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JOINT ECONOMIC REPORT

REPORT

OF THE

JOINT COMMITTEE ON THE ECONOMIC REPORT

ON THE

JANUARY 1950 ECONOMIC REPORT OF THE PRESIDENT

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JOINT COMMITTEE ON THE ECONOMIC REPORT

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JOINT ECONOMIC COMMITTEE REPORT ON THE ECONOMIC REPORT OF THE PRESIDENT, JANUARY 1950

June —.————

Mr. O'Mahoney, from the Joint Committee on the Economic Report submitted the following

REPORT

[Pursuant to Public Law 304, 79th Cong.]

Transmitted herewith is the 1950 annual report of the Joint Committee on the Economic Report. This report, prescribed by the Employment Act of 1946, is intended to serve "as a guide to the several committees of the Congress dealing with legislation relating to the Economic Report." It indicates the committee's findings and recommendations with respect to materials covered in the President's report. Also attached are views of the minority and supplemental materials prepared by the committee staff. The committee held hearings on the President's report on January 17, 18, 19, and 20.

The American economy is today the greatest productive unit in the world. Its strength and balance are the main source of hope for hundreds of millions of people everywhere who cherish freedom.

What happens in the American economy vitally affects the long-range struggle between communism and democracy throughout the world. American economic policy is the cornerstone of successful strategy for world peace. Every decision made by government in shaping that policy, and every major action taken by industry which influences the efficiency and expansion of the economy must be viewed against the background of international realities.

Wisdom and integrity in the policies of government, and responsibility and courage in the conduct of industry are the fundamental requirements. To sustain an increasing level of production, employment, and income to meet the needs of a growing population, and to enable this country to provide the broad economic base for a leading position in the world economy—these are the primary responsibilities of industry under free competitive enterprise. To guide so that maximum benefits may be obtained for the Nation as a whole is the task of government. To achieve these purposes, there must exist a clear

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and unshakeable agreement upon principles. There must be a clear realization that if the American economy falters in its stride, or weakens in its confidence of aims, the consequences may well endanger the life of democratic society throughout the world.

American economic policy is thus a major instrument of world peace. No sound decision with respect to the steps that Government should take to shape it can be made except against the background of the struggle now being waged on the international stage between communism and democracy.

The Communist has no difficulty in fixing policy. He has only to dictate it. Then he enforces it by terror among subject peoples and he promotes it by sowing confusion among other peoples.

The democrat, on the other hand, forms economic policy as he forms political policy, by a study of the facts, by analysis of their meaning, by debate upon the course of action that should be followed and, finally, by agreement of the majority. The independent choices of millions of people as consumers and as producers are the indispensable ingredients of democratic procedure.

The course of the democrat is by far the more difficult, but never was that course more necessary than it is now in American democracy, for the penalty of failure to continue vigorous use of democratic processes will be success for the Communist cause. Needless to say, the latter would mean the loss of individual freedom in the economic as well as in the political sphere in whatever geographic areas the Communists became dominant. The world peace Americans seek is a peace in which the individual shall be free, in which no dictator either political or economic, shall be able to tell him what he must do, or what he can do, but in which the individual, by agreement with his fellows, will continue to divise and enforce rules for strengthening and expanding liberty.

The struggle for peace is not inexpensive. It is less costly, to be sure, than an active modern war of destruction, but it is more costly in terms of economic production and distribution than any war antedating the twentieth century. Most of the cost of this struggle for peace falls upon the United States. The Charter of the United Nations, the Act of Chapultepec, the North Atlantic Pact, American policy in Turkey and Greece, the Marshall plan, and finally, the arming of western Europe to inspire confidence among the democratic peoples of western Europe that they would not be abandoned to aggressive warfare by the Communists, all of these are steps taken by the will of the American people to establish the international framework for peace and freedom. They all place an annual burden upon the resources of the United States heavier than any military conflict in which the Nation was ever engaged prior to World War II. Without the initiative and the cooperation of the people of the United States, these barriers of freedom against communism could not possibly be erected. What we do in Europe or elsewhere in the world in the struggle for peace is only a holding action. The decisive battleground is here in the United States for it is here and only here that the basic economic strength can be maintained upon which the free peoples of the world may rely for their peace and freedom.

This is what gives our struggle for maximum human values and economic opportunity its primary importance. It is to the maintenance of this economic strength that the policy of the Employment

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Act of 1946 is directed. The analysis of the Economic Report of the President which this committee is required by the Employment Act to make must be directed to the same end. The principles laid down in his report of January 6, 1950, take on special significance in the light of the international situation and the part we must play in world leadership. "Government," he tells us, "must carry out the aspirations of the whole people." This would be the mere repetition of an elementary principle were it not for the fact that it is precisely this responsibility of government to act for the people as a whole and in response to their will which is being challenged in the modern world.

> If we are to continue our economic growth—

the President goes on—

> the major economic groups must all pull together—businessmen, wage earners, and farmers must work toward the same ends * * * our success will depend upon the widespread conviction that all groups have a stake in the expansion of the economy—they all will share in the benefits of progress.

Few will disagree with this statement or with the "unifying principles for action" set forth in the Economic Report. Our economy must continue to grow. The benefits of growth must be shared by all. The growth cannot be obtained automatically, but only by conscious purpose and hard work. The fiscal and other economic policies of the Government must be designed to promote growth. Government must deal with trouble spots in the economy.

The necessity for Government action to maintain and strengthen a sound free economy is made clear by consideration of the basic fact that the people of the United States are carrying a gigantic war debt, the interest upon which annually is more than $5,000,000,000. That sum is more than half of the total outlay of the Federal Government for all purposes in the year 1939. To fight the war Congress laid a heavy burden of taxation upon the people. It mortgaged the future production of the United States for years to come by issuing bonds and it adopted a deliberate policy of restraining personal consumption expenditures, private investment, and the production of civilian goods.

During the period from 1942 to the end of the shooting war in 1945, the Government purchased more than 45 percent of the Nation's total production of goods and services for war purposes. Meanwhile, however, men and women in the armed forces and a fully employed civilian population at home were accumulating savings at an extraordinary rate, thus creating a reservoir of purchasing power which was released immediately after production for war was no longer necessary on a vast scale.

By the Contract Settlement Act, the War Mobilization and Reconversion Act, the Surplus Property Disposal Act, and other statutes Government prepared for reconversion. Rapid though this was, the production of civilian goods was not rapid enough to satisfy the released purchasing power, so that inflationary forces created during the war were not checked but continued in a different form after reconversion had begun. Production was maintained at a high level. Prices were high, profits were breaking all records. The disappearance of the gray market late in 1948, a sharp drop in industrial production beginning in the third quarter of that year, and indications that the country was moving from a sellers' market to a buyers' market developed uncertainties which late in 1949 had largely disappeared. As the year 1950 began, economic forecasts were unanimously optimistic.

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So far as 1950 is concerned they remain optimistic. Government policies such as insurance of bank deposits, unemployment insurance and old-age assistance, aid to farmers and minimum-wage legislation will, they are confident, constitute effective brakes upon any sharp decline. Other factors, low inventories, backlogs of demand for steel accumulated during the strike, continued high levels of automobile sales, an unusually high rate of construction contract awards and heavy Government outlays in State and local as well as Federal jurisdictions, together with the insurance dividends to veterans, are counted upon by these observers to maintain a high level of purchasing power throughout the year.

In the first 5 months of 1950, prices have generally stabilized or risen; disposable personal income increased in the first quarter to 201.3 billion dollars, an all-time high (due to national service life insurance dividends). Consumers' expenditures have risen; employment has improved; and private domestic investment climbed sharply. Also, the construction industry has reached an all time peak. The May 1950 Survey of Business Expectations made by Dun and Bradstreet, Inc., showed that more businessmen expect increases in sales and net profits than at any time since July 1949. These signs point to a renewed upsurge in the economy.

A favorable short-term picture should not be allowed to obscure the underlying problems and weaknesses that must be corrected if maximum employment, production, and purchasing power are to be achieved and maintained in a growing economy, year after year. That is why most observers reserve judgment so far as 1951 is concerned, inasmuch as a measure of tapering off in the automobile, steel, and construction industries seems highly probable.

The facts before us, however, the high war expenditure and war output, the accumulated purchasing power after reconversion, and the continuing high level of demand for the near future described by economists—serve but to emphasize the central economic problem. It is this: We have an extraordinary national debt created by Government expenditures for war, the interest upon which and the liquidation of which must be met by a continued high level of production and economic activity. If there should be no substitute market for the products of field and factory in the years following 1950 to supplement the market created by the extraordinary Federal outlay for war and the extraordinary private outlay to satisfy the accumulated demand for civilian goods, the Government would be face to face with a serious problem of finding the revenues with which to pay the interest upon the national debt and carry on its normal functions.

THE FUNDAMENTAL PROBLEM

Consumer expenditures, together with private domestic and foreign investment, in the face of declining Government purchases of goods and services, must be sufficient in volume to provide the market for business and employment for an increasing population. Should there be no compensating increases in the private sector of the economy, curtailment of Government expenditures by itself, whether in the National Defense Establishment, under the Marshall plan, or in natural resources development would inevitably result in a decline of

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national product and employment, and a drop in Federal revenue regardless of tax rates.

THE BASIC SOLUTION: PRIVATE CAPITAL INVESTMENT

A continuously expanding economy is, therefore, the sine qua non for national strength and freedom. What the people, through their own efforts and their Congress, have to decide is whether this expanding economy will be promoted primarily by private investment, by Government investment, by increased consumer purchasing power, or by a constructive mixture of all. No one factor alone can do the job.

There are some necessary and desirable projects which can be undertaken successfully only by Government. Into this category fall public roads, improvement of rivers and harbors, reclamation, schools, water supply, and the like.

The guiding principle throughout is simple. The field of private capital investment should be encouraged, fostered, and promoted to the maximum extent for those projects which it can adequately serve. The Joint Economic Committee Subcommittee on Investment made several highly useful recommendations for the establishment by Government of mechanisms through which private capital might more easily be chaneled and made more productive in aid of independent, competitive, private, local enterprise.

The first decision clearly is to determine what must be done to aid in expanding, encouraging, and fostering private enterprise. Government controls should never be adopted for their own sake. They are justifiable only to the extent that they are essential to the success of necessary Government policy, as for example, national defense. Having fixed what Government has to do, we must decide whether we are willing to pay for it, and how. If the cost seems excessive, we must be prepared to abandon those objects of Government expenditure for which we are unwilling to impose taxes upon ourselves sufficient to foot the bill.

There are many programs that obviously cannot be abandoned. National defense comes first. International programs to establish peace certainly cannot be abandoned, unless we are willing to risk the vastly more expensive alternative, active warfare. Heavy as the burdens under the Economic Cooperation Act admittedly are, such a measure places a vastly smaller burden on public and private resources than active warfare.

However, to finance essential national defense and international peace programs, we cannot afford to abandon those governmental expenditures which promote and sustain a sound and expanding economy. It would be short-sighted to cancel the Government's policy, for example, of sustaining a developing aviation industry, just because thereby some measure of curtailment might be effected in Government outlays. It might help to balance the budget so far as Government expenditures are concerned, but on the revenue side it would make such a balance more difficult to attain because it would cut down the amounts the Government receives from all the business, industrial, and commercial altivities that revolve about the aviation industry.

Recommendations which expand and sustain the domestic economy obviously likewise broaden the tax base. By promoting industrial and commercial activity, they encourage the increased formation of

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real purchasing power without which neither business nor Government can succeed.

For maximum beneficial effect private investment must be protected and expanded. That is the heart of several of the President's proposals, notably those seeking revision of the tax structure with a view to stimulating business activity, those designed to stimulate private investment in housing, those providing increased RFC and other aid to small business, those protecting private enterprise and property on the farm, those in aid of free exchange of goods and services and increased private investment abroad, and the like.

The basic rule to be rigorously followed is that private individuals must do the job wherever they most effectively can. Where there is no possibility of their doing it, they have a right to use their Government. Thus under the emergency conditions of the war, they demanded and secured price and other controls without which war inflation could not have been moderated. But all such controls must be removed at the earliest possible moment consistent with general public advantage. The over-riding rule continues as before: As much as possible, the job must be done by private investment, by private competitive enterprise, by private individuals.

The conclusion is inescapable that wise public policy demands a continued high level of production in which all groups shall have a responsibility and a share. Nothing could be more futile now or more destructive of the ultimate aims of the American ideology than a conflict among American economic groups on the domestic scene. Management cannot save itself alone. Labor cannot save itself alone. Agriculture cannot save itself alone. They are all in the same boat together. Cooperative and constructive action constitute their only salvation. The luxury of special interest and class conflict must be postponed at least until the cold war being waged against us has been ended and the world has found genuine and lasting peace.

Our task is the maintenance of a democratic economy within the framework of the system of private property. We must review the facts in the light of this purpose. Foremost among these is the fact that in a year of high prosperity, Federal expenditures are running ahead of Federal revenues by possibly $4,000,000,000. War-connected expenditures alone are now running at a rate almost three times greater than the total cost of Government before the war. While the outlays for the ordinary activities of Government—percentagewise—are approximately only 21 percent of the total, they also, nevertheless, are greater now than the total cost of the Federal Government, including war-connected expenditures, prior to the war.

A critical examination of the present level of Government expenditures is imperative. In years of such booming business as currently is causing prices to boil up in inflationary manner throughout the economy, this Government should not be incurring deficits. It should put its financial house in order. Inability to vote against appropriations or vote for increased taxes needed to foot the bills this Government now incurs, is a sign of weakness that enemies of free enterprise are gleefully exploiting throughout the world. It represents the greatest single danger to freedom and national security.

Today the Government should make doubly sure to get the most for every dollar spent. With a deficit already mentioned of about $4,000,000,000 (it might be noted that total interest paid on the

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Government debt is a billion dollars more than in 1945 when the debt was at its peak), the need may arise for even larger outlays so that the free nations of the world may achieve maximum economic and military strength. The quest for economy must be indefatigable and unrelenting. Every project must be made to defend itself on its merits. Every waste must be eliminated.

This is particularly true with respect to military expenditures. It is so easy to place undue confidence in a Chinese wall or a Maginot line or in atomic bombs.

Yet the records of history show on every page that the strength of great nations depended and depends not on arms and weapons, important as they may be, but on the faith, the courage, and love of liberty and the skills of their citizens. It is not what nations profess but what they do that counts. Leadership among great democracies goes to those that by the propaganda of the deed prove what freemen can do under political and economic organizations that derive their just powers from the consent of the governed. To work for freedom, for prosperity, and for the welfare of all is to work not only for a just and lasting peace but to hasten the spread and insure the adoption of free democratic institutions everywhere.

> In the last analysis [states an eminent group of progressive American businessmen] the economic strength and the freedom and security of this country rest on the moral and spiritual vigor of its people. The prestige and friendship we enjoy in many parts of the world arise not merely because of our power but because we have offered the world a unique brand of idealism—the determination to base our political organization on the capacity of individuals for self-government.
>
> Now new requirements of national security threaten our freedom. A major security program requires big government and means greater interference in the lives of us all.
>
> We Americans are painfully learning that our security program cannot be kept to a minor budget nor to an incidental effect on our peacetime lives. * * * Our security program is only partly a matter of rearmament. The European recovery program, atomic energy, our foreign broadcasts, and the conduct of our diplomacy and incoming intelligence are also in large part security measures.[1]

But these will not be enough. Left-wing and Communist propaganda is flooding Europe and Asia with the doctrine that because of internal contradictions our free-enterprise system is bound to go down into another economic crash which will create the vacuum into which communism can march unopposed, brought into power by forces from within rather than imposed from without. This constitutes the major challenge to modern political and business leadership, the maintenance of a steadily expanding economy continuously affording maximum opportunity and high-level employment for its capital and labor.

To meet so vital a challenge will require heavy outlays. These in turn are bound to involve a heavy tax burden upon the people. In its present form our tax structure still contains the hastily prepared schedules of the war economy. These war-imposed levies, devised in some instances to raise the largest possible revenue, and in other instances to discourage certain civilian activities, make the tax structure as a whole unsuited to provide the incentives and productivity necessary to stimulate economic activity and uphold the effort to win the peace.

The Federal debt, as has already been pointed out, has reached unprecedented proportions. It has been well managed to date, but no serious study can be given to an economic program designed to pre-

[1] Committee for Economic Development, *National Security and Individual Freedoms*, 1950.

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serve the capitalistic system which does not take account of the necessity of giving top priority to the reduction of this debt in prosperous years such as 1949—that is, in years with high-level employment, high profits, good markets, and generally encouraging outlook. The debt constitutes a most troublesome dilemma. We incurred it to win the war; we retain it while striving to win the peace. Its existence challenges us to scrutinize every Government expenditure, first on the score of its necessity as in the field of international affairs—and secondly upon the score of its productivity as well as its unavoidability as in the field of domestic affairs.

As respects prices in the domestic economy there began to appear in 1949, and there is continuing into 1950, a striking divergence between the trend of administered prices on the one hand, and flexible prices upon the other. A sample of 228 commodities in the former category showed an increase in 1949 of 2.2 percent. Comparable with this increase was the price decrease of 226 commodities in the flexible price field; these went down 9.5 percent. Among these were certain raw materials, scrap iron, industrial alcohol and fuel oil together with farm products and foods. The prices of farm products fell from a high in 1948 of 88.3 percent above 1926 levels to 55.3 percent in January of 1950. Steel prices on the other hand advanced so that they were 71.1 percent above 1926 levels in January of 1950. Since January, some recovery has taken place in farm prices.

Such disparity indicates that many commodities selling in uncontrolled markets are going down while some which sell in a controlled market are up. This is precisely the condition which developed 20 years ago. If the trend continues throughout 1950 the loss of farm income will be such as to cause serious concern. Farm incomes in 1949 were down nearly $4,000,000,000, or 22 percent below the 1947 peak. In itself, a fall from inflationary to healthy levels is obviously not dangerous. But should farm incomes in 1950 continue to fall, business and industry as well as agricultural producers may have cause to be disturbed. Data through April show a continued decline in farm income below 1949 levels, even though farm prices have risen somewhat.

Furthermore, as technological improvements continue and productivity rises, business and industry are able to cut costs and labor forces at the same time. Such, according to a survey published by the Federal Reserve Board in its May 1950 Bulletin, seems to be happening again at this time. Eventually such increases in productivity represent the only source out of which higher levels of living can be produced. But all past experience indicates that unless these benefits of productivity are somehow speedily and voluntarily passed on to consumers in higher incomes or in lower prices, markets will dry up as unemployment increases. Then prices will be forced down by the compulsion of depression, but at great cost to the prestige of the free private-enterprise way of life.

Another trend adverse to an expanding market is to be found in the fact that despite lower wholesale prices and decreasing prices of some commodities as outlined above, consumer prices are being kept so high that consumer buying power, especially of those in the lowest four-fifths of the income scale, is being undermined. About 11,000,000

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income recipients seem to have parted with all of their E bonds since 1946. In the last half of 1949 the volume of installment credit, now at an all-time high, rose at the rate of $300,000,000 a month, or 3 percent, although total personal income was remaining stationary.

At all levels of income there are those who save and those who do not. In 1945 even the lowest fifth in the income scale on balance made ends meet. The reason in part was that they could not buy consumer durables, but also that per capita real incomes were very close to the all-time high reached in 1944. Since 1945 the dissavings in the lowest fifth have exceeded savings by increasing amounts. Since 1947 this has also been true of the next fifth in the income scale. In 1948 the sum of the dissavings in the lowest two-fifths of the income scale was so large that the net savings of the third and fourth fifths in the income scale were barely enough to offset them. In other words, the savings of the lowest four-fifths taken as a group was actually almost zero. Were it not for those in the top fifth of the income scale, that is, those getting over $4,500 in 1948, there would have been practically no net savings. It was the top fifth of the income scale, as rated by the Federal Reserve Board, which in 1948 did 99 percent of all the net saving of the people of the United States.

Obviously, the business market depends upon the capacity of the people to buy and use the commodities and services in which business deals. There can be no prosperous civilian market without strong civilian purchasing power. It is not surprising, therefore, in the light of income and unemployment figures, that capital investment expenditures declined in 1949. Will they decline again in 1950? And if so, why? War-accumulated backlogs, some business economists tell us, may be almost made up by the middle or the end of 1950. Construction, other than housing, may also taper off in 1951 and foreign investment expenditures, including funds spent under the European recovery program, are also scheduled to drop. Thus the market to which business and industry have been able to look by reason of the international program may dwindle.

What the result may be if these factors are not counteracted by positive policy may be seen in some of the reports from the small-business front. Little and local businesses have suffered a steadily declining trend in profit rates since 1947. In 1949 business failures increased 75 percent over 1948. Those who discontinued operations exceeded the number of new entrants into business by 70,000. It is true that General Motors reported peak profits of $656,000,000 in 1949; it is true that United States Steel, Bethlehem, and Republic showed a most healthy profit status in 1949 as compared with 1948 and all previous years. But the rate of profit for businesses with assets less than $250,000 has declined by more than two-thirds since 1947,[2] and still trends downward.

These are the circumstances which require an examination of policy and program divested completely from all considerations of special interest, class, or partisan conflict. By what we do in 1950 and 1951 we shall be arming or disarming the free enterprise system in its conflict with communism.

[2] This is the first year for which reliable data on profits by size of corporations became available. 1947 may have have been a bonanza year for small business. It may not. It was the first year for which reliable statistics are to be had.

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A POSITIVE PROGRAM TO STRENGTHEN THE SYSTEM OF PRIVATE PROPERTY

In the light of these facts there clearly emerges the basic need for a positive program to strengthen and expand the system of private property. Private and public policies must go hand in hand. Private economic policies provide the motive power for economic activity, public policies the framework. A sound program must be based on the understanding that at this juncture of world events, the interests of each must be democratically blended to achieve maximum effectiveness for the interest of all. "For all to thrive and prosper together, all must work together—with mutual understanding and common purposes."

The program recommended by the President in his Economic Report consists of 12 interrelated proposals:

1. Revise the tax structure to reduce present inequities, stimulate business activity and yield a moderate amount of net additional revenue. In a subsequent tax message to the Congress the President urged, among other measures, a reduction of war-imposed excise levies, reduction in depletion allowances, the closing of income and estate tax loopholes, and a revision of the "notch" rate for small business.
2. Stimulate private investment in middle-income housing.
3. Increase the maximum maturity period for business loans made by the Reconstruction Finance Corporation.
4. Improve the protection of farm incomes, and encourage needed shifts in farm production by authorization of production payments and other measures.
5. Establish a Columbia Valley Administration, and authorize the St. Lawrence seaway and power project.
6. Provide Federal aid to elementary, secondary, and higher education including medical education, improve local health services, make grants to States for surveys of needed school construction.
7. Extend and liberalize social security by improving old-age, survivors, and unemployment insurance, enact disability and health insurance, expand grants-in-aid to States for public assistance.
8. Extend rent control for another year.
9. Continue the foreign recovery program on a basis commensurate with need.
10. Approve the charter for the International Trade Organization.
11. Authorize the program for technical assistance to underdeveloped areas, and for guaranties by the Export-Import Bank against risks peculiar to private investment abroad; and revise tax laws governing taxation of income from foreign sources.
12. Provide additional authority over banking reserves to the Board of Governors of the Federal Reserve System, extend it to all banks insured by the Federal Deposit Insurance Corporation, restore its authority to regulate consumer credit, and provide authority to modify speculation on the commodity exchanges.

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UNITY IN THE CONGRESS

One of the luxuries of peacetime is that of emphasizing differences. But in times of stress it is well to hold steadfast to that which unites rather than separates. Such is eminently needed in considering the President's proposals. While differences in detail, in method, and in emphasis come to mind with easy alacrity, only a little mature reflection is needed to uncover a basic structure of genuine agreement concerning fundamental principles and problems.

Responsible statesmen of both parties and of divergent political opinions have repeatedly recognized most of the problems to which the President's proposals are addressed—namely, the need for a thoroughgoing revision of the tax structure, the desirability of making institutional changes to foster small business, a sound farm program, expanded development of natural resources, more abundant educational opportunity, a sounder social security system, appropriate economic assistance to the free nations and underdeveloped areas of the world, and continuous improvement when needed of our banking system and monetary and credit policies.

Such disagreement as exists pertains to questions of method, or of timing, or other detail. To cite a few examples. In the state of the union message in January 1949 the President said—

> the present coverage of the social-security laws is altogether inadequate and benefit payments are too low. * * * We should expand our social security program, both as to size of benefits and extent of coverage against the economic hazards of unemployment, old age, sickness and disability.[3]

With this observation few would disagree, though there will continue to be honest divergencies of opinion hammered into policy in the crucible of democratic debate concerning such aspects of the problem as the amount of increase to be granted, the method of financing, the extent of the increase in coverage, timing, administrative mechanism and other details of when, how, to whom, in what way, and so forth.

Another illustration of the manner in which legislation responds to fundamental economic necessities, regardless of party lines, is that offered by the reciprocal trade program. There have never been any large-scale or serious disputes about the desirability of the objectives which the trade agreements program seeks to attain. Whatever specific attacks made upon the program were based not upon any doubts concerning the advisability of promoting world trade but rather upon the method by which the agreements should be made effective. An issue over the extent to which congressional power should be delegated does not necessarily involve a division of opinion with respect to objectives.

Similarly, the debate in the Seventy-ninth, Eightieth, and Eighty-first Congresses centered largely on the establishment of so-called "peril points." Such differences about details ought not to obscure the fact that on the fundamental need for effective policies to deal with foreign trade problems there is much genuinely basic agreement.

Thus the programs for economic and military rehabilitation of Europe and the foreign-aid programs have in principle been accepted by most of the members of both parties. Extended as the debates may have been they have been confined to relatively minor differences

[3] H. Doc. 1, 81st Cong., 1st sess., p. 5.

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concerning amounts, the length of time the program may have to be continued, areas to be included, etc.

A few other examples in the domestic scene readily come to mind. There is no disagreement among the people or their legislators as to the necessity or propriety of some form of farm-price support. The basic fact is disputed by no one: Free competitive agriculture is so intimately related to the national interest that extensive farm bankruptcies and distress cannot be tolerated. Whether a given crop should be supported or not, whether it should be supported under one parity formula or another, whether it should be supported by one administrative technique or another, these are proper subjects of dis cussion. But they are secondary to the truth on which all are agreed; namely, that the Government must play an active role in influencing the prices which American farmers receive for their products.

There are many activities on the part of the Government such as the provision of storage facilities for agricultural products or the encouragement of rural telephone service, which receive large bipartisan support today though a generation ago any such program would have been regarded by most people as an unheard of intervention of Government in economic matters.

On the matter of price and credit controls differences arise legislatively over when and how they should be terminated after the war, but not a single representative member of either party can be said to have wanted or advocated them as a permanent or desirable device in a peacetime economy. Similarly, the recognition of the need for governmental encouragement of housing has not been confined to one political party or the other. On one of the most discussed issues today; namely, the governmental budget, there is almost universal agreement on the desirability of a balanced budget though views on practicality and method may diverge ever so widely.

Finally, it is well to recognize that "political" differences concerning the choice between Federal and State agencies are essentially only divergences concerning means, not ends. They may have great significance from the standpoint of whether or not the ends are to be obtained economically and efficiently, but they have little to do with the widespread acceptance of the need for action on the part of government. There is no disagreement over the major issue; namely, the need for supporting the private property system and the profit motive by appropriate safeguards enforced without fear or favor.

UNITY IN THE PROGRAMS OF BUSINESS, LABOR, AND AGRICULTURE

Similarly, outside of government and even among groups sometimes at odds with each other, American economic opinion is much more unified in its basic beliefs than is generally recognized.

There is a compelling unity of general views expressed by the programs advanced by a wide variety of business groups and economic organizations speaking for labor, agriculture, and other important segments of the economy. The diversity of these interests tends to emphasize points of difference, and to overshadow the binding force of the goals and ideals which all share and, the identity of the assumptions which all make with respect to the needs of the economy, the essential aims of legislation, and the mutual responsibilities of govern-

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ment and industry in promoting the well-being and highest level performance of the economy.

A brief survey of some of the more prominent programs indicates that although there are numerous controversies concerning particular remedies for special situations, or concerning the steps that Government should take in regulating or relieving points of friction in the economy, the areas of accord far exceed the areas of dissent and dispute. Thus the National Association of Manufacturers and the American Federation of Labor, as well as the National Grange, agree that excise taxes should be scaled down or repealed. The Committee for Economic Development and the Congress of Industrial Organizations agree that effective aids to smaller business are necessary parts of a general effort to achieve greater economic stability. The Congress of Industrial Organizations, the American Farm Bureau Federation, and the National Association of Manufacturers all agree on the need for enforcement of the antimonopoly laws. Veterans' organizations, farmers' associations, manufacturers, and labor unions are equally concerned to find ways in which the economy can develop and apply fiscal policy without overburdening taxation. Almost all of these groups assert the necessity for government to increase trade with the rest of the world on a basis of fair exchange. Uniformly there is recognition of the inescapable functions of government in providing a strong defense against aggression, a wider and even more efficient system of basic social security, and the maintenance of equity in the market for agricultural products.

Even on the most difficult points and the most controversial questions, it is evident that no important sector of opinion believes that industry alone can assure stability and growth without the facilitation by government of those policies which are necessary to the operation of a democracy in the economic sphere. At the same time, it is apparent that none of these great segments of the Nation subscribes to the belief that government can or should attempt to apply control methods as the primary means of assuring stability and progress. It is realized that the division of responsibility between government and industry is the only acceptable principle upon which economic growth can occur, and that the efforts of industry and government must complement one another if these ends are to be realized.

The simultaneous recognition of some problems, the temperate and deliberate restraint of the proposals made most of the time by these groups confirm the conclusion that all are equally aware of the delicate decisions that lie ahead for the American economy. There is a desire evinced in every group,[4] no matter how partial it may be to its own immediate interests, to strengthen the framework of the economy as a whole, and to incresae its ability to cope with the shifting phases of the international economy by setting an example for the rest of the world. This is a democratic economy in action.

RECOMMENDATIONS

If the system of free enterprise within a private property economy is to survive, it must provide sufficient consumption and private investment to maintain a reasonable maximum of employment of the

[4] For an abbreviated version of the main proposals made by each group, see appendix A, item IX.

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Nation's labor force, with Government purchases of goods and services and hence Government taxes restrained to the minimum consistent with efficient government.

Every recommendation of this committee has been made to pass three fundamental tests:

(1) Does it strengthen and expand the individual freedom enjoyed by the millions of our population, or does it weaken and impair the dignity and worth of the individual citizen?

(2) Does it contribute to the attainment of peace and the increase of prosperity for the maximum number of our citizens?

(3) Does it promote the conditions under which private enterprise can find maximum opportunities and incentives to fulfill its role in expanding activity in both existing industries and newer types of production, and thus to increase national income and available employment?

Very few will disagree with the importance or validity of these tests. Nor will there be any large number who are unwilling to accept such derivative principles for action as the following:

(1) All groups stand to gain more from continued economic growth and from tireless alertness in removing obstacles to such growth than they can possibly gain by factional strife for larger shares in existing production.

(2) Such economic growth requires vigorous maintenance of the mass market through progressively wider sharing of the benefits of technical progress.

(3) This growth can come only through conscious purpose and hard work which will raise the per capita productivity by 2 to 2½ percent per year. The price of such increased productivity will be the task of ensuring employment opportunity for the million to million and a half (2 to 2½ percent of 60 plus million) that need to be absorbed.

(4) The fiscal policy of the Federal Government must be designed to make a positive contribution to the growth and stability of the economy (*a*) by rigorous governmental economy in line with the Hoover Commission recommendations; (*b*) through programs of development of human and physical resources which provide a broadening base and expanding opportunities for economic growth; (*c*) by redesign of the tax system such that it will contribute to maximum employment opportunity through expansion of mass purchasing power and business activity. To this end the governmental "cash budget" is more important than the "conventional" or "administrative" budget.

(5) Trouble spots, such as exist in the coal industry, must be dealt with vigorously even when they appear in times of general prosperity, lest by the economic contagion of uncertainty and insecurity they impair the general economic health and by their mere existence give gratuitous aid to subversive propaganda.

(6) Fiscal, monetary, and regulatory policies of the Federal Government should be directed toward encouraging free entry for new, independent, small, local, private enterprises and fostering their growth once established in proportion to the ability, energy, enterprise, and creative initiative of their managements.

(7) Boundaries of fair play should be set for pricing and competitive activities of private enterprises and groups so that

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destructively low prices are avoided on the one hand, and, on the other hand, large agglomerations of economic power are prevented from dictating prices to consumers and other groups and from raising prices so high as to constrict capital investment and lower the general level of economic activity.

COMMENTS ON THE PRESIDENT'S LEGISLATIVE RECOMMENDATIONS

The specific recommendations of the President should be considered in the light of the foregoing, constant caution being taken to hold firmly in mind the extent to which basic agreement exists with respect to Government policy lest that all-important fact be obscured by minor disagreements over details.

1. What Congress should do or will do with respect to the revision of the tax structure will depend, first, upon its decision concerning the things that government is called upon to do; secondly, upon the willingness of Congress to raise the revenue to pay for them; and, thirdly, upon the desirability of tax reduction as compared in importance with the activities to which revenue must be devoted. Excise taxes which hamper business by retarding sales or restricting production should be reduced or even eliminated, but action which merely cuts the revenue, without expanding business, would not aid the Government in performing the functions which Congress by substantive legislation directs the Government to perform. Indispensable to such a program of intelligent revision of the tax structure is, of course, a knowledge of the facts concerning the impact of various types of taxes on employment, on investment, on consumer purchasing power at various levels of income, and on production. A study of the incidence of taxation to appraise who actually does pay the taxes will be stimulated or undertaken by this committee.

2. The President's recommendation with respect to middle-income housing is another illustration in point. In this instance Congress in the Housing Act of 1950, though it rejected that portion of the President's recommendation relating to cooperative housing, has by overwhelming vote of both parties continued and expanded the middle- and low-income housing program. While Congress is not called upon to levy additional revenue to support middle-income housing loans, it must continue to provide revenue to carry on the housing program already approved.

3. The proposal to increase the maximum maturity period for business loans by the RFC is a minor part of the program for the encouragement of expansion of private business contained in the President's message of May 5 which is now under study by the respective Banking and Currency Committees of the House and the Senate. A surprising amount of evidence has come to light indicating the widespread aid which the RFC has rendered to businesses that otherwise were without access to needed financial resources. But the objective, namely, the development of better methods for financing small, local, competitive business, is much broader and much more important than the extension of maturities for RFC loans.

4. That farm income should be protected and farm production stabilized all will agree. The same is true with respect to the inadequacy of existing law. The committee, therefore, feels that Congress must attack this problem with the purpose of securing stabilization

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of both production and income without waste of public funds and in full realization of the international impact of alternative types of farm-support policies upon foreign trade and domestic employment. Preliminary data on agriculture and spot-check reports now becoming available in the census of 1950, indicate the vital importance of the study which the committee is undertaking of the effects of various farm-price-support programs on farm families at different income levels.

5. Likewise, the President's recommendation for the establishment of a Columbia Valley Administration and the authorization of the St. Lawrence seaway are proposals to which the committees in both Houses have been giving attention. Each of these proposals, if adopted, would have a substantial economic effect. Not only are progressively increasing amounts of power required to match the needs of a rapidly growing population and an expanding economy, but they are indispensable to maximum national strength. Altogether aside from the debate over public power, proposals such as these are obviously programs the authorization of which should depend upon the judgment of Congress, including such matters as if, how, and when they are to be fitted into the over-all Government program for national defense and the establishment of world peace and the extremely heavy expenditures thereby now being incurred.

6. Federal aid for education, Federal cooperation to improve local health services, and Federal grants to the States for surveys of needed school construction are all designed to increase human productivity, improve human resources, and thereby promote business expansion. The spurt in our population since the war will increase the number of children in elementary schools by over 30 percent during the next 5 years. In many States the provision of additional facilities ought no longer to be delayed. In other areas the need for a program of Federal aid can await the final decision of Congress with respect to revenue.

7. The expansion of social security is another policy designed to protect human capital resources and increase the productivity of our manpower. The House of Representatives has already acted favorably on this recommendation and the Finance Committee of the Senate is similarly urging favorable action, although with a few alterations in the House bill. During the past year the problem of industrial pension systems and their impact on employment and production has aroused such widespread interest that this committee has requested the National Planning Association to undertake a comprehensive survey of private pension plans, with recommendations to be available during the next Congress.

8. With respect to rent control, both the House and the Senate have passed bills extending the present law for limited periods through areas that officially take affirmative action may thereby secure extention of rent controls for the full year. This recommendation is an illustration of the manner in which on many items the principal difference of opinion relates only to the speed with which Government controls may properly be abandoned.

9. The foreign recovery program is part of the Nation's foreign policy. Congress has expressed its judgment by passing the substantive law which provides not only monetary aid to participating

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countries but technical aid and services to underdeveloped areas throughout the world. Such policies, implemented as they are by heavy expenditures, are bound to have a definite and substantial economic effect. These are eminently policies of the kind to which reference has been made earlier in this report; namely, policies which though they place a heavy drain on the resources of the country have been regarded as necessary and desirable because of the conviction that they will prevent economic disaster upon a world scale and promote world peace.

10. Congressional action upon the charter for an International Trade Organization is not to be expected at this session of Congress; It is advanced as a proposal which will promote world trade, a wholly desirable and necessary objective, but Congress in considering it must do so in the light of the effect of the charter itself in all its details upon the basic objective of world peace. The extent to which an International Trade Organization can be established before the peace treaties have all been written will largely affect the timing, if not the detail, of such a program.

11. The provision of technical assistance for underdeveloped areas throughout the world, as included in the recently extended foreign recovery program, and the guaranties by the Export-Import Bank against risks involved in the investment of private capital abroad, as provided in bills reported by banking and currency committees of both the Senate and the House, are designed to promote the development of foreign markets and the investment of private capital in foreign lands. Unless these markets are developed the world will lack the purchasing power necessary to sustain the expansion of facilities for production. When real peace comes and expenditures for national defense and foreign economic recovery are curtailed a vacuum will be created of most dangerous potential unless the underdeveloped areas of the world are expanded.

In order to appraise the impact here and abroad of such changes in economic assistance programs, this committee will endeavor to familiarize itself not only with the programs and policies which legislative and administrative bodies with responsibilities similar to ours are contemplating and putting into operation abroad, but with the work that is being done by the Economic and Employment Commission of the Economic and Social Council and other organs of the United Nations on "full employment" problems. The ability of the United States to sustain an intelligent foreign economic program will depend on the maintenance of a sound and active economy at home, such as was envisaged by the Employment Act of 1946.

12. Authority of the Board of Governors of the Federal Reserve System over banking reserves, its extension to FDIC insured banks, authority in the Board of Governors to regulate consumer credit and speculation on the commodity exchanges are suggestions which involve again the question of the extent and nature of central controls. The President's recommendation with respect to commodity speculation is not understood to involve any additional authority for the Federal Reserve System, but rather to amount to a redefinition and broadening of the powers of the Secretary of Agriculture under the Commodity Exchange Act. His recommendations with respect to the Federal Reserve System doubtless proceed from a realization of the fact that with a national debt of $257,000,000,000 desirable

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national policy requires a close scrutiny over banking and commercial activities which could rapidly expand private debt.

COMMENT ON SUBCOMMITTEE REPORTS AND RECOMMENDATIONS

No further detail in the way of recommendations need be offered at this time inasmuch as the Joint Committee on the Economic Report during the past year, through four subcommittees, has made intensive studies of major economic problems facing the Nation, including, in addition to the price increases in steel in December 1949, most of the areas covered by the President's Economic Report. Staff studies, hearings, committee and subcommittee reports on these problems have already been published and transmitted to the Congress early this session. These reports contained specific recommendations with respect to the steel industry; monetary, credit and fiscal policy; investment; unemployment; and low-income families. These recommendations are summarized in appendix A, item VIII of this report. Many have already been embodied in bills now before the Congress, some are part of the proposals already made by the President in special messages, e. g., those on taxes and on small business.

It is significant to note the degree of unanimity of the members of the four subcommittees with respect to their reports. The Monetary, Credit, and Fiscal Policies Report was signed by four subcommittee members. Though not filing a minority statement, Representative Patman reserves judgment on some of the major recommendations. In addition, three footnote dissents were registered on specific points. The Unemployment Subcommittee Report was unanimous. The Low-Income Subcommittee Report was signed by four of the five members, Representative Rich filing minority views. The Investment Subcommittee Report, while agreed upon by all, was signed by three members, the other two members filing a supplemental statement. In view of such almost unanimous action on the part of the respective subcommittees, we feel that their recommendations merit serious consideration by the appropriate legislative committees, in compliance with section 5 of the Employment Act of 1946.

One issue considered by the Subcommittee on Monetary, Credit, and Fiscal Policies has continued to be a topic of particularly lively debate—namely, the question of the relationship between the Department of the Treasury and the Board of Governors of the Federal Reserve System, in particular the impact of debt-management policies on the scope and effectiveness of monetary controls and fluctuations in the interest rate. With a Federal Government debt of over $250,000,000,000, a 1-percent rise in the interest rate involves an increase in interest rates that has occurred since 1945 is in part reflected in the increase of over $1,000,000,000 in the interest obligations the Government has this year despite the fact that the total Federal debt is somewhat lower. How much further should interest rates be allowed to rise or should they be reduced or should they not be allowed to rise any more? What policies should be given priority?

