William McChesney Martin, Jr., Papers

Box 25/Folder 2

Series V, Subseries D

Hearings, February 1959

(42) . . . . . .Joint Economic Committee
(Paul Douglas, Chairman). . . . . Economic Report of the President 2/6/59

(See next folder for testimony on request of President for increase in ceiling of the public debt and increase in interest rate ceiling on savings bonds and new Treasury bond issues. --Appearance No. (43).

(42)

Joint Economic Committee

SENATE	HOUSE
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Miss Muehlhaus

MAR 20 1959

The Honorable Paul H. Douglas,
Chairman,
Joint Economic Committee,
Congress of the United States,
Washington, D. C.

Dear Mr. Chairman:

Attached is a memorandum of reply to questions asked of Chairman Martin by you and by Congressman Patman at the Hearings before your Committee on February 6, 1959.

I trust you will find these replies responsive and of interest to the Committee.

Sincerely yours,

(Signed) C. C. Balderston

C. Canby Balderston,
Vice Chairman.

Attachment

GEN:ECH:me

Replies to Questions by Senator Douglas and Congressman
Patman at Joint Economic Committee Hearings
February 6, 1959

Question by Senator Douglas: Would it not be preferable, in implementing monetary and credit policy, for the Federal Reserve to rely on open market operations to achieve restraint or ease, but refrain from changing discount rates? In these circumstances interest rates generally would not rise, or not rise as much, in periods of credit restraint. When there is considerable unemployment and excess capacity, would you agree that this result would be desirable, since higher interest rates would tend to "hold back full recovery?"

Answer:

As an instrument of credit policy the discount rate is one aspect of the discount operation as a whole, which functions as a complement to the open market instrument. In a period of rising business activity, demands for bank credit may rise to such an extent that banks are unable to meet these demands on the basis of their existing reserves. There are essentially two ways in which banks can obtain additional reserves; the Federal Reserve System can, on its own initiative, supply reserves by purchase of Government securities in the open market; alternatively, banks can on their own initiative increase their reserves by borrowing at Federal Reserve Banks.

When credit demands are in such strength as would promote growth in credit and money in excess of the expansion of goods and services available for purchase, the Federal Reserve, in the interest of economic stability, tempers the amount of reserves available to meet such demands. When the Federal Reserve does not furnish on its initiative all of the reserves sought by banks in circumstances of very active credit demands from private sources credit conditions in the economy as a whole tend to tighten. Individual banks, finding that their available reserve funds are not adequate to permit them to meet all credit demands, may react to the situation either by selling or running off liquid assets, or by borrowing from their Federal Reserve Bank. In either event, one effect is likely to be a rise in market interest rates.

Which method a particular bank uses to adjust its position will depend on a number of factors, including the kinds and amounts of securities or other open market paper in its portfolio, its earning rate on these securities, and the rate it must pay on borrowings at the discount window. Banks are generally reluctant to become indebted to the Federal Reserve except for very short periods, and when in debt feel constrained to liquidate assets. The deterrents to borrowing are greatly weakened if market yields on securities owned become and remain substantially higher than the discount rate. In these conditions, banks may even be induced to borrow for profit, a development which renders difficult effective administration of the discount window.

Federal Reserve Banks, in acting on member bank requests for credit, must therefore weigh each request in the light of the needs of the individual bank, the uses to which reserves are being put, and the general character and rate of credit expansion in the economy. While banks may expect that requests based on temporary needs resulting from reserve shifts beyond their individual control will be met, it is recognized that borrowing at the Federal Reserve is a privilege, not a right. Continued borrowing under circumstances pointing to unhealthy or unsound expansion of credit will be discouraged.

Federal Reserve Regulation A, revised in February 1955, sets forth the following guiding principles applicable to member bank borrowing:

> Federal Reserve credit is generally extended on a short-term basis to a member bank in order to enable it to adjust its asset position when necessary because of developments such as a sudden withdrawal of deposits or seasonal requirements for credit beyond those which can reasonably be met by use of the bank's own resources. Federal Reserve credit is also available for longer periods when necessary in order to assist member banks in meeting unusual situations, such as may result from national, regional, or local difficulties or from exceptional circumstances involving only particular member banks. Under ordinary conditions, the continuous use of Federal Reserve credit by a member bank over a considerable period of time is not regarded as appropriate.

In applying these principles it is of prime importance that the general reluctance of banks to borrow at the Federal Reserve be reinforced by a discount rate with real deterrent power at times when a tempering of bank credit growth is in the public interest. In other words, in order to make the discount mechanism an effective supplement to open market operations the Federal Reserve is obliged to maintain discount rates not markedly lower than market yields on the most readily available alternative source of bank reserves, Treasury bills. If the Federal Reserve in these circumstances did not adjust its discount rates to keep them "in touch" with market rates, the task of administering the discount window to prevent excessive credit expansion would become very difficult. In the absence of a rate deterrent to borrowing, Federal Reserve Bank officers would be without workable guidelines in acting on a great number of borrowing requests from banks, many of whom would be in the position of profiting directly from the relatively low rate on borrowings.

The need for frequent reappraisal of the discount rate in order to maintain the effectiveness of the discount operation as a credit instrument is recognized in the Federal Reserve Act itself. Section 14(d) of the Act empowers each Federal Reserve Bank

> "To establish from time to time, subject to review and determination of the Board of Governors of the Federal Reserve System, rates of discount to be charged by the Federal reserve bank for each class of paper, which shall be fixed with a view of accommodating commerce and business; but each such bank shall establish such rates every fourteen days, or oftener if deemed necessary by the Board;" (Italics added)

At times conditions are such that market rates and discount rates vary from each other for extended periods. When credit demands are relatively light and banks have abundant reserves with negligible borrowings, short-term market rates are likely to fall well below the discount rate. This occurred in 1954 and also in 1958.

There have been other times when market rates have remained above the discount rate for a considerable period and have been little affected by changes in the discount rate. For example, last year the market yield on 90-day Treasury bills rose sharply from below 1 per cent in July to around 2-3/4 per cent by early October, while discount rates were raised from 1-3/4 per cent to 2 per cent in August and September, as shown on the attached chart. Since early October the yield on 90-day Treasury bills has fluctuated generally within a narrow range--between 2-5/8 and 3 per cent, while discount rates were raised in late October to 2-1/2 per cent and in early March to 3 per cent--a total increase of 1 percentage point. Rates on longer term securities likewise rose sharply in the summer and early fall and have shown little further change since early October. In this period member bank borrowings have averaged close to $500 million, a much smaller amount than prevailed in other recent years when market interest rates were around present levels. The recent period provides an excellent illustration of the fact that market rates are strongly influenced by other factors than Federal Reserve policies.

Rising market rates of interest almost inevitably follow along with rising business activity because expansion of credit demands are an essential accompaniment of such a rise. The discount rate is essentially a technical rate, relating to the availability of borrowed reserve funds for banks. It is not a rate at which public and private borrowers in the market can avail themselves of funds.

In periods of active credit demands, market rates will generally array themselves in closer relationship to the discount rate, because banks are always in a position to supplement their lending capacity by borrowing at the Federal Reserve. It is to keep this source of supplementary lending power under continuous and effective regulation that the Federal Reserve must rely on flexible adjustment of the discount rate to changing market and economic conditions. In any case, if the discount rate were not used for this purpose but access to the discount window were limited by instruction, a similar impact on market rates of interest would occur, as individual banks sold Treasury bills or other securities to acquire the reserves denied through the discount window. Conceivably, the short-run impact on market rates would be greater.

Question by Mr. Patman: What is the effect of the Federal Funds Market on the Federal Reserve discount operation? Are not banks using this market really by-passing the Rederal Reserve?

Answer:

The existence of the Federal Funds Market, a loosely organized market in which banks having excess reserves lend these balances to other banks, usually for one day, enables many banks to manage their reserve positions to a closer degree of tolerance than would otherwise be possible. The net result may be that the banking system has fewer pockets of excess reserves, and perhaps also a smaller total volume of reserves. Another way of saying the same thing is that short-run reserve shifts through the Federal unds Market result in more nearly optimum use by the banking system of the existing reserve base, with less use of Reserve Bank credit.

From the standpoint of the individual bank, borrowing reserves in the Federal Funds Market as a way to adjust to a reserve deficiency adds a liability to its balance sheet. In this respect Federal Funds borrowing is similar to borrowing from the Federal Reserve. In either case, adjustment by borrowing is a temporary expedient; if the need for reserves continues, the bank will be obliged to reduce its holdings of securities or curtail its lending activities to bring its reserve position into balance.

While an individual bank which borrows Federal Funds may thus avoid borrowing at a Federal Reserve Bank, it does not necessarily follow that the existence of the Federal Funds Market materially impedes

Federal Reserve discount policy. In the first place, participation in the Federal Funds Market is confined to a relatively small number of banks, most of them the larger banks in financial centers. In the second place, transactions through the Federal Funds Market do not alter the total supply of reserves available to the banking system, which can be influenced by Federal Reserve policy actions. The supply of funds in the market is closely related to the general state of reserve availability for the banking system. When reserve availability is tight, interest rates in the Federal Funds Markets will tend to rise to, or close to, the discount rate. With the supply of reserve funds limited at such times, the discount mechanism, including the discount rate, can perform effectively its function of supplementing the open market instrument in regulating the volume of money and credit so that it is kept in alignment with the needs of the economy at a stable level of prices.

Question by Mr. Patman: Have not interbank deposits increased rapidly, approaching the same level that existed prior to the passage of the Federal Reserve Act when too much money was concentrated in too few banks?

Answer:

Prior to the establishment of the Federal Reserve System, banks kept substantial portions of their cash liquidity reserves in the form of deposits at other banks. Under today's conditions, however, the first line of reserves of member banks is maintained in the form of legal reserves on deposit at Federal Reserve Banks. Under these circumstances, banks now maintain balances at other banks primarily as a part of correspondent relationships--for liquidity purposes, to facilitate check clearance, and to obtain a variety of services and advice.

The total of interbank balances increased substantially between 1939 and 1945, as the table shows. There has again been some growth in the last year or so, but total interbank balances held at member banks were only $600 million higher in 1958 than in 1945. New York banks actually held fewer deposits due to domestic banks in 1958 than in 1945, although they continued to hold substantial deposits for foreign banks. Moreover, as would be expected, a substantial portion of total interbank balances held by member banks represented the approximately $4 billion which nonmember banks keep on deposit--an amount which in large part represents the legal and working reserves of nonmember banks.

The growth of member bank interbank deposits for the period shown is of diminished significance when compared to the large growth in the total of demand deposits of all banks. Interbank deposits at member banks, which represented 27 per cent of total demand deposits of all banks in 1939, declined by 1945 to 16 per cent, and in recent years have remained at about 11 per cent.

March 17, 1959

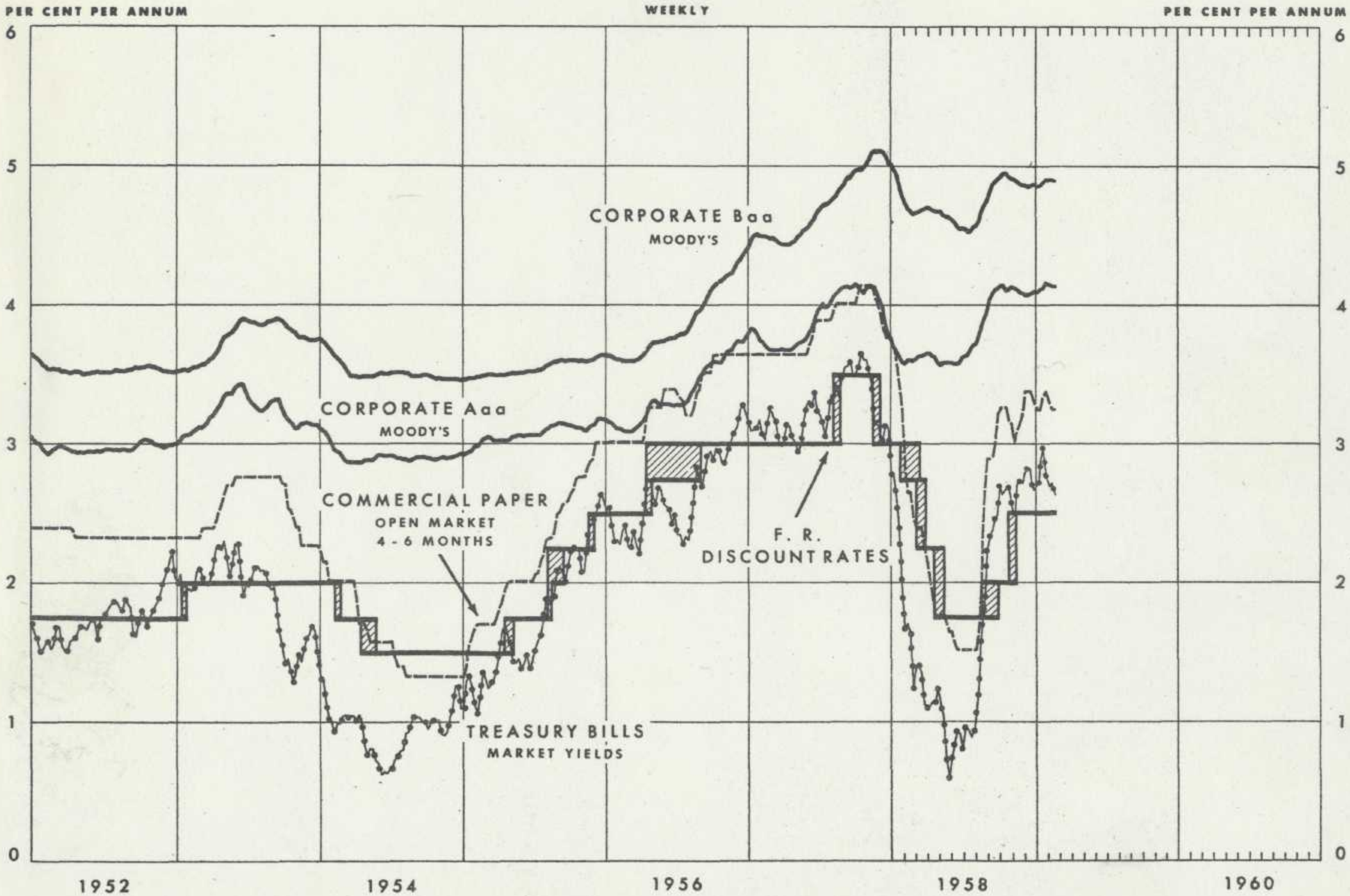
Selected Data on Interbank Demand Deposits and Total Demand Deposits, 1939-1958

(Millions of dollars)

Year (June call date)	Demand deposits of domestic banks held by member banks					Nonmember banks--balances due from domestic banks	All commercial banks--demand deposits adjusted 2/	Per cent of member bank interbank deposits to total demand deposits
	New York	Chicago	Reserve city	Country	All member banks			
1939	2,992	746	2,920	439	7,097	1/	27,355	25.9
1945	3,271	1,174	5,510	1,108	11,064	1/	69,053	16.0
1946	3,127	1,047	5,220	997	10,391	1/	79,476	13.1
1947	2,898	1,056	4,773	885	9,612	1/	82,186	11.7
1948	2,830	1,055	4,751	798	9,433	3,163	82,697	11.4
1949	2,680	962	4,460	762	8,864	3,037	81,877	10.8
1950	2,692	977	4,848	850	9,368	3,214	85,040	11.0
1951	2,744	1,006	4,996	913	9,659	3,394	88,960	10.9
1952	3,193	1,136	5,624	1,060	11,013	3,833	94,754	11.6
1953	2,979	1,175	5,744	1,049	10,947	3,843	96,898	11.3
1954	3,237	1,287	6,220	1,212	11,956	3,958	98,132	12.2
1955	3,129	1,125	5,979	1,249	11,482	3,811	103,234	11.1
1956	3,080	1,149	6,078	1,321	11,627	4,000	104,744	11.1
1957	2,775	1,133	5,648	1,243	10,799	3,816	105,706	10.2
1958	3,084	1,211	6,115	1,267	11,676	3,964	106,169	11.0

1/ Beginning with December 31, 1947, the all-bank series was revised; previous data not strictly comparable.
2/ Excludes interbank and U. S. Government deposits and collection items; data are partly estimated prior to 1947.

MONEY RATES



Latest Figures Plotted: FEBRUARY 20

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Congress of the United States

JOINT ECONOMIC COMMITTEE

(CREATED PURSUANT TO SEC. 5 (A) OF PUBLIC LAW 304, 79TH CONGRESS)

March 11, 1959

Honorable William McC. Martin,
Chairman, Board of Governors,
Federal Reserve System,
Washington 25, D. C.

My dear Mr. Chairman:

This is to express the thanks of the Joint Economic Committee and its staff for your valuable contribution to the recent hearings on the Economic Report of the President.

Both the printed transcript of the hearings and the Committee's report are now available. I take pleasure in enclosing herewith a copy of each.

Sincerely yours,

Roderick H. Riley,
Executive Director.

Enc. (2)

Miss Muehlhaus

February 17, 1959

Mr. Roy L. Reierson
Vice President
Bankers Trust Company
16 Wall Street
New York, N. Y.

Dear Mr. Reierson:

Enclosed are ten copies of Chairman Martin's recent statement before the Joint Economic Committee.

We regret that we are unable to furnish the 550 copies requested in your telegram today, but you are most welcome to reproduce the statement in any quantity you desire.

Our stock of copies, unfortunately, is virtually exhausted and the stencils from which it was made are also badly worn. For your information, the text of the statement will be carried in the February issue of the Federal Reserve Bulletin which perhaps will be out in a week or ten days.

Sincerely yours,

(Signed) Chas. Molony

Charles Molony
Special Assistant to the Board

Enclosures
CM:nk
cc: Miss Muehlhaus

FOR FILES
N. B. Kelly

Chairman Martin

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

February 11, 1959.

TO: Board of Governors

FROM: Jerome W. Shay

Subject: Memorandums to be prepared for the Joint Economic Committee.

For the Board's information, there are attached excerpts from the transcript of the hearing before the Joint Economic Committee on February 6, when Chairman Martin testified before the Committee.

From the excerpts it will be be noted that Senator Douglas requested a memorandum concerning the possible discontinuation of the rediscount function. It will be noted also that Congressman Patman asked that the memorandum discuss certain other points including effects on the rediscount function of Federal funds activities.

The second memorandum requested by Senator Douglas will relate to his suggestion for a "central board of trade" for transactions in Government securities.

These matters are receiving the attention of the staff.

Excerpts from Chairman Martin's testimony before the Joint Economic Committee on February 6, 1959, re memoranda to be supplied to the Committee.

Senator Douglas. I would like to raise a technical question which might take more time than we have here, but I would like your general comments, either now or later, on this proposal. You have the three classic methods of financing the debt--check the recession, maintain stability in the price level, open market operations, and offering member banks their reserve requirements.

In changing your rediscount rate you, of necessity, influence the rate of interest along with the government and along with those other parts too.

I have come to feel that it would be desirable if the government were neutral on the question of the interest rates.

I criticized my own administration, as you remember, for artificially depressing the interest rate in early 1951.

I am very frank to say that I think the Treasury has artificially raised the rate in recent years, and when you raise the discount rate that, of necessity, you raise the general interest rate.

Your purpose in this, of course, is to diminish the demand for funds and hence tone down the level of activity and when this is done, with considerable unemployment and idle capacity existing, the result is to hold back full recovery.

I had wondered whether the same result could not be obtained directly through open market operations, namely, that when you want to expand the currency, purchase government securities, building up member banking reserves, and when you want to contract, sell, and therefore shrink member banking reserves, then let the interest rate be determined in the open market with the government and the reserve outside of that.

Have you given consideration to that?

Mr. Martin. You would eliminate the discount and try to have the open market operation do the same thing? We will give you a memorandum on that.

Senator Douglas. Will you be willing to shoot from the hip on it now?

Mr. Martin. I don't think you can administer the discount window--you change the whole operation.

Senator Douglas. You are not compelled to accept the government bonds that are presented to you. That is optional on your part.

Mr. Martin. That is true, but the administration of that window gets to be very difficult.

Senator Douglas. But you can simply close it down.

Mr. Martin. Well, there are many instances if you did that where you would work a real hardship on individual banks.

You have to think of each of these in relation to the needs of the particular bank. If you just shut it down as a general control--I think it has a real weakness, that is, I mean your suggestion has a real weakness, Senator.

Senator Douglas. It is eleven minutes past twelve. It is not the time for a long discussion, but I think there is more to it than you seem to basically believe.

I think it would have this great advantage--it would remove the struggle of the politics over the interest rates.

I am very frank to say that this Administration has boosted it and that many of your actions have contributed to it.

Perhaps it should be a matter of public policy, but I would like to see at least an experiment made with the government neutral on the question of the interest rate, where you can alter the total supply. You could use that as an instrument of control, but have the interest rates adjust in terms of that supply and the demand for bonds.

Now, if you and your experts have time, I would appreciate it if you would present a memorandum on that.

Representative Patman. May I interrupt. In the same memorandum I wish you would state your opinion of the federal funds that are available now, and this comparatively new market, Mr. Martin, where you state it would be a squeeze on many banks without the discount window which is now seldom used, as you know, that the federal funds are available in New York now at the same rates that the banks would have to pay the Federal Reserve. Is that not so?

Mr. Martin. I think that is about right.

Representative Patman. So they are really by-passing the Federal Reserve, it seems to me, and I would just like to have your memorandum to cover that.

Mr. Martin. I will be very glad to prepare you one.

Representative Patman. And also in the bank deposits.

Mr. Martin. Yes.

Representative Patman. It seems to me the bank deposits have increased rapidly and that we are approaching possibly the same level that existed prior to the passage of the Federal Reserve Act when too much money was concentrated in too few banks.

Mr. Martin. Well, we will be glad to cover both of those parts.

* * * * *

Senator Douglas. I was privileged to spend a few days at being in control at the open market operations.

Mr. Martin. We appreciate that, Senator.

Senator Douglas. I was struck with the fact that you had a limited number of dealers to whom you bought. I think at that time it was twelve or fifteen. Is that right?

Mr. Martin. That is right.

Senator Douglas. And you dealt with each of these at arm's length with a separate telephone connecting the control with each of the dealers, and I wondered if you had ever considered the possibility of a central board of trade where all the dealers would be brought together and when the purchase and sales would be allowed--it would be quite open--competitive bidding.

Mr. Martin. We have actively considered it, and it is being considered at the present as a possible method of operation.

It is not an easy problem to work out, having come out of the stock exchange, I at one time thought it would be desirable to have it on the stock exchange. You see, there are different types of markets. This is not an auction continuously.

Senator Douglas. Has your study progressed far enough so that you could present methods and the advantages and disadvantages of a central.

Mr. Martin. If you will give us some time on that. We are in the process of collecting a lot of material.

Senator Douglas. You think you could do it in a span of two or three months?

Mr. Martin. I think so.

Senator Douglas. And then submit it to such other committees of Congress as might care to see it as well?

Mr. Martin. We would be very pleased to do that.

This article is protected by copyright and has been removed.

Article Title:	Treasury Cash Competition Seen Growth Key by Martin: Financing Through Banks Called Aid to Inflation
Journal Title:	American Banker
Date:	February 9, 1959

This article is protected by copyright and has been removed.

Article Title: Martin Discusses Budget - Prices

Journal Title: Dow Jones News wire

Date: February 6, 1959

Article Title: Economic News (multiple entries)

Journal Title: Associated Press News wire

Date: February 6, 1959

A YEAR OF RECESSION AND RECOVERY

Mr. Chairman:

When I testified before your Committee last year, on behalf of the Federal Reserve Board, economic activity in this country was receding. Contraction in output and employment was general. Unemployment was rising at a disturbing pace. No one could be sure how far downward adjustment would go, or how long it would last.

We pointed out then that, with the exception of the catastrophic recession of the thirties, every moderate cyclical decline since World War I had been checked in the course of a year. It was further emphasized that many forces were present in the economy that were favorable to eventual recovery. But at that time we did not know, nor did we then expect, that vigorous recovery would so soon be in full swing, and that contraction from 1957 levels of activity would be shorter in duration than most preceding economic recessions.

Even while the Committee's Hearings were going on, some were beginning to view the outlook more optimistically. In January, corporations, taking advantage of easier conditions and lower interest costs in financial markets, were offering an increasing volume of new issues in anticipation of future needs for funds, and to refund shorter-term debt. State and local governments were bringing to market bond issues that were deferred earlier, and were stepping up the pace of bond offerings to provide for public works.

Farmers continued to foresee favorable output and price conditions in agriculture and were bidding up further the prices of farm land. Bankers, with slackened customer demand for credit and with strengthened reserve positions, were bidding more aggressively for assets. By February, bankers were accelerating expansion of the assets and deposits of their institutions, thus increasing more rapidly the economy's stock of cash balances and raising its over-all liquidity.

Within a matter of weeks following last year's hearings, personal income and consumer spending had ceased to decline and, in fact, showed modest recovery. Production and employment soon after resumed an upward trend. Whether these developments, though encouraging, foreshadowed wide revival in activity was not known at the time; not until the June-July period did the current flow of information and reports provide substantial confirmation that general economic recovery was actually under way.

From that stage on, currently available data, reflecting trends in markets, production, and employment, showed that recovery was both broadly based and vigorous. Pickup in employment, however, lagged behind that of output as is usual in early phases of cyclical upswing. At the year end, eight months after recovery set in, the level of total output in the economy approximated that prevailing at the output peak of 1957.

Recovery has been so rapid and widespread as to indicate that the revival phase of the economic cycle has by this time probably run its course.

The economy has reattained its prerecession level and now appears to be entering a phase of resumed economic growth.

Federal Reserve Action to Combat Recession

This brief review of changing levels of economic activity during 1958 provides a backdrop for specific comments about Federal Reserve policy and action over the past 16-month period of recession and recovery.

As reported to you last year, Federal Reserve policy began to shift in a counter-recession direction in late October and early November of 1957. About that time, the System directed its open market operations to supplying reserves more liberally to the banking system. It also reduced the discount rates on member bank borrowings from the Reserve Banks. As the stream of factual information verified the emergence of recessionary trends, Federal Reserve actions and policies became more aggressive and discount rate, open market, and reserve requirement instruments were actively applied in complementary fashion to foster ease in credit markets and encourage bank credit and monetary expansion.

From late fall 1957 through April 1958, there were four reductions in Federal Reserve Bank discount rates, from 3-1/2 per cent to 1-3/4 per cent. Through continuing open market operations from late fall of 1957 to early last summer, the Reserve System supplied the commercial banks with some $2 billion of reserve funds. Through three successive reserve requirement reductions in late winter and early spring of last year, the System released for the use of member banks about $1.5 billion of their required reserves.

The total amount of reserve funds supplied by the System to commercial banks over the nine months, November 1957-July 1958, was enough to enable member banks to reduce their discounts at the Reserve Banks from $800 million to about $100 million, to offset sales of gold to foreign countries amounting to about $1.5 billion, and to finance a commercial bank credit expansion of almost $8 billion. Monetary expansion from February through July stimulated by this Federal Reserve action was at an exceptionally rapid rate--at an annual rate of 13 per cent for all deposits, including time and demand deposits. For the active money supply; that is, demand deposits and currency seasonally adjusted, the rise was at an annual rate of 8 per cent. After the shift in Federal Reserve policy in the summer, expansion in the active money supply slackened, and for the year as a whole it amounted to about 3-1/2 per cent.

Broader Effects of Monetary Action

Although the immediate impact of Federal Reserve policy was on commercial banks, it clearly had broader effects upon the economy generally. For one thing, since commercial banks are direct participants in some degree in all important credit markets, expansion in bank lending and investing activities intensified competition among all lenders for the acquisition of the available supply of credit-worthy loans and securities. This worked to reduce the cost of financing to borrowers generally -- businesses, farmers, consumers and home buyers, and all levels of government. It also widened access of all potential borrowers to credit funds.

Another effect of the credit ease was a greater willingness on the part of banks and other lenders to make new loans to business customers and to renew outstanding credits. This facilitated the orderly run-off of excess business inventories accumulated in the preceding boom. It also furthered the completion of business programs of plant and equipment expansion begun in that period. With a $6 billion reduction in business inventory holdings and a significant cutback in fixed investment programs since recession began, it is perhaps remarkable that business loans outstanding declined only $1 1/2 billion in the year ending September 1958. The ability of businesses to maintain their bank borrowing and also to borrow more readily in capital markets not only cushioned downward pressures on investment spending but helped many companies to minimize cutbacks in their working force and payrolls, to maintain dividends, and to strengthen liquidity positions.

In housing markets, the easier conditions broadened the availability of mortgage funds. Discounts were reduced on FHA and VA mortgages subject to ceiling interest rates, and interest rates on new conventional mortgages also fell. As bank credit expansion gained in momentum, banks participated in mortgage investment more actively than at any time since the boom housing year of 1955. The increased availability of mortgage funds at lower cost, together with the maintenance of personal income, was promptly reflected in a step-up of builder activity in constructing new houses.

In the consumer instalment credit area, the increased availability of funds made it possible for lenders to meet sound demands for credit more readily, thus bolstering lagging demand for consumer durable goods. On some transactions, terms were eased and, in addition, new credit plans were developed and extended. Easier credit conditions permitted lenders to be more liberal in granting renewals and extensions of time for repayment of outstanding credit. Thus, the volume of repossessions and credit losses was less than would otherwise have been the case, with benefits to both borrowers and lenders.

Increased availability of funds also had an important impact on State and local government financing and spending. In many cases, the lower cost of financing encouraged States and municipalities to borrow in order to finance capital projects. In a few cases, lower market rates enabled local governments that had a legal ceiling on permissible interest rates to return to the market. The increase in spending by State and local governments from the summer of 1957 to the summer of 1958 was a billion dollars more than in the corresponding period of the preceding year.

These observable effects of easier monetary conditions which developed from efforts to combat recession were, of course, important and salutary. They are not to be overly stressed, however, for monetary action is always only one element in Government counter-recession policy. In turn, Government policy is always only one element in the total economic scene. Businesses, individuals, and State and local governments, in the light of their own circumstances, were taking actions to adjust and adapt their situations and to redirect their energies. Their actions undoubtedly shaped the recovery and gave it momentum.

Changing Expectations

Achievement of monetary ease to combat recession so promptly and amply was not without its problems. One of the most acute was the build-up of prices in the bond market as speculators counted on continuing business recession, credit ease, and still higher bond prices. Psychological reactions and expectations always play a role in swings in economic and financial developments, but were of particular importance in financial markets last summer as the economic outlook changed from one of a continuing recession to one of early, vigorous recovery.

At that time, the improved economic outlook led to a sharp change in expectations in regard to renewed inflationary pressures and a turnabout in the trend of interest rates. A much larger Federal deficit loomed up than had been estimated, as well as the crisis and threat of military action in the Middle East. Concern about the drain of gold from the nation's monetary reserves through sales of gold to the industrial nations of Europe was a further cause of uncertainty. The fact that the Canadian Government announced a major refunding operation at sharply higher interest rates was also a complicating factor.

In these circumstances, heavy market sales by holders of U. S. Government securities in anticipation of higher interest rates sharply depressed bond prices. Initially, this selling stemmed from temporary holders who had bought in anticipation of a continued rise in Government security prices. Some of these holdings had been acquired with funds borrowed on thin margins in connection with the Treasury's June financing operations. In many cases, selling was forced because the margins vanished as security prices declined.

Prices of Government securities continued to decline under pressure of steady liquidation and the reluctance of investors to purchase market offerings in view of changed prospects for credit demands and inflationary threats. On July 18, the Federal Open Market Committee concluded that the market situation had become disorderly and decided to intervene temporarily in the medium- and long-term sectors of the Government securities market. This action was within the framework of the Committee's established operating rules. From July 18 to July 23 the System purchased $1.2 billion of securities involved in a Treasury refinancing and a small amount of other notes and bonds.

Thereafter, as market conditions became more orderly, no further Federal Reserve open market transactions were effected outside the usual area of short-term Government securities. During late July and early August, sales of Treasury bills by the System together with other factors that absorb reserves more than offset the large volume of reserves supplied to the market by Federal Reserve intervention in the Government bond market.

Shift in Federal Reserve Policy

By this time, there was clear evidence in current statistics that recovery in economic activity and production, though not yet in employment, had gained considerable momentum and was likely to go forward without serious setback. Moreover, in view of the strength of consumer demand, further decline in business inventory holdings and capital outlays was no longer likely. Monetary policy was now reinforcing the existing foundation of productive activity and preparing the economy for a new advance.

About this time, inflationary expectations began to spread. The abrupt upward shift of interest levels in central money markets, while precipitated by liquidation of speculative positions in Government securities, reflected investor demand for an interest premium to cover the risk of a depreciating purchasing power of invested funds. It was accompanied by a significant shift in investor allocation of newly available funds to common stocks instead of fixed interest obligations, with hedging against inflation a frequent explanation of the change in investor policy. Large current and prospective demands for credit by the Federal Government, State and local governments, and home purchasers, also influenced the rising cost of borrowed funds. In the stock market, the volume of trading was expanding rapidly and the rise in stock prices carried the yields on common stocks below the yields on bonds of the same companies.

Developments in our financial markets, as well as the very large deficit which the Federal Government was facing, were occasioning concern, abroad as well as at home, about the future of the dollar. The extent of concern among foreign financial leaders was clearly evident last fall at the annual meeting of the International Bank and Monetary Fund at New Delhi, India.

In the light of the rapidly changing economic situation, in many ways highly encouraging but with inflationary and speculative psychology spreading, the Federal Reserve, during the summer, began to moderate the policy of credit ease with a view to tempering the rate of bank credit and monetary expansion.

System open market operations after midsummer supplied only a portion of the reserves needed to meet rising credit demands and to offset the reserve drain of a continued gold outflow. As a result, member banks were obliged to draw down their excess reserves and to increase their borrowings from the Federal Reserve Banks. Such borrowing was made more costly when Reserve Bank discount rates were raised in the late summer from 1-3/4 per cent to 2 per cent, and at mid-fall when they were again raised to a level of 2-1/2 per cent.

Since last summer, bank credit and the money supply have continued to expand but at a rate much reduced from earlier in the year. Some seasonal expansion in business loans was supplemented by a rapid growth of real estate loans. On the other hand, bank holdings of short-term U. S. Government securities rose only moderately despite a substantial increase in their supply to finance the Treasury's deficit. With business sales and liquidity showing rapid rise, the higher interest rates that developed in the market helped to attract a substantial volume of funds of nonbank investors, especially business corporations, into the purchase of the new short-term Treasury issues. As a consequence, the Treasury was able to finance most of its deficit outside the banking system, and at the same time banks were able to meet private credit demands accompanying economic recovery, with only a moderate further growth in total bank credit and money.

Regulation of Margin Requirements

In addition to its broader monetary responsibilities, the Federal Reserve is directed by law to prescribe margin requirements to guard against excessive use of credit for purchasing or carrying stock market securities. By providing a means of dealing directly with this volatile type of credit, margin requirements serve as a special-purpose supplement to the general instruments of Federal Reserve action. Since the flow of credit into the stock market fluctuates with general business conditions, changes in margin requirements are usually correlated with policy actions that affect general credit availability.

Following the stock market decline in the early fall of 1957, total credit to customers for purchasing and carrying stock market securities declined by about 5 per cent and was back to about the level outstanding in mid-1955. With this indication of abatement of credit use in the stock market, the Board of Governors, early in January 1958, reduced the required margin from 70 to 50 per cent.

With the increasing activity and rise in stock prices accompanying economic recovery, stock market credit rose sharply, reaching by July a level about 20 per cent above the volume at the beginning of the year. In view of the rapid rise in credit to finance trading in or temporary ownership of stocks and the emerging investment psychology favoring purchase of stocks as an inflation hedge, the Board, early last August, restored the required margin to 70 per cent. As outstanding stock market credit continued to rise following this action, the Board, in mid-October, raised the required margin to 90 per cent.

The Current Situation

The shift in monetary policy during the fall aligned monetary expansion more closely with the developing potential of the economy. Consumer spending on durable goods and housing continued to expand and was reflected in high levels of output of household durables, in a pickup in production of 1959 autos, and in a rise in new housing starts to one of the highest levels in recent years. Business inventory policies were switching from liquidation towards accumulation, and there was a widespread, though small, upturn in capital expenditures. At the same time, Federal, as well as State and local government spending, was expanding rapidly in accordance with budgetary authorizations adopted earlier.

In financial markets moderate curtailment of credit availability and higher interest rates served to dampen speculative excesses then developing, to restrain and spread out the volume of new corporate and municipal security financing, and to facilitate the financing of the large Federal deficit outside the banking system. The restraint of corporate and municipal security financing followed some anticipatory borrowing by these issuers earlier in the year when long-term interest rates were lower. At the turn of the year, business capital financing was again rising, and there was a large calendar of authorized but unissued State and local government securities.

Total economic activity, measured in real terms, has regained its earlier peak. The active money supply has increased by about 2-1/2 per cent above the prerecession level, and holdings of other liquid assets, including time deposits, are up sharply. The financial basis for further growth is established. While economic prospects are generally favorable, there are several areas -- unemployment, exports, prices, and Federal finance -- that are matters for continuing concern.

Despite the rapid recovery in production and sales, unemployment remains disquietingly high. The lag in employment is in part the result of a marked increase in productivity. The present availability of capital and manpower resources represents a potential for near-term growth of the economy without inflation. As output of goods and services expands in response to growing demands, opportunities for employment should increase as they have in past periods of economic expansion.

In exports, which declined sharply until early last year, recovery has not yet set in. The export decline was largely in materials and fuels and was due in part to the ending of boom conditions abroad; resumption of economic expansion is now beginning in industrial countries abroad and eventually there should be some improvement in foreign demand for our exports. It is significant, however, that the European countries which announced a broader convertibility for their currencies at the end of 1958--and other countries too--are giving our exports of manufactures stiff competition in price and quality, and these countries are now able to devote a larger share of their resources to their own exports than they could in earlier postwar years. While this reflects progress towards international balance, our producers need to adjust to these competitive forces abroad if they are to share in growing world markets.

Prospects for our international payments position thus merge with the third problem; that is, our price system. A market economy such as ours depends upon the price mechanism to allocate resources by reflecting the interplay of demand and supply. The price mechanism cannot do its job of efficient resource allocation in accordance with the changing demands of consumers unless there is some flexibility in individual prices. This does not mean that wide swings in the general price level are desirable. The price paid by Smith represents the income of Jones. But there is cause for concern when, in spite of a decline in the demand for his product, Jones raises his price, and an opportunity to stimulate both output and employment is thwarted. This is particularly disturbing when it comes on top of a price rise that Jones made when the demand for his product increased. Such a one-way movement of prices--whether it is explained as demand-pull, cost-push, or both -- is not compatible with an efficient market system. If it were to be continued, it would pose a serious threat to the otherwise favorable prospects for healthy growth in consumption and production.

Now as to Federal finances, it is essential at this stage of the economic cycle that the Government should attain a balanced budget and then achieve some surplus as economic advance continues. Whatever the desirable level of expenditures, deficits, while justified in time of recession, should be avoided when the economy is at a high level of activity.

It is also of vital importance to have a healthy, broad-based Government securities market that enables the Treasury to lodge its debt outside the banking system. In other words, the Treasury must be able to compete effectively and flexibly with other borrowers for the available supply of savings.

Appropriate debt management policies, while contributing to financial stability, are in turn dependent on such stability. Investors cannot be induced to purchase fixed income securities if they fear a steady erosion of the purchasing power of the dollar.

The banking system has an important role to play in aiding the Treasury's financing. This role involves assistance in the broad distribution of securities and, in accordance with the volume of reserves made available and the meeting of essential private credit demands, the retention by banks of that portion of the Government debt that is consistent with stability of the dollar. Resort to financing Government deficits through the banking system entails the creation of new supplies of money rather than the use of existing funds. In a period of high economic activity, this is a high road to monetary inflation. There can be no effective control of inflation if the banking system is made the major source of funds to finance government deficits.

Government Policies and Economic Growth

As the United States economy emerges from the recession of 1957-58, it seems likely, if past experience is a guide, that we are on the threshold of a new period of economic growth. This is an opportune occasion, therefore, to consider the question of appropriate public and private policies to foster steady expansion of the economy.

Economic growth is a principal objective of governmental policy in every country of the world. The rate of growth is widely accepted as an indicator of the performance of an economy. A word of caution is in order, however, regarding the very difficult task of measuring growth. Growth measurements, particularly when they cover long periods of time and comparisons of one country with another, are necessarily approximations. They vary with a host of factors, including the scope of activities covered, both public and private; the character of such activities; quality as contrasted to quantity of output; and many others. Nevertheless, regardless of these measurement difficulties, growth estimates, properly constructed and interpreted, can be useful aids in appraising economic performance.

Desirable economic growth goes beyond increases in line with a growing population and labor force. It involves a rate that makes possible rising living standards through increasing consumption per capita for present and future generations. This requires increasing output per worker; that is, higher productivity through advancing technology.

In our economy, consumption takes the form mainly of consumer purchases of the goods and services supplied in free markets by private producers and merchants. Our living standards also encompass services provided by the various levels of government. Fundamentally, economic growth at a more rapid rate than population increase is the response of men to their ever-increasing wants.

Among the other reasons for seeking economic growth is the importance of demonstrating to the world that free economies under democratic political systems can outperform regimented economies under dictatorial political systems in providing high and rising living standards for all of the people.

Economic progress, however, cannot be measured merely by percentage increases in the quantity of output. Also at stake is the opportunity to live as free men, the responsiveness of the productive system to the desires and tastes of consumers, the quality of goods and services, the degree of leisure and opportunities for using it in a satisfying way, and our willingness to aid other nations seeking similar advantages. These aspects of our economic performance will have a great influence on how the rest of the world judges the merits of free versus regimented economies.

Economic Growth Without Inflation

When we consider the influence of governmental policies on economic growth, it is useful to distinguish between two related aspects of the process. First, growth involves expanding capacity to produce goods and services. Second, it involves expanding demands for goods and services at a rate sufficient to utilize the expanded capacity.

The first aspect of growth--an expanding output potential--depends upon such basic factors as additions to the labor force, advancing technology, and a flow of savings combined with a desire and ability on the part of producers to use them in the creation of a growing stock of modern plant and equipment. The other aspect of growth depends upon a balanced expansion in demands for final product by the major sectors of the economy--households, businesses, governments at the State and local as well as the Federal level, and demands from abroad.

For growth to be sustainable, an equilibrium between these two sides of growth must be maintained. If total demands do not keep up with the output potential, over-all growth will slacken, for the inducement to business to add to productive capacity will lessen. If total demands tend to run ahead of the output potential, the general price level will begin to rise and this, in turn, will have an adverse impact both on growth of demands and on means of financing increased and improved capacity. It will also have adverse effects on the efficiency with which resources are utilized; likewise, the equity or fairness with which final products are distributed in markets among consumers, businesses, and savers.

What then is the function of monetary policy in relation to these two aspects of growth? In general, it is to attempt to provide credit and monetary resources and an atmosphere in financial markets conducive to the basic growth factors. At the same time, aggregate demand for goods and services should expand in close relation to the capacity to produce.

On the demand side, growth basically depends on spending out of incomes earned in the production of goods and supplying of services. Monetary policy facilitates the expansion of money holdings, through sound credit expansion, consistent with the growing capacity of the economy to produce without inflation.

