

The Midyear Economic Report of the President

TRANSMITTED TO THE CONGRESS

July 1950

Together With a Report to the President
THE ECONOMIC SITUATION AT MIDYEAR 1950

By the
COUNCIL OF ECONOMIC ADVISERS



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LETTER OF TRANSMITTAL

THE WHITE HOUSE,
Washington, D. C., July 26, 1950.

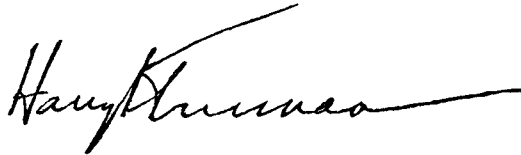
The Honorable the PRESIDENT OF THE SENATE,
The Honorable the SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIRS: I am presenting herewith a Midyear Economic Report to the Congress. This is supplementary to the Economic Report of the President of January 6, 1950, 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 1950, 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 horizontal flourish extending to the right.

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To the Congress of the United States:

Recent international events make it more important now than ever before that we maintain and expand our strength on the home front. For the sinews of all our strength, everywhere in the world, are found in what we achieve here at home. We must make full use of our great productive resources, our ever-improving industrial and scientific techniques, and our growing labor force. We must redirect a part of these resources to the task of resisting aggression. And in doing this, we must not let inflation undermine our efforts.

The world responsibilities of the United States have become heavy. Clearly, they will become still heavier before the united efforts of the free nations of the world produce a lasting peace. The American people know how much is at stake. They are prepared to shoulder their tasks without flinching.

The facts should warn us equally against easy indifference and sensational alarm. This is not the time for business as usual. We are not now living under peaceful world conditions. But neither are we engaged in a general or widespread war. We are in a situation between these opposite extremes, and economic policy should be guided accordingly. It is urgent to make some shifts in economic policy now. We must also speed up our preparation now to take more drastic action later if it should become necessary to do so.

Economic policy, to the best of our ability and foresight, should proceed in line with our appraisal of the developing situation. While it should not lag behind, it should not run blindly ahead.

The international policy of the United States is directed toward averting a full-scale war. We are following the only course open to a free and strong nation in the face of the challenge confronting us. We are acting together with other free peoples, through the United Nations, to put down the aggression in Korea, and to build the combined strength needed to deter aggression elsewhere.

The response of the whole Nation to developments in the Far East has already provided an overwhelming demonstration of unity in the conduct of our international policy. This has lifted the spirits of our friends all over the world. In these difficult times, there is the same need for unity on the economic front here at home. If our economy should fail to realize its full potential, our international strength and our domestic strength would both be affected. We cannot afford division on the home front, when some of our young men are fighting overseas. We cannot afford an

economy which performs below its best, when nothing but the best will assure the triumph of freedom and of right.

This unity in our economic affairs is attainable. We have gathered a wealth of practical experience about how our economy works, and about what promotes its strength and progress. Five years after the greatest of all wars, and even before the events of last month, we had reached the highest levels of peacetime production and employment ever known. We had passed through a period of inflation and conquered a postwar recession without permitting it to deepen into a depression. Based upon this record, those who work in private enterprise and those who work in Government—of both political parties—have reached agreement upon many national economic policies. This is far more important than some of the surface disagreements.

We must expand the area of agreement in the trying times ahead. And trying times they will be. We must enlarge our military outlays and related programs, when we had hoped to be able to reduce them further. We must realize that the engagement in Korea will be costly and may not be short. We must prepare against the possibility that other crises may arise elsewhere. We must continue to recognize that both economic and military aid will be required for the further strengthening of the free peoples of the world.

All of this means new problems for our economy—soluble problems, but not easy ones.

Our economy has the human and material resources to do the job ahead—if we achieve the unity which will enable us to do our best.

Strong evidence of the power of the United States economy is contained in the record of its performance during the first half of this year. That record is summarized at the end of this Economic Report, and is detailed in the accompanying report of the Council of Economic Advisers, "The Economic Situation at Midyear 1950."

Viewed in its entirety, the economy at midyear 1950 had made a remarkable recovery from the moderate recession of 1949. New records of peacetime production, employment, and real incomes were reached. Reasonable balance of prices had been achieved. The outlook in mid-June was for stability and new growth on a sound basis. Toward the end of June, however, the Korean outbreak brought rapid changes. The necessity for large new public outlays began to have both economic and psychological impacts. Many important prices commenced to rise rapidly. New private and public policies are needed quickly to deal with these new developments.

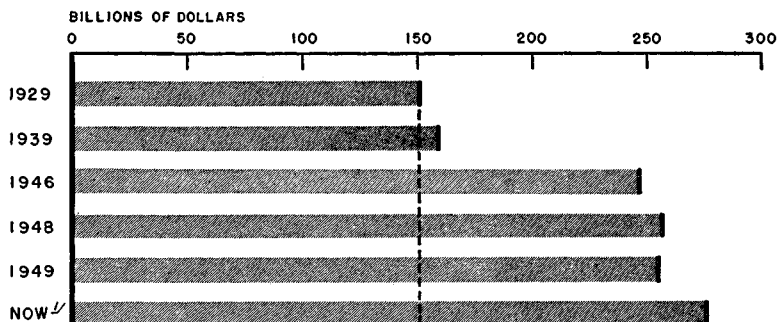
Expanding Production and Supply

The productive strength of the American economy is basic to our domestic well-being and our international security. Under current conditions, we face a twofold task: first, to get as much total production as we can;

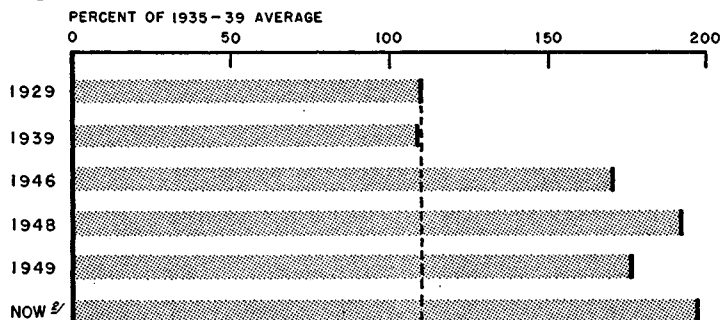
CHART 1

PRODUCTION AND EMPLOYMENT

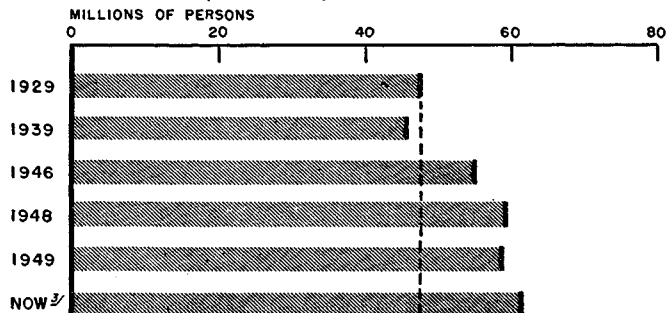
GROSS NATIONAL PRODUCT (1949 PRICES)



INDUSTRIAL PRODUCTION



EMPLOYMENT (CIVILIAN)



^{1/} SECOND QUARTER, 1950, ANNUAL RATE, SEASONALLY ADJUSTED.

^{2/} JUNE 1950, SEASONALLY ADJUSTED.

^{3/} JUNE 1950.

SOURCES: COUNCIL OF ECONOMIC ADVISERS, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, AND DEPARTMENT OF COMMERCE.

and second, to emphasize the right kind of production and the best utilization of the product.

The more successful we are in this twofold task, the less difficult it will be to meet promptly the increased military demand for goods and services, both for ourselves and for the free nations associated with us—without impairing the civilian economy or weakening the industrial potential upon which our military potential depends.

Increased production of the right kind of goods will lessen inflationary strains. If we allow inflation to develop by failing to take adequate measures, it will cost more to meet our military requirements, and it will be more difficult to maintain the smooth functioning of the economic machine and the high civilian efficiency and morale which are foundations of our military strength.

In the emergency created by World War II, we were forced to enlarge our military strength until it absorbed almost one-half of the output of the economy. This built up such extensive inflationary pressures as to require all-inclusive controls. In the more limited current situation, we should be able with more limited measures to meet our military requirements and at the same time to avoid inflation. This does not mean that we can meet our enlarged international obligations without some sacrifice of domestic consumption. Some sacrifice is called for, and I am confident that the American people are ready to do their part. But in determining sound policy at this time, we should measure the requirements of the present world situation against the recent growth and productive power of our economy, and its capacity for further growth.

Our total output of goods and services, measured in constant dollars (1949 price level), was about 151 billion in 1929. By 1939, it was about 160 billion. In 1946, the first full year after the war, it was about 248 billion. Two years later, in 1948, it was about 256 billion. Despite the moderate recession in 1949, our total output is now running at an annual rate of about 267 billion dollars. This rate is about 13 billion dollars higher than a year ago, and about 8 billion higher than in the peak quarter of 1948. It is more than 100 billion dollars higher than in 1939. All of these figures are stated in terms of the 1949 price level, and therefore reflect real changes.

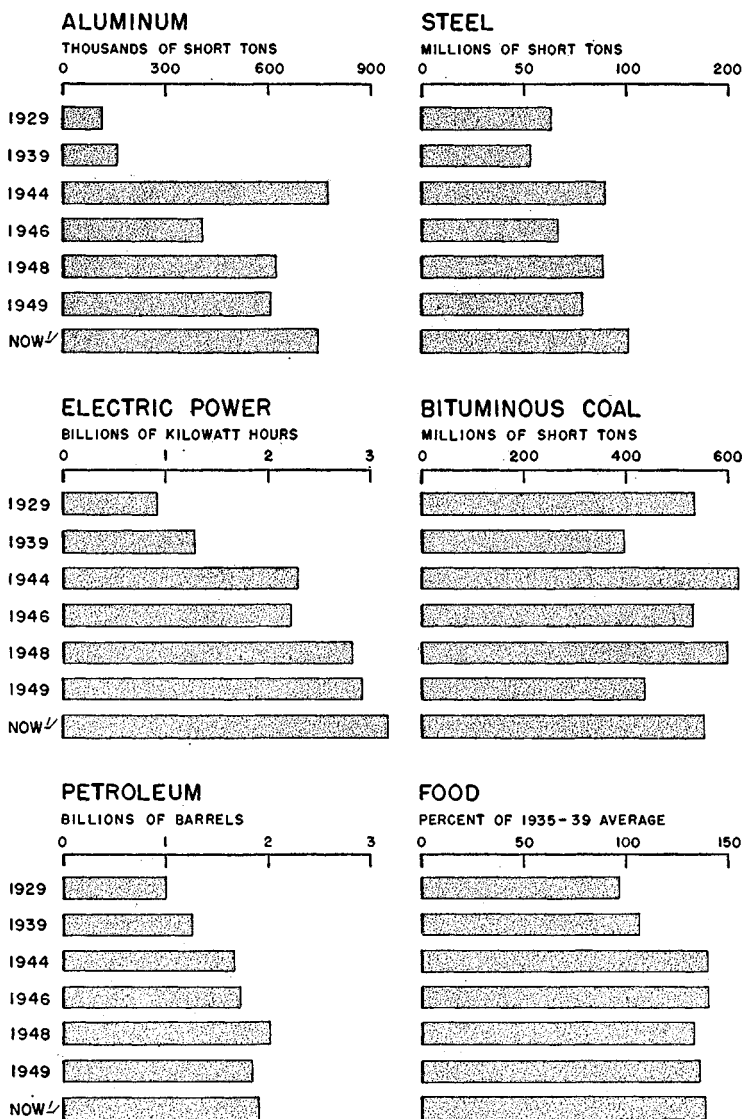
The index of industrial production was 110 in 1929, and about the same in 1939. In 1946, the first full year after the war, the index was 170. At the middle of this year, it had risen to 199, higher than ever before in peacetime and 23 points higher than the average for last year.

Civilian employment averaged 47½ million in 1929, and 45½ million in 1939. It averaged 59½ million in 1948, declined to 58½ million in 1949, and mounted to almost 61½ million in June 1950.

An even more vivid illustration of the expanding strength of our economy is afforded by these specific items:

CHART 2

GROWTH OF PRODUCTION SELECTED ITEMS AND PERIODS, 1929-50



✓ JUNE 1950, ANNUAL RATE, FOR ALL ITEMS EXCEPT FOOD, WHICH SHOWS ESTIMATE FOR 1950.
NOTE: DATA INCLUDE THE FOLLOWING ITEMS: ALUMINUM-PRIMARY PRODUCTION; STEEL-INGOTS AND STEEL FOR CASTING; ELECTRIC POWER-UTILITY PRODUCTION; PETROLEUM-CRUDE PRODUCTION. THE WARTIME PEAK WAS 1944 FOR ALL EXCEPT ALUMINUM (1943, 920 THOUSAND SHORT TONS).
SOURCES: DEPARTMENT OF INTERIOR, AMERICAN IRON AND STEEL INSTITUTE, FEDERAL POWER COMMISSION AND DEPARTMENT OF AGRICULTURE.

Steel production in 1929 was 63 million tons, and in 1939 it was 53 million. During the war year 1944, it rose to a peak of 90 million. The annual rate at the end of June 1950 was more than 100 million, an all-time record.

Aluminum production was 114 thousand tons in 1929, and 164 thousand in 1939. The current annual rate is 743 thousand, which is about 10 percent higher than a year ago or two years ago, and almost as high as the record output of 776 thousand in the war year 1944.

Electric power output rose from 92 billion kilowatt hours in 1929 to 128 billion in 1939, and to 228 billion in the war year 1944. It has expanded each year since the war, and now stands at an annual rate of 317 billion.

We produced about a billion barrels of crude petroleum in 1929, and more than 1¼ billion in 1939. This rose to more than 1.6 billion in the war year 1944. The figure now is well above that, at an annual rate of about 1.9 billion.

The index of food production, which was 97 in 1929 and 106 in 1939, rose to 140 during the war, when we were feeding millions all over the world. It now stands at about 139.

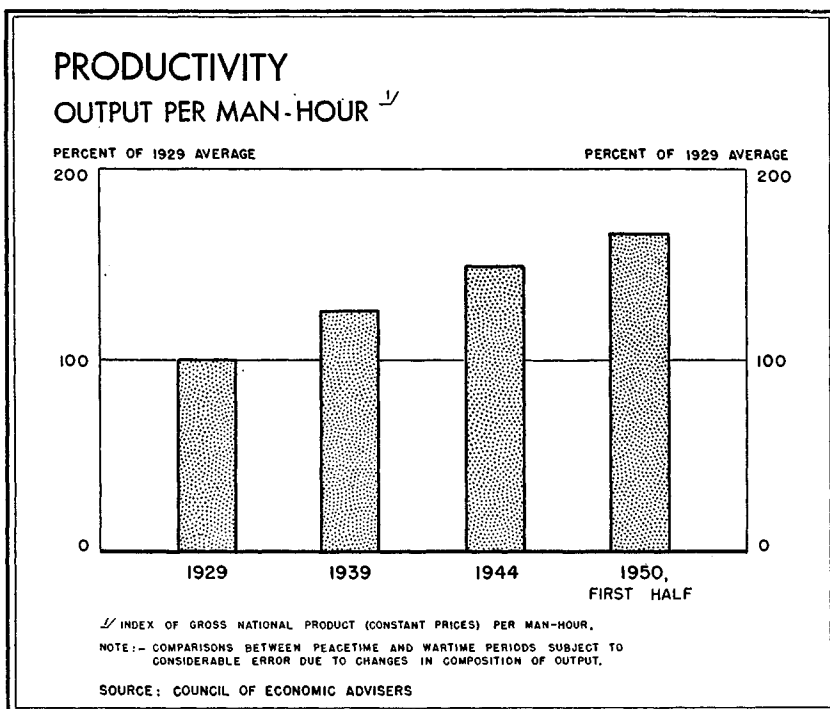
These indications of our growing resources are not adjusted for increases in population. In many cases, of course, our total output is a more important measure of our economic strength than output per capita. But even allowing for population increases, output per capita and standards of living are very much higher than before the war. For example, civilian food consumption per capita in 1950 is estimated at about 11 percent above the 1935-39 average; and industrial production is about 65 percent greater on a per capita basis.

Still another measure of our growing productive power is output per man-hour. Using 1929 as the base year, it is estimated that the index of total output per man-hour for the American economy as a whole was about 125 in 1939. During and since the war, there have been great gains in productivity, and for the first half of 1950 the best preliminary estimates indicate that the index has risen above 165.

Agriculture as well as industry has participated in these productivity gains. Farm output per worker has been about 43 percent higher during the last four years than in the four years immediately prior to World War II.

These record levels of production and productivity make us better able to perform the new and harder tasks ahead. It is sometimes said that, since there was a "slack" in the economy when World War II started which does not exist now, we could then undertake a greater expansion more easily than we can now carry forward a smaller expansion. It is true that we are now utilizing to the limit some plant capacities and some other facilities for production and distribution. Consequently, the increasing military demand will necessitate measures to restrict less essential uses in order to maintain military supply; and measures in some cases are needed to increase the total supply of vital materials. It is also true that any given amount of increased military outlays and procurement will produce in-

CHART 3



flationary pressures much more rapidly than if existing capacities and facilities were not already being so fully utilized. But clearly, our economy is far more able to satisfy the additional requirements now to be imposed upon it than if it had not already risen to such high levels of fundamental productive capacity.

For example, an economy is stronger for whatever tasks lie ahead, when it is actually producing more than 100 million tons of steel a year, although this involves full utilization of its capacity, than it would be if it were producing 85 million tons of steel but had unused capacity of 5 million tons. It is easier to divert part of the steel which is now being produced to new purposes, than it would be to build the plants required to lift capacity from 90 million tons to 100 million. Likewise, an economy which is employing 61½ million civilian workers, with less than 3½ million unemployed, is stronger for whatever tasks may lie ahead than if it were employing only 58 million workers and had about 7 million unemployed. It is easier to divert the production of skilled workers to new purposes, or even to put them on new jobs, than it would be to train millions of workers whose skills had been lost through years of enforced idleness. These examples apply to other sectors of the economy as well.

Furthermore, while the business recovery has been pronounced since a year ago, there is still some slack in the economy as a whole. We have not yet reached maximum employment and production. Even with exist-

ing capacities, it is estimated that total industrial output could now be increased by some 5 percent or possibly more, and this would lift the index of industrial production from 199 to nearly 210. Unemployment, which now stands at less than $3\frac{1}{2}$ million, could be reduced by 1 to 2 million—that is, to a level of about $2\frac{1}{2}$ to $1\frac{1}{2}$ million—without serious strain upon the labor force. There were times during the last war when civilian unemployment was less than 1 million. There are also many part-time workers available for full-time jobs. Even without an unusual increase in the labor force or in hours of work, the present material and human resources of our economy are sufficient to lift total production by the end of this year to an annual rate about 8 to 10 billion dollars above the current rate. This would result in an annual output rate, at the end of this year, of well over 275 billion dollars (measured in current prices).

Most important of all, even when we shall have taken up the present slack in the economy, we shall not have reached the longer-range limits of our total productive potential. National output per man-hour has in the long run increased about 2 to $2\frac{1}{2}$ percent a year, and total output, which reflects also population growth, has increased over 3 percent a year. With the enormous improvements in plant and technology already accomplished, this rate of increase should be equaled or even exceeded in the years immediately ahead. This means that, with maximum employment and production achieved and then maintained in a growing economy, it will be well within our reach to increase our total annual output in real terms by 9 to 10 billion dollars in 1951 and correspondingly in succeeding years.

This appraisal of our general productive strength is significant, but it does not cover the whole situation with which we now must deal. The specific requirements of our enlarged military effort cannot be spread over the whole economy. Instead, they will fall most heavily upon certain sectors, and our expansion of production can only partly be concentrated within these specific sectors. In many of these sectors, moreover, shortages and price increases were apparent even before the developments in Korea. These shortages have become more critical during the past month. They must be dealt with promptly, not only to support the military effort but also because if they are allowed to get out of hand they will increase the dangers of general inflation.

The steel industry has been operating above rated capacity almost continuously since April, and an increase in the military use of steel under the program which I have recommended will further increase the strain on supplies. Copper has been in such short supply that demand has exceeded output, and domestic stocks have been dwindling. Aluminum production is now going forward at 100 percent of capacity, and is booked solid for six months ahead. And the stepped-up military and stockpiling program will add to demand.

These shortages, and some others in strategic areas, have been reflected in the price structure. During the first half of this year, before the Korean situation, wholesale price increases were generally moderate. But there

were sharp increases in the prices of lumber, copper, zinc, scrap steel, and rubber. For example, since January, the price of copper has risen about 22 percent and the price of zinc about 50 percent. During the past four weeks rubber prices have risen about 45 percent, tin about 17 percent, print cloth about 22 percent, and wool tops about 10 percent. The daily spot index of 28 commodities has risen from a level of 264 on June 23, prior to the Korean outbreak, to 290.7 on July 20, a rise of 10 percent in four weeks.

In the interests of the military effort, action is needed now to direct the use of some commodities essential to the national defense, and in some cases to increase the output. This is necessary also to reduce inflationary pressures.

Thus we are faced with an over-all economic situation which is essentially strong although threatened by considerable general inflationary pressure, coupled with intense and rising pressures in limited areas.

The Duty of Government

A primary duty of Government is "to provide for the common defense." In fulfilling this responsibility, the test is not how far we can go without placing strain upon the domestic economy or without creating inflationary pressures. We must go as far as changing circumstances may require. In the final analysis, there are no limits except our total strength to guide us in our determination to resist aggression and thus to strive for peace.

