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1958

JOINT ECONOMIC REPORT

REPORT

OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

ON THE

JANUARY 1958 ECONOMIC REPORT
OF THE PRESIDENT

WITH

SUPPLEMENTAL AND DISSENTING VIEWS

AND

THE ECONOMIC OUTLOOK FOR 1958
PREPARED BY THE COMMITTEE STAFF



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JOINT ECONOMIC CTEE.
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FEBRUARY 27, 1958.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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1958 JOINT ECONOMIC REPORT

FEBRUARY 27, 1958—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. PATMAN, from the Joint Economic Committee, submitted the following

REPORT OF THE JOINT ECONOMIC COMMITTEE ON THE JANUARY 1958 ECONOMIC REPORT OF THE PRESIDENT

The Joint Economic Committee has studied and given consideration to the Economic Report of the President. It has heard testimony from administration officials, the Chairman of the Board of Governors of the Federal Reserve System, and numerous non-Government experts of widely varying views.

The conflict between the free world and the Communist-bloc nations imposes a responsibility upon the United States to maintain a strong, prosperous, and stable economy. Our economic superiority may be as important as military supremacy, if indeed it is not more important, in assuring peace and the conditions for improved living standards for the entire world. Against this background, the current decline in the Nation's economy assumes an importance beyond that of purely domestic concern. This contraction, which originated in part from falling United States exports, has repercussions on economic activity elsewhere in the free world because of the resulting decline in our imports. The interrelationship between this Nation's economy and world economic conditions is well demonstrated by experience of the past year.

The present economic downturn in this country has been characterized in detail in the President's Economic Report, in the testimony by Government and non-Government witnesses during the committee's hearings on the report, and in current statistics dealing with various sectors of the economy. While some of us may differ as to the exact causes underlying the decline and the economic trends for the coming months, we are agreed that public policies should contribute to halting the decline, to setting in motion forces for renewed and vigorous economic growth, and to producing the revenues needed to discharge our national responsibilities. Such policies must be of primary concern to the Federal Government this year.

As policy guides to the several committees of the Congress dealing with legislation, the Joint Economic Committee, pursuant to its duties under the Employment Act, has set forth below six main considerations for economic policy today:

1. Monetary action should be used without hesitation and in such degree as the situation requires if, as a flexible instrument of public policy, it is to make its contribution to recovery. From the testimony presented at the hearings, we find no reason why the

monetary authorities should, under today's conditions, hold back on supplying additional reserves to the monetary system. It is well recognized that such monetary action may not succeed in reversing the present economic downtrend but the absence of such further action might perpetuate monetary stringency and lack of liquidity for consumers, business, and Government.

2. Arresting the present decline and promoting economic recovery calls for acceleration of a number of Federal Government expenditure programs.¹ Outlays for development of the Nation's water resources, including navigation and flood control, water and soil conservation and reclamation command a high priority. These programs have great merit in the present circumstances, both for the immediate employment opportunities they create and because of their contributions to long-run economic development. Similarly, expanded grants to accelerate the Federal-aid highway program, stepped-up urban renewal programs, programs for needed public buildings such as post offices, the revision of present public and private housing programs to meet the accumulated backlog and demands of our expanding population, and a higher level of participation by the Federal Government for additions to the Nation's school and health plant would stimulate economic activity and contribute to long-run growth.²

The Federal, State, and local governments, therefore, should promptly activate projects in advanced stages of planning and accelerate those now in progress, especially those which will have a prompt and large effect on economic activity.

The Federal Government should also expand its public assistance grants to the States and should provide the financial assistance required to liberalize and extend unemployment compensation in order to provide quickly a cushion against the decline in income.

3. If monetary action, expenditure measures, and other actions, public or private, fall short in stemming recession and promoting recovery, tax reduction will be in order, but such action is not now recommended. The committee is confident that the tax-writing committees of the Congress will keep a close and continuing watch on economic and budgetary developments and will be prepared to move quickly in enacting general tax reduction if needed.

As we have repeatedly urged, tax revision as distinguished from tax reduction is always timely. These revisions should aim at greater equity, less interference with considerations of sound business practice, and a more favorable climate for new and small businesses. In recommending tax revision last year, the committee pointed out the limitations imposed by the need for maintaining revenues to combat inflation. In view of the changed

¹ Representative KILBURN. I feel that I must dissent from any view that treats Government spending as even a partial remedy for the present slow-up in economic activity. I am against any additional Federal Government expenditure or works programs, which will have the effect of increasing the national debt. A further increase in the national debt will only serve in the long run to lower the value of the dollar still further and hence do the economy more harm than good. The millions of people who are on a fixed income in this country are being priced right out of the market. That is one reason for our so-called current recession. Our first objective, this year as always, should therefore be the preservation of a sound dollar.

During the thirties we were fortunate in having a low national debt. We then went into a mammoth public works program during the thirties and even at the end of that time we still had 9 million to 12 million unemployed. Spending wasn't the answer then and it isn't the answer now. At a time when our debt is already high and we are being urged to raise the debt ceiling so that it can go even higher, we simply cannot afford to expend the money without reducing the value of the dollar.

² Representative PATMAN. While I strongly support the construction of needed post offices and the expansion of other public works at this time, I believe the post offices should be financed by direct appropriations subject to the regular budgeting and congressional appropriations procedures. Expenditures for such buildings needed to perform a clearly public function should not be outside the budget and the debt limit ceilings as is substantially the case under the lease-purchase program.

economic circumstances, the consideration represents a much less significant constraint at this time.

4. The United States must be prepared for a long-term rise in defense demands. These demands must be determined upon their merits in terms of military and diplomatic strategy, rather than by their effects upon the economy or by the availability of governmental revenues to support them. Whether or not these rising demands will require increasing outlays will depend in part on specific, positive efforts to achieve more efficient use of resources committed to defense preparations. In any case, the Nation's economic capacity can bear whatever burden national security requirements may impose. The weight of this burden will depend on whether defense demands increase more rapidly than our productive capacity. The prospect of increasing defense requirements, therefore, emphasizes the importance of achieving and maintaining a high rate of economic growth.

5. The lower, but still high, level of plant and equipment outlays in prospect for this year need not materially affect the Nation's economic growth, if other types of growth-generating activity take their place. The fundamental source of growth over the long run is creative intelligence which produces new wants and the resources and techniques for their satisfaction at lower costs. The committee notes with satisfaction that expenditures for research and development are increasing. Economic policy oriented to long-term growth must be developed to assure an adequate flow of resources into education and research activities, as well as into those activities aimed at satisfying the consumption demands of a growing population and the investment demands of a growing business community.

6. The current economic contraction and the uncertainty about its magnitude and duration emphasize the importance of a strong integrated Federal program for economic statistics adequate for today's complex needs. Substantial increases in expenditures for this purpose will be the best possible budget economy, contributing to early detection and quick corrective action before economic difficulties progress far enough to cause a large Federal deficit, to say nothing of the private losses due to unemployment and idle capital. Present expenditures for economic statistics and the cost of needed improvements are both so small compared to other items in the budget that Congress this year should grant the increased appropriations recommended in the President's budget. The need was vigorously set forth in the President's Economic Report and supported by witnesses at our hearings. We commend the Division of Statistical Standards of the Bureau of the Budget and the Council of Economic Advisers for their leadership in developing and supporting the improved Federal system of integrated economic statistics needed by the executive branch, by the Congress, especially this committee, and by private labor, business, agriculture and research organizations.

The President's report contains several score of specific recommendations which the legislative committees will want to examine against the backdrop of the broad principles stated above.

As individual members of the Joint Economic Committee, we have varying views as to how these guides may best be applied in drafting legislation this session. Some of these views are set forth in individual footnotes and statements.

REPORT ON COMMITTEE ACTIVITIES AND PLANS

The Joint Economic Committee is directed by the law creating it (Public Law 304, 79th Cong.) to report to the Congress on the main recommendations of the President's Economic Report and to make a "continuing study" of the economy. During the period January-March of 1957 the committee held hearings and prepared its report on the 1957 Economic Report of the President. In its report on the 1957 Economic Report of the President, the committee indicated 5 areas of study and directed the continuation of 4 of its subcommittees established in 1956. One new subcommittee, the Subcommittee on Agricultural Policy, was established. The work of the committee and its subcommittees during the past year is summarized below.

President's 1957 Economic Report

Hearings on the January 1957 Economic Report of the President provided an opportunity (1) for the executive branch to indicate the economic assumptions and reasoning underlying the President's economic program and to justify major economic recommendations; (2) for a limited number of outside experts to set forth their views on the President's economic analysis and program; (3) for the economic interest and research groups to submit their views. The committee's report on the President's report was transmitted to the Congress on February 28, 1 day before the statutory deadline. The report included supplemental and minority views of committee members, and materials on the economic outlook for 1957 prepared by the committee staff (H. Rept. No. 175, 85th Cong., 1st sess.).

Subcommittee on Economic Stabilization

The Subcommittee on Economic Stabilization was composed of Representative Wright Patman, chairman; Senator Joseph C. O'Mahoney, Senator Barry Goldwater, Representative Augustine B. Kelley, and Representative Clarence E. Kilburn.

The Subcommittee on Economic Stabilization continued its study of automation in hearings on Automation and Recent Trends, November 14 and 15. Representatives of business and labor joined with technical experts in discussing the significance to the economy of current developments in automation.

No reports were prepared on these individual hearings since it was the feeling of the subcommittee that the proceedings would be given consideration by the Joint Economic Committee in connection with its March 1 report.

Subcommittee on Economic Statistics

The Subcommittee on Economic Statistics was composed of Representative Richard Bolling, chairman; Senator John Sparkman, and Representative Henry O. Talle.

In accordance with instructions of the full committee (H. Rept. No. 175, 85th Cong., 1st sess., p. 9) the subcommittee, through correspondence and personal consultation with members of the appropriations committees in the House and the Senate, attempted to assist in obtaining favorable action on the 1958 budget for economic statistics. On October 2 the chairman of the subcommittee released a mimeographed statement which summarized the status of the final appropriations for the Federal Government statistical programs. (See pp. 287-291, Joint Economic Committee Hearings on the 1958 Economic Report of the President.)

The subcommittee held hearings on the National Economic Accounts of the United States, October 29 and 30. Outstanding experts and representatives of both producers and users of national statistics discussed the findings which the National Accounts Review Committee of the National Bureau of Economic Research presented concerning the status and recommendations for improvements in the Federal Government's work in the field of national income and product accounts.

In accordance with the instructions of the full committee, the subcommittee arranged for a 1957 revision of the Historical and Descriptive Supplement to Economic Indicators, which was prepared and released in September.

In response to a request by Representative Curtis for a brief study of foreign economic statistics, the subcommittee obtained the cooperation of the Office of Statistical Standards, Bureau of the Budget, which prepared a two-part memorandum containing a summary of statistical activity of international agencies and a review of national income and expenditure accounts in leading countries. The memorandum was released February 21, 1958, as a committee print.

Subcommittee on Foreign Economic Policy

The Subcommittee on Foreign Economic Policy was composed of Representative Richard Bolling, chairman; Senator J. W. Fulbright, Senator Ralph E. Flanders, Representative Augustine B. Kelley and Representative Henry O. Talle.

As directed by the full committee, the subcommittee continued its examination of the relationship between economic trends in the Soviet Union and in the United States. A study, *Soviet Economic Growth: A Comparison With the United States*, prepared for the subcommittee by the Legislative Reference Service of the Library of Congress, was released as a committee print in September.

Subcommittee on Fiscal Policy

The Subcommittee on Fiscal Policy was composed of Senator Paul H. Douglas, Senator Joseph C. O'Mahoney, Senator Barry Goldwater, and Representative Thomas B. Curtis. Until his resignation from the committee, Representative Wilbur D. Mills served as chairman of the subcommittee.

The subcommittee undertook two inquiries in 1957. Hearings were held June 3-7, 13-14, on the Fiscal Policy Implications of the Economic Outlook and Budget Developments. The purpose of these hearings was to examine the facts concerning economic and budget developments as they appeared at mid-1957 upon which fiscal policy, consistent with the economic growth objectives of the Employment Act,

should be based. The subcommittee had the benefit of discussions with 33 non-Government experts and with the Director of the Bureau of the Budget, the Secretary of the Treasury, and the Chairman of the Board of Governors of the Federal Reserve System.

The subcommittee's report was filed with the full committee on June 24, 1957, and was transmitted to the Congress on June 26, 1957 (H. Rept. No. 647, 85th Cong., 1st sess.).

Pursuant to the suggestion of the Joint Economic Committee in its February 28, 1957, report to the Congress (H. Rept. No. 175, 85th Cong., 1st sess.), the Subcommittee on Fiscal Policy developed a study of Federal Expenditure Policies for Economic Growth and Stability. In the course of its study the subcommittee invited and received the assistance of 102 experts from business, labor, research groups, universities, and Government. These participants prepared papers on a wide range of issues concerning Federal expenditures. The papers were printed and distributed to subcommittee members, participants, and the general public in early November. Hearings were held November 18-27, during which the participants and the subcommittee developed more fully the problems and issues raised in the papers. The subcommittee presented its report to the Joint Economic Committee in January (Federal Expenditure Policies for Economic Growth and Stability, report of the Subcommittee on Fiscal Policy to the Joint Economic Committee, Congress of the United States, committee print, January 23, 1958, 85th Cong., 2d sess.).