The position on this thorny problem taken by the Subcommittee on Monetary, Credit and Fiscal Policies was as follows:

> * * * an appropriate, flexible, and vigorous monetary policy, employed in coordination with fiscal and other policies, should be one of the principal methods used to achieve the purposes of the Employment Act. Timely flexibility toward easy credit at some times and credit restriction at other times is an essential characteristic of a monetary policy that will promote economic stability rather

increase of $2,500,000,000 in the annual Federal budget. The small

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than instability. The vigorous use of a restrictive monetary policy as an anti-inflation measure has been inhibited since the war by considerations relating to holding down the yields and supporting the prices of United States Government securities. As a long-tun mattter, we favor interest rates as low as they can be without inducing inflation, for low interest rates stimulate capital investment. But we believe that the advantages of avoiding inflation are so great that a restrictive monetary policy can contribute so much to this end that the freedom of the Federal Reserve to restrict credit and raise interest rates for general stabilization purposes should be restored even if the cost should prove to be a significant increase in service charges on the Federal debt and a greater inconvenience to the Treasury in its sale of securities for new financing and refunding purposes.

We recommend as means of promoting monetary and debt management policies that will contribute most to the purposes of the Employment Act.

That Congress by joint resolution issue general instructions to the Federal Reserve and the Treasury regarding the objectives of monetary and debt-management policies and the division of authority over those policies. These instructions need not, and in our judgment should not, be detailed; they should accomplish their purpose if they provide, in effect, that (i) in determining and administering policies relative to money, credit, and management of the Federal debt, the Treasury and the Federal Reserve shall be guided primarily by considerations relating to their effects on employment, production, purchasing power, and price levels, and such policies shall be consistent with and shall promote the purposes of the Employment Act of 1946; and (ii) it is the will of Congress that the primary power and responsibility for regulating the supply, availability, and cost of credit in general shall be vested in the duly constituted authorities of the Federal Reserve System, and that Treasury actions relative to money, credit, and trans actions in the Federal debt shall be made consistent with the policies of the Federal Reserve.

To this proposal the Council of Economic Advisers, in reply to a questionnaire by this committee, raised the following objections: [1]

Despite the drumfire of criticism which has been directed at the debt-management policy from certain financial quarters, the judgment of the President that it has been "eminently successful" is wholly justified by the record of the past 5 years. Our economy was unshaken by an immediate postwar slump which brought a decline of more than 60 percent in production of durable goods, a substantial decrease in nondurable production, and an increase in unemployment even when millions of war workers were withdrawing from the labor force. The policy made available abundant and cheap credit to business when it then endeavored to carry its share of the responsibility in the race with inflation by increasing productive capacity. It also helped to reduce a critical housing shortage. It contributed to the conditions under which the expected flood of liquidation of savings bonds did not materialize, and sales of savings bonds have continued in large volume. It preserved a solid credit position for the Government when the great economic question arose whether the end of inflation would become the beginning of economic collapse. It has even added to the prosperity of some custodians of funds who disdain it but who would have wholly inadequate outlets for the swollen deposits created by the war if they did not know that they can safely invest in Government bonds because the market price will be supported.

This is the record of the policy which the subcommittee would now abandon. What is the record of the proposed substitute policy of flexible monetary and credit control by the Federal Reserve System, when we look to its service in establishing economic stability? The subcommittee speaks of the desirable characteristics of central bank operations, and it is entirely justified in praising them for flexibility and because they are indirect and do not entail positive action by Government which limits the freedom of businessmen. But when it comes to considering their effectiveness in attaining the objectives of the Employment Act, the subcommittee only says that we can draw no conclusions from experience because we have never really tried to use these policies to counteract serious inflation or deflation.

We do not read history that way. For 35 years, Federal Reserve discount rates have been shifted up and down. For 25 years the System has carried on open-market operations. Changes in reserve requirements have been one of the tools of control for more than a decade. * * *

[1] Hearings before the Joint Committee on the Economic Report on the January 1950 Economic Report of the President, 81st Cong., 2d sess., pp. 66-67.

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Repeatedly, in its discussion of this problem, the report of the subcommittee speaks of the need for "vigorous" use of central bank power. We assume that it is meant that history furnishes no guide to action because central bank operations have never been vigorous enough. If this also means that the writers of the report look to the Federal Reserve Board to interpret the proposed congressional directive as an instruction to use its power more vigorously in a future inflation than they were used in the past, the joint resolution would indeed threaten untold damage to Treasury operations. Before this war, the Board has only twice been called upon to consider action in a period of important inflation. In 1920, it ran the discount rate up to 7 percent. In 1929, it pushed the rate up until it reached 6 percent. The debate still goes on, whether the high discount rates caused the ensuing catastrophes or whether the economic collapse was in each instance due to forces which not even 7 and 6 percent discount rates could quell. But certainly the Reserve Board is not open to the criticism that it has not used its power vigorously. If that record shows that even more violent effort would be necessarily in order to make central bank operations effective to curb an inflationary movement, we believe the conclusion should be that these particular anti-inflationary devices are altogether too dangerous to justify giving to them the premier position among the arsenal of weapons to gain economic stability.

In view of the extraordinary gravity of the problems of debt management, inflation, and flexible use of monetary and fiscal controls, this committee feels it necessary to urge further careful study of this problem not only inside but outside the Government, by all groups, whether financial, industrial, academic, labor, or institutional that seek a maximum use of financial, fiscal, and monetary controls as instruments for achieving maximum employment opportunity.

Of correlative importance, a major and comprehensive study should be made of the present status of competition in our major industries, and methods whereby free competitive enterprise can be preserved, restored and strengthened. One task for such a study would be that of evaluating bigness peril points. What are the factors that bring about bigness? In howfar is bigness inevitable and compatible with the principles of the Employment Act of 1946? How large can government, business, labor and agricultural organizations become before they in fact nullify freedom of entry and fair competitive opportunity? Such peril points to free enterprise are difficult to estimate, even in terms of the percent of output or of sales or of employment or of assets concentrated in the hands of one or a few firms. Such bigness peril points are even more difficult to estimate in terms of other leverages equally strategic and vital such as political influence at State, local, and national capitals; direct and indirect controls over patents, raw materials, sources of credit, prices, and news channels; open and clandestine managerial, legal, and financial interrelationships; and many other mechanisms for the zoning and exercise of economic power now becoming apparent since the end of World War II in actions under the antitrust laws, in reports of numerous cartel and other economic investigations, and especially in the wealth of new information that is being yielded by the decennial census of population, manufactures, and commerce of 1949. In the light of postwar national responsibilities to maintain high-level employment and continuous preparedness, a fresh appraisal of the status of competition is urgently required for intelligent formulation of wise national policy.

The accompanying staff report, which is submitted herewith as evidentiary material and not as indicating the conclusions of the committee, provides more recent supplementary information on several of these problems, and indicates additional areas that the committee plans to explore during the coming year.

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The committee reiterates its continuing interest in, and support of, efforts to fill the "statistical gaps" in the Government's program of economic information. Appendix B of the supplementary staff materials indicates the progress made in the past year on this program and outlines proposed work in 1950. In spite of commendable advance in these programs, there still remain gaps in the statistical information needed for appraisal and formulation of policies.

The committee is glad to report the development of an increasingly constructive relationship between the Council of Economic Advisers and the joint committee. Full and free discussion of economic problems with those who have the statutory responsibility to advise the President on economic policy is essential to a complete understanding of the President's Economic Report by the committee and, therefore, to the committee's fulfillment of its responsibilities under the Employment Act. The committee also wishes to express its deep appreciation for the assistance and cooperation of other executive agencies and of the standing committees of the Congress.

Majority members approving report:

JOSEPH C. O'MAHONEY, *Chairman.*
FRANCIS J. MYERS.
JOHN SPARKMAN.
PAUL DOUGLAS.
EDWARD J. HART, *Vice Chairman.*
WRIGHT PATMAN.
WALTER B. HUBER.
FRANK BUCHANAN.

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SUPPLEMENTARY STATEMENT OF SENATOR DOUGLAS

I am in general accord with the views and recommendations expressed in the report of the committee and have signed the report. The statements calling for balancing the Federal budget in the present period of relatively high prosperity are particularly commendable. I only hope that Congress may implement this policy during the current session. In my opinion this would call for a reduction in expenditures of some $3,000,000,000 below the amounts recommended in the President's budget so that the consolidated cash budget will balance. It would also mean that the total reduction in excise taxes should not exceed the total additions to the revenue obtained from tightening some of the revenue provisions and closing some of the present tax loopholes.

I personally feel, however, that the report should also endorse the principles of monetary and debt-management policies recommended by the Subcommittee on Monetary, Credit and Fiscal Policies last January. The subcommittee advocated greater reliance on monetary controls and timely flexibility in the volume of credit obtained through the use of open-market operations by the Federal Reserve System. In my judgment, the Treasury should not veto the policies of the Federal Reserve System in this direction merely because they might mean a moderate increase in interest rates and in the cost of servicing the public debt. As pointed out by the subcommittee report, a clarification of responsibilities of the Federal Reserve Board and the Treasury for monetary and debt-management policies is also most desirable. It should be made clear, however, that I favor the lowest interest rates compatible with economic stability and growth and I interpret the subcommittee's report as setting forth principles which, if faithfully administered, would result in a fluctuation of rates at a low level and not at a high level.

PAUL H. DOUGLAS.

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II. VIEWS OF THE MINORITY

Under the provisions of the Employment Act of 1946, which establishes the joint committee on the Economic Report, it is stated that—

it shall be the function of the Joint Committee (1) to make a continuing study of matters relating to the Economic Report;

(2) Study means of coordinating programs in order to further the policy of this Act; and

(3) As a guide to the several committees of the Congress dealing with legislation relating to the Economic Report, not later than March 1 of each year, to file a report with the Senate and the House of Representatives containing its findings and recommendations with respect to each of the main recommendations made by the President in the Economic Report. * * *

In accordance with the law, we have considered the President's Economic Report submitted to the Congress on January 6, 1950, as further developed in his tax message to Congress and in his message dealing with small business.

A year ago we submitted our minority views indicating our dissent from the basic philosophy of the President's Economic Report of 1949, and we call attention to the report which we filed at that time, and to those general recommendations contained in that report (which we incorporate herein by reference). We believe that those recommendations, followed in general by the Congress, have proved sound. If the present economic condition is considered satisfactory, as found by the President's economic advisers, it cannot have resulted from the recommendations of the President in 1949 with which we differed. Those recommendations in general were rejected by the Congress.

In our opinion, the President's Economic Report should deal with the basic economic policies of the Government without considering the political implications of those policies. Undoubtedly, there will be many times when the sound and proper thing to do from an economic standpoint to prevent serious depression in the future will be absolutely contrary to the politically expedient course at the moment. That is the reason why men doubt whether any government can eliminate depressions. The President's message, like the report of his economic advisers, is primarily a political document. In January 1949 he was demanding additional powers to check inflation. These were not granted, and yet inflation ran its natural course and came to an end, partly by the Government's use of the adequate powers which it already possesses. The President claims that the slight decrease in prices which necessarily must have occurred if inflation were to be checked, resulted in our paying a "high price for economic instability." Now the President demands more powers and policies for the purpose of starting inflation again.

It is also interesting that a year ago he criticized the amount of money going into business investment as too large. Now he bewails the fact that business investment in the fourth quarter of 1949 has declined and has not kept pace with improvement in economic con-

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ditions. He seeks for means of increasing this business investment. We suggest that the President state the facts without trying to claim credit for everything good that has happened and placing the blame for everything bad on those who have opposed his policies.

APPRAISAL OF PHILOSOPHY OF PRESIDENT'S REPORT

The President's Economic Report to Congress, together with the report of the Council of Economic Advisers, is a detailed document covering a vast array of economic facts, involved descriptions of the operation and performance in many economic sectors, analyses of developments which have brought us to our present economic position and conclusions and recommendations for the future. Because of its diffuseness it seems appropriate to summarize the approach and conclusions as we see them, in order to achieve perspective of the whole report, before proceeding to discussion of its major aspects with which we are in disagreement. In brief, argumentation and conclusions of the report seem to be as follows:

1. It is stated that, through the recession of 1949, the economy has achieved greater stability, the fear of further inflation has passed, and better economic balance has been developed.
2. A goal of $300,000,000,000 output by 1954 is set. Upon this major premise rests most, if not all, the programs and policies advocated in the report.
3. In achieving this goal the report assumes, along with expanding population and labor force, an annual rate of increase in productivity of 2 to 2½ percent per year, or an extension of the long-time rate of productivity increase from 1890 to date.
4. Businessmen are admonished to develop all possible investment opportunities, and are assured these are in plentiful supply and need only to be developed.
5. The Government's role of high spending and its extension in social programs, public medicine, Brannan farm plan, St. Lawrence River project, Columbia Valley Authority, and others are considered as integral and necessary parts of the economic expansion program and the goal of $300,000,000,000 by 1954.
6. On the debt and fiscal situation, the report indicates that these will automatically be taken care of by increased taxes yielded by expanded incomes. Budget balancing will be achieved by having our economy grow up to our spending habits if the economic goals are achieved.

But whether the growth envisioned in the goals of the report will, or indeed can, develop under the recommendations of the President is subject to very serious doubt. In fact, such a program will eventually frustrate the basic processes through which growth has been or can be achieved. It threatens to cripple the ability to carry out existing programs affecting general welfare, or probably even worse, achieve mere dollar goals through further inflationary effects upon the economy.

The President, on the opening page of his report, summarizes what a good job was done of adjusting the inflationary boom to "firmer ground" and that "by no accident," for which businessmen, workers, farmers, and Government should congratulate themselves for their "judgment and restraint" and "understanding." It is noteworthy

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that the transition from inflation to greater stability, however, does not appear to have resulted from recommendations of the 1949 President's report. Many of those regarded as essential by the President were not accepted or enacted into legislation by the Congress, including:

1. $4,000,000,000 increase in corporate profits tax.
2. Consumer credit limitations.
3. Government authority to expand capacity.
4. Mandatory controls over materials in short supply.
5. Selective price and related wage controls.
6. Education and health programs, etc.

It would appear that the "judgment and restraint" exercised was that of the Congress, which refused to accept the recommendations, thereby assuring business and industry and restoring confidence to go ahead in the latter months of 1949.

The report states (p. 2): "We have succeeded in avoiding a serious set-back in 1949." This implies that certain Government actions were taken at that time to accomplish this end but these are not listed. Rather it seems that a succeeding sentence perhaps best expresses why the success was achieved:

> The great motivating force in our economic system is the perpetual will (by private initiative) to move ahead, to use our skills and our resources more efficiently, to produce more at lower cost, and to provide a better and richer life for all our citizens.

To this statement we heartily agree. Every effort to provide both the political and economic atmosphere favorable to that motivating force should be made now and in the future if our free society is to be maintained.

The report further states (p. 2):

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

If these measures had been adopted, their effect would certainly have been to discourage and delay expansion of facilities and production which are the only sure answer to inflationary tendencies. One of the principal causes of continuing inflation was the successive rounds of wage increases. Important work stoppages, making for scarcity and disruption of production schedules were another important factor. None of these causes, generally recognized by those who concern themselves with the economics of inflation, were given any weight or attention in any of the previous editions or the present edition of the Economic Report.

It is doubtless comforting to read that: "Six months ago, the Midyear Economic Report *pointed out the way to recovery*." It is not at all clear what the report contributed or caused to be done that brought about the recovery. Nevertheless, it serves to introduce the conclusion, reiterated in substance throughout the report that "additional steps should now be taken to complete the process of recovery. We must not again make the mistake of failing to adopt affirmative policies necessary for continued economic stability and growth."

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The flow of argument here, as throughout the report, is smooth and clever but pronouncements of this kind are hardly a good substitute for economic analysis and sustainable logic. [Italics supplied.]

RECOGNITION OF PROBLEMS IN ECONOMIC TERMS

The undertaking on the part of the Federal Government to use all reasonably practical means to promote maximum employment, production, and purchasing power is not to be taken thus lightly. Fortunately, the ability of the Government to make good on these declarations has not yet been severely challenged. Postwar demands and business expansion have postponed that day. The interim affords an opportunity to examine and test the machinery available to Government by which the ends of the Employment Act of 1946 may be furthered.

Thoughtful and competent economists recognize the inadequacies of even the best "tools" available to Government for maintaining economic stability. Honesty on the part of the Joint Committee demands that it recognize this and that the problems cannot be solved by omission or exhortation.

In general there are two conflicting views as to the proper approach of government to the solution of these problems. First there is the approach which relies upon detailed controls, a "planned" economy, and a detailed attack upon prices, bottlenecks, and "needs." The other concept of the Government's role in economic affairs places greater reliance on broad climatic policy in the monetary, fiscal, monopoly, and investment fields. Each year since the Employment Act was enacted, reports of the Council of Economic Advisers and policies of the President have consistently adhered to the first of these alternatives. We have as consistently adhered to a preference for the second method of dealing with economic problems.

The broad tools of monetary, fiscal, and monopoly policy which truly liberal economists regard as the only means of promoting stability while maintaining a free government have received little support from those presently in Government positions of economic power and responsibility. The most useful tools have been thrown away; the most effective weapons spiked by deliberate choice.

The President's report 1 year ago, for example, concerned then with the threat of inflation on the threshold of deflation stated: "I, therefore, recommend that the use of *mandatory allocation powers* be authorized so that they may be employed upon a *selective basis without delay* where they prove to be needed." A further recommendation stated: "I recommend that *selective price control* authority should promptly be made available to the Government." These recommendations are not cited for the sake of dwelling on the obvious untimeliness which subsequent events have given to them. They are cited as evidence of the basic thinking of the administration in its attack on the problem of economic stability through specific controls, rationing, and selective manipulation by Government. [Italics supplied.]

The report transmitted in January 1950 is naturally less open in its recommendations for detailed controls. Changed conditions and the fresh memories of men had by that time made such an approach less appealing as a cure-all. There is nothing in the new program,

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however, which suggests the slightest abandonment of the specific control philosophy. With any resurgence of inflationary tendencies we may look for the administration to again press for price controls and all that goes with them.

Opposed to this type of approach, we believe that the tremendous power which the Government holds over credit, monetary, and fiscal policy offers the best methods of preventing depression and instability. We believe that they are infinitely preferable to plans for controlling details and closely regulating individuals in their economic choices. In this we refer to this committee's Subcommittee on Monetary, Credit and Fiscal Policies. The subcommittee recommended—

> not only that appropriate, vigorous, and coordinated monetary, credit and fiscal policies be employed to promote the purposes of the Employment Act, but also that such policies constitute the Government's *primary and principal method* of promoting those purposes. [Italics supplied.]

We, therefore, welcome and concur in the recommendation made by the subcommittee when it recommended principles for the guidance of Federal fiscal policies. Stated briefly, the recommendation follows:

> We recommend that Federal fiscal policies be such as not only to avoid aggravating economic instability but also to make a positive and important contribution to stabilization, at the same time promoting equity and incentives in taxation and economy in expenditures. * * * A policy that will contribute to stability must produce a surplus of revenues over expenditures in periods of high prosperity and comparatively full employment and a surplus of expenditures over revenues in periods of deflation and abnormally high unemployment. Such a policy must, however, be based on a recognition that there are limits to the effectiveness of fiscal policy because economic forecasting is highly imperfect at present and tax and expenditure policies under present procedures are very inflexible.

It seems to us that it is the duty and responsibility of the Joint Committee as a whole to urge that the weapon of fiscal policy, commended by the subcommittee, be restored to usefulness.

After nearly 20 years of consecutive deficits—marked only by the notable exceptions of 1947 and 1948—those in charge of Government policies have apparently lost all interest in and power to use the stabilizing effects of a surplus of revenues over expenditures. Fiscal policy has become a one-way street with deficit spending the pattern. Taxes are already so close to the upper limit tolerable in a peacetime economy that they afford little flexibility on the up side. Deficit spending is, therefore, certain to continue so long as the administration flatly and summarily rejects the possibilities of reduced expenditures. Fully aware of the political inexpediency, if not economic hazards, of further increasing taxes, it devotes its energies to arguing against the wisdom and even the possibility of reducing expenditures.

The military and foreign-aids needs called for by the cold war, it is true, present a serious burden. We think it is, nevertheless, imperative for those in positions of economic power to recognize that the race in competitive armament may go on year after year. Does this mean that deficits must be accepted as a way of life? If the generation is unfortunate enough to live in a world in which this exhausting race is necessary, progress in other fields may have to be postponed. Postponement, too, is a part of the cold-war costs. The choice between pleasant expediency and temporary sacrifice is never an easy one but we think it highly imperative that the Joint Economic Committee

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begin pointing out as convincingly as it can that governmental programs cannot be increased or added to without increased costs. We speak not simply of costs in the sense of Government expenditures but in the use of resources and manpower and the sacrifice of alternatives. The basic economic fact is that energies devoted to preparation for war cannot be devoted to other and more attractive peacetime ends. It is a solution unworthy of any government to behave as if government deficits may be run year after year, and decade after decade with no costs to anyone or without the sacrifice of important programs to the demands of more important ones.

The Joint Economic Committee is doing small service to the long-run stability of the country when it does not urge that fiscal "policy" means more than determining the amount of deficit to be incurred. Fiscal policy is a two-edge sword, one edge of which has been dulled by the policy of disuse.

Monetary and debt-management policies offer a second device by which Government may bring its resources to bear on the economy without resorting to detailed controls. This weapon, too, has been blunted by the policy of the administration, with the approval of the President and the Council of Economic Advisers. Interest rates as a partial governor on the speed of the economy have been discarded in favor of maintaining the price of long-term Government bonds.

Again we commend the recommendations of the subcommittee of the Joint Economic Committee when it recommended that monetary policy be restored as an effective tool by congressional declaration if necessary. The subcommittee recommended:

> * * * that, (i) in determining and administering policies relative to money, credit, and management of the Federal debt, the Treasury and the Federal Reserve shall be guided primarily by considerations relating to their effects on employment, production, purchasing power, and price levels, and such policies shall be consistent with and shall promote the purposes of the Employment Act of 1946; and (ii) it is the will of Congress that the primary power and responsibility for regulating the supply, availability, and cost of credit in general shall be vested in the duly constituted authorities of the Federal Reserve System, and that Treasury actions relative to money, credit, and transactions in the Federal debt shall be made consistent with the policies of the Federal Reserve.

Administration of the public debt offers a powerful device for stabilization. While much may be said from the standpoint of economy for maintaining low interest rates on Government securities, the cheap-money policy means that control through interest rates is abandoned as a stabilization device. With long-term 2½ percent Government bonds now selling somewhat above par, the occasion offers an ideal time for arriving at a monetary policy for the future.

In the interest of minimizing the service charges on its own debt, should the Government forsake the benefits of restricting bank and investment credit at times when restriction would add to stability? The costs of uncontrolled inflation to the Government are always considerable and are likely far to outweigh the costs of increased interest charges.

GOVERNMENT RESPONSIBILITY TOWARD PRIVATE INVESTMENT

In terms of fulfilling the purposes of the Employment Act, nothing is more important than the role of private investment, particularly for new plants and improved equipment. Through this must come the

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creation of new jobs as well as the achievement of economic goals of national income and a rising real income. In the 1949 report, the President expressed concern that the level of investment was too high or "not sustainable" and the proportion of consumption expenditures was too low. In this year's report, fear is expressed because the rate of investment was falling and, if continued, would result in increased unemployment. In its concerns for "consumer purchasing power," and the distribution of income, the report fails to properly evaluate the importance of jobs and incomes involved in high capital investment. About one-third of our industrial workers are engaged in industries producing plants and equipment. High business investment, high employment, and high purchasing power have always been achieved simultaneously, and necessarily so.

The report admonishes businessmen to—

> * * * base their investment policies on confidence in growth, shape their price policies to the needs of larger markets and proceed with vigor and ingenuity to develop new and better markets of all kinds.

Elsewhere it exhorts:

> * * * businessmen should grasp opportunities which lie ahead; and should help to make the adjustments on prices and incomes which will translate potential markets into real markets. The enterprise and imagination of private businessmen will be a crucial factor in achieving the upward growth of which our economy is capable.

These and similar statements do not aid in achieving private action for maintaining a high level of capital expenditures.

It is further stated:

> There are ample funds available to businessmen who want to expand or build new plants, to replace obsolete equipment or to extend their operations to new geographic areas.

The evidence of ample funds is a challenge to put them to productive use. In addition to funds, the important thing is to venture them in job-creating enterprise. The report does not make any material suggestions for improving incentives for investment, except extension of maturity period for RFC loans. The President's later tax and small-business messages contain some further proposals designed to remove the regressive "notch" feature in $25,000 to $50,000 corporate-tax bracket, and other aids to small business. These, however, can hardly be expected to affect greatly the totals of private investment and their aggregate influence upon employment. Outweighing these proposals in its impact on investment incentives is the recommendation to increase corporate income taxes from 38 to 42 percent. This could hardly be expected to bring about improvement in investment outlook or business.

We believe that the greatest promise for a steadily expanding economy, including high-level employment and increasing real incomes, is through high and relatively stable private investment. These will be promoted only through recognizing the deterrents to business investment and creating the necessary private incentives for business and private investors to assume risks. In our opinion, as stated in the report of the subcommittee on investment, the principal deterrent to investment today is taxes. This is especially true in regard to corporation income, which is taxed at 38 percent and is again subject to individual income taxes when distributed as dividends. Accordingly,

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many investors are driven to seek security at whatever sacrifice to income from their savings, rather than become risk bearers in new enterprise or even well-seasoned equity shares.

Of course, other aspects of the corporate tax system also adversely affect the incentives as well as the sources for investment funds. In particular, we believe tax policy should permit depreciation over shorter period of years to encourage replacement of outmoded equipment with newer, cost-reducing equipment.

In other respects, too, Government actions and policies threaten the continuance of high-level investment by creating uncertainty and undermining confidence. First of these is the failure to move in the direction of a balanced budget. As long as we continue the easy road of Government spending, even for "desirable" projects and programs, with no prospect of a balanced budget in sight, the result must be a continuous state of apprehension, both by business and by investors.

The second is reflected in the attitude of Government toward business in proposed legislation. In the 1949 report, the President recommended—

> * * * immediate legislation to deal with the problem of capacity and supply * * * provide the funds to make careful surveys of future supply needs and productive capacity * * *. To the extent that facts reveal the need, it should provide additional authority to deal more effectively with inadequacy of capacity and supply.

This recommendation became embodied in the so-called Spence bill (H. R. 2756) and though not acted upon, may still become pending business of the Congress.

In the report "December 1949 Steel Price Increases" the majority of this committee recommended:

> In the interests of preserving competitive free enterprise and protecting the public from arbitrary increases in prices, this committee recommends that steel producers file with an appropriate agency of the Federal Government their schedules of proposed price increases, that speedily hearings be held to get the facts on the reasons for, and general economic effects of, such increases, and that such industry-wide price increases be deferred for a definite period of, for example, 30 days after such announcement. * * *
>
> With the express purpose of revealing the effect on free, competitive enterprise of present trends in the steel industry, a study should be authorized to examine the extent to which the steel industry has developed technological and economic similarity to public utilities and has acquired such strategic importance in war, peace, and in the maintenance of high-level employment as to become uniquely affected with a public interest in order that the Congress may determine what, if any, legislation should be adopted for the preservation of competition.

Such proposals threaten the very foundation of private investment. If the prospect of enactment of such legislation were imminent, how could private capital be expected to flow into possible affected areas? Fortunately, these particular proposals have made little progress as yet toward enactment into legislation. They reflect, however, the persistent attempt to substitute Government action in the field of private investment and enterprise in place of appropriate incentives to permit and encourage the flow of private funds to provide expansion and growth that is required.

We suggest that the President's report should consider and promote the fundamental factors for private investment, rather than attempt to plug the holes created by failure of Government policies to foster private initiative and responsibility.

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GOVERNMENT SPENDING AND FISCAL POLICY

We have previously indicated our concern over the basic economic threat of a loose Federal fiscal policy and continuing budget deficits. We find the President's neat and easy disposal of this problem totally lacking in facing the economic realities. This is evidenced by his statements on page 11 of the Economic Report:

> * * * As business conditions continue to improve, we sholud bring Government receipts and expenditures into balance, and provide some surplus for debt reduction at the *earliest* date consistent with the welfare of the country.
>
> * * * In the long run, the Government's fiscal position depends upon the health of the national economy. * * * [Italics supplied.]

These are amazing statements in the face of current and expected deficits under existing legislation. The recommendations of the report, if enacted into law, would cost many billions more. The staff of the Senate Committee on Government Expenditures under direction of Senator McClellan has carefully reviewed the probable costs of 15 proposals for legislation recommended by the President and estimates their initial annual cost at over $7,000,000,000 and ultimate annual cost at over $25,000,000,000. Even if these estimates are reduced by half, the result scarcely promises hope for a balanced budget in the foreseeable future. It is noteworthy that the President's report makes no estimate of the cost involved in his 12-point program, either presently or in the future. We do not find convincing argument for meeting large deficits and increased spending in such statements as: "*If* the trend of business continues upward as it should, Federal revenue will increase." [Italics supplied.]

We are told that the domestic programs are essential elements of an expanding economy and are an integral part of the achievement of the "goals," and that "Federal receipts should be sufficient over a period of years to balance the budget and provide a surplus for debt reduction" and further, "We should recognize that the expansion of the economy will generate additional revenues and strengthen the fiscal position of the Government."

Thus it stated the major premise as well as fallacy of the report. We are urged to spend money and create greater and continuing deficits for new projects, extended social services, and more benefits during a time of high national production to generate greater income to wipe out the deficits created through the programs. This is equivalent to spending ourselves into and out of debt by the same transaction—a process that never worked when tried in prewar years nor is it any more likely to work now. With this boot-strap argumentation of the President's report the minority strongly dissents.

We return to the sentence quoted earlier: "In the long run, the Government's fiscal position depends upon the health of the national economy." We are convinced that the converse has most important application for a sound economy: "In the long run, the health of the economy is largely determined by, as well as dependent on, the Government's fiscal policies and position." And the long-run governmental fiscal picture, considered either as to recent past performance or future prospects or administration "goals" is not a favorable one.

One major concern is the broad extension of Government activities and expenditures at a time when continued deficits irreparably affect the growth and strength of private enterprise, discourage incentives

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of individuals to produce, save, and invest. The result of "spendthrift" government places us in a most vulnerable position with the first down-turn in economic activity, or any crises we may be called upon to face.

SOCIAL AND POLITICAL PROGRAMS

We have discussed what we consider the principal areas which come within the main task of the Economic Report and of this Joint Committee: To maintain full employment and avoid recurrent economic depressions. We have repeatedly suggested that the principal attention of this Committee should be devoted to that problem and not be too much diverted by the study of all the important but complicated social welfare, health, education, and other problems which have social and political aspects more important than their economic influence or significance.

The President's report and the majority consistently give major emphasis to these welfare programs as instruments for full employment and economic stability. Our main concern in regard to programs should be whether they may threaten to create excessive burdens in their aggregate, create Federal fiscal problems, divert too much resources from investment and economic growth and in the end make for unemployment rather than employment. Except for these dangers which we should carefully weigh in our over-all economic considerations, these subjects are more properly matters for the state of the Union message and appropriate legislative committees.

Other recommendations in the report we consider are designed more for political appeal than as economic solutions. These include:

1. Production payments for agriculture (Brannan plan).
2. Columbia Valley Administration and St. Lawrence seaway and power project.
3. National health insurance (socialized medicine).
4. National rent controls.
5. Approval of charter of International Trade Organizations.

What we mean by the political nature of proposals put forth as economic may be illustrated by the Brannan plan for agriculture. This proposal in its broad appeal holds out the promise of guaranteed high incomes for farmers and low food costs for consumers. The indeterminable costs which must arise somewhere between these noble objectives are to be made up by drawing on Government funds probably to the extent of 5 or 6 billion dollars and conceivably much more, and provided for out of further taxes or deficits. Juggling of benefits and costs in this manner is hardly economics in the sense contemplated by the Employment Act. Similar comments could be made on other listed recommendations.

Accordingly, we have not discussed the President's 12 individual recommendations. Furthermore, as previously noted, proposed drafts of the Committee report have only recently been submitted to us, the latest revision on June 6. We do not desire to cause delay in publication of the Committee report; this is a further reason for not commenting in detail on the various recommendations at this time. However, we desire the privilege of extending our comments and analysis covering these and other matters at a later date.

We desire also to point out that the recommendations of the various subcommittees referred to in the majority report and contained in

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their supplementary staff report have not been considered by the Committee as a whole. The agreement indicated in these reports by the respective subcommittee members does not necessarily reflect general agreement by the whole Committee or of the minority on all the many recommendations.

SUMMARY

We have pointed out our disagreement with the basic philosophy of the President's report. We have noted also our conviction that the Joint Economic Committee should be "facing up" to the basic reality of its task. Our recommendations now would remain much the same as they were in the 1949 minority report, with only slight shift in emphasis among the points. Perhaps their repetition is the best hope of a minority that its views may be of influence on the majority in power, as well as others.

1. The reduction of Government expenditures so that there may be no necessity for an increase in taxation, and that there may be a reduction in the tremendous burden of taxation if the international situation improves. While subscribing completely to the idea that we should balance the budget and have something left to supply to reducing the national debt in 1950, the possibilities of doing this by expense reduction rather than entirely by tax increases should be more strongly commended.
2. That the Government continue its control of general banking and credit policies through the Federal Reserve Board in such a manner as to check tendencies which have developed toward inflation or deflation.
3. We recommend that the public works program be varied also in relationship to the general economic situation, expanded if there appears to be too great a deflation, and restrained if other construction appears to be normal.
4. We see no need at the moment for further selective controls, but if any such need arises it should be dealt with by Congress in specific and limited fields with the greatest protection of liberty.
5. The Government should be constantly on the alert to prevent monopoly and the collusive fixing of prices. We are prepared to support additional antimonopoly measures if a careful study shows them to be necessary.
6. We still consider that a support-price program for farm prices is highly desirable to prevent the development of a depression through a complete collapse in agricultural prices. The administration of this program should be directed not as a relief measure or a guranteed income equality for individuals, but as a major weapon against distortion between urban and rural incomes which could bring collapse to the entire Nation.
7. We renew our recommendation that the Government take an active interest in the development of housing, particularly in the stability of the housing industry and the reduction in cost.
8. We believe that within a short time American industry will face the problem of increasing imports at steadily decreasing prices which may interfere with full employment in the United States. The whole problem of exports and imports and their effect on a stable economy during the next 2 or 3 years is a serious

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one, and our Committee should proceed immediately to consideration of that subject.

To recommendation 5 we would now add: "We feel that a clarification of existing antimonopoly law is badly needed."

Members approving minority views:

ROBERT A. TAFT.
RALPH E. FLANDERS.
ARTHUR V. WATKINS.
JESSE P. WOLCOTT.
ROBERT F. RICH.
CHRISTIAN A. HERTER.

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III. SUPPLEMENTARY STAFF MATERIALS*

The materials assembled herein by the staff are for the most part supplementary to the information and data contained in the Economic Report of the President and the Annual Review of the Council of Economic Advisers transmitted to the Congress last January. They represent, in the main, tabulations or analyses that were not available then. Some were presented in the hearings held on the Economic Report by this committee in January. Others consist of data of more recent date. These materials are therefore not grouped according to the 12 recommendations of the President but represent fragments of additional evidence on certain parts of the economic picture as then presented.

The facts then relevant and available were given concerning the three major segments of the economy; namely, consumers, business, and government. For each segment there are respective expenditures and receipts. That outline is followed in presenting the supplementary materials here assembled.

Aggregate demand for all goods and services consists of the sum total bought by consumers plus those purchased net (or invested in) by business plus those procured by government. Aggregate purchases are not only equal to aggregate sales but in the long run also to total output, since that which is sold has to be produced. Aggregate demand is equal to aggregate supply or—allowing for changes in inventories, stocks, exports, and imports—aggregate production.

The fluctuations in aggregate expenditures can therefore accurately describe variations in gross national product. This is what is given by the Council of Economic Advisers in chart 1, reproduced below. Several of the witnesses at the hearings on the Economic Report expressed such live interest in the underlying numerical data and the technical methods that the Council has since made them available to this committee. Its memorandum entitled "Productivity Estimates and Deflation of Gross National Product" is printed in full in appendix A, item I.

Certain facts clearly emerge from this analysis—most important of all, that it is through economic growth alone that all sections of the population can prosper and progress together, not by engaging in bitter and hopeless conflicts to obtain for themselves larger shares of a static national output. Secondly, that since 1890 the gross national product has increased nearly eightfold, product per worker has more than quadrupled, while the average number of hours worked have declined a third. In the third place, that the central task in achieving the purposes of the Employment Act of 1946 is to continue the growth in national output and in worker productivity shown in chart 1; that is, to foster maximum employment and investment opportunity on the one hand and avoid inflation on the other. This will require conscious purpose and hard work so that per capita productivity may continue to increase at a rate of 2 to 2½ percent a year.

*Useful as these materials have been in aid of our deliberations, we do not commit ourselves, either individually or as a committee, to all of the points made or the data and analyses presented.

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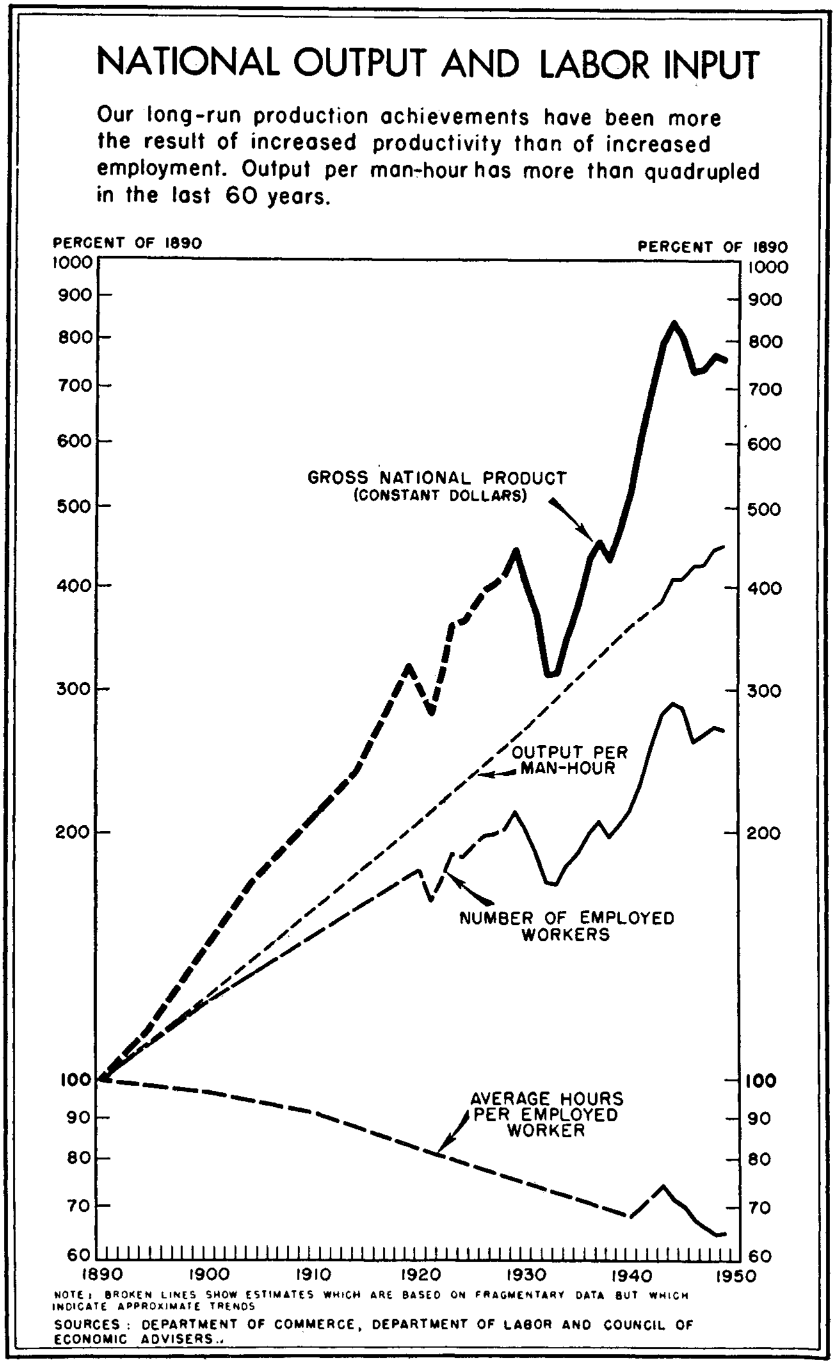
CHART 1



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In the fourth place, as the President emphasized, such economic progress since 1890 has depended, and will continue to depend, primarily on business price policies and on business investment.