But the question remains as to how much of our total economic strength must be shifted from peacetime production to defense purposes in the current situation. On the basis of searching study of the best information now available, I have recommended to the Congress the substantially increased programs which should now be undertaken to resist aggression and further to build up our preparedness. I have also indicated that other programs will be needed.

The realities of the current situation now require certain changes in national economic policy. These changes will take us in the right direction at once. And if the situation should become even more serious later on, the measures which I now propose for the current situation are also the measures which would make us more ready for further steps.

Appropriate agencies of Government have for several years been preparing the detailed plans for these further steps, if and when needed. If it should become necessary, I shall without hesitation ask the Congress for the grant of the powers to implement these further plans, whether for complete economic mobilization or for further intermediate action depending upon the need.

But the foregoing examination of our expanding material and human resources indicates that the substantial increases in our military forces and in supporting activities now under way do not call for a complete set of economic controls now—if business, labor, and consumers practice modera-

tion, and if adequate steps are taken at once to adjust private and public policies and programs to our supply needs and to the curbing of inflation.

First of all, for the immediate situation, we should rely in major degree upon fiscal and credit measures. These general measures can be helpful not only in restraining inflationary pressures, but also in reducing the civilian demand for some specific products, such as automobiles and housing, thus making available for necessary military use a larger proportion of an already short supply of some critical materials. The more prompt and vigorous we are with these general measures, the less need there will be for all of the comprehensive direct controls which involve the consideration of thousands of individual situations and thus involve infinitely greater administrative difficulties and much greater interference with individual choice and initiative.

Since I made tax recommendations to the Congress in January, the situation has changed drastically. There is now no need to reduce any taxes to stimulate business recovery. That recovery even before the development in Korea was more vigorous than most expected, and increased military spending will now accelerate this trend. The need to reduce, and as rapidly as possible to remove, the deficit is also greater now, because of the reappearance of strong inflationary forces. The amount of revenues required to accomplish this will also be greater, because the military situation and the general world outlook make inevitable an overall increase in public outlays of many billions of dollars in this fiscal year. Substantial tax increases now are called for by the requirements of sound budget policy and by the threat of inflation. The general business situation makes this feasible.

I am therefore recommending, for immediate action, an interim revenue measure to yield about 5 billion dollars of new revenue on a full year basis. The tax bill now pending should be revised to produce these results. All excise tax cuts and other revenue-losing provisions should be eliminated. The loophole closing, the dividend withholding, and the life insurance company provisions should be retained. The revised corporate income tax rate structure contained in the pending bill should be adjusted to provide a rate of 25 percent on the first \$25,000 of income and 45 percent on the balance, beginning with 1950 incomes. Individual income tax rates should be increased to the "tentative" levels adopted in 1945, by removing the percentage reductions from those levels made in 1945 and 1948. This should be effective beginning with one-quarter of 1950 incomes, and would be accompanied by an increase in the withholding rate from 15 to 18 percent, beginning with the last quarter of 1950.

The immediate enactment of this tax program is vital, but this interim measure alone will not be enough. It will be necessary, when the necessary studies can be completed and when the extent of our new obligations can be more clearly determined, to raise still additional revenues to avoid a deficit during times when economic policy and budgetary policy call for a balanced budget or a surplus.

The sharp increase in defense outlays makes it imperative to reexamine all Federal programs which might compete for materials and other resources required for national defense. In addition to the restrictive policy already put in force for housing credit, I have directed other agencies to revise their programs, giving particular attention to public works projects, loan programs, and procurement and inventories of supplies and equipment. The primary purpose of these actions is to reduce the demand for scarce resources, and they will also help to reduce Federal expenditures. Some reductions in expenditures can be expected in agricultural price supports with the demand for foodstuffs high, and in veterans' readjustment benefits as employment opportunities increase. We should guard, however, against indiscriminate Budget slashes. Indeed, in addition to direct military programs, a number of other Government programs, such as stockpiling and power development, will have to be expanded in response to the international situation. We should act selectively, curtailing those programs which compete with defense needs, and orienting other operations to the support of the defense program.

In addition to action in the fields of taxation and expenditures, other restraining measures of a general character are needed to deal with the extreme tightness of supply and the upward movement of prices in some important areas. These developments have occurred even with the economy somewhat below maximum production and employment, and even before the events of last month. Such shortages and price movements could very quickly be aggravated by increases in military procurement, by an intensification of consumer buying or business speculation supported by excessive credit, or by a combination of these factors.

Even under less compelling circumstances, I have urged that the Government should have certain credit-control authority to act promptly if necessary. I have on several occasions recommended that the Government's authority to restrain consumer credit, which terminated in the middle of 1949, should be restored. It is highly desirable that this be done now, because many of the products financed by consumer credit are heavy users of materials critically needed for defense production.

The construction industry, which is now operating at very high levels, is also a major user of critical materials. With respect to types of housing credit extended directly or guaranteed or insured by Federal agencies, I have already directed that limitations be imposed wherever permitted by existing law. Further authority to restrict real estate credit, particularly privately financed loans, should be granted. Authority is also needed to restrain commodity speculation.

These general restraining measures will reduce total demand, and thus release materials for military uses. But they cannot operate with sufficient speed or selectivity to serve the military need for those commodities where the shortage of supply is already apparent and will very quickly be intensified. These shortage situations, if neglected, could intensify the pressure

upon prices, militate against an equitable distribution of available supply, and thus force us to invoke more sweeping controls which might be avoided if we take more moderate action now. I am therefore recommending that the Congress immediately enact legislation to authorize the following: priorities and allocation of materials and facilities needed for the national defense and for essential civilian use; limitation of nonessential uses; restraint of inventory hoarding; and requisitioning of supplies.

Such measures to assure the necessary distribution of available supply are essential. Our main effort, however, must be to concentrate upon production and more production. The generally strong condition of our economy affords assurance that production, in general, will move steadily forward. But shortages of some critical commodities are now so great that, even with allocation measures, we can have no assurance of enough supply for military security and essential civilian use. Moreover, if future events should compel further rapid expansion of our military efforts, it would then be too late to commence the lengthy process of increasing basic capacity and supply. Unlike some measures which can be delayed until the immediate need is greater, this problem must be tackled long before the need becomes critical. I therefore recommend to the Congress, for immediate action, a program of guarantees and loans for capital expansion, development of technological processes, and production of essential materials. We cannot afford longer to risk the possibility of future desperate shortages of some of the most essential requirements for our national security.

Along with these special measures, we must continue to concentrate on the over-all task of maintaining our general economy in maximum health and encouraging its productive impulses. It is also imperative that we continue to pursue the international economic programs which are directed toward a more prosperous and more peaceful world. Many phases of national economic policy are involved in these tasks. In previous Economic Reports, I have set forth in detail how we may build upon existing programs to maintain the stability and enlarge the strength of the American economy as part of a strong world economy. Some of these programs now need to be reshaped or retarded, in view of the greater urgency of military undertakings. But the continuing importance of many of these programs should not be lost through concentration solely upon the military situation.

The Responsibilities of Individuals

The changes in national economic policy, which I am recommending at this time, are based upon the proposition that we must look also to individual and voluntary adjustments within our free economy to see us safely through the type of economic situation which is now unfolding. If conditions do not change very materially, we should continue to place large reliance upon these voluntary adjustments.

Our growing productive strength, as I have pointed out in earlier Economic Reports, depends largely upon business policies. It depends upon

judicious enlargement of capacity and investment, to make full use of a growing labor force and an expanding technology. It depends upon pointing production along those lines which are most needed under changing circumstances. It depends upon price and income practices which maintain a balance between full output and buying power, so as to avoid either inflation or deflation.

The course of business policies during the five years since World War II has, in the main, been an encouraging example of sensible adjustment to new problems as they arise. That is one very important reason why we now stand at unprecedented peaks of production, employment, and general prosperity. Further careful adjustment of capacity and investment to current and foreseeable conditions, combined with restrained pricing and other market adjustments, can give us the volume and kinds of production which the Nation needs. This is more essential now than ever before.

The expansion of certain types of production, which is now doubly urgent because of international tensions, should not be held back by fears that capacity would become excessive for peacetime use if international tensions should subside. The experience of the last five years has indicated that our domestic markets and the consumption requirements of our people are plentiful and growing. The facilities of most of our great industries are interchangeably useful for an expanding peacetime economy or for an expanding military force. Our obligation to resist aggression is no clearer than our obligation to maintain full prosperity at home when peace is made secure. With a growing population and working force, this full prosperity will absorb an ever-increasing output. The intelligent course for business now, in its own interests as well as those of the country, is to remember these long-range prospects even as it adjusts to shorter range developments.

Labor also has great responsibilities, rising in proportion to its increasing strength and influence upon the course of the whole economy. Labor should continue and enlarge its contribution toward increasing productivity, and toward even more effective use of manpower. Wage demands of a character which might lead to another inflationary spiral should be avoided. Above all, labor should join with management in the further consolidation of industrial peace. Work stoppages in vital industries are something we simply cannot afford under current conditions.

Every person in the United States is a consumer. The buying practices of the general public will be an important influence upon the economy under conditions which are now developing. The best rule to follow is to buy normally. The current outlook is that serious shortages of consumer goods will not develop, unless they are created artificially by speculative or panicky acquisition of goods far in excess of actual need. This rule applies to business buying as well. Those of us who are not now called upon to make great sacrifices should certainly, in justice to those in the armed services, refrain from hoarding or avarice.

* * *

We cannot now take action against all the contingencies of the future. But if we deal promptly and realistically with the problems of the present, the foundations will be firmly established for meeting new problems as they arise.

Working cooperatively together, through their free enterprise system and their Government, the American people have won a great war and established a unique prosperity.

Our task now is to help to restore and maintain the peace of the world, and to protect and advance our economic strength. These two purposes are inseparable.

We have achieved unity in our policies to resist foreign aggression. We must seek and achieve the same unity in economic policies, which will enable us to make that resistance successful as rapidly as possible. All else must yield to this controlling consideration in the minds and hearts of the freedom-loving people of the United States.

Summary of Legislative Recommendations

1. On account of the cost of expanding our military strength, and to help contain inflationary pressures, an interim revenue measure should be enacted immediately to yield substantial additional revenue in the current fiscal year. The tax bill now pending should be revised as follows:

(a) All excise tax reductions and other revenue-losing provisions should be eliminated, but the loophole closing, the dividend withholding, and the life insurance company provisions should be retained;

(b) The revised corporate income tax rate structure contained in the pending bill should be adjusted to provide an increase in the normal tax rate from 21 to 25 percent; taking into account the 20 percent surtax, this would increase the tax rate on corporate income in excess of \$25,000 to 45 percent, beginning with the year 1950;

(c) Individual income tax rates should be increased to the "tentative" levels adopted in 1945, by removing the reductions from those levels made in 1945 and 1948. This increase should be effective beginning with one-quarter of 1950 incomes, and would require an increase in the withholding rate from 15 to 18 percent, beginning with the last quarter of 1950.

2. As a safeguard against inflationary buying, and to reduce the demand for scarce materials, authority should be granted to regulate consumer credit, to restrain mortgage credit, particularly for housing, and to limit speculation in commodities.

3. In view of the mounting shortage of some commodities required for the national defense, authority should be granted for priorities and allocations of these commodities, for the limitation of nonessential uses, for the prevention of inventory hoarding, and for the requisitioning of supplies.

4. To expedite the production of certain commodities needed for the

military and for adequate stockpiling, and to guard against a dangerous shortage of these materials in the event of any emergency calling for further expansion of our military efforts, a program should be adopted which provides loans and incentives for the expansion of capacity, for technological developments, and for the production of essential supplies.

Summary of Economic Developments in First Half of 1950

The first half of 1950 brought recovery from the mild recession of 1949, and a rapid approach to new peaks of postwar prosperity. But at midyear, it became clear that further substantial increases in output, particularly in some lines, will be needed to meet the enlarged needs resulting from the international situation.

Civilian employment in June of this year was 61.5 million, about 1.9 million higher than a year earlier, and slightly higher than in any previous June. Nonagricultural employment was 2.5 million higher than in June 1949, while farm employment decreased. From May to June, employment increased by about $1\frac{3}{4}$ million.

Unemployment, after reaching a postwar peak of 4.7 million in February, was reduced to 3.4 million, or 5.2 percent of the civilian labor force, in June. A year earlier, it was 6.0 percent of the labor force; in February of this year, 7.6 percent. Unemployment at much higher rates persists in some localities, but is being reduced.

Total production of all goods and services rose to an all-time high annual rate of about 267 billion dollars in the second quarter of this year, compared with about 254 billion in the lowest quarter of the 1949 recession, and with the peak rate of 259 billion in the fourth quarter of 1948. These comparisons are in constant dollars (1949 prices) and are also adjusted for seasonal variation. The industrial production index of 199 in June 1950 also exceeded the previous postwar peak reached in late 1948, and was 18 percent higher than in June 1949. Manufacture of steel and automobiles, and construction activity, are now at new highs. The 1950 agricultural output, however, is expected to be slightly lower than in 1949.

Productivity per man-hour in manufacturing, according to some recent estimates, appears now to be rising at an annual rate of about 3 percent. Output per farm worker during 1945-49 was about 43 percent higher than during 1935-39.

Prices moved moderately upward during the first half of 1950, with sharp rises in a few commodities in short supply. Wholesale prices rose 4.0 percent, and in June were 1.8 percent above the June 1949 level, but still 7.4 percent below the postwar peak. The largest advances were in wholesale farm and food prices. The rise in industrial prices was less pronounced, except for a steady advance in building materials and sharp rises in some metals and in rubber. Consumer prices rose 1.6 percent dur-

ing the half-year, with very sharp increases in the last two months. In June, they were slightly higher than a year earlier and 2.5 percent below their postwar peak.

Since the events in Korea, there has been a marked rise in prices covering a wide range of commodities. In major part, this has been due to accelerated business and consumer buying, to speculation created by exaggerated fears of shortages, and to the ability to raise prices in such an atmosphere. In the farm field, seasonal declines in the supply of livestock, and the substantial reduction in cotton acreage, have been strong contributing factors. The Bureau of Labor Statistics spot index for 28 commodities has risen 10 percent in the four weeks since the Korean outbreak, while the weekly index of all wholesale prices has risen 3.7 percent.

Wage and salary payments rose during the first half of 1950, to a seasonally adjusted annual rate of 139.8 billion dollars in the second quarter of the year, about 4.6 billion dollars higher than a year earlier, and about 4.3 billion higher than in the first quarter of 1950. Rising employment and higher wage rates both influenced this trend. Manufacturing wage rates reached a new high of \$1.45 an hour in June. Private pension plans continued their rapid spread.

Work stoppages caused the loss of twice as much work time in the first five months of 1950 as in the same period of 1949. Conclusion of agreements in the bituminous coal industry, and with the Chrysler Corporation, ended the two principal work stoppages of the half-year. In May, the outlook for industrial peace was brightened by the highly significant five-year contract between the General Motors Corporation and the United Automobile Workers.

Profits have risen since 1949. In the second quarter of 1950, corporate profits before taxes were running at a seasonally adjusted annual rate of 31.0 billion dollars, 17 percent higher than a year earlier. The level of profits after taxes permitted substantial increase of liquid assets, despite higher dividends and a higher level of plant and equipment financing.

Farm income (realized net income of farm operators), at a seasonally adjusted annual rate of 11.6 billion dollars in the second quarter of 1950, was 15 percent below that of a year earlier.

Credit expansion, associated with the recovery of business since the latter part of 1949, proceeded rapidly during the first half of this year, closely paralleling the expansionary pattern of 1948. This expansion has reflected very active demand for consumer durables and housing, with the stimulus of easier terms, and also increased financing of purchases of securities. Consumer instalment credit has been rising constantly, and at the end of June reached a total of 12.0 billion dollars, 2.9 billion dollars higher than a year earlier.

Personal income in the second quarter of 1950 was at a seasonally adjusted annual rate of 213.7 billion dollars, an increase of about 4.0 percent from the fourth quarter of 1949. The distribution of veterans' insurance

dividends made total personal income slightly higher in the first quarter of 1950 than in the second. But all the major components of earned income, except farm income and rental income, were higher in the second quarter.

Personal consumption expenditures of 184.5 billion dollars in the second quarter of 1950 were 2.2 percent higher than in the fourth quarter of 1949, adjusted for seasonal variation. The proportion of personal consumption expenditures devoted to durable goods in the first half of 1950 was the highest on record.

Personal net saving rose from a seasonally adjusted annual rate of 6.2 billion dollars in the fourth quarter of 1949 to 15.3 billion in the first quarter of 1950, and declined to 10.1 billion in the second quarter. These unusual changes reflected the disposition of veterans' insurance dividends, received mainly in the first quarter. Personal debt has been rising faster than personal income since 1947.

Private domestic investment in the second quarter of 1950 was proceeding at a seasonally adjusted annual rate of 44 billion dollars, less than 3 billion below the all-time peak of the fourth quarter of 1948, and nearly 13 billion above the recession low reached in the fourth quarter of 1949. Outlays for construction and equipment have been rising since the summer of 1949, and by the second quarter of 1950 were well in excess of those of any previous quarter in history. Inventory accumulation was resumed early in the year, and during the second quarter was proceeding at a substantial rate.

Construction activity rose to a seasonally adjusted annual rate of 26.4 billion dollars in June 1950, a peacetime high. Rising costs of materials and labor evidenced some strain on the capacity of the building industry. The increase of 20 percent in private construction, from the first half of 1949 to the first half of 1950, was due to the unprecedented volume of residential building. Most other types of private construction were less active than last year, though contracts for commercial and industrial building have been increasing in recent months. Public construction, in the first half of 1950, was substantially above the level of a year earlier.

Corporate financial requirements during the first half of 1950 were much higher than a year earlier, primarily on account of the resumption of inventory expansion. Higher profits, however, have enabled corporations as a group during the first half of 1950 to maintain a highly liquid position.

The export surplus (the excess of our exports of goods and services over our imports) in the first half of 1950 was running at a rate of 4 to 5 billion dollars a year less than in the first half of 1949. Imports, after some decline, recovered and reached a higher level. Exports were considerably lower than a year before, and now are almost down to the prewar relationship to gross national product. Nearly all major export commodities have shown a decline, with cotton an important exception. Factors underlying the decline of exports and of the export surplus have been the increased foreign restrictions against use of dollars in payment for imports, the devaluation of foreign cur-

rencies, and perhaps most basically the increased foreign production which enabled those countries to get along with less imports from the United States.

Government fiscal transactions in the first half of 1950 were considerably influenced by the veterans' insurance dividend distribution. At seasonally adjusted annual rates, Federal cash receipts in the first half of 1950 were 40.4 billion dollars and cash payments 43.3 billion, resulting in a cash deficit at an annual rate of nearly 3 billion dollars. State and local fiscal operations during the half year showed a continued deficit at an annual rate of about 2 billion dollars.

Excluding the veterans' dividend distribution, Federal cash payments during the first half of 1950 were about 2¼ billion dollars below receipts on a seasonally adjusted basis, and were about 4.5 billion below the level of payments in the first half of 1949. This drop reflected chiefly lags in expenditures for international and defense programs, and somewhat reduced outlays for farm price supports. These developments in the consolidated cash statement of Federal fiscal transactions have been paralleled by developments in the conventional budget.

HARRY S. TRUMAN.

JULY 26, 1950.

The Economic Situation at Midyear 1950

A Report to the President

By the

COUNCIL OF ECONOMIC ADVISERS

LETTER OF TRANSMITTAL

COUNCIL OF ECONOMIC ADVISERS,
Washington, D. C., July 24, 1950.

The PRESIDENT:

SIR: The Council of Economic Advisers herewith submits a report, The Economic Situation at Midyear 1950, in accordance with section 4 (c) (2) of the Employment Act of 1946.

Respectfully,

Leonty Kyeperling

Chairman.

John D. Clark

Roy Blough

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THE recent international developments require us to take stock of our economic position. This we propose to do in three parts: (1) A general interpretation of the economic events of the past five years and of their current significance; (2) an analysis of problems ahead and of desirable policies; and (3) a detailed description of economic trends during the first half of 1950.

I. Five Years in Retrospect

The need for an interpretive review of the past five years is enhanced, rather than reduced, by the foreign situation. The variety of problems which the economy has faced since VJ-day has been so broad, and the adjustments which have been made to these problems have been so significant, that they provide an excellent starting point for an appraisal of the existing situation and of desirable economic policy.

This is true because, during these five years, the United States economy has been tested by the difficulties of reconversion, inflation, and recession. It has surmounted these tests with relatively small hardships, measured by earlier history. There are now new problems confronting us. But the ability already displayed to cope with the various situations which have arisen since VJ-day should provide us with a practical understanding of the present and a good measure of guidance and confidence for the future.

Most indicators reveal the highest levels of peacetime prosperity yet achieved. Civilian employment reached almost 61½ million in June. The pulse of activity is strong in almost every important sector. Measured in 1949 prices, our total output of goods and services was running at an annual rate of about 267 billion dollars (268 billion in current prices) for the second quarter of 1950. This contrasts with an annual rate (also in 1949 prices) of about 151 billion in 1929, about 160 billion in 1939, about 254 billion in the lowest quarter of the 1949 recession, and about 259 billion in the previous peak reached in the fourth quarter of 1948. Even more important is the prospect that we shall move considerably higher in production and employment during the remainder of the year. This was in prospect even before the new international developments late in June.

The unusual speed and scope of the recovery from the recession of 1949 rounds out an extensive series of business changes since the war, in an economy vastly different not only in size but also in character from prewar. The economist is now challenged to make a fresh analysis, trained not upon the prewar situation, but rather upon a postwar economy which has

expanded far above prewar levels, and which has been altered in many respects by changes in structure and in business policies as well as by the legislative programs of the 1930's and by the fiscal policies of the postwar period.