Subcommittee on Agricultural Policy

The Subcommittee on Agricultural Policy was composed of Senator John Sparkman, chairman; Senator Paul H. Douglas, Senator Arthur V. Watkins, Representative Wright Patman, Representative Wilbur D. Mills, Representative Henry O. Talle, and Representative Thomas B. Curtis.

The subcommittee, as directed by the full committee, conducted a study of Policy for Commercial Agriculture: Its Relation to Economic Growth and Stability. Over 60 experts from universities, Government, and farm organizations submitted papers on the invitation of the subcommittee. These papers were released in the form of a printed compendium prior to hearings which were held December 16-20, during which the authors of the papers and the subcommittee developed more fully the problems and issues raised in the papers. The subcommittee presented its report to the full committee on February 5, 1958 (Policy for Commercial Agriculture: Its Relation to Economic Growth and Stability, report of the Subcommittee on Agricultural Policy to the Joint Economic Committee, Congress of the United States, committee print, February 10, 1958, 85th Cong., 2d sess.).

Changes in committee membership

Representative Augustine B. Kelley, who had been a member of the committee since January 1955, died in November 1957. The committee has expressed its sorrow by formal resolution.

Representative Wilbur D. Mills resigned from the committee upon assuming the chairmanship of the House Ways and Means Committee.

Senator Barry Goldwater felt it necessary to submit his resignation in February 1958 because of conflict with the work of other committees.

Representatives Hale Boggs and Henry S. Reuss were appointed to the House vacancies.

Committee and staff participation in meetings with outside groups

Several members of the committee attended the 46th Annual Conference of the Interparliamentary Union at London, England, during September. The acting executive director, from the committee staff, attended the 30th session of the International Statistical Institute held in Stockholm, Sweden, August 8-15. He presented a paper on The Statistical Testing of National Economic Projections for Public Policymaking in the United States. This paper is being printed in the annual proceedings of the International Statistical Institute.

In addition to conducting formal studies and arranging hearings for the committee, the staff participated in discussions of economic problems and research techniques with outside groups. The following list of meetings illustrates the nature of these activities in which the staff took part during 1957: economic workshops and conferences at Goucher College, Pennsylvania, Princeton, and West Virginia Universities; investment banking seminar conducted by the University of Pennsylvania; annual sessions of the National Tax Association, Mortgage Bankers Association of America, the National Bureau of Economic Research, Federal Statistics Users' Conference, American Economic Association, American Statistical Association, the Econometric Institute, Inc., and the National Planning Association; conferences with groups of foreign economists brought here under the sponsorship of the State Department and the International Cooperation Administration; the annual seminar of the Prices and Cost of Living Division of the Bureau of Labor Statistics; seminars of the Industrial College of the Armed Forces; meetings of local chapters of the American Statistical Association; meetings of The Brookings Institution, and the Chamber of Commerce Committee on Business Statistics; and other meetings of business groups, civic organizations, and university classes.

Committee study of the relationship of prices to economic stability and growth

The committee issued a factbook compiled by the staff on Productivity, Prices, and Incomes, as a committee print on June 26, 1957. This study, which left interpretation and conclusions to the user of the materials, was compiled in response to a committee request outlined in its 1955 report (S. Rept. No. 1606, 84th Cong., 2d sess., p. 13). A program for further investigation in the area of prices was developed by the staff during the summer in response to a request from the committee. At a meeting of the full committee on October 7, the program was reviewed, several modifications and additions were made, and approval granted to proceed with the study.

As the first phase of its study, the committee directed the staff to proceed with the preparation of a compendium—or collection of research papers—presenting the analyses and findings of impartial experts and the most authoritative information available.

Plans for this compendium were approved at a committee meeting on January 13, 1958. The topics and list of contributors to the compendium were announced in a press release of January 17, 1958. The committee has also approved a schedule of hearings for May 12-29, 1958. At these hearings, after oral presentations by the

expert contributors to the compendium, representatives of industry, labor, trade associations, consumers, and others will be asked to address themselves to the issues raised in the compendium. Details as to dates and lists of witnesses will be announced shortly.

Other committee studies

The persistence of upward price pressures in the United States since the end of World War II has raised important questions about the adequacy of fiscal and monetary policy in assuring stability without impairing economic growth. Other countries of the free world have also been plagued with inflationary pressures, frequently in association with rapid rates of growth in real output. These problems of economic instability have been approached with widely varying combinations of fiscal, monetary, and other public policies with varying degrees of success.

The committee recognizes that differences in circumstances from one nation to another may materially affect the usefulness of public stabilization policies. It will endeavor during the year, therefore, to develop a more detailed and clearer picture of the factors underlying postwar general price movements, the usefulness of and limitations upon public stabilization policies under different circumstances, with particular emphasis upon the functioning of central banks and their relationship to other public institutions and devices used for economic stabilization purposes. The committee's study of prices and price-making discussed above will be one major part of this inquiry. In addition, members of the committee, accompanied by the staff, will confer with Government and non-Government experts on these and related questions in major cities in Europe. The committee's findings will be made available in detailed reports.

Committee publications.—During 1957 the Joint Economic Committee and its subcommittees issued 12 publications after hearing 237 invited witnesses and panel experts in 32 days. Nearly 50,000 single copies of committee publications were distributed to fill individual requests. Most of these publications are also available through the Superintendent of Documents. During the past year, individual sales and quantity orders of committee publications, current and past, have exceeded \$16,000. This does not include the 6,662 paid subscriptions for the monthly publication *Economic Indicators*.

A checklist of committee publications will be found at the back of this report.

SUPPLEMENTAL VIEWS OF REPRESENTATIVE CURTIS AND SENATOR FLANDERS

In light of the extensive public and political discussion of the present economic decline it was especially important that this Committee on Economics attempt to define the present economic downturn in economic terms in this report. I regret that this was not done.

No two periods of economic decline are identical, yet much can be learned by comparison. Certainly the specific factors that go to make up a particular decline should be set forth. I suggest a few that seem to underlie the present phenomena: (1) The sudden sharp cutback of inventory in the fourth quarter of 1957, (2) the cutback in certain types of defense expenditure such as was occasioned by the shift of emphasis from airplanes to guided missiles, (3) the decline in expansion and replacement of capital plant expenditures, (4) the continued low level of automobile production, (5) the decline in exports.

And just as important to point up are the features of strength; e. g., (1) the maintenance of the high level of consumer purchasing, (2) the increased expenditures in research and development, (3) the resurgence of defense expenditures, (4) the increase in expenditures for the highway program, (5) the upturn of housing starts, (6) the relative high rate of capital plant replacement in spite of the decline from the high level of 1957, (7) the easing of tight money.

In view of the use of noneconomic terms and the abuse of economic terms in the public discussions describing the present phenomena, which can be called a recession if the overtone of "mildness" was understood by the public, it might be well to make a general comparison with the economic phenomena which occurred in 1949 and 1954. Both of these were recessions. Many competent economists agree that the present recession is probably more severe than that of 1954 and less severe than that of 1949. This knowledge should give us a little more perspective and keep us from rushing into programs which will not help us, but indeed can hurt us. Essentially it should make us realize that the economy itself will adjust and that, at most, governmental action should be geared to assisting rather than hampering this adjustment.

In concurring in recommendation No. 1 on monetary policy, I want to refer to the warnings we were given by some of the expert witnesses that inflationary forces are still close to the surface and an injudicious use of monetary action may swing things too far.

I concur in recommendation No. 2 but I am disturbed by the implications which may be drawn from it by a careless reading. The report dated January 22, 1958, of the Subcommittee on Fiscal Policy based upon the hearings on the subject, Federal Expenditure Policies for Economic Growth and Stability, should be read in order to obtain a better understanding of the limitations that public-works programs have in assisting growth and stability and easing a recession. Only public works already in the advanced planning stage can be of im-

mediate assistance in the present recession. Furthermore, as already stated, Federal expenditures according to plan were to accelerate in 1958 and this acceleration is coming about.

The suggestion that the Federal Government should extend the public assistance grants and the unemployment compensation program involves questions of Federal-State relationship, matters of policy, and many technical difficulties which are the proper province of the legislative committees which have jurisdiction over these matters. If a quick cushion against the decline in income is needed, it will hardly be found in this complicated area. On this basis I disagree with the inclusion of this suggestion in the report.

THOMAS B. CURTIS.
RALPH E. FLANDERS.

DISSENTING VIEWS OF SENATOR DOUGLAS

I find it necessary to register a vigorous dissent from the report which my colleagues have approved. This dissent is registered not so much against the particular points in the majority report but against the priorities the report establishes as a means of overcoming the present serious recession.

UNEMPLOYMENT

The latest figures—which are now 6 weeks old—show that in January some 4.5 million, or 6.7 percent of the civilian labor force were fully unemployed. Many millions more worked only part time. Two men working half time are equal to one man fully unemployed. The equivalent full-time unemployment of these part-time workers is equal to 1.2 million, or 1.8 percent. Thus, the total full-time equivalent unemployment for January was 5.7 million, or 8.5 percent of the entire civilian labor force.

Even these figures underestimate the seriousness of the situation, for included in the 67 million civilian labor force are over 10 million people who are self-employed or who work in family businesses and who consequently could never qualify as “unemployed.”

A recession or depression reduces the incomes of these 10 million but, since they “own” their own jobs, it does not throw them out of work as long as they have their farms and businesses. They therefore are not liable to unemployment and their numbers should be subtracted from the total working force. This means that in computing the percent of unemployment we should use as our denominator, not 67 million, but 57 million. This is the number either actually employed at wages or salaries by others, or who are seeking such employment. When this is done, it is seen that the true unemployment for January was 10 percent, i. e., 5.7 million out of 57 million. This is serious. When unemployment reaches such a magnitude, the time to act has arrived.

SERIOUS NATURE OF THE RECESSION

The present recession is potentially much more dangerous than those of 1948-49 and 1953-54. Those were essentially “inventory” recessions. This recession has all the appearances of also being a classical capital goods or investment recession. We do not have too much investment for long-term growth but we do have more investment and production than there is demand for the products of industry at present prices. Further, in the present recession, almost all the basic economic indicators reflect the decline. In addition, there certainly is no major objective evidence—as opposed to overly optimistic statement—to indicate any speedy turnaround in the direction in which economic forces are now going.

DANGER OF CUMULATIVE BREAKDOWN

Consequently, the real danger at the moment is that of a cumulative breakdown in the economy. I am not predicting that this will happen but when unemployment exceeds 8 percent and when production and investment indicators have fallen as they have, then such a breakdown is always possible. Further, economic breakdowns do not proceed in some natural and orderly way. This is true even though the followers of equilibrium theory tend to believe that a decline in one economic sector can always be neatly counterbalanced by an equivalent increase in some other sectors. The fact is that when unemployment, production, and investment figures are at the levels such as they now are, economic forces are more apt to be impetuous than orderly. At some point like that at which we now stand, the forces of breakdown can snowball and avalanche. Production, employment, purchasing power, and investment all decline and each decrease leads to further decreases. Therefore, remedial action of a size which might have been very effective in the early stages of a recession can be almost completely useless in the later stages of a decline.

It is the danger of a cumulative breakdown in our economy, brought on by impetuous forces which are almost impossible to turn around once they have gained real momentum, about which we should be worried. Because this recession has now reached very serious proportions and because of the dangers of a cumulative breakdown, the time to act has arrived. The danger is not that we will do too much, but rather that we will do too little and do it too late.

Those who refuse to look at facts and who think they can drive away realities by boastful talk and by reviling all critics are the ones who may lead us into disaster. For they delude both the public and themselves into believing that all is well and nothing needs to be done. They are like the Persian king who executed all messengers who brought him unfavorable news only to find that the "good news" he later received, and which caused him to invade a neighboring country, was false and led him into disaster. The realist and not the blind optimist is, therefore, the best guardian of the republic.

TAX CUTS MOST EFFECTIVE

The quickest and most effective way to act is by means of a tax cut for lower and middle income groups, i. e., those groups which tend to spend almost all of their income. Such a tax cut would be fed into the economy almost immediately; it would stimulate demand for goods and services; afford the best hope for stopping the current economic recession and help to start an economic upturn. The increase in the demand for consumers' goods should also stimulate the demand for, and investment in, capital goods.

Specifically, I would propose that we either raise the personal exemption from \$600 to \$700, or tax the first \$1,000 of taxable income at 15 percent rather than 20 percent. Either of these proposals could go into effect immediately and could be made retroactive to January 1, 1958. Further, such a cut should expire on January 1, 1959, so that if the recession is stopped, the loss of revenue—which is proper in a recession—could be recouped during a prosperous period.

Such a tax cut would pump some \$3 billion per year into the economy. This would take effect currently and immediately.

In addition, I propose that the excise taxes on consumer durables, such as radios, television sets, refrigerators, air conditioners, gas and oil appliances, luggage, handbags, wallets, etc., be repealed; that the excise taxes on the transportation of property and persons and on communications be cut in half; and, if the automobile industry will agree to pass along such a cut in lowered prices, a 50 percent reduction in the manufacturer's excise tax on passenger automobiles. Such cuts could go into effect at once. Unlike the cut in personal income taxes, they could not be made retroactive and there are too many administrative obstacles to reinstating them after they are dropped. However, we should not worry excessively about repealing them, for these taxes were initiated largely for revenue purposes during World War II. They are extremely regressive and fall unfairly and disproportionately on lower and middle income groups. The total revenue losses in the excise repeals and cuts which I have recommended are in the neighborhood of only \$1.4 billion.