The enterprise and imagination of private businessmen will be a crucial factor in achieving the upward growth of which our economy is capable.[1] * * * Businessmen should base their investment policies on confidence in growth, shape their price policies to the needs of larger markets, and proceed with vigor and ingenuity to develop new and better products of all kinds. * * * [2]

There are, needless to say, other factors. While business enterprise and the voluntary energies released by a free market in a free economy are primary, economic progress as a whole is dependent upon—

* * * the combined influence of (1) natural and human resources, (2) scientific discoveries and inventions, (3) engineering applications, (4) business organization and management, (5) the economic system, and (6) the governmental system. Scientific discoveries would not yield practical results if we did not have invention; patented technological devices would be impotent without engineering applications to productive processes; engineering can function in a private enterprise system only in conjunction with a business organization able to appraise the commercial feasibility of new developments; individual business enterprise in turn will be thwarted if the economic system is defective; and finally the functioning of the economic system is dependent upon the character and the administration of the governmental system. Thus scientists, inventors, engineers, business managers, and professional students of economics and government cooperate in a common objective—that of increasing the capacity of the people to satisfy their wants.[3]

I. The Consumer Segment

The consumer segment of the economy can be measured either in terms of consumer expenditures or in terms of consumer incomes and funds utilized to pay for that which was bought. It will be remembered that aggregate expenditures in the economy represent the total spent by three groups: consumers, business, and government. By far the largest are consumption expenditures. The relative proportions of each can be clearly seen in chart 2. Note that the curve of personal consumption expenditures in 1949 falls off much less than does gross national product. The gradual rise in Government purchases of goods and services since early 1947 is also apparent. Most striking is the fall in private domestic and foreign investment.

The notable period of prosperity which the American economy has enjoyed since 1940 warrants neither congratulations nor complacency. It did not happen because of the discovery of a new formula either by business or by government. There was World War II. Since 1945 there have been fortuitous nonrecurring factors: war-accumulated backlogs here and abroad of demand for capital equipment, for private construction, for automobiles, appliances, household goods, and other items. There was an abnormal export of foods and machinery to war-devastated and famine-stricken areas. The levels of armament expenditures, of outlays for veterans, and of foreign lending and foreign aid have been extraordinary. All these will taper off and may disappear.

Our future prosperity seems to depend very definitely upon our capacity to create additional buying power in the hands of the masses of consumers. This requires, of course, an intensification of technological progress, for increasing man-hour output constitutes the only foundation for higher standards of living. * * *

[1] The Economic Report of the President, January 1950, p. 10.
[2] The same, p. 7.
[3] Moulton, Harold G., Controlling Factors in Economic Development, Brookings Institution.

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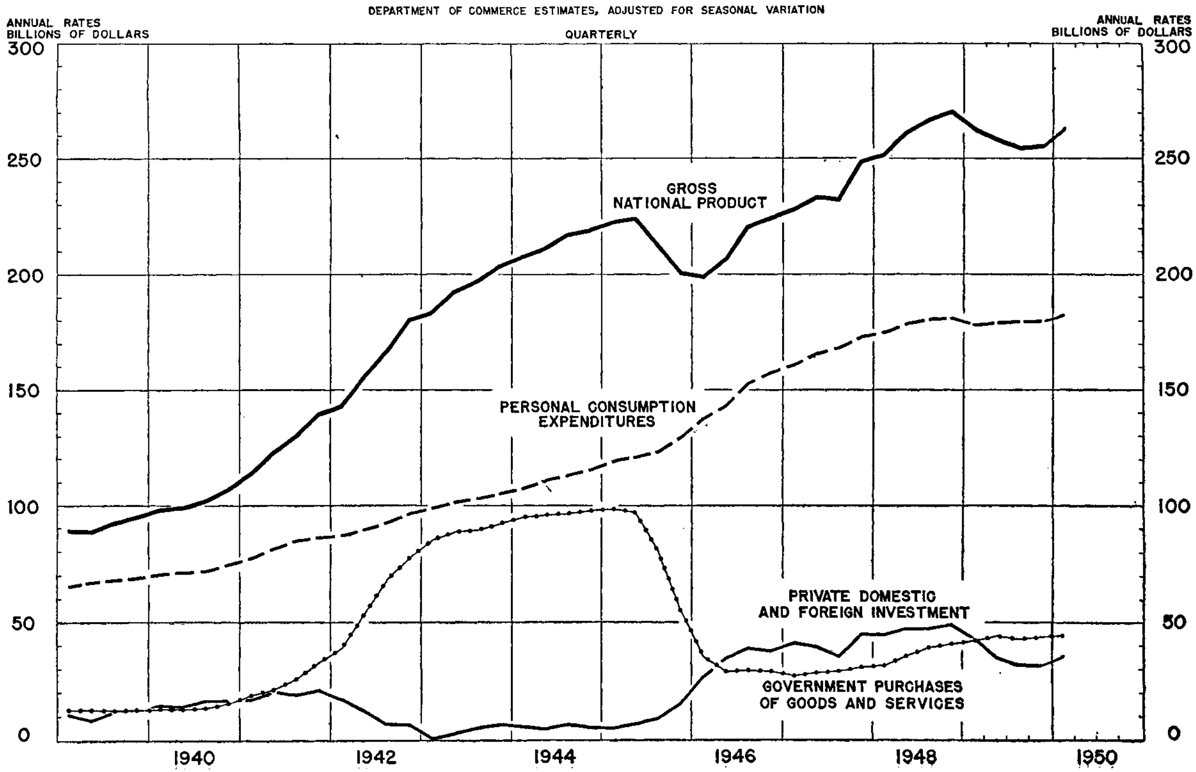
CHART 2

GROSS NATIONAL PRODUCT



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This increasing productivity must be accompanied by a constantly broadening distribution of national purchasing power through the medium of an ever-improving ratio of prices to wages. Unless the buying power of the masses, whose wants create markets, is progressively expanding, business management will have to be content with a virtually static situation. * * * [4]

Since the President's Economic Report was published, the fact has become clear that consumers in general not only did not suffer in 1949 but may have enjoyed a real flow of goods and services larger than in 1948. As the Department of Commerce points out in the February 1950 issue of the Survey of Current Business (pp. 2, 3):

A feature of the year's developments was the extraordinary stability of the consumer sector. A slight down trend in personal income was associated with the farm component; monthly data for nonagricultural income showed an extreme variation between the high and low month of only 2 percent, and 11 of the 12 months were within a 1-percent range. Consumer expenditures, available only quarterly, showed virtually no variation at all, while monthly data for total retail sales confirmed the quarterly stability. Accompanying the steadiness of consumer income and outlays, the monthly index of consumer prices showed only minor changes during the year [and were off only 2 percent from December 1948 to December of 1949].

* * * personal income, retail sales, and consumer prices all averaged a little less in 1949 than in 1948. Disposable personal income was maintained, despite the small reduction in personal income, because of lower personal taxes. Personal consumption expenditures and personal savings were also the same as in 1948. The reduction in consumer prices was such as to indicate an increase of about 1.6 percent in the real flow of goods and services moving to consumers.

As will be shown in detail later, this increase in consumption, despite decreased production, was made possible by a shift in total inventories from a net addition of $9,000,000,000 at annual rates in the fourth quarter of 1948 to a net reduction of $3,000,000,000 in the second quarter of 1949. Thus the flow of goods and services to final purchasers—that is, domestic consumers, capital investors, government, and foreign nations—increased from $256,000,000,000 to $260,000,000,000. The primary factor offsetting the decline in business investment was the fact that Federal, State, and local governments together, after showing a combined surplus of 8½ billion dollars in 1948, incurred a deficit of 3 billion dollars in 1949.

While the year 1949 was on the average a year of higher consumption than 1948, there may have been individual groups of consumers that did not share fully in the general increase. Although no data are yet available for 1949, those for 1948, published by the Subcommittee on Low-Income Families, indicate that a surprisingly large number of families fall short of full participation in American prosperity, even in years of full employment.

These families, possibly as high as 10,000,000 in number, consist largely of those headed by aged persons, by unskilled and semiskilled city workers, by farmers in disadvantaged regions of the country, by migratory agricultural workers, by disabled persons; likewise broken families. The entire group may contain as much as one-fifth of the Nation's children. Bringing these families within our national circle of high employment, production, and consumption is a major task which requires the concerted action and full cooperation of local communities, State and local governments, labor unions, and private business and professional organizations.

[4] Moulton, Harold G., in an address, How Strong Is Our Economy? before National Association of Manufacturers, New York, December 8, 1949.

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Improving the production, earning power, and consumption of the low-income group will provide expanding markets and greatly strengthen the national economy. For example, improving the food consumption of the lowest fifth of our families to the level of the prewar average of the population in general—a modest goal—would expand the domestic demand for food by about 3½ billion dollars. Since 1946 per capita food consumption has been cut back from 119 percent to 110 percent of the prewar level. Yet there are complaints about farm surpluses. Raising the productivity and incomes of low-income farm families in turn creates better markets for the products of industry.

CONSUMER INCOME

The transition from a consideration of consumer expenditures to a discussion of consumer income can readily be made by noting carefully some of the facts brought out in table I below:

TABLE I.—*Selected series relating to consumption*

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

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

Sources: Department of Commerce and Department of Labor.

Personal consumption expenditures represented 69 percent of gross national product in 1949 as opposed to 68.1 percent in 1948 and percentages ranging from 75 to 80 percent in the two decades prior to the war. Disposable personal income likewise increased from 72.7 percent of gross national product in 1948 to 74.6 percent in 1949, but was likewise lower than prewar. Per capita disposable personal income in 1948 dollars was not only more than 50 percent higher than in the twenties but showed a one-half of 1 percent increase in 1949 over 1948.

A careful study of chart 3 shows clearly the relationships since 1940 between personal income, disposable income after taxes, consumption expenditures, and net personal savings. Note that net personal savings were higher both in absolute and in percentage terms in 1949 than in 1948. They were higher in fact than in any peacetime year for which data are available, though, of course, not as high as during World War II.

But all income groups may not have been equally fortunate. Considerable evidence exists that the status of those having the lowest income has continued to deteriorate. Unfortunately, the bulk of the most recent figures available cover not 1949 but only 1948 and prior years.

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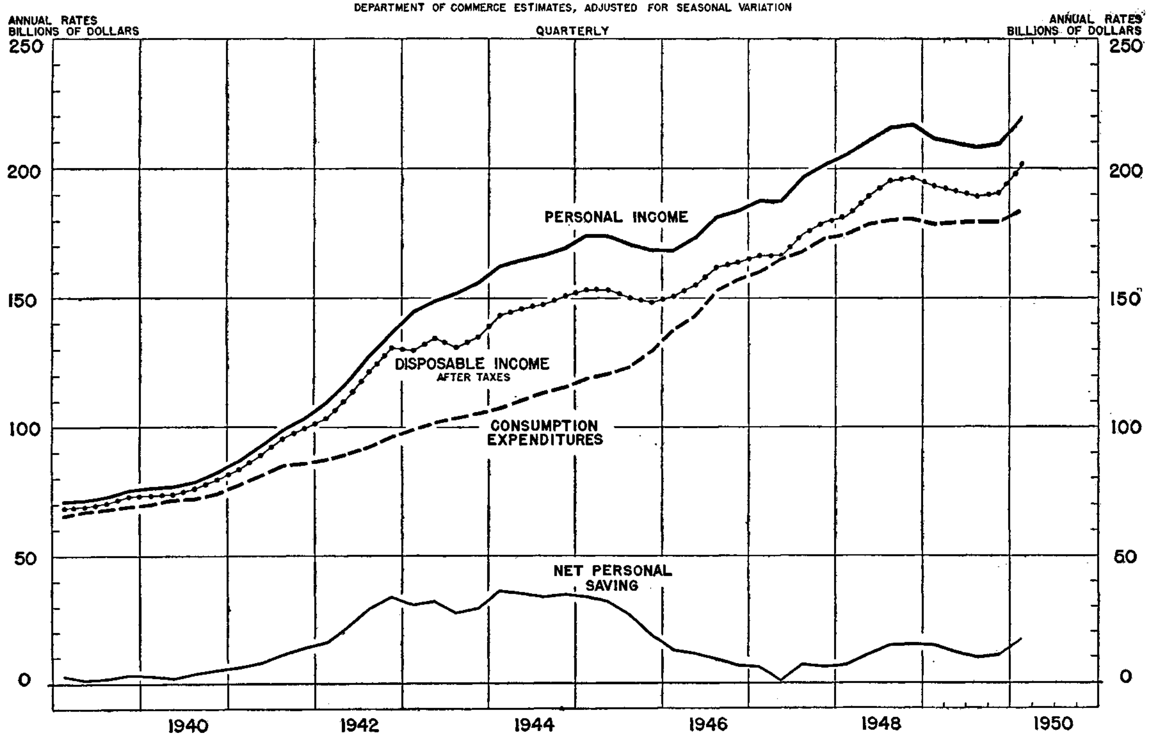
CHART 3

PERSONAL INCOME, CONSUMPTION, AND SAVING

DEPARTMENT OF COMMERCE ESTIMATES, ADJUSTED FOR SEASONAL VARIATION



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A study by the Board of Governors of the Federal Reserve System indicates that the lowest fifth of the Nation's spending units, while actually breaking even in 1945 and suffering negative savings amounting to 8 percent of net savings of the Nation in 1946, were dissaving to the extent of 13 percent in 1947 and 24 percent in 1948. See table II for details. Even the second fifth of the income groups failed to break even in 1948.

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

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

[1] For a definition of the spending unit and a distribution of positive and negative saving, see appendix B of the 1950 Economic Report of the President.

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

On the other hand, note that the top fifth of the Nation's spending units, incomewise, saved an amount equal to 64 percent of all net saving in 1945, 79 percent in 1946, 93 percent in 1947, and 99 percent in 1948. In short, if the lower four-fifths of the income units are lumped together, they on balance did only 1 percent of the net saving. They received 53 percent, or slightly over half, of the total income.

Corroborating the indication above that the status of low-income groups is steadily deteriorating are some figures on holdings of savings bonds which include data for 1949. About 80 percent of the spending units with incomes under $1,000 had no United States savings bonds at all.

Table III gives the figures in detail. It is of interest to note that the figure of 56 percent for 1949, representing the average for all income groups, was 53 percent in 1948, 44 percent in 1947, and only 37 percent in 1946. In other words, a net of about 11,000,000 spending units disposed of all the Government bonds they owned in the three prosperous years from 1946 to 1949.

TABLE III.—*Distribution of spending units by 1948 money income level who held no United States savings bonds in early 1949*

	Distribution of spending units (in millions)	Number and percent with no United States savings bonds in early 1949	
		Number	Percent
Money income, 1948:			
Under $1,000	6.0	4.8	80
$1,000–$2,999	20.7	13.0	63
Under $3,000	26.7	17.8	67
$3,000–$4,999	16.1	7.9	49
$5,000 and over	7.6	2.6	34
All income groups	50.4	28.3	56

Source: Derived from table 1, pt. III, and table 11, pt. IV, 1949, Survey of Consumer Finances, Board of Governors, Federal Reserve System.

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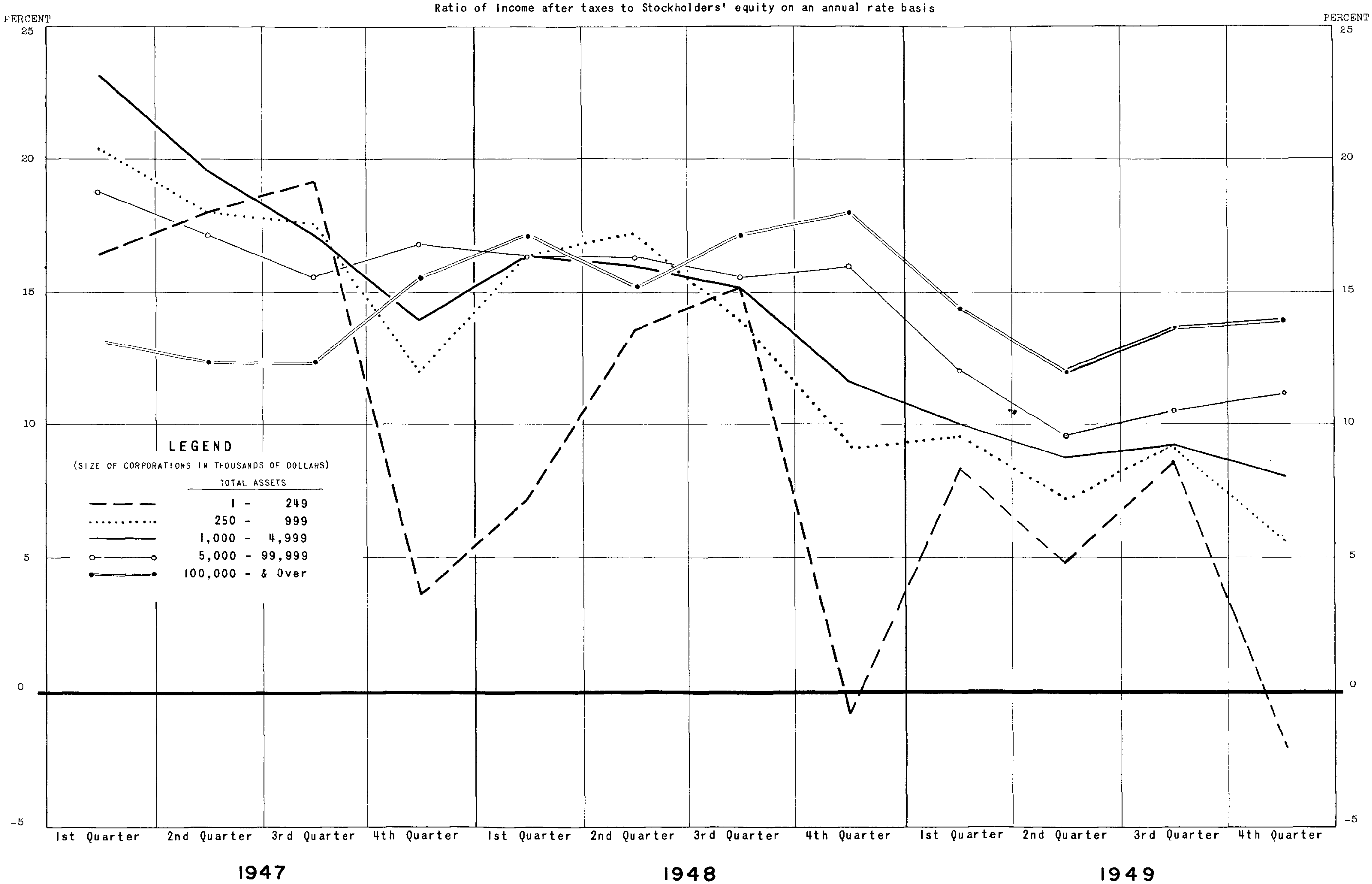
CHART 5

RATES OF PROFIT FOR MANUFACTURING CORPORATIONS BY SIZE GROUPS

Ratio of Income after taxes to Stockholders' equity on an annual rate basis



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In that same period the fraction holding less than $500 worth has gone down from 37 percent to 25 percent, and the number of those holding $500 worth or over but less than $2,000 face amount, has dwindled from 20 percent to 13 percent.

On the other hand, the number holding $2,000 worth or more was 6 percent in 1946. It was 6 percent in 1949. Those in the top fifth have outdistanced the field. Since most of them own their homes, they are not affected by increases in rents. They can buy Government bonds at the same prices they paid in 1946 and purchase most stock-market securities at lower prices. Net costs of insurance have increased, largely due to smaller refunds. So far as cost-of-living items are concerned—food, clothing, and so on—the percentage of their incomes so absorbed is relatively small—usually less than a fifth and in the higher brackets less than a tenth.

Their average income in 1948 was nearly $1,500 higher than in 1941, even when deflated in terms of consumption goods (on which they spend a relatively smaller part of their income), while the incomes of those in the lowest fifth (who spend practically all their income on food and necessities) were increased by barely a fifth of that amount.

Table IV gives the facts in detail. One should not confuse the arithmetic mean and the median. The median, of course, represents the 50–50 dividing line. Thus in 1948 one-half of all the families and single persons got $2,840 or less; one-half got more. The arithmetic average of all their incomes, however, was $4,231. Perhaps less than one out of three enjoyed an income as high as that.

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

Families and single persons ranked from lowest to highest income	Percentage of money income			Average money income in dollars of 1948 purchasing power [1]			Amount of increase in dollars, 1948 over 1941
	1935–36	1941	1948	1935–36	1941	1948	
Lowest fifth	4.0	3.5	4.2	$534	$592	$893	$301
Second fifth	8.7	9.1	10.5	1,159	1,546	2,232	686
Third fifth	13.6	15.3	16.1	1,810	2,597	3,410	813
Fourth fifth	20.5	22.5	22.3	2,734	3,816	4,711	895
Highest fifth	53.2	49.6	46.9	7,083	8,418	9,911	1,493
All groups	100.0	100.0	100.0	2,664	3,396	4,231	835

[1] Current dollars divided by the consumers' price index on the base 1948=100 to give a rough measure of changes in purchasing power of income. Perhaps not valid for the highest fifth.

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

Since the end of 1946 consumer credit has increased nearly 80 percent or from a level of 10.2 billion dollars then to 18.8 billion dollars at the end of 1949. Even if one deducts an estimated $3,000,000,000 of single-payment loans, the amount is still almost 3 times the 5.5-billion figure for 1929 while disposable income of 191.2 billion dollars

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in 1949 is less than 2½ times the 82.5 billion total for 1929. The ratio of consumer credit to disposable income is 8.3 percent in 1949 compared to 6.6 percent in 1929. During the last 6 months of 1949 with disposable income drifting gently downward, consumer credit expanded at the rate of 3 percent a month.

The fact has already been stressed that consumer expenditures not only held up well in 1949 but actually increased as a percent of disposable income. That fact helped considerably to moderate the decline brought about in 1949 largely as a result of shifts in inventory policy from accumulation to liquidation. A 1950 survey of consumer finances published in the Federal Reserve Bulletin for April 1950 indicates that consumer plans to purchase houses, automobiles, and other items in 1950 quantitatively equal the amounts purchased in 1949. More than twice as many television sets may be bought. The proportion of consumers expecting price declines dropped from about one-half of those interviewed in 1949 to one-third who so stated early in 1950. A larger percentage expected price increases. About 2.8 billion dollars is being disbursed in insurance dividends to veterans.

Assuming that consumer credit holds up or increases and that dissaving in the lower four-fifths of the income scale remains as large as in 1949, consumer expenditures in 1950, in view of recent firmness in farm prices, may continue to be strong.

II. The Business Segment

The most strategic segment of the economy is that measured by business expenditures or uses of funds. The other way to measure the same thing is, of course, business receipts or sources of funds. In the same way that purchases made by consumers are identical in amount with net sales to consumers, so the funds used by business are equal to the aggregate amount obtained by business from various sources. Statistically, the total invested is equal to the total saved.

The business expenditure or investment segment of the economy has in the past been most volatile and most responsive to variations in economic and political psychology. Thus late in 1929 gross private domestic investment began falling from a level of 15.8 billion dollars until it dwindled to only 886 million dollars in 1932. Beginning in 1933 business investment rose steadily to a level of 11.4 billion dollars in 1937, fell to 6.3 billion dollars in 1938, rose to 18.3 billion dollars in 1941, and reached the phenomenal peak of 45.0 billion dollars in 1948. The variations since 1939 are clearly shown on chart 2.

This enormous variation can be explained in part by changes in the value of the dollar, and in part it is an accompaniment of fluctuations in national income. But that is true only in part. Even when the major categories of private domestic investment and the construction

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component of public investment are expressed as percentages of total gross national product, the variability in the private investment segment is extraordinary, as is shown in table V below.

TABLE V.—*Gross private domestic investment and new public construction as percentages of gross national product, selected periods* [1]

	1929	1932	1939	1948
1. Gross private domestic investment, total	15.2	1.5	10.8	17.2
(a) New private construction activity	7.5	2.9	5.4	6.8
(b) Producers' durable equipment, domestic sales	6.2	3.1	5.0	7.9
(c) Change in business inventories after inventory revaluation adjustment	1.5	−4.4	.4	2.5
2. New public construction activity	2.3	3.1	2.8	1.6

[1] Factors Affecting Volume and Stability of Private Investment, Joint Committee on the Economic Report, p. 2.

Note that inventories constitute by far the most variable item, fluctuating from a positive to a negative item. While gross private domestic investment fell 94 percent between 1929 and 1932, the sum total of construction and producers' durables fell about 75 percent. The countercyclical activity in public construction appears clearly when the 1932 figure is compared with 1929 and again when it is compared with 1948.

Should business investment in the fifties continue to vary to the same relative extent as in the past, the annual rate of total plant and equipment outlays (including farm) might well fluctuate within the limits, say, of $8,000,000,000 to $32,000,000,000. Such would unavoidably be attended by great instability in levels of national income and employment.

Data are not available to show the uses and sources of funds in detail for all of the business segment of the economy. The capital expenditures of millions of small enterprisers and of farmers can only be guessed at through consideration of such facts as the output of farm machinery, of industrial equipment, building materials, and the like. But fairly reliable information is fortunately available concerning a numerically small group of enterprises; namely, corporations reporting both operating statements and balance-sheet information to their stockholders or to the Bureau of Internal Revenue. These, in general, account for about two-thirds of all domestic private investment. For these it is possible to obtain information in highly illuminating detail. Such information has recently been summarized by the Department of Commerce for the year 1949 and is reproduced in table VI below. Let us digress briefly to consider the data therein contained.

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TABLE VI.—*Sources and uses of corporate[1] funds, 1946–49*

[Billions of dollars]

Item	1946	1947	1948	1949[2]
Uses:				
Plant and equipment	11.6	15.0	17.3	16.1
Inventories (book value)	11.2	8.9	6.3	−3.9
Receivables	4.8	5.7	2.3	−.4
From business	5.1	4.2	.8	(*)
From consumers	1.7	1.7	1.4	(*)
From Government	−2.0	−.2	.2	(*)
Cash and deposits [4]	1.1	1.3	−.1	.9
U. S. Government securities [4]	−5.8	−1.5	.1	1.8
Other current assets	.7	−.1	(3)	−.2
Total	[4] 22.2	29.3	25.9	14.3
Sources:				
Retained profits [5]	7.7	11.4	12.5	8.2
Depreciation	4.2	4.9	5.5	6.2
Payables (trade)	4.0	2.6	.9	−2.2
Federal income-tax liability	−1.6	2.7	.9	−2.3
Other current liabilities	1.8	.6	(3)	(3)
Bank loans (excluding mortgage loans)	3.3	2.6	1.2	−1.6
Short-term	1.9	1.5	.5	(*)
Long-term	1.4	1.2	.6	(*)
Mortgage loans	.6	.8	.7	.6
Net new issues	2.3	4.4	6.0	5.4
Stocks	1.3	1.3	1.2	1.6
Bonds	1.0	3.1	4.8	3.8
Total	[4] 22.3	30.0	27.7	14.3
Discrepancy	−.1	−.7	−1.8	0

[1] Excluding banks and insurance companies.
[2] All data for 1949 are partly estimated.
[3] Less than $50,000,000.
[4] Previously published tables, cash and United States securities were classified as sources of funds, since unusually large wartime accumulations made possible a substantial reduction of these liquid assets to finance expansion in the early postwar period. In view of the substantial increase in these assets in 1949—reverting to a more normal status as a use of funds—these items were changed to the "uses" side. The shift in classification affects particularly total sources and uses in 1946, which were reduced by 4.7 billion dollars. Totals for the years 1947 and 1948 were changed but slightly, since there was little or no net change in these assets.
[5] Retained profits include depletion. Actual fourth quarter data on corporate profits are not yet available. In deriving retained earnings and Federal income-tax liability estimates for 1949, estimates of corporate profits for the year were obtained arbitrarily through averaging the results derived by holding constant, first, third-quarter corporate profits before tax; and, second, third-quarter corporate profits and inventory valuation adjustment. It is believed that annual totals calculated on this basis will be sufficiently accurate for general purposes.
*Not available.

Source: U. S. Department of Commerce, Office of Business Economics.

The striking fact to be noted first is that total uses of corporate funds in 1949 declined over 40 percent and were $12,000,000,000 less than in 1948. Even if one attaches no derivative or multiplier effects to such a reduction in capital outlays, this would have been sufficient by itself, in the absence of countervailing factors, to throw 2,600,000 men out of work.

Most of this reduction occurred in inventories. There was only a moderate decline in plant and equipment outlays from 17.3 billion dollars in 1948 to 16.1 billion dollars in 1949. In contrast, the book value of corporate inventories fell by 3.9 billion dollars in 1949 reversing the sharp upswing which was maintained throughout the earlier postwar period. The reversal of inventory trends alone, centering primarily in manufacturing corporations, accounted for a net reduction of about $10,000,000,000 from 1948 to 1949 in the total demand for new capital. Whereas the expansion of inventories in 1948 required about 6.3 billion dollars of new financing, the 1949 contraction—a negative use or a source of funds—actually freed about 3.9 billion dollars for other uses.

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Requirements for financing customers also were less. Throughout the first three full years of the postwar period, expanding sales of corporations were accompanied by increased credit granted to cussumers and other customers. During 1948, the credit expansion, while below that of the previous year, amounted to the sizable total of 2.3 billion dollars. In 1949, corporations reduced their customer credit outstanding by $400,000,000.[5]

There are many other interesting facts shown in table VI, but for the sake of brevity it is necessary to return to a consideration of private capital investment by all of business. Most important among such investment expenditures is that on plant and equipment.

The question of major importance here is, are present levels of plant and equipment at sustainable levels, or are they still above normal? On that issue Prof. Sumner H. Slichter in an article entitled "Will Business Recovery Continue" in the Commercial and Financial Chronicle for October 27, 1949, states:

> The essential facts about expenditures on plant, equipment and housing may be summed up as follows:
> (1) The present level of outlay for these purposes seems to be abnormally high. My judgment is that they are about 12 to 19 percent above normal.
> (2) A moderate drop in these expenditures within the next year would not be surprising, but is far from certain.
> (3) A drop in expenditures on plant, equipment, and housing will be offset to a substantial extent by a drop in the rate of saving, particularly corporate saving.

Dr. Slichter's third point is borne out by data to be presented shortly, showing the substantial increase in corporate dividends paid out in 1949, despite a decrease in gross corporate earnings.

His second point—a moderate decline in planned capital expenditures for 1950—is uniformly indicated by the results of several independent surveys, representative of which is that conducted by the McGraw-Hill Publishing Co. While in recent weeks the percent of decline may be less than was forecast, say 6 or 8 percent as against 13 percent, the major trends of the McGraw-Hill survey still are valid. They indicate that:

> Industry—as represented by manufacturing, mining, transportation, and utilities—now plans to invest 12.4 billion dollars in new plants and equipment in 1950. This is 13 percent less than was actually spent last year.
> Manufacturing industries alone plan to spend 6.3 billion dollars in 1950 for new facilities. This is also 13 percent less than they spent last year.
> Manufacturers as a whole expect their 1950 sales volume to about equal 1949's.
> Manufacturers will expand their capacity about 3 percent in 1950, under present plans. The largest part of their funds, 65 percent, will go to replace and modernize existing facilities.[6]

Concerning Dr. Slichter's first point there exists a considerable amount of controversy. By calculations too elaborate to summarize here, he concludes:

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[5] On this point the article in the Survey of Current Business states:
"A more meaningful picture of the financial requirements associated with the changes in corporate receivable is obtained if viewed in connection with corporate payables, since a large part of the movement of these items reflects intercorporate business financing. (For example, if one corporation sells its product on credit to another corporation, corporate receivables and payables both rise by an equal amount and no new outside financing is required at that time.) Referring to the table, it may be noted that the drop of 1.6 billion dollars in corporate receivables from business firms was equal to the reduction of corporate (trade) payables. Thus, net receivables (total receivables less payables) rose by about 0.9 billion dollars, largely reflecting the further extension of credit to consumers. This increase was, however, somewhat lower than that which occurred in 1948." (Ibid., p. 27.)

[6] Business Plans for New Plants and Equipment 1950, McGraw-Hill Department of Economics' Surveys.

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* * * the need for investment-seeking funds will represent a smaller part of the net national product than in the past. This result will be produced by the slower [7] rate of population increase.

In the past, over half of the private investment has been necessitated by the rate of population increases. If capital per worker and output per man-hour increase about as rapidly as in the past and if the labor force increases in the next generation by about one-fifth, roughly 6 percent of the national product will be needed to devote to increasing plant and equipment. Between 1879 and 1929 nearly 9 percent of the national product was used for these purposes.[8]

Data recently compiled and published by the Machinery and Allied Products Institute leads them to the tentative conclusion that the recent equipment expenditure level in 1948 was—from a third to a half above normal with the present level 5 to 20 percent above it * * * from here on out the market for equipment will depend largely on currently accruing demand, with rapidly diminishing benefit from the postwar backlog."[9]

THE HOUSING AND CONSTRUCTION BOOM

Housing and construction, both private and public, also represent, like plant and equipment, an area of investment in which large backlogs were created by the war. Late in 1949 and continuing markedly thus far in 1950, construction has proved to be a major element of strength, especially nonresidential public construction, highway building, public utility expansion, and private housing. The facts, shown in detail in table VII, indicate that the economy is now in the midst of the largest housing boom in history. Residential construction during the first 4 months of 1950 is up 50 percent over the first 4 months of 1949, public construction 20 percent. On the other hand nonresidential construction is still below last year's level by 8 percent; industrial construction is down 30 percent.

[7] Slower than in the nineteenth century despite the increase in recent years.

[8] Commercial and Financial Chronicle, Jan. 5, 1950. Dr. Slichter's estimates, all being based on prices and values at the beginning of 1949, can be presented in tabular form:

	Value	Obsolescence rate	Investment needed
	Billions of dollars		*Billions of dollars*
Industrial equipment	123.7	9 percent	11.2
Industrial real estate improvements	160.6	2.9 percent	4.7
Dwelling units (40,000,000 at $7,500)	200.0	200,000 a year.	1.5
Increase in dwellings to house new families		600,000 a year.	4.5
Increased equipment per worker		2 or 3 percent a year.	5.9-8.8
Replace existing equipment per worker		$5,350 each.	3.2
Total			31.0-33.9

Actual expenditures in 1948 in plant, equipment and housing were 38.5 billion dollars, which is from 4.6 to 7.5 billion dollars higher, i. e., 12 to 19 percent above the computed normal percentage levels, and may represent the backlog of capital investment that was made up.

[9] Capital Goods Review, February 15, 1950. The entire pamphlet is reprinted in Appendix A, Item II, "Capital Equipment Boom and Backlog."

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TABLE VII.—*New construction activity, 1948–49 and first 4 months of 1950* [1]

[Millions of dollars]

Item	1948	1949	First 4 months 1950	First 4 months 1949	Percent change 4 months 1950 to 4 months 1949
Total new construction	18,775	19,329	6,128	5,102	+20
Total private	14,563	14,059	4,616	3,847	+20
Residential	7,223	7,025	2,610	1,740	+50
Nonresidential	3,578	3,178	985	1,069	−8
Industrial	1,397	974	278	399	−30
Warehouses, offices, and loft buildings	323	294	95	104	−9
Stores, restaurants, garages	901	707	205	211	−3
Other nonresidential buildings [2]	957	1,203	407	355	+15
Farm construction	500	450	72	70	+3
Public utility	3,262	3,406	949	968	−2
Total public	4,212	5,270	1,512	1,255	+20
Residential [3]	85	215	93	40	+133
Nonresidential	1,057	1,665	593	474	+25
Military and naval [3]	137	120	38	31	+23
Sewer and water	481	570	186	168	+11
Highway	1,585	1,670	310	288	+8
Other public	867	1,030	292	254	+11

[1] Excludes oil-well drilling activity and certain other adjustments to gross national product level.
[2] Includes hotels and miscellaneous.
[3] Not seasonally adjusted.

Source: U. S. Department of Commerce, Office of Domestic Commerce; and U. S. Department of Labor.

Private housing starts (this excludes all public housing) in 1949 were 984,000, exceeding the previous record level of 937,000 in 1925. Beginning in April, this rise, made possible by the large backlogs of war, seems to have been generated (1) by an estimated 10–15 percent reduction in the unit costs of new houses (in part due to increased labor productivity); (2) by liberal use made of section 608 of title VI of the National Housing Act and a stepping up of the operations of the Federal National Mortgage Association (Fannie Mae); and (3) by lower private money rates and an increased desire for psychological safe haven from the modern hazards of metropolitan and industrial centers. In recent months building costs according to the trade press have been increasing.

THE PROBLEM OF INTERNATIONAL INVESTMENT

As the President has frequently pointed out, no contribution to world stability will exceed in value the certain establishment here of an expanding economy of opportunity for all. If we do this, there is no iron curtain anywhere that will prevent the knowledge of our success from reaching the minds and hearts of people everywhere. If we do not, the economies of our allied free nations will be whiplashed.

Our purchases from them generally go down slightly more in value percentagewise than does business at home. There is a leverage and inventory factor at work, particularly in raw materials. For short periods, special circumstances may result in unusually sharp declines. In 1937 and 1938, for example, when our national income fell 10 percent, the dollar value of American commodity imports fell 35 percent. Between the fourth quarter of 1948 and the second quarter of 1949, national income declined less than 5 percent but the value of American imports fell 15 percent. Several European currencies, including the pound sterling, were given added impetus over the brink of devaluation.

Few economic problems require more intensive study than those of international trade and foreign investment. What impact will the

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failure—or the success for that matter—of our foreign-aid programs have upon the domestic economy? Is the goal of an open, multilateral trading system attainable or even desirable from the standpoint of national security? What is the impact of enlarged flows of imports upon special industries and regional employment in the United States? How much self-sufficiency is necessary to make programs of high-level employment opportunity work? Do international cartels make tariff and other protections necessary? Can we afford to let our foreign lending cease? The downturn in exports which has taken place since 1947 has already caused 600,000 jobs to be lost in American export industries.[9a] If in 1952 our exports to Europe decline by enough to eliminate the dollar gap, what are we going to do for our farmers who might thereby lose 42 percent of their export market, or for electrical and other equipment manufacturers who might suffer even a deeper cut?

These questions are neither exclusively international nor exclusively domestic; they are both. Answers are by no means easy to find. Hearings will amply bring out legitimate special points of view. But economic policy that is wise in the interests of all concerned is not likely to be developed in that manner, not even through the process of brokerage of pressures. At least three factual and objective studies are needed.

1. *Foreign investment.*—To what extent and for how long can new foreign investment postpone the eventual balancing of the foreign trade gap either by increasing imports or curbing exports? What are the effects of Government guaranties upon new private foreign lending? Are there means of enhancing the supply of dollars in international markets which have less serious implications for maintenance of high-level employment opportunity, for example, by stockpiling, tourist travel, exchange of students, and shipping and merchant marine adjustments?

2. *Commodity surveys.*—These ought to include important export and import commodities. What have been the effects of foreign-aid programs, to date, on exports? What, for example, will be the likely effects on export industries of the termination of ERP and other foreign-aid programs? To what extent will the termination of such programs force our exporters to face stiffer competition in world markets if termination of aid means that foreign producers will find it necessary to cultivate new nondollar markets?

On the import side, what would be the likely effects on domestic industries of a substantial increase in imports? Might the rigidity of administered prices and monopolistic controls be mitigated thereby? Contrarily, what would be the effects of a substantial decrease?

Such studies, of course, require the cooperation of informed commodity experts, not only here, but abroad. The best judgment of the broadest gaged international businessmen should be elicited.

3. *Study of procedures whereby high-level employment policy is formulated in other democratic countries.*—What methods are used by these countries in formulating high-level employment policy—both domestic and international? Are mechanisms comparable to those provided in the Employment Act of 1946 in use? How are they operated? What have been the results?

[9a] For an authoritative estimate transmitted to this committee by Dr. Ewan Clague, Commissioner of Labor Statistics, see appendix A, item III.

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Late in 1949 an international group of experts on full employment appointed by the Secretary General of the United Nations rendered a report entitled "National and International Measures for Full Employment," which laid primary emphasis on the responsibility of national legislative bodies such as the Joint Committee on the Economic Report to familiarize themselves with the "full employment" consequences of various enacted and proposed plans of international political action while there is still time. Otherwise, state trading, exchange controls, commodity deals, and other measures of economic autocracy undertaken in response to national political pressures may create on the international scene a series of self-contained garrison states in which dreams and plans for individual freedom, free enterprise, high-level employment, and increasing levels of income will be futile.

BUSINESS INCOME

Having briefly indicated some of the supplementary materials and considerations pertinent to the problem of business investment or uses of funds, let us now look at the reverse side of the coin and see how the business segment of the economy looks so far as business income and sources of funds are concerned.

The facts so far as the corporate sector is concerned have already been tabulated in table VI above. Most important as a source of funds is, of course, the item of profits, not, to be sure, profits before taxes (which declined 21 percent in 1949 as compared with 1948), but profits after taxes. The fact need not be labored that money available for investment and dividends depends on profits after taxes, not those before taxes. The difference is important because the drop in corporate profits after taxes in 1949 was slight.

The corporate-profits component of national income—"corporate profits and inventory valuation adjustment"—was an estimated 31.4 billion dollars in 1949, as compared with 32.6 billion dollars in the preceding year. The decline in this measure of corporate earnings was very much less than that shown by "corporate profits before tax." The sizable drop in the latter measure, from 34.8 billion dollars to 28.8 billion dollars, reflected very largely the predominant corporate practice of charging inventories to cost of sales in terms of prior-period prices, rather than current replacement prices.