It is true that the experience during these five years was not a complete test of our capacity to maintain maximum production without inflation or to avoid deep or prolonged downturns of business activity. Some temporary factors, carrying over from the war, were still available last year to provide some elements of strength which may not be present in the years ahead. The time may come, although it is not immediately in prospect, when we shall be put to a more searching test than in 1949 of our ability to substitute new factors of demand when older ones disappear or diminish. Should these circumstances arise, they may require more extensive business adjustments, and a different interplay of public policies, than those which proved so effective in 1949. Nor was the inflationary danger of 1946-49, which we surmounted, as great as might arise in the future. Nonetheless, the experience between 1945 and 1949 was of vital significance. During those years, we went through a range of events which would probably have been burdensome enough to generate serious and extensive economic troubles under earlier circumstances. The difficulties presented by that particular range of events have thus far been overcome successfully. This demonstrates that our economy has far greater elements of stability and strength than most people had supposed. We must build upon that strength.

Further, the current period is sufficiently remote from World War II to release us from most of the dangers to the economy which are inherent in a postwar readjustment. The high and increasing level of general prosperity which we enjoyed during the first half of this year, on a fairly stable basis, should now be placed in a new frame of reference and associated with a new set of data and problems. If that prosperity is menaced in the future, it will be less in consequence of some lingering problems of the past five years than in consequence of new developments with which we shall have to deal as they arise. This is strikingly true of the near future, in the face of an economic situation altered by the recent turn of international developments.

A review of the problems which have been met and surmounted since the end of the war will set in perspective the extent to which the first half of 1950, prior to the Korean developments, found us on much sounder economic ground than previously, with much improved ability and therefore greatly enlarged confidence to deal with whatever problems may arise in the future. More specifically, this review has a direct bearing upon the problems of the immediate future, when concern about inflation is again entering the public mind, and when the international situation necessitates a sharp increase in the output of some products.

FIVE PHASES OF POSTWAR ECONOMIC DEVELOPMENT

Within five years, we have experienced five business phases which have been clearly defined. It will be profitable to examine each of these in some detail.

The transitional phase: from the war's end to early 1946

The prevalent fear toward the war's end was that a drastic reduction in public outlays, plus the rapid demobilization of our armed forces, would lead to heavy unemployment and business dislocation for a substantial period of time. Many estimates of potential unemployment ran as high as 8 million.

This crisis did not materialize. True, by early 1946 industrial production had declined more than 30 percent from the May 1945 level, and employment in manufacturing had decreased more than 20 percent. Unemployment rose from about one-half million on VE-day to about 2.7 million in February 1946. But by the end of the first quarter of 1946, the post-hostilities decline was concluded.

The main reasons for the mitigation of demobilization dislocation resided both in public policy and in private action. On the public side, much legislation was enacted to speed industries through the recovery process and to make sure that they had ample funds for the work to be done. The payment of discharge allowances to veterans placed funds in the hands of those consumers who would most quickly spend them for civilian goods. Other programs were encouraging veterans by the hundreds of thousands to enter colleges and training schools; this had the effect of holding them temporarily off the labor market.

Even with these public policies at work, there could have been vast unemployment if industry had been unequal to the technical and managerial task of quick reconversion. But no such shortcoming appeared. Instead, business manifested great skill and celerity, displaying a genius no less notable than that which had converted the country to the tasks of war. The relatively quick composition of differences between management and labor was another factor. The process of reconversion was stimulated by the confidence that the markets were waiting for the goods to flow. There were vast reservoirs of funds in the hands of consumers and business to help maintain demand as war buying declined.

The great demand on the part of consumers and business for goods and services caused all producers to crowd the capacity of existing facilities. Extra shifts of workmen brought about an increase in the number employed, even before new capital investment was made feasible by increasing supplies of raw materials and building products.

The expansion phase: from early 1946 to late 1947

In this period, the expansion of production, employment, and personal income surged strongly forward. Unemployment dropped below 2 million. New capital investment began in earnest. The ending of price control in the second half of 1946 opened the way for a threatening cycle

of increasing prices, rising cost of living, aggressive and successful demands for higher wages, increasing costs of production, and again a rise in prices. But this process had little adverse effect upon production and consumption during 1946, which were dominated by accumulated consumer and business demand. The economy was carried to high prosperity levels and full employment by the end of 1946. By early 1947, it was obvious that we had entered into magnitudes of activity vastly higher than before the war. It soon became clear, also, that this was not purely a restocking boom. The high tempo of activity reflected profound changes throughout the entire economy, in its industrial capacity and productive potential, and in the size and distribution of currently earned national income.

In early 1947, however, many analysts had become somewhat pessimistic. They took the view that the growing volume of durable goods beginning to appear in the market would divert consumer buying from nondurables. This view proved to underestimate the total situation. By this time, foreign demand and the Government policy of assisting war-torn nations to rehabilitate their economies caused a tremendous increase of foreign buying in American markets. In the first half of 1947, our excess of exports of goods and services over imports mounted to an annual rate of 12 billion dollars. Exports of agricultural products were especially large. When it became apparent that this export surplus could not be maintained indefinitely, there were renewed declarations that a business slump was imminent. But new factors of strength appeared within the domestic economy. As the export surplus declined rapidly toward the end of 1947, capital investment by business expanded, home building increased, and the economy continued to move forward.

The increase in business expenditures for new nonagricultural plant and equipment, from an annual rate of 12.6 billion dollars in the first quarter of 1947 to an annual rate of 19.8 billion dollars in the final quarter of the year, was in itself enough to counterbalance the decrease in the export surplus. This was due, for the most part, to the normal reaction of business managers to mounting profits and to the vision of a vast market demand, buttressed by a great store of personal savings and by high and increasing personal income. Government policies gave support to the trend of capital investment. The management of the public debt was directed toward the stabilization of interest rates, with a view to maintaining a financial environment which would facilitate the great industrial capital expansion required in the postwar period.

Private residential construction accounted for about two-thirds of the increase of about 4 billion dollars in total private investment in new construction from 1946 to 1947. The credit policies and programs of Government played an indispensable part in the expansion of the market demand for homes. This expansion depended upon low interest rates, small or nominal down payments, and long periods of amortization. Without public assurances, the policies of private investment institutions could not have been extended far enough to permit this type of financing.

The combined efforts of private enterprise and Government were sufficient to dissipate the danger of large-scale unemployment and business dislocation during the reconversion period. It remained to be seen whether they could be equally successful in dealing with the postwar inflation.

The climax of inflation: from late 1947 to beginning of 1949

Toward the latter part of 1947, the postwar investment programs of business were in full swing, backed by ample funds and activated by the unexpected ease of reconversion. Characteristic of such periods, business investment at first increased much more rapidly than the output of industry. This rising investment, in turn, increased the spendable incomes of consumers. In addition, wartime savings were still large. The international situation required a high level of public outlays. Some restraints upon buying were available, but they were not adequate to deal with the mounting inflationary pressures.

Notwithstanding the jump in the demand for materials for home building and other construction and for new equipment, as well as an increase in personal consumption expenditures and employment, there was very little enlargement of industrial production from the first half of 1947 to the second half. At the same time, a short supply of some important farm products at home and abroad contributed to the excess of total demand over total supply. This situation was conducive to rapid price increases which began in July. Between June and December, the index (percent of the 1926 averages) of wholesale prices of goods other than farm and food products rose from 131.6 to 145.5. The index for farm products rose from 177.8 to 196.7, with parallel increases in the price of food products. Wage increases added to the pressure on costs and prices. In the third quarter of the year, business loans increased rapidly and bank deposits were correspondingly expanded.

By midyear 1947, wholesale prices had risen longer and further than they did after World War I. When prices continued to rise at an accelerated rate during the second half of the year, there was increasing concern. It was felt that the longer prices rose, the more serious would be the ultimate reversal in business conditions. Many programs to forestall another disastrous depression had been established during the 1930's. But they had not been tested. No one could be sure that they would be effective in controlling a downward trend, in a more dynamic economy which had been carried so far into inflationary dangers.

A first test, although not a complete one, of these anti-deflationary programs came early in 1948. Speculation in the grain markets had continued to drive grain prices upward until the middle of January 1948. After a period of two weeks in which quotations softened, the bottom dropped out of the market in much the same manner as in 1920, and the stage seemed to be set for a catastrophic decline in agricultural prices similar to that which, in 1920, had ushered in a serious postwar depression.

Two Government policies prevented a repetition of the 1920 collapse of agricultural markets. Most immediate was a limited control of trading practices in commodity markets, under which changes in prices in a single trading session were held to a narrow range, 10 cents per bushel in the case of wheat. For several successive trading sessions the price of wheat dropped the limit, and on February 13 reached a level 74 cents per bushel below the price a month earlier. This restrictive rule prevented a mass attack upon the market, however, and it forestalled utter demoralization.

Before farm income was significantly affected, the influence of a more important program, that to support farm prices, halted the market break. The farm price support program was valuable in stopping the drop in farm prices before any great damage had been done. It was even more important in preventing fear in the business world generally that an agricultural collapse was in the making which would be the prelude to a general deflation. For the business world had good cause to believe that 1920 would not repeat itself in a collapse of agricultural income. It was known that, long before farm income dropped to a point where the farmer would cease to be an important factor in the demand for manufactured and other goods, the program of supporting farm prices near a parity level would come into action.

These factors go far to explain why there was no break in industrial production or employment. Some industrial prices continued upward even while farm prices were falling. New business investment plans were carried through. There were no general declines in wholesale or retail price levels except in the case of farm and food products, and these quickly rallied. Industrial prices and profits continued to rise. New capital investment was expanding, following two years of heavy investment in enlarging productive facilities. Government expenditures were increasing because of the foreign situation. Nonagricultural employment was increasing, and unemployment in the second half of 1948 was as low as it had been in any corresponding period since the war. National income was establishing a new record in each successive quarter of the year. The total disposable income of consumers also rose steadily, in buying power as well as in dollars.

All these increases in demand were occurring during a period when some bottlenecks in the productive process had not yet been broken. The effect of large investment upon production had not yet made itself felt. In fact, during the last nine months of 1948, industrial production increased very little.

In late 1947 and during 1948, there were efforts to obtain a comprehensive program to deal with inflation. But these efforts were not successful, and the inflation ran its course, although it was modified by the Government surplus and debt-retirement policy.

In this quick survey of the inflationary movement, it is important to recall that there were some curbs upon the boom although they did not prove to

be sufficient. Even at the peak, speculation and business excesses were not comparable to those of earlier periods. Self-restraint was manifest in many quarters. Moreover, the banking and credit structure, changed in significant respects, did not fan the fires as in the late 1920's. The Government had some powers which were used to dampen buying and credit. This composite of private and public policies prevented the situation from getting out of hand. It helped to make the recession more controllable when it came.

The recessionary phase: the first seven months of 1949

The central cause for the recession was to be found in the unwillingness or inability of buyers of all types to absorb at current high prices the full product at full employment of a highly productive industry and a flourishing agriculture. That is probably a characteristic of almost all recessionary movements. This condition had first manifested itself, as at earlier times, in the agricultural sector. The great improvement in agricultural production at home and abroad led to a decline in farm prices. The index of prices received by farmers (percent of the 1910-14 average) had undergone a fairly unbroken decline from 297 in mid-July of 1948 to 255 in mid-February of 1949. The effect upon wholesale food prices was only slightly delayed, and their course paralleled that of farm prices. Retail prices responded more slowly. But the decline in retail food prices brought the forward movement of the consumers' price index to a halt in September 1948, and this index declined during the last quarter of the year despite a continued advance in prices of other consumer goods and services.

However, the farm situation, while a contributory factor, would probably alone not have brought on the general recession. There were more important developments in the relationship between the general price level for almost all types of goods and services, and the incomes and buying habits of consumers. Personal consumption expenditures dropped in the fourth quarter of 1948. In the meantime, it became apparent that output was going to increase if full employment were maintained. This trend, combined with the increasing price consciousness of consumers, altered the outlook of business regarding the supportability of maximum output and employment at the current price structure.

For nearly three years, merchants had been building up their inventories as rapidly as goods became available, because they were confident that they could rely upon maintenance of the existing market demand, and perhaps upon some further expansion, even at increasing prices. Toward the end of 1948, when that confidence was shaken, merchants began to reduce their orders for new goods to prevent further accumulation of inventories as expansion of sales became dubious and as price declines seemed in the offing.

Industrial production reached a postwar peak of 195 (percent of the 1935-39 average seasonally adjusted) in October 1948, and was still above 190 in January 1949. Operating plans of industrial managers then began

to show the effect of the unplanned accumulation of inventories in the plants of manufacturers. Production was cut back, moderately in February and then much more rapidly. It became increasingly clear that a definite break in the inflationary movement had developed, and that the change was not merely a hesitation in the course of expanding business such as had occurred in the first quarter of the preceding year. In each of four successive months, beginning with March 1949, the industrial production index dropped 5 points. In July, partly due to vacations, the decline was 8 points, carrying the index down to 161. The drop of 34 points from November 1948 to July 1949 was more than 17 percent, wiping out the entire increase in the index of industrial production since the spring of 1946.

The effect of the decline in industrial production was augmented because the relationship of prices to the income structure, and some anticipation of price declines, had led even earlier to a pronounced shift in private construction. The record level of new housing starts in the first half of 1948 maintained expenditures during the second half well above those of the same period in the preceding year. But the trend was reversing. In 1947, the number of housing starts climbed each month until a peak was reached in October, and expenditures for private construction increased each month from May until November. After May 1948, there was a continuous decline in the number of new housing starts. Expenditures for private construction fell slowly but constantly after August.

Nonagricultural employment, which was 1.3 million higher in December 1948 than the average for the first half of that year, declined 1.9 million from December 1948 to February 1949, while the labor force declined only 1 million. There was also a seasonal decline in agricultural employment, so that unemployment increased in the two months from 1.9 million to 3.2 million. The subsequent seasonal increase in agricultural employment in the spring was not large enough to offset the growth in the labor force and the further moderate decline in nonagricultural employment. In June 1949, there were 3.8 million unemployed, and in July the number mounted to 4.1 million.

The importance of the changes in inventories during the period under consideration has caused many to refer to the business recession of 1949 as an "inventory recession." It is true that much of the decline which took place could be traced to and connected with this sector of the economy. It is also true that, when inventories had fallen considerably below the requirements of the current level of business activity, a process of inventory rebuilding attended the upturn. But it is characteristic for inventory changes to appear early in recessions. The extent to which the general decline proceeds is determined by how far "inventory adjustments" are accompanied and followed by more fundamental drops in industrial production, employment, prices, capital investment, and national income. These more fundamental factors dropped only slightly in the 1949 recession.

To say that they did not drop further because it was merely an "inventory recession" confuses a description of what happened with an explanation of events. An important reason why the decline did not go further was that there were new factors in the business structure and in the programs and policies of Government. It is debatable whether these new factors and programs would have been sufficient under different circumstances; but they were sufficient under the conditions of 1949.

The process of recovery: since mid-1949

The recessionary movement had become formidable during May and June of 1949. This confronted the Council of Economic Advisers with the difficult task of advising whether or not drastic measures should be proposed in connection with the Midyear Economic Report of the President. In its own Midyear Economic Review, the Council said that industrial production would drop and unemployment would rise further in July. The previous record of business cycles offered much evidence that revival would not set in prior to a sharp drop in industrial prices, and in June these prices had fallen less than 6 percent from their inflationary peak. Nonetheless, the Council, upon analysis of the whole situation, felt that drastic measures were not needed. We felt that the recessionary movement was even then being brought to a halt.

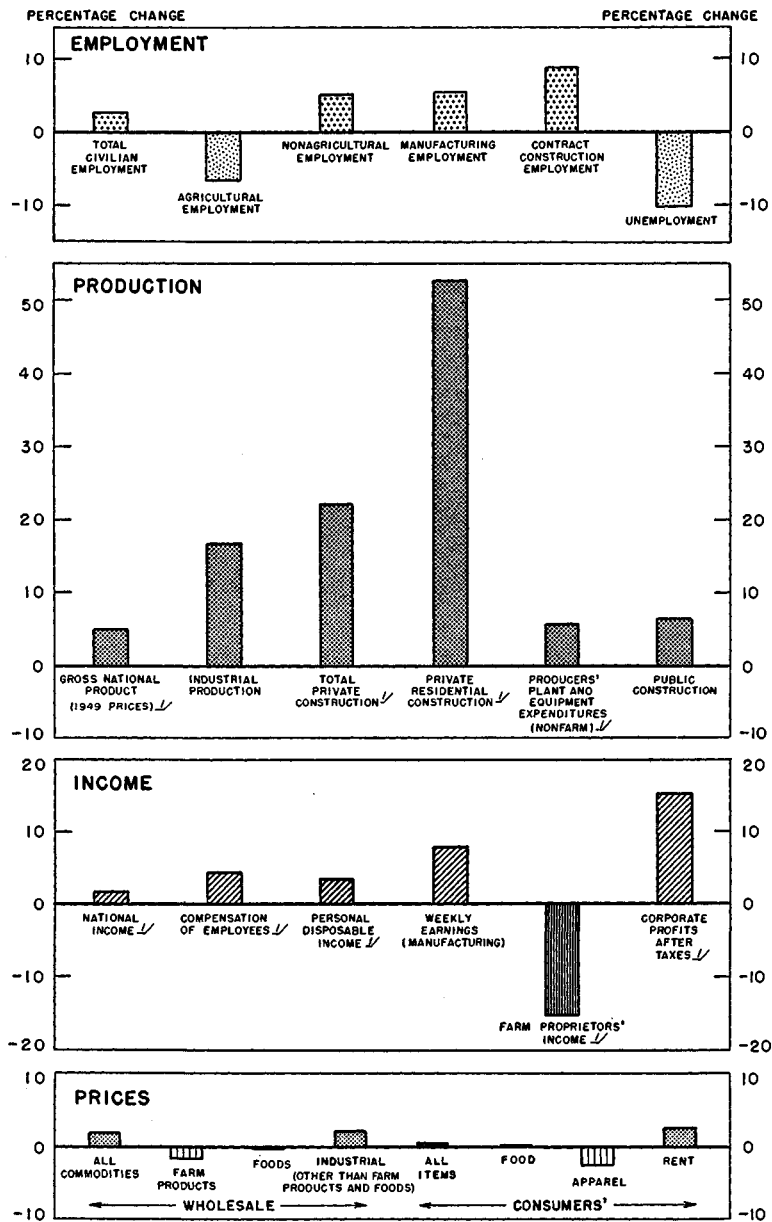
Manufacturers had not been content to cut back production enough to balance it against new orders. They had reduced operations sufficiently to permit a reduction in their inventories each month, even while consumer buying continued at high levels. By midyear it seemed clear that the fundamental factors of demand were strong enough to stimulate a rapid increase in industrial output.

The optimism of the Council at that time rested upon analysis of a postwar economy differing considerably from any in which the characteristics and events of business cycles had been previously studied. The war years had lifted national income and personal income far above old levels; moved employment into a range which was called fantastic when first prophesied; established vast funds of liquid savings in the hands of consumers and businessmen; created an enormous public debt; and left problems of national security, of obligations to veterans, and of aid to foreign nations which multiplied the peacetime expenditures of Government. Added to these factors, there was a wide range of anti-deflationary programs which the Government had established following the catastrophic deflation of 1929-33. It was felt that this combination of forces would quickly activate a strong recovery, if supplemented by business confidence and some further moderate adjustments in business policy.

Thus it was that the Council's emphasis in midyear 1949 converged upon the factor of business confidence. New capital investment in building construction and in producers' equipment had always been extremely volatile, because plans for investment are largely determined by expectations with respect to future markets and future profits. Plans can change

CHART 4

ECONOMIC INDICATORS CHANGES FROM A YEAR AGO



quickly when expectations change. Pessimism in the business world can go far toward vindicating itself, by inducing a contraction in new investment which forces the business slump which is feared. Optimism in the face of declining business, if it leads to continuance of new investment at a high level, may permit a market adjustment to be worked out while the basic economic factors of consumer income and buying power are but little impaired. Such optimism may thereby justify itself.

Considerable optimism when business activity is declining has not been unusual at the beginning of a recession. Emphatic assurances that a break in a business boom could not become a depression, because fundamental factors in the economy were strong, have often been given by national leaders and by business experts. But seldom, if ever, before 1949 has that business optimism which demonstrates itself in sustained new long-term investment survived a decline in industrial production as great as that which took place in the first half of 1949.

While business investment was indeed retarded during the recession, the degree of confidence and strength manifested throughout the first half of 1949 was encouraging. Private construction expenditures during this period were at a seasonally adjusted annual rate of 17.0 billion dollars, compared with 17.4 billion in the first half of 1948 and 12.2 billion in the first half of 1947. The usual seasonal pattern was followed, and in each month after the low in February there was an increase in construction expenditures. This was also true of residential construction, which accounted for about one-half of the new construction. Even more remarkable was the high expenditure, though at a reduced rate, for new plant and equipment. This meant further extension of productive capacity following three years of almost feverish activity for that purpose. These business expenditures in the first half of 1949 had exceeded those for the same period in 1948. This led the Council of Economic Advisers to conclude that business optimism would survive the further slackening of industrial activity in July, and would permit the seasonal elements of economic expansion in the late summer to act upon an economy which had not suffered further deterioration.

The reaction to price adjustments was also reassuring. Business in the main did not take these adjustments as a bad omen, but instead recognized that they were laying the foundation for a resumption of economic growth. Price declines are always to a degree depressing, because they cause losses on current stocks and hesitancy about future buying. One of the most delicate of all economic operations is to achieve price reductions sufficient to reactivate buying, without letting price deflation go far enough to undermine morale, disorganize business relationships, and generate a panic. That this delicate operation was so effectively consummated during 1948 and 1949, through myriads of business decisions, was a heartening demonstration of the application of improved economic knowledge to the practical realities of business life.

