

# Midyear Economic Report of the President

TRANSMITTED TO THE CONGRESS

July 1949





# THE MIDYEAR ECONOMIC REPORT OF THE PRESIDENT

To the Congress, July 11, 1949

Together with a report  
THE ECONOMIC SITUATION  
AT MIDYEAR 1949

by the  
COUNCIL OF ECONOMIC ADVISERS



UNITED STATES GOVERNMENT PRINTING OFFICE

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## LETTER OF TRANSMITTAL

THE WHITE HOUSE,  
*Washington, D. C., July 11, 1949.*

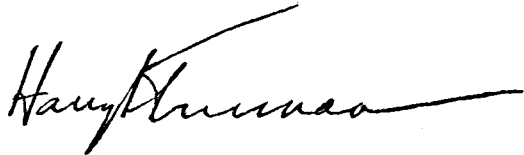
The Honorable the PRESIDENT OF THE SENATE,  
The Honorable the SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIRS: I am presenting herewith a Midyear Economic Report to the Congress. This is supplementary to the Economic Report of the President of January 7, 1949, and is transmitted in accordance with section 3 (b) of the Employment Act of 1946.

In preparing this report I have had the advice and assistance of the Council of Economic Advisers, members of the Cabinet, and heads of independent agencies.

Together with this report I am transmitting a report, the Economic Situation at Midyear 1949, prepared for me by the Council of Economic Advisers in accordance with section 4 (c) (2) of the Employment Act of 1946.

Respectfully,

A handwritten signature in dark ink, appearing to read "Harry Truman", with a long, sweeping horizontal line extending to the right.



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*To the Congress of the United States:*

The United States economy is the strongest and most productive the world has ever known—and we have the resources and the skills to make it still stronger and more productive.

In recent months we have seen the abatement of postwar inflationary forces. We are now in a transition period, in which we must work toward conditions that will promote a more stable and enduring growth in production, employment, and purchasing power.

The fundamental task facing us all—businessmen, workers, farmers, Government—is to apply positive policies with confidence and courage in order to achieve a sounder price structure and the restoration of maximum production and employment. In so doing, we need to start with a clear understanding of the facts concerning our present situation.

Our economy today possesses vitally important elements of strength that did not exist in earlier periods. Over the course of the last 16 years, many steps have been taken by the Government to bulwark our economy against the forces of recession.

Unemployment insurance has helped to alleviate the hardships of unemployment and to sustain consumer incomes and expenditures. The old-age retirement system and public assistance for needy persons also serve to maintain purchasing power. The housing program recently enacted by the Congress will furnish positive support for housing construction and slum clearance.

The Federal Reserve System has been developed into an instrument of such strength and elastic power that the risk of credit restriction at the very time when business requires easier credit has been greatly reduced. The insurance of bank deposits has eliminated the danger of widespread loss from bank failures. The several credit institutions established within the Government go far toward preventing waves of bankruptcies and foreclosures. The farm price-support program affords assurance that our 6,000,000 farmers and the two-fifths of our population in rural communities will not be forced out of the markets for goods.

These and other Government policies are providing strong supports to business activity and are enlarging the opportunities of private business. The fact that public expenditures of Federal, State, and local governments are running at a rate of close to 60 billion dollars a year is itself an element of great stability in the present situation.

Our position would be even stronger if we had taken adequate steps to control the inflation between 1945 and 1949. We were confronted, as an aftermath of the war, by an inflationary boom that lifted production and employment to extraordinarily high levels. But underneath the surface of the inflationary boom, there were serious dangers. Some incomes were disproportionately high. Most prices were rising at a perilous rate, and serious price and wage distortions were being developed. The spiraling

cost of living was inflicting hardship on millions of families. These conditions threatened to bring about a serious break in employment and production. Therefore, I recommended repeatedly, for private and public action, an anti-inflation program to curb these dangers before we suffered the consequences.

A large part of the necessary anti-inflation program was not adopted and the inflation went on largely uncontrolled. The dangers that are latent in inflation, of which I repeatedly warned, are now being revealed.

Employment is still high, but unemployment has been increasing and veterans and others leaving school are finding it much harder to obtain work than a year ago. Production is still high, but it is lower, particularly in some industries, than it was last year. Business investment is at a high rate, but plans for new investments are being made with caution.

The 1949 decline has been moderate, and the opportunity is now ours to reverse the trend and achieve maximum production and consumption of goods and services without the evils of inflation.

The adjustment process has been rendered less difficult by the prudent actions of many groups and individuals in our business system. We have had no speculative spree in either securities or commodities. Inventory buying has been moderate and distress liquidation of inventories, such as we experienced in 1920, is not to be anticipated. Personal indebtedness, on the part of farmers, home owners, and consumers generally, has been held to conservative levels. Many far-seeing businessmen made sincere efforts to avoid or minimize price increases during inflation, and in recent months have reduced their prices and have sought valiantly to maintain production and employment. Many labor unions have used their collective strength with moderation and with consideration for the interests of the whole economy. All groups in the Nation have gained an improved understanding of economic problems since the 1920's, and their actions reflect this fact.

We should not, however, be lulled into a false sense of security by these favorable aspects of the situation. Many of the price adjustments that have taken place have been healthy, and afford ground for expectation that our economy will work its way successfully through a difficult period of transition. But there is nothing healthy about more unemployment or less production. Such trends can and must be reversed by positive action, private and public. The way to check a decline in business investment or production is to take affirmative action that will lead to more investment and more production. The way to check an increase in unemployment is to take affirmative action that will provide more jobs. The way to prevent our economy from shrinking is to take affirmative action that will help it to expand.

These things cannot be done by business, labor, agriculture, or government acting alone. They can only be done by all of us working together in mutual respect and with common objectives.

It is with these considerations in mind that I transmit to the Congress a brief summary of the economic situation and recommendations for action at this time.

## Summary Review of Recent Economic Developments

*A moderate downward trend* characterized most phases of economic activity in the first half of 1949.

*Civilian employment* averaged 58 million. This was slightly below the level of the first half of 1948, with the greatest decrease in manufacturing industries. In June of this year, civilian employment was 59.6 million; in June of last year, 61.3 million. The number of unemployed averaged 3.2 million, the increase of about one million over the first half of 1948 about equaling the increase in the total labor force. The unemployed were 6 percent of the civilian labor force in June, compared with 3.4 percent in June of last year. The number of unemployed in June was 3.8 million, and acute unemployment problems have developed in certain localities.

*Production* of all goods and services, adjusted for price changes and for seasonal variation, in the first half of 1949 was about 1½ percent less than in the second half of 1948. The decline in industrial production was rapid, and by June had reached 13 percent below last fall's peak. Other business activity as a whole changed but little. A moderate decrease in private construction was partly offset by a rise in public construction. This year's agricultural production seems likely to approach last year's.

*Prices* generally decreased, reflecting the shift from a sellers' to a buyers' market. The decreases were in most instances moderate and orderly, with no indication of a general spiraling downward. Wholesale prices by mid-year had declined 9 percent, consumers' prices 3 percent, from their high points of last August.

*Wages* increased in some industries, but, at least in manufacturing, the increases were more than offset by reduced overtime and shorter work-weeks. Since the cost of living decreased by about as much as workers' average earnings, real earnings generally were maintained.

*Profits* reflected the decline in prices and production. Corporate profits before taxes and inventory valuation adjustment in the first half of this year were about 13 percent below the first half of last year. The corresponding figure for unincorporated enterprises, however, fell only about 7 percent.

*Farm income* was about 8 percent below the first half of 1948.

*Credit* requirements of business decreased as inventories and customer receivables were reduced. Commercial loans of large city banks shrank 15 percent, but otherwise loans by banks and other investment institutions remained stable. Total bank deposits and money in circulation decreased about 2 percent during the past half year. Interest rates continued low.

*Business investment* decreased in the first half of 1949 from the 1948 level. Allowing for seasonal variations, in the second quarter it was 26 percent below the peak rate of the fourth quarter of 1948, chiefly as a result of reductions in inventories. Plant and equipment outlays were still about as high as a year ago, but some decrease is anticipated in the last half of 1949.

*Corporate finance* reflected the reduction of inventories and of customer credit. Funds thus freed helped corporations to reduce their total indebtedness by about 3.5 billion dollars.

*Housing starts* were less than in the first half of 1948, but since March have been moving up toward last year's levels.

*Personal income* of consumers after taxes decreased only about 1 percent from the level of the last half of 1948. Since consumers' prices dropped 2 percent, real income did not change significantly. Consumption expenditures in dollar terms decreased nearly 3 percent. Total liquid assets of individuals and business firms are now about 235 billion dollars. However, nearly 30 percent of our families have no reserve of liquid assets.

*In foreign trade*, an increase in exports and a falling off of imports have continued the rising trend in the export surplus which began last fall. The surplus was financed almost entirely through Government foreign-aid programs.

*Government fiscal transactions* were a source of support against other factors making for decline in the economy during the past half year. Using figures on a consolidated cash basis, rather than the conventional budget basis, to reflect the effective impact of total governmental receipts and payments upon the economy, cash payments by the Federal Government ran at a rate more than 20 percent higher than in the first half of 1948, and State and local payments at a rate about 13 percent higher. Federal cash receipts were down about 10 percent, State and local receipts were up about 5 percent. All governmental units combined showed a cash deficit in the first half of 1949 at a seasonally adjusted annual rate of 2.4 billion dollars, in contrast to a surplus at a rate of 12.1 billion dollars in the corresponding period in 1948. The Federal cash deficit in the past half year was at an annual rate of about 1 billion dollars, contrasted with a surplus at an annual rate of 12.3 billion dollars in the first half of last year.

# Policies for Economic Stability and Expansion

These facts show that our economy is still operating at high levels of employment and production. The kind of Government action that would be called for in a serious economic emergency would not be appropriate now.

However, it would be even less appropriate to rely entirely on "letting nature take its course" to restore economic stability and maximum production and employment. Within the memory of this generation, we have experienced both the terrible consequences of inaction and the saving value of affirmative policy. It is consistent with the whole history of American progress to recognize that, now as before, action can and should be taken to make our economy still stronger and to deal with the new problems of the present.

It is fundamentally important to recognize that we should direct our policies and actions not merely toward preventing a depression or holding our ground. Many times I have pointed out that the life and spirit of the American economy is progress and expansion. We need to use the productive capacity of a growing labor force. We need to translate improved productivity and managerial skills into constantly increasing output. If the real needs and aspirations of our people are translated into effective demand through constantly growing employment and purchasing power, our markets can absorb a vigorously expanding output. We can achieve within a few years a national output well above 300 billion dollars, valued at current prices.

Our goal of growth and expansion determines the kind of policies that private enterprise and Government should now develop and apply.

To restrict business investment, curtail production, reduce employment, or slash wages, because our economy has declined somewhat, would only serve to drag us further downward. But if in every field of action we do the things that are consistent with a strong and growing economy, we will have a strong and growing economy.

It is vitally important that Government policy be based upon the determination to achieve a constantly growing economy. While some businessmen may find it difficult to expand their operations under current circumstances, the Government can always take conscious and positive action to counteract recessionary forces.

Yet there are those who assert that the decline in national income requires that we cut essential national programs. Nothing could represent greater economic folly than to follow this course of action. It would contribute to the very recessionary forces that we should be counteracting. It would be a defeatist admission that we cannot prevent our economy from running

downhill and that those programs which are vital to the international security and domestic welfare of our people, as well as to the strength of our economy, must be steered in the same downward direction.

This issue is fundamental. Are we going to admit that the forces of progress in our economy have become so feeble that we must content ourselves with lower levels of education, health and housing, international and domestic security, and national development? Or are we going to move forward toward making our economy as strong and productive as our resources and skills permit, and adopt the programs which are consistent with that kind of economy and necessary for its attainment?

I propose that we follow the latter course.

### *Business investment*

Initiative, ingenuity, and courage have always been characteristic of American businessmen. The production goals achieved during the war were a miracle to the rest of the world. There are now great opportunities for business investment to remove obsolescence, to make use of the rapid progress of science and invention, to improve transportation facilities, to enlarge the housing supply, to industrialize underdeveloped areas of our country, to bring conveniences and labor-saving devices to American homes and farms, and to meet the needs of a population that will continue to grow. Businessmen should lift their sights to the needs of an economy that grows and prospers from year to year.

I have previously recommended, and I again recommend, that the Congress provide for a broad study of potential business investment, expansion, and market opportunities under conditions of maximum use of our productive resources in a growing economy—conditions which the Employment Act of 1946 contemplates and which can be achieved if we have the confidence and determination to achieve them. This study should be designed especially to discover inadequacies in capacity in basic industries which may serve as limiting factors to expansion when the upward movement of business is resumed.

### *Price and wage policies*

In addition to the need for expanded business investment, positive actions are required to enlarge consumer purchasing power.

Businessmen have a great opportunity to maintain production and sales volume by adjusting prices downward, even at the cost of temporarily reduced profits. Maintaining volume in the present situation is far more important than maintaining profit margins. The only ultimate source of sustained profits is sustained employment and purchasing power.

The same concept should guide wage policies. Business cannot be prosperous unless the purchasing power of workers is maintained. While price reductions are desirable, they should not be attained at the expense of wage cutting. Management and labor, through collective bargaining, should

seek agreements which recognize that the benefits of improved technology and productivity should be reflected both in the wage structure and in the price structure.

### *Fiscal policy*

The Government's programs of expenditures and receipts must be carefully planned in the light of economic developments as they occur.

The Federal Budget in recent years has necessarily been large, reflecting not only the needs of the people for Government services but also the extraordinary responsibilities of the United States in working toward a peaceful world.

The sound objective of Government policy is to contribute toward the maximum use of our resources, not to contribute toward having them lie idle and unused. When I submitted my budget for the fiscal year 1950 last January, the programs of expenditure that I then recommended were held to a minimum consistent with our basic needs in view of the inflationary strain upon materials and manpower then prevailing. Now that this strain has been removed, it would be inconsistent with sound fiscal policy and common sense to make these programs smaller.

Continuing these necessary programs involves the problem of how and when we should achieve a balance of Federal receipts and expenditures, and a reduction of the national debt. No one has been more concerned with this problem than I, and this concern has not diminished. I will continue to exert every effort to achieve every economy in the development and execution of programs that is consistent with the national welfare. Balancing the budget and reducing the national debt are objectives to be achieved at the earliest feasible time.

But these objectives cannot be achieved without regard to the general state of the Nation's economy. During the fiscal years 1947 and 1948 we were able to achieve, although not to the extent desired, the objective of balancing the budget and reducing the national debt. I urged repeatedly during this inflationary period that Government revenues be maintained to provide a surplus for retirement of the national debt. The present deficit of Federal receipts below expenditures, caused primarily by the untimely tax reduction of 5 billion dollars during the height of inflation, against which I so strongly advised, has been aggravated by the loss in revenue resulting from the decline in production and national income.

As I said in my Economic Report in January of this year:

The national tax policy should be flexible and should be promptly adjusted to the changing needs of business and consumers in the course of evolving economic events.

Under present economic conditions, we cannot immediately correct the tax mistakes of the past or the conditions which led to a lower level of national income and lower Federal revenues. Any tax increase should

be judged by the effect which it might have upon national income and purchasing power. Under present conditions, immediate tax increases should be limited to raising estate and gift tax rates and closing the loopholes in their administration, so as at least to restore the revenue from this source lost under the Revenue Act of 1948. This will have no significant adverse effects upon present economic conditions. At the same time, the tax on transportation of goods, which enters directly into such a large number of business costs, should be eliminated. Furthermore, the loss carry-over provisions in the corporate income tax laws should be liberalized in order to give an increased incentive to some business investments which may now be held back because of uncertain profit expectations. The net effect of these three changes in our tax structure, taken together, will be favorable to the expansion of business activity, without causing a significant net loss in total receipts. No changes in the tax laws which would result in a larger net loss in revenues would be justified at this time.

In view of our domestic and international obligations, an abundant economy is the only safe road to a Government surplus. In 1948 the value of our national output of goods and services was above 250 billion dollars. A 3- or 4-percent annual growth of our economy, which I set as a practical objective in my Economic Report in January, would increase annual national output in real terms by  $7\frac{1}{2}$  to 10 billion dollars. Higher national output means more Federal revenues at any given tax rate.

Present levels of expenditures are due in large measure to the extraordinary costs of our national defense and international activities. These activities are of such paramount importance that it is out of the question to slash them at this time. But, as our policy for peace takes effect, it should be possible in future years to reduce these expenditures which now make such heavy demands upon our Federal budget. As opportunity offers, I shall make every effort to achieve an excess of Federal income over outgo, consistent with our major objectives of peace and prosperity.

But if we tried to avoid a budget deficit by cutting essential expenditures, we would contribute to lower national output and lower employment, Federal receipts would fall further, and the burden upon Federal expenditures would increase. We cannot expect to achieve a budget surplus in a declining national economy.

There are economic and social deficits that would be far more serious than a temporary deficit in the Federal budget. Could we be truly prosperous if the level of business investment or consumer purchasing power should become seriously deficient? Could we be truly prosperous with gaping deficits in our educational system or our housing or our health services or our programs for resource development? If we should allow these deficits to multiply, they would drag the whole economy down, and there would be no hope for balancing the Government budget. But if we prevent these deficits, if we realize the productive potentials of the American economy,



the whole Nation will prosper, and not only will we balance the Federal budget, but we can also move forward to improve the tax system and to resume reduction of the national debt.

#### *Monetary and credit policy*

Federal monetary and credit policies should contribute to the needs of an expanding economy.

Present conditions of ample credit supplies and low interest rates are favorable to business investment. The policy of the Government will be to continue to maintain orderly conditions in the Government security markets and to encourage banks and other institutions to maintain and expand their productive lending activities.

Over the years, Federal lending has come to exercise an important influence upon business investment by providing funds which would otherwise not be available, particularly for small and new businesses. In a period of business contraction, no matter how moderate, deficiencies in capital funds force many enterprises to the wall. It is no answer to this difficult question to say that this squeezes out the inefficient, because it also ruins many who are temporarily in adverse financial circumstances without being inefficient, and prevents others from getting a start in business.

The Reconstruction Finance Corporation, under its existing authority, will continue its support of business activity by making loans based upon reasonable assurance of repayment, not under depression conditions, but under generally prosperous, long-run conditions. The Corporation is also very properly focusing its loan activities toward areas where unemployment has become serious. New legislation is needed, however, to extend the maximum maturity periods for loans, in order to permit financial assistance by the Corporation to business ventures which are economically sound and urgently needed in an expanding economy, but which require long periods of time to develop and produce earnings that will permit orderly amortization of debt.

#### *Agricultural policy*

Millions of American consumers derive their livelihood from farming and buy the products of industry. Experience has taught us that there can be no lasting general prosperity without farm prosperity.

There is immediate need to overcome a number of shortcomings in existing farm legislation. It is necessary to assure fair and adequate supports for major farm products, notably livestock products, which have not been covered in past programs. It is necessary to authorize the use of direct production payments as an alternative to the pegging of market prices if an effective support program is to be carried forward without waste of commodities and without denying to consumers the benefits of agricultural abundance. It is desirable to recognize clearly that the objective farm support prices is to maintain an adequate level of farm income and promote

shifts in lines of agricultural production which will encourage an increase in the total domestic consumption of farm products. I urge the Congress to enact at this session legislation to meet these needs.

### *Minimum wages*

Minimum-wage legislation is essential to maintaining adequate consumer purchasing power among large groups of our population. The cost of living has been reduced very little, so that low-paid workers are still faced with a grave problem in meeting living expenses. Higher minimum wages are an element in the general improvement of American living standards which we can afford and must achieve. I repeat my request for the immediate raising of the minimum wage under the Fair Labor Standards Act to at least 75 cents an hour, and the extension of the Act's coverage.

### *Social security*

Although unemployment has not risen to the dangerous levels which would call for all-out emergency measures, there is an inescapable obligation of Government to take action when large numbers of people are unemployed through no fault of their own. Such action is important not only to the unemployed but also to business, since unemployment benefits maintain to some extent the purchasing power of those who have lost their jobs. Because these measures contribute toward isolating the consequences of unemployment and reducing its duration, it is not economical even by the measure of dollars alone to leave these protective devices in an inadequate state. The cost of such measures is determined not only by the extent of coverage or size of benefits but also by the extent and duration of unemployment.

Under current economic conditions, it is urgent that the unemployment compensation system be broadened and liberalized. I recommend that the Congress strengthen our Federal-State unemployment insurance system by establishing minimum benefit standards for all parts of the country and by broadening coverage. These minimum standards should provide benefits for 26 weeks ranging up to \$30 a week for single individuals, with additional amounts for dependents.

Ample funds are available for this purpose in the trust accounts of most States. However, these increased benefits will require action by the State legislatures and it will obviously take some time before the laws of all States can be amended for this purpose. It will be necessary, therefore, to allow a reasonable period before the requirement for new standards takes effect.

To encourage the States to meet the new standards without waiting for this period to expire, I recommend that a Federal reinsurance fund be established for those States which meet the minimum standards to assure that the increased protection will not threaten the continued solvency of State unemployment funds. This would represent an extension and strengthening of the present legislation authorizing Federal loans to States whose unemployment funds run low, which expires on December 31, 1949.

I further recommend that the expiration date for unemployment benefits for veterans under the Servicemen's Readjustment Act be extended for one year, to July 25, 1950. Such benefits should not be available to those eligible for unemployment compensation under State laws, except where necessary to bring State payments up to the Federal level, or when State benefits are used up.

The improvements in the old-age and survivors' insurance system which I have recommended to the Congress are also badly needed. The present schedule for increasing pay roll taxes to 1½ percent each on employers and employees next January will provide the financial basis for such improvements without unduly reducing consumer purchasing power.

I have already recommended to the Congress that in addition to Federal aid to the States for the needy aged, for the blind, and for dependent children, such aid should be extended to other needy persons receiving general assistance. In most States, the programs now in operation are inadequate and in many localities there is no program at all. Recent economic developments have emphasized the need for aid, and I again urge its favorable consideration by the Congress.

#### *Public works*

Public works programs, Federal, State, and local, assume added significance under present conditions as a means of maintaining consumer purchasing power and stimulating investment opportunities. My January budget proposals called for Federal expenditures for civil public works in fiscal year 1950 in the amount of about 3 billion dollars, compared to about 2¼ billion dollars in fiscal 1949. Continuing the programs included in the present budget, even without any new starts, will require expenditures of approximately 3 billion dollars in each of the fiscal years 1951 and 1952, at construction rates now planned.

This is a substantial program, and, coupled with private construction expenditures at the current rate, and with local and State expenditures at a rate in excess of 3 billion dollars a year, should maintain the construction industry at a high level of activity and thus strengthen the whole economy.

The economic situation does not now call for an immediate and sweeping expansion of public works. It would be dangerous, however, to neglect the precautionary preparation of measures which might be needed if the business downturn should become more serious. Such preparatory measures by themselves will serve to inspire confidence that the Government will, if necessary, help further to maintain a high level of demand. They will thus reduce doubts that businessmen may have about planning investments for the future. They will also encourage consumers to continue their normal purchasing with more confidence.

I urge, therefore, that the Congress (1) enact legislation to provide for loans to assist State and local advance planning of public works; (2) pro-

vide funds for the Public Buildings Administration for advance planning and site acquisition for Federal construction, under the authority recently enacted; (3) enable the Bureau of Public Roads to make advances to States for acquiring and clearing rights-of-way; and (4) provide for the surveys and planning for school construction which I have previously recommended. Together with the advance planning already under way by many Federal agencies, these actions will round out a substantial backlog of planned public works.

#### *Concentration upon areas of relatively serious unemployment*

While unemployment is not now at a very high level for the country as a whole, there are many localities and even some States where it is serious. These pools of heavy unemployment need to be treated before they spread, and the responsibility is in part national.

There are a number of Federal programs of direct action or assistance to localities which can be timed and channeled so as to concentrate upon areas where unemployment is heavy without sacrifice of general national objectives. This principle of wise selectivity is particularly applicable to procurement and construction activities, but it is also relevant to other grant or loan programs designed to stimulate private enterprise or to effect public improvements. Toward this end, I am directing that a continuing review of such activities be undertaken within the Executive Office, in order to coordinate planning, to keep the various types of activity and their geographic distribution in proper balance and readiness, and to focus emphasis upon alleviating unemployment in particular areas where it becomes serious before it has a chance to spread. I am also having a study made of possible changes in the laws governing these activities which may be needed for these purposes.

#### *Foreign economic policy*

The decline in our business activity is reducing our imports, which is an important factor affecting the ability of foreign countries to earn the dollars they require to restore their economic health. The decline in imports, if long continued, could have very serious effects. If a severe shrinkage in the flow of dollars abroad occurred, it would not only reduce our exports now, but would also force other countries to try to save dollars by making discriminatory trading arrangements that would adversely affect the long-run future of our foreign trade. Moreover, it would set back recovery and reconstruction abroad, and might precipitate developments which would have serious consequences for world political stability.

For these reasons, it is especially important at this time for us to continue the efforts we are making to help rebuild a strong and advancing world economy, based upon an effective network of world trade and the growing productive strength of free nations. In addition to maintaining our foreign-assistance programs, and restoring a full-scale Reciprocal Trade Agreements

Act, I urge the Congress to enact the legislation I have recently recommended to expand both technical and capital assistance for the economic growth of underdeveloped areas.

The expansion of foreign investment, by making more dollars available directly to the underdeveloped countries and indirectly to the capital-goods-exporting countries of Europe, will improve the rest of the world's ability to buy from us. The expansion of technical assistance will stimulate foreign investment by assisting countries that want capital for development to translate their aspirations into concrete projects, by creating new productive investment opportunities, and by increasing the private investor's knowledge of those that already exist. Both under its existing authority and under the new legislation I have proposed, the Export-Import Bank will be expanding its operations and substantially contributing to these objectives.

These actions are called for by both our foreign policy and our domestic economic policy. They will be supplemented by the strong support of the United States for an expansion in the development activities of the International Bank for Reconstruction and Development.

There is danger that a further reduction of economic activity may give rise to pressure to restrain imports, in an attempt to divert to United States markets part of the small fraction of total demand now directed toward foreign goods. It should be recognized that diversion is a poor substitute for expansion of total demand. Protectionist measures would not merely shift the problem of inadequate markets to other countries but would also, with the present dollar stringency, promptly reduce our own exports. Such measures would, therefore, not have a stimulating effect on the domestic economy, even in the short run.

## Summary of Legislative Recommendations

In summary, I recommend that the Congress take the following actions at this session because of their vital importance in the current economic situation:

1. Repeal the tax on the transportation of goods, liberalize the provisions for carry-over of losses by corporations, and raise estate and gift taxes. No major increase in taxes should be undertaken at this time.
2. Extend the maximum time limit now fixed by law on the maturity of loans to business made by the Reconstruction Finance Corporation.
3. Provide for a broad study of investment and development needs and market opportunities in an expanding economy.
4. Adopt an improved program of farm income supports.
5. Increase the minimum wage to at least 75 cents an hour and broaden its coverage.

6. Strengthen the unemployment compensation system by increasing the amount and duration of benefits and extending coverage.

7. Extend to July 25, 1950, the availability of readjustment allowances for veterans not protected by State unemployment compensation laws.

8. Raise benefits and extend coverage under the old-age and survivors insurance system and improve the public assistance program.

9. Enact legislation to permit Federal agencies, and assist States and localities, to intensify their advance planning and to acquire sites for useful projects.

10. Enact legislation to provide technical assistance to underdeveloped areas abroad and to encourage investment in such areas.

11. Restore the Reciprocal Trade Agreements Act.

\* \* \* \* \*

The core of my message to every businessman, worker, and farmer, and to everyone responsible for the making of national policy is just this: We cannot have prosperity by getting adjusted to the idea of a depression—by cutting investment or employment or wages or essential Government programs. We can be prosperous only by planning and working for prosperity, by increasing private investment, production, employment and purchasing power, and by carrying forward essential Government programs.

The whole world is watching developments in the American economy. Our own people insist upon the maintenance of prosperity, and will not tolerate a depression. Our friends abroad know that their well-being and hopes for world peace are greatly dependent upon the economic strength of the United States. Those opposed to our system and way of life are hoping for the vindication of their prophecies that economic collapse is inevitable in a free society.

Ours is at once a fateful responsibility and an inspiring opportunity to prove to ourselves and to the world that prosperity and freedom will endure together.

THE ECONOMIC SITUATION  
AT MIDYEAR 1949

A REPORT TO THE PRESIDENT  
BY THE  
COUNCIL OF ECONOMIC ADVISERS





## LETTER OF TRANSMITTAL

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COUNCIL OF ECONOMIC ADVISERS,  
*Washington, D. C., July 2, 1949.*

THE PRESIDENT:

SIR: The Council of Economic Advisers herewith submits a report, The Economic Situation at Midyear 1949, in accordance with section 4 (c) (2) of the Employment Act of 1946.

Respectfully,

*Edwin G. Houser*

*Chairman.*

*Leon Keyserling*

*Vice Chairman.*

*John D. Clark*



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# I. The Course of Economic Adjustment and Its Problems

The United States in 1949 is faced with the problems of a new and strikingly different phase of postwar economic adjustment. We are seeking to liquidate inflation without being overcome by business depression. Our problem is to work out a lower level of prices without a further decline of production and employment, and to effect the transition to more stable conditions conducive to maximum employment and production. In this review of the situation at midyear, the Council of Economic Advisers is undertaking to report on the economic state of the Nation, giving full value to the elements of basic strength but not failing to recognize the realities of current recessionary factors. We find the prospect reassuring.

## THE ECONOMY IN TRANSITION

During the early postwar years the situation was dominated by shortages of goods, tremendous backlogs of deferred consumer demand created by the war, an acute shortage of productive capacity in many lines, the vast accumulation of liquid savings, and the high level of expenditures needed to meet military and foreign requirements. In earlier reports, these various factors were dealt with extensively. It was pointed out that they represented the active elements in the inflationary course which the economy took after wartime controls were removed. So long as these extraordinary factors were maintained in combination, it was possible to continue very high employment and production even without a balanced adjustment between prevailing prices and current incomes. But it was foreseen that, when temporary supports slackened, full prosperity could not be preserved without a wide range of adjustments.

It was not to be expected that all of these adjustments could take place without any temporary slackening of employment and production; that would be too much to expect, given the dynamic quality of our free economy. But there was concern lest these adjustments, if too long delayed, would culminate in a manner which experience had taught us might carry the whole economy downhill rapidly and far. How to limit the inflation and prevent it from running a disastrous course to economic crisis and depression was the central theme of previous reports.

The public and private actions which were taken were not sufficient to prevent a very substantial degree of inflation from developing. More extensive measures of public control and more restrained private behavior would have reduced the difficulties of the inevitable adjustment. But the actions taken have been effective enough to prevent the kind of exaggerated speculative spree which could end only in a disastrous slump. The inflationary tendency has eased off gradually at one point after another, so that we have arrived at the present stage where general inflationary pressures have disappeared without being followed by a collapse of the price structure.

In the first quarter of 1949 some reduction in the level of economic activity was expected on a seasonal basis. But in addition to this seasonal slackening, there was an increase in the number of points at which the catching-up process caused markets to weaken and some reduction of production and employment to appear. After relatively moderate developments of this character in the first quarter, intense interest centered on whether there would be the normal seasonal improvement in the second quarter. This was widely regarded as the test of whether or not the economy was slipping downward.

In the second quarter of the year there was indeed some noticeable improvement in various areas of industry, particularly residential construction, and a seasonal pick-up in agricultural employment. The level of consumer income remained high, there was no general withdrawal from markets, and no contagious development of sharp downward price spirals. On the other hand, after allowance for seasonal factors, the general drift of prices, production, and manufacturing employment was still downward. And, in particular, the market weakness extended to metals and other products which at the beginning of the year were still in a tight demand-supply situation. It is no longer possible to describe the situation as one of mixed inflationary and deflationary forces, as at the beginning of the year. The weakening of markets has become general.

#### FACTORS OF UNDERLYING STRENGTH

Many factors augur well for the successful culmination of the readjustment process in early stability followed by renewed growth. Among the most favorable elements is that the readjustment has thus far proceeded gradually without giving rise to panicky reactions. Neither the sharp reaction in farm commodity prices in early 1948 nor the 6 months' downslide last fall and winter proved contagious. The management of inventories has been carried out in a spirit of caution rather than pessimism. Production, which on account of inventory reductions has fallen below the rate of sales in many lines, should before too long come back at least into line with current sales if nothing occurs to create more pessimistic anticipations. Aggressive merchandising efforts have been producing favorable results in many markets. New investment in plant and equipment was higher in

the first quarter of 1949 than a year earlier and is continuing at a high level. Investment plans, as reported by recent surveys, indicate no early let-down of serious proportions, though there is considerable uncertainty about the situation 6 months hence. Housing starts, after reaching a low point in the winter, have moved sharply upward, to a level only just below that of a year ago. Business credit is in general available in ample amount and on favorable terms, and there is no evidence of serious banking pressure on borrowers to liquidate their loans.

The strength of the economy is further fortified by many governmental policies and programs. Federal, State, and local governments have now undertaken many of the urgent public works which were deferred during the war, and expenditures for these purposes will be expanding. The payment of unemployment insurance and other social-security benefits has helped to sustain buying power and the demand for goods. The farm-price-support policy, which was so important in the winter of 1948 and again in early 1949, gives assurance that there will not be a collapse of rural buying such as that which occurred in 1920. The international situation is responsible for an increase in combined Government expenditures for foreign aid and military preparedness, which contribute to the domestic demand for goods and services. Through deposit insurance and other banking and financial measures, the economy is protected to a high degree against financial crisis.

Both reflecting and reenforcing these elements of strength is the fact that disposable income has been well maintained. Gross national product, national income, consumers' disposable income, and consumer expenditures are at or near the levels of a year ago. Furthermore, consumers and business firms have large resources of liquid assets, and there has been no threatening increase of personal and business indebtedness such as that which in earlier periods has created vulnerability. Private debt is low, and both home and farm mortgages are to a large extent on an amortized basis.

Evidence of the sort presented provides a basis for belief that we may have the unique and fortunate experience of liquidating a major inflation without falling into a severe recession.

#### ELEMENTS OF UNCERTAINTY

In spite of these elements of strength, the situation is beset with many uncertainties and problems. The most serious fact confronting us is that the decline, which has reached serious proportions in some sectors of the economy, has not yet been reversed.

Nonagricultural employment has declined by nearly 2 million since a year ago, mainly because of a substantial drop in manufacturing employment. Unemployment now stands at 1.7 million above a year ago.

Roughly measured, total production of goods and services in the first six months of 1949, measured in real terms, appears to have been about 1½ percent below the last half of 1948. (See chart 1.) The drop in industrial production has been more striking, the index in June of this year being about 13 percent below the peak level of last autumn. The sharpness of the recent declines in manufacturing is shown by a fall of 10 percent between March and June of the present year.

It is probable that the growing industry practice of paid vacations will augment the drop in the production index during the summer months. The summer unemployment figures will reflect as usual the large number of persons who temporarily enter the labor force.

Total private investment, a key element in the picture, which reached a seasonally adjusted annual rate of more than 43 billion dollars in the fourth quarter of 1948, fell by about 25 percent to a 32-billion-dollar rate in the second quarter of 1949. This represents mainly a change-over from net accumulation of inventories to net liquidation. There has not been a similar decline in the level of investment in new construction and equipment.

Since its peak in August 1948, the wholesale price index has declined by about 9 percent, and since the end of 1948 by about 5 percent. The consumer price index has declined by 3 percent since the same peak month and by 1.3 percent since the end of last year. The decline in personal incomes has been more moderate than might have been expected, being in the first half of 1949 only 2 percent below the second half of 1948.

The uneasiness and business hesitation arising from all these circumstances will not be cleared away until actual developments introduce a new note into the business outlook. In the meantime, business sentiment might be so adversely affected that the potential recuperative influences outlined earlier would not come into play. If uncertainty about the future should reach the point of distinct pessimism, orders and inventories might be sharply reduced, production cut back, and investment plans shelved to an extent that would initiate a further spiral of unemployment, loss of consumer income, and decline in consumer demand.

The weight of evidence as we see it does not support so gloomy an outlook. But we may still face an unsatisfactory alternative. While the decline may be halted or even reversed, a satisfactory expansion might not follow. Our real need is for industrial production not only to rebound to the level of present consumption but also for both production and consumption to continue to rise sufficiently to absorb a labor force which is both growing in size and increasing in productivity per man.

#### THE PROCESS OF PRICE AND INCOME ADJUSTMENT

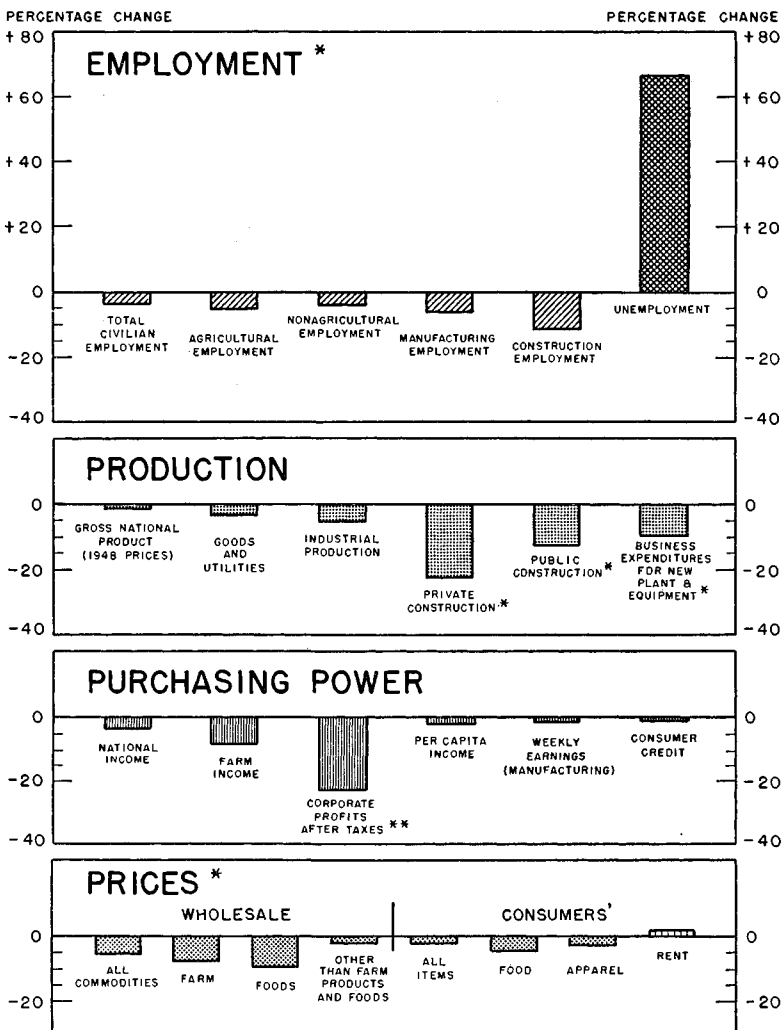
Previous Economic Reports have repeatedly pointed out that price levels which were geared to war-created temporary factors of demand and shortages of supply could not be sustained indefinitely. The downward



CHART 1

# ECONOMIC INDICATORS

CHANGES FROM 2nd HALF 1948 TO 1st HALF 1949



\* PART OF THE CHANGE MAY BE DUE TO SEASONAL VARIATION.

\*\* WITHOUT ALLOWANCE FOR INVENTORY VALUATION ADJUSTMENT.

NOTE: CHANGES ARE BASED ON AVERAGES FOR THE HALF YEARS.

SOURCE: BASED ON DATA IN APPENDIX D.

adjustments now under way are a reflection of the fact that full production can no longer be absorbed by the market at peak price levels.

In its initial stages, the process of downward price readjustment is almost certain to be accompanied by some declines in production and employment. Price declines not only affect the critical relationships among various prices and the size and the distribution of money incomes. They have, in addition, two other important effects: the favorable effect of increasing the purchasing power of the dollar and the unfavorable effect of generating anticipations of further price declines which lead to postponement of buying, thus depressing the levels of production, employment, and incomes.

Fortunately, the process of price adjustment has been in the main orderly. Although in individual cases it has been sharp, it has not been widely characterized by dumping at distress prices. Its orderly character is in large part due to the fact that it has been occurring while consumer demand, though weakened, is still at very high levels, with residential construction and investment in plant and equipment still very high and with government expenditures still rising. In the case of agricultural prices, an additional factor has been the existence of support prices which, while they have not prevented sharp fluctuations in prices, have been effective in limiting the extent of the price fall.

The question arises nonetheless as to the extent to which the price cuts which have been made thus far have helped to stimulate demand. In the case of wholesale prices, the reductions appear to have had little effect in stimulating business demand. For this there are two reasons: (a) The initial effect of price cuts when a trend is reversed is to create the expectation of additional price cuts, thus further drying up demand, a tendency which is reinforced by the fact that so many of the price cuts have been so slight in amount thus far; and (b) there is the natural desire on the part of business to reduce inventories in a period of slackening demand before reordering on a more normal basis even in those areas where the price declines have been substantial. Though inventories were not out of line with sales, business has been sensitive to the possibility of inventory losses due to price declines. The tendency to liquidate inventories, accompanied by cut-backs of new orders, has brought further downward pressure on prices and production.

In the case of consumer prices, the declines, as pointed out earlier, have been much more limited than in wholesale prices. In individual cases, where large cuts in prices have been made for sales promotion or where new lines at much lower prices have been introduced, consumer response on the whole has been relatively favorable. One of the distinctive features during the war and the postwar inflation was the reduction in the volume of and the actual disappearance of many stripped models and low-priced items of apparel and house furnishings, which had formed so large a part of the sales during prewar years. With the weakening of consumer

demand, there is a growing trend now for manufacturers to reintroduce and emphasize such low-priced items to make products available to consumers at prices which they are able to pay. The relatively favorable showing in these lines indicates that consumers are actively seeking them. Taking consumer prices as a whole, however, the declines that have taken place have not been great enough to encourage consumers to expand their purchases of consumer goods.

The process of price adjustment to date suggests that further price reductions, made promptly to promote volume and not tardily in response to falling sales, are essential. Where and how they are made is also important.

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

Businessmen generally will not believe that any important group of goods can escape from the forces which are strong enough to compel the current general reduction in the price level, and they will be unsure about the situation until price cuts, which they believe are inevitable, have been made on all important groups of goods, and the results can be observed. Competition will, sooner or later, force some kind of adjustment in these areas, but voluntary and well-calculated price reductions now, with a view to maintaining volume, would be highly preferable to forced and possibly more drastic reductions later on.

A difficult problem of price adjustment is presented by the public-utility services, especially transportation, where competition is not directly effective. Their prices are a substantial element in the cost of production of manufactured goods, and, instead of falling, they are still rising in response to past advances in the cost of materials and labor. Public utility commissions as well as company executives have the special responsibilities of adjusting rates in relation to changed cost and demand conditions, with special emphasis upon the interests of the economy as a whole.

The process of widespread price readjustment is not pleasant nor easy to effect. Weaker firms are overtaken by financial difficulties. Instances of inefficiency in management and low productivity of labor, which tend to be condoned in times of inflation, have to be eliminated. These are necessary conditions for establishing a firm economic base from which a new expansion can be projected.