In 1948, when prices were rising the replacement cost of inventories used in production exceeded the reported "book" cost; and the opposite was true in 1949, when the course of prices was downward. The "inventory valuation adjustment" —the difference between the book cost and the current replacement cost of inventories used in production—is added to reported profits before tax in order to eliminate inventory profits and losses and thus secure a measure of earnings from current production appropriate for inclusion in the national income.

The sharp difference between the two profit series helps to explain one striking aspect of corporate financial policy in 1949—the steady flow of dividend disbursements in the face of the apparent substantial decline in total profits. Not only were corporate profits, including the valuation adjustment, well maintained in 1949 on a before-tax basis, but they actually increased on an after-tax basis. Tax liabilities declined by more than $2,000,000,000 because of the substantial drop in book profits, on which they are based.

Accordingly, after account is taken of reduced dollar requirements for inventory replacement and for income taxes, corporate profits available for distribution and reinvestment actually were higher in 1949 than in the previous year. In addition to these, other factors—such as diminished investment needs in many industries and the unusually low proportion of dividend distribution throughout the war and in the postwar periods, when capital outlays by business for expansion created extraordinary demands for investment funds—undoubtedly contributed to the maintenance of dividend disbursements in 1949.[10]

[10] U. S. Department of Commerce, Survey of Current Business, Changes in Corporate Profits Share Slight, February 1950, p. 9.

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CORPORATIONS NEVER MORE LIQUID

Despite increased dividend disbursements, corporations increased their net working capital by 2.9 billion dollars. See table VIII. They increased their holdings of cash and United States Government securities by 2.6 billion dollars and decreased their current liabilities by 5.5 billion dollars. As a result their liquidity ratio of cash and United States Government securities to current liabilities increased to 72 percent in 1949 as compared with 61 percent at the end of 1948 and only 45 percent in the years preceding the war.

An examination of table VI indicates that in 1949, in addition to investing 16.1 billion dollars in plant and equipment, corporations increased their holdings of cash and deposits by $900,000,000, and of United States Government securities by 1.8 billion dollars. In the same year, corporations reduced their debt to banks by 1.6 billion dollars, their Federal income tax liability by 2.3 billion dollars, and their payables (trade) by 2.2 billion dollars. Of the total of 24.9 billion dollars used by corporations in 1949, only 4.4 billion dollars were realized from outside debt sources. This was made up of $600,000,000 of mortgage debt and an increase of 3.8 billion dollars in corporate bonds. But insofar as the burden of such debt is represented by interest payments, the fact is worth noting that corporate interest payments in 1949 were equal to but 8 percent of corporate profits (before taxes and interest payments), as compared with 29 percent in 1940 and 30 percent in 1929.

The Subcommittee on Investment of the Joint Economic Committee heard and published considerable evidence on the problem of equity financing. The new data for 1949 available in table VI indicate that

TABLE VIII.—*Current assets and liabilities of United States corporations* [1] *1942–49*

[Billions of dollars]

	1942	1943	1944	1945 [2]	1946	1947	1948	1949
CURRENT ASSETS								
Cash on hand and in banks	17.6	21.6	21.6	21.7	22.8	24.1	24.0	24.9
U. S. Government securities	10.1	16.4	20.9	21.1	15.3	13.8	13.9	15.7
Notes and accounts receivable [3]	27.3	26.9	26.5	25.9	30.7	36.4	38.7	38.3
Inventories	27.3	27.6	26.8	26.3	37.6	43.9	48.5	43.8
Other current assets [4]	1.3	1.3	1.4	2.4	1.7	1.6	1.6	1.4
Total current assets	83.6	93.8	97.2	97.4	108.1	119.9	126.7	124.1
CURRENT LIABILITIES								
Notes and accounts payable [5]	26.0	26.3	26.8	25.7	31.6	35.6	37.1	33.7
Federal income tax liabilities [6]	12.6	16.6	15.5	10.4	8.5	10.6	11.6	9.7
Other current liabilities [7]	8.7	8.7	9.4	9.7	11.8	13.1	13.1	13.0
Total current liabilities	47.3	51.6	51.7	45.8	51.9	59.3	61.9	56.4
Net working capital	36.3	42.1	45.6	51.6	56.2	60.6	64.8	67.7

[1] All United States corporations excluding banks and insurance companies. Data for 1942–46 are based on Statistics of Income, covering virtually all corporations in the United States. Data for 1947–49 are estimates based on data compiled from many different sources, including data on corporations registered with the Commission. Because of the nature of the figures, these estimates are subject to revision.

[2] Tax refunds to corporations have been treated as shown on corporation books. Beginning with September 1945 they appear, for the most part, as decreases in Federal income-tax liabilities and, to a lesser extent, as increases in other current assets. Small amounts may also appear as increases in U. S. Government securities and receivables from U. S. Government.

[3] Includes receivables from U. S. Government.

[4] Includes marketable securities other than U. S. Government.

[5] Includes advances and prepayments from U. S. Government.

[6] The postwar credits in excess-profits taxes were not deducted from Federal income-tax liabilities but were considered as noncurrent assets until they became due under the provisions of the Tax Adjustment Act of 1945.

[7] Includes provisions for renegotiation other than those combined with income-tax liabilities.

NOTE.—Figures are rounded and will not necessarily add to totals.

Source:—Securities and Exchange Commission, Working Capital of United States corporations, Dec. 31, 1949. Release No. 927, Apr. 30, 1950.

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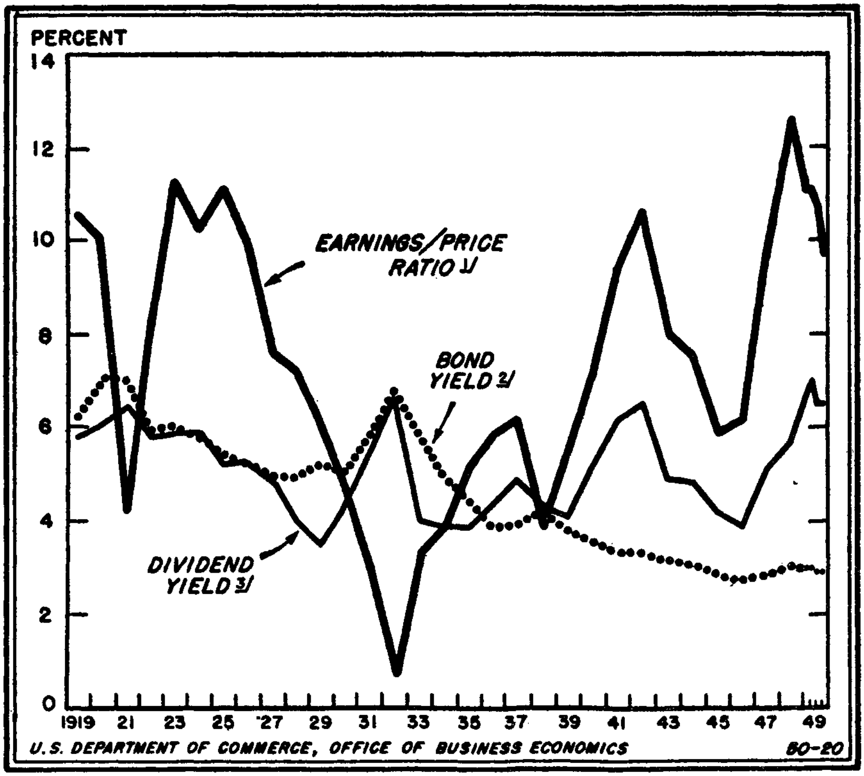
82.3 percent of the funds needed was then obtained from equity or inside sources, such as, retained profits, depreciation, and new stock issues. In 1948 the figure was 70.8 percent.

In the hearings on investment, moreover, a number of witnesses testified that capital expansion was being financed by debt because of the high ratio of earnings to stock prices. More recent figures, however, shown below in chart 4, indicate that a rapid improvement took place during 1949 and early 1950. The earnings to price ratio is now lower than in any of the prosperous years of the 1920's or the early war years or the postwar period since 1947. The market for bonds has been so good, however, that there still exists a reluctance to float stocks at present prices, since by borrowing at low rates earnings can be further pyramided on high-yield stock holdings of the present owners.

CHART 4

CORPORATE BOND AND COMMON STOCK YIELDS, AND EARNINGS / PRICE RATIOS



[1] Based upon data for common stocks listed on the New York Stock Exchange; total reported earnings for the year expressed as a percentage of the total market value (number of shares times average prices) of these stocks.

[2] Data are averages of daily figures.

[3] Based upon data for common stocks listed on the New York Stock Exchange; total dividends for the year expressed as a percentage of the total market value (number of shares times average prices) of these stocks.

Sources of data: Bond yield, Moody's Investors Service; earnings/price ratio and dividend yield through 1938, Common Stock Indexes, Cowles Commission Monograph No. 3, and for following years extrapolated on the basis of movements shown by Moody's earnings, stock prices, and dividend series.

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PROFITS NOT EQUALLY GOOD FOR SMALL BUSINESS

There is evidence that small business has not fully shared in the profit bonanza since 1947. Reliable data prior to that year are not available. Fortunately, the Federal Trade Commission in collaboration with the Securities and Exchange Commission now publishes statistics affording reasonably accurate comparison of profits for large and small corporations in what is called the Quarterly Industrial Financial Report series. The facts thus far brought to light are shown on chart 5.

All manufacturing corporations are classified into five groups according to the size of their total assets. The largest group consists of about 146 corporations, each of which at the end of 1948 had assets of more than $100,000,000. The next largest group includes corporations with assets of more than $5,000,000 but less than $100,000,000. The third group contains corporations with assets of more than $1,000,000 but less than $5,000,000. In the fourth group are corporations of more than ¼ million dollars and less than $1,000,000. And in the fifth group are corporations with assets of less than ¼ million dollars.

In the first quarter of 1947 the highest rate of profit was that for corporations in the middle group or with assets ranging from $1,000,000 to $5,000,000. The group with assets between ¼ of a million dollars and $1,000,000 came second; that with assets from $5,000,000 to $100,000,000, third; the smallest group with assets below ¼ million dollars, fourth; and the largest with assets of more than $100,000,000 stood at the lowest point. With all five groups, profits on stockholders' equity, after taxes, were running higher than 12 percent annually. The highest rate of profit was something over 20 percent. These rates reflect the seller's market under which small enterprises are just as likely to do well as large enterprises. There was no systematic relationship between the size of the corporation and its ability to make profits.

During the next 3 years the picture changed completely. The trend of profits for the smallest corporations, those with assets under $250,000, not only went steadily downward but, as is clearly show by the heavy broken line on chart 5, went down the most. Whether one considers the seasonal peaks reached in the third quarter of each year or the seasonal lows reached in the fourth quarter or computes a trend line the result is the same: a drastic drop in the rate of profits. From an average of over 14 percent in 1947 the rate declined by more than two-thirds to less than 5 percent in 1949.

A similar, though less drastic, fall is indicated by the dotted line showing the rate of profits for corporations with assets from $250,000—$1,000,000. The rate here goes down from 17 percent in 1947 to about 8 percent in 1949.

The rate of profit for the group with assets between $1,000,000 and $5,000,000, shown by the heavy black line on chart 5, went down by about half from about 19 percent in 1947 to roughly 9 percent in 1949.

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The two largest groups both enjoyed somewhat lower rates of profit in 1947 and have suffered much less since then. The rate of profit of corporations with assets ranging between $5,000,000 and $100,000,000 declined less than a third, that is, from a level of 17 percent to one of 11 percent. The largest group showed a rate of profit of 13.5 percent in 1949 as compared with 13.3 percent in 1947.

Thus at the end of the second quarter of 1949 the five size classes of corporations had sorted themselves out so that the level of their profits was a direct reflection of their relative size. The biggest corporations had the largest rate of profit, the smallest corporations had the smallest rate of profit. The three middle groups fell in between in the order of size. In the second half of 1949 the profit rates of the two groups with the highest volume of assets showed roughly the same diversity in pattern of behavior as in the last half of previous years, that is, they rose while the profit rates of the three smallest groups fell.

In the postwar boom, when most goods were scarce, there was an unlimited market for everyone's goods. For the time being, the small businesses of this country did well. Their profit rates rose to levels as high or higher than those of the business giants. When this exceptional period of scarcity came to an end, big business was scarcely affected. The earnings rates of the little concerns started downhill.

Recent data, not available at the time the Subcommittee on Investment made its studies, show that in 1949 for the first time since the war, the total number of firms in operation actually declined by nearly 70,000, of which about 31,000 were in manufacturing, and 24,000 in the retail trade. While business failures are still some 20 percent below 1941 levels, they increased 75 percent in 1949 over 1948. Yet wholesale prices fell only 7 percent and retail prices but 2 percent. Full details are shown on chart 6.

The total business population in 1949 is thus estimated at 3,907,700 firms of which 1,676,700 are retail stores, 844,900 are service enterprises, 345,400 operate finance, insurance, and real estate offices, 321,800 do contract construction, 297,100 are engaged in manufacturing, 201,900 are wholesalers, 187,000 are public utility enterprises, and 33,100 operate mines and quarries.

In 1946 new firms added 10 to 15 percent to total plant and equipment expenditures. Such net additional investment by new firms represented a practical demonstration of the reality of the privilege of free, private entry into business. But in 1949, except insofar as those who discontinued operations moved their equipment elsewhere, or sold it to thriving competitors, more used, second-hand plant and equipment was added to available stocks.

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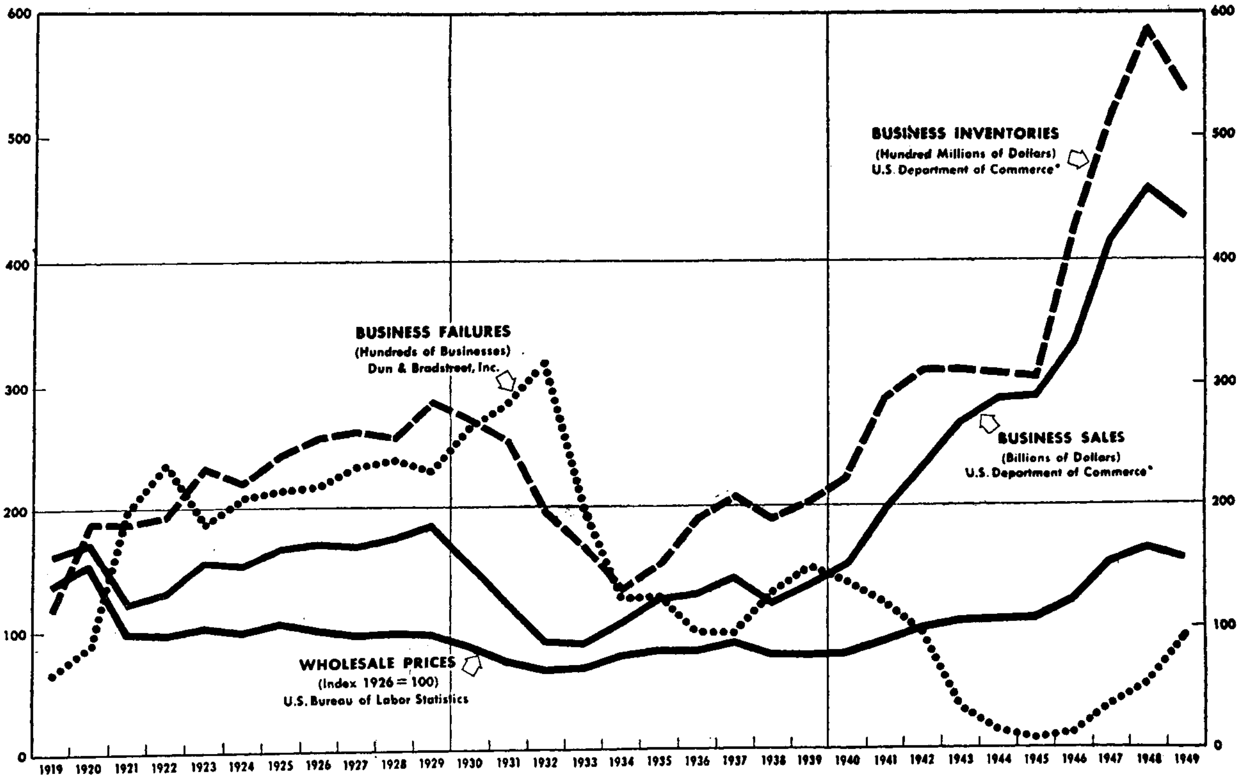
Chart 6

SIGNIFICANT BUSINESS INDICATORS



*Figures for business sales and inventories prior to 1935 are from Simon Kuznets' National Income and Its Composition; they are not strictly comparable with the post—1935 figures furnished by the U. S. Department of Commerce.

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WIDENING FISSURES IN THE PRICE STRUCTURE

In discussing the business segment of the economy—and in particular business investment—there remains the task of presenting whatever supplementary materials there may exist on the problem of business price policies. Not only the President's Economic Report but economic literature in general has considered business investment and price policies as indissolubly linked together.

Thus Senator Paul H. Douglas of this committee, and in 1947 president of the American Economic Association, in his book entitled Controlling Depressions (in a chapter headed "Where the Trouble Seems to Lie") identifies the fundamental generating causes of business slumps as:

> (1) The failure of industry, because of "friction," monopoly, and quasi monopoly, to reduce prices commensurately with the reduction in costs so that undue profits were piled up and undue profits made. (2) The failure of industry and society to increase wages, salaries, and farm incomes commensurately with the increase of output in the mass production industries (p. 77).
>
> The pegging of prices by management was largely responsible for both the initiation and the continuation of the depression (p. 64).
>
> The cause for these price rigidities and the consequent inflation of profits was not merely the "frictions" of the competitive market which impede automatic adjustments. It was to a much greater degree due to the growing power of monopolies, industrial combinations, and trade associations, which through various devices such as outright price-fixing and open price agreements were able to peg prices at a much higher level than that to which they would otherwise have sunk.
>
> Three very serious consequences of this policy should be noted: (1) The profit inflation which it created led to the reinvestment of most of these profits, and hence to the piling up of a large capital plant. * * * (2) These high profits not only stimulated investment based upon rational considerations but also a speculative pouring in of capital into producers' goods so that a top-heavy development was built up in these lines. (3) In order to peg prices, it was necessary to exercise some control over production and to restrict it somewhat. For, if this had not been done, the greater quantities would have compelled a reduction in prices. But this restriction of production was at the same time a restriction of employment. With output per worker rising more rapidly than total production expanded, the inevitable result was a slight diminution in the total numbers employed in manufacturing, mining, and transportation. And, what was even more important, there was a failure on the part of the basic industries to absorb the increased numbers of those who entered the labor market during the decade. These workers had to spill over into other occupations (pp. 58–59).

This analysis of Senator Douglas in many respects fits the present situation. Prices of manufactured products, adjusted for changes in the price of raw materials, remained high in 1949 or went up. Prices of farm products and other raw materials went down. Despite a lower physical volume of output than in 1948 profits and prices in many industries such as steel rose to new levels.

A study was made of the changes in 733 wholesale prices from their peak of August 1948 to August 1949. Of these, 228 were grouped as typically inflexible, following the classification of earlier studies such as those of Dr. Gardiner C. Means of the Committee for Economic Development. On the same basis, 279 were listed as neither flexible nor inflexible, and 226 as typically flexible.

The results are striking. The 228 "administered" prices rose in 1949 on the average 2.2 percent. They went up contrary to the trend. On the other hand, the 226 market-dominated prices declined 9.5 percent. The 279 neither flexible nor inflexible, declined 5.9 percent.

Included among the typically inflexible prices were those of such

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important commodities as steel, automobiles, tractors, and other farm machinery, heavy chemicals and construction materials such as brick, tile, and plumbing and heating equipment. Included among the flexible price items were primarily farm products, foods, scrap iron, and various domestic and imported raw materials.

The full details are shown in table IX. Of the typically inflexible prices, 49.6 percent increased, while only 21.9 percent followed the general trend down from the peak of August 1948. Of those that fell, only 1 out of 3 fell by more than 5 percent, and fewer than one out of 20 by as much as 20 percent. On the other hand, only 23.4 percent of the flexible prices went up. Nearly three-fourths or 72.6 percent went down, of which only 1 out of 10 declined as little as 5 percent, while nearly a third fell over 20 percent.

TABLE IX.—*Distribution of wholesale price changes for 733 commodity price series, August 1948 to August 1949*

	Percent distribution	Percent change					
		0-1.9	2-4.9	5-9.9	10-14.9	15-19.9	Over 20
All wholesale prices	100.0						
Percent increasing	31.4	5.5	7.5	10.9	4.1	1.4	2.0
Percent stable	18.7						
Percent decreasing	49.9	3.0	8.6	10.8	8.3	6.8	12.4
Typically inflexible whole sale prices	100.0						
Percent increasing	49.6	7.9	11.4	19.7	7.5	2.2	.9
Percent stable	28.5						
Percent decreasing	21.9	4.8	7.9	4.4	2.6	1.3	.9
Typically neither flexible nor inflexible wholesale prices	100.0						
Percent increasing	22.9	3.9	7.5	6.8	2.2	1.1	1.4
Percent stable	22.6						
Percent decreasing	54.5	3.2	11.1	12.2	8.6	6.8	12.6
Typically flexible wholesale prices	100.0						
Percent increasing	23.4	4.8	3.5	7.1	3.1	.9	4.0
Percent stable	4.0						
Percent decreasing	72.6	.9	6.2	15.5	13.7	12.4	23.9

Source: Computed from data of U. S. Department of Labor, Bureau of Labor Statistics.

Definition of flexible and inflexible is on basis of classification given by Dr. Gardiner C. Means in Structure of the American Economy, National Resources Committee, 1938.

The problem was summarized by the Council of Economic Advisers in its report on The Economic Situation at Midyear 1949 as follows:

While increasingly active competition has already brought about part of the needed adjustment, there are many fields where the power to "administer" prices is strong and where the practice of price leadership is well-entrenched. It is in these fields that the capacity of businessmen to take the long view and to adopt policies conducive to fundamental and healthy economic readjustment will be put to the test. If, while other prices are falling, they cut production to whatever degree is necessary to maintain their prices, they will impair the effort to maintain economic activity at the highest possible level (p. 7).

In the Economic Report the Council gave further recognition to the problem, and dismissed it in the following terms:

There are some prices which are too high to permit continuance for a long period of the current volume of sales. These prices will need to be reduced or production and employment will eventually suffer. These prices are in the field

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of administered-price industries where price policy is firmly controlled; but it may be expected that managers in these industries will not fail to reach for the larger market demand which will follow price adjustments (p. 100).

STEEL

Disappointing in this respect were the price increases in steel on December 16, 1949. The Index of Steel prices had already increased late in 1948 to a level above that of the index of wholesale prices in general. Notwithstanding drastic reductions in raw material costs (notably scrap iron and fuel oil) they declined insignificantly in the first half of 1949. The gap between high steel prices and low farm prices steadily widened (see chart 7). In spite of rises in other prices greater than in steel mill products since January 1950, steel prices remain high in relation to farm and other commodities.

On general economic grounds, the Council of Economic Advisers testified in hearings before this committee that:

> Steel is clearly one area where price reductions will be necessary. * * * The steel industry, in our opinion, would qualify as one of the industries where producers preferred to reduce output and employment rather than reduce prices. Of course, the magnitude of the reduction in steel prices which would have been called for would not be of the drastic order of the fall in steel prices in 1921.
>
> The picture with respect to building materials other than steel is mixed. Some building materials are much lower than they were a year earlier, notably paint and paint materials, and some grades of lumber. On the other hand, brick and tile, and cement are higher than they were a year earlier. The building materials where prices have been firm or have risen would qualify as areas where reductions in prices will be necessary in the future to maintain output (pp. 45, 46).

Steel is one of the main materials used by the railroad, shipbuilding, construction, farm machinery and industrial equipment industries and is not unimportant in home building and appliances. When steel is high, the cost of replacement, modernization, and new construction is high. When the prices of steel and other metals and metal products are low as compared with the prices of manufactured products, business expenditures for plant and equipment are generally high.

The crude comparison made in table X indicates that such indeed may be the case. It merits careful study. Note that the price ratio of metals and metal products to manufactured goods was high in periods of low investment. Thus it was 113.7 in 1921, 114.1 in 1932, 113.2 in 1933, 116.4 in 1938, 117.4 in 1939 and 1940, and 113.6 in January 1950. On the other hand, during recent well-known prosperous years it was low. Thus the ratio was only 99.7 in 1920, ranged from 100 to 102.6 in 1925 to 1928, and was 99.5 in 1946 and 99.3 in 1947, during the largest investment boom in American economic history. After late 1948 the ratios became steadily higher until January 1950. The slight decline since January still leaves the ratio at 112.9 in April 1950. Business investment in plant and equipment has become less attractive costwise.

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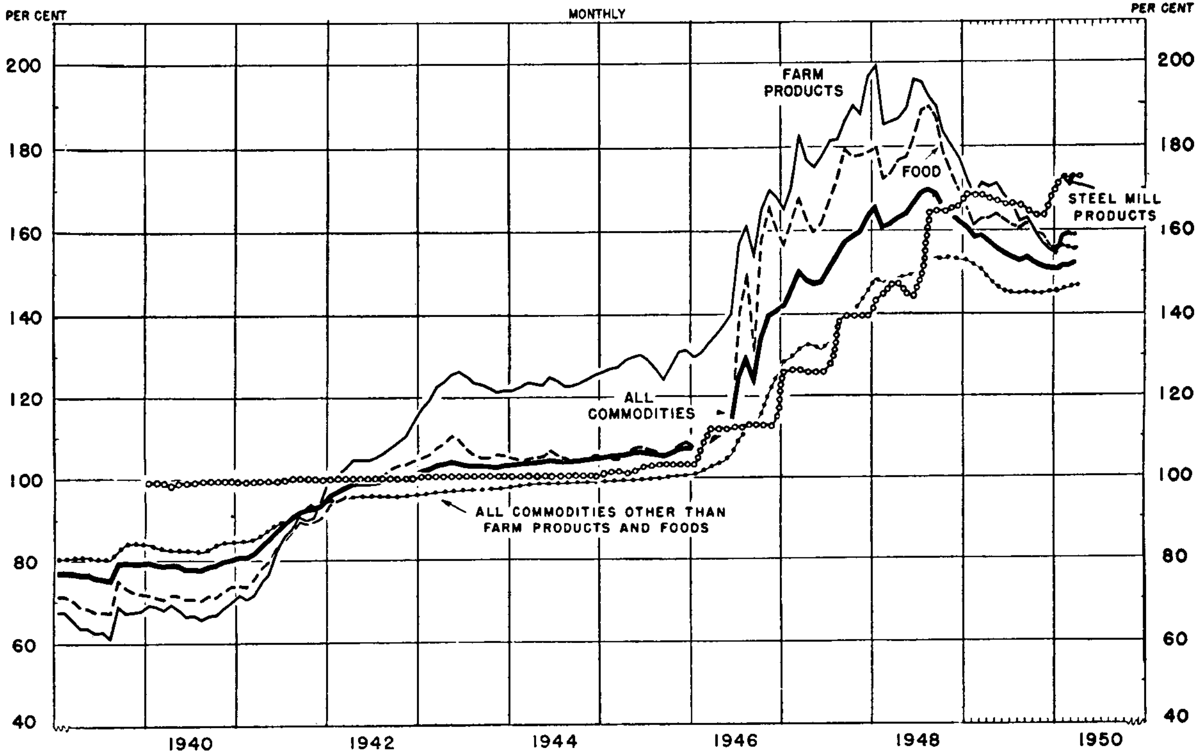
CHART 7

WHOLESALE PRICES

BUREAU OF LABOR STATISTICS INDEXES, 1926=100



Latest monthly figures plotted: April (estimated)

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TABLE X.—*Prices and private investment, 1919–50*

Period	Wholesale price index (1926=100) [1] (1) Manufactured products	(2) Metals and metal products	(3) (2)÷(1)	Gross private domestic investment [2]	Business expenditures for new plant and equipment [3]
				Billion dollars	*Billion dollars*
1919	130.6	130.9	100.2	12.1	6.5
1920	149.8	149.4	99.7	16.0	7.3
1921	103.3	117.5	113.7	7.3	4.8
1922	96.5	102.9	106.6	9.6	5.1
1923	99.2	109.3	110.2	15.1	7.1
1924	96.3	106.3	110.4	11.4	6.9
1925	100.6	103.2	102.6	15.4	7.5
1926	100.0	100.0	100.0	16.2	8.5
1927	95.0	96.3	101.4	14.3	8.1
1928	95.9	97.0	101.1	13.5	8.4
1929	94.5	100.5	106.3	15.8	9.8
1930	88.0	92.1	104.7	10.2	7.6
1931	87.0	84.5	97.1	5.4	4.6
1932	70.3	80.2	114.1	.9	2.5
1933	70.5	79.8	113.2	1.3	2.3
1934	78.2	86.9	111.1	2.8	3.1
1935	82.2	86.4	105.1	6.1	3.8
1936	82.0	87.0	106.1	8.3	5.2
1937	87.2	95.7	109.7	11.4	6.6
1938	82.2	95.7	116.4	6.3	4.7
1939	80.4	94.4	117.4	9.9	5.7
1940	81.6	95.8	117.4	13.9	7.4
1941	89.1	99.4	111.6	18.3	9.3
1942	98.6	103.8	105.3	10.9	5.8
1943	100.1	103.8	103.7	5.7	4.6
1944	100.8	103.8	103.0	7.7	6.3
1945	101.8	104.7	102.8	10.7	8.7
1946	116.1	115.5	99.5	29.5	16.0
1947	146.0	145.0	99.3	31.1	20.6
1948	159.4	163.6	102.6	45.0	24.7
1949	151.2	170.0	112.4	36.8	23.2
1948:					
March	155.8	155.9	100.0	40.7	23.7
June	159.6	158.6	99.4	44.2	24.6
September	164.0	172.0	104.9	47.1	25.1
December	157.6	173.8	110.3	48.0	25.1
1949:					
March	154.1	174.4	113.2	40.0	24.5
June	150.7	167.5	111.1	33.2	23.8
September	150.1	168.2	112.1	32.1	23.4
December	147.9	167.4	113.2	33.7	21.2
1950—January	148.2	168.4	113.6		
February	149.0	168.6	113.2		
March	148.8	168.4	113.2	41.1	[4] 18.3
April	149.4	168.7	112.9		

[1] Source: Bureau of Labor Statistics.
[2] Data for 1919–28 are tentative estimates. Source: Department of Commerce, Office of Business Economics. Quarterly data for 1948–49 are for the quarters ending with the end of the month given, 1950 figure is for the first quarter of 1950; preliminary estimate by committee staff.
[3] Data taken from the private gross investment sector of the national product, excluding changes in inventories, residential and nonprofit institutional construction, and farmers' outlays for construction, machinery, and motor vehicles. Quarterly data for 1948–49 are for the quarters ending with the end of the month given. 1950 figure is for the first quarter of 1950; a preliminary estimate by committee staff.
[4] Tentative preliminary estimate.

Obviously there are many other reasons why businessmen stop investing in new plant and equipment besides the fact that new plant costs are relatively high. It is but one of the important variables affecting private capital investment. To state with assurance how large a factor it might have been one would have to know quantitatively the relative role of such stimuli to new investment as past and prospective profits; a persistent flow of orders in excess of ability to deliver; inventions, patents, and improvements in technique; increases or shifts in the population; discovery of new sources of supply; need or desire to get ahead of, or keep abreast of, competitors; changes in governmental tax, tariff, fiscal, or regulatory policies; debt-equity

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ratios or liquidity or ready availability of funds; interest rates and costs of financing; cost levels of labor, building materials, and other items used in addition to metals and metal products to build new plant; prices and market prospects for the industry; stock-market activity, the general business outlook, and other factors.

FARM PRICES

The behavior of farm prices when compared with farm machinery prices likewise shows the reemergence of a familiar and disturbing disparity. A glance at chart 8 raises the question whether the basic pattern of agricultural distress from 1921 to 1941 is reappearing. The evidence thus far is to be sure but a mere fragment.

During the period of readjustment of farm prices from the inflationary levels of 1947 and 1948, farmers realized net income has, of course, declined. It reached a peak of $17,800,000,000 in 1947, declined to $16,700,000,000 in 1948, to $14,000,000,000 in 1949 and is estimated (perhaps too pessimistically) by the United States Department of Agriculture at a level of about $12,000,000,000 in 1950.

The prices farmers pay have not declined as much as the prices farmers receive. In December 1949 the index of prices farmers received stood at 236 (compared with a record high of 307 in January 1948), but the index of prices paid stood at 240 (compared with a record high of 249 in September 1948), giving a parity ratio of 98, as against the highly favorable ratio of 133 in October 1946.

Such price comparisons do not represent conclusive evidence of costs or net income. Increased efficiency may permit farmers to pay higher wages for labor and nevertheless produce their crops at lower per unit costs. Not only have the yields of most crops increased in the last 40 years but the man-hours per unit have gone down in many instances more than half.

Thus, in 1910–14, corn yields per acre averaged 26 bushels compared to 35.2 bushels in 1945–48, while man-hours per 100 bushels declined from 135 in 1910–14 to 67 in 1945–48. For potatoes, yield per acre climbed from 99.9 bushels in 1910–14 to 182.3 in 1945–48, while man-hours per 100 bushels dropped from 76 to 44. The implications of these facts for the potato price support program are obvious. For cotton, yield per acre increased from 200.6 pounds per acre in 1910–14 to 268.6 in 1945–48, while man-hours required per bale declined from 277 to 182. In the production of wheat, yields per acre have risen from 14.4 bushels in 1910–14 to 17.7 bushels in 1947–48, while man-hours per 100 bushels have declined from 146 to 34." [11]

For agriculture as a whole, the available data show that agricultural output per worker practically doubled between 1909 and 1948. If 1940 be taken as a base year and set equal to 100, the index of farm output per worker was 64.2 in 1909, 76.8 in 1914, 78.5 in 1919, 86.9 in 1930, 112.9 in 1947 and 127.4 in 1948.

Despite such increases in productivity, farm incomes in 1948 were estimated at $905 per capita, all items considered, as compared with $1,572 for nonfarm people.

[11] For a detailed discussion, see Sherman E. Johnson, Changes in American Farming, Miscellaneous Publication No. 707, United States Department of Agriculture, Washington, D. C., December 1949, especially p. 68 et seq. The figures quoted above are taken from a table on p. 70.

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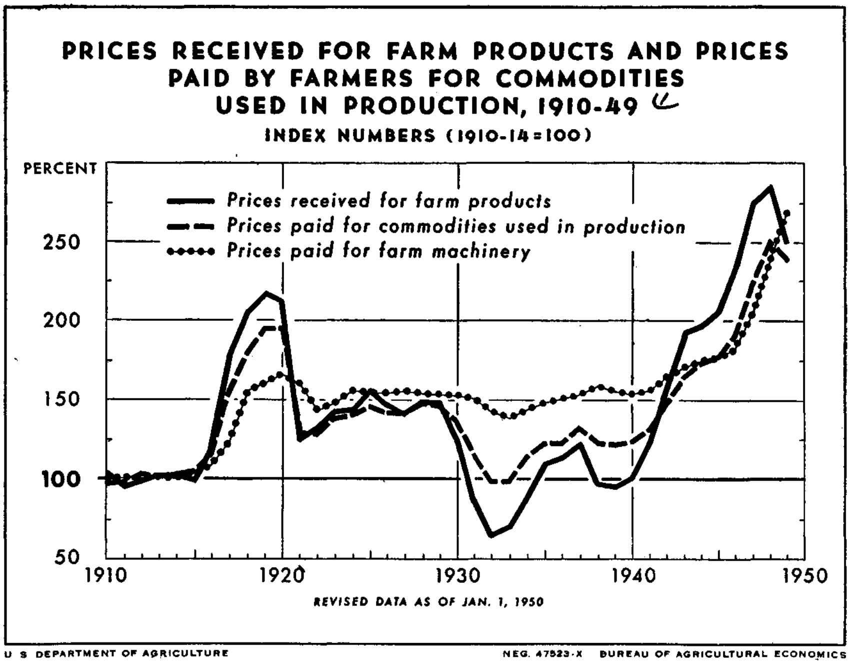
There are various new aspects of the relationship of agriculture to foreign investment, industrial tariff policies, and the like which are unusually puzzling. Several seem to lie within the field of study of the Joint Committee on the Economic Report.

(1) What is the multiplier effect of increases and decreases of farm income on business activity in the economy as a whole? What is the contribution of present farm price support programs in maintaining high and stable levels of urban employment?

(2) What is the effect on international trade of current farm price support programs?

The unassessed significance to date of the international aspect of domestic farm price support programs appears to be peculiarly com-

CHART 8



[1] For numerical data see appendix A, item III, Prices Paid and Received by Farmers, 1910–49.

plicated by United States price levels, a declining trend in exports of some major United States farm products, a prospective decline in foreign aid dollars, the restoration or even the expansion of foreign production, and widespread rigidities in trade.

(3) What is the effect of farm price support programs on farm families in the different income groups in agriculture? How can they be readjusted to give maximum aid to the millions of low-income farm families?

As was indicated in recent studies of this committee, of nearly 10,000,000 United States families receiving less than $2,000 cash incomes in 1948, about 3.3 million lived on farms. Of the latter, about half or 1.7 million farm families had cash incomes in 1948 of

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less than $1,000. In general, they had more children, poorer land, less education, more sickness, and fewer job opportunities than any other group in the population. But their potential productivity and consumption are large. They constitute a huge potential market for industrial products. What contribution can farm price support programs make toward developing this economic frontier? Fifty percent of the farms sell only 10 percent of the commercial products moving from United States farms. Do price supports do these much good? Or do present acreage reductions sometimes take the form of reducing the number of tenants (the low-income farm families in some areas often are tenants or sharecroppers) thereby removing families entirely from farming, and causing severe hardships pending relocation in productive employment?

(4) How, if at all, would multiple pricing of farm products work?

The two-price system in one form or another was debated at length, legislatively, in the 1920's. In some small sectors of the economy it is now in use—there is at present a subsidy of about 50 cents for each bushel of wheat exported from the United States under the International Wheat Agreement. The provisions of section 416 of the Agricultural Act of 1949 may be utilized in a similar manner to sell portions of the crop in different markets at different prices. To what extent are differential prices for farm products now in operation? What is the economic and administrative feasibility of expanding such programs as an alternative for present Government price-support and marketing-quota programs?

Unusually high crop yields in 1948 and 1949, continued rapid adoption of improved technology, and declining world demands for United States exports of food and fibers, resulted in larger supplies of many farm products than can be moved to market at current farm price-support levels, even in a period of high prosperity. If the solution to the agricultural delemma is high-level employment in industry, why does an agricultural price problem exist in years such as 1949 and 1950? If one does exist, what is it?

DUAL PRICING IN BUSINESS

In many respects a dual pricing system already exists. In fact, during the hearings on the Economic Report, the Joint Committee was chided by one of the witnesses for failing to bring sharply to the—

attention of the Congress the dangers of our precarious dual pricing system. The type of administered pricing to which I specifically refer is that developed through resale price maintenance laws and the Miller-Tydings Act which gives Federal legal sanction to such price-fixing contracts in interstate commerce. We contend that consumers are entitled to intense competition, not only between manufacturers of similar goods but between retailers of identical brands and that the absence of such competition thwarts the purpose of the Employment Act of 1946.

Let me illustrate with a specific case which has recently come to my attention. An appliance dealer could sell an automatic washer at $149 and make a reasonable profit. He wishes to close the deal at that figure. The fair trade price on the article is $199.95. If he sells, he is violating the law in 45 States and is subject to prosecution. If he does not sell, the washing machine remains on his floor. He loses. The consumer loses. The production of the country is thereby retarded.

This type of monopolistic restraint has in recent years grown like a plague, fostered by an organized minority in drugs, photographic supplies, paints, hard-

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ware, cosmetics, toilet goods, appliances, notions, glass, silverware, building supplies, books, liquor, stationery, tobacco. It even extends into a few grocery lines.

Our observation leads to the conclusion that the Joint Committee might advisedly recommend the repeal of the Miller-Tydings Act by the enactment of the O'Toole bill, H. R. 4003. We believe that Chief Justice Adams, of the Florida Supreme Court, well summed up the effect of price maintenance laws in his recent decision.[12] He stated:

"This statute is, in fact, a price-fixing statute. The power to fix the price is vested in an interested person who is not an official. There is no review of his act. He is required to consult with no one and in no sense is required to take into consideration the cost of the article or the reasonableness thereof.

"The act is arbitrary and unreasonable and violates the right to own and enjoy property; one economic group may not have the sovereign power of the State extended to it and use it to the detriment of other citizens. It is essentially price fixing of the worst character, that is, the fixing of a minimum price floor * * * without a yardstick * * * or any provision for public * * * notice or hearing." [13]

THE FRAMEWORK OF BUSINESS PRICE POLICIES

Our economy is sometimes called a price economy. This means more than that changes in particular prices influence the decisions which determine the kinds and volumes of goods which are produced. It also means that the price factor exercises so important an influence upon levels of real profits and real wages and other incomes that it vitally affects the economic balance between investment and consumption which is essential for a high level of general activity.[13a]

In the American economic system of ordered liberty, the Government always has the responsibility of enforcing fair competition. The free enterprise ideal is best exemplified in competitive sports. On the professional football field numerous controls are imposed precisely to guarantee that individual reward shall be merited by individual effort and excellence.