On the supply side, basic growth factors are the labor force, technology, and investment of savings. Growth of the labor force is to some extent influenced by over-all demands, but more generally by population growth, age distribution, and social customs. Technological progress and the desire to save and to invest savings productively are influenced by the monetary environment. An atmosphere of price and financial stability in general is necessary both to the incentive to save and to rapid technological advance. Thus, through continuous efforts to safeguard the value of the dollar and to create a climate of financial stability in which savers can have confidence in the future value of their investments, monetary policy makes a contribution to economic growth quite apart from its influence on demands for goods and services.

It is for these reasons that price and financial stability is essential to the achievement of maximum economic growth. We have had a fairly good growth record over our history, but we have had too much instability in our levels of employment and prices. A major problem is to moderate this instability so that the losses in employment and output of recession periods will not depress our longer-term rate of growth. Currently there is widespread concern about the danger of renewal of inflationary trends. The Federal Reserve shares that concern. To point to dangers in this situation is not to forecast inflation. Public and private actions appropriate to present circumstances can prevent these dangers from materializing.

Among potential inflationary factors first, perhaps foremost, is the budgetary position of the Federal Government. As the economy moves up toward more intensive utilization of its productive resources, it is essential that deficits give way to surpluses. There is no mystery about this source of danger. If the will exists, the way to correct this will be found. It clearly lies in adaptation of Federal expenditure and tax policies in order to produce a budgetary surplus in prosperous times.

Second, there are the problems arising from the so-called cost-push inflation which is part of a spiral process stimulated by demand pressures. In the period ahead there is a strong prospect that demands will continue to expand. In these circumstances we must recognize the dangers both of wage increases in excess of productivity growth and of price increases beyond what the traffic will bear. Business and labor leaders have a paramount responsibility to the general public as they make wage and price decisions over the coming year.

Then there is the easy acceptance of the idea that a little inflation is not seriously harmful. The experience in the government bond market, to which I alluded, is a vivid example of the influence of inflationary expectations in financial markets. To the extent that such attitudes come to be reflected in decisions on wages, prices, consumption, and investment, they help to bring about their own realization.

These are the major reasons for concern about the possible development of inflationary pressures. To be fully aware of a danger, and to face up to it, is not to despair or to capitulate, nor does it mean being blind to other national needs, including sustained economic growth.

The Federal Reserve System will continue to the best of its ability to contribute, so far as it can, to continuing prosperity and economic growth, without inflation. Such decisions as it must make within its particular province manifestly are not enough to assure attainment of the national objectives to which we all subscribe. What this Congress decides, what management, labor, agriculture and, indeed, the public generally decide to do will win or lose the battle against debasement of the currency with all of its perils to free institutions.

The state of the nation tomorrow -- its progress and prosperity -- rests with the decisions of today.

* * * * *

Submitted to Joint Economic Committee by Mr. Martin 2/6/59

ECONOMIC ADVANCE AND HIGH UNEMPLOYMENT

Employment gains have lagged output gains in this recovery, as they usually do. The lag, however, has been greater than in preceding postwar recovery periods, and the level attained by unemployment has been both higher and somewhat more sluggish in its response to rising activity. Thus, while real GNP and industrial production are currently both within striking distance of earlier highs, nonfarm employment--up 700,000 from its recession low--has regained less than a third of its recession loss of 2.4 million jobs.

Since September, there has been little evidence of any extensive general rehiring of workers other than for seasonal reasons. In the two preceding postwar recession-recoveries, employment stabilized for a number of months after the recession bottom, but once recovery set in, employment increases were not halted until a new peak was reached.

What accounts for the slower pickup in employment in this cycle than in preceding postwar cycles? Several factors may be mentioned.

(1) Productivity increases in manufacturing industry have apparently been higher this time than in the earlier recovery periods, reflecting very high modernization investment in preceding boom as well as the greatly expanded industrial research and development programs of the boom period. For instance, automobile output in December, while only 4 per cent lower than in December 1956, provided one-fifth less in production worker employment than two years earlier. The railroads, while carrying about as much freight as in late 1957, provided 10 per cent

less employment. Similarly, the coal mines have been about equalling output levels of a year ago with about 15 per cent fewer employees.

The larger productivity gains of this recovery period may also be a factor in recent stabilizing of average hours of work per week in all manufacturing industry. Virtually all of the recession decline in hours worked had been recovered by last September and there has been no further gain since. In earlier postwar cycles, hours of work continued to increase long after this stage of recovery. It is important here to note that, since 1955, there seems to have been a downward drift in the length of the workweek.

(2) It may well be that labor cost increases of recent years have made management more cost conscious than in any earlier period and that greater efforts are now being applied to limiting employment and overtime increases in order to keep costs down. Also, postwar growth in fringe benefits now makes record-keeping costs and benefit liabilities rise rapidly as new workers are hired, and this would operate to slow down management decisions to add to work forces.

(3) In machinery and other industries associated with investment outlays, employment has shown little recovery rise because expansion in fixed investment has not yet shown marked revival. In the past, expansion of nonproduction worker employment, associated especially with research and development, has been correlated with rising investment. In the preceding two cycles, business investment had shown much more revival than has been shown up to the present point in this cycle.

(4) Nonmanufacturing employment, which had shown strong growth through the whole postwar period, with only modest slackening of expansion in the two preceding downturns, declined moderately in this recent recession and has shown little expansive tendency in recovery. Judging by the rise in nonindustrial GNP since last spring, perhaps as sharp or sharper productivity gains have been experienced in nonmanufacturing activities as in manufacturing industries during this recovery period. Presumably these nonmanufacturing activities are digesting earlier postwar increases in their working force.

(5) The industries in which recession declines in employment have been highest and greater than in preceding recessions have been durable manufacturing, railroads, and mining. These industries have been subject to a secular decline in postwar years in employment of semi-skilled workers, with reductions in semi-skilled jobs more accentuated in each succeeding recession-recovery period. This means, of course, a sizable problem of transfer of employment to other gainful activities, a problem that can be only resolved slowly.

With the rise in employment opportunities lagging, that is to say, showing slower advance than in preceding postwar recoveries, what about the unemployment problem and prospects over the months ahead?

Unemployment has been higher all through this recession-recovery period than in earlier postwar cycles. It reached a seasonally adjusted high of 7.5 per cent of the labor force in the summer and declined to about 6 per cent subsequently. In numbers of unemployed, the decline has been about 1 million workers.

While unemployment has been higher than in preceding cyclical dips, the general pattern of rise and decline has not been dissimilar to that of preceding cycles. The seasonally adjusted unemployment did not fall below 4.5 per cent of the labor force in the 1949-50 recovery until about 12 months after recession ebb, and in the 1953-54 recovery this rate was not pierced until after 10 months. In the Korean boom, the unemployment rate fell to under 3 per cent, but in the 1955-57 boom, 4 per cent constituted a floor and most of the time the rate fluctuated just above 4 per cent.

In the two earlier postwar recoveries, employment rose and unemployment declined at the same time that sizable additions were being made to the working force. In the recent recession, part of the rise in unemployment was due to the large number of secondary earners who entered the working force when primary earners had their pay reduced or lost their jobs. The recent decline in unemployment has reflected in part withdrawal from the work force of many of these secondary earners as well as withdrawal of some older and younger workers for want of job opportunities.

Recovery in job opportunities has been uneven for different groups of workers. Younger workers have generally faired better than older workers, and females better than males. Relatively high rates of unemployment persist for durable goods workers, semi-skilled and unskilled workers, and for nonwhite workers. Among those with long duration unemployment, durable goods workers, miners, and railroad workers are numerous in relation to their role in the labor force.

Recovery re-employment has also been uneven geographically. In California, employment has returned to prerecession highs. In Michigan, it has fluctuated only seasonally and unemployment is currently well above last year's rates. At midsummer, the number of substantial surplus labor markets was 89 out of 149, and by the present month the number of such markets had declined by only 13. The concentration of substantial surplus markets continues to be in the east and midwest.

Two observations about current labor market conditions seem warranted from this review. First, on the supply side, a conjuncture of secular and cyclical forces seems to have contributed to the present volume and composition of unemployment. As we have noted, a high proportion of the unemployed is concentrated in durable goods and related industries, making the continuing unemployment problem a cluster of localized problems rather than a general problem. But this may also work to make unemployment slack linger on. The terms "technological unemployment" and "labor immobility" undoubtedly will be used more frequently again to describe a possibly slower decline in the unemployment rate than featured the earlier cycles. However, given appropriate job opportunities, the American worker has been extremely mobile in adopting to new occupations and new conditions.

Second, on the demand side, the labor market in the recent period has, on the whole, been experiencing a less vigorous demand for labor than in the comparable phase of the other postwar cycles. But as consumption expenditures rise further and as capital expenditures begin actively to expand, demand for labor will surely strengthen, and particularly in the durable goods areas where unemployment is now concentrated. Gains in worker productivity are typically high in the recovery phase of the cycle and then slow down in the expansion phase. Gains in output in the expansion phase increasingly require utilization of older facilities and these facilities take more manpower per unit of output.

How fast available manpower resources will be taken up in the period ahead depends on the pace of further expansion in aggregate demand and especially of durable goods demand and on the strength of competitive responses, especially price response, in meeting additional growth in demand. If expansion in money demand is dissipated in price advance, the employment impact will, of course, be lessened.

Taking into account the relatively larger pool of unemployed manpower at this stage of the present cycle compared with earlier postwar cycles, it seems reasonable to observe that manpower availability will not become a limiting factor on the further increase in total production nearly so soon as it did in the two preceding cycles.

If inflationary tendencies can be checked, currently available manpower resources and unused capacity can provide the basis for an extended period of economic growth.

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Article Title: Secretary Anderson said today the American people can stand higher taxes if necessary but need not have them if President Eisenhower's 77 billion dollar budget is kept in balance

Journal Title: Dow-Jones Ticker

Date: February 5, 1959

Article Title: Washington—Add Secretary Anderson's Testimony

Journal Title: Associated Press News Wire

Date: February 5, 1959

TREASURY DEPARTMENT
Washington

STATEMENT BY SECRETARY OF THE TREASURY
ROBERT B. ANDERSON BEFORE THE JOINT
ECONOMIC COMMITTEE, 10:00 A.M. EST.,
THURSDAY, FEBRUARY 5, 1959

I welcome the opportunity to appear before your Committee and to discuss the government's fiscal outlook and some of its implications for the nation's economy.

First, I should like to discuss the budget for the fiscal year 1960. We estimate total receipts of $77.1 billion. Of this total, $40.7 billion is expected to come from individual income taxes, and $21.4 billion from corporation income taxes. The assumptions for the calendar year 1959 underlying these figures are $374 billion for personal income, and $47 billion for corporate profits.

These income assumptions were arrived at after careful studies and consultations utilizing all data and judgment available both inside and outside the government. The increases they represent imply a continued vigorous recovery, but at a slightly lesser rate than we experienced after the 1954 recession. Somewhat larger revenue gains, too, were attained in moving out of the recession of 1954, if we adjust the timing of corporate tax payments for comparability. The personal income figure of $374 billion compares with a rate for December 1958 of $359 billion; the corporate profits assumption of $47 billion for 1959 compares with a rate for the fourth quarter 1958 of $44 billion.

I present these estimates with the full realization that the revenue results for fiscal 1959 will turn out to be substantially less than we originally estimated.

I believe, however, that our assumptions for fiscal 1960 are sound and will turn out much closer to the mark. They are within the range of calculations made by private estimators, and I understand that similar figures have also been mentioned by some of the experts that have testified before your Committee.

Let us now look at our present situation in a broader perspective. We are well along in the recovery from a recession which is now substantially contributing to the largest peace-time deficit in our history -- $12.9 billion at present estimates.

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Of this deficit, about half will result from a shortfall in revenues. The remaining is the result of increases in expenditures over original budgetary estimates.

The drop in revenues in fiscal 1959 is the direct result of the recession. The increase in expenditures reflects for the most part increases that came about automatically or through actions not primarily related to the recession. Among these are the higher cost of the agricultural program because of larger crops, the Federal Government pay increases, higher defense expenditures, and the proposed subscription to the International Monetary Fund. Some $2 billion of spending, chiefly FNMA mortgage purchases, the extension of unemployment benefits, and direct housing loans by the Veterans Administration, represent actions designed to combat the recession.

What conclusions seem to follow from this experience? First, it seems to me that the economy has once more demonstrated remarkable resilience and resistance to recession. This is indicated by the fact that personal income declined very little, and that the recovery set in very quickly. I attribute this good performance to the inherent qualities of our economy, to the confidence and good sense maintained by our people, and to the automatic stabilizers that have become a part of the economy.

Second, I am concerned with the size of the deficit that the recession in large part produced and with its continuation in a period of growing prosperity. A deficit of this magnitude, unless quickly corrected, can produce serious inflationary pressures in the longer run, even though in the short run these pressures are held in check by excess plant capacity and other factors. The extended unemployment benefits proved timely, but the economy turned around before several of the others could have their full budget effect. Meanwhile these expenditures will continue as we move closer to increased prosperity.

Third, the decision by the Administration and the Congress to avoid a major tax cut last spring has been justified by events. Had we resorted to a tax cut we would not have had this demonstration of the economy's inherent recuperative powers. We would have helped develop a philosophy that tax relief was necessary to pull us out of a downturn. Also, a tax cut would have increased our present deficit and our public debt, and with them the danger of inflationary pressures in the future.

I fear, however, that price pressures may eventually revive, if we do not finally close the budget gap. I sincerely believe that a nation as rich and productive as ours must, in times of prosperity, at least pay its way. We can afford to do all that is necessary, and much that is desirable, and pay for it. But we should not reach for everything at the same time. Even a rich country can get into trouble if it keeps spending beyond what it pays for currently.

Some people seem to feel that to be for meeting current expenses from current revenues means to be "against" or "negative." Let us not be misled. The fact of the matter is there is almost nothing which is more positive and more important to be for than fiscal soundness. This is an essential condition of our economic health, without which we can have neither adequate military security nor the adequate provision of other needed governmental services. Meeting our expenses currently and all that that means in the way of fiscal soundness and a healthy economy is a highly positive objective which deserves the support of everyone.

Growth requires capital formation, through saving and investment. As a consequence, we should meet our expenditures out of current revenues in prosperous times. A Federal deficit financed outside the banks tends to absorb resources that could otherwise go into private capital formation. A deficit, during prosperity, which is financed through the banks, in itself of course brings inflationary consequences.

A current deficit and the fear of future deficits can keep people from saving because of possible loss of these savings to inflation. If we ever reach the point where people believe that to speculate is safe but to save is to gamble then we are indeed in trouble.

If rising prices which will follow from continued deficits cut into saving habits, the result will be further to diminish the supply of capital for economic growth. We cannot indefinitely expect people to continue their saving if they expect prices to go on rising indefinitely. Our habits of saving, our financial institutions, our monetary system, must not be jeopardized.

Our needs for capital will increase as our labor force begins to expand more rapidly in the early sixties. This expanding labor force, the result of the high birth rate of the forties, will give a powerful impetus to the economy. But if job opportunities are to be found, with a rising degree of productivity, investment in plant and equipment will have to advance correspondingly.

Finally, orderly finances in our country are a key to maintaining the strength of the free world, and our role in it. Our prestige in the world is not enhanced if we fail to practice what we preach. The world watches us very closely. On my trip to and from New Delhi, for the annual meetings of the International Bank and Monetary Fund, I was impressed to discover how well informed foreign officials are about even the details of our budget.

But more than prestige is at stake here. If we run continuing large deficits in prosperity and so almost inevitably drive up prices, we may price ourselves out of world markets. Aside from the losses that this will mean to us, how are we to discharge our world-wide responsibilities if our international economic position weakens?

Because we are for sustainable and healthy growth, because we are for increasing job opportunities, because we look to the long run and a possibly long period of world tension, we must be for the maintenance of orderly finances and a stable dollar. I believe that the time to face this issue is now. Americans have faith in their money. That faith is justified. Confidence, if shaken, is hard to re-establish. That is why we must keep our expenditures under control, and the budget in hand.

Your Committee has asked me to deal with certain questions. I would now like to turn to the first three of these. With your permission, I shall then ask Mr. Charles Gable, who assists Under Secretary Baird and myself in debt management matters to discuss with you the fourth question, relating to the management of the public debt.

Question 1: What would you regard as the proper division of labor between tax policy and monetary policy as instruments of economic stabilization during the coming year?

Answer: The first consideration of tax policy is, of course, to keep intact the system by which the United States Government raises its revenues to finance the government service that the nation requires.

Tax policy and monetary policy should continue to work closely to foster economic health with stability of prices as our economy grows.

After a deficit of $12.9 billion expected for fiscal year 1959, the President's budget proposes a budget balance for the fiscal year 1960. For quite a few months ahead, the net effect of fiscal policy will still be to stimulate the economy. As prosperity advances, so will our revenues until the deficit is eliminated at a high level of economic activity if spending is under control.

At the income levels projected in the budget, the tax system is expected to produce revenues approximately equal to proposed expenditures in fiscal 1960. If we achieve our objectives there will be no need, consequently, for an increase in taxes.

By eliminating the deficit, tax policy will greatly ease the task of monetary policy. If we fail to keep 1960 expenditures within income, we contribute to inflationary pressures and complicate the problems of monetary management. Tax policy will render additional assistance to monetary policy by avoiding further permanent borrowing by the Treasury in the market. This will also facilitate the Treasury's own job of handling the public debt.

Question 2: Is the present structure of the Federal tax system adequate in light of the nation's economic growth and stability requirements? If not, what changes would you recommend?

Answer: I believe that any tax structure can always be improved. By that I do not mean to say that we cannot live with our present taxes. We certainly can. If new imperative revenue needs should arise, we could live with higher taxes than the present. Ours is the most productive economy in the world and I do not believe that it would be crushed by its tax burdens, if we are reasonable.

We must constantly evaluate in terms of continuing economic growth both elements of tax reform and, when proper, tax reduction. While these are closely related, they are not necessarily identical.

The Treasury has been studying and continues to study various improvements in the tax system and in tax administration. In this we are cooperating, and shall continue to cooperate, with the appropriate committees of Congress. Many of the adjustments under review are of a technical character. Their application depends in many cases on the resolution of administrative difficulties. It depends further on future business conditions and other factors that cannot now be foreseen. As this is a continuing study both in the Treasury and the committees of the Congress, it would be premature to attempt any detailed discussion.

The Committee questions deal also with the relation of taxes to the stability of the economy. I take it that this refers principally to the cushioning effect that declining tax collections can have during a recession. Illustrative of this effect, of course, is the sharp decline in collection of corporate taxes growing out of the recent recession. It also focuses our attention on the fact that deficits may well continue after the economy has moved up and is advancing toward full prosperity. This sort of complex problem deserves, and will have, our continuing study.

The high degree of resilience which our economy has just demonstrated seems to suggest that we should be cautious and analytical in our evaluations and flexible enough, if some future downturn should require it, to be willing to use whatever instrument seems most appropriate to the occasion. In this connection, some advance planning is proper so that the right decisions can be appropriately taken when we are confronted with cyclical movements in our economy.

Question 3: Under what circumstances can we reduce Federal taxes? What are the prospects for realizing these circumstances?

Answer: The circumstances and prospects of tax reduction would first depend very much on future expenditures and the maintenance of our economic growth. Economic growth can be expected to raise our revenues but it will produce no surplus if we do not control expenditures. Unless we spend wisely we will have trouble taking care of such new requirements as may prove really essential.

Next, tax reduction must be weighed against debt reduction out of surplus. I believe that in years of prosperity we should endeavor to achieve some debt reduction. This policy commends itself as an act of fiscal soundness. It would ease the task of monetary policy and the management of the public debt.

Circumstances for a tax reduction would depend further upon the degree to which we can succeed in avoiding inflation. At times of inflationary pressure we should aim at some budget surplus.

I would not now want to prescribe a precise formula or to try to predict a precise time when tax reduction might properly be considered. I have tried to point out the varying factors which would influence our judgment at the time when such a judgment seems to be appropriate.

I will now ask Mr. Gable to answer your fourth and final question.

oOo

TREASURY DEPARTMENT
Washington

Statement by Mr. Charles J. Gable, Jr., Assistant to the Secretary of the Treasury on Management of the Public Debt, before the Joint Economic Committee, February 5, 1959.

I would like to review with you this morning some of the current problems which the Treasury faces in its debt management program. These are not problems which can be solved by applying a rigid set of rules. There are certain basic principles which we always try to follow, but the very fact that the economic environment and the market atmosphere in which the Treasury operates is constantly changing means that our approach to debt management must always be flexible.

The impact of changing circumstances on debt management policies was clearly illustrated by our experience in the calendar year 1958.

The past year was a year in which the debt was growing again and as you will note from Chart 1, the debt at the end of December 1958 amounted to $283 billion.

This is a large debt any way you look at it and one which is woven into the asset structure of every major class of investor in the country. In the savings bond program alone an estimated 40 million individuals own bonds and about 8 million are buying bonds currently through payroll savings plans.

The $283 billion public debt at the end of December represents an amount equal to 63% of the total gross national product. It is an amount equal to more than $1,600 for each man, woman and child in America. Not

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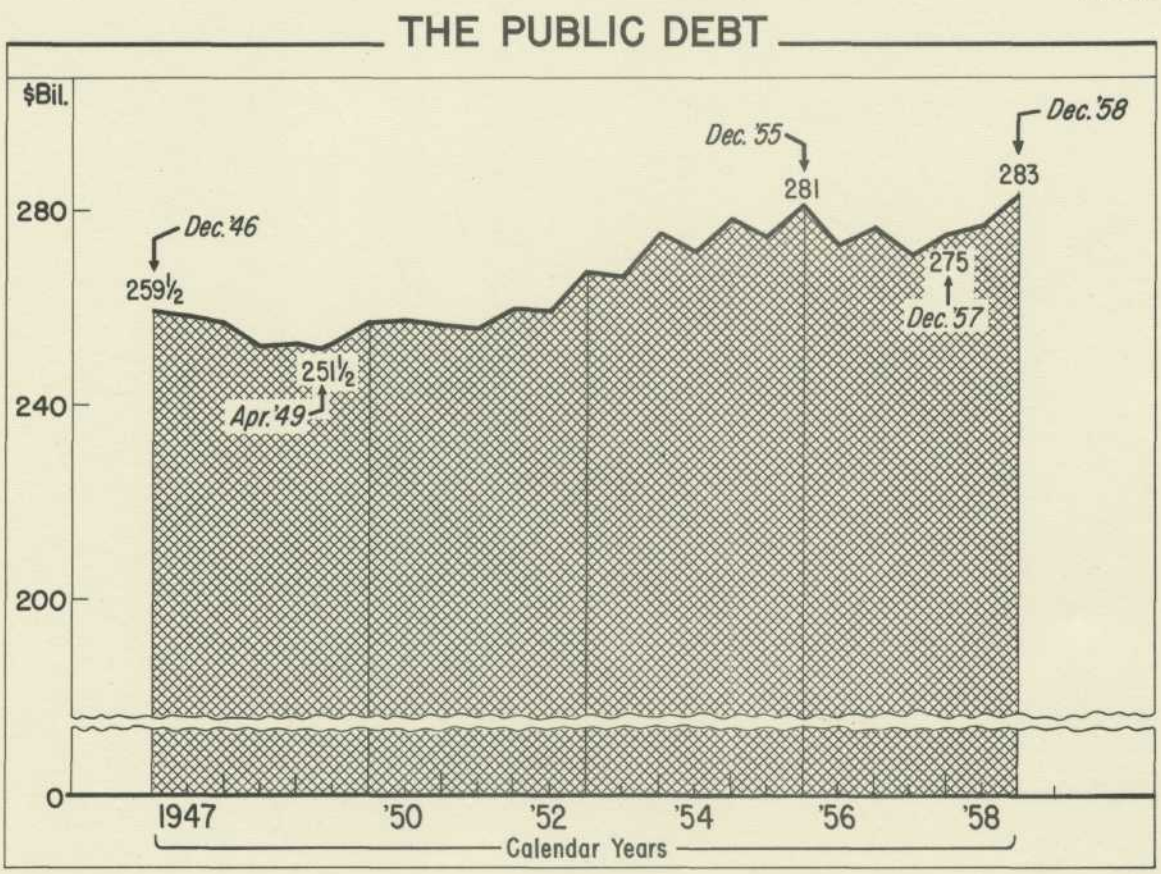
only is the United States Government the largest single debtor in the country, it accounts for one-third of the total debt owed by all individuals, all corporations and all levels of Government in the Nation.

Chart I



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After some reduction in debt early in the post-war period the public debt grew steadily again under the burden of heavy defense requirements and the Korean War, reaching a peak of $281 billion on December 31, 1955. During the calendar years 1956 and 1957, under the impact of two years of budget surpluses, the debt was reduced to $275 billion. That $6 billion reduction has been completely erased, however, by deficit financing in the calendar year 1958, which increased the debt by $8 billion to a new high of $283 billion. This was the largest increase in the public debt for any year in the post-war period.

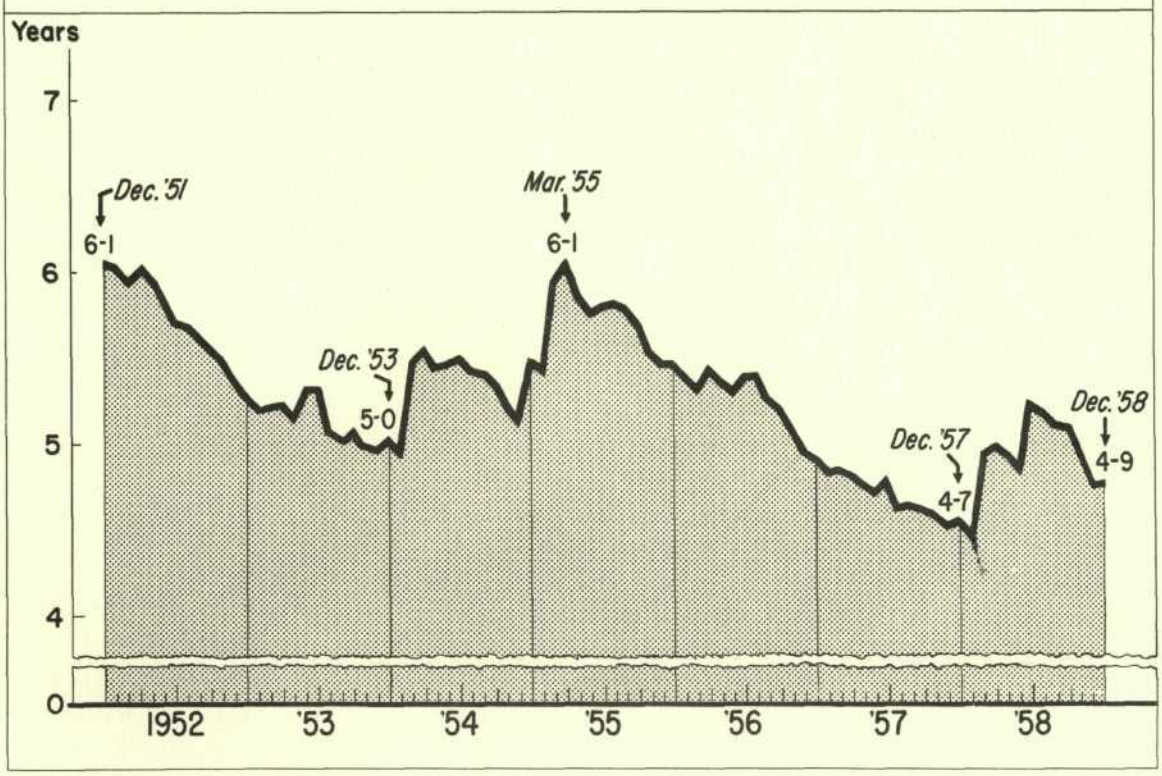
The job of adding a net amount of $8 billion to the debt in as sound a manner as possible last year required the Treasury to go to the market 6 times during the year to raise new cash of $17 billion, plus $2 billion more cash raised through additions to weekly bill offerings. This large amount of new cash borrowing was needed not only to cover the deficit but also to cover the retirement of other securities growing mainly out of marketable maturities paid off in cash and the redemption of the wartime F and G savings bonds which are now maturing. At the same time the Treasury issued $50 billion of new securities in exchange for maturing issues ($28-1/2 billion publicly held and $21-1/2 billion held by Federal Reserve banks and Government investment accounts) so that the total of $69 billion new marketable securities issued during the year reached a new post-war high.

As part of this $69 billion job the Treasury issued $2.9 billion of long-term bonds and $16.7 billion of intermediate-term notes and bonds running from 4 years to 8-1/2 years to maturity. As a result, the average length of the marketable debt was increased by two months during the year -- from 4 years and 7 months to 4 years and 9 months. This was done despite the inability of the Treasury to extend any debt beyond

2-1/2 years to maturity in the unsettled market environment which characterized the last half of 1958. The slight lengthening of the debt last year was in contrast to declines of approximately 6 months each in the average length of the debt during the two preceding years and, as shown in Chart 2, brought the average back almost to the level of five years ago when the long post-war decline in the average length of the debt came to an end.

Chart 2

AVERAGE LENGTH OF THE MARKETABLE DEBT
(Callable Bonds to Maturity Date)*



*Partially tax-exempt bonds to earliest call date.

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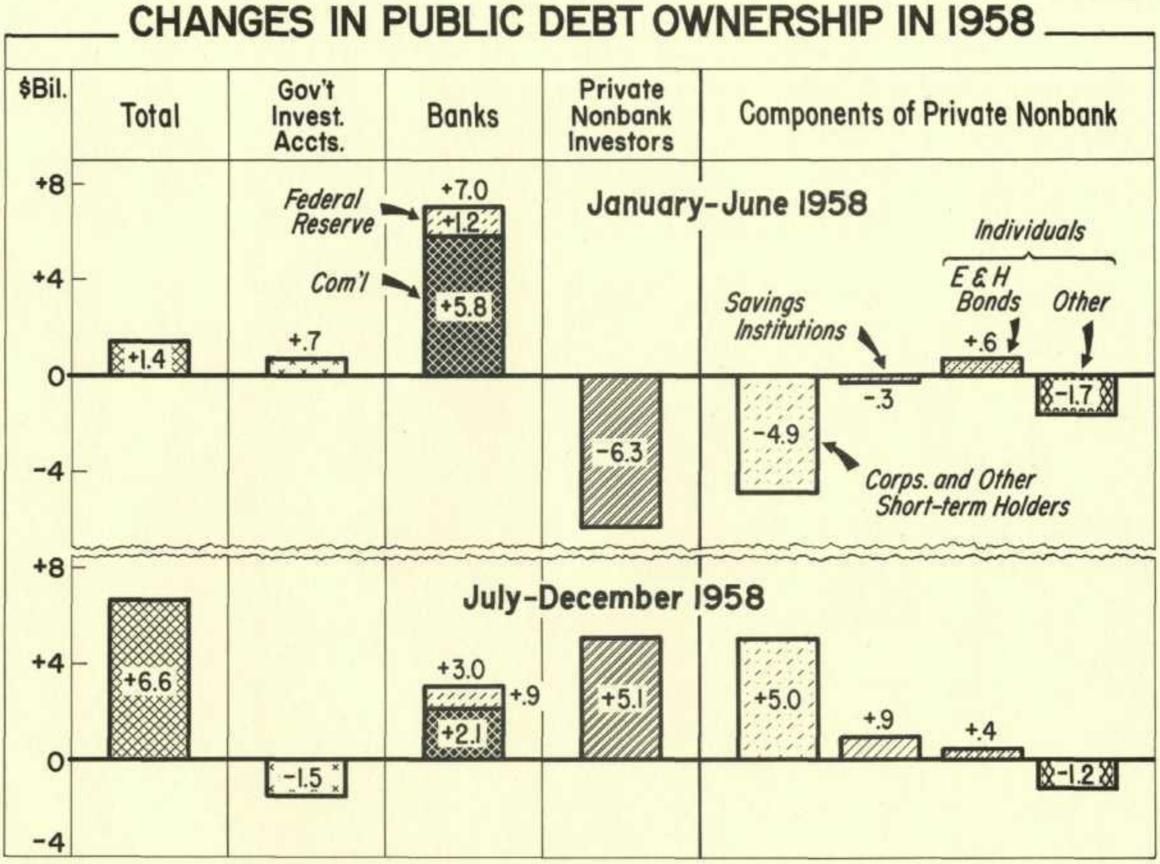
Despite the fact that there was an $8 billion increase in the total debt in 1958, there was a reduction of $3 billion in the amount of marketable debt becoming due within one year. Five years ago the under-one-year debt stood at $80 billion. One year ago it was $75-1/2 billion. It is now $72-1/2 billion, of which $51 billion is held by the public and $21-1/2 billion held by Federal Reserve banks and Government investment accounts.

The job of Treasury financing in 1958 was made somewhat more difficult by the fact that Government investment accounts, which had provided a market for approximately $2 billion a year for Government securities on average during the post-war period as a whole, showed a decline of $.8 billion in their investments. This was true because of the excess of expenditures over receipts in the Unemployment Trust Fund, the Federal Old-age and Survivors Insurance Trust Fund and the Highway Trust Fund.

Treasury financing in the first half of 1958 was conducted in the atmosphere of recession, with rising bond prices, falling interest rates, and monetary ease. In this atmosphere it was appropriate that Treasury offerings were designed primarily to appeal to commercial banks, as debt management sought to complement monetary policy in its endeavor to increase the money supply and to better assure the availability of adequate credit for economic recovery. As a result commercial bank holdings of the debt rose by $5.8 billion in the first half of the year, even though the total debt was rising by only $1.4 billion.

With the exception of Series E and H savings bonds held mostly by small savers, all types of nonbank investors liquidated Government securities in the first half of the year, with most of the liquidation being accounted for by nonfinancial corporations at a time when their

Chart 3



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profits were shrinking and their tax liabilities were at a low point. Even the sale by the Treasury of $2.9 billion of new long-term bonds during the first half of the year did not result in a net increase in the holdings of Government securities by individuals and savings institutions since the bonds were paid for, in effect, by selling shorter maturities to banks.

In the second half of the year, with the economy entering into a period of vigorous economic recovery, two-thirds of the $6.6 billion increase in the public debt was absorbed by investors outside of commercial banks thereby lessening somewhat the inflationary impact of

Federal deficit financing at a time when other demands for funds were rising and monetary policy sought properly to temper the rise in money supply. Furthermore, all of the increase in bank holdings was outside of the larger financial centers.

The Treasury would have preferred, however, that a larger part of its financing outside of the banks during the second half of the calendar year had been through longer term savers -- such as individuals and savings institutions -- rather than through nonfinancial corporations. In the latter case investment in Government securities is typically in the shortest term obligations available and is only one step away from an increase in money supply. On the other hand, longer term securities are purchased by savers with more permanent investment goals in mind.

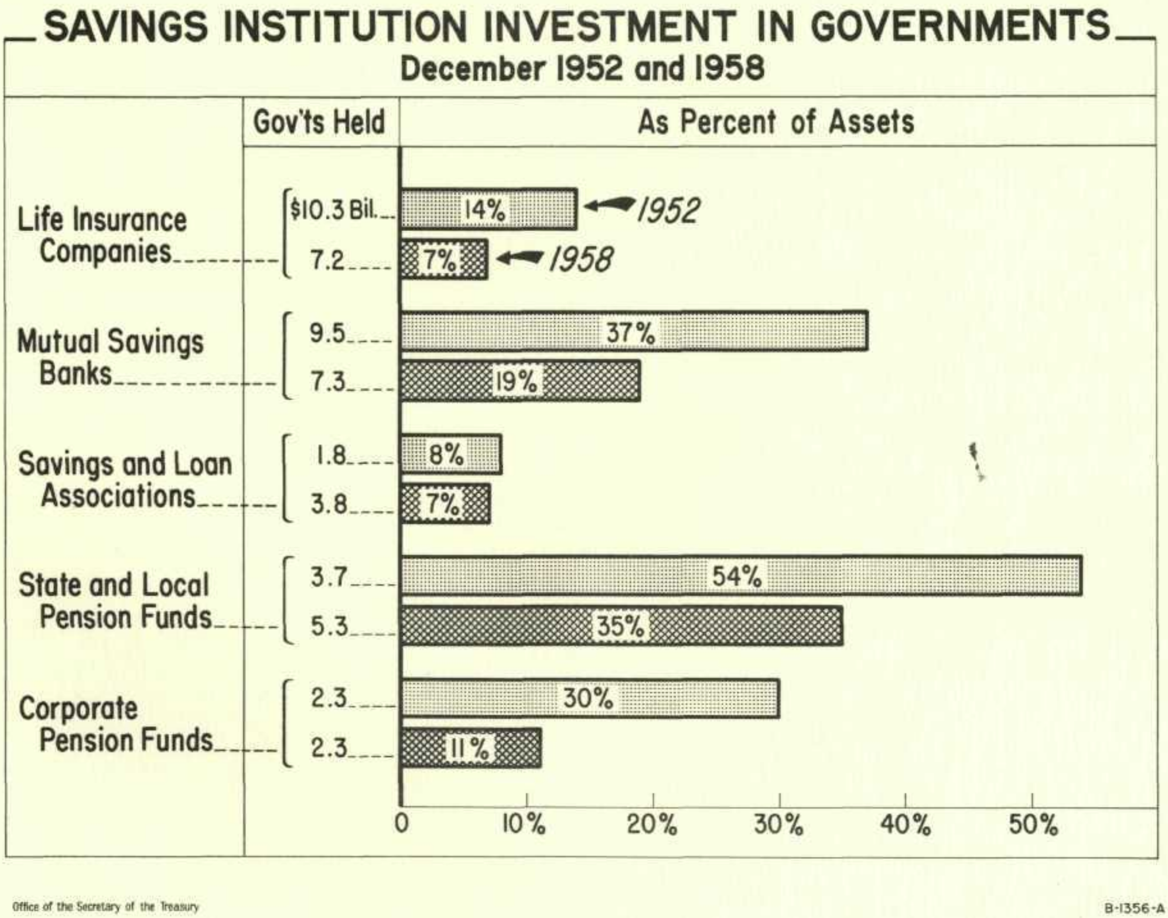
The fact that savings institutions did add somewhat to their holdings of Government securities in the second half of 1958, reversing earlier trends, is an encouraging sign, however. Individuals added further to their E and H savings bond holdings in July-December 1958, but again reduced their holdings of the larger investor type F and G savings bonds and their holdings of marketable securities during the second half of 1958.

The persistence of the post-war trend of savings institutions away from Government securities is highlighted by the fact that the four major groups of savings institutions -- insurance companies, mutual savings banks, savings and loan associations and pension funds -- have reduced their holdings of Government securities from $27-1/2 billion in

December 1952 to $26 billion in December 1958. This was done at a time when the assets of these institutions were growing by approximately $100 billion.

As is shown in Chart 4, therefore, the proportion of assets of each of these types of institutions invested in Government securities has shown in most cases a substantial decline during the last 6 years. Even in the case of rapidly expanding savings and loan associations, which have been building up reserves in the form of Government securities, their percentage of assets invested in Governments has declined slightly.

Chart 4

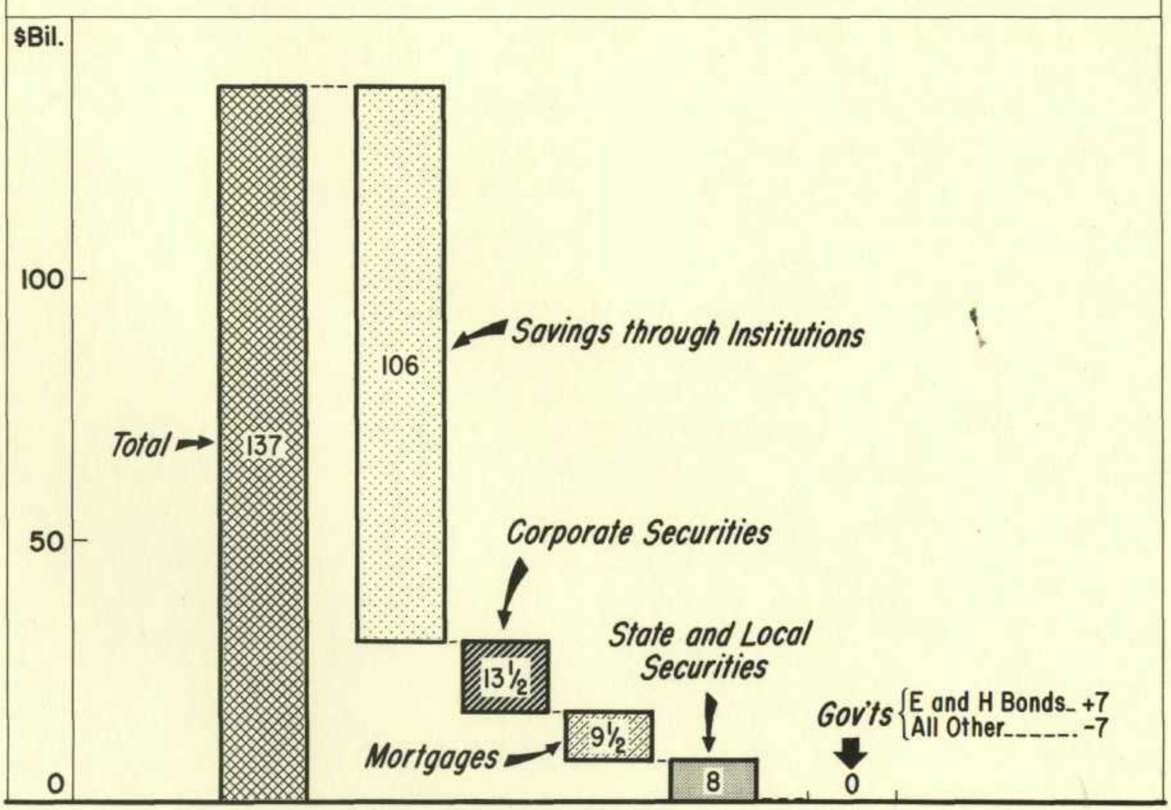


An analysis of individuals' savings during the last 6 years shows rather clearly that no individual savings found their way into Government securities on net balance during these years, despite substantial increases in E and H bonds. During the past 6 years individuals had new savings of $137 billion available for investment either through savings institutions or directly in securities and mortgages. Of this total $106 billion was placed directly in savings institutions, and as has been already indicated in Chart 4 no part of this flow of savings on net balance reached the Government securities market.

Moreover, as Chart 5 shows, none of the remaining individuals' savings was invested directly in United States Government obligations

Chart 5

INDIVIDUALS' SAVINGS SINCE 1952



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either. An increase of $7 billion in E and H bond holdings was completely offset by a decline in holdings of other Government securities. In effect, then, all of the funds available for direct investment during these 6 years went into corporate securities, into mortgages or into State and local government issues. In the latter case, of course, the Treasury is up against a particularly difficult debt management problem in trying to make its securities attractive to individuals who have the opportunity of buying tax-exempt State and municipal offerings.

A satisfactory solution to the problem of making Government securities attractive to savings-type investors is not easy to find. The Treasury is, however, exploring all possible ways of encouraging greater participation in Government security ownership by these purchasers.

A discussion of the environment in which Treasury financing took place in 1958 would not be complete without reference to the rather dramatic changes in the market environment in which the Treasury had to do its financing. With interest rates declining and bond prices rising early in the year the Treasury had little difficulty selling securities which were priced very close to the market at the time they were issued. Subsequent market rises resulting from investor anticipation of continuing recession and monetary ease made each new security look quite attractive soon after issuance. As a result, particularly with regard to the 2-5/8% seven year bond which was offered in June, there was an increased amount of speculative activity in new Government issues on the assumption of a continuation of these trends.