What price adjustments will prove feasible and helpful must be considered in close connection with wage and other income adjustments.

Price reductions add to real income only if consumers' money incomes are not correspondingly reduced. This leads to special concern for protecting those major sources of income upon which demand so largely rests. The attempt to secure lower prices through wage cutting would clearly be damaging at a time like the present when consumption demand is proving inadequate and business slack is developing. A sound first rule to apply now is that the general level of wage rates should at least be maintained. Beyond that, there is a strong presumption in favor of having money wages move upward over the years to participate in the gains of technological progress and increased productivity. There are difficulties in applying the general principle to specific situations, but this adaptation can be worked out through sound collective bargaining. Particular consideration should be given to those in the lower wage brackets.

With wage negotiations now under way in a considerable number of basic mass-production industries, there is a possibility of an impasse. While a still very high cost of living encourages a determined attitude on the part of labor, the uncertain business situation encourages an equally determined attitude on the part of management. Should industry-wide strikes result, they would not merely reduce the spending ability of the directly affected workers, but would also spread loss of production and income to other areas and thus darken the business outlook. At the present time both employers and workers should strive to work out adjustments which will help to stimulate activity, bearing in mind the need both for holding business costs down and for maintaining consumer purchasing power at high levels.

If wage incomes are maintained, this obviously places a limit upon the extent to which prices can be adjusted downward. There would be no purpose, and much potential damage, in an attempt to get back to some drastically lower price level by wage cutting, since incomes are now geared to prices substantially higher than before the war or immediately after the war. Such an effort would involve a deep and vastly unsettling decline in wages as the accompaniment to a prolonged period of severe depression. From that, practically no one would gain; the economy would lose tragically.

Another example of the necessity of maintaining adequate buying power is to be found in the agricultural situation. The decline in the prices of farm products, which began early last summer, was not arrested until the prices of wheat, corn, tobacco, cotton, and hogs were close to or even below Government support levels. Farm income as a whole has been only moderately affected, because lower prices have been in part offset by high yields. But the prospects of another year of large crop production on top of present carry-overs indicate that the problems of supporting farm prices will be increasingly difficult.

The vulnerability of a small-unit industry whose markets are dominated by exchange and auction methods of sale has led to the development during

the past 20 years of governmental price supports to agriculture. It is now widely recognized that this institutional development has protected the economy against a danger of collapse in a major segment which, on past occasions, has tended to undermine the whole structure. While this institutional development needs still further improvement in the light of experience, there is also need for further reduction of the prices of industrial products bought by farmers.

#### THE NEED FOR MAINTAINING THE RATE OF INVESTMENT

The contraction in business investment this year has been due mainly to inventory liquidation, but the completion of many postwar expansion and modernization programs adds an element of uncertainty to the future of investment in plant and equipment. Fortunately, only a moderate curtailment of investment in plant and equipment has occurred, and no severe curtailment is clearly in sight for the remainder of this year. Whether the liquidation of inventories during the first half of 1949 is followed by a more general investment slack next year depends in large degree upon the extent to which investment incentives continue to appear adequate. This, in turn, depends upon the speed with which the price and inventory adjustments result in an upturn in production and the extent to which other recessionary factors are offset by stimulative developments.

The problem of investment is closely connected with the profit question. The maintenance or advance of consumer incomes during a period when price reductions are in process requires business to operate on narrower margins and, for the time being, to take smaller profits. In this connection, businessmen should realize that it is safer to pursue a course of accepting minimum profits or even temporary losses than to conduct a rear-guard action to protect profit per unit. If, in weakening markets, downward price adjustments are resisted, the effect is to reduce production and employment. A lower use of productive capacity and a more precarious structure of prices would be a much more serious deterrent to new investment than a situation in which basic adjustments supported a larger use of capacity.

In at least one respect, moreover, increased pressure on profit margins provides a stimulus to investment. With capacity in many fields now relatively adequate, future investment will stem in larger degree from the competitive urge for modernization and improvement. This motive for investment will be strongest in an atmosphere of active competition, where the maintenance of profit margins is subordinated to maintenance of competitive position as the primary aim of business pricing and investment policies.

The problem of adequate investment cannot, however, be solved simply by making the price adjustments which are appropriate to weakening markets. These adjustments merely provide a sounder foundation from which to start. The actual decision to invest depends on business judg-

ment concerning future markets and possibilities of profitable return. A farseeing realization of the prospects for development is required, and this is peculiarly needed at the present time. If businessmen act in the conviction that employment and the use of capital resources can with our present economic "know-how" be maintained at high levels with only minor dips of a readjustment character, then they will go ahead with investment plans which will be adequate for a growing economy.

The investment plans reported recently, while they show some decline, are still at a high level. They presumably were based upon careful technological and managerial analyses of what is needed for firms to keep abreast of advancing techniques, of changing consumers' tastes and habits, and of the predictable growth of population. While those plans represent the companies' present intentions, they could easily be curtailed if the business outlook should deteriorate, and such curtailment would have the effect of aggravating the downward movement.

Among the foremost purposes of public economic policy must be that of keeping private investment incentives active. This it can do by providing supports which improve the short-run and long-run business outlook and by encouraging those institutional improvements which facilitate the investment process. When such measures are inadequate, Government must take some direct responsibility for stimulating and supplementing private activity.

#### PUBLIC AND PRIVATE RESPONSIBILITIES

The task now confronting us is made more challenging because the problem is not simply to prevent a further weakening of the economic situation, but instead to reverse the trend and move toward higher levels of production and employment. We cannot be satisfied with a static economy even if that could be achieved. Mere retention of current levels of production would mean that unemployment would grow from year to year and that we would fail to use our known capacity to lift the living standards of our people. With a growing labor force, increased productivity, new tools, and improved business efficiency, both production and employment must expand if we are to fulfill the conditions of a healthy economy. While the goal for 1949 of a million more jobs and a 4-percent increase in production, set forth as our objective in January, is not now being achieved, the domestic aspirations of our people and the imperatives of world conditions alike require that we regain rapidly the full utilization of our material and human resources.

It is plain from the preceding analysis of current conditions and trends that the direction of further developments cannot be forecast with any certainty. There is a considerable possibility that present adjustments will lead, after some further decline this summer, to an increase in production and employment. But there is still reason for real concern that the present

slack may take a more serious recessionary turn, or not be succeeded by an expansion to satisfactory levels of employment and production. Consequently, it is necessary to approach the situation with positive and constructive measures, rather than to assume that the recuperative factors at work are adequate in themselves.

The Employment Act of 1946 is designed to encourage an economy of free competitive enterprise. Our businessmen, workers, farmers, and consumers create the Nation's wealth, and it is their decisions which will primarily determine whether the economy will move up or down and whether the Government will be required to play a larger or a smaller part. It is eminently desirable in the current situation that each of these groups base its action upon confidence in the long-run future of the American economy and thus contribute to the most favorable outcome. In this Midyear Economic Review, we have sought to highlight those lines of private action which are most needed in this task.

But while we point out the course of private action that our analysis convinces us would be beneficial to the economy, we are quite aware that many individuals feel compelled to act in accordance with what they feel is likely to happen in the short run rather than in accordance with what they would like to see happen over a more extended period. No one can quarrel with this natural rule of self-preservation, but it indicates the need for the cultivation of a general economic environment in which all who participate in the Nation's economic affairs would be justified in following en masse a course which few of them could run the risk of following alone.

It was with this dilemma in mind that the framers of the Employment Act also underscored the role of Government policy to promote through all its resources the objectives of maximum employment, production, and purchasing power. This involves no departure from our national traditions. It is important that Government agencies, both executive and legislative, re-examine and reshape policy in the light of the situations which have been developing during the first half of this year and are in broad outline foreseeable as to the second half. We have learned through bitter experience that a little recession may lead into a big depression before we find the road to renewed prosperity, and this experience dictates the timely and preventive use of public policy to supplement the efforts of private enterprise.

In seeking to define and apply these public policies, we are not writing on a blank page. The mere fact that the Federal Government is currently withdrawing well over 40 billion dollars a year from private-income channels and is disbursing a like or even greater amount into the market and income stream means that the Government is already the most influential single factor in the current operation of the economy. What the legislative representatives and the executive agents of the people decide to do by way of enlarging, contracting, or redirecting these money streams and how they shape by legislative act or administrative policy the institutions through

which workers, traders, and investors conduct their private affairs may sharply affect conditions in the next few months and strongly affect them for the longer pull.

During the years of inflation, the President rigorously held expenditures to the lowest levels consistent with meeting the most pressing of our domestic needs and international requirements. This was for the purpose and had the effect of reducing inflationary pressures. Our analysis has indicated that, with the abatement of inflationary pressures, such Government outlays have operated in the main as a salutary sustaining force, and the slashing of such expenditures at this time would aggravate deflationary trends. On the other hand, an attempt to raise taxes at this time in order to produce a balanced Budget would increase the difficulties of business management in trying to effect cost and price adjustments to sustain volume operations in a weakening market, or would lessen the disposable incomes of consumers, or would have both of these consequences. In the presence of these opposing difficulties, the appearance of a Government deficit will have to be accepted.

In addition to fiscal policy, there is essential need for promotion by Government of conditions under which the generality of businessmen will have the highest attainable confidence about the future course of economic development and therefore make those decisions which will contribute most to a favorable outcome. Similarly, Government policies which support the maintenance and exercise of consumer purchasing power lend strength to the business system and to general public confidence. We have also determined that those unemployed in the process of economic transition, whether they be many or few, are entitled to such protection as our rich economy can reasonably provide, because too much of the cost of such disturbances should not be borne by a particular group. And, finally, without a premature commitment of resources, it is wise to prepare and make ready those programs of Government action which should be available to support economic expansion if the forces of the market alone should fail to provide the needed uplift. The understanding by the community that a far-sighted program has been adopted should in itself be a powerful factor in holding business activity on a high level.

Delay in implementing these principles would prove costly in terms of economic waste and loss of confidence. Action in time through the cooperative efforts of public and private instrumentalities at all levels will demonstrate that we have learned to pursue the twin objectives of economic stabilization and economic welfare under our free and democratic institutions.



## II. Economic Indicators and the Nation's Economic Budget

The adjustment of the economy to a new price level, following the abatement of postwar inflationary forces, proceeded throughout the first half of 1949 without developing a sharp recessionary spiral. At midyear the process of transition is continuing in orderly manner.

### THE COURSE OF EMPLOYMENT AND PRODUCTION

#### *Employment*

In June of this year, total civilian employment stood at 59.6 million; in June of last year, at 61.3 million.

During the first quarter of this year, the monthly average of total civilian employment was about 57.4 million, compared with 57.2 million during the first quarter of last year, an increase of about 200,000. But during the second quarter of this year, the monthly average was 58.7 million, a drop of approximately 700,000 from the average of 59.4 million for the second quarter of last year. The pick-up in employment which occurred in the second quarter of last year has not been equaled this year. Employment, which rose by nearly 4 million from March to June 1948, rose by slightly less than 2 million from March to June 1949. (See chart 2 and appendix table D-7.)

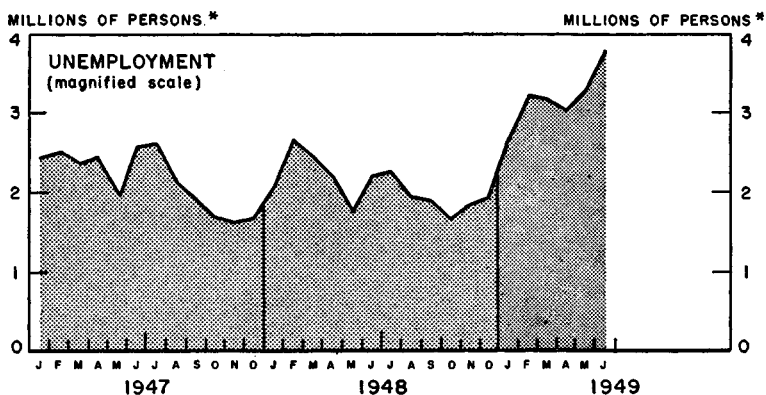
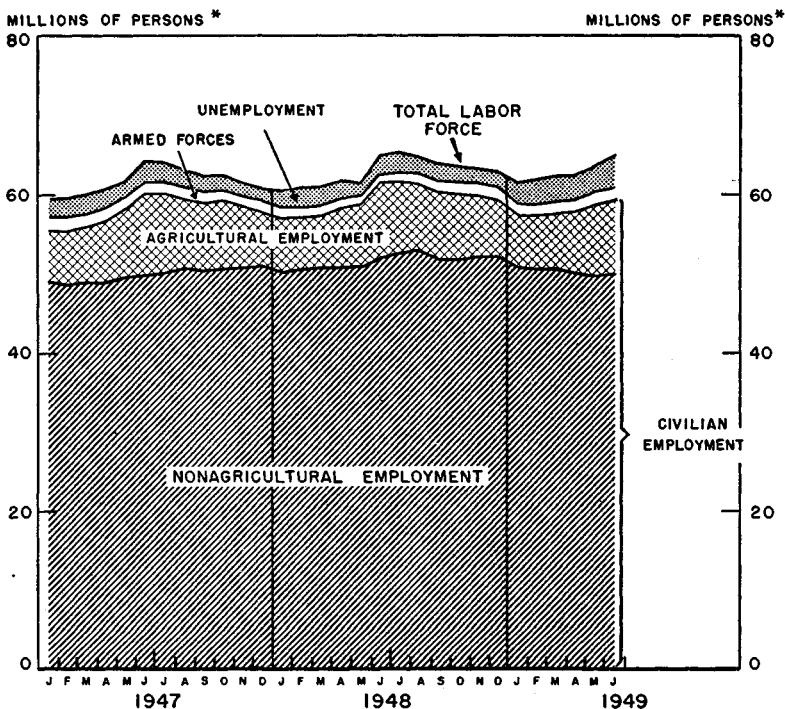
In January, 1949, the objective of maximum employment for the year was set at about 1 million more jobs than in 1948. Developments during the first half of this year have fallen short of this objective, and the trend of employment has not compared favorably with the first half of 1948.

The most significant employment development of 1949 has been the substantial decline in employment opportunities in nonagricultural industries, particularly in manufacturing. Nonagricultural employment has averaged about 600,000 less during the first half of this year than during the first half of last year and it is currently nearly 2 million below the level of 12 months ago. Aside from government employment, none of the major industry divisions during the first half of 1949 registered significant increases in employment over the first half of 1948. Transportation and service industries have shown some employment losses, but most significant for the state of the economy has been the substantial decline in manufacturing employment which had, by May, fallen by nearly 10 percent from the peak

CHART 2

# LABOR FORCE

Increased unemployment and decreased nonagricultural employment (mainly in manufacturing industries) highlighted labor force developments in the first half of 1949.



\* 14 YEARS OF AGE AND OVER.

SOURCE: DEPARTMENT OF COMMERCE.

level of last September. The decline in manufacturing was about equally divided between durable and nondurable goods industries. (See appendix table D-8.)

This downward trend in nonagricultural employment has been somewhat obscured by increases in the number of persons engaged in agriculture, which have resulted in the average total volume of civilian employment for the first half of 1949 being only slightly less than the average for the first half of 1948. But it must be remembered that agricultural employment is subject to wide fluctuations because of weather conditions and that in periods of declining markets some industrial workers who would otherwise be unemployed support themselves by farm work. Both these factors appear to have played some part in increasing the level of farm employment from an average of 7.6 million in the first 6 months of 1948 to an average of 7.9 million in the first half of 1949. (See chart 2.)

The true employment picture is disclosed not only by the numbers employed but also by the hours worked. These have declined significantly in some industries. In manufacturing as a whole, the average of weekly hours has declined by more than 1 hour between the first half of 1948 and the first half of 1949. This has resulted both from the elimination of much of the overtime that was still present a year ago and from the institution of shortened workweeks in industries where output has been reduced. Bureau of the Census data show that in May of this year about 1.5 million persons were working a shortened workweek by reason of slack work, material shortages, job turn-over, and similar economic factors, compared with 800,000 last September. In addition, about 900,000 persons with regular part-time jobs in May wanted and would have accepted full-time work, compared with about 550,000 last September.

Against the declines in employment and hours in manufacturing, there has been some increase in Government and agriculture. Partly because of the long hours worked in agriculture, the total man-hours worked in the whole economy in the first half of 1949 were practically unchanged from those of the first half of last year. On a seasonally adjusted basis, they were perhaps 1 to 2 percent below those of the last half of 1948.

The difference between unemployment this year and last year cannot be shown solely by the employment figures, because there has been a growth in the labor force which would require more employment this year than last year to sustain maximum employment and hold unemployment to minimum practical levels. The average total labor force during the first half of this year was about 1 million higher than that for the first half of 1948. Unemployment during the first 6 months of 1949 averaged almost 3.2 million, compared with 2.2 million during the first 6 months of 1948, a difference of about 1 million which means that there has been practically no absorption of this labor force increase into employment. Actually, average civilian employment decreased by about 250,000, balancing an equivalent increase

in the armed forces. While unemployment in 1948 decreased from 2.4 million in March to 1.8 million in May and stood at 2.2 million in June, in 1949 it increased from 3.2 million in March to 3.3 million in May and stood at 3.8 million in June.

Adult male workers have been at least as severely hit by declines in employment opportunities as have women and boys. This has been particularly noticeable since last autumn as employment declines have been registered in the heavy manufacturing industries.

The duration of unemployment is a significant indicator of the extent to which unemployment is primarily frictional or something more basic. By June the number of persons unemployed 7 weeks or longer had risen to 1,549,000 compared with 693,000 in June 1948 and 581,000 last October. Furthermore, 262,000 had been out of work for half a year or longer, about double the number at the same time last year.

The number of persons unemployed more than a week and claiming unemployment compensation under State programs throughout the Nation early in June was 6.2 percent of the total covered, compared with 2.4 percent last October. In most of New England the number amounted to more than 10 percent in June 1949. Other States where unemployment is relatively heavy are California, New Jersey, New York, South Carolina, and Tennessee. The number of areas in which labor supply remains tight has diminished rapidly. Out of nearly 100 major labor market areas, 33 were in tight supply last fall but by midwinter the number had fallen to 8 and by early summer to 2.

The employment developments of the first 6 months of this year may be summarized by saying that the weakening in the first quarter was more than seasonal, and that continued declines in manufacturing in the second quarter outweighed seasonal gains in construction and other outdoor activities.

With unemployment now in excess of  $3\frac{3}{4}$  million we have clearly passed the point where we can consider it primarily a "spot" or local problem. In fact, unemployment and underemployment have become widespread, both industrially and geographically, with heavy concentrations in many industrial centers.

It is estimated that during the past few months one out of four unemployed persons was not eligible for public unemployment benefits. In most cases ineligible persons were not covered by any plan or had been unemployed so long that their unemployment benefit rights had been exhausted.

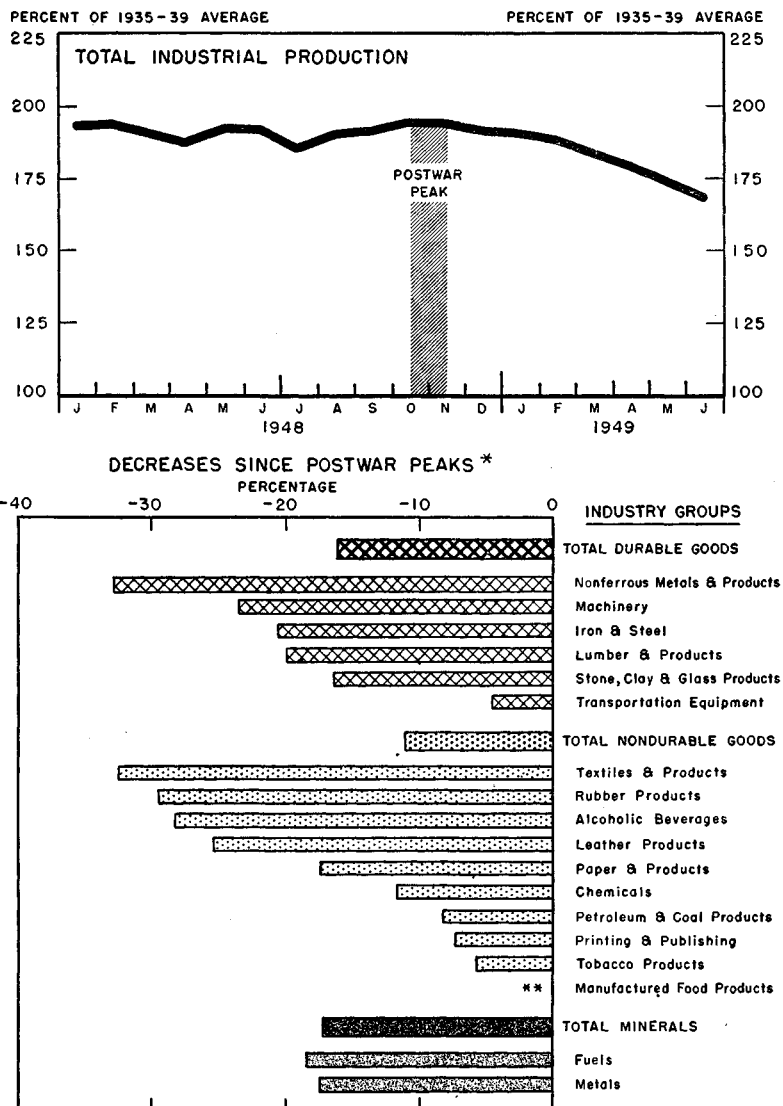
### *Production*

The dollar value of all goods and services produced (the gross national product) during the first half of 1949 was about  $3\frac{1}{2}$  percent below the level of the second half of 1948. (See appendix table D-1.) Part of this drop was due to a decline in prices. Rough adjustments for price changes suggest that the actual output of all goods and services together dropped

CHART 3

## INDUSTRIAL PRODUCTION

Total industrial production has declined about 13 percent since reaching a postwar peak last fall. Declines have occurred in almost all major industrial groups.



\* DECREASES BASED ON PRELIMINARY JUNE FIGURES. DATES OF POSTWAR PEAKS VARY. \*\* NO CHANGE.  
SOURCE: BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.

by something like 1½ percent. This contrasts with the goal of maximum production of goods and services which we estimated in January 1949 at from 3 to 4 percent above the output of 1948.

The most persistent and substantial declines have been in industrial production (manufacturing and mining), which on a seasonally adjusted basis declined continually after last November and by June was about 13 percent below the high level attained last fall. This rapid fall in industrial output, in contrast with the relative stability of the nonindustrial segment of the economy, has been typical of past recessionary movements. For manufactures, the seasonally adjusted index, which in June 1948 was 198 percent of the 1935-39 average and reached a peak of 202 in October, declined to 193 by March 1949 and to 174 by June. During the early part of this period of decline, reductions were greater in the production of nondurable goods than in the production of durable goods. In May and June, however, output of nondurable goods has shown little further decline while output of durables has fallen off considerably. For the minerals the seasonally adjusted index, which stood at 161 in November 1948, fell to 146 in May of this year and, with coal output curtailed, declined further to 134 in June. (See chart 3 and appendix table D-13.)

Situations in the major industry groups have varied. Some of the largest declines (20 percent or more) from postwar peaks are found in nonferrous metals and products, textiles and textile products, rubber products, alcoholic beverages, leather products, machinery, and lumber and products, each of which has been declining for more than a year. Iron and steel production is currently also about 20 percent below its first quarter 1949 peak, with pronounced drops during recent weeks.

On the other hand, automobile production has increased and activity in the tobacco products, printing and publishing, and most manufactured food products industries has shown little or no decline.

The volume of private nonresidential construction put in place so far this year has declined compared with the same period in 1948, but this decline has been virtually balanced by increases in public construction. (See appendix table D-14.) New nonfarm housing units started through June are about 7 percent fewer than the number started in the same period last year, but starts in June 1949 were about the same as in June 1948. (See chart 12, p. 38.)

This year's agricultural production for human use is likely to approach that of 1948 unless weather becomes less favorable. Production of most livestock products is running slightly ahead of 1948, and an appreciable increase in hog marketings is in prospect toward the end of the year. Another large wheat crop is being harvested. Preliminary information indicates a total crop acreage about the same as last year's, and, except for continuing drought in the Northeast, weather in the major agricultural areas so far has been generally favorable for crop development.

# PRICES, WAGES, AND PROFITS

## Prices

Prices during the first half of 1949 declined on a broad front, thus marking the first general reversal in the upward trend of prices which followed World War II. This decline signalized the end of the inflationary process that began in 1940, was held under control from 1942 to the middle of 1946, and then rapidly accelerated with the lifting of government price controls. At their August 1948 peak, wholesale prices had increased about 120 percent above 1939, and about 50 percent above June 1946. Consumers' prices also reached their peak in August 1948, but with less extreme advances—about 75 percent above 1939 and about 30 percent above June 1946. (See chart 4.)

*Wholesale prices.* Compared with their previous large rise, the declines in wholesale prices during the first half of 1949 have in the main been moderate and orderly, although there have been sharp declines in individual commodities. Wholesale prices through June have declined about 9 percent from their postwar peak and about 5 percent from December 1948. They have now returned to the levels prevailing in August 1947, or about 100 percent above the 1939 level and about 36 percent above the June 1946 level. As the following table shows, the price declines from the peaks have been unevenly distributed, with the largest declines in farm products and foods, chemicals, and hides and leathers. (See table 1 and chart 5.)

TABLE 1.—Changes in wholesale prices

Commodity group	Date of postwar peak	Percentage change to postwar peak from—		Percentage change to June 1949 <sup>1</sup> from—	
		1939	June 1946	Postwar peak	December 1948
All commodities.....	August 1948.....	+120.2	+50.4	-9.3	-5.2
Farm products.....	January 1948.....	+205.1	+42.4	-15.4	-5.0
Foods.....	August 1948.....	+169.6	+68.1	-14.1	-4.2
Other than farm products and foods.....	September 1948.....	+88.9	+45.5	-5.6	-5.3
	November 1948.....				
Hides and leather products.....	December 1947.....	+112.8	+66.2	-12.2	-3.7
Textile products.....	May 1948.....	+118.2	+39.3	-8.9	-5.6
Fuel and lighting materials.....	November 1948.....	+88.2	+56.7	-5.2	-4.9
Metals and metal products.....	January 1949.....	+86.0	+56.5	-5.2	-4.2
Building materials.....	September 1948.....	+125.5	+57.1	-6.2	-5.3
Chemicals and allied products.....	January 1948.....	+84.1	+45.1	-16.0	-10.4
Housefurnishing goods.....	December 1948.....	+72.0	+34.4	-2.3	-2.3
Miscellaneous.....	January 1948.....	+65.2	+25.5	-11.0	-7.2
Special groups:					
Raw materials.....	July 1948.....	+162.5	+45.9	<sup>2</sup> -9.9	<sup>2</sup> -3.6
Semimanufactures.....	August 1948.....	+109.4	+52.5	<sup>2</sup> -7.3	<sup>2</sup> -7.0
Manufactured articles.....	August 1948.....	+104.7	+53.4	<sup>2</sup> -8.0	<sup>2</sup> -3.9

<sup>1</sup> Preliminary estimates based on weekly indexes for June.

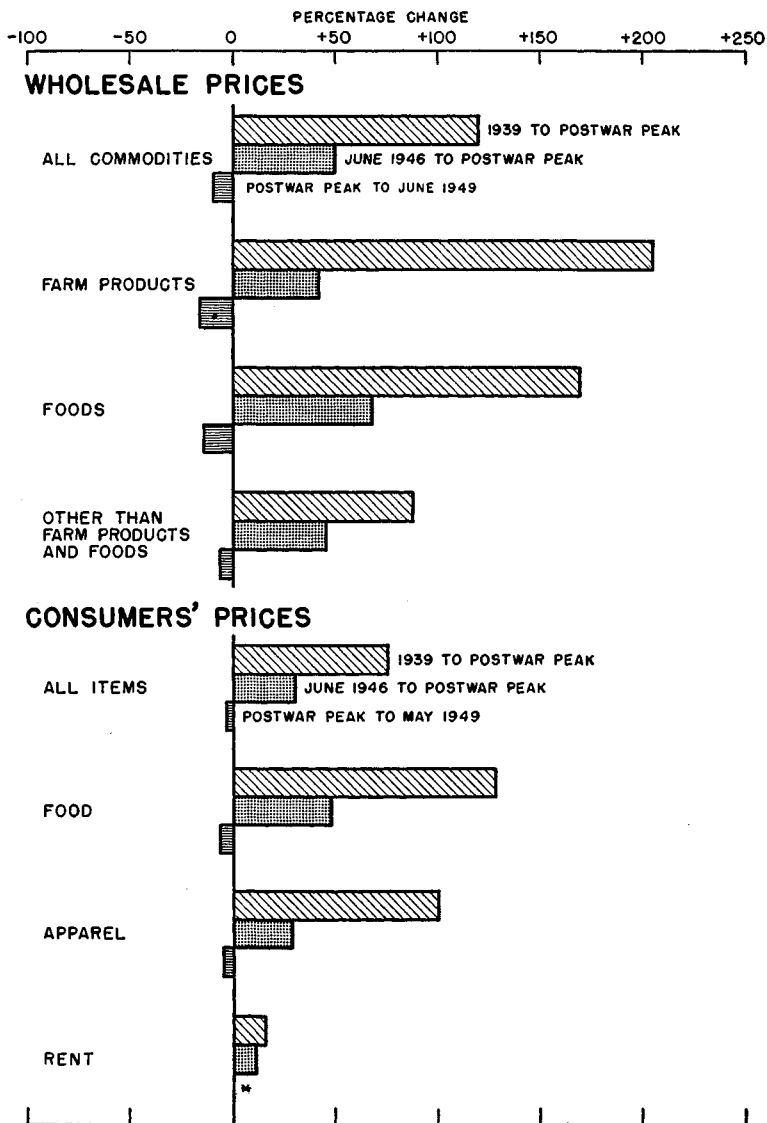
<sup>2</sup> Based on index for May; June not available.

Source: Department of Labor. (See appendix table D-20.)

CHART 4

## PRICE CHANGES

The fall in prices from the postwar peaks has been much greater for wholesale prices than for consumers' prices. Compared with the previous large increases from 1939 and from June 1946, the declines have been very moderate. Rents continued to advance.



SOURCE: DEPARTMENT OF LABOR.

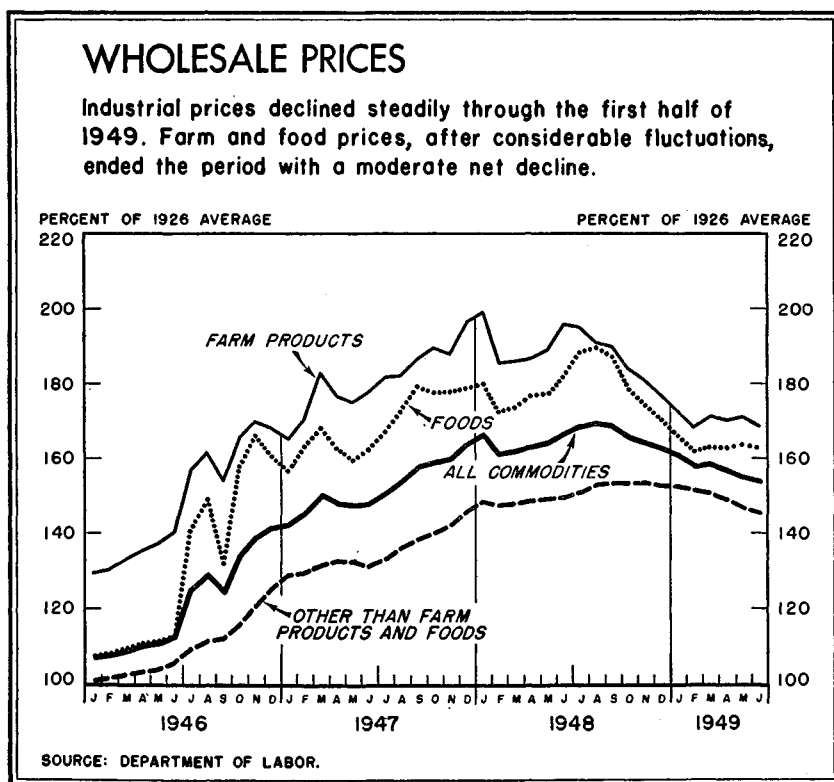
\* POSTWAR PEAK IS MAY 1949.



During the first quarter of 1949, the outstanding development was a sharp drop in farm and wholesale food prices in late January and early February, reminiscent of the drop during the same period a year earlier. Some farm commodities, notably corn, fell substantially below their support prices, but from mid-February forward there occurred a sizeable recovery in the levels of farm and food prices. Prices of fuel oils continued weak, and weakness developed in scrap metals and in lead and zinc. By the middle of the quarter, the general level of industrial prices had begun a downward drift as the prices of metals and metal products, building materials, and fuel and lighting materials turned down. The prices of textiles and other industrial groups continued the decline which had begun in 1948.

In the second quarter, while farm and food prices fluctuated, most groups of industrial prices declined fairly continuously. Particularly striking were the series of declines in lead, zinc, and copper as well as in scrap metals. Lead and zinc, which had advanced more than 40 percent and 60 percent, respectively, during 1948, dropped 44 percent and 47 percent between March and June of 1949. Copper, which had advanced less than 10 percent during 1948, declined 32 percent from April to June 1949. The declines in scrap-metal prices, which began before the break in the primary

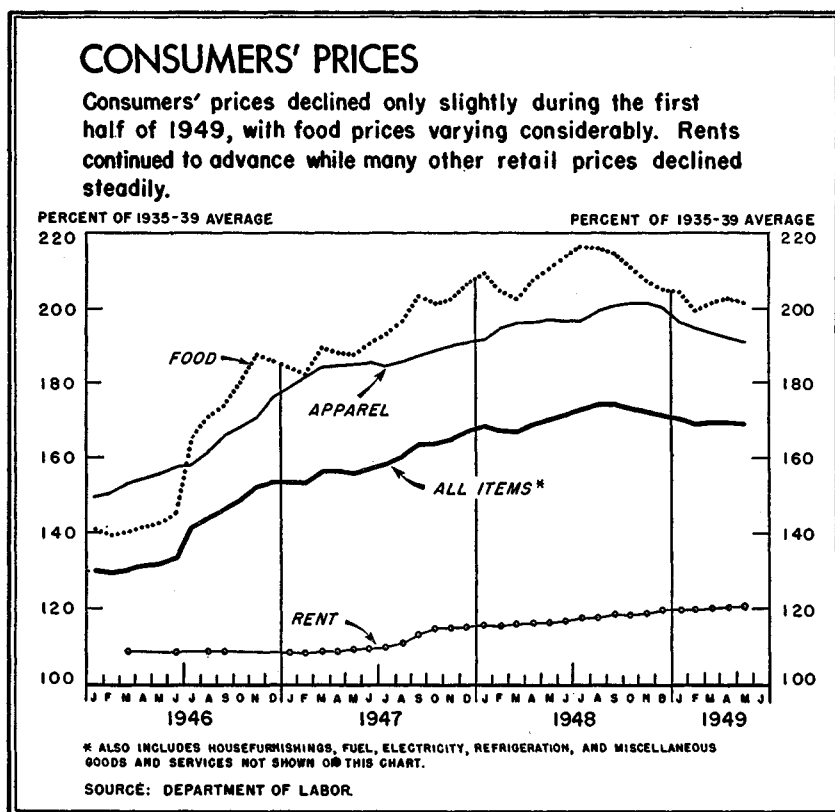
CHART 5



metals, were somewhat greater, scrap lead, zinc, copper, and steel declining on the average about 50 percent. By midyear, some firming in the markets for lead and copper was noticeable. The base prices of steel remained steady, but some steel producers lowered prices on individual products where their prices were out of line with the general level. The cost of steel to consumers declined through the disappearance of gray-market premiums, some revisions of extras, and the end of high-cost conversion deals.

*Consumers' prices.* The general course of consumers' prices during the first half of 1949 differed considerably from that of wholesale prices, declining only slightly from the levels at the end of 1948 and only moderately from the August 1948 peak. Consumers' prices declined during the first two months of 1949, continuing the fall that began in October 1948, then recovered slightly, and finally dropped again in May. By May 1949, consumers' prices were 1.3 percent below the December level and 3.0 percent below the August 1948 peak. This still left them about 70 percent above the 1939 level and about 25 percent above the June 1946 level. (See table 2 and chart 6.)

CHART 6



There was no uniform pattern in the price changes of the major groups of consumer items during the first half of 1949. Retail food prices, which are a dominant factor, first declined, then recovered part of the decline, then weakened again, following the course of wholesale food prices. Meat prices in particular were strong in the second quarter. Apparel and housefurnishings dropped steadily during the first half of 1949, continuing the downturn that began in late 1948; fuel, electricity, and refrigeration advanced slightly during the first quarter to a new postwar peak and then began to decline. The miscellaneous category rose during most of the period, reflecting the increase in the cost of transportation, the rise in gasoline prices, and the continuing upward movement in such items as medical care and other services. Rents, which had previously increased much less than other prices, advanced steadily through the period.

The changes in consumers' prices during the first half of 1949 and from their postwar peaks are shown in the following table:

TABLE 2.—*Changes in consumers' prices*

Group	Date of postwar peak	Percentage change to postwar peak from		Percentage change to May 1949 from	
		1939	June 1946	Postwar peak	December 1948
All items.....	{August 1948..... {September 1948.....	+75.6	+30.9	-3.0	-1.3
Food.....	July 1948.....	+127.7	+48.9	-6.6	-1.3
Apparel.....	October 1948.....	+100.5	+28.2	-5.1	-4.5
Rent.....	May 1949.....	+15.4	+11.0	.....	+ .8
Fuel, electricity, and refrigeration.....	March 1949.....	+40.3	+25.7	-2.5	-1.7
Housefurnishings.....	October 1948.....	+96.2	+27.4	-4.7	-4.6
Miscellaneous.....	April 1949.....	+53.5	+20.9	- .1	+ .3

Source: Department of Labor. (See appendix table D-19.)

### *Wages and labor relations*

As 1949 opened, the average real earnings of wage earners were slightly higher than a year earlier. This improvement had occurred, however, only in the closing months of 1948, when the modest decline in the cost of living served to increase slightly the real value of workers' money wages.

Such wage increases as occurred during the first half of 1949 had only limited effect on the average of wages earned, and were, at least in manufacturing, more than offset by declines in the average length of the workweek. Consequently, average weekly money earnings fell in all manufacturing after reaching a postwar peak of \$55.01 in December 1948, and by May 1949 had declined to \$53.08. In some manufacturing and other industries, the first half of the year registered declines in average hourly earnings as overtime work and other premium payments were reduced or eliminated and as some wage rates were reduced. (See appendix tables D-9, D-10, and D-11.)

The slight declines in the earnings of wage workers were approximately balanced during the half year by further slight declines in the cost of living,

leaving average real weekly earnings of all wage earners practically unchanged.

The first half of 1949 was marked by delays in settlement of labor contracts in some of the major industries; by a number of important instances, such as in the textile and apparel industries, where wage increases were either denied or not sought; by some scattered wage reductions; and by the settlement of many contracts, particularly in local industries such as local public utilities, construction, and printing, which provided for wage increases and frequently additional benefits in the form of health or welfare plans, retirement programs, or additional paid holidays. Such increases in wage rates as occurred in manufacturing industries were typically between 5 and 10 cents an hour. The most important agreement of the year to date was that between the railroads and the 16 nonoperating unions which provided a retroactive 7-cent-an-hour wage increase and a reduction to start in September in the workweek from 48 to 40 hours without a reduction in pay for approximately 1,000,000 employees.

With major negotiations still unsettled in coal, rubber, and steel, as well as in automobile, electrical machinery, and most other metal-working industries, the wage developments of the second half of the year will overshadow those of the first half. In fact, the development of a trend in wage settlements which might have widespread effects necessarily awaits the settlements in the dominant mass-production industries, which are still engaged in negotiation.

Labor relations during the first half year were relatively undisturbed by major work stoppages. Coal miners were out on two occasions—the “memorial” stoppage in March and the “stabilizing inactivity” stoppage in June—and the Ford company was struck for 3 weeks in May. Aside from these disruptions, most work stoppages during the 6 months were essentially local in nature and generally of limited duration.

For the first 6 months of the year, the number of work stoppages was about 10 percent greater than in the corresponding period of 1948; idleness resulting from this year's stoppages, however, is estimated to be approximately one-third less than the January to June period of 1948. This development is at least in part a reflection of the postponement of negotiations in the major mass-production industries to midyear, with the result that the second half of the year may witness a more crucial testing of labor relations than the first.

### *Profits*

After attaining record levels in 1948, profits declined during the first half of 1949, reflecting the reductions in prices and production. Corporate profits, before taxes (not adjusted for inventory valuation), which were estimated at 32.8 billion dollars in 1948 and at a peak annual rate of 34.7 billion dollars in the fourth quarter of 1948, declined to an estimated annual rate of 27.2 billion dollars during the first half of 1949, a fall of 17

percent from the level of 1948, and of 22 percent from the peak rate of the fourth quarter of 1948. Corporate profits after taxes were at an annual rate of 16.2 billion dollars in the first half of 1949 compared with 20.1 billion dollars in 1948 and an annual rate of 21.2 billion dollars in the fourth quarter of that year. (See appendix tables D-27 through D-31 for statistics on corporate profits.)

Corporate profits after taxes in the first quarter of 1949 represented about 4.8 percent on sales and about 8.5 percent on net worth, compared with about 5.3 percent on sales and about 10.0 percent on net worth in 1948.

A much more moderate decline was registered for unincorporated business and the professions, net income before taxes (not adjusted for inventory valuation) declining from an estimated 25.8 billion dollars in 1948 to an annual rate of 23.9 billion dollars in the first half of 1949, a decline of somewhat more than 7 percent. Net farm income before taxes declined from 18.2 billion dollars in 1948 to an annual rate of 16.8 billion dollars, or about 8 percent. (See appendix table D-2.)

The decline in profits from the fourth quarter levels to the first quarter of 1949 affected most manufacturing groups. The largest declines were recorded for most nondurables and for such durable groups as electrical machinery, fabricated metal products, and motor vehicles. Chemicals, on the other hand, showed only a slight decline, and apparel and printing showed increases. Compared with a year ago, the following durable groups showed increases: nonferrous metals, iron and steel, and motor vehicles. These differences in profit experiences reflected, of course, the uneven changes in rates of activity, prices, and costs among various industries.

The estimated annual rate of corporate profits before taxes of 27.2 billion dollars in the first half of 1949 represents a decline of about 5.6 billion dollars from the 1948 levels. This difference is about equal to the change in the replacements costs of inventories between the two periods, with the prices of goods in inventories rising in 1948 and falling in 1949. (This is discussed in more detail in appendix A-3, Business Account.) Although the two profit rates after the inventory valuation adjustment are virtually identical for the two periods, there was, however, an important difference in trend, corporate profits rising quarter by quarter in 1948, but falling quarter by quarter in the first half of 1949.