By calling plays out of bounds or offside, by penalties for illegal practices, by putting the ball in play and stopping it at the sound of the referee's whistle, by making sure all contestants have equal opportunity and an even break, are equally equipped and of relatively the same age, sex, etc.; in short by enforcing an ever-evolving set of rules, the maximum of individual voluntary energy, team play, skill, stamina, daring, and ingenuity are evoked. Any competitor that wanted to do as he pleased without referee or rule book would be considered ridiculous. Professionals are not allowed to play with grade school children, nor the big to run amuck among the small. Competitors are classified, handicaps set, so that equality of opportunity and freedom of entry may be a reality for all. Thus all are able to participate. There is maximum play and employment opportunity.

But in business pricing activity, similar metes and bounds of fair play are hard to determine. There are some who think that they should price their product as they please though they clamor for Government interference with the way organized labor sets its prices and, indeed, sometimes lobby for Government barriers and tariffs which interfere with the right of the consumer to choose what he shall buy, from whom, at prices representing maximum efficiency.

Yet clearly the Government has here the same duties that the umpire has on the athletic fields. Some prices may be pushed out of

[12] *Liquor Stores, Inc.* v. *Continental Distilling Corp.*, (1949).
[13] Hearings before the Joint Committee on the Economic Report on the January 1950 Economic Report of the President, 81st Cong., 2d sess., pp. 243-244.
[13a] The Annual Economic Review of the Council of Economic Advisers, January 1950, p. 99.

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bounds on the high side, some may be destructively low. In both cases a referee is needed ready to apply the proper penalty or take the appropriate action. Of course, the individual players and sometimes the whole team may disagree with the decision. The referees may on occasion be whistle-happy. Yet if continuous referral is obtained from the consent of the governed, the consumers who foot the bill ultimately determine how matters shall be settled.

COMPETITION AND BIGNESS

To be concerned about undue size and advantage is as necessary in business, if competition is to be preserved, as it is on the athletic field. If a parent, for example, should find the kitten with which his child plays growing to be 20 feet tall with claws 2 feet long, one can readily understand why, despite protestations from the kitten of no change in disposition or intention, the parent should not only feel deep concern but demand safeguards.

This is what has happened in the last 70 years in the relation of the American public to industry. Modern technology has increasingly developed large agglomerations of economic power which individually govern the lives and control the incomes of hundreds of thousands of laborers and tap the pocketbooks of millions of consumers without their having any opportunity at all except through political channels to limit such control to the exercise of "just powers derived from the consent of the governed." The largest agglomeration of economic power is, of course, the Federal Government with nearly 2,000,000 employees and $40,000,000,000 of annual revenue. Next in size come several large corporations with more employees than any State in the Union. There are some with larger revenues and many with control over a larger volume of assets than the assessed valuation of the property in any except a half dozen large States.[14]

The problem of concentration of economic power and administered prices both in industry and in Government, is one of the most important major problems of this century. On two previous occasions the Joint Committee on the Economic Report has emphasized the gravity of the problem in the following words to which the passage of time has but added increased validity and significance:

> A free economy in the American tradition is one in which the individual is not regimented by either private or public power. The principal obstacle to the maintenance of such an economy arises from the failure to understand that when the Government does not adopt a positive program, but is content merely to drift, the inevitable result is, first, regimentation of the people by the concentration of economic power in private hands; and, second, the seizure by dictatorial government of the powers of regimentation thus built up in private hands.
>
> The first step in the preservation of the traditional free, competitive American economy is to prevent depression, and the second step is to prevent the concentration of economic power in private hands. Neither of these objectives can be attained except by positive Government action.
>
> The greatest danger that the country now confronts is that any Government action is mistaken to be, or misrepresented to be, a plan to establish arbitrary Government power. That is not the case. Communism in the area behind the iron curtain, socialism in Britain or in France, and fascism in Spain, Argentina, or elsewhere, are all the result of the failure of government to take in time the necessary steps to preserve a free, private-enterprise system against the destructive advance of private monopoly.

[14] For a tabular comparison of all governmental and business units with assets in excess of $1,000,000,000 in 1947, see appendix A, item IV.

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Unfortunately, many of those who desire to preserve what they conceive to be the vested interests of economic concentration already achieved, seek to prevent economic reform through the only agency by which it can be accomplished—namely, the Government of the United States—by misrepresenting it to be an attempt to set up socialism.

Yet monopolistic restrictions and the concentration of unbridled economic power in private hands are not only major enemies of economic productivity, but have destroyed and will continue to destroy, human freedom and democracy.

Central economic power as exercised by those who control the modern instruments of commerce has been the cause of the development of arbitrary central political power in the modern world. Mussolini, Hitler, and Stalin, all three, have been the direct product of the concentration of economic power. The modern monopolies become the collectivist pattern for a collectivist state. The fight for freedom begins with the fight against monopoly.[14a]

The first and basic question here raised is one of fact. In what areas does competition work effectively? Where is there adequate evidence being collected on the extent to which "effective competition in large-scale industry is forthcoming?" How can monopoly or restraints on competition be measured? What standards are there for measuring whether competition is effective? If business fails to keep competition effective, what remedies will prove efficacious? To what extent do large concentrations of power limit productive capacity, keep prices up, and prevent consumer income and expenditures from being increased sufficiently both absolutely and relatively to preserve high-level national income and employment? Will this increase result automatically through the interplay of prices and costs in the market place? Or will a depression appear when the gap between potential output and effective demand of consumers and business become unmanageable as has happened in the past? Or can affirmative policies, as envisaged in the Employment Act close or bridge this gap before it becomes a chasm?

As stated in the 1950 policy statement of the New York Young Republican Club:

Serious consideration should be given to the economic utility and social desirability of the giant corporation in our competitive economy. For the curse of bigness in business, as well as in government, is the regimentation of the individual and the curtailment of his freedom.

III. The Government Segment

In recent years the percentage of the whole economy or of gross national product which can be accounted for by Government activity, as measured either by expenditures, or by revenues including net changes in the debt, has been about a sixth, or roughly the same order of magnitude as gross private domestic investment. In 1948, for example, Government purchases of goods and services amounted to 36.7 billion dollars, private investment was 45 billion dollars, and gross national product totaled 262.4 billion dollars. In 1949 the Government figure was 43.4 billion dollars (an increase of 6.7 billion dollars over 1948), the business segment 34.7 billion dollars, and the gross national product 257.4 billion dollars. A reexamination of chart 2 indicates how these proportions have varied since 1940.

The supplementary materials relative to the Government segment fall into the same two categories as those already presented on the consumer segment and the business segment, namely expenditures and receipts.

[14a] *Joint Economic Report*, Report of the Joint Committee on the Economic Report, Senate Report No. 1358, 80th Cong., 2d sess., Washington: 1948, pp. 60–62; again in *Joint Economic Report*, Senate Report No. 88, 81st Cong., 1st sess., Washington: 1949, pp. 39–42.

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GOVERNMENT EXPENDITURES

So far as Government expenditures are concerned, only those budgeted for the Federal Government are thus far available for the fiscal year 1950–51. Both on a cash basis and in terms of the administrative budget the Federal budget is likely to show a deficit. Table XI below summarizes the facts concerning payments and receipts on a cash basis. It indicates that Federal expenditures of cash will exceed cash receipts by 4.9 billion dollars in fiscal 1949–50, and by 2.7 billion dollars in fiscal 1950–51.

TABLE XI–A.—*Federal payments to the public by major functions*

[In billions of dollars]

Function	Fiscal year ending June 30—			
	1951 [1]	1950 [1]	1949	1948
All functions	45.8	46.5	40.6	36.5
National defense	13.8	13.2	12.1	12.2
International affairs and finance	4.9	6.2	6.6	5.8
Veterans' services and benefits	7.1	9.2	7.0	6.8
Interest on the debt	4.1	4.3	3.9	3.9
Other programs, total	15.9	13.6	11.0	7.9
Social welfare, health, and security	5.1	3.0	2.5	2.1
Education and general research	.4	.1	.1	.1
Housing and community facilities	1.2	.7	(2)	.2
Agriculture and agricultural resources	2.2	2.7	2.6	.6
Natural resources	2.2	1.9	1.5	1.1
Transportation and communication	1.7	1.9	1.6	1.3
General Government	1.1	1.1	1.0	1.3
Other (including unemployment benefits)	2.0	2.2	1.7	1.3

[1] Estimated by the Bureau of the Budget.
[2] Less than $50,000,000.

NOTE.—Figures from the budget for 1951. Expenditures in fiscal year 1948 do not reflect the bookkeeping transfer of $3,000,000,000 to the Foreign Economic Cooperation Trust Fund; expenditures from this fund are included in expenditures in 1949. Figures do not necessarily add to totals due to rounding.

TABLE XI–B.—*Federal receipts from the public*

[In billions of dollars]

Source	Fiscal year ending June 30—			
	1951 [1]	1950 [1]	1949	1948
Total cash receipts	43.1	41.7	41.6	45.4
Direct taxes on individuals:				
Withheld	10.1	9.8	9.8	11.4
Other income taxes	8.2	8.1	8.1	9.6
Estate and gift taxes	.7	.7	.8	.9
Direct taxes on corporations	10.5	11.2	11.6	10.2
Excise taxes and customs	8.0	8.0	7.9	7.8
Employment taxes	4.8	3.0	2.5	2.4
Other receipts:				
Deposits by States, unemployment insurance	1.2	1.0	1.0	1.0
Miscellaneous budget and trust account receipts	1.8	2.0	2.8	4.4
Deduct: Refunds of taxes	2.2	2.2	2.8	2.3

[1] Estimated.

NOTE.—Figures from the budget for 1951. Estimates for 1951 include amounts for proposed legislation of 1.5 billion dollars. Figures do not necessarily add to totals due to rounding.

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If one excludes from the cash budget those receipts and expenditures for social programs which are largely self-supporting through special taxes, then for fiscal 1950–51, about 71 percent of the resulting administrative budget is requested for foreign aid, veterans' assistance programs, national defense, and interest on the national debt. The sum of 29 cents out of each budget dollar is designed to meet the requirements of our domestic economy.

About 6 cents out of each administrative budget dollar is slated for social welfare, health, and security. The total request by the President is approximately $2,700,000,000. This sum is asked for public assistance to the aged, blind, dependent children, maternal and child care, public health, school-health program, and all aspects of the social-security law exclusive of unemployment compensation.

The balance of the administrative budget dollar—23 cents—is proposed to finance the following programs: Price supports for American agriculture, rural electrification and telephones, soil conservation, all the activities of the Department of Agriculture, land and water resources development, atomic energy, reforestation, highway systems, aviation and airport development, navigation, business loans, research, unemployment compensation, and the many administrative activities and responsibilities of the Federal Government.

The President stated that the budget is—

> directed at achieving a budgetary balance in the only way which it can be achieved—by measures which support rather than impair the continued growth of our country.

For the first time, the Federal budget this year reveals that a large percentage of the proposed expenditures are to be used to build up the assets of the Nation. Substantial proportions of such expenditures may be repaid to the Government either directly or indirectly in the future. A special tabulation showed that as much as $12,400,000,000 out of a total of $42,400,000,000 is asked for loans, grants-in-aid, construction, productive public works, and other developmental purposes. Approximately $4,000,000,000 of this investment may be repaid to the Government through repayment of loans, sale of commodities, or sale of power from hydroelectric projects. Much of the rest is requested for such development purposes as State and local construction of hospitals, schools, research, education, health, and natural resources.

Moreover, stockpiles of strategic materials such as rubber, tin, manganese, nickel, and chromium represent investment. So do in part the stores of cotton, wheat, corn, and other nonperishable farm products accumulated under the price-supports program. Similarly, loans on housing, FNMA mortgages, commodity credit, and Export-Import Bank loans do not represent expenditures without prospect of any recovery. A bank considers loans an asset, not a liability. Many of these loans will be repaid with interest. In fact, some Federal loan agencies such as the Home Owners Loan Corporation have been able to close their books without any cash losses to the Government.

Since fiscal year 1939 the national income of the United States has more than trebled. Federal budget expenditures, however, have risen to about four and three-quarter times their 1939 level. Thus budget

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expenditures increased from less than 13 percent of the national income in 1939, to 18 percent of the estimated national income in 1951.

During the fiscal year 1939, Federal Government expenditures amounted to about $68 for each man, woman, and child in the country. In the fiscal year 1951, the per capita expenditure is estimated at more than four times that amount, $278.

About 80 percent of the increase has occurred in four areas—national defense, international affairs and finance, veterans' services and benefits, and interest on the public debt. These four governmental purposes—national defense, international affairs and finance, veterans' services and benefits, and interest on the public debt—will absorb in fiscal 1951 about 13 percent of the national income or about the same proportion as was represented by all Federal expenditures in 1939. On the other hand, the percentage of increase for all other programs is much less than the rise that has taken place in per capita national income and in the prices the Government has to pay for the goods it buys. The expenditures for non-war-related programs in 1951 are estimated to represent 5.3 percent of the national income compared with 9.1 percent spent for these programs in 1939.

HOW FLEXIBLE IS THE 1950–51 BUDGET?

In hearings on the Economic Report, the Director of the Bureau of the Budget pointed out that the Federal budget, far from being highly flexible as are the plans and programs of a business or an individual, is in reality a statement, for the most part, of past international and national security commitments, commitments to pay obligations incurred by reason of past wars, and commitments made in the domestic field. Thus in 1948 when Czechoslovakia fell, the Federal budget was raised by about $3,000,000,000.

Secondly, there are open-end programs as, for example, those providing for the education and training of veterans, the Commodity Credit program and purchases by the Federal National Mortgage Association (Fannie Mae). With respect to these the Budget Director must make guesses. How many GI's are going to take advantage of education and training? In terms of crop-support funds required, what will be the effects of weather, of pest controls, and other factors on agricultural yield? How much will the RFC need for its operations in the secondary mortgage market? Such items are substantially dependent on the decisions of millions of veterans, farmers, and savers, and, therefore, to a considerable degree beyond the control of the executive branch and beyond terms of really sound judgment in knowing exactly what the drain on the Federal Treasury will be.

The Director of the Bureau of the Budget presented an estimate and a chart in hearings before this committee indicating that a bare meeting of commitments already made would cause governmental expenditures in fiscal 1950–51 to total 27.8 billion dollars. In other words, if a complete closedown were ordered of all governmental activity and every single person on the Government payroll were fired, the total cut in expenditures would be 14.6 billion dollars. This includes not a cent of outlay for personnel to liquidate such governmental commitments.

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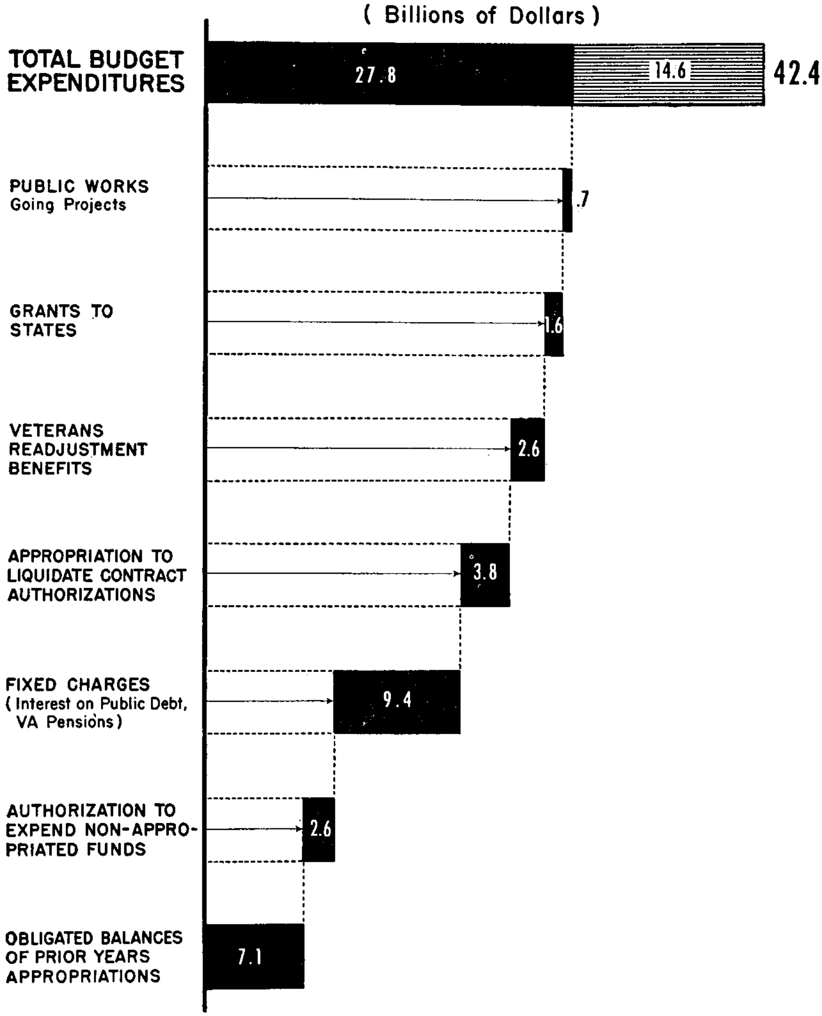
CHART 9

ANALYSIS OF BUDGET EXPENDITURES

FISCAL YEAR 1951

JAN. 1950 ESTIMATE

(Billions of Dollars)



Source: U. S. Bureau of the Budget.

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The facts, presented by him in a chart reproduced herewith as chart 9, were explained in the following colloquy:

The CHAIRMAN. Will you please recapitulate those figures on the chart?

Mr. PACE. Obligated balances of prior-year appropriations, $7,100,000,000; authorizations to spend nonappropriated funds $2,600,000,000; fixed charges which involve interest on the public debt and VA pensions, $9,400,000,000; appropriations to liquidate contract authorization, $3,800,000,000; veterans readjustment benefits, $2,600,000,000; grants to States, $1,600,000,000; and public works, $720,000,000. Total budget expenditures in terms of fixed charges or other firm commitments $27,800,000,000; in terms of the flexible area, $14,600,000,000.

Mr. RICH. Do you figure in that foreign aid?

Mr. PACE. Only those expenditures for foreign aid which will be made from appropriations already enacted. In the total of $7,100,000,000 from obligated balances of prior-year appropriations, for example, there is about $2,000,000,000 in foreign-aid programs.

In short, the only place so far as the next fiscal year is concerned, where 4, 6, or 8 billion dollars can be cut is out of the flexible 14.6 billions. Instead of general 10-, 15-, or 20-percent cuts, drastic special reductions of 30, 45, or 60 percent are involved.

Considerable progress has been made in implementing the Hoover Commission recommendations for reorganizing and streamlining the Federal Government. Their status is indicated below:

Progress in implementing Hoover Commission recommendations

Administrative actions:[1]	
Completed	25
Partially completed[2]	38
Study under way	7
No action taken (6 must await reorganization action)	21
Total	91
Reorganization plans:[3]	
Completed	24
Pending congressional approval	4
Partially completed[2]	[4] 12
Disapproved by Senate	[5] 1
No action	37
Total	78

[1] As of Feb. 14, 1950.
[2] In most cases these recommendations require the same steps in many different agencies; these steps have been completed in some agencies but not in all. In other cases actions to carry out the recommendations are in progress but are not yet completed.
[3] As of June 6, 1950.
[4] Plans 7, 11, 12 which would have vested responsibility in the Chairman of the ICC, FCC, and NLRB were disapproved by the Senate.
[5] Plan No. 1 of 1949 creating a Department of Welfare, and Plan No. 1 of 1950, providing for reorganization in the Treasury Department were disapproved by the Senate. Plans Nos. 26 and 27 now pending in Congress cover the same recommendations in modified form to meet objections raised.

The changes that have taken place in governmental personnel are shown in table XII. Since 1948 there have been decreases everywhere except in the Post Office Department. More than three out of four civilian employees of the Federal Government are employed in the Post Office Department, the National Military Establishment, and the Veterans' Administration.

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NATIONAL DEFENSE COSTS

The most sizeable of all governmental expenditures are those made for national defense. In the fiscal year 1950–51 over 44 percent of budgeted expenditures is scheduled to go for national-security activities. The facts are shown in table XIII which has been especially prepared for the committee by the Bureau of the Budget.

The economic impact of such gigantic expenditures is difficult to assess. Such outlays, according to one point of view, tend to bolster the economy. Dr. Sumner Slichter has put the matter as follows:

> * * * the United States is not at peace and there is no immediate prospect that the United States will be at peace. The country is engaged in a cold war which will probably continue for some years. No one likes the cold war because everyone knows that it might break out into a shooting war. Furthermore, most Americans wish to be on friendly terms with other peoples and are happier when their relations with other countries are cordial. Nevertheless, from the narrow economic standpoint, the cold war is a good thing. It increases the demand for goods, helps sustain a high level of employment, accelerates technological progress and thus helps the country raise its standard of living. In the absence of the cold war, the demand for goods by the Government would be many billions of dollars less than it now is and the expenditures of both industry and Government on technological research would be hundreds of millons less than they now are. So we may thank the Russians for helping make capitalism in the United States work better than ever.[15]

TABLE XII.—*Average Federal employment in executive branch, fiscal years 1939, 1948, and first half of 1950, with comparisons* [1]—*broken to show civilian employment in Post Office Department, National Military Establishment, Veterans' Administration, and other agencies*

Agency	Average employment by fiscal years			Increases or decreases in average employment					
				1939–48		1939–50		1948–50	
	1939 [2]	1948 [3]	1950 [3]	Number	Percent	Number	Percent	Number	Percent
Post Office Department	297, 191	472, 972	529, 735	+175, 781	+59	+232, 544	+78	+56, 763	+12
National Military Establishment	179, 898	844, 583	813, 028	+664, 685	+369	+633, 130	+352	−31, 555	−4
Veterans' Administration	36, 278	201, 190	195, 815	+164, 912	+455	+159, 537	+440	−5, 375	−3
Other agencies	369, 425	506, 403	498, 754	+136, 978	+37	+129, 329	+35	−7, 649	−1
Total	882, 792	2, 025, 148	2, 037, 332	+1, 142, 356	+129	+1, 154, 540	+131	+12, 184	+1

[1] 1939 was the year of peak Federal employment prior to the prewar emergency; 1948 was the year Federal employment reached a postwar low.
[2] Prior to inauguration of committee reports; therefore, figures are from adjusted Civil Service Commission reports.
[3] Figures are from former committee reports revised and corrected to date.

Administration. Total cost of all Federal personnel is 6.7 billion dollars, and total cost in agencies outside the big three is 1.9 billion dollars.

[15] Sumner H. Slichter, Will Business Recovery Continue? in The Commercial and Financial Chronicle, October 27, 1949.

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TABLE XIII.—*Budget authorizations and expenditures for selected national security activities*

[Fiscal years, in millions]

Activity	New obligational authority [1]			Expenditures		
	1949 actual	1950 actual and anticipated	1951 recommended	1949 actual	1950 estimate	1951 estimate
National defense:						
Department of Defense	[2] $14,046	[3] $13,193	[3] $13,085	$11,548	$12,560	$12,852
Activities supporting defense stockpiling	835	425	500	299	580	650
National Advisory Committee for Aeronautics	65	76	63	49	56	65
All other	41	30	25	18	−48	−22
Total, national defense	[2] 14,987	[3] 13,724	[3] 13,673	11,914	13,148	13,545
International affairs and finance (mostly foreign aid and foreign relief)	8,681	6,982	5,935	6,462	5,964	4,711
Atomic Energy Commission	662	889	600	621	673	817
U. S. Maritime Commission merchant shipbuilding program	104	65	75	13	51	75
Total	24,434	21,660	19,383	19,010	19,836	19,148

[1] New obligational authority includes actual and recommended net new appropriations and other authorizations (e. g. contract and loan authorizations), and excludes appropriations to liquidate prior-year contract authorizations.

[2] Includes 2.9 billion dollars (largely for aircraft) for 1949 program provided in fiscal year 1948.

[3] Amount shown for 1950 excludes 873 million dollars of authority made for 1950 which will be available for obligation in 1951; the amount shown for 1951 includes this 873 million dollars.

Source: The Budget of the United States Government for the fiscal year 1951, as transmitted to the Congress on January 3, 1950. Since that date, supplemental estimates of appropriations and contract authorizations have been transmitted which reduce the new obligational authority shown in 1950 for the Atomic Energy Commission by 41.1 million dollars and the amount recommended for 1951 by 6.3 million dollars, and increase the authority recommended for International affairs and finance in 1951 by 2.9 million dollars.

The political and institutional dangers, on the other hand, have been strongly emphasized by the Committee for Economic Development.

> When we increase our military defense we necessarily increase the role of the military in our Government. When we increase the share of our resources devoted to armament, we unavoidably enlarge the scope of Government in industry, in politics, in science and education and in every sphere of life.
> Security measures, uncurbed by the requirements of freedom, can undermine our free institutions. Public apathy and pressure for security can lead us down the road that ends in the garrison-police state.[16]

AIDS TO BUSINESS

The extent to which Government expenditures give direct and indirect support to business is not easy to determine. Appropriations are not made nor broken down in terms of types of business whose goods and services will be purchased. Obligational authority as predetermined in the budget may vary considerably from actual expenditures. Contracts made in one fiscal period may involve cash outlays in subsequent years. To determine with precision how much cash flowed from the United States Treasury directly to business firms is a task of careful estimation inevitably involving choice among assumptions.

At the request of the Joint Committee on the Economic Report, the Bureau of the Budget compiled estimates which are summarized in table XIV below.[17] Totals are given for direct payments alone. In-

[16] Committee for Economic Development, National Security and Economic Freedom, December 1949, pp. 3–4.

[17] The memorandum entitled "Federal Cash Payments to the Public by Type of Recipient and Transaction," is reproduced in appendix A, item VI.

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cluded, for example, in payments to the military and to civilians for wages and salaries are per diem allowances which for the most part represented reimbursement for hotel and other expenses incurred during travel on Government business. The check goes to the Government employee, the stimulus to business. Similarly, payments for food are credited to the farmers though a portion, for example, of ECA funds have gone to buy processed foods from food manufacturers. Obviously, payments made by the Rural Electrification Administration are included under payments to farmers, though all of the funds are transmitted via the cooperative to suppliers of electrical wiring, poles, and equipment.

Such are but samples of the difficulties encountered in trying to get a precise answer to the question, how much Government cash goes to business firms.

Most conservatively estimated, the cash that goes directly to business totaled at least $13.6 billion in fiscal 1949, will amount to $16.0 billion in fiscal 1950, and is estimated on the basis of the present budget to be about $16.9 billion in fiscal 1951. These figures do not include $2.6 billion which will be paid to banks, insurance companies, and other business organizations as interest on the United States bonds they hold.

On the other hand, cash outgo to farmers is estimated to decrease from $4.3 billion in fiscal 1950 to about $3.0 billion in fiscal 1951.

TABLE XIV.—*Cash outgo to business and to farmers*

Governmental payments	1949	1950	1951
To business:			
Payments for goods and services	7.8	9.2	10.9
Loans, subsidies, and other transfers	3.7	4.3	4.0
Loans and transfers to foreign countries:			
ERP loans and grants	.9	1.3	1.1
Other loans	-.1	.1	[1]
Other grants	1.0	.7	.5
Total	13.3	15.6	16.5
Plus REA	.3	.4	.4
Total	13.6	16.0	16.9
To farmers:			
Loans, subsidies, and other transfers	2.2	2.3	1.8
Loans and transfers to foreign countries:			
ERP loans and grants	1.5	1.6	1.1
Other grants	1.1	.8	.5
	4.8	4.7	3.4
Less REA	.3	.4	.4
Net to farmers	4.5	4.3	3.0

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

The extent to which various types of business benefit from Government outlays is again most difficult to estimate. A recent compilation by the Bureau of the Budget provides fragments of an answer, summarized in table XV.

Items readily identifiable as payments for services rendered primarily by business are travel; transportation of things; communication services; rents and utility services; printing and reproduction; contractual services representing in large part repairs and alterations of government property; supplies and materials including fuels,

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provisions, clothing, ammunition, and the like; equipment, largely transportation equipment, machinery, apparatus, and armaments; lands and structures; grants and subsidies; and to a substantial extent interest.

TABLE XV.—*Summary of obligations by objects, general and special accounts, for the fiscal years 1949, 1950, and 1951*

Description	1949 actual	1950 estimated	1951 estimated
01 Personal services:			
Permanent positions	$5,818,471,829	$5,793,430,629	$5,795,072,078
Part-time and temporary positions	499,948,433	461,783,395	462,013,465
Military	3,651,041,098	4,008,750,453	3,917,683,308
Other	[1] −41,343,915	187,124,183	181,244,507
Net total	[2] 9,954,466,833	[2] 10,479,761,775	[2] 10,385,869,330
02 Travel	335,787,043	360,678,180	355,583,413
03 Transportation of things	994,066,487	899,780,287	784,154,014
04 Communication services	64,112,490	65,292,729	64,041,788
05 Rents and utility services	203,764,462	213,668,350	217,107,045
06 Printing and reproduction	51,987,726	55,879,854	58,073,105
07 Other contractual services	2,109,885,287	1,955,744,377	1,367,141,315
Services performed by other agencies	185,517,098	129,894,508	126,908,783
08 Supplies and materials	5,692,568,658	4,941,324,999	3,973,724,605
09 Equipment	2,917,404,287	3,803,873,007	3,610,081,894
10 Lands and structures	1,343,603,233	2,008,126,752	1,359,260,954
11 Grants, subsidies and contributions	5,601,993,717	7,541,399,318	3,474,547,221
12 Pensions, annuities and insurance losses	5,764,709,619	5,508,337,560	5,310,067,407
13 Refunds, awards and indemnities	3,188,030,678	2,489,626,707	2,330,551,457
14 Interest	5,447,283,936	5,825,573,768	5,732,221,204
16 Investments and loans	2,111,340,475	1,359,953,073	1,190,513,963
Obligations not distributed by object class	9,936,682	19,290,387	13,090,500
Unvouchered	24,677	592,245	160,000
Reserved for future allocation	----------	1,314,010,000	----------
Total obligations	45,886,483,388	48,882,807,876	40,353,097,998

[1] Due to deduct charges for quarters and subsistence.
[2] Detail does not add to this total because of the inclusion of 1949, $10,105,655; 1950, $9,988,680; 1951, $10,428,407 for Senate; and 1949, $16,015,540; 1950, $18,448,215; 1951, $19,178,710 for House; and 1949, $228,193; 1950, $236,220; 1951, $248,855 for miscellaneous not shown under the separate categories above.

SOURCE.—Obligation schedules in part II of the 1951 Budget Document.

GOVERNMENT RECEIPTS

A tabulation of Federal Government receipts for the current period has already been presented in table XI–b. It shows the abrupt drop in the total that occurred in 1949, and the amounts obtained from individuals, from corporations, and other sources.

In the last 10 years marked changes have taken place in the distribution of the burden of taxation on individuals. In 1939 individual income taxes took up 15 percent of the total tax burden. In 1949 the figure is estimated at 37 percent, representing an increase of more than two-fold while that collected by taxes on corporations increased less than one-half. The reduction in the percentage obtained from customs duties and from estate and gift taxes is likewise striking. Between 1945 and 1949 the percentage collected by excise taxes increased 6 points from 12 percent to a figure of 18 percent, while the tax burden borne directly by corporations went down 5 points from 32 percent to a figure of 27 percent. Further detail is shown in table XVI.

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TABLE XVI.—*Federal receipts from the public* [1]

[Fiscal years

Type of tax	Percent 1939	Percent 1945	Percent 1949	Type of tax	Percent 1939	Percent 1945	Percent 1949
Individual income taxes	15	37	37	Estate and gift taxes	5	1	2
Excise taxes	26	12	18	Other [2]	6	11	7
Customs	5	1	1				
Employment taxes	24	6	8	Total	100	100	100
Direct taxes on corporations	19	32	27				

[1] Prepared from Budget Bureau documents and Treasury Bulletins. Figures for 1939 based on unpublished worksheets of the Budget Bureau.
[2] Includes sale and rent of U. S. Government property, sale of U. S. Government products, repayment of loans, etc.

The second notable change in the individual income-tax structure has been the large increase in the percentage of the total that is paid by those with incomes less than $10,000. This has, of course, been due in the main to three factors: the drastic lowering of exemptions during the war, the severe increases in rates in the lower brackets, and the large increase in the numbers earning incomes over $2,000 annually in recent years.

In 1947, the last year for which the Bureau of Internal Revenue has published detailed data, those earning less than $10,000 paid 62 percent of all income taxes. The smaller group in 1939 paid 18 percent of the total. Contrariwise, those in 1939 whose taxable net income was $25,000 or over, paid roughly 65 percent of the total, in 1947 about 23 percent. Further details and comparisons are shown in table XVII.

Although figures later than 1947 are not available the fact is well known that the Internal Revenue Act of 1948 introduced substantial modifications of the war rates. Exemptions for dependents were increased 50 percent, and effective tax rates reduced all along the line.

On the brackets below $1,000 1936 rates were restored, on that of $5,000,000 or over nearly so. In general the higher the income bracket, the closer to 1936 levels the rate, except in brackets over $2,000 but under $5,000 (the brackets in which the great bulk of the wage-earners are found). Incomes in the $5,000 to $6,000 bracket pay taxes that average about seven times as high as the tax-take before the war, those in the $6,000 to $8,000 bracket six times, those in the $8,000 to $10,000 bracket nearly three-fold. Further comparisons are afforded by table XVIII.

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TABLE XVII.—*Percentages of individual income-tax receipts paid by income groups* [1]

INDIVIDUAL RETURNS AND TAXABLE FIDUCIARY RETURNS

[Calendar years]

Gross income classes (thousands of dollars per year)	1939 [2]	1944	1945	1946	1947
Under 2	2	11	11	9	7
2 under 5	7	43	40	36	41
5 under 10	9	12	12	13	14
10 under 25	17	13	14	16	15
25 under 50	16	9	10	11	10
50 under 100	16	6	7	8	7
100 under 500	22	5	5	6	5
500 and over	11	1	1	1	1
Total	100	100	100	100	100

[1] Based on data in Statistics of Income, Bureau of Internal Revenue. Figures for 1947 from Statistics of Income preliminary report.
[2] 1939 classes by net (gross income less allowable deductions) income groups.

TABLE XVIII.—*Comparison of effective rate of individual income tax under recent revenue acts*

MARRIED PERSON—NO DEPENDENTS

Selected amounts of net income	Rates applicable to income years			Percent increase, 1948 over 1936	Extent to which wartime rates were lowered to prewar levels
	1936–39	1944–45	1948–49		
$600		0.5			100
$800		1.1			100
$1,000		1.5			100
$2,000		12.3	6.6	(1)	46.4
$2,500		14.4	8.6	(1)	40.3
$3,000	0.3	15.8	10.0	3,233	37.5
$5,000	1.6	19.5	12.6	687	38.6
$6,000	1.9	21.1	13.7	602	38.6
$8,000	3.1	23.6	15.1	387	41.5
$10,000	4.2	25.9	16.2	286	44.7
$15,000	6.2	31.3	18.9	205	49.4
$20,000	7.9	36.6	21.2	168	53.7
$25,000	10.0	41.2	23.5	135	56.8
$50,000	17.7	55.2	34.4	94	55.5
$75,000	25.0	63.5	41.1	64	58.2
$100,000	32.5	69.4	46.4	43	62.3
$500,000	60.8	88.8	71.9	17	60.4
$1,000,000	67.9	90.0	77.0	14	58.9
$5,000,000	75.8	90.0	77.0	1.6	92.3

[1] Exempt in 1936.

Source: United States Treasury Bulletin, February 1947.

EXCISE TAXES

Individual income taxes are, of course, only one of several types of taxes borne by the Nation's families. It is they who pay the property taxes on the houses they live in, who pay the sales taxes, fees, license taxes, and other levies commonly charged as costs of production into prices. In fact there are some observers who feel that consumers bear at least some portion of the corporate income tax.[18] It is they who pay the tariff and all excise taxes, including those on liquor and tobacco. In 1949 consumers paid over 7½ billion dollars of excise taxes and will pay somewhat more in 1950.

[18] Majority report of the Joint Committee on the Economic Report in 1948, p. 4.

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The levy on transportation of property, for example, enacted in 1942, equivalent to 3 percent (4 cents per ton in case of coal) is pyramided possibly two-and-a-half-fold in the retail prices consumers pay (assuming costs of distribution at 60 percent). It yielded $337,000,000 in fiscal 1949, and may yield roughly similar amounts in fiscal 1950 and 1951.

Similarly the tax on transportation of persons, originally designed to reduce civilian travel during the war, yields roughly a quarter of a billion a year. Taxes on long-distance telephone and telegraph service yield about $300,000,000 a year.

Retail excises (generally 20 percent since 1943) are levied on many items such as jewelry, toilet preparations, leather goods, furs, and entertainment, to some extent regarded as luxuries. The tax yields are shown below:

	1949	1950	1951
Toilet preparations	$94,000,000	$94,000,000	$95,000,000
Luggage, handbags, etc	83,000,000	79,000,000	80,000,000
Jewelry	211,000,000	199,000,000	201,000,000
Furs	62,000,000	54,000,000	55,000,000

ESTATE TAXES

Among other changes that have been made in the tax structure during the last 10 years are those referred to by Secretary of the Treasury Snyder in his testimony concerning estate and gift taxes. The percent of total income derived from individual income taxes has gone up from 20 percent in 1939 to 45 percent in 1949, that derived from estate and gift taxes has gone down from 7 percent to 2 percent of the total. See chart 10.

The reason is not far to seek. Exemptions on income taxes have gone down, those for estate taxes up. Income-tax exemptions were lowered for heads of families from $2,500 in 1939 to $1,200 in 1949, those of single individuals from $1,000 down to $600. Estate-tax exemptions for married persons has been raised from $40,000 in 1939 to $120,000 in 1949, for single persons from $40,000 to $60,000.

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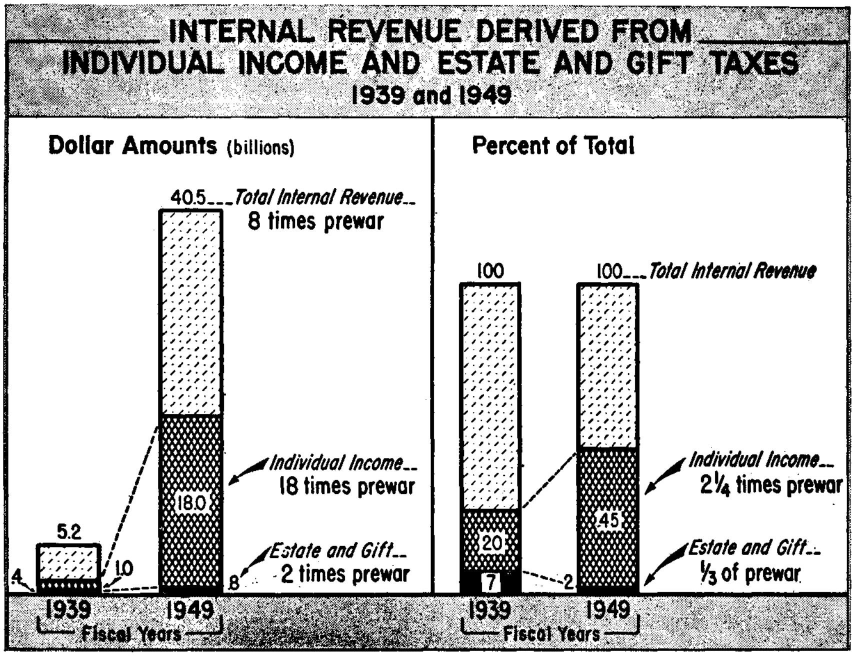
CHART 10



Office of the Secretary of the Treasury.

THE FEDERAL DEBT

The difference between governmental expenditures and governmental revenues is reflected, of course, by a change in the magnitude of the governmental debt. Since 1916 the Federal debt has increased over 200-fold, while State debt has quadrupled. Corporate long-term debt has increased only 70 percent and farm debt less than 30 percent. On the other hand, corporate short-term debt has increased over 5½ times and individual nonfarm—that is, consumer debt—has nearly tripled. Other comparisons are provided in table XIX below.

TABLE XIX.—*Public and private debt*
[Billions of dollars]

End of year	Public and private	Private	Public		Corporate		Individual	
			Federal [1]	State and local	Long term	Short term	Farm	Nonfarm
1916	82.1	76.5	1.2	4.4	29.1	11.1	7.8	28.5
1920	135.4	105.8	23.7	5.9	32.6	25.1	14.1	34.0
1929	191.1	161.5	16.5	13.1	47.3	41.6	12.2	60.4
1933	169.7	128.9	24.3	16.5	47.9	29.1	9.1	42.8
1938	180.9	124.4	40.5	16.0	44.8	28.4	9.0	42.1
1940	190.9	129.6	44.8	16.5	43.7	31.9	9.1	44.9
1948	429.4	196.7	216.5	16.2	49.6	62.5	10.5	74.1

[1] Held outside Government. This likewise does not include the sums for which the Government might be committed by virtue of its loan guaranty and insurance programs. For a full tabulation of these items, see appendix A, item VI, Status of Major Federal Loan, Loan Guaranty, and Loan Insurance Programs, June 30, 1949.