Most important of all, the recession of prices and some cutting down of business plans did not generate a general decline in the incomes of the great body of the buying public. It is when prices and incomes chase each other downward that the spiral of depression is irrevocably under way. Businessmen in 1949 made great efforts to hold lay-offs to a minimum, and wage cuts were rare. This helped to maintain purchasing power. Furthermore, the whole income structure was strong because of wide improvements in private and public policy, adopted over the years, including collective bargaining, minimum wage laws, and old age and unemployment benefits. There were also payments to veterans. Government expenditures, much greater than before the war, contributed to the maintenance of income and demand.

High income levels and large market demand on the part of consumers are the foundation of economic strength, and furnish an important impetus to business investment. This consumer strength, usually impaired but little in the first months of a business reversal, did not become enfeebled later on in 1949 by developments which in earlier periods had transformed an economic adjustment into a disaster. Personal income in the second quarter of 1949 was only 3 percent below that in the final quarter of 1948, and personal consumption expenditures had fallen by less than 1 percent.

Other programs also cushioned the shock. The farm price support program forestalled any collapse of agriculture, such as destroyed the market demand of farmers in 1920 and in the years after 1929. The regulation of security exchanges, and of the issue of securities, prevented the building up of a speculative structure as in the twenties. Monetary and credit policies, supplementing the sound banking structure of the Federal Reserve System, maintained abundant and cheap credit, protected debtors from the dangers attending maturing debt in periods of business stress, and prevented financial crises such as those which ushered in earlier depressions.

General fiscal policy was also an important factor toward inducing the recovery. When business declined, the tax system operated automatically to reduce revenues. Certain programs, such as unemployment insurance, increased payments to the public. These "built-in" stabilizing factors contributed to the budget deficit but they also contributed to business revival.

The recovery phase began in August 1949. The trend of several business indexes was not changed for a number of months, but the shift from contraction to expansion was indubitable. Industrial production rose rapidly, the index mounting from 161 in July to 170 in August. Employment in manufacturing increased by 350 thousand, or more than 2.5 percent. Unemployment, which had increased more than one million from April to July, declined 400 thousand. Expenditure for private construction continued its upward movement, and new housing starts, which had been maintained at the high level reached in May, began a new upward surge which in August almost reached and in September and October surpassed the highest pre-

ceding level in the postwar period. The sale of automobiles continued to expand.

The irregularity of business recovery after a recession was heightened by serious industrial disputes during the autumn and winter months. Unemployment shifted up and down, and in the three winter months grew 1.3 million to the disturbing level of 4.7 million. But the recovery movement was strong enough to rebound after each setback, and when the coal stoppage was concluded early in March 1950, progress became sustained and rapid. By June 1950, the industrial production index had climbed to 199, four points above the previous postwar peak, private construction had far surpassed earlier levels, nonagricultural employment was larger than in the same month in any preceding year, unemployment had dropped to 3.4 million, business profits were increasing, new investment by business was growing, and the real incomes of consumers were increasing. All this was before the Korean development.

WHAT WE HAVE LEARNED FROM THE RECORD

The first general conclusion which we can derive from the record of the past five years is this: our economy is far more resistant to shock than it was after World War I. It is better prepared to deal with inflationary or deflationary dangers. Those who point out the "exceptional" reasons for this overlook the fact that many of these "exceptional" items are just as integral a part of our economy today as the conditions which made for greater instability were an integral part of the economy of 30 years ago. For these new developments are not to be found simply in the larger magnitudes of the current economy. They reside in new patterns of business behavior and new programs of Government which have come successfully through hard tests.

There is need for further improvement, but we can build confidently upon what we have thus far achieved. This leaves little room either for those extremists who would pillory business or for those who would hamstring effective public policy. The interplay of private and public action in overcoming the dangers of reconversion, inflation, and recession indicate conclusively that this interplay will continue to be necessary. It calls for ever-increasing understanding and cooperation. The domestic situation makes this desirable; the world situation makes it imperative.

The second conclusion to be drawn from the record of the past five years is that the healthiest and safest condition for an economy such as ours is maximum utilization of our productive resources, although the types of output and use may shift with changing needs. During the inflation of 1948, there were some who said that a lower level of total activity would provide a cure for the dangers of inflation. But when we entered upon that lower level of fundamental activity, we felt even more insecure and yearned for the day when full production might be restored. It became abundantly apparent that this lowered level of activity did not add to the confidence of

business, the security of workers, or the ease of solution of public problems. On the contrary, it made business less sure of itself, labor more restive, and the problems of Government more difficult. The American economy must make maximum utilization of its resources in order to thrive and to fulfill its inescapable domestic and world responsibilities.

It follows from this, as a third conclusion to be drawn from the postwar period, that we must draw a sharp distinction between the sound elements of maximum production and the unsound elements which threaten its maintenance. Inflation, for example, threatens the maintenance of full production. But it is no solution to overcome inflation by private or public policies which turn the whole economy downward. For this not only carries us into an even more difficult situation, but also leaves us with the prospect of a restoration of inflationary trends as we shake off the recessionary threat and move vigorously upward again.

Despite the inflationary dangers which they may produce, programs essential to our national security or general economic strength must be undertaken. For example, we cannot now refrain from very large expansion of military and related efforts, although there is no practical way of undertaking this expansion without risking inflationary pressures.

This does not mean that inflation should be taken lightly. It erodes national strength by distorting the economy. The distribution of income and wealth is altered, impairing the position of persons and institutions receiving relatively fixed incomes and owning assets of fixed money value. Production is channeled into unsustainable patterns, thus sowing the seeds of depression. Public morale is shaken. Confidence in the financial future may be impaired with serious implications for later periods of inflationary pressure.

For this reason, we must seek by improved business practices and improved public policies to remove or contain the inflationary threats arising from necessary enlargement of essential national programs. If the expansion of these programs goes even beyond the amounts recently recommended for increased defense, which an expanding economy should be able to absorb with rigorous fiscal and credit policies and limited controls, it would then become necessary to consider even more drastic controls and even more substantial reductions of other programs.

The fourth conclusion to be drawn is that stability and economic strength are advanced by private and public policies which adjust themselves to our need and prospects for stable growth, instead of adjusting themselves to the inevitability of the business cycle. If business in 1949 had assumed that a postwar depression was inevitable, and had run for cover accordingly, the protective curtailment of investment and employment would have accentuated the downturn. Instead, while making some adjustments, business kept its eyes riveted upon our prospects for national growth, and the policies which it correspondingly adopted contributed mightily to the resumption of that growth. Similarly, if the Government had reacted to the recession by excessive retrenchment policies, these would have enlarged

the downturn. Instead, the pursuit by the Government of a range of national policies necessary to our economic health, and supportable by the resources of a full economy, helped greatly to reverse the recessionary trend and to restore the trend toward maximum business activity and employment. Confidence is no substitute for sound policy. But sound policy must rest upon confidence commensurate with our natural resources, our business equipment and skills, and our uniquely proficient working population.

That confidence and that long-range viewpoint are essential now, if we are to cope successfully with the problems raised by the Korean developments. These developments call for many changes in programs and in emphasis, but the principle still stands. The targets for needed levels of production and employment, required under the Employment Act of 1946, are not merely abstract aspirations. They can guide private and public economic policy along lines that will best serve our national needs.

Each of these conclusions has direct relevance to the current economic situation, and to the emerging difficulties presented by international developments.

II. The Problems Ahead

VERY recent events have placed international developments, and their impact upon the domestic economy, in the forefront of public attention. It is manifestly impossible to predict the future sequence of these developments. This makes it difficult to discern the appropriate economic policies which should now be followed. But the difficulty does not remove the necessity. The fact that our future programs may be largely influenced by the action of other nations does not force us to drift aimlessly. The need for maintaining the American economy at maximum strength and productivity has become even greater than before. In domestic economic affairs no less than in international, we must be prepared and watchful, retaining enough flexibility to change our course quickly as conditions change.

THE ECONOMIC IMPACT OF INTERNATIONAL DEVELOPMENTS

The economic outlook at midyear before the Korean development was highly favorable. Production and employment had attained a new peacetime record level for the month of June. Despite attainment by the economy of levels above 1948, when inflationary conditions had become dangerous and were soon to lead to a recession, there was no serious threat of inflation. Considering the pace of the business revival, price rises in general had been moderate; although certain markets, such as those for non-ferrous metals and building materials, were under pressure because demand crowded supply. In wide areas of the economy, some margin of unused productive capacity was still available. There had been very large new investment in productive plant and equipment, which increased capacity substantially above that of 1948. The labor force had grown more rapidly than employment, and, despite the high level of employment in June, there was a margin of between 1 and 2 million in the number of job seekers above a number which would represent a comfortable but not a tight labor situation. The prospect a month ago was that we could achieve maximum production and employment without inflation by the end of the year. This would have completed the business recovery, and would have placed us in good position for healthy growth in the years ahead commensurate with normal increases in the labor force and constant improvement of technology.

At midyear, however, there occurred the outbreak of hostilities in Korea, followed by the certainty that our military exertions and defense preparations will need to be increased greatly for a considerable period of time. We cannot yet judge the extent or duration of this new turn of events. If other nations were to force this country into defense programs comparable to those of war, a full war economy would then need to be established. If the Korean situation were to be followed by a situation of heightened and prolonged tension requiring that we be fully prepared for military effort at many points in the world, the resulting increase in expenditures would require even more extensive economic controls than those thus far proposed.

The current request for an additional 10 billion dollars for increasing our armed forces and our military outlays, while very sizable, does not involve full mobilization of our military might or the placement of our civilian economy on a full wartime footing. But the increasing preparations for defense which must now be made will have a very substantial effect upon the domestic economy, even though not all of the additional appropriations will be expended this year. The stepping up of military procurement will cause further tightening of the market situation in important areas of the economy. There has been and will be some increased forward buying, both by business and by consumers. There will be a larger demand for labor, and a tendency toward wage increases of a magnitude which would increase the costs of production and add to the pressure on prices.

Such increased pressures, superimposed upon an active economy, could quickly create a sufficiently serious inflationary situation to require the whole gamut of comprehensive and direct controls, if advance buying by business and consumers should approach the proportions of hoarding or rampant speculation, or if prices and wages should commence to spiral. This would also follow if further changes in the international situation should require the stepping up of military efforts and procurement even more rapidly than has thus far been proposed. But if neither of these contingencies develops, price, wage, and manpower controls should be avoidable. There is some margin of unused capacity in most industries, even apart from the use of double shifts and overtime work, and there is still a substantial reserve in the labor force. The utilization of these reserves, plus some necessary capacity expansion, should cover military needs on the present scale without a complete set of controls, if production is effectively channeled into essential areas through material allocation, and, above all, if total demand is held in check by strong tax and credit measures.

Output per man-hour was estimated to be about 11 percent above the 1945 level in the first half of the year. This means an average gain of about 2.4 percent per year (compounded), slightly higher than the average rate in the prewar decade. With vast recent improvements in plant, technology, and skills, we should certainly be able to maintain at least the recent rate of increase in output per man-hour over the next few years.

Coupled with this productivity trend, there is the certainty of a growing labor force. The labor force, in fact, is likely to increase more rapidly than is indicated by the size of the normal annual increment, because many new workers are drawn into industry when the economy is working at high speed. Additional labor power is also available in the current body of 3.4 million unemployed workers, and among those who now work only part-time. While substantial numbers of men will be drawn into the armed forces, it seems clear that the labor force will be large enough to permit sizable increases in civilian employment.

Without an unusual increase in the labor force, or in hours of work, maximum employment would involve by the end of 1950 an increase in our annual rate of total output of about 8 billion dollars at present prices. But our potential increase in production is considerably greater, allowing for the further reduction of unemployment by 1 to 2 million, for possible enlargement of the labor force, for the possibility of full-time employment of many who are now employed only part-time, and for the full use of existing plant capacities. In succeeding years, we can expand about 3 percent annually.

With this output potential, the economy is in good shape to deal with increased programs of substantial scope. Nor does the fact that there is so much less slack in the economy than there was in 1939 mean that we are faced with unmanageable problems. It is true that additional procurement programs, coming in a period of boom, create greater problems of scarcity and inflationary pressures. But these problems can be dealt with more expeditiously than the time-consuming process of shifting an economy from low gear into high.

Now that we are in high gear, however, we must exert every effort to produce even more. Our economy is so flexible, and its demands so varied, that the increase of total production up to the limits of our resources will be the most effective general effort that we can make. The more we produce, the more fully we can supply the most essential purposes without diversions which would impair other sectors of the economy.

But the increase of total production will not in itself be enough. The kind of situation in which we now find ourselves, and the immediate outlook, will impose concentrated strains upon some lines of supply much greater than the average strains upon the economy as a whole. The increased need for steel, and other items entering into military and related uses, will be relatively much greater than the increased demands upon the economy as a whole. And the increased need for these special products will converge largely upon areas where supply is already tight, and the utilization of existing capacity complete or almost complete. This means that the expansion of production in these specific lines must take precedence over the expansion of other lines. This involves special problems of labor utilization as well as use of facilities and materials. It also means that, in special lines, expansion of total output probably cannot proceed rapidly

enough to avoid the necessity of some diversion from less essential use to the most essential use. It follows that policies directed toward the expansion of specific lines, and toward influencing the composition of the demand for and the distribution of these products, are likely to become just as urgent as policies to reduce the total level of demand to counteract general inflation. Both types of policies are now needed. This must be taken into account, as we turn to a consideration of the private action and public policy called for by the existing situation.

THE TASKS OF PRIVATE ADJUSTMENT

The business policies which have carried us through almost a year of production increases should, with some adaptation, be helpful in the treatment of the problems lying immediately ahead.

Since early 1949, the Council has urged that businessmen expand plant capacity and investment to meet the constantly expanding requirements of an economy operating at maximum production and employment. The extent to which this course has been pursued, even under the threat of the 1949 recession, contributed greatly to the speed and durability of the advance in output and employment. In many of the important sectors of the economy, the recent upward revision of business investment intentions should not be reversed because of current developments. In some outstanding areas, indeed, further expansion has become a more crucial need.

There need be no fear that this enlarged productive capacity would become unusable if and when international tensions subside. With enlarged capacity available, the great and growing domestic market for goods and services of all kinds should never reach the end of the road. We are now too far from the termination of World War II to talk about postwar backlogs which will eventually be worked down, except in a few areas. A very high and growing level of current demand should be regarded as a permanent feature of a 270-billion-dollar economy, able to move forward at the rate of 9 to 10 billion dollars a year.

There are many illustrations of the fact that a level of demand which was regarded by many as "abnormal" in 1948 was below the level which should be regarded as normal and necessary for 1950 and in the years ahead. Such is the dynamic quality of our economy. Some thought that the Nation's steel production was above a sustainable level two years ago. Since then, however, the industry has substantially enlarged its capacity and is planning further enlargement. But even before the international events of last month, the industry had been straining capacity, despite incomplete recovery of the Nation from a business recession. Thus, the further expansion of the steel industry would be good business even in an entirely peacetime context. The only effect of the present international situation is to make that expansion more urgent. To assume that this accelerated expansion should not be undertaken, because it might exceed the need if international tensions should subside, would neglect the vital need of

today. It would be unrealistic when measured by the standards of desirable and attainable peacetime growth for the economy as a whole.

There are other situations where capacity has lagged behind the requirements of an expanding economy. Iron ore as well as nonferrous metals are examples. The increased demand, which will be injected into the economy by enlarged defense expenditures, will be superimposed upon a great civilian demand. If this increased demand imposes an excessive strain upon supply in important areas, the most lasting solution will be for the supply to be increased. Business policy should take this into account. Some situations will occur, however, where the alternative of reducing demand will be the only immediate solution.

The problem of pricing policy is accentuated by recent developments. In most of the areas where prices have been rising, further increases are not needed to provide the incentives for enlarging supply, because profit rewards are now adequate. Restraint and moderation in pricing policy are vitally significant at this time, when international uncertainties have already led to unwarranted price and inventory developments in some areas. Many of these areas are more or less subject to conscious price policy, and businessmen have an opportunity to serve their country as well as themselves by extreme caution in pricing.

Another area in which business needs to exercise judgment and foresight is in the management of inventories. These in the main have been skillfully handled since the war. The accumulation of inventories, since the beginning of the recovery movement, has perhaps not been excessive in view of the depletion which previously occurred. But enormous damage could be done if businessmen now engaged in a speculative race for goods to avoid a feared shortage later on. If inventories are carefully managed, a shortage later on should not occur, for reasons which have already been advanced. But panicky action could produce an artificial shortage, disorganize the markets, cause substantial business losses in a speculative race, and increase the pressure for more legislative curbs. It could also seriously impair essential Government programs.

It is also important that banks adjust their lending operations to the new military and economic situation. This will require selectivity of loan policy, so that bank credit will be available for business expansion which is needed for industrial mobilization, while bank credit for speculative uses and for nonessential purposes which compete with military programs for manpower and materials must be sharply restricted.

Wage policy is inseparably connected with price policy. The Council of Economic Advisers, in January, committed itself to the desirability of a wage-price policy which sought to stabilize prices and to gear wage increases to general advances in productivity. This policy, which of course requires variations to cover differing individual situations, has recently been endorsed by important business organizations. It has been incor-

porated in the five-year contract of one of our largest industrial concerns and the union which represents its employees.

The possibility that strong and general inflationary impulses may develop within the economy calls for great moderation in the area of wages as well as prices. It is less important now to speculate whether wages chase prices or vice versa, than it is to make sure that neither commences to chase the other. In considering wage policy, it should be remembered that the only production which is available for civilian consumption is civilian production. To the extent that increased production is channeled into military purposes, it cannot be translated into civilian enjoyments. Labor also has an interest in helping the effort to train and channel workers into the most necessary jobs. The more extensively this is done on a voluntary basis, the more feasible it will be to avoid manpower controls.

The opportunity is now afforded to consumers as such to make an affirmative contribution toward economic stability. The safest rule for consumers, in their personal interests as well as that of the Nation, is to follow their normal buying habits. A wild scramble to purchase durables, or to build up an inordinate reserve supply of soft goods, could turn a manageable economic situation into one of utmost gravity. The avoidance of this should be urged through every channel of popular communication.

Those who operate as producers and consumers throughout the vast and varied American economy are confronted with a responsibility somewhat different in degree, but essentially the same in principle, as that which they have met during the postwar years. It is the need for economic understanding, mutual accommodation, and concern for the national well-being. There is no escape from the fact that in the final analysis the cost of national security must be borne by the people. The record throughout the trials of reconversion, inflation, and recession indicates that the American public can meet their new problems with equal or even greater success.

THE RANGE OF PUBLIC POLICY

Public policy cannot be adjusted simultaneously to each of the possible contingencies of the future, particularly when so many of these are beyond the control of this Nation. An effort to do this would impair the effectiveness of current action directed to current problems. The degree of effectiveness demonstrated, in adjusting what we do now to what is needed now, will be the surest token that we can adjust later to whatever may be needed later on. The uncertainties of the future should not generate either paralysis or excessive action in the present.

We must maintain our domestic economy in a position to serve as a tower of strength for all the efforts of the Nation, not only during an emergency of a few weeks or months, but for years which may be many in number. The north Korean attack is a warning to the world to be prepared against the possibility of similar aggression at other points. The United States must be ready to bear its share of the burden of the common

defense. The heavier defense expenditures, which we are now undertaking, will not end when the mandate of the United Nations has been enforced in Korea. We are striving to avoid a major war, but there may be other alarms and possibly other attacks, and we must be prepared to meet them no matter how long may be the period before full peace is established.

Economic policy must now be adjusted to the prospect of this long pull. If the pull proves to be short, we shall lose little by being prepared; if it proves to be long, we shall gain much. Our efforts now should be directed toward developing and maintaining maximum national economic power indefinitely.

This statement of basic principles prompts three broad conclusions regarding public policy in the light of the current situation:

First, these policies should be designed to bring about a quick increase in production. Such an increase is essential not only to supply our military requirements, but also to meet the essential needs of our growing population.

Second, public policies should ensure that defense requirements and essential civilian needs have priority over other uses. Hoarding must not be tolerated, nor can we allow needed scarce materials to be used for nonessential purposes.

Third, public policies should provide protection against the threat of a new inflation. An increase of 10 billion dollars in military appropriations, coming at a time when our economy is already operating at near-maximum levels, will greatly increase demand for goods and for labor, thus putting pressure on our price and wage structure. A sharp and continued rise in prices and wages at this time would not only impose hardships on domestic consumers; it would weaken our whole economy and would impede our military effort.

In considering the economic effects of the proposed increases in defense expenditures in the setting of the current economy, we find firm ground for believing that it will be possible to make and maintain substantial enlargements in these expenditures without resorting to all of the controls of a war economy. But we must take some important steps now.

The first and most important of these is to use fiscal and credit policies to the fullest extent feasible for the restraint of inflationary pressures. On the fiscal side, this means that we should seek to reduce the size of the cash deficit substantially or, better still, to remove it entirely. For the maintenance of a large deficit creates and aggravates inflationary pressures in a time like this. The economy is strong enough to bear the burden of financing the needs which have now been outlined, without deficit financing and extensive increases in the money supply.

Before the north Korean attack, the domestic economy was moving into a range of national income which would have substantially enlarged budget receipts. The acceleration of economic activity, resulting from the expansion of defense preparation, is hurrying the enlargement of production and employment and accordingly the growth of tax revenues. The

imperative need now is to provide additional sources of revenue, to cover the new defense and related expenditures as rapidly as possible. Such a program will help to curb inflationary forces (a) by restricting the enlargement of the money supply, and (b) by reducing the buying power of consumers and business.