Both the personal income and excise cuts could become effective almost immediately. They would show up in the weekly paychecks of individuals within a week or two following congressional passage, and they would bring a reduction in the prices of consumer durables for which the demand has declined.

PUBLIC WORKS

While I am certainly not opposed to the expansion of needed public works in periods of economic recessions, I do not have the same faith as my colleagues in their ability to help matters quickly, nor would I give them the priority over tax cuts which my colleagues do.

There are three principal reasons for this. First, public works are too slow. Except for possible psychological effects, major new projects would be very slow in actually being started. Plans must be made, land bought, contracts bid for, etc. Therefore, even at best it would be many months before most of these projects could actually influence the course of the recession. By that time, the question of whether the recession will deepen into a depression, or whether it will be turned around, will more than likely have been decided.

Second, even those projects which can begin early will not necessarily be in the localities where the major portion of the unemployment exists. Navigation and flood-control projects on our major and minor rivers, and reclamation projects in the scantily populated areas of the West are not calculated to provide jobs for unemployed workers in the automobile, steel, and the fabrication industries in our great industrial centers. I can say without stretching the truth in the least that public works are popular in part because many see in them an opportunity finally to get a new post office or a new dam for a given congressional district. By the nature of the legislative process and the composition of the Congress, and in particular the Senate, this public works money goes in major proportion to those areas of the country which are scantily populated but overrepresented. These areas have many Senators but relatively few people.

Third, even if taken off the shelf quickly, and even if built in the right localities, public works generally do not directly employ those who have lost industrial jobs.

I favor, in this period, an expansion of needed public works. I would put schools and hospitals along with slum clearance and housing for low and middle income groups at the top of the list of priorities.

Funds to build lakes to provide industrial water, particularly in those areas of chronic unemployment such as depressed coal-mining regions, so that new industry could be attracted to them, would be particularly meritorious. These projects do not now qualify as navigation or as river and harbor projects. They qualify only secondarily as flood-control projects and are considered to be too large for the small watershed program. Yet they are extremely meritorious and they could provide badly needed help to the chronically depressed areas.

Other public-works projects to be built should be economically justified; primarily those where the benefit-cost ratios are at least 1.5 to 1. Nonetheless, public works cannot be relied upon to give the economy the immediate stimulus it needs to change the direction in which economic forces are moving, but they should be provided at an appropriate time so that men will not be forced to be permanently unemployed if we experience a cumulative breakdown in the economy.

SUMMARY

In summation, what we need is an immediate tax cut for lower and middle income groups in order to increase demand and purchasing power. At the same time, we should increase unemployment benefits for those out of work, for a personal tax cut will not be received by them directly; for, if they have no income, they pay no taxes. However, they would benefit immediately from the excise cuts on the goods they buy. Therefore, an increase in unemployment benefits to approximately half of the average wage as opposed to the one-third which is now the case, and an extension of time for receiving unemployment benefits by an additional 13 weeks, are both needed. Further, we should start processing needed public-works projects so that if a tax cut fails, these men will have jobs to go to.

In addition, of course, the Federal Reserve should ease monetary and credit restrictions. The Federal Reserve Board failed to read the economic signs correctly as late as last August when they increased the rediscount rate by one-half of 1 percent, and it still appears to be most fearful of inflation, which does not now exist. It is true that the wholesale price index is at its highest point and the industrial price component of this index also remains within three-tenths of 1 percent of its highest level. But monetary policy cannot have any decisive effect over these prices for they are largely the administered prices of monopolies and oligopolies. How else can one account for the fact that steel prices remain basically as high as they were many months ago while production has dropped to 53 percent of capacity and that automobile prices have risen while production has dropped by at least 25 percent?

What is needed is a vigorous prosecution of the antitrust laws and the promotion of competition in these huge cartelized industries. Using monetary policy in a period of a recession to fight inflation in

the administered prices of the giant monopolies is to outdo Don Quixote in tilting at windmills.

Further, easing monetary policy should take the form of open market operations rather than a reduction in the reserve ratios of member banks. The latter method denies to the Government its "commission" on an increase in credit and money, and is a clear windfall to the banks.

However, increasing the availability of loans and credit cannot be effective unless individuals and businesses are willing to borrow. What appears to be the right course for the economy as a whole during a recession, namely, an increased expenditure of funds, appears to hard-pressed individuals and businesses to be the wrong course for them. Consequently, we cannot and should not rely too heavily on easier credit and relaxed monetary policy to bring an upturn.

For all of these reasons, a tax cut is the quickest and best way to proceed. If we do that now, it may be unnecessary to spend billions on public works later, but if we rely on public works as the major antidote to the recession, we may well find that a few months from now we may need a tax cut of gigantic proportions to stop a decline. The deficit then, from (1) expanded public works, (2) a larger tax cut, (3) greatly reduced revenues because of declining production and employment, and (4) outlays for missiles and national defense would be very costly in both money and human terms. A \$4 billion tax cut now, on the other hand, seems to me to offer both the quickest and best opportunity for reversing the present serious recession.

PAUL H. DOUGLAS.

THE ECONOMIC OUTLOOK FOR 1958

PREPARED FOR THE
JOINT ECONOMIC COMMITTEE
BY THE
COMMITTEE STAFF

LETTER OF TRANSMITTAL

FEBRUARY 14, 1958.

HON. WRIGHT PATMAN,
United States House of Representatives,
Washington, D. C.

DEAR REPRESENTATIVE PATMAN: Transmitted herewith are committee staff materials on the economic outlook for 1958. These materials, as in previous years, attempt to quantify the "foreseeable trends" of economic activity for 1958 which the committee staff believes are consistent with the outlook assumptions of the President's Economic Report and budget, as well as those consistent with testimony during the recent committee hearings.

While it is necessary to use detailed and precise figures in preparing economic projections which are internally consistent, it must be emphasized that the purpose of such projections is to show the general order of magnitude and direction of possible major economic developments on the basis of stated assumptions.

Sincerely yours,

JOHN W. LEHMAN,
Acting Executive Director.

THE ECONOMIC OUTLOOK FOR 1958

(NOTE.—References in text and tables are to numbered sections of the Technical Materials beginning on p. 28.)

A gross national product of \$445 billion for 1958 appears consistent with the President's Economic Report and his Budget Message.¹ The foreseeable trends underlying these documents envisage an extension for a time into 1958 of a decline in our economy and contemplate thereafter a reversal during 1958.² As explained in the committee hearings, this pattern of recovery within the year, if realized, could be regarded as consistent with the objectives of the Employment Act in the sense that the rise from current low levels toward "maximum employment, production, and purchasing power" would be as fast as usually has been achieved.³

The report and the budget assume little change in the price level prevailing at the beginning of the year.⁴

No specific pattern of timing and speed of recovery of the economy during 1958 has been stated in connection with the President's Budget or Economic Report² though they do contemplate recovery being underway in the third quarter at the latest. The later in the year the turning point is assumed to occur, the faster output would have to rise in the remaining months of the year in order that the assumed average for the year could be realized. Since the rate of increase becomes unrealistically rapid if the turning point is assumed to be later in the year, the outlook underlying the Economic Report and Budget is illustrated by assuming that the low point is reached in the first quarter of 1958 and that each successive quarter of the year would show a rise. As will be seen from chart I, this assumption would give a rate of increase after the first quarter similar to the recovery of 1954.

If the assumptions for 1958 underlying the President's Economic Report and Budget are realized, it would represent a growth in real output of about 1 percent from 1957 compared to a growth in output of 1 percent between 1956 and 1957 and of 3.1 percent between 1955 and 1956. The recovery pattern illustrated on chart I would require a growth in real output during the last 3 quarters of the year at an annual rate of about 7 percent, or about the same rate of recovery as occurred between 1954 and 1955.

To bring about such an early reversal the Economic Report assumes an upturn in plant and equipment expenditures before the end of the year, a quick end to current inventory liquidation, further improvement in residential housing, continued strong consumer buying, further increases in State and local government spending, and increased Federal defense expenditures. It also assumes significant additional stimulus to economic activity from the high rate of defense orders placed in the first half of 1958 to make up for the low rate of orders placed in the last half of 1957.⁵

On the policy side, the Economic Report assumes continued easing of credit and recommends continuance of present tax rates through fiscal year 1959, though with some modifications, particularly for aiding small business.⁶

Whether the demands by consumers, business, and government will, in total, be adequate to bring about realization of the assumptions underlying the President's Economic Report and Budget as set forth above is examined in the following sections of these materials in the light of the record of the committee hearings and other information assembled by the staff.

ESTIMATED DEMAND FOR NATIONAL PRODUCTION DURING 1958 DERIVED FROM THE COMMITTEE HEARINGS

Alternative estimates of demand during 1958 can be derived by analysis and synthesis of testimony in the record of the committee hearings on the Economic Report of the President and other information from official and private sources.

These alternative demand estimates provide a second set of economic assumptions for public policy this year which differ from those underlying the President's Economic Report and Budget. Both sets of demand estimates are assumptions which can be used as a basis for policy decisions. They are not forecasts of what will happen to the economy. Indeed, any forecast of the pattern of economic changes during 1958 would require a forecast of the character, magnitude, and timing of changes in public policies which this committee may recommend and which the Congress and the administration may put into effect.

These materials do not incorporate any such forecast of changes in public economic policies precisely because the analysis and quantitative estimates are assembled to assist the committee in making its decisions about needed policy changes, by providing a comparison of the assumptions underlying the President's Economic Report and Budget with a synthesis of testimony during the hearings as to what non-Government witnesses expect might happen if present policies are not altered significantly.

Assuming no significant change in expenditure policies from those envisaged in the President's Budget Message, total Federal, State, and local demand for goods and services is expected to reach \$89.5 billion for calendar 1958, an increase of \$3 billion over 1957—an increase due almost entirely to State and local government spending. The rise in State and local expenditures would reflect, mainly, higher payrolls and expanding construction programs. Federal expenditures for goods and services are scheduled to average \$50.5 billion in 1958, about the same as in 1957. They would increase almost \$2 billion between the first and fourth quarters of this year, in contrast to the declining trend that prevailed in the last half of 1957.⁷

Total business demand may not exceed \$58.5 billion compared to \$67.6 billion in 1957. Business spending on plant and equipment (producers' durable equipment, and construction other than nonfarm residential) appears likely to show a declining trend throughout 1958. For the year as a whole, such spending might average about \$4 billion less than the average of 1957. Between the fourth quarter of 1957 and the fourth quarter of 1958, the decline might be \$6 billion or more.

Continuing declines in new orders, in contract awards, and in capital appropriations confirm this tendency revealed by recent surveys of business plans for 1958. The next Government survey of such plans, to be available in March, will shed additional light on these prospects.⁸

Residential construction may average about the same or somewhat higher than the average of 1957 on the basis of present trends in contract awards and housing starts which are expected to average about a million or a little more this year.⁹

Heavy business liquidation of inventories has been underway for several months. Further liquidation can be expected until the trend of sales turns upward. On the basis of past behavior, an average of \$2.5 billion of inventory liquidation for the year as a whole would not seem unreasonable even if liquidation ends by the fourth quarter.¹⁰

If present income tax rates are continued and the rate of personal savings falls somewhat below that of 1957, consumer demand might total about \$281.0 billion in 1958 almost the same as the \$280.4 billion in 1957. These expenditures were running at an annual rate of \$282.4 billion in the fourth quarter of 1957.¹¹

The Economic Report, as well as other analyses, points toward a lower net foreign investment this year than in 1957. The rate fell from an annual rate of about \$4.1 billion in the first quarter of 1957 to about \$2.0 billion in the fourth quarter. This trend is expected to continue. Therefore, net foreign investment is assumed to average about \$1.5 billion for 1958 as a whole.¹²

The total of these demands by consumers, business, and Government amounts to \$429 billion for 1958 as a whole.¹³

THE NATION'S ECONOMIC BUDGET FOR 1958

The assumptions underlying the President's Economic Report and his Budget Message permit construction of a nation's economic budget for 1958 which is shown as "A" in table 1, page 26. Except for the Government expenditures, personal income, and corporate profits before taxes, the various estimates are not necessarily identical, but are nevertheless consistent with those of the executive branch which, as a matter of policy, does not publish detailed numerical estimates of the assumptions underlying economic policies.

The alternative estimates of Government, business, and consumer demand derived from the committee hearings and other information, permit construction of a nation's economic budget totaling about \$429 billion for 1958, shown as "B" in table 1, page 26.

Chart I, page 25, shows a comparison of gross national product in recent years and the two assumptions for 1958 with the trend of potential gross national product in past years not marked by war or severe recession.

It will be noted that the deflated gross national product is shown quarterly on chart I. This chart is based on crude figures developed by the committee staff in consultation with the Department of Commerce for illustrative purposes only. Official figures for deflated gross national product and for the deflators are not available on a quarterly basis from the Office of Business Economics, Department of Commerce, which now prepares such figures on an annual basis.

Quarterly figures will be developed if the increase in funds for the Office of Business Economics for fiscal 1959 requested in the President's budget is approved by the Congress.

What are the implications of these figures which, it will be recalled from the previous discussion on page 22, express present plans and expectations without adjustment for possible changes in public policies, rather than predictions of what actually will happen during the coming year?

