—Western Europe, Japan, and Australia—which took somewhat more than one-third of our exports in 1959 were responsible for over four-fifths of the rise in exports in the first 10 months of the year. On the other hand, exports to two of our other major markets—Canada and Latin America—which in 1959 absorbed almost one-half of our exports,

TABLE B-19.—*United States merchandise imports, 1956-60*

[Millions of dollars]

Commodity	1956	1957	1958	January-October	
				1959	1960
Annual rates					
Total imports for consumption.....	12,516	12,951	12,786	14,753	14,782
Food:					
Meat products.....	146	184	337	406	337
Coffee.....	1,439	1,376	1,172	1,091	1,015
Sugar.....	437	459	523	542	524
Other food.....	1,182	1,274	1,427	1,400	1,424
Crude rubber ¹	398	349	248	373	334
Wool, unmanufactured.....	243	211	165	233	208
Sawmill products.....	306	243	264	346	322
Newsprint.....	688	657	614	648	678
Petroleum and products.....	1,286	1,548	1,636	1,517	1,501
Iron and steel-mill products ²	212	212	230	517	539
Nonferrous ores and metals.....	1,439	1,347	1,024	1,082	1,165
Copper.....	502	384	249	254	407
Textile semi- and finished manufactures.....	648	635	637	827	955
Machinery.....	355	424	472	636	707
Electrical.....	100	144	167	228	258
Industrial ³	139	152	130	169	215
Automobiles, except trucks, new.....	127	302	489	725	554
Chemicals and related products.....	274	276	282	344	359
All other.....	3,337	3,453	3,301	4,066	4,159

¹ Excludes \$34 million which is included in commodity data.

² Includes latex.

³ Excludes pig iron and scrap.

⁴ Excludes office appliances and printing machinery.

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

Source: Department of Commerce.

declined slightly. Sales to Canada had expanded quite rapidly in 1958-59, but began to fall early in 1960, reflecting the dip in economic activity there. The small decline in total sales to Latin America in 1960, compared with 1959, was due to sharp drops in shipments to Cuba and Venezuela, caused by the political and foreign exchange crises in those two countries. Exports to most of the 18 other Latin American countries rose in 1960.

Changes on the import side of the trade accounts were less marked than those on the export side. Merchandise imports edged down from late 1959 and in the third quarter of 1960 were at an annual rate (seasonally adjusted) of just below \$15 billion, nearly \$1 billion less than a year earlier. All major economic categories accounted for this decrease. In the closing months of the year, total merchandise imports declined further. The year's slight change in the import total was the result of generally small changes, upward and downward, in the various import categories (Table B-19). Special nonrecurring factors worked in both directions. Imports of meat declined as domestic supplies of beef increased from the rather low levels obtaining in 1958 and 1959. On the other hand, the steel and copper strikes led to a temporary rise in imports of these commodities in the first part of the year. Changes in other import categories reflected the easing of domestic demand (declines in imports of some materials), the weakness of primary commodity prices (e.g., coffee and wool), and the shifting competitive position of manufactures (e.g., increases in imports of textile manufacturers and the decline in automobile imports), which is discussed below.

SHARP INCREASE IN CAPITAL OUTFLOWS

The divergence between cyclical developments in most foreign industrial countries and in the United States, which contributed to the improvement in the United States trade position in 1960, also contributed to the sizable capital outflows that increased both the deficit in the over-all balance of payments and the drain on the United States gold stock. Some of this movement of capital reflected the attractiveness in 1960 of stock market investments in a number of Western European countries, compared with the United States. The greater part of it, however, appears to have resulted from the enlarged margin by which interest rates abroad, particularly in the short-term area, exceeded those in this country, and some of it was probably caused by increased international political and economic tensions.

The combined total of net outflows of Government loans and grants, of pensions and remittances, and of United States private long-term investment, on the other hand, changed little between the first three quarters of 1959 and of 1960. While the net outflow of Government loans and grants increased somewhat—because of smaller repayments (including repayments ahead of schedule) on United States Government loans, the \$80 million subscription to the new Inter-American Development Bank, and larger acquisitions of foreign currencies as payment for United States Govern-

ment sales of surplus agricultural commodities—the net recorded outflow of private long-term United States capital declined slightly.