In our judgment, the economy is now strong enough to bear the burden of substantial increases in tax rates in accord with this principle and to do this without endangering the maintenance of maximum production. There are, of course, alternative sources from which this amount of revenue could be obtained, but we cannot urge too strongly that some combination of methods should be applied immediately toward this end. The program of other restraints, now being recommended, will prove woefully inadequate without a prompt and drastic increase in taxes.

The fiscal policies we have recommended would not sufficiently eliminate the inflationary threat. There would be delay in the increase of Federal tax collections, and in the meantime Government spending would considerably exceed Treasury receipts. There is also the danger that consumers and businessmen may engage in panicky buying.

Further restraint upon civilian demand for goods should now be imposed through the control of consumer credit, and through the tightening of credit for building construction. Administrative measures have been taken to tighten terms on residential loans insured, guaranteed, or made by the Government. Further legislation is needed to tighten both private and governmental lending policies. In addition, further controls should be established over commodity speculation.

In addition to fiscal and credit policy, it is important to recognize that pressures in specific areas will far exceed the pressures upon the economy generally. Shortages already exist with respect to some of the essential elements of a military program. The prices of some of these commodities have risen much more rapidly than average prices during the first half of this year, and some price increases have been accelerated in recent weeks. This requires a compulsory allocation program, not only to assure adequate military supply, but also to prevent price and cost increases in these limited areas from spreading outward through the whole economy. It will not be enough, in this connection, to establish a program which enables the military to procure promptly the materials which it needs. This alone would only aggravate competitive bidding by other users. The inevitable rise in prices would move into the costs of production of most producers of goods and services. The program should therefore provide for limitation of nonessential use. This would reduce the total demand to match the supply. There should also be the power to requisition hoarded or unnecessary supplies of these essential commodities, and to prevent excessive inventory accumulation.

Careful analysis of available material requirements for the expanding defense effort indicates that some specific measures should now be taken to expand capacity and accelerate production, as a supplement to allocation. We cannot afford to be caught short of essential supplies. The experience during World War II developed a number of useful methods, such as loans, guarantees, and purchase contracts, to expand capacity, finance essential production, and speed technological development.

We do not recommend the employment of general controls over prices and wages at this time. The productive potential of the nation has risen well above the level of two years ago. Business and labor have both had a bitter though brief taste of the consequences of inflation, and should profit by their added experiences as to how to ward it off. But the recent upsurge of prices and advanced buying indicates how quickly we can pass over into a dangerously inflationary situation. These tendencies, if not promptly checked, are sure to generate additional wage demands. The speed with which they can be checked depends not only upon private restraint, but also upon much higher taxes, vigorous restraint upon credit, and a strong allocations program. These measures, in our judgment, should be undertaken at once. At the same time, the appropriate agencies of Government should continue and intensify their development of plans for the utilization of more sweeping controls over the price-wage structure and over the utilization of manpower. These efforts should be brought at once to so high a stage of development that, if the need becomes clear, a request to and action by the Congress would enable their immediate application.

Other Government programs may here be mentioned briefly. Future developments beyond the control of this Nation might make it necessary to pare down or defer some of these domestic programs even more than is now being done. But we should bear in mind that some of these programs are affirmative reinforcements of our economic stability and growth, and consequently of our military potential. The economic significance of these programs has been depicted fully in previous reviews. It need not be reiterated in detail in this review which concentrates upon the significance of recent changes in the domestic and international situation.

One problem which does deserve renewed emphasis is that of dealing with such unemployment as may occur despite our best efforts to avoid it. Even with unemployment further reduced, those who are unemployed should not be left without the adequate protection that our Nation can so well afford. The first line of defense against hardships caused by unemployment is unemployment insurance. The test of 1949 revealed clearly that the Nation-wide system was deficient, whether measured by extent of coverage or duration and size of benefits. Action is needed this year to improve the Federal-State unemployment insurance system along the lines recommended by the President. Without such action, many of the State

legislatures will probably not act in 1951, and considerable delay would then result in achieving these necessary improvements.

The Council of Economic Advisers has confined its proposals at this mid-year to a relatively short list. We are mindful of the crowding of the congressional calendar with transcendently important issues of international policy. We have therefore thought it best at this stage to identify only those matters which appear to us to be of greatest urgency in the current situation. Our views on a broader range of programs, inseparably connected with the stability and growth of the American economy, have frequently been stated.

III. Economic Developments in the First Half of 1950

THE COURSE OF EMPLOYMENT AND PRODUCTION

THE FIRST HALF of 1950 brought large gains in employment and production. These gains have moved us much closer to maximum levels. But at midyear the development in Korea indicated the need for further increases in output.

Employment

In June of this year, almost 61.5 million persons held civilian jobs, a new record for June.

The contrast with a year ago is impressive. From June 1949 to June 1950, the civilian labor force increased by almost 1.5 million, while unemployment decreased by about 400 thousand. Nonagricultural employment expanded by 2.5 million. Agricultural employment declined by 650 thousand. Total civilian jobs increased by 1.9 million. (See chart 5.)

The developments from May to June were significant. There was a net addition of more than 2 million persons to the labor force. Unemployment, however, increased by only slightly more than 300 thousand. Almost a million more persons found jobs in agriculture and about 800 thousand more found work in nonagricultural lines.

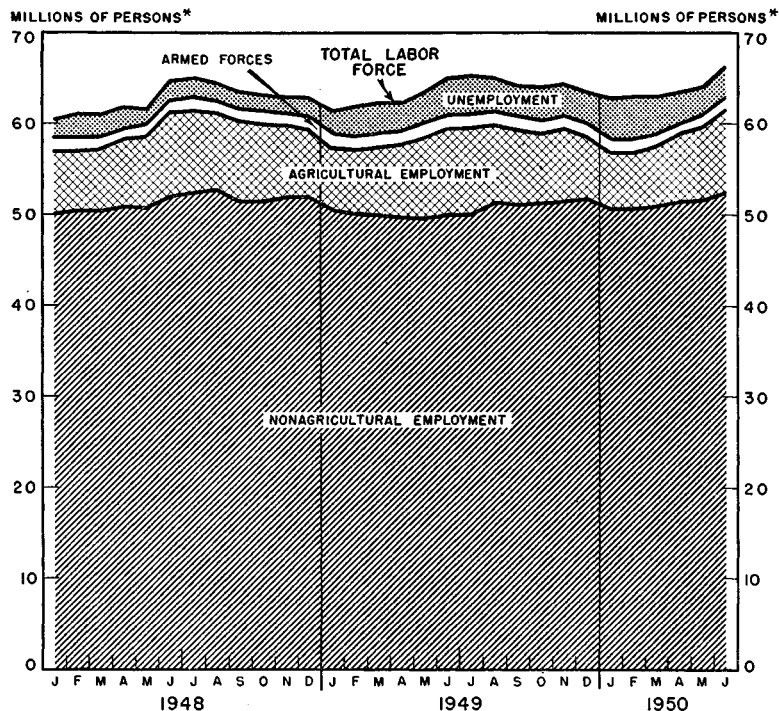
Agricultural employment of 7.2 million in the first half of 1950 was considerably below the same period of the years immediately preceding. It was 700 thousand below the first half of 1949 and 300 thousand below the first half of 1948. In contrast, there has been a notable upward trend in nonagricultural employment. The average of 51.3 million for the first half of 1950 indicates a gain of 1.2 million over the first half of 1949, and a gain of 600 thousand over the first half of 1948. The increase in nonagricultural employment during the first half of 1950 has been steady since February, with the improvement from May to June being particularly noteworthy. (See appendix table B-9.)

Between January and June of this year, total manufacturing employment increased by about 650 thousand, to 14.6 million, with almost all of the increase taking place in durable goods industries. Moderate increases occurred in contract construction, which rose to 2.4 million in June, and in transportation, trade, and service. Changes from May to June of 1950

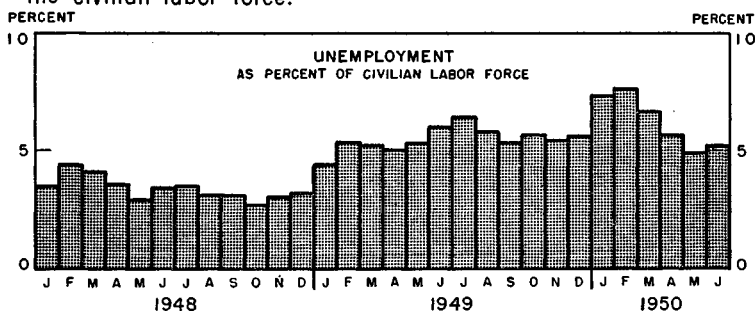
CHART 5

LABOR FORCE

Civilian employment reached an all-time June high of 61.5 million in June 1950. Nonagricultural employment was 2.5 million higher than in June 1949, while agricultural employment was 650 thousand lower.



Unemployment reached, in February 1950, a postwar peak of 4.7 million or 7.6 percent of the civilian labor force. By June, it was reduced to 3.4 million, or 5.2 percent of the civilian labor force.



*14 YEARS OF AGE AND OVER.

SOURCE: DEPARTMENT OF COMMERCE.

indicate that durable goods manufacturing and construction showed the most important increases in employment. (See appendix table B-10.)

Unemployment

The favorable upward trend in employment has been accompanied by a favorable downward trend in unemployment. After reaching a postwar peak of almost 4.7 million in February of this year, unemployment dropped by about half a million in each of the three succeeding months to a level of about 3.1 million in May. In June, it rose to 3.4 million, but this increase was less than seasonal. Unemployment now represents about 5.2 percent of the civilian labor force, compared with 6.0 percent a year ago, and with a postwar high of about 7.6 percent in February of this year. (See appendix table B-9.)

Currently in the United States (including Hawaii), there are 9 major labor market areas and 22 smaller labor market areas where unemployment is 12 percent or more of the labor force. This is a decided improvement over April. In 13 of these areas, there is no indication of long-standing distress and there is reason to believe that continued improvement in national economic conditions will reduce the burden of unemployment. In the 18 other areas, the problem of unemployment seems more chronic in character.

The incidence of unemployment has been relatively more severe during recent months for semiskilled workers and unskilled nonfarm laborers. The highest rates have been as usual among workers under 25 years of age, both male and female. Much of the unemployment in this younger group results from frequent job changes as they are getting oriented in the labor force.

In June of this year the unemployment total of 3.4 million included slightly under a million persons who had been unemployed and looking for work unsuccessfully for 15 weeks or longer. This number, which had been increasing steadily since the beginning of 1949, started dropping somewhat in May and June of this year. There was a slight reduction in June, for the first time this year, in the number of persons unemployed six months or longer (estimated currently at 450 thousand). The duration of unemployment for those 65 years and over is about double that for teenage youth.

Early in 1950 a large number of workers were exhausting their claims for unemployment compensation benefits prior to finding another job. During the first quarter of 1950, this happened to about 730 thousand persons, the highest number for any quarter since 1940. There has also been a sharp increase in the average monthly number of general assistance cases reported by the Social Security Administration, from 462 thousand for the first quarter of 1949 to 628 thousand for the first quarter of 1950. The increase would have been even greater, except that many unemployed persons cannot qualify for public assistance because of the rigid means tests applied in many States.

There are slightly over a million persons who consider themselves full-time workers, but who are working on limited schedules because of slack work, materials shortages, and similar economic reasons. Most of these workers have the equivalent of a 3- or 4-day workweek. This is about one-half million below a year ago. In addition, there are about 1 million persons who regularly work part time, but who would prefer and could accept full-time work if such jobs were available.

Production

The value of all goods and services produced in the second quarter of 1950 is estimated at a seasonally adjusted annual rate of 268 billion dollars. This is 5.6 percent higher than in the fourth quarter of 1949, and slightly above the peak reached in the fourth quarter of 1948. (See appendix table B-1.) Moreover, with prices below 1948, the real output of the economy is now at a new record—about 3 percent above the fourth quarter of 1948. Even with normal conditions, we would need an increase of about 3 percent by the end of the year. The present international situation calls for a substantially greater increase.

Industrial production. The index of industrial production in June rose to a new postwar high of 199 percent of the 1935-39 average. (See chart 6.) This represented a gain of 18 percent over June 1949, and 11 percent over December. It exceeded by 2 percent the previous postwar peak of 195 reached in October-November 1948.

The recovery in durable manufactures has been especially marked, the June output being 16 percent above December 1949, and about 2 percent above the previous peak of October 1948. The most important changes in output since the 1949 lows are summarized in table 1. (For further details, see appendix table B-15.)

TABLE 1.—*Changes in industrial production since 1949 lows*

Item	Low period of 1949	Index, 1935-39=100 ¹		Percent increase from 1949 low to June 1950
		1949 low	June 1950	
Industrial production: total.....	June-July ²	165	199	21
Manufactures: total.....	June-July ²	172	207	20
Durable goods.....	October ³	175	236	35
Nondurable goods.....	June-July ²	158	183	16
Minerals.....	October ³	112	151	35

¹ Adjusted for seasonal variation.

² The effects of plant-wide vacations in July, mainly in nondurable lines, are currently only partly allowed for in the seasonally adjusted index. In order not to overemphasize the usual July dip, the average for June and July is used.

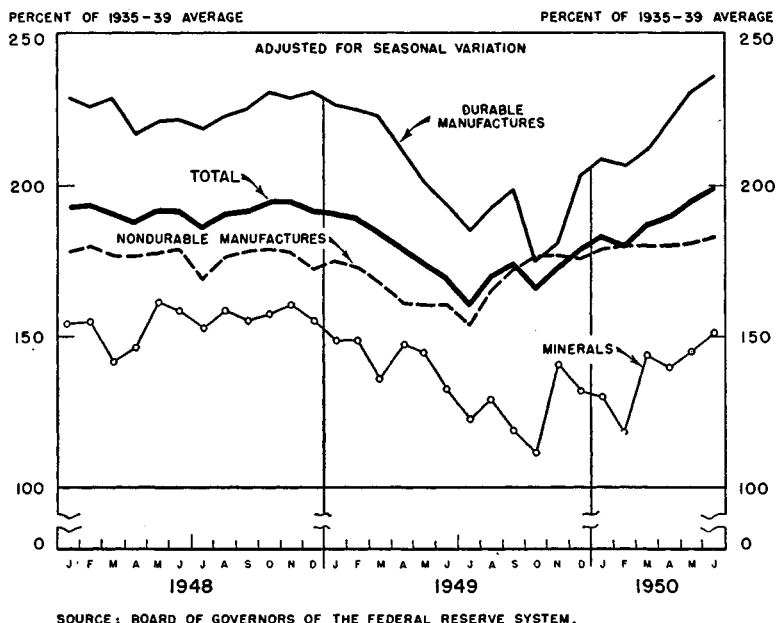
³ Production was reduced by work stoppages in October.

Source: Board of Governors of the Federal Reserve System (see appendix table B-15).

Private surveys suggest that industrial capacity has been expanding at the rate of at least 3 percent a year, while industrial output has barely surpassed the peak reached nearly two years ago. On this basis, present

INDUSTRIAL PRODUCTION

Industrial production in June reached a new postwar high, 2 percent above the previous peak in October-November 1948 and 18 percent above the level of June 1949.



capacity could without undue strain turn out something like 5 percent more, which would raise the index of industrial production to about 210. In the present emergency, industrial output could doubtless be raised more than this by overtime work and by using extra shifts. In some individual industries, there is a considerable margin for expanding output; in others, little if any slack exists at present production rates. Larger capacity is needed, not only to meet the current defense needs, but to provide for the growing peacetime requirements of our expanding economy.

The changes in output have varied markedly from industry to industry, due to a variety of causes. Work stoppages early in 1950 were largely responsible for a drop of 3 points in the index of total industrial output. Immediately after the settlement of the coal strike, there was a sharp increase in the output of most durable goods. Since April, the steel industry has been operating at or slightly above rated capacity, which is more than 3 percent above last year. Output of steel in May and June set new all-time records.

Automobile production continued to increase in the first half of 1950, and has been one of the major factors of strength in the economic situation.

In spite of a prolonged work stoppage in the Chrysler plants, output in the first half of this year was more than 20 percent higher than in the first half of 1949.

Electric power production has shown steady expansion during the post-war period. The output of electric power in June of this year was about 12 percent greater than in June 1949.

Private construction outlays in June 1950 were 25 percent above June 1949, and public construction increased 6 percent in the same interval. (See appendix table B-16.) The boom in construction has been a key factor in the recovery since mid-1949.

Agricultural production. Present indications are that total farm production for sale and for farm home use in 1950 will be about 2 percent below the 1949 levels. The July crop reports indicate a lower output of several major crops, due partly to smaller acreages under the Federal allotments, and partly to the fact that prospective crop yields are not up to last year's high levels. In general, the reductions that are now in sight apply to those crops which are in surplus, especially cotton and grains. Food output is expected to be slightly larger than last year. The production of livestock and livestock products is increasing, and further increases are expected in the second half of the year. The supplies of all foods and feeds are fully adequate to meet our needs for the coming year.

Relation between production and employment

During recent years, there has been a gradual reduction in the number of workers employed in agriculture without a corresponding decrease in farm output. (See appendix tables B-9 and B-14.) Year to year changes in farm production per worker are greatly affected by weather. But there is little doubt that productivity per worker has increased since prewar days. It is estimated that output per farm worker averaged 43 percent higher during the period 1945-49 than during the period 1935-39. We should expect some further increase in agricultural output per man, and possibly some further declines in agricultural employment levels.

Increases in labor productivity are now being widely reported. The amount of the over-all increase cannot yet be statistically computed on a satisfactory basis. Nevertheless, it seems certain that a net increase in productivity is occurring. The limited data that are available suggest that output per man-hour in manufacturing may be increasing in line with the long-run trend commonly estimated at about 3 percent a year. In a majority of those industries where roughly comparable data are available, output since midsummer 1949 has increased more than employment or man-hours. This reinforces the conclusion that, with full utilization of manpower, the total output of the economy can grow considerably in the months ahead without serious strain, although there will be a tight situation in certain industries where plant capacity and the supply of raw materials are already under some pressure.

Prices

The rising tempo of business activity during the first half of 1950 exerted upward pressure on prices. The price increases prior to the Korean development were on the whole moderate. This is all the more significant since the economy within six months had moved rapidly from a condition with substantial slack to a level of activity close to conditions of maximum employment and production. Although the output of most industries during the first half of 1950 was adequate to meet current levels of demand, shortages reappeared for a number of basic commodities, particularly in some raw and semifinished materials, and resulted in some sharp price increases. The rapid expansion of business gave prices a generally strong tone but there was reasonable expectation that improvement in supply would take place, and that this would help to restrain prices.

Subsequent to the change in the international situation, there has been a broad upward surge in prices. The present pace of price increases largely reflect speculation and rumors about the impact of the stepped-up defense program upon supply as well as increased buying by business and consumers. This has created an atmosphere conducive to price increases.

Wholesale prices. Wholesale prices rose 4.0 percent from December 1949 to June 1950. The June level was 1.8 percent higher than a year earlier, but was 7.4 percent below the postwar peak. The largest advances were in wholesale farm and food prices. Industrial prices moved upward more moderately. However, in the four weeks since Korea the BLS daily spot price index of 28 commodities has risen 10 percent. The more comprehensive weekly BLS index of wholesale prices has increased 3.7 percent during the same period, a rise almost as great as during the first six months of 1950. (See chart 7, table 2, and appendix table B-22.)

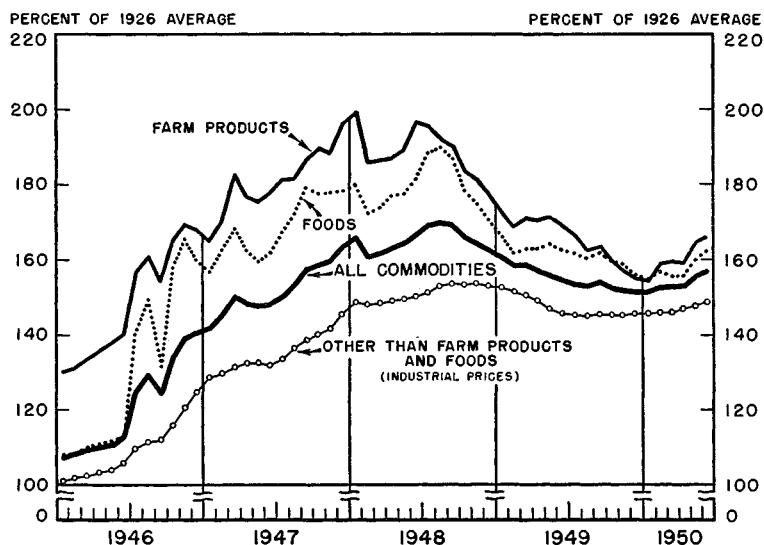
Wholesale farm prices rose 7.1 percent from December 1949 to June of this year, but were still 1.7 percent below a year earlier and 16.7 percent below their postwar peak. Although prices paid by farmers also rose during this period, the greater increase in prices received by farmers caused the parity ratio to rise moderately. In June the parity ratio was 97, compared with 95 in December 1949. The major rise in farm prices occurred during the second quarter of 1950, but particularly noteworthy was the fact that they rose also during the first quarter. There was no repetition of the sharp break in farm prices which had characterized the first quarters of 1948 and 1949. (See appendix table B-23.)

The rise in farm prices during the first half of the year was due to a combination of factors. Since most basic crops during the second half of 1949 were generally at or below support prices, this stimulated a heavy movement into the loan program, thus reducing the free supply and strengthening prices. The planned curtailment of 1950 acreage for the basic crops, and the sharp reduction in the prospective yield of winter wheat, caused some further upward pressure.