The June intermediate-term bond was put out as one part of an optional offering in exchange for maturing securities and was subscribed for in an amount of more than $7 billion -- considerably in excess of what had been expected by either the financial community or by the Treasury. This large amount presumably could have been properly digested by the market, however, if the trends of recent months had continued. But improvement in business news, plus rumors in the financial community as to a possible reversal in monetary policy, resulted in a sharp turnaround in the bond market. As a result many speculative buyers who had financed their purchases on little or no margin were forced to liquidate them. The resulting disturbance was very unsettling to the entire market.

It is clear in retrospect that the reversal in bond prices reflected a legitimate change in investor expectations as economic recovery set in. Furthermore, there is no reason to believe that speculation had more than a temporary effect in depressing bond prices. But it is true, nevertheless, that the abruptness of the change in the market was accentuated by excessive speculation.

A recurrence of such activity should be prevented. The general public should be better protected against such excesses. Furthermore, dealers in Government securities under such conditions are unable to perform their vital functions of maintaining an orderly and active market for Government securities. The Treasury is at present studying this problem and consultations are underway with the Federal Reserve System and with various other groups in the financial markets to see what steps can be taken to restrain undue speculation without at the same time hampering legitimate dealer operations.

Two more factors during the summer added further to an unsettled Government bond market. The first of these was the temporary shock of the coup d'etat in Iraq. The second was more fundamental -- the growing realization on the part of investors throughout the country that the Federal Government was faced with its largest post-war deficit, a factor which was obviously very important in the development of an inflationary psychology during the fall despite the continued stability of commodity prices. As a result largely of this psychology, a buoyant stock market hit new highs and bond prices -- for corporates and municipals as well as for Governments -- hit new lows, thus adding to the cost of borrowing for business and for all levels of Government.

The Treasury's market financing job in 1959 should be smaller in dollar volume than in 1958 -- both in terms of refunding and new cash issuance. Nevertheless the 1959 financing schedule is very heavy. We have already raised over $4 billion in new cash in January through the issuance of $.9 billion of 21-year bonds, $2.7 billion of 16-month notes and $.6 billion of additional Treasury bills, bringing the debt up to $286 billion by the end of January. Although the entire deficit for fiscal 1959 has been financed and the debt is expected to fall by June 30, the Treasury will nevertheless need additional cash borrowing amounting to an even larger amount than that raised in January between now and the end of the fiscal year to cover retirements of securities coming due. We also will need an amount which we are not yet prepared to estimate to cover the heavy seasonal deficit in July-December 1959 which will occur even with a balanced budget for the fiscal year 1960 as a whole.

The refunding job this year consists not only of a weekly amount of $2 billion or so of Treasury bills which have to be rolled over, but also $15 billion of maturities in February, $4-1/2 billion in May, $13-1/2 billion in August and $9 billion in November. The February refunding, the largest of the year, was announced last Thursday and we have offered holders of the maturing securities a choice between a new 3-3/4% certificate maturing February 15, 1960 or a 4% note maturing 3 years from now, both priced at par. The books on this exchange offering closed last night and we expect to announce preliminary results tomorrow afternoon.

Sometime before the end of the present fiscal year, the Treasury will ask for new legislation on the debt limit. We are now operating under a temporary debt ceiling of $288 billion. That temporary ceiling will expire on June 30, 1959, at which time the ceiling will revert to the permanent debt limit of $283 billion. With a $285 billion public debt now estimated for June 30 an increase in the permanent debt limit to that amount seems indicated, depending, of course, on the final outcome of the fiscal 1959 budget picture. In addition temporary financing needs will require a substantial increase in the public debt -- and in the temporary debt limit -- during July-December 1959, even though with a balanced budget this would represent financing which could be repaid during January-June 1960.

The environment in which the Treasury's 1959 financing program will take place will, of course, depend on a great many factors. Perhaps the two most important relate to the progress of the Nation's economic growth and the way in which the Federal Government's fiscal programs are handled.

The rate of economic growth and the extent to which demands for funds exceed available savings will, of course, set the basic environment in terms of interest rates and credit availability in which the Treasury will have to operate. Our borrowing, just like that of any other debtor, will continue to be done in a market environment in which neither maturing issues nor new issues are supported by the Federal Reserve. Government borrowing is borrowing which must be done and cannot be postponed. Because of its size Treasury borrowing terms obviously have a greater impact on interest rates than the terms of any other borrower. At times monetary policy may seem to make debt management more costly and more difficult, but that should not be allowed to detract from the appropriateness of an independently conceived and operated monetary policy as a fundamental tool in the control of inflation.

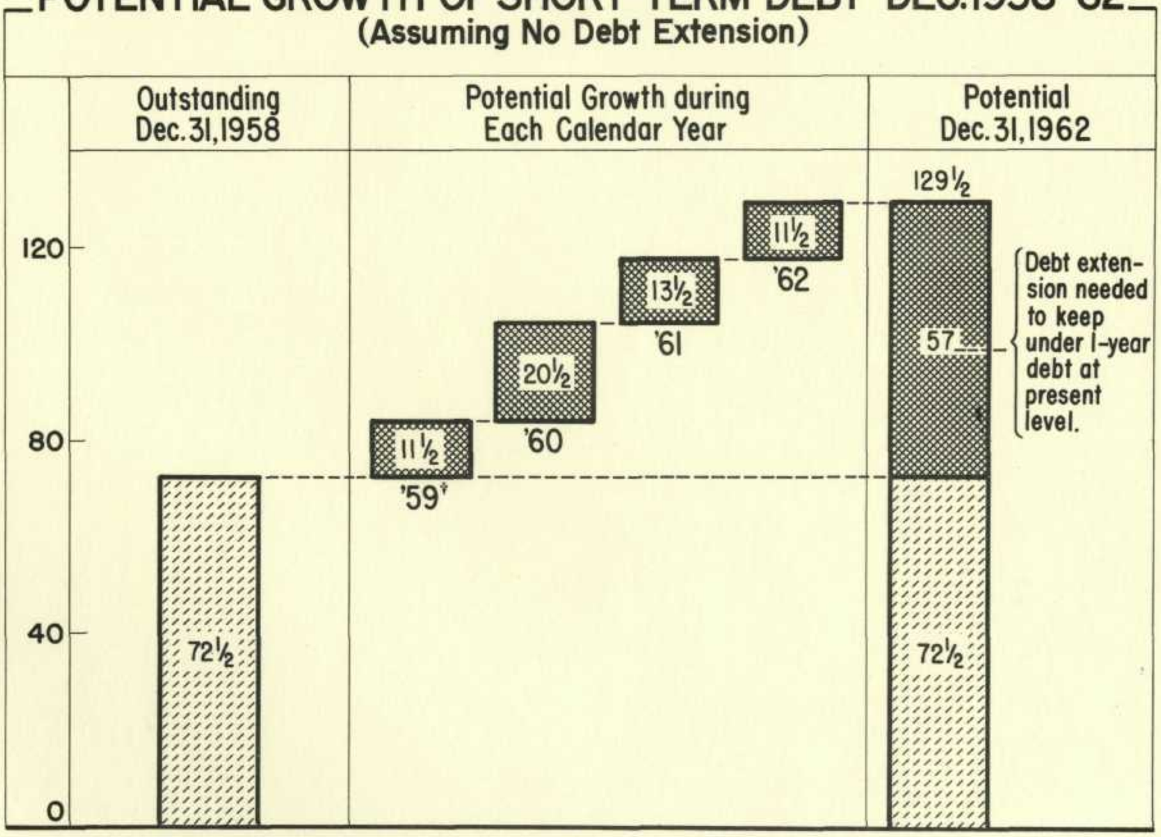
We will continue in 1959 to pursue the major objectives which have guided our operations during the past year. The Treasury will continue to secure its necessary funds at as reasonable a cost to the taxpayer as possible consistent with the major objective of contributing to sound economic growth. We will continue to secure our funds as largely as possible from true savers rather than from commercial banks in order to reduce the inflationary potential of our financing operations during a period of rising economic activity.

We will also continue to take advantage of every opportunity which arises to extend the maturities of our issues in order to reduce to a minimum the disturbing effect of Treasury financing operations on the money markets and on the flotation of new corporate and municipal issues and in order to provide the Federal Reserve with the greatest freedom possible to conduct effective monetary policy.

If we do not seek every opportunity to accomplish debt extension we will find the short-term debt increasing to a new high in the years immediately ahead. The under-one-year debt, as is shown in Chart 6, stood at $72-1/2 billion on December 31, 1958. If no more securities longer than one year to maturity are issued during the remainder of 1959 the under-one-year debt will increase by $11-1/2 billion during the year. Furthermore, the passage of time will bring more of the debt within the

Chart 6

POTENTIAL GROWTH OF SHORT-TERM DEBT* DEC. 1958-'62
(Assuming No Debt Extension)



*Marketable maturities within one year (partially tax-exempt bonds to earliest call date).
†Includes January short-term financing.

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one year area in 1960, in 1961 and in 1962 so that financing exclusively in the one year area during the next 4 years (and with no increase in outstanding debt) would bring the amount of under-one-year debt to $129-1/2 billion -- about 75% of the total marketable debt outstanding -- by the end of 1962.

The importance of sound fiscal policy in setting the environment in which debt management operations are undertaken cannot be overemphasized. The fact that a budget deficit means a larger amount of money to be raised is only a relatively minor part of this problem.

Far more important is the psychological reaction of investors to the prospect of the effect of future inflation upon the purchasing power of the dollars which they invest if they lack confidence in the ability of the Federal Government to manage its fiscal affairs soundly and to take whatever additional steps are necessary to minimize inflation. This is true not only in relation to Government securities, but to all other fixed dollar obligations as well. A budget deficit in a period of prosperity, and a growing public debt, mean just that much less opportunity for an expansion of mortgage debt, corporate debt and State and local government debt without running the risks of serious monetary inflation.

Article Title: Hansen Tells Committee of Justice Dept. Studies

Journal Title: Dow-Jones ticker

Date: February 4, 1959

Department of Justice

For Release
10:30 A.M. EST
Wednesday, February 4, 1959

STATEMENT BY VICTOR R. HANSEN, ASSISTANT ATTORNEY GENERAL IN CHARGE OF THE ANTITRUST DIVISION, BEFORE THE JOINT ECONOMIC COMMITTEE, CONGRESS OF THE UNITED STATES, FEBRUARY 4, 1959, ON ECONOMIC REPORT OF THE PRESIDENT, JANUARY 1959

I appear this morning in response to your Chairman's letter to the Attorney General, dated January 28, 1959. Attached to that letter was a list of four questions you wished me specifically to treat.

First, what can antitrust contribute "to attainment of the objectives of the Employment Act of 1946?" Second, as an outgrowth of that inquiry, "how would economic growth be promoted by" the "three recommendations to strengthen antitrust policy" contained in the President's 1959 Economic Report? And, finally, merging your third and fourth queries, what role should antitrust play vis-a-vis "inflationary price movements"?

I. Antitrust and the Employment Act of 1946

At the outset, I emphasize the community of interest which I share with this Committee in the achievement of the fundamental objectives of the Employment Act of 1946.[1/] The Act specifically states that maximum production is to be promoted in a manner calculated to foster free competitive enterprise. The two, indeed, in our system are closely related. The more effectively free com-

1/ USCA, Title 15, Section 1021, Ch. 21.

petitive enterprise functions, the greater the opportunity for maximizing employment and the achievement of economic growth with relative price stability.

Antitrust enforcement programs are shaped by considerations of enforcement resources. Such limited resources must be devoted to striking down illegal restraints affecting those sectors of the economy which are most significant in terms of employment and production. To the extent that we are successful in such important economic sectors, we believe our contribution to the attainment of the objectives of the Employment Act of 1946 is both positive and direct.

In sum, then, the Employment Act specifies free competitive enterprise as an indispensable element of that environment in which its goals are to be achieved. And, antitrust, to repeat, is a prime form of government action seeking to insure that free competition flourishes. Accordingly, antitrust has a real role to play in the scheme of the Employment Act.

II. The Economic Report's Legislative Recommendations for Improving Antitrust's Effectiveness

However, this role can -- and should be -- stepped up. Five proposals for enhancing competition by improving our antitrust laws were transmitted to the Congress by the President in his Economic Report of January 1959.[2/] Three of these are of particular concern to me. One deals with Federal Regulation of the merger of banking institutions through the acquisition of assets. Second is the pro-

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2/ Economic Report of the President, January 1959, p. 53.

posal to require that advance notification be given to the antitrust enforcement agencies by firms of significant size that are engaged in interstate commerce when they propose to merge. Third is the proposal that the Attorney General be given the power to issue civil investigative demands under which the necessary facts may be elicited when civil procedures are contemplated in antitrust cases.[3/] These recommendations were first presented to the 84th Congress and were again presented to the 85th Congress. Comprehensive hearings were held on these proposals and they have made some legislative progress. It is our sincere hope that the 86th Congress will enact all three proposals into law.

(a) Curbs on Bank Mergers

The need for reasonable curbs on bank mergers stems from present Section 7's failure to cover asset -- as distinct from stock -- acquisitions by banks. This Section provides, as to stock acquisition, that it applies to all corporations "engaged in commerce." Section 7's asset acquisition portion, in sharp contrast, covers only corporations "subject to the jurisdiction of the Federal Trade Commission." Further, Section 11 of the Clayton Act exempts banks from Federal Trade Commission jurisdiction by specifying "that authority to enforce compliance" with Section 7 "is hereby vested . . . in the Federal Reserve Board where applicable to banks, banking associations, and trust companies." On the basis of these provisions the Department of Justice, as well as most other authorities,

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3/ Ibid.

has concluded that asset acquisition by banks are not covered by Section 7 as amended in 1950. As a result, Section 7 is for practical purposes useless to cope with a bank merger trend that the Chairman of the Board of Governors has indicated has been of considerable concern to the Federal Reserve Board and which the Comptroller of the Currency also described as "fairly large."

As you are aware the Federal Banking Agencies have recommended amendment of the banking laws, dealing with bank mergers which would require prior approval of those agencies under standards which we consider are much less stringent than those of the Clayton Act. I will not go into the merits of the two proposals before this Committee except to say that I favor an amendment of Section 7 of the Clayton Act.

And such step should be taken soon. For the current decline in Commercial Bank competition bodes ill for our free enterprise system. Small newcomers to markets depend on banks -- rather than equity markets -- for financing. As the number of banks diminishes via mergers, such newcomers, it follows, have fewer and fewer sources on which to rely. Thus, that flow of new concerns on which our free enterprise system depends for vitality may be curbed by increasing bank mergers.

(b) <u>Pre-Merger Notification</u>

The second legislative proposal deals with pre-merger notification. Before mergers can be appraised, they must of course be discovered.

Our experience has been that a good part of the time and effort of the staff is occupied with ferreting out, before they occur, those mergers with potential anti-competitive effects. At best, these discovery techniques are cumbersome.

The first step in the discovery procedure is to list and briefly review all mergers and acquisitions reported by such trade journals, financial newspapers, and manuals of investment, as the Wall Street Journal, the Commercial and Financial Chronicle and Standard Corporation Records. This initial investigation aims roughly to gauge the economic effect of acquisitions, proposed or consummated. Should this limited review indicate an acquisition may have adverse effects on competition, a more comprehensive investigation is initiated.

If it appears that the merger may have those anti-competitive effects Section 7 proscribes, we then seek from the parties involved detailed information concerning the merging companies and any affected industry. In addition, the Department makes use of data already in its files or data secured from other companies, government agencies, and trade associations.

Pre-merger notification should substantially ease this investigative burden. No longer would it be necessary to commit a large number of attorneys to the merger surveillance function. More important, many mergers not presently publicized in advance of consummation would be brought to our attention.

Not only will Section 7's enforcement burden be eased, but pre-merger notification will benefit the business community.

Lawyers representing merging companies have at times stated that disruption of business plans is lessened by Department action before merger consummation. Even in cases where merging companies do not choose to utilize our clearance program, some nonetheless urge that if the Department is to proceed at all, we sue before consummation. Pre-merger notification, it seems clear, should systematize the process by which mergers are sifted and thus enable more prompt action if it is merited.

Further, we believe evenhanded enforcement requires notification. With that requirement, no longer would the company that seeks advance approval watch its close-mouthed rival consummate a merger; and thereafter rely on the natural indisposition of an enforcement agency or a court to attempt to unscramble the omelet. Thus minimized is the element of chance discovery in any decision to sue.

(c) Civil Investigative Demand

The third legislative proposal we have labeled a "civil investigative demand." This proposal would enable the Department of Justice to compel production of documents by corporations, partnerships, and associations - but not individuals - during the investigative or pre-complaint stage of civil proceedings.

The need for its prompt enactment seems clear. Under present law, the Department has no such power. Where criminal proceedings are contemplated, of course, grand jury process adequately enables production of both documentary and oral evidence. Where the Department proceeds with an eye to civil proceedings, however, experience shows the Antitrust Division is severely handicapped. Some potential defendants may voluntarily grant access to their records. Where voluntary disclosure is denied by business concerns, the Government may be forced to resort to filing a complaint and then make use of discovery processes of the Federal Rules to gather evidence. Effective enforcement, however, requires comprehensive investigation before - rather than after - formal proceedings have been filed.

In pre-complaint merger investigations, the civil investigative demand is particularly important for Section 7 has no criminal sanction. Accordingly, we cannot resort to grand jury to secure documents from companies under investigation. So it is that enactment of this civil investigative demand is vital to more effective anti-merger work.

Finally, worthy of possible Congressional action might be amendment of Section 8 of the Clayton Act. This Section presently prohibits a person, within certain limitations, from concurrently serving on the Board of Directors of competing corporations. Confining the proscription of the statute to interlocking directorates closes the door only part way. An obvious loophole exists when a person may lawfully be a director of one corporation, while at the same time be an officer of another with which it competes. The proposed amendment to Section 8 would bar persons from serving as officers of competitive corporations. In our continuing investigations and studies under Section 8, we have found this practice sufficiently common to suggest the need that the loophole be closed.

III. Antitrust's Role vis-a-vis Inflation

I turn next to a brief discussion of the following statement taken from the Economic Report of the President on which you asked me to comment:

> Self-discipline and restraint are essential if agreements consistent with a reasonable stability of prices are to be reached within the framework of free competitive institutions on which we rely heavily for the improvement of our material welfare. 4/

Reading this statement in context, I gather that the President is referring to collective bargaining agreements and is, in effect, urging management and labor to exercise restraint in the negotiation of such agreements in order to avoid inflationary results. This quotation, then, bears not at all on the question whether "our free competitive institutions are * * * functioning sufficiently well to create adequate market restraints."

Finally, I should like to comment on the role which I believe antitrust enforcement can play in combatting inflation. This is a matter which has absorbed my interest since early last fall when the Attorney General was asked to serve on an informal Cabinet Committee to study the problems of inflation. Specifically, we looked

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4/ Economic Report of the President, pp. 5-6.

into two questions - first, could enforcement of the antitrust laws be used as an effective instrument of public policy in combatting inflation? And, second, if enforcement could be so utilized, how could it best be anti-inflation oriented? We concluded that while antitrust law enforcement has very definite limitations as an anti-inflation instrument, there are areas in which enforcement if coordinated with a government-wide anti-inflation program, can be made an effective arm of that program.

Antitrust's limitations as an anti-inflation weapon stem from a number of factors. First is the insulation of significant sectors of the economy from the jurisdiction of the federal antitrust laws because of specific Congressional exemption, or exemption through the Courts' interpretations of the antitrust statutes. Second, and of equal importance, is the limited resources available for antitrust enforcement. These resources are too meager to mount a broad-gauge enforcement program oriented toward the curbing of inflation in all sectors of the economy. And third, anti-monopoly enforcement under Section 2 of the Sherman Act, in view of the structural characteristics of contemporary markets, makes protracted litigation inescapable and short term results doubtful. Thus, Section 2 enforcement cannot be expected to produce immediate effects against inflation.

Notwithstanding these limitations antitrust enforcement can and is being used to achieve prompt and effective short term results in the easing of upward pressures on prices by attacking illegal restraints of trade which induce such inflationary effects. Enforcement of this character can be expeditiously prosecuted under criminal and civil procedures. Effective remedies can produce immediate results in the elimination of the illegal restraints. In this connection I should point out that the President has appointed two committees to function in the area of price stability and economic growth. One, the Cabinet Committee on Price Stability for Economic Growth, headed by Vice President Richard M. Nixon and the other, the Committee on Government Activities Affecting Prices and Costs, headed by Dr. Raymond J. Saulnier. It is anticipated that both of these committees will make antitrust enforcement an effective arm of such programs as they may develop in the areas of their responsibility.

And, finally, with respect to the inflationary pressures said to stem from the behavior of prices in the so-called administered price industries, we believe that the most effective approach is through vigorous enforcement of the anti-merger provisions of Clayton Act, Section 7. And such anti-merger enforcement might well focus on the newly emerging industries. By this approach we hope to prevent in the incipient stage the development of industrial market structures which, if not inhibited by government action, would ultimately expand the concentrated administered price sectors of our economy. Effective Section 7 enforcement today will, in our view, bring supply, demand and price into more normally competitive relationship in such new and growing industries of tomorrow as chemicals, plastics and electronics. By so doing we would avoid -- a decade or so from now -- that pattern of undue concentration which today plagues autos and steel.

And in connection with administered price industries, I would like to mention that the Department successfully concluded its efforts to block the proposed merger of the Bethlehem Steel Corporation and the Youngstown Sheet and Tube Co. As you know, when the proposed merger was announced, we filed suit under Section 7 of the Clayton Act. On November 20th Judge Weinfeld ruled that the merger would substantially lessen competition and tend to create a monopoly in many lines of commerce in many sections of the country. He relied upon, among other things, the substantial increase in the level of economic concentration in the steel industry that would result from the merger. In rejecting an affirmative defense that the merger would enable the companies to offer more competition to United States Steel, the Court pointed out that other steel producers could with equal force argue that they should be permitted to merger in order to afford more challenging competition to U.S. Steel and Bethlehem and thus the already highly concentrated steel industry would head in the direction of "triopoly".

Judge Weinfeld's opinion was the first to be rendered after trial in a suit by the Government under Clayton Act Section 7, as amended in 1950. We learned last week, with some regret, that the defendants will not appeal the decision to the Supreme Court.

Now I would like to describe briefly our antitrust enforcement program for the current year.

First, we shall increasingly emphasize our merger work. Building on precedents of this past year, our merger program should expand. Proceedings under Section 7 may well be an effective tool to prevent undue concentrations of economic power. As the Attorney General's National Committee to Study the Antitrust Laws has stated -- a prime goal of antitrust is to "assure . . . some limitation on economic power incompatible with the maintenance of competitive conditions."

To that end, Section 7 may be uniquely suited. Thus, Section 7 may enable the Antitrust Division to present to the courts essential problems of industry structure in more manageable proportions than is true in Section 2, Sherman Act trials. If Bethlehem-Youngstown be a guide for trial of future antitrust issues, problems in concentrated industries may be presented to courts and decided in comparatively short periods of time.

Second, we recently moved into new phases in several major investigations under the Sherman Act. Some of these investigations had their origin some time ago. We have long been planning means for moving decisively and effectively.

This sort of investigation, I emphasize, is really the other side of the Section 7 coin. By proceeding under Section 7 in newly emerging industries, our aim is to prevent - or at least minimize - the sort of undue concentration that today characterizes certain industries.

Third, apart from the essentially structural problems, we shall continue our focus in those areas of the economy which most significantly influence the cost of living. Here our goal is to insure price flexibility and avoid rigged price rises. Thus, antitrust should make some contribution to the Administration's over-all effort to control inflation and insure reasonable price stability.

Finally, I touch briefly on our program in the so-called criminal area. Here our antitrust work is essentially an adjunct to the task of the Criminal Division of this Department.

Here our effort will be to mesh into this Department's over-all program the antitrust laws' unique weapons. Disclosure of details at this point would be premature. Therefore, I will simply note that in the year ahead we should expect our several major investigations touching on racketeering to reach fruition.

IV. <u>CONCLUSION</u>

In sum, let me reiterate that I am fully cognizant of the importance of the role that vigorous enforcement of the antitrust laws can and should play in the achievement of the objectives of the Employment Act of 1946. For this reason I believe we must strengthen our antitrust enforcement resources. In this regard, we have the promise of real added help in the present Budget Message. That Budget Message requests a ten per cent increase of this Division's appropriation. The additional funds will be utilized to expand not only the staff of attorneys, but also will put in motion a program of expansion of the economic staff over the next three years which, in accordance with the recent recommendations of two outstanding economic consultants, will increase the size of the economic staff. This expansion will permit the introduction of more effective economic analysis in antitrust enforcement and better direct enforcement toward the objectives of the Employment Act of 1946.

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
Washington 25, D. C.

FOR RELEASE ON DELIVERY
Expected at 10:00 a.m.
Wednesday, January 28, 1959

STATEMENT OF MAURICE H. STANS,
DIRECTOR OF THE BUREAU OF THE BUDGET,
BEFORE THE JOINT ECONOMIC COMMITTEE
CONCERNING THE 1960 BUDGET

Mr. Chairman and Members of the Committee:

I know this Committee recognizes the importance to the Nation's economy of actions on the President's budget proposals. Therefore, I welcome this opportunity to talk with you about the 1960 budget, and look forward to cooperating with this and other Committees of the Congress toward the objective of a sound fiscal policy that will help promote economic growth and price stability.

In this statement, I shall discuss the expenditures of the Federal Government. I understand that the Secretary of the Treasury has been invited and will appear before you to discuss revenues and new revenue proposals.

General budget policy.--The President has made clear his conviction that the budget expenditures of the Federal Government should be in balance with receipts for the fiscal year 1960. The period covered by this budget--starting next July and ending 17 months from now--is expected to be one of unprecedented prosperity. Even now, with recovery not yet complete, personal income and gross national product have reached all-time highs.

It is the administration's position that in a period of growing prosperity, following hard on the heels of our largest peacetime deficit, the Government should live within its income, particularly in light of the present high level of general tax rates. It is the only course that is consistent with fiscal responsibility.

A continuation of unbalanced budgets with a piling up of deficits, especially during such periods, would create inflationary pressures and cheapen the value of our money. Inflation, as we all know, is an unfair and hidden tax on personal incomes, savings, pensions, and insurance.

Of course, in reaching a balanced budget in 1960 we expect to get most of our help from improved receipts. On the expenditure side, we have provided first for national security needs and other essential activities while working also for the objective of a balanced budget.

Budget totals.--The following table shows the budget totals for the four fiscal years 1957 through 1960. You will note that (1) budget expenditures are estimated to be 3.9 billion dollars less in 1960 than in 1959; and (2) there is a small estimated surplus in 1960, which actually amounts to 70 million dollars.

BUDGET TOTALS

(Fiscal years. In billions)

	1957 actual	1958 actual	1959 estimate	1960 estimate
Budget receipts........................	$71.0	$69.1	$68.0	$77.1
Budget expenditures....................	69.4	71.9	80.9	77.0
Budget surplus (+) or deficit (-)..	+1.6	-2.8	-12.9	+0.1
New obligational authority.............	70.2	76.3	82.4	76.8

The Committee may be interested in knowing the factors which account for the 3.9-billion-dollar decrease in the budget expenditure totals between 1959 and 1960. I would like to submit for the record the attached table 1 listing the major increases and decreases in 1960.

As that table shows, a nonrecurring item recommended for 1959 accounts for the largest single decrease. This item is the proposed additional United States subscription to the International Monetary Fund.

Next, three large temporary programs are terminating. These are the acreage reserve, the temporary advances to States for extended unemployment compensation, and the special purchases of mortgages on low-cost housing.

Third, certain major increases which are largely uncontrollable for the 1960 budget will partially offset the decreases just listed. Interest payments on the public debt are estimated to rise. Past commitments will lead to larger expenditures for construction of civil public works and of merchant ships. Space exploration and the defense education program enacted in 1958 also involve higher expenditures.

Fourth, some other significant decreases will occur in the normal course of events without special congressional or administrative action. Farm price support payments are estimated lower than in 1959 but higher than in 1958. The Department of Agriculture expects that crop yields in calendar 1959 will not be as high as in calendar 1958, when yields were an unprecedented 11 percent above the previous record level. The increase in postal rates enacted last year and the parcel post rate increase to be made administratively this year will have a fuller effect in 1960 and will thus reduce net expenditures of the Post Office Department. Moreover, the expenditures in 1959 for retroactive pay raises will not recur.

Fifth, legislation is being proposed which, if enacted, will bring reductions of 415 million dollars in net budget expenditures in 1960. These proposals include increased postal rates, more flexible interest rates on guaranteed loans to veterans, and a transfer to trust fund financing of Federal-aid highways in national forests and public lands.

Sixth, certain housing programs and the Export-Import Bank are proposed to be made self-financing in 1960 by stepping up the sale of portfolio assets, in some cases by exchanging them for Government bonds. Thus, disbursements for new loans or mortgage purchases would be covered by realizations on old ones.

Finally, the net effect of all other changes between 1959 and 1960 is a decrease of 346 million dollars. The largest item in this category is an estimated decrease of 462 million dollars in expenditures for military assistance.

I believe that this table clearly shows that the recommended reduction in the total of budget expenditures is not being achieved by proposals which would impair the security and welfare of the country. The major budgetary action has been, after providing for the national defense, to restrain large increases which could not be financed from current revenues.

In addition to those legislative proposals which will bring reductions in 1960 budget expenditures (and which were shown in item 5 of the table just referred to), the budget contains recommendations for other legislation to achieve long-run economies by adapting programs to changed circumstances.

These proposals to adjust programs in the light of current conditions would bring budgetary savings in the years beyond 1960. Together with the rise in revenues from a growing economy, they could produce surpluses which might be applied to reduce the public debt, to lessen the burden of taxes, or to meet the cost of essential new Government services--some of which will inevitably be needed as our Nation grows and progresses.

Consolidated cash statement.--For this Committee, which is interested in studying the economic impact of the budget, the consolidated figures of Federal receipts from and payments to the public are at least as important as the regular budget totals. These consolidated figures cover both budget and trust fund transactions and eliminate intragovernmental and noncash transactions. The following table gives these consolidated totals for the fiscal years 1957 through 1960.

FEDERAL GOVERNMENT RECEIPTS FROM AND PAYMENTS TO THE PUBLIC

(Fiscal years. In billions)

	1957 actual	1958 actual	1959 estimate	1960 estimate
Receipts from the public................	$82.1	$81.9	$81.7	$93.5
Payments to the public..................	80.0	83.4	94.9	92.9
Excess of receipts over payments....	2.1	-	-	0.6
Excess of payments over receipts....	-	1.5	13.2	-

As this table shows, total Federal receipts from the public in fiscal 1960 are expected to exceed payments to the public by 626 million dollars. This figure exceeds the budget surplus in 1960 mainly because (1) cash payments of interest on redeemed savings bonds are less than the accrued interest included in budget expenditures and (2) trust fund receipts exceed trust fund expenditures.

I would like to supply for the record the attached table 2 which gives Federal payments to the public by function for 1958, 1959, and 1960 along with 1948 for comparative purposes. Detailed figures covering all the intervening years as well appear on page 929 of the 1960 budget document.

From 1948 to 1960, total Federal payments to the public increase at a faster rate than budget expenditures over this period. This faster growth reflects (1) rising outlays from some of the older trust funds, particularly the old-age and survivors insurance fund, and (2) the payments from new trust funds created since 1948, such as those for highways and the secondary market operations of the Federal National Mortgage Association. In 1948, total Federal payments to the public were 36.5 billion dollars. In 1960, they are estimated to be 92.9 billion dollars.

With two exceptions, payments for every function of the Government will be higher in 1960 than in 1948. These exceptions are international affairs and veterans' benefits, for which special post-World War II conditions led to higher expenditures in 1948.

Of course, the largest dollar change since 1948, as is to be expected when comparisons are made with a period prior to the Korean conflict, is in major national security.

Apart from the major national security programs, by far the largest amount of payments--and the largest increase since 1948--on a consolidated cash basis are for the labor and welfare activities of the Government. Federal payments for labor and welfare programs are estimated to be over

19 billion dollars in 1960. This total is 15.9 billion dollars more than in 1948. The amounts involved are much larger than the budget expenditures for these programs because of the benefit payments from social security and retirement trust funds.

The table shows that payments for two other functions are estimated to increase by more than 5 billion dollars between 1948 and 1960. These are commerce and housing, and agriculture. The first reflects, among other factors, the sharp rise in grants for Federal-aid highways; the second, the increase in farm price support payments from a period when they were probably abnormally low because of special post-World War II conditions.

In conclusion, I would like to repeat my belief that, whether we look at regular budget expenditures of 77 billion dollars or the total payments to the public of 93 billion dollars in 1960, the Government is not balancing its income and outgo at the expense of essentials. Practically all of the programs of the Government under this budget will continue at very high levels. I hope that the Congress will accept and approve the general policy and dimensions of the budget recommended by the President. It is my sincere belief that the best interests of the country would be served if the executive and legislative branches work together to balance the 1960 budget at the proposed level of about 77 billion dollars.

Attachments (2)

Table 1

RECONCILIATION BETWEEN 1959 AND 1960 BUDGETED EXPENDITURES

(In millions)

1959 expenditures (latest estimate, as shown in 1960 budget).............		$80,871
1. Non-recurring 1959 item (supplemental)		
International Monetary Fund capital contribution.................		-1,375
		79,496
2. Terminated temporary programs		
Acreage reserve (less increase in conservation reserve)..	$510	
Augmentation of unemployment benefits................	412	
Purchase of low-cost housing mortgages by FNMA.......	358	-1,280
		78,216
3. Uncontrollable major increases		
Interest on debt......................................	500	
Construction of public works, buildings and ships (committed).................................	217	
New outer space and defense education programs.......	172	+889
		79,105
4. Normal decreases		
CCC program..	253	
Postal revenues (1958 law and 4th Class increase)....	177	
Retroactive pay in 1958--net.........................	265	-695
		78,410
5. Legislative proposals for reduction in 1960		
Postal rate increases................................	350	
Veterans' loans......................................	33	
Transfer to trust fund of cost of forest and public lands highways in interstate system..........	32	-415
		77,995
6. Sales of assets in 1960		
FNMA mortgages.......................................	335	
College housing loans................................	50	
Export-Import Bank loans.............................	234	-619
		77,376
7. All other changes		
Other decreases in programs (including military assistance $462), less other increases in programs..............		-346
1960 expenditures..		77,030

Table 2

FEDERAL PAYMENTS TO THE PUBLIC BY MAJOR FUNCTION

Includes Budget and Trust Funds; Excludes Major Intragovernmental and Noncash Transactions

(Fiscal years. In millions)

Function	1948 actual	1958 actual	1959 estimate	1960 estimate
Major national security..................	$12,998	$44,460	$46,450	$45,914
International affairs and finance.........	5,542	2,668	2,510	2,099
Veterans' services and benefits...........	6,904	5,682	5,856	5,742
Labor and welfare.........................	3,149	16,140	18,497	19,056
Agriculture and agricultural resources....	531	4,321	7,024	5,875
Natural resources.........................	755	1,570	1,741	1,735
Commerce and housing......................	449	2,996	6,656	5,579
General government........................	1,385	1,620	1,974	2,082
Interest 1/...............................	3,909	5,883	5,636	6,250
Deposit funds, net 2/.....................	73	-97	29	2
Allowance for contingencies...............	-	-	200	100
Subtotal..............................	35,695	85,243	96,573	94,434
Expenditures by agencies, as employers, for Federal employees' retirement (-) 3/.	-	-586	-749	-723
Deduction from Federal employees' salaries for retirement (-)..............	-236	-666	-748	-723
Increase (-) or decrease in clearing account for outstanding checks, etc. 4/..	507	-579	-177	-112
Adjustment to daily Treasury statement basis..................................	527	-	-	-
Total Federal payments to the public..............................	36,493	83,413	94,899	92,875

1/ Since 1954, includes adjustment for change in public debt interest checks, coupons, and accruals outstanding.

2/ Excludes deposit funds of Government-sponsored enterprises which are allocated by major function.

3/ In 1957 and prior years the Government's payment as employer was made in a lump sum to the Civil Service Commission and was not included in any functional category as a payment to the public. From 1958, the individual agency payments are included in the applicable functional category, but the total is deducted from payments in a lump sum.

4/ Since 1954, excludes that part of clearing account which is for public debt interest checks, coupons, and accruals outstanding.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date February 3, 1959

To Chairman Martin

From Jerome W. Shay

Subject: Hearings before Joint Economic Committee on President's Economic Report

JWS

In connection with your appearance before the Joint Economic Committee on February 6, it may be helpful to outline below principal points that have been raised at the current hearings through February 2:

On January 28, when Budget Director Stans testified, Senator Douglas opened the hearing with a statement that, in his view, the President's Economic Report is "concerned more about inflation than about unemployment or the virtual stagnation of the level of production"; that the "recession is still with us"; that "we are not at maximum levels of employment and production because our policies have been geared too much to holding down prices"; and that "public policy must embrace more than price stability." The Republican members present (Congressmen Curtis, Kilburn, and Widnall) objected to this statement as a prejudging of the hearings, while the Democrats present (Senator O'Mahoney and Congressmen Patman and Reuss) defended the statement. (A copy of the Stans' prepared testimony is attached.)

Congressman Patman referred to the present $8 billion of interest per year on the national debt and asked Stans if any agency of the Government was making any effort at debt or interest reduction. In reply to Stans' answer that the matter was one for Secretary Anderson, Patman said that "the Treasury is captive of the Federal Reserve System which the President regards as an independent fourth branch of the Government" and that, therefore, "the Treasury is virtually helpless." Patman went on to say that "nothing is done to reduce the debt because a big debt is profitable to the banking system." During Patman's questioning, Stans said he would prefer a tax increase to deficit; he agreed that the national debt stands in the way of national progress and that some tax collections should be applied to debt reduction; and he also agreed that the Federal Reserve can set interest rates. Patman's concluding observation was that, since our interest rates are so much higher than "the 2-1/2 per cent rate prevailing in the USSR," it is impossible for us to compete successfully with Russia.

During the Stans' testimony, Congressman Reuss indicated that he would have preferred a $79 billion budget, the additional $2 billion to be raised by plugging tax loopholes, and to be used towards relief of depressed areas, defense and increasing the Development Loan Fund.

Senator O'Mahoney seems to feel that unless more funds are available for Government development of our water resources, we cannot expect to keep ahead of the USSR. While this apparently sectional approach was not particularly representative, other questioning of Stans also suggested that the President's budget failed in some respects to provide for adequate expenditures for "deserving" projects, e.g., relief of depressed areas and national defense.

During the hearing on January 30, the matter last referred to was discussed in answer to Congressman Widnall's question, which was -- "What should be the priority of Federal spending if we are faced with a deficit, as we probably are?" The panel of economists testifying that day included Richard Musgrave, William Fellner, Walter Heller, Benjamin Ratchford, Paul Samuelson, and Herbert Stein. The Widnall question was characterized by Senator Douglas as "the most important question for these hearings." National defense was given first priority by a majority of the panelists, with foreign aid and aid to education tying for second priority.

In this connection, Congressman Bolling has regularly asked "How much growth can be expected to result from the President's recommended growth measures included in his Economic Report at page 67?" Almost without exception, the various panelists who have thus far testified have shown very lukewarm enthusiasm for the President's list.

In answer to questioning by Congressman Curtis, the panelists on January 30 seemed generally agreed that the President's Economic Report should not have suggested the possibility of a tax cut.

Most of the panelists seemed to doubt that "Federal economic policies during 1958 carried serious danger of inflation in 1959." The question to that effect was asked by Congressman Bolling. The ensuing discussion seemed to indicate that sentiment of the panelists was pretty well divided on whether taxes should be increased. Ratchford, Samuelson, and Stein seemed to agree that any increase in expenses (whether to solve unemployment or any other problem) not offset by tax increases would be a serious inflationary threat. The others seemed to see the transcendant problem as national defense and growth, rather than inflation which, they felt, could be dealt with when a threat of inflation became much clearer.

Congressman Patman again criticized the extent of commercial bank holdings of Government securities and past reductions of reserve requirements which enabled them, he said, to buy such securities and create money at no cost to them. In this connection, he renewed his proposal to have the Federal Reserve Banks, rather than the commercial banks, buy all Government securities not absorbed by non-bank investors, and to "immobilize" the resulting increase in reserves by increasing reserve requirements. To this, he would add a program by the Fed to peg Government securities at 2-1/2 per cent. This was quickly characterized by Paul Samuelson as a "highly inflationary" scheme.

The session of the hearings on February 2, poorly attended by Committee members, involved another panel. Perhaps the predominating tone was set by Robert Eisner, an economist at Northwestern University, who said that, "The decision to accept unemployment, whether in the view that it is necessary to prevent prices from rising or for any other reason, is a decision to accept a lower rate of growth." Both he and Daniel Hamberg, economist at the University of Maryland, seemed to agree with a suggestion of Congressman Bolling that monetary policy cannot stimulate growth and monetary policy as an anti-inflationary tool can restrain growth and have highly discriminatory effects. At this session of the hearings particularly, the goal of dollar stability seems to run a very poor second to increased rates of growth.

Attachment

cc: Mr. Young

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date February 2, 1959

To Chairman Martin

From Jerome W. Shay

JWS

Subject: Questions raised during December 1958 hearings before the Joint Economic Committee

It may be helpful in connection with your appearance before the Joint Economic Committee on February 6 to set forth below principal points expressed by Committee members at the December 15-18, 1958, hearings of the Committee on "Relationship of Prices to Economic Stability and Growth."

Senator Paul Douglas (Dem., Ill.)

He indicated that he saw nothing detrimental in Government deficit financing through use of bank credit "so long as total national resources are being used at less than capacity," as such financing would encourage employment of total resources

He seemed sympathetic to some legal procedure which would provide full public disclosure of contemplated price or wage increases in order to bring an informed public opinion to bear on demands of unions and management. (See suggestions of Senator O'Mahoney and Congressman Reuss, below.)

He suggested that if the regulation of consumer credit should be restored, the regulation should require lenders to make full and complete disclosure to borrowers of all interest costs. (Compare suggestion of Congressman Patman, below.) Note: The Board has been asked for a report on Senator Bush's bill to give the Board standby authority to regulate consumer credit.

Senator Joseph O'Mahoney (Dem., Wyo.)

The Senator seemed concerned that the Treasury does so much financing through bills when, "according to Federal Reserve spokesmen, Treasury bills are virtually the same as money," since he views the result as a "terrific increase in the velocity of money which is inflationary."

Apparently, he feels that, with our large corporations, there is no real price competition in business that can be relied upon to affect pricing policy.

He said he would reintroduce his 1948 bill to require 30 days' advance notice of proposed price or wage increases in dominant lines of commerce, during which periods public hearings would be held in order that full disclosures might be made to the public. (He has introduced such a bill.)

Representative Wright Patman (Dem., Texas)

He urged reduction of Government debt, especially in good times, and deplored the magnitude of the interest burden on the debt. He indicated that unless the debt is reduced, Government programs would have to be curtailed or taxes increased. Then came the usual one --- that the fiscal burden could be eased if Federal Reserve Banks, rather than commercial banks, bought all Government securities not absorbed by non-bank investors, to be followed by increases in reserve requirements to offset resulting increases in bank reserves, all of which would reduce the real interest cost to the Government because of Federal Reserve Bank payments of earnings to the Treasury. He suggested that increased purchases of Government securities by the Fed might be alternatives to either curtailed spending or tax increase.

He suggested that tax-exempt securities be made taxable.

He urged that if consumer credit controls were restored, the interest rate chargeable by regulated lenders should be subjected to a regulatory maximum, since the down-payment and maturity provisions of the regulation would reduce the lenders' risk.

Representative Richard Bolling (Dem., Mo.)

He saw "scare talk" about inflation as a "club to beat down sound and essential Government programs," and "to prevent the functioning of public policy at all levels."