Although total profits for the first half of 1949 are considerably below the levels attained in 1948, this does not preclude the maintenance of healthy levels of return under conditions of high employment. In the present period of price-income adjustment the adverse effects of inventories acquired at high prices and of operating costs not yet fully pruned or shaken down color the picture unduly. Likewise we are now feeling the effects of reduced operating rates in many companies or industries due to current factors of uncertainty. As these are removed, we shall have a better opportunity to ascertain what reductions in unit costs can be achieved

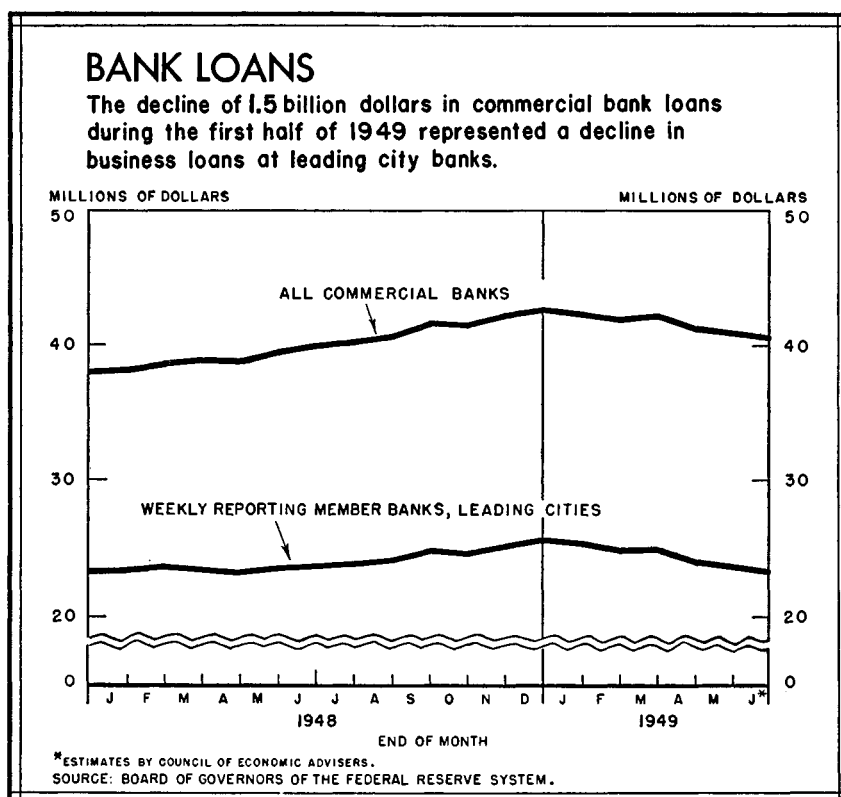
by efficient management at high operating rates and what profit margins are needed to assure proper maintenance and expansion.

## MONEY AND CREDIT

The easy credit conditions which have prevailed since the war and which contributed to inflationary pressure have continued and are now an important element of strength when the process of readjustment entails difficulties in other aspects of the economy. Interest rates on business loans made by banks have risen slightly since the latter part of 1948, but the interest yield on corporate bonds and on Government securities has fallen. Pursuant to the policy of the Government to prevent excessive fluctuations in bond prices, the Federal Reserve banks have sold substantial amounts of Government bonds in order to moderate the rise in market price. Further easing of credit conditions has been brought about by a reduction in reserve requirements, and the Board of Governors has recently announced its policy to permit a decline in interest rates.

The requirements of business firms for working capital, especially to carry increasing inventories and customer receivables, lessened when ac-

CHART 7



cumulation of inventories was arrested. After the close of the Christmas shopping season it was possible for business concerns to pay off bank loans, and this process continued throughout the first half of this year. It affected the portfolios of the banks in the larger cities, whose commercial loans declined about 2.4 billion dollars, or 15 percent. (See chart 7 and appendix table D-23.) Other types of loans by banks and total loans and investments by other financial institutions have been relatively stable.

Instalment buying adds to market demand during an inflationary movement but creates a condition which may aggravate a spiralling deflation. Consumers who suffer a decline in income must reduce their current buying in order to meet their outstanding obligations on instalment contracts. Instalment credit increased steadily after the war as durable goods, especially automobiles, became available, but the total amount at the end of 1948 was not so high, in proportion to consumer income, as in 1940. (See appendix table D-22.) During the first half of 1949, instalment credit increased only half as rapidly as in the corresponding period of 1948. In view of the growing weakness in many consumer durable goods markets, the regulations covering instalment credit were relaxed early in March and again in April.

The supply of money—bank deposits and currency in the hands of the public—declined by 3.2 billion dollars in the first half of 1949 as a result of the reduction in business loans, the lowering of prices, and the seasonal accumulation of a Treasury cash surplus. Adjusted bank deposits were 140.8 billion dollars on June 30, 1949, and 140.1 billion dollars a year earlier, and currency outside banks declined from 25.6 billion dollars to 25.1 billion dollars. (See appendix table D-24.) The amount of bank deposits, adjusted, on December 31, 1948, was 143.0 billion dollars, and currency outside banks was 26.1 billion dollars.

## THE FLOW OF GOODS AND PURCHASING POWER

### *Consumer income, spending, and saving*

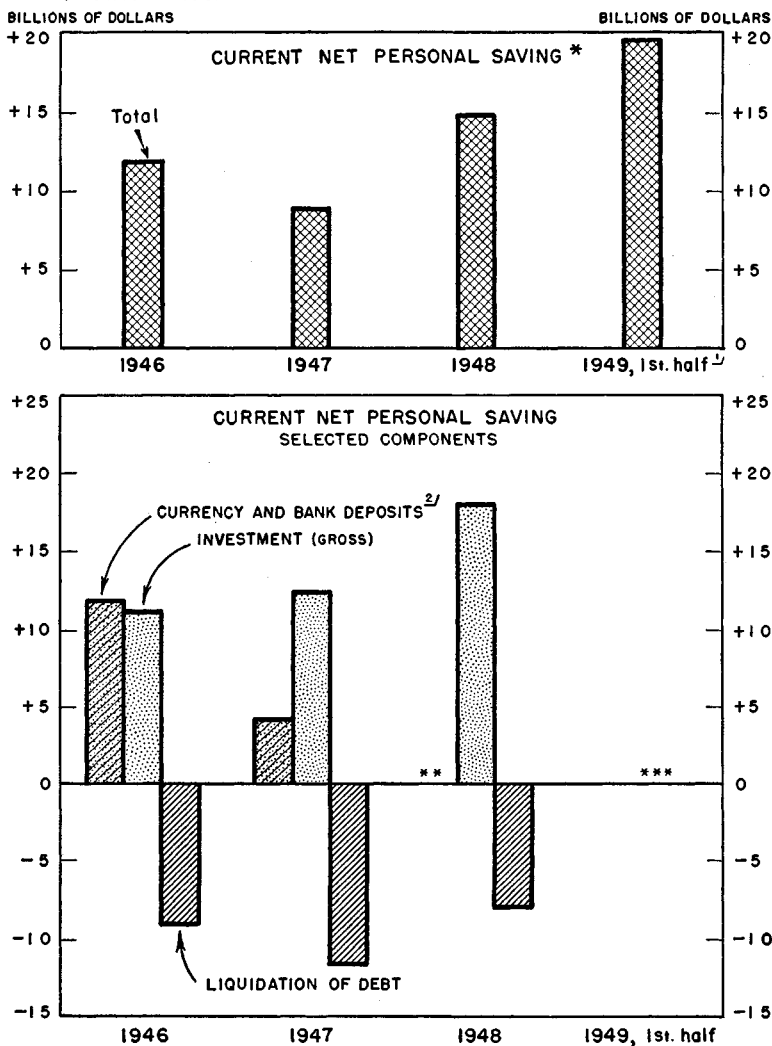
Consumer disposable income was smaller in the first half of 1949 than in the last half of 1948, but the decline was less than that of the national income. Increased unemployment compensation payments offset in part the decline in wages and salaries, and corporate income absorbed a considerable part of the impact of declining prices and sales. Personal taxes also declined. Consumption expenditures fell off more than disposable income, so that personal saving was above the level of the first half of 1948 both absolutely and in relation to income. However, there was a substantial drop in saving from the first to the second quarter.

*Personal income.* Personal income ran at the annual rate of about 214 billion dollars during the half year, a drop of about 2 percent from the second half of 1948. In the second quarter of 1949 it was 4 percent below

CHART 8

# CURRENT NET PERSONAL SAVING

Current net personal saving has increased substantially since 1947. Personal investment has absorbed a larger share of the saving increase and currency and bank deposits a smaller share.



/ SEASONALLY ADJUSTED, ANNUAL RATE.

/ INCLUDES SHARES IN SAVINGS AND LOAN ASSOCIATIONS.

\* SAME AS CONSUMER SAVING IN THE NATION'S ECONOMIC BUDGET. \*\* NO CHANGE. \*\*\* NOT AVAILABLE.

SOURCE: DEPARTMENT OF COMMERCE AND SECURITIES AND EXCHANGE COMMISSION.



the fourth quarter of 1948. The sharpest relative cut-back was in proprietors' income—farms and other unincorporated businesses and professions. In absolute amount, the largest decrease was in wages and salaries, which account for nearly two-thirds of total personal income. Other income shares (dividends, rents, and interest) continued to increase although dividends turned down in the second quarter. An increase in government transfer payments to individuals—mainly unemployment compensation benefits and payments to veterans for educational purposes—partly offset the decreases in income from other sources. (See appendix table D-3.)

The decrease in personal income in the first half of this year was partly compensated for by the rather sharp drop in income tax payments, so that disposable personal income fell not much more than one percent from the level of the last half of 1948. Consumers' prices meanwhile went down 2 percent over the same period, and, with a slight increase in population, real disposable income per capita remained about constant. (See appendix tables D-4 and D-5.)

*Personal consumption expenditures.* Throughout 1948, rising personal income went increasingly into saving (including personal investment), with relatively small increases in personal consumption expenditures. (See appendix tables D-4 and D-6.) When income began to fall off in the first half of 1949, consumption expenditure in dollar terms dropped somewhat more than income. After the moderate price declines in the first half of 1949, the level of consumption was not changed significantly.

Important changes have been taking place in the structure of consumer demand during the postwar years. The proportion of disposable income spent for nondurable goods has been steadily declining since early 1947. Until 1949, this accounted for most of the increase in consumer saving, since expenditures for durable goods and services rose nearly in proportion to income. In the first half of this year, however, expenditures for durable goods fell off significantly in relation to income. Meanwhile, expenditures for services continued to go up, and absorbed an increasing proportion of the declining personal income. This reflected in part continuing increases in rents and in prices of other services.

The fall in market demand for durable goods in the first half of this year was an important development in consumer purchasing. For major durables, except some makes of automobiles, market demand at current prices no longer exceeds supply.

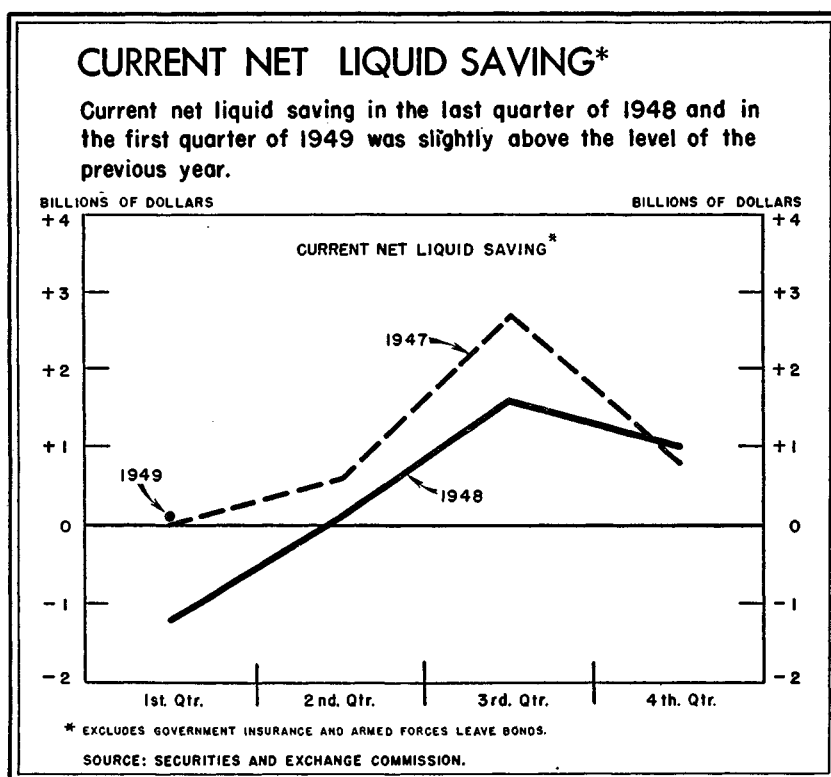
*Personal saving.* Net personal saving increased both in absolute terms and as a ratio to disposable income from mid-1947 through the first quarter of 1949, but declined substantially in the second quarter. This saving has taken the form both of direct investment in homes, farms, and businesses, and also of accumulation of liquid assets such as securities and bank deposits and the building up of insurance reserves. Increase in personal debt is offset against the increase in investments and liquid assets in order to arrive

at net personal saving. This offsetting item increased greatly until the first quarter of 1949.

Although net personal saving was increasing, net liquid saving (additions to currency and bank deposits, securities and insurance reserves, less the increase in consumer and mortgage debt) declined from 1946 to 1947, and from 1947 to 1948. Saving was going increasingly into direct personal investment in homes and in farm and business inventories and plant and equipment. A considerable part of the increase in personal investment between 1947 and 1948, it is true, was due to an increase in farm inventories, which is largely involuntary. (See appendix table B-4.) Nevertheless, the growth in investment, as shown in chart 8, is quite striking. Since it constitutes a direct demand for goods and services, it has been an important factor in sustaining the economy.

The trend of liquid saving, on the other hand, has until recently been downward. Liquid saving shows marked quarterly fluctuations, as is shown in chart 9. In the first quarter it is low because funds are withdrawn to pay taxes. In the first quarter of this year it amounted to about 100 million dollars, or less than half a billion at an annual rate. It contrasts sharply, however, with the 1.2 billion-dollar reduction in liquid assets in

CHART 9



the same quarter of 1948. The largest difference was in consumer debt, where repayments exceeded new loans so that, for the first time since the war, there was a net contraction of consumer credit for the quarter as a whole. (See appendix table B-5.) Withdrawals of currency and bank deposits also were less than in the first quarter of last year.

Unlike direct personal investment, liquid saving does not constitute a direct demand for goods and services. To maintain total demand, the liquid savings put aside by some groups must be matched by borrowings on the part of other groups. A rising rate of saving in liquid form would reinforce the importance, pointed to elsewhere in this report, of maintaining a high level of business investment.

While as yet we have little evidence whether income has become more or less concentrated in the last year or 18 months, we do know that holdings of liquid assets are less evenly distributed throughout the population than they have been at any time since the end of the war. In early 1947, 24 percent of families had no liquid assets, and the percentage had increased to 29 by early 1949. The number of families owning United States savings bonds has been declining ever since the war, and it dropped substantially in 1947 and in 1948. The volume of deposits in the smaller bank accounts has likewise gone down over the past year, and has gone down relatively more than have deposits as a whole.

#### *Business investment and finance*

Total business investment in new construction, equipment and inventory accumulation, at a seasonally adjusted annual rate, reached an all-time peak of 43.6 billion dollars in the final quarter of 1948. This represented 16.4 percent of the total national product of goods and services. In the first quarter of 1949, this private investment, again adjusted for seasonal variation, fell to 38.9 billion dollars or 15.1 percent of the gross national product, and in the second quarter to 32.4 billion dollars or 12.9 percent. Comparing the adjusted annual rates in the fourth quarter of last year and the second quarter of this year, total private investment declined by 26 percent while the gross national product declined by only 6 percent. Most of the decline in investment was due to a shift from net accumulation to net liquidation of inventories. (For further details, see appendix table C-1.)

This illustrates the greater relative fluctuation in investment outlays as compared with other expenditures, a characteristic of previous swings in the business cycle. As earlier reports have stressed, the unusually high ratio of business investment to consumption in the postwar period is significant because it raises the question whether it can be permanently maintained. As regards investment in expansion of inventories, it is quite clear that the pace set in the first three postwar years was abnormally fast.

It is desirable to seek a more stable ratio of business investment to consumption. A downward swing in total investment may generate large-scale

unemployment and business uncertainty if it is too abrupt and goes too far. Too often in the past, declines in investment have aggravated a depression trend as the reduction of employment and income in producers' goods and construction industries weakened the consumer markets on which profitable further investment in facilities depended. The present problem is thus to see that business investment does not fall to levels below those needed for the maintenance of technological progress, but provides for a healthy rate of growth. In this sector of the economy, as elsewhere, it is necessary to prevent some of the excesses of the boom from leading to excesses in the opposite direction.

*Plant and equipment.* The high levels of plant and equipment investment in recent years have been a response to high postwar levels of demand, straining the capacity of facilities which in all but a few industries at the end of the war were still geared to prewar markets and production techniques. (See chart 10.) A nongovernmental survey made late in 1948 indicated that the larger manufacturing concerns expanded capacity during the 3 years 1946-48 at an average rate of about 6 percent a year, which is much faster than the long-run growth trend of industrial output in the past.

In the second quarter of 1949 the dollar rate of nonfarm plant and equipment outlays was apparently, for the first time in the postwar period, no higher than that of a year earlier, although still at a very high level. The quarterly SEC-Commerce sample survey of investment anticipations made in May showed that businessmen expected to spend 4 percent less on plant and equipment in the third quarter of 1949 than in the second quarter of 1949 or the third quarter of 1948. Taking into account the decline in costs of construction and equipment, this probably represents little change in volume. Though the plant and equipment investment outlays of gas and electric utilities are still running well above levels of a year ago, those of most main fields of nonfarm business are expected to fall below those levels in the third quarter, according to this survey. (See appendix table D-15.) Construction contracts and equipment orders indicate that plant and equipment outlays in the fourth quarter of this year will be below those of the fourth quarter of 1948.

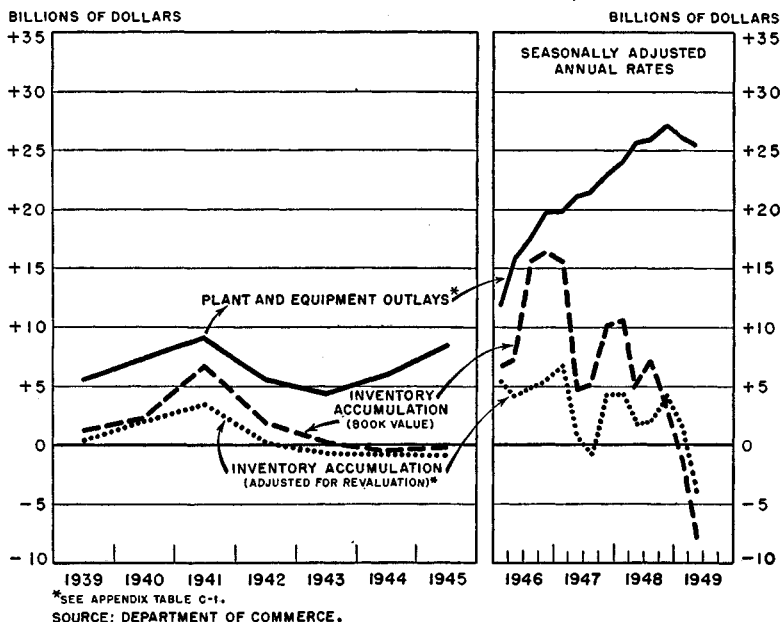
Projects already scheduled are generally being followed through, but there appears to be hesitation in scheduling new major investment commitments in view of uncertainties as to markets, prices, and costs. Investment plans will, of course, be influenced by the trend of changing economic conditions.

If expenditures for plant and equipment should decline below current levels, the decline would not reflect a general excess of productive facilities in relation to the needs of a maximum employment and production economy. For such an economy, present capacity in general is now no more than adequate and in some industries is distinctly inadequate. Continued long-run economic growth will call for further expansion of productive capacity, though quite possibly not at as rapid a pace as in the first postwar years.

CHART 10

## NON FARM PLANT & EQUIPMENT OUTLAYS & INVENTORY ACCUMULATION

Inventory accumulation gave way to liquidation in the second quarter of 1949. Seasonally adjusted outlays for plant and equipment turned down but were still close to peak levels.



Moreover, there is no definite ceiling on the amount that might be spent continuously, under favorable conditions, for modernization of facilities. It appears, in fact, that in some important classes of capital goods, including motor vehicles, tractors, locomotives, railroad cars, and oil refining equipment, there is now a special backlog of deferred replacement needs arising from the unusually high proportion of over-age units in service.

*Nonfarm business inventories.* By the spring of 1949, postwar replenishment of stocks was completed in virtually all lines, and the weakening sales and prices led businessmen in general to buy a little less than they expected to sell. Even though inventory accumulation had been generally moderate throughout 1948 and inventories were not out of line with current sales, book values of inventories were sufficiently high to arouse caution when the outlook weakened. Business was sensitive to the effect of possible price declines on the value of such inventories, based as they were on high postwar levels of prices.

The total book value of inventories in manufacturing and trade declined by 2.1 billion dollars during the half year, from 54.0 billion at the end of

1948 to 51.9 billion at the end of June 1949. Changes in book values reflected in part the price decline and the normal seasonal tendency for stocks to rise in the first quarter and to decline in the second. The most significant development was the shift from accumulation of nonfarm inventories at an annual rate of 1.4 billion dollars during the first quarter, after adjustment for revaluation and seasonal variation, to liquidation at a similarly adjusted annual rate of 4.0 billion dollars in the second quarter.

TABLE 3.—*Changes in manufacturing and trade inventories and index of new orders, 1948–49*

[Not adjusted for seasonal variation]

Item	1948				1949		
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	April	May <sup>1</sup>
Change in book value, millions of dollars							
Inventories:							
Manufacturing and trade.....	+3,222	+104	+2,331	+318	+806	-1,010	-1,224
Manufacturing.....	+1,044	+663	+983	+1,003	+80	-527	-443
Materials and goods in process.....	-32	+176	+683	+194	-537	-590	-485
Finished goods.....	+1,076	+487	+300	+809	+617	+63	+43
Wholesale trade.....	+324	+84	+296	+72	+130	-293	-268
Retail trade.....	+1,854	-643	+1,058	-757	+596	-190	-513
Average quarter or month of 1939=100							
New orders received by manufacturers:							
All manufacturing.....	253	254	254	246	222	195	202
Durable goods.....	297	289	294	277	257	206	206
Nondurable goods.....	227	233	230	227	201	188	200

<sup>1</sup> Preliminary estimates.

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

Source: Department of Commerce.

The shift of inventory position, shown in chart 10, has had an important impact on producers' order books and on the financial requirements of business in general, as discussed elsewhere in this review. During at least the first 4 or 5 months of the year, manufacturers' stocks of finished goods awaiting sale rose while their stocks of materials and goods in process (related to actual and prospective production) were falling off. This held good in both durable and nondurable lines, with the accumulation of finished stocks predominant in durables and the reduction of materials and process stocks predominant in nondurables. Attempts to cut inventories of materials were offset by an unwanted piling-up of unsold goods.

The relatively cautious and well-informed inventory policies of business in general in the postwar period, as compared to previous periods of prosperity, had moderated the potential inflationary effects of inventory buying and left the ratio of inventories to sales still low, by prewar standards, after 3 years of postwar restocking. Adjustments in individual business, and the broader adjustment to general business slackening in the first half of 1949, were therefore accomplished more quickly and with less

effect upon production rates than had been the case in most comparable earlier periods. During the second quarter, the stocks of retailers, wholesalers, and manufacturers all declined in both value and physical volume, reflecting general expectations of falling sales and prices. At the middle of the year, stocks were still a little below prewar ratios to sales, and even the proportion of manufacturers' stocks of finished goods to their total stocks was likewise still conservative by prewar standards. (For further details see appendix tables D-16, D-17, and D-18.) In a number of specific lines of business, the liquidation of inventories had proceeded so far by the middle of 1949 that some recovery of business purchasing and even a moderate resumption of inventory accumulation in these lines could be expected later in the year. In other lines, the outlook is for further liquidation.

*Corporate finance.* During the first half of 1949 the postwar corporate financing picture underwent a drastic change. In 1947 and 1948 corporations had used an average of 10.5 billion dollars a year to finance inventory accumulation and expansion of customer financing, but during the first six months of this year they needed no new capital for these purposes. On the contrary, there was a net liquidation of these accounts to the extent of 4.8 billion dollars. Funds obtained from this liquidation, plus a continued high level of profits, enabled corporations to reduce their existing indebtedness substantially, principally in the form of bank loans and accounts payable, and at the same time to finance a continued high level of plant and equipment expenditures. (See appendix table D-32.)

Though the decline in financial requirements for increase of working capital was abrupt, it represented a natural adjustment following a postwar period of restocking, and rapidly rising prices, in which the value of both inventories and credit to customers increased much more than would be required for long-run normal business growth. Even in 1948, as chart 11 indicates, there was a marked trend toward smaller new working capital requirements.

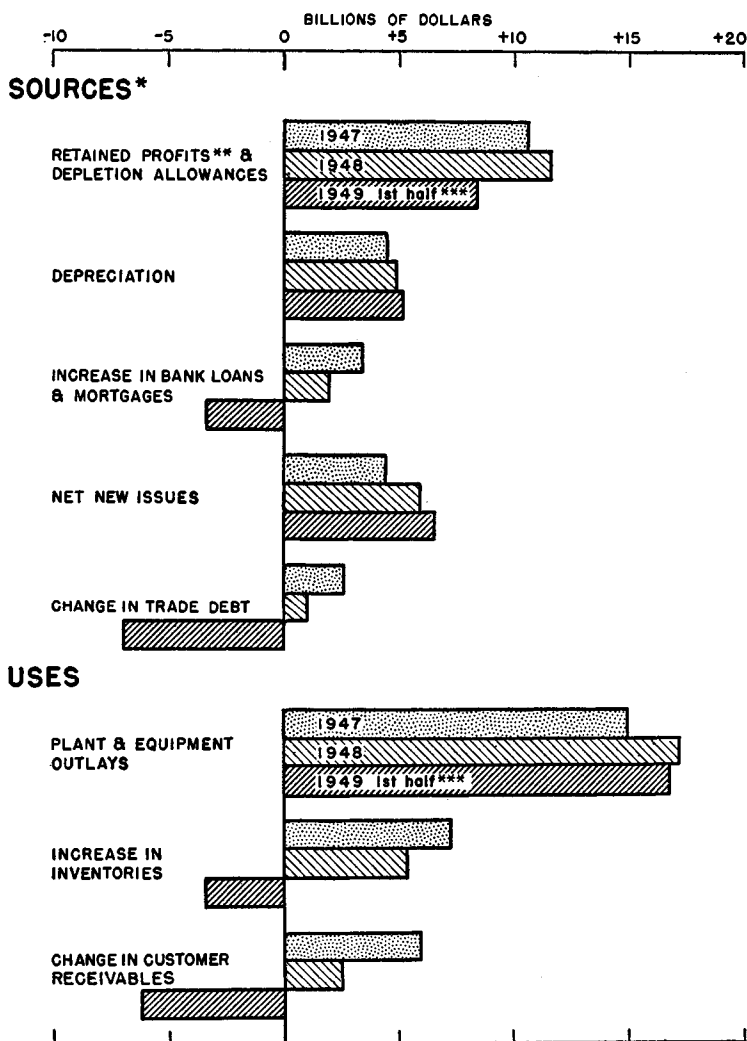
During the first 6 months of 1949, internal sources of funds for new investment fell about 18 percent below last year's level. Because of general maintenance of dividend payments, retained earnings fell by a greater proportion than total profits during this period. Depreciation reserves continued to rise moderately; and in general corporations did not reduce their liquid assets significantly, either to finance expansion or to reduce indebtedness.

Since this decline in internal funds was much less than the decline in total financial requirements, corporations were able to reduce their total liabilities by more than 3.5 billion dollars in the first half of 1949. This is in sharp contrast with the experience of the last several years. Corporations acquired debt capital to the extent of about 12 billion dollars in 1947 and about 9 billion dollars in 1948. The net reduction in total corporate liabilities was due to a very sharp decline in short-term debt, partially

CHART 11

## CORPORATE FUNDS SOURCES AND USES

The major changes in the corporate financial picture during the first half of 1949 were a liquidation of nearly 5 billion dollars in inventories and customer receivables, and a large repayment of bank and trade debt.



\* FUNDS FOR "OTHER" SOURCES NOT SHOWN HERE.

\*\* PROFIT ESTIMATES FOR 1ST HALF 1949 BY COUNCIL OF ECONOMIC ADVISERS.

\*\*\* ANNUAL RATES, NOT ADJUSTED FOR SEASONAL VARIATION.

SOURCES: DEPARTMENT OF COMMERCE ESTIMATES BASED ON SECURITIES AND EXCHANGE COMMISSION AND OTHER FINANCIAL DATA.



offset by an increase in long-term debt. During the first half of the year, bank loans fell by about 2 billion dollars, and debts to other firms by 3.5 billion dollars. On the other hand, new bond issues and mortgage loans together exceeded the 1948 rate during this period. This is in part a reflection of the continued large demand for investment funds in the public utility field. Also, corporations have used proceeds from long-term loans and bond issues to retire existing short-term indebtedness. Stock issues continued to be small in comparison with bond issues though there has been some rise in common stock financing.

The burden of corporate debt, as measured by its relation to income, is very much smaller at the present time than in either the 1920's or the 1930's. Moreover, interest rates are significantly lower, particularly in comparison with the 1920's.

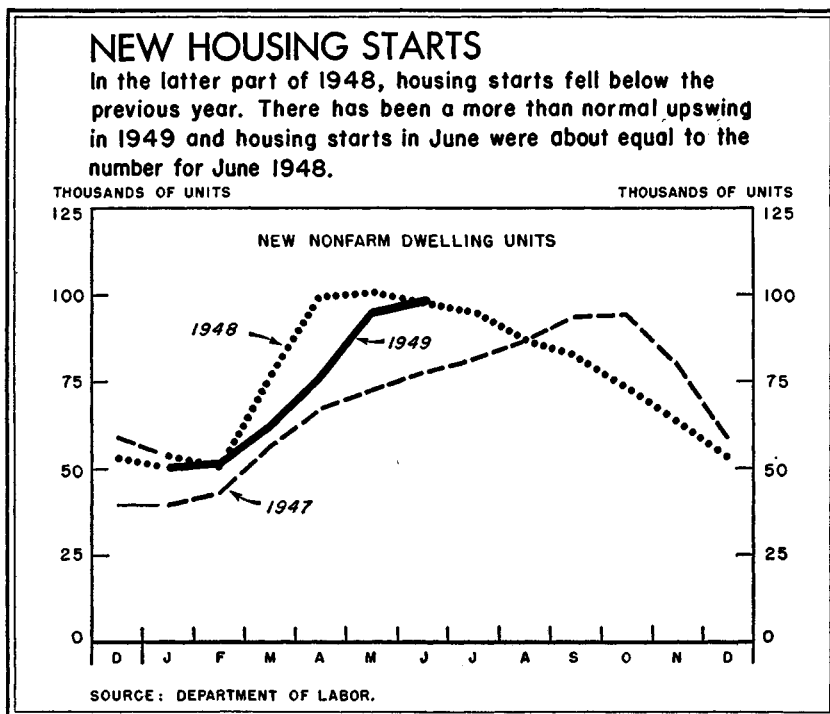
In evaluating the present financial position of business firms, it should be emphasized that there are wide differences in the financial positions of individual concerns, and there is some evidence that in the present weakening of business conditions these differences have increased. Smaller corporations have experienced a relatively sharper decline in profits, and their position with respect to liquid assets is not as favorable as that of the larger corporations.

*Housing.* Last year 931,000 new dwelling units for nonfarm families were started, according to estimates of the Department of Labor. (See chart 12.) The total number of units added from all sources, including conversions, remodeling, and shift from farm to nonfarm categories, was considerably greater. This was a high figure, but certainly inadequate to meet the needs of a growing population and improved standards of housing. For example, about the same number of dwelling units were started in 1925, with a much smaller population and a much smaller accumulated housing shortage. More important, the distribution of this housing among various price ranges has been inadequately adjusted to the income structure. This creates the problem of avoiding a decline in housing construction when the relatively thin demand for high-priced housing is saturated.

In the first part of 1949 housing starts were less than a year earlier. There has been a sharp upturn since March, but even if a favorable trend continues it is certain that the output for 1949 as a whole will be far below the estimated need of well above 1 million units a year, exclusive of farm housing. From the viewpoint of investment and employment opportunities, an expanding housing program would be an important stabilizing factor in an expanding economy. The problem is primarily one of housing costs in relation to the income structure.

There is evidence that economies are now being made through declines in cost of materials and narrowing of margins of contractors and subcontractors, and that the efficiency of the new labor force trained since the war has increased. Partly in consequence of this, the houses started this

CHART 12



summer should sell for considerably less than the houses started last summer. Price adjustments this year fall far short of an adequate alignment of housing costs to housing needs and to the incomes of purchasers. The housing problem is still outstanding, and its solution will require redoubled efforts.

#### *International transactions*

In the final quarter of 1948, the surplus of exports over imports of goods and services had increased for the first time since the inception of the European Recovery Program, reversing more than a year of continuous decline. In the first half of 1949, the total export surplus continued to increase, as is shown in chart 13 and in table 4. From an annual rate of 6.1 billion dollars in the last quarter of 1948, it rose to an estimated annual rate of 7.3 billion dollars in the second quarter of 1949, providing a moderate offset to the domestic forces making for sagging production and employment. (The relation of the export surplus to the net foreign investment component of the Nation's Economic Budget is explained in appendix A.)

TABLE 4.—United States exports and imports of goods and services

[Billions of dollars]

Period	Exports of goods and services <sup>1</sup>	Imports of goods and services <sup>1</sup>	Surplus of exports of goods and services <sup>1</sup>
1936-38 average .....	4.1	3.6	.5
1946.....	15.0	7.2	7.8
1947.....	19.8	8.5	11.3
1948.....	16.8	10.5	6.3
Annual rates:			
1948:			
First quarter.....	17.7	10.1	7.6
Second quarter.....	16.9	10.1	6.8
Third quarter.....	15.8	11.0	4.8
Fourth quarter.....	16.8	10.7	6.1
1949:			
First quarter.....	16.5	10.2	6.3
Second quarter <sup>2</sup> .....	17.1	9.8	7.3

<sup>1</sup> Includes income on investments.<sup>2</sup> Estimates based on incomplete data.

Source: Department of Commerce.

The increase in the first part of this year took the form of an expansion in the surplus of exports of goods rather than of services, resulting both from increased exports and reduced imports. The increase of merchandise exports resulted almost entirely from increased shipments to Asia, chiefly to Japan, and to western Europe, the areas receiving increased government aid. In 1948 the European Recovery Program had tended to support rather than increase our shipments to the participating countries. In the first quarter of 1949, exports to participating countries for the first time approached the level that had existed prior to the establishment of the program. Total exports of goods in the first 4 months were almost as high as in the corresponding period of 1948, with agricultural exports 17 percent higher in value and nonagricultural exports about 7 percent lower. (Additional information concerning merchandise exports is provided in appendix tables D-35, D-36, and D-37.)

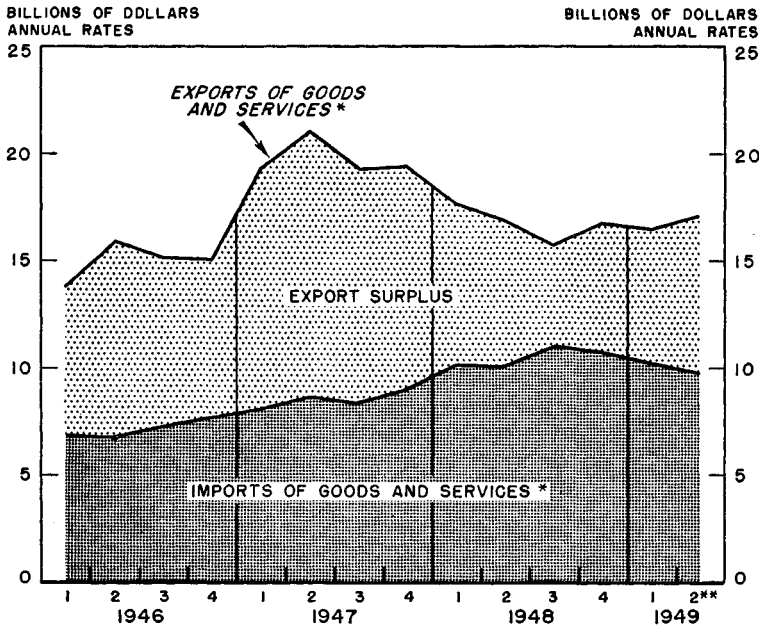
As inflationary pressures have eased, government export controls have been adapted to the changing situation. Until the latter part of 1948, the major emphasis in the administration of export controls was the protection of the supply needs of the domestic economy. At the beginning of 1949 there were still 422 commodities on the list of items under export quotas. Easing of the supply situation has made possible the removal of license control on exports of many goods and also the removal and liberalization of quotas on exports of many others that remained under license. Despite the imposition of license control on some additional items for security reasons, the total number of commodities under license was reduced to 326 by the end of June.

The dollar value of merchandise imports in the first half of the year fell almost 10 percent below that of the rate prevailing in the last quarter of 1948, apparently reflecting mainly the movement of domestic business ac-

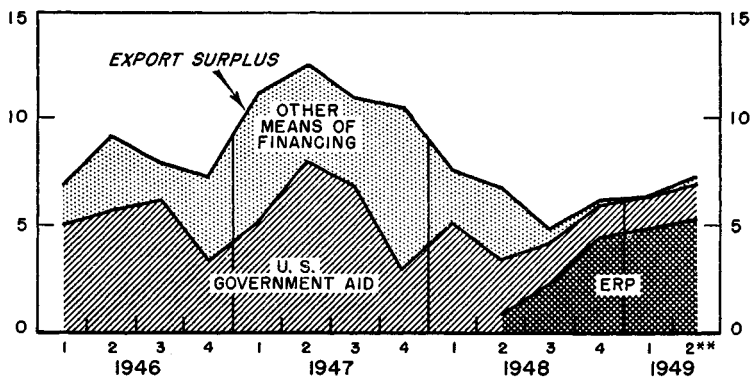
CHART 13

## EXPORTS AND IMPORTS OF GOODS AND SERVICES

The export surplus continued to rise in the first half of 1949, primarily because of declining imports.



Practically all of the export surplus was financed by ERP or other Government aid.



\* INCLUDES INCOME ON INVESTMENTS.

\*\* ESTIMATE BASED ON INCOMPLETE DATA.

SOURCE: DEPARTMENT OF COMMERCE.

tivity. The physical quantity of imports, after having moved upward irregularly but definitely for more than a year, declined, although foreign ability to supply exports continued to increase. In physical terms, the level of imports in the first 4 months of 1949 was only 20 percent above prewar levels, although the increase in domestic production and purchasing power above prewar was vastly greater and United States tariffs were lower. This level of imports is considerably lower than interwar relations between imports and domestic production would lead one to expect, the difference being concentrated in Europe and Asia. (Additional information relating to merchandise imports is shown in appendix tables D-38, D-39, and D-40.)

Until recently it was possible to regard the relatively low quantity of imports as a temporary result of the war-caused reduction in foreign capacity to export, which left the United States demand for foreign goods unsatisfied. If this were still the cause, a fall in domestic business activity might not reduce imports correspondingly. The decline of imports in the first half of this year, however, indicates that the United States market demand for foreign goods was being substantially met at the going prices and exchange rates. This situation suggests that a continuation of recent declines in domestic demand and production would, with present relations between foreign and American prices and present exchange rates, result quite promptly in a further decline in the dollar value of our imports.

Under prevailing conditions of depleted dollar reserves there is a close relation between our foreign purchases and sales. A reduction in the dollars available to foreign countries, therefore, would tend to reduce domestic economic activity unless it were offset by changes in the amount of our foreign aid.

Foreign aid is not as great as it had been during the spring of 1947, when it reached a rate of 8 billion dollars a year and accounted for nearly two-thirds of the total export surplus of goods and services. But, as table 5 shows, payments made under it are now almost equal to the total export surplus. (More detailed information relating to the balance of international payments and foreign aid is shown in appendix tables D-33 and D-34.)

Payments under the European Recovery Program are probably about at their peak. The effects of the program upon the domestic economy are felt before payments are made, however. Taking into account the probable course of procurement to be authorized under the European Recovery Program, it appears likely that the most intense effect of existing foreign aid programs upon the domestic economy has already been felt. Proposed military aid under the North Atlantic Pact is not expected to have any significant economic impact during 1949.

Government aid and United States imports of goods and services have recently been virtually the entire source of dollars that foreign countries have employed currently for purchasing American goods and services. With foreign aid about at its peak and with imports showing a tendency to slacken,

no further impetus to domestic employment, production, and purchasing power appears likely to come from exports during the rest of this year.

TABLE 5.—*Financing the surplus of goods and services supplied to foreign countries*

(Billions of dollars)

Period	Surplus of exports of goods and services <sup>1</sup>	Means of financing		
		Government aid (net) <sup>2</sup>	Liquidation of foreign gold and dollar assets (net) <sup>3</sup>	Other means of financing (net) <sup>4</sup>
1936-38 average.....	.5	-----	.8	-.3
1946.....	7.8	5.1	2.0	.7
1947.....	11.3	5.7	4.5	1.1
1948.....	6.3	4.7	.9	.8
Annual rates:				
1948:				
First quarter.....	7.6	5.1	1.4	1.1
Second quarter.....	6.8	3.4	2.2	1.2
Third quarter.....	4.8	4.1	.6	.1
Fourth quarter.....	6.1	6.0	-.8	.9
1949:				
First quarter.....	6.3	6.3	-.1	.1
Second quarter <sup>5</sup> .....	7.3	7.0	.4	-.1

<sup>1</sup> Includes income on investments.

<sup>2</sup> Includes grants and loans, but excludes subscriptions to the International Bank and the International Monetary Fund. For detail, see appendix table D-34.

<sup>3</sup> Includes net sales of gold to the United States and net liquidation of foreign dollar assets, including long-term investments. Excludes liquidation of assets held by the International Bank and the International Monetary Fund.

<sup>4</sup> Includes movement of United States private capital, gifts, net dollar disbursements by the International Bank and the International Monetary Fund, and allowance for errors and omissions.

<sup>5</sup> Estimates based on incomplete data.

Source: Department of Commerce.

### *Government transactions*

In the main, trends in the receipts and expenditure programs of the Federal, State, and local governments during the first 6 months of this year have conformed to the picture set forth in the Council's review in January 1949. In some cases, however, these trends have been sharper than anticipated.

As has been customary in previous reports, all figures in this section are on the so-called consolidated cash basis, rather than on the conventional budget basis. They reflect the volume of current cash transactions between government and the public, and hence are useful in judging the immediate economic impacts of government programs. (A detailed description of the concepts used is given in "The Budget of the United States, 1950," p. 1375.)