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APPENDIX A

I. PRODUCTIVITY ESTIMATES AND DEFLATION OF GROSS NATIONAL PRODUCT

EXECUTIVE OFFICE OF THE PRESIDENT,
COUNCIL OF ECONOMIC ADVISERS,
Washington, D. C., March 2, 1950.

Numerous inquiries about the estimates of the rate of secular growth of the economy and of the increase in productivity presented in the Annual Economic Review by the Council of Economic Advisers, which was published with the Economic Report of the President on January 6, 1950, demonstrates the wide interest in this important subject. This interest, the Council believes, confirms its opinion that national economic policies should be based in large part upon consideration of the rate of secular growth and that intense professional study should be directed to developing information far more adequate than that we now possess upon this matter.

Our studies and those under way in other Government and professional groups are quite inadequate to support any firm conclusion about increases in productivity over a short range. The difficult task of determining a deflator by the application of which statistical data over a long period may be brought to a common base unaffected by price changes is only partially performed and this permits only tentative conclusions about changes in gross national product.

While it recognized the imperfections inherent in any estimate at this stage of our study, the Council believed that the general course of secular growth and the approximate rate thereof for a total period of six decades are well enough established by existing data to justify the inclusion in its Annual Economic Review of long-term estimates and to permit the publication of charts even though they seem to indicate some changes for short periods which it can offer in only the most tentative manner at this stage of its study. Charts 15 and 16 on pages 76 and 77 of the Annual Economic Review have been responsible for may requests for information as to data and methodology used in their construction. In order to respond to these requests, the Council has directed its staff to prepare the following staff report.

LEON H. KEYSERLING, *Acting Chairman.*

PRODUCTIVITY ESTIMATES AND DEFLATION OF GROSS NATIONAL PRODUCT

Chart 15, National Output and Labor Input, in the Council's Economic Review, January 1950, was intended primarily to show long-term trends in productivity. For this purpose, total gross national product (constant dollars) per man-hour was used. This output per man-hour was obtained by dividing the deflated GNP total by total man-hours worked within the economy, that is, average hours per employed worker multiplied by the total number of employed workers. For the chart, all of the items shown were expressed as percent of 1890.

The data are not precise enough to measure year-to-year changes in output.

METHOD OF DEFLATING GROSS NATIONAL PRODUCT, 1929 TO DATE

The estimates of gross national product in constant dollars, 1929 to date, are preliminary and are subject to revision when the method of deflation has been improved. The GNP total in constant dollars was obtained by adding up the deflated figures for each of the major accounts—personal consumption expenditures, private domestic investment, net foreign investment, and Government purchases of goods and services. Each of these account totals in turn was derived from the

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deflated amounts of its major subgroups. For the years 1929 through1940, a very complicated and detailed procedure for making adjustments for price changes was used in most cases; 1941 to date, a rather rough procedure was used. All current dollar data since 1929 are the regularly published GNP series of Commerce.

Personal consumption expenditures

Goods.—From 1929 through 1945, several hunderd price series from different sources were utilized for deflating consumption expenditures for goods on a fairly refined category basis. After 1945, commodity groups of expenditures were deflated by appropriate components of BLS consumers' price index, reweighted by consumption expenditures. These price series are the same as those used in calculating the retail price index of all commodities, as currently published by the Department of Commerce.

Services.—Housing and "all other" services were deflated separately by appropriate components of the consumers' price index.

Private domestic investment

New construction.—Current dollar estimates of the various types of construction were deflated by appropriate cost indexes for private construction, as published by the Construction Division of the Department of Commerce.

Producers' durable equipment.—The current dollar totals were deflated mainly by BLS wholesale price series for machinery and equipment through 1947 when many of these series were discontinued. After that, the metal and metal products price series was used as the deflator.

Change in business inventories.—The National Income Division's published estimates of net change in nonfarm inventories in current dollars are based on their unpublished data on change in volume of inventories in constant dollars. These unpublished constant dollar series, which are available upon request from the Department of Commerce, were used.

Net foreign investment

Since 1946, the difference between current dollar estimates of exports and other sources of receipts, deflated by the unit value index of exports of United States merchandise, and imports and other payments, deflated by the unit value index of imports for consumption, was used. Prior to 1946, a more elaborate procedure was employed, but the basic methodology was the same. These unit value indexes are published regularly by Commerce.

Government purchases of goods and services

Compensation of general Government employees.—The base-period current dollar estimates of this component were moved by changes in employment or man-hours of employment, assuming no change in the productivity of Government workers.

Purchases of goods and services.—Purchases of goods and services by Government from the private economy were divided into three components and deflated as follows: (1) public construction was deflated by cost index for public construction, as published by the Construction Division of the Department of Commerce; (2) purchases of farm and food products were deflated by the index of prices received by farmers, as published by the Department of Agriculture; and (3) all other purchases by the BLS wholesale price index of other than farm products and foods.

METHOD OF ESTIMATING GROSS NATIONAL PRODUCT IN CURRENT AND CONSTANT DOLLARS PRIOR TO 1929

1919–1928.—The various segments of the current dollar estimates for 1919 to 1928 are based on published series from government sources, the National Bureau of Economic Research, and the Twentieth Century Fund, with appropriate adjustments to bring them into conceptual agreement with the official Commerce estimates for the period 1929–1949. The total gross national product was then deflated by a price index derived from estimates of gross national product in current and 1929 dollars, published by Kuznets.

Prior to 1919.—Decade estimates of gross national product in 1929 prices by Kuznets were used. A figure for 1890, the base year, was computed from the overlapping 5-year estimates. These are published in Historical Statistics of the United States, 1789–1945, page 15.

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METHOD OF ESTIMATING AVERAGE MAN-HOURS PER EMPLOYED WORKER

1943 to date.—A weighted average of man-hours per employed civilian worker was calculated from civilian employment by man-hours, as reported by the Bureau of the Census in their "Monthly Report on the Labor Force." Average man-hours worked in agriculture and in nonagricultural industries were calculated separately and then weighted to obtain an average for total civilian employment. In the absence of data on hours worked by the armed forces, it was assumed their average hours to be the same as for civilians.

Prior to 1943.—Since estimates prior to 1943 were not available on an annual basis, the estimates, by decades, from 1890 to 1940 were used. These estimates, calculated by Dewhurst and published in the Twentieth Century Survey on America's Needs and Resources, appendix 3, p. 695, tie-in with the Census labor force series from 1943 to date.

METHOD OF ESTIMATING TOTAL EMPLOYMENT

Total employment estimates were based on separate estimates for civilian employment and the armed forces.

Civilian employment

1929 to date.—The civilian employment as reported by the Census Bureau in their labor force series, was used.

Prior to 1929.—Decade estimates for 1890 and 1900, and annual estimates for 1920–28 were made by Stanley Lebergott. These estimates were based on extensive study, most of which was published in the Journal of the American Statistical Association, March 1948, pages 74–93.

Armed forces

Data as reported in the Statistical Abstract of the United States, 1949 for the Army and the Navy were used for the same years for which civilian employment data were available. An estimate was made for the Navy strength for a year or two missing during the earlier period when there was little year to year change.

EVALUATION OF THE PRODUCTIVITY METHOD USED

Since annual changes in productivity are so small and the margin of error in estimating the gross national product and in reducing it to constant dollars is fairly large, the method described above is not satisfactory for estimating year-to-year changes. It may be used to give a rough picture of long-term trends, or the movement over a span of several years, although problems of product incomparability over a period of time, and the choice of relative price weights, make only broad conclusions possible. For the period 1946–49 the apparent growth in the productivity was from 1½ to 2 percent a year for the economy as a whole.

Most published series regarding productivity relate to segments of productive activity, manufacturing, mining, or subgroups of these rather than to the economy as a whole. However, an estimate of the increase in national income per man-hour of 1.8 percent per year for the period 1850 to 1940 was published in 1947 by the Twentieth Century Fund in America's Needs and Resources. This is not strictly comparable with the estimate of 2 to 2½ percent increase in output per man-hour per year shown in the accompanying table, since the latter is an estimate of the increase in gross national product per man-hour rather than national income. More important, however, the attached estimates of output per man-hour for the period following 1919 were based on revised series for national product and income in current dollars and on what are believed to be improved methods of deflating the current dollar series. (The employment estimates are also somewhat different from the Twentieth Century Fund study, but this probably has less significance.) For earlier years the degree of uncertainty in all estimates is great. However, there does not appear to be a significant change in trend between the period 1890 to 1919 and the period following 1919.

DATA USED FOR CHART

The data are still considered preliminary and subject to further improvement. But the indexes as used for the chart are considered sufficient to indicate the approximate trend in national output and labor input since 1890. These indexes are given in the attached table.

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Tabulation for chart 15, Council's Economic Review, January 1950, national output and labor input

[1890=100]

	Gross national product (constant dollars)	Output per man-hour	Total employed workers	Average hours per employed worker
1890	100.0	100	100	100.0
1889-98	[1] 112.8			
1900	149	125	124	96.3
1889-1908	[1] 173.8			
1910				91.0
1909-18	[1] 238.0			
1919	320.0			
1920	301.2	207	179.6	82.1
1921	280.7		164.6	
1922	313.3		174.8	
1923	358.3		187.6	
1924	362.2		186.3	
1925	378.7		192.0	
1926	395.9		198.2	
1927	402.3		198.7	
1928	413.7		200.9	
1929	443.9		211.9	
1930	403.2	270	202.4	74.7
1931	371.0		188.8	
1932	312.9		173.4	
1933	313.5		172.6	
1934	349.2		182.1	
1935	380.2		188.2	
1936	432.0		197.8	
1937	452.2		206.3	
1938	431.1		197.2	
1939	469.1		204.1	
1940	514.6	359	212.0	68.1
1941	605.4		229.3	
1942	695.7		254.7	
1943	792.3	385	280.3	74.0
1944	834.9	409	288.6	71.5
1945	806.2	409	283.6	70.0
1946	732.3	424	259.1	67.3
1947	737.5	428	263.1	66.0
1948	762.9	443	268.5	64.6
1949	[2] 749.7	[2] 446	266.6	64.9

[1] Estimates plotted on chart at center of decade.
[2] Estimates based on revisions made in basic data subsequent to publication of the report. Unrevised estimated indexes used in chart 15 were 755.4 for gross national product (constant dollars) and 450 for output per man-hour.

II. CAPITAL EQUIPMENT BOOM AND BACKLOG

[Capital Goods Review, Machinery and Allied Products Institute, Chicago, February 15, 1950]

The Machinery and Allied Products Institute inaugurates with this issue a new publication, devoted to the economics of capital goods and the economic problems of their producers. It will be edited by our director of research, George Terborgh, and will appear for the present at quarterly intervals. We are confident that this addition to our service will be valuable not only to MAPI member manufacturers but to the public generally.

William J. Kelly, *President.*

The Present Position of the Capital Equipment Market

It is evident to anyone who has given the subject even cursory attention that whatever may be said of certain relatively depressed lines like machine tools, capital equipment in general has been enjoying a postwar boom. It is easier to recognize the boom, however, than to appraise its dimensions or to estimate its probable duration.

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To judge its dimensions, we must have at least a rough idea of the level of activity that can be considered "normal" for the postwar period, while to estimate its probable duration we must assess the "backlog" of deferred demand carried over from the war and the great depression of the thirties. Unfortunately, both judgments are difficult to arrive at, and the results can be at best only tentative. Even tentative conclusions are better than none, however, if their provisional nature is kept firmly in mind.

Normal equipment demand for the postwar period

One approach to the determination of normal is the projection of historical trends. This approach we propose to explore with reference to capital equipment. How does the postwar level look in relation to an extension of past trends?

Those interested primarily in particular sectors of the equipment market will note that the present analysis relates only to the grand total of all kinds of producers' equipment, including agricultural, industrial, public utility, commercial, and miscellaneous. There is of course the greatest diversity of situation and outlook from one type of equipment to another; hence the picture for the aggregate of all types may have but limited significance for any one of them taken singly. Even if this picture were entirely clear, therefore—and we shall see that it is not—it would still be necessary to exercise extreme caution in drawing inferences as to the prospects for particular lines.

With this warning, we may proceed to chart 1, which shows private expenditures for productive equipment over the past 50 years at constant (1929) prices, with a trend line fitted to the period 1900–30.

Over the 30 years preceding the great depression, equipment expenditures at constant prices moved irregularly upward at an average rate (as indicated by the trend line) of slightly under 3 percent per annum.[2] If we project this rate of growth to the postwar period as a tentative measure of normal, the recent expenditure level appears very high indeed, the peak, in 1948, being roughly 50 percent above the trend value.

This is not the only attempt that has been made to appraise postwar equipment activity by the projection of historical growth trends. A recent study by the Department of Commerce, based, like our own, on expenditures for all producers' equipment at 1929 prices, but using different data for the last two decades and a different trend calculation, comes out with a 1948 volume about 35 percent above normal.[3]

There are too many imperfections in the figures and estimates entering into these two studies, and too many legitimate differences of opinion on statistical procedures, to permit anyone to say flatly which investigation gives the more reliable result. For reasons we need not detail here, we are inclined to believe that the truth lies between the two, and that the indicated results should be regarded as the upper and lower limits of a reasonable range. On this basis, we can say that equipment activity in 1948 was from a third to a half above normal as indicated by a projection of the predepression growth trend.

At the present time (January 1950), the total output of equipment appears to be running around 15 to 20 percent below the 1948 average. Notwithstanding this substantial decline, however, it is still above the trend line by about 20 percent on our figures and by 5 to 10 percent on the Commerce figures.[4] If this line is a measure of normal, therefore, we are warranted in concluding that we are still moderately above it.

There is another approach to the appraisal of postwar equipment activity which provides an interesting check on the one just presented. Instead of the absolute amount of equipment expenditures, we have in chart 2 the percentage which they constitute of the value of all physical production, the reckoning being, again, at constant prices.

[2] It will be noted that the scaling of the chart is logarithmic, giving at all points equal vertical distances for equal relative, or percentage, changes. A straight line trend denotes, therefore, a constant percentage growth rate.

[3] S. Morris Livingston, The Demand for Producers' Durable Equipment, Survey of Current Business, June 1949, p. 8.

[4] After allowing for the rise in the line since 1948 (about 4.5 percent).

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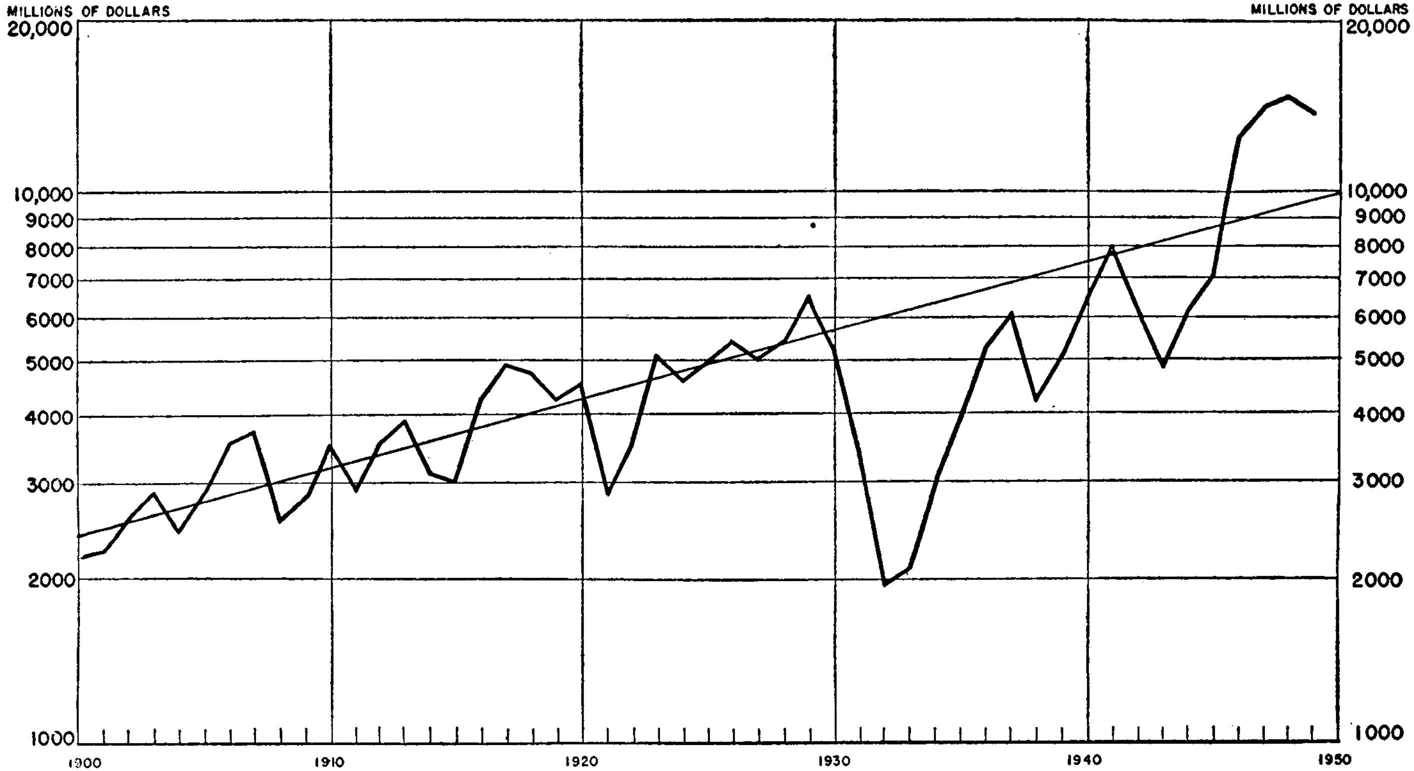
CHART 1

EXPENDITURES FOR PRODUCERS' EQUIPMENT[1]

(At 1929 Prices)



[1] Covers private expenditures only, including purchases of used equipment from the Federal Government after the war. The term "equipment" does not include buildings and other fixed improvements to real estate.

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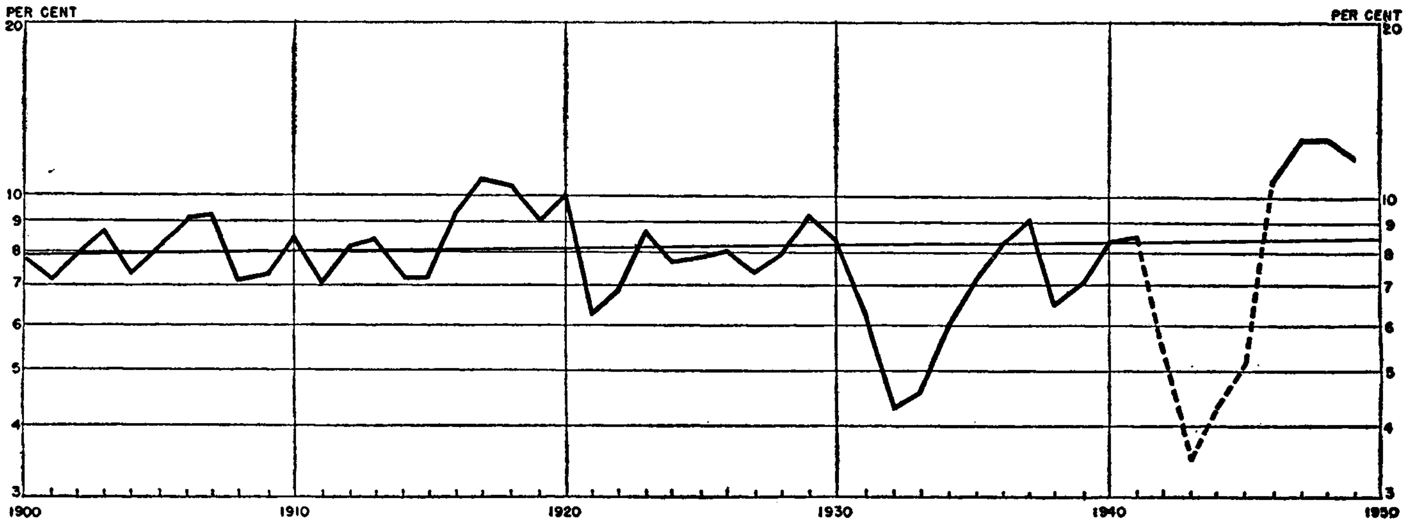
CHART 2

EXPENDITURES FOR PRODUCERS' EQUIPMENT AS A PERCENTAGE OF THE VALUE OF ALL PHYSICAL PRODUCTION

(At 1929 Prices)



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Here also the postwar data rise far above the projection of the 1900–30 trend line, the greatest excess, in 1948, being, as in chart 1, in the vicinity of 50 percent. Unfortunately, the Commerce study does not exploit this approach, and accordingly does not permit a direct comparison with this result, but it is clear that had it done so it would have come out, as it did by the first approach, with a lower excess over trend than our figures indicate. Assuming again that the truth falls somewhere between the two studies, we can conclude that the indications of this second approach are generally consistent with those of the first, namely, a postwar peak (1948) from a third to a half above normal and a present level 5 to 20 percent above it.

The postwar backlog

That expenditures have been high does not mean, of course, that they must necessarily descend forthwith to the estimated normal. For we may still have a backlog of deferred demand resulting from the subnormal rate of expenditures during the war itself (chart 1) and from the low level prevailing during the depression of the thirties. Let us consider this angle for a moment.

The size of the postwar backlog is sometimes measured by cumulating the amounts by which equipment expenditures after 1929 (at constant prices) fell below estimated normal. It is then assumed that the entire deficiency remained to be "made up" later by an equivalent excess of expenditures above normal. If we use as the measure of normal the trend line indicated in chart 1, the postwar equipment backlog by this reckoning was about $35,000,000,000 (at 1929 prices). According to the Commerce figures it was even higher (about $45,000,000,000).

How far has this accumulated deficiency been offset by expenditures in excess of normal since 1945? By our data, the offset amounts to roughly one-half; by the Commerce data it is around one-quarter. Assuming once more than the truth may lie between the two, should we conclude that the postwar backlog has been only a quarter to a half "made up"? By no means. There is no reason to suppose that a huge deficiency like this, accumulated over a period of 15 years, ever will be compensated in full by later expenditures in excess of trend. Nor is this necessary in order to restore the stock of equipment in use to normal size and age composition, this being accomplished gradually merely by the resumption and continuance of normal expenditures for new equipment. If we have already "made up" a quarter to a half of the accumulated deficiency of 1930–45, it is not unreasonable to infer that we may be approaching the end of the operation.

This inference is reinforced by consideration of the size of the stock of capital equipment now in use. While there is no satisfactory measure of changes in the size of this stock in the past, hence no satisfactory measure of normal for the present time, we can get a rough idea by assuming, arbitrarily, that the gross stock has at all times equaled the expenditures (at constant prices) of the preceding 15 years. If then we project to the present a trend line fitted to these stock estimates for 1915–30, we find the current stock (representing the expenditures of 1935–49) very close to trend by our figures and slightly below by the Commerce figures. If the same calculation is applied using for the stock throughout a 20-year cumulation of expenditures, the present position is below trend by both reckonings, but not by a very wide margin, our data indicating a deficiency of about 10 percent, the Commerce data a deficiency of around 20 percent. Thus it appears from these calculations that the existing stock of capital equipment, as expanded by the phenomenally heavy installations of the past 4 years, is not too far from normal size.

Conclusion

While this appears about the best that can be done by an analysis of historical trends, the measure of normal they yield is of course far from conclusive. Too much water has run over the dam since 1930 to permit us to say with any assurance that a projection of the growth rate for a long period prior thereto constitutes a reliable test of normal for today. Nevertheless, while the results of this analysis cannot be read closely, they do offer a useful provisional indication of where we stand. They suggest that postwar equipment expenditures in the aggregate have been well above normal and are still moderately above it. They suggest also that the present stock of equipment in use is approaching normal, though still moderately below it. From this we may infer that the postwar backlog of deferred demand, while by no means wholly "made up," is largely behind us.

If these broad conclusions are warranted, it means that from here on out the market for equipment will depend largely on currently accruing demand, with rapidly diminishing benefit from the postwar backlog. It means, by the same token, that if the equipment producers are to maintain an aggregate volume

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comparable to that enjoyed since the war they must create a new normal by stimulating a more rapid turn-over of the country's inventory of capital equipment.

Fortunately, they are favored in this undertaking by an unusual relation between equipment prices and hourly labor costs. It is not uncommon for equipment prices to lag the rise in these costs; indeed, the historical record indicates that it is normal for them to do so, but the degree of lag since prewar has been phenomenal. Including nonwage benefits such as pensions, insurance, paid holidays, paid vacations, and the like, the average cost of an hour's labor in industry generally is more than 130 percent above 1939, while the average advance in equipment prices has been roughly half as much. This places an exceptional premium on labor-saving through remechanization and helps, accordingly, in the establishment of a new normal for equipment activity.

The market is favored also by the fact that for many important classes of equipment, particularly those produced in large volume during the recent war, the technological age of the present stock is considerably higher than its chronological age. This reflects the fact that prewar models and designs were frequently frozen for the duration. Where this occurred, the wartime vintage presents a technological plateau, rather than the gradual improvement more usual in normal times. While the importance of this factor varies from one line to another (in an extreme case, machine tools, it is estimated that more than 90 percent of the present stock consists of prewar models), it cannot fail to have some beneficial effect on the future demand for equipment in total.

While these favorable factors are all to the good, the basic approach to the enlargement of demand is through the rationalization of equipment policy by American industry. The Institute has been at pains to point out repeatedly that the possibilities of such rationalization are enormous. This is the main thesis of its book, Dynamic Equipment Policy, and of the sequel, The MAPI Replacement Manual, recently issued. It is our conviction that the administration of equipment policy is presently the most backward area of management, in this country as elsewhere, and that the general adoption of good policy would redound to the benefit not only of producers of equipment, but of the Nation as a whole. It is here, fundamentally, that a new normal must be sought.

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III. EMPLOYMENT OPPORTUNITIES ATTRIBUTABLE TO UNITED STATES EXPORTS, 1949*

The relationship between exports of goods from the United States and domestic employment levels is complex and difficult to place in a quantitative framework. One approach is to determine the changes in domestic production levels which would occur if all exports were terminated, if all deliveries to domestic purchasers were unchanged, and if adjustments were made in production schedules throughout the economy so that inventories remained unaltered. The mechanism for carrying through such an analysis is provided by the Bureau of Labor Statistics study of interindustry relations, which makes it possible to account for the production of raw materials and intermediate products required to maintain the exports of finished goods. The changes in production levels implied by such analysis may be expressed in terms of job opportunities directly and indirectly dependent on exports, on the assumption that output per worker remains the same.

Following this scheme of analysis, nearly 1.7 million persons in 1949 were employed directly and indirectly in nonagricultural industries in the production of goods destined for foreign markets. This total includes workers attached to industries whose products were sold directly to foreign countries and also workers in other industries who were required to produce, transport, and distribute the raw materials, components, and services purchased for incorporation in exported goods.

This represents a decline of more than 600,000 job opportunities provided by exports since the first half of 1947, reflecting a drop of more than one-quarter in the exports of nonagricultural products during this period. The impact varied from industry to industry depending on changes in the export pattern and on differential movements in productivity and working hours. The greatest relative declines were experienced in the transportation equipment, lumber and furniture, and textiles, apparel and leather groups. The greatest absolute impact was felt in the metals and metalworking industries. For this segment (the first four groups in the accompanying table), employment opportunities dropped 230,000. Next in absolute importance was the decline of 125,000 job opportunities for the textile, leather, and apparel group.

The estimates properly refer to job opportunities rather than employment levels. For example, a decline in export demand which would tend to reduce job opportunities might be completely balanced by increases in domestic demand for the products of the same industry. Nevertheless, for many industries export demand is an important factor in connection with production and employment levels.

*By Marvin Hoffenberg of the Bureau of Labor Statistics, Division of Interindustry Economics, May 1950.

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Agriculture has been omitted from the estimates because short-run changes in demand may affect farm income more immediately than farm employment. In the nonagricultural industries there is likely to be a closer relationship between job and production levels. However, the estimates include the nonagricultural employment required to support the exports of farm products. During the period considered, exports of agricultural products increased by 60 percent in contrast with the 29 percent decline for nonagricultural commodities. The decline in total exports over the period, including farm products, was 23 percent.

A more detailed analysis of this type for 1939 and the first 6 months of 1947, including additional methodological notes, was published in the Monthly Labor Review for December 1947.

Nonagricultural employment attributable directly and indirectly to exports from continental United States, January to June 1947, and annual 1949

Industry [1]	1949 volume of exports [2] (January to June 1947=100)	Employees in nonagricultural establishments dependent upon exports [3]		
		January to June 1947	Annual 1949	Index in 1949 (January to June 1947=100)
Primary metal industries [4]	68	220,000	155,000	71
Fabricated metal products	86	85,000	70,000	79
Machinery (including electrical)	84	350,000	290,000	82
Transportation equipment	52	195,000	95,000	49
Stone, clay and glass products [5]	69	45,000	35,000	72
Fuel and power [6]	57	150,000	125,000	85
Chemicals	113	85,000	85,000	98
Lumber and furniture	56	75,000	40,000	51
Wood, pulp, paper, printing and publishing	67	65,000	40,000	60
Textiles, apparel and leather	53	260,000	135,000	52
All other manufacturing [7]	66	160,000	100,000	61
Transportation [8]		265,000	225,000	85
Trade and services [9]		405,000	305,000	76
Total [10]	71	2,360,000	1,695,000	72

[1] With minor exceptions, these industry classifications correspond with those used by the Employment Statistics Division of the Bureau of Labor Statistics.

[2] Annual rate indexes based on data furnished by Foreign Trade Division, Bureau of the Census, and deflated by Bureau of Labor Statistics to 1939 dollar values. Shipments from continental United States to noncontiguous territories (Alaska, Hawaii, Puerto Rico, Guam, Midway, and the Virgin Islands) are classified as exports. The total given for exports excludes agricultural products. Agricultural exports increased 60 percent during the period considered, and the index for total exports including agricultural products would be 77.

[3] Employment rounded to nearest 5,000; index based upon unrounded figures.

[4] Includes metal mining.

[5] Includes nonmetallic mineral mining and quarrying.

[6] Includes coal mining; crude petroleum production and refining; coke and manufactured solid fuel; natural and manufactured gas production and distribution; and electric power.

[7] Includes food processing and kindred products; rubber; and the miscellaneous manufacturing industries.

[8] Includes steam railroads; water transportation; local and interurban transportation; and the miscellaneous transportation industries.

[9] Includes wholesale and retail trade; communication; and business and personal services.

[10] Totals may not add due to rounding.

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IV. PRICES PAID AND RECEIVED BY FARMERS, 1910–49

Indexes of prices received for farm products and prices paid by farmers for commodities used in production, 1910–49 [1]

[1910–14=100]

Year	Prices received for farm products	Prices paid for commodities used in production	Prices paid for farm machinery	Year	Prices received for farm products	Prices paid for commodities used in production	Prices paid for farm machinery
1910	103	97	100	1930	125	135	152
1911	95	98	100	1931	87	113	150
1912	99	102	100	1932	65	99	142
1913	102	101	100	1933	70	99	138
1914	102	102	100	1934	90	114	144
1915	99	104	103	1935	109	122	148
1916	119	115	108	1936	114	122	150
1917	178	156	123	1937	122	132	153
1918	206	180	155	1938	97	122	158
1919	218	195	160	1939	95	121	155
1920	212	195	166	1940	100	123	153
1921	124	128	160	1941	123	130	154
1922	131	127	143	1942	158	148	164
1923	142	138	148	1943	192	164	175
1924	143	140	155	1944	196	173	170
1925	156	145	154	1945	206	176	176
1926	146	141	154	1946	234	191	182
1927	141	141	155	1947	275	224	206
1928	149	148	154	1948	285	250	240
1929	148	146	153	1949	249	238	270

[1] Revised Jan. 1, 1950.

Bureau of Agricultural Economics, Department of Agriculture.

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V. BILLIONAIRE CORPORATIONS—BUSINESS VERSUS GOVERNMENT, DEC. 31, 1949

Corporation or political unit	Assets [1]		Revenues [2]		Employees [3]	
	Amount (millions)	Rank according to size of assets	Amount (millions)	Rank according to size of revenues	Number (thousands)	Rank according to number of employees
U. S. Government	[4] $61,781	--------	[5] $42,774	--------	[6] 2,121.0	--------
American Telephone and Telegraph Co	10,775	6	2,893	3	593.9	1
New York State	27,509	1	[7] 728	19	477.9	2
General Motors Corp	2,824	33	5,701	1	401.3	3
California	[8] 10,132	7	[9] 530	23	336.1	4
United States Steel Corp	2,556	37	2,302	4	291.2	5
Washington, D. C	1,872	49	[9] 128	64	239.5	6
Pennsylvania	[10] 11,048	5	[11] 1,059	13	236.5	7
Illinois	22,391	2	[9] 597	21	222.2	8
Ohio	[8] 12,829	4	[8] 631	20	220.4	9
Michigan	9,723	8	[9] 506	27	190.5	10
Texas	5,296	16	[12] 522	25	184.5	11
General Electric Co	[8] 1,177	86	1,633	[8] 7	[8] 179.3	12
New York City	[13] 18,112	3	[9] 1,992	5	160.5	13
Massachusetts	[14] 6,830	13	[15] 327	37	155.6	14
Pennsylvania Railroad	2,280	44	850	15	[8] 138.0	15
Bethlehem Steel Corp	[8] 1,155	87	[8] 1,267	10	[8] 131.2	16
Standard Oil Co. (New Jersey)	[8] 3,526	27	[8] 3,301	2	[8] 129.0	17
New Jersey	5,794	15	[14] 295	40	124.5	18
New York Central Railroad Co	[8] 1,756	51	[8] 780	17	[8] 119.7	19
Indiana	[16] 4,571	20	[9] 491	28	106.3	20
Wisconsin	[8] 7,929	12	[15] 275	44	106.2	21
Minnesota	[8] 1,509	64	[14] 283	43	98.2	22
Missouri	[10] 4,327	21	[9] 145	60	93.6	23
Iowa	[8] 3,349	31	[8] 460	29	86.1	24
North Carolina	[8] 3,706	25	[9] 141	62	84.9	25
Florida	[8] 2,890	32	[14] 350	34	83.3	26
Washington	1,599	59	[7] 347	35	79.0	27
Virginia	[14] 3,505	28	[9] 292	42	76.9	28
Georgia	[10] 1,415	70	[9] 161	59	75.6	29
Louisiana	[8] 1,886	47	[14] 200	51	74.8	30
E. I. du Pont de Nemours	1,749	52	1,032	14	73.5	31
Tennessee	[8] 1,910	46	[9] 238	45	71.8	32
Alabama	[8] 1,423	69	[17] 307	39	68.4	33
Atchison, Topeka & Santa Fe Railway Co	[8] 1,293	77	[8] 527	24	[8] 66.2	34
Southern Pacific Co	[8] 1,803	50	[8] 587	22	[8] 64.6	35
Kansas	[18] 3,665	26	[14] 137	63	62.0	36
Oklahoma	[8] 1,649	55	[14] 230	46	61.9	37
Kentucky	[18a] 4,149	22	[15] 53	73	59.9	38
Baltimore & Ohio Railroad Co	[8] 1,234	80	[8] 400	32	[8] 57.2	39
Maryland	3,503	29	[9] 184	53	55.5	40
Connecticut	[8] 3,895	24	[8] 204	50	55.1	41
Oregon	[8] 1,401	71	[19] 292	41	49.9	42
Union Pacific Railroad Co	[8] 1,187	84	[8] 438	30	[8] 49.8	43
West Virginia	[10] 2,296	43	[14] 178	56	48.9	44
Standard Oil Co. (Indiana)	1,551	62	1,158	11	[8] 48.7	45
Nebraska	2,638	36	20	92	45.0	46
Prudential Insurance Co. of America	8,325	10	1,400	8	[19a] 44.0	47
Socony-Vacuum Oil Co	[8] 1,443	67	[8] 1,327	9	[8] 43.5	48
Colorado	[20] 1,466	65	[9] [21] 81	69	41.7	49
Texas Co	[8] 1,277	78	[8] 1,081	12	[8] 40.2	50
Consolidated Edison Co. of New York, Inc	[8] 1,449	66	[8] 371	33	[8] 30.3	51
Standard Oil Co. (California)	[8] 1,075	92	[8] 736	18	[8] 30.0	52
Chicago, Ill	[8] 8,045	11	[8] 407	31	30.0	53
Detroit, Mich	[13] 3,980	23	[8] 178	57	29.8	54
North Dakota	1,097	89	[9] 102	65	29.1	55
Metropolitan Life Insurance Co	9,708	9	1,717	6	28.6	56
Los Angeles, Calif	[13] 2,429	42	[22] 50	76	28.4	57
South Dakota	[8] 1,263	79	[14] 52	75	26.7	58
Philadelphia, Pa	3,466	30	[8] 324	38	23.0	59
Rhode Island	[10] 1,603	57	[9] 52	74	20.3	60
Montana	[8] 1,374	73	[14] 74	71	19.8	61
Boston, Mass	1,601	58	[8] 218	49	17.7	62
Cleveland, Ohio	1,649	54	[8] 142	61	16.3	63
San Francisco, Calif	[13] 1,093	90	[14] 89	67	15.8	64
John Hancock Mutual Life Insurance Co	2,697	35	513	26	[10] 15.1	65
American Power & Light Co	[8] 1,006	94	184	[8] 54	[8] 14.9	66
Bank of America National Trust & Savings Association	6,250	14	195	52	14.6	67
Baltimore, Md	1,400	72	[8] 99	66	12.6	68
Travelers Insurance Co	1,879	48	225	48	12.6	69
National City Bank of New York	5,052	18	78	70	12.4	70
St. Louis, Mo	1,052	93	[13] 88	68	11.9	71

See footnotes at end of table, p. 96.

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V. BILLIONAIRE CORPORATIONS—BUSINESS VERSUS GOVERNMENT, DEC. 31, 1949—Continued

Corporation or political unit	Assets [1]		Revenues [2]		Employees [3]	
	Amount (millions)	Rank according to size of assets	Amount (millions)	Rank according to size of revenues	Number (thousands)	Rank according to number of employees
Chase National Bank of the City of New York	4,780	19	69	72	7.8	72
Equitable Life Assurance Society of the United States	5,269	17	836	16	[8] 7.3	73
Manufacturers Trust Co	2,452	40	43	78	4.6	74
Security First National Bank of Los Angeles	1,713	53	10	93	4.1	75
Guaranty Trust Co. of New York	2,731	34	45	77	3.9	76
First National Bank of Boston	1,528	63	28	83	3.8	77
Northwest Bancorporation	1,352	75	31	80	3.7	78
First Bank Stock Corp	1,222	82	[8] 26	85	3.4	79
Continental Illinois National Bank & Trust Co	2,553	38	36	79	3.0	80
Mutual Life Insurance Co. of New York	2,075	45	229	47	2.9	81
Marine Midland Corp	1,186	85	27	84	2.9	82
Central Hanover Bank & Trust	1,592	61	24	88	2.5	83
Bankers Trust Co. (New York)	1,624	56	30	81	2.4	84
Bank of the Manhattan Co	1,232	81	24	87	2.4	85
Irving Trust Co	1,187	83	22	90	2.2	86
Chemical Bank & Trust Co	1,593	60	25	86	2.2	87
First National Bank, Chicago	2,461	39	[23] 9	94	2.1	88
National Bank of Detroit	1,366	74	21	91	2.1	89
Mellon National Bank & Trust Co	1,424	68	29	82	2.1	90
Massachusetts Mutual Life Insurance Co	1,313	76	183	55	2.0	91
Cleveland Trust Co	1,120	88	24	89	2.0	92
New England Mutual Life Insurance Co	1,083	91	174	58	[24] 1.9	93
Northwestern Mutual Life Insurance Co	2,443	41	340	36	1.4	94

[1] Assets for States and municipalities represent total assessed valuation.
[2] Revenues for all types of organizations are based on gross revenues with the exception of corporations which are based on net sales.
[3] City and State employees are those employed during October 1949; city employees represent public employees exclusive of school employees; District of Columbia figures include Federal employees; State employees represent State and local government employees.
[4] As of June 30, 1949. Excludes valuation of Federal real estate since recent figures are unavailable. From Moody's Banks and Finance; Governments and Municipals, New York: Moody's Service, 1950; and U. S. Treasury Bulletin, April 1950.
[5] As of June 30, 1949. From U. S. Budget for 1950.
[6] As of Dec. 31, 1949. From Bureau of the Census.
[7] Mar. 31, 1949.
[8] Dec. 31, 1948.
[9] June 30, 1949.
[10] Dec. 31, 1947.
[11] May 31, 1949.
[12] Aug. 31, 1949.
[13] 1949–50.
[14] June 30, 1948.
[15] June 30, 1947.
[16] Dec. 31, 1946.
[17] Sept. 30, 1948.
[18] Mar. 1, 1947.
[18a] Dec. 31, 1945.
[19] Jan. 31, 1950.
[19a] Covers a 2-year period to June 30, 1948.
[20] Oct. 1, 1948.
[21] Includes State tax collections only.
[22] Includes revenue from power system only.
[23] Net earnings.
[24] Aug. 1, 1949.