Apparently, he believes that the cold war is a "real kind of war" to which the public must be aroused, and that continued failure to institute the necessary measures to out-distance Russia cannot be tolerated. He said that we have a "massive policy decision" to make to meet that situation; and seemed sympathetic to institution of some direct controls of the war-time variety if necessary to lead in the contest with Russia.

Representative Henry Reuss (Dem., Wis.)

He seemed prepared to push for his bill (1) to require the President to include in his Economic Report specific recommendations on credit and monetary policy, and (2) to establish a mechanism whereby an informed public opinion can be brought to bear on price or wage increases. (He has reintroduced such a bill in this Congress, and an identical bill has been introduced by Senator Clark. The Board has been asked for reports on these two bills.)

Representative Thomas B. Curtis (Repub., Mo.)

He suggested that the impact of taxes and improved quality of goods and services on the general price level needs to be determined. (He raised this point with you a year ago.) He suggested further, that if the general increase in the price level reflects little except improved quality, then monetary and credit policy may have restricted growth rather than inflation.

He suggested also that the tax deduction for interest, because it encourages business borrowing to the point of greatly enhanced demand which runs up interest rates generally, may contribute to inflation. He seems to feel that the tax deduction for interest may in fact encourage a preference for high interest rates.

He suggested further that, as Government activity increases, which requires higher taxes, the general price level will necessarily rise to offset the tax increases.

(Congressman Curtis is also a member of the House Ways and Means Committee.)

cc: Mr. Young

Question 1 of Senator Douglas' Press Release on Hearings.

> What do you regard as the proper division of labor between tax policy and monetary policy as instruments of economic stabilization during the coming year?

Most observers expect 1959 to be a year of steady and fairly rapid business expansion, featured by inventory rebuilding, renewed growth in private capital outlays, higher levels of State and local government expenditure, a large volume of construction, particularly of houses, and further sizable expansion in the cash expenditures of the Federal Government. In this kind of situation, the division of labor between fiscal and monetary policy will grow out of the essential characteristics of the two types of governmental financial policy.

Monetary policy can be adapted more quickly to changing economic conditions than can expenditure and tax policy, which requires a lengthy legislative process before expenditure programs or the tax structure can be altered. Fortunately, our present fiscal system, depending as it does so heavily on income taxes, has a built-in flexibility of yield conforming to the swings of economic activity. As gross national product rises, tax yields respond more than proportionately. This growth in tax yields is being counted on to produce a balanced budget in fiscal 1960.

In cushioning the recession last year, built-in flexibility both of taxes and expenditures was important. Provisions for unemployment compensation helped to maintain consumers' incomes during a period of declining employment. Certain expenditure programs were also stepped up.

Economic expansion during 1959 may be such as to produce even larger tax receipts than have been projected in the President's budget, but we should also bear in mind that, if for any reason expansion lags, revenue may fall short of the budget estimates, continuing the Government's deficit position. Likewise, any expenditure programs not contemplated in the budget will threaten the narrow balance foreseen for fiscal 1960.

Even if the budget estimates are borne out on both the receipts and expenditure sides for the next fiscal year, the Government this calendar year faces a cash deficit of about $7.5 billion. This deficit will arise because tax receipts are concentrated in the last half of the fiscal or first half of the calendar year.

Therefore, if restraint on expansion in aggregate demand relative to output availability proves to be necessary during the current calendar, it will have to come mainly from monetary policy, with such help as can be provided by appropriate debt management policies that will place as much as possible of the new Treasury offerings outside the banking system with savings type investors.

In viewing prospects for the months ahead, we would naturally feel more comfortable if the calendar year budget were more nearly in balance and if a larger surplus were in sight for the next fiscal year. But we are quite prepared to exercise our responsibilities as best we can in the situation as it develops, including actions to combat strong inflationary pressures should they emerge. We do believe, however, that Congress should be cautious about authorizing additional expenditure programs unless it is also prepared to consider necessary tax levies to finance them.

Question 4 of Senator Douglas' Press Release on Hearings.

> If price movements during 1959 follow the 1958 pattern, would an easier monetary and credit policy be in order? What program would you recommend as to priority and specific actions in the fiscal and monetary fields for 1959?

The influences bearing on changes in prices of individual commodities and services at this time are different in a great many respects than those prevailing a year ago. Price movements in 1959, therefore, are not likely to be similar to 1958. But even if they were this would not dictate a similar monetary policy. Monetary policy actions are taken against the background of the total economic situation as we see it and on the basis of our best combined judgment about both current and prospective economic trends, with particular reference to credit demands. Prices are merely one among many indicators we watch.

I cannot give you priorities or specific programs for monetary policy because this is continually being re-examined and depends for its effectiveness on remaining flexible. Should inflationary tendencies become dominant or should credit demands for speculative or other unsustainable commitments become vigorous, we would, of course, feel obliged to take appropriate action to deal with the situation. Should recovery falter for any reason we would naturally be prepared quickly to rechart our course and adjust credit conditions as the circumstances might indicate.

In the fiscal field, I believe we should be studying intensively all well thought out proposals for eventual tax reform that will help to promote economic growth and also all the methods and techniques of debt management that can contribute to a wide ownership of the public debt and to a healthy and efficient Government securities market.

86th Congress, 1st Session

Economic Indicators

JANUARY 1959

Prepared for the Joint Economic Committee by the Council of Economic Advisers

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GOVERNMENT PRINTING OFFICE
WASHINGTON : 1959

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(Created pursuant to Sec. 5 (a) of Public Law 304, 79th Cong.)

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[PUBLIC LAW 120—81ST CONGRESS; CHAPTER 237—1ST SESSION]

JOINT RESOLUTION [S. J. Res. 55]

To print the monthly publication entitled "Economic Indicators"

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Joint Economic Committee be authorized to issue a monthly publication entitled "Economic Indicators," and that a sufficient quantity be printed to furnish one copy to each Member of Congress; the Secretary and the Sergeant at Arms of the Senate; the Clerk, Sergeant at Arms, and Doorkeeper of the House of Representatives; two copies to the libraries of the Senate and House, and the Congressional Library; seven hundred copies to the Joint Economic Committee; and the required number of copies to the Superintendent of Documents for distribution to depository libraries; and that the Superintendent of Documents be authorized to have copies printed for sale to the public.

Approved June 23, 1949.

Charts drawn by Graphics Unit, Office of the Secretary, Department of Commerce.

Contents

TOTAL OUTPUT, INCOME, AND SPENDING

THE NATION'S INCOME, EXPENDITURE, AND SAVING

Current estimates show a marked increase in total income and expenditures between the second and third quarters of 1958.

[Billions of dollars]

Economic group	1957						1958					
	Year			Third quarter			Second quarter			Third quarter		
	Receipts	Expenditures	Excess of receipts (+) or expenditures (−)	Receipts	Expenditures	Excess of receipts (+) or expenditures (−)	Receipts	Expenditures	Excess of receipts (+) or expenditures (−)	Receipts	Expenditures	Excess of receipts (+) or expenditures (−)
				Seasonally adjusted annual rates								
Consumers:												
Disposable personal income	305. 1	------	------	308. 7	------	------	307. 5	------	------	314. 0	------	------
Personal consumption expenditures	------	284. 4	------	------	288. 3	------	------	288. 3	------	------	291. 5	------
Personal net saving (+)	------	------	20. 7	------	------	20. 4	------	------	19. 2	------	------	22. 5
Business:												
Gross retained earnings	45. 6	------	------	46. 4	------	------	43. 9	------	------	(1)	------	------
Gross private domestic investment	------	65. 3	------	------	66. 7	------	------	49. 2	------	------	53. 7	------
Excess of investment (−)	------	------	−19. 7	------	------	−20. 3	------	------	−5. 3	------	------	(1)
International:												
Foreign net transfers by government	1. 5	------	------	1. 2	------	------	1. 2	------	------	1. 2	------	------
Net exports of goods and services	------	4. 9	------	------	4. 8	------	------	1. 7	------	------	1. 7	------
Excess of transfers (+) or of net exports (−)	------	------	−3. 5	------	------	−3. 6	------	------	−. 5	------	------	−. 5
Government (Federal, State, and local):												
Tax and nontax receipts or accruals	116. 2	------	------	117. 3	------	------	111. 1	------	------	(1)	------	------
Less: Transfers, interest, and subsidies (net)	28. 8	------	------	28. 7	------	------	33. 5	------	------	34. 1	------	------
Net receipts	87. 4	------	------	88. 6	------	------	77. 6	------	------	(1)	------	------
Total government expenditures	------	114. 5	------	------	114. 5	------	------	123. 2	------	------	126. 2	------
Less: Transfers, interest, and subsidies (net)	------	28. 8	------	------	28. 7	------	------	33. 5	------	------	34. 1	------
Purchases of goods and services	------	85. 7	------	------	85. 8	------	------	89. 7	------	------	92. 1	------
Surplus (+) or deficit (−) on income and product account	------	------	1. 7	------	------	2. 8	------	------	−12. 2	------	------	(1)
Statistical discrepancy	. 7	------	. 7	. 7	------	. 7	−1. 1	------	−1. 1	(1)	------	(1)
GROSS NATIONAL PRODUCT	440. 3	440. 3	------	445. 6	445. 6	------	429. 0	429. 0	------	439. 0	439. 0	------

[1] Not available.

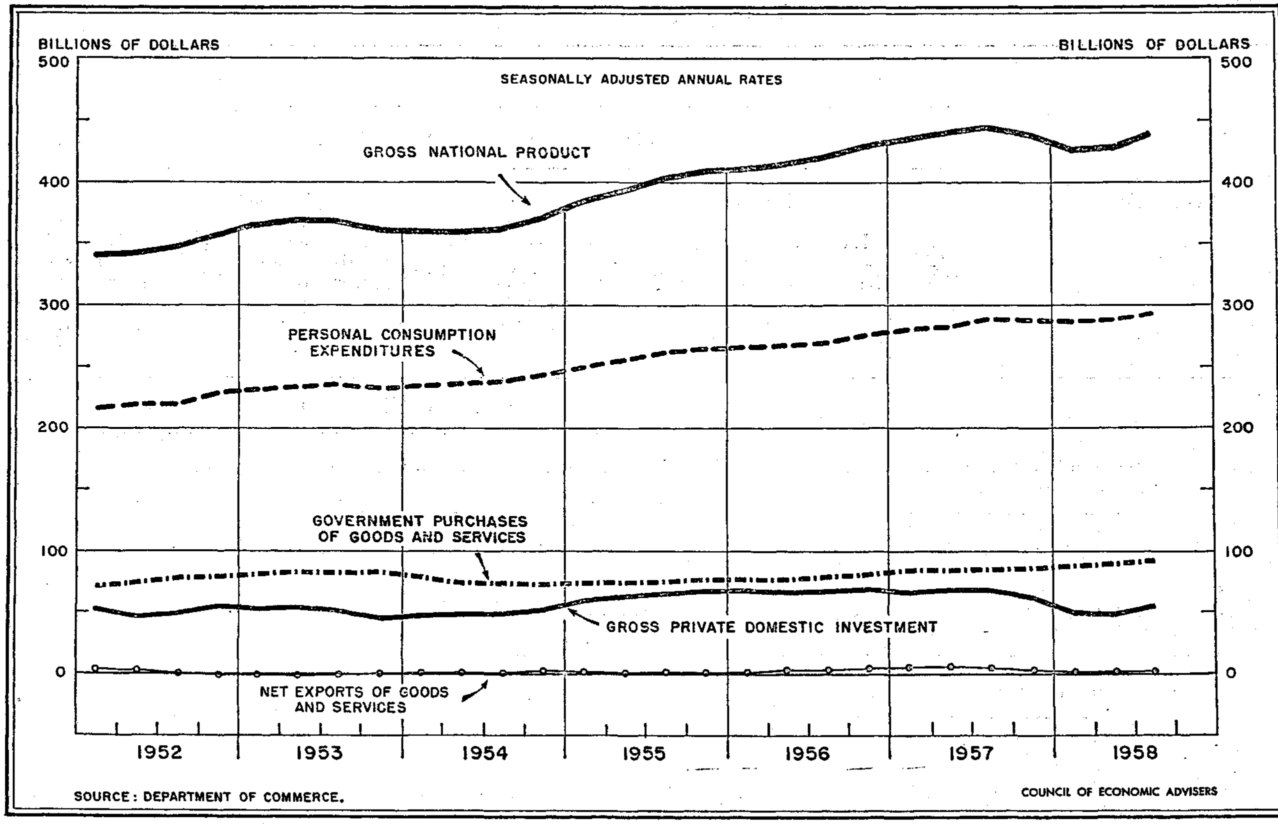
NOTE.—For explanation and use of this arrangement, see Senate Report No. 1295, Joint Economic Report, pp. 92–93, 99–105, and *Economic Report of the President*, January 1953, Appendix A.

Detail will not necessarily add to totals because of rounding.

Sources: Department of Commerce and Council of Economic Advisers.

GROSS NATIONAL PRODUCT OR EXPENDITURE

Gross national expenditures rose $10.0 billion (seasonally adjusted annual rate) between the second and third quarters of 1958, according to current estimates. Increases occurred in all major components except net exports of goods and services.



[Billions of dollars]

Period	Total gross national product in 1957 prices	Total gross national product	Personal consumption expenditures	Gross private domestic investment	Net exports of goods and services	Government purchases of goods and services: Total[1]	Federal: Total[1]	Federal: National defense[2]	Federal: Other	State and local
1939	203.7	91.1	67.6	9.3	0.9	13.3	5.2	1.3	3.9	8.2
1948	316.6	259.4	178.3	43.1	3.5	34.5	19.3	11.6	8.2	15.2
1949	316.5	258.1	181.2	33.0	3.8	40.2	22.2	13.6	8.9	17.9
1951	370.7	329.0	209.8	56.3	2.4	60.5	38.8	33.9	5.2	21.7
1952	384.1	347.0	219.8	49.9	1.3	76.0	52.9	46.4	6.7	23.2
1953	401.5	365.4	232.6	50.3	−.4	82.8	58.0	49.3	9.0	24.9
1954	393.9	363.1	238.0	48.9	1.0	75.3	47.5	41.2	6.7	27.7
1955	425.5	397.5	256.9	63.8	1.1	75.6	45.3	39.1	6.6	30.3
1956	436.0	419.2	269.4	68.2	2.8	78.8	45.7	40.3	5.7	33.1
1957	440.3	440.3	284.4	65.3	4.9	85.7	49.4	44.3	5.5	36.3
		Seasonally adjusted annual rates								
1957: First quarter	441.6	436.3	279.8	65.9	5.6	85.0	49.1	43.7	5.8	35.9
Second quarter	442.8	441.2	282.5	67.0	6.0	85.7	49.7	44.9	5.1	36.0
Third quarter	442.4	445.6	288.3	66.7	4.8	85.8	49.7	44.9	5.2	36.1
Fourth quarter	434.1	438.9	287.2	61.5	3.3	86.9	49.1	43.9	5.7	37.8
1958: First quarter	418.0	425.8	286.2	49.6	1.7	88.3	49.7	43.7	6.3	38.6
Second quarter	419.0	429.0	288.3	49.2	1.7	89.7	50.7	44.1	6.9	39.1
Third quarter	428.3	439.0	291.5	53.7	1.7	92.0	52.2	44.5	8.0	39.9

[1] Less Government sales.

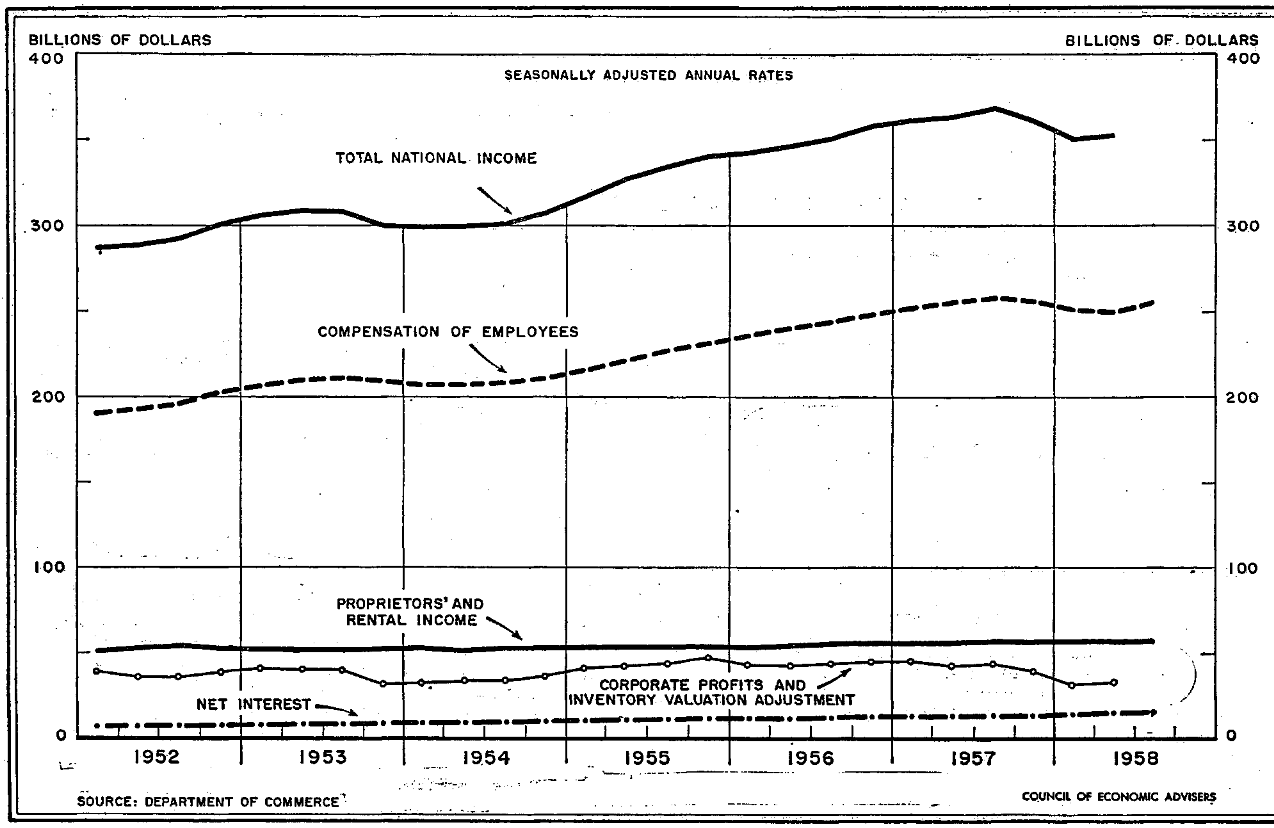
[2] Includes expenditures for military services, international security and foreign relations (except foreign loans), development and control of atomic energy, promotion of the merchant marine, promotion of defense production and economic stabilization, and civil defense. For further details, see *Economic Report of the President*, January 1955 (p. 137), and *National Income, 1954 Edition* (p. 148). These expenditures are not comparable with the "major national security" category in *The Budget of the United States Government for the Fiscal Year Ending June 30, 1959*, and shown on p. 31 of *Economic Indicators*.

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

Source: Department of Commerce.

NATIONAL INCOME

Compensation of employees rose $4.6 billion (seasonally adjusted annual rate) between the second and third quarters of 1958. There were only small changes in other components of noncorporate income.



[Billions of dollars]

Period	Total national income	Compensation of employees [1]	Proprietors' income: Farm	Proprietors' income: Business and professional	Rental income of persons	Net interest	Corporate profits and inventory valuation adjustment: Total	Profits before taxes	Inventory valuation adjustment
1939	72.8	48.1	4.3	7.3	2.7	4.6	5.7	6.4	−0.7
1948	223.5	141.0	17.8	22.4	7.3	4.2	30.8	33.0	−2.2
1949	217.7	140.8	12.9	22.7	8.3	4.8	28.2	26.4	1.9
1951	279.3	180.3	16.3	26.0	9.4	6.3	41.0	42.2	−1.2
1952	292.2	195.0	15.3	26.9	10.2	7.1	37.7	36.7	1.0
1953	305.6	208.8	13.3	27.4	10.5	8.2	37.3	38.3	−1.0
1954	301.8	207.6	12.7	27.8	10.9	9.1	33.7	34.1	−.3
1955	330.2	223.9	11.8	30.4	10.7	10.4	43.1	44.9	−1.7
1956	349.4	241.8	11.6	30.8	10.9	11.3	42.9	45.5	−2.6
1957	364.0	254.6	11.6	31.4	11.8	12.6	41.9	43.4	−1.5
	Seasonally adjusted annual rates								
1957: First quarter	361.5	251.6	11.5	31.1	11.4	12.1	43.7	46.1	−2.4
Second quarter	364.1	254.9	11.6	31.4	11.7	12.5	42.0	43.5	−1.5
Third quarter	368.7	257.3	11.8	31.7	12.0	12.8	43.1	44.2	−1.1
Fourth quarter	361.5	254.8	11.5	31.3	12.2	12.9	38.8	39.9	−1.1
1958: First quarter	350.6	250.9	12.6	30.6	12.1	13.0	31.3	31.7	−.3
Second quarter	352.4	250.7	13.4	30.7	12.1	13.1	32.5	32.0	.5
Third quarter	(2)	255.3	13.3	31.1	12.2	13.2	(2)	(2)	.2

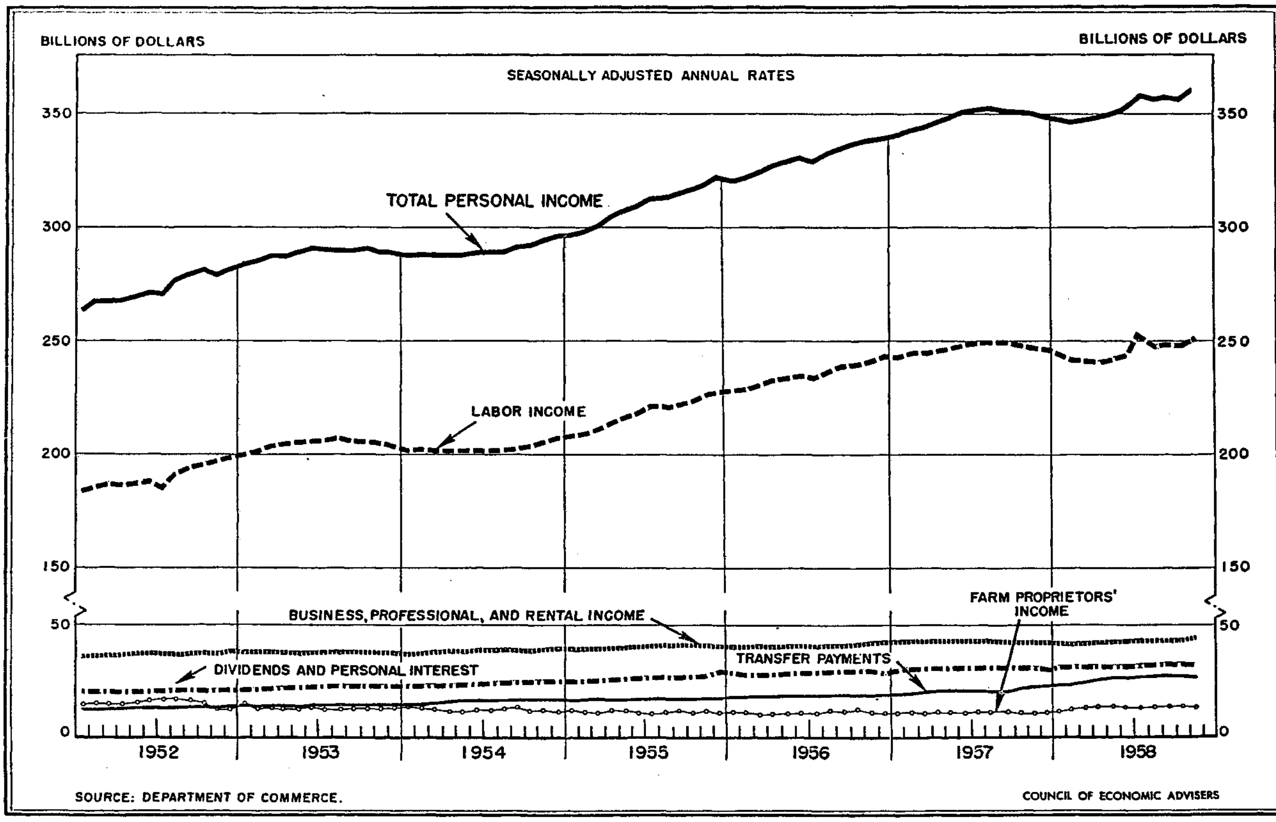
[1] Includes employer contributions for social insurance. (See also p. 4.)
[2] Not available.

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

Source: Department of Commerce.

SOURCES OF PERSONAL INCOME

Personal income declined $1 billion (seasonally adjusted annual rate) in December. A less than usual volume of year-end extra and special dividends and lower transfer payments accounted for the decline. Wages and salaries continued to rise.



[Billions of dollars]

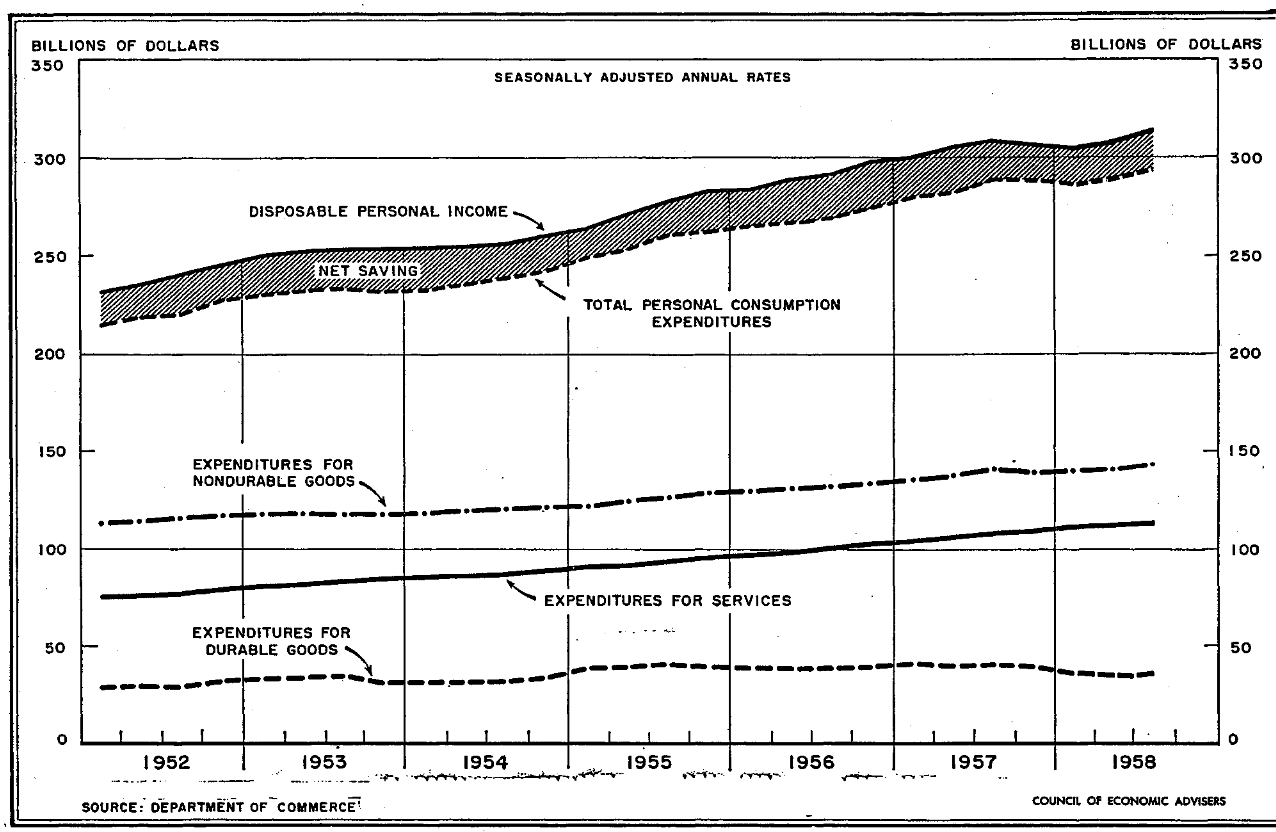
Period	Total personal income	Labor income (wage and salary disbursements and other labor income)[1]	Proprietors' income: Farm	Proprietors' income: Business and professional	Rental income of persons	Dividends	Personal interest income	Transfer payments	Less: Personal contributions for social insurance	Nonagricultural personal income[2]
1939	72.9	46.6	4.3	7.3	2.7	3.8	5.8	3.0	0.6	67.1
1949	208.3	137.4	12.9	22.7	8.3	7.5	9.4	12.4	2.2	192.1
1951	256.7	175.5	16.3	26.0	9.4	9.0	11.2	12.6	3.4	237.0
1952	273.1	190.2	15.3	26.9	10.2	9.0	12.1	13.2	3.8	254.3
1953	288.3	204.1	13.3	27.4	10.5	9.2	13.4	14.3	3.9	271.5
1954	289.8	202.5	12.7	27.8	10.9	9.8	14.6	16.2	4.6	273.8
1955	310.2	218.0	11.8	30.4	10.7	11.2	15.8	17.5	5.2	295.0
1956	330.5	235.2	11.6	30.8	10.9	12.0	17.0	18.6	5.7	315.4
1957	347.9	247.1	11.6	31.4	11.8	12.4	18.8	21.5	6.6	332.7
	Seasonally adjusted annual rates									
1957: November	350.2	247.2	11.4	31.2	12.2	12.6	19.1	23.0	6.6	335.2
December	348.4	246.5	11.8	31.2	12.2	10.8	19.2	23.3	6.6	333.0
1958: January	348.2	244.2	12.0	30.9	12.2	12.5	19.3	23.9	6.7	332.5
February	346.4	242.2	12.7	30.4	12.1	12.4	19.3	23.8	6.7	330.1
March	347.1	241.5	13.0	30.5	12.1	12.4	19.3	24.8	6.6	330.5
April	348.1	240.9	13.4	30.6	12.1	12.4	19.3	26.1	6.6	331.0
May	349.9	242.0	13.7	30.7	12.1	12.4	19.3	26.4	6.7	332.4
June	352.0	244.7	13.2	30.8	12.2	12.5	19.3	26.0	6.7	335.1
July	[3]358.8	[3]251.2	13.1	31.0	12.2	12.5	19.3	26.5	7.0	[3]342.0
August	356.1	247.6	13.3	31.1	12.2	12.5	19.4	26.8	6.8	339.2
September	357.8	248.6	13.5	31.3	12.3	12.5	19.5	27.0	6.8	340.9
October	357.5	248.2	13.4	31.6	12.3	12.4	19.5	26.9	6.8	340.7
November	360.4	251.3	13.3	31.8	12.3	12.4	19.5	26.6	6.8	343.6
December[4]	359.3	252.2	13.3	31.9	12.4	10.6	19.6	26.1	6.8	342.5

[1] Compensation of employees (see p. 3) excluding employer contributions for social insurance and the excess of wage accruals over disbursements.
[2] Personal income exclusive of net income of unincorporated farm enterprises, farm wages, agricultural net interest, and net dividends paid by agricultural corporations.
[3] Includes lump-sum retroactive salary payments to Federal employees at an annual rate of $4.6 billion ($380 million multiplied by 12).
[4] Preliminary estimates, not charted.

NOTE.—Detail will not necessarily add to totals because of rounding.
Source: Department of Commerce.

DISPOSITION OF PERSONAL INCOME

Disposable personal income rose $6.5 billion (seasonally adjusted annual rate) between the second and third quarters of 1958. Total consumer expenditures rose $3.2 billion.



Period	Personal income	Less: Personal taxes [1]	Equals: Disposable personal income	Less: Personal consumption expenditures: Total	Durable goods	Nondurable goods	Services	Equals: Personal saving	Saving as percent of disposable income
	Billions of dollars								
1939	72.9	2.4	70.4	67.6	6.7	35.1	25.8	2.9	4.1
1948	210.4	21.1	189.3	178.3	22.7	98.7	56.9	11.0	5.8
1949	208.3	18.7	189.7	181.2	24.6	96.6	60.0	8.5	4.5
1951	256.7	29.2	227.5	209.8	29.5	110.1	70.2	17.7	7.8
1952	273.1	34.4	238.7	219.8	29.1	115.1	75.6	18.9	7.9
1953	288.3	35.8	252.5	232.6	32.9	118.0	81.8	19.8	7.9
1954	289.8	32.9	256.9	238.0	32.4	119.3	86.3	18.9	7.3
1955	310.2	35.7	274.4	256.9	39.6	124.8	92.5	17.5	6.4
1956	330.5	40.1	290.5	269.4	38.4	131.4	99.6	21.1	7.2
1957	347.9	42.7	305.1	284.4	39.9	138.0	106.5	20.7	6.8
	Seasonally adjusted annual rates								
1957: First quarter	342.3	42.3	300.0	279.8	40.2	135.5	104.1	20.3	6.8
Second quarter	348.4	42.7	305.7	282.5	39.5	137.1	105.9	23.2	7.6
Third quarter	351.8	43.1	308.7	288.3	40.4	140.5	107.4	20.4	6.6
Fourth quarter	349.7	43.0	306.8	287.2	39.6	138.8	108.7	19.6	6.4
1958: First quarter	347.3	42.3	305.0	286.2	36.3	139.8	110.1	18.8	6.2
Second quarter	349.8	42.3	307.5	288.3	35.6	141.4	111.3	19.2	6.2
Third quarter	357.5	43.5	314.0	291.5	36.1	142.9	112.5	22.5	7.2

[1] Includes such items as fines, penalties, and donations.

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

Source: Department of Commerce.

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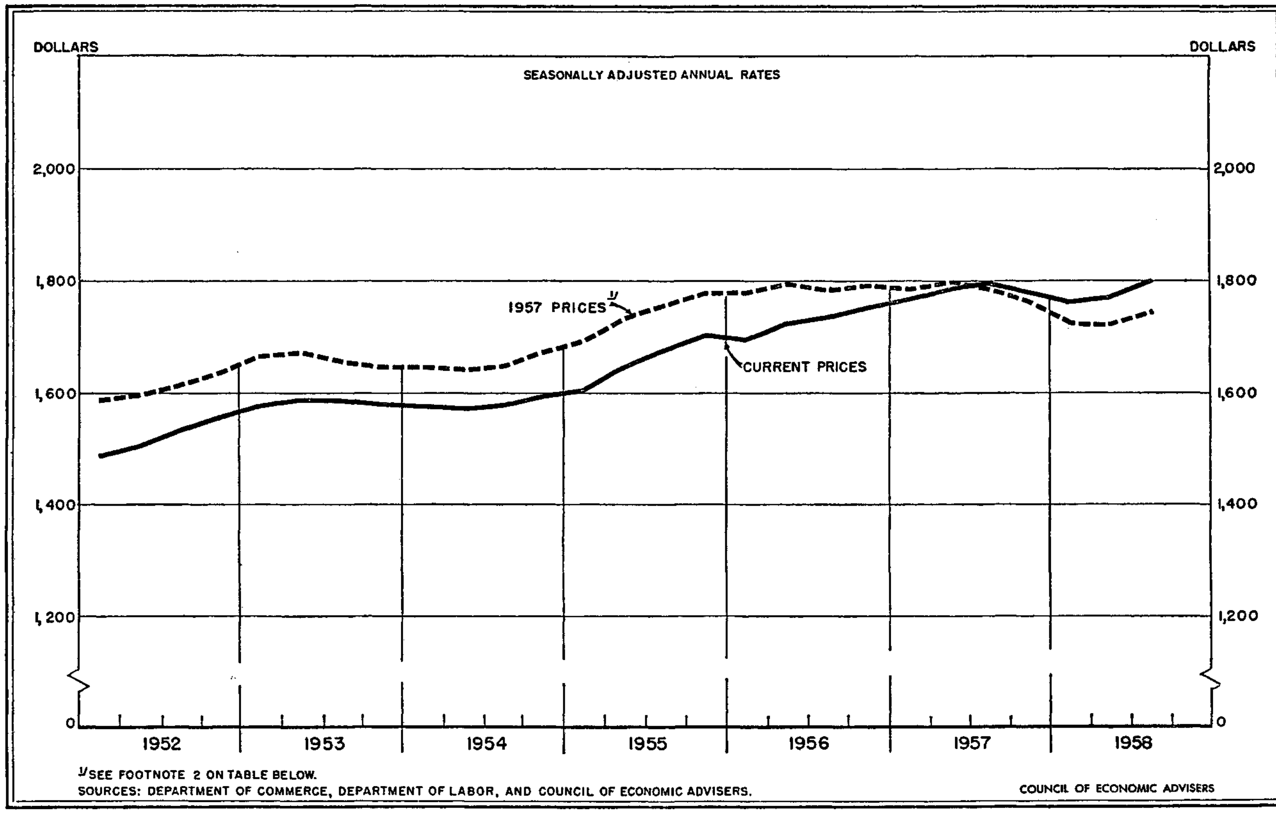
PER CAPITA DISPOSABLE INCOME

Per capita disposable income, measured in both current and constant prices, rose in the third quarter.



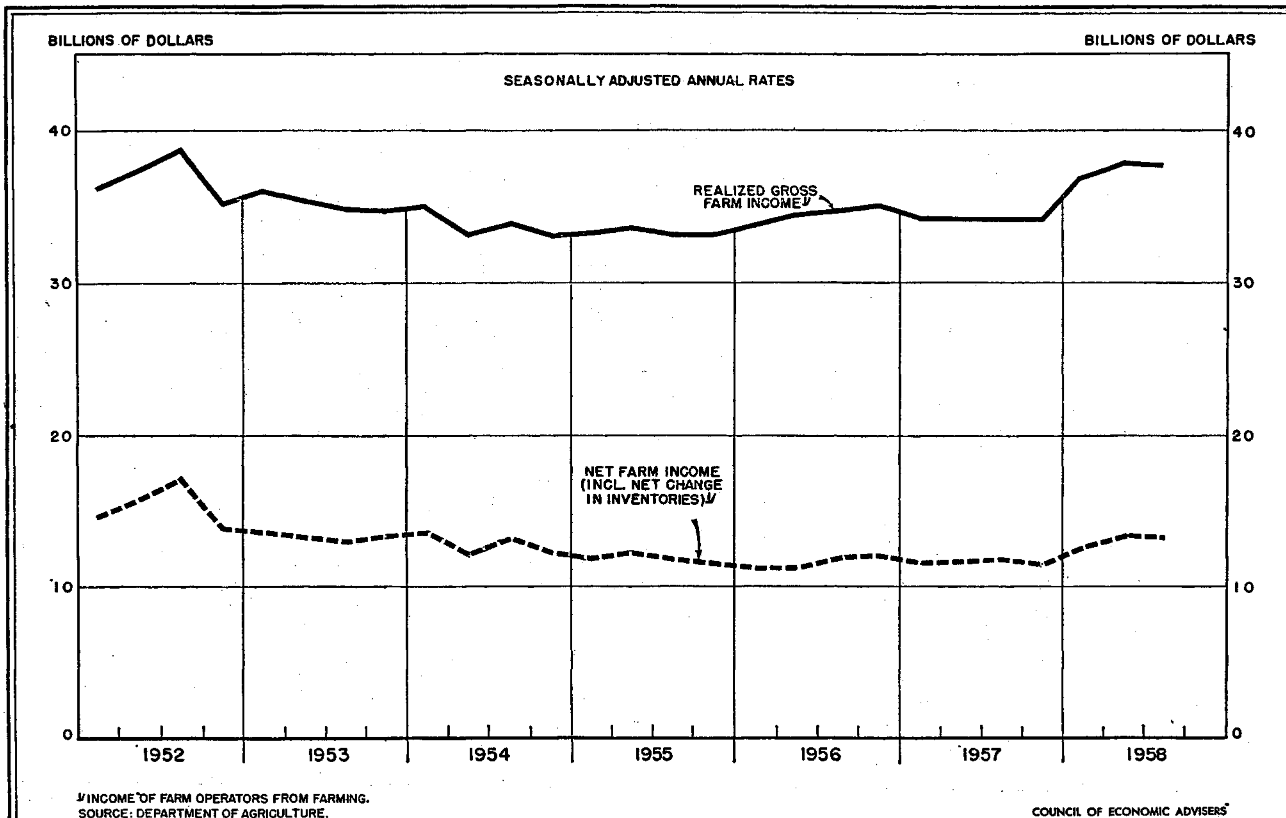
Period	Total disposable personal income (billions of dollars)[1]		Per capita disposable personal income (dollars)[1]		Population (thousands)[3]
	Current prices	1957 prices[2]	Current prices	1957 prices[2]	
1939	70.4	142.6	538	1,089	131,028
1948	189.3	221.4	1,291	1,510	146,631
1949	189.7	223.9	1,271	1,501	149,188
1951	227.5	246.5	1,474	1,597	154,360
1952	238.7	252.9	1,520	1,610	157,028
1953	252.5	265.2	1,582	1,662	159,636
1954	256.9	269.0	1,582	1,657	162,417
1955	274.4	288.0	1,661	1,743	165,270
1956	290.5	300.4	1,727	1,786	168,176
1957	305.1	305.1	1,782	1,782	171,196
	Seasonally adjusted annual rates				
1957: First quarter	300.0	304.0	1,763	1,786	170,151
Second quarter	305.7	306.9	1,789	1,796	170,839
Third quarter	308.7	306.6	1,799	1,786	171,612
Fourth quarter	306.8	303.8	1,780	1,762	172,393
1958: First quarter	305.0	298.7	1,762	1,726	173,054
Second quarter	307.5	299.1	1,770	1,722	173,705
Third quarter	314.0	304.9	1,800	1,748	174,460

[1] Income less taxes.
[2] Dollar estimates in current prices divided by consumer price index on a 1957 base.
[3] Includes armed forces overseas. Annual data as of July 1; quarterly data centered in the middle of the period, interpolated from monthly figures.

Sources: Department of Commerce, Department of Labor, and Council of Economic Advisers.

FARM INCOME

Farm operators' net income (seasonally adjusted) was slightly lower in the third quarter of 1958 than in the second quarter, though still appreciably higher than last year.



1/ INCOME OF FARM OPERATORS FROM FARMING.
SOURCE: DEPARTMENT OF AGRICULTURE.

COUNCIL OF ECONOMIC ADVISERS

Period	Farm operators' income						Number of farms (millions) [5]
	Realized gross farm income [1]	Farm production expenses	Net income [2]		Net income per farm including net change in inventories		
			Excluding net change in inventories	Including net change in inventories [3]	Current prices	1957 prices [4]	
	Billions of dollars				Dollars		
1939	10.6	6.2	4.4	4.5	697	1,660	6.4
1948	34.9	18.9	16.1	17.8	3,065	3,483	5.8
1949	31.8	18.0	13.8	12.9	2,259	2,658	5.7
1951	37.3	22.2	15.2	16.3	2,951	3,139	5.5
1952	37.0	22.6	14.4	15.3	2,829	2,978	5.4
1953	35.3	21.4	13.9	13.3	2,502	2,662	5.3
1954	33.9	21.7	12.2	12.7	2,440	2,542	5.2
1955	33.3	21.9	11.5	11.8	2,313	2,435	5.1
1956	34.6	22.5	12.1	11.6	2,341	2,413	5.0
1957	34.3	23.5	10.8	11.6	2,388	2,388	4.9
	Seasonally adjusted annual rates						
1957: First quarter	34.4	23.4	11.0	11.5	2,370	2,390	4.9
Second quarter	34.3	23.6	10.7	11.6	2,390	2,390	4.9
Third quarter	34.3	23.4	10.9	11.8	2,430	2,430	4.9
Fourth quarter	34.3	23.6	10.7	11.5	2,370	2,350	4.9
1958: First quarter	37.0	24.2	12.8	12.6	2,650	2,600	4.8
Second quarter	38.0	24.4	13.6	13.4	2,820	2,760	4.8
Third quarter	37.7	24.8	12.9	13.3	2,800	2,750	4.8

[1] Cash receipts from farm marketings, value of farm products consumed in farm households, gross rental value of farm dwellings, and Government payments to farmers.