*Cash payments by the Federal Government.* Table 6 shows the volume of Federal cash payments to the public, classified according to function, for 1948 and the first half of 1949. In terms of seasonally adjusted annual rates, the total volume of payments increased by 5.6 billion dollars, or 15 percent, over 1948 during the first 6 months of this year.

TABLE 6.—*Federal cash payments to the public, by function*

[Billions of dollars, annual rates, seasonally adjusted]

Function	1948		1949, January June <sup>1</sup>
	January- June	July- December	
National defense.....	11.1	11.2	12.7
International affairs and finance.....	5.2	6.1	7.3
Veterans' services and benefits.....	7.0	6.9	7.4
Social welfare, health, and security.....	2.2	2.5	2.6
Agriculture and agricultural resources.....	.4	2.3	2.9
Interest on the public debt.....	3.9	3.8	4.0
Other.....	5.3	6.6	6.1
Deduction from Federal employees salaries for retirement.....	— .2	— .3	— .3
Clearing account for outstanding checks and telegraphic reports.....	+ .2	— .5	— .2
Total payments to the public.....	35.1	38.7	42.5

<sup>1</sup> Estimates based on incomplete data.

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

Sources: See appendix A.

Three major areas of increase were already clear by the second half of 1948, namely, purchases for defense, international affairs and finance, and Federal construction programs for resource conservation and development, highways, and other purposes. In addition, the continuing decline in farm prices had led to an increase in net outlays for price support operations; and there had been a significant increase in payments from unemployment insurance trust funds and in veterans' benefit payments. Payment of National Service Life Insurance dividends is likely to start around the beginning of next year.

It was feared at the start of the year that certain of these expanding programs, especially in the defense and construction fields, might aggravate supply shortages and upward price trends which were then evident. These difficulties have not developed, and it is clear that Federal programs have provided substantial support to an otherwise weakening market situation. The increases in net outlays for farm price supports, and in unemployment compensation payments were, of course, an automatic response to farm price declines and rising unemployment. They have partially offset the loss in farm and consumer incomes that would otherwise have taken place.

*Cash payments by State and local governments.* As nearly as can be determined from incomplete information, payments by State and local governments still are following the upward trend which was described in the Council's review in January 1949. Total payments for the first 6 months of this year are estimated to have run at an annual rate of about 16.5 billion dollars or about 10 percent above the total for the year 1948, and about 6 percent above the second half of 1948.

As has been true since the end of the war, public construction continues to be the most sharply rising component in the activities of State and local

governments. State-local construction in 1948 was 46 percent above the 1947 level, and for the first half of this year it was 42 percent above the same period of 1948. (See appendix table D-14.) While some progress is thus being made in providing for schools, hospitals, streets and highways and other community facilities, the requirements yet to be met are still very large. In terms of physical volume, construction activity of State and local governments is still well below its 1930 level. The disappearance of inflationary pressures has been accompanied by an appreciable drop in construction costs. State and local governments should make sure that their planning is sufficiently advanced to allow them to take full advantage of this situation.

Staffs are still being expanded and salaries increased in line with post-war developments. The total number of employees of State and local governments was 3,994,000 in January 1949, as compared with 3,859,000 a year before—an increase of  $3\frac{1}{2}$  percent. An additional but temporary influence which has reenforced the upward trend of government cash payments has been the granting of veterans' bonuses by a number of States.

*Federal cash receipts from the public: the cash deficit.* Federal cash receipts from the public for the first half of 1949, on a seasonally adjusted annual rate basis, were about 41.6 billion dollars, only slightly below the level of the last 6 months of 1948, although about 5.8 billion dollars below the first part of 1948 and 3.4 billion below the total for 1948 as a whole. This reflects not only the fact that the drop in business activity during the first 6 months of this year was moderate, but also the fact that receipts from a number of taxes during these 6 months reflected the activity levels of the preceding year. Recent declines in corporate profits, for example, will not be fully reflected in Federal cash receipts until the first half of 1950.

The increase in expenditures and decline in receipts resulted in a cash deficit of about 1 billion dollars (annual rate, seasonally adjusted basis) for the first half of this year as compared with a cash surplus of about 3.9 billion for the last half of 1948, and of 8.1 billion for 1948 as a whole. Under existing legislation, the continued upward trend in payments will result in a larger deficit for the year 1949, even with the maintenance of fairly high levels of business activity.

*State and local cash receipts.* On the basis of incomplete information, it is estimated that the cash receipts of State and local governments during the first half of 1949 were equivalent to an annual rate of about 15.1 billion dollars, or about 4 percent above the receipts of 14.5 billion for the year 1948. If business activity remains fairly high, the new taxes and increased rates which have been enacted since the war—including a number of new municipal nonproperty taxes recently permitted by State enabling legislation—may be expected to produce a continued upward trend in receipts. The increasing reliance of State and local governments on sales and income



taxes, as compared with the relatively inflexible property tax, however, will tend to mean a greater responsiveness in State and local tax revenues to changes in general business conditions.

The estimates of the annual rates of cash payments and receipts for the first half of 1949 indicate a cash deficit of about 1.4 billion dollars, as compared with the figure of nearly 600 million for the year 1948. The considerable increase in borrowing which has been required to meet large capital outlays and veterans' bonuses has brought the gross debt of State and local governments close to its all-time peak in 1940. Despite this increase in debt, however, their fiscal position is considerably stronger than in the prewar period or in 1929. The total of State and local gross debt in 1948 was about 1.4 times tax collections (excluding unemployment compensation taxes), whereas the ratio for both 1939 and 1929 was about 2.6. State and local governments are therefore in a better position to borrow in order to maintain needed programs.

Table 7 summarizes the aggregate cash transactions of all levels of government—Federal, State, and local combined. Aggregate cash payments during the first half of 1949 are estimated to have been equivalent to a seasonally adjusted annual rate of about 59.0 billion dollars, or more than 13 percent above the 1948 level of 52.0 billion. The annual rate of cash receipts by all levels of government during this period is estimated at 56.7 billion dollars, or about 5 percent below the 1948 level. On the basis of seasonally adjusted annual rates, this is equivalent to a deficit in aggregate government transactions of about 2.4 billion dollars, as compared with a surplus of about 7.5 billion dollars for 1948 as a whole, and of about 3.0

TABLE 7.—*Government cash receipts from and payments to the public*

[Billions of dollars, annual rates, seasonally adjusted]

Receipt or payment	1948		1949, January- June <sup>1</sup>
	January- June	July- December	
Cash receipts:			
Federal.....	47.4	42.6	41.6
State and local.....	14.3	14.7	15.1
Total cash receipts.....	61.7	57.3	56.7
Cash payments:			
Federal.....	35.1	38.7	42.5
State and local.....	14.5	15.6	16.5
Total cash payments.....	49.6	54.3	59.0
Surplus (+) or deficit (-):			
Federal.....	+12.3	+3.9	-1.0
State and local.....	-.2	-.9	-1.4
Total surplus (+) or deficit (-).....	+12.1	+3.0	-2.4

<sup>1</sup> Estimates based on incomplete data.

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

SOURCE: See appendix A.

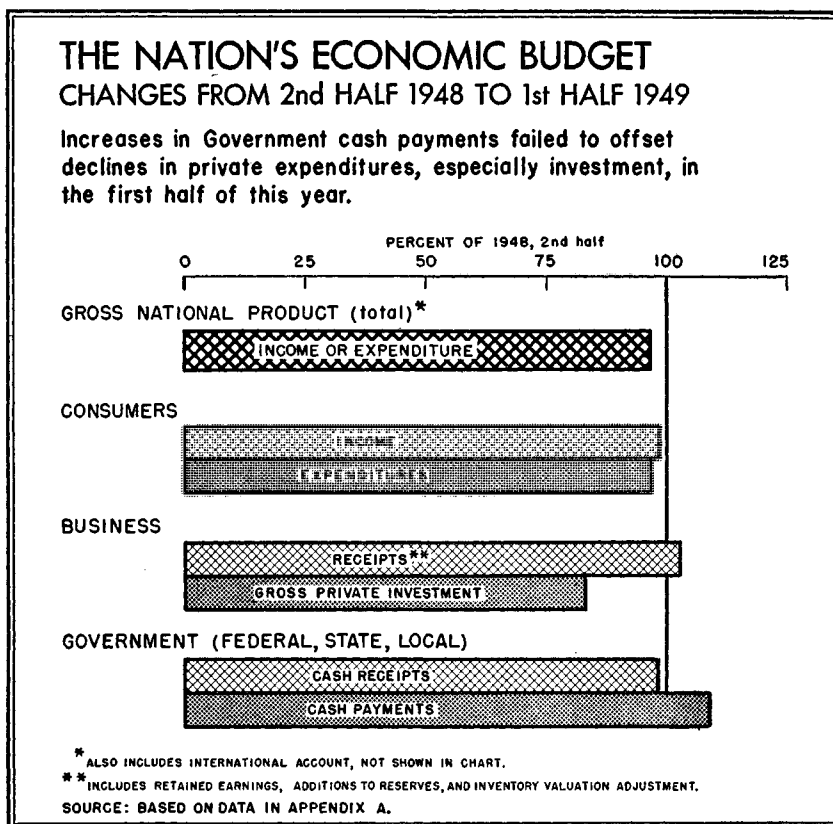
billion for the second half of 1948. The prospect is that this deficit will increase substantially in the second half of this year, even if business activity continues at high levels.

*Summary: The Nation's Economic Budget*

For the first time since the immediate postwar readjustment period, the Nation's Economic Budget reflects a decline in business activity extending over 6 months or more. As shown in the accompanying table, the Budget total, or gross national product, declined about 9 billion dollars (seasonally adjusted annual rate) from the second half of 1948 to the first half of 1949. This is a decline of about 3½ percent in current dollars, or about 1½ percent after allowing for declining prices. (See chart 14.) The percentage drop from the fourth quarter of last year to the second quarter of this year was about 6 percent in terms of current prices.

The most conspicuous facts reflected in the Nation's Economic Budget are that business investment shows a sharp reduction from the second half of 1948 to the first half of 1949 while consumer income and expenditures dropped only moderately. The decline in business investment represents

CHART 14



largely a reversal in the trend of inventory accumulation, which in turn largely accounts for the present decline in economic activity. This inventory adjustment has resulted from a basic discrepancy between the trend of increasing production and relatively stable consumer demand over the last few years. With the progressive fulfillment of extraordinary backlog demands over the past 6 to 12 months a slack developed first in the demand at prevailing prices for certain luxury items and subsequently for one category after another of consumers' and producers' goods. With production increasing more than consumption, inventories were built up steadily. As consumers failed to absorb promptly the growing flow of goods,

TABLE 8.—*The Nation's economic budget*

[Billions of dollars, annual rates, seasonally adjusted]

Economic group	1948, second half			1949, first half <sup>1</sup>		
	Receipts	Expenditures	Excess or deficit	Receipts	Expenditures	Excess or deficit
<b>CONSUMERS</b>						
Disposable income relating to current production.....	183.1			179.6		
<i>Transfers and interest</i> .....	14.7			16.8		
<i>Disposable personal income</i> .....	197.8			196.4		
Expenditures for goods and services.....		180.6			175.8	
<i>Personal saving (+)</i> .....			+17.2			+19.6
<b>BUSINESS</b>						
Retained business receipts <sup>2</sup> .....	25.5			26.2		
Gross private domestic investment.....		42.8			35.7	
<i>Excess of investment (-)</i> .....			-17.3			-9.5
<b>INTERNATIONAL</b>						
<i>Net cash Government loan transfers abroad</i> .....	.9			1.1		
Net foreign investment.....		.5			.6	
<i>Excess of receipts (+) or investment (-)</i> .....			+ .4			+ .5
<b>GOVERNMENT (FEDERAL, STATE, AND LOCAL)</b>						
Tax payments or liabilities.....	58.9			54.5		
<i>Adjustment to cash basis</i> .....	-1.6			2.2		
<i>Cash receipts from the public</i> .....	57.3			56.7		
Purchases of goods and services.....		38.8			41.8	
<i>Government transfers</i> .....		16.6			17.2	
<i>Cash payments to the public</i> .....		54.3			59.0	
<i>Excess of receipts (+) or payments (-)</i> .....			+3.0			-2.4
<b>ADJUSTMENTS</b>						
For receipts relating to gross national product.....	-4.6		-4.6	-6.5		-6.5
<i>Other adjustments</i> .....	+1.3		+1.3	-1.7		-1.7
Total: Gross national product.....	262.7	262.7	0	253.9	253.9	0

<sup>1</sup> Estimates based on incomplete data.

<sup>2</sup> Includes adjustment for inventory valuation. See appendix table A-3.

NOTE.—Items relating to current production of goods and services are shown in roman type. Transfer payments and receipts and subtotals including them are in italics; these items are not included in the gross national product.

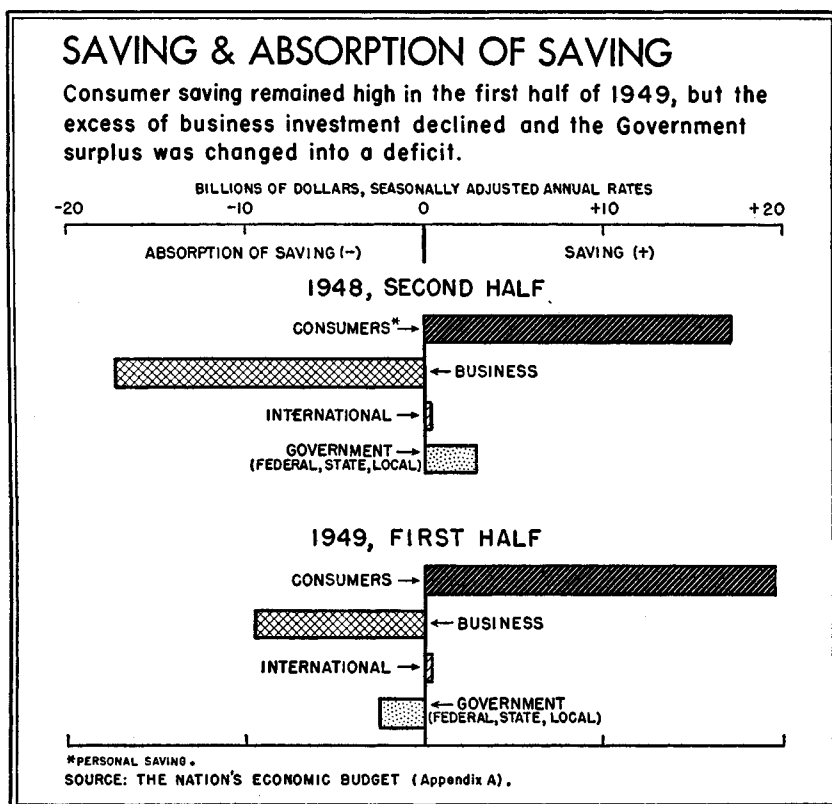
Details will not necessarily add to totals because of rounding.

Source: See appendix A.

swelling inventories induced business to cut down its orders and to stop and recently to reverse inventory accumulation.

The sharp cut in industrial production and the inventory decline had only a moderate effect on consumer income and expenditures for the first half of 1949 as a whole. A noticeable decline started, however, in the second quarter. The relatively high level of the first half of the year has been due to the fact that, while employment in manufacturing and mining industries was curtailed, employment in most other activities was maintained or increased (after allowance for seasonal variation). Thus productive activity, employment, and personal incomes derived from productive employment decreased much less in the aggregate than in manufacturing industries alone. As a strengthening factor, there was a rise in expenditures by Federal, State, and local governments, as indicated in the Nation's Economic Budget table. Some of these additional government expenditures are reflected directly in an increase in transfer incomes derived from rising unemployment compensation and veterans' allowances, in part offsetting the decline in incomes derived from current production. For the first half

CHART 15



of the year, government ran a deficit, as compared with a surplus in the preceding period. (See chart 15.)

Some conditions are now favorable for a reversal of the downward trend in industrial production and employment. Inventories in several lines of business already have been brought into a better relationship with sales, there are indications that prices are being brought into a better relationship with disposable incomes, and it is probable that orders have in many cases been cut below the level justified by current markets. The expected further rise in government expenditures will continue to give support to demand.

There are other factors, however, which could produce a further weakening. For example, present surveys indicate that business expenditures and investments in plant and equipment in the third and fourth quarter of 1949 may run increasingly below the levels attained in 1948. Thus, if counteracting forces are not marshalled, it is at least possible that the inventory and price adjustment may develop into an investment recession later this year or next year.

Despite the significance of investment, it should be stressed that the downturn commenced with a failure of consumer markets to expand in line with total output. The maintenance and stimulation of consumer expenditures are essential both for maintaining total expenditure commensurate with our increasing productive capacity under maximum employment, and for providing a substantial basis for a sustainable high level of investment itself.



# Appendix A

## The Nation's Economic Budget

### Tables

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**NOTE.**—In these tables, revised estimates for net foreign investment and construction have been substituted for those included in the national income and product accounts published by the Department of Commerce in the *Survey of Current Business*, February 1949 and May 1949. The revised construction series and estimates of the international transactions of the United States have been published separately in recent issues of the *Survey*.

All components of national income and product are subject to revision in the forthcoming (July 1949) *Survey of Current Business*.





# The Nation's Economic Budget

The Nation's Economic Budget (table A-1) is designed to show significant changes in the economy as they are indicated by the receipts and expenditures of consumers, business, and government, and by net transactions with the rest of the world. The net additions to and absorption of saving of these groups are also shown in the Budget. The total of the Nation's Economic Budget measures the gross national product, i. e., total current production of goods and services. On the receipts side the total consists of wages and salaries, retained business earnings, and other incomes relating to current production. On the expenditure side it consists of purchases of current output.

Besides expenditures for current output and the corresponding receipts there are transfers of purchasing power, such as government payments to social security beneficiaries and veterans' pensions. While governmental transfers do not arise from current production, as a source of purchasing power they are not different from any of the payments that do. They contribute to spendable income and have an important bearing on production and prices. Omitting transfers from government accounts would understate the size and impact of government budgets on incomes and expenditures of consumers and business and on foreign transactions. They are therefore included in the Nation's Economic Budget.

In order to distinguish between expenditure for goods and services and transfers the former are shown in roman type and the latter in italics in the Nation's Economic Budget. Only the former are added to arrive at the total, which equals the gross national product or expenditure.

TABLE A-1.—*The Nation's economic budget, 1948-49*

[Billions of dollars, annual rates, seasonally adjusted]

Economic group	1948, first half			1948, second half			1949, first half <sup>1</sup>		
	Receipts	Expenditures	Excess of receipts (+) or deficit (-)	Receipts	Expenditures	Excess of receipts (+) or deficit (-)	Receipts	Expenditures	Excess of receipts (+) or deficit (-)
<b>CONSUMERS</b>									
1 Disposable income relating to current production.....	171.8			183.1			179.6		
2 Government transfers and net interest payments.....	16.3			14.7			15.8		
3 Disposable personal income.....	187.1			197.8			195.4		
4 Expenditures for goods and services.....		174.9			180.6			175.8	
5 Personal savings (+).....			+18.8			+17.2			+19.6
<b>BUSINESS</b>									
6 Retained business receipts from current production.....	22.0			25.5			26.2		
7 Gross private domestic investment.....		38.9			42.8			35.7	
8 Excess of receipts (+) or investment (-).....			-16.9			-17.3			-9.5
<b>INTERNATIONAL</b>									
9 Government loan transfers abroad.....	1.7			.9			1.1		
10 Net foreign investment.....		3.3			.5			.6	
11 Excess of receipts (+) or investment (-).....			-1.6			+1.4			+1.8
<b>GOVERNMENT (Federal, State, and local)</b>									
12 Tax payments or liabilities.....	58.4			58.9			54.5		
13 Adjustment to cash basis.....	3.3			-1.6			2.2		
14 Cash receipts from the public.....	61.7			57.3			56.7		
15 Purchases of goods and services.....		32.2			38.8			41.8	
16 Government transfers.....		17.4			15.5			17.8	
17 Cash payments to the public.....		49.6			54.3			59.0	
18 Excess of receipts (+) or payments (-).....			+12.1			+3.0			-2.4
<b>ADJUSTMENTS</b>									
19 For receipts relating to gross national product.....	-3.1		-3.1	-4.6		-4.6	-6.5		-6.5
20 Other adjustments.....	-2.7		-2.7	+1.3		+1.3	-1.7		-1.7
21 Gross national product.....	249.3	249.3	0	262.7	262.7	0	253.9	253.9	0

<sup>1</sup> Estimates based on incomplete data.

**NOTE.**—Items relating to current production of goods and services are shown in roman type. Transfer payments and receipts and subtotals including them are in italics; these items are not included in the gross national product.

Detail will not necessarily add to totals because of rounding.

**Explanatory notes:**

Lines 1-5: See table A-2, Consumer Account.

Lines 6-8: See table A-3, Business Account.

Lines 9-11: See table A-4, International Account.

Lines 12-18: See table A-5, Government Account.

Line 19: Includes the statistical discrepancy and the current surplus of Government enterprises less Government subsidies. The statistical discrepancy represents the difference between two independent estimates of gross national product, one arrived at by estimating the income received from current output and one by estimating expenditures for this output. The adjustment for statistical discrepancy brings the estimate on the receipts side into agreement with that on the expenditure side of the accounts.

Line 20: An adjustment is necessary to balance the sum of the transfers on the receipts side with that on the payments side because of the fact that somewhat different bases for measurement have been used in estimating various components of receipts and payments. Most of the discrepancies reduce to a difference in timing between the recording of a receipt and a payment. A correction must be made for the difference between the time a tax liability is incurred or payments are made and the time a receipt is recorded by the Government. Payment is sometimes made for goods produced in a previous period; interest payments on a cash basis differ from the accrued interest shown under consumer receipts, etc.

**Sources:** This table is based on the national income and product statistics of the Department of Commerce, with revised figures for net foreign investment and construction, and on Federal cash receipts from and payments to the public estimated by the Bureau of the Budget.

Since the transfers of the government augment the receipts of consumers, business, or foreign countries, the transfer payments and receipts of transfers are conceptually equal. The small discrepancy between the totals is due to statistical problems of measurement.

Tables A-2 through A-5 contain the accounts of consumers, business, international transactions, and the government. They indicate how the receipts and expenditures in each account have been derived, and present some break-down of the totals where this is feasible.

### *Consumer account*

Table A-2 shows personal income and its principal components, personal taxes, and a break-down of expenditures by important classifications. Consumer income includes the net profits of unincorporated businesses and farms (proprietors' income). Expenditures for construction of dwellings are considered as a business investment and hence are not included in consumption expenditure. Personal saving is a residual figure derived by deducting consumption expenditures from disposable income.

TABLE A-2.—*Consumer account, 1948-49*

[Billions of dollars, annual rates, seasonally adjusted]

Receipts or expenditures	1948		1949, first half <sup>1</sup>
	First half	Second half	
<b>Receipts:</b>			
Personal income arising from current production of goods and services:			
Wage and salary receipts and other labor income.....	130.0	138.6	135.2
Proprietors' and rental income.....	50.8	51.0	48.8
Dividends and private interest.....	12.2	13.1	13.6
Business transfer payments.....	.6	.6	.6
<b>Total</b> .....	193.6	203.3	198.2
<b>Plus:</b>			
Net interest paid by Government.....	4.5	4.6	4.6
Other Government transfer payments.....	10.8	10.1	11.2
<b>Equals: Total personal income</b> .....	208.9	218.0	214.0
<b>Less: Personal tax and nontax payments</b> .....	21.8	20.1	18.6
<b>Equals: Disposable personal income</b> .....	187.1	197.8	195.4
<b>Expenditures:</b>			
Durable goods.....	22.0	23.3	21.8
Nondurable goods.....	102.6	104.7	100.2
Services.....	50.3	52.6	53.8
<b>Total expenditures</b> .....	174.9	180.6	175.8
<b>Personal saving</b> <sup>2</sup> .....	12.2	17.2	19.6

<sup>1</sup> Estimates based on incomplete data.

<sup>2</sup> See also appendix tables B-4, D-4, and D-5.

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

### *Business account*

The business account is shown in table A-3. Business income includes undistributed corporate profits and the adjustment for corporate inventory valuation, plus capital consumption allowances for both corporate and non-corporate business. Because there is no information on noncorporate entrepreneurial withdrawals, it is impossible to include an estimate of retained earnings for unincorporated business in business income. They are therefore included in personal income. On the other hand, investment includes not only the investment of all business, but also the investment of individuals in homes. Business income and expenditures are therefore not entirely comparable.

The inventory valuation adjustment is included as a business receipt in the Nation's Economic Budget tables to make the profits estimates consistent with the national income and product basis of accounting. Business income, both corporate and noncorporate, is reckoned by business inclusive of changes in the book value of inventory. The gross national output or product for any period includes only the real change in inventories (net change in physical volume valued at current prices). An adjustment is therefore made in proprietors' and in corporate net income so that the income basis of accounting agrees with the product basis. (In table 2, proprietors' income is included net of the inventory valuation adjustment.) This does not necessarily imply that business receipts should be valued after inventory valuation adjustment for purposes other than national income accounting.

The point has been frequently made that the book profits overstate the real position of business during the period when reported book profits are rising, since part of the profits have to be devoted to replacing inventories at higher prices and hence are not available to finance the expansion of plant and equipment or for other purposes. Thus, during 1948, when reported corporate book profits were estimated at 32.8 billion dollars before taxes, it was also estimated that the additional costs of replacing inventories of corporations amounted to 3 billion dollars, thus yielding profits before taxes, adjusted for the higher cost of replacing inventories, of 29.8 billion dollars.

With the reversal of the price movement during the first half of 1949, the replacement costs of inventories have fallen. Since business in the main calculates the value of its inventories on the basis of cost or market price, whichever is lower, the effect of declining prices is to cause book profits to fall as inventories are marked down to the lower prices. In addition, of course, profits may fall because production or dollar margins are reduced. During the first half of 1949, corporate book profits are estimated to have been running at an annual rate of 27.2 billion dollars before taxes, but this is after an estimated write-down of inventories at an annual rate of 2.7 billion dollars. If the estimated corporate book profits of 27.2 billion dollars (annual rate) is adjusted for the write-down in inven-

tories, the estimated corporate profits before taxes for the first half of 1949 would then amount to 29.8 billion dollars (annual rate) which is the same as the level of profits before taxes in 1948, similarly adjusted for the change in the replacement costs of inventories.

TABLE A-3.—*Business account, 1948-49*  
[Billions of dollars, annual rates, seasonally adjusted]

Receipts or investment	1948		1949, first half <sup>1</sup>
	First half	Second half	
Receipts:			
Corporate profits before tax.....	31.3	34.4	* 27.2
Less:			
Corporate profits tax liabilities.....	12.2	13.4	* 10.9
Dividends.....	7.4	8.0	8.2
Equals: Corporate undivided profits.....	11.8	13.0	8.1
Plus:			
Capital consumption allowances.....	14.2	14.7	15.4
Corporate inventory valuation adjustment <sup>2</sup> .....	-3.9	-2.2	+2.7
Equals: Retained earnings and additions to reserves.....	22.0	25.5	26.2
Private domestic gross investment:			
Construction <sup>3</sup> .....	15.3	16.1	14.6
Residential nonfarm.....	7.2	7.3	6.3
Nonresidential.....	8.1	8.9	8.2
Producers' durable equipment.....	20.4	22.3	21.8
Change in inventories.....	3.2	4.4	— 6
Nonfarm only.....	3.0	3.1	-1.3
Total gross private domestic investment.....	38.9	42.8	35.7
Excess of receipts (+) or investment (-).....	-16.9	-17.3	-9.5

<sup>1</sup> Estimate based on incomplete data.

<sup>2</sup> Estimates by the Council of Economic Advisers.

<sup>3</sup> This adjustment is required because corporate income is reckoned inclusive of changes in the book value of inventory, as is customary in business accounting, whereas only the value of the real change in inventories is counted as current output in the gross national product.

<sup>4</sup> Incorporates new construction series not previously included in the gross national product.

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

Source: Based on estimates of the Department of Commerce.

### International account

The international account is designed to summarize our economic relations with the rest of the world. Net foreign investment shows the increase or decrease in claims against other countries and international institutions. The figure is arrived at by taking the surplus of exports over imports of goods and services, including investment income, and deducting net gifts, i. e., "unilateral transfers," since such gifts do not increase our claims on the rest of the world. Errors and omissions in the balance of payments statistics are treated as being entirely in the capital account. Government gifts or unilateral transfers are now an important magnitude because of the European Recovery Program. Since Government and private gifts are not included in net foreign investment, they are included in Government and personal expenditures for goods and services in arriving at total national outlays.

Government gifts comprise only part of Government aid to foreign countries. Loans to foreign governments and subscriptions to international

organizations such as the International Bank for Reconstruction and Development and the International Monetary Fund are also important. Loans and subscriptions constitute a transfer of purchasing power. At the time they are paid in cash these loans and investments are included in Government transfer payments and as a receipt in the international account of the Nation's Economic Budget. The difference between these receipts and net foreign investment, or "excess of investment" represents the portion of the surplus of exports of goods and services that is financed by other means than Government cash loans or subscriptions and Government and private gifts.

From the standpoint of the break-down of the Government cash payments into expenditures for goods and services and transfers, there is an anomaly in considering unilateral transfers or gifts as a goods and services expenditure rather than a transfer item. This treatment is necessary, however, because the national income accounts include net foreign investment (the surplus of exports less gifts) rather than the total surplus of exports as a component item. If such gifts were not included in goods and services expenditures, the national output would be understated.

Differences of concept exist between government grants and loans as included in the balance of payments accounts and in the government cash accounts (table A-8). Surplus property credits and other aid which does not involve an outlay of cash by the Federal Government are not included in cash accounts. Long-term loans and subscriptions to the International Monetary Fund and the International Bank for Reconstruction and Development are included in the cash accounts when the cash is transferred.

TABLE A-4.—*International account, 1948-49*

(Billions of dollars, annual rates)

Receipts or investment	1948		1949, first half <sup>1</sup>
	First half	Second half	
Receipts:			
Net long-term loans <sup>2</sup> .....	1.1	0.8	1.0
Payments to the International Monetary Fund and International Bank <sup>3</sup> .....	.6	.1	.1
Total Government loan investments abroad.....	1.7	.9	1.1
Investment:			
Excess of exports of goods and services over imports.....	7.2	5.4	6.8
Less:			
Net unilateral transfers:			
Government <sup>4</sup> .....	3.2	4.3	5.5
Private.....	.7	.6	.6
Equals: Net foreign investment.....	3.3	.5	.6
Excess of receipts (+) or investment (-).....	-1.6	+4	+5

<sup>1</sup> Estimates based on incomplete data.

<sup>2</sup> Includes only cash withdrawals under loan agreements. Does not include noncash transactions such as lend-lease and surplus property credits as shown in appendix table D-34.

<sup>3</sup> Cash payments on subscriptions.

<sup>4</sup> Does not agree with unilateral aid included in table A-8 which is on a Daily Treasury Statement basis. For a further break-down of Government unilateral transfers, see table D-34.

### *Government account*

The government account reconciles cash receipts from and payments to the public with the government revenue and expenditure estimates which have been incorporated in the national income and product accounts. It also provides a break-down of government receipts and expenditures into Federal and State and local components.<sup>1</sup>

There are several important differences between the concept of government revenue appropriate to the national income accounts and cash receipts from the public. In the national income accounts corporation income taxes are included on a liability basis and personal taxes on a payments basis. In the case of corporations, there is a lag of about a year between the time a liability is incurred and the time payment is made to the government. The difference between corporation tax liabilities and government receipts for the same period may be substantial. Receipts of income taxes also lag somewhat behind payments under the withholding system.

In addition, cash receipts include some items of revenue which are not derived from current production and are consequently not included in the income and product accounts; for example, receipts from the sale of surplus property and various items of miscellaneous receipts. (See table A-6.) Noncash items, such as government contributions to retirement funds for employees, are excluded. These are intragovernmental transfers rather than cash payments to the public.

Similarly, cash payments are more inclusive than the concept of government expenditures appropriate to the income and product calculations. Government loans ordinarily do not appear anywhere in government expenditures in the income and product series. An important exception is crop-secured loans made by the Commodity Credit Corporation. The commodities which secure these loans are considered as an addition to government inventory or capital formation, and the loan as an expenditure for goods and services.

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<sup>1</sup> Cash receipts from the public and payments to the public represent a consolidation of the United States budget with the Government trust and corporation accounts. All intragovernmental or noncash transactions have been eliminated. A detailed explanation of this consolidation may be found in the Budget of the United States Government for the fiscal year 1950, p. 1375. A summary of the derivation of cash receipts and payments from budgetary receipts and expenditures for calendar year 1948 was presented in the Council's Annual Review of January 1949, pp. 89 and 90.



TABLE A-5.—Government account (Federal, State, and local), 1948-49

[Billions of dollars, annual rates, seasonally adjusted]

Receipt or expenditure	1948		1949, first half <sup>1</sup>
	First half	Second half	
<b>Receipts:</b>			
Tax and nontax payments or liabilities: <sup>2</sup>			
Federal .....	43.5	43.6	38.7
State and local .....	14.9	15.3	15.8
Total .....	58.4	58.9	54.5
Adjustment to cash basis:			
Noncash receipts <sup>3</sup> .....	-1.1	-1.1	-1.2
Excess of cash receipts over tax liabilities or payments <sup>4</sup> .....	+4.4	- .5	+3.4
Cash receipts from the public .....	61.7	57.3	56.7
<b>Expenditures:</b>			
Purchases of goods and services:			
Federal <sup>5</sup> .....	17.9	23.0	24.8
State and local .....	14.3	15.9	17.0
Total .....	32.2	38.8	41.8
Other Government payments:			
Transfers to individuals .....	10.8	10.1	11.2
Cash interest payments to the public <sup>6</sup> .....	4.4	4.4	4.5
Loans to foreign governments and subscriptions to the International Bank and International Monetary Fund <sup>7</sup> .....	1.7	.9	1.1
All other <sup>8</sup> .....	.5	.1	.4
Total .....	17.4	15.5	17.2
Cash payments to the public .....	49.6	54.3	59.0
Cash surplus (+) or deficit (-) .....	+12.1	+3.0	-2.4
<b>ADDENDUM</b>			
<b>Federal:</b>			
Cash receipts .....	47.4	42.6	41.6
Cash payments .....	35.1	38.7	42.5
Surplus (+) or deficit (-) .....	+12.3	+3.9	-1.0
<b>State and local:</b>			
Cash receipts .....	14.3	14.7	15.1
Cash payments .....	14.5	15.6	16.5
Surplus (+) or deficit (-) .....	- .2	- .9	-1.4

<sup>1</sup> Estimates based on incomplete data.<sup>2</sup> Personal and indirect business tax payments and corporation tax liabilities. Includes contributions for social insurance.<sup>3</sup> Consists of deductions from Government employees' salaries for retirement funds, and Government contributions to retirement funds, national service life and Government life insurance funds.<sup>4</sup> Includes excess of corporation tax receipts over liabilities and excess of personal tax receipts over payments. Cash receipts also include some items of miscellaneous internal revenue not included in tax and nontax payments, such as receipts from sales of surplus property.<sup>5</sup> Sales of surplus property of 1 billion dollars in the first half of 1948, and 200 billion dollars in the other 2 periods have been deducted from gross expenditures.<sup>6</sup> Does not agree with net interest paid by government (table A-2) which is on an accrual basis.<sup>7</sup> See table A-4, International Account.<sup>8</sup> Includes all other cash payments less non-cash payments for goods and services. Other cash payments include net payments by Government corporations (except capital formation), net prepayments, and the excess of checks paid over checks issued. Non-cash purchases of goods and services include deductions from Government employees' salaries for retirement funds and the Government contribution to such funds.

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

In the cash payments series, the receipts of the Government corporations have been offset against the expenditures and only the net expenditure has been included. The same treatment is accorded the Post Office because of the quasi-commercial character of its operations.<sup>2</sup> Grants-in-aid to State and local governments are included as a cash payment of the Federal Government and are not counted as either a cash receipt or payment of the States and localities.

The major revenue sources of the Federal Government are shown in table A-6, Cash Receipts from the Public and Federal Cash Surplus. Expenditures according to major governmental function are shown in table A-7, Cash Payments to the Public. In table A-8, Federal expenditures have been classified by recipient, whether individuals, businesses, foreign countries, or States and localities. In most cases the term "recipient" means the initial recipient. However, this classification has not been followed in the case of a considerable part of the expenditure for international aid. All such expenditures have here been classed under international aid, even though some relate to direct purchases by the United States Government from business, in order to show a comprehensive total for the aid programs. The same procedure has been followed in the case of State and local aid programs, although the amounts of direct procurement by the Federal Government are not considerable.

A similar line of reasoning was applied to the postal deficit, the entire amount of which has been included as a subsidy to business. Wages and salaries paid to postal employees consequently do not appear under wages and salaries in table A-8, but have been netted against postal receipts to arrive at the total deficit.

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<sup>2</sup> The national income and product accounts include the purchases of Government enterprises (in general the Post Office and Government corporations) on capital account, their net interest payments and their operating surplus or deficit. See table III, Consolidated Government Receipts and Expenditures Account, in the *Survey of Current Business*, July 1949.

TABLE A-6.—Federal cash receipts from the public other than borrowing, calendar years 1948 and 1949

[Billions of dollars, annual rates, seasonally adjusted]

Cash receipts from	1948		1949, first half <sup>1</sup>
	First half	Second half	
Federal cash receipts from the public:			
Direct taxes on individuals <sup>2</sup>	22.8	19.0	18.2
Direct taxes on corporations	11.1	11.1	12.0
Employment taxes	2.4	2.5	2.5
Excises and customs	7.8	8.0	7.9
Surplus property receipts	1.8	.5	.7
Deposits by States, unemployment insurance	.9	1.1	.9
Veterans' life insurance premiums	.4	.4	.4
Other	2.4	2.1	1.5
Less: refunds of receipts	2.2	2.2	2.9
Total Federal cash receipts from the public	47.4	42.6	41.6

<sup>1</sup> Estimates based on incomplete data.

<sup>2</sup> Includes personal income taxes and estate and gift taxes.

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

TABLE A-7.—Federal cash payments to the public by function, calendar years 1948 and 1949

[Billions of dollars, annual rates, seasonally adjusted]

Function	1948		1949, first half <sup>1</sup>
	First half	Second half	
National defense	11.1	11.2	12.7
International affairs and finance	5.2	6.1	7.3
Veterans' services and benefits	7.0	6.9	7.4
Social welfare, health, and security	2.2	2.5	2.6
Agriculture and agricultural resources	.4	2.3	2.9
Interest on the public debt	3.9	3.8	4.0
Other	5.3	6.6	6.1
Deduction from Federal employees' salaries for retirement	— .2	— .3	— .3
Clearing account for outstanding checks and telegraphic reports	+ .2	— .5	— .2
Total cash payments to the public	35.1	38.7	42.5

<sup>1</sup> Estimates based on incomplete data.

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

TABLE A-8.—Federal cash payments to the public by type of recipient, calendar years 1947 and 1948

[Billions of dollars]

Cash payments to—	1947	1948
<b>Individuals:</b>		
Salaries and wages of Federal personnel:		
Military <sup>1</sup> .....	3.0	2.7
Civilian <sup>2</sup> .....	4.6	4.6
Allowances to dependents of military personnel.....	.3	.3
Readjustment benefits, pensions, and other payments to veterans <sup>3</sup> .....	7.0	5.8
Social insurance beneficiaries.....	1.8	1.9
Loans to home owners <sup>4</sup> .....	— .2	— .1
Interest <sup>5</sup> .....	.8	1.1
Other <sup>6</sup> .....	.4	.7
Total.....	17.7	17.0
<b>Business and farmers:</b>		
Subsidies and other payments to farmers.....	.8	1.1
Loans and investments.....	.1	( <sup>7</sup> )
Interest <sup>5</sup> .....	2.9	2.8
Subsidy arising from postal deficit <sup>8</sup> .....	.2	.5
Home-mortgage purchases from financial institutions.....	.1	.2
Other <sup>9</sup> .....	7.4	7.7
Total.....	11.5	12.3
<b>International:</b>		
Loans and grants, European Recovery Program <sup>10</sup> .....	—	1.8
Other loans to foreign governments (net withdrawals) <sup>10</sup> .....	3.6	.5
Other grants <sup>10</sup> .....	1.9	2.8
Payments to the International Monetary Fund and International Bank <sup>10</sup> .....	1.8	.4
Other <sup>11</sup> .....	.1	.6
Total.....	7.4	6.0
<b>State and local governments and public agencies:</b>		
Grants-in-aid.....	1.6	1.8
Interest.....	.1	.1
Loans.....	( <sup>7</sup> )	( <sup>7</sup> )
Total.....	1.8	1.9
Clearing account for outstanding checks and telegraphic reports.....	.2	— .2
Total Federal cash payments to the public.....	38.6	37.0

<sup>1</sup> Excluding terminal leave pay.

<sup>2</sup> Civilian wages and salaries exclude pay-roll deductions for Federal employees' retirement, and post office wages and salaries.

<sup>3</sup> Also includes cash terminal leave pay to enlisted personnel, cashing of terminal leave bonds, mustering-out pay, and payment of Government and national service life insurance benefits to veterans' beneficiaries.

<sup>4</sup> Repayments exceed loans.

<sup>5</sup> Includes interest payments on the Federal debt, and a small amount of interest on tax refunds. Interest figures in this table are not comparable with those in table A-2. Interest in that table includes payments to unincorporated business as well as to individuals and is adjusted for certain interaccount transfers.

<sup>6</sup> Consists of cash trust account payments other than payment of social insurance benefits and Government and national service life insurance. Such items as repayments of personal funds of military and civilian personnel located overseas which were deposited in trust accounts, and payments of earnings to prisoners of war are included.

<sup>7</sup> Less than 50 million dollars.

<sup>8</sup> In cash payments to the public, the Post Office is included on a net basis. The whole deficit is shown here as a subsidy, and is included in the business category because the deficit arises primarily out of the subsidy to mail other than first class.

<sup>9</sup> Equals the excess of Federal cash payments to the public over the sum of all other payments shown in this table. Includes mainly Government purchases of goods and services from business.

<sup>10</sup> Estimates are on a Daily Treasury Statement basis, which does not necessarily agree with U. S. Government aid to foreign countries as shown in appendix tables D-33 and D-34.

<sup>11</sup> Includes other Government expenditures abroad and payments for membership in international organizations other than listed above.

# Appendix B

## The Distribution of Income and Liquid Assets, and Personal Saving

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# The Distribution of Income and Liquid Assets, and Personal Saving

## *The distribution of income and liquid assets*

According to information recently made available in the 1949 Survey of Consumer Finances,<sup>1</sup> there was no increase in the concentration of income between 1947 and 1948. In fact, the data indicate some decrease in the degree of concentration, but in view of various considerations mentioned below, this conclusion cannot be accepted unreservedly.