First, in early 1958 economic activity is still declining and now is substantially below the trend of potential output consistent with past years not marked by wars or severe recession. Such a potential gross national product for 1958, consistent with long-run trends in labor force, hours of work, and output per man-hour, would approximate about \$459.5 billion for calendar 1958 measured in terms of the prices slightly above those prevailing in the fourth quarter of 1957.

If total demand turns out to be as large as assumed in the President's Economic Report and Budget, gross national product for 1958 would total \$445 billion, or \$14.5 billion below this long-run trend. The pattern of recovery within the year, however, could be regarded as consistent with the Employment Act objectives in the sense that the rise toward "maximum" employment, production, and purchasing power from present levels would be as fast as usually has been achieved.³

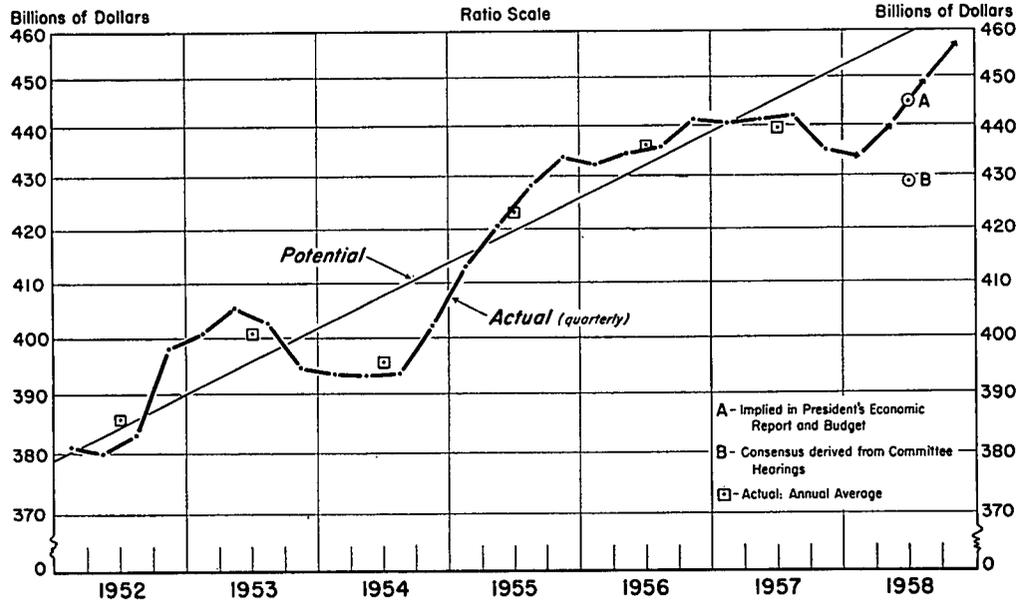
Second, the consensus of the testimony by non-Government witnesses at the hearings and other information about trends in aggregate demand and its components for 1958 suggest that unless present private and public policies are changed, the current decline in economic activity is likely to continue through at least midyear.

Basing their conclusions mainly upon current expectations that private spending for plant and equipment will continue to decline throughout this year and perhaps into 1959, some suggest that it would be hazardous to base public policies on the assumption of a substantial recovery even in the second half. This weakness in the investment sector has generally been attributed to a rate of increase in aggregate demand too slow to provide markets for the output from rapidly rising capacity in the last 3 years.

Third, how much unemployment might accompany the two alternative estimates of aggregate demand? If the more optimistic outcome envisaged by the President's Economic Report and budget were to be realized, the unemployed might range between 5 and 6 percent of the civilian labor force, or between 3½ and 4½ million after adjustment for the usual seasonal variations. If the more pessimistic outlook expressed during the hearings occurs, unemployment, seasonally adjusted, might average between 6 and 7 percent of the civilian labor force, or 4½ to 5½ million. In considering these estimates it is necessary to keep in mind that changes in hours of work, in output per man-hour, and in the rate of increase in the labor force might cause unemployment to vary appreciably from these figures.

CHART I. POTENTIAL GROSS NATIONAL PRODUCT COMPARED TO ACTUAL 1952-1957, AND ASSUMED FOR 1958

(In constant beginning-of-1958 prices -- seasonally adjusted)



Source: Department of Commerce, Council of Economic Advisers, and Staff, Joint Economic Committee.

TABLE 1.—*Summary of the Nation's economic budget, calendar years: Actual, 1956; preliminary, 1957; and estimated, 1958*

[Billions of dollars]

Item	1956	Preliminary 1957	1958 estimated ¹	
			"A" ²	"B" ³
Personal:				
Income: Total disposable.....	287.2	300.6	¹⁴ 307.0	¹⁴ 298.0
Expenditures:				
Durable goods.....	33.9	35.1	35.0	33.0
Nondurable goods.....	133.3	139.9	145.0	139.0
Services.....	99.9	105.4	110.0	109.0
Total expenditures.....	267.2	280.4	290.0	281.0
Savings (+).....	20.0	20.2	¹¹ 17.0	¹¹ 17.0
Business:				
Income:				
Undistributed corporate profits.....	9.2	8.0	¹⁴ 8.4	¹⁴ 8.0
Capital consumption allowances.....	34.3	37.1	¹⁵ 40.0	¹⁵ 40.0
Inventory valuation adjustment.....	-2.6	-1.5	-1.0	+1.5
Total income.....	40.9	43.5	47.4	49.5
Expenditures:				
Construction:				
Residential (nonfarm).....	15.3	14.2	⁹ 16.0	⁹ 14.3
Other private.....	18.0	19.0	⁸ 19.4	⁸ 18.2
Producers' durable equipment.....	28.1	30.4	⁸ 28.4	⁸ 27.0
Net change in business inventories.....	4.6	.8	¹⁰ .2	¹⁰ -2.5
Net foreign investment.....	1.4	3.2	¹³ 1.5	¹³ 1.5
Total expenditures.....	67.3	67.6	65.5	58.5
Dissavings (-).....	-26.4	-24.1	-18.1	-9.0
Government:				
Income:				
Personal tax and nontax payments.....	39.7	42.8	45.0	43.0
Business tax and nontax payments.....	57.0	57.9	60.6	54.0
Contributions for social insurance.....	12.4	14.4	14.6	14.5
Less transfer payments ¹⁶	24.0	27.2	29.6	²² 31.7
Total income.....	85.0	87.9	⁷ 90.6	¹⁷ 79.8
Expenditures:				
Federal:				
National security.....	42.4	45.7	45.7	45.7
Other.....	4.8	4.8	4.8	4.8
State and local.....	33.0	36.0	39.0	39.0
Total expenditures.....	80.2	86.4	⁷ 89.5	⁷ 89.5
Savings (+) or dissavings (-).....	+4.8	+1.5	⁷ +1.1	¹⁷ -9.7
Statistical discrepancy (+) or (-).....	+1.6	+2.4	0	+1.7
Total gross national product.....	414.7	434.4	445.0	429.0

NOTE.—Reference numbers in this table correspond to numbered items in the Technical Materials, p. 28.

The two sets of estimates for 1958 were derived as follows:

"A"—implied in President's Economic Report and budget;

"B"—synthesized from testimony in the recent committee hearings and other information.

Detail may not add to totals because of rounding.

Sources: 1956-57: Office of Business Economics, Department of Commerce; 1958: Staff, Joint Economic Committee.

TABLE 2.—*Relation of gross national product, net national product, national income, and personal income, calendar years: actual 1956; preliminary, 1957; and estimated, 1958*

[Billions of dollars]

Item	1956	Preliminary 1957	1958 estimated ⁴	
			"A" ¹	"B" ²
Gross national product.....	414.7	434.4	445.0	429.0
Less: Capital consumption allowances.....	34.3	37.1	¹⁸ 40.0	¹⁸ 40.0
Equals: Net national product.....	380.4	397.3	405.0	389.0
Less:				
Indirect business tax and nontax liability.....	35.0	36.9	⁷ 39.2	¹⁷ 36.0
Business transfer payments.....	1.3	1.3	1.3	1.3
Statistical discrepancy.....	1.6	2.4	0	1.7
Plus: Subsidies less current surplus of Government enterprises.....	1.1	1.3	⁷ 1.7	⁷ 1.7
Equals: National Income.....	343.6	358.0	366.2	351.7
Less:				
Corporate profits and inventory valuation adjustment.....	40.4	39.5	¹⁸ 41.0	¹⁹ 37.5
Contributions for social insurance.....	12.4	14.4	⁷ 14.6	¹⁷ 14.5
Excess of wage accruals over disbursements.....	0	0	0	0
Plus:				
Government transfer payments.....	17.2	19.9	⁷ 21.3	²⁰ 23.5
Net interest paid by Government.....	5.7	6.0	⁷ 6.6	⁶ 6.5
Dividends.....	11.9	12.1	12.2	10.0
Business transfer payments.....	1.3	1.3	1.3	1.3
Equals: Personal income.....	326.9	343.4	²¹ 352.0	341.0
Less: Personal tax and nontax payments.....	39.7	42.8	⁷ 45.0	¹⁷ 43.0
Federal.....	35.1	37.8	⁷ 39.7	¹⁷ 38.0
State and local.....	4.6	5.0	⁷ 5.3	¹⁷ 5.0
Equals: Disposable personal income.....	287.2	300.6	307.0	298.0
Less: Personal consumption expenditures.....	267.2	280.4	290.0	281.0
Equals: Personal saving.....	20.0	20.2	¹⁰ 17.0	¹⁰ 17.0
Addendum:				
Corporate profits and inventory valuation adjustment.....	40.4	39.5	¹⁸ 41.0	¹⁹ 37.5
Inventory valuation adjustment.....	-2.6	-1.5	-1.0	-1.5
Corporate profits before tax.....	43.0	41.0	¹⁸ 42.0	¹⁹ 36.0
Corporate profits tax liability.....	22.0	21.0	21.4	18.0
Corporate profits after tax.....	21.0	20.0	²² 20.6	²² 18.0
Dividends.....	11.9	12.1	²³ 12.2	²⁴ 10.0
Undistributed corporate profits.....	9.2	8.0	8.4	8.0

NOTE.—Reference numbers in this table correspond to numbered items in the Technical Materials, p. 28.

The two sets of estimates for 1958 were derived as follows:

"A"—implied in President's Economic Report and budget;

"B"—synthesized from testimony in the recent committee hearings and other information.

Detail may not add to totals because of rounding.

Sources: 1956-57: Office of Business Economics, Department of Commerce; 1958: Staff, Joint Economic Committee.

TABLE 3.—Actual and "potential"²⁵ gross national product in constant 1947 prices, calendar years 1956-58

Item	1956		1957		1958
	Actual	Poten- tial ²⁵	Prelimi- nary	Poten- tial ²⁵	Poten- tial ²⁵
Total labor force (in millions) ²⁶	70.4	²⁶ 69.7	70.8	²⁶ 70.6	²⁶ 71.5
Armed Forces.....	2.9	²⁷ 3.0	2.8	²⁷ 3.0	²⁷ 3.0
Civilian.....	67.5	66.7	68.0	67.6	68.5
Unemployment.....	2.6	2.7	2.7	2.7	2.7
Percent of labor force.....	3.8	²⁸ 4.0	4.0	²⁸ 4.0	²⁸ 4.0
Employment.....	65.0	64.1	65.3	64.9	65.8
Private.....	58.4	57.6	58.5	58.3	59.0
Agriculture.....	6.6	6.2	6.2	6.1	6.1
Nonagriculture.....	51.8	51.4	52.2	52.2	53.0
Government—civilian ²⁹	6.6	²⁷ 6.5	6.8	²⁷ 6.6	²⁷ 6.7
Private:					
Average annual hours: ³¹					
Agriculture.....	2,359.0	2,406.0	2,289.6	2,387.0	2,368.0
Nonagriculture.....	2,018.0	1,991.0	1,997.9	1,976.0	1,960.0
Output per man-hour (in 1947 dollars): ³²					
Agriculture.....	\$1.667	\$1.545	\$1.753	\$1.592	\$1.641
Nonagriculture.....	\$2.699	\$2.755	\$2.739	\$2.827	\$2.903
Gross national product (in billions of 1947 dollars)					
Total.....	\$332.0	\$328.9	\$335.2	\$339.3	\$350.0
Private.....	308.0	304.7	310.9	314.7	325.0
Agriculture ³³	25.9	23.2	25.0	23.4	23.6
Nonagriculture.....	282.1	281.5	285.9	291.3	301.4
Government ³⁴	24.0	24.2	24.3	24.6	25.0

NOTE.—Reference numbers in this table correspond to numbered items in the Technical Materials, p. 28. Detail will not necessarily add to totals because of rounding.

Sources: Population, labor force, and average annual hours: Bureau of the Census, Department of Commerce. Gross national product: 1956 actual, and 1957 preliminary, Office of Business Economics, Department of Commerce. Potentials: Staff, Joint Economic Committee.

TECHNICAL MATERIALS

These technical materials correspond to the numbered references to the preceding text and tables. In addition to references to sources of information, these materials contain definitions of terms, explanations of points of analysis, statements of basic assumptions, and supporting materials drawn from committee hearings on the January 1958 Economic Report of the President, from that report itself, from the President's January 1958 Budget Message, from other official statements or reports, and other sources.