[2] Realized gross farm income less farm production expenses. Excludes farm wages paid to workers living on farms and any income to farm people from nonfarm sources, which in 1957 amounted to $1.8 billion and $6.3 billion, respectively.

[3] Data prior to 1946 differ from farm proprietors' income on pages 3 and 4 because of revisions by the Department of Agriculture not yet incorporated into the national income accounts of the Department of Commerce.

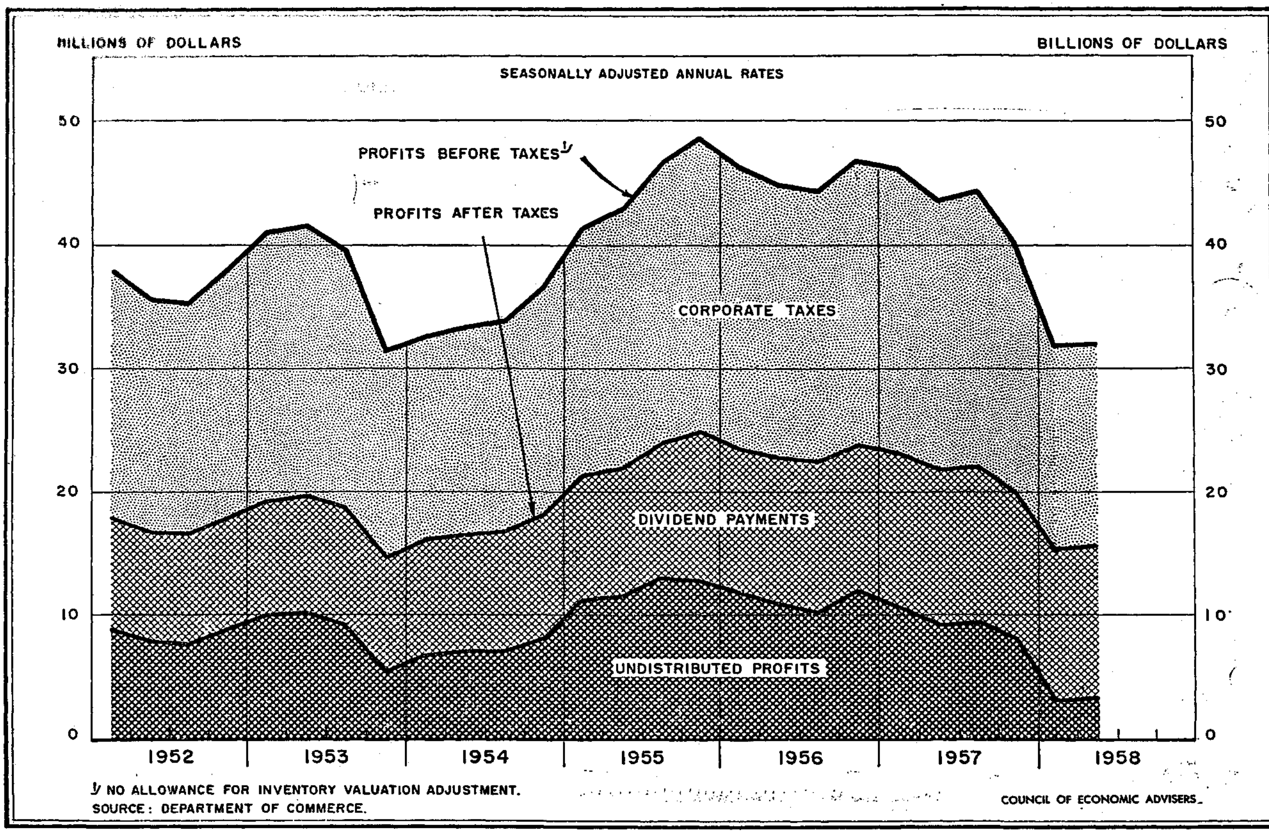
[4] Dollar estimates in current prices divided by the index of prices paid by farmers for items used in family living on a 1957 base.

[5] The number of farms is held constant within a given year.

Source: Department of Agriculture.

CORPORATE PROFITS

Corporate profits (seasonally adjusted) rose slightly in the second quarter of 1958.



[Billions of dollars]

Period	Corporate profits before taxes	Corporate tax liability	Corporate profits after taxes: Total	Dividend payments	Undistributed profits
1939	6.4	1.4	5.0	3.8	1.2
1948	33.0	12.5	20.5	7.2	13.3
1949	26.4	10.4	16.0	7.5	8.5
1951	42.2	22.4	19.7	9.0	10.7
1952	36.7	19.5	17.2	9.0	8.3
1953	38.3	20.2	18.1	9.2	8.9
1954	34.1	17.2	16.8	9.8	7.0
1955	44.9	21.8	23.0	11.2	11.8
1956	45.5	22.4	23.1	12.0	11.0
1957	43.4	21.6	21.8	12.4	9.4
	Seasonally adjusted annual rates				
1957: First quarter	46.1	23.0	23.1	12.5	10.6
Second quarter	43.5	21.7	21.8	12.6	9.2
Third quarter	44.2	22.0	22.1	12.7	9.4
Fourth quarter	39.9	19.9	20.0	12.0	8.0
1958: First quarter	31.7	16.1	15.5	12.5	3.0
Second quarter	32.0	16.3	15.7	12.4	3.3
Third quarter	(1)	(1)	(1)	12.5	(1)

1 Not available.

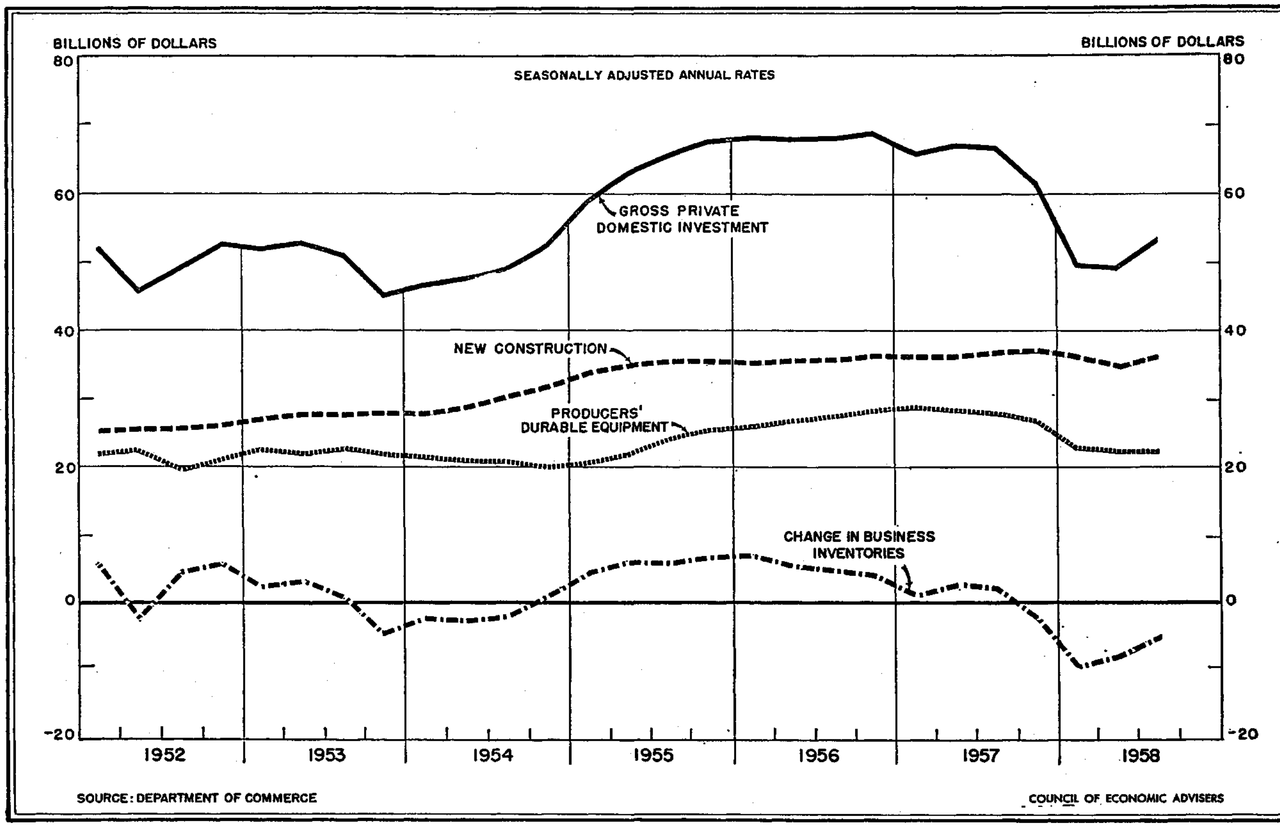
NOTE.—See p. 3 for profits before taxes and after inventory valuation adjustment.

Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

GROSS PRIVATE DOMESTIC INVESTMENT

Gross private domestic investment rose $4.5 billion (seasonally adjusted annual rate) between the second and third quarters of 1958, mainly due to a $3.0 billion reduction in the rate of inventory liquidation.



[Billions of dollars]

Period	Total gross private domestic investment	Fixed investment: Total	New construction[1]: Total	New construction[1]: Residential nonfarm	New construction[1]: Other	Producers' durable equipment	Change in business inventories: Total	Change in business inventories: Nonfarm
1939	9.3	8.9	4.8	2.7	2.1	4.2	0.4	0.3
1948	43.1	38.4	19.5	10.1	9.3	18.9	4.7	3.0
1949	33.0	36.0	18.8	9.6	9.2	17.2	−3.1	−2.2
1951	56.3	46.1	24.8	12.5	12.3	21.3	10.2	9.1
1952	49.9	46.8	25.5	12.8	12.7	21.3	3.1	2.1
1953	50.3	49.9	27.6	13.8	13.8	22.3	.4	1.1
1954	48.9	50.5	29.7	15.4	14.3	20.8	−1.6	−2.1
1955	63.8	58.1	34.9	18.7	16.2	23.1	5.8	5.5
1956	68.2	62.7	35.7	17.7	18.1	27.0	5.4	5.9
1957	65.3	64.3	36.5	17.0	19.5	27.9	1.0	.2
	Seasonally adjusted annual rates							
1957: First quarter	65.9	64.8	36.1	17.2	18.9	28.7	1.1	.6
Second quarter	67.0	64.2	36.1	16.5	19.6	28.1	2.9	2.0
Third quarter	66.7	64.6	36.6	16.9	19.7	28.0	2.2	1.3
Fourth quarter	61.5	63.8	37.1	17.6	19.6	26.7	−2.3	−3.1
1958: First quarter	49.6	59.2	36.3	17.1	19.2	22.9	−9.5	−9.3
Second quarter	49.2	57.2	34.9	16.2	18.7	22.3	−8.0	−7.8
Third quarter	53.7	58.6	36.3	17.9	18.4	22.3	−5.0	−5.4

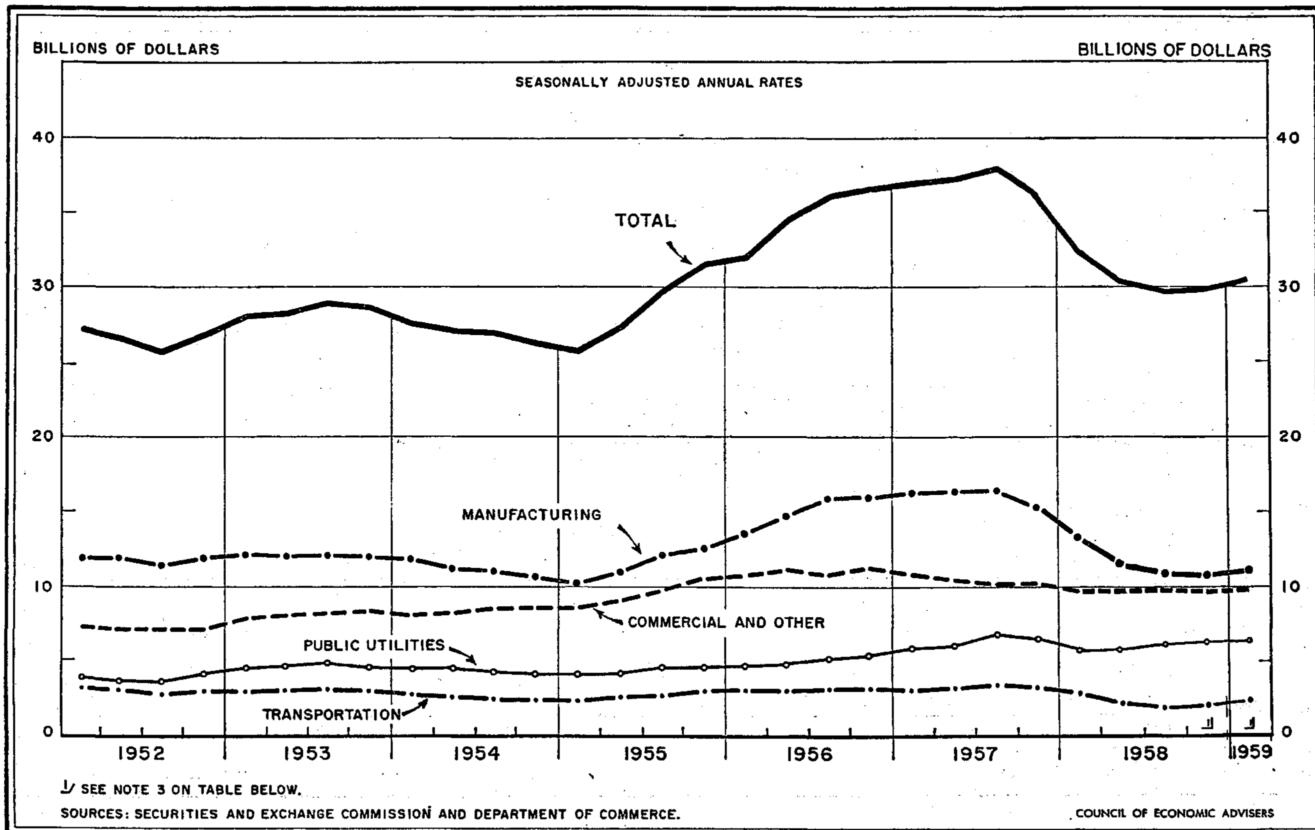
[1] "Other" construction in this series includes petroleum and natural gas well drilling, which are excluded from estimates on p. 19.

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

Source: Department of Commerce.

EXPENDITURES FOR NEW PLANT AND EQUIPMENT

The October–December survey of business expenditures on plant and equipment indicated that anticipated capital outlays in the fourth quarter would be $29.9 billion (seasonally adjusted annual rate), slightly higher than expenditures in the third quarter. A further moderate rise to $30.5 billion in the first quarter of 1959 was indicated.



[Billions of dollars]

Period	Total [1]	Manufacturing: Total	Manufacturing: Durable goods	Manufacturing: Nondurable goods	Mining	Transportation: Railroads	Transportation: Other	Public utilities	Commercial and other [2]
1939	5.51	1.94	0.76	1.19	0.33	0.28	0.36	0.52	2.08
1948	22.06	9.13	3.48	5.65	.88	1.32	1.28	2.54	6.90
1949	19.28	7.15	2.59	4.56	.79	1.35	.89	3.12	5.98
1950	20.60	7.49	3.14	4.36	.71	1.11	1.21	3.31	6.78
1951	25.64	10.85	5.17	5.68	.93	1.47	1.49	3.66	7.24
1952	26.49	11.63	5.61	6.02	.98	1.40	1.50	3.89	7.09
1953	28.32	11.91	5.65	6.26	.99	1.31	1.56	4.55	8.00
1954	26.83	11.04	5.09	5.95	.98	.85	1.51	4.22	8.23
1955	28.70	11.44	5.44	6.00	.96	.92	1.60	4.31	9.47
1956	35.08	14.95	7.62	7.33	1.24	1.23	1.71	4.90	11.05
1957	36.96	15.96	8.02	7.94	1.24	1.40	1.77	6.20	10.40
1958 [3]	30.53	11.50	5.54	5.96	.92	.76	1.50	6.10	9.74
	Seasonally adjusted annual rates								
1957: Third quarter	37.75	16.37	8.23	8.14	1.24	1.54	1.81	6.64	10.15
Fourth quarter	36.23	15.27	7.57	7.70	1.15	1.26	1.91	6.43	10.21
1958: First quarter	32.41	13.20	6.58	6.62	1.00	1.02	1.69	5.87	9.63
Second quarter	30.32	11.53	5.57	5.96	.92	.77	1.40	5.97	9.73
Third quarter	29.61	10.86	5.16	5.70	.88	.63	1.29	6.10	9.85
Fourth quarter [3]	29.93	10.79	5.11	5.68	.91	.59	1.64	6.32	9.68
1959: First quarter [3]	30.51	11.06	5.35	5.71	.84	.54	1.72	6.41	9.94

[1] Excludes agriculture.
[2] Commercial and other includes trade, service, finance, communications, and construction.
[3] Estimates based on anticipated capital expenditures as reported by business between late October and early December 1958.

NOTE.—Annual total is the sum of unadjusted expenditures; it does not necessarily coincide with the average of seasonally adjusted figures, which include adjustments, when necessary, for systematic tendencies in anticipatory data. These figures do not agree with the totals included in the gross national product estimates of the Department of Commerce, principally because the latter cover agricultural investment and also certain equipment and construction outlays charged to current expense.

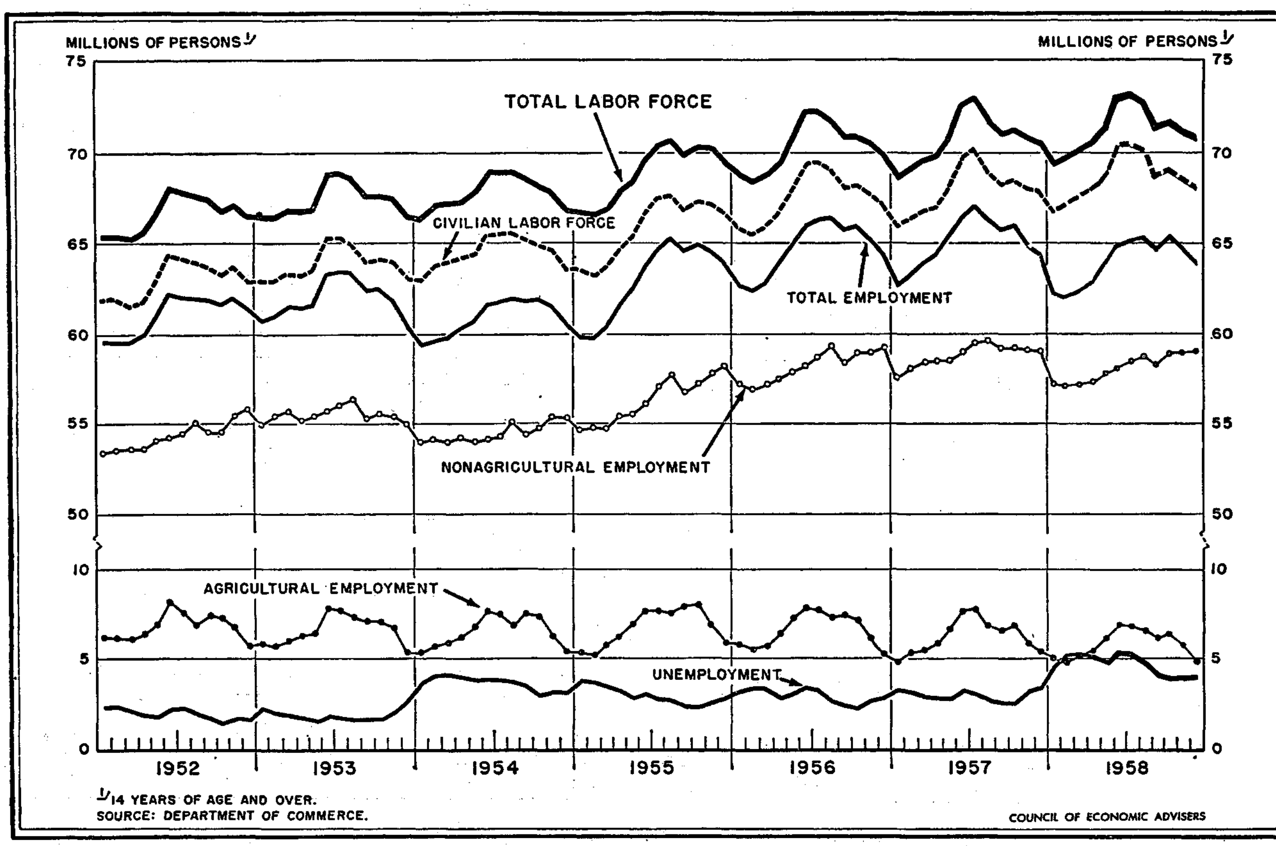
Detail will not necessarily add to totals because of rounding.

Sources: Securities and Exchange Commission and Department of Commerce.

EMPLOYMENT, UNEMPLOYMENT, AND WAGES

STATUS OF THE LABOR FORCE

Total employment declined by 700,000, approximately the usual December change. Unemployment increased to 4.1 million in December, slightly more than is usual at this time of year.



Period	Total labor force (including armed forces)[1]	Civilian labor force[1]	Civilian employment[1]: Total	Civilian employment[1]: Agricultural	Civilian employment[1]: Nonagricultural	Unemployment[1]: Number	Unemployment[1]: % of civilian labor force: Unadjusted	Unemployment[1]: % of civilian labor force: Seas. adj.	Insured unemployment[2]: All programs (thousands of persons)	Insured unemployment[2]: State programs as % of covered employment
	Thousands of persons 14 years of age and over									
1939	55,600	55,230	45,750	9,610	36,140	9,480	17.2			5.1
New definitions:[1]										
1952	66,560	62,966	61,035	6,792	54,243	1,932	3.1		1,064	2.9
1953	67,362	63,815	61,945	6,555	55,390	1,870	2.9		1,058	2.8
1954	67,818	64,468	60,890	6,495	54,395	3,578	5.6		2,039	5.2
1955	68,896	65,848	62,944	6,718	56,225	2,904	4.4		1,388	3.4
1956	70,387	67,530	64,708	6,572	58,135	2,822	4.2		1,312	3.1
1957	70,746	67,946	65,011	6,222	58,789	2,936	4.3		1,560	3.5
1957: November	70,790	68,061	64,873	5,817	59,057	3,188	4.7	*4.9*	1,623	3.6
December	70,458	67,770	64,396	5,385	59,012	3,374	5.0	*5.0*	2,256	5.1
1958: January	69,379	66,732	62,238	4,998	57,240	4,494	6.7	*5.8*	3,065	6.9
February	69,804	67,160	61,988	4,830	57,158	5,173	7.7	*6.7*	3,375	7.6
March	70,158	67,510	62,311	5,072	57,239	5,198	7.7	*7.0*	3,505	7.9
April	70,681	68,027	62,907	5,558	57,349	5,120	7.5	*7.5*	3,527	7.9
May	71,603	68,965	64,061	6,272	57,789	4,904	7.1	*7.2*	3,186	7.1
June	73,049	70,418	64,981	6,900	58,081	5,437	7.7	*6.8*	2,847	6.3
July	73,104	70,473	65,179	6,718	58,461	5,294	7.5	*7.3*	2,717	6.0
August	72,703	70,067	65,367	6,621	58,746	4,699	6.7	*7.6*	2,374	5.2
September	71,375	68,740	64,629	6,191	58,438	4,111	6.0	*7.2*	2,062	4.5
October	71,743	69,111	65,306	6,404	58,902	3,805	5.5	*7.1*	1,862	4.1
November	71,112	68,485	64,653	5,695	58,958	3,833	5.6	*5.9*	1,957	4.3
December	70,701	68,081	63,973	4,871	59,102	4,108	6.0	*6.1*	[3]2,300	[3]5.0

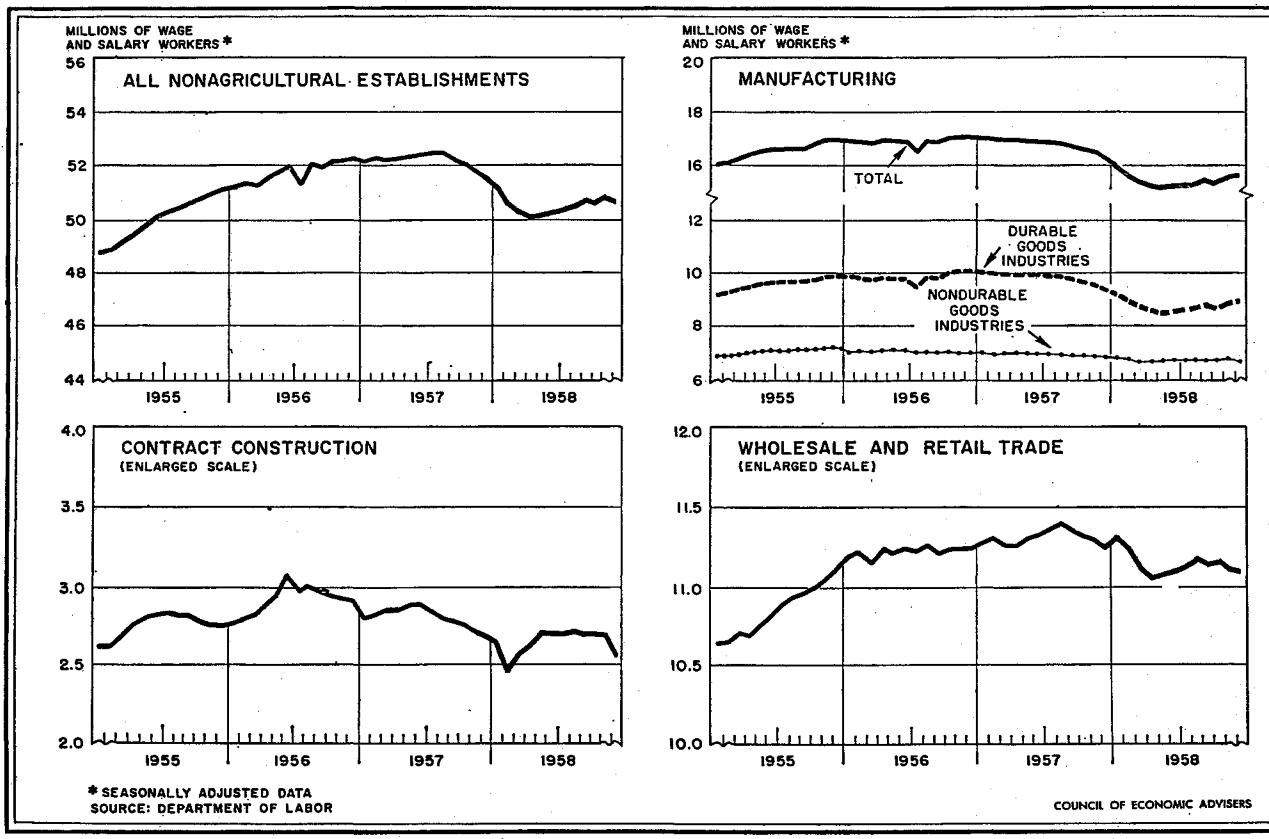
[1] See *Monthly Reports on the Labor Force*, Department of Commerce, for definitions, methods of estimation, periods to which data pertain, etc.

[2] Weekly averages.

Sources: Department of Commerce, Department of Labor, and Council of Economic Advisers.

NONAGRICULTURAL EMPLOYMENT

Employment in nonagricultural establishments declined by 100,000 (seasonally adjusted) in December. Fewer jobs in construction accounted for most of the change.



[Thousands of wage and salary workers [1]]

Period	Total, unadjusted	Total	Manufacturing: Total	Manufacturing: Durable goods	Manufacturing: Nondurable goods	Mining	Contract construction	Wholesale and retail trade	Government (Federal, State, local)	Other
1939	*30, 311*	30, 311	10, 078	4, 683	5, 394	845	1, 150	6, 612	3, 995	7, 632
1952	*48, 303*	48, 303	16, 334	9, 340	6, 994	885	2, 634	10, 281	6, 609	11, 563
1953	*49, 681*	49, 681	17, 238	10, 105	7, 133	852	2, 622	10, 527	6, 645	11, 797
1954	*48, 431*	48, 431	15, 995	9, 122	6, 873	777	2, 593	10, 520	6, 751	11, 795
1955	*50, 056*	50, 056	16, 563	9, 549	7, 014	777	2, 759	10, 846	6, 914	12, 197
1956	*51, 766*	51, 766	16, 903	9, 835	7, 068	807	2, 929	11, 221	7, 277	12, 629
1957	*52, 162*	52, 162	16, 782	9, 821	6, 961	809	2, 808	11, 302	7, 626	12, 835
		Adjusted for seasonal variation								
1957: November	*52, 316*	51, 758	16, 455	9, 562	6, 893	789	2, 710	11, 290	7, 671	12, 843
December	*52, 610*	51, 516	16, 252	9, 393	6, 859	784	2, 679	11, 237	7, 747	12, 817
1958: January	*50, 477*	51, 223	15, 965	9, 155	6, 810	766	2, 652	11, 305	7, 754	12, 781
February	*49, 777*	50, 575	15, 648	8, 895	6, 753	747	2, 455	11, 235	7, 766	12, 724
March	*49, 690*	50, 219	15, 389	8, 717	6, 672	733	2, 573	11, 116	7, 788	12, 620
April	*49, 726*	50, 054	15, 243	8, 566	6, 677	723	2, 624	11, 050	7, 816	12, 598
May	*49, 949*	50, 147	15, 202	8, 498	6, 704	718	2, 698	11, 087	7, 835	12, 607
June	*50, 413*	50, 315	15, 275	8, 556	6, 719	713	2, 698	11, 105	7, 877	12, 647
July	*50, 178*	50, 411	15, 312	8, 596	6, 716	709	2, 693	11, 121	7, 903	12, 673
August	*50, 576*	50, 570	15, 330	8, 605	6, 725	701	2, 711	11, 175	7, 989	12, 664
September	*51, 237*	50, 780	15, 529	8, 801	6, 728	707	2, 698	11, 151	8, 005	12, 690
October	*51, 136*	50, 582	15, 358	8, 625	6, 733	708	2, 698	11, 154	7, 986	12, 678
November [2]	*51, 378*	50, 825	15, 664	8, 914	6, 750	708	2, 692	11, 110	7, 962	12, 689
December [2]	*51, 825*	50, 736	15, 667	8, 940	6, 727	708	2, 550	11, 100	8, 017	12, 694

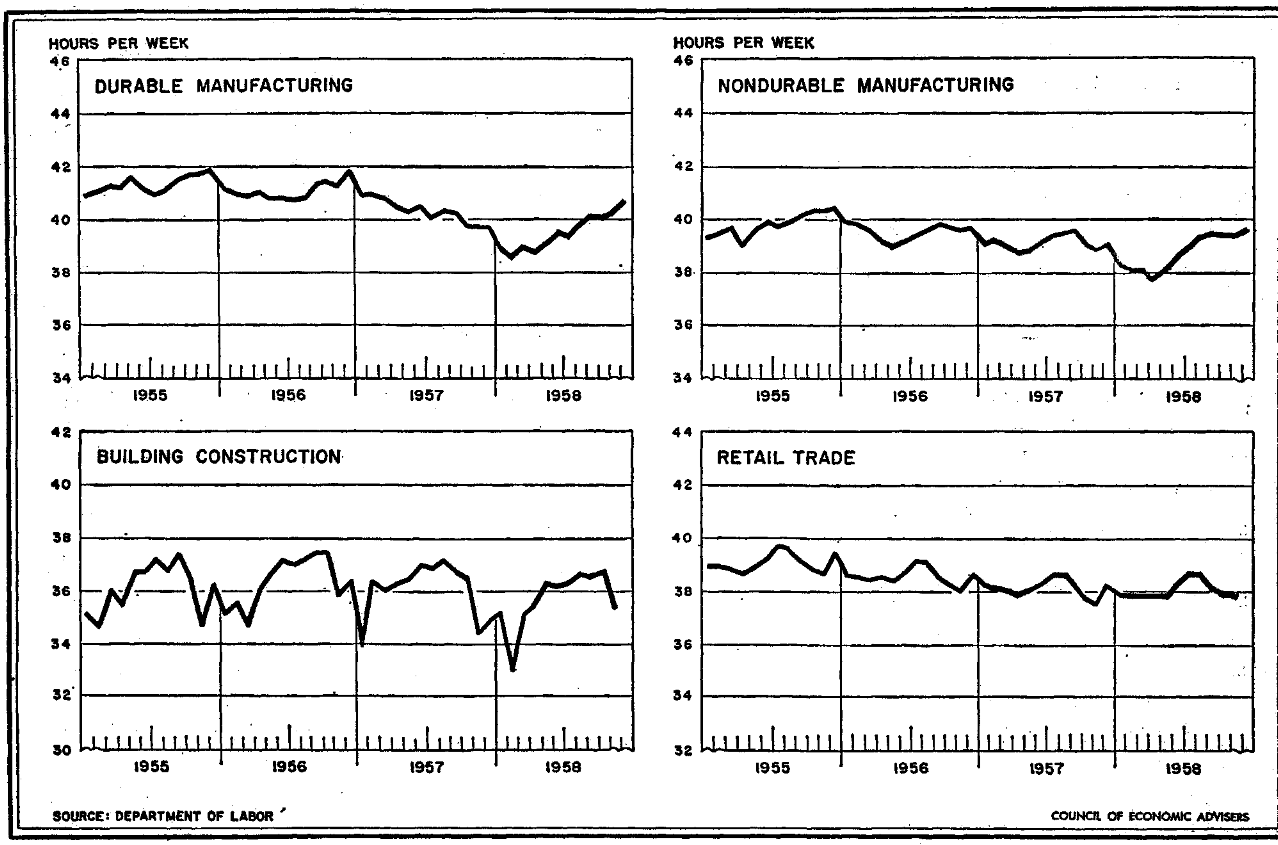
[1] Includes all full- and part-time wage and salary workers in nonagricultural establishments who worked during or received pay for any part of the pay period ending nearest the 15th of the month. Excludes proprietors, self-employed persons, domestic servants, and personnel of the armed forces. Total derived from this table not comparable with estimates of nonagricultural employment of the civilian labor force reported by the Department of Commerce (p. 11) which include proprietors, self-employed persons, and domestic servants; which count persons as employed when they are not at work because of industrial disputes; and which are based on an enumeration of population, whereas the estimates in this table are based on reports from employing establishments.

[2] Preliminary estimates.

Source: Department of Labor.

AVERAGE WEEKLY HOURS - SELECTED INDUSTRIES

The average workweek of production workers in manufacturing industries increased from 39.9 in November to 40.2 hours in December, in line with seasonal changes.



[Hours per week, for production workers or nonsupervisory employees]

Period	Manufacturing			Building construction	Retail trade
	Total	Durable goods	Nondurable goods		
1939	37.7	38.0	37.4	32.6	42.7
1948	40.1	40.5	39.6	[1] 37.3	40.3
1949	39.2	39.5	38.8	36.7	40.4
1951	40.7	41.6	39.5	37.2	40.2
1952	40.7	41.5	39.6	38.1	39.9
1953	40.5	41.3	39.5	37.0	39.2
1954	39.7	40.2	39.0	36.2	39.1
1955	40.7	41.4	39.8	36.2	39.0
1956	40.4	41.1	39.5	36.4	38.6
1957	39.8	40.3	39.1	36.1	38.1
1957: November	39.3	39.7	38.8	34.4	37.5
December	39.4	39.7	39.0	34.9	38.3
1958: January	38.7	38.9	38.3	35.2	37.8
February	38.4	38.6	38.1	33.0	37.8
March	38.6	39.0	38.1	35.2	37.8
April	38.3	38.8	37.7	35.5	37.8
May	38.7	39.1	38.1	36.3	37.8
June	39.2	39.6	38.7	36.2	38.2
July	39.2	39.4	39.0	36.3	38.7
August	39.6	39.8	39.4	36.7	38.7
September	39.9	40.2	39.5	36.5	38.0
October	39.8	40.1	39.4	36.8	37.9
November [2]	39.9	40.3	39.4	35.4	37.8
December [2]	40.2	40.7	39.6	(3)	(3)

[1] Data beginning with January 1948 are not strictly comparable with those for earlier periods.
[2] Preliminary estimates.
[3] Not available.

Source: Department of Labor.

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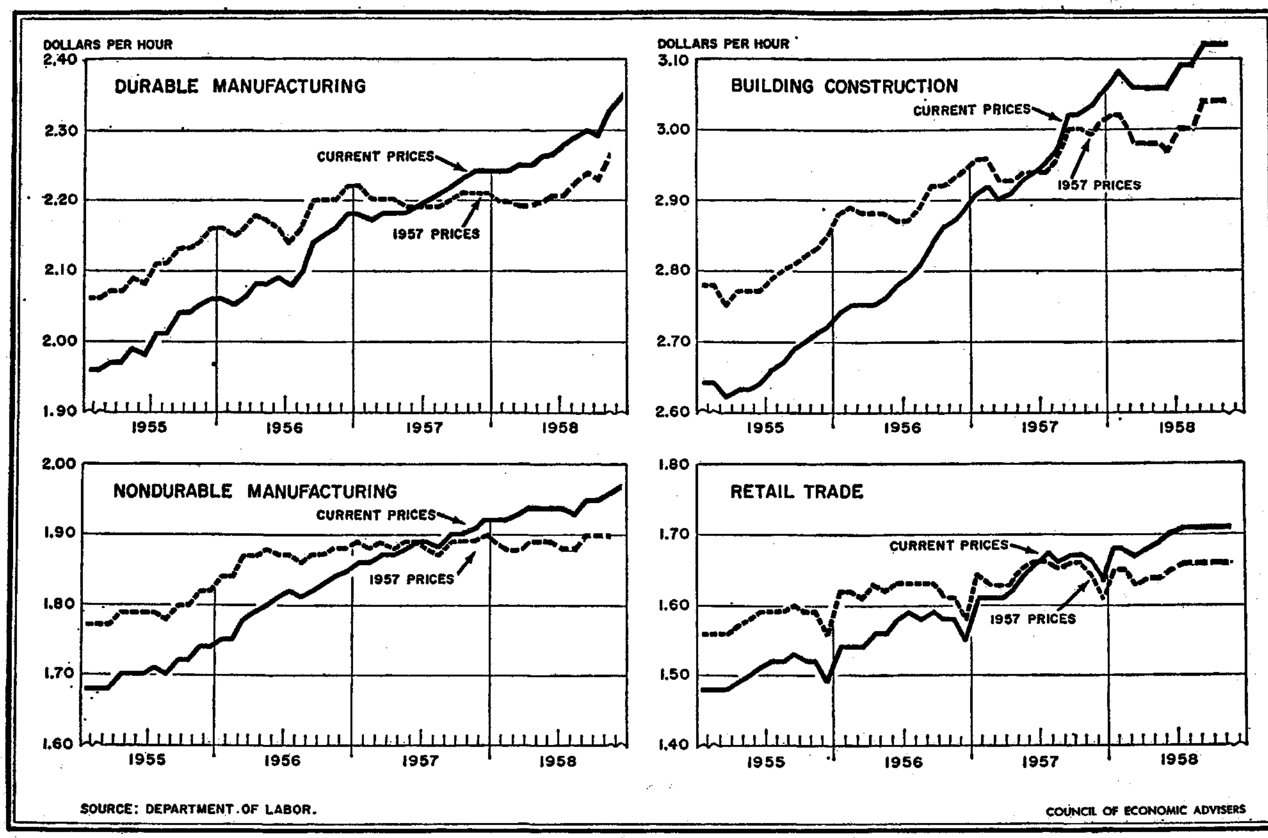
AVERAGE HOURLY EARNINGS - SELECTED INDUSTRIES

Average hourly earnings of production workers in manufacturing industries increased to $2.19 in December, 9 cents above the level of December 1957.