Sources: Moody's Industrials: Public Utilities; Steam Railroads, New York: Moody's Investors Service, 1949. Moody's Banks and Finance; Governments and Municipals, New York: Moody's Investors Service, 1950. The Municipal Year Book, Chicago: The International City Managers' Association, 1949, p. 147. The Spectator Insurance Yearbook, 1949–50, New York: the Spectator, 1949, p. 175. U. S. Bureau of the Census. State Distribution of Public Employment in 1949, April 1950. U. S. Federal Power Commission. Directory of Electric and Gas Utilities in the United States, 1948, Washington, D. C., 1948.

NOTE.—Comparisons on the basis of assets should be made with extreme caution. The figure representing assets of the U. S. Government is an evaluation only of the property physically held by it with no allowance possible for genuine market valuation except on the basis of outlays and costs (less depreciation plus additions and betterments) for such items as roads, structures, etc. Actual total wealth of the United States, representing to some extent the Federal tax base, was estimated on Dec. 31, 1949, at $684,245,000,000. On the other hand, the assets reported for cities and States represent total assessed valuation of real and personal property. Distortions here are manifold, depending on whether personal property is assessed in whole, in part, or not at all; whether the ratio of assessed value to actual, market, or long-run value if 100 percent or some fraction varying in each jurisdiction; depending on differences in exemptions, etc. Even the comparison of assets and revenues of private corporations may be vitiated by differences in accounting methods, wide divergences between book value and market value of properties, etc.

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VI. FEDERAL CASH PAYMENTS

Federal cash payments to the public, by type of recipient and transaction (fiscal years 1949–51)

[In billions]

Payment	1949 actual	1950 estimate	1951 estimate
Direct cash payments for goods and services:			
Payments to individuals for services rendered:			
Military [1]	$3.8	$4.1	$3.9
Civilian wages and salaries (excluding post office): [2]			
Defense	2.4	2.3	2.2
Other Federal	2.5	2.6	2.6
Grants-in-aid and loans for performance of specified services, net [3]	.7	.9	1.3
Total	9.4	9.9	10.0
Payments to business for goods and services:			
Public works:			
Defense	.2	.3	.2
Other Federal	1.3	1.9	2.3
Grants-in-aid and loans for public works [4]	.4	.7	.9
Other goods and services:			
Defense	5.1	5.1	5.8
Civilian [5]	.8	1.2	1.7
Total	7.8	9.2	10.9
Payments to foreign countries and international institutions	1.1	1.1	1.2
Loans and transfer payments to individuals:			
Social insurance and public assistance:			
Federal employees' retirement benefit payments	.2	.3	.3
Old-age and disability benefit payments	.9	1.0	2.6
Unemployment insurance benefit payments	1.3	2.0	1.6
Grants-in-aid for public assistance	.9	1.1	1.4
Readjustment benefits, pensions and other payments to veterans [6]	5.4	7.7	5.6
Loans to home owners, net	−.1	−.2	−.1
Interest [7]	1.2	1.6	1.5
Other	.4	.4	.5
Total	10.2	13.9	13.4
Loans, investments, subsidies, and other transfers to business and agriculture:			
Farmers:			
Price support, net (including supply programs)	1.6	1.5	.9
International Wheat Agreement	----------	.1	.1
Other loans and direct subsidies to farmers [8]	.6	.7	.8
Business:			
Home mortgage purchases from financial institutions	.4	.9	1.0
Loans, net	.1	.2	.2
Direct subsidy payments	(9)	(9)	(9)
Subsidy arising from postal deficit	.5	.6	.2
Interest [7]	2.7	2.6	2.6
Total	5.9	6.6	5.8

[1] Excludes terminal-leave pay and food and clothing allowances which are primarily paid in kind. Includes family allowances and reserve pay.
[2] Excludes payroll deductions for Federal employees' retirement.
[3] Includes all grants-in-aid and loans to public bodies for purposes other than public works and public assistance. Includes one-third of expenditures for veterans' tuition, books, and supplies.
[4] Excludes Rural Electrification Administration loans which are not made to State and local governments but primarily to private cooperatives.
[5] Equals the excess of total cash payments to the public over all items shown separately. Includes primarily purchases of goods and services.
[6] Includes cashing of terminal-leave bonds, mustering-out pay, national service life insurance and Government life insurance refunds and benefits, and veterans' pensions and readjustment benefits (excluding two-thirds of veterans' tuition, books, and supplies).
[7] Includes a small amount of interest on tax refunds in addition to interest on the public debt. Interest payments to individuals includes about $100,000,000 of interest payments to State and local governments in each year.
[8] Includes Rural Electrification Administration loans.
[9] Less than $50,000,000.

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Federal cash payments to the public, by type of recipient and transaction (fiscal years 1949–51)—Continued

[In billions]

Payment	1949 actual	1950 estimate	1951 estimate
Loans and transfer payments to foreign countries and international institutions:			
European recovery program loans and grants	[10] 4.0	[11] 4.1	[12] 3.2
Other loans (net withdrawals)	-.1	.1	(9)
Other grants [13]	2.3	1.6	1.1
Subscriptions to the International Bank and Monetary Fund [14]	.1	.2	.2
Total	6.3	6.0	4.5
Clearing account and adjustment to daily Treasury statement	-.1	-.2	
Total Federal cash payments to the public	40.6	46.5	45.8

[10] It is estimated that approximately 40 percent of this amount is for purchase of food and agricultural commodities from the United States, and 20 percent for industrial commodities from the United States.
[11] It is estimated that approximately 40 percent of this amount is for purchase of food and agricultural commodities from the United States, and 33 percent for industrial commodities from the United States.
[12] It is estimated that approximately 33 percent of this amount is for purchase of food and agricultural commodities from the United States, and 33 percent for industrial commodities from the United States.
[13] It is estimated that roughly half of these expenditures is for purchase of food and agricultural commodities from the United States, and less than half for purchase of industrial commodities from the United States.
[14] Cash withdrawals.

Source: U. S. Bureau of the Budget, Mar. 22, 1950.

VII. MAJOR FEDERAL LOAN PROGRAMS

Status of Major Federal Loan, Loan Guaranty and Loan Insurance Programs

The attached tables summarize the status of 15 major Federal loan, loan guaranty, and loan insurance programs as of December 31, 1949, and additional authority available at the discretion of the President. The tables exclude programs in liquidation and other programs with no continuing lending authority; the most important of these are the Treasury loan to the United Kingdom and the Home Owners' Loan Corporation. Because of the sizable available authority, the industrial loan program of the Federal Reserve banks is listed, even though it has been largely inactive in recent years. Sales credits, e. g., surplus property sales credits, are excluded.

Status on December 31, 1949 (table 1)

Over-all limitation (columns 1, 2, 3, and 4): For 12 of the 15 major agencies, loans, loan guaranties, and loan insurance are covered by specific limitations. These limitations totaled 33.1 billion dollars on December 31, 1949, including amounts available during fiscal year 1950. In the case of the Federal Land banks, Federal Home Loan banks, and Veterans' Administration, there are no specific limitations.

The over-all limitations on loans, guaranties, and insurance are of two major types, depending on whether repayments are or are not available for relending. In the case of the revolving type of limitation, the amount shown in the table is ordinarily one or a combination of two of the following: (a) The maximum outstanding amount of loans, guaranties, and insurance permitted by statute; (b) the cumulative amounts appropriated into a revolving fund; or (c) the capital, surplus, and authorized borrowing authority. In the case of the nonrevolving type of gross limitation the amounts shown are the total authorizations still available plus outstanding loans and commitments. The net commitment authority is the gross commitment authority of both types minus the amount not available for loans (e. g., the amount already invested in nonlending assets, such as commodity inventories or legal reserves against deposits).

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Outstanding loans and commitments (columns 5 and 6).—Outstanding loans (10 billion dollars) and commitments to lend (2.4 billion dollars) of the 15 programs amounted to 12.4 billion dollars on December 31, 1949. These include all direct loans on which the principal has been disbursed and all undisbursed commitments on such loans; they exclude accrued interest.

Guaranties and insurance (columns 7 and 8).—Outstanding Federal guaranties and insurance of private loans (15 billion dollars) together with commitments (2.7 billion dollars) were 17.7 billion dollars on December 31, 1949. In such guaranties or insurance the Federal agency contracts to take over loans made by other lenders or to pay a specified amount to the original lender in case of loss. Commitments to guarantee or insure represent guaranties and insurance approved but not yet in force. In cases where only a portion of the loan is guaranteed or insured (e. g., FHA, title I; VA; and RFC) the total credit extended by the lender exceeds the aggregate Federal guarantie or insurance liability.

Uncommitted authority (column 9).—The uncommitted authority on December 31, 1949, of the 12 major agencies with specific limitations was 9 billion dollars; of this 2.9 billion dollars was FHA mortgage insurance authority. It also included all amounts still available for obligation in the fiscal year 1950.

Additions to commitment authority subject to Presidential discretion (table 2)

An additional $550,000,000 in commitment authority was available on December 31, 1949, subject to approval by the President (of this amount, he subsequently released additional FHA insurance authority of $300,000,000 for title VI (nonrevolving type). This discretion was available for the war housing mortgage insurance program of the Federal Housing Administration and for the slum clearance and urban redevelopment program administered by the Housing and Home Finance Administrator. In the case of the slum clearance and urban redevelopment loans, for which $250,000,000 discretionary authority remained, the President may increase the limit only upon his determination that such action is in the public interest "after receiving advice from the Council of Economic Advisers as to the general effect of such increase upon conditions in the building industry and upon the national economy."

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TABLE 1.—*Status of major Federal loan, loan-guaranty and loan-insurance programs Dec. 31, 1949*

[In millions of dollars]

Agency	Over-all limitations				Loans		Guaranties and insurance		Uncommitted authority (4–5, 6, 7, 8)
	Gross committed authority		Not available for loans	Net committed authority (1+2−3)	Outstanding	Commitments	Outstanding	Commitments	
	Revolving	Nonrevolving							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Department of Agriculture:									
Farm Credit Administration:									
Banks for Cooperatives	[1] 502		12	490	302	(2)			188
Federal Intermediate Credit banks	[1] 1,374			1,374	483	(2)			891
Federal land banks	(3)			(3)	919	4			(3)
Commodity Credit Corporation	[1] 4,850		1,988	[4] 2,862	962	199	767	(2)	934
Farmers Home Administration	100	583		683	514	20	12	(2)	137
Rural Electrification Administration		[5] 2,243		2,243	1,301	566			376
Economic Cooperation Administration	1,150			1,150	853		[6] 7	(2)	290
Export-Import Bank	3,500			3,500	2,086	431	100	(2)	883
Federal Reserve Banks	278			278	2	2	3	(2)	271
Housing and Home Finance Agency:									
Office of the Administrator	40			40					40
Federal Housing Administration	8,475	[7] 7,100	953	14,622			9,210	2,540	2,870
Federal Home Loan banks	(3)			(3)	433	(2)			(3)
Public Housing Administration	1,500			1,500	285	45	221		949
Reconstruction Finance Corporation	3,550	[8] 830		4,380	1,878	1,134	157		1,211
Veterans[8] Administration	(3)			(3)			[9] 4,534	192	(3)
Subtotal, agencies with specific limitations	25,319	10,756	2,953	33,122	8,666	2,399	10,477	2,540	9,040
Subtotal, other agencies					1,352	4	4,534	192	
Total					10,018	2,401	15,011	2,732	

[1] Capital, surplus, and borrowing authority.
[2] Not available.
[3] No specific limit.
[4] Derived from agency's estimate of uncommitted authority.
[5] Total authorizations (including $150,000,000 on call by Secretary of Agriculture) less repayments.
[6] Guarantee of currency convertibility only.
[7] Total authorizations less repayments.
[8] Outstanding loans made prior to June 30, 1947.
[9] Does not allow for partial amortization of ourstanding loans.

Source: U. S. Bureau of the Budget.

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TABLE 2.—*Additional loan and loan insurance authority, subject to presidential discretion (Dec. 31, 1949)*

[In millions of dollars]

Agency	Over-all limitation			
	Gross commitment authority		Not available for loans	Net commitment authority
	Revolving	Nonrevolving		
Housing and Home Finance Agency:				
Office of the Administrator	250			250
Federal Housing Administration		300		300
Total	250	300		550

Source.—U. S. Bureau of the Budget.

VIII. RECOMMENDATIONS OF SUBCOMMITTEES OF THE JOINT COMMITTEE ON THE ECONOMIC REPORT

SUBCOMMITTEE ON MONETARY, CREDIT, AND FISCAL POLICIES

I. THE ROLE OF MONETARY, CREDIT, AND FISCAL POLICIES IN ACHIEVING THE PURPOSES OF THE EMPLOYMENT ACT

We recommend not only that appropriate, vigorous, and coordinated monetary, credit, and fiscal policies be employed to promote the purposes of the Employment Act, but also that such policies constitute the Government's primary and principal method of promoting those purposes.

II. FEDERAL FISCAL POLICIES

1. We recommend that Federal fiscal policies be such as not only to avoid aggravating economic instability but also to make a positive and important contribution to stabilization, at the same time promoting equity and incentives in taxation and economy in expenditures. A policy based on the principle of an annually balanced budget regardless of fluctuations in the national income does not meet these tests; for, if actually followed, it would require drastic increases of tax rates or drastic reductions of Government expenditures during periods of deflation and unemployment, thereby aggravating the decline, and marked reductions of tax rates or increases of expenditures during periods of inflationary boom, thereby accentuating the inflation. A policy that will contribute to stability must produce a surplus of revenues over expenditures in periods of high prosperity and comparatively full employment and a surplus of expenditures over revenues in periods of deflation and abnormally high unemployment. Such a policy must, however, be based on a recognition that there are limits to the effectiveness of fiscal policy because economic forecasting is highly imperfect at present and tax and expenditure policies under present procedures are very inflexible.

2. We recommend that the Joint Committee on the Economic Report make an intensive study of the various possible methods of increasing the flexibility of tax and expenditure policies in order to discover whether and to what extent it is feasible to make these instruments more effective for stabilization purposes.

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III. MONETARY AND DEBT-MANAGEMENT POLICIES [1]

1. We recommend that an appropriate, flexible, and vigorous monetary policy, employed in coordination with fiscal and other policies, should be one of the principal methods used to achieve the purposes of the Employment Act. Timely flexibility toward easy credit at some times and credit restriction at other times is an essential characteristic of a monetary policy that will promote economic stability rather than instability. The vigorous use of a restrictive monetary policy as an anti-inflation measure has been inhibited since the war by considerations relating to holding down the yields and supporting the prices of United States Government securities. As a long-run matter, we favor interest rates as low as they can be without inducing inflation, for low interest rates stimulate capital investment. But we believe that the advantages of avoiding inflation are so great and that a restrictive monetary policy can contribute so much to this end that the freedom of the Federal Reserve to restrict credit and raise interest rates for general stabilization purposes should be restored even if the cost should prove to be a significant increase in service charges on the Federal debt and a greater inconvenience to the Treasury in its sale of securities for new financing and refunding purposes.

2. We recommend as means of promoting monetary and debt-management policies that will contribute most to the purposes of the Employment Act:

(*a*) That every effort be made to build up the quality and prestige of Federal Reserve officials; among these measures should be a reduction in the number of members of the Board of Governors from seven to not more than five and an increase in their compensation.

(*b*) That Congress by joint resolution issue general instructions to the Federal Reserve and the Treasury regarding the objectives of monetary and debt-management policies and the division of authority over those policies. These instructions need not, and in our judgment should not, be detailed: they should accomplish their purpose if they provide, in effect, that, (i) in determining and administering policies relative to money, credit, and management of the Federal debt, the Treasury and the Federal Reserve shall be guided primarily by considerations relating to their effects on employment, production, purchasing power, and price levels, and such policies shall be consistent with and shall promote the purposes of the Employment Act of 1946; and (ii) it is the will of Congress that the primary power and responsibility for regulating the supply, availability, and cost of credit in general shall be vested in the duly constituted authorities of the Federal Reserve System, and that Treasury actions relative to money, credit, and transactions in the Federal debt shall be made consistent iwth the policies of the Federal Reserve.

(*c*) That the Secretary of the Treasury and the Chairman of the Board of Governors of the Federal Reserve System be made members of the National Monetary and Credit Council recommended elsewhere in this report.

IV. RESERVE REQUIREMENTS OF COMMERCIAL BANKS [2]

1. We recommend that all banks which accept demand deposits, including both member and nonmember banks, be made subject to the same set of reserve requirements and that all such banks be given access to loans at the Federal Reserve banks.

2. Without endorsing any particular plan, we recommend that serious consideration be given to the Federal Reserve proposal that the present system of member-bank reserve requirements based partly on the size of the city in which a bank is

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[1] Mr. Patman believes that these proposals do not make the Federal Reserve System sufficiently responsible to the executive department of the Federal Government. In creating money and regulating the supply and cost of money and credit, the Federal Reserve is performing a governmental function; it even issues Federal Reserve notes which become obligations of the United States. Moreover, it is now possible for the Federal Reserve to follow policies that would conflict with, and perhaps defeat, the Government's economic program. He believes, therefore, that steps should be taken to increase the responsibility of the Federal Reserve System to the executive department. Though he favors, as proposed in this report, the establishment of a Monetary and Credit Council to be headed by the Chairman of the Council of Economic Advisers, he does not believe that it will make the Federal Reserve sufficiently responsible to the Executive.

[2] Mr. Wolcott dissents from this recommendation. It is his opinion that the so-called dual banking system should be preserved in order that possible checks and balances may be maintained to prevent unwise concentration of credit and economic controls. He contends that any such centralization of banking authority might well be interpreted as a step toward the nationalization of all banking and credit. That, instead, there should be full cooperation between the State banking authorities and the Federal Reserve Board to remove any discriminations which might seem to give advantage or disadvantage to either the Federal or State systems.

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located be replaced by a new system of requirements that would be geographically uniform but that might require different percentages of reserves against different types of deposits.

V. FEDERAL CHARTERING, SUPERVISION, AND EXAMINATION OF COMMERCIAL BANKS

We recommend a thorough and complete study of the broad question of Federal chartering, supervision, and examination of commercial banks, including not only the organization and coordination of the Federal agencies performing these functions but also the substance and applicability of the relevant Federal laws and regulations.

VI. MONETARY POLICY RELATIVE TO SILVER

We recommend that the United States Government cease buying silver for monetary purposes.

VII. THE RESTORATION OF A GOLD-COIN STANDARD IN THE UNITED STATES

We believe that to restore the free domestic convertibility of money into gold coin or gold bullion at this time would militate against, rather than promote, the purposes of the Employment Act, and we recommend that no action in this direction be taken. We also recommend a thorough congressional review of existing legislation relating to the power to change the price of gold with a view to repealing any legislation that might be so construed as to permit a change in the price of gold by other than congressional action.

VIII. DEPOSIT INSURANCE

We recommend that Congress, while considering questions relating to the base and rate for deposit-insurance premiums, also study thoroughly the advantages and disadvantages of increasing the coverage of deposit insurance for the primary purpose of protecting the economy against the adverse deflationary pressures that would accompany cash withdrawals from the banking system during any depression period that may occur, and that no changes in deposit-insurance premiums be made until after the completion of the study.

IX. OTHER FEDERAL CREDIT AGENCIES

1. We recommend that Congress review the programs and policies of the various Federal credit agencies to find out to what extent if at all they can be made to contribute more to the purposes of the Employment Act without an undue sacrifice of the substantive programs to which they are related.
2. We recommend that the head official of each of the most important agencies in this group be included on the National Monetary and Credit Council, which we recommend elsewhere in this report.

X. A NATIONAL MONETARY AND CREDIT COUNCIL [3]

We recommend the creation of a National Monetary and Credit Council which would include the Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Chairman of the Federal Deposit Insurance Corporation, and the heads of the other principal Federal agencies that lend and guarantee loans. This Council should be established by legislative action, should be required to make periodic reports to Congress, and should be headed by the Chairman of the Council of Economic Advisers. Its purpose should be purely consultative and advisory, and it should not have directive power over its members.

XI. A COMPREHENSIVE STUDY OF MONEY AND CREDIT

1. We recommend that the Joint Committee on the Economic Report, as well as the Banking and Currency Committees of the Senate and of the House of Representatives, continue a thorough and complete study of the monetary and credit systems and policies of the United States, and that they be provided with funds adequate for the purpose.

[3] Mr. Wolcott joins in recommending the creation of a National Monetary and Credit Council, but disagrees with the recommendation that it should be headed by the Chairman of the Council of Economic Advisers. In his opinion, this would concentrate too much power in the Executive over the volume and cost of credit. He recommends, instead, that the Chairman of the Credit Council be a person of neutral interests removed as much as possible from the direct influence of either the Executive or the Federal Reserve Board. He also agrees that periodic reports should be made to Congress by the Council.

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2. We recommend that S. 1559, which would provide for the establishment of a National Monetary Commission, be not enacted.

XII. A CONTINUING STUDY OF FISCAL POLICY BY THE JOINT COMMITTEE ON THE ECONOMIC REPORT

We recommend that the joint committee, while carrying out its general duties "to make a continuing study of matters relating to the Economic Report" and "to study means of coordinating programs in order to further the policy of the (Employment) Act," make a special intensive study of the various possible methods of increasing the flexibility of Federal tax and expenditure policies in order to discover how and to what extent it may be feasible to make these instruments more effective for stabilization purposes.

XIII. EARNINGS OF THE FEDERAL RESERVE IN EXCESS OF DIVIDEND REQUIREMENTS

We recommend that Congress enact a franchise tax on the net earnings of the Federal Reserve System to replace the voluntary contributions now being made to the Treasury by the Board of Governors. In view of recommendation III, 2, any franchise tax must take into account the necessity for an ample reserve for losses in open-market operations as compared with the present situation in which earnings are automatic.

Subcommittee on Investment

I

The subcommittee recommends prompt action on the part of Government to provide aids or supplemental channels for capital loans and equity capital to small enterprise. These measures might take any one of several forms but the subcommittee feels that the present facilities for making this type of funds available to small business are inadequate.

The alternatives suggested to the subcommittee included:

(*a*) Creation within the present banking system of specialized capital institutions empowered to make long-term loans or purchase the securities of small-and medium-size firms. Some type of tax incentive may prove to be efficient inducement.

(*b*) Government sponsorship of a system for spreading business risks through contributions to what might be called an insurance reserve fund covering business loans and/or business equities under appropriate safeguards.

(*c*) The cooperation of existing institutions reexamining their traditional policies in the light of contemporary needs and circumstances.

(*d*) Amendment of the Reconstruction Finance Act to permit more effective aid in dealing with the specific problems of small business.

(*e*) Establishment under governmental supervision of a system of cooperatives to supply small-business capital needs.

The subcommittee recommends that these alternatives, particularly the apparent need for specialized institutions, be given congressional study at the earliest possible opportunity.

II

The subcommittee recommends an early systematic review of present tax laws with special emphasis on their impact on small business and on the availability of equity capital generally. The present tax system was largely devised to meet the special fiscal needs of depression and wartime. Our objective now should be for a tax system geared to increased production, to development and stabilization of little and local business and the encouragement of equity financing.

Specific tax provisions which the subcommittee believes should be included in such a general review of tax matters are illustrated by the following. The subcommittee, basing its judgment upon the limited evidence before it, recommends:

(*a*) That the special tax advantages of small corporations be clarified and redesigned to increase benefits to the very small and to extend them to intermediate-size corporations.

(*b*) That added flexibility be permitted administratively, and if need be legislatively, in the rate at which businesses are allowed to write off physical assets for income-tax purposes.

(*c*) A thorough and complete study of the application and effect, real and feared, of section 102 of the Internal Revenue Code dealing with unreasonable accumulation of corporate profits.

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(*d*) That provisions for the carrying forward of net losses be liberalized.

(*e*) That venture capital corporations be treated as investment companies for tax purposes.

(*f*) That steps be taken to mitigate the liquidation problems of family-owned businesses in the event of death of the principal family stockholder, by, for example, exempting from estate taxes the insurance proceeds of policies specifically taken out to pay such taxes.

While the question of so-called double taxation of dividends was frequently mentioned the subcommittee feels unprepared to make a recommendation on this issue without further study of the incidence and burden of taxation. The opportunities which tax-exempt securities afford for tax avoidance and shifting would be an important part of such a study. The subcommittee accordingly recommends a thoroughgoing study of the question of who actually pays the taxes under existing and prospective conditions.

Subcommittee on Unemployment

1. The subcommittee recommends that study be given immediately to the problem of providing, on a regular basis, regional and area information on the volume of total unemployment.

2. Convinced of the wisdom of advanced planning of public works as a precautionary measure against serious economic downturn, the subcommittee recommends that special study should be given to the problem of developing useful projects for nonconstruction workers.

3. In order to promote continued economic growth the subcommittee recommends that serious attention be given the possibility of further study in the field of regional development.

Subcommittee on Low-Income Families

I. LOW-INCOME FAMILIES AND THE NATIONAL ECONOMY

1. We recommend that local communities, private business and professional groups, and Federal, State, and local governments take all appropriate action to provide opportunities for low-income families to become full partners in prosperous American communities. Concerted action is required to provide employment opportunities for the aged at tasks within their powers, to help the disabled regain their productive place in society, to develop new industries and employment opportunities in backward regions of the country, to give the unskilled worker a chance to improve his income and his status, and to provide opportunities for the children of low-income families to develop their capacities by suitable education.

2. We recommend that the Council of Economic Advisers, the Departments of Agriculture, Commerce, and Labor, the Joint Committee on the Economic Report and other Government agencies continue to study the relationship between the distribution of income and the stability and progress of the economy as a whole. Our investigation has indicated that the low-income group constitutes a large underdeveloped productive resource and a large potential market. Further research is needed to define the size and the importance to the whole economy of this reservoir of human resources.

1. Rural low-income families

1. We recommend a thorough investigation of the effect of the Federal farm price-support programs on farm families in the different income groups, with the purpose of determining how such programs might be designed to make a greater contribution to the welfare of low-income farmers.

2. We recommend that sufficient funds, in an amount consistent with sound economic policy, be provided for supervised farm purchase loans and supervised production loans by the Farmers Home Administration of the Department of Agriculture, to enable competent low-income farmers to acquire and operate sufficiently large holdings, and to make the change from the one-crop system to diversified farming.

3. We recommend that comprehensive studies of the reasons for regional rural poverty be inaugurated by the Bureau of Agricultural Economics, and by other interested research groups, and that coordinate studies of the possibilities of area development of economically lagging regions be undertaken by the appropriate public and private agencies, with the purpose of fostering part-time farming supplemented by industrial employment. In this connection, we recommend that

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the procurement policy of the Federal Government be designed as far as possible to encourage development of new private industries in such areas. We also recommend that in regions where supplemental employment opportunities cannot be established, and where improvement of farming methods will not suffice to raise the level of living of low-income farm families, suitable means be found to help such families move to areas of better opportunity. We believe that such programs should contain safeguards against the danger that migrating low-income farmers may become unskilled or casual workers, entirely dependent upon intermittent cash wages.

4. We recommend that educational opportunities for children of rural low-income families be enlarged and improved. We believe that better access to traditional kinds of education must be provided for these children, but we would emphasize the need for a more practical kind of guidance and training which will help them to make the best use of their own resources and opportunities, in their own communities or elsewhere.

5. We recommend that the appropriate legislative committees devote special attention to the problem of adapting social-welfare legislation to meet the needs of hired farm workers. In particular, we recommend that a thorough study be made of the present numbers and problems of migrant farm labor families.

2. The unskilled

1. The unfavorable bargaining position of the unskilled is sometimes an important cause of low incomes among this group. We suggest that the respective States could profitably consider action to establish minimum wages in industries not covered by Federal statute.

2. We recommend that a thorough study be made of existing systems of vocational training and practical education with the purpose of determining improvements which will help children to obtain the kind of guidance and training they need to realize and develop their aptitudes and skills.

3. We recommend provision of Federal financial assistance to the States for education through the high-school level in order to help equalize educational opportunity throughout the Nation.

4. We recommend the establishment of a national scholarship fund for the higher education of students of demonstrated ability but limited means.

3. Children of low-income families

1. We recommend revision of the aid to dependent children section of the Social Security Act of 1935 to provide funds which will more nearly meet the needs of broken families, and to liberalize present eligibility requirements to permit assistance to children in families where the income of the chief earner is insufficient to provide adequate care.

2. We recommend the expansion and improvement of health services and medical care for children of school age.

3. We recommend the provision of sufficient funds to enable the national school-lunch program to serve all schools which now meet the requirements as stated in the law, and which have applied for participation in the program.

4. We recommend that funds be provided for an expanded program of research in the problems of child welfare.

4. The disabled

1. We recommend that sufficient funds be appropriated to provide for an expanded program of rehabilitating physically handicapped persons.

2. We recommend the enactment of legislation to provide social insurance against the hazard of permanent and total disability.

5. The aged

1. We recommend that the Joint Committee on the Economic Report request the appropriate Government agencies to study the incidence and extent of existing restriction on employment of older workers in Government and industry, and report to the committee their findings with regard to ways in which these barriers may be removed and older workers encouraged to remain in productive employment.

2. We recommend that the old-age and survivors insurance system established by the Social Security Act be revised to provide universal coverage, increased benefits, modification of the retirement test to permit beneficiaries to supplement their pensions by earnings, less strict eligibility requirements to permit larger participation in the program, and adoption of the pay-as-you-go system of

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financing with the establishment of suitable contingency reserves, adjusting the current tax rate to the current rate of disbursement.

3. We recommend that the Joint Committee on the Economic Report, while carrying out its general duties "to make a continuing study of matters relating to the Economic Report" initiate a special study of the effects on the national economy of public and private pension programs.

6. Low incomes and health

1. We recommend expansion of the program for the construction of hospitals and clinical facilities, particularly in low-income areas.

2. We recommend that the Federal Government assist in the training of doctors and nurses.

3. We recommend that provision be made to assist in the expansion of existing medical schools and to establish new schools where needed.

4. We recommend that the present program of public health services be expanded through the cooperation of the Federal and State Governments.

5. We suggest the development of a comprehensive program, based upon the voluntary cooperation of public and private agencies, which will permit all persons who so desire to participate in a system of health insurance.

7. Further study of causes of low incomes

We have found that the existing data on low incomes, while invaluable for the purposes of the subcommittee, need to be supplemented by further studies. We therefore recommend that the Joint Committee on the Economic Report continue its investigation of poverty and dependency with the primary aim of discovering the root causes of these problems. More information and analysis are needed in three fields: First, the appraisal of present ameliorative programs with especial reference to whether or not such programs affect the basic causes of the problems; second, additional statistical compilations and analysis; third, studies of case histories of individual low-income or dependent families.

IX. LEGISLATIVE RECOMMENDATIONS BY BUSINESS, FARM, AND LABOR ORGANIZATIONS *

Abbreviations of organizations:

NAM—National Association of Manufacturers
USCC—United States Chamber of Commerce
CED—Committee for Economic Development
AFBF—American Farm Bureau Federation
NG—National Grange
NFU—National Farmers Union
CIO—Congress of Industrial Organizations
AFL—American Federation of Labor

Explanation of symbols used:

F indicates the organization favors the proposition.
O indicates the organization opposes the proposition.
-------- indicates the organization has not taken an official position on the proposition.

Numerals refer to notes, which follow the list of recommendations.
For sources used, see bibliography at end of table.

	NAM	USCC	CED	AFBF	NG	NFU	CIO	AFL
I. FISCAL AND TAX POLICY								
1. Make payments on the public debt if employment remains high	F	F	F	F	F	--------	--------	--------
2. Balance the Federal budget for 1950–51	F	F	F	F	--------	[1] O	[1] O	--------
3. Reduce receipts from personal income taxes	[2] F	[2] F	[3] F	--------	[4] F	[4] F	[4] F	--------
4. Reduce corporate income-tax receipts	F	F	[3] F	--------	F	--------	--------	--------
5. Raise personal income-tax exemption	O	O	O	O	O	F	F	--------

[1] In the light of their assumption of an unfavorable economic outlook.
[2] Particularly in higher brackets.
[3] An over-all revenue reduction of 2¼ billion dollars.
[4] Personal income-tax reduction for those in the lower-income brackets.

*As derived from published statements.

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IX. LEGISLATIVE RECOMMENDATIONS BY BUSINESS, FARM, AND LABOR ORGANIZATIONS—Continued

	NAM	USCC	CED	AFBF	NG	NFU	CIO	AFL
I. FISCAL AND TAX POLICY—con.								
6. Increase estate and gift taxes	[5] O	[5] O	O	--------	F	--------	F	F
7. Reduce or repeal excise taxes	[6] F	[7] F	F	F	F	--------	F	F
8. Increase capital-gains tax	[5] O	[5] O	O	--------	--------	--------	F	--------
9. Increase the share of Government receipts coming from income taxes	--------	(7)	--------	F	F	--------	[8] F	F
10. Liberalize depreciation allowances	F	F	F	--------	--------	--------	--------	--------
11. Eliminate double taxation of corporate income	F	F	F	[9] F	[10] F	--------	--------	--------
12. Relax the restraints on retaining earnings	F	[11] F	F	F	--------	O	[12] O	--------
13. Extend the carry-forward period allowed for losses, in computing income taxes	--------	F	F	[13] F	[13] F	--------	--------	--------
14. Tax future issues of State and local government bonds	--------	--------	F	F	--------	--------	F	--------
15. Require Government-owned enterprises to make charges equivalent to taxes paid by private enterprises with which they compete	--------	F	--------	F	--------	--------	--------	--------
II. CREDIT								
1. Return to international gold standard	F	F	--------	--------	--------	--------	--------	--------
2. Provide private capital banks	--------	F	--------	--------	--------	--------	--------	--------
3. Extend the maximum maturity period of RFC loans	--------	[14] O	O	--------	--------	[15] F	--------	--------
4. Increase the regulation of bank reserves	--------	O	--------	--------	--------	--------	--------	--------
5. Regulate consumer credit	--------	[14] O	--------	--------	--------	--------	--------	--------
6. Provide agricultural credit, under Government supervision	--------	[14] O	--------	F	--------	F	--------	--------
III. AGRICULTURE								
1. Adopt Brannan plan (production payments)	O	O	[16] O	O	O	F	F	--------
2. Extend Government crop insurance	--------	O	--------	F	F	F	F	--------
3. Stimulate consumption of agricultural products	--------	F	--------	F	F	F	--------	--------
4. Use import fees or quotas whenever necessary to protect domestic agriculture or price-support programs	--------	F	--------	F	F	--------	--------	--------
IV. RESOURCE DEVELOPMENT								
1. Extend Federal valley authorities and public power projects	O	O	[17] O	O	--------	F	F	F
2. Dispose of unneeded Federal land holdings to private individuals	--------	F	--------	F	--------	--------	--------	--------

[5] It is recommended that these taxes be decreased.
[6] Present excise taxes should be replaced by a uniform manufacturers' excise tax.
[7] Excise taxes should continue to be an important revenue source.
[8] Sales taxes should be eliminated and offset by increased income taxes.
[9] Including both corporations and cooperatives.
[10] Double taxation on the profits of cooperatives should be eliminated.
[11] Companies must have authority to establish reasonable reserves, deductible for income-tax purposes.
[12] Enact an undistributed profits tax.
[13] Farmers and other individuals with fluctuating incomes should be permitted to average their incomes over a period of years.
[14] USCC opposes Government credit or intervention in the field of credit, asks reduction of Government lending and guaranteeing.
[15] Recommends a general expansion of RFC activity.
[16] CED has not studied the whole agricultural program but in general CED opposes direct controls and any plan that involves subsidies in a period of high business activity.
[17] Valley authorities should be considered as public works, which are not needed now.

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IX. LEGISLATIVE RECOMMENDATIONS BY BUSINESS, FARM, AND LABOR ORGANIZATIONS—Continued

	NAM	USCC	CED	AFBF	NG	NFU	CIO	AFL
V. WELFARE								
1. Extend and liberalize social security	([18])	[18] F	F	F	[19] F	F	F	F
2. Subsidize middle-income housing	O	O	O	[20] O	--------	--------	F	F
3. Extend rent control	--------	--------	--------	--------	--------	--------	F	F
4. Provide Federal aid for education	--------	O	--------	[21] F	[21] F	F	F	F
5. Enact national health insurance	O	O	--------	O	O	F	F	F
VI. INTERNATIONAL								
1. Approve ITO Charter	O	O	[22] F	F	--------	--------	F	--------
2. Increase imports, extend the Reciprocal Trade Agreements Act	--------	[23] F	F	F	[24] F	--------	F	[25] F
3. Encourage capital in foreign investment; provide technical assistance to undeveloped countries	[31] F	F	[26] F	F	--------	F	F	F
4. Continue ECA until 1952	[27] F	F	[28] F	[29] F	[30] F	--------	F	F
VII. LABOR RELATIONS AND WAGES								
1. Repeal Taft-Hartley Act	--------	--------	--------	--------	O	F	F	F
2. Rule out jurisdictional and sympathy strikes and secondary boycotts	F	F	F	--------	F	--------	--------	--------
3. Increase minimum wages and the coverage of the wage-hour law	--------	O	--------	--------	--------	F	F	F
4. Rule out the closed shop	F	F	--------	--------	F	--------	--------	--------
5. Make union contracts legally enforceable	F	F	--------	--------	--------	--------	--------	--------
6. Make unions subject to the antitrust laws	F	F	F	F	F	--------	--------	--------
VIII. MONOPOLY								
1. Strengthen the anti-trade restraint and antimonopoly program	--------	O	--------	F	F	F	F	--------

[18] OASI should be limited to providing a minimum layer of basic protection, leaving ample room for individual and voluntary group effort. USCC asks coverage extension.
[19] Should be extended to farm people on a trial basis.
[20] The housing problem is primarily an individual responsibility.
[21] Provided that all control of schools remains with State and local governments.
[22] Providing articles 11 and 12, dealing with foreign investment, are eliminated.
[23] Encourage imports of articles required by the economy; but American industry must be protected against unfair competition.
[24] The Reciprocal Trade Agreements Act should be amended to require analysis by the Tariff Commission and ratification by the Senate.
[25] But AFL also advocates a program to induce domestic consumers to prefer American-made products.
[26] The movement of capital should be carried on by private enterprise; the export of capital should not be stimulated as a device to reduce domestic unemployment.
[27] At progressively lower amounts, terminating in 1952; recipient nations should not pursue policies of nationalization.
[28] At a level for 1950–51 slightly lower than that recommended by the President.
[29] Greater emphasis should be placed on self-help projects; the program must not be used as a means of dumping United States surpluses.
[30] Every effort must be made to terminate ERP in 1952; the program must not be used for dumping U. S. surpluses.
[31] For improvement of world economic conditions; there are ample domestic investment opportunities.

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APPENDIX B

SUMMARY OF THE WORK OF THE JOINT COMMITTEE ON THE ECONOMIC REPORT MARCH 1, 1949–FEBRUARY 28, 1950 [1]

THE COMMITTEE'S REPORT ON THE PRESIDENT'S ECONOMIC REPORT

The report of the Joint Committee on the Economic Report on the January 1949 Economic Report of the President was submitted in the Senate March 1, 1949 and ordered to be printed as Senate Report No. 88. The report contained the Committee findings as approved by the majority members, a summary of comments by the round-table groups, a summary of the work of the Joint Committee on the Economic Report during 1948, and the Joint Committee's staff statement on current statistical gaps.

On April 28 the minority views on the President's 1949 Economic Report were submitted and published as part 2 of Senate Report No. 88.

SUBCOMMITTEE STUDIES

In an executive meeting on February 28, 1949, the Joint Economic Committee discussed several subjects which needed special study during the remainder of the year and plans were made for naming subcommittees to conduct such studies as the Committee might wish to go into as soon as they had completed work on the President's Economic Report.

On March 29, Chairman O'Mahoney introduced Senate Concurrent Resolution 26 providing for a series of investigations by the Committee on:

(1) The problem of investment, including but not limited to: the role of investment institutions in the investment markets in industry and in the economy generally; changes in sources of investment funds and the reason therefor; availability and character of investment funds for national, local and independent enterprise and the effect of such investment or lack of investment on different classes or size groups in industry; and needs, by industry, for various types of capital.

(2) The problem of the effectiveness and coordination of monetary, credit, and fiscal policies dealing with general economic policy.

(3) The problem of low-income families in relation to economic instability.

(4) The problem of unemployment trends and their significance in current economic analysis.

The resolution was agreed to on May 24, 1949, and on June 20 and July 3 the Chairman announced the appointment of the following subcommittees:

Investment Subcommittee.
Senator Joseph C. O'Mahoney, chairman
Senator Paul H. Douglas
Senator Robert A. Taft
Representative Wright Patman
Representative Christian A. Herter

[1] The report of the Joint Committee on the Economic Report on the January 1949 Economic Report of the President summarized the work of the Committee through December 31, 1948. Between that date and March 1, 1949 the Joint Economic Committee held public hearings to consider the 1949 Economic Report of the President, with members of the Council of Economic Advisers, Cabinet officers, and heads of certain of the executive agencies appearing before the Committee to discuss and amplify those segments of the President's Economic Report which dealt with problems in their special fields. These hearings were followed by two round-table meetings where the Committee sought the advice of individual economic and fiscal experts and representatives of various economic groups in further discussion of the President's Economic Report.