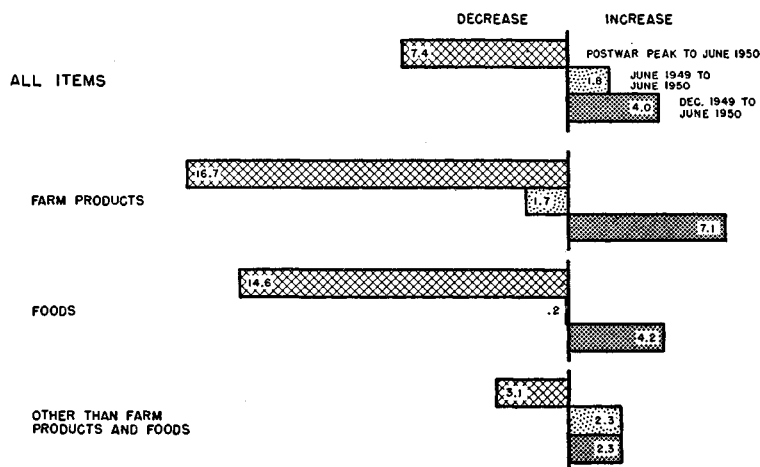
CHART 7

WHOLESALE PRICES

Wholesale prices moved upward during the first half of 1950. The overall rise in industrial prices was moderate, but there were sharp advances for some basic commodities. Farm and food prices rose more than industrial.



PERCENTAGE CHANGES



SOURCE: DEPARTMENT OF LABOR

The increase in incomes and employment in the first half of 1950 expanded the demand for farm products. This was particularly true of meat and livestock. The market for choice grades of beef cattle was strong. Hog prices were weak during the first quarter of 1950, but rose sharply during the second quarter. Not all farm commodities participated in the price rise. Large seasonal increases in supply held down the prices of dairy products, poultry, and eggs during the first six months of 1950.

Wholesale food prices rose 4.1 percent from the last month of 1949 to June 1950. In June, they were slightly lower than a year earlier, and 14.6 percent below their postwar peak. The major rise took place during the second quarter.

TABLE 2.—*Changes in wholesale prices*

Commodity group	Percentage change		
	December 1948 to June 1949	June 1949 to December 1949	December 1949 to June 1950
All commodities.....	-4.9	-2.1	+4.0
Farm products.....	-4.8	-8.2	+7.1
Foods.....	-4.6	-4.1	+4.1
Other than farm products and foods.....	-5.0	-1	+2.3
Hides and leather products.....	-3.5	+6	+1.5
Textile products.....	-5.2	-5	-1.2
Fuel and lighting materials.....	-5.2	+3	+1.8
Metals and metal products.....	-3.9	+4	+2.4
Building materials.....	-5.3	-5	+6.2
Chemicals and allied products.....	-11.0	-1.3	-6
Housefurnishing goods.....	-2.1	-8	+1.9
Miscellaneous.....	-6.3	-3	+3.7
Special groups:			
Raw materials.....	-4.5	-3.0	+5.1
Semimanufactured articles.....	-8.9	-1.2	+2.3
Manufactured products.....	-4.4	-1.8	+3.7

Source: Department of Labor. (See appendix table B-22.)

Since the recent change in the international situation, wholesale farm prices have risen 6 percent and food prices have gone up 7 percent. The increase in farm prices is not quite as large as that which took place during the first six months of 1950 but the increase in food prices is greater. Farm and food prices are now at the highest levels since the beginning of 1949. A large part of these increases is due to the advances in livestock and wholesale meat prices, which rose 9 percent and 10 percent respectively. Although we are now in the period when supply seasonally declines, these increases are far greater than would appear to be warranted by seasonal factors, particularly since prices of these products were high before the Korean development. Cotton and soybean prices also rose sharply, as well as prices of fats and oils. The rise in cotton prices has been in part due to a substantial reduction in acreage, and in part to speculation.

Industrial prices rose 2.3 percent during the half year, but in June they were 3.1 percent below their postwar peak. During the first quarter, these prices continued the over-all stability which had characterized

them since last June. This over-all stability was, however, the composite of diverse movements. The prices of building materials were moving up. Later in the quarter, textile prices began to decline, while those of chemicals and some metals began to rise.

During the second quarter, as demand continued to expand, the general level of industrial prices rose moderately. The increases were particularly marked for such materials as nonferrous metals, lumber, scrap steel, and rubber. Textile prices, after some further decline, began to move up in June. Chemical prices first showed strength and then declined, mainly those of fats and oils.

The events in Korea have had a less pronounced effect thus far on the general level of industrial prices than on farm and food prices. Since that situation developed, industrial prices have advanced about 1½ percent. However, individual commodities, mainly raw and semifinished, such as tin, lead, many textiles, and chemicals, have advanced very sharply.

The steady advance in the prices of building materials during the half year reflected the boom in residential construction. Building materials prices increased 6.2 percent, and are up 7.4 percent from their August 1949 low. They have now virtually regained their postwar peak. There has been a very sharp rise in lumber prices, and in June they hit a new postwar peak. Other prices showed only moderate changes during the first half of the year, although brick and tile, cement, and structural steel reached new postwar peaks. Paint and paint material prices have continued to decline, with supplies of raw materials ample. The rise in building materials prices has been accompanied by some increase in the prices of houses.

The prices of copper and zinc also advanced sharply, reflecting the boom in durable goods, as well as purchases for the stockpiling program. Supplies of copper and zinc are below present levels of demand. Beginning in March, the price of zinc underwent a series of increases which raised it 50 percent. Copper began to advance in April, rising 22 percent to a level 1 cent below its postwar peak of 23.4 cents per pound. On the other hand, the price of lead displayed weakness during this period, as supplies were ample to meet demand and the needs of the stockpile program were not great. However, in July, the price of lead advanced 9 percent.

Capacity operations in steel increased the demand for scrap steel greatly, causing prices to rise sharply. Then, after approaching their postwar peaks, a moderate reaction occurred. Although no general advance in steel prices occurred, individual companies raised their prices on particular products, while so-called conversion deals were numerous.

Rubber prices have more than doubled during the first half of 1950. The rise resulted partly from interruptions in normal marketing, caused by political difficulties in the Far East, but primarily because demand was increasing, particularly in the United States. In June, this market also reacted somewhat, but late in the month under the influence of the develop-

ments in Korea, rubber prices rose again to exceed their previous peak. Increases in tire prices accompanied the rise in rubber prices, and the advances in the prices of other industrial materials were accompanied by some less extensive price advances at subsequent levels of fabrication.

Consumers' prices. Consumers' prices rose 1.6 percent from December 1949 to June 1950. They fluctuated moderately during the first four months, but increased sharply in May and June. The rise from April to May was 1.3 points or 0.8 percent, and from May to June 1.6 points, or almost 1 percent—the greatest monthly increases since July 1948. In June, the consumers' price index was slightly above the level of a year earlier, and 2.5 percent below its postwar peak. The sharp rise in wholesale food prices since Korea indicates that retail food prices will probably increase sharply in July, thus advancing the level of consumers' prices. Consumer incomes have risen somewhat more than the increase in consumers' prices, so that the real purchasing power of consumers increased moderately during the half year.

The fluctuations in retail food prices have accounted for most of the changes in the consumers' price index. Changes in other retail prices have been moderate. Rents continued their steady upward creep. Apparel prices, which had declined steadily from late 1948, leveled off. The cost of electricity and refrigeration rose slowly. Fuel prices rose through the first four months of the year, and then declined seasonally. (See chart 8, table 3, and appendix table B-21.)

TABLE 3.—*Changes in consumers' prices*

Item	Percentage change		
	December 1948 to June 1949	June 1949 to December 1949	December 1949 to June 1950
All items.....	-1.1	-1.2	+1.6
Food.....	-3	-3.4	+3.7
Apparel.....	-5.0	-2.4	-.4
Rent.....	+9	+1.3	+1.4
Fuel, electricity, and refrigeration.....	-1.6	+3.0	-.6
Housefurnishings.....	-5.7	-1.0	-.1
Miscellaneous.....	+1	+8	-.1

Source: Department of Labor. (See appendix table B-21.)

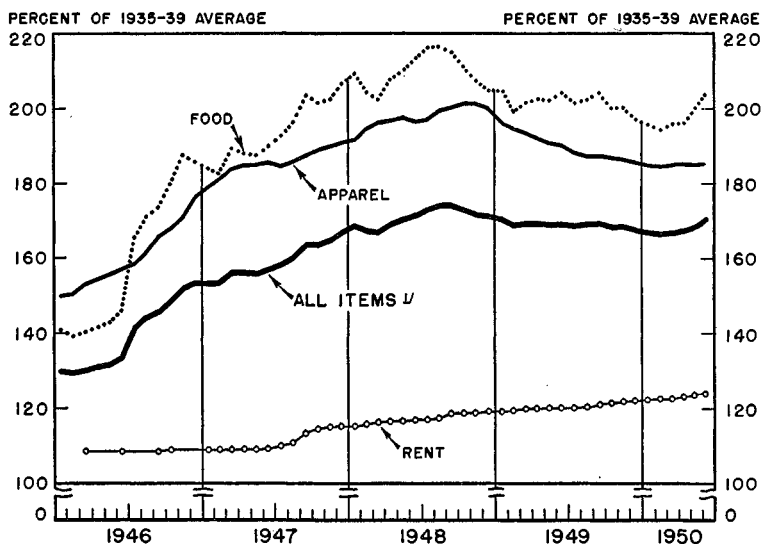
Wages and related matters

Total wage and salary payments reflected the general pickup in economic activity during the first half of 1950. (See appendix table B-5.) They rose to a seasonally adjusted annual rate of 139.8 billion dollars in the second quarter, an increase of 4.6 billion dollars over the second quarter of 1949 and 4.3 billion over the first quarter of 1950. This increase was due mainly to rising employment levels and higher wages for manufacturing workers, although increased overtime also had some influence.

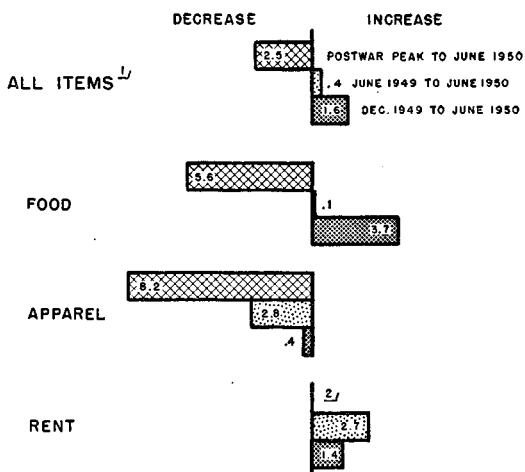
CHART 8

CONSUMERS' PRICES

Consumers prices, after moderate fluctuations during the first four months of 1950, increased sharply in May and June because of large advances in retail food prices. Rents continued to rise. Other prices showed slight change.



PERCENTAGE CHANGES



^{1/} ALSO INCLUDES HOUSEFURNISHINGS, FUEL, ELECTRICITY, REFRIGERATION, AND MISCELLANEOUS GOODS AND SERVICES NOT SHOWN ON THIS CHART.

^{2/} JUNE 1950 IS POSTWAR PEAK.

SOURCE: DEPARTMENT OF LABOR.

Average hourly earnings in manufacturing reached an all-time high of \$1.45 in June of this year, about 5 cents higher than a year earlier. These increases have occurred in both durable and nondurable manufacturing. The new minimum wage also brought about slight advances in average hourly earnings in such industries as lumber and wood products, tobacco, and apparel. Average weekly earnings of manufacturing workers reached a new record level of \$58.89 in June, about \$4.38 above June 1949. (See appendix tables B-11, B-12, and B-13.)

In general, the pressure for wage advances in some industries and for pension and insurance plans in others continued strong throughout the first half of 1950. General wage advances were made oftener in nonmanufacturing industries than in manufacturing; wage advances were particularly noteworthy in the construction industry. The spread of pension plans continued at a rapid pace. The number of organized workers affected by new pension plans or by increased employer contributions to established plans negotiated during the first five months of 1950 exceeded the total for all of 1949. Many of the negotiations in 1950 were characterized by less hesitancy than usual about making long-term commitments. Most of the agreements negotiated this year, in contrast with many of last year's contracts, do not contain wage reopening privileges that can be exercised before the end of the first contract year.

The contract announced on May 23 between General Motors and the UAW-CIO is highly significant, because there are no provisions for reopening the contract within a five-year term. It also carried forward the two basic principles underlying the wage provisions of the 1948 contract. First, it provides for quarterly cost-of-living adjustments of 1 cent for each 1.14 points change in the Bureau of Labor Statistics Consumers' Price Index, without limit upward, but reaching a lower limit at 3 cents below the present cost-of-living allowance. Second, it provides for annual 4-cent increases in wage rates based on a technological "improvement factor" in place of the similar 3-cent provision of the previous agreement. Thus the new contract gives renewed recognition to the principle of sharing productivity gains with workers on a regular basis.

The company has also agreed upon company-financed pensions integrated with Federal old-age and survivors insurance for workers retiring at 65 years or older with at least 10 years of service. Unlike other recent labor-management contracts, the agreement provides for monthly benefits exceeding \$100 in the event of higher Federal old-age benefits. The agreement allows retirement for disability after 15 years of service and age 50, liberalizes the present insurance plan without additional cost to employees, and provides for company payment of half the cost of hospitalization and surgical benefits for workers and their families.

The agreement between the United Mine Workers and the bituminous coal operators provided for a general wage increase of 70 cents a day, raising the daily rate to \$14.75, and increased the operators' contributions

to the welfare fund from 20 cents per ton to 30 cents. The contract runs until June 30, 1952, subject to earlier termination on or after April 1, 1951. Anthracite miners and the Progressive Mine Workers of America were provided with adjustments similar to those in the bituminous contract.

During the first five months of 1950, 20.4 million man-days of idleness resulted from work stoppages, or twice as many as the 10.2 million man-days idle during the first five months of 1949. This was due largely to the Chrysler tie-up, which kept about 90,000 workers idle for 99 days, and to the extended coal stoppages which finally involved over 300,000 miners. The number of work stoppages was about 1,545 in the first five months of 1950, compared with 1,612 stoppages in the first five months of 1949.

The 99-day Chrysler controversy was ended on May 4 with an agreement which provides pension and social insurance benefits, increased vacation pay for some workers, and some job and interplant wage adjustments. The wage disputes in the telephone industry are now in the process of being settled, company by company.

Profits

The general expansion in economic activity, and the rise in wholesale prices during the first half of 1950, brought a sharp rise in business profits. In the second quarter of 1950, corporate profits before taxes (not adjusted for inventory valuation) were running at an estimated seasonally adjusted annual rate of 31.0 billion dollars, compared with 26.4 billion at their low point in the second quarter of 1949, a rise of 4.6 billion or about 17 percent. During the same period, the gross national product rose 12.8 billion dollars, or about 5 percent, demonstrating the greater volatility of the profit structure. Corporate profits before taxes reached their postwar peak in the third quarter of 1948, at an annual rate of 35.3 billion dollars. (See chart 9 and appendix table B-29.)

After taxes, corporate profits in the second quarter of 1950 were at an estimated seasonally adjusted annual rate of 18.9 billion dollars, compared with 16.4 billion dollars in the second quarter of 1949. This represents a return of over 4.5 percent on sales and almost 9 percent on net worth, compared with over 4 percent and 8 percent respectively a year earlier.

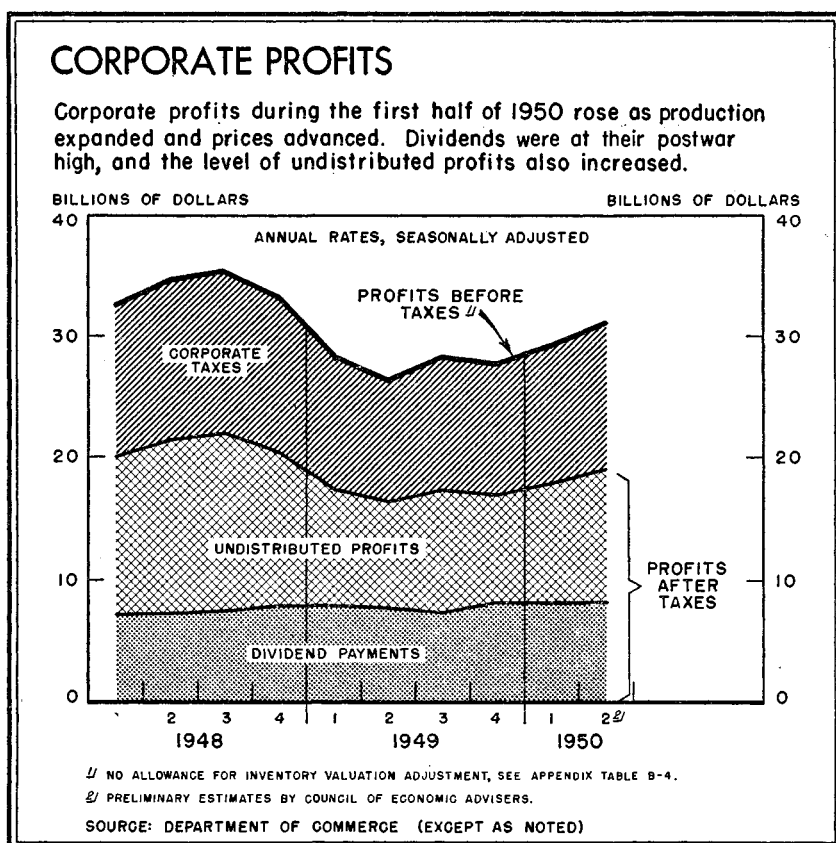
Net income of farm proprietors before taxes in the second quarter of 1950 (after adjusting for changes in the value of physical inventories and for seasonal variations) was at an annual rate of 11.6 billion dollars, compared with 13.7 billion a year earlier, a decline of 15 percent. This was 1.2 billion dollars below the first quarter level. The rise in farm prices during the first half of 1950 was not sufficient to offset the effects of lower marketings and higher costs.

Net income of unincorporated business and the professions (not adjusted for inventory valuation) in the second quarter of 1950 was at a seasonally adjusted annual rate of 23.6 billion dollars before taxes, compared with 20.1 billion dollars in the second quarter of 1949, a rise of about 17 percent.

This income component had been remarkably stable throughout 1949. (See appendix table B-4.)

Although the general level of corporate profits was substantially higher than a year earlier, the profit experience was markedly divergent among industries. In the manufacturing field, the profits before taxes of such industries as electrical machinery, automobiles, chemicals, building materials, rubber products, paper and allied products, and textiles were considerably higher during the first quarter of 1950 than a year earlier. On the other hand, in such industries as apparel, petroleum, iron and steel, machinery, transportation equipment, and nonferrous metals, profits during the first quarter of 1950 were substantially below their levels a year earlier, although in most cases they were running well above their 1949 low points. The differential structure of profits reflects the uneven impact of the increase in the demand for different commodities, as well as the effect of special factors such as that of the coal strike on the operation of the steel industry. The expansion in the level of activity during the second quarter of 1950 has improved the profit position of most industries. (See appendix tables B-31 and B-32.)

CHART 9



There continues to be a significant difference in the profit experience by size of firm. The manufacturing corporations having assets of less than 1 million dollars reported profits in the first quarter of 1950 well below the levels of a year earlier. The larger corporations were doing about as well as a year earlier, while the largest corporations with assets of over 100 million dollars were doing better. The lag in earnings of the smaller firms is accounted for by the fact that sales for these concerns during the first quarter of 1950 were still substantially below the level of early 1949, while the sales of the larger concerns were about as large. (See appendix table B-33.)

The availability of profits as a source of funds for different purposes is greatly influenced by the trends in prices. When prices are rising, as they were in the postwar period through 1948, part of the profits are locked up in the higher replacement costs of inventories. When prices are falling, affecting adversely the level of profits as in 1949, the lower replacement costs of inventories free funds for other purposes. The funds thus freed offset to that extent the reduction in profits as a source of funds for such purposes as expansion of plant and equipment and the payment of dividends. During the first half of 1950, wholesale prices rose, thus increasing the replacement costs of inventories.

As the following table shows, the net availability of funds from corporate profits after taxes, after allowing for the change in the costs of replacing inventories, was at an annual rate of 16.8 billion dollars in the first half of 1950. While about 12 percent below the level in the first half of 1949, this level was high enough to permit a further substantial increase in the liquid assets of corporations after increasing the volume of dividends and financing a high level of plant and equipment. (See table 4 and "Corporate Finance" in the section on Business Investment and Finance.)

TABLE 4.—*Corporate profits and changes in costs of replacing inventories*

[Billions of dollars]

Period	Corporate profits		Changes in costs of replacing inventories ¹	Net funds available from corporate profits for other purposes, after allowing for changes in costs of replacing inventories
	Before taxes	After taxes		
1946.....	23.5	13.9	5.2	8.7
1947.....	30.5	18.5	5.8	12.7
1948.....	33.9	20.9	2.0	18.9
1949.....	27.6	17.0	-2.2	19.2
<i>Annual rates, seasonally adjusted:</i>				
1949—First half.....	27.4	16.9	-2.2	19.1
Second half.....	27.9	17.1	-2.2	19.3
1950—First half ²	30.1	18.4	1.6	16.8

¹ Inventory valuation adjustment with sign reversed.

² Estimates based on incomplete data; second quarter by Council of Economic Advisers.

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

Source: Department of Commerce (except as noted).

The generally rewarding level of profits, reflecting the improved business situation, has been one of the factors which encouraged business to expand its plant and equipment expenditures substantially above levels previously anticipated. (See appendix table B-17.) In the main, the level of profits is ample enough to provide funds for a volume of investment higher than that being currently undertaken, although many firms are exceptions.