The outflow of liquid capital funds gathered force slowly in 1960; in the third quarter, however, it reached sizable proportions as interest rates declined and monetary conditions eased further in the United States, while interest rate increases and monetary tightening abroad continued. Large-scale movements of liquid funds between international money centers in response to interest-rate changes have taken place in other recent years; but owing to a combination of circumstances resulting mainly from the economic recovery of industrial countries outside North America, this latest movement was much greater. The revived strength of Europe's major currencies, capped with the establishment of convertibility at the close of 1958, made it possible for private European holders in 1959 greatly to increase their short-term dollar assets. Monetary tightening in Europe and easing in the United States in 1960 then led to the repatriation of sizable amounts of these funds. At the same time, fear of a possible weakness of Europe's currencies and of an inability to repatriate funds because of foreign restrictions disappeared as a deterrent to United States corporations and other investors interested in taking advantage of higher interest rates abroad. Moreover, United States corporations, having become accustomed to investing temporarily surplus funds in United States Treasury bills and other marketable instruments, rather than just in bank deposits, had less hesitation than previously in purchasing higher-yielding foreign Treasury bills.

The resulting outflow of United States private capital in the second and third quarters of 1960 was considerably larger than in the first half of 1958, when interest-rate differentials also favored investment abroad but when the general climate was less favorable to such capital movements. However, in the recent period, the capital that moved was primarily of a short-term type. In 1958 there had been a relatively large outflow of funds resulting from the flotation in the United States of new bond issues of foreign and international borrowers. In 1960, this type of outflow was much smaller. Both the International Bank for Reconstruction and Development and various Canadian corporations, provinces, and municipalities, which in 1958 borrowed heavily in the United States, had less need to obtain funds in this country. More important perhaps, long-term United States interest rates did not decline in 1960 to the levels reached in early 1958. In addition, purchases of outstanding foreign bonds by United States investors in 1960 were probably motivated not only by considerations of yield but also by the expectation of capital gains, since long-term interest rates abroad were thought to be headed down again.

Another difference between 1960 and the earlier period—also related to reductions of fears about leading foreign currencies—appears to have been the relative importance attained by so-called uncovered movements of funds. Investors interested in taking advantage of higher short-term yields abroad can cover themselves, at the time they make the investment, from

the foreign exchange risk by entering a forward foreign exchange contract to sell the foreign currency that they purchase. Such covering usually involves a cost which may substantially reduce the incentive to invest short-term funds abroad. In 1960, this cost was quite high for short-term investment in several countries. At the same time, interest-rate differentials were frequently so large that some investors reportedly felt that the profit of uncovered movements of funds was sufficiently great to compensate for the risk of exchange losses. The fluctuations in the interest-rate incentive to invest short-term funds abroad—on both a covered and an uncovered basis—are indicated in Table B-20 in terms of Treasury bill rates for the United Kingdom, which appears to have been a major recipient of interest arbitrage funds from the United States in 1960, and for Canada, toward which the incentive shifted several times.

TABLE B-20.—*Treasury bill rates in the United States, Canada, and the United Kingdom, 1958-60*

[Percent per annum; weekly averages]

Period	3-month Treasury bill rates			Excess of foreign rate over United States rate			
				Without forward cover		With forward cover ¹	
	United States	Canada	United Kingdom	Canada	United Kingdom	Canada	United Kingdom
1958: First quarter	1.84	2.98	6.02	1.14	4.18	0.18	0.69
Second quarter	1.02	1.65	4.92	.63	3.90	.18	.44
Third quarter	1.71	1.54	3.87	-.17	2.16	-.26	.40
Fourth quarter	2.79	3.07	3.43	.28	.64	.17	.08
1959: First quarter	2.80	3.73	3.18	.93	.38	.41	.04
Second quarter	3.02	4.90	3.34	1.88	.32	.55	-.08
Third quarter	3.55	5.58	3.48	2.03	-.07	-.02	.08
Fourth quarter	4.30	4.98	3.48	.68	-.82	-.32	-.21
1960: First quarter	3.94	4.45	4.40	.51	.46	.12	.36
Second quarter	3.09	3.05	4.70	-.04	1.61	.09	.68
April	3.24	3.40	4.65	.16	1.41	.19	.56
May	3.39	2.87	4.58	-.52	1.19	-.37	.44
June	2.64	2.87	4.89	.23	2.25	.46	1.04
Third quarter	2.39	2.53	5.56	.14	3.17	.21	1.07
July	2.40	3.13	5.58	.73	3.18	.58	1.13
August	2.29	2.59	5.58	.30	3.29	.30	1.29
September	2.49	1.88	5.53	-.61	3.04	-.26	.80
Fourth quarter	2.36	3.22	4.85	.86	2.49	.65	1.08
October	2.43	2.64	5.37	.21	2.94	.47	1.03
November	2.38	3.42	4.74	1.04	2.36	.73	.99
December	2.27	3.61	4.44	1.34	2.17	.76	1.21