[For production workers or nonsupervisory employees]

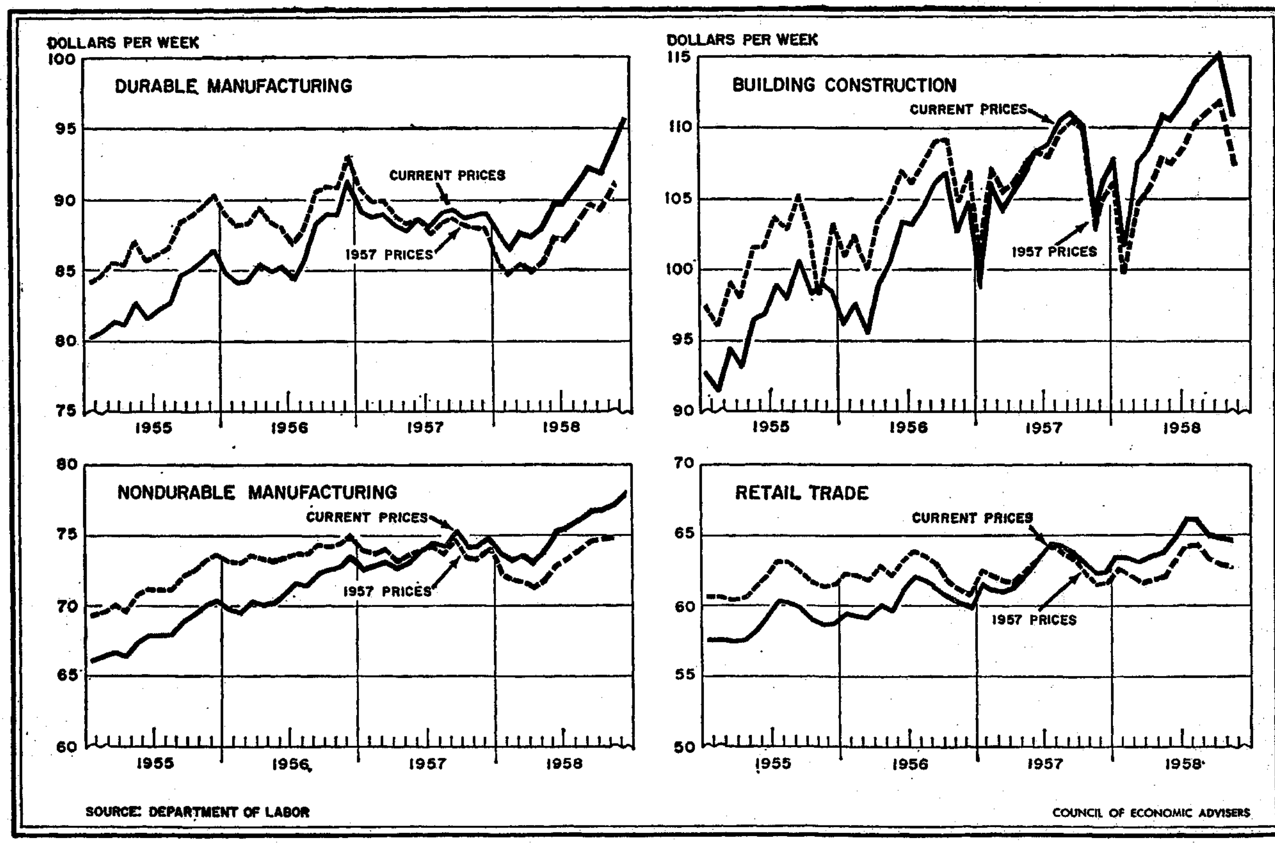
Period	All manufacturing		Durable goods manufacturing		Nondurable goods manufacturing		Building construction		Retail trade	
	Current prices	1957 prices [1]	Current prices	1957 prices [1]	Current prices	1957 prices [1]	Current prices	1957 prices [1]	Current prices	1957 prices [1]
1939	$0.633	$1.281	$0.698	$1.413	$0.582	$1.178	$0.932	$1.887	$0.542	$1.097
1948	1.350	1.579	1.410	1.649	1.278	1.495	[2] 1.848	[2] 2.161	1.088	1.273
1949	1.401	1.654	1.469	1.734	1.325	1.564	1.935	2.285	1.137	1.342
1951	1.59	1.72	1.67	1.81	1.48	1.60	2.19	2.37	1.26	1.37
1952	1.67	1.77	1.77	1.88	1.54	1.63	2.31	2.45	1.32	1.40
1953	1.77	1.86	1.87	1.96	1.61	1.69	2.48	2.61	1.40	1.47
1954	1.81	1.90	1.92	2.01	1.66	1.74	2.60	2.72	1.45	1.52
1955	1.88	1.97	2.01	2.11	1.71	1.79	2.66	2.79	1.50	1.57
1956	1.98	2.05	2.10	2.17	1.80	1.86	2.80	2.90	1.57	1.62
1957	2.07	2.07	2.20	2.20	1.88	1.88	2.96	2.96	1.64	1.64
1957: November	2.11	2.08	2.24	2.21	1.91	1.89	3.03	2.99	1.66	1.64
December	2.10	2.08	2.24	2.21	1.92	1.90	3.05	3.01	1.63	1.61
1958: January	2.11	2.07	2.24	2.20	1.92	1.89	3.07	3.02	1.68	1.65
February	2.10	2.06	2.24	2.20	1.92	1.88	3.08	3.02	1.68	1.65
March	2.11	2.06	2.25	2.19	1.93	1.88	3.06	2.98	1.67	1.63
April	2.11	2.05	2.25	2.19	1.94	1.89	3.06	2.98	1.68	1.64
May	2.12	2.06	2.26	2.20	1.94	1.89	3.06	2.98	1.69	1.64
June	2.12	2.06	2.27	2.21	1.94	1.89	3.06	2.97	1.70	1.65
July	2.13	2.07	2.28	2.21	1.94	1.88	3.09	3.00	1.71	1.66
August	2.13	2.07	2.29	2.23	1.93	1.88	3.09	3.00	1.71	1.66
September	2.14	2.08	2.30	2.24	1.95	1.90	3.13	3.04	1.71	1.66
October	2.14	2.08	2.29	2.23	1.95	1.90	3.13	3.04	1.71	1.66
November [3]	2.17	2.10	2.33	2.26	1.96	1.90	3.13	3.04	1.71	1.66
December [3]	2.19	(4)	2.35	(4)	1.97	(4)	(4)	(4)	(4)	(4)

[1] Earnings in current prices divided by consumer price index on a 1957 base.
[2] Data beginning with January 1948 are not strictly comparable with those for earlier periods.
[3] Preliminary estimates.
[4] Not available.

Source: Department of Labor.

AVERAGE WEEKLY EARNINGS - SELECTED INDUSTRIES

Average weekly earnings in manufacturing again increased sharply, and at $88.04 in December were $5.30 above the level of a year ago.



[For production workers or nonsupervisory employees]

Period	All manufacturing		Durable goods manufacturing		Nondurable goods manufacturing		Building construction		Retail trade	
	Current prices	1957 prices [1]	Current prices	1957 prices [1]	Current prices	1957 prices [1]	Current prices	1957 prices [1]	Current prices	1957 prices [1]
1939	$23.86	$48.30	$26.50	$53.64	$21.78	$44.09	$30.39	$61.52	$23.14	$46.84
1948	54.14	63.32	57.11	66.80	50.61	59.19	[2] 68.85	[2] 80.53	43.85	51.29
1949	54.92	64.84	58.03	68.51	51.41	60.70	70.95	83.77	45.93	54.23
1951	64.71	70.11	69.47	75.27	58.46	63.34	81.47	88.27	50.65	54.88
1952	67.97	72.00	73.46	77.82	60.98	64.60	88.01	93.23	52.67	55.79
1953	71.69	75.30	77.23	81.12	63.60	66.81	91.76	96.39	54.88	57.65
1954	71.86	75.25	77.18	80.82	64.74	67.79	94.12	98.55	56.70	59.37
1955	76.52	80.29	83.21	87.31	68.06	71.42	96.29	101.04	58.50	61.39
1956	79.99	82.72	86.31	89.26	71.10	73.53	101.92	105.40	60.60	62.67
1957	82.39	82.39	88.66	88.66	73.51	73.51	106.86	106.86	62.48	62.48
1957: November	82.92	81.94	88.93	87.88	74.11	73.23	104.23	102.99	62.25	61.51
December	82.74	81.76	88.93	87.88	74.88	73.99	106.45	105.19	62.43	61.69
1958: January	81.66	80.29	87.14	85.68	73.54	72.31	108.06	106.25	63.50	62.44
February	80.64	79.14	86.46	84.85	73.15	71.79	101.64	99.74	63.50	62.32
March	81.45	79.39	87.75	85.53	73.53	71.67	107.71	104.98	63.13	61.53
April	80.81	78.69	87.30	85.00	73.14	71.22	108.63	105.77	63.50	61.83
May	82.04	79.81	88.37	85.96	73.91	71.90	111.08	108.05	63.88	62.14
June	83.10	80.76	89.89	87.36	75.08	72.96	110.77	107.65	64.94	63.11
July	83.50	80.99	89.83	87.13	75.66	73.39	112.17	108.80	66.18	64.19
August	84.35	81.97	91.14	88.57	76.04	73.90	113.40	110.20	66.18	64.31
September	85.39	82.98	92.46	89.85	77.03	74.86	114.25	111.03	64.98	63.15
October	85.17	82.77	91.83	89.24	76.83	74.66	115.18	111.93	64.81	62.98
November [3]	86.58	83.98	93.90	91.08	77.22	74.90	110.80	107.47	64.64	62.70
December [3]	88.04	(4)	95.65	(4)	78.01	(4)	(4)	(4)	(4)	(4)

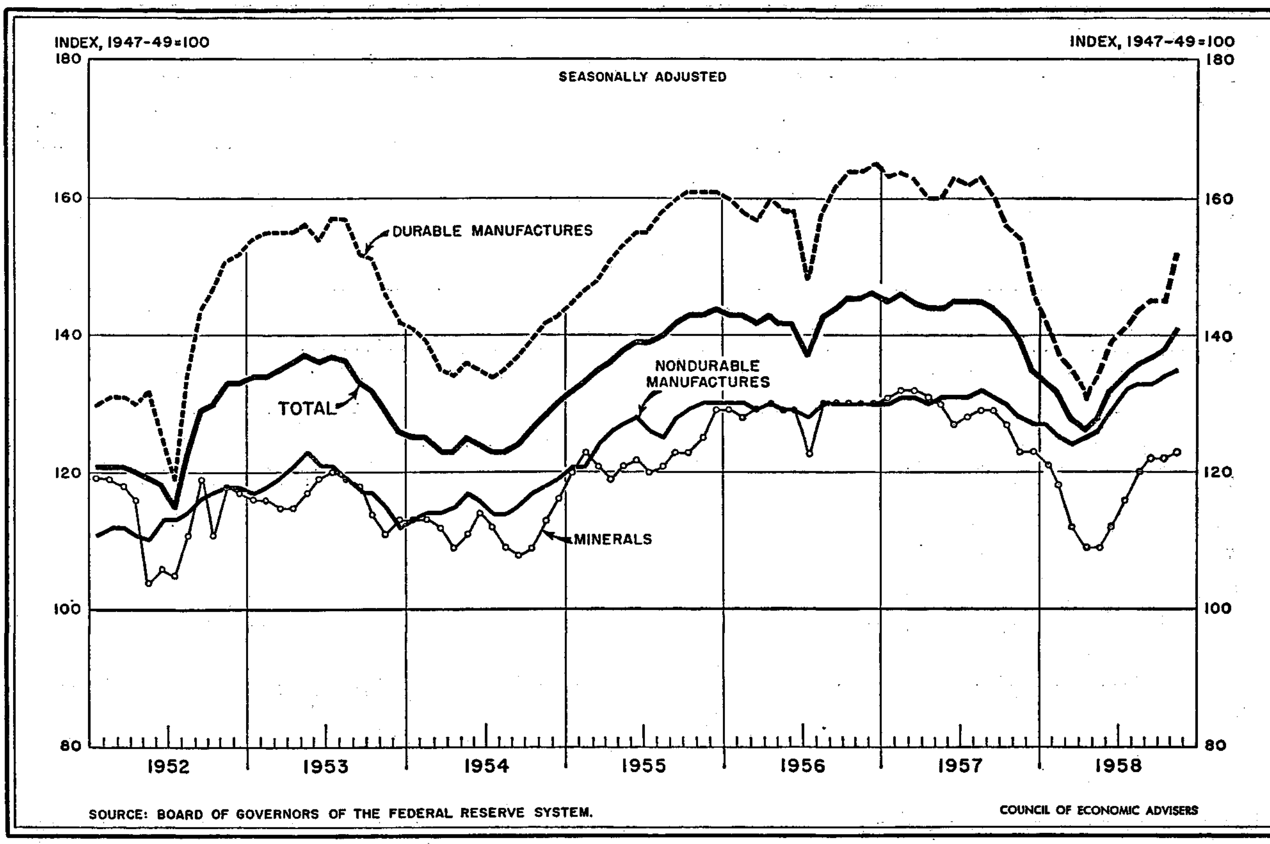
[1] Earnings in current prices divided by consumer price index on a 1957 base.
[2] Data beginning with January 1948 are not strictly comparable with those for earlier periods.
[3] Preliminary estimates.
[4] Not available.

Source: Department of Labor.

PRODUCTION AND BUSINESS ACTIVITY

INDUSTRIAL PRODUCTION

The index of industrial production (seasonally adjusted) rose in December to 142 (1947–49=100), 1 point above November but 3 points below August 1957.



[1947–49=100, seasonally adjusted]

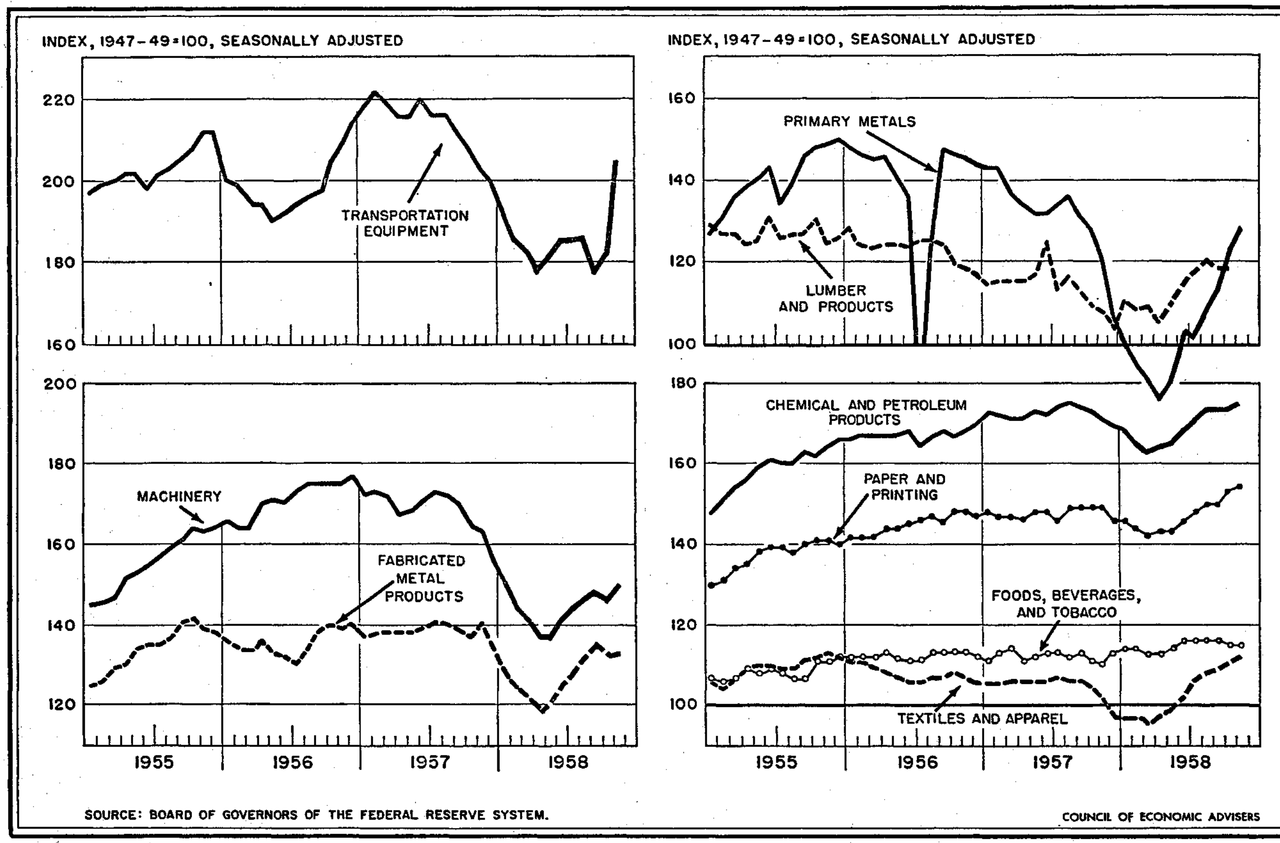
Period	Total industrial production	Manufactures: Total	Manufactures: Durable	Manufactures: Nondurable	Minerals
1939	58	57	49	66	68
1948	104	103	104	102	106
1949	97	97	95	99	94
1951	120	121	128	114	115
1952	124	125	136	114	114
1953	134	136	153	118	116
1954	125	127	137	116	111
1955	139	140	155	126	122
1956	143	144	159	129	129
1957	143	145	160	130	128
1957: November	139	141	154	128	123
December	135	137	146	127	123
1958: January	133	135	142	127	121
February	130	131	137	125	118
March	128	129	135	124	112
April	126	128	131	125	109
May	128	130	134	126	109
June	132	134	139	129	112
July	134	136	141	132	116
August	136	138	144	133	120
September	137	139	145	133	123
October	138	140	146	134	122
November	141	144	152	135	123
December [1]	142	144	152	136	123

[1] Preliminary estimates, not charted.

Source: Board of Governors of the Federal Reserve System.

PRODUCTION OF SELECTED MANUFACTURES

In December, small offsetting changes in manufacturing output occurred among durable goods industries. Output of most nondurable industries increased slightly.



[1947–49=100, seasonally adjusted]

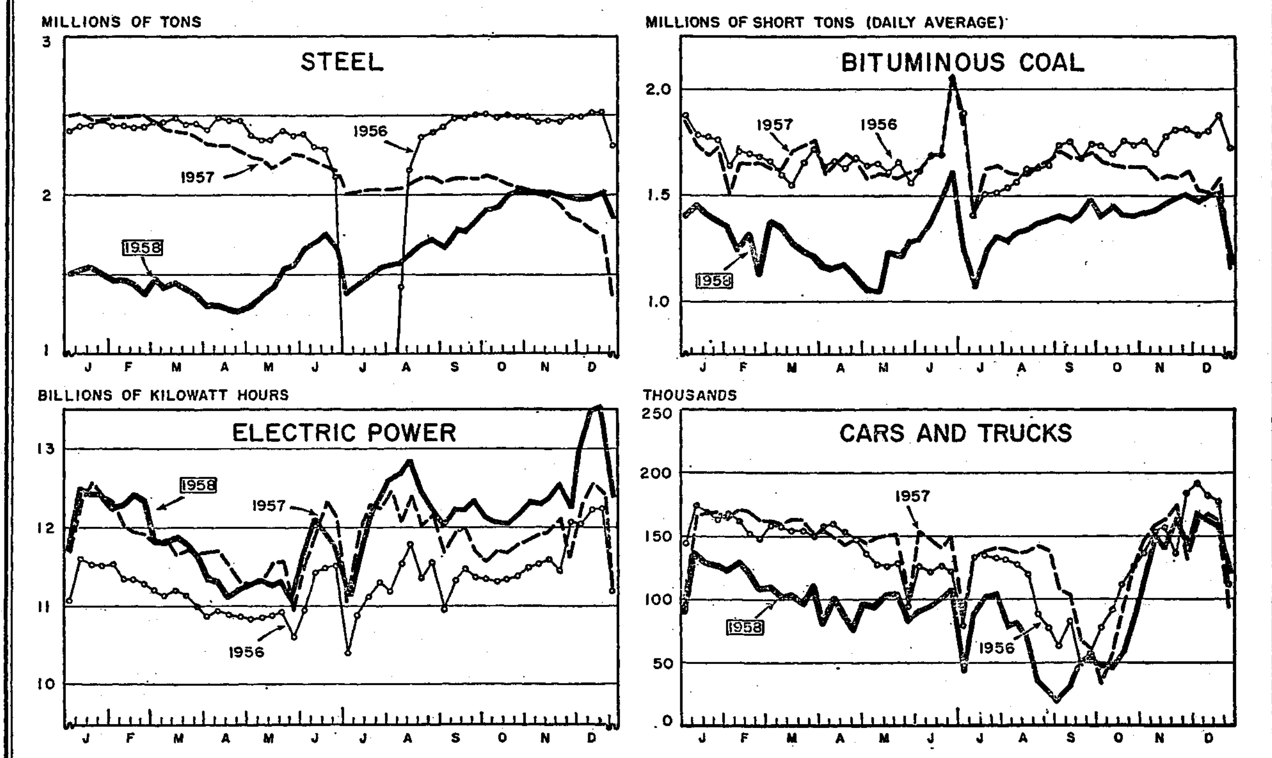
Period	Durable manufactures					Nondurable manufactures				Consumer durable goods
	Primary metals	Fabricated metal products	Machinery	Transportation equipment	Lumber and products	Textiles and apparel	Paper and printing	Chemical and petroleum products	Foods, beverages, and tobacco	
1939	54	52	38	47	80	80	66	49	65	--------
1948	107	104	104	102	106	103	103	103	100	102
1949	90	93	93	102	93	97	101	100	100	101
1951	126	122	130	135	113	106	118	132	105	114
1952	116	121	147	154	111	105	118	133	106	105
1953	132	136	160	189	118	107	125	142	107	127
1954	108	123	142	175	115	100	125	142	106	116
1955	140	134	155	203	127	109	137	159	109	147
1956	138	135	171	199	123	108	145	167	112	131
1957	131	139	168	213	114	105	148	172	112	130
1957: November	121	141	163	203	107	101	149	171	110	128
December	107	135	156	194	103	97	146	169	113	119
1958: January	100	129	151	191	110	97	146	168	114	113
February	95	124	144	185	108	97	144	164	114	110
March	91	122	141	183	109	95	142	163	113	104
April	86	118	137	178	105	98	143	164	113	97
May	91	120	137	182	110	99	143	165	114	105
June	103	125	141	185	114	102	146	168	116	111
July	102	129	144	185	118	107	148	171	116	114
August	109	132	147	186	120	108	150	174	116	115
September	113	135	148	178	118	109	150	174	116	103
October	122	133	147	183	118	110	153	175	116	108
November	123	136	150	205	125	112	152	176	116	134
December [1]	123	137	152	203	(2)	112	153	178	116	137

[1] Preliminary estimates, not charted.
[2] Not available.

Source: Board of Governors of the Federal Reserve System.

WEEKLY INDICATORS OF PRODUCTION

Weekly indicators of production continued at a high level during most of December but fell towards the end of the month, reflecting holiday shut-downs.



SOURCES: AMERICAN IRON AND STEEL INSTITUTE, DEPARTMENT OF THE INTERIOR, EDISON ELECTRIC INSTITUTE, AND WARD'S AUTOMOTIVE REPORTS.

COUNCIL OF ECONOMIC ADVISERS

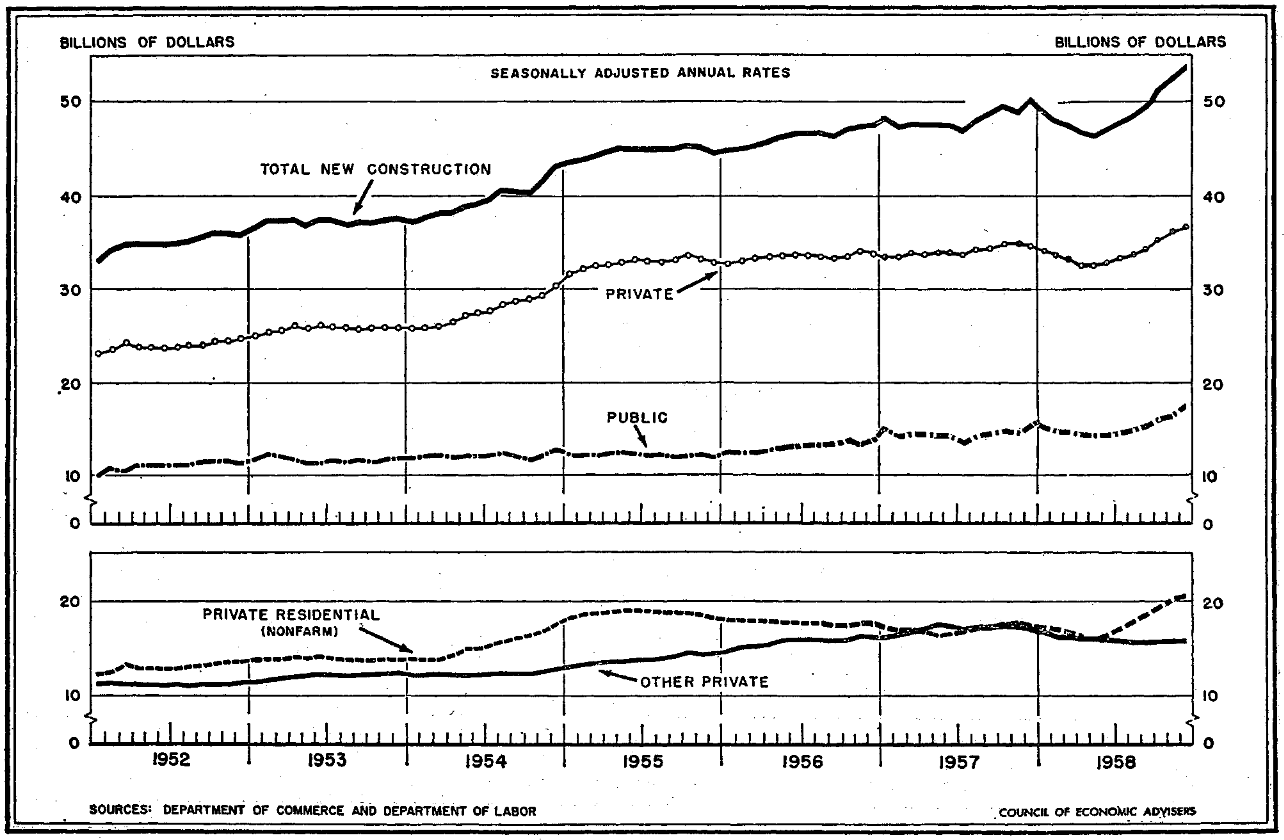
Period	Steel produced [1]		Electric power distributed (millions of kilowatt-hours)	Bituminous coal mined (thousands of short tons) [2]	Freight loaded (thousands of cars)	Paperboard produced (thousands of tons)	Cars and trucks assembled (thousands)		
	Thousands of net tons	Index (1947–49=100)					Total	Cars	Trucks
Weekly average:									
1954	1, 694	105. 4	8, 883	1, 303	652	236	125. 6	106. 0	19. 7
1955	2, 245	139. 7	10, 318	1, 542	724	269	176. 7	152. 7	24. 0
1956	2, 204	137. 2	11, 292	1, 693	728	274	132. 8	111. 6	21. 2
1957	2, 162	134. 6	11, 873	1, 644	683	272	138. 5	117. 6	20. 9
1957: November	1, 956	121. 8	11, 904	1, 559	627	286	157. 9	136. 3	21. 6
December	1, 679	104. 5	12, 129	1, 487	555	263	146. 5	126. 4	20. 1
1958: January	1, 525	94. 9	12, 247	1, 450	543	224	120. 9	103. 7	17. 2
February	1, 446	90. 0	12, 212	1, 310	528	262	116. 3	98. 0	18. 3
March	1, 412	87. 9	11, 764	1, 228	537	270	103. 2	86. 2	17. 0
April	1, 290	80. 3	11, 239	1, 183	528	257	88. 8	71. 9	16. 9
May	1, 422	88. 5	11, 261	1, 139	549	260	96. 6	79. 8	16. 8
June	1, 661	103. 4	11, 872	1, 419	622	272	99. 0	82. 1	16. 9
July	1, 458	90. 7	12, 051	1, 313	552	234	82. 8	68. 4	14. 4
August	1, 650	102. 7	12, 579	1, 287	631	296	53. 5	42. 0	11. 5
September	1, 783	111. 0	12, 214	1, 438	642	286	38. 9	29. 0	9. 9
October	1, 995	124. 2	12, 146	1, 459	682	311	71. 9	56. 7	15. 2
November	1, 998	124. 3	12, 386	1, 421	615	304	149. 7	126. 2	23. 5
December [3]	1, 971	122. 7	12, 949	1, 470	531	262	144. 3	124. 8	19. 6
Week ended:									
1958: December 6	1, 985	123. 6	13, 017	1, 461	594	277	170. 0	147. 4	22. 6
13	1, 985	123. 6	13, 450	1, 504	589	310	160. 7	137. 9	22. 8
20	2, 011	125. 2	13, 534	1, 505	571	296	159. 4	136. 0	23. 4
27	1, 840	114. 5	12, 379	1, 243	432	[4] 321	120. 1	104. 9	15. 2
1959: January 3 [3]	2, 058	128. 1	12, 364	1, 391	468		111. 5	97. 7	13. 8
10 [3]	2, 085	129. 8				[5] 304	156. 6	134. 3	22. 3
17 [3]	2, 123	132. 2							

[1] Weekly capacities (net tons) as of January 1 are: 2,384,549 (1954), 2,413,278 (1955), 2,455,300 (1956), 2,559,631 (1957), and 2,699,320 (1958).
[2] Daily average for week.
[3] Preliminary, weekly data not charted.
[4] For Dec. 22–31.
[5] For Jan. 1–10.

Sources: American Iron and Steel Institute, Edison Electric Institute, Department of the Interior, Association of American Railroads, National Paperboard Association, and Ward's Automotive Reports.

NEW CONSTRUCTION

Expenditures for both public and private construction (seasonally adjusted) increased during December, for the seventh consecutive month. Construction contracts continue higher than a year previously.



[Billions of dollars]

Period	Total new construction	Private: Total private	Private: Residential (nonfarm)	Private: Other	Federal, State, and local	Construction contracts[1]: 48 States[2]	Construction contracts[1]: 37 Eastern States[3]
1939	8.2	4.4	2.7	1.7	3.8		3.6
1952	34.8	23.8	12.8	11.0	10.9		16.8
1953	37.1	25.7	13.8	11.9	11.4		17.4
1954	39.6	27.7	15.4	12.3	11.9		19.8
1955	44.6	32.6	18.7	13.9	12.0		23.7
1956	46.3	33.3	17.7	15.6	13.0	31.6	[3] 24.6
1957	48.1	34.0	17.0	17.0	14.1	32.2	25.3
	Seasonally adjusted annual rates						
1957: November	49.2	34.8	17.7	17.2	14.4	33.5	26.5
December	50.1	34.6	17.5	17.1	15.5	25.3	20.3
1958: January	48.8	34.0	17.3	16.6	14.9	31.2	(3)
February	48.0	33.6	17.2	16.3	14.5	29.6	
March	47.6	33.1	16.8	16.3	14.5	32.1	
April	46.6	32.4	16.2	16.2	14.2	30.1	
May	46.5	32.4	16.2	16.2	14.2	35.9	
June	47.1	32.7	16.6	16.1	14.4	41.8	
July	47.8	33.1	17.2	15.9	14.7	38.8	
August	48.5	33.6	18.0	15.6	14.9	42.6	
September	49.4	34.2	18.5	15.7	15.3	36.2	
October	51.3	35.3	19.5	15.9	16.0	39.5	
November	52.5	36.2	20.2	16.0	16.4	36.5	
December[4]	53.7	36.6	20.6	16.0	17.1		

[1] Compiled by F. W. Dodge Corporation; seasonally adjusted by the National Bureau of Economic Research. Omits small contracts, and covers rural areas less fully than urban.
[2] Series begins January 1956. The 37 Eastern States data are probably indicative of the 48 States trend for other periods.
[3] Revised series beginning January 1956; not comparable with prior data. Series discontinued beginning January 1958.

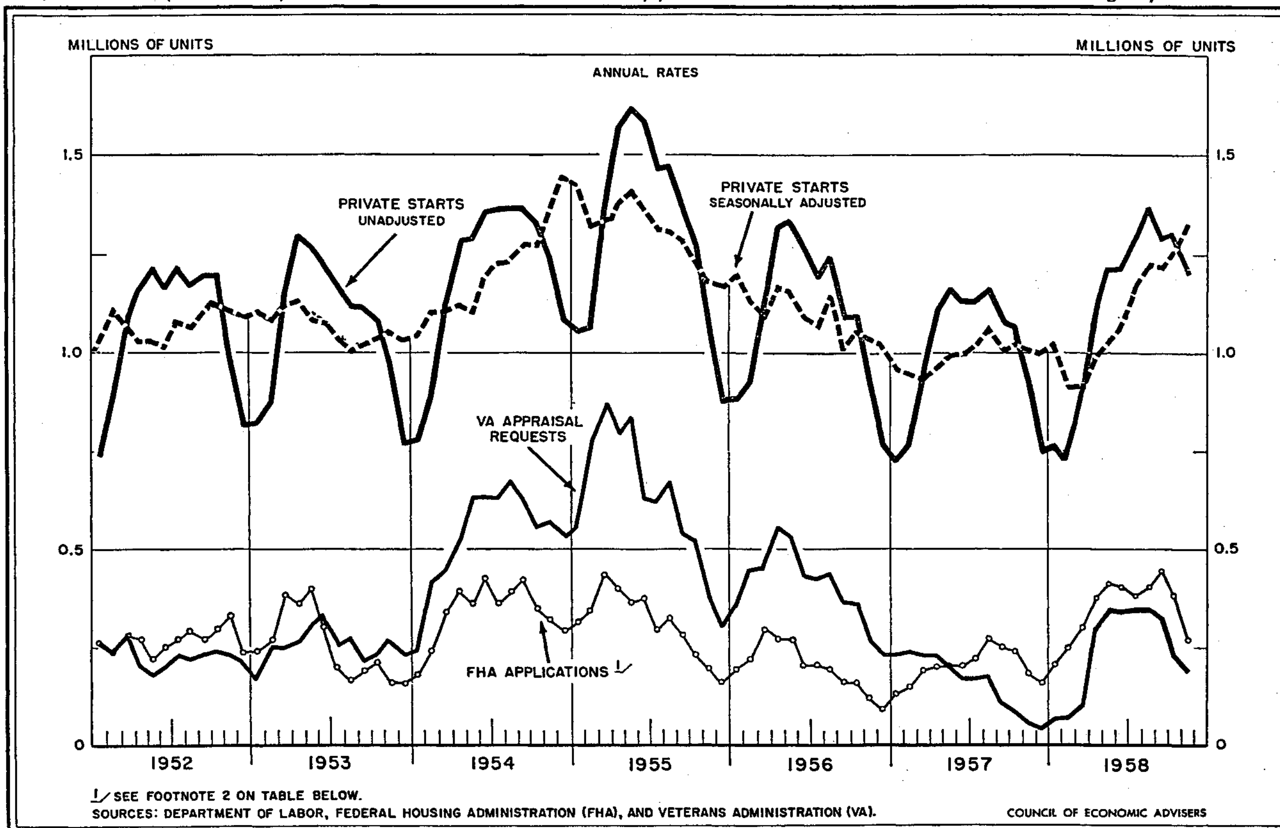
[4] Preliminary estimates.

NOTE.—Series on new construction revised beginning January 1957. Detail will not necessarily add to totals because of rounding.

Sources: Department of Commerce, Department of Labor, and F. W. Dodge Corporation (except as noted).

HOUSING STARTS AND APPLICATIONS FOR FINANCING

Private nonfarm housing starts (seasonally adjusted) rose again in December, reaching an annual rate of 1,430,000 units. VA appraisal requests continued to decline but applications for FHA commitments rose slightly.



[Thousands of units]

Period	New nonfarm housing starts							Proposed home construction	
	Total	Publicly financed	Privately financed				Private, seasonally adjusted annual rates	Applications for FHA commitments [2]	Requests for VA appraisals [2]
			Total	Government programs					
				Total [1]	FHA [1]	VA			
Annual total: 1950	1, 396. 0	43. 8	1, 352. 2	686. 7	486. 7	[3] 200. 0	----------	397. 7	[4]
1953	1, 103. 8	35. 5	1, 068. 3	408. 5	252. 0	156. 5	----------	253. 7	251. 4
1954	1, 220. 4	18. 7	1, 201. 7	583. 3	276. 3	307. 0	----------	338. 6	535. 4
1955	1, 328. 9	19. 4	1, 309. 5	669. 6	276. 7	392. 9	----------	306. 2	620. 8
1956	1, 118. 1	24. 2	1, 093. 9	460. 0	189. 3	270. 7	----------	197. 7	401. 5
1957	1, 041. 9	49. 1	992. 8	296. 7	168. 4	128. 3	----------	198. 8	159. 4
Monthly average: 1950	116. 3	3. 6	112. 7	57. 2	40. 6	16. 7	----------	33. 1	[4]
1953	92. 0	3. 0	89. 0	34. 0	21. 0	13. 0	----------	21. 1	21. 0
1956	93. 2	2. 0	91. 2	38. 3	15. 8	22. 6	----------	16. 5	33. 5
1957	86. 8	4. 1	82. 7	24. 7	14. 0	10. 7	----------	16. 6	13. 3
1957: November	78. 2	2. 5	75. 7	21. 4	15. 0	6. 4	*1,009*	14. 7	3. 7
December	63. 4	. 9	62. 5	18. 9	14. 2	4. 6	*1,000*	13. 6	3. 5
1958: January	67. 9	5. 0	62. 9	17. 4	13. 3	4. 1	*1,020*	17. 3	5. 2
February	66. 1	5. 1	61. 0	14. 1	11. 3	2. 8	*915*	20. 6	5. 3
March	81. 4	4. 1	77. 3	19. 6	16. 5	3. 1	*918*	25. 0	8. 4
April	99. 1	4. 9	94. 2	27. 4	22. 7	4. 8	*983*	31. 6	24. 8
May	108. 5	7. 2	101. 3	32. 0	26. 0	6. 0	*1,039*	34. 6	29. 2
June	112. 9	11. 6	101. 3	36. 5	28. 0	8. 5	*1,057*	33. 4	28. 4
July	112. 8	4. 2	108. 6	40. 3	29. 7	10. 6	*1,174*	31. 8	28. 5
August	124. 0	9. 4	114. 6	43. 6	30. 5	13. 1	*1,228*	33. 6	28. 5
September	121. 0	10. 1	110. 9	46. 3	31. 9	14. 3	*1,255*	36. 8	26. 7
October	[5] 111. 0	[5] 2. 0	[5] 109. 0	49. 4	34. 7	14. 7	[5] *1,260*	31. 8	19. 1
November	[5] 102. 0	[5] 2. 0	[5] 100. 0	36. 8	25. 8	11. 0	[5] *1,330*	22. 3	15. 3
December [5] [6]	91. 0	1. 5	89. 5	34. 2	25. 0	9. 2	*1,430*	23. 0	14. 8

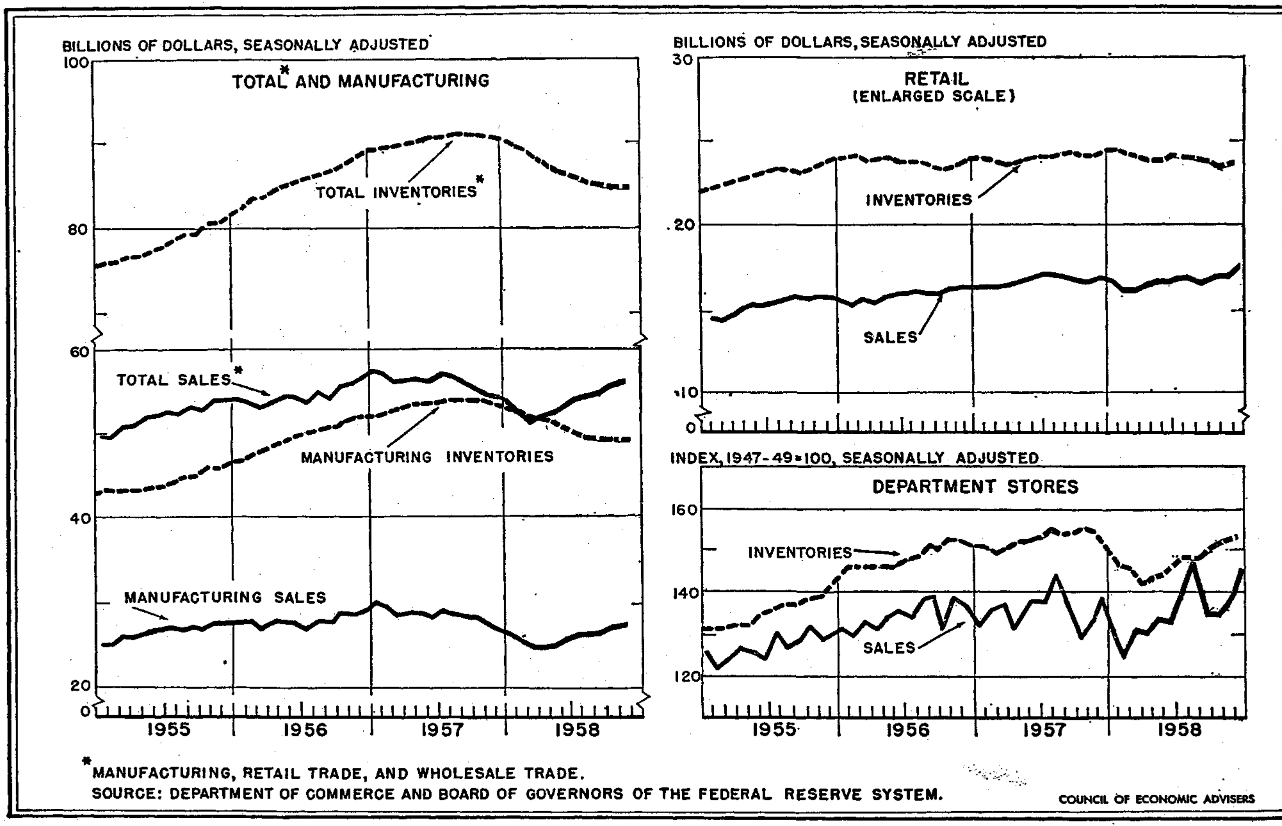
[1] Excludes armed forces housing: 2,567 units in 1956, 18,573 units in 1957, and 23,744 units in 1958.
[2] Units represented by mortgage applications for new home construction.
[3] Partly estimated.
[4] Not available.
[5] Preliminary estimates.
[6] Not charted.

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

Sources: Department of Labor, Federal Housing Administration (FHA), and Veterans Administration (VA).

SALES AND INVENTORIES—MANUFACTURING AND TRADE

Manufacturers' sales (seasonally adjusted) increased again in November. New orders and inventories were unchanged. Distributors' sales and inventories rose in November, and according to preliminary estimates retail sales rose 3 percent in December.



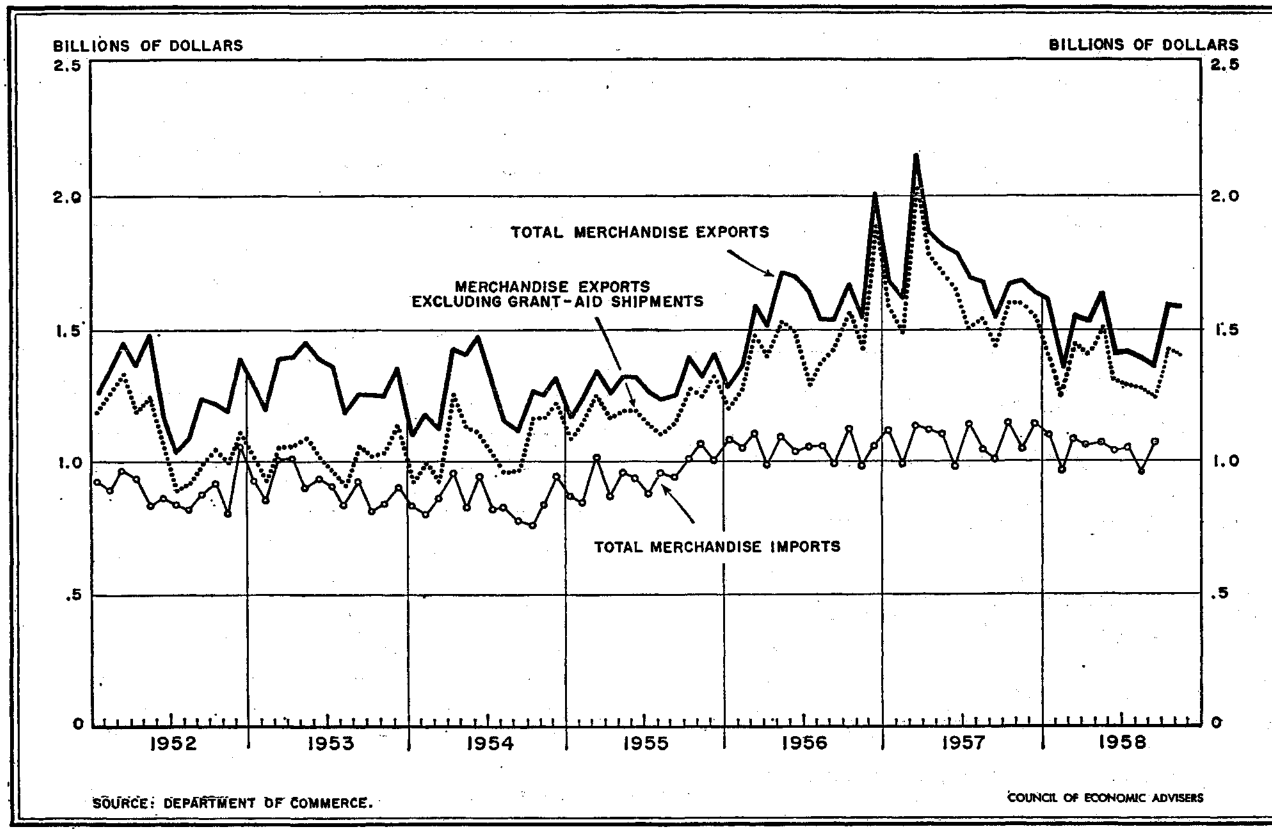
Period	Manufacturing and trade		Manufacturing			Wholesale		Retail		Department stores	
	Sales [1]	Inventories [2]	Sales [1]	Inventories [2]	New orders [1]	Sales [1]	Inventories [2]	Sales [1]	Inventories [2]	Sales [1]	Inventories [3]
	Billions of dollars, seasonally adjusted									Index, 1947–49=100 seasonally adjusted	
1951	44.7	73.8	22.3	42.8	24.5	9.4	9.7	13.0	21.2	112	131
1952	45.9	75.4	22.8	43.8	23.6	9.6	10.0	13.5	21.6	114	121
1953	48.4	78.6	24.5	45.4	23.1	9.8	10.5	14.1	22.7	118	131
1954	47.4	75.5	23.5	43.0	22.5	9.7	10.4	14.1	22.1	118	128
1955	52.3	81.7	26.3	46.4	27.2	10.6	11.4	15.3	23.9	128	136
1956	54.8	89.1	27.7	52.3	28.3	11.3	13.0	15.8	23.9	135	148
1957	56.3	90.7	28.4	53.5	27.3	11.3	12.7	16.7	24.5	136	152
1957: October	55.7	91.1	28.1	54.1	26.2	11.0	12.8	16.7	24.2	129	155
November	54.7	91.0	27.2	53.9	26.0	10.9	12.8	16.6	24.3	133	154
December	54.5	90.7	26.7	53.5	25.1	10.9	12.7	16.8	24.5	138	150
1958: January	53.8	90.0	26.4	52.9	24.4	10.7	12.6	16.7	24.5	130	147
February	52.1	89.3	25.5	52.4	24.1	10.5	12.5	16.1	24.3	124	146
March	51.3	88.5	24.9	52.0	24.8	10.3	12.4	16.1	24.1	131	142
April	52.1	87.6	24.9	51.5	24.5	10.7	12.2	16.5	23.9	130	143
May	52.4	86.9	25.2	50.9	25.0	10.7	12.1	16.6	23.9	134	144
June	53.2	86.4	25.7	50.2	25.8	10.9	12.1	16.6	24.1	133	147
July	54.0	85.9	26.3	49.8	26.4	11.0	12.1	16.7	24.0	140	148
August	54.4	85.4	26.4	49.4	26.1	11.1	12.1	16.9	23.9	147	148
September	54.8	85.0	26.8	49.3	27.0	11.4	12.1	16.6	23.7	135	150
October	55.6	84.9	27.2	49.3	27.9	11.5	12.1	16.9	23.5	135	152
November [4]	56.2	85.1	27.6	49.3	27.9	11.6	12.1	17.0	23.7	137	153
December [4]								17.5		145	

[1] Monthly average for year and total for month.
[2] Book value, end of period, seasonally adjusted.
[3] Book value, end of period, except annual data, which are monthly averages.
[4] Preliminary estimates.