MONEY AND CREDIT

The general upturn in business has been accompanied by a large rise in credit during the first half of 1950. In contrast to early 1949, when most types of credit expanded only slightly or declined, credit developments this year have closely paralleled the expansionary pattern of 1948.

In the first six months of last year, total commercial bank loans contracted by 1.5 billion dollars. The decline came to an end during the summer, and in the autumn a marked rise got actively under way. During the last quarter of 1949, such loans expanded 1.3 billion dollars, or 500 million dollars more than in the fourth quarter of 1948. In the first six months of 1950, loans of commercial banks rose 1.8 billion dollars, or about the same as in the corresponding period of 1948. (See table 5 and appendix table B-25.)

The rise in bank credit and other types as well during the first half of this year reflected a very active demand for consumer and mortgage credit, and credit for purchasing securities. Business loans showed a moderate seasonal decline, but much smaller than last year's.

The total dollar volume of nonfarm mortgage recordings made by all types of financial institutions attained a record level—nearly 7 billion dollars—during the first six months of the year, nearly 30 percent above the corresponding period of last year and almost 20 percent above the first half of 1948. The net increase in mortgage debt was nearly 2.5 billion dollars, bringing the total up to over 39.5 billion dollars at the end of June. An important factor was the large-scale mortgage purchases of the Federal National Mortgage Association.

TABLE 5.—*Money and credit expansion—selected items*
[Billions of dollars]

Item	Percentage change during the first half of year ¹		
	1948	1949	1950 ²
Commercial banks:			
Loans.....	+1.8	-1.5	+1.8
Investments: total.....	-4.2	+9	+3
U. S. Government securities.....	-4.4	+6	-6
Weekly reporting member banks:			
Loans: total.....	+4	-1.7	+7
Commercial, industrial, and agricultural.....	-3	-2.4	-3
Instalment credit.....	+1.1	+5	+1.1
Privately-held money supply.....	-4.3	-3.5	+5

¹Change based on data for December 31 and June 30.

²Estimates based on incomplete data; by Council of Economic Advisers.

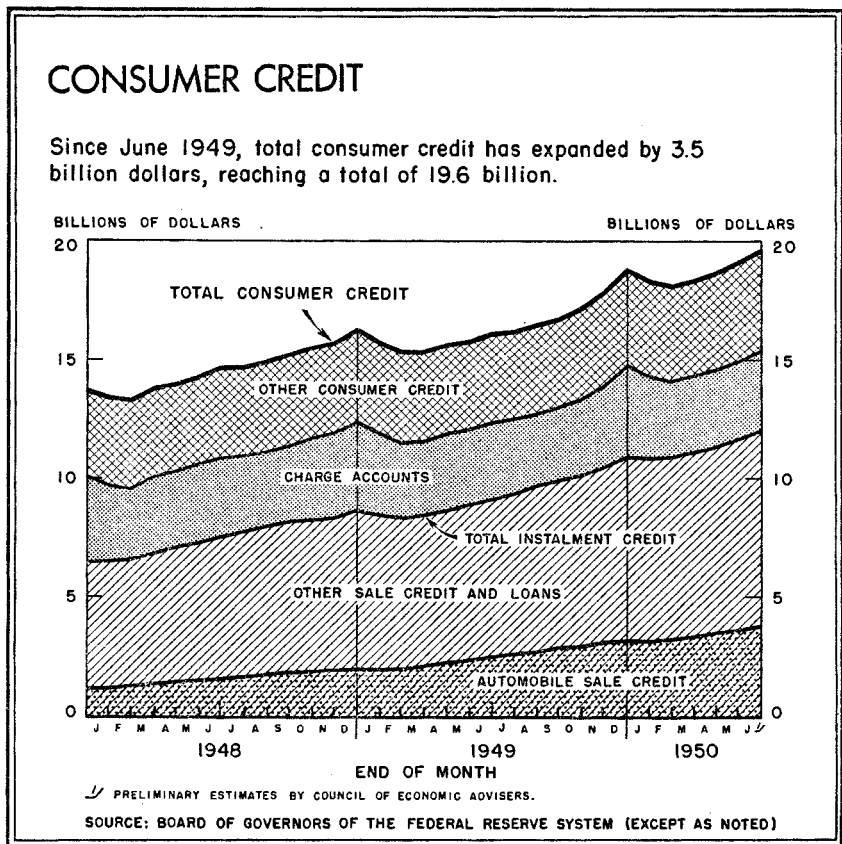
Source: Board of Governors of the Federal Reserve System (except as noted).

Consumer instalment credit has been steadily rising since last spring, and at the end of June reached a total of 12.0 billion dollars and was 2.9 billion dollars above the level of a year earlier. During the first half of this year, the rise was more than twice as large as in the first six months of 1949. Accompanying this rise, there has been a progressive relaxation of credit terms. (See chart 10 and appendix table B-24.)

Credit for purchasing or carrying securities, most of which was advanced by banks, also has risen markedly over the last year, but still is very small in relation to total loans. Total customer borrowing on margin account has increased about 500 million dollars, or about 75 percent since June 30 of 1949. Total commercial bank loans on securities other than Federal Government securities amount to less than 5 percent of their total loans.

A seasonal decline in business loans is to be expected during the first part of the year. This year the decline was very moderate. At the city banks, a 300-million-dollar decline in business and agricultural loans was reported for the first six months. It was no greater than the decline which occurred in the first six months of 1948, and 2 billion dollars smaller than

CHART 10



last year's. In June, business loans of city banks started to rise again at a substantially more rapid rate than in 1948, whereas in 1949 it was August before the contraction ended. Inventory buying associated with recent international events probably will not be reflected in bank credit until later. (See appendix table B-25.)

As a result of the concentration of tax payments which is normal for the first quarter, and a decline of more than 3 billion dollars in the holdings of Government securities by Federal Reserve and commercial banks, the money supply (privately-held deposits and currency) decreased by about 2.7 billion dollars in the first quarter of 1950. (See appendix tables B-26 and B-27.) The decline, however, was only about one-half as large as occurred in the first quarters of 1948 and 1949. The smaller first quarter drain on private deposits this year was primarily a reflection of the change in the Government's financial position brought about through smaller tax payments and larger Government cash expenditures. In the second quarter of the year, the money supply again rose substantially, more than offsetting the first quarter decline.

The rise in borrowing has not resulted in a general tightening in credit terms. Through the first half of the year, business loan rates and private security yields showed little change. Private financial institutions showed increased willingness to make mortgage loans on more favorable terms. (See appendix table B-28.)

In view of the substantial business recovery we have had in the past year, the over-all rise in bank credit did not appear alarming prior to the Korean development. But the rate at which credit has been advancing recently as shortages have appeared in many sectors of the economy is a cause for concern. Any substantial increase in defense expenditures will make necessary effective measures of credit restraint.

THE FLOW OF GOODS AND PURCHASING POWER

Personal income, consumption expenditures, and saving

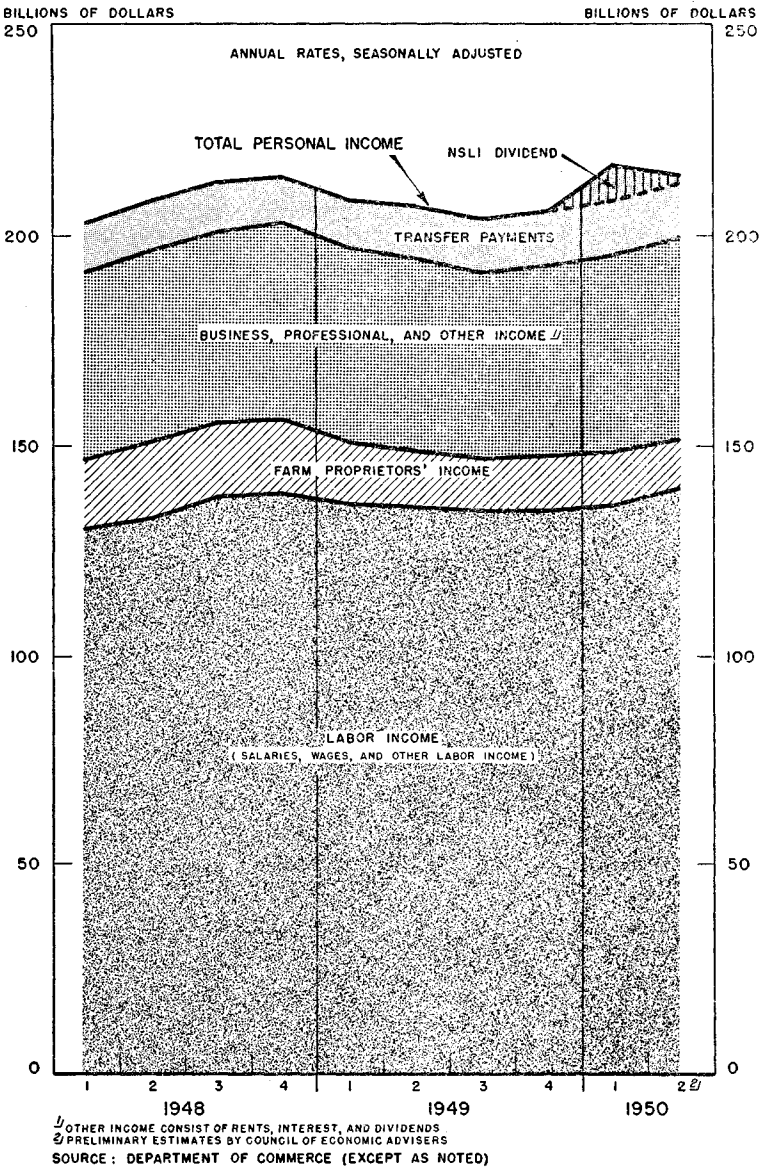
Personal income. Personal income in the second quarter of this year attained an annual rate of 213.7 billion dollars seasonally adjusted, a gain of 8.3 billion dollars, or 4 percent, over the last quarter of 1949. The decline of 2.7 billion dollars at an annual rate from the first quarter of this year was due to the reduced flow of payments on the veterans' life insurance dividend. All major components of earned income except farm and rental income were higher in the second quarter than in the first.

About 2.1 billion dollars (8.5 billion at an annual rate) was distributed to veterans as a dividend on National Service Life Insurance in the first quarter of the year. In the second quarter, the payment was largely completed by paying out an additional 500 million dollars (2.0 billion at an annual rate). Over 14.5 million veterans received checks which averaged about \$180 apiece. While actual payments were concentrated in the first quarter, the effects spread over a much longer period. Part of the rise in

CHART 11

PERSONAL INCOME

Personal income rose by almost 10½ billion dollars (annual rate), or 5.1 percent, from the second half of 1949 to the first half of 1950. The peak in the first quarter was caused by the veterans' dividend.



other income may be attributed indirectly to the dividend. (See chart 11.)

During the first half of 1950, total compensation of employees rose by 6.4 billion dollars to 146.6 billion dollars, but not all this increase was reflected in take-home pay. The social security tax was increased from 2 to 3 percent of covered wages, effective in January, and there was an increase in employer contributions to private funds, which are considered as an addition to the compensation of workers. (See appendix table B-6.)

Business and professional income also rose throughout the first half of this year. Farm income, the only principal component of income to decline, fell by almost 10 percent. Since 1948, the decline has been in the neighborhood of one-third. (See chart 11 and appendix tables B-4 and B-5.)

Almost all the increase in personal income was reflected in spendable income, which increased 4.2 percent during the half year. (See appendix table B-7.) Allowing for the lower level of prices, total real disposable income in the second quarter of 1950, although below the first quarter, was 2.8 percent higher than in the last quarter of 1948, the previous peak. But, because of the upward trend in population, there was very little increase in real per capita disposable income from the last quarter of 1948 to the second quarter of this year. (See appendix table B-8.)

Distribution of income. Data showing how income is distributed among high- and low-income receivers are not available for 1950. In the year 1949, for the first time since the end of the war, there was an increase in the proportion of the Nation's spending units having less than \$2,000 annual money income. Thirty percent of spending units in 1948 had incomes of less than \$2,000, compared with 36 percent in 1947. In 1949, the proportion increased to 33 percent. (See table 6.)

TABLE 6.—*Distribution of the Nation's spending units by income level*

Annual money income before taxes	Percent of all spending units				
	1945	1946	1947	1948	1949
Under \$1,000.....	20	17	14	12	14
\$1,000 to \$1,999.....	27	23	22	18	19
\$2,000 to \$2,999.....	23	25	23	23	21
\$3,000 to \$3,999.....	15	17	17	20	19
\$4,000 to \$4,999.....	7	8	10	12	11
\$5,000 to \$7,499.....	5	6	9	10	11
\$7,500 and over.....	3	4	5	5	5
All income groups.....	100	100	100	100	100

Source: Board of Governors of the Federal Reserve System.

The drop in farm income, and higher unemployment in 1949 than in preceding years, contributed to the rise in the proportion of units having less than \$2,000. Both farmers and unskilled workers fared less well than other occupational groups in 1949, according to the 1950 Survey of Consumer Finances. Recently, there has been a decrease in unemployment but no gain in farm income.

Personal consumption expenditures. Personal consumption expenditures at a seasonally adjusted annual rate of 184.5 billion dollars in the second quarter of 1950 were 3.9 billion dollars, or 2 percent, above the last quarter of 1949. Consumers' prices were slightly higher. (See charts 8 and 12.)

The payment of the NSLI dividend in the first quarter of 1950 undoubtedly had a major influence on the rise in consumer spending, especially on the purchase of durables. In 1949, the strongest factor in the consumer picture was the demand for automobiles, while sales of other durables and nondurables were substantially below 1948. Automobile sales continued to increase during the first half of this year. The most significant change from 1949, however, was an increase of about 10 percent in purchases of furniture and household equipment. Expenditures for food and other nondurables also increased, and expenditures for services continued to move upward, partly as a result of increases in rents and utility costs. (See appendix table B-2.)

Since mid-1948, service charges and rents have continued to rise, while prices of consumer goods have declined. Because of this, from the third quarter of 1948 total services have increased almost as much as total consumption expenditures. In actual quantities, however, purchases of goods increased as rapidly as purchases of services throughout 1948 and 1949 and more rapidly during the first half of 1950.

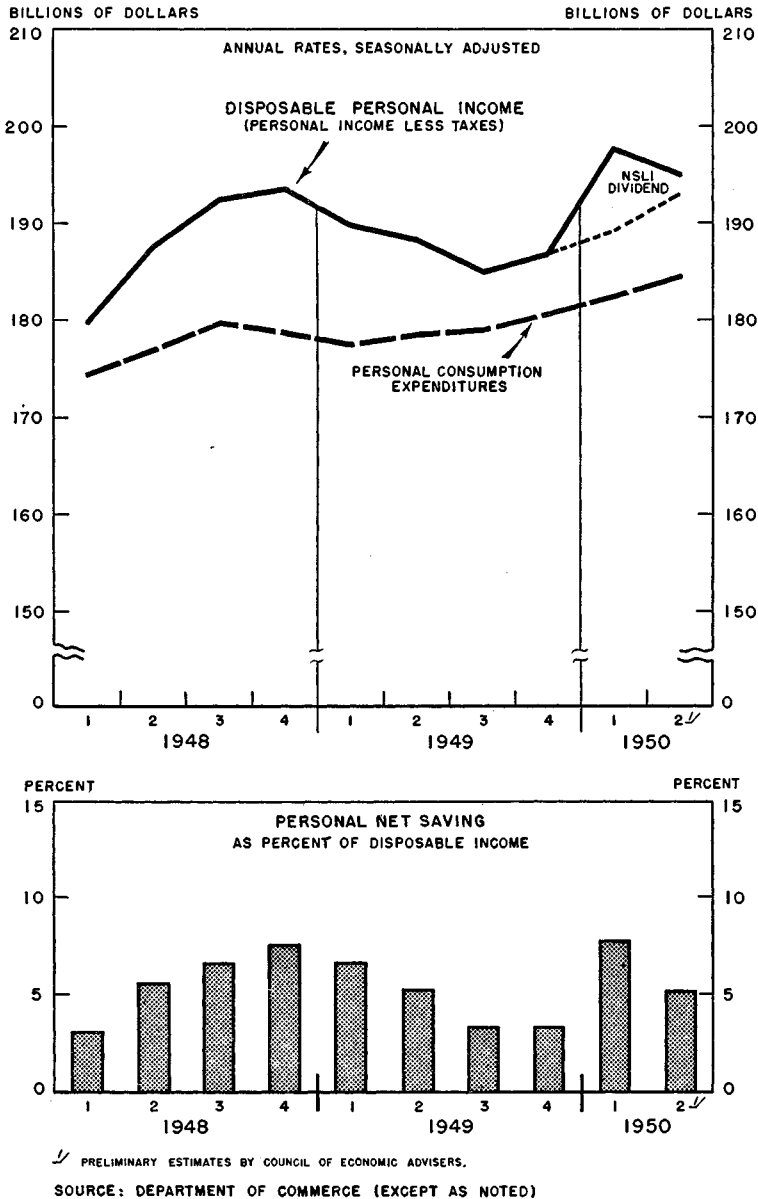
Personal saving and dissaving. The rate of saving in the first half of this year has been greatly distorted by the payment of 2.6 billion dollars of the veterans' dividend on National Service Life Insurance. A considerable part of this was used to add to liquid assets, to retire debt, or to buy homes, all of which adds to saving. The total volume of personal net saving rose from 6.2 billion dollars at an annual rate in the fourth quarter of 1949 to 15.3 billion in the first quarter of 1950, when most of the veterans' dividend was distributed. Personal saving then declined to 10.1 billion in the second quarter.

The rate of saving in relation to disposable income in the postwar period has fluctuated greatly. After reaching a low in the second quarter of 1947, savings rose rapidly to a peak in the fourth quarter of 1948, and then declined as income declined in 1949. A major part of the fluctuation was probably due to changes in direct investment in personal business, particularly in inventories, while "household" saving has been more nearly constant. The sharp rise in saving in 1948 was associated with tangible investments in farms, businesses, and homes, while the increase in debt was larger than the increase in financial assets. (See table 7.) In the recession year 1949, on the other hand, increases in financial assets were slightly greater than in 1948, and there was a less rapid growth in mortgage debt, consumer credit, and personal business debt. Investment in homes declined moderately, and investment in personal businesses dropped by 5 billion dollars. Similar detail is not available for 1950, but it is evident that, as a result of the

CHART 12

PERSONAL INCOME, SPENDING, AND SAVING

Consumer incomes rose substantially in first half of 1950 due in part to payment of the National Service Life Insurance dividend. Expenditures rose less than income and the rate of saving increased.



veterans' dividend, cash and deposit holdings, after allowance for seasonal factors, have increased at a more rapid rate than in the rise in debt.

The net addition to personal saving of 10.9 billion dollars in 1948 and 8.6 billion in 1949 represents a much larger total saving on the part of those families whose assets increased more than their debts, offset in part by dissaving on the part of other families. Slightly more than 3 out of every 10 spending units spent more than they earned in 1949, a somewhat larger proportion than in 1948, according to the 1950 Survey of Consumer Finances. In 1949, as in previous years, large numbers of families at all income levels spent more than they earned. Between 1948 and 1949, however, the increase in dissaving was almost wholly among families with incomes under \$3,000.

TABLE 7.—*Components of personal saving*
[Billions of dollars]

Item	1948	1949
Increase in financial assets.....	7.8	8.0
Currency, deposits, U. S. Government bonds, and saving and loan shares.....	1.4	1.9
Insurance reserves (private).....	3.5	3.8
Corporate and State and municipal securities.....	2.9	2.4
Less: Increase in debt.....	9.5	8.0
Mortgage debt (residential).....	4.1	3.5
Consumer debt.....	2.5	2.3
Business debt.....	2.9	2.2
Equals: Net financial saving.....	-1.7	---
Plus: Net tangible investment.....	12.6	7.0
Personal business investment.....	6.4	1.3
Purchases of new homes.....	6.2	5.6
Plus: Errors and omissions.....	---	1.6
Equals: Net personal saving.....	10.9	8.6

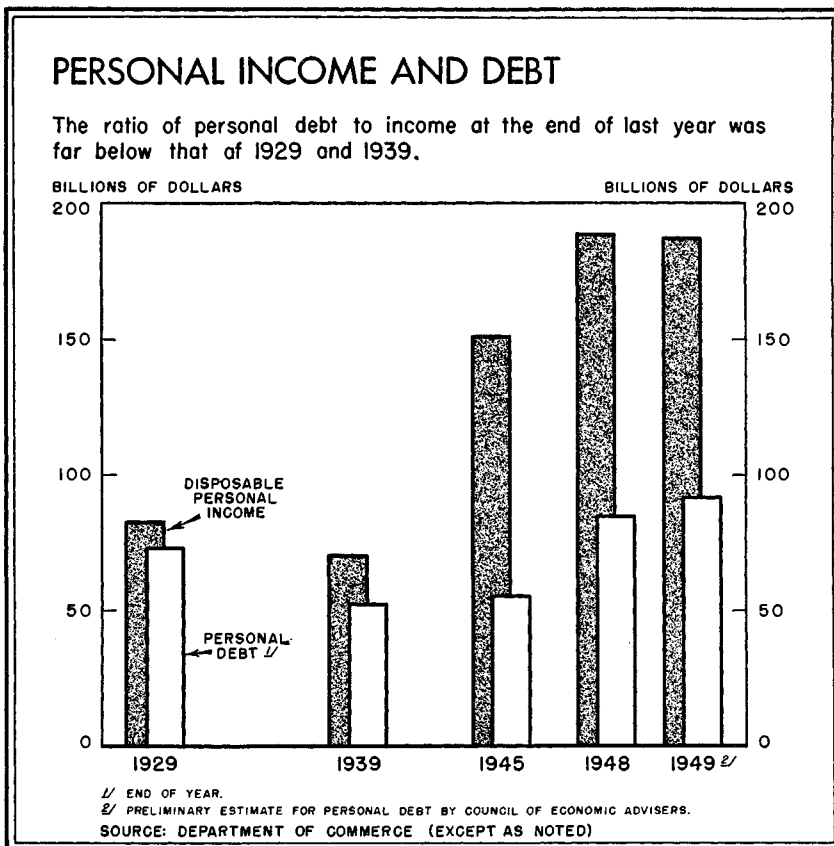
NOTE.—Detail will not necessarily add to totals because of rounding.