¹ New York foreign exchange rates received through the Federal Reserve Bank of New York.

NOTE.—Because of significant rate fluctuations, averages of weekly rates often conceal wider differentials that may exist at one particular time. The figures presented above thus are at times only an approximate indication of actual yield differentials.

Sources: International Monetary Fund and Federal Reserve Bank of New York.

Interest-rate differentials in favor of foreign countries declined somewhat toward the close of 1960, and the outflow of funds appears to have diminished. While gaps in the collection of balance of payments data prevent the making of accurate estimates of many types of capital flows, the outflow of liquid capital in the third quarter may have been as high as \$1 billion, or

only slightly less than the over-all payments deficit in that quarter. Some of this outflow probably was recorded in the payments category of direct investments in Europe, the amount of which almost doubled between the second and third quarters of 1960. There are indications that this reflected in part increased short-term investments abroad by foreign affiliates of domestic corporations. A sizable part of the liquid capital outflow was not recorded as such because of deficiencies in the available data, but it appears in the balance of payments as "unrecorded transactions." In the third quarter of 1960, there was an outflow of almost \$300 million in these transactions, compared with an average quarterly inflow of \$150 million during the preceding five years. A large part of these unrecorded movements probably occurred in response to interest-rate differentials, and may include unrecorded shifts due to leads and lags in commercial payments.

It is noteworthy that, under the definition of the United States over-all balance of payments deficit, increases in our liquid liabilities to both private and official foreign holders enlarge the deficit, but increases in our liquid claims on foreigners do not reduce it; that is, outflows of short-term United States funds increase the payments deficit, even though they are matched by an increase in United States liquid assets. Since these assets are privately owned and are not necessarily available to meet the country's international obligations, they are not considered the equivalent of gold. Our liquid liabilities, on the other hand, are potentially, at least, alternatives to gold as a form in which foreign countries can keep their international assets; therefore, in measuring the United States deficit, their changes are included with changes in the United States gold stock.

It should also be pointed out that the recent large outflow under unrecorded transactions exaggerated the apparent size of the over-all payments deficit to the extent that the funds in question were foreign-owned short-term funds. If these funds had been recorded at the point in the past when they moved into the United States, they would have increased the recorded deficit at that time, instead of enlarging recorded receipts; their subsequent repatriation would have been registered merely as a shift in foreign ownership, mainly from private to official hands. This is, of course, what occurred in the case of recorded repatriation of short-term foreign funds. This repatriation did not affect the size of the total deficit, but added to official dollar balances and thereby enlarged the demand for United States gold.

UNITED STATES PAYMENTS IN LONGER PERSPECTIVE

Beginning in 1950, the United States balance of payments has been in deficit every year except 1957. In each of the last three years, moreover, the deficit was more than twice the average of the preceding seven deficit years. Initially, the deficit was related to United States efforts to speed the recovery of the war-shattered economies of the free world, and to help these countries rebuild their reserves. In the last few years, however, the continuation of a deficit on such a large scale could no longer be explained on those grounds.

It is extremely difficult to connect the deficit with any particular category of payments, since the interactions of the various components of the balance of payments are very complex. By and large, however, the deficit has reflected the postwar economic comeback of Western Europe and Japan together with continued large expenditures for defense and foreign aid which the United States has made in discharging its international responsibilities. Since the end of the war, the total of Government payments under military expenditures and nonmilitary grants and loans has changed relatively little, except for a sharp rise in 1947 and a moderate decline in the early 1950's; since the early postwar years, an increase in military expenditures abroad has been about as large as the decline in nonmilitary grants and loans, but it must be noted that the former have a greater impact on the deficit than the latter. Total United States economic assistance to foreign countries nevertheless remains large, and most of it is now directed to less developed countries. United States Government expenditures on economic assistance to less developed countries during 1956-59, as well as United States private loans and investments in these areas, are shown in Table B-21, together with such outlays by other industrial countries.

