

CAUTION: For the convenience of the Press only, release on delivery probably about 11 A.M., E.S.T., Tuesday May 16, 1939.

SUMMARY OF STATEMENT SUBMITTED TO THE TEMPORARY NATIONAL ECONOMIC COMMITTEE BY LAUCHLIN CURRIE, ASSISTANT DIRECTOR DIVISION OF RESEARCH AND STATISTICS, BOARD OF GOVERNORS, FEDERAL RESERVE SYSTEM, AT THE HEARINGS ON SAVINGS AND INVESTMENT, May 16, 1939.

Dr. Currie presented a series of charts and tables which indicated what our national savings have been in recent years, how they have been invested or offset, and the relation of such investments to the national income. Among the conclusions to be drawn from these charts are:

Gross savings amounted to about 19 per cent of the gross national income during the 1920's. In 1937 the same figure had been reached, 19 per cent. Gross national income may be defined as the sum of the final selling prices of all goods and services produced in a given year. Net national income is the same figure less an allowance for depreciation and depletion.

If this ratio of 19 per cent prevails in the future when we push gross national income up to one hundred billion dollars, which means a net national income of around 90 billions, we will have to offset some 19 billions of savings by plant expenditures or other outlays if a subsequent decline is to be avoided.

Expenditures which absorbed or offset savings remained fairly stable from 1923-1928 despite the steady rise in national income. That rise may be attributable to relatively more consumers' expenditures nourished by speculation on the stock market.

During the 20's expenditures for plant and equipment comprised about half of the outlet for savings. The same ratio obtained in 1937. But during the recovery after 1933 expenditures for equipment increased more rapidly than those for plant structures. By 1937 equipment expenditures almost levelled 1929. It is perhaps legitimate to infer from these figures that our industrial equipment has been relatively well maintained.

Expenditures for manufacturing plant and equipment showed a remarkably close relationship to the volume of industrial production throughout the entire period studied. They offset 15 per cent of our savings in 1925, 20 per cent in 1929, and again 20 per cent in 1937.

The borrowings of state and local governments provided an outlet for nearly one billion of our savings in most years of the 20's. This outlet collapsed with the depression. The outlets provided by the Federal Government increased sharply. Combining both Federal and local government outlets for savings, the total was about the same in 1925, 1929, and 1937.

When inventories accumulate, they provide an offset to savings just as do expenditures for plant and equipment. In 1925 this outlet accounted for 9 per cent of our savings and in 1937 for 28 per cent.

Another substantial offset to savings is residential housing. Combining this with expenditures for the plant of non-profit institutions (churches, country clubs, and so forth), it appears that this outlet accounted for 33 per cent of our savings in 1925 when the post-War housing boom was going full blast, but only 11 per cent in 1937.

Expenditures for the plant and equipment of electric utilities appear to be influenced by the relation of kilowatts produced to generating capacity. The 1928 relationship was not regained until 1936.

Railroad equipment expenditures in 1937 approximated the 1929 level but fell considerably short of the level of the early 20's. Such expenditures appear to be predominantly affected by the supply of rolling stock in relation to peak car loadings.

Expenditures for agricultural plant and equipment in 1937 were up to the level of the late 20's. Outlets for savings through consumer credit (instalment buying, and so forth) increased rapidly in the 20's and again from 1933-1937. In the latter year the volume of consumer credit outstanding exceeded the 1929 level.

---000---

SUPPLEMENTARY TABLE I-a

PLANT AND EQUIPMENT EXPENDITURES BY TYPE OF BUSINESS.

TOTAL
(In millions of dollars)

	Total	Railroads	Electrical Power	Telephones	Transit	Other Utilities	Mining and Manufact.	Agriculture	Commercial and Miscellaneous
1919	6,860	374	268	132	123	155	2,987	1,128	1,693
1920	8,034	630	447	205	162	181	3,412	1,197	1,800
1921	5,095	550	288	230	100	137	1,951	488	1,351
1922	5,666	434	408	266	151	236	2,073	539	1,559
1923	7,765	1,077	738	320	180	245	2,581	695	1,929
1924	7,542	901	844	386	133	355	2,265	665	1,993
1925	8,069	728	787	387	123	300	2,625	758	2,361
1926	8,934	883	718	408	116	380	3,045	759	2,625
1927	8,609	751	738	399	130	427	2,757	818	2,589
1928	8,749	673	701	460	135	348	2,962	869	2,601
1929	10,045	840	793	620	135	369	3,490	962	2,836
1930	8,307	865	855	616	124	298	2,449	765	2,335
1931	5,145	360	555	411	132	243	1,402	446	1,596
1932	2,834	164	265	255	61	141	921	225	802
1933	2,433	101	120	167	46	72	993	289	645
1934	3,459	218	137	180	78	77	1,445	409	915
1935	4,390	166	179	195	117	92	1,810	637	1,194
1936	5,995	306	269	250	109	120	2,483	786	1,672
1937	7,516	525	424	349	101	150	3,039	970	1,958
1938	5,462	238	403	319	83	120	2,013	820	1,466