Sources: Department of Commerce and Board of Governors of the Federal Reserve System.

MERCHANDISE EXPORTS AND IMPORTS

In the first 11 months of 1958, commercial exports (merchandise exports excluding grant-aid shipments) were 17 percent lower than in the corresponding period of 1957. In the first 9 months, imports were 3 percent lower than a year earlier.



[Millions of dollars]

Period	Merchandise exports			Merchandise imports	Excess of exports over imports	
	Total	Grant-aid shipments [1]	Excluding grant-aid shipments		Total	Excluding grant-aid shipments
1936–38 monthly average	247	(2)	(2)	207	40	(2)
1949 monthly average	1, 004	(2)	(2)	552	452	(2)
1951 monthly average	1, 253	89	1, 164	914	339	250
1952 monthly average	1, 267	166	1, 100	893	374	207
1953 monthly average	1, 314	293	1, 022	906	408	116
1954 monthly average	1, 259	188	1, 071	851	408	220
1955 monthly average	1, 296	105	1, 191	949	347	242
1956 monthly average	1, 591	146	1, 444	1, 051	540	393
1957 monthly average	1, 734	113	1, 621	1, 082	653	540
1957: October	1, 674	74	1, 600	1, 148	526	452
November	1, 683	87	1, 596	1, 043	640	553
December	1, 639	95	1, 543	1, 141	498	402
1958: January	1, 511	108	1, 402	1, 095	416	307
February	1, 345	100	1, 245	962	383	284
March	1, 557	114	1, 442	1, 072	485	371
April	1, 531	122	1, 409	1, 057	473	352
May	1, 638	131	1, 506	1, 063	575	444
June	1, 408	99	1, 309	1, 037	371	273
July	1, 419	129	1, 290	1, 050	369	240
August	1, 396	113	1, 283	952	443	330
September	1, 362	122	1, 240	1, 074	287	166
October	1, 599	181	1, 418			
November	1. 596	188	1. 408			

[1] Beginning with 1950, figures include only Department of Defense shipments of grant-aid military supplies and equipment under the Mutual Security Program. Shipments for the first 6 months of the program (July–December 1950) amounted to 282 million dollars.

[2] Not available.

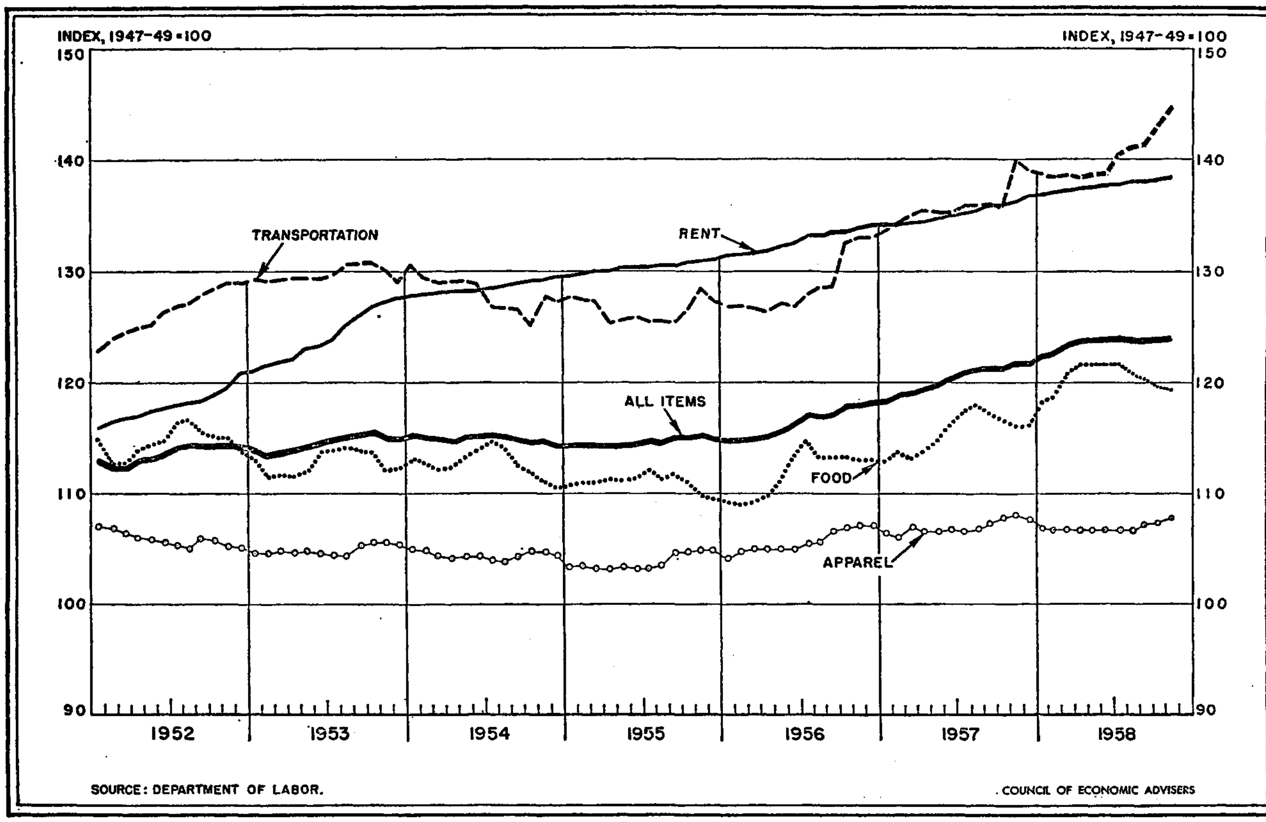
NOTE.—Detail will not necessarily add to totals because of rounding.

Sources: Department of Commerce and Department of Defense.

PRICES

CONSUMER PRICES

Consumer prices rose fractionally in November. Although food prices declined slightly, prices for new automobiles, and for a number of other goods and services increased.



[1947–49=100]

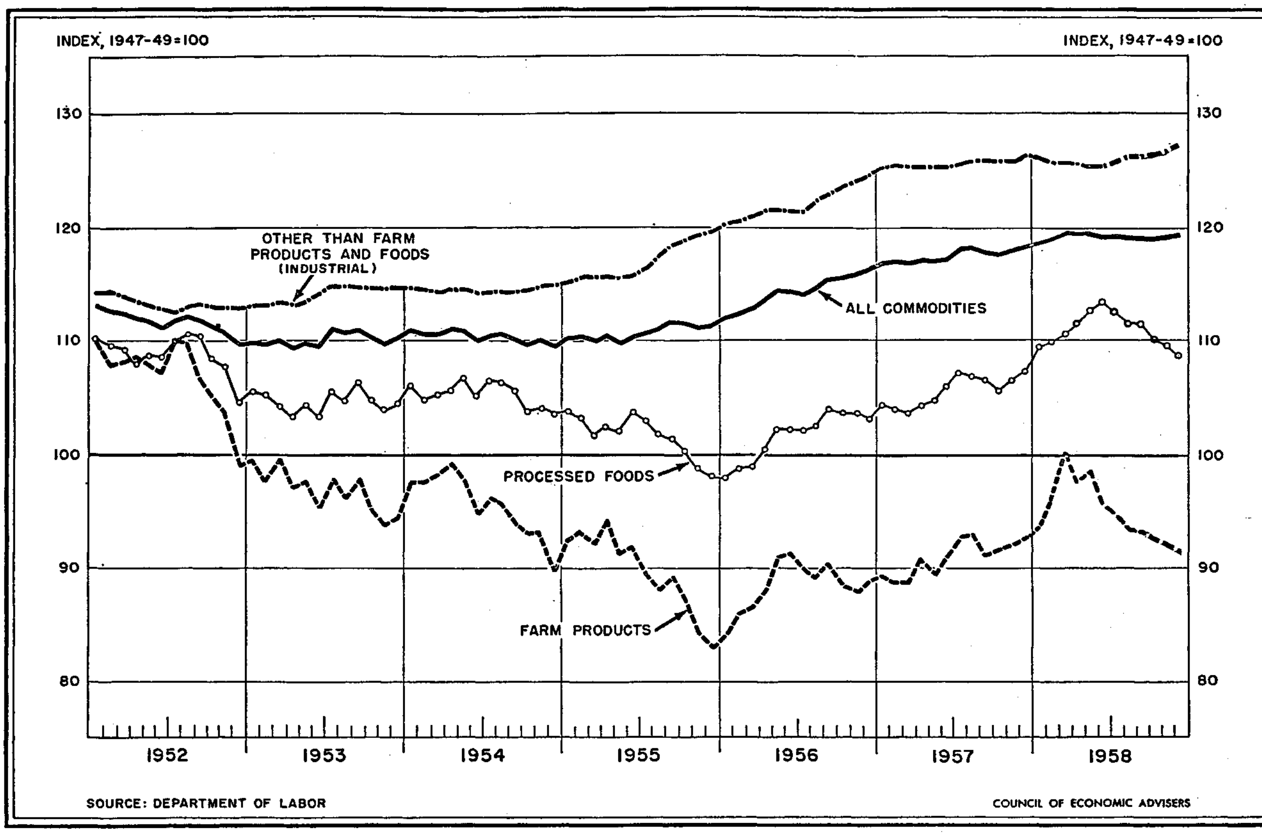
Period	All items	Food	Housing		Apparel	Transportation	Medical care	Personal care	Reading and recreation	Other goods and services
			Total [1]	Rent						
1939	59.4	47.1	76.1	86.6	52.5	70.2	72.6	59.6	63.0	70.6
1948	102.8	104.1	101.7	100.7	103.5	100.9	100.9	101.3	100.4	100.5
1949	101.8	100.0	103.3	105.0	99.4	108.5	104.1	101.1	104.1	103.4
1951	111.0	112.6	112.4	113.1	106.9	118.4	111.1	110.5	106.5	109.7
1952	113.5	114.6	114.6	117.9	105.8	126.2	117.2	111.8	107.0	115.4
1953	114.4	112.8	117.7	124.1	104.8	129.7	121.3	112.8	108.0	118.2
1954	114.8	112.6	119.1	128.5	104.3	128.0	125.2	113.4	107.0	120.1
1955	114.5	110.9	120.0	130.3	103.7	126.4	128.0	115.3	106.6	120.2
1956	116.2	111.7	121.7	132.7	105.5	128.7	132.6	120.0	108.1	122.0
1957	120.2	115.4	125.6	135.2	106.9	136.0	138.0	124.4	112.2	125.5
1957: October	121.1	116.4	126.6	136.0	107.7	135.8	139.7	126.2	113.4	126.8
November	121.6	116.0	126.8	136.3	107.9	140.0	140.3	126.7	114.4	126.8
December	121.6	116.1	127.0	136.7	107.6	138.9	140.8	127.0	114.6	126.8
1958: January	122.3	118.2	127.1	136.8	106.9	138.7	141.7	127.8	116.6	127.0
February	122.5	118.7	127.3	137.0	106.8	138.5	141.9	128.0	116.6	127.0
March	123.3	120.8	127.5	137.1	106.8	138.7	142.3	128.3	117.0	127.2
April	123.5	121.6	127.7	137.3	106.7	138.3	142.7	128.5	117.0	127.2
May	123.6	121.6	127.8	137.5	106.7	138.7	143.7	128.5	116.6	127.2
June	123.7	121.6	127.8	137.7	106.7	138.9	143.9	128.6	116.7	127.2
July	123.9	121.7	127.7	137.8	106.7	140.3	144.6	128.9	116.6	127.2
August	123.7	120.7	127.9	138.1	106.6	141.0	145.0	128.9	116.7	127.1
September	123.7	120.3	127.9	138.2	107.1	141.3	146.1	128.7	116.6	127.1
October	123.7	119.7	127.9	138.3	107.3	142.7	146.7	128.8	116.6	127.2
November	123.9	119.4	128.0	138.4	107.7	144.5	147.0	129.1	117.0	127.3

[1] Includes, in addition to rent, homeowner costs, utilities, housefurnishings, etc.

Source: Department of Labor.

WHOLESALE PRICES

The average of prices in primary markets was unchanged in December. Continuing the pattern of the past several months, prices of farm and food products declined while industrial prices rose.



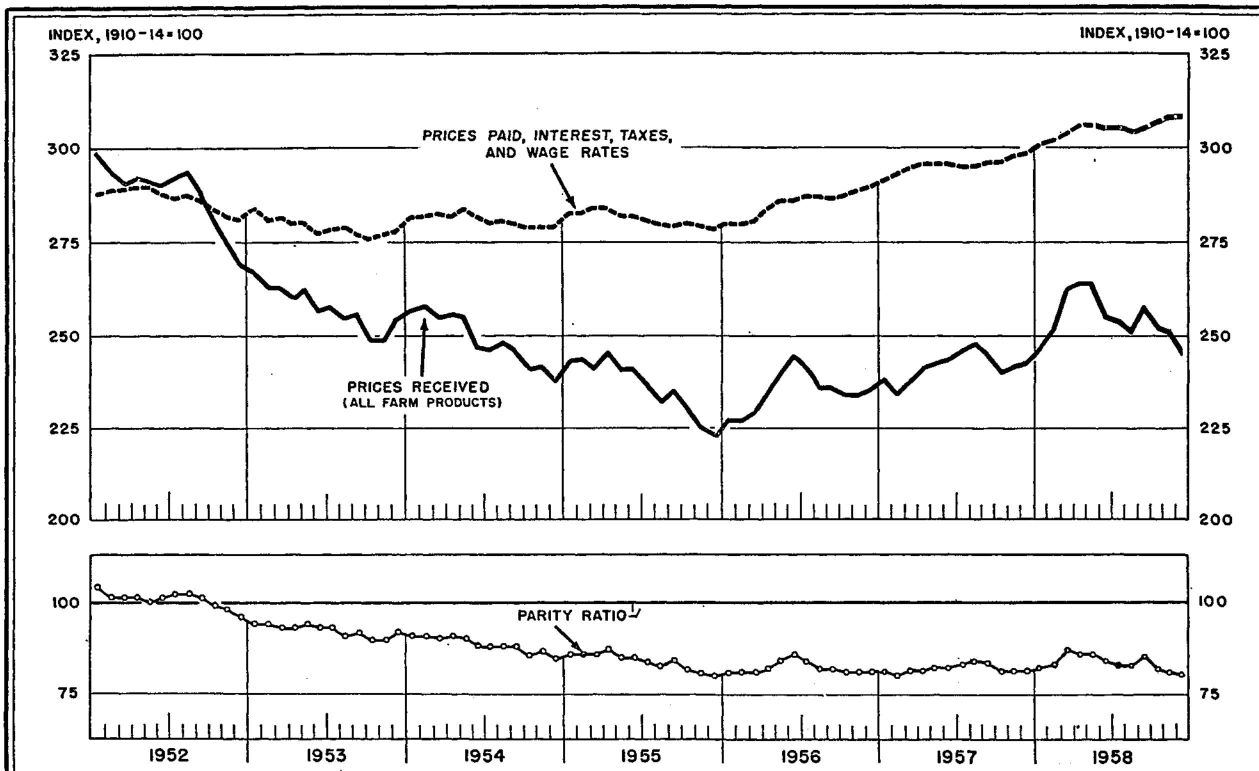
[1947-49=100]

Period	All commodities	Farm products	Processed foods	Other than farm products and foods (industrial)
1939	50. 1	36. 5	43. 3	58. 1
1948	104. 4	107. 3	106. 1	103. 4
1949	99. 2	92. 8	95. 7	101. 3
1951	114. 8	113. 4	111. 4	115. 9
1952	111. 6	107. 0	108. 8	113. 2
1953	110. 1	97. 0	104. 6	114. 0
1954	110. 3	95. 6	105. 3	114. 5
1955	110. 7	89. 6	101. 7	117. 0
1956	114. 3	88. 4	101. 7	122. 2
1957	117. 6	90. 9	105. 6	125. 6
1957: November	118. 1	91. 9	106. 5	125. 9
December	118. 5	92. 6	107. 4	126. 1
1958: January	118. 9	93. 7	109. 5	126. 1
February	119. 0	96. 1	109. 9	125. 7
March	119. 7	100. 5	110. 7	125. 7
April	119. 3	97. 7	111. 5	125. 5
May	119. 5	98. 5	112. 9	125. 3
June	119. 2	95. 6	113. 5	125. 3
July	119. 2	95. 0	112. 7	125. 6
August	119. 1	93. 2	111. 3	126. 1
September	119. 1	93. 1	111. 1	126. 2
October	119. 0	92. 3	110. 0	126. 4
November	119. 2	92. 1	109. 5	126. 8
December	119. 2	90. 7	108. 8	127. 2

Source: Department of Labor.

PRICES RECEIVED AND PAID BY FARMERS

The index of prices received by farmers fell 5 points in the month ended December 15. The index of prices paid (parity index) was unchanged, and the parity ratio fell 1 point.



1/ RATIO OF INDEX OF PRICES RECEIVED TO INDEX OF PRICES PAID, INTEREST, TAXES, AND WAGE RATES.
SOURCE: DEPARTMENT OF AGRICULTURE.

COUNCIL OF ECONOMIC ADVISERS

Period	Prices received by farmers			Prices paid by farmers			Parity ratio [1]
	All farm products	Crops	Livestock and products	All items, interest, taxes, and wage rates (parity index)	Family living items	Production items	
	Index, 1910-14=100						
1939	95	82	107	123	120	121	77
1948	287	255	315	260	251	250	110
1949	250	224	272	251	243	238	100
1951	302	265	336	282	268	273	107
1952	288	268	306	287	271	274	100
1953	258	242	272	279	270	253	92
1954	249	242	255	281	274	252	89
1955	236	236	236	281	273	249	84
1956	235	240	230	285	278	249	82
1957	242	233	249	295	286	258	82
1957: November 15	242	223	258	298	289	260	81
December 15	243	219	263	299	289	263	81
1958: January 15	247	224	267	301	289	264	82
February 15	252	229	273	302	290	265	83
March 15	263	245	280	304	293	269	87
April 15	264	252	275	306	293	271	86
May 15	264	246	280	306	294	271	86
June 15	255	232	275	305	293	270	84
July 15	254	228	277	305	293	270	83
August 15	251	225	275	304	291	269	83
September 15	258	232	280	305	290	272	85
October 15	252	227	275	307	291	271	82
November 15	251	225	274	308	293	272	81
December 15	246	220	270	308	291	273	80

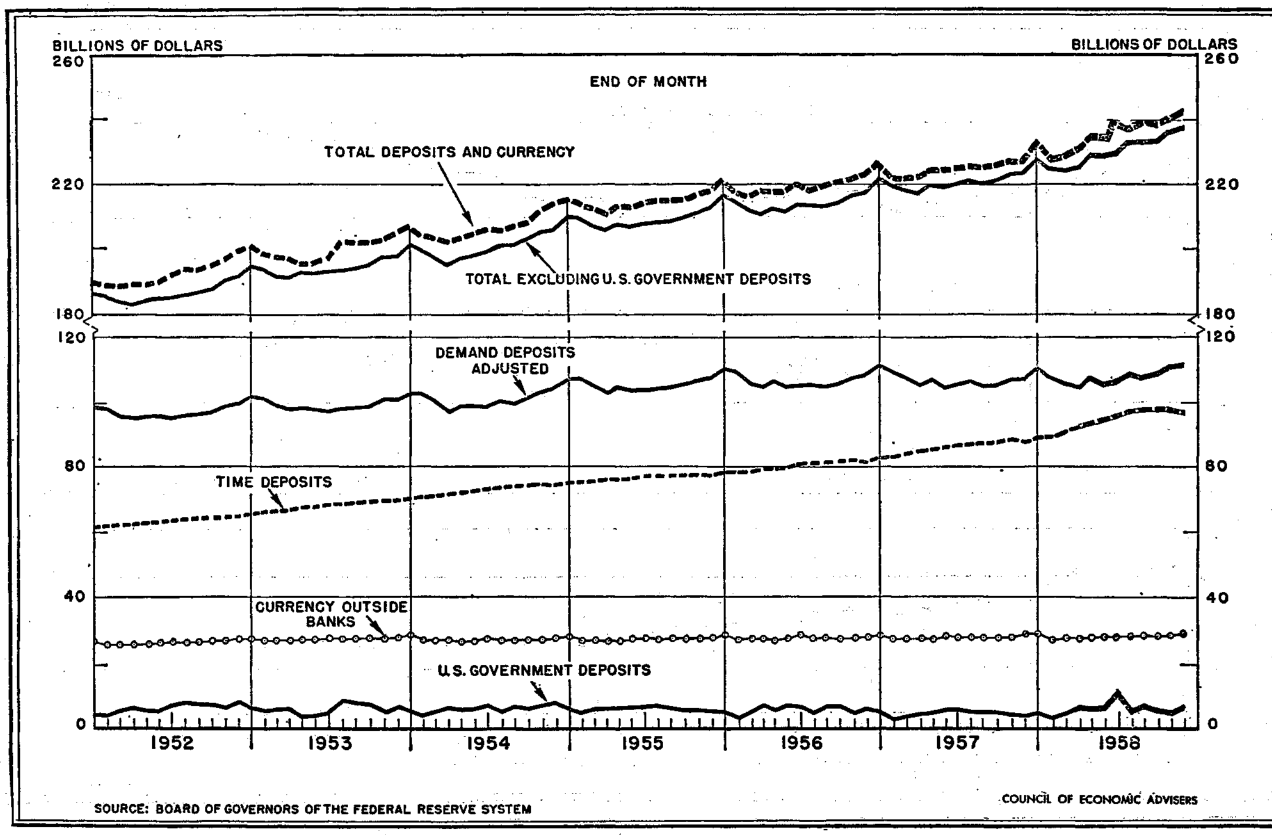
[1] Percentage ratio of index of prices received by farmers to index of prices paid, interest, taxes, and wage rates.

Source: Department of Agriculture.

CURRENCY, CREDIT, AND SECURITY MARKETS

CURRENCY AND DEPOSITS

The total of demand deposits and currency increased more than seasonally in November.



[Billions of dollars]

End of period	Total deposits and currency	U. S. Government deposits[1]	Total excluding U. S. Government deposits[2]: Total	Time deposits[3]	Demand deposits and currency: Total	Demand deposits adjusted[4]	Currency outside banks	Demand deposits and currency, seasonally adjusted: Total	Demand deposits adjusted	Currency outside banks
1951	189.9	3.9	186.0	61.5	124.5	98.2	26.3			
1952	200.4	5.6	194.8	65.8	129.0	101.5	27.5			
1953	205.7	4.8	200.9	70.4	130.5	102.5	28.1			
1954	214.8	5.1	209.7	75.3	134.4	106.6	27.9			
1955	221.0	4.4	216.6	78.4	138.2	109.9	28.3			
1956	226.4	4.5	222.0	82.2	139.7	111.4	28.3			
1957	232.3	4.7	227.7	89.1	138.6	110.3	28.3			
1957: November	227.0	3.8	223.3	87.6	135.7	107.2	28.5	*134.0*	*105.9*	*28.1*
December	232.3	4.7	227.7	89.1	138.6	110.3	28.3	*133.2*	*105.1*	*28.1*
1958: January	227.7	2.9	224.8	89.8	135.0	107.6	27.3	*132.2*	*104.7*	*27.5*
February	228.0	4.2	223.9	90.9	133.0	105.6	27.4	*133.1*	*105.5*	*27.6*
March	230.9	6.4	224.5	92.5	132.0	104.6	27.4	*134.0*	*106.4*	*27.6*
April	234.4	6.0	228.4	93.6	134.8	107.2	27.6	*135.0*	*107.2*	*27.8*
May	234.2	6.1	228.1	94.6	133.5	105.8	27.8	*135.5*	*107.6*	*27.9*
June	239.5	10.0	229.5	95.5	134.0	106.2	27.8	*135.4*	*107.4*	*28.0*
July[5]	237.2	4.8	232.4	96.5	135.9	108.1	27.9	*137.6*	*109.5*	*28.1*
August[5]	238.7	6.2	232.5	97.0	135.5	107.5	28.0	*137.3*	*109.2*	*28.1*
September[5]	238.1	5.0	233.1	97.2	135.9	108.1	27.9	*136.7*	*108.9*	*27.8*
October[5]	240.5	4.2	236.2	97.4	138.8	110.8	28.0	*137.9*	*110.0*	*27.9*
November[5]	243.4	6.3	237.0	96.7	140.3	111.6	28.8	*138.5*	*110.3*	*28.2*

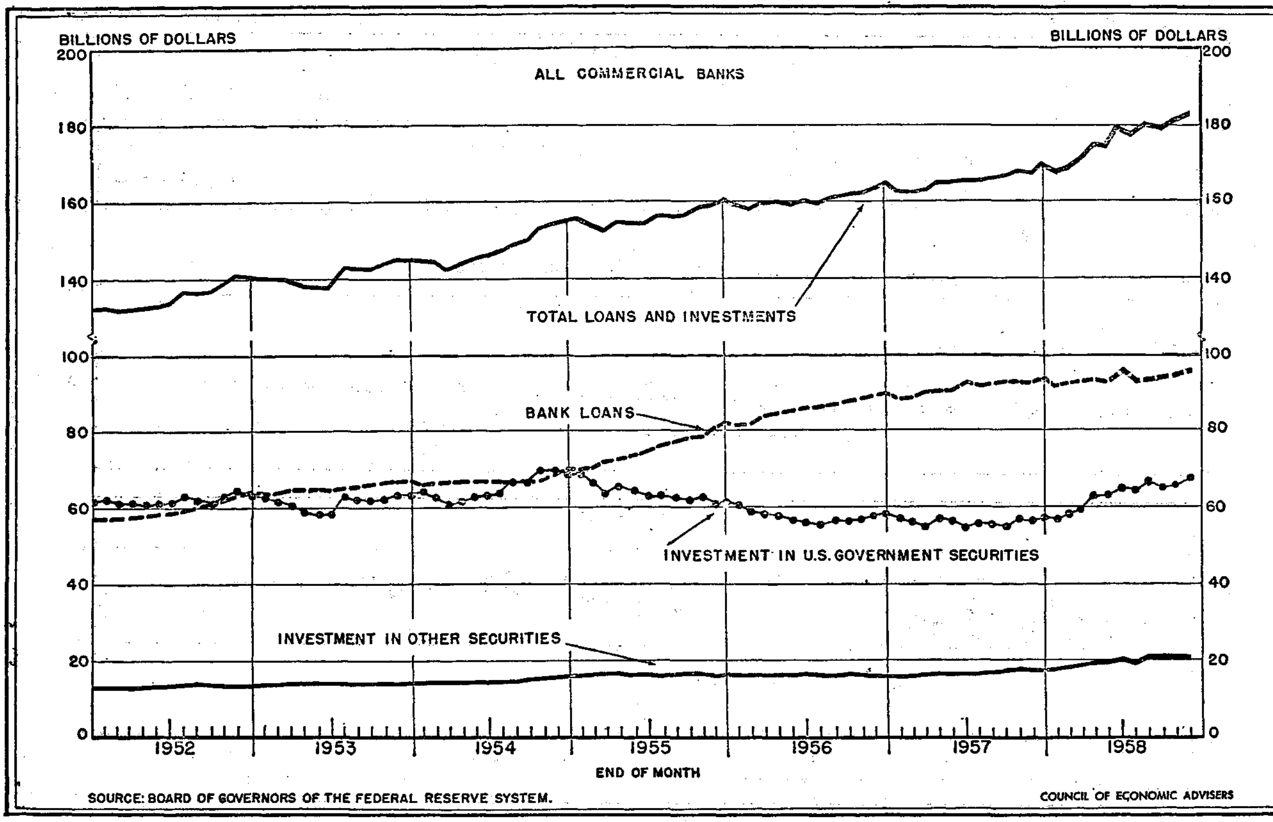
[1] Includes U. S. Government deposits at Federal Reserve Banks and commercial and savings banks, and U. S. Treasurer's time deposits, open account.
[2] Includes deposits and currency held by State and local governments.
[3] Includes deposits in commercial banks, mutual savings banks, and Postal Savings System, but excludes interbank deposits.
[4] Includes demand deposits, other than interbank and U. S. Government, less cash items in process of collection.
[5] Preliminary estimates.

NOTE.—Monthly data are for the last Wednesday of the month, except the unadjusted data for December 1957 and June 1958, which are for call dates. Detail will not necessarily add to totals because of rounding.

Source: Board of Governors of the Federal Reserve System.

BANK LOANS, INVESTMENTS, AND RESERVES

Commercial bank loans rose $1.1 billion in November, compared to a decline of $100 million in November 1957. Borrowings at Federal Reserve Banks rose and exceeded excess reserves in December.



[Billions of dollars]

End of period	All commercial banks					Weekly reporting member banks [1]	All member banks [1] [3]		
	Total loans and investments	Loans	Investments				Reserve balances		Borrowings at Federal Reserve Banks
			Total	U. S. Government securities	Other securities	Business loans [2]	Required	Excess	
1949	120. 2	43. 0	77. 2	67. 0	10. 2	13. 9	17. 0	0. 8	0. 1
1951	132. 6	57. 7	74. 9	61. 5	13. 3	21. 6	18. 5	. 8	. 3
1952	141. 6	64. 2	77. 5	63. 3	14. 1	23. 4	19. 6	. 7	. 8
1953	145. 7	67. 6	78. 1	63. 4	14. 7	23. 4	19. 3	. 7	. 8
1954	155. 9	70. 6	85. 3	69. 0	16. 3	22. 4	18. 5	. 8	. 1
1955	160. 9	82. 6	78. 3	61. 6	16. 7	26. 7	18. 3	. 6	. 6
1956	165. 1	90. 3	74. 8	58. 6	16. 3	31. 3	18. 4	. 6	. 8
1957	170. 1	93. 9	76. 2	58. 2	17. 9	32. 2	18. 5	. 5	. 8
1957: October	167. 9	93. 0	74. 9	57. 3	17. 6	31. 8	18. 6	. 5	. 8
November	167. 3	92. 9	74. 3	56. 9	17. 4	31. 5	18. 4	. 5	. 8
December	170. 1	93. 9	76. 2	58. 2	17. 9	32. 2	18. 8	. 6	. 7
1958: January	167. 7	92. 0	75. 6	57. 7	17. 9	30. 6	18. 7	. 6	. 5
February	168. 6	92. 1	76. 5	58. 3	18. 2	30. 4	18. 4	. 6	. 2
March	171. 4	93. 0	78. 4	59. 6	18. 9	31. 0	18. 1	. 6	. 1
April	175. 6	93. 5	82. 1	62. 8	19. 3	30. 2	17. 8	. 6	. 1
May	175. 4	92. 9	82. 5	63. 1	19. 4	29. 8	17. 6	. 7	. 1
June	179. 9	95. 6	84. 3	64. 2	20. 1	30. 4	18. 0	. 6	. 1
July [4]	177. 6	93. 6	84. 0	64. 1	19. 9	29. 5	18. 0	. 7	. 1
August [4]	180. 0	93. 8	86. 2	66. 1	20. 2	29. 9	17. 9	. 6	. 3
September [4]	179. 5	94. 2	85. 3	64. 7	20. 6	30. 2	17. 9	. 6	. 5
October [4]	181. 4	94. 9	86. 5	66. 0	20. 5	30. 3	18. 0	. 5	. 4
November [4]	183. 6	96. 0	87. 6	67. 3	20. 3	30. 6	18. 0	. 5	. 5
December [4]						31. 4	18. 4	. 5	. 6

[1] Member banks include, besides all national banks, those State banks that have taken membership in the Federal Reserve System.

[2] Commercial, industrial, and agricultural loans; revised series beginning January 1952 and again October 1955. Such loans by weekly reporting member banks represent approximately 70 percent of business loans by all commercial banks.

[3] Data are averages of daily figures on balances and borrowings during the period.

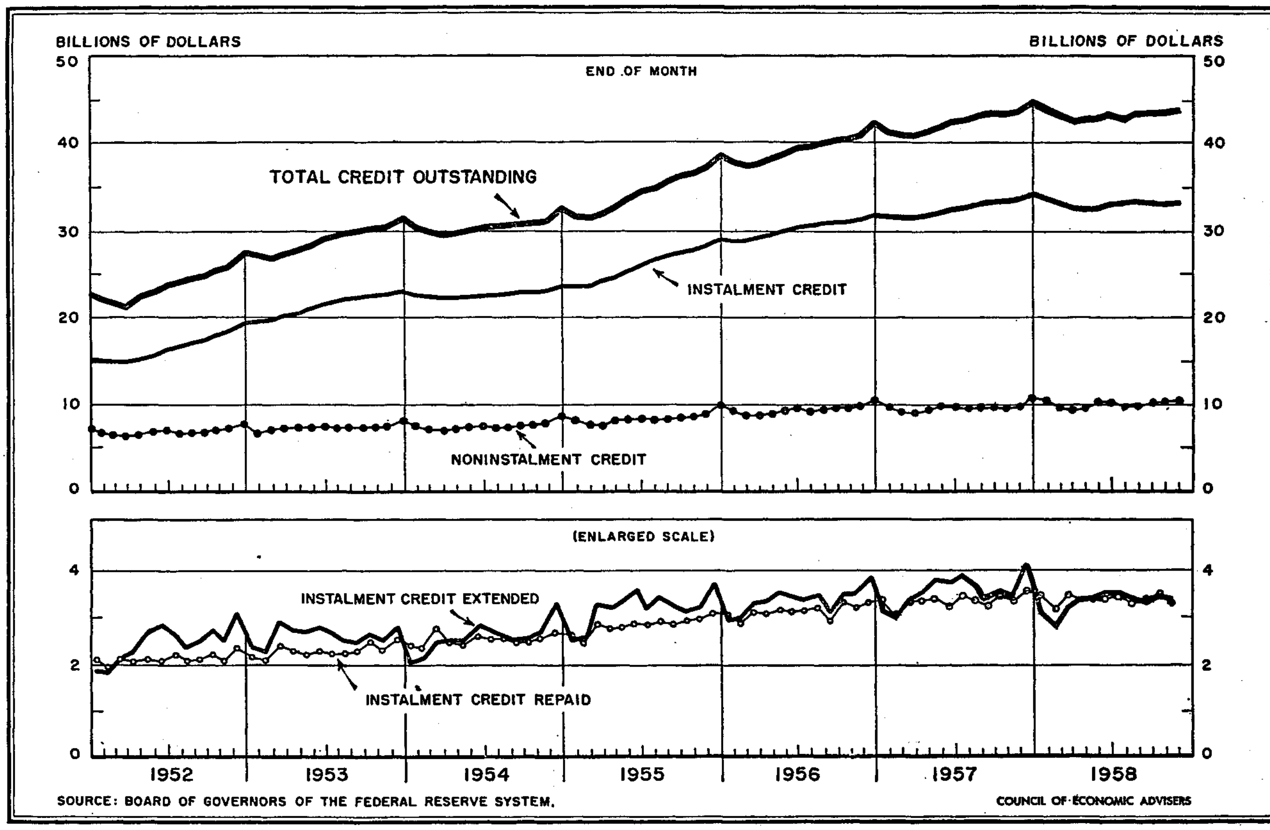
[4] Preliminary estimates.

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

Source: Board of Governors of the Federal Reserve System.

CONSUMER CREDIT

In November, consumer credit outstanding increased $300 million, compared to approximately $280 million in November 1957.



[Millions of dollars]

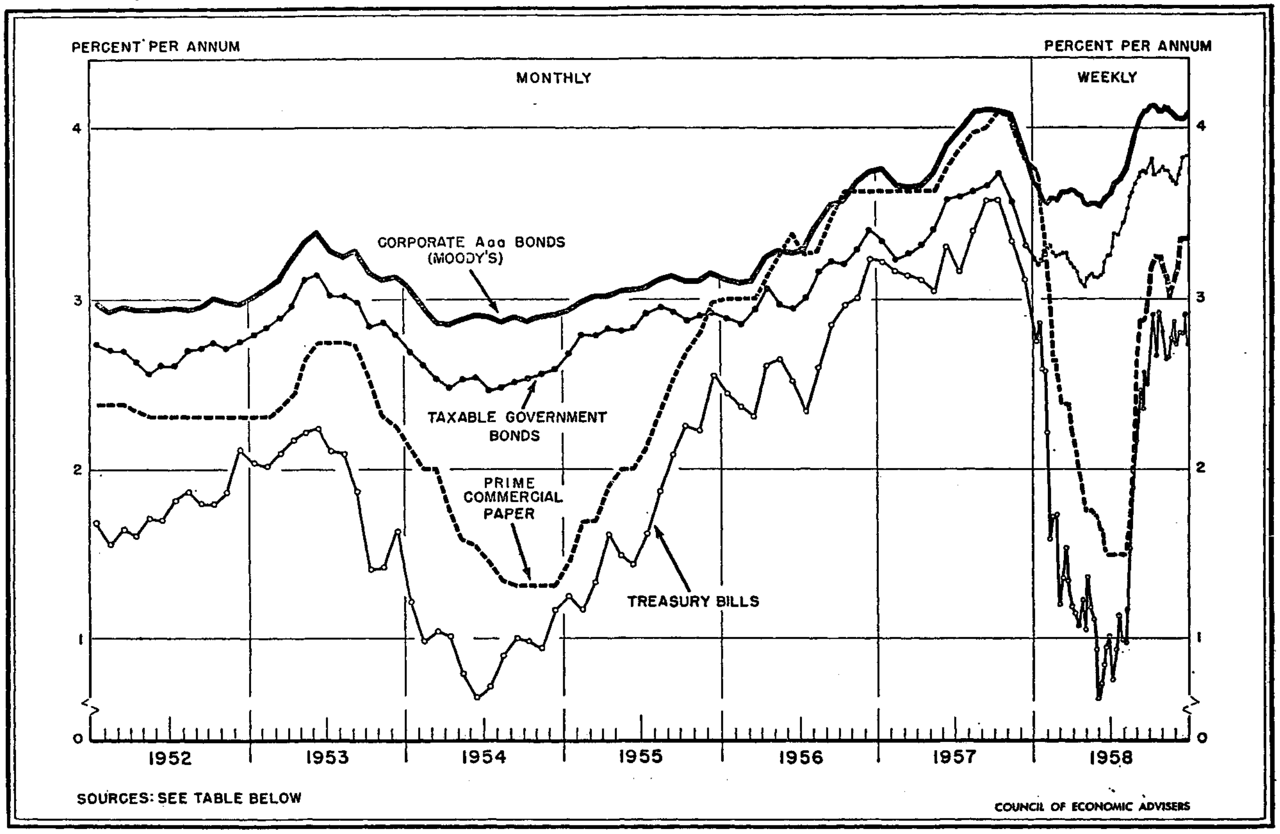
End of period	Total consumer credit outstanding	Instalment credit outstanding: Total	Automobile paper [1]	Other consumer goods paper [1]	Repair and modernization loans [2]	Personal loans	Noninstalment credit outstanding: Total	Charge accounts	Instalment credit extended [3]	Instalment credit repaid [3]
1939	7, 222	4, 503	1, 497	1, 620	298	1, 088	2, 719	1, 414	6, 872	6, 060
1948	14, 398	8, 996	3, 018	2, 901	853	2, 224	5, 402	2, 673	15, 585	13, 284
1949	17, 305	11, 590	4, 555	3, 706	898	2, 431	5, 715	2, 795	18, 108	15, 514
1951	22, 617	15, 294	5, 972	4, 880	1, 085	3, 357	7, 323	3, 605	23, 576	22, 985
1952	27, 401	19, 403	7, 733	6, 174	1, 385	4, 111	7, 998	4, 011	29, 514	25, 405
1953	31, 243	23, 005	9, 835	6, 779	1, 610	4, 781	8, 238	4, 124	31, 558	27, 956
1954	32, 292	23, 568	9, 809	6, 751	1, 616	5, 392	8, 724	4, 308	31, 051	30, 488
1955	38, 670	28, 958	13, 472	7, 634	1, 689	6, 163	9, 712	4, 579	39, 039	33, 649
1956	42, 097	31, 827	14, 459	8, 510	1, 895	6, 963	10, 270	4, 735	40, 063	37, 194
1957	44, 774	34, 095	15, 409	8, 692	2, 091	7, 903	10, 679	4, 829	42, 426	40, 158
1957: October	43, 162	33, 484	15, 505	8, 229	2, 078	7, 672	9, 678	4, 044	3, 547	3, 456
November	43, 438	33, 566	15, 459	8, 289	2, 095	7, 723	9, 872	4, 147	3, 428	3, 346
December	44, 774	34, 095	15, 409	8, 692	2, 091	7, 903	10, 679	4, 829	4, 088	3, 559
1958: January	43, 904	33, 713	15, 235	8, 495	2, 069	7, 914	10, 191	4, 290	3, 088	3, 470
February	43, 017	33, 278	15, 030	8, 277	2, 041	7, 930	9, 739	3, 754	2, 742	3, 177
March	42, 500	32, 940	14, 793	8, 179	2, 019	7, 949	9, 560	3, 579	3, 156	3, 494
April	42, 617	32, 888	14, 691	8, 124	2, 017	8, 056	9, 729	3, 772	3, 335	3, 387
May	42, 985	32, 910	14, 613	8, 158	2, 038	8, 101	10, 075	4, 010	3, 371	3, 349
June	43, 079	33, 008	14, 590	8, 190	2, 048	8, 180	10, 071	4, 012	3, 477	3, 379
July	42, 923	33, 074	14, 567	8, 197	2, 061	8, 249	9, 849	3, 927	3, 483	3, 417
August	43, 128	33, 165	14, 514	8, 254	2, 091	8, 306	9, 963	3, 956	3, 385	3, 294
September	43, 144	33, 079	14, 332	8, 312	2, 107	8, 328	10, 065	4, 033	3, 297	3, 383
October	43, 164	33, 052	14, 164	8, 411	2, 128	8, 349	10, 112	4, 191	3, 475	3, 502
November	43, 464	33, 126	14, 066	8, 528	2, 146	8, 386	10, 338	4, 297	3, 338	3, 264

[1] Includes all consumer credit extended for the purpose of purchasing automobiles and other consumer goods and secured by the items purchased.
[2] Includes only such loans held by financial institutions; those held by retail outlets are included in "other consumer goods paper."
[3] Credit extended or repaid during the period.