(1) The estimate of a gross national product of \$445 billion for 1958, together with the detailed income and expenditure estimates associated with it, reflect assumptions contained in executive branch statements, and the Joint Economic Committee staff's interpretation of levels and trends consistent with the President's Economic Report and Budget. These estimates are shown under the "A" column in tables 1 and 2. The various detailed assumptions and reasons for particular points of the staff's interpretation are given in other notes below. Together these detailed assumptions provide the basis for

deriving the estimate of a \$445 billion gross national product for 1958. The general character of the administration's outlook analysis is given in the January 1958 Economic Report of the President (hereinafter cited "Economic Report"), p. III, as follows:

As we look ahead in 1958, there are grounds for expecting that the decline in business activity need not be prolonged and that economic growth can be resumed without extended interruption. The policies of Government will be directed toward helping to assure this result.

In his budget for fiscal 1959 submitted to the Congress January 13, 1958, the President stated:

There are strong grounds to support my confidence that the expansion of our economy will soon be resumed, bringing higher levels of receipts with present tax rates. The acceleration of defense efforts already under way, the increasing pace of activity in a number of programs involving State and local as well as Federal expenditures, the rapid pace of technological advance and its application by American industry, the expanding needs and desires of our growing population, and Government policies designed to facilitate the resumption of growth are among the major factors that justify this confidence. (Budget of the United States Government for the Fiscal Year Ending June 30, 1959, pp. M9-M10; hereinafter cited "1959 Budget.")

(2) The foreseeable trends underlying the President's Economic Report and budget were outlined by Dr. Raymond J. Saulnier, chairman of the President's Council of Economic Advisers, as follows:

That takes into consideration an extension, for a time into 1958, of a decline in our economy, which we have seen developing for some months in 1957. However, it contemplates a reversal of that trend in 1958. For the revenue estimates which are set forth in the budget to be realized, and, similarly, for these foreseeable trends to which I have alluded and which underlie the President's Economic Report to be realized, a reversal of that trend is required. (Hearings on the January 1958 Economic Report of the President before the Joint Economic Committee, 85th Cong., 2d sess., p. 6; hereinafter cited "Hearings.")

Concerning the course of the economy during the year, Dr. Saulnier testified that:

* * * There is no single course that our economy must take, but it is quite clear that, if the revenue estimates are to be realized, recovery could not come much later than, say, the middle of the year. They do not contemplate a recovery in the first quarter, in which we are currently nearly a third through, and they do not necessarily require, though they do not rule out, a recovery early in the second quarter. On the other hand, they do contemplate a recovery movement being underway in the third quarter, and, most assuredly, in the fourth. (Hearings, pp. 6-7.)

During hearings before the Subcommittee on General Government Matters of the Committee on Appropriations of the House of Representatives, Dr. Saulnier stated on January 16, 1958:

I would say, Mr. Chairman, that economic growth ought to be resumed during 1958. It is, I think, unlikely that we could expect that to happen in the first quarter of the year. I would certainly expect it to be underway before the fourth quarter of the year. And so it becomes a question whether to expect it in the second or third quarter. My guess is that it will occur around the middle of the year. * * * I want to say, Mr. Chairman, that I am very reluctant to attempt to date economic recovery. No one can do this altogether accurately. I can only give you my best judgment, which is that this will occur during the year. I would certainly expect it to come before the midpoint of the year is long past, and, as a Council, we will do everything we can to bring it about before the middle of the year. (General Government Matters Appropriation for 1959, Hearings Before the Subcommittee of the Committee on Appropriations, House of Representatives, 85th Cong., 2d sess., pp. 144-145.)

On this same point, the President in his press statement released at the White House on February 12, 1958, said:

From the best advice I can get, and on my own study of the facts regularly placed before me, I believe that we have had most of our bad news on the unemployment front. I am convinced that we are not facing a prolonged downswing in activity. Every indication is that March will commence to see the start of a pickup in job opportunities. That should mark the beginning of the end of the downturn in our economy, provided we apply ourselves with confidence to the job ahead. As Americans we have a responsibility to work toward the early resumption of sound growth in our economy.

(3) The Economic Report of the President does not contain any explicit statement that the foreseeable trends underlying the report will, if realized, constitute achievement of the objectives of the Employment Act during 1958. The report does say:

The legislative program for the coming year, which is presented here, is designed to help discharge the responsibilities of the Federal Government under the Employment Act of 1946 (Economic Report, p. 55).

In his testimony before the Joint Economic Committee, Dr. Saulnier said:

I believe, Mr. Chairman, that the foreseeable trends of employment, production, and purchasing power which underlie the President's Economic Report and which similarly underlie the budget message, are adequate, if realized—and, I repeat, "if realized"—to carry out the objectives of the Employment Act of 1946. (Hearings, p. 6).

(4) In constructing the quantitative analyses contained in these materials, it is necessary to incorporate some measure of changes in the general price level and to make some assumption about possible changes in prices during 1958. Since the Office of Business Economics of the U. S. Department of Commerce regularly publishes on an annual basis both gross national product deflated to constant 1947 dollars and the indexes of implicit prices of gross national product, the staff uses the OBE gross national product deflator as a convenient index of general price movements. For the year 1957, this index is estimated to have averaged 129.6 (1947=100). Prices rose throughout the year so that the index was undoubtedly above this average by the end of the year although this index is not available on a quarterly basis. (See p. 23 of text above.) The staff assumes for purposes of these quantitative analyses that the index will average about 131.3 (1947=100) for 1958 or somewhat above what it may have reached by the fourth quarter of 1957. This assumption is believed to be consistent with the President's Economic Report and Budget.

In testimony at the committee hearings on February 7, 1958, Secretary of the Treasury Robert B. Anderson, stated:

We do not assume any change in prices from the present (Hearings, p. 416).

(5) Statements by the executive branch about specific factors which are expected to bring about the upturn in economic activity during 1958 are given in other notes below. These have been summarized in the hearings.

See colloquy between Mr. Raymond J. Saulnier, chairman, Council of Economic Advisers, and Representative George W. Andrews, chairman of the Subcommittee on General Government Matters, in hearings before that subcommittee:

Mr. ANDREWS. What do you think will cause the reversal?

Mr. SAULNIER. A number of factors.

First of all, our economy has been affected by a leveling out and then a decline in the expenditures of business concerns on new plant and equipment. It may well be that we have seen the most of that decline. It will probably continue through the early part of the year, but should not extend long into the year.

Second, we have already gone through quite a sharp reduction in exports. They were very high early in the year, because of transient conditions abroad.

Mr. ANDREWS. Is that calendar year 1957?

Mr. SAULNIER. That is right. The closing of the Suez Canal brought about a very sharp increase in exports, followed by a decline as that condition was corrected, and we have probably seen the major part of that decline. So that that factor, which was a force making for some worsening in economic conditions, may have exhausted itself.

Third, we are already witnessing a picking up in the rate at which defense procurement orders are being placed. This is being done in order to meet urgent national needs, not because such expenditures are needed for economic reasons; that is, strictly for defense purposes.

Mr. ANDREWS. But will, of necessity—

Mr. SAULNIER. Have an economic impact; that is correct, sir. And, in our thinking and planning about economic policy, we must take this into effect.

Next, we have already underway some increase in expenditures on residential construction. That has been going on now for some 4 months or so, and an improvement in credit conditions should help to increase that rate of expenditure.

Similarly, expenditures of State and local governments are increasing. This is a long-term trend, but that rate of increase may well be accelerated further by a reduction in the cost of money and by the greater availability of money.

All of these are factors which, as we look ahead in 1958, suggest the resumption of economic growth without, as it has been put in the President's Economic Report, "extended interruption." (General Government Matters Appropriations for 1959, Hearings before the Subcommittee of the Committee on Appropriations, House of Representatives, 85th Congress., 2d sess., pp. 144-145.)

In the hearings, the Secretary of the Treasury, Robert B. Anderson, stated:

In the short-term area, a number of favorable factors can be discerned. First of all, part of the readjustment has occurred. Reduction of inventory in some lines and certain adjustments in output and prices have already taken place. * * *

The level of personal income has held up well. There has been prompt and responsive readjustment in certain stock and bond yield and interest rate relationships, and the stock market has shown some elements of strength during the past month.

Residential housing construction has turned upward slightly, and mortgage money is becoming more readily available. A sustaining influence can be expected from the stepped-up pace of certain Federal programs such as highway building, and from a number of State and local projects having to do with community facilities. Increased defense spending and contract placement will also have a stimulating effect on the economy.

Perhaps one of the most important considerations, however—either long-term or short-term—is the fact that the confidence of the American people in the basic strength of our economy has remained strong. There is evidence that this confidence is increasing (Hearings, p. 460).

(6) See Economic Report, pp. 57 and 63.

(7) Estimates of Government receipts and expenditures are based on the budget and on information on State and local finances furnished during the hearings in testimony by Dr. Louis J. Paradiso, Assistant Director and Chief Statistician of the Office of Business Economics, Department of Commerce. The calendar year estimates are either given directly in Dr. Paradiso's testimony or were calculated from the fiscal year estimates by interpolations. For example, total expenditures for goods and services for 1958 of \$89.5 billion consist of \$50.5

billion of Federal spending shown in the second of Dr. Paradiso's tables and of \$39 billion of State and local spending obtained by adding \$3 billion to the calendar 1957 estimate.

On a fiscal year basis, Dr. Paradiso summarized official budget estimates as follows:

Federal Government receipts and expenditures: Administrative budget, cash budget, and national income and product account, 1957-59

[Billions of dollars]

	Fiscal years		
	1957, actual	1958, estimated	1959, estimated
Administrative budget:			
Receipts.....	71.0	72.4	74.4
Expenditures.....	69.4	72.8	73.9
Surplus or deficit (-).....	1.6	-.4	.5
Cash budget:			
Receipts.....	82.1	85.1	87.3
Expenditures.....	80.0	84.9	86.7
Surplus.....	2.1	.2	.6
National income and product account:			
Receipts.....	81.4	84.0	86.5
Expenditures.....	76.2	81.0	84.0
Surplus.....	5.2	3.0	2.5

Source: Administrative and cash budgets from the budget of the U. S. Government for the fiscal year ending June 30, 1959; national income and product account data from the U. S. Department of Commerce, Office of Business Economics, statistics for 1958 and 1959 based on estimates in the budget (Hearings, p. 79).

On a national income and product account basis, Dr. Paradiso provided the following additional data about Federal Government expenditures:

Federal Government expenditures, 1957-59 (on national income and product basis)

[Billions of dollars]

	4th quarter, 1957 (annual rate)	Actual fiscal year 1957	Projections		
			Fiscal year 1958	Calendar year 1958	Fiscal year 1959
Total expenditures.....	80.5	76.2	81.0	83.0	84.0
Purchases of goods and services.....	50.0	49.5	50.0	50.5	52.0
Other expenditures.....	30.5	26.7	31.0	32.5	32.0

Source: Estimates for 1958 and 1959 are based on the budget of the U. S. Government for the fiscal year ending June 30, 1959. Data for 1957 are estimated by the Department of Commerce. (Hearings, p. 78.)

Concerning State and local receipts and expenditures, Dr. Paradiso said:

For the period under review, State and local government receipts and expenditures are somewhat more tenuous than the Federal estimates since there are no budgetary summaries of overall spending or revenue estimates for these bodies compared with the budget presentation for the Federal Government.

However, based on information developed by the Bureau of the Census, and studying and analyzing past trends, it appears that purchases of goods and services by these governments will continue to increase at about the same rate as in the recent past. Expenditures of State and local governments on a national income and product basis were \$37 billion in fiscal year 1957. They are expected to be \$40 billion in fiscal year 1958, and \$43 billion in fiscal year 1959.

Purchases of goods and services by these governments, which totaled \$34½ billion in fiscal 1957, are expected to rise \$3 billion in each of the following 2 fiscal years.

Increased outlays for construction and employee compensation will account for almost all of these advances. State and local government revenues are projected upward in line with increased expenditures, so that the deficit on income and product accounts for these governments will be about the same as in fiscal 1957; namely, about one-half billion dollars.

The higher revenues are mainly due to increased receipts from property and sales taxes, moderate increases in personal income taxes, and higher grants-in-aid from the Federal Government.

* * * Total receipts of State and local governments on the national income and product account were \$35.5 billion in fiscal 1957 and are estimated at \$39 billion in fiscal 1958 and \$41.5 billion in fiscal 1959.

Now, in summary, it seems clear the prospect for purchases of goods and services by Federal, State, and local governments combined for the next year and a half is one of a rising trend. For the fiscal year 1957 these purchases amounted to \$84½ billion. They are expected to increase \$3 billion, to \$87½ billion in fiscal 1958, and an additional \$5 billion, to \$92½ billion, in fiscal 1959 (Hearings, pp. 79, 80).

In addition to the direct effect of increased Government expenditures, several witnesses referred to the possible stimulating effects on the economy of the sharp increase in placement of defense contracts scheduled for the first half of 1958. The Economic Report said:

In view of the necessary acceleration of certain defense programs, and the steps already taken to give effect to this change, national security expenditures may be expected to increase during the year ahead. Insofar as business activity is affected by the award of procurement contracts, which are being placed at an increased rate, it may rise earlier and more strongly than the prospective increase in national security expenditures (Economic Report, p. 50).

W. J. McNeil, Assistant Secretary of Defense (Comptroller), placed in the record of the hearings the following estimates of these defense contracts:

ESTIMATED OBLIGATIONS FOR CONTRACTS PLACED WITH PRIVATE INDUSTRY

Following is a table which indicates that the volume of procurement of goods and contract services for the period January to June should total \$13.4 billion—as compared with \$7.9 billion for the first 6 months of this fiscal year (July–December). During the early months of fiscal year 1958 only those contracts which required placement or extension were consummated. In November and December—after completion by the military departments of a complete review of the buying programs—the rate of placement of contracts sharply increased. This increased rate is continuing and obligations for these purposes for the last 6 months of this fiscal year of \$13.4 billion appear reasonable and feasible.