TABLE B-1.—*Share of total money income received by each tenth of the Nation's spending units when ranked by size of income, 1947 and 1948*<sup>1</sup>

Spending units ranked from lowest to highest income	Percent of total money income before Federal income tax				Percent of total money income after Federal income tax <sup>2</sup>			
	By tenths		Cumulative		By tenths		Cumulative	
	1947	1948	1947	1948	1947	1948	1947	1948
Lowest tenth.....	1	1	1	1	1	1	1	1
Second tenth.....	3	3	4	4	3	4	4	5
Third tenth.....	4	5	8	9	5	5	9	10
Fourth tenth.....	6	6	14	15	6	7	15	17
Fifth tenth.....	7	7	21	22	8	8	23	25
Sixth tenth.....	9	9	30	31	9	9	32	34
Seventh tenth.....	10	10	40	41	10	10	42	44
Eighth tenth.....	12	12	52	53	12	12	54	56
Ninth tenth.....	15	15	67	68	15	15	69	71
Highest tenth.....	33	32	100	100	31	29	100	100

<sup>1</sup> Income data for 1948 are based on interviews in January-March 1949; for 1947 on interviews in January-March 1948.

<sup>2</sup> Estimated liability on Federal income tax, excluding tax on capital gains. The tax liability was not obtained directly from interviews or from tax returns, but from comprehensive data on family composition and income obtained in connection with the Consumer Finances Surveys. Certain improvements in techniques of estimating the tax liability were made in the 1949 Survey so that the results should be somewhat more reliable than in 1948. (See the *Federal Reserve Bulletin*, July and August 1949.)

Source: Based on data from the 1948 and 1949 Surveys of Consumer Finances, conducted for the Board of Governors of the Federal Reserve System by the Survey Research Center of the University of Michigan. The methods used in the survey are described in the *Federal Reserve Bulletin*, June 1949, p. 642.

Table B-1 shows the percent of total money income received by each tenth of the Nation's spending units,<sup>2</sup> both before and after liabilities on the Federal income tax have been deducted. In 1947 the poorest three-tenths of the Nation's spending units received 8 percent of total income, while in 1948 the percentage of income received by these groups increased slightly. In contrast, the upper two-tenths received 48 and 47 percent in the 2 years, respectively. Of course, the upper groups do not necessarily consist of the same families in the 2 years. The effect of the Federal income tax was to

<sup>1</sup> This survey is conducted annually for the Board of Governors of the Federal Reserve System by the Survey Research Center of the University of Michigan. Through the courtesy of the Federal Reserve and the Survey Research Center these materials were made available prior to their publication in the *Federal Reserve Bulletin*. For a more extended treatment of the results of the survey, see the *Federal Reserve Bulletin*, June 1949 and forthcoming issues.

<sup>2</sup> A spending unit consists of related persons who live together and pool their incomes for their major items of expense.

make income after tax, or disposable income, somewhat more equally distributed than income before tax.

The liabilities for Federal income tax by income class were determined by estimating the liability for the families included in the Survey of Consumer Finances.<sup>3</sup> They were not obtained by direct interview or from tax returns, but are based on extensive data regarding family composition and income. Since certain improvements in estimating techniques were made between 1948 and 1949, we are probably not justified in inferring from the statistics that the effect of the tax in reducing income inequality was greater in 1948 than in 1947.

The Revenue Act of 1948 did make certain changes in the tax structure which affect the after-tax distribution. The provision that income of married couples may be split for tax purposes operates mainly to the advantage of those with incomes in the high surtax brackets. Its effect would not be appreciable for families below the top decile. As shown in table B-2, only 5 percent of the spending units have incomes before tax of \$7,500 or over, and it is above this level that the split-income provision has a marked effect in reducing tax liabilities. Thus the provision may not change the entire after-tax income distribution greatly because of the small proportion of families affected. The Revenue Act of 1948 also raised exemptions, thus freeing many families of moderate income from paying taxes at all. Rate reductions were also somewhat greater in the low tax brackets.

In addition to changes in the revenue structure, the upward movement in income between 1947 and 1948 must be considered. Other things being equal, a general increase in incomes increases the effectiveness of a given progressive tax structure in increasing the equality of income after tax, since more people become subject to tax and many are taxed at higher rates. The relation between the distribution of income before and after tax is thus affected by changes in the tax structure and by changing levels of income.

Too much emphasis should not be given to small year-to-year shifts in the percent of income received by any decile. More data on the distribution of income in the postwar period will become available when the Statistics of Income for 1947 and 1948 are published by the Bureau of Internal Revenue. Further, the existing body of data provided by the Census Bureau and other Government agencies,<sup>4</sup> as well as the Survey of Consumer Finances, has not yet been fully analyzed.<sup>5</sup>

<sup>3</sup> Samples of 3,000 to 3,500 spending units have been used in the consumer finance surveys. Owing to the dispersion of higher incomes it cannot be expected that a completely representative sample of the highest dollar incomes was obtainable, and it is possible that the amount of income received by the highest tenth is underestimated.

For the sampling and interview methods employed in the Survey, see the *Federal Reserve Bulletin*, June 1949, p. 642.

<sup>4</sup> See Current Population Reports, Series P-60, No. 1 and No. 5, U. S. Census Bureau. Also publications by the Bureau of Labor Statistics, Bureau of Agricultural Economics, and the Bureau of Human Nutrition and Home Economics.

<sup>5</sup> For an analysis of trends in income distribution before and after Federal income tax from the prewar to the postwar period, see the Annual Economic Review by the Council of Economic Advisers, January 1949, appendix B.



TABLE B-2.—*Distribution of spending units by income levels, before and after Federal income tax*<sup>1</sup>, 1947 and 1948

Money income class	Percent of spending units			
	1947		1948	
	Before tax	After tax	Before tax	After tax
Under \$1,000.....	14	15	12	12
\$1,000 to \$1,999.....	22	25	18	21
\$2,000 to \$2,999.....	23	25	23	25
\$3,000 to \$3,999.....	17	17	20	19
\$4,000 to \$4,999.....	10	8	12	11
\$5,000 to \$7,499.....	9	7	10	8
\$7,500 and over.....	5	3	5	4
All income levels.....	100	100	100	100

<sup>1</sup> See table B-1, footnote 2.

Source: See table B-1.

Table B-2 shows the distribution of spending units by income level. As prices and incomes rose from 1946 to 1947, and from 1947 to 1948, spending units moved upward along the income scale. However, even in 1948 a third of the spending units had income after taxes of less than \$2,000. It is to be noted that the distribution contains many single-person spending units whose income is on the average lower than that of families of two or more, as well as retired families, and persons whose income is temporarily low for one reason or another.<sup>6</sup> Total income may also be more ample than money income; for example, farm families receive considerable income in the form of home-produced fuel and food.

TABLE B-3.—*Distribution of spending units, by size of liquid asset holdings, in early 1947, 1948, and 1949*

Amount of liquid assets <sup>1</sup>	Percent of spending units		
	1947	1948	1949
None.....	24	27	29
\$1 to \$499.....	26	27	28
\$500 to \$1,999.....	28	24	22
\$2,000 to \$4,999.....	14	13	12
\$5,000 and over.....	8	9	9
All units.....	100	100	100

<sup>1</sup> Includes all types of U. S. Government bonds, checking accounts, and savings accounts in banks, postal savings, and shares in savings and loan associations, and in credit unions.

Source: See table B-1.

A high concentration of saving and of asset holdings is one consequence of an unequal distribution of income. The proportion of spending units with no liquid assets has increased from 24 percent in 1947 to 29 percent

<sup>6</sup> An investigation of the characteristics of persons and families in the lower income groups is contemplated by the Joint Committee on the Economic Report. The results of this survey should aid in appraising the social, economic, and individual causes of low-income status.

in 1949 as is shown in table B-3. Due to the increase in the number of spending units over the period, however, the absolute number of spending units with liquid assets has increased.

TABLE B-4.—*Components of net personal saving, 1946, 1947, and 1948*

[Billions of dollars]

Components	1946	1947	1948 <sup>1</sup>
Liquid saving:			
Currency and bank deposits (net change) <sup>2</sup> .....	+11.8	+4.1	0
Private insurance and pension reserves (net change).....	+3.4	+3.7	+3.5
Securities (net change) <sup>3</sup> .....	+1	+3.7	+4.4
Liquidation of mortgage debt <sup>4</sup> .....	-3.2	-4.1	-4.1
Liquidation of consumer debt <sup>5</sup> .....	-3.3	-3.3	-2.5
Total liquid saving <sup>6</sup> .....	+8.8	+4.1	+1.3
Liquidation of business debt:			
Nonfarm.....	-2.4	-3.4	-.8
Farm.....	-.2	-.8	-.6
Total liquidation of business debt.....	-2.6	-4.2	-1.4
Investment:			
Nonfarm residences <sup>7</sup> .....	+3.5	+5.4	+7.1
Inventories:			
Nonfarm.....	+1.1	+6	+7
Farm.....	-.3	-2.1	+.8
Nonfarm plant and equipment.....	+4.2	+4.8	+4.5
Farm construction and equipment.....	+2.6	+3.7	+4.9
Total gross investment.....	+11.1	+12.4	+18.0
Depreciation.....	-5.3	-5.9	-6.9
Total net investment.....	+5.8	+6.5	+11.1
Statistical discrepancy <sup>8</sup> .....	-.2	+2.4	+3.9
Total personal saving.....	+11.8	+8.8	+14.9

<sup>1</sup> Preliminary.

<sup>2</sup> Includes saving and loan shares.

<sup>3</sup> Excludes armed forces terminal leave bonds.

<sup>4</sup> Mortgage debt to institutions on 1-to-4 family nonfarm dwellings.

<sup>5</sup> Largely attributable to purchases of automobiles and other durable consumer goods, although includes some debt arising from purchases of consumption goods.

<sup>6</sup> Differs from the Securities and Exchange Commission's concept of liquid saving in that it excludes additions to Government life insurance or pension reserves and armed forces leave bonds.

<sup>7</sup> Construction of 1-to-4 family nonfarm dwellings, less net acquisition of properties by nonindividuals, plus construction of nonprofit institutions.

<sup>8</sup> The statistical discrepancy arises out of the attempt to reconcile liquid saving, as estimated by the Securities and Exchange Commission, with personal saving as estimated by the Department of Commerce. Statistical errors and omissions may be in liquid saving, personal saving, or in the other items. However, the data underlying liquid saving are considered somewhat more satisfactory than the items of reconciliation. Personal saving is a residual figure obtained by deducting personal consumption expenditures from disposable personal income.

NOTE.—Data presented here include recently revised series of the Securities and Exchange Commission. Revisions of the Department of Commerce data will appear in the *Survey of Current Business*, July 1949.

Source: Securities and Exchange Commission and Department of Commerce.

### Personal saving

Tables B-4 and B-5 present the data underlying text Charts 8 and 9. The most conspicuous characteristic of table B-4 is the postwar growth in gross personal investment, and the decline in current saving in liquid form. Increases in expenditures for nonfarm residences and for farm construction and equipment were substantial between 1947 and 1948. The increase in inventory accumulation is mainly due to farms, where a liquidation of over 2 billion dollars in 1947 was followed by almost a billion of net accumulation in 1948. The accretion of farm inventories is included in both farm income

and saving, although such accumulation may not reflect a voluntary decision to save so much as a bountiful harvest. The accumulation of nonfarm inventories may also be involuntary at times and was probably so in some types of business toward the end of 1948. The increase in real personal investment in 1948, while striking, is somewhat less so when the inventory situation is taken into account.

As table B-5 shows, there was a small amount of liquid saving in the first quarter of 1949. In interpreting the significance of the quarterly changes in liquid saving it must be kept in mind that the figures are not adjusted for seasonal variations. Thus, it is comparisons with the same period in the previous year that are significant. Liquid saving declined steadily throughout 1947 and the first half of 1948. This trend was interrupted in the middle of 1948, and in the final quarter of 1948 and the first quarter of 1949 net liquid saving rose above the levels of the previous year.

Net liquid saving in the first quarter is always low because currency and bank deposits are drawn down to pay taxes. The change in net liquid saving from the first quarter of 1948 to the first quarter of 1949 is due principally to the fact that in the first quarter of 1949 for the first time repayments on consumer debt exceeded consumer borrowing. This largely reflects changes in the demand for consumer durables. Withdrawals of currency and bank deposits were also less than last year, and the rate of increase in mortgage debt was less.

TABLE B-5.—*Components of net personal liquid saving, 1947, 1948, and 1949*

[Billions of dollars, not adjusted for seasonal variation]

Component	Net change								
	1947				1948				1949 first quarter <sup>1</sup>
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter	
Currency and bank deposits <sup>2</sup> .....	-1.6	+1.0	+2.6	+2.0	-3.9	+5	+1.8	+1.6	-3.3
Private insurance and pension reserves.....	+9	+9	+9	+1.0	+9	+9	+8	+1.0	+9
Securities:									
United States savings bonds.....	+8	+3	+3	+3	+8	+2	+8	+3	+7
Other U. S. Government <sup>3</sup> .....	+7	0	+1	-3	+8	-5	-6	-7	+6
State and local government.....	+1	+1	+2	(4)	+5	+2	+1	+4	+4
Corporate and other.....	+1	+1	+1	+6	+8	+6	+3	+4	+4
Liquidation of mortgage debt <sup>2</sup> .....	-8	-1.1	-1.1	-1.1	-9	-1.2	-1.1	-1.0	-5
Liquidation of consumer debt <sup>2</sup> .....	-2	-9	-5	-1.8	-1	-8	-5	-1.1	+1.0
Total liquid saving <sup>5</sup> .....	0	+6	+2.7	+8	-1.2	+1	+1.6	+1.0	+1

<sup>1</sup> Estimates based on incomplete data.

<sup>2</sup> See footnote on corresponding item in table B-1.

<sup>3</sup> Excludes armed forces terminal leave bonds.

<sup>4</sup> Less than 50 million dollars.

<sup>5</sup> Differs from the Securities and Exchange Commission's concept of liquid saving in that it excludes additions to Government life insurance or pension reserves and armed forces leave bonds.

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

Source: Securities and Exchange Commission.



# Appendix C

## Surveys of Actual and Intended Business Investment

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# Appendix C

## Surveys of Actual and Intended Business Investment

The crucial importance of business investment outlays in maintaining economic activity and promoting increased productivity is generally recognized. In recent years private and public statistical agencies have devoted increasing effort to determining how much business investment is currently being made and how much is planned.

Several fairly comprehensive reports on investment activity are now established on a periodic basis, in addition to numerous one-time one-industry and local surveys. A variety of approaches is justifiable in a field where measurement is at best rough and uncertain and the survey techniques are still in process of experimental development.

The consensus of recent investment surveys has already been indicated in those sections of the review referring to business investment. The total level of such investment in the first half of 1949 showed a considerable decline from the 1948 levels, primarily on account of a cessation of inventory growth. Plant and equipment outlays exceeded those of the first half of 1948. Businessmen reported plans for a somewhat lower rate of outlays in the second half of 1949 than in the second half of 1948, and information on their advance commitments in the form of plant construction contracts and equipment orders lends credence to that outlook. The size and duration of the decline, however, are still quite uncertain. There is a substantial "shelf" of contemplated private investment for the next several years, though plans so far ahead cannot be regarded as either firm or complete.

In interpreting investment survey results it is important to be aware of the special features of the various approaches and their relations to one another. This appendix describes the nature and scope of some of the major comprehensive periodic surveys.

### *Business investment as measured in the Nation's Economic Budget*

The expenditures side of the business account of the Nation's Economic Budget (see appendix table A-3) constitutes that part of the gross national product known as gross private domestic investment. Estimates of this item are prepared quarterly by the Department of Commerce and are released about 8 weeks after the end of the quarter. Preliminary estimates appear somewhat earlier in the first issue of *Economic Indicators* after the end of the quarter.

Gross private domestic investment includes not only business outlays for plant and equipment, but also private nonbusiness construction (residential, institutional, etc.) and additions to the physical volume of business inventories. The relative magnitudes of these various types of private investment over the past 20 years are shown in table C-1.

It should be noted that the construction and equipment investment outlays, in this and all other surveys here discussed, are in *gross* terms. No deduction is made for depreciation, retirements, or obsolescence. The *net* addition to the Nation's stock of private structures and equipment after allowance for capital consumption is of course much smaller than the indicated gross investment, and in some prewar years was negative. However, the gross private domestic figures exclude maintenance and repair work on structures and equipment, which may in practice involve substantial real additions to capital.

TABLE C-1.—*Gross private domestic investment and its components, 1929-49*

[Billions of dollars]

Period	Total gross private domestic investment	Nonfarm producers' equipment and construction			Farm equipment and construction <sup>3</sup>	Other private construction <sup>4</sup>	Increase in business inventories	
		Total	Equipment <sup>1</sup>	Construction <sup>2</sup>			Non-farm <sup>5</sup>	Farm
1929 .....	15.8	10.0	5.9	4.2	0.8	3.4	1.8	-0.3
1930 .....	10.2	7.8	4.4	3.4	.7	2.0	0	-.2
1931 .....	5.4	4.7	2.9	1.8	.4	1.6	-1.7	.3
1932 .....	.9	2.6	1.6	1.0	.2	.7	-2.6	0
1933 .....	1.3	2.3	1.6	.7	.2	.4	-1.3	-.3
1934 .....	2.8	3.2	2.3	.9	.3	.4	.2	-1.3
1935 .....	6.1	4.0	3.0	1.0	.5	.8	.4	.5
1936 .....	8.3	5.4	4.1	1.3	.7	1.3	2.1	-1.1
1937 .....	11.4	6.7	4.8	1.9	.8	1.6	1.8	.5
1938 .....	6.3	4.8	3.5	1.4	.7	1.7	-1.1	.1
1939 .....	9.0	5.5	4.1	1.4	.7	2.3	.3	.1
1940 .....	13.0	7.3	5.5	1.8	.8	2.6	2.0	.2
1941 .....	17.2	9.2	6.9	2.3	1.1	3.0	3.4	.5
1942 .....	9.3	5.5	4.0	1.5	1.0	1.4	.1	1.3
1943 .....	4.6	4.3	3.2	1.0	.8	.7	-.7	-.4
1944 .....	6.4	6.0	4.5	1.5	1.1	.6	-.8	-.5
1945 .....	9.2	8.5	6.2	2.3	1.3	.8	-1.0	-.4
1946 .....	26.5	16.2	11.3	4.9	1.8	3.7	5.0	-.3
1947 .....	30.3	21.3	15.6	5.7	2.6	5.8	2.7	-2.1
1948 .....	40.8	26.0	18.9	7.1	3.0	8.1	3.0	.8
Annual rates, seasonally adjusted, 1949:								
First quarter <sup>6</sup> .....	38.9	26.2	19.4	6.8	3.0	7.5	1.4	.8
Second quarter <sup>6</sup> .....	32.4	25.5	18.9	6.6	3.0	7.4	-4.0	.5

<sup>1</sup> Total producers' durable equipment, less "farm machinery and equipment" and "tractors." These figures thus include all business motor vehicles, some of which were sold for farm use; and exclude all tractors, some of which were sold for nonfarm use.

<sup>2</sup> Industrial, public utilities, gas and oil well drilling, warehouses, office and loft buildings, stores, restaurants, garages, and hotels.

<sup>3</sup> Farm construction (residential and nonresidential), plus "farm machinery and equipment" and "tractors." These figures thus include all tractors, some of which were sold for nonfarm use, and exclude all business motor vehicles, some of which were sold for farm use.

<sup>4</sup> Nonfarm residential, religious, educational, social and recreational, hospital and institutional, and miscellaneous nonresidential.

<sup>5</sup> After inventory revaluation adjustment.

<sup>6</sup> Preliminary estimates based on incomplete data.

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

Source: Department of Commerce.



The inventory accumulation item, on the other hand, does represent a net accretion of goods in stock—the excess of additions over withdrawals for the period. This difference in treatment as between fixed-capital and inventory outlays calls for caution in interpreting the total private investment figures. Another difference is that the fixed-capital outlays represent essentially voluntary decisions to invest, whereas inventory accumulation is frequently (as in the first quarter of 1949) involuntary.

The nonfarm inventory figures included in table C-1 and in the Nation's Economic Budget tabulations are shown after "revaluation adjustment." That is, they show the physical change in stocks (valued at average prices for the period) rather than the change in book values, which would reflect also the change in prices at which stocks were carried on the books. Farm inventory changes are estimated directly in terms of changes in physical quantities valued at average current prices, and are thus comparable without revaluation adjustment to the adjusted nonfarm inventory changes.

#### *Nonfarm plant and equipment outlays*

The second, third and fourth columns of table C-1 show the new construction and equipment outlays (i. e., the gross investment in facilities) by nonfarm business, as estimated on the basis of construction contract awards and shipments of equipment and included in the totals of gross private domestic investment and the gross national product.

Another approach to measurement of nonfarm plant and equipment outlays uses a quarterly questionnaire survey addressed to a sample of non-agricultural business concerns. This survey is a joint undertaking of two Federal agencies, the Securities and Exchange Commission canvassing most of the corporations registered with the Commission while the Office of Business Economics of the Department of Commerce canvasses a sample of unregistered manufacturing concerns. It is somewhat similar to the official Government survey made annually in Canada, though coverage is much more comprehensive in the latter.

The questionnaires are filled out, for the most part, in the middle month of each quarter; results are jointly released by the two agencies shortly before the end of that quarter. Questions cover (1) the expected outlays for new plant and for new equipment during the *next* quarter; (2) the estimated outlays during the *current* quarter, and (3) the actual outlays during the *previous* quarter. For each quarter's outlays there are then three successive reports at 3-month intervals: expected outlays (released a fortnight or so before the quarter begins), estimated outlays (released a fortnight or so before the quarter ends), and reported past outlays (released about 2½ months after the quarter has ended). The latest available results are shown in appendix table D-15.

Although these surveys cover nearly the same concept of nonfarm plant and equipment as the corresponding gross national product components in

the second column of table C-1, above, the correspondence is not exact. The three most important conceptual differences are:

1. The SEC-Commerce survey estimates do not allow for the initial facilities outlays of firms newly established during the period covered, whereas the GNP items do. This can be a sizable item in periods when many new firms are being started, particularly in the manufacturing and trade fields where the turn-over of firms is relatively rapid.<sup>1</sup>

2. Outlays charged as current expense are omitted in the SEC-Commerce surveys but covered in the GNP series.

3. The GNP estimates of producers' durable equipment include an allowance for automobiles bought by individuals but used wholly or in part for business purposes. Such purchases do not appear in the outlays reported in the SEC-Commerce surveys.

In addition to the regular questions on investment outlays for the previous, current and next quarters, the SEC-Commerce questionnaire has in recent years inquired annually as to expected investment and expected sales for a whole calendar year. These questions, last answered in February 1949, showed that nonfarm business as a whole expected virtually the same level of dollar sales in 1949 as in 1948 and about 5 percent less dollar investment.<sup>2</sup>

Discrepancies between levels of investment outlay reported in advance as anticipations and those reported later as actually realized may arise from: (1) changes in business plans as to physical volume of facilities expansion and improvement, (2) errors in businessmen's forecasts of the rate at which work will proceed on projects already planned, (3) errors in businessmen's forecasts of the cost of projects under way or planned, as construction costs and equipment prices change, and (4) the lack of complete accuracy and representativeness with which any sample survey must reckon. It is not yet possible to evaluate each of these bases of discrepancy well enough to make definite adjustments for them in interpreting currently reported anticipations, though analysis of accumulated survey data will eventually throw much light on this problem. During the postwar period, actual investment outlays have tended to run moderately higher than anticipated outlays, particularly in the case of the anticipations for a whole year in advance. This is probably due in part to the rising trend of construction and equipment costs through 1948, and in part to the fact that some outlays only tentatively planned or scheduled for a following period are likely to be omitted from reported anticipations. It remains to be seen how these survey biases will operate during a phase of constant or declining levels of cost and total investment.

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<sup>1</sup> For further details see *Capital Requirements of New Trade Firms, Survey of Current Business*, December 1948.

<sup>2</sup> For further details of this survey, see *Plant and Equipment Programs and Sales Expectations in 1949, Survey of Current Business*, April 1949.

*Equipment orders and construction contracts and permits as measures of prospective business investment activity*

**Equipment orders.** Further light on the prospective trend of business investment expenditures is afforded by sample surveys of new orders for producers' durable equipment, as reported by makers of various equipment items. (See table C-2 below.) Such information is collected monthly by the Department of Commerce and is released about 6 weeks after the end of the month to which it relates. The latest data available as of mid-year 1949 extend through May.

TABLE C-2.—*Manufacturers' sales and new and unfilled orders in selected durable-goods industries, January-May 1948 and 1949*

Item	1948						1949				
	Jan.	Feb.	Mar.	Apr.	May	Peak month	Jan.	Feb.	Mar.	Apr.	May <sup>1</sup>
1939 monthly average dollar volume=100											
Sales: <sup>2</sup>											
Durable goods.....	329	360	365	353	353	404 (Sept.)...	371	387	383	371	365
Electrical machinery and equipment.....	386	446	442	440	431	499 (Dec.)...	449	483	485	456	460
Machinery, other than electrical.....	304	356	363	350	356	381 (June)...	329	349	350	339	334
Iron, steel, and products..	325	336	345	325	338	393 (Oct.)...	374	376	372	341	328
New orders: <sup>3</sup>											
Durable goods.....	291	287	314	292	267	314 (Mar.)...	276	253	243	206	206
Machinery, including electrical.....	312	299	329	309	284	330 (June)...	285	297	300	261	266
Iron, steel, and products..	325	321	371	320	282	371 (Mar.)...	289	243	220	175	166
Percentage change in dollar volume during month											
Unfilled orders: <sup>4</sup>											
Durable goods <sup>4</sup> .....	+2	-1	+2	0	-3	-----	0	-2	-3	-6	-5
Machinery, including electrical.....	+1	-2	+2	0	-2	-----	0	-3	-2	-5	-5
Iron, steel, and products..	+5	+2	+4	0	-3	-----	+1	+1	-4	-6	-6

<sup>1</sup> Preliminary estimates.

<sup>2</sup> Indexes are adjusted for differences in length of months, but not otherwise adjusted for seasonal variation.

<sup>3</sup> Percentage changes based on unweighted aggregates of reported data.

<sup>4</sup> All durable goods industries reporting unfilled orders.

Source: Department of Commerce.

**Construction contracts and permits.** These sources of information are useful for projecting investment because contracts are let and permits secured considerably in advance of the bulk of actual expenditures. To use an extreme case, a dam built for a private power company may require 2 or 3 years for completion. Once it is reported that the dam has been or will be started, it is possible to calculate with a relatively small margin of error what the rate of expenditure will be throughout the construction operation.

Contracts are reported by the F. W. Dodge Co. for 37 Eastern States and on a somewhat less comprehensive basis by the *Engineering News Record* for the United States as a whole. Other sources are used by the Department of Commerce to supplement data from these two major sur-

veys, and adjustments are made for undercoverage and errors in reporting. The resulting material is then translated into a forecast of nonresidential private construction activity 6 to 12 months in advance. The scope of these estimates is wider than that of the SEC-Commerce survey discussed in the section on nonfarm plant and equipment in this appendix, since it includes private institutional building contracts. Equipment outlays, however, are not covered.

The Department of Commerce construction expenditures figures as shown in appendix table D-14 are not strictly comparable by categories with the SEC-Commerce survey figures because of different classification procedure. One series reports according to function, the other according to ownership. If a utility company, for example, lets a contract for a residential or commercial structure, the contract series will report that activity as residential or commercial, while the SEC-Commerce series will report it as utility investment.

Figures for private nonfarm residential construction are derived by the Department of Labor principally from reported building permits (adjusted for lapses, for time lags between permit issuance and start of work, and for underreporting of permit evaluation), supplemented by sample field surveys in nonpermit-issuing areas.

Projections of rates of residential activity from these sources are made in a fashion similar to that for nonresidential construction. These figures are currently more reliable than the historical series for 1930 through 1944, because of improvements in sources of data and methods of collection. This should be borne in mind in comparing the current series with the published data for this 15-year period. The series does not include data for housing activity in the field of conversions or remodeling. In some periods in the business cycle, or during wartime, conversion or remodeling may account for a sizable proportion of the total volume of residential units provided.

The construction forecasts are reliable for one quarter in advance. Their reliability diminishes beyond that point. The margin of error for the third quarter ahead has been as much as 20 percent. The magnitude of the error will vary first with any divergence from the assumptions regarding the business cycle and second with unforeseen changes in the rate of expenditures in the construction field itself.

*Business investment surveys by the McGraw-Hill Publishing Co.*

Late in 1948 the economic staff of the McGraw-Hill Publishing Co. conducted a sample interview study of larger concerns in the fields of manufacturing, mining, and transportation. This was combined with similar surveys in the electric and gas utility fields by the *Electrical World* magazine and the American Gas Association to yield a set of estimates of total plant and equipment investment plans for business in general (exclusive of farming, trade, and services). The results were released in January 1949.

A similar survey had been undertaken a year previous, and it is understood that another is planned in late 1949.

As to investment levels in 1949, the McGraw-Hill survey gave indications in close correspondence with the one made by the SEC and the Department of Commerce during the first quarter of this year. The McGraw-Hill survey also inquired as to investment plans for future years through 1953, actual and expected increases in manufacturing capacity, replacement value of plant and equipment in place, and policies followed in planning modernization of facilities. The significance of findings on this range of questions will be better subject to evaluation as surveys of this nature are repeated and the reports given thorough comparative analysis.

Table C-3 summarizes the findings of the McGraw-Hill survey as to actual plant and equipment outlays in 1948 and contemplated outlays for the succeeding 5 years.

TABLE C-3.—*Outlays for new plant and equipment, 1948-53, as estimated by McGraw-Hill 1948 survey*

[Millions of dollars]

Industry group	1948	1949	1950	1951	1952	1953
Total, all industry groups covered.....	14, 850	14, 130	11, 970	10, 460	9, 630	1 8, 995
Manufacturing.....	8, 160	7, 200	6, 120	5, 395	4, 975	4, 860
Steel.....	685	600	490	400	345	330
Chemicals.....	1, 400	1, 220	1, 310	1, 210	1, 120	1, 100
Petroleum refining.....	740	720	680	550	520	500
Machinery, other than electrical.....	900	650	620	650	600	580
Electrical machinery.....	310	220	160	150	140	130
Autos.....	630	570	510	500	500	500
Transportation equipment.....	135	165	130	90	70	60
Food.....	595	525	535	515	370	340
Other manufacturing.....	2, 765	2, 530	1, 775	1, 330	1, 310	1, 310
Mining.....	765	760	740	590	520	515
Electric utilities <sup>1</sup> .....	1, 800	2, 050	1, 830	1, 620	1, 630	1, 560
Gas utilities <sup>2</sup> .....	880	820	665	580	395	(4)
Railroads.....	1, 345	1, 520	1, 000	880	900	890
Other transportation and communications.....	1, 900	1, 780	1, 525	1, 395	1, 210	1, 180

<sup>1</sup> Exclusive of gas utilities outlays.

<sup>2</sup> *Electrical World* survey.

<sup>3</sup> American Gas Association survey.

<sup>4</sup> Not available.

Source: McGraw-Hill Publishing Company.

### *Business surveys by Dun & Bradstreet*

This firm, which had previously made a number of Nation-wide sample surveys of business expectations, inaugurated recently a frequent periodic schedule of inquiries. The questionnaires are distributed by Dun & Bradstreet representatives to a sample of the approximately 54,000 major concerns on whom regular calls are made for other purposes. The concerns are nearly all engaged in manufacturing and trade, with net worth of \$50,000 or more. The questionnaire is designed for speedy response and tabulation, and results are released within a few weeks after the interviews.

The scope of material covered in these surveys is still subject to change as further tests are made. The most recent survey, made in May 1949,

included questions on sales, new and unfilled orders, volume of production, plant and equipment outlays, employment, and inventories. For each item, respondents were asked to compare (1) the previous 4 months, (2) the current month, and (3) the next 6 months with the corresponding periods of last year. In addition to these percentage changes, respondents also stated their 1948 sales and tangible net worth, and their plant and equipment outlays in 1948 and in the second half of that year.

The latest results relating to investment items (plant and equipment outlays and inventories) are summarized in table C-4.

TABLE C-4.—*Percentage changes in actual and expected plant and equipment outlays and inventories, 1948-49, as reported in Dun & Bradstreet May survey*

	Plant and equipment outlays			Inventories (book value at end of month)		
	January-April	May	July-December	April	May	December
Median percentage change from period in 1948 to corresponding period in 1949						
All concerns (manufacturing and trade)	+0.1	-0.3	-0.3	-1.4	-1.9	-6.4
Manufacturing.....	+4	-4	-6	+2	-1.1	-5.7
Durable goods.....	+6	-2	-4	+2.8	+1.5	-4.9
Nondurable goods.....	+1	-8	-9	-2.6	-3.8	-6.5
Wholesale.....	+2	0	+1	-2.9	-2.3	-6.3
Retail.....	-1	-3	+1	-3.5	-4.5	-10.5
Range of percentage changes covered by middle 50 percent of replies						
All concerns (manufacturing and trade)	-5 to +5	-5 to +4	-5 to +4	-13 to +9	-12 to +6	-17 to +2
Manufacturing.....	-5 to +6	-5 to +4	-6 to +5	-12 to +14	-13 to +9	-17 to +3
Durable goods.....	-5 to +6	-5 to +4	-5 to +5	-9 to +7	-8 to +15	-17 to +3
Nondurable goods.....	-5 to +5	-5 to +4	-6 to +4	-16 to +9	-16 to +5	-18 to +2
Wholesale.....	-4 to +4	-4 to +4	-4 to +4	-14 to +6	-12 to +5	-16 to +2
Retail.....	-5 to +4	-4 to +4	-4 to +4	-14 to +6	-15 to +4	-18 to 0

Source: Dun & Bradstreet.

In interpreting these results, two technical features of the survey should be taken particularly into account, though it is not yet possible to indicate the amount of error or bias involved:

1. The tabulated results are unweighted medians and quartiles of reported percentage changes. Although the degree of coverage is higher for larger concerns, it does not appear to be sufficiently higher to give their replies a weight corresponding to the relative importance of such concerns in investment outlays. The result is an emphasis on the position of concerns at the small end of the range covered. However, an opposite bias is presumably introduced by the omission of concerns with net worth less than \$50,000.

2. A substantial proportion of concerns presumably reported no change in plant and equipment outlays because such outlays in both

of the two periods compared were zero or negligible. Inclusion of these reports inflates the middle group in the distribution and reduces the median change in either direction.

*Other private investment surveys*

Interest in current and prospective business investment trends is so lively that a considerable number of independent surveys have been made recently, most of them covering only certain lines of business. The greatest significance attaches to some of those which are made on a regular periodic basis, with relatively full coverage, and which inquire as to expected future investment outlays as well as those of the past year. Among those worthy of mention are the surveys conducted by trade associations in the electric power, gas, and steel industries. In the industries just named (but in few others), related capacity estimates are also obtainable.





# Appendix D

## Statistical Tables Relating to Employment, Production, and Purchasing Power

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TABLE D-1.—*Gross national product or expenditure, 1929-49*

[Billions of dollars]

Period	Gross national product	Personal consumption expenditures	Gross private domestic investment	Net foreign investment	Government purchases of goods and services
1929.....	103.8	78.8	15.8	0.8	8.5
1930.....	90.9	70.8	10.2	.7	9.2
1931.....	75.9	61.2	5.4	.2	9.2
1932.....	58.3	49.2	.9	.2	8.1
1933.....	55.8	46.3	1.3	.2	8.0
1934.....	64.9	51.9	2.8	.4	9.8
1935.....	72.2	56.2	6.1	—1.1	9.9
1936.....	82.5	62.5	8.3	—1.1	11.7
1937.....	90.2	67.1	11.4	.1	11.6
1938.....	84.7	64.5	6.3	1.1	12.8
1939.....	90.4	67.5	9.0	.9	13.1
1940.....	100.5	72.1	13.0	1.5	13.9
1941.....	125.3	82.3	17.2	1.1	24.7
1942.....	159.6	90.8	9.3	—2.2	59.7
1943.....	192.6	101.6	4.6	—2.2	88.6
1944.....	212.2	111.4	6.4	—2.1	96.5
1945.....	213.4	122.8	9.2	—1.4	82.8
1946.....	209.3	147.4	26.5	4.7	30.8
1947.....	231.9	164.8	30.3	8.9	28.0
1948.....	255.9	177.7	40.8	1.9	35.5
Annual rates, seasonally adjusted					
1948—First half.....	249.3	174.9	38.9	3.3	32.2
Second half.....	262.7	180.6	42.8	.5	38.8
1949—First half <sup>1</sup> .....	253.9	175.8	35.7	.6	41.8
1948—First quarter.....	245.2	172.5	38.5	3.7	30.5
Second quarter.....	253.4	177.3	39.3	2.9	33.9
Third quarter.....	259.8	180.1	42.0	—1.5	38.2
Fourth quarter.....	265.6	181.0	43.6	1.5	39.5
1949—First quarter.....	257.3	176.6	38.9	.6	41.2
Second quarter <sup>1</sup> .....	250.5	175.0	32.4	.7	42.4

<sup>1</sup> Estimates based on incomplete data; second quarter by Council of Economic Advisers.

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

Published revised estimates for net foreign investment (1948-49) and construction (1946-49) have been substituted for those included in the national income and product series of the Department of Commerce. Further revisions of these and other components of national income and product series will be published in the *Survey of Current Business*, July 1949.

Source: Department of Commerce (except as noted).

TABLE D-2.—National income by distributive shares, 1929-49

[Billions of dollars]

Period	Total national income <sup>1</sup>	Compensation of employees <sup>2</sup>	Proprietors' and rental income				Corporate profits and inventory valuation adjustment					Net interest
			Total <sup>3</sup>	Business and professional <sup>3</sup>	Farm	Rental income of persons	Total	Corporate profits			Inventory valuation adjustment	
								Profits before tax <sup>4</sup>	Tax liability <sup>4</sup>	Profits after tax <sup>4</sup>		
1929.....	87.4	50.8	19.7	8.3	5.7	5.8	10.3	9.8	1.4	8.4	0.5	6.5
1930.....	75.0	46.5	15.7	7.0	3.9	4.8	6.6	3.3	.8	2.5	3.3	6.2
1931.....	58.9	39.5	11.8	5.3	2.9	3.6	1.6	—8	.5	—1.3	2.4	5.9
1932.....	41.7	30.8	7.4	3.2	1.7	2.5	—2.0	—3.0	.4	—3.4	1.0	5.4
1933.....	39.6	29.3	7.2	2.9	2.3	2.0	—2.0	.2	.5	—4	—2.1	5.0
1934.....	48.6	34.1	8.7	4.3	2.3	2.1	1.1	1.7	.7	1.0	—6	4.7
1935.....	56.8	37.1	12.1	5.0	4.9	2.3	3.0	3.2	1.0	2.3	—2	4.5
1936.....	64.7	42.7	12.6	6.1	3.9	2.7	4.9	5.7	1.4	4.3	—7	4.5
1937.....	73.6	47.7	15.4	6.6	5.6	3.1	6.2	6.2	1.5	4.7	(9)	4.4
1938.....	67.4	44.7	14.0	6.3	4.4	3.3	4.3	3.3	1.0	2.3	1.0	4.3
1939.....	72.5	47.8	14.7	6.8	4.5	3.5	5.8	6.5	1.5	5.0	—7	4.2
1940.....	81.3	51.8	16.3	7.7	4.9	3.6	9.2	9.3	2.9	6.4	—1	4.1
1941.....	103.8	64.3	20.8	9.6	6.9	4.3	14.6	17.2	7.8	9.4	—2.6	4.1
1942.....	136.5	84.7	28.1	12.1	10.6	5.4	19.8	21.1	11.7	9.4	—1.3	3.9
1943.....	168.3	109.1	32.1	14.1	11.8	6.2	23.7	24.5	14.2	10.4	—8	3.4
1944.....	182.4	121.1	34.1	15.4	11.9	6.7	24.0	24.3	13.5	10.8	—3	3.1
1945.....	181.7	122.9	36.0	16.8	12.3	7.0	19.8	20.4	11.6	8.7	—6	3.0
1946.....	179.3	117.3	41.8	20.4	14.6	6.7	16.8	21.8	9.0	12.8	—5.0	3.4
1947.....	202.5	127.5	46.0	23.2	15.6	7.1	24.7	29.8	11.7	18.1	—5.1	4.3
1948.....	224.9	139.4	50.9	25.2	18.2	7.4	29.8	32.8	12.8	20.1	—3.0	4.9
Annual rates, seasonally adjusted												
1948—First half.....	218.1	135.2	50.8	25.0	18.2	7.4	27.4	31.3	12.2	19.2	—3.9	4.8
Second half.....	231.9	143.6	51.0	25.4	18.3	7.4	32.2	34.4	13.4	21.0	—2.2	5.1
1949—First half <sup>6</sup> .....	224.5	140.4	48.8	24.6	16.8	7.4	29.8	27.2	10.9	16.2	+2.7	5.4
1948—First quarter.....	213.9	134.0	49.9	24.8	17.6	7.5	25.3	30.5	11.8	18.7	—5.3	4.7
Second quarter.....	222.3	136.3	51.6	25.3	18.9	7.4	29.6	32.1	12.5	19.6	—2.5	4.8
Third quarter.....	228.2	142.4	60.6	25.2	18.1	7.4	30.2	34.0	13.3	20.8	—3.9	5.0
Fourth quarter.....	235.6	144.7	51.4	25.6	18.4	7.4	34.3	34.7	13.5	21.2	—4	5.2
1949—First quarter <sup>6</sup> .....	228.0	141.9	50.0	24.9	17.7	7.4	30.7	28.8	11.6	17.2	+1.9	5.3
Second quarter <sup>6</sup> .....	221.0	139.0	47.5	24.2	16.0	7.3	29.0	25.5	10.2	15.3	+3.5	5.4

<sup>1</sup> National income is the total net income earned in production by individuals or businesses. The concept of national income currently used differs from the concept of gross national product in that it excludes depreciation charges and other allowances for business and institutional consumption of durable capital goods.

<sup>2</sup> Includes wage and salary receipts and other labor income (see appendix table D-3), and employer and employee contribution for social insurance.

<sup>3</sup> Net income after inventory valuation adjustment, which amounted to —600 million dollars in 1948 and to +750 million dollars (annual rate) in the first half of 1949.

<sup>4</sup> Federal and State income and excess-profits taxes.

<sup>5</sup> Less than \$50,000,000.

<sup>6</sup> Estimates based on incomplete data; profits and total national income for first quarter and all items for second quarter by Council of Economic Advisers.

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

Revised estimates of the national income and product series will be published in the *Survey of Current Business*, July 1949.

Source: Department of Commerce (except as noted).