TABLE B-21.—*Expenditures for foreign economic assistance and other contributions to less developed countries, 1956-59 total*

Contributing countries	Total	Official ¹	Private ²	Including reparations, export credits, and reinvested earnings ³		
				Total	Official	Private
Total	22.3	15.0	7.3	27.7	15.9	11.7
United States.....	12.8	8.9	3.9	14.1	8.9	5.2
Belgium.....	.3	.1	.2	.4	.1	.3
Canada.....	.3	.2	.1	.5	.2	.2
France ⁴	4.1	3.0	1.1	4.2	3.0	1.2
Germany.....	1.1	.9	.3	2.7	1.5	1.1
Italy.....	.3	.2	.1	.6	.3	.3
Japan.....	.3	.3	.1	.6	.5	.1
Netherlands.....	.3	.2	.1	.9	.2	.7
United Kingdom.....	2.2	1.1	1.1	3.1	1.1	2.0
Others ⁴4	.1	.3	.7	.1	.6

¹ Official net bilateral contributions (grants and loans, including assistance through sale of farm products for foreign currencies, i.e., currency claims acquired less currencies disbursed) and net contributions to multilateral agencies.

² Private net bilateral contributions (private lending and investment) and net contributions to multilateral agencies.

³ Data for France are minimum and provisional and do not include reinvested earnings.

⁴ Includes Austria, Denmark, Ireland, Luxembourg, Norway, Portugal, Sweden, and Switzerland.

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

Sources: Various national sources.

Among nongovernmental transactions, net private long-term capital outflows have risen substantially since the end of the war. At the same time, there has been an increase of about the same size in net earnings on services other than military transactions. Within this service total, net expenditure on travel has been rising, but net earnings on investments have increased by a greater amount. In the last two years, net private income on investments abroad has approximately equaled private United States long-

term investment abroad. The merchandise trade surplus has changed quite sharply from year to year during the postwar period, and the fluctuations in the over-all payments balance have roughly paralleled these swings, except in 1956 and in the last two years when capital movements also fluctuated sharply.

Although the increase in aggregate merchandise exports since the early postwar years has been uneven, the amount of the increase has been substantial. The total of almost \$19.5 billion estimated for 1960 compares with an annual average of \$13.3 billion in the first four postwar years when exports were boosted by heavy relief and aid shipments. In the whole period since the war, the advance in exports has been slower than the growth of GNP, but since the early 1950's exports have risen at about the same rate as GNP. In 1960, merchandise exports were equal to 3.9 percent of GNP, the same proportion as in 1950-52, but somewhat below the proportion of 1956 and 1957.

Agricultural exports have increased somewhat less rapidly than aggregate exports since the war, but in 1960, when they were at an estimated \$1 billion above the 1946-49 average, they still accounted for almost one-fourth of the export total. Shipments aided by Government subsidy or Government financing, including sales for foreign currencies, continue to be a significant part of total agricultural exports. In the fiscal year 1960, agricultural exports within the Public Law 480 and Mutual Security programs, under which the United States donates or exchanges farm products or sells them for local currencies which find only restricted use, amounted to \$1.3 billion, or 29 percent of total agricultural exports. Sales for dollars that were aided by export payments or similar programs, including Government loans, were another 29 percent of the total. It must not be forgotten, however, that United States agricultural exports still face stringent restrictions abroad.

Since the first postwar years, exports of finished manufactures have expanded by about the same rate as total exports, and those of industrial materials at a somewhat faster rate. In 1960, finished manufactures (excluding Mutual Security program shipments) accounted for about 55 percent of United States nonmilitary exports, and industrial materials for about 30 percent. Capital equipment and industrial supplies and materials, products that are very sensitive to business fluctuations abroad, accounted for more than 70 percent of total exports.

As was to be expected, the share of the United States in world exports of manufactures has declined from the very high level in the first postwar years. Since the economic recovery of Western Europe and Japan was a major goal of United States postwar foreign economic and mutual security policies, it was inevitable that, with the success of these policies, the countries whose exports had suffered most by the war and its aftermath would improve their position in world markets. Nevertheless, despite the persistence of some restrictions against our products, our share of world exports of manufactures remains above prewar (Table B-22).