Department of Defense—Military functions: Estimated obligations for contracts placed with private industry

[Billions of dollars]

	Major procurement	Other contracts			Total
		Total	Construction	Research and development consumption-type material and contract services	
January-June 1957.....	6.7	3.2	1.2	2.0	9.9
July-December 1957.....	5.7	2.2	.3	1.9	7.9
July.....	.3	.40	.04	.36	.7
August.....	.6	.30	.02	.28	.9
September.....	1.2	.33	.05	.28	1.5
October.....	.7	.39	.05	.34	1.1
November.....	1.3	.33	.03	.30	1.6
December (projected).....	1.6	.45	.11	.34	2.1
Total, calendar year 1957..	12.4	5.4	1.5	3.9	17.8
January-June 1958 (projected)...	9.7	3.7	1.6	2.1	13.4
July-December 1958 (projected)...	7.5	2.7	.6	2.1	10.2
Total, calendar year 1958...	17.2	6.4	2.2	4.2	23.6

Jan. 24, 1958

(Hearings, p. 367.)

In response to a question from Senator Douglas concerning the effects of this step-up in defense contracts on capital investment, Mr. McNeil replied:

In large part they will be produced with the capital facilities that presently exist. In my statement I made this remark: that similar expenditures for production equipment and facilities which took 9.7 of each major procurement dollar in 1953 will take only 2.7 in fiscal 1959. However that 2.7 figure out of each procurement dollar in 1959 was not too different than the figure of the current year or last year.

But we do not—we do not require substantial or huge capital expansion to produce the items on our 1959 shopping list. (Hearings, p. 377).

In his statement, Dr. Gerhard Colm stated:

The expectation for an early economic upturn could, in my opinion, be based only on the fact that there will be a substantial though short-run increase in the placement of defense contracts during the next few months. This rise in defense orders is due not to any general increase in the defense procurement program but to a reversal of the sharp curtailment in the placement of orders during the preceding 6 months.

* * * Although this concentrated placement of orders during the next few months should have some effect on the level of economic activities, it cannot be expected to bring the economy back on the track of sustained economic expansion. (Hearings, pp. 120, 121.)

(8) Estimates of prospective spending during 1958 by business on plant and equipment are based on the Economic Report and on testimony during the hearings. The estimate consistent with the Economic Report—the “A” estimate—assumes that the decline in plant and equipment purchases by business will slow up in the second quarter and that an upturn in these expenditures will be underway by the fourth quarter. See Dr. Saulnier’s testimony quoted in footnote 5 above. The Economic Report states:

Although an extension into 1958 of the decline in business expenditures on plant and equipment is suggested by data on new orders and contracts, and by information on businessmen’s investment intentions, the magnitude of the decline and its duration are uncertain. Decisions regarding these expenditures are influenced by a variety of conditions that affect particular industries and firms and are subject to rapid change. The outcome will be especially affected by sales experience and expectations. A decline in investment spending seldom lasts only a few months; however, in some industries reductions began as early as 1956, and in many others they have been in progress during much of 1957. Also, certain conditions that tend to limit the decline may be noted. Pressures to reduce costs and to improve products continue and in some respects have been intensified. Research and development activities, which are cumulative in their results, continue at a high level and are certain to yield many practical suggestions for undertakings the financial feasibility of which will be enhanced by the greater availability and lower cost of capital and credit (Economic Report, p. 49).

The second, or “B,” estimate of plant and equipment purchases by business in 1958 was based on testimony of nongovernment witnesses in the hearings and on the Commerce-SEC survey of business plans for such expenditures through the first quarter. These materials indicate a decline of 7 to 10 percent for the year as a whole from 1957 levels and of about 10 to 15 percent by the fourth quarter, with the decline continuing into 1959.

Douglas Greenwald, chief statistician, department of economics, McGraw-Hill Publishing Co., Inc., stated:

There is no doubt as to the direction capital investment is taking in 1958. It is going down; but it is down from an extraordinarily high level. The McGraw-Hill preliminary survey of business' plans to invest in new plants and equipment was completed late in October. It indicated that total business investment in new facilities will be down about 7 percent from 1957. Business expects to spend \$36.1 billion on new plants and equipment in 1958 compared with \$38.6 billion in 1957 and \$36.6 billion in 1956. (These figures are based on the McGraw-Hill definition of business capital expenditures, which differs somewhat from that of the United States Department of Commerce and the Securities and Exchange Commission.)

* * * * *

We do not carry out quarterly surveys of business' plans. But it seems probable from both our preliminary survey results and our current new orders indexes that investment will be declining throughout the calendar year, and at least into the first half of 1959. On the basis of our survey data, I estimate that the fourth quarter 1958 rate of capital expenditures will be about 10 to 15 percent below the fourth quarter of 1957.

Our survey also provides a clue to the expected trend in 1959. It showed that 28 percent of the reporting companies plan to cut investment in 1959 below the 1958 level. One-fifth of the companies expect to increase spending. And the remainder, more than half, expect to spend the same amount in 1959 as in 1958.

As I stressed earlier, I believe capital expenditures will decline into 1959, but the magnitude of the decline from the all-time peak to the low point should not exceed 15 to 20 percent. One reason for expecting a relatively high level of capital investment in 1958 and 1959 is the increased spending on research and development.

For more conclusive evidence of what will happen to capital expenditures in 1958, we must await the results of the next quarterly survey of the United States Department of Commerce and the Securities and Exchange Commission, which will cover the full year 1958, and the regular annual McGraw-Hill survey, which will cover the years 1958 through 1961. Both of these surveys will be released early in the spring.

But from all the statistical evidence now at hand, it seems probable that industry's expenditures on new plants and equipment for the year 1958 will be down no more than 10 percent and may well be off only 7 percent, as indicated by the preliminary McGraw-Hill survey. We cannot count on any significant lift to the overall economy from the capital goods area for at least 18 months. But we can expect that the current decline will moderate and that investment will remain relatively high by historical standards (Hearings, pp. 85-88).

Martin R. Gainsbrugh, chief economist of the National Industrial Conference Board, testified:

My opening comments are confined to what I consider the hard core of this recession, namely the downward trend in private capital investment. The National Industrial Conference Board, some quarters back began a survey of capital appropriations in large manufacturing industries. And I believe this provides insight in our current and prospective trends.

* * * * *

Starting with the fourth quarter of 1954 and continuing through the first half of 1956, unspent appropriation backlogs climbed steadily upwards. It was only in the second and third quarters of 1957 that capital goods spending substantially exceeded the rate of appropriation approvals. During these 6 months over one-fourth of the unspent backlogs accumulated in the previous 10 quarters were used up.

We found in the third quarter of 1957 that capital appropriations of the thousand largest manufacturing corporations had been cut 30 percent from the figure for the third quarter of 1956.

I now bring you a preliminary result of our findings for the fourth quarter. Mind you, these are for the giants of American industry. On the basis of returns for about 80 or 90 companies this downward trend in appropriations is still continuing, if not accelerating. Capital appropriations may have been cut back about 40 percent in the fourth quarter as compared with 30 percent in the third quarter. * * *

As frequently happens in an investment boom everyone gets into the act and then some. We now face the temporary problem of unused capacity in many lines of American industry, including many of our growth industries. And the working off of this unused capacity will take some time, time measured in terms of a year or more, not in terms of a few months. I am not a member of the 6-month club. (Hearings, pp. 133, 134.)

Prof. Jewell J. Rasmussen, of the University of Utah, stressed the implications of the current decline in investment, as follows:

* * * Two of my colleagues who have done considerable work in forecasting and cycle analysis indicate that the decline for 1958 in this category will be between 20 and 30 percent. * * *

The possibility of a recession of the more serious type appears to be much greater now than in 1949 or 1953-54. For the first time since 1945, there is perhaps a real danger that a serious recession could develop. There is ample justification to regard the present recession with particular suspicion.

A principal causal factor in this potential threat is overcapacity. It is quite true that there are significant counter-cyclical factors to be taken into account—for example, national defense, the highway program, and State local

public works have been mentioned—but I think it would be a mistake to assume that these forces will automatically check a downturn in a few months' time. (Hearings, pp. 137, 138.)

(9) Estimates of construction expenditures, especially private residential (nonfarm), are based on executive branch statements and on testimony in the hearings. For views of the executive branch, see; (a) Construction Outlook for 1958, prepared jointly by the Departments of Commerce and Labor, press release of November 15, 1957; (b) President's Economic Report, pp. 49–50; and (c) testimony of Ewan Clague (Hearings, pp. 37, 38, and 69–75). Other views expressed in the hearings were:

MILES L. COLEAN. If FHA should do no more than this, house building, instead of providing a real stimulus to the economy, would at best be neutral. I do not believe that the considerations I have mentioned have been given sufficient weight in the hopeful view that many have taken of the housing outlook. They are the basis for my own forecast of only a slight increase in the total number of new private dwelling units to be started this year, in spite of my conviction that the market could absorb a good deal more, if our mortgage-insurance mechanism were effectively energized. (Hearings, p. 84.)

GERHARD COLM. In view of this anticipated contraction in federally supported housing programs and in view of the increased feeling of uncertainty among potential home buyers, it is less certain that the expected increase in residential construction will materialize. Thus, Federal activities under the President's program do not represent a substantial expansionary influence if the fiscal year 1959 is compared with the current or last fiscal year. (Hearings, p. 120.)

(10) Two estimates of net change in business inventories were made. The first of these is consistent with the President's Economic Report and budget—the "A" estimate. This estimate assumes continued liquidation in the first quarter of 1958, no change in the second quarter, and renewed accumulation in the remaining two quarters. See Economic Report where it is stated:

* * * And the rate of inventory reduction may not be substantially greater than it has been so far, if the balance between Government expenditures and business capital outlays is favorable and if personal incomes and consumption expenditures are well maintained, as seems likely. (p. 50.)

Before the subcommittee of the House Committee on Appropriations, Dr. Saulnier said:

* * * Our businessmen have been using up their inventories, and this has caused decreases in production more than would have been required by the decrease in actual final sales.

Now, it is quite possible, Mr. Chairman, that we might, early in 1958, begin again to accumulate inventories. Even if we cease liquidating inventories, that will be a helpful factor in the economy. (General Government Matters Appropriations for 1959, Hearings Before the Subcommittee of the

Committee on Appropriations, House of Representatives, 85th Cong., 2d sess., p. 146.)

The second, or "B", estimate was based on testimony of non-Government witnesses during the hearings. Continued liquidation in the first quarter and probably in the second, was expected. Furthermore, inventory liquidation was expected to end when the decline in purchases of goods by consumers and Government was reversed. In the "B" estimate this would not come before midyear. Inventory movements usually lag about 6 months behind sales or final purchases so it was assumed in these "B" estimates that inventory liquidation would end in the fourth quarter. On the basis of past relationships of inventories to sales, a liquidation of this duration was assumed to amount to \$2.5 billion.

During the committee hearings the following statements about possible inventory changes were made:

MYRON S. SILBERT. If consumer demand holds as we have estimated, curtailment of production will ultimately bring inventories back into line. It is hard to estimate how long this period of correction may be. In the past, the curtailment has not only eliminated the excess, but continued beyond that until inventories got too low.

* * * * *

In the second and third quarters of 1957, inventory was being accumulated at a rate of \$2 billion per year. That is in all of business—manufacturing, wholesaling, and retailing. In the fourth quarter, inventory was probably being decreased at a rate larger than the previous increase, probably at the \$3 billion annual rate estimated by the Council of Economic Advisers. This shift from increase to decrease contributed to the cut in production and employment during the fourth quarter. The reduction is continuing in the first quarter of 1958.

If business merely brought inventories to a normal position and not below, this negative factor could be brought to a halt without being unnecessarily prolonged. (Hearings, p. 97.)

JAMES S. DUSENBERRY. If inventory decumulation is to continue at a rate as high as \$3 billion per year some further cuts in production must take place. But personal disposable income declines much less than production because profits and taxes fall while transfer payments rise as production declines.

Moreover, consumers will not reduce consumption as fast as their income falls. When dealing with changes which are after all very small percentages of income, any forecast is hazardous. But if increased Government orders balance off reductions in plant and equipment expenditure, the inventory decline should not carry income down by more than say another 5 billions. In those circumstances the rate of inventory reduction should decline by about the middle of the year or—if the outlook for defense expenditures appears favorable—even sooner. (Hearings, p. 125.)

MARTIN R. GAINSBROUGH. What we are witnessing today, therefore, is the opening stage of a capital-goods cycle rather than an inventory recession of the type we have experienced ever since the end of World War II. This time the inventory cycle was induced by the impending decline in capital goods rather than being the cause of the decline. (Hearings, p. 135.)

(11) In the "A" budget for 1958 personal savings are assumed to be 5.5 percent of disposable personal income compared to 6.7 percent for the year 1957. Neither the Economic Report nor Dr. Saulnier's testimony is explicit about the rate of savings in 1958. However, the above assumed fall in the savings rate seems consistent with other assumptions underlying the President's Economic Report and budget.