TABLE D-3.—*Personal income, 1929-49*

[Billions of dollars]

Period	Total personal income	Salaries, wages, and other labor income <sup>1</sup>	Proprietors' and rental income <sup>2</sup>	Dividends and personal interest income <sup>3</sup>	Transfer payments	Nonagricultural personal income <sup>4</sup>
1929.....	85.1	50.5	19.7	13.3	1.5	76.8
1930.....	76.2	46.3	15.7	12.6	1.5	70.0
1931.....	64.8	39.2	11.8	11.1	2.7	60.1
1932.....	49.3	30.5	7.4	9.1	2.2	46.2
1933.....	46.6	29.0	7.2	8.2	2.1	43.0
1934.....	53.2	33.8	8.7	8.6	2.2	49.5
1935.....	59.9	36.8	12.1	8.6	2.4	53.4
1936.....	68.4	42.1	12.6	10.1	3.5	62.8
1937.....	74.0	45.9	15.4	10.3	2.4	66.5
1938.....	68.3	42.8	14.0	8.7	2.8	62.1
1939.....	72.6	45.7	14.7	9.2	3.0	66.3
1940.....	78.3	49.5	16.3	9.4	3.1	71.5
1941.....	95.3	61.5	20.8	9.9	3.1	86.1
1942.....	122.2	81.2	28.1	9.7	3.2	108.7
1943.....	149.4	104.4	32.1	10.0	3.0	134.3
1944.....	164.5	116.1	34.1	10.6	3.6	149.0
1945.....	170.3	116.8	36.0	11.4	6.2	154.3
1946.....	178.1	111.4	41.8	13.5	11.4	159.4
1947.....	195.2	121.9	46.0	15.6	11.7	174.9
1948.....	213.6	134.3	50.9	17.3	11.1	190.6
Annual rates, seasonally adjusted						
1948—First half.....	208.9	130.0	50.8	16.7	11.4	185.9
Second half.....	218.0	138.6	51.0	17.7	10.7	195.4
1949—First half <sup>5</sup> .....	214.0	135.4	48.8	18.2	11.8	( <sup>6</sup> )
1948—First quarter.....	207.0	128.9	49.9	16.6	11.6	184.6
Second quarter.....	210.8	131.1	51.5	16.8	11.3	187.2
Third quarter.....	216.3	137.4	50.6	17.3	10.9	194.4
Fourth quarter.....	219.6	139.8	51.4	18.1	10.5	196.4
1949—First quarter.....	216.6	136.7	50.1	18.3	11.7	194.0
Second quarter <sup>5</sup> .....	211.5	134.0	47.5	18.1	11.9	( <sup>6</sup> )

<sup>1</sup> Differs from "compensation of employees" in appendix table D-3, in that it excludes employer and employee contributions to social insurance. Includes wage and salary receipts and other labor income—compensation for injuries, employer contributions to private pension and welfare funds, pay of military reservists not on full-time active duty (pay for full-time active duty included in military wages and salaries), directors' fees, jury and witness fees, compensation of prison inmates, Government payments to enemy prisoners of war, marriage fees to justices of the peace, and merchant marine war-risk life and injury claims.

<sup>2</sup> See appendix table D-3, for major components.

<sup>3</sup> See appendix table D-28, for dividend payments.

<sup>4</sup> Equals personal income exclusive of net income of unincorporated farm enterprises, farm wages, agricultural net rents, agricultural net interest, and net dividends paid by agricultural corporations.

<sup>5</sup> Estimates based on incomplete data; second quarter by Council of Economic Advisers.

<sup>6</sup> Not available.

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

Revised estimates of the national income and product series will be published in the *Survey of Current Business*, July 1949.

Source: Department of Commerce (except as noted).

TABLE D-4.—Disposition of personal income, 1929-49

Period	Personal income	Less: Personal tax and nontax payments	Equals: Disposable personal income	Less: Personal consumption expenditures	Equals: Personal net saving	Net saving as percent of disposable income
Billions of dollars						
1929.....	85.1	2.6	82.5	78.8	3.7	4.5
1930.....	76.2	2.5	73.7	70.8	2.9	3.9
1931.....	64.8	1.9	63.0	61.2	1.8	2.9
1932.....	49.3	1.5	47.8	49.2	-1.4	-2.9
1933.....	46.6	1.5	45.2	46.3	-1.2	-2.7
1934.....	53.2	1.6	51.6	51.9	-0.2	-0.4
1935.....	59.9	1.9	58.0	56.2	1.8	3.1
1936.....	68.4	2.3	66.1	62.5	3.6	5.4
1937.....	74.0	2.9	71.1	67.1	3.9	5.5
1938.....	68.3	2.9	65.5	64.5	1.0	1.5
1939.....	72.6	2.4	70.2	67.5	2.7	3.8
1940.....	78.3	2.6	75.7	72.1	3.7	4.9
1941.....	95.3	3.3	92.0	82.3	9.8	10.7
1942.....	122.2	6.0	116.2	90.8	25.4	21.9
1943.....	149.4	17.8	131.6	101.6	30.0	22.8
1944.....	164.5	18.9	145.6	111.4	34.2	23.5
1945.....	170.3	20.9	149.4	122.8	26.6	17.8
1946.....	178.1	18.9	159.2	147.4	11.8	7.4
1947.....	195.2	21.6	173.6	164.8	8.8	5.1
1948.....	213.6	21.0	192.6	177.7	14.9	7.7
Annual rates, seasonally adjusted						
1948—First half.....	208.9	21.8	187.1	174.9	12.2	6.5
Second half.....	218.0	20.1	197.8	180.6	17.2	8.7
1949—First half <sup>1</sup> .....	214.0	18.6	195.4	175.8	19.6	10.1
1948—First quarter.....	207.0	23.0	183.9	172.5	11.4	6.2
Second quarter.....	210.8	20.6	190.2	177.3	12.9	6.8
Third quarter.....	216.3	20.0	196.2	180.1	16.1	8.2
Fourth quarter.....	219.6	20.2	199.4	181.0	18.4	9.2
1949—First quarter.....	216.6	18.8	197.8	176.6	21.2	10.7
Second quarter <sup>1</sup> .....	211.5	18.5	193.0	175.0	18.0	9.3

<sup>1</sup> Estimates based on incomplete data; second quarter by Council of Economic Advisers.

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

Revised estimates of the national income and product series will be published in the *Survey of Current Business*, July 1949.

Source: Department of Commerce (except as noted).

TABLE D-5.—*Per capita disposable income in current and 1948 dollars, 1929-49*

Period	Disposable personal income (billions of dollars)	Population (thousands) <sup>1</sup>	Consumers' price index, 1948=100	Per capita disposable personal income	
				Current dollars	1948 dollars <sup>2</sup>
1929.....	82.5	121,770	71.6	678	947
1930.....	73.7	123,077	69.7	599	859
1931.....	63.0	124,040	63.5	508	800
1932.....	47.8	124,840	57.0	383	672
1933.....	45.2	125,579	54.0	360	667
1934.....	51.6	126,374	55.9	408	730
1935.....	58.0	127,250	57.3	456	796
1936.....	66.1	128,053	57.9	516	891
1937.....	71.1	128,825	60.0	552	920
1938.....	65.5	129,825	58.9	505	857
1939.....	70.2	130,880	58.1	536	923
1940.....	75.7	131,970	58.5	574	981
1941.....	92.0	133,203	61.4	691	1,125
1942.....	116.2	134,665	68.7	863	1,256
1943.....	131.6	136,497	73.8	964	1,306
1944.....	145.6	138,083	75.8	1,054	1,391
1945.....	149.4	139,586	77.9	1,070	1,374
1946.....	159.2	141,235	83.4	1,127	1,351
1947.....	173.6	144,034	93.1	1,205	1,294
1948.....	192.6	146,571	100.0	1,314	1,314
	Annual rates, seasonally adjusted		Not adjusted for seasonal variation	Annual rates, seasonally adjusted	
1948—First half.....	187.1	146,018	98.8	1,281	1,297
Second half.....	197.8	147,280	101.2	1,343	1,327
1949—First half <sup>4</sup> .....	195.4	148,527	99.1	1,316	1,328
1948—First quarter.....	183.9	145,716	98.0	1,262	1,288
Second quarter.....	190.2	146,268	99.6	1,300	1,305
Third quarter.....	196.2	146,914	101.8	1,335	1,311
Fourth quarter.....	199.4	147,631	100.7	1,351	1,342
1949—First quarter.....	197.8	148,232	99.2	1,334	1,345
Second quarter <sup>4</sup> .....	193.0	148,806	98.9	1,297	1,311

<sup>1</sup> Estimated population of continental United States, including armed forces overseas; annual data as of July 1 and quarterly and semiannual data as of middle of period, interpolated from published monthly estimates.

<sup>2</sup> Current dollars divided by the consumers' price index on the base 1948=100 to give a rough measure of changes in buying power of disposable income.

<sup>3</sup> The consumers' price index has been roughly adjusted to take account of the understatement during the price control period. This adjustment is in line with the report of the Technical Committee (better known as the Mitchell Committee) on the consumers' price index. The unadjusted index will be found in appendix table D-19.

<sup>4</sup> Estimates based on incomplete data; second quarter by Council of Economic Advisers.

NOTE.—Revised estimates of the national income and product series will be published in the *Survey of Current Business*, July 1949.

Sources: Department of Commerce (disposable income and population) and Department of Labor (consumers' price index).

TABLE D-6.—*Personal consumption expenditures, 1929-49*

[Billions of dollars]

Period	Total expenditures	Durable goods	Nondurable goods				Services		
			Total	Food <sup>1</sup>	Clothing	Other	Total	Housing <sup>2</sup>	Other
1929.....	78.8	9.4	37.7	19.7	9.4	8.6	31.7	11.4	20.3
1930.....	70.8	7.3	34.1	18.1	8.0	8.0	29.5	11.0	18.5
1931.....	61.2	5.6	29.0	14.8	6.9	7.3	26.6	10.2	16.4
1932.....	49.2	3.7	22.7	11.4	5.1	6.2	22.8	9.0	13.8
1933.....	46.3	3.5	22.3	11.5	4.6	6.2	20.6	7.8	12.8
1934.....	51.9	4.3	26.7	14.3	5.7	6.7	20.9	7.5	13.4
1935.....	56.2	5.2	29.4	16.3	6.0	7.1	21.7	7.6	14.1
1936.....	62.5	6.4	32.9	18.5	6.6	7.8	23.3	7.9	15.4
1937.....	67.1	7.0	35.2	22.0	6.8	6.4	24.9	8.4	16.5
1938.....	64.5	5.8	34.0	19.0	6.8	8.2	24.7	8.7	16.0
1939.....	67.5	6.7	35.3	19.3	7.1	8.9	25.5	8.9	16.6
1940.....	72.1	7.9	37.6	20.7	7.5	9.4	26.6	9.2	17.4
1941.....	82.3	9.8	44.0	24.4	8.9	10.7	28.5	9.9	18.6
1942.....	90.8	6.8	53.0	30.5	11.3	11.2	31.0	10.6	20.4
1943.....	101.6	6.5	61.2	35.6	14.1	11.5	33.9	11.1	22.8
1944.....	111.4	6.9	67.5	39.3	15.4	12.8	37.0	11.7	25.3
1945.....	122.8	8.3	75.4	43.4	17.2	14.8	39.2	12.2	27.0
1946.....	147.4	16.2	87.5	51.6	18.8	17.1	43.6	13.2	30.4
1947.....	164.8	21.0	96.5	57.9	19.2	19.4	47.3	14.4	32.9
1948.....	177.7	22.7	103.6	61.9	20.3	21.4	51.4	16.0	35.4
Annual rates, seasonally adjusted									
1948—First half.....	174.9	22.0	102.6	61.5	20.0	21.2	50.3	15.7	34.7
Second half.....	180.6	23.3	104.7	62.4	20.7	21.7	52.6	16.3	36.3
1949—First half <sup>3</sup> .....	175.8	21.8	100.2	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	53.8	( <sup>4</sup> )	( <sup>4</sup> )
1948—First quarter.....	172.5	21.3	101.4	61.3	19.2	20.9	49.8	15.5	34.3
Second quarter.....	177.3	22.8	103.7	61.6	20.7	21.4	50.8	15.8	35.0
Third quarter.....	180.1	23.7	104.3	62.1	20.5	21.7	52.1	16.2	35.9
Fourth quarter.....	181.0	22.9	105.1	62.6	20.9	21.6	53.0	16.4	36.6
1949—First quarter.....	176.6	21.5	101.4	61.1	19.1	21.2	53.7	16.6	37.1
Second quarter <sup>3</sup> .....	175.0	22.0	99.0	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	54.0	( <sup>4</sup> )	( <sup>4</sup> )

<sup>1</sup> Includes alcoholic beverages.<sup>2</sup> Includes imputed rental value of owner-occupied dwellings.<sup>3</sup> Estimates based on incomplete data; second quarter by Council of Economic Advisers.<sup>4</sup> Not available.

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

Revised estimates of the national income and product series will be published in the *Survey of Current Business*, July 1949.

Source: Department of Commerce (except as noted).



TABLE D-7.—*Labor force, employment and unemployment, 1929-49*

[Thousands of persons, 14 years of age and over]

Period	Total labor force (including armed forces) <sup>1</sup>	Armed forces <sup>1</sup>	Civilian labor force				
			Total civilian labor force	Employment <sup>2</sup>			Unemployment
				Total	Nonagricultural	Agricultural	
Monthly average:							
1929.....	49,440	260	49,180	47,630	37,180	10,450	1,550
1930.....	50,080	260	49,820	45,480	35,140	10,340	4,340
1931.....	50,680	260	50,420	42,400	32,110	10,290	8,020
1932.....	51,250	250	51,000	38,940	28,770	10,170	12,060
1933.....	51,840	250	51,590	38,760	28,670	10,090	12,830
1934.....	52,490	260	52,230	40,890	30,990	9,900	11,340
1935.....	53,140	270	52,870	42,260	32,150	10,110	10,610
1936.....	53,740	300	53,440	44,410	34,410	10,000	9,030
1937.....	54,320	320	54,000	46,300	36,480	9,820	7,700
1938.....	54,950	340	54,610	44,220	34,530	9,690	10,390
1939.....	55,600	370	55,230	45,750	36,140	9,610	9,480
1940.....	56,030	390	55,640	47,520	37,980	9,540	8,120
1941.....	57,380	1,470	55,910	50,350	41,250	9,100	5,560
1942.....	60,230	3,820	56,410	53,750	44,500	9,250	2,660
1943.....	64,410	8,870	55,540	54,470	45,390	9,080	1,070
1944.....	65,890	11,260	54,630	53,960	45,610	8,950	676
1945.....	65,140	11,280	53,860	52,820	44,240	8,580	1,040
1946.....	60,820	3,300	57,520	55,250	46,930	8,320	2,270
1947.....	61,608	1,440	60,168	58,027	49,761	8,266	2,142
1948.....	62,748	1,307	61,442	59,378	51,405	7,973	2,064
1948—First half.....	61,771	1,240	60,531	58,317	50,754	7,564	2,214
1948—Second half.....	63,726	1,374	62,352	60,439	52,057	8,382	1,914
1949—First half.....	62,732	1,483	61,249	58,060	50,120	7,940	3,189
1948—January.....	60,455	1,241	59,214	57,149	50,089	7,060	2,065
February.....	61,004	1,226	59,778	57,139	50,368	6,771	2,639
March.....	61,005	1,236	59,769	57,329	50,482	6,847	2,440
April.....	61,760	1,236	60,524	58,330	50,883	7,448	2,193
May.....	61,660	1,238	60,422	58,660	50,800	7,861	1,761
June.....	64,740	1,261	63,479	61,296	51,899	9,396	2,184
July.....	65,135	1,293	63,842	61,615	52,452	9,163	2,227
August.....	64,511	1,325	63,186	61,245	52,801	8,444	1,941
September.....	63,578	1,366	62,212	60,312	51,590	8,723	1,899
October.....	63,166	1,391	61,775	60,134	51,506	8,627	1,642
November.....	63,138	1,414	61,724	59,893	51,932	7,961	1,831
December.....	62,828	1,453	61,375	59,434	52,059	7,375	1,941
1949—January.....	61,546	1,468	60,078	57,414	50,651	6,763	2,664
February.....	61,896	1,508	60,388	57,168	50,174	6,993	3,221
March.....	62,305	1,491	60,814	57,647	50,254	7,393	3,167
April.....	62,327	1,492	60,835	57,819	49,999	7,820	3,016
May.....	63,452	1,469	61,983	58,694	49,720	8,974	3,289
June.....	64,866	1,468	63,398	59,619	49,924	9,696	3,778

<sup>1</sup> Data for 1940-49 exclude about 150,000 members of the armed forces who were outside the continental United States in 1940 and who were therefore not enumerated in the 1940 census. This figure is deducted by the Census Bureau from its current estimates for comparability with 1940 data.

<sup>2</sup> Includes part-time workers and those who had jobs but were not at work for such reasons as vacation, illness, bad weather, temporary lay-off, and industrial disputes.

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

Sources: Department of Labor (1929-39) and Department of Commerce (1940-49).

TABLE D-8.—*Number of wage and salary workers in nonagricultural establishments, 1929-49*<sup>1</sup>

(Thousands of employees)

Period	Total wage and salary workers	Manufacturing			Min- ing	Con- tract con- struction	Trans- porta- tion and public utili- ties	Trade	Fi- nance	Service	Gov- ern- ment (Fed- eral, State, and local)
		Total	Dura- ble goods	Non- dura- ble goods							
Monthly average:											
1929.....	31,041	10,534	(2)	(2)	1,078	1,497	3,907	6,401	1,431	3,127	3,066
1930.....	29,143	9,401	(2)	(2)	1,000	1,372	3,675	6,064	1,398	3,084	3,149
1931.....	26,383	8,021	(2)	(2)	864	1,214	3,243	5,531	1,333	2,913	3,264
1932.....	23,377	6,797	(2)	(2)	722	970	2,804	4,907	1,270	2,682	3,225
1933.....	23,466	7,258	(2)	(2)	735	809	2,659	4,999	1,225	2,614	3,167
1934.....	25,699	8,346	(2)	(2)	874	862	2,736	5,552	1,247	2,784	3,298
1935.....	26,792	8,907	(2)	(2)	888	912	2,771	5,692	1,262	2,883	3,477
1936.....	28,802	9,653	(2)	(2)	937	1,145	2,956	6,076	1,313	3,060	3,662
1937.....	30,718	10,606	(2)	(2)	1,006	1,112	3,114	6,543	1,355	3,233	3,749
1938.....	28,902	9,253	(2)	(2)	882	1,055	2,840	6,453	1,347	3,196	3,876
1939.....	30,287	10,078	4,357	5,720	845	1,150	2,912	6,705	1,382	3,228	3,987
1940.....	32,031	10,780	4,975	5,805	916	1,294	3,013	7,055	1,419	3,362	4,192
1941.....	36,164	12,974	6,485	6,488	947	1,790	3,248	7,567	1,462	3,554	4,622
1942.....	39,697	15,051	8,179	6,873	983	2,170	3,433	7,481	1,440	3,708	5,431
1943.....	42,042	17,381	10,297	7,084	917	1,567	3,619	7,322	1,401	3,786	6,049
1944.....	41,480	17,111	10,200	6,912	883	1,094	3,798	7,399	1,374	3,795	6,026
1945.....	40,069	15,302	8,477	6,825	826	1,132	3,872	7,685	1,394	3,891	5,067
1946.....	41,494	14,515	7,180	7,335	852	1,651	4,023	8,820	1,586	4,430	5,607
1947.....	43,970	15,901	8,055	7,846	911	1,921	4,060	9,450	1,656	4,622	5,449
1948.....	45,131	16,277	8,214	8,063	925	2,060	4,065	9,746	1,719	4,681	5,658
1948—First half.....	44,568	16,113	8,180	7,933	910	1,928	4,032	9,601	1,702	4,725	5,587
Second half.....	45,695	16,442	8,248	8,194	940	2,193	4,098	9,891	1,735	4,637	5,759
1949—First half <sup>2</sup> .....	43,910	15,424	7,713	7,704	905	1,939	3,956	9,584	1,727	4,596	5,779
1948—January.....	44,603	16,267	8,256	8,011	922	1,871	4,020	9,622	1,680	4,723	5,498
February.....	44,279	16,183	8,167	8,016	914	1,731	4,019	9,520	1,690	4,730	5,492
March.....	44,600	16,269	8,253	8,011	924	1,805	4,032	9,598	1,697	4,729	5,546
April.....	44,299	15,950	8,164	7,786	817	1,933	3,974	9,576	1,704	4,768	5,877
May.....	44,616	15,892	8,114	7,778	935	2,052	4,042	9,617	1,716	4,738	5,624
June.....	45,009	16,115	8,122	7,993	950	2,173	4,105	9,670	1,726	4,663	5,607
July.....	45,098	16,172	8,165	8,007	922	2,219	4,136	9,646	1,754	4,645	5,604
August.....	45,478	16,441	8,188	8,253	952	2,253	4,139	9,660	1,761	4,622	5,650
September.....	45,889	16,697	8,294	8,403	948	2,239	4,092	9,733	1,732	4,647	5,801
October.....	45,877	16,597	8,318	8,279	941	2,206	4,091	9,889	1,723	4,641	5,789
November.....	45,739	16,461	8,303	8,158	938	2,162	4,066	10,034	1,720	4,644	5,714
December.....	46,088	16,283	8,222	8,061	939	2,079	4,066	10,381	1,722	4,624	5,994
1949—January.....	44,350	15,890	8,005	7,885	925	1,906	3,978	9,625	1,716	4,549	5,761
February.....	44,019	15,777	7,898	7,879	922	1,820	3,956	9,513	1,712	4,560	5,759
March <sup>3</sup> .....	43,893	15,625	7,807	7,818	914	1,841	3,912	9,525	1,717	4,597	5,762
April <sup>3</sup> .....	43,937	15,338	7,665	7,673	919	1,937	3,929	9,685	1,728	4,628	5,773
May <sup>3</sup> .....	43,655	15,017	7,444	7,573	902	2,010	3,959	9,557	1,740	4,650	5,820

<sup>1</sup> Includes all full- and part-time wage and salary workers in nonagricultural establishments who worked or received pay during the pay period ending nearest the 15th of the month. Excludes proprietors, self-employed persons, domestic servants, and personnel of the armed forces. Not comparable with estimates of nonagricultural employment of the civilian labor force reported by the Department of Commerce (appendix table D-7) which include proprietors, self-employed persons, and domestic servants; which count persons as employed when they are not at work because of industrial disputes, bad weather, or temporary lay-offs and which are based on an enumeration of population, whereas the estimates in this table are based on reports from employing establishments.

<sup>2</sup> Not available.

<sup>3</sup> Preliminary estimates based on incomplete data.

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

Source: Department of Labor.

TABLE D-9.—Average gross weekly earnings in selected industries, 1929-49

Period	Manufacturing			Bitumi- nous coal mining	Build- ing con- struction	Class I steam rail- roads	Tele- phone	Whole- sale trade	Retail trade	Hotels (year round) <sup>1</sup>
	Total	Dura- ble goods	Non- durable goods							
Monthly average:										
1929.....	\$25.03	\$27.22	\$22.93	\$25.72	( <sup>2</sup> )	\$28.49	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1930.....	23.25	24.77	21.84	22.21	( <sup>2</sup> )	27.76	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1931.....	20.87	21.28	20.50	17.69	( <sup>2</sup> )	26.76	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1932.....	17.05	16.21	17.57	13.91	( <sup>2</sup> )	23.34	( <sup>2</sup> )	\$27.72	\$20.71	\$14.25
1933.....	16.73	16.43	16.89	14.47	( <sup>2</sup> )	23.09	( <sup>2</sup> )	26.11	19.18	12.79
1934.....	18.40	18.87	18.05	18.10	\$22.97	24.32	( <sup>2</sup> )	26.37	19.86	13.17
1935.....	20.13	21.52	19.11	19.58	24.51	26.76	( <sup>2</sup> )	26.93	19.96	13.57
1936.....	21.78	24.04	19.94	22.71	27.01	28.01	( <sup>2</sup> )	28.53	20.68	13.97
1937.....	24.05	26.91	21.53	23.84	30.14	29.20	\$29.81	29.94	21.73	14.78
1938.....	22.30	24.01	21.05	20.80	29.19	30.26	31.53	29.48	21.14	14.93
1939.....	23.86	26.50	21.78	23.88	30.39	30.99	31.94	29.85	21.17	15.25
1940.....	25.20	28.44	22.27	24.71	31.70	31.55	32.44	30.39	21.17	15.52
1941.....	29.58	34.04	24.92	30.86	35.14	34.25	32.74	32.32	21.94	16.09
1942.....	36.65	42.73	29.13	35.02	41.80	38.65	33.97	35.56	23.24	17.62
1943.....	43.14	49.30	34.12	41.62	48.13	43.68	36.30	39.40	24.88	20.21
1944.....	46.08	52.07	37.12	51.27	52.18	46.06	38.39	42.29	26.58	22.65
1945.....	44.39	49.05	38.29	52.25	53.73	45.69	( <sup>3</sup> )	44.07	28.31	24.53
1946.....	43.74	46.49	41.02	58.03	56.24	51.22	44.04	48.06	32.55	26.95
1947.....	49.25	52.45	45.87	66.86	63.30	54.17	44.96	52.40	36.67	29.65
1948.....	53.15	56.76	49.34	72.57	68.85	59.14	48.88	56.57	39.98	31.88
1948—First half.....	52.06	55.23	48.67	70.51	66.82	58.70	48.06	55.64	39.08	31.31
Second half.....	54.24	58.28	50.01	74.60	70.93	59.57	49.65	57.42	40.58	32.44
1949—First half <sup>4</sup> .....	53.60	57.61	49.42	71.15	70.38	60.62	50.63	57.98	41.66	33.13
1948—January.....	52.07	55.46	48.45	75.78	65.51	59.60	48.20	54.36	37.62	30.55
February.....	51.75	54.77	48.56	70.54	65.16	60.54	47.82	55.87	38.33	31.19
March.....	52.07	55.25	48.66	74.84	65.87	58.94	47.31	55.17	38.89	30.96
April.....	51.79	54.96	48.33	74.93	66.45	56.86	47.56	55.84	39.27	31.59
May.....	51.86	54.81	48.65	74.08	67.22	57.24	48.82	56.61	39.84	31.70
June.....	52.85	56.13	49.37	73.87	69.53	59.05	48.67	56.00	40.52	31.88
July.....	52.95	56.21	49.49	67.62	70.47	58.22	49.19	56.54	41.19	32.04
August.....	54.05	58.19	49.79	78.10	70.91	59.17	48.35	57.51	41.19	32.34
September.....	54.19	57.95	50.37	75.51	71.29	59.48	49.21	57.67	40.48	32.21
October.....	54.65	59.41	49.70	76.40	70.59	59.92	49.81	57.54	40.32	32.45
November.....	54.56	58.71	50.18	73.52	69.39	60.42	51.37	57.60	39.67	32.52
December.....	55.01	59.23	50.52	75.79	72.33	60.19	49.95	57.69	40.62	33.06
1949—January.....	54.51	58.69	50.04	76.84	70.88	60.21	49.91	58.41	41.79	33.30
February.....	54.12	58.21	50.01	74.31	70.53	61.64	51.02	57.91	41.56	33.22
March <sup>5</sup> .....	53.59	57.37	49.72	68.41	69.83	60.00	51.00	57.48	41.48	32.88
April <sup>6</sup> .....	52.70	56.86	48.35	72.70	70.28	( <sup>2</sup> )	50.59	58.12	41.81	33.11
May <sup>6</sup> .....	53.08	56.93	48.98	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )

<sup>1</sup> Money payments only; additional value of room, board, uniforms, and tips is not included.<sup>2</sup> Not available.<sup>3</sup> Not available. New series, beginning April 1945; includes only employees subject to provisions of the Fair Labor Standards Act and is not comparable with preceding series, which includes all employees.<sup>4</sup> Annual average includes retroactive pay increases not included in the monthly averages.<sup>5</sup> Not strictly comparable with previous data.<sup>6</sup> Preliminary estimates based on incomplete data.<sup>7</sup> Data reflect work stoppages.

NOTE.—Data are for production workers in manufacturing and mining, hourly-rated employees in railroads, and for all nonsupervisory employees in other industries. Data are for payroll periods ending closest to the middle of the month except in railroads where monthly payroll and employment figures are used.

Source: Department of Labor.

TABLE D-10.—Average hourly earnings in selected industries, 1929-49

Period	Manufacturing			Bitu- minous coal mining	Build- ing con- struction	Class I steam rail- roads	Tele- phone	Whole- sale trade	Retail trade	Hotels (year round) <sup>1</sup>
	Total	Durable goods	Non- durable goods							
Monthly average:										
1929-----	\$0.566	( <sup>2</sup> )	( <sup>2</sup> )	\$0.681	( <sup>2</sup> )	\$0.636	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1930-----	.552	( <sup>2</sup> )	( <sup>2</sup> )	.684	( <sup>2</sup> )	.644	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1931-----	.515	( <sup>2</sup> )	( <sup>2</sup> )	.647	( <sup>2</sup> )	.651	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1932-----	.446	\$0.497	\$0.420	.520	( <sup>2</sup> )	.600	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1933-----	.442	.472	.427	.501	( <sup>2</sup> )	.595	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
1934-----	.532	.556	.515	.673	\$0.795	.602	( <sup>2</sup> )	( <sup>2</sup> )	\$0.528	\$0.273
1935-----	.550	.577	.530	.745	.815	.651	( <sup>2</sup> )	\$0.648	.521	.279
1936-----	.556	.586	.529	.794	.824	.659	( <sup>2</sup> )	.667	.522	.287
1937-----	.624	.674	.577	.856	.903	.676	\$0.774	.698	.551	.308
1938-----	.627	.686	.584	.878	.908	.712	.816	.700	.543	.315
1939-----	.633	.698	.582	.886	.932	.714	.822	.715	.536	.324
1940-----	.661	.724	.602	.883	.958	.717	.827	.739	.542	.332
1941-----	.729	.808	.640	.993	1.010	.751	.820	.793	.568	.348
1942-----	.853	.947	.723	1.059	1.148	.824	.843	.860	.614	.386
1943-----	.961	1.059	.803	1.139	1.252	.897	.870	.933	.670	.451
1944-----	1.019	1.117	.861	1.186	1.319	.938	.911	.985	.724	.505
1945-----	1.023	1.111	.904	1.240	1.379	.942	( <sup>2</sup> )	1.029	.773	.550
1946-----	1.084	1.156	1.012	1.401	1.478	<sup>4</sup> 1.116	1.124	1.144	.878	.612
1947-----	1.221	1.292	1.145	1.633	1.681	1.170	1.199	1.258	.991	.661
1948-----	1.327	1.401	1.247	1.899	<sup>4</sup> 1.848	1.284	1.248	1.360	1.067	.712
1948—First half	1.295	1.361	1.223	1.839	1.809	1.272	1.233	1.341	1.054	.700
Second half	1.359	1.441	1.270	1.958	1.898	1.295	1.262	1.378	1.080	.724
1949—First half <sup>6</sup>	1.376	1.458	1.289	1.938	1.929	1.331	1.320	1.401	1.106	.742
1948—January-----	1.285	1.355	1.210	1.847	1.766	1.279	1.241	1.309	1.044	.695
February-----	1.287	1.352	1.217	1.826	1.791	1.302	1.238	1.343	1.050	.695
March-----	1.289	1.352	1.220	1.842	1.786	1.262	1.223	1.334	1.044	.695
April-----	1.292	1.357	1.220	1.821	1.804	1.258	1.225	1.346	1.055	.700
May-----	1.301	1.366	1.230	1.841	1.815	1.272	1.240	1.363	1.064	.707
June-----	1.316	1.385	1.242	1.850	1.836	1.259	1.232	1.353	1.070	.711
July-----	1.332	1.407	1.252	1.936	1.862	1.263	1.237	1.365	1.077	.714
August-----	1.349	1.431	1.262	1.967	1.874	1.278	1.229	1.379	1.080	.709
September-----	1.362	1.448	1.272	1.970	1.895	1.293	1.250	1.378	1.086	.725
October-----	1.366	1.452	1.271	1.959	1.892	1.297	1.263	1.381	1.080	.726
November-----	1.372	1.454	1.282	1.951	1.906	1.322	1.305	1.383	1.084	.734
December-----	1.376	1.456	1.287	1.960	1.915	1.320	1.290	1.380	1.072	.739
1949—January-----	1.380	1.460	1.293	1.949	1.918	1.333	1.301	1.402	1.110	.748
February-----	1.377	1.459	1.289	1.943	1.930	1.343	1.321	1.397	1.104	.746
March <sup>6</sup> -----	1.374	1.456	1.288	1.941	1.933	1.318	1.328	1.395	1.102	.739
April <sup>6</sup> -----	1.376	1.458	1.286	1.932	1.933	( <sup>2</sup> )	1.323	1.404	1.106	.739
May <sup>6</sup> -----	1.375	1.456	1.289	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )

<sup>1</sup> Money payments only; additional value of room, board, uniforms, and tips is not included.<sup>2</sup> Not available.<sup>3</sup> Not available. New series, beginning April 1945; includes only employees subject to provisions of the Fair Labor Standards Act and is not comparable with preceding series, which includes all employees.<sup>4</sup> Annual average includes retroactive pay increases not included in the monthly averages.<sup>5</sup> Not strictly comparable with previous data.<sup>6</sup> Preliminary estimates based on incomplete data.

NOTE.—Data are for production workers in manufacturing and mining, hourly-rated employees in railroads, and for all nonsupervisory employees in other industries. Data are for pay-roll periods ending closest to the middle of the month except in railroads where monthly pay roll and employment figures are used.

Source: Department of Labor.

TABLE D-11.—Average weekly hours in selected industries, 1929-49

Period	Manufacturing			Bitumi- nous coal mining	Build- ing con- struction	Class I steam rail- roads	Tele- phone	Whole- sale trade	Retail trade	Hotels (year round)
	Total	Durable goods	Non- durable goods							
Monthly average:										
1929.....	44.2	(1)	(1)	38.4	(1)	44.8	(1)	(1)	(1)	(1)
1930.....	42.1	(1)	(1)	33.5	(1)	43.1	(1)	(1)	(1)	(1)
1931.....	40.5	(1)	(1)	28.3	(1)	41.1	(1)	(1)	(1)	(1)
1932.....	38.3	32.6	41.9	27.2	(1)	38.9	(1)	(1)	(1)	(1)
1933.....	38.1	34.8	40.0	29.5	(1)	38.8	(1)	(1)	(1)	(1)
1934.....	34.6	33.9	35.1	27.0	28.9	40.4	(1)	(1)	41.5	47.2
1935.....	36.6	37.3	36.1	26.4	30.1	41.1	(1)	41.3	41.8	47.8
1936.....	39.2	41.0	37.7	28.8	32.8	42.5	(1)	42.6	43.5	48.3
1937.....	38.6	40.0	37.4	27.9	33.4	43.2	38.8	42.8	43.3	47.7
1938.....	35.6	35.0	36.1	23.5	32.1	42.5	38.9	42.2	42.6	46.
1939.....	37.7	38.0	37.4	27.1	32.6	43.4	39.1	41.7	43.0	46.
1940.....	38.1	39.3	37.0	28.1	33.1	44.0	39.5	41.2	42.9	46.3
1941.....	40.6	42.1	38.9	31.1	34.8	45.6	40.1	41.0	42.5	45.6
1942.....	42.9	45.1	40.3	32.9	36.4	46.9	40.5	41.3	41.6	45.3
1943.....	44.9	46.6	42.5	36.6	38.4	48.7	41.9	42.2	40.5	44.7
1944.....	45.2	46.6	43.1	43.4	39.6	49.1	42.3	42.9	40.3	44.5
1945.....	43.4	44.1	42.3	42.3	39.0	48.5	(2)	42.7	40.3	44.2
1946.....	40.4	40.2	40.5	41.6	38.1	45.9	39.4	41.8	40.5	43.9
1947.....	40.3	40.6	40.1	40.6	37.6	46.3	37.3	41.2	40.2	44.5
1948.....	40.1	40.5	39.6	38.0	37.3	46.1	39.2	41.1	40.1	44.2
1948—First half.....	40.2	40.6	39.8	38.3	36.9	46.2	39.0	41.0	39.9	44.2
Second half.....	39.9	40.4	39.4	37.7	37.4	46.0	39.4	41.2	40.2	44.2
1949—First half <sup>4</sup> .....	38.9	39.5	38.3	36.8	36.5	45.5	38.5	40.9	40.0	43.9
1949—January.....	40.5	40.9	40.0	40.9	37.1	46.6	38.9	41.0	39.8	43.9
February.....	40.2	40.5	39.9	<sup>3</sup> 38.7	36.4	46.5	38.7	41.1	40.0	44.6
March.....	40.4	40.9	39.9	40.6	36.9	46.7	38.7	40.9	39.8	44.0
April.....	40.1	40.5	39.6	<sup>3</sup> 27.0	36.7	45.2	38.8	41.0	39.8	44.2
May.....	39.9	40.1	39.6	40.3	37.0	45.0	39.4	41.2	39.9	44.2
June.....	40.2	40.5	39.8	39.9	37.9	46.9	39.5	41.1	40.3	44.1
July.....	39.8	40.0	39.5	<sup>3</sup> 34.2	37.8	46.1	39.8	41.2	40.8	44.0
August.....	40.1	40.7	39.5	39.4	37.8	46.3	39.4	41.3	41.0	44.9
September.....	39.8	40.0	39.6	37.9	37.6	46.0	39.4	41.2	40.2	43.9
October.....	40.0	40.9	39.1	38.6	37.3	46.2	39.5	41.0	39.7	44.2
November.....	39.8	40.4	39.1	37.1	36.4	45.7	39.4	41.2	39.5	44.1
December.....	40.0	40.7	39.3	38.5	37.8	45.6	38.7	41.3	40.2	44.1
1949—January.....	39.5	40.2	38.7	39.3	37.0	45.2	38.4	41.1	40.0	43.9
February.....	39.3	39.9	38.8	38.0	36.5	45.9	38.7	40.8	40.0	43.8
March <sup>4</sup> .....	39.0	39.4	38.6	36.3	36.1	45.5	38.4	40.7	39.9	43.9
April <sup>4</sup> .....	38.3	39.0	37.6	37.4	36.3	(2)	38.3	40.9	40.1	43.8
May <sup>4</sup> .....	38.6	39.1	38.0	(2)	(2)	(2)	(2)	(2)	(2)	(2)

<sup>1</sup> Not available.<sup>2</sup> Average for the year not available because new series was started in April.<sup>3</sup> Not comparable with previous data.<sup>4</sup> Preliminary estimates based on incomplete data.<sup>5</sup> Data reflect work stoppages.

NOTE.—Data are for production workers in manufacturing and mining, hourly-rated employees in railroads, and for all nonsupervisory employees in other industries. Data are for pay-roll periods ending closest to the middle of the month except in railroads where monthly pay-roll and employment figures are used.

Source: Department of Labor.

TABLE D-12.—Physical production index of goods and utilities, 1929-49

[1935-39=100<sup>1</sup>]

Period	Total production	Agricultural production	Nonagricultural production						
			Total	Industrial production			Construction	Transportation	Electric and gas utilities
				Total	Manufactures	Minerals			
Weights: <sup>2</sup>									
Total.....	100.0	19.2	80.8	55.4	50.6	4.8	7.6	12.9	4.9
Nonagricultural.....			100.0	68.5	62.6	5.9	9.4	16.0	6.1
1929.....	112	97	116	110	110	107	180	117	82
1930.....	97	95	98	91	90	93	153	104	82
1931.....	86	104	82	75	74	80	124	89	78
1932.....	70	101	63	58	57	67	79	73	71
1933.....	73	93	69	69	68	76	53	76	72
1934.....	75	79	75	75	74	80	58	83	78
1935.....	87	96	85	87	87	86	69	88	85
1936.....	99	85	102	103	104	99	101	101	97
1937.....	111	108	111	113	113	112	106	110	106
1938.....	94	105	91	89	87	97	101	95	100
1939.....	109	106	110	109	109	106	123	106	112
1940.....	122	110	124	125	126	117	133	117	123
1941.....	152	114	162	162	168	125	182	146	141
1942.....	185	128	198	199	212	129	202	185	158
1943.....	207	125	226	239	258	132	112	220	184
1944.....	203	130	220	235	252	140	60	230	193
1945.....	183	129	196	203	214	137	68	222	190
1946.....	167	134	174	170	177	134	128	200	192
1947.....	179	129	191	187	194	149	146	212	219
1948.....	187	140	198	192	198	155	174	209	243
1948—First half.....	( <sup>3</sup> )	( <sup>4</sup> )	198	192	199	153	171	208	243
Second half.....	( <sup>5</sup> )	( <sup>4</sup> )	198	192	198	157	179	210	243
1949—First half <sup>6</sup> .....	( <sup>5</sup> )	( <sup>4</sup> )	189	181	187	144	171	195	253

<sup>1</sup> All half year data have been seasonally adjusted except the electric and gas utilities for which no satisfactory adjustment factor is available.

<sup>2</sup> Computed from the Department of Commerce national income data. The weight factors are percentages of the national income for each industry to the total for the 6 industries. The weight for construction has been adjusted to include force account and other construction done outside of the contract construction industry, the weights for other industry groups to exclude such construction.

<sup>3</sup> Not available. See footnote 5.

<sup>4</sup> Because of the extreme seasonal nature of agricultural crop production, only an annual index has been computed.

<sup>5</sup> Preliminary estimates based on incomplete data.

Sources: Based on the following data:

*Agricultural production:* Department of Agriculture index of farm output which measures the physical volume of farm production for human use.

*Minerals:* Federal Reserve index of mineral production.

*Manufactures:* Federal Reserve index of manufacturing production.

*Construction:* Department of Commerce value of new construction activity deflated by their index of construction costs and converted into relatives with 1935-39 as 100.

*Transportation:* Department of Commerce index of transportation. The figures for 1948 and 1949 are estimated by the Board of Governors of the Federal Reserve System on the basis of transportation data.

*Electric and gas utilities:* Based on the following series: Electric power generated for public use as reported by the Federal Power Commission, and sales of gas to consumers as reported by the American Gas Association. The two series are converted into relatives with the average for the period 1935-39 as 100. The relative series are combined into an index of public utility production with electric power given a weight of 73 and gas 27, the respective percentages of the revenues of each of the utilities to the total revenues produced by both in the base period 1935-39.

TABLE D-13.—*Industrial production index, 1929-49*

[1935-39=100, seasonally adjusted]

Period	Total industrial production	Manufactures			Minerals
		Total	Durable	Nondurable	
Monthly average:					
1929.....	110	110	132	93	107
1930.....	91	90	98	84	93
1931.....	75	74	67	79	80
1932.....	58	57	41	70	67
1933.....	69	68	54	79	76
1934.....	75	74	65	81	80
1935.....	87	87	83	90	86
1936.....	103	104	108	100	99
1937.....	113	113	122	106	112
1938.....	89	87	78	95	97
1939.....	109	109	109	109	106
1940.....	125	126	139	115	117
1941.....	162	168	201	142	125
1942.....	199	212	279	158	129
1943.....	239	258	360	176	132
1944.....	235	252	353	171	140
1945.....	203	214	274	166	137
1946.....	170	177	192	165	134
1947.....	187	194	220	172	149
1948.....	192	198	225	177	155
1948—First half.....	192	199	224	178	153
Second half.....	192	198	226	176	157
1949—First half <sup>1</sup> .....	181	188	214	166	144
1948—January.....	193	201	229	178	154
February.....	194	201	226	180	155
March.....	191	200	229	177	142
April.....	188	195	217	177	147
May.....	192	197	221	178	162
June.....	192	198	222	179	159
July.....	186	192	219	169	153
August.....	191	197	223	177	159
September.....	192	199	225	178	156
October.....	195	202	231	179	158
November.....	195	201	229	178	161
December.....	192	199	231	173	156
1949—January.....	191	198	227	175	149
February.....	189	196	226	173	149
March.....	184	193	223	168	136
April.....	179	185	213	162	148
May.....	174	179	201	161	146
June <sup>1</sup> .....	169	175	194	159	134

<sup>1</sup> Preliminary estimates based on incomplete data.