TABLE B-22.—*Industrial countries' shares of exports of manufactures, 1938, 1950, and 1957-60*
 [Percent of total ¹]

Period	United States ²	United Kingdom	Germany ³	France	Japan	Others ⁴
1938.....	20.0	22.1	22.7	6.5	6.6	22.0
1950.....	27.3	25.5	7.3	9.9	3.4	26.6
1957.....	25.4	18.0	17.5	8.0	6.0	25.1
1958.....	23.3	17.8	18.5	8.6	6.0	25.7
1959: First quarter.....	23.1	18.4	18.3	8.7	6.2	25.4
Second quarter.....	21.9	17.8	18.6	9.5	6.4	25.8
Third quarter.....	21.1	16.8	19.5	8.8	6.9	26.8
Fourth quarter.....	19.3	16.6	19.9	9.8	7.1	27.4
1960: First quarter ⁵	20.7	17.1	18.8	10.6	6.1	26.7
Second quarter ⁵	22.9	16.5	18.5	9.6	6.5	26.0
Third quarter ⁵	22.0	15.3	19.2	9.0	7.4	27.1

¹ Percentages based on total exports from 11 industrial countries of goods in Sections 5 to 8 of the Standard International Trade Classification (excluding United States exports of special category goods).

² Excludes special category goods. Goods valued at approximately \$185 million were removed from the list of special category goods in 1957.

³ Prewar: all Germany; postwar: German Federal Republic. German Federal Republic's prewar exports were roughly two-thirds of those of the whole of Germany.

⁴ Comprises Belgium-Luxembourg, Canada, Italy, Netherlands, Sweden, and Switzerland.

⁵ Provisional.

NOTE.—Detail will not necessarily add to 100 percent because of rounding.

Sources: Department of Commerce; Board of Trade, United Kingdom; and National Institute of Economic and Social Research, London.

The postwar decline of the United States share of exports of manufactures reflects in the main the fact that manufactured products are once again available from our competitors in quantities and quality. During 1960, the United States share improved again, despite the weakness in the Canadian and Latin American markets where we are by far the largest supplier, in part because of the business upswing in Europe and Japan. A variety of products, but particularly metals and transport equipment, which had figured so prominently in the 1959 deterioration in our relative trading position, appear to have contributed to the improvement in our share. Exports of passenger cars, however, remained at about their 1959 level, considerably below exports in earlier years. This decline in passenger car exports appears in part related to the fact that United States production has not been geared more closely to the types of cars demanded abroad, although within the domestic market United States automobiles have improved their position relative to that of foreign cars.

The measures toward trade liberalization recently taken by a number of foreign nations undoubtedly contributed to the improved position of the United States in the market for manufactures. Exports of those consumer manufactures which were freed in 1959 from discriminatory quota restrictions abroad increased noticeably in 1960. The same appears to have been true of machinery exports. When the effects of liberalization are considered from the point of view of the geographical distribution of export gains, it is seen that exports to countries that had recently reduced or lifted discrimination against United States products (e.g., the United Kingdom) expanded, by and large, more rapidly than did exports to other countries

which also experienced high economic activity but had liberalized dollar imports much earlier (e.g., the Netherlands).

Now that much progress has been made in dismantling quota restrictions, with the principal exception of agricultural products, attention has focused on tariff barriers; in this regard United States manufactures still face relatively difficult obstacles in many countries abroad. For example, in 1960 the import duties on passenger cars in France were 29 percent, in Germany 13 percent, in Italy 32-41 percent, and in the United Kingdom 30 percent, compared with the tariff of only 8.5 percent in the United States.

The recent performance of United States exports to Western Europe deserves special attention. Between the first three-quarters of 1959 and the first three-quarters of 1960, our shipments to that area increased by more than 50 percent, against an increase of only 20 percent in the area's total imports. The 1960 upturn in United States exports to Western Europe was more broadly based than the previous rise to a peak in early 1957, at the time of the Suez crisis, as the commodity composition of sales to Europe indicates. Five commodities—raw cotton, steel scrap, iron and steel-mill products, copper, and aircraft—exports of which have fluctuated very sharply in recent years, had accounted for more than 70 percent of the rise between the first half of 1956 and of 1957 in exports to Europe (other than fuels, which were exceptionally large in 1957 and fell steeply thereafter). In the 1959-60 movement, in contrast, these five commodities accounted for less than half of the increase (Table B-23). Other exports, excluding fuel, to Europe rose by 33 percent in the latter period, but by only 7 percent in the earlier one.