Currit

SUPPLEMENTARY TABLE I-b

PLANT AND EQUIPMENT EXPENDITURES BY TYPE OF BUSINESS

PLANT

(In millions of dollars)

	Total	Railroads	Electrical Power	Telephones	Transit	Other Utilities	Mining and Manufact.	Agriculture	Commercial and Miscellaneous
1919	2,982	143	161	64	63	113	1,363	490	585
1920	3,558	243	268	109	82	122	1,627	450	657
1921	2,344	212	170	90	59	93	930	190	600
1922	2,536	175	237	107	85	157	880	250	645
1923	3,137	361	421	143	74	166	950	287	735
1924	3,183	382	473	177	56	238	821	275	761
1925	3,456	373	433	192	52	199	935	282	990
1926	4,031	492	388	206	51	239	1,196	282	1,177
1927	3,960	447	391	196	77	285	1,074	284	1,206
1928	3,942	438	364	227	90	227	1,137	278	1,181
1929	4,365	503	397	328	82	256	1,335	278	1,186
1930	3,683	521	419	310	85	186	945	220	997
1931	2,166	284	266	154	69	174	482	155	582
1932	1,188	126	125	80	29	100	378	75	275
1933	874	85	55	41	21	50	374	105	143
1934	1,102	122	62	43	30	51	509	120	165
1935	1,245	83	79	46	40	63	555	170	209
1936	1,628	139	116	63	45	81	708	200	276
1937	2,175	188	182	100	39	98	970	230	368
1938	1,816	117	173	88	41	78	763	210	346

SUPPLEMENTARY TABLE I-c

PLANT AND EQUIPMENT EXPENDITURES BY TYPE OF BUSINESS

EQUIPMENT

(In millions of Dollars)

	Total	Railroads	Electrical Power	Telephones	Transit	Other Utilities	Mining and Manufact.	Agriculture	Commercial and Miscellaneous
1919	3,878	231	107	68	60	42	1,624	638	1,108
1920	4,476	387	179	96	80	59	1,785	747	1,143
1921	2,751	338	118	140	41	44	1,021	298	751
1922	3,130	259	171	159	66	79	1,193	289	914
1923	4,628	716	317	177	106	79	1,631	408	1,194
1924	4,359	519	371	209	77	117	1,444	390	1,232
1925	4,613	355	354	195	71	101	1,690	476	1,371
1926	4,903	391	330	202	65	141	1,849	477	1,448
1927	4,649	304	347	203	53	142	1,683	534	1,383
1928	4,807	235	337	233	45	121	1,825	591	1,420
1929	5,680	337	396	292	53	113	2,155	684	1,650
1930	4,624	344	436	306	39	112	1,504	545	1,338
1931	2,979	76	289	257	63	69	920	291	1,014
1932	1,646	38	140	175	32	41	543	150	527
1933	1,559	16	65	126	25	22	619	184	502
1934	2,357	96	75	137	48	26	936	289	750
1935	3,145	83	100	149	77	29	1,255	467	985
1936	4,367	167	153	187	64	39	1,775	586	1,396
1937	5,341	337	242	249	62	52	2,069	740	1,590
1938	3,646	121	230	231	42	42	1,250	610	1,120

SUPPLEMENTARY TABLE V

COMPOSITION OF INCOME-PRODUCING EXPENDITURES
THAT OFFSET SAVING, AVERAGE 1923-1929

	<u>Millions of</u> <u>Dollars</u>	<u>Percent</u> <u>of Total</u>
Government	506	3.2
Plant and Equipment	8,530	53.3
Mining and Manufacturing	2,818	17.6
Railroads and Utilities	2,504	15.6
Other	3,208	20.0
Housing and Non-profit Institutions	4,780	29.9
Foreign Bal.	429	2.7
Change in Consumer Credit	730	4.6
Change in Inventories	1,033	6.5
Total	16,008	100.0

SUPPLEMENTARY TABLE v-b

COMPOSITION OF INCOME-PRODUCING EXPENDITURES
THAT OFFSET SAVING, 1936

	<u>Millions of</u> <u>Dollars</u>	<u>Percent</u> <u>of Total</u>
Government	3,939	26.6
Plant and equipment	5,995	40.6
Mining and manufacturing	2,483	16.8
Railroads and utilities	1,054	7.1
Other	2,458	16.6
Housing and non profit institu- tions	1,412	9.6
Foreign balance	- 153	- 1.0
Change in consumer credit	1,290	8.7
Change in inventories	2,300	15.6
Total	14,783	100.0