Source: Board of Governors of the Federal Reserve System.

TABLE D-14.—*New construction activity, 1929-49*

[Value put in place, millions of dollars]

Period	Total new construction <sup>1</sup>	Private construction				Public construction					
		Total private	Residential building (non-farm)	Non-residential building <sup>2</sup>	Public utility and farm	Total public	By source of funds		By type of construction		
							Federal	State and local	Military and federally financed industrial	Highways	Other public
1929.....	9,873	7,476	2,797	2,822	1,857	2,397	237	2,160	19	1,254	1,124
1930.....	8,042	5,265	1,446	2,099	1,720	2,777	338	2,439	29	1,505	1,243
1931.....	5,967	3,375	1,228	1,104	1,043	2,592	451	2,141	40	1,351	1,201
1932.....	3,290	1,467	462	499	506	1,823	510	1,313	34	961	828
1933.....	2,376	1,012	278	404	330	1,364	552	812	38	809	517
1934.....	2,805	1,235	361	455	419	1,570	720	850	58	826	686
1935.....	3,230	1,676	665	472	539	1,554	828	726	39	709	806
1936.....	4,836	2,550	1,131	712	707	2,286	1,262	1,024	33	927	1,326
1937.....	5,487	3,390	1,372	1,088	930	2,097	1,154	943	39	902	1,156
1938.....	5,186	3,076	1,511	764	801	2,110	989	1,121	74	858	1,178
1939.....	6,307	3,808	2,114	785	909	2,499	1,257	1,242	148	867	1,484
1940.....	7,042	4,390	2,355	1,028	1,007	2,652	1,397	1,255	549	882	1,221
1941.....	10,490	5,426	2,785	1,486	1,175	5,064	3,553	1,211	2,900	800	1,364
1942.....	13,412	3,007	1,315	635	1,057	10,405	9,544	861	8,453	616	1,336
1943.....	7,784	1,744	650	232	862	6,040	5,614	426	4,218	420	1,402
1944.....	4,136	1,823	535	350	938	2,313	1,912	401	1,344	346	623
1945.....	4,808	2,716	684	1,014	1,018	2,092	1,558	534	1,160	386	546
1946.....	10,464	8,253	3,183	3,346	1,724	2,211	1,096	1,115	272	778	1,161
1947.....	14,324	11,179	5,260	3,131	2,788	3,145	1,181	1,964	229	1,300	1,616
1948.....	18,775	14,563	7,223	3,578	3,762	4,212	1,339	2,873	157	1,585	2,470
Totals for period, not adjusted for seasonal variation											
1948—First half.....	8,159	6,519	3,257	1,640	1,622	1,640	521	1,119	81	559	1,000
Second half.....	10,616	8,044	3,966	1,938	1,622	2,140	818	1,754	76	1,026	1,470
1949—First half <sup>3</sup> .....	8,453	6,213	2,870	1,596	1,747	2,240	650	1,590	52	648	1,540
1948—January.....	1,180	974	500	270	204	206	67	139	14	54	138
February.....	1,049	875	410	263	202	174	54	120	12	40	122
March.....	1,226	1,001	490	266	245	225	71	154	13	57	155
April.....	1,378	1,099	550	263	286	279	87	192	15	89	175
May.....	1,572	1,222	625	275	322	350	112	238	14	140	196
June.....	1,754	1,348	682	303	363	406	130	276	13	179	214
July.....	1,874	1,423	707	321	395	451	143	308	13	206	232
August.....	1,934	1,454	720	329	405	480	154	326	14	220	246
September.....	1,001	1,427	707	331	389	474	156	318	13	200	261
October.....	1,814	1,355	670	327	358	459	146	313	13	186	260
November.....	1,646	1,256	615	325	316	390	123	267	13	131	246
December.....	1,447	1,129	547	305	277	318	96	222	10	83	225
1949—January.....	1,293	1,002	475	285	242	291	81	210	7	68	216
February.....	1,172	905	400	271	234	267	72	195	7	52	208
March.....	1,267	951	420	262	269	316	91	225	10	68	238
April.....	1,378	997	445	251	301	381	113	268	9	100	272
May <sup>3</sup> .....	1,584	1,117	530	257	330	467	139	328	10	160	297
June <sup>3</sup> .....	1,759	1,241	600	270	371	518	154	364	9	200	309

<sup>1</sup> Excludes construction expenditures for crude petroleum and natural-gas drilling, and, therefore does not agree with the new construction expenditures in the gross national product.

<sup>2</sup> Excludes farm and public utility; for 1929-32 includes negligible amount of public industrial and commercial building not segregable.

<sup>3</sup> Preliminary estimates based on incomplete data.

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

Sources: Departments of Commerce and Labor.



TABLE D-15.—*Business expenditures for new plant and equipment, 1929-49*

[Millions of dollars]

Period	Total <sup>1</sup>	Manufacturing and mining			Transportation		Electric and gas utilities	Commercial and miscellaneous <sup>2</sup>
		Total	Manufacturing	Mining	Railroad	Other		
1929 .....	9,165	3,596	(3)	(3)	840	(4)	(4)	4,729
1930 .....	7,610	2,541	(3)	(3)	865	(4)	(4)	4,204
1931 .....	4,712	1,435	(3)	(3)	360	(4)	(4)	2,917
1932 .....	2,608	1,030	(3)	(3)	164	(4)	(4)	1,514
1933 .....	2,137	992	(3)	(3)	101	(4)	(4)	1,044
1934 .....	3,080	1,460	(3)	(3)	218	(4)	(4)	1,402
1935 .....	3,738	1,790	(3)	(3)	166	(4)	(4)	1,782
1936 .....	5,077	2,450	(3)	(3)	306	(4)	(4)	2,321
1937 .....	6,730	3,330	(3)	(3)	525	(4)	(4)	2,875
1938 .....	4,520	1,830	(3)	(3)	238	(4)	(4)	2,452
1939 .....	5,200	2,310	1,930	380	280	280	480	1,850
1940 .....	6,490	3,140	2,580	560	440	390	550	1,980
1941 .....	8,190	4,080	3,400	680	560	340	710	2,490
1942 .....	6,110	3,170	2,760	410	540	260	680	1,470
1943 .....	4,530	2,610	2,250	360	460	190	540	730
1944 .....	5,210	2,890	2,390	500	580	280	490	970
1945 .....	6,630	3,650	3,210	440	550	320	630	1,480
1946 .....	12,040	6,470	5,910	560	570	660	1,040	3,300
1947 .....	16,180	8,150	7,460	690	910	800	1,900	4,430
1948 .....	19,230	9,140	8,340	800	1,320	700	2,680	5,390
Annual rates, not adjusted for seasonal variation								
1948—First half .....	17,980	8,640	7,880	760	1,160	740	2,230	5,160
Second half .....	20,480	9,660	8,820	840	1,480	680	3,080	5,600
1949—First half <sup>3</sup> .....	18,560	8,400	7,620	780	1,540	540	2,980	5,120
1948—First quarter .....	16,680	7,920	7,200	720	1,080	720	2,000	4,960
Second quarter .....	19,280	9,360	8,560	800	1,240	760	2,560	5,360
Third quarter .....	19,320	9,160	8,360	800	1,320	680	2,760	5,440
Fourth quarter .....	21,640	10,160	9,280	880	1,640	680	3,400	5,760
1949—First quarter <sup>4</sup> .....	17,840	8,160	7,400	760	1,440	520	2,720	5,040
Second quarter <sup>4</sup> .....	19,280	8,640	7,840	800	1,640	560	3,240	5,200
Third quarter <sup>4</sup> .....	18,520	8,120	7,360	760	1,240	680	3,320	5,120

<sup>1</sup> Excludes agriculture.<sup>2</sup> Commercial and miscellaneous includes trade, service, finance, and communication for all years shown. Prior to 1939, miscellaneous also included transportation other than railroad, and electric and gas utilities, which are not available separately for these years.<sup>3</sup> Not available separately for years prior to 1939.<sup>4</sup> Included in commercial and miscellaneous prior to 1939.<sup>5</sup> Estimates for first and second quarter 1949 are preliminary actual expenditures; the third quarter of 1949 is based on anticipated capital expenditures of business.

NOTE.—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. Figures for 1929-44 are Federal Reserve Board estimates based on Securities and Exchange Commission and other data.

Detail will not necessarily add to totals because figures are rounded to the nearest \$10,000,000.

Sources: Securities and Exchange Commission and Department of Commerce (except as noted).

TABLE D-16.—*Inventories and sales in manufacturing and trade, 1939-49*

[Not adjusted for seasonal variation]

Period	Manufacturing			Wholesale			Retail trade		
	Millions of dollars		Ratio of average inventories to monthly sales <sup>3</sup>	Millions of dollars		Ratio of average inventories to monthly sales <sup>3</sup>	Millions of dollars		Ratio of average inventories to monthly sales <sup>3</sup>
	Inventories <sup>1</sup>	Sales <sup>2</sup>		Inventories <sup>1</sup>	Sales <sup>2</sup>		Inventories <sup>1</sup>	Sales <sup>2</sup>	
1939.....	11,516	5,112	2.11	3,200	2,505	1.21	5,285	3,504	1.53
1940.....	12,873	5,859	2.06	3,357	2,790	1.17	5,767	3,866	1.48
1941.....	17,024	8,172	1.78	4,151	3,650	1.04	7,262	4,624	1.48
1942.....	19,221	10,346	1.78	3,702	4,016	1.01	7,307	4,803	1.72
1943.....	19,897	12,603	1.52	3,577	4,330	.82	6,872	5,310	1.37
1944.....	19,122	13,402	1.46	3,686	4,505	.83	6,906	5,798	1.29
1945.....	17,924	12,371	1.50	4,216	4,777	.79	7,049	6,387	1.19
1946.....	23,435	12,020	1.68	5,823	6,138	.78	10,591	8,399	1.10
1947.....	28,020	15,671	1.67	7,545	7,304	.95	12,426	9,860	1.22
1948.....	31,713	17,587	1.70	8,315	7,867	1.02	13,938	10,829	1.30
1948—First half.....	29,727	17,128	1.70	7,953	7,558	1.04	13,637	10,288	1.34
Second half.....	31,713	18,045	1.71	8,315	8,176	1.01	13,938	11,371	1.28
1948—January.....	28,501	16,552	1.71	7,850	7,692	1.00	12,779	9,684	1.30
February.....	28,768	16,225	1.76	7,885	7,121	1.10	13,625	8,948	1.48
March.....	29,064	18,117	1.60	7,869	7,726	1.02	14,280	10,734	1.30
April.....	29,161	17,229	1.69	7,777	7,652	1.02	14,164	10,705	1.33
May.....	29,437	16,777	1.75	7,801	7,389	1.05	13,992	10,782	1.31
June.....	29,727	17,871	1.66	7,953	7,766	1.01	13,637	10,874	1.27
July.....	30,236	16,403	1.83	7,930	7,796	1.02	13,498	10,738	1.26
August.....	30,429	18,169	1.67	8,100	8,161	.98	13,972	10,674	1.29
September.....	30,710	18,781	1.63	8,243	8,286	.99	14,695	11,058	1.30
October.....	30,848	18,807	1.64	8,400	8,376	.99	15,284	11,542	1.30
November.....	31,225	17,980	1.73	8,517	8,242	1.03	15,652	11,019	1.40
December.....	31,713	18,130	1.74	8,315	8,196	1.03	13,938	13,194	1.12
1949—January.....	32,062	16,691	1.91	8,527	7,163	1.18	13,538	9,416	1.46
February.....	32,070	16,424	1.95	8,567	6,802	1.26	13,855	8,918	1.54
March.....	31,793	18,107	1.76	8,445	7,489	1.14	14,534	10,525	1.35
April.....	31,266	16,763	1.88	8,152	6,959	1.19	14,344	11,117	1.30
May <sup>4</sup> .....	30,823	16,190	1.92	7,884	7,094	1.13	13,831	10,805	1.30

<sup>1</sup> Book value end of period.<sup>2</sup> Monthly average shown for year and half year and total for month.<sup>3</sup> Book value based on centered averages of month-end figures.<sup>4</sup> Preliminary estimates based on incomplete data.

NOTE.—The inventory figures in this table do not agree with the estimates of "change in business inventories" included in the gross national product since they cover only manufacturing and trade rather than all business, and show inventories in terms of current book value without adjustment for revaluation or seasonal variation.

Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE D-17.—*Manufacturers' inventories by stage of fabrication and as ratios to sales, 1939-49*

[Not adjusted for seasonal variation]

Period	Durable goods industries				Nondurable goods industries			
	Book value of inventories at end of period (millions of dollars)		Ratio of average inventories to monthly sales <sup>1</sup>		Book value of inventories at end of period (millions of dollars)		Ratio of average inventories to monthly sales <sup>1</sup>	
	Materials and goods in process	Finished goods	Materials and goods in process	Finished goods	Materials and goods in process	Finished goods	Materials and goods in process	Finished goods
1939.....	3, 224	1, 948	1. 63	1. 06	3, 725	2, 619	1. 07	0. 83
1940.....	4, 073	2, 054	1. 52	. 84	4, 034	2, 712	1. 12	. 77
1941.....	6, 321	2, 031	1. 41	. 55	5, 919	2, 753	1. 11	. 61
1942.....	8, 073	2, 000	1. 46	. 41	6, 383	2, 765	1. 13	. 51
1943.....	8, 787	1, 942	1. 30	. 30	6, 705	2, 463	1. 07	. 43
1944.....	7, 886	2, 021	1. 22	. 29	6, 720	2, 495	1. 02	. 38
1945.....	6, 391	1, 946	1. 24	. 34	6, 917	2, 670	1. 03	. 39
1946.....	8, 615	2, 518	1. 66	. 49	8, 755	3, 547	1. 04	. 41
1947.....	9, 794	3, 541	1. 49	. 49	10, 261	4, 424	1. 00	. 42
1948.....	10, 631	4, 204	1. 44	. 55	10, 445	6, 433	. 99	. 52
1948—First half.....	9, 898	3, 951	1. 44	. 56	10, 301	5, 577	1. 00	. 49
Second half.....	10, 631	4, 204	1. 40	. 53	10, 445	6, 433	. 98	. 56
1948—January.....	9, 794	3, 662	1. 53	. 56	10, 394	4, 651	1. 02	. 45
February.....	9, 777	3, 748	1. 51	. 57	10, 148	5, 095	1. 05	. 50
March.....	9, 691	3, 875	1. 32	. 52	10, 332	5, 166	. 95	. 48
April.....	9, 764	3, 928	1. 42	. 57	10, 315	5, 154	1. 00	. 50
May.....	9, 846	3, 934	1. 48	. 59	10, 277	5, 380	1. 01	. 52
June.....	9, 898	3, 951	1. 37	. 55	10, 301	5, 577	. 96	. 51
July.....	10, 073	3, 894	1. 54	. 61	10, 515	5, 754	1. 05	. 57
August.....	10, 212	3, 820	1. 42	. 54	10, 576	5, 821	. 96	. 53
September.....	10, 405	3, 847	1. 36	. 51	10, 477	5, 981	. 94	. 53
October.....	10, 463	3, 871	1. 35	. 50	10, 455	6, 059	. 95	. 54
November.....	10, 511	4, 069	1. 40	. 53	10, 470	6, 175	1. 00	. 58
December.....	10, 631	4, 204	1. 37	. 54	10, 445	6, 433	1. 00	. 60
1949—January.....	10, 782	4, 360	1. 54	. 62	10, 370	6, 550	1. 07	. 67
February.....	10, 785	4, 494	1. 55	. 64	10, 210	6, 581	1. 09	. 69
March.....	10, 637	4, 643	1. 38	. 59	9, 902	6, 611	. 97	. 64
April.....	10, 377	4, 745	1. 47	. 65	9, 572	6, 572	1. 02	. 69
May <sup>2</sup> .....	10, 142	4, 678	1. 50	. 69	9, 322	6, 682	1. 01	. 71

<sup>1</sup> Inventories based on centered averages of month-end figures.

<sup>2</sup> Preliminary estimates based on incomplete data.

Source: Department of Commerce.

TABLE D-18.—*Sales, stocks, and outstanding orders at 296 department stores, 1939-49*

Period	Millions of dollars <sup>1</sup>			Ratio of stocks to sales	Ratio of orders to sales	Ratio of orders to stocks
	Sales (total for month)	Stocks (end of month)	Out- standing orders (end of month)			
Monthly average:						
1939.....	128	344	(?)	2.69	(?)	(?)
1940.....	136	353	108	2.60	0.79	0.31
1941.....	156	419	194	2.69	1.24	.46
1942.....	179	599	263	3.35	1.47	.44
1943.....	204	509	530	2.50	2.60	1.04
1944.....	227	535	560	2.36	2.47	1.05
1945.....	255	563	729	2.21	2.86	1.29
1946.....	318	715	909	2.25	2.86	1.27
1947.....	337	826	552	2.45	1.64	.67
1948.....	353	916	466	2.59	1.32	.51
1948—First half.....	317	896	462	2.83	1.46	.52
Second half.....	389	937	469	2.41	1.21	.50
1949—First half <sup>3</sup> .....	303	873	304	2.90	1.04	.35
1948—January.....	272	799	629	2.94	2.31	.79
February.....	264	800	571	3.37	2.16	.64
March.....	356	954	416	2.68	1.17	.44
April.....	333	943	357	2.83	1.07	.38
May.....	339	921	338	2.72	1.00	.37
June.....	338	866	462	2.56	1.37	.53
July.....	270	834	551	3.09	2.04	.66
August.....	298	897	545	3.01	1.83	.61
September.....	360	948	539	2.63	1.50	.57
October.....	390	1,062	507	2.72	1.30	.48
November.....	414	1,058	379	2.56	.92	.36
December.....	699	821	292	1.37	.49	.36
1949—January.....	267	790	388	2.96	1.45	.49
February.....	255	852	378	3.34	1.48	.44
March.....	320	918	310	2.87	.97	.34
April.....	347	907	236	2.61	.68	.26
May <sup>3</sup> .....	328	897	210	2.73	.64	.23

<sup>1</sup> Not adjusted for seasonal variation.

<sup>2</sup> Not available.

<sup>3</sup> Preliminary estimates based on incomplete data.

NOTE.—These figures represent retail sales, stocks, and outstanding orders as reported by a sample of 296 of the larger department stores located in various cities throughout the country and are not estimates of total sales, stocks, and outstanding orders for all department stores in the United States. Data are not available prior to 1939.

Detail will not necessarily add to totals because of rounding.

Source: Board of Governors of the Federal Reserve System.

TABLE D-19.—*Consumers' price index, 1929-49*

For moderate-income families in large cities

[1935-39=100]

Period	All items	Food	Apparel	Rent	Fuel, electricity, and refrigeration	House furnishings	Miscellaneous
1929.....	122.5	132.5	115.3	141.4	112.5	111.7	104.6
1930.....	119.4	126.0	112.7	137.5	111.4	108.9	105.1
1931.....	108.7	103.9	102.6	130.3	108.9	98.0	104.1
1932.....	97.6	86.5	90.8	116.9	103.4	85.4	101.7
1933.....	92.4	84.1	87.9	100.7	100.0	84.2	98.4
1934.....	95.7	93.7	96.1	94.4	101.4	92.8	97.9
1935.....	98.1	100.4	96.8	94.2	100.7	94.8	98.1
1936.....	99.1	101.3	97.6	96.4	100.2	96.3	98.7
1937.....	102.7	105.3	102.8	100.9	100.2	104.3	101.0
1938.....	100.8	97.8	102.2	104.1	99.9	103.3	101.5
1939.....	99.4	95.2	100.5	104.3	99.0	101.3	100.7
1940.....	100.2	96.6	101.7	104.6	99.7	100.5	101.1
1941.....	105.2	105.5	106.3	106.2	102.2	107.3	104.0
1942.....	116.5	123.9	124.2	108.5	105.4	122.2	110.9
1943.....	123.6	138.0	129.7	108.0	107.7	125.6	115.8
1944.....	125.5	136.1	138.8	108.2	109.8	136.4	121.3
1945.....	128.4	139.1	145.9	108.3	110.3	145.8	124.1
1946.....	139.3	159.6	160.2	108.6	112.4	159.2	128.8
1947.....	159.2	193.8	185.8	111.2	121.1	184.4	139.9
1948.....	171.2	210.2	198.0	117.4	133.9	195.8	149.9
1948—First half.....	169.1	208.3	195.7	116.4	130.8	193.9	147.0
Second half.....	173.3	212.1	200.2	118.4	137.1	197.7	152.9
1949—First half <sup>1</sup> .....	169.7	202.3	193.9	120.1	137.7	193.4	154.3
1948—January.....	168.8	209.7	192.1	115.9	129.5	192.3	146.4
February.....	167.5	204.7	195.1	116.0	130.0	193.0	146.4
March.....	166.9	202.3	196.3	116.3	130.3	194.9	146.2
April.....	169.3	207.9	196.4	116.3	130.7	194.7	147.8
May.....	170.5	210.9	197.5	116.7	131.8	193.6	147.5
June.....	171.7	214.1	196.9	117.0	132.6	194.8	147.5
July.....	173.7	216.8	197.1	117.3	134.8	195.9	150.8
August.....	174.5	216.6	199.7	117.7	136.8	196.3	152.4
September.....	174.5	215.2	201.0	118.5	137.3	198.1	152.7
October.....	173.6	211.5	201.6	118.7	137.8	198.8	153.7
November.....	172.2	207.5	201.4	118.8	137.9	198.7	153.9
December.....	171.4	205.0	200.4	119.5	137.8	198.6	154.0
1949—January.....	170.9	204.8	196.5	119.7	138.2	196.5	154.1
February.....	169.0	199.7	195.1	119.9	138.8	195.6	154.1
March.....	169.5	201.6	193.9	120.1	138.9	193.8	154.4
April.....	169.7	202.8	192.5	120.3	137.4	191.9	154.6
May.....	169.2	202.4	191.3	120.4	135.4	189.5	154.5

<sup>1</sup> Average of data for January through May.

Source: Department of Labor.

TABLE D-20.—*Wholesale price index, 1929-49*

[1926=100]

Period	All commodities	Farm products	Foods	Other than farm products and foods								
				Total	Hides and leather products	Textile products	Fuel and lighting materials	Metals and metal products	Building materials	Chemicals and allied products	Housefurnishing goods	Miscellaneous
1929.....	95.3	104.9	99.9	91.6	109.1	90.4	83.0	100.5	95.4	94.0	94.3	82.6
1930.....	86.4	88.3	90.5	85.2	100.0	80.3	78.5	92.1	89.9	88.7	92.7	77.7
1931.....	73.0	64.8	74.6	75.0	86.1	66.3	67.5	84.5	79.2	79.3	84.9	69.8
1932.....	64.8	48.2	61.0	70.2	72.9	54.9	70.3	80.2	71.4	73.9	75.1	64.4
1933.....	65.9	51.4	60.5	71.2	80.9	64.8	66.3	79.8	77.0	72.1	75.8	62.5
1934.....	74.9	65.3	70.5	78.4	86.6	72.9	73.3	86.9	86.2	75.3	81.5	69.7
1935.....	80.0	78.8	83.7	77.9	89.6	70.9	73.5	86.4	85.3	79.0	80.6	68.3
1936.....	80.8	80.9	82.1	79.6	95.4	71.5	76.2	87.0	86.7	78.7	81.7	70.5
1937.....	86.3	86.4	85.5	85.3	104.6	76.3	77.6	95.7	95.2	82.6	89.7	77.8
1938.....	78.6	68.5	73.6	81.7	92.8	66.7	76.5	95.7	90.3	77.0	86.8	73.3
1939.....	77.1	65.3	70.4	81.3	95.6	69.7	73.1	94.4	90.5	76.0	86.3	74.8
1940.....	78.6	67.7	71.3	83.0	100.8	73.8	71.7	95.8	94.8	77.0	88.5	77.3
1941.....	87.3	82.4	82.7	89.0	108.3	84.8	76.2	99.4	103.2	84.4	94.3	82.0
1942.....	98.8	105.9	99.6	95.5	117.7	96.9	78.5	103.8	110.2	95.5	102.4	89.7
1943.....	103.1	122.6	106.6	96.9	117.5	97.4	80.8	103.8	111.4	94.9	102.7	92.2
1944.....	104.0	123.3	104.9	98.5	116.7	98.4	83.0	103.8	115.5	95.2	104.3	93.6
1945.....	105.8	128.2	106.2	99.7	118.1	100.1	84.0	104.7	117.8	95.2	104.5	94.7
1946.....	121.1	148.9	130.7	109.5	137.2	116.3	90.1	115.5	132.6	101.4	111.6	100.3
1947.....	152.1	181.2	168.7	135.2	182.4	141.7	108.7	145.0	179.7	127.3	131.1	115.5
1948.....	165.1	188.3	179.1	151.0	188.8	149.8	134.2	163.6	199.1	135.7	144.5	120.5
1948—First half.....	163.7	190.4	176.9	148.8	190.6	150.9	131.5	156.4	195.3	137.3	142.2	121.6
1948—Second half.....	166.6	186.4	181.3	153.1	187.0	148.8	136.9	170.8	202.8	134.1	146.7	119.4
1949—First half <sup>1</sup> .....	157.3	170.4	163.3	149.3	180.9	142.7	133.3	171.9	197.6	120.6	147.1	114.6
1948—January.....	165.9	199.2	179.8	148.6	200.9	149.4	130.0	154.3	194.1	139.9	141.3	123.6
1948—February.....	161.0	185.3	172.4	147.9	193.3	150.0	130.9	155.3	193.5	135.7	141.8	120.1
1948—March.....	161.6	186.0	173.8	148.1	186.3	151.1	130.9	155.9	193.9	137.2	142.0	120.8
1948—April.....	163.0	186.7	176.7	149.0	187.0	151.7	131.5	157.2	195.7	137.5	142.3	121.8
1948—May.....	164.2	189.1	177.4	149.5	188.4	152.1	132.6	157.1	197.0	136.3	142.6	121.5
1948—June.....	166.4	196.0	181.4	149.9	187.7	151.4	133.1	158.6	197.4	137.2	143.2	121.5
1948—July.....	168.8	195.2	188.3	151.4	189.2	150.8	135.9	162.2	200.0	135.7	144.5	120.3
1948—August.....	169.8	191.5	189.8	153.3	188.4	150.4	136.4	171.0	203.8	133.2	145.4	119.7
1948—September.....	168.9	189.9	186.9	153.6	187.4	149.3	136.9	172.0	204.1	134.5	146.6	119.9
1948—October.....	165.4	183.5	178.2	153.4	185.5	148.3	137.3	172.4	203.7	135.5	147.5	119.0
1948—November.....	164.0	180.8	174.3	153.6	186.2	147.4	137.6	173.3	203.1	134.4	148.2	119.2
1948—December.....	162.4	177.3	170.2	153.1	185.3	146.7	137.2	173.8	202.2	131.1	148.4	118.5
1949—January.....	160.6	172.5	165.8	152.9	184.8	146.1	137.1	175.6	202.3	126.3	148.1	117.3
1949—February.....	158.1	168.3	161.5	151.8	182.3	145.2	135.9	175.5	201.5	122.8	148.3	115.3
1949—March.....	158.4	171.5	162.9	150.7	180.4	143.8	134.3	174.4	200.0	121.1	148.0	115.7
1949—April.....	156.9	170.5	162.9	148.8	179.9	142.2	132.0	171.4	196.5	117.7	147.0	115.6
1949—May.....	155.7	171.2	163.9	146.7	179.3	140.5	130.1	168.0	194.0	118.2	146.2	113.6
1949—June <sup>1</sup> .....	154.0	168.5	163.0	145.0	178.5	138.5	130.5	166.5	191.5	117.5	145.0	110.0

<sup>1</sup> Preliminary estimates based on incomplete data.

Source: Department of Labor.

TABLE D-21.—*Indexes of prices received and prices paid by farmers and parity ratio, 1929-49*

Period	Prices received	Prices paid (including interest and taxes)	Parity ratio <sup>1</sup>
	<i>August 1909- July 1914=100</i>	<i>1910-14=100</i>	
Monthly average:			
1929.....	149	167	89
1930.....	128	160	80
1931.....	90	141	64
1932.....	68	124	55
1933.....	72	120	60
1934.....	90	129	70
1935.....	109	130	84
1936.....	114	127	90
1937.....	122	133	92
1938.....	97	126	77
1939.....	95	124	77
1940.....	100	125	80
1941.....	124	132	94
1942.....	159	150	106
1943.....	192	162	119
1944.....	195	169	116
1945.....	202	172	117
1946.....	233	193	121
1947.....	278	231	120
1948.....	287	249	115
1948—First half.....	291	250	116
Second half.....	283	249	114
1949—First half.....	259	246	105
1948—January.....	307	251	122
February.....	279	249	112
March.....	283	248	114
April.....	291	249	117
May.....	289	250	116
June.....	295	251	118
July.....	301	251	120
August.....	293	251	117
September.....	290	250	116
October.....	277	249	111
November.....	271	247	109
December.....	268	247	108
1949—January.....	268	248	108
February.....	258	245	105
March.....	261	246	106
April.....	260	246	106
May.....	256	245	104
June.....	252	245	103

<sup>1</sup> Ratio of prices received to prices paid (including interest and taxes).

Source: Department of Agriculture.

TABLE D-22.—*Consumer credit outstanding, 1929-49*

[Millions of dollars]

End of period	Total consumer credit	Installment credit			Charge accounts	Other consumer credit <sup>2</sup>
		Total	Automobile sale credit	Other <sup>1</sup>		
1929-----	7, 628	3, 158	1, 318	1, 840	1, 749	2, 721
1930-----	6, 821	2, 688	928	1, 760	1, 611	2, 522
1931-----	5, 518	2, 204	637	1, 567	1, 381	1, 933
1932-----	4, 085	1, 518	322	1, 196	1, 114	1, 453
1933-----	3, 912	1, 588	459	1, 129	1, 081	1, 243
1934-----	4, 389	1, 860	576	1, 284	1, 203	1, 326
1935-----	5, 434	2, 622	940	1, 682	1, 292	1, 520
1936-----	6, 788	3, 518	1, 289	2, 229	1, 419	1, 851
1937-----	7, 480	3, 960	1, 384	2, 576	1, 459	2, 061
1938-----	7, 047	3, 595	970	2, 625	1, 487	1, 965
1939-----	7, 969	4, 424	1, 267	3, 157	1, 544	2, 001
1940-----	9, 115	5, 417	1, 729	3, 688	1, 650	2, 048
1941-----	9, 862	5, 887	1, 942	3, 945	1, 764	2, 211
1942-----	6, 578	3, 048	482	2, 566	1, 513	2, 017
1943-----	5, 378	2, 001	175	1, 826	1, 498	1, 879
1944-----	5, 803	2, 061	200	1, 861	1, 758	1, 984
1945-----	6, 637	2, 364	227	2, 137	1, 981	2, 292
1946-----	10, 191	4, 000	544	3, 456	3, 054	3, 137
1947-----	13, 673	6, 434	1, 151	5, 283	3, 612	3, 627
1948-----	16, 319	8, 600	1, 961	6, 639	3, 854	3, 865
1948—First half-----	14, 669	7, 533	1, 602	5, 931	3, 352	3, 784
Second half-----	16, 319	8, 600	1, 961	6, 639	3, 854	3, 865
1949—First half <sup>3</sup> -----	16, 150	9, 150	2, 550	6, 600	3, 300	3, 700
1948—January-----	13, 374	6, 468	1, 202	5, 266	3, 240	3, 666
February-----	13, 302	6, 548	1, 254	5, 294	3, 061	3, 693
March-----	13, 805	6, 821	1, 367	5, 454	3, 275	3, 709
April-----	14, 059	7, 094	1, 468	5, 626	3, 236	3, 729
May-----	14, 311	7, 318	1, 536	5, 782	3, 245	3, 748
June-----	14, 669	7, 533	1, 602	5, 931	3, 352	3, 784
July-----	14, 723	7, 738	1, 689	6, 049	3, 185	3, 800
August-----	14, 916	7, 972	1, 781	6, 191	3, 130	3, 814
September-----	15, 231	8, 190	1, 858	6, 332	3, 227	3, 814
October-----	15, 518	8, 233	1, 889	6, 344	3, 457	3, 828
November-----	15, 739	8, 322	1, 922	6, 400	3, 557	3, 860
December-----	16, 319	8, 600	1, 961	6, 639	3, 854	3, 865
1949—January-----	15, 749	8, 425	1, 965	6, 460	3, 457	3, 867
February-----	15, 332	8, 339	1, 996	6, 343	3, 176	3, 817
March-----	15, 361	8, 428	2, 105	6, 331	3, 148	3, 785
April-----	15, 622	8, 631	2, 241	6, 392	3, 258	3, 733
May <sup>4</sup> -----	15, 847	8, 884	2, 386	6, 498	3, 249	3, 714
June <sup>5</sup> -----	16, 150	9, 150	2, 550	6, 600	3, 300	3, 700

<sup>1</sup> Includes other sale credit and repair and modernization loans insured by Federal Housing Administration.<sup>2</sup> Includes single-payment loans of commercial banks, and pawnbrokers and service credit.<sup>3</sup> Preliminary estimates by Council of Economic Advisers.<sup>4</sup> Preliminary estimates based on incomplete data.

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

Source: Board of Governors of the Federal Reserve System (except as noted).



TABLE D-23.—*Loans and investments of all commercial banks and weekly reporting member banks, 1929–49*

[Billions of dollars]

End of period <sup>1</sup>	All commercial banks					Weekly reporting member banks	
	Total loans and investments	Loans	Investments			Loans	
			Total	U. S. Government obligations	Other securities	Total	Commercial, industrial, and agricultural
1929—June <sup>2</sup>	49.4	35.7	13.7	4.9	8.7	16.7	( <sup>3</sup> )
1930—June <sup>2</sup>	48.9	34.5	14.4	5.0	9.4	16.9	( <sup>3</sup> )
1931—June <sup>2</sup>	44.9	29.2	15.7	6.0	9.7	14.5	( <sup>3</sup> )
1932—June <sup>2</sup>	36.1	21.8	14.3	6.2	8.1	11.3	( <sup>3</sup> )
1933—June <sup>2</sup>	30.4	16.3	14.0	7.5	6.5	8.9	( <sup>3</sup> )
1934—June <sup>2</sup>	32.7	15.7	17.0	10.3	6.7	8.5	( <sup>3</sup> )
1935—June <sup>2</sup>	34.6	14.9	19.7	12.7	7.0	8.0	( <sup>3</sup> )
1936	39.5	16.4	23.1	15.3	7.8	9.2	( <sup>3</sup> )
1937	38.3	17.1	21.2	14.2	7.1	9.4	4.6
1938	38.7	16.4	22.3	15.1	7.2	8.4	3.8
1939	40.7	17.2	23.4	16.3	7.1	8.8	4.4
1940	43.9	18.8	25.1	17.8	7.4	9.4	5.0
1941	50.7	21.7	29.0	21.8	7.2	11.4	6.7
1942	67.4	19.2	48.2	41.4	6.8	10.3	6.1
1943	85.1	19.1	66.0	59.8	6.1	10.8	6.4
1944	105.5	21.6	83.9	77.6	6.3	13.0	6.5
1945	124.0	26.1	97.9	90.6	7.3	15.8	7.3
1946	114.0	31.1	82.9	74.8	8.1	16.7	10.3
1947	116.3	38.1	78.2	69.2	9.0	23.3	14.6
1948	114.3	42.5	71.8	62.6	9.2	25.6	15.6
1948—January	116.6	38.2	78.4	69.4	9.0	23.4	14.7
February	115.5	38.7	76.9	67.9	9.0	23.6	14.6
March	113.6	38.9	74.7	65.5	9.3	23.5	14.4
April	114.3	38.8	75.5	66.3	9.2	23.2	14.2
May	114.6	39.5	75.0	65.9	9.2	23.6	14.2
June	113.9	39.9	74.0	64.8	9.2	23.7	14.3
July	114.8	40.1	74.6	65.3	9.3	23.9	14.5
August	115.1	40.6	74.5	65.1	9.4	24.1	14.8
September	113.6	41.7	71.9	62.5	9.4	24.9	15.2
October	114.1	41.6	72.5	63.3	9.2	24.6	15.4
November	114.2	42.3	71.9	62.8	9.1	25.2	15.5
December	114.3	42.5	71.8	62.6	9.2	25.6	15.6
1949—January <sup>4</sup>	114.5	42.4	72.0	63.0	9.1	25.3	15.4
February <sup>4</sup>	113.4	42.0	71.4	62.2	9.1	24.9	15.2
March <sup>4</sup>	112.5	42.4	70.1	60.9	9.2	25.0	14.9
April <sup>4</sup>	112.5	41.3	71.2	62.0	9.2	24.0	14.2
May <sup>4</sup>	113.4	40.9	72.6	63.2	9.3	23.7	13.6
June <sup>4</sup>	( <sup>7</sup> )	41.0	( <sup>7</sup> )	( <sup>7</sup> )	( <sup>7</sup> )	23.9	13.2

<sup>1</sup> Reporting date nearest end of period.

<sup>2</sup> June data are used because complete end-of-year data prior to 1936 are not available for U. S. Government obligations.

<sup>3</sup> Not available prior to May 12, 1937, when the loan classification was revised.

<sup>4</sup> Beginning June, reported gross, i. e., before deduction of valuation reserves, instead of net as previously reported.

<sup>5</sup> Preliminary estimates based on incomplete data.

<sup>6</sup> Preliminary estimates by Council of Economic Advisers.

<sup>7</sup> Not available.

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

Source: Board of Governors of the Federal Reserve System (except as noted).

TABLE D-24.—Adjusted deposits of all banks and currency outside banks, 1929-49

[Billions of dollars]

End of period <sup>1</sup>	Total deposits adjusted and currency outside banks	Demand deposits adjusted <sup>2</sup>	Time deposits <sup>3</sup>	Currency outside banks
1929.....	54.6	22.8	28.2	3.6
1930.....	53.2	21.0	28.7	3.6
1931.....	47.0	17.4	26.0	4.5
1932.....	44.9	15.7	24.5	4.7
1933.....	41.5	15.0	21.7	4.8
1934.....	46.3	18.5	23.2	4.7
1935.....	51.3	22.1	24.2	4.9
1936.....	56.4	25.5	25.4	5.5
1937.....	55.8	24.0	26.2	5.6
1938.....	58.1	26.0	26.3	5.8
1939.....	63.3	29.8	27.1	6.4
1940.....	70.0	34.9	27.7	7.3
1941.....	76.3	39.0	27.7	9.6
1942.....	91.3	48.9	28.4	13.9
1943.....	112.4	60.8	32.7	18.8
1944.....	130.2	66.9	39.8	23.5
1945.....	150.8	75.9	48.5	26.5
1946.....	164.0	83.3	54.0	26.7
1947.....	170.0	87.1	56.4	26.5
1948.....	169.1	85.5	57.5	26.1
1948—First half.....	165.7	82.7	57.4	25.6
Second half.....	169.1	85.5	57.5	26.1
1949—First half <sup>4</sup> .....	165.9	82.5	58.3	25.1
1948—January.....	168.9	86.6	56.5	25.8
February.....	167.1	84.6	56.8	25.7
March.....	164.0	81.5	56.9	25.6
April.....	165.0	82.7	56.9	25.4
May.....	165.1	82.8	56.9	25.4
June.....	165.7	82.7	57.4	25.6
July.....	166.0	83.3	57.3	25.5
August.....	166.7	83.8	57.3	25.6
September.....	166.9	83.9	57.3	25.7
October.....	168.1	85.1	57.3	25.7
November.....	168.1	85.2	57.0	25.9
December.....	169.1	85.5	57.5	26.1
1949—January <sup>5</sup> .....	168.2	85.4	57.6	25.2
February <sup>5</sup> .....	166.3	83.4	57.8	25.1
March <sup>6</sup> .....	164.2	81.1	58.0	25.1
April <sup>5</sup> .....	165.5	82.4	58.1	24.9
May <sup>5</sup> .....	165.7	82.6	58.2	25.0
June <sup>5</sup> .....	165.9	82.5	58.3	25.1

<sup>1</sup> Reporting date nearest end of period.<sup>2</sup> Includes demand deposits, other than interbank and U. S. Government, less cash items in process of collection.<sup>3</sup> Includes deposits in commercial banks, mutual savings banks, and Postal Savings System.<sup>4</sup> Estimates by Council of Economic Advisers.<sup>5</sup> Preliminary estimates based on incomplete data.

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

Source: Board of Governors of the Federal Reserve System (except as noted).

TABLE D-25.—Estimated ownership of Federal securities, 1939-49

[Billions of dollars—par values <sup>1</sup>]

End of period	Gross debt and guaranteed obligations outstanding							
	Total	Held by U. S. Government agencies and trust funds	Held by public					
			Total	State and local govern- ments <sup>2</sup>	Com- mercial banks <sup>3</sup>	Federal Reserve banks	Nonbank private corpora- tions and associa- tions <sup>4</sup>	Indi- viduals <sup>5</sup>
1939.....	47.6	6.5	41.1	0.4	15.9	2.5	12.0	10.4
1940.....	50.9	7.6	43.3	.5	17.3	2.2	12.5	10.9
1941.....	64.3	9.5	54.7	.7	21.4	2.3	16.3	14.1
1942.....	112.5	12.2	100.2	1.0	41.1	6.2	27.4	24.5
1943.....	170.1	16.9	153.2	2.1	59.9	11.5	41.2	38.4
1944.....	232.1	21.7	210.5	4.3	77.7	18.8	56.0	53.5
1945.....	278.7	27.0	251.6	6.5	90.8	24.3	65.3	64.8
1946.....	259.5	30.9	228.6	6.3	74.5	23.3	59.5	64.9
1947.....	257.0	34.4	222.6	7.3	68.7	22.6	57.5	66.6
1948.....	252.9	37.3	215.5	7.9	62.5	23.3	54.3	67.6
1948—First half.....	252.4	35.7	216.6	7.8	64.6	21.4	55.9	67.0
Second half.....	252.9	37.3	215.5	7.9	62.5	23.3	54.3	67.6
1949—First half <sup>6</sup> .....	252.8	38.3	214.5	8.1	63.5	19.3	54.9	68.7
1948—January.....	256.7	34.6	222.1	7.3	69.0	21.9	57.3	66.6
February.....	254.7	34.9	219.8	7.4	67.4	21.0	57.2	66.7
March.....	253.1	35.0	218.1	7.8	65.1	20.9	57.5	66.8
April.....	252.3	34.8	217.5	7.8	66.1	20.3	56.4	66.8
May.....	252.3	34.9	217.4	7.7	65.6	20.7	56.6	66.9
June.....	252.4	35.7	216.6	7.8	64.0	21.4	55.9	67.0
July.....	253.4	36.4	217.1	7.9	65.1	21.3	55.4	67.3
August.....	253.1	36.5	216.6	8.0	64.8	21.6	55.0	67.4
September.....	252.7	36.8	215.9	7.8	62.4	23.4	54.8	67.4
October.....	252.5	36.8	215.7	7.8	63.0	23.0	54.4	67.5
November.....	252.6	37.0	215.5	7.9	62.4	23.2	54.6	67.5
December.....	252.9	37.3	215.5	7.9	62.5	23.3	54.3	67.6
1949—January.....	252.7	37.4	215.3	7.9	62.7	22.1	54.7	67.9
February.....	252.7	37.5	215.2	7.9	62.2	22.3	54.6	68.2
March.....	251.7	37.7	214.0	8.0	60.6	21.7	55.2	68.6
April.....	251.6	37.5	214.0	8.1	61.9	21.1	54.6	68.4
May <sup>6</sup> .....	251.9	37.5	214.4	8.1	63.2	19.7	54.8	68.6
June <sup>6</sup> .....	252.8	38.3	214.5	8.1	63.5	19.3	54.9	68.7

<sup>1</sup> United States savings bonds, series A-D, E, and F, are included at current redemption values.<sup>2</sup> Includes trust, sinking, and investment funds of State and local governments and their agencies, and Territories and insular possessions.<sup>3</sup> Includes commercial banks, trust companies, and stock savings banks in the United States and in Territories and insular possessions. Figures exclude securities held in trust departments.<sup>4</sup> Includes insurance companies, mutual savings banks, savings and loan associations, dealers and brokers and foreign accounts in this country. Beginning with December 1946, the foreign accounts include investments by the International Bank for Reconstruction and Development and the International Monetary Fund in special noninterest bearing notes issued by the U. S. Government. Beginning with June 30, 1947, includes holdings of Federal land banks.<sup>5</sup> Includes partnerships and personal trust accounts.<sup>6</sup> Preliminary estimates by Council of Economic Advisers.