Merchandise imports have increased at a higher rate than exports since the first postwar years. However, in relation to GNP, imports in 1960 re-

TABLE B-23.—*United States merchandise exports to Western Europe, 1956-60*

Commodity group	January-June					Percentage change		
	1956	1957	1958	1959	1960	1956 to 1957	1957 to 1959	1959 to 1960
Millions of dollars								
Total merchandise exports ¹	2,471	3,270	2,336	2,110	3,167	32	-35	50
Excluding coal and petroleum.....	2,230	2,704	2,106	1,957	3,036	21	-28	55
Excluding coal, petroleum, and selected commodities.....	1,847	1,980	1,651	1,774	2,355	7	-10	33
Coal and petroleum.....	241	566	230	153	131	135	-73	-14
Selected commodities.....	383	724	455	183	681	89	-75	272
Raw cotton.....	99	378	235	73	264	282	-81	262
Steel scrap.....	69	84	37	4	31	22	-95	675
Iron and steel-mill products.....	95	84	56	35	93	-12	-58	166
Copper.....	91	115	69	60	111	26	-48	85
Aircraft.....	29	63	58	11	182	117	-83	1,555

¹ Excludes military aid and military sales.

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

Source: Department of Commerce.

mained below their prewar level (Table B-24). Since 1952, the ratio of total merchandise imports to GNP has held very close to 3 percent; in 1959, when the import ratio was 3.2 percent, total imports reflected very large imports of automobiles and strike-induced imports of steel. Imports of sup-

TABLE B-24.—*Measures of demand for United States imports, selected years, 1929-60*
[Percent]

Measure of demand	1929	1937	1949	1951	1955	1958	1959	1960 ¹
Imports of goods and services ² as percent of gross national product	5.6	4.6	3.5	4.2	3.6	4.0	4.2	4.1
Merchandise imports as percent of gross national product	4.3	3.5	2.7	3.4	2.9	2.9	3.2	3.0
Imports of foods and beverages as percent of personal expenditures on food	4.8	3.8	3.7	4.7	4.4	4.4	4.3	4.0
Imports of nonfood consumer goods as percent of disposable income	.6	.4	.2	.3	.4	.5	.7	.8
Imports of industrial supplies and materials for production of nondurable goods ³ as percent of nondurable goods output	3.5	1.9	1.0	1.8	1.0	.8	1.0	1.0
Imports of industrial supplies and materials for production of durable goods as percent of durable goods output	4.7	4.9	3.0	3.6	3.2	3.0	3.5	3.1

¹ January-September.

² Excludes military expenditures.

³ Excludes petroleum, newsprint, and paper base stocks.

Source: Department of Commerce.

plies and materials have shown a decline in relation to domestic output, compared with prewar years. Imports of finished manufactures, on the other hand, have increased in relation to domestic output and expenditure and to total imports; like the postwar reduction of the United States share in exports, this was, in part, a natural outcome of the economic recovery abroad and was facilitated by the lowering of United States tariffs under the reciprocal trade agreement legislation, even though on some products United States tariffs remain high, compared with foreign tariffs.

Imports of some foreign products—especially textile manufactures, rubber and leather goods, and various small electrical appliances—have continued to increase particularly rapidly. But in international trade, as in domestic trade, comparative advantage continually shifts from one product and producer to others. For many products, there are increasing signs that United States producers are successfully enlarging their efforts to hold domestic demand. The recent sharp drop in automobile imports (after mid-1960 these were running at one-half of the rate in comparable months of 1959), following the introduction of “compact” cars by United States manufacturers, is the most striking example.

In the domestic market, however, just as in the export field, United States industries must continue their efforts to keep their products competitive. As was pointed out in Chapter 1, the Administration has intensified its measures to support the efforts of private business to enlarge our sales abroad. The Administration has likewise undertaken vigorous measures on other fronts to help speed the achievement of a reasonable equilibrium in the United States balance of payments. This enterprise is a responsibility shared by both the public and the private sector of the economy.