In the "B" budget for 1958 personal savings are assumed to be about 5.7 percent of disposable personal income.

Professor Duesenberry, recognized authority on the relationship of consumer savings to incomes, stated in the hearings:

I think there is not as much difference as there appears to be. When income is falling I think you will find that consumers do reduce their consumption by less than the decline in income. I think it is also true that they won't finance consumption by reducing savings to as great an extent in this situation as they did in, say, 1953-54, when their general financial position was better.

In other words, you always have some tendency for savings to decline on declining income. And they decline not only absolutely but as a proportion of income. But I think that tendency will not be as strong this time as it has been sometimes in the past. (Hearings, p. 159.)

(12) A continued decline in net foreign investment seems to be expected by almost all analysts. The Economic Report, for example, says:

Foreign demand, on the other hand, is likely to exert a moderately contractive influence on economic activity for the time being. The reasons for this are discussed in chapter 3. They include the passing of the special circumstances which accounted for part of the sharp increase in United States exports in 1956 and early 1957, some slowing down in economic expansion abroad, and pressure on the foreign exchange positions of certain nations abroad. While a reduction in some categories of United States import demand is also evident, exports seem likely to decline relative to imports. This development, in conjunction with other international economic transactions, would involve a further, though probably modest, reduction in net foreign investment and hence in the stimulus provided to production and employment from this quarter. (Economic Report, p. 50.)

(13) The "B" estimates for 1958 in the text and in tables 1 and 2 were derived by the staff almost entirely from testimony during the hearings supplemented by other sources where necessary to fill out a complete and consistent set of estimates. They constitute an

internally consistent quantitative summary of the outlook materials in the hearings—especially of the views of the non-Government experts. They are not forecasts by the committee staff of expected trends in 1958. Indeed, such a staff forecast is impossible at present since it would require a forecast of policy decisions yet to be made by the committee itself, by Congress, and by the executive branch.

(14) For derivation, see table 2, p. 27.

(15) Capital consumption allowances were estimated by extending the trend of recent years.

(16) Includes Government transfer payments, net interest paid by Government and subsidies minus current surplus of Government enterprises.

(17) Government receipts in the "B" projections for 1958 are modifications of those in the "A" estimates derived from the President's Budget as shown in note 7 above. Adjustments were made for lower receipts resulting from the lower levels of incomes and corporate profits implicit in the "B" projections.

(18) The corporate profits assumption for 1957 and 1958 underlying the President's Economic Report and Budget were stated by Treasury Secretary Anderson as follows:

Corporate profits were assumed to be \$42 billion in each of the 2 years. (Hearings, p. 416.)

(19) For the "B" projections corporate profits before taxes were assumed to be \$36 billion compared to \$42 billion assumed by the Treasury (see note 18). The lower level reflects a rough estimate of the effect of lower levels of total sales in these "B" estimates.

(20) In the "B" estimates, Government transfer payments were increased to be consistent with the larger payments to the unemployed implied by the lower output.

(21) Assumption underlying the President's Economic Report and Budget as stated in the hearings by Secretary of the Treasury Anderson:

Personal income was assumed to be \$343 billion in the calendar year 1957 and \$352 billion in the calendar year 1958. (Hearings, p. 416.)

(22) Assumes continuation of present tax rates (1959 Budget, p. M10):

* * * If the Congress follows my recommendations, I believe that we shall be able to do what is required for our defense efforts and meet the basic needs of our domestic programs without an increase in tax rates. To maintain present rates, I recommend that tax rates on corporation income and certain excises, which under existing law are scheduled for reduction next July 1, be extended for another year.

(23) Dividends were assumed to be about 59.2 percent of profits after tax compared to 60.5 percent in 1957.

(24) Dividends were assumed to be about 55.6 percent of profits after tax compared to 59.2 percent in the "A" estimates and to 60.5 percent in 1957. The lower percentage reflects assumed effect of lower earnings on corporate dividend policy.

(25) The potentials are consistent with projections of long-run trends published in Potential Economic Growth of the United States

During the Next Decade (Materials Prepared for the Joint Economic Committee by the Committee Staff), joint committee print, 83d Cong., 2d sess. The word "potential," therefore, refers to average long-run trends of past years exclusive of those marked by war or severe recession. The estimates given in table 3 are consistent with the original estimates made in 1954, but incorporate adjustments for revisions in data and are stated in 1947 prices rather than 1953 prices.

(26) It is assumed that the potential labor force will increase about 900,000 from the 1957 potential to the 1958 potential. The potential labor force data are trend estimates which, through 1955, assume the 1920-50 trends in age-sex labor force participation rates with an adjustment in the rate for adult women based on accelerated increases observed in the postwar years 1947-50. After 1955, the trend assumes continuation of 1947-55 trends in age-sex labor force participation rates.

(27) The estimates of potential Government employment, civilian and military, are based on long-term trends which smooth out year-to-year fluctuations. For the Armed Forces, the potential assumes 3 million each year; less than the strength prevailing when the study was made originally in 1954 but more than the 1956 size of about 2.9 million. For civilian government employment the trend increases about 100,000 per year to take care of the long-term growth, principally at the State and local level, in such occupations as school-teaching, police, fire, etc., where employment is related to population growth.

(28) Unemployment is assumed to average about 4 percent of the civilian labor force each year. These assumed unemployed persons would be largely new entrants into the labor force; the frictionally unemployed (i. e., those in process of changing jobs) and those shifting to new industries or occupations because of technological advances. The use of this assumption does not imply that the committee staff necessarily believes that this level of unemployment is "the level" consistent with the goals of the Employment Act. Such a determination is beyond the scope of staff responsibilities. However, such data as are available suggest that unemployment in years not marked by war or severe recession has averaged close to 4 percent of the civilian labor force.

(29) Labor data in table 3 correspond to the old definitions in use by the Bureau of the Census up to January 1957 and which were used in the original 1954 staff study of potential output.

(30) Estimates of civilian government employment were taken from the estimates of the National Income Division, Office of Business Economics, Department of Commerce, in order to be consistent with their estimates of Government gross product. The figures include all Federal, State, and local civilian employees except employees in government commercial-type enterprises.

(31) It is assumed that average annual hours of work will decline slightly less than 1 percent per year over the decade ending in 1965. See Potential Economic Growth of the United States During the Next Decade, pp. 6-7.

(32) Output per man-hour is assumed to increase about 3 percent per year in agriculture and about 2.5 percent in private nonagricultural industries. These are rates of change which correspond to the long-

term trend assumed for the current decade. They are above the average rates over the past century but are moderately below the rates of the past decade. Actual changes in any particular year-to-year comparison may be somewhat greater or smaller, depending upon a variety of factors reflecting the way in which our flexible economy adapts itself to changing demands. In the case of agriculture, particularly, the change for any individual year may differ from the assumed 3 percent because of temporary departures of growing conditions from average or Government restrictions on crop acreage. Studies by the Bureau of Labor Statistics on trends in output per man-hour in manufacturing appear to be roughly consistent with the estimates of output per man-hour in private non-agricultural industries developed in committee-staff studies. See report of the Bureau of Labor Statistics in Hearings on Automation and Technological Change before the Subcommittee on Economic Stabilization of the Joint Economic Committee, 84th Congress, 1st session, pages 301-334. Also, see appendix E to the 1958 Economic Report, pages 107-110, and testimony of Ewan Clague (Hearings, pp. 37, 64-68).

(33) "Potential" agricultural gross national product differs from, and is generally lower than, the actual in each of these years because of (a) year-to-year fluctuations in yields due to weather and other growing conditions; and (b) the "potential" reflects long-term trends roughly consistent with a balance between agricultural output and demand, while in recent years actual agricultural output has exceeded demand.

(34) Government gross product represents compensation of general Government employees—civilian and military. The potential is based on the assumed trends in Government employment specified in footnote 27 above.

PUBLICATIONS OF THE JOINT ECONOMIC COMMITTEE¹

January 1947–March 1958

- **Declaring a National Policy on Employment, Production, and Purchasing Power* (Report of the Joint Committee on the Economic Report), Senate Report No. 11: January 1947.
- Food Prices, Production, and Consumption* (Report of the Joint Committee on the Economic Report), Senate Document 113: April 1957.
- *Hearings on Current Price Developments and the Problem of Economic Stabilization (June 24, 25, 26, July 2, 8, 9, 10, 14, 15, 16, and 17, 1947): July 1947.
- **Interim Report on the President's Program To Deal with the Problems of Inflation* (Report of the Joint Committee on the Economic Report), Senate Report 809: December 1947.
- *Hearings on Anti-inflation Program as Recommended in the President's Message of November 17, 1947 (November 21, 24, 25, 26, 28, December 2, 3, 4, 5, and 10, 1947): December 1947.
- **Allocation and Inventory Control of Grain for the Production of Ethyl Alcohol* (Report of the Joint Committee on the Economic Report), Senate Report 888: February 1948.
- *Hearings on Allocation of Grain for Production of Ethyl Alcohol (February 5 and 6, 1948): February 1948.
- **High Prices of Consumer Goods* (Report of the Joint Committee on the Economic Report), Senate Report 1565: June 1948.
- Hearings on Increases in Steel Prices (March 2, 1948).
- **Joint Economic Report* (Report of the Joint Committee on the Economic Report on the January 1948 Economic Report of the President), Senate Report 1358: May 1948.
- *Hearings on Credit Policies (April 13 and 16, May 12, 13, 27, 1948): July 1948.
- **Statistical Gaps, Current Gaps in Our Statistical Knowledge* (materials assembled by the staff of the Joint Committee on the Economic Report), committee print: July 1948.
- Consumers' Price Index* (materials assembled by the staff of the Joint Committee on the Economic Report), committee print: December 1948.
- *Hearings on Profits (December 6, 7, 8, 9, 10, 15, 16, 17, 20, 21, 1948): December 1948.
- Profits* (Report of a Subcommittee of the Joint Committee on the Economic Report on Profits Hearings), committee print: February 1949.
- Hearings, January 1949 Economic Report of the President (February 8, 9, 10, 11, 14, 15, 16, 17, 18, 1949): March 1949.

¹ Single copies of the publications listed may be obtained from the Joint Economic Committee except as otherwise noted. Additional copies of committee publications may be purchased from the Superintendent of Documents, Washington 25, D. C., at the price given. The prices shown are for single copies. There is a discount for quantity orders. Out-of-print publications are denoted by an asterisk. Publications available *only* from Superintendent of Documents are denoted by a dagger (†).

- Joint Economic Report* (Report of the Joint Committee on the Economic Report on the January 1949 Economic Report of the President), Senate Report 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), part II of Report 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: 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) Senate Document 232 (sale price, 60 cents): September 1950; reprinted from committee print of October 1949.
- *Hearings, Subcommittee on Monetary Credit, and Fiscal Policies, Federal Expenditure and Revenue Policies, September 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), Senate Document 231 (sale price, 35 cents): September 1950; reprinted from committee print of November 1949.
- 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), Senate Document 132 (sale price, \$1): January 1950; reprinted from committee print of November 1949.
- Hearings, Subcommittee on Investment, Volume and Stability of Private Investment, Part 1 (September 27, 28, 29, 1949): November 1949.
- Basic Data Relating to Steel Prices* (materials assembled by the staff of the Joint Committee on the Economic Report for use in steel hearings), committee print: January 1950.
- Highways and the Nation's Economy* (materials assembled by the staff of the Joint Committee on the Economic Report), Senate Document 145 (sale price, 20 cents): January 1950.
- *Hearings, Subcommittee on Monetary, Credit, and Fiscal Policies, Monetary, Credit, and Fiscal Policies (September 23, November 16, 17, 18, 22, 23, and December 1, 2, 3, 5, 7, 1949): January 1950.
- **Monetary, Credit, and Fiscal Policies* (Report of the Subcommittee on Monetary, Credit, and Fiscal Policies), Senate Document 129 (sale price, 15 cents): January 1950.
- **Employment and Unemployment* (Report of the Subcommittee on Unemployment), Senate Document 140 (sale price, 30 cents): February 1950.
- *Hearings, Subcommittee on Investment, Volume and Stability of Private Investment, Part 2 (December 6, 7, 8, 9, 12, 13, 14, 15, 17, 1949): February 1950.