NOTE.—Series revised beginning January 1957.
Source: Board of Governors of the Federal Reserve System.

BOND YIELDS AND INTEREST RATES

Rates on Treasury bills declined somewhat in late December and early January. Yields on corporate and municipal bonds averaged about the same in December as in November, but yields on U.S. Government securities increased.



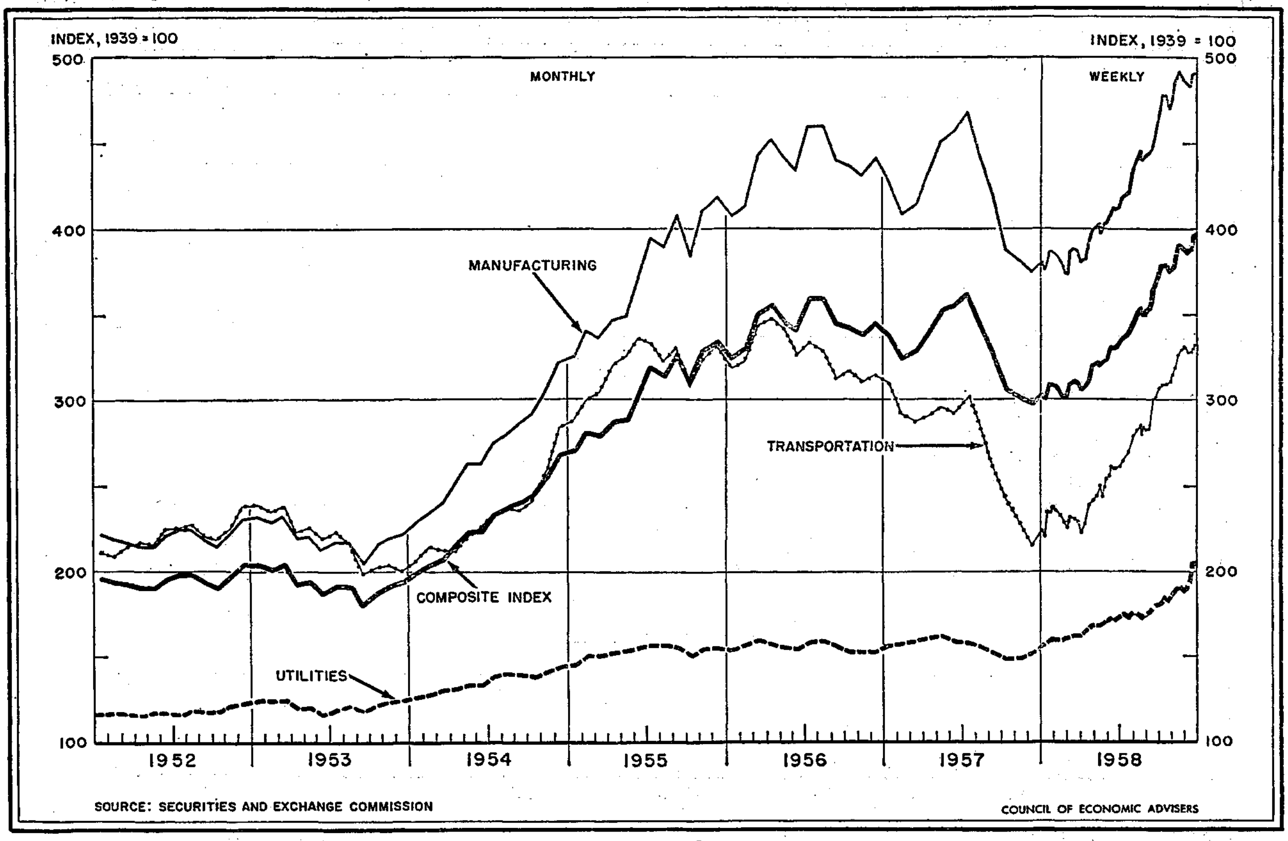
[Percent per annum]

Period	U. S. Government security yields		High-grade municipal bonds (Standard & Poor's) [3]	Corporate bonds (Moody's)		Prime commercial paper, 4–6 months
	3-month Treasury bills [1]	Taxable bonds [2]		Aaa	Baa	
1951	1. 552	2. 57	2. 00	2. 86	3. 41	2. 16
1952	1. 766	2. 68	2. 19	2. 96	3. 52	2. 33
1953	1. 931	2. 94	2. 72	3. 20	3. 74	2. 52
1954	. 953	2. 55	2. 37	2. 90	3. 51	1. 58
1955	1. 753	2. 84	2. 53	3. 06	3. 53	2. 18
1956	2. 658	3. 08	2. 93	3. 36	3. 88	3. 31
1957	3. 267	3. 47	3. 60	3. 89	4. 71	3. 81
1957: December	3. 102	3. 30	3. 47	3. 81	5. 03	3. 81
1958: January	2. 598	3. 24	3. 32	3. 60	4. 83	3. 49
February	1. 562	3. 28	3. 37	3. 59	4. 66	2. 63
March	1. 354	3. 25	3. 45	3. 63	4. 68	2. 33
April	1. 126	3. 12	3. 31	3. 60	4. 67	1. 90
May	1. 046	3. 14	3. 25	3. 57	4. 62	1. 71
June	. 881	3. 20	3. 26	3. 57	4. 55	1. 54
July	. 962	3. 36	3. 45	3. 67	4. 53	1. 50
August	1. 686	3. 60	3. 74	3. 85	4. 67	1. 96
September	2. 484	3. 75	3. 96	4. 09	4. 87	2. 93
October	2. 793	3. 76	3. 94	4. 11	4. 92	3. 23
November	2. 756	3. 70	3. 84	4. 09	4. 87	3. 08
December	2. 814	3. 80	3. 84	4. 08	4. 85	3. 33
Week ended:						
1958: December 6	2. 806	3. 73	3. 81	4. 06	4. 85	3. 20
13	2. 805	3. 77	3. 82	4. 06	4. 84	3. 38
20	2. 904	3. 83	3. 83	4. 06	4. 85	3. 38
27	2. 739	3. 84	3. 86	4. 09	4. 86	3. 38
1959: January 3 [4]	2. 690	3. 83	3. 86	4. 10	4. 86	3. 31
10 [4]	2. 678	3. 84	3. 86	4. 09	4. 85	3. 25
17 [4]	2. 808					

[1] Rate on new issues within period.
[2] First issued in 1941. Series includes: October 1941–March 1952, bonds due or callable after 15 years; April 1952–March 1953, bonds due or callable after 12 years; April 1953 to date, bonds due or callable 10 years and after.
[3] Weekly data are Wednesday figures.
[4] Not charted.
Sources: Treasury Department and Board of Governors of the Federal Reserve System (except as noted).

STOCK PRICES

Stock prices again reached a new high in early January.



[1939=100]

Period	Composite index [1]	Manufacturing: Total	Manufacturing: Durable goods	Manufacturing: Nondurable goods	Transportation	Utilities	Trade, finance, and service	Mining
Weekly average:								
1948	132.7	136.8	124.3	148.6	158.1	99.3	156.9	133.0
1949	127.7	132.1	116.0	147.2	136.0	98.1	160.7	129.4
1951	184.9	206.8	178.5	233.1	199.0	112.6	207.9	204.9
1952	195.0	220.2	188.8	249.3	220.6	117.9	206.0	275.7
1953	193.3	220.1	192.6	245.2	218.7	121.5	207.1	240.5
1954	229.8	271.3	245.2	295.2	232.6	135.8	235.6	267.0
1955	304.6	374.4	352.4	394.4	320.0	152.9	296.9	312.9
1956	345.0	438.6	409.8	465.1	327.1	155.8	306.3	357.5
1957	331.4	422.1	391.2	450.7	275.4	156.0	277.5	342.4
1957: December	298.5	376.1	335.6	413.2	214.7	152.3	257.9	274.5
1958: January	304.7	381.6	346.6	413.6	230.2	157.8	269.7	272.1
February	304.0	378.1	345.8	407.7	231.3	160.5	277.5	266.8
March	310.8	388.2	351.6	421.6	230.6	161.7	283.4	283.2
April	311.9	387.4	339.8	425.7	233.1	165.7	285.6	287.0
May	322.9	401.4	353.2	438.4	249.0	168.9	301.0	300.1
June	330.6	411.7	362.2	449.6	259.2	171.3	305.1	318.9
July	339.2	423.6	376.5	458.9	268.8	173.4	311.9	330.7
August	351.7	442.0	399.4	472.9	282.6	173.9	324.6	341.1
September	360.5	452.9	412.9	481.1	292.2	177.5	337.2	340.6
October	376.4	474.2	437.2	499.2	310.6	183.4	345.5	343.9
November	387.8	487.4	448.0	514.3	327.0	189.8	361.9	341.4
December	392.8	489.8	451.4	515.6	329.8	198.7	374.9	339.0
Week ended:								
1958: December 5	385.9	483.5	442.4	512.1	328.2	190.3	367.8	336.4
12	390.6	489.4	450.0	516.2	328.5	193.2	372.1	337.8
19	397.2	492.7	454.9	517.9	329.2	205.7	380.7	340.5
26	397.7	493.4	458.2	516.3	333.2	205.6	379.1	341.3
1959: January 2 [2]	406.9	506.5	471.9	528.5	340.7	208.6	382.7	345.0
9 [2]	410.0	506.7	474.2	526.8	347.5	216.3	385.5	343.8

[1] Includes 265 common stocks: 98 for durable goods manufacturing, 72 for nondurable goods manufacturing, 21 for transportation, 29 for utilities, 31 for trade, finance, and service, and 14 for mining. Indexes are for weekly closing prices.

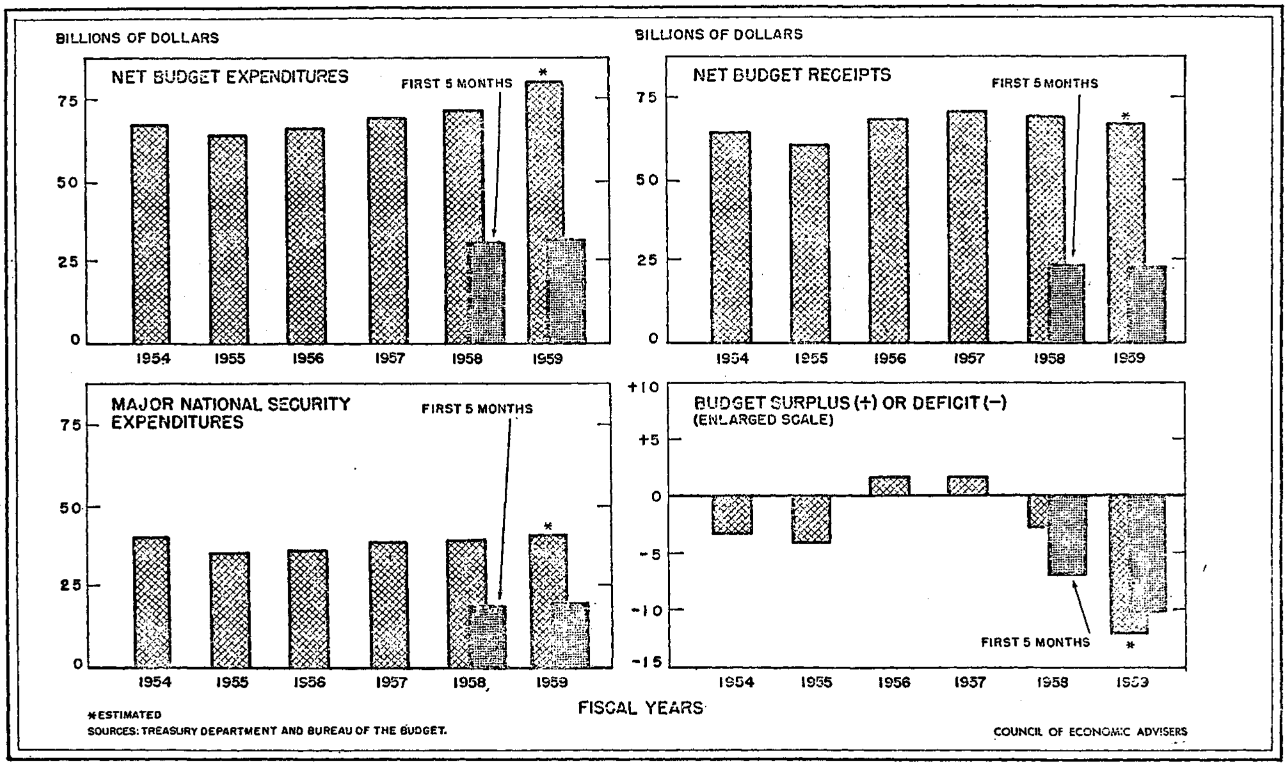
[2] Not charted.

Source: Securities and Exchange Commission.

FEDERAL FINANCE

BUDGET RECEIPTS AND EXPENDITURES

The budget deficit for the first 5 months of the current fiscal year was $10.1 billion. For the same period of last year, there was a deficit of $6.9 billion.



[Billions of dollars]

Period	Net budget receipts	Net budget expenditures: Total	Major national security [1]: Total	Major national security [1]: Department of Defense military functions	Budget surplus (+) or deficit (−)	Public debt (end of period) [2]
Fiscal year 1944	43.6	95.1	76.8	76.1	−51.4	202.6
Fiscal year 1953	64.8	74.3	51.8	43.6	−9.4	266.1
Fiscal year 1954	64.7	67.8	47.9	40.3	−3.1	271.3
Fiscal year 1955	60.4	64.6	42.1	35.5	−4.2	274.4
Fiscal year 1956	68.2	66.5	41.8	35.8	+1.6	272.8
Fiscal year 1957	71.0	69.4	44.4	38.4	+1.6	270.6
Fiscal year 1958	69.1	71.9	45.0	39.0	−2.8	276.4
Fiscal year 1959 [3]	67.0	79.2	46.8	40.8	−12.2	283.1
1957: October	3.1	6.5	3.7	3.2	−3.4	274.2
November	4.8	5.8	3.5	3.1	−1.0	274.9
December	6.0	5.8	3.8	3.3	+.1	275.0
1958: January	4.8	6.0	3.8	3.1	−1.2	274.7
February	6.3	5.5	3.6	3.2	+.8	274.8
March	9.5	5.7	3.7	3.1	+3.8	272.7
April	3.5	6.1	3.7	3.2	−2.6	275.2
May	4.9	5.8	3.7	3.2	−.9	275.7
June	10.8	6.6	4.4	3.9	+4.2	276.4
July [4]	2.9	6.6	3.8	3.2	−3.7	275.6
August [4]	4.8	6.2	3.7	3.2	−1.4	278.6
September [4]	7.2	6.6	3.9	3.5	+.6	276.8
October [4]	2.8	7.1	4.3	3.8	−4.4	280.3
November [4]	5.0	6.2	3.7	3.2	−1.3	283.2
Cumulative totals for first 5 months:						
Fiscal year 1958 [4]	23.4	30.3	18.4	16.0	−6.9	274.9
Fiscal year 1959 [4]	22.7	32.8	19.4	16.9	−10.1	283.2

[1] Includes military functions of Department of Defense, military assistance and defense support portions of the mutual security programs, Atomic Energy Commission, and stockpiling and defense production expansion.

[2] Includes guaranteed securities, except those held by the Treasury. Not all of total shown is subject to statutory debt limitation.

[3] Estimate, "*1959 Federal Budget Midyear Review*," September 11, 1958.

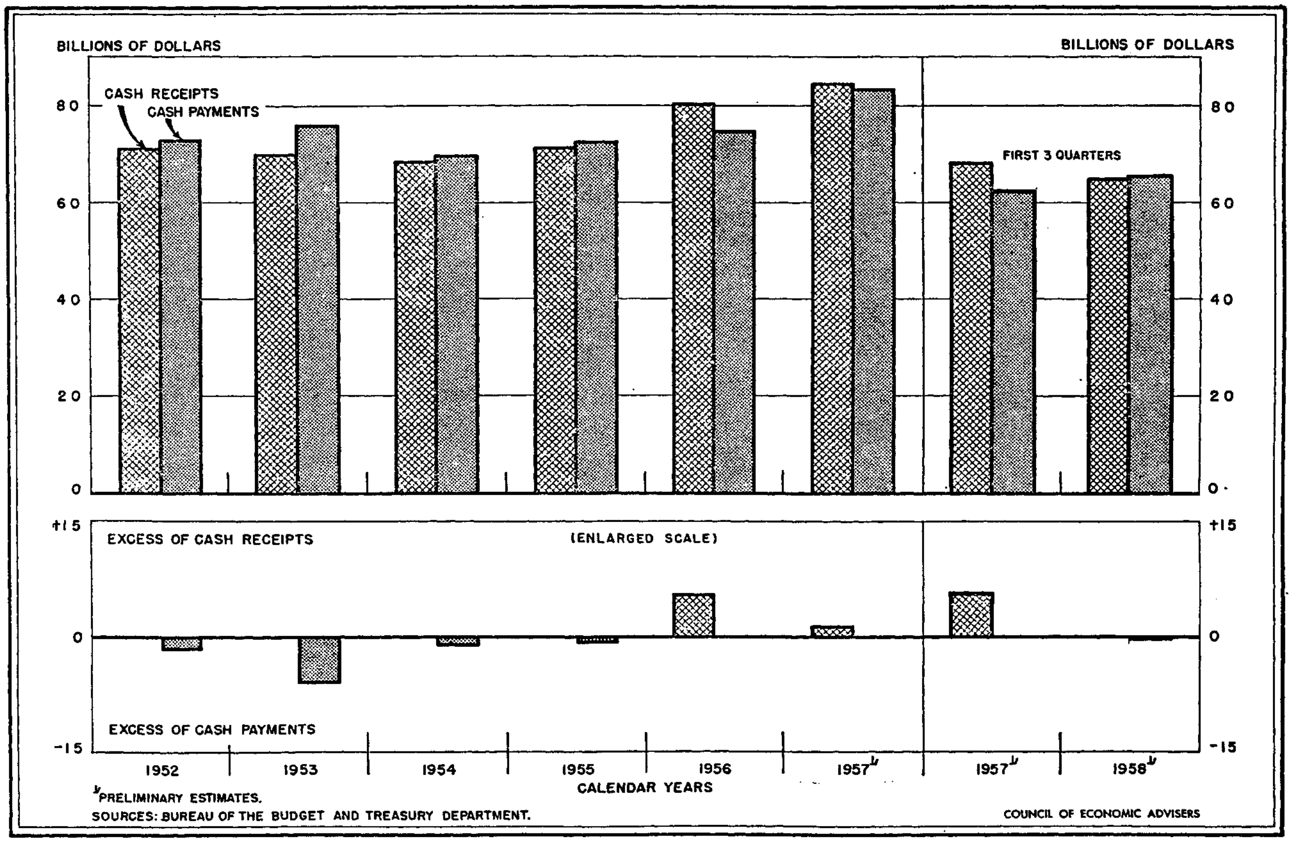
[4] Preliminary.

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

Sources: Treasury Department and Bureau of the Budget.

CASH RECEIPTS FROM AND PAYMENTS TO THE PUBLIC

In the third quarter of the calendar year 1958, cash payments to the public exceeded cash receipts by $5.5 billion. The comparable figure last year was $2.4 billion.



[Millions of dollars]

Period	Cash receipts from the public	Cash payments to the public	Excess of receipts (+) or payments (−)
Fiscal year total:			
1955	67, 836	70, 538	−2, 702
1956	77, 088	72, 617	+4, 471
1957	82, 107	80, 008	+2, 099
1958	81, 893	83, 413	−1, 520
1959 [1]	80, 357	94, 066	−13, 709
Calendar year total:			
1954	68, 589	69, 661	−1, 072
1955	71, 448	72, 188	−740
1956	80, 330	74, 807	+5, 524
1957	84, 520	83, 326	+1, 194
Quarterly total, not adjusted for seasonal variation:			
1957: First quarter	24, 617	19, 814	+4, 802
Second quarter	24, 846	21, 574	+3, 273
Third quarter	18, 653	21, 099	−2, 447
Fourth quarter	16, 404	20, 839	−4, 435
1958: First quarter	23, 618	19, 626	+3, 993
Second quarter	23, 181	21, 764	+1, 416
Third quarter [2]	18, 274	23, 791	−5, 516

[1] Estimate, "*1959 Federal Budget Midyear Review*," September 11, 1958.
[2] Preliminary.

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

Sources: Bureau of the Budget and Treasury Department.

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington 25, D.C.
Price 20 cents per copy; $2.00 per year; $2.75 foreign.

U. S. GOVERNMENT PRINTING OFFICE: 1959

February 6 -- Friday -- 457 Senate Office Building

Monetary and Credit Policy for the Coming Year -- 10:00 a.m.

WILLIAM McC. MARTIN, JR., Chairman, Federal Reserve Board

1. What do you regard as the proper division of labor between tax policy and monetary policy as instruments of economic stabilization during the coming year?

2. What is the current policy of the monetary authorities?

3. What, if any, elements exist in the current situation which suggest or might permit a resurgence of inflationary forces in the next 12 or 15 months?

4. If price movements during 1959 follow the 1958 pattern, would an easier monetary and credit policy be in order? What program would you recommend as to priority and specific actions in the fiscal and monetary fields for 1959?

5. With the benefit of hindsight, do you agree with the contention that monetary and credit policy could and should have been eased some months prior to the 4th quarter of 1957?

Monetary and Credit Policy Recommendations -- 2:30 p.m.

SEYMOUR E. HARRIS, Chairman, Department of Economics, Harvard University

Miss Muehlhaus

February 4, 1959.

Chairman Martin — Bank mergers

Mr. Hackley

In connection with your appearance on February 6, before the Joint Economic Committee, Mr. Shay has suggested that you might wish to have some briefing material relating to bank mergers and proposed legislation on that subject. Attached is a memorandum briefly covering the principal points that could be raised.

I understand that questions have been asked at the hearings before the Committee with respect to the impact of bank mergers upon the economy. Assistant Attorney General Hansen testified before the Committee this morning regarding this matter and, among other things, urged an amendment to the Clayton Act to cover bank mergers and opposed recommendations heretofore made by the Federal banking agencies for legislation on this subject.

Attachment

cc: Miss Muehlhaus
Mr. Shay

HHH:jc
2-4-59

BANK MERGER LEGISLATION

Board's position. - In each session of Congress over the past four years the Board has recommended legislation with respect to bank mergers that would -

(1) Make all bank mergers subject to prior approval by the Comptroller of the Currency, the Board of Governors, or the Federal Deposit Insurance Corporation, depending upon the nature of the resulting bank (at present, prior approval is necessary only in cases in which the merger would result in a diminution of capital funds);

(2) Specifically require the bank supervisory agency concerned to consider not only financial condition, adequacy of capital, and character of management, but also whether the merger would "unduly" lessen competition; and

(3) Require the bank supervisory agency concerned to consult with the other two bank supervisory agencies as to the effect of the merger upon competition, and authorize such agency to request the opinion of the Attorney General on that question.

This proposal, which has been supported also by the Comptroller and the FDIC, was incorporated in the proposed "Financial Institutions Act".

The Board has opposed an amendment to section 7 of the Clayton Act to cover bank mergers through acquisitions of assets, on the ground that enforcement of the Clayton Act is inconsistent with the Board's primary responsibilities in the field of monetary and credit regulation and also on the ground that such an amendment would require the Board to pass upon all bank mergers even though previously approved by the Comptroller, the FDIC, or the State bank supervisory authority.

The Board has questioned the effectiveness of proposals for "prior notification" of bank mergers to be given to the Attorney General and the Board, on the ground that advance approval of the merger is preferable to mere prior notification which would not give banks assurance that a merger would be free from attack after it is consummated.

Attorney General's position. - The Department of Justice has consistently taken the position that the proper approach is through an amendment to section 7 of the Clayton Act to cover mergers through acquisition of bank assets, coupled with requirements for prior notification. This has also been the approach advocated by Representative Celler. (A bill embodying this approach has already been introduced by Senator Sparkman.)

Consideration of competition. - One of the principal questions has related to the use of the word "unduly" or the word "substantially" in referring to lessening of competition. Justice Department insists upon "substantially", the term now used in the Clayton Act. The banking agencies have advocated "unduly" on the ground that, while competitive effect must be considered, it should not be absolutely controlling but should be weighed against other factors affecting the public interest.

Present jurisdiction of the Board. - Recent proposals for bank mergers have raised the question as to the extent of the Board's jurisdiction under present law. Practically all mergers involve acquisitions of assets rather than of stock and consequently are not within the Board's jurisdiction under the Clayton Act.

If the merger would result in a diminution of capital funds, the Board's approval would be necessary under section 18(c) of the Federal Deposit Insurance Act; but most mergers are not of this kind.

If the bank resulting from the merger would be a State member bank, the operation by the continuing bank of offices formerly operated by the bank absorbed would require the Board's approval as branches; this is usually the only manner in which mergers come before the Board. (The Board's authority to approve branches acquired through mergers is an issue in the litigation instituted by the Old Kent Bank and Trust Company of Grand Rapids, Michigan.)

If a contemplated bank merger is expected to follow the acquisition of the stock of a bank by a bank holding company, that merger may be indirectly forestalled by the Board by its disapproval of such stock acquisition under the Bank Holding Company Act.

Record of the Board in considering competition. - It cannot be said that the Board has failed to give careful consideration to competitive effects of transactions subject to its jurisdiction under present law. It has denied several bank holding company applications on the ground that the proposed transaction would be inconsistent with the preservation of competition. It has recently denied branch applications of two State member banks because of possible adverse competitive effect.

<u>Interlocking directorates (sec. 8 of the Clayton Act)</u>. - Present law prohibits a director, officer, or employee of a member bank from also serving as a director, officer, or employee of any other bank, with certain stated exceptions; and the Board has regulatory authority under this section. However, the tests prescribed by this statute leave little room for consideration of the effect of interlocking directorates upon competition.

cc: Miss Muehlhaus
Mr. Shay

HHH:jc
2-4-59

February 3

By Hand

Bob--

Herewith the answer to the broad question you raised. We will go over the testimony and supply you with any additional capsule answers coming out of the testimony.

WMM

Enclosure

Why not finance any unavoidable Federal deficit by: (a) selling to nonbank investors whatever amount of Government securities they will purchase; (b) selling the balance needed to cover a deficit to the Federal Reserve or to the commercial banks; and (c) preventing any pyramiding expansion of the money supply in consequence thereof by an appropriate bank reserve or asset holding requirement?

This solution to the Government deficit problem is a "printing press" solution. It would relate money creation and expansion to Federal deficits and not to the needs of the economy. It would make yields on Federal securities the product of Government fiat rather than the product of supply and demand forces in the market. It would remove an essential restraint on Government spending because any resulting deficit could seemingly be financed at minimum cost and effort. It would commit the Government to a patently inflationary financial policy, with forewarning to investors that they could not count on the purchasing power of dollars invested in Government or any other fixed income securities.

The time it would take for this forewarning to be fully understood by investors, domestic and international, would not be long. The nonbank market for Government securities would quickly atrophy. Sooner or later, obligatory monetization of public debt would become the only method available for financing deficits. An accelerating inflationary spiral would, in brief time, engulf the economy.

The foregoing is a short and direct diagnosis of the probable consequences of the suggested method of financing Government deficits.

Technically, the Federal Reserve could be given authority to raise the required reserves of commercial banks sufficiently to cover the creation of reserve funds which would result from its purchases of deficit finance securities. Alternatively, if the monetization device were to allocate Treasury securities not sold to nonbank investors among commercial banks, the Federal Reserve technically could be provided with an authority to require the banks to retain the securities they were obliged to purchase.

But these authorities would be quite beside the point. They would not prevent the fundamental tie-up of deficit spending of Government and money creation. They would not provide the public with assurances that the value of money would be preserved. And they would raise grave questions, shattering to public confidence, about the maintenance of a private enterprise economy.

Advocates of this solution to the financing of Federal deficits may say this is all exaggeration because only small deficits would in fact need to be financed through the banking system. But once the procedure were established, how could any investor in Government securities be sure that it would not be expanded at any time. In such a case, his reaction would certainly be to withdraw from investment in Government securities and concentrate his investment in other securities. In order to keep interest rates on Government securities from rising--in fact, in order to maintain a functioning market for these securities at all--Federal Reserve intervention in the market would become unavoidable

We have now outstanding a marketable Federal debt of around $175 billion. Each year we have refundings in the neighborhood of $30 billion, aside from Treasury bills which total $30 billion and turn over nearly four times a year. If these refundings are not taken up by holders of maturing issues, the Treasury has to borrow the cash to retire them. Usually, the Treasury must borrow each year large amounts of cash, quite aside from any deficit, to pay off holders of maturing debt who decline to subscribe to exchange offerings. Accordingly, the amount of securities that could potentially become available for direct sale to the banking system in any year under the proposal could be simply huge. The larger the amount of Government securities that investors were inclined to sell from their holdings of nonmatured marketable issues, or to redeem from their holdings of nonmarketable securities, the more intractable and unmanageable the financing problem of Treasury would become.

February 3, 1959

Lehman - 5321

FOR RELEASE
Friday, February 6, 1959

CONGRESS OF THE UNITED STATES
JOINT ECONOMIC COMMITTEE

Senator Paul H. Douglas (D., Illinois), Chairman of the Joint Economic Committee, today announced that hearings on the **Economic** Report of the President will be concluded on Monday and Tuesday, February 9 and 10, 1959.

The attached schedule of witnesses and subjects for the final week of hearings was released. The questions are, of course, intended to suggest the general content rather than limit the particular hearing.

February 9 -- Monday -- Old Supreme Court Chamber (P-63, Senate Wing of the Capitol)

Panel: Labor and Management Comments on the Economic Report

Labor Comments

10:00 a.m. WALTER REUTHER, Vice President, American Federation of Labor-Congress of Industrial Organizations

Management Comments

11:00 a.m. WALTER FACKLER, Department of Economic Research, Chamber of Commerce of the United States

11:30 a.m. RALPH ROBEY, Economic Adviser, National Association of Manufacturers

Panel: Additional Comments by Group Representatives 2:30 p.m.

American Farm Bureau Federation--CHARLES B. SHUMAN, President

Federal Statistics Users' Conference--VINCENT A. PERRY, Vice Chairman

National Farmers Union--JOHN A. BAKER, Director, Legislative Services Division

National Grange--ROY BATTLES, Assistant to the Master

National Independent Union Council--DON MAHON, Secretary

Also invited:

Committee for Economic Development

Railway Labor Executives Association

United Mine Workers of America

February 10 -- Tuesday -- 457 Senate Office Building 10:00 a.m.

The Defense Department Budget and Plans

W. J. McNEIL, Assistant Secretary of Defense
(Comptroller)

1. What significant changes in the Department of Defense program are included in the budget for fiscal 1960? What impact on the total level and on the character of economic activity do you anticipate from these changes?

2. What pattern of defense expenditures and contract placement, by quarters, is contemplated in the budget for fiscal 1960?

3. What criteria were followed in arriving at the total budget proposed for national defense? For apportioning this total among various programs?

Lehman - 5321

FOR RELEASE
Friday, January 30, 1959

CONGRESS OF THE UNITED STATES
JOINT ECONOMIC COMMITTEE

Chairman Douglas Announces Second Week
of Hearings on the President's Economic Report

Senator Paul H. Douglas (D., Illinois), Chairman of the Joint Economic Committee, today announced that hearings on the President's Economic Report would continue during the week beginning Monday, February ~~9~~ 2, 1959.

The attached schedule of witnesses and subjects for the second week of hearings was released. These questions are, of course, intended to suggest the general content rather than limit the particular hearing. Plans for the final days of hearings will be announced next week.

February 2 -- Monday -- 457 Senate Office Building. 10:00 a.m.

Panel: Factors Affecting Economic Growth

1. When we talk of economic growth, do we mean expansion of GNP? or of GNP per capita? or of productive capacity?

2. What are the principal factors explaining the growth that has taken place?

3. How important a factor is research and development? What evidence do we have that research and development "pays off" in clear-cut contributions to industrial and economic growth? What contribution to national economic growth can be expected to result from the development of specific areas and regions?

4. Can we count on the contribution of these factors to maintenance of growth to continue in at least the same degree as in the past? What basic changes, if any, in public policies would contribute to providing the conditions in which growth-impelling forces would be encouraged?

5. Can we have a higher rate of growth in the future without devoting to capital formation a larger proportion of our resources than in the past? Will not a faster rate of growth require an increase in the rate of saving? What problems of income distribution must we expect to find associated with a relative increase in the rate of expansion of our productive capacity?

6. Would devoting a larger proportion of our resources to capital formation give rise to greater difficulties in maintaining stability in the general level of prices and in the rate of employment and other resource use?

7. The word "dynamic" is frequently used to describe the American economy. What implications are there in the dynamic characteristics of the economy with respect to the opportunities to expand our productive capacity? for limitations upon such expansion? What account should be taken of these implications in comparing the growth of the United States economy with that of a less dynamic economy? How is the comparison of the growth of our economy with that of the Soviet Union affected?

HAROLD J. BARRETT, Development Department,
E. I. du Pont De Nemours & Co.

ROBERT EISNER, Professor of Economics, Northwestern University

JOSEPH L. FISHER, Associate Director and Secretary
Resources for the Future

DANIEL HAMBERG, Professor of Economics, University of Maryland

HANS HEYMANN, Jr., Economist the RAND Corporation

ROBERT E. JOHNSON, Economist and Actuary,
Western Electric Co.

HERBERT E. STRINER, Economist, Operations Research Office,
The Johns Hopkins University

ALAN T. WATERMAN, Director, National Science Foundation

February 3 -- Tuesday -- 457 Senate Office Building 10:00 a.m.

Panel: The Structure of Business and the Employment Act of 1946

1. How would you evaluate the contribution of current antitrust policy to attainment of the Employment Act's objectives of economic growth and stability? What revisions in these policies would provide opportunity for a greater contribution?

2. Some examinations of recent United States experience suggest that relative immobility of important types of resources is an important factor in rising costs and, therefore, upward price pressures. One example is the "hoarding" of skilled and technical labor services needed in connection with a good deal of investment in plant and equipment. To what extent are such barriers reflections of concentration of economic power? Can antitrust policy be more effectively directed toward reducing the barriers to free resource movement?

3. The strong market position of large business and the bargaining power of large labor organizations have been identified in many discussions as contributing importantly to inflationary tendencies apparent in recent years. To what extent can this interpretation be factually supported? If this be the case, what changes in antitrust and related policies are called for to assure that such power is appropriately reduced or otherwise modified in the public interest?

SOLOMON BARKIN, Director of Research, Textile Workers Union of America

PADRAIC P. FRUCHT, Economist, Chamber of Commerce of the United States

HORACE M. GRAY, Professor of Economics, University of Illinois

ALFRED E. KAHN, Professor of Economics, Cornell University

CARL KAYSEN, Professor of Economics, Harvard University

MARK S. MASSEL, Senior Staff Member, The Brookings Institution

EUGENE V. ROSTOW, Dean, Yale Law School

February 4 -- Wednesday -- 457 Senate Office Building 10:30 a.m.

Antitrust Policy and Employment Act Objectives

WILLIAM PIERCE ROGERS, Attorney General of the United States

1. What consideration is given, in the shaping and application of antitrust policies, to the contribution they can make to attainment of the objectives of the Employment Act of 1946?

2. Under what are termed additional measures for economic growth (page 53 of the Economic Report), the President includes three recommendations to strengthen antitrust policy. In your opinion, how would economic growth be promoted by these measures?

3. The Economic Report also includes the statement that "self-discipline and restraint [by labor and management] are essential if agreements consistent with reasonable stability of prices are to be reached within the framework of [our] free competitive institutions." If, as this seems to imply, our free competitive institutions are not functioning sufficiently well to create adequate market restraints, is this because antitrust policies are not being vigorously enough pursued or because the statutes are too limited? If the latter, will the measures recommended by the President be sufficient to overcome the deficiencies of the law?

4. To what extent do you believe inflationary price movements result from restraints on the freedom of enterprise, noncompetitive market practices, and immobility of resources, compared with inadequate fiscal and monetary restraints?

February 5 -- Thursday -- 457 Senate Office Building

Fiscal Policy for the Coming Year -- 10:00 a.m.

ROBERT B. ANDERSON, Secretary of the Treasury

1. What would you regard as the proper division of labor between tax policy and monetary policy as instruments of economic stabilization during the coming year?

2. Is the present structure of the Federal tax system adequate in light of the Nation's economic growth and stability requirements? If not, what changes would you recommend?

3. Under what circumstances can we reduce Federal taxes? What are the prospects for realizing these circumstances?

4. What do you foresee as the Treasury's principal debt-management problems in the year ahead? What effect on interest rates and the availability of credit to sensitive sections of the market, such as housing, do you anticipate from debt-management operations during 1959? What assumptions about the broad outlines of monetary policy underlie the Treasury's debt-management program for 1959?

Fiscal and Budgetary Policy Recommendations -- 2:30 p.m.

GERHARD COLM, Chief Economist, National Planning Association

February 6 -- Friday -- 457 Senate Office Building

Monetary and Credit Policy for the Coming Year -- 10:00 a.m.

WILLIAM McC. MARTIN, JR., Chairman, Federal Reserve Board

1. What do you regard as the proper division of labor between tax policy and monetary policy as instruments of economic stabilization during the coming year?

2. What is the current policy of the monetary authorities?

3. What, if any, elements exist in the current situation which suggest or might permit a resurgence of inflationary forces in the next 12 or 15 months?

4. If price movements during 1959 follow the 1958 pattern, would an easier monetary and credit policy be in order? What program would you recommend as to priority and specific actions in the fiscal and monetary fields for 1959?

5. With the benefit of hindsight, do you agree with the contention that monetary and credit policy could and should have been eased some months prior to the 4th quarter of 1957?

Monetary and Credit Policy Recommendations -- 2:30 p.m.

SEYMOUR E. HARRIS, Chairman, Department of Economics, Harvard University

Lehman - 5321

FOR IMMEDIATE RELEASE
Monday, January 26, 1959

CONGRESS OF THE UNITED STATES
JOINT ECONOMIC COMMITTEE

Chairman Douglas Announces Hearings
on the President's Economic Report

Senator Paul H. Douglas (D., Illinois), chairman of the Joint Economic Committee, has announced plans of the Joint Committee to hold hearings commencing January 27 on the President's Economic Report which was transmitted to Congress January 20.

Under the Employment Act of 1946, the President's Economic Report is referred to the Joint Economic Committee, which is to review it and "... file a report with the Senate and House of Representatives containing its findings and recommendations with respect to each of the main recommendations made by the President in the Economic Report ..."

At its meeting today, the committee approved a general plan for hearings and released the attached schedule of witnesses and subjects for the first week, with lists of questions. These questions are, of course, intended to suggest the content rather than limit the particular hearing. Detailed plans for the remainder of the hearings will be released later in the week.

SCHEDULE OF
HEARINGS ON THE PRESIDENT'S 1959 ECONOMIC REPORT

January 27 -- Tuesday -- Old Supreme Court Chamber (P-63, Senate wing, The Capitol)

10:00 a.m.

Council of Economic Advisers - (Executive Session)

RAYMOND J. SAULNIER, Chairman, accompanied by

KARL BRANDT, and

PAUL W. McCRACKEN, Members

1. What are the levels of employment, production, and purchasing power needed in 1959 to carry out the objectives of the Employment Act?

2. What are the current and foreseeable trends in employment, production, and purchasing power?

3. What assumptions with respect to prices, national income, personal income, corporate profits, and the like, underlie the President's Economic Report? Are these assumptions consistent with those upon which the Budget is based? Are these assumptions consistent with attainment of Employment Act objectives in calendar 1959?

4. In discussing the economic outlook for 1959 and in formulating its recommendations, does the Economic Report take account of likely developments with respect to the broad outlines of monetary and credit policy to be expected this year? Do you expect that realization of the Report's program and the Employment Act objectives in 1959 will require any significant changes in monetary policy during the year? If so, what changes would be desirable?

5. With the advantage of hindsight, do you now think different public policies should have been adopted after mid-1957? If so, what changes would you have made?

January 28 -- Wednesday -- Room 362 Old House Office Building **10:00 a.m.**

The Federal Budget

MAURICE H. STANS, Director, Bureau of the Budget

1. What are the major changes in expenditures and revenues contemplated in the President's budget for fiscal year 1960?

2. What assumptions with respect to prices, national income, personal income, corporate profits, and the like, underlie the President's budget?

3. In preparing the budget how have the objectives of the Employment Act of 1946 been taken into account; how is the budget expected to contribute to their achievement?

4. What effect are changes in the budget estimated to have on the gross national product and on Federal revenues?

January 29 -- Thursday -- Room 362 Old House Office Building 10:00 a.m.

Panel: Economic Outlook

1. What is the outlook for labor force, hours of work, and productivity in comparison with long-run trends?

2. What are the likely trends in receipts and expenditures of Federal, State and local governments?

3. What is the outlook for business fixed investment; for international trade and investment; residential construction; for inventories?

4. What is the outlook for consumer buying of durables, nondurables, and services?

5. What is the outlook for prices?

Labor Force, etc.
EWAN CLAGUE, Commissioner, Bureau of Labor Statistics, Department of Labor

Government Demand
LOUIS J. PARADISO, Asst. Director & Chief Statistician, Office of Business Economics, Department of Commerce

Housing Investment and Demand
ROBINSON NEWCOMB, Consulting Economist

Investment Demand
MARTIN R. GAINSBRUGH, Chief Economist, National Industrial Conference Board

Inventories and Consumer Demand
IRWIN FRIEND, Professor of Economics, University of Pennsylvania

International Trade and Investment
WILLIAM F. BUTLER, Vice President, Chase Manhattan Bank

Agriculture
ORIS V. WELLS, Administrator, Agricultural Marketing Service, Department of Agriculture

LOUIS H. BEAN, Consulting Economist

January 30 -- Friday -- Room 362 Old House Office Building 10:00 a.m.

Panel: Policy Implications of the Economic Outlook

1. What, if any, changes in governmental economic policies are called for in the year ahead?

2. What would you regard as the proper division of labor between tax policy and monetary policy as instruments of economic stabilization during the coming year?

3. What relative emphasis should these policies place on the expansion of investment and of consumption?

GERHARD COLM, Chief Economist, National Planning Association

WILLIAM J. FELLNER, Professor of Economics, Yale University

WALTER W. HELLER, Professor of Economics, University of Minnesota

BENJAMIN U. RATCHFORD, Professor of Economics, Duke University

PAUL A SAMUELSON, Profess of Economics,
Massachusetts Institute of Technology

HERBERT STEIN, Director of Research,
Committee for Economic Development