After consideration of the report in public hearings the Committee met on several occasions to review additional materials prepared by the staff and preliminary drafts of the final report.

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Monetary, Credit, and Fiscal Policies Subcommittee:
- Senator Paul H. Douglas, chairman
- Senator Ralph E. Flanders
- Representative Wright Patman
- Representative Frank Buchanan
- Representative Jesse P. Wolcott

Low-income Families Subcommittee:
- Senator John Sparkman, chairman
- Senator Ralph E. Flanders
- Representative Walter B. Huber
- Representative Frank Buchanan
- Representative Robert F. Rich

Unemployment Subcommittee:
- Representative Edward J. Hart, chairman
- Senator Francis J. Myers
- Senator Arthur V. Watkins
- Representative Walter B. Huber
- Representative Christian A. Herter

The Investment Subcommittee held its first hearings on September 27, 28, and 29, when representatives of small and large business and the Brookings Institution were asked to outline for the committee their views with respect to the problem of investment of private capital in business and industry. On October 11 the subcommittee issued as a committee print, materials prepared by the staff entitled "Factors Affecting Volume and Stability of Private Investment." This staff report covers such aspects of the investment problem as, what happened to private investment during the 1929 depression; the effect of tax policies upon investment; the current position of small business; and the relationship of debt capital to equity capital. Final hearings by the Investment subcommittee began on December 6 with a round-table conference with the Small Business Advisory Committee of the Department of Commerce to discuss the financial problems of small business. On December 7, 8, and 9, witnesses were heard from a number of insurance companies. These witnesses were followed by representatives from the investment banking groups on December 12, 13, 14, 15, and 16. Several labor unions also presented testimony during the hearings and representatives were heard from the manufacturing industries. The final report of the Investment subcommittee was issued March 20, 1950 as Senate Document No. 149, entitled "Volume and Stability of Private Investment."

The Subcommittee on Monetary, Credit, and Fiscal Policies began its work by issuing on August 16, 1949, a questionnaire which was directed to economists, bankers, and representatives of agriculture, labor and industry. Respondents were asked to comment on such matters as guide posts and objectives of monetary and credit policies, the function of the Federal Reserve System in relation to the Government bond market, the division of monetary and credit policies between the Federal Reserve and the Treasury, needed changes in the Federal Deposit Insurance Corporation's powers and policies, etc. The general questionnaire was followed on August 22 by a series of specific questionnaires sent to the key Government agencies dealing with the problems under study by the subcommittee. The subcommittee's hearings began on September 23 when it met to consider two reports on fiscal policy which were drawn up and unanimously approved by 14 distinguished university economists in a conference sponsored by the National Planning Association at the suggestion of the subcommittee (September 16–18). The reports made recommendations with respect to (1) Federal expenditure and revenue policy for economic stability, and (2) fiscal policy in the future, and were presented at the hearings by three representatives of the participating group of economists. The statements by the economists and replies to the general questionnaire and the questionnaires directed to individual Government agencies were published on November 7 as a joint committee print under the title, "Monetary, Credit, and Fiscal Policies."[2] The final hearings of the subcommittee were held November 16, 17, 18, 22, and 23, and December 1, 2, 3, 5, and 7. Witnesses were heard from the Government agencies directly concerned, from bankers, and from representatives of business, farm and labor groups. A final report, Monetary, Credit and Fiscal Policies, was transmitted to the full committee on January 13, 1950.[3]

[2] The materials were later submitted for publication as a Senate document and printed under the title "Compendium of Materials on Monetary, Credit, and Fiscal Policies," Senate Document No. 132 February 9, 1950.

[3] Published under the same title, on January 23, 1950, as Senate Document No. 129.

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The Subcommittee on Low-Income Families, preparatory to holding hearings in connection with its final report, issued two studies prepared by the staff with the cooperation of various Government agencies. The first, which was released as a committee print on November 13, 1950, is entitled "Low-Income Families and Economic Stability." It summarizes the latest material on the economic circumstances of these families and states in broad terms the questions which require further investigation. The second study, "Selected Government Programs Which Aid the Unemployed and Low-Income Families," was prepared in cooperation with the staff of the Unemployment Subcommittee and released on November 10. The topics covered include social insurance and related programs for industrial and commercial workers; Federal minimum-wage legislation; public assistance programs, such as old-age assistance and aid to the blind, vocational rehabilitation; Federal low-income housing programs; and Federal programs for veterans. The essentials of the different programs are presented in outline, with selected current statistics. Hearings on the problem of low-income families began December 12, 1949, and continued through December 22. Members of the subcommittee heard expert testimony from Government and private witnesses on the circumstances of these families and the relationship of their low production and low purchasing power to the economy as a whole. Non-Government witnesses who appeared came largely from the field of public welfare and college research groups dealing with the subject of low-income families. The subcommittee's final report, Low-Income Families and Economic Stability, was submitted to the full committee on February 23, 1950.[4]

The Subcommittee on Unemployment issued as a committee print, An Initial Report on Employment and Unemployment, on July 11, 1949. No hearings were held by the Unemployment Subcommittee since the conditions which prevailed when Senate Concurrent Resolution 26 was passed had improved by the time the committee began consideration of its final report to a point where it was felt hearings held then would not contribute to the subcommittee's study. The final report, which was issued on February 3, 1950, as a committee print under the title of "Employment and Unemployment," includes a summary of the activities of the committee and its findings and recommendations, staff materials on the status of employment and unemployment, employment trends between 1929 and 1949, employment conditions in five problem industries, discussion of the concepts used in measuring the labor force and unemployment, and a statement on the determination of the critical ratio of unemployment to the total labor force at full employment.[5] A second section of the report is based on studies by the staff of the subcommittee, on materials prepared by various executive agencies, and on answers received to a questionnaire sent to the Departments of Commerce and Labor and to leading labor unions.[6]

OTHER HEARINGS AND REPORTS

Hearings were held January 17, 18, 19, and 20, 1950, in connection with the committee's review of the 1950 Economic Report of the President to supplement the subcommittees' investigations under Senate Concurrent Resolution 26 made during the recess. Members of the President's Council of Economic Advisers and the Director of the Bureau of the Budget appeared before the committee in executive session during these hearings. These meetings were followed by two round-tables, one with non-Government economists and other technicians, and the second with representatives of business, labor, agriculture, consumer groups, and State and local governments.

On January 29 a committee print was issued on "Highways and the Nation's Economy," which presents materials assembled by the staff of the Joint Economic Committee in cooperation with the Bureau of Public Roads and includes the results of a questionnaire inquiry to the governors and highway authorities of all the States to determine the extent of existing highway deficiencies in the Nation.

The committee held hearings on recent increases in steel prices, January 24 through January 27, at which representatives of a number of steel companies appeared to discuss their problems in connection with these price increases. The committee heard at the same time from persons interested in the erection of a steel plant for New England, with several members of the New England congressional delegation participating in the hearings. Representatives from labor unions

[4] Published under the same title on March 9, 1950, as Senate Document No. 146.
[5] Published under the same title on February 22, 1950, as Senate Document No. 140.
[6] The Subcommittee on Unemployment issued one additional report, "Handbook of Regional Statistics" which is described in the discussion of Committee Activities in the Field of Regional Development, in the latter part of this chapter.

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directly concerned with steel and steel products also appeared. A collection of materials prepared by the staff for use in connection with the hearings was issued as a committee print on January 23, 1950, under the title of "Basic Data Relating to Steel Prices." The Legislative Reference Service of the Library of Congress, the Federal Trade Commission, the Department of Labor, and the Department of Commerce assisted in supplying information for this study. The committee findings and recommendations as a result of the steel hearings were released March 27, in a committee report entitled, "December 1949 Steel Price Increases" (S. Rept No. 1373).

COMMITTEE ACTIVITIES IN THE FIELD OF REGIONAL DEVELOPMENT

In connection with encouraging local research on the economic problems and potentialities of the great regions of the Nation, the Joint Economic Committee published July 1, 1949, a committee print on The Impact of Federal Policies on the Economy of the South—a study made by economists of the Committee of the South of the National Planning Association at the request of the Council of Economic Advisers. While the Joint Economic Committee did not act upon the report, and hence could not assume responsibility for the ideas expressed by the authors, they did recognize it as a significant work, representing a systematic effort to define, analyze and appraise the complexity of Federal policies which handicap or facilitate the economic development of the South. Members of the committee have explored with leading citizens of New England and the Rocky Mountain States the desirability of developing similar studies in those regions. On December 12, 1949, the National Planning Association announced that in response to the Joint Economic Committee's interest a special committee of New England was being organized and would start its work early in 1950.

The Unemployment Subcommittee, which calls attention in its final report to the need for study and action in the field of regional development, had compiled for its use and for general distribution a "Handbook of Regional Statistics" which was made a committee print on April 13, 1950. This publication assembles in convenient tabular form Government statistics which are especially useful to the consideration of regional problems. The data are classified according to commonly defined economic regions, with individual State figures shown in all the tables to enable the regrouping of regions or subregions as needed.

COMMITTEE ACTIVITIES IN THE FIELD OF ECONOMIC STATISTICS

The committee has continued its interest in the field of economic statistics during the past year and a number of recommendations for improving or supplementing existing statistical series have been made in its various reports. The committee staff, in cooperation with the staff of the Division of Statistical Standards of the Bureau of the Budget, and staff of the Council of Economic Advisers, have again reviewed the status of current economic statistics and the progress made in supplying the needed statistical data outlined in the committee's report on the January 1949 Economic Report of the President.[7] Their statement is presented in the latter part of this appendix. Economic Indicators, a collection of charts and statistical tables prepared by the Council of Economic Advisers and issued monthly as a committee print, was made a permanent publication of the Congress on June 23, 1949.[8] This monthly report is now on sale to the public through the Superintendent of Documents as single copies or on an annual subscription basis. It contains in chart and tabular form the most recent data on prices, employment, production, and business activity, purchasing power and money, banking, and Federal finance.

COMMITTEE RELATIONSHIPS WITH EXECUTIVE AGENCIES AND OTHER CONGRESSIONAL COMMITTEES

Public Law 304 (79th Cong., 2d sess.) under which the committee was established, authorized the Joint Committee on the Economic Report to "utilize the services, information, and facilities of the departments and establishments of the Government * * *." The necessity for this arrangement has been demonstrated many times over during the past year. Hardly a single report of the committee was issued without the aid of one or more of the executive agencies in the development of the basic economic facts. Special studies of mutual interest

[7] S. Rep. No. 88, 81st Cong., 1st sess., pp. 86–91.
[8] Public Law 120, 81st Cong., chap. 237, 1st sess.

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to the agency and the joint committee have been made at the committee's request and several agencies have made highly trained personnel available to the committee on a reimbursable loan basis to assist in the technical work on various economic problems.

The development of an increasingly constructive relationship between the Council of Economic Advisers and the joint committee is noted. Full and free discussion with those who have the statutory responsibility of advising the President on the Economic Report seems essential to a complete understanding of the report by the committee. In the course of the committee's hearings on the President's Economic Report, the Council was questioned, in executive session, on some of the main, guiding considerations underlying the preparation of its Annual Economic Review, which serves as a basis for the President's Report. As is evident from the transcript of these hearings, which has been published by mutual consent, the questioning helped greatly to clarify some of the points which, necessarily, were touched on only briefly in the Council's Review. Subsequent to the hearings, the joint committee asked the Council to answer for the record a great many additional questions relating to the President's Economic Report and the Council's Annual Economic Review, and also requested comments on the report of the Subcommittee on Monetary, Credit, and Fiscal Policies.

The standing committees of the Congress have made use of committee reports and hearings in connection with the consideration of specific legislation and arrangements have been made to supply these committees with all materials of special interest to them.

AMENDMENTS TO THE EMPLOYMENT ACT OF 1946

On June 15, 1949, S. 2085 was introduced in the Congress, to provide for certain amendments to the Employment Act, the principal purpose of which was to authorize an increase in the committee's annual appropriations so it would not be necessary to make repeated resort to special resolutions to obtain funds for studies needed in connection with the Committee's regular work.[9] The bill as introduced called for increasing the Joint Economic Committee's basic annual authorization from $50,000 to $150,000. It was later amended on the Senate floor at the request of the Chairman by reducing the $150,000 figure to $125,000 and was approved October 6, 1949 (Public Law 330, 81st Cong., ch. 627). In its report approving the proposed legislation, the Senate Committee on Banking and Currency pointed out that "The joint committee was given tremendous responsibility, but its appropriation authorization has proved inadequate to meet this responsibility." It called attention to the necessity of staffing the committee with a number of top economists capable of analyzing and relating fiscal, monetary and regulatory policy, and said that the committee

"* * * should be equipped to appraise and relate international and foreign trade policies to our domestic economy and continually study national product, and national income, including resources, plant capacity and price, wage and profit relationships, and the like. It would be contemplated that this enlarged staff, functionally organized, would not engage in duplicating research, but rather devote its attention to bringing to the committee information and independent objective advice on these related economic problems. It would be charged with working with the Council of Economic Advisers, other executive agencies and non-Government groups, to minimize the duplication of work, but not the independence of approach. Out of this activity would continually emerge special problems calling for intensive investigation by the committee's staff and consultants. The joint committee should be properly provided with research and statistical technicians to summarize and present the economic information to members of the joint committee and the Congress in the most useful and objective form. * * *"

In order to enable the committee to begin its work immediately under this increased authorization, a $10,000 supplementary appropriation for the balance of fiscal year 1950 was approved on October 28, 1949 (Public Law 430, 81st Cong., 1st sess.).

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[9] The bill also contained a clarifying amendment which permitted the hiring of a special counsel for the Investment Subcommittee, whose law firm was handling cases involving the United States Government.

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DISTRIBUTION OF JOINT ECONOMIC COMMITTEE MATERIALS

The Joint Committee on the Economic Report released in committee print, report, or document form 16 different studies between January 1949 and April 1950. In addition to these publications the committee issued Economic Indicators each month and published the record of seven hearings. Exclusive of the monthly Economic Indicators, the committee distributed nearly 45,000 copies of its publications. Over 15,000 copies of Economic Indicators were distributed through the committee and by the Government Printing Office within the Congress, to the offices of individual Members and to various congressional committees. Seven publications were put on sale by the Superintendent of Documents and total sales through the end of April amounted to nearly 30,000 copies in spite of the fact that some of the materials were available for sale for only a limited time. Sale of Economic Indicators are currently approaching 2,500 per month.

It is the general practice of the Joint Economic Committee to make its publications available for limited free distribution of single copies and to arrange for their sale through the Superintendent of Documents to take care of quantity orders.

STATEMENT ON STATISTICAL GAPS

In 1948, the Joint Committee on the Economic Report published a report on Current Gaps in Our Statistical Knowledge, indicating what additional data would contribute significantly to economic analysis. The report included 12 areas in which more complete Federal statistics are needed. A progress report on the statistical gaps was included as appendix D in the joint committee's report on the January 1949 Economic Report of the President (81st Cong., 1st sess., S. Rept. No. 88), and one additional area of needed statistics was added.

Working with the joint committee staff, and in consultation with the Council of Economic Advisers, the Division of Statistical Standards of the Bureau of the Budget has analyzed the current statistical programs of the executive agencies to determine what work has been completed or is in prospect to fill the gaps pointed out in the 1948 and 1949 reports. The analysis is limited to progress and plans in the major statistical areas covered in the original report and does not include evaluation of the improvements needed or progress made in statistical programs in other areas.

Progress has been made toward supplying missing statistical data for economic analysis and as a basis for determining economic policy. Although the appropriations for 1950 allowed for few major improvements, the appropriation requests for 1951 provide for important improvements in most of the areas listed in the report on statistical gaps. The 1951 program is necessarily tentative until action on the appropriation requests, but the following discussion of each area shows which activities depend on items in the 1951 budget.

(1) Individual consumer income, expenditures and savings patterns

Because of the central role of consumer income and spending in a free economy the need for adequate data on the patterns of income, savings and spending of the various income groups has long been recognized. In the past few years substantial improvements have been made in this area and a firm foundation has been laid for future work. Four key areas can be distinguished.

(*a*) *Surveys of consumer income.*—For calendar year 1949, data on the incomes and market potential of each county and each city over 2,500 population will for the first time be made available from direct field study. The income portion of the seventeenth decennial census of population will provide this essential information, useful not merely for its own interest but because it will be related to the data on employment and unemployment, occupation, industry, and family size. The data will cover family income as well as individual income, the former being particularly important for measuring marketing potentials and for studying the effects of different governmental policies. At the same time the Federal Reserve Board and the current population survey of the Census Bureau will conduct small-scale studies to provide more detailed data on the national distribution of income. These studies will make it possible to continue, on a comparable basis, the series of income distributions over the years, such as those made in the reports of the Council of Economic Advisers and in the recent study on low-income families by the Joint Committee on the Economic Report.

Prompt tabulation of the Census data to provide the essential local benchmark data on income is needed, and the funds requested for further work on the seventeenth decennial census allow for such tabulations. Because these data will be used so widely it is particularly important that the Census Bureau should carry

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through its plans for a special analysis to indicate their reliability and the precision with which they can be used for various purposes.

Another area in which a follow-up on preliminary work is required is that of trends in income. As indicated in the report on low-income families, it is vital to know how many low-income families are chronically, and how many are in fact only temporarily, at the bottom of the income distribution. For this purpose we need a series of studies covering the same families over a period of time, on a regular periodic reinterview basis. This subject is discussed at greater length in the committee print on Low-Income Families and Economic Stability.

A third area in which work should be vigorously pursued is that of increasing the usefulness and reliability of income data for purposes of business operations and for policy determination, both legislative and executive. Users of these data need more current and more promptly available information than it is possible to provide under existing methods and budget limitations. Further study is needed to determine the most economical and least burdensome methods to be followed in obtaining reliable income data.

(b) *Surveys of consumer expenditures.*—In the field of family expenditures, proposals for the fiscal year 1951 include studies which will go far to fill one of the most important gaps in our economic data. Incident to the present revision of its Consumer Price Index, the Bureau of Labor Statistics is proposing to survey family expenditures for more than 20,000 families in approximately 50 cities representative of the urban population of the United States. Related data on family income and saving and family size and employment status will also be secured on a basis for classification and cross tabulation. The Department of Agriculture is proposing a similar survey for 7,500 to 10,000 rural families throughout the country, to obtain data on family income and expenditures. The BLS and Agriculture 1951 surveys will be the first to provide data on a Nation-wide basis since the small-scale study covering the year 1941, and the first since the mid-thirties to obtain data from an adequate national sample.

The information to be obtained on the kinds of goods and services bought by American families at various income levels and in various areas will be invaluable not only for revision of price indexes and other statistical purposes, but for use by business and industry in evaluating markets. Through combination of these data on consumer expenditures with the income information obtained in the census of population and the data on savings and liquid assets obtained in the Federal Reserve Survey of Consumer Finances, it will be possible to obtain a much broader understanding of the functioning and role of the consumer segment of our economy.

(c) *Annual series on distribution of income, spending, and saving.*—Data obtained from field surveys are indispensable for making local area estimates of income and expenditures, as well as for studying marketing problems associated with the relationship between family incomes, spending, employment, and other key factors. However, even the most carefully planned and skillfully administered survey program is not well adapted to the preparation of a fully adjusted estimate of the national distribution of income. For this purpose, integration of field survey data with those of the Bureau of Internal Revenue is necessary.

Exploratory work in this field has already begun in the Office of Business Economics. The budget request for fiscal 1951 will make it possible to complete a fully adjusted income size distribution for the year 1946 by the end of calendar year 1950 and one for 1947 in the first half of calendar year 1951. Thereafter, the distribution for any given year would be completed with a 3-year time lag, a delay made necessary by the timing of the tabulations of Bureau of Internal Revenue data. Thus, 1948 would be completed at end of calendar year 1951. To remedy this lag a program of preliminary estimates has been proposed. Once the basic procedures have been worked out it is expected that estimates can be made available 6 months after the basic field survey data are issued, or roughly by the end of the year following the one covered.

Exploratory work on current distributions by income level of expenditures, savings, and taxes, complementing the income distribution, is provided for in the 1951 budget request for the Office of Business Economics.

(d) *Analytical work on current estimates and trends.*—For purposes of economic analysis, the most urgent need in the consumer-statistics field is still for a systematic program of analytical work on current estimates and trends, throwing light on the current situation and on prospective changes in consumer purchasing power and demand. A program of this kind would utilize current statistics, data from field surveys, and the adjusted distribution series for preceding years. It is necessary that work in this area be undertaken in fiscal 1951.

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(2) Employment and earnings of employees not covered by social security

The reports of employers under the social-security programs are the basic source of estimates of wages and salaries—the largest single component of national income. The 1948 report on statistical gaps pointed to the lack of information on noncovered employment, including public employees, agricultural workers, domestic servants, and employees of nonprofit institutions.

The proposed expansion of the coverage of social-security programs would provide some of the information now lacking. Further planning for obtaining wage information on noncovered employees is in abeyance until final passage of the social-security legislation. If such legislation is adopted, much of the information now needed may be obtained through tabulations of the reports received from groups brought within the social-security system. If substantial groups remain uncovered, special provisions will have to be made to fill the remaining gaps.

(3) Returns to capital and management of unincorporated businesses

The original report of the committee's staff on statistical gaps recognized the difficulties in securing representative and reliable information on the returns to the millions of unincorporated businesses, but urged that attention be directed toward obtaining satisfactory data especially for retail and wholesale trade, services, and farmers. It was estimated that $100,000 would be needed for the exploratory work.

No funds have been made available but it has been possible to do some work toward this end. The major source of such data will have to be tax returns filed with the Bureau of Internal Revenue. In recent years substantial improvements have been made in the statistical tabulations from the tax returns. Such tabulations can serve as bench marks on the returns to unincorporated businesses, but are subject to two serious limitations: In order to avoid interference with operating procedures, they cannot be made available until about 3 years after the year to which they relate; and they are now tabulated only in alternate years. Study is underway to determine whether it is feasible to tabulate the data more promptly and whether the cost of more frequent tabulations would be justified.

The BIR returns cannot be expected to supply current data. Study has been given to the problem of current data in connection with the income question on the census of population and the small income surveys discussed under (1) above. Some improvements have been made in the wording of the questions, but the big problem in this area is that unincorporated businesses do not usually keep bookkeeping records that will yield adequate monthly or quarterly information on, for example, changes in value of inventory and other capital items. Study has been given to the possibility of expanding the Federal Trade Commission-Securities and Exchange Commission financial reporting program, discussed under (5), to this area. However, until funds are available for expanding that series to cover all corporations, exploratory work on whether the unincorporated segment can be covered at reasonable cost has not been undertaken. Although some improvement has been made, further work is needed. In the immediate future, most promising results may be in improvement of the data on farmers' incomes.

(4) Extension of employment and unemployment statistics

In its recent report on employment and unemployment the committee's Subcommittee on Employment stated:

"Probably the most significant need established by the subcommittee's investigations was the lack of information on the location, number, and characteristics of the unemployed workers and their families * * *" (p. 1).

The subcommittee recommended immediate study of the problem of providing, on a regular basis, regional and area information on the volume of total unemployment.

The need for data in this field would be met in large part by two of the projects described in the committee's 1948 report on statistical gaps: (1) Annual surveys of labor force, employment and unemployment in selected large metropolitan areas, and (2) expansion of the monthly survey of the labor force conducted by the Census Bureau to provide reliable data on occupational and other characteristics of the unemployed. These two programs would provide occupational characteristics of the unemployed on a national basis, as well as some other information sought by the subcommittee on an area basis. The 1950 Census of Population will provide such data for the Nation, States, and areas as of April

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1950, but no provision has been made to obtain the information on a continuing basis thereafter.

A third need pointed out in the report on statistical gaps was for current information on changes in employment in important metropolitan areas. Monthly employment series for approximately 100 metropolitan areas are now being developed under the cooperative Bureau of Labor Statistics-Bureau of Employment Security-State employment security agency program. Funds for this purpose were appropriated for fiscal 1950 and are included in the 1951 budget request. Estimates of employment are being developed as rapidly as possible for important industrial areas. It is expected that monthly employment estimates will be available for approximately 60 areas by June 1950 and for each of the 100 areas by June 1951.

(5) *Financial trends of business*

The major work in this field has involved the joint Federal Trade Commission-Securities and Exchange Commission financial reporting program. This project has been planned (1) to secure quarterly reports from corporations on key financial items in order to provide current data during the course of a year; and (2) to collect annually more complete financial statements and publish statistical summaries which permit better analysis of year-to-year changes. It is worth pointing out that this is the only series in this field which accurately represents corporations of all sizes; before its initiation conclusions on financial trends were largely drawn from the reports published by the larger corporations. Experience to date shows that the financial situation of small and middle-sized corporations changes quite differently at times from that of the larger companies.

To date funds have been provided only for the quarterly reports from manufacturing corporations. The 1951 budget requests of the Federal Trade Commission and the Securities and Exchange Commission provide for completing the quarterly program by including nonmanufacturing corporations—mining, retail trade, wholesale trade, and other services.

Initiation of the annual reports under the complete program will depend on appropriations in future years.

(6) *Periodic censuses of wholesale and retail trade and service*

A census of business, including wholesale, retail, and service trades, was taken in 1949, covering operations for 1948. Data from this census will be published during 1950 in the form of separate tables, and the final volumes are expected to be available early in 1951. The next census of business is scheduled to be taken in 1954, covering 1953.

(7) *Development of more satisfactory measures of productivity*

Resources available for the measurement of productivity are substantially greater in the current fiscal year than for the fiscal year 1949, although entirely satisfactory measures are still well in the future.

Progress in this field has been along several different, although related, fronts. Improvements in the basic production, employment, and price statistics have resulted in revisions and extensions of existing measures. For example, data from the 1947 census of manufacturers will make it possible to revise existing production measures as well as to make available other production measures which were dropped during the war period.

In studying long-term trend of productivity in the economy as a whole, it is essential that we have a reasonably accurate measure of changes in the total output of goods and services. Considerable progress has recently been made toward the development of such measures as is reflected in the estimates of the Council of Economic Advisers described in appendix A of this report. The Department of Commerce now has studies under way which will provide additional refinements but much work remains to be done in this important area.

Also, the Council of Economic Advisers has been working closely with the various statistical agencies of the Government to develop an index of physical production of goods based upon such available series as the Federal Reserve Board index of industrial production, the Department of Agriculture index of agricultural output, and appropriate indexes measuring the volume of construction and the output of electricity and gas utilities. It is desirable to extend the physical production index of goods to include services. Data now available are not sufficient for the purpose except for two services: transportation and telephone and telegraph.

The additional funds made available to the Bureau of Labor Statistics for the fiscal year 1950 will enable it to expand its productivity series to 31 manufacturing, 5 mining, and 4 public utility industries in the summary index program, and to 23

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manufacturing industries in the unit labor requirements series. Extension of the program into fiscal 1951 at approximately the same level is provided in the 1951 budget estimate.

The developmental work cited in the 1948 report on statistical gaps is proceeding with additional emphasis to be placed in fiscal 1951 upon concepts, techniques, and improvement of measures. Work in this area is planned for measures at levels varying from plants to aggregate measures embracing the entire gross national product.

Experimental work on quarterly series is progressing, and it is hoped that by the end of fiscal 1951 such series can be developed to meet the need for more current information.

(8) Development of data on construction

(*a*) *Construction costs.*—Two steps are currently being taken which are expected to lay the foundation for the development of a construction cost index for residential construction. Both of them are in the nature of experimental work necessary to develop an adequate program rather than the initiation of a program itself.

Under the research program of the Housing and Home Finance Agency (title IV of the Housing Act of 1949) a study will be made to find out if and how the facilities and information sources utilized by the Federal Housing Administration in compiling data for use in making appraisals can also be used to collect the cost data required for a cost index system. This study will cover both single and multifamily structures, with main emphasis on the former.

The Bureau of Labor Statistics is undertaking, in a few localities, a study of the components—labor and materials—of actual construction costs for a limited number of single-family houses of specified size and other characteristics.

Funds for the continuation of these two projects are requested in the budget for fiscal 1951. It is expected that techniques and procedures which may be used in preparing a regular construction cost index will have been developed and tested by the end of fiscal 1951. The work will also provide a basis for estimating the cost of carrying on such an index in subsequent years.

No work has been initiated—nor is any provided for in the budget for fiscal 1951—on the problem of construction cost indexes for the various types of nonresidential construction. The current work on residential construction, however, may throw some light on possible solutions to some of the technical and procedural problems which would be encountered in other types of construction. A direct attack on these other types remains to be undertaken.

(*b*) *Construction volume.*—During the current year BLS has initiated surveys in 15 metropolitan areas of the number and characteristics of new residential units started and the selling price or rent of units completed. The budget request for fiscal 1951 provides for continuation of these two projects on the same basis, except for such adjustments as may be required in frequency of data collection and the number of units covered in each locality as a result of the cost experience gained. The data thus provided are immediately useful for the areas covered, but the work is considered developmental in that it provides for the testing and perfection of survey techniques and gives a basis for estimating the cost of expand ing the work to cover other localities.

As part of the research program initiated by the HHFA this year a start will be made in the development of techniques for measuring (1) changes in the housing supply due to factors other than new construction—i. e., conversions of residential structures resulting in a change in the number of dwelling units, conversions from residential to nonresidential and vice versa, and demolitions; (2) changes in the quality and other characteristics of the total housing inventory; and (3) expenditures for maintenance and repair of residential structures. It is expected that this work will be carried on into fiscal 1951, and that a continuing program may be formulated to begin with fiscal 1952.

The Bureau of Agricultural Economics, under the provisions of title V of the Housing Act of 1949, is conducting a survey of the volume of construction of farm housing and other farm buildings during the year 1949. Provision is made in the fiscal 1951 budget request for a survey covering the calendar year 1950, with the expectation of obtaining data annually on the volume of construction of farm buildings. No plans have been formulated for obtaining such data more frequently than annually nor for covering farm construction other than buildings.

As in the case of construction costs, the steps which are in progress to fill gaps in basic data in the field of construction volume all pertain to residential construction. While these steps are largely developmental in nature they are a necessary preliminary to the real progress which should be expected to follow. In addition, substantial improvements are still needed in the quality and ac-

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curacy of data now available on the volume of housing construction. Also, in view of the local character of construction, data are needed for a larger number of individual localities.

It is reasonable to expect, in view of the passage of the Housing Act of 1949, that attention should be given first to improving information pertaining to residential construction. However, similar attention should not be too long deferred in the field of nonresidential construction, where even the developmental work remains to be done.

(9) Improvement of inventory statistics

The committee's report on statistical gaps pointed out the need for integrated inventory statistics at the manufacturing, wholesale, and retail levels which would show also how much change from one point to another represented price changes, speculative withholding, normal restocking, and involuntary increases resulting from the slowing up of sales.

The completion of the census of manufacturers of 1947 and the census of business for 1948 makes certain bench marks available on inventories. Similar bench mark data will again be available for the year 1953. The Census Bureau is collecting some additional inventory information this year, on a sample basis, covering 1949 for both manufacturing and trade. The 1951 budget request for the Census Bureau includes funds for an annual comprehensive retail-inventory survey and for an annual survey of manufacturing plants which would obtain gross inventory data. These two steps would provide integrated information on inventories on an annual basis. The current series on inventories conducted by the Office of Business Economics has been further improved, but any major improvement in this series will require a larger sample.

(10) Data on materials and labor requirements in relation to production

For evaluating the impact of Government civilian programs (including foreign aid) on the economy and for military mobilization planning, it is essential to have comprehensive data on the relationship because the requirements and output of our industries. In the past few years a substantial beginning has been made by the Bureau of Labor Statistics and other agencies in the study of inter-industry relations. Because of the potential usefulness of this technique for purposes of mobilization planning, the National Security Resources Board has transferred funds to the BLS for the preparation of a statistical statement on materials, requirements and output, by industry, in the year 1947. This project, which utilizes data from the 1947 census of manufacturers and the 1948 census of business, is well under way.

To apply the anticipated results of this analysis to policy planning, two major steps must be taken: (1) Detailed information must be secured on the needs of both manufacturing and nonmanufacturing industries: (a) for manpower of differing skill levels, (b) for capital equipment, (c) for plant construction, and (d) for inventory accumulation under differing levels of national output and under various mobilization plans. (2) We will also require an extension of key data on materials consumption, production, sales, and employment secured in the manufactures and business censuses in order to keep current the basic 1947 statement on interindustry requirements. Preliminary work along these lines, including methods studies and some data collection, is planned for the current year.

The interest of the National Security Resources Board and the Munitions Board has already been expressed in this study. Its peacetime uses for private business, the Council of Economic Advisers and government generally are equally significant.

(11) Business intentions with regard to capital expenditures

The Office of Business Economics and the Securities and Exchange Commission have devoted considerable time to studying the significance of changes in these statistics from one quarter to another, and some exploratory work has been done on whether additional information can be readily secured from business executives as to their plans for future expenditures. Substantial improvements and expansion are provided for in the 1951 budget request. This entire field is new, of course, and because of its great significance for understanding and anticipating economic trends continued work in improvement over the next few years should be carried on.

(12) State and local government expenditures

(a) *Expenditures by State and local governments.*—The first report of the Joint Committee on the Economic Report on statistical gaps referred to the need for annual data on aggregate Government expenditures for all levels of Government,

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to the usefulness of interim quarterly reports from a sample of governments on revenues and indebtedness as well as expenditures, and to the desirability of projections of revenues and expenditures into the ensuing budget period instead of limiting reports to past years as is the practice at present. Budgetary limitations have prevented any further development of plans which the Governments Division of the Bureau of the Census had for estimating aggregate Government expenditures on the basis of reports from a carefully selected sample of governments. The 1951 budget request makes no provision for this proposal, but the projected decennial census of governments, to cover the year 1952, would obtain quite complete information on governmental expenditures. Thereafter an annual survey on a sample basis would be very desirable, and would be facilitated by the use of the decennial census data.

The Governments Division has no present plan for obtaining quarterly reports from a sample of governments for use in estimating current revenues and expenditures, nor is it planning any projections for future periods. However, considerable progress has been made in reducing the lag in annual reports on State and city finances for the last completed fiscal year. Some progress has also been made in improving the classifications used in these reports, but additional work is needed. The Governments Division is currently giving attention to this problem in preparing for the decennial census of governments.

The census of governments is at present taken by the Bureau of the Census at 10-year intervals. A proposed bill providing that this interval be reduced to 5 years has been sent by the Secretary of Commerce to the Congress. In view of the rapid changes in State and local government finances which have characterized the last few years, the increased importance of intergovernmental transfers, and the significance of State and local government revenues and expenditures for the national economy, census information on this more frequent basis would be valuable.

Following the Census of Governments for 1952, it may be desirable to review the entire program of current reports from State and local governments.

(*b*) *State and local public works planned.*—In connection with the administration of the second advance public-works planning program (Public Law 352, 81st Cong.), the General Services Administration is again undertaking to obtain adequate information on planned public works proposed by State and local governments. No information on this sector of our economy has been available since 1947 when the previous program was discontinued. The present program will expire in October 1951. It would be desirable if the collection of this type of information were to be provided on a regular and continuing basis so that its availability would not depend on whether or not Federal funds are available for advance planning purposes.

The Bureau of Labor Statistics, in its budget for fiscal 1951, has requested funds to make studies of the employment effects of public works construction. Except for highways, the last previous studies of this kind were made in the late 1930's, and the results are no longer very useful. The new studies will cover only a few types of public works projects such as hospitals and schools which are of interest to Federal as well as State and local governments. Data for other types of public works will still remain to be brought up to date.

(13) Business structure and behavior

An important need in this area is a flow of information which would permit analysis showing the degree of economic concentration in the various industries as well as comparative data showing the trend of this movement. The census of manufactures for 1947 has made available basic information and the Department of Commerce has pepared a series of tabulations at the plant level. For many of the industries so analyzed, 1935 concentration ratios are available for comparative purposes. A sample survey of manufactures covering the year 1949 is now being taken and funds are being requested in the fiscal 1951 budget for the Bureau of the Census to permit continuation of this sample survey on an annual basis. The Federal Trade Commission is planning to devote more staff time to analysis of these surveys of manufacturing and, by adding new data on the 500 largest manufacturing corporations, to indicate the control by such corporations of the output of specific products and groups of competing products.

Data are also available from the financial reporting program conducted jointly by the Federal Trade Commission and the Securities and Exchange Commission. The FTC has released a study of the concentration of productive facilities based on 1947 data obtained under this program. Funds have been requested by the FTC to permit the expansion of the quarterly reporting program to cover whole-

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saling, retailing, and mining activities. In addition, the fiscal 1951 request of the FTC includes provision for additional work in the field of concentration.

The staff of the committee have also pointed out the desirability of information on unit costs. No specific budgetary provision has been made to finance additional work in this area.

In addition to the general studies proposed above, the Joint Economic Committee has called for special data on the steel industry in its report on December 1949 Steel Price Increases, for use in a study recommended in that report of "the means whereby a greater degree of competition within the steel industry may be achieved."[10] The specific recommendation of the committee in regard to needed statistics is:

> 1. Information of the type sought but not obtained by this committee, namely data on prices, output, costs, and profits of each of the major steel producers, should be systematically collected by the Federal Trade Commission and kept currently available for use by the Congress. This program should be undertaken immediately to facilitate the study called for under recommendation No. 3 below [the study referred to in the paragraph above.]

[10] Joint Committee on the Economic Report, December 1949 Steel Price Increases, S. Rept. No. 1373, 81st Cong., 2d sess., p. 25.

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Appendix C

PUBLICATIONS OF THE JOINT COMMITTEE ON THE ECONOMIC REPORT, JANUARY 1949–APRIL 1950

Joint Economic Report (Report of the Joint Committee on the Economic Report on the January 1949 Economic Report of the President), S. Doc. 88: March 1949.

Joint Economic Report (Minority Views of the Joint Committee on the Economic Report on the January 1949 Economic Report of the President), pt. II of S. Doc. 88: April 1949.

Employment and Unemployment (initial report of the Subcommittee on Unemployment) committee print: July 1949.

Economy of the South (the impact of Federal policies on the economy of the South) committee print. (Sale price 25 cents): July 1949.

**Factors Affecting the Volume and Stability of Private Investment* (materials on the investment problem assembled by the staff of the subcommittee on investment) committee print: October 1949.

Hearings on Federal Expenditure and Revenue Policies, Sept. 23, 1949, Containing National Planning Association Reports prepared by Conference of University Economists: October 1949.

Selected Government Programs which Aid the Unemployed and Low-Income Families (materials assembled by the staffs of the Subcommittee on Unemployment and the Subcommittee on Low-Income Families) committee print: November 1949.

Low-Income Families and Economic Stability (materials on the problem of low-income families assembled by the Staff of the Subcommittee on Low-Income Families) committee print: November 1949.

**A Compendium of Materials on Monetary, Credit, and Fiscal Policies* (a collection of statements submitted to the Subcommittee on Monetary, Credit, and Fiscal Policies by Government officials, bankers, economists, and others) S. Doc. No. 132. (Sale price $1): November 1949.

Hearings, Subcommittee on Investment (Sept. 27, 28, 29, 1949) November 1949.

Basic Data Relating to Steel Prices (materials assembled by the staff of the Joint Economic Committee for use in steel hearings) committee print: January 1950.

**Highways and the Nation's Economy* (materials assembled by the staff of the Joint Economic Committee) S. Doc. 145. (Sale price 20¢): January 1950.

Hearings on monetary, credit, and fiscal policies (Sept. 23, Nov. 16, 17, 18, 22, 23, and Dec. 1, 2, 3, 5, 7, 1949): January 1950.

**Monetary, Credit, and Fiscal Policies* (Report of the Subcommittee on Monetary, Credit, and Fiscal Policies) S. Doc. 129. (Sale price 15 cents): January 1950.

**Employment and Unemployment* (Report of the Subcommittee on Unemployment) S. Doc. No. 140. (Sale price 30 cents): February 1950.

Hearings, Subcommittee on Investment (Dec. 6, 7, 8, 9, 12, 13, 14, 15, 16): February 1950.

Hearings, Subcommittee on Low Income (Dec. 12, 13, 14, 15, 16, 17, 19, 20, 21, 22): March 1950.

Hearings, 1950 Economic Report of the President (Jan. 17, 18, 19, 20): February 1950.

Hearings, recent steel-price increases (Jan. 24, 25, 26, 27): March 1950.

**Low-Income Families and Economic Stability* (final report of the Subcommittee on Low-Income Families) S. Doc. 146. (Sale price 20 cents): March 1950.

**Volume and Stability of Private Investment* (final report of the Subcommittee on Investment) S. Doc. 149. (Sale price 15 cents): March 1950.

**December 1949 Steel Price Increases* (report of the Joint Economic Committee) S. Rept. 1373. (Sale price 20 cents): March 1950.

**Handbook of Regional Statistics* (material assembled by the staff of the Joint Economic Committee) committee print. (Sale price $1): April 1950.

**Economic Indicators* (a monthly publication of the Congress under Public Law 120, 81st Cong., 1st sess.) (Sale price 15 cents a copy, $1.75 a year): monthly.

Publications marked with an * are on sale at the Superintendent of Documents, Government Printing Office, Washington 25, D. C.

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