- Hearings, Subcommittee on Low-Income Families, Low-Income Families (December 12, 13, 14, 15, 16, 17, 19, 20, 21, 22): March 1950.
- *Hearings, January 1950 Economic Report of the President (January 17, 18, 19, 20): February 1950.
- Hearings, December 1949 Steel Price Increases (January 24, 25, 26, 27): March 1950.
- **Low-Income Families and Economic Stability* (final report of the Subcommittee on Low-Income Families), Senate Document 146 (sale price, 15 cents): March 1950.
- Volume and Stability of Private Investment* (final report of the Subcommittee on Investment), Senate Document 149 (sale price, 15 cents): March 1950.
- December 1949 Steel Price Increases* (Report of the Joint Committee on the Economic Report), Senate Report 1373 (sale price 20 cents): March 1950.
- Handbook of Regional Statistics* (material assembled by the staff of the Joint Committee on the Economic Report), committee print (sale price \$1): April 1950.
- Joint Economic Report* (Report of the Joint Committee on the Economic Report on the January 1950 Economic Report of the President), Senate Report 1843 (sale price 35 cents): June 1950.
- General Credit Control, Debt Management, and Economic Mobilization* (materials prepared by the staff of the Joint Committee on the Economic Report), committee print (sale price 25 cents): January 1951.
- Underemployment of Rural Families* (materials prepared by the staff of the Joint Committee on the Economic Report), committee print (sale price 20 cents): February 1951.
- **The Economic and Political Hazards of an Inflationary Defense Economy* (materials prepared by the staff of the Joint Committee on the Economic Report), committee print (sale price 30 cents): February 1951.
- Hearings, January 1951 Economic Report of the President (January 22, 24, 25, 26, 29, 31, February 2): March 1951.
- Joint Economic Report* (Report of the Joint Committee on the Economic Report on the January 1951 Economic Report of the President), Senate Report 210 (sale price 30 cents): April 2, 1951.
- Making Ends Meet on Less Than \$2,000 a Year*, Case Studies of 100 Low-income Families (communication to the Joint Committee on the Economic Report from the Conference Group of Nine National Voluntary Organizations Convened by the National Social Welfare Assembly), committee print (sale price 35 cents): July 1951.
- Prevalence of Price Cutting of Merchandise Marketed Under Price-Maintenance Agreements, May 28 through June 25, 1951* (study prepared for the Joint Committee on the Economic Report and the Select Committee on Small Business), committee print: July 1951.
- The Need for Industrial Dispersal* (materials prepared for the Joint Committee on the Economic Report by the committee staff), Senate Document 55 (sale price 30 cents): August 1951.
- **National Defense and the Economic Outlook* (materials prepared for the Joint Committee on the Economic Report by the committee staff), committee print: August 1951.

- Inflation Still a Danger* (report of the Joint Committee on the Economic Report together with materials on national defense and the economic outlook included in committee print mentioned above), Senate Report 644 (sale price 15 cents): August 1951.
- **Questions on General Credit Control and Debt Management* (prepared by staff of the Subcommittee on General Credit Control and Debt Management of the Joint Committee on the Economic Report), committee print (sale price 15 cents): October 1951.
- Monetary Policy and the Management of the Public Debt. Their Role in Achieving Price Stability and High-Level Employment* (replies to questions and other material for the use of the Subcommittee on General Credit Control and Debt Management) (sale price: Part I, \$1.75; Part II, \$2.50): February 1952.
- Hearings, January 1952 Economic Report of the President (January 23, 24, 25, 26, 28, 30, 31, February 1) (sale price \$1.25): February 1952.
- Constitutional Limitation on Federal Income, Estate, and Gift Tax Rates* (materials assembled for the Joint Committee on the Economic Report and the Select Committee on Small Business of the House of Representatives), committee print (sale price 15 cents): February 1952.
- Joint Economic Report* (Report of the Joint Committee on the Economic Report on the January 1952 Economic Report of the President together with National Defense and the Economic Outlook for the Fiscal Year 1953, materials prepared for the Joint Committee on the Economic Report by the Committee staff), Senate Report No. 1295 (sale price, 35 cents): March 1952.
- The Taxation of Corporate Surplus Accumulations, The Application and Effect, Real and Feared, of Section 102 of the Internal Revenue Code dealing with Unreasonable Accumulation of Corporate Profits* (study prepared for the Joint Committee on the Economic Report by Dr. J. K. Hall), committee print (sale price 55 cents): May 1952.
- *Hearings, Subcommittee on General Credit Control and Debt Management, Monetary Policy and the Management of the Public Debt (March 10, 11, 12, 13, 14, 17, 18, 19, 20, 21, 24, 25, 26, 27, 28, and 31, 1952) (sale price \$2.25): May 1952.
- Monetary Policy and the Management of the Public Debt* (Report of the Subcommittee on General Credit Control and Debt Management) Senate Document No. 163 (sale price 25 cents): July 1952.
- Federal Tax Changes and Estimated Revenue Losses under Present Law* (Materials prepared for the Joint Committee on the Economic Report by the Committee Staff), committee print: November 1952.
- Sustaining Economic Forces Ahead* (Materials prepared for the Joint Committee on the Economic Report by the Committee Staff), committee print (sale price 20 cents): December 1952.
- †*Pensions in the United States* (A Study prepared for the Joint Committee on the Economic Report by the National Planning Association), committee print (sale price 30 cents): December 1952.
- Index of Joint Economic Publications: January 1947 through December 1952.* Committee print (sale price 55 cents): January 1953.
- **Historical and Descriptive Supplement to Economic Indicators* (sale price 30 cents): December 1953.

Hearings, January 1954 Economic Report of the President (February 1, 2, 3, 4, 5, 8, 9, 10, 11, 15, 16, 17, 18) (sale price: \$3.00): March 1954.

**Joint Economic Report* (Report of the Joint Committee on the Economic Report on the 1954 Economic Report of the President), House Report No. 1256 (sale price 30 cents): February 1954.

Hearings, Subcommittee on Economic Statistics, Economic Statistics (July 12 and 13, 1954) (sale price \$1.50): August 1954.

Economic Statistics (Progress Report prepared by the Subcommittee on Economic Statistics). House Report No. 2628: August 1954.

Congressional Action on Major Economic Recommendations of the President, 1954 (Materials prepared by the Joint Committee on the Economic Report by the Committee Staff), committee print: September 1954.

†*Potential Economic Growth of the United States During the Next Decade* (Materials prepared for the Joint Committee on the Economic Report by the Committee Staff), committee print (sale price 15 cents): October 1954.

*Hearings, Subcommittee on Economic Stabilization, United States Monetary Policy: Recent Thinking and Experience (December 6 and 7, 1954) (sale price \$1.25): December 1954.

†*Trends in Economic Growth, A Comparison of the Western Powers and the Soviet Bloc* (Materials prepared for the Joint Committee on the Economic Report by the Legislative Reference Service of the Library of Congress), committee print (sale price \$1): January 1955.

†Hearings, January 1955 Economic Report of the President (January 24, 26, 27, 28, 31, February 1, 2, 3, 8, 9, 10, and 16, 1955) (sale price \$3.50): February 1955.

Joint Economic Report (Report of the Joint Committee on the Economic Report on the 1955 Economic Report of the President), Senate Report No. 60 (sale price 30 cents): March 1955.

Historical and Descriptive Supplement to Economic Indicators (sale price 40 cents): November 1955.

*Hearings, Subcommittee on Economic Stabilization, Automation and Technological Change (October 14, 15, 17, 18, 24, 25, 26, 27, and 28, 1955) (sale price \$2.00): November 1955.

Automation and Technological Change (Report of the Subcommittee on Economic Stabilization) committee print, November 1955 (sale price 10 cents): became Senate Report No. 1308, January 1956.

Hearings, Subcommittee on Economic Statistics, Reports of Federal Reserve Consultant Committees on Economic Statistics (July 19 and 26, October 4 and 5, 1955) (sale price \$2.25): November 1955.

Hearings, Subcommittee on Economic Statistics, Employment and Unemployment Statistics (November 7 and 8, 1955) (sale price 45 cents): November 1955.

1955 Report on Economic Statistics (Report of the Subcommittee on Economic Statistics) committee print, November 1955 (sale price 15 cents): became Senate Report No. 1309, January 1956.

**Federal Tax Policy for Economic Growth and Stability* (Papers submitted by panelists appearing before the Subcommittee on Tax Policy), committee print (sale price \$2.50): November 1955.

†Hearings, Subcommittee on Tax Policy, Federal Tax Policy for Economic Growth and Stability (December 5, 6, 7, 8, 9, 12, 13, 14, 15, and 16, 1955) (sale price \$2.00): January 1956.

- Federal Tax Policy for Economic Growth and Stability* (Report of the Subcommittee on Tax Policy) committee print, December 1955 (sale price 10 cents): became Senate Report No. 1310, January 1956.
- † *The Federal Revenue System: Facts and Problems* (Materials assembled for the Subcommittee on Tax Policy by the Committee Staff), committee print (sale price 55 cents): January 1956.
- † *Characteristics of the Low-Income Population and Related Programs* (Materials prepared by the staff of the Subcommittee on Low-Income Families), committee print (sale price 60 cents): October 1955.
- Hearings, Subcommittee on Low-Income Families, Low-Income Families (November 18, 19, 21, 22, and 23, 1955) (sale price \$2.00): December 1955.
- A *Program for the Low-Income Population at Substandard Levels of Living* (Report of the Subcommittee on Low-Income Families), committee print, December 1955 (sale price 10 cents): became Senate Report No. 1311, January 1956.
- Hearings, Subcommittee on Foreign Economic Policy, Foreign Economic Policy (November 9, 10, 14, 15, 16, 17, 1955) (sale price \$1.75): December 1955.
- Foreign Economic Policy* (Report of the Subcommittee on Foreign Economic Policy), committee print, December 1955 (sale price 15 cents): became Senate Report No. 1312, January 1956.
- Hearings, January 1956 Economic Report of the President (January 31, February 1, 2, 3, 6, 7, 8, 9, 14, 15, 17, and 28, 1956) (sale price \$2.00): March 1956.
- † *Joint Economic Report* (Report of the Joint Committee on the Economic Report on the 1956 Economic Report of the President): Senate Report No. 1606 (sale price 35 cents): March 1956.
- Hearings, Subcommittee on Economic Stabilization, Conflicting Official Views on Monetary Policy: April 1956 (June 12, 1956) (sale price 20 cents): June 1956.
- Hearings, Subcommittee on Foreign Economic Policy, Defense Essentiality and Foreign Economic Policy (June 4, 5, 6, and 7, 1956) (sale price \$1.50): July 1956.
- Defense Essentiality and Foreign Economic Policy, Case Study: Watch Industry and Precision Skills* (Report of the Subcommittee on Foreign Economic Policy), Senate Report No. 2629, Parts I and II (sale price 15 cents with Part II): July 1956.
- Hearings, Subcommittee on Economic Stabilization, Monetary Policy: 1955-56 (December 10 and 11, 1956) (sale price 45 cents): January 1957.
- Hearings, Subcommittee on Foreign Economic Policy, World Economic Growth and Competition (December 10, 12, and 13, 1956) (sale price 45 cents): February 1957.
- † Hearings, Subcommittee on Economic Stabilization, Instrumentation and Automation (December 12, 13, and 14, 1956) (sale price 75 cents): February 1957.
- Employment Act of 1946, as Amended, and Related Laws, and Rules of the Joint Economic Committee* (prepared by staff of the Joint Economic Committee) committee print: January 1957.

- †Hearings, January 1957 Economic Report of the President (January 28, 29, 30, 31, February 1, 4, 5, 6) (sales price \$2.25): February 1957.
- **Joint Economic Report* (Report of the Joint Economic Committee on the 1957 Economic Report of the President): H. Rept. No. 175 (sale price 25 cents): February 1957.
- Fiscal Policy Implications of the Economic Outlook and Budget Developments* (Report of the Subcommittee on Fiscal Policy), House Report No. 647 (sale price 10 cents): June 1957.
- Hearings, Subcommittee on Fiscal Policy, *Fiscal Policy Implications of the Economic Outlook* (June 3, 4, 5, 6, 7, 13, and 14, 1957) (sale price \$1.00): June 1957.
- †*Productivity, Prices, and Incomes* (Materials prepared for the Joint Economic Committee by the Committee Staff), committee print (sale price 70 cents): June 1957.
- Soviet Economic Growth: A Comparison with the United States* (A study prepared for the Subcommittee on Foreign Economic Policy of the Joint Economic Committee by the Legislative Reference Service of the Library of Congress), committee print (sale price 40 cents): September 1957.
- 1957 Historical and Descriptive Supplement to Economic Indicators* (Prepared for the Joint Economic Committee by the Committee Staff and the Office of Statistical Standards, Bureau of the Budget), committee print (sale price 40 cents): September 1957.
- †*Federal Expenditure Policy for Economic Growth and Stability* (Papers submitted by panelists appearing before the Subcommittee on Fiscal Policy), committee print (sale price \$3.25): November 1957.
- Hearings, Subcommittee on Fiscal Policy, *Federal Expenditure Policy for Economic Growth and Stability* (November 18-27, 1957) (sale price \$2.00): January 1958.
- Federal Expenditure Policies for Economic Growth and Stability* (Report of the Subcommittee on Fiscal Policy), committee print (sale price 10 cents): January 1958.
- †*Policy for Commercial Agriculture: Its Relation to Economic Growth and Stability* (Papers submitted by panelists appearing before the Subcommittee on Agricultural Policy), committee print (sale price \$2.25): November 1957.
- Hearings, Subcommittee on Agricultural Policy, *Policy for Commercial Agriculture: Its Relation to Economic Growth and Stability* (December 16-20, 1957) (sale price \$1.00): January 1958.
- Policy for Commercial Agriculture: Its Relation to Economic Growth and Stability* (Report of the Subcommittee on Agricultural Policy), committee print (sale price 15 cents): February 1958.
- †Hearings, Subcommittee on Economic Statistics, *The National Economic Accounts of the United States* (October 29 and 30, 1957) (sale price 75 cents): December 1957.
- Hearings, Subcommittee on Economic Stabilization, *Automation and Recent Trends* (November 14 and 15, 1957) (sale price 30 cents): December 1957.
- Automation and Technological Change* (Reprint of S. Report 1308 of the Joint Committee on the Economic Report, January 1956) (sale price 10 cents): January 1958.

International Economic Statistics (A Memorandum prepared for the Subcommittee on Economic Statistics of the Joint Economic Committee by the Office of Statistical Standards of the Bureau of the Budget), committee print (sale price 25 cents): February 1958.

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