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

Source: Treasury Department (except as noted).

TABLE D-26.—*Bond yields and interest rates, selected years, 1929-49*

[Percent per annum]

Period	U. S. Government security yields			High grade corporate bond yields (Moody's)		Bank rates on short-term business loans	Bankers acceptances 90 days—New York	Federal Reserve Bank discount rate—New York
	9-12 month certificates of indebtedness <sup>1</sup>	Bonds		Aaa bonds	Baa bonds			
		Long-term partially tax-exempt <sup>2</sup>	15 years and over, taxable					
1929 average.....		3.60		4.73	5.90	(3)	5.03	5.16
1933 average.....		3.31		4.49	7.76	(3)	.63	2.56
1935 average.....		2.79		3.60	5.75	(3)	.13	1.50
1937 average.....		2.74		3.26	5.03	(3)	.43	1.29
1939 average.....		2.41		3.01	4.96	2.1	.44	1.00
1941 average.....		2.05		2.77	4.33	2.0	.44	1.00
1943 average.....	0.75	1.98	2.47	2.73	3.91	2.6	.44	1.00
1945 average.....	.81	1.66	2.37	2.62	3.29	2.2	.44	1.00
1946 average.....	.82	(3)	2.19	2.53	3.05	2.1	.61	1.00
1947 average.....	.88	(3)	2.25	2.61	3.24	2.1	.87	1.00
1948 average.....	1.14	(3)	2.44	2.82	3.47	2.5	1.11	1.34
1948—First quarter.....	1.09	(3)	2.45	2.85	3.53	2.4	1.06	1.22
Second quarter.....	1.09	(3)	2.42	2.77	3.40	2.47	1.06	1.25
Third quarter.....	1.14	(3)	2.45	2.83	3.42	2.60	1.13	1.38
Fourth quarter.....	1.22	(3)	2.44	2.82	3.52	2.64	1.19	1.50
1949—First quarter.....	1.22	(3)	2.40	2.71	3.46	2.70	1.19	1.50
Second quarter <sup>6</sup> .....	1.22	(3)	2.38	2.70	3.45	(3)	1.19	1.50

<sup>1</sup> Tax exempt prior to March 1, 1941; taxable thereafter.<sup>2</sup> Average of yields on all outstanding partially tax-exempt Government bonds due or callable after 8 years, from 1919 to 1925; after 12 years, from 1926 to 1934; and after 15 years, from 1935.<sup>3</sup> Not available.<sup>4</sup> From October 30, 1942 to April 24, 1946, a preferential rate of 0.50 percent was in effect for advances secured by Government securities maturing in 1 year or less.<sup>5</sup> No partially tax-exempt bonds due or callable in 15 years.<sup>6</sup> Average of April and May data.

Sources: Treasury Department, Moody's Investors Service, and Board of Governors of the Federal Reserve System.

TABLE D-27.—*Profits before and after taxes, all private corporations, 1929-49*

[Billions of dollars]

Period	Corporate profits before taxes	Corporate tax liability <sup>1</sup>	Corporate profits after taxes		
			Total	Dividend payments	Undistributed profits
1929.....	9.8	1.4	8.4	5.8	2.6
1930.....	3.3	.8	2.5	5.5	-3.0
1931.....	- .8	.5	-1.3	4.1	-5.4
1932.....	-3.0	.4	-3.4	2.6	-6.0
1933.....	.2	.5	-.4	2.1	-2.4
1934.....	1.7	.7	1.0	2.6	-1.6
1935.....	3.2	1.0	2.3	2.9	-.6
1936.....	5.7	1.4	4.3	4.6	-.3
1937.....	6.2	1.5	4.7	4.7	(?)
1938.....	3.3	1.0	2.3	3.2	-.9
1939.....	6.5	1.5	5.0	3.8	1.2
1940.....	9.3	2.9	6.4	4.0	2.4
1941.....	17.2	7.8	9.4	4.5	4.9
1942.....	21.1	11.7	9.4	4.3	5.1
1943.....	24.5	14.2	10.4	4.5	5.9
1944.....	24.3	13.5	10.8	4.7	6.1
1945.....	20.4	11.6	8.7	4.7	4.0
1946.....	21.8	9.0	12.8	5.6	7.2
1947.....	29.8	11.7	18.1	6.9	11.2
1948.....	32.8	12.8	20.1	7.8	12.3
Annual rates, seasonally adjusted					
1948—First half.....	31.3	12.2	19.2	7.4	11.8
Second half.....	34.4	13.4	21.0	8.0	13.0
1949—First half <sup>2</sup> .....	27.2	10.9	16.2	8.2	8.1
1948—First quarter.....	30.5	11.8	18.7	7.4	11.3
Second quarter.....	32.1	12.5	19.6	7.4	12.2
Third quarter.....	34.0	13.3	20.8	7.7	13.1
Fourth quarter.....	34.7	13.5	21.2	8.3	12.9
1949—First quarter <sup>2</sup> .....	28.8	11.6	17.2	8.3	8.9
Second quarter <sup>3</sup> .....	25.5	10.2	15.3	8.0	7.3

<sup>1</sup> Federal and State corporate income and excess profits taxes.<sup>2</sup> Minus 8 million dollars.<sup>3</sup> Estimates based on incomplete data; by Council of Economic Advisers.

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

Source: Department of Commerce (except as noted).

TABLE D-28.—*Sales and profits of large manufacturing corporations, 1939-49*

[Millions of dollars]

Period	Durable goods industries (106 corporations) <sup>1</sup>			Nondurable goods industries (94 corporations) <sup>1</sup>		
	Sales	Profits		Sales	Profits	
		Before taxes	After taxes		Before taxes	After taxes
1939.....	6,748	734	597	3,843	476	400
1940.....	8,750	1,226	830	4,257	617	443
1941.....	12,806	2,175	982	5,485	980	538
1942.....	15,362	2,326	782	6,408	1,069	438
1943.....	20,633	2,389	755	7,607	1,293	506
1944.....	22,085	2,192	726	8,263	1,339	529
1945.....	18,161	1,288	574	8,371	1,133	555
1946.....	12,623	607	295	8,940	1,426	908
1947.....	19,836	2,312	1,355	11,313	1,788	1,167
1948.....	23,818	3,107	1,836	13,364	2,208	1,474
Totals for period, not adjusted for seasonal variation						
1948—First half.....	11,154	1,360	803	6,508	1,099	718
Second half.....	12,664	1,746	1,034	6,856	1,108	756
1948—First quarter.....	5,440	672	395	3,219	546	356
Second quarter.....	5,714	688	408	3,289	553	362
Third quarter.....	5,991	788	470	3,322	543	362
Fourth quarter.....	6,673	958	564	3,534	565	394
1949—First quarter.....	6,160	841	498	3,221	502	327

<sup>1</sup> Revised series: See *Federal Reserve Bulletin*, June 1949, for similar data for the following industry groups: primary metals and products, machinery, automobiles and equipment, foods and kindred products, chemicals and allied products, and petroleum refining.

Source: Compiled by the Board of Governors of the Federal Reserve System and based on published reports of various industrial corporations.

TABLE D-29.—*Relation of profits before and after taxes to investment, private manufacturing corporations, by industry groups, 1947-49*

Industry groups	Ratio of profits (annual rate) to stockholders' equity				
	Total		Selected quarters		
	1947	1948	1948		1949, first quarter
			First quarter	Fourth quarter	
	Before Federal taxes				
All private manufacturing corporations.....	24.7	24.7	26.8	25.2	20.4
Food.....	29.5	20.9	18.4	20.8	16.8
Tobacco manufactures.....	16.2	21.7	16.0	25.6	18.4
Textile mill products.....	30.6	30.0	39.2	23.6	16.8
Apparel and finished textiles.....	31.4	20.5	31.6	9.2	17.6
Lumber and wood products.....	34.9	29.3	38.8	19.2	14.8
Furniture and fixtures.....	28.9	27.3	32.8	22.4	16.0
Paper and allied products.....	33.8	26.4	31.2	22.8	19.6
Printing and publishing (except newspapers).....	28.8	23.6	25.6	18.0	23.2
Chemicals and allied products.....	25.1	25.2	27.6	24.4	22.8
Products of petroleum and coal.....	18.8	24.9	32.8	22.4	18.0
Rubber products.....	24.2	21.0	20.0	21.6	13.6
Leather and leather products.....	23.8	17.5	20.0	14.0	11.6
Stone, clay, and glass products.....	22.7	23.7	18.4	25.2	18.8
Primary nonferrous metal industries.....	19.3	20.8	21.6	24.8	21.6
Primary iron and steel industries.....	19.2	22.7	20.8	30.0	25.6
Fabricated metal products.....	28.0	26.8	28.0	28.0	20.0
Machinery (except electrical and transportation).....	25.8	26.3	28.8	27.6	23.6
Electrical machinery.....	30.5	26.8	28.8	32.0	22.0
Transportation equipment (except motor vehicles).....	4.8	14.4	12.0	18.8	15.2
Motor vehicles and parts.....	28.2	33.3	30.8	42.0	33.6
Instruments; photographic and optical goods; watches and clocks.....	22.6	22.5	19.6	26.8	20.8
Miscellaneous manufacturing (including ordnance).....	24.3	20.1	21.2	19.6	16.0
	After Federal taxes				
All private manufacturing corporations.....	15.1	15.5	16.8	15.6	12.8
Food.....	17.4	12.5	10.8	12.4	9.6
Tobacco manufactures.....	9.8	13.4	10.0	15.6	11.6
Textile mill products.....	18.4	18.4	24.0	14.4	10.0
Apparel and finished textiles.....	18.5	12.1	18.8	5.2	10.4
Lumber and wood products.....	22.0	18.7	24.8	12.4	8.8
Furniture and fixtures.....	17.3	16.2	19.6	13.2	9.2
Paper and allied products.....	20.8	16.2	19.2	14.0	12.0
Printing and publishing (except newspapers).....	17.4	14.4	15.6	10.0	14.4
Chemicals and allied products.....	15.5	15.9	17.2	16.0	14.0
Products of petroleum and coal.....	14.0	18.4	23.2	18.0	13.2
Rubber products.....	12.2	12.0	11.2	12.8	8.0
Leather and leather products.....	13.8	10.3	12.0	7.6	6.4
Stone, clay, and glass products.....	13.7	14.6	11.2	15.2	11.2
Primary nonferrous metal industries.....	11.6	13.2	14.0	15.2	13.6
Primary iron and steel industries.....	11.7	13.9	12.8	18.4	14.8
Fabricated metal products.....	17.0	16.6	17.2	17.2	12.0
Machinery (except electrical and transportation).....	15.4	15.9	17.6	16.8	14.0
Electrical machinery.....	18.4	15.6	16.8	18.0	12.4
Transportation equipment (except motor vehicles).....	.4	8.4	6.8	10.8	9.6
Motor vehicles and parts.....	15.8	19.0	17.6	22.8	19.6
Instruments; photographic and optical goods; watches and clocks.....	14.1	13.9	12.4	16.8	12.4
Miscellaneous manufacturing (including ordnance).....	14.0	11.8	12.4	11.2	10.0

Sources: Federal Trade Commission and Securities and Exchange Commission.

TABLE D-30.—*Relation of profits before and after taxes to sales, private manufacturing corporations, by industry groups, 1947-49*

Industry groups	Profits in cents per dollar of sales				
	Total		Selected quarters		
	1947	1948	1948		1949, first quarter
			First quarter	Fourth quarter	
Before Federal taxes					
All private manufacturing corporations .....	11.0	11.1	11.5	10.8	9.9
Food .....	7.1	5.6	5.0	5.5	4.6
Tobacco manufactures .....	6.7	8.3	6.6	10.1	7.7
Textile mill products .....	13.7	13.5	15.1	11.3	8.9
Apparel and finished textiles .....	7.8	5.2	7.6	2.3	4.8
Lumber and wood products .....	18.1	15.5	19.4	11.0	10.4
Furniture and fixtures .....	10.1	9.2	11.2	7.5	6.5
Paper and allied products .....	17.4	13.8	15.9	12.0	11.5
Printing and publishing (except newspapers) .....	10.1	8.5	9.1	6.2	9.1
Chemicals and allied products .....	14.2	13.9	15.1	13.3	13.2
Products of petroleum and coal .....	14.6	17.4	19.1	15.2	13.8
Rubber products .....	8.7	8.2	7.7	8.4	6.2
Leather and leather products .....	7.4	5.6	5.9	4.5	4.1
Stone, clay, and glass products .....	13.1	14.0	11.0	14.1	12.3
Primary nonferrous metal industries .....	14.6	14.2	14.6	16.2	15.2
Primary iron and steel industries .....	10.9	12.4	11.3	14.2	13.4
Fabricated metal products .....	12.1	11.5	12.0	11.2	9.8
Machinery (except electrical and transportation) .....	12.1	12.0	12.6	12.0	11.8
Electrical machinery .....	10.4	10.1	10.4	10.7	9.0
Transportation equipment (except motor vehicles) .....	2.8	7.0	6.9	8.6	7.2
Motor vehicles and parts .....	10.7	12.1	11.1	13.7	12.0
Instruments; photographic and optical goods; watches and clocks .....	12.5	12.5	12.1	13.0	12.0
Miscellaneous manufacturing (including ordnance) .....	10.8	9.5	9.5	8.7	8.4
After Federal taxes					
All private manufacturing corporations .....	6.7	7.0	7.2	6.8	6.1
Food .....	4.2	3.3	2.9	3.3	2.7
Tobacco manufactures .....	4.1	5.2	4.1	6.1	4.8
Textile mill products .....	8.2	8.3	9.2	6.9	5.3
Apparel and finished textiles .....	4.6	3.1	4.5	1.3	2.9
Lumber and wood products .....	11.4	9.9	12.3	7.2	6.4
Furniture and fixtures .....	6.0	5.5	6.7	4.4	3.7
Paper and allied products .....	10.7	8.5	9.7	7.4	7.0
Printing and publishing (except newspapers) .....	6.1	5.2	5.6	3.4	5.7
Chemicals and allied products .....	8.7	8.8	9.4	8.7	8.1
Products of petroleum and coal .....	10.9	12.8	13.5	12.2	10.3
Rubber products .....	4.4	4.7	4.3	4.9	3.7
Leather and leather products .....	4.3	3.3	3.5	2.5	2.2
Stone, clay, and glass products .....	7.9	8.6	6.6	8.7	7.2
Primary nonferrous metal industries .....	8.8	9.0	9.4	10.0	9.5
Primary iron and steel industries .....	6.6	7.6	6.9	8.7	7.9
Fabricated metal products .....	7.4	7.1	7.3	7.0	5.8
Machinery (except electrical and transportation) .....	7.2	7.3	7.7	7.2	7.1
Electrical machinery .....	6.3	5.9	6.1	6.0	5.1
Transportation equipment (except motor vehicles) .....	.3	4.1	3.8	4.9	4.5
Motor vehicles and parts .....	6.0	6.9	6.4	7.4	7.1
Instruments; photographic and optical goods; watches and clocks .....	7.8	7.8	7.5	8.2	7.2
Miscellaneous manufacturing (including ordnance) .....	6.2	5.6	5.5	5.0	5.2

Sources: Federal Trade Commission and Securities and Exchange Commission.



TABLE D-31.—*Relation of profits before and after taxes to investment and to sales, all private manufacturing corporations, by size classes, 1947-49*

Assets class (thousands of dollars)	Before Federal taxes					After Federal taxes				
	Total		Selected quarters			Total		Selected quarters		
	1947	1948	1948		1949, first quarter	1947	1948	1948		1949, first quarter
			First quarter	Fourth quarter				First quarter	Fourth quarter	
Ratio of profits (annual rate) to stockholders' equity										
All sizes.....	24.7	24.7	26.8	25.2	20.4	15.1	15.5	16.8	15.6	12.8
1 to 249.....	24.4	16.1	14.4	2.8	14.4	14.8	9.2	7.2	— .8	8.4
250 to 999.....	20.2	23.5	28.0	16.4	17.2	16.9	14.0	16.4	9.2	9.6
1,000 to 4,999.....	30.6	24.5	28.0	19.6	17.2	18.2	14.7	16.4	11.6	10.0
5,000 to 99,999.....	27.3	25.7	27.2	26.0	20.0	16.5	15.8	16.4	16.0	12.0
100,000 and over.....	20.3	24.7	26.8	27.6	22.4	12.9	16.0	17.2	18.0	14.4
Profits in cents per dollar of sales										
All sizes.....	11.0	11.1	11.5	10.9	9.9	6.7	7.0	7.2	6.8	6.1
1 to 249.....	6.5	4.1	4.0	.7	4.0	3.9	2.3	2.0	— .2	2.4
250 to 999.....	8.8	7.4	8.4	5.2	6.2	5.1	4.4	4.9	3.0	3.5
1,000 to 4,999.....	10.7	9.0	10.0	7.1	7.0	6.3	5.4	6.0	4.2	4.0
5,000 to 99,999.....	11.9	11.3	11.6	11.1	9.7	7.2	7.0	7.1	6.8	5.9
100,000 and over.....	11.4	13.2	13.5	14.1	12.2	7.2	8.6	8.7	9.2	7.8

Sources: Federal Trade Commission and Securities and Exchange Commission.

TABLE D-32.—*Sources and uses of corporate funds, 1947-49<sup>1</sup>*

[Billions of dollars]

Use or source of funds	1947	1948	1949, first half <sup>2</sup>
Uses.....	28.0	25.1	3.8
Plant and equipment outlays.....	15.0	17.2	8.4
Inventories (change in book value).....	7.2	5.4	—1.7
Changes in customer receivables.....	5.9	2.5	—3.1
Other current assets.....	— .1	( <sup>3</sup> )	.2
Sources.....	28.9	26.4	4.0
Internal.....	15.4	16.5	6.8
Retained profits and depletion allowances.....	10.6	11.6	4.2
Depreciation allowances.....	4.5	4.9	2.6
Reduction in cash and U. S. Government securities.....	.3	— .1	( <sup>3</sup> )
External.....	13.5	9.9	—2.9
Change in trade debt.....	2.6	1.0	—3.5
Change in Federal income tax liability.....	2.4	1.1	— .8
Other current liabilities.....	.7	( <sup>3</sup> )	— .2
Change in bank loans.....	2.6	1.1	—2.1
Change in mortgages.....	.8	.8	.4
Net new issues.....	4.4	5.9	3.3
Bonds.....	3.1	4.7	2.6
Stocks.....	1.3	1.2	.7
Discrepancy (uses less sources).....	— .9	—1.3	— .2

<sup>1</sup> Excludes banks and insurance companies.

<sup>2</sup> Preliminary estimates based on incomplete data. Not adjusted for seasonal variation.

<sup>3</sup> Less than 50 million dollars.

<sup>4</sup> Preliminary estimates by Council of Economic Advisers.

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

Source: Department of Commerce estimates based on Securities and Exchange Commission and other financial data.

TABLE D-33.—*The international transactions of the United States, 1946-49*

[Millions of dollars]

	1946 total	1947 total	1948					1949	
			Total	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter <sup>1</sup>
<b>Exports of goods and services:</b>									
Recorded goods <sup>2</sup> .....	10,187	15,340	12,615	3,317	3,237	2,935	3,126	3,268	3,350
Other goods <sup>3</sup> .....	1,687	716	830	326	154	170	180	153	( <sup>4</sup> )
Total goods.....	11,874	16,056	13,445	3,643	3,391	3,105	3,306	3,421	( <sup>4</sup> )
Services.....	2,272	2,611	2,083	540	537	526	480	475	( <sup>4</sup> )
Income on investments.....	820	1,074	1,263	230	303	315	415	236	( <sup>4</sup> )
Total exports.....	14,966	19,741	16,791	4,413	4,231	3,946	4,201	4,132	4,270
<b>Imports of goods and services:</b>									
Recorded goods.....	4,933	5,755	7,124	1,810	1,710	1,729	1,875	1,789	1,650
Other goods <sup>3</sup> .....	235	316	573	118	149	153	153	137	( <sup>4</sup> )
Total goods.....	5,168	6,071	7,697	1,928	1,859	1,882	2,028	1,926	( <sup>4</sup> )
Services.....	1,783	2,165	2,493	532	616	775	570	558	( <sup>4</sup> )
Income on investments.....	216	227	291	63	59	84	85	70	( <sup>4</sup> )
Total imports.....	7,167	8,463	10,481	2,523	2,534	2,741	2,683	2,554	2,460
<b>Surplus of exports of goods and services:</b>									
Recorded goods.....	5,254	9,585	5,491	1,507	1,527	1,206	1,251	1,479	1,700
Other goods.....	1,452	400	257	208	5	17	27	16	( <sup>4</sup> )
Total goods.....	6,706	9,985	5,748	1,715	1,532	1,223	1,278	1,495	( <sup>4</sup> )
Services.....	489	446	-410	8	-79	-249	-90	-83	( <sup>4</sup> )
Income on investments.....	604	847	972	167	244	231	330	166	( <sup>4</sup> )
Total surplus of exports.....	7,799	11,278	6,310	1,890	1,697	1,205	1,518	1,578	1,810
<b>Means of financing surplus of exports of goods and services:<sup>5</sup></b>									
Liquidation of gold and dollar assets by foreign countries.....	1,968	4,513	857	353	538	158	-192	-27	100
Dollar disbursements by:									
International Monetary Fund.....		464	196	132	22	6	36	32	} 35
International Bank.....		297	176	101	56	20	-1	8	
United States Government sources: <sup>6</sup>									
Grants.....	2,279	1,812	3,761	786	810	1,190	975	1,289	1,485
Long and short term loans.....	2,774	3,901	897	490	44	-160	523	279	265
United States private sources:									
Remittances.....	598	568	648	176	159	139	174	151	} 300
Long and short term capital.....	335	727	1,017	253	346	273	145	145	
Total means of financing.....	7,954	12,282	7,552	2,291	1,975	1,626	1,660	1,877	2,185
Errors and omissions.....	-155	-1,004	-1,242	-401	-278	-421	-142	-299	-375

<sup>1</sup> Preliminary estimates based on incomplete data.<sup>2</sup> Figures for recorded exports of goods in 1946 and 1947 have been adjusted to include goods shipped to United States armed forces abroad for distribution to civilians in occupied areas in order to make them comparable with figures for 1948. Such shipments are included in exports as recorded by the Bureau of the Census in 1948 but were not so included in prior years.<sup>3</sup> Includes goods sold to or bought from other countries that have not been shipped from or into the United States customs area and other adjustments.<sup>4</sup> Not available.<sup>5</sup> All figures for means of financing are on a net basis.<sup>6</sup> For detail see table D-34.

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

Source: Department of Commerce.

TABLE D-34.—United States Government aid to foreign countries, 1946-49

[Millions of dollars]

Type of aid	1946 total	1947 total	1948					1949	
			Total	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter <sup>1</sup>
<b>A. Unilateral payments:</b>									
Lend-lease.....	209	---	---	---	---	---	---	---	---
UNRRA and post-UNRRA.....	1,524	761	85	57	21	6	1	---	---
Civilian supplies distributed by the armed forces.....	539	980	1,280	346	312	420	202	250	(?)
Transfers to Philippines.....	60	96	130	11	23	45	51	60	(?)
Chinese aid.....	15	---	168	---	1	78	89	51	(?)
Greek-Turkish aid.....	---	74	349	91	95	88	75	50	(?)
International Refugee Organ- izations.....	---	17	89	33	21	12	23	18	(?)
Interim aid.....	---	12	546	301	195	47	3	---	---
European Recovery Program.....	---	---	1,388	---	204	567	617	927	1,100
Other.....	170	332	115	35	35	18	27	27	(?)
<b>Total unilateral payments.....</b>	<b>2,517</b>	<b>2,272</b>	<b>4,150</b>	<b>874</b>	<b>907</b>	<b>1,281</b>	<b>1,088</b>	<b>1,383</b>	<b>1,575</b>
Less unilateral receipts.....	238	460	389	88	97	91	113	94	90
<b>Equals net unilateral pay- ments.....</b>	<b>2,279</b>	<b>1,812</b>	<b>3,761</b>	<b>786</b>	<b>810</b>	<b>1,190</b>	<b>975</b>	<b>1,289</b>	<b>1,485</b>
<b>B. Long-term loans and investments:</b>									
Lend-lease credits.....	600	2	2	1	1	---	---	---	---
Surplus property including ship sales.....	841	274	210	156	40	11	3	4	(?)
Export-Import Bank loans.....	945	796	454	170	145	70	69	50	(?)
United Kingdom loan.....	600	2,850	300	300	---	---	---	---	---
Subscription to—									
International Bank.....	317	318	---	---	---	---	---	---	---
International Monetary Fund.....	5	2,745	---	---	---	---	---	---	---
European Recovery Program.....	---	---	486	---	---	1	485	280	200
Other.....	12	80	22	5	4	6	7	10	(?)
<b>Total.....</b>	<b>3,320</b>	<b>7,065</b>	<b>1,474</b>	<b>632</b>	<b>190</b>	<b>88</b>	<b>564</b>	<b>344</b>	<b>275</b>
Less repayments.....	90	174	332	52	28	210	42	65	35
<b>Equals net long-term loans and investments, including International Bank and In- ternational Monetary Fund.....</b>	<b>3,230</b>	<b>6,891</b>	<b>1,142</b>	<b>580</b>	<b>162</b>	<b>-122</b>	<b>522</b>	<b>279</b>	<b>240</b>
Less subscriptions to Inter- national Bank and Inter- national Monetary Fund.....	322	3,063	---	---	---	---	---	---	---
<b>Equals net long-term loans and investments, excluding International Bank and In- ternational Monetary Fund.....</b>	<b>2,908</b>	<b>3,828</b>	<b>1,142</b>	<b>580</b>	<b>162</b>	<b>-122</b>	<b>522</b>	<b>279</b>	<b>240</b>
<b>C. Short-term loans (net)</b>	<b>-134</b>	<b>73</b>	<b>-245</b>	<b>-90</b>	<b>-118</b>	<b>-38</b>	<b>1</b>	<b>---</b>	<b>25</b>
Total net unilateral pay- ments, loans, and invest- ments, excluding Inter- national Bank and Inter- national Monetary Fund (A+B+C).....	5,053	5,713	4,658	1,276	854	1,030	1,498	1,568	1,750

<sup>1</sup> Preliminary estimates based on incomplete data.<sup>2</sup> Not available.

Source: Department of Commerce.

TABLE D-35.—United States merchandise exports, including reexports, by areas, 1936-38 quarterly average, and 1947-49

Period	Total exports, including reexports	Canada	Other Western Hemisphere	ERP countries <sup>1</sup>	Other Europe	Asia <sup>1</sup>	Australia and Oceania	Africa
Millions of dollars								
Quarterly average:								
1936-38.....	742	113	138	282	31	122	23	32
1947.....	3,835	519	1,027	1,324	118	562	80	205
1948.....	3,154	476	848	1,046	49	498	38	196
1948—First quarter.....	3,317	425	914	1,141	84	513	42	197
Second quarter.....	3,237	493	901	1,061	33	507	34	207
Third quarter.....	2,935	485	738	964	38	486	30	195
Fourth quarter.....	3,126	511	839	1,017	40	486	47	186
1949—First quarter.....	3,268	463	840	1,120	41	588	54	163
Second quarter <sup>2</sup> .....	3,350	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )
Percentage of total								
Quarterly average:								
1936-38.....	100	15.2	18.6	38.0	4.2	16.4	3.1	4.3
1947.....	100	13.5	26.8	34.5	3.1	14.7	2.1	5.3
1948.....	100	15.2	26.9	33.2	1.6	15.8	1.2	6.2
1948—First quarter.....	100	12.8	27.6	34.4	2.5	15.5	1.3	5.9
Second quarter.....	100	15.2	27.8	32.8	1.0	15.7	1.1	6.4
Third quarter.....	100	16.5	25.1	32.9	1.3	16.6	1.0	6.6
Fourth quarter.....	100	16.3	26.8	32.5	1.3	15.6	1.5	6.0
1949—First quarter.....	100	14.2	25.7	34.3	1.3	18.0	1.7	5.0

<sup>1</sup> Turkey is included with ERP countries and excluded from Asia. Exports to Germany in the postwar period relate almost wholly to exports to the three western zones.

<sup>2</sup> Preliminary estimate based on incomplete data.

<sup>3</sup> Not available.

NOTE.—Data in this table cover all merchandise, including reexports, shipped from the United States customs area to foreign countries including, in 1947 to 1949, goods destined to United States armed forces abroad for distribution in occupied areas as civilian supplies.

Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE D-36.—*United States domestic merchandise exports, by economic classes, 1936-38 quarterly average, and 1947-49*

Period	Total domestic exports	Crude materials	Crude foodstuffs	Manu- factured foodstuffs	Semi-manu- factures	Finished manu- factures
Millions of dollars						
Quarterly average:						
1936-38.....	731	167	34	42	130	358
1947.....	3,791	400	337	439	446	2,168
1948.....	3,124	372	316	329	342	1,764
1948—First quarter.....	3,285	329	322	341	381	1,912
Second quarter.....	3,205	327	245	371	357	1,905
Third quarter.....	2,907	373	357	309	314	1,553
Fourth quarter.....	3,097	458	340	296	316	1,687
1949—First quarter.....	3,232	466	396	251	385	1,735
Percentage of total						
Quarterly average:						
1936-38.....	100	22.8	4.7	5.7	17.8	49.0
1947.....	100	10.6	8.9	11.6	11.8	57.2
1948.....	100	11.9	10.1	10.5	10.9	56.5
1948—First quarter.....	100	10.0	9.8	10.4	11.6	58.2
Second quarter.....	100	10.2	7.6	11.6	11.1	59.4
Third quarter.....	100	12.8	12.3	10.6	10.8	53.4
Fourth quarter.....	100	14.8	11.0	9.6	10.2	64.5
1949—First quarter.....	100	14.4	12.3	7.8	11.9	63.7

NOTE.—Data in this table cover all domestic merchandise shipped from the United States customs area to foreign countries including, in 1947 to 1949, goods destined to United States armed forces abroad for distribution in occupied areas as civilian supplies.

Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE D-37.—*Indexes of quantity and unit value of United States domestic merchandise exports, by economic classes, 1936-38 quarterly average, and 1947-49*

[1936-38=100]

Period	Total domestic exports	Crude materials	Crude foodstuffs	Manu- factured foodstuffs	Semi-manu- factures	Finished manu- factures
Quantity indexes						
Quarterly average:						
1936-38.....	100	100	100	100	100	100
1947.....	275	123	397	478	203	332
1948.....	213	100	362	351	143	256
1948—First quarter.....	220	87	323	353	160	275
Second quarter.....	217	86	265	390	149	275
Third quarter.....	197	100	407	319	130	225
Fourth quarter.....	216	124	429	335	131	246
1949—First quarter.....	229	129	494	314	161	254
Unit value indexes						
Quarterly average:						
1936-38.....	100	100	100	100	100	100
1947.....	188	195	248	218	169	182
1948.....	200	223	255	223	184	193
1948—First quarter.....	204	227	290	230	184	194
Second quarter.....	202	229	269	226	185	194
Third quarter.....	201	223	256	230	186	193
Fourth quarter.....	196	220	231	209	186	191
1949—First quarter.....	193	216	234	190	184	191

NOTE.—The indexes of quantity are a measure of the volume of trade after the influence on value of changes in average prices has been eliminated. The indexes of unit value provide a measure of change in the average prices at which trade transactions are reported in official foreign trade statistics, including change in average prices that result from changes in the commodity composition of trade. The indexes for 1947 to 1949 are based on data which include goods destined to the United States armed forces abroad for distribution to civilians in occupied areas.

Source: Department of Commerce.

TABLE D-38.—*United States general merchandise imports, by areas, 1936-38 quarterly average, and 1947-49*

Period	Total general imports	Canada	Other Western Hemi- sphere	ERP coun- tries <sup>1</sup>	Other Europe	Asia <sup>1</sup>	Australia and Oceania	Africa
Millions of dollars								
Quarterly average:								
1936-38.....	622	86	145	152	30	183	10	17
1947.....	1,439	274	576	174	45	249	39	82
1948.....	1,781	388	637	244	48	324	41	98
1948—First quarter.....	1,810	328	705	232	53	328	48	116
Second quarter.....	1,710	355	630	233	48	321	34	90
Third quarter.....	1,729	410	586	234	40	301	48	102
Fourth quarter.....	1,875	461	625	280	43	346	34	85
1949—First quarter.....	1,789	366	674	250	34	328	34	102
Second quarter <sup>2</sup> .....	1,650	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )
Percentage of total								
Quarterly average:								
1936-38.....	100	13.8	23.3	24.4	4.8	29.4	1.6	2.7
1947.....	100	19.0	40.0	12.1	3.1	17.3	2.7	5.7
1948.....	100	21.8	35.8	13.6	2.7	18.2	2.3	5.5
1948—First quarter.....	100	18.1	39.0	12.8	2.9	18.1	2.7	6.4
Second quarter.....	100	20.8	36.8	13.6	2.8	18.8	2.0	5.3
Third quarter.....	100	23.7	33.9	13.5	2.8	17.4	2.8	5.9
Fourth quarter.....	100	24.6	33.4	14.9	2.3	18.5	1.8	4.5
1949: First quarter.....	100	20.5	37.7	14.0	1.9	18.3	1.9	5.7

<sup>1</sup> Turkey is included with ERP countries and excluded from Asia. Imports from Germany in the post-war period relate almost wholly to imports from the three Western zones.

<sup>2</sup> Preliminary estimate based on incomplete data.

<sup>3</sup> Not available.

NOTE.—Data in this table cover all merchandise received in the United States customs area from foreign countries. General imports include merchandise entered immediately upon arrival into merchandising channels, plus entries into bonded customs warehouses.

Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.

TABLE D-39.—*United States merchandise imports for consumption, by economic classes, 1936-38 quarterly average, and 1947-49*

Period	Total imports for consumption	Crude materials	Crude foodstuffs	Manufactured foodstuffs	Semimanufactures	Finished manufactures
Millions of dollars						
Quarterly average:						
1936-38.....	615	190	85	95	126	120
1947.....	1,416	441	254	164	311	246
1948.....	1,770	537	318	183	408	324
1948—First quarter.....	1,776	578	346	161	396	295
Second quarter.....	1,678	506	287	180	385	319
Third quarter.....	1,754	543	271	199	419	322
Fourth quarter.....	1,870	520	367	190	433	360
1949—First quarter.....	1,756	502	340	181	397	336
Percentage of total						
Quarterly average:						
1936-38.....	100	30.9	13.8	15.4	20.5	19.5
1947.....	100	31.1	17.9	11.6	22.0	17.4
1948.....	100	30.3	18.1	10.3	23.1	18.3
1948—First quarter.....	100	32.5	19.5	9.1	22.3	16.6
Second quarter.....	100	30.2	17.1	10.7	22.9	19.0
Third quarter.....	100	31.0	15.5	11.3	23.9	18.4
Fourth quarter.....	100	27.8	19.6	10.2	23.2	19.3
1949—First quarter.....	100	28.6	19.4	10.3	22.6	19.1

NOTE.—Imports for consumption include merchandise entered immediately upon arrival into merchandising or consumption channels, plus withdrawals from bonded customs warehouses for consumption. Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce.



TABLE D-40.—*Indexes of quantity and unit value of United States merchandise imports for consumption, by economic classes, 1936-38 quarterly average, and 1947-49*

[1936-38=100]

Period	Total imports for consumption	Crude materials	Crude foodstuffs	Manufactured foodstuffs	Semimanufactures	Finished manufactures
Quantity indexes						
Quarterly average:						
1936-38.....	100	100	100	100	100	100
1947.....	108	129	96	83	130	84
1948.....	123	139	109	91	149	103
1948—First quarter.....	126	154	117	81	153	96
Second quarter.....	117	132	100	89	142	101
Third quarter.....	119	136	91	99	151	102
Fourth quarter.....	128	132	127	95	152	113
1949—First quarter.....	121	128	121	93	139	105
Unit value indexes						
Quarterly average:						
1936-38.....	100	100	100	100	100	100
1947.....	213	180	311	208	191	245
1948.....	235	203	343	212	217	266
1948—First quarter.....	230	197	347	210	206	266
Second quarter.....	234	202	338	214	215	268
Third quarter.....	239	210	349	212	221	265
Fourth quarter.....	238	206	338	212	227	267
1949—First quarter.....	236	206	330	206	227	267

NOTE.—The indexes of quantity are a measure of the volume of trade after the influence on value of changes in average prices has been eliminated. The indexes of unit value provide a measure of change in the average prices at which trade transactions are reported in official foreign trade statistics, including changes in average prices that result from changes in the commodity composition of trade.

Source: Department of Commerce.

TABLE D-41.—*Changes in selected economic series since 1939 and 1948*

Source: Appendix table No.	Economic series	1939=100				Percentage changes, 1948 second half to 1949 first half <sup>1</sup>
		1948			1949, first half	
		Year	First half	Second half		
D-1.....	Gross national product.....	283	276	291	281	-3.4
	Personal consumption expenditures.....	263	259	268	260	-2.7
	Gross private domestic investment.....	453	432	476	397	-16.6
	Net foreign investment.....	211	367	56	67	+20.0
	Government purchases of goods and services.....	271	246	296	319	+7.7
D-2.....	National income.....	310	301	320	310	-3.2
	Compensation of employees.....	292	283	300	294	-2.2
D-3.....	Personal income.....	294	288	300	295	-1.8
	Disposable personal income.....	274	267	282	278	-1.2
	Personal net saving.....	552	452	637	726	+14.0
D-5.....	Per capita disposable personal income:					
	Current dollars.....	245	239	251	246	-2.0
	1948 dollars.....	142	141	144	144	+1
D-7.....	Labor force, including armed forces.....	113	111	115	113	-1.6
	Civilian labor force.....	111	110	113	111	-1.8
	Employment.....	130	127	132	127	-3.9
	Nonagricultural.....	142	140	144	139	-3.7
	Agricultural.....	83	79	87	83	-5.3
	Unemployment.....	22	22	20	34	+66.6

See footnotes at end of table, p. 126.

TABLE D-41.—Changes in selected economic series since 1939 and 1948—Continued

Source: Appendix table No.	Economic series	1939=100				Percentage changes, 1948 second half to 1949 first half
		1948			1949, first half	
		Year	First half	Second half		
D-9.....	Average gross weekly earnings:					
	Manufacturing.....	223	218	227	225	-1.2
	Bituminous coal mining.....	304	295	312	306	-2.0
	Building construction.....	227	220	233	232	-.8
	Retail trade.....	189	185	192	197	+2.9
D-12.....	Physical production index of goods and utilities: total.....	172	(?)	(?)	(?)	(?)
	Agriculture.....	132	(?)	(?)	(?)	(?)
	Nonagriculture.....	180	180	180	172	-4.6
D-12.....	Industrial production index: total.....	176	176	176	166	-5.7
	Durable manufactures.....	206	206	207	196	-5.3
	Nondurable manufactures.....	162	163	161	152	-5.7
	Minerals.....	146	144	148	136	-8.3
D-14.....	New construction: total.....	298	259	337	268	-20.4
	Private.....	382	342	422	326	-22.8
	Residential.....	342	308	375	272	-27.6
	Nonresidential.....	456	418	494	407	-17.7
	Public utility and farm.....	414	357	471	384	-18.4
	Public.....	169	131	206	179	-12.9
D-15.....	Business expenditures for new plant and equipment.....	370	346	394	357	-9.4
D-16.....	Inventories:					
	Manufacturing.....	276	258	275	(?)	(?)
	Wholesale.....	260	249	260	(?)	(?)
	Retail.....	263	258	264	(?)	(?)
	Sales:					
	Manufacturing.....	344	335	353	(?)	(?)
	Wholesale.....	314	302	326	(?)	(?)
	Retail.....	309	294	325	(?)	(?)
D-19.....	Consumers' price index: All items.....	172	170	174	171	-2.1
	Food.....	221	219	223	212	-4.6
	Apparel.....	197	195	199	193	-3.2
	Rent.....	113	112	114	115	+1.4
D-20.....	Wholesale price index: All commodities.....	214	212	216	204	-5.6
	Farm products.....	288	292	285	261	-8.6
	Foods.....	254	251	258	232	-9.9
	Other than farm products and foods.....	186	183	188	184	-2.5
D-21.....	Prices received by farmers.....	302	306	298	273	-8.5
	Prices paid by farmers (including interest and taxes).....	201	202	201	198	-1.2
	Parity ratio.....	149	151	148	136	-7.9
D-22.....	Consumer credit outstanding, end of period.....	205	184	205	203	-1.0
D-27.....	Corporate profits:					
	Profits before taxes.....	505	482	529	418	-20.9
	Profits after taxes.....	402	384	420	324	-22.9
	Dividend payments.....	205	195	211	216	+2.5
	Undistributed profits.....	1,025	983	1,083	675	-37.7
D-35.....	Merchandise exports, including reexports <sup>1</sup> .....	425	442	408	446	+9.2
D-38.....	General merchandise imports <sup>2</sup> .....	286	283	290	277	-4.6

<sup>1</sup> Changes are computed from data as reported and therefore may differ slightly from changes computed from the indexes shown here.

<sup>2</sup> Not available.

<sup>3</sup> 1936-38 average=100.

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