Sources: Department of Commerce and Securities and Exchange Commission.

Dissaving may take the form of liquidating bank deposits or other assets, or increases in consumer credit. The rapid rate of increase in consumer debt in the latter part of 1949 has been resumed, after the normal seasonal contraction, during the first part of this year. The veterans' dividend had no discernible effect in reducing instalment debt, and in the case of automobile purchases it may have stimulated debt incurrence by furnishing a down payment. As shown in chart 10, by the end of June 1950 consumer debt had risen to 19.6 billion dollars, or over 3.5 billion above a year earlier. The ratio of consumer debt to disposable income was only slightly below that during the same period in 1939. Mortgage debt also rose rapidly in 1949 and the first half of this year.

The rapidity of the rise in personal debt, which has been growing faster than income since 1947, has given rise to some concern that the volume of debt is becoming too high for economic stability. In 1949, over 50

CHART 13



percent of consumer units had debts of some kind, about 20 percent had mortgages on homes, and 22 percent had instalment debt. However, total personal and noncorporate debt and interest in relation to incomes are now much lower than prewar. As chart 13 shows, the ratio of noncorporate debt to personal disposable income has fallen from 87 percent in 1929 and 74 percent in 1939 to 47 percent in 1949. As a result of the lower debt ratio and of lower interest rates, the ratio of personal interest payments to disposable income was only 2.7 percent in 1949, compared with 7.9 percent in 1929 and 4.6 percent in 1939. Furthermore, many families who have gone into debt also have reserves of liquid assets. Since the war, financial assets have grown as rapidly as personal debt.

The stock of financial assets in the hands of consumers, farmers, and personal business is now above 400 billion dollars or over twice as great as annual disposable personal income. About half these assets are in a form readily convertible into cash. The ratio of total financial assets to income has fallen since 1939, principally because of the rise in the price level. The ratio of liquid assets, including cash, Government bonds, and saving and

loan shares, to personal income after taxes has risen from about 80 percent to over 100 percent.

Nevertheless, there are disturbing factors in the debt and asset situation. The distribution of liquid assets is highly concentrated in the upper income groups. The upper 20 percent of families, in terms of annual income, owned 54 percent of bank deposits and Government bonds in early 1949. These groups also hold large amounts of corporate and State-local securities which are not commonly owned by families with less income. At the beginning of 1950, 31 percent of all spending units had no Government savings bonds or bank deposits, a slightly higher proportion than in 1949, and 58 percent had less than \$500. (See table 8.) Fifty-six percent of the spending units in the under \$1,000 income group, and 39 percent in the \$1,000-\$3,000 income group, had none of these assets at the beginning of 1950. This concentration of liquid assets among higher income groups does not provide as accessible a reservoir of purchasing power as if they were more broadly distributed.

Moreover, while the level of personal debt and the interest burden are still relatively low, some categories of debt have been rising very rapidly, particularly consumer instalment debt and mortgage debt. The increase in consumer credit, which has been stimulated by progressive lengthening of repayment periods and lower down payments, has been a potent factor in the high and increasing demand for houses and for consumers' durables. The stepped-up military requirements since the Korean development will involve increased demands for many of the important types of materials which are already in short supply and which are used in the production of these consumer items.

TABLE 8.—*Percentage of the Nation's spending units having no liquid assets or less than \$500*¹

Asset holdings and period	Annual money income before taxes				
	All spending units	Under \$1,000	\$1,000-\$2,999	\$3,000-\$4,999	\$5,000 and over
No liquid assets:					
1947.....	24	51	27	10	—
1948.....	27	56	34	14	2
1949.....	29	56	38	19	5
1950 ²	31	56	39	21	4
Liquid assets of less than \$500 or no liquid assets:					
1947.....	50	78	58	34	10
1948.....	54	77	66	45	15
1949.....	57	79	67	54	22
1950 ²	58	78	68	53	26

¹ Includes deposits, saving and loan shares, and U. S. Government bonds. Does not include currency.

² Estimates based on incomplete data.

Source: Board of Governors of the Federal Reserve System.

Business investment and finance

Gross private domestic investment during the second quarter of 1950 was running at a seasonally adjusted annual rate of 44.0 billion dollars, compared with the low point of 31.2 billion in the fourth quarter of 1949, a rise of nearly 13 billion. (See chart 14, table 9, and appendix table B-3.) During the same period, the gross national product increased by 14.2 billion dollars, from a seasonally adjusted annual rate of 253.8 billion to 268.0 billion. (See appendix table B-1.)

The all-time peak rate of gross private domestic investment (46.8 billion dollars) was reached in the fourth quarter of 1948. This was 17.5 percent of the gross national product, contrasted with 16.6 percent for the year 1948, 12.9 percent for the year 1949, and 16.4 percent in the second quarter of 1950.

The greater part of the fluctuation in total business investment in the past 2 years has occurred in the inventory component. As table 9 shows, the annual rate of business investment exclusive of inventories (i. e., investment in construction and equipment alone) dropped by only 2.5 billion dollars from the fourth-quarter 1948 peak to the third-quarter 1949 low, and then rose by 5.7 billion dollars to an all-time record rate of 42.0 billion in the second quarter of 1950. New highs were also reached in the second quarter in outlays for producers' durable equipment and for private housing, the two largest components of the private construction and equipment total.

TABLE 9.—*Gross private domestic investment*¹
[Billions of dollars, annual rates, seasonally adjusted]

Period	Total gross private domestic investment	Construction and equipment				Inventory change ²
		Total	Nonfarm residential construction	Other private construction	Producers' durable equipment	
1948: Second half.....	46.2	38.7	8.6	9.4	20.6	+7.6
1949: First half.....	34.4	36.9	7.7	9.3	20.0	-2.5
Second half.....	31.6	36.6	8.9	8.6	19.0	-5.0
1950: First half ³	42.2	40.6	11.3	8.9	20.4	+1.6
1948: Third quarter.....	45.7	38.6	8.8	9.4	20.4	+7.1
Fourth quarter.....	46.8	38.8	8.3	9.5	20.9	+8.0
1949: First quarter.....	37.5	37.2	7.8	9.4	20.1	+1.3
Second quarter.....	31.3	36.6	7.6	9.2	19.8	-5.3
Third quarter.....	32.1	36.3	8.2	8.7	19.4	-4.2
Fourth quarter.....	31.2	36.9	9.5	8.6	18.7	-5.7
1950: First quarter.....	40.5	39.2	11.0	8.9	19.3	+1.3
Second quarter ³	44.0	42.0	11.6	8.9	21.5	+2.0

¹ See appendix table B-3 for further details.

² After inventory valuation adjustment.

³ Estimates based on incomplete data; by Council of Economic Advisers.

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

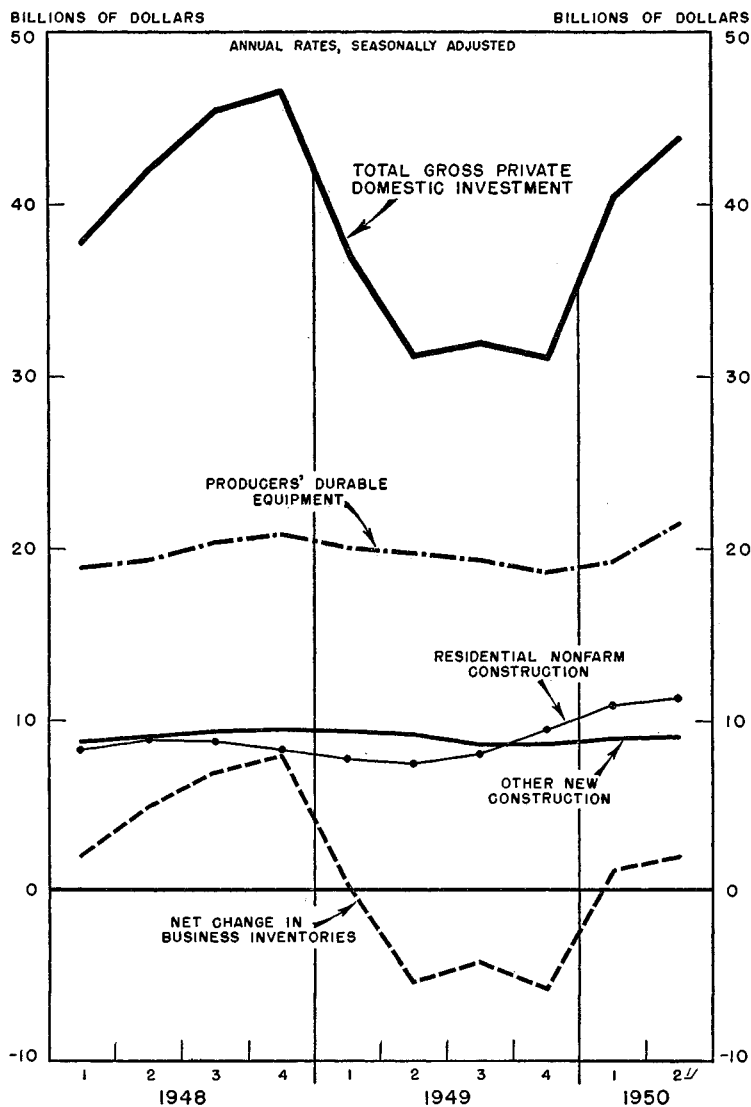
Source: Department of Commerce (except as noted).

Plant and equipment. After a steady but moderate decline during 1949, total outlays for plant and equipment (on a seasonally adjusted basis) rose

CHART 14

BUSINESS INVESTMENT

Most of the change in gross private domestic investment since early 1948 has reflected inventory movements. Investment in producers' equipment and in housing reached new highs in the second quarter of 1950.



substantially during the first half of 1950. (See appendix table B-3.) These fluctuations reflect mainly a 1949 decline and a 1950 recovery in purchases of equipment.

An upward trend in new orders received by producers of machinery and equipment set in during the latter part of 1949, and became more pronounced in early 1950. There is no sign yet of any slackening in these orders. The general improvement in business conditions has created more optimistic anticipations, and greater stress is being placed on reduction of costs by replacement of obsolescent equipment.

The most recent survey of anticipated business plant and equipment outlays, conducted by the Department of Commerce and the Securities and Exchange Commission in April and May, pointed to a sustained high level of such investment during the latter part of this year. (See appendix table B-17.) For the third quarter, respondents anticipated plant and equipment outlays somewhat greater than those of the corresponding quarter of 1949, and much more than seasonally higher than those of the first quarter of 1950, when expenditures were curtailed by steel shortage due to work stoppages. The third-quarter outlook reported in the survey reflects the expectations of profitable investment by public utilities and manufacturers at higher levels than a year earlier; businessmen in the other major fields estimated their outlays in both the second and third quarters of 1950 at a little below those of a year before. On the basis of the reports for the first three quarters of 1950, it would appear that plant and equipment outlays for the whole year 1950 may set a new annual record in the gas and electric utility field, and may nearly equal 1949 for nonfarm business as a whole.

Nonfarm inventories. A major development during the first quarter of 1950 was the resumption of nonfarm inventory accumulation. This was a large element contributing to the recovery movement of the economy during the first half of the year. Under the stimulus of expansion in demand in the first half of 1950, the level of production was restored to the point where a substantial accumulation of inventories is again taking place.

During the first quarter, nonfarm inventories were being accumulated at a seasonally adjusted annual rate of 2.1 billion dollars. In the second quarter, the rate rose to 2.6 billion. Compared with a peak annual rate of liquidation of 4.7 billion in the fourth quarter of 1949, this represented a net upward shift of 7.3 billion, accounting for half of the total rise in gross national product. (See appendix table B-3.)

The rate of growth of inventories reached in the second quarter of 1950 may be slightly in excess of what will be needed on the average to keep pace with the historical long-run trend of business expansion. Stocks do not appear excessive in relation to current production and sales. At mid-

year, however, there were some evidences of efforts to accumulate extra inventories in anticipation of possible shortages.

The book value of business inventories in manufacturing and trade rose from 53.6 billion dollars at the end of December 1949, on a seasonally adjusted basis, to 55.2 billion dollars at the end of May 1950. In dollar terms, they were still about 6 percent below the peak level of 58.6 billion dollars reached in November 1948. But when adjusted for changes in prices, the current volume of inventories is probably close to the peak level.

The largest increases in book value of inventories have taken place in the trade segment. In the first five months of 1950, the book value of retail inventories increased about 4.2 percent and that of wholesale inventories about 4.7 percent, after allowance for seasonal variation. The increase in manufacturers' inventories was only 1.9 percent. During the previous period of inventory liquidation, the largest decline had been in manufacturers' inventories, which fell more than 11 percent from January to November 1949. Trade inventories fell 8 percent from the November 1948 peak to December 1949. (See appendix tables B-18, B-19, and B-20.)

Corporate finance. During the first half of this year, reflecting changes in working capital needs, the total financial requirements of corporations were considerably above the first half of 1949. In the first six months of last year, corporations liquidated about 4 billion dollars of their inventory holdings and accounts receivable. This year the working capital requirements of corporations increased. With their plant and equipment expenditures only 600 million dollars below the level of a year ago, their financial requirements for plant and equipment, inventories, and receivables were 4.5 billion dollars above the first half of 1949. Corporations continued to increase their liquid asset holdings at about the same rate as a year ago despite their larger requirements for funds. (See chart 15 and appendix table B-34.)

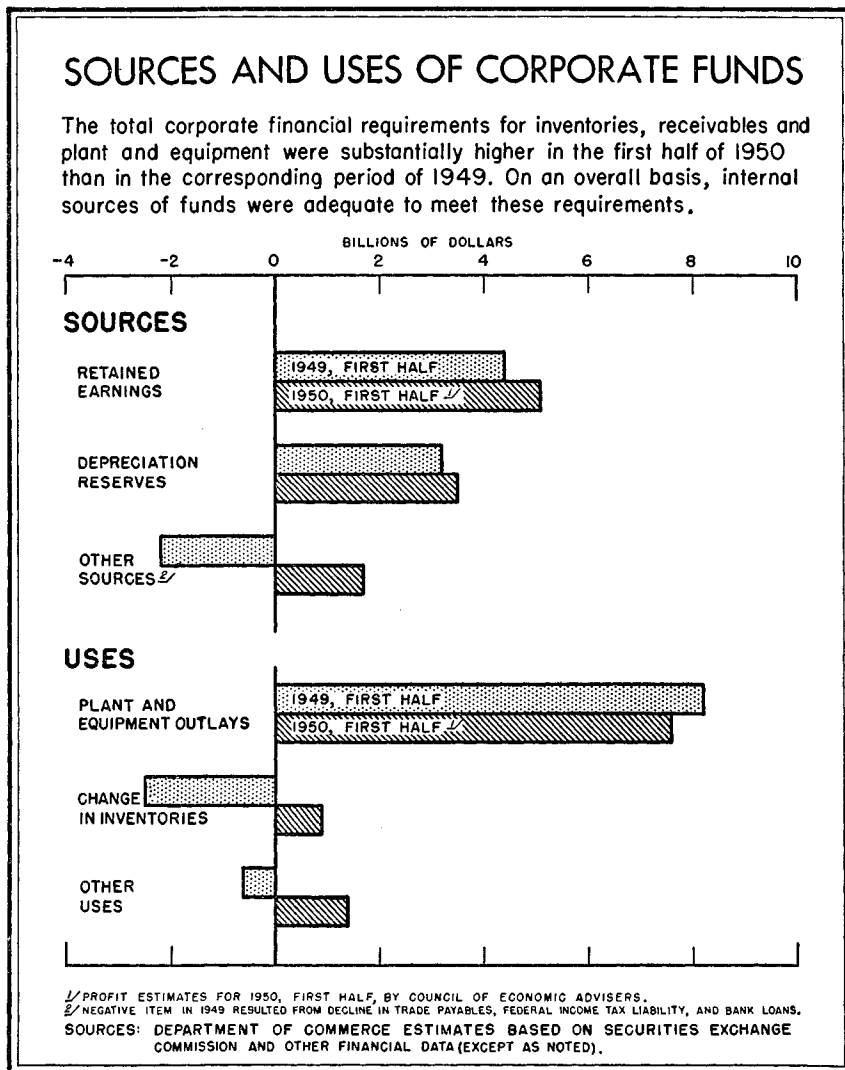
Corporations as a group were able to meet from internal sources of funds all of their financial requirements for plant and equipment outlays and for additions to inventories. During the first half of the year, rising total profit levels permitted an increase in retained earnings about 15 percent above the first six months of 1949, while dividend payments continued to increase. The total amount of funds obtained by corporations from outside sources was less than 2 billion dollars, and exceeded by only some 400 million dollars the amount corporations themselves invested in further liquid asset accumulation. Last year, when their investment in inventories and customer accounts was declining, corporations were able to finance their plant and equipment expenditures internally, and in addition they had sufficient funds to retire debt and accumulate liquid assets. The experience during the last 18 months, when corporations on balance were self-financing, is in striking contrast to the developments in the period

1946-48 when they needed more than 10 billion dollars annually from external sources.

New security issues (the bulk of which were public-utility issues) were the only important source of external funds during the first half of the year. The total volume of funds obtained from this source was about 1 billion dollars less than during the first six months of 1949; but a higher portion was in stock issues.

Corporate bank loans and trade debt showed a moderate seasonal decline during the first half of the year. To a smaller extent than last year proceeds from new security issues were used to retire bank loans.

CHART 15



Though there are substantial differences between the financial positions of large and smaller corporations, on an over-all basis corporate liquidity is very high at the present time. At the end of June, corporations held around 40 billion dollars in cash, deposits, and Government securities, only about 2 billion dollars less than their total accumulation at the end of the war. As a measure of their liquidity, the ratio of their cash, deposits, and Government securities to their current liabilities is now about 70 percent, compared with 61 percent at the end of 1948, 64 percent at the end of 1947, 93 percent at the end of 1945, and about 45 percent in 1940 and 1941.

This present high degree of liquidity of business corporations, together with rising profits and the favorable business outlook, should promote a continued high level of business investment and perhaps a further increase. The major problem now is to channel investment into those areas where it is most needed to support our increasing international commitments.

Construction. Construction activity was at a peacetime high during the first half of 1950 whether measured in dollars or in physical terms. It was a strong expansionary force during this period. Total new construction activity, including both public and private, was running at an annual rate of 26.4 billion dollars in June, about 20 percent higher than a year earlier. For the first half of 1950, total construction activity was at an annual rate of 25.9 billion dollars, up 17 percent from the first half of 1949. About three-fourths of the current outlay is private and one-fourth public. The new peak in construction activity is in major part the result of the housing boom, which began in the late spring of 1949. (See appendix table B-16.)

The very high current rate of construction involves heavy demands for labor and materials. Construction wages and the prices of building materials have been rising since midsummer of 1949.

Private construction activity during the first six months was at an annual rate of 19.1 billion dollars, a rise of 20 percent, compared with a year earlier. Nonfarm residential construction activity rose 47 percent, while other private construction declined about 5 percent. Nonfarm housing starts reached the unprecedented level of 142 thousand units in June, after making new records in March, April, and May with 110 thousand, 126 thousand, and 140 thousand, respectively. For the first six months, starts totaled 680 thousand compared with 449 thousand during the same period of 1949, a rise of over 50 percent. The unusually mild winter in much of the country was a factor in achieving this high level of starts, but housing starts have continued very high throughout the first half of the year.

The increase in the construction of private multifamily units, which was so noticeable in 1949, continued in 1950. Nearly 37 percent more multifamily units were started in the first six months of 1950 than in the same period of 1949, facilitated by the use of section 608 of the National Housing Act which provides for insurance of loans for rental projects.

Nonresidential private construction during the first half of 1950 was somewhat lower than in the first half of 1949. Construction of stores,

restaurants, and garages was slightly higher, while factory construction was considerably less. Industrial construction rose more than seasonally through the first half of 1950, however, and the increase in contracts indicates a further rise. Public utility construction outlays during the first half of 1950 were 6 percent below the first half of 1949, and farm construction was down 16 percent. On the other hand, private institutional construction was at higher levels during the first half of 1950 than a year earlier, with large rises reported for hospitals and religious institutions.

Public construction in the first half of 1950 was at an annual rate of 6.8 billion dollars, a rise of 9 percent over a year ago. The largest increases were for schools, hospitals, and other types of public building where the needs are still great. Expenditures for conservation and development also showed a large increase. Highway expenditures were slightly higher than during the first half of 1949.

Expenditures for public housing were substantially higher in the first half of 1950 than a year earlier, although the level of activity is still low. Moreover, after expanding rapidly in the second half of 1949, the rate of activity leveled off during the first half of 1950. During the first six months of 1950, the number of public housing starts was less than 10 thousand, compared with about 23 thousand in the same months of 1949. Most of the public housing has been under State or local auspices. Federal subsidized low-rent housing under the Housing Act has been relatively insignificant in amount.

International transactions

In the first half of 1950, both United States exports of goods and services and the surplus of these exports over imports were running at a rate of 4 to 5 billion dollars a year less than during the first half of 1949. With the shrinkage of United States exports that has taken place over the past 12 months, exports and the export surplus were reduced for the first time since the war to a proportion of the gross national product not significantly greater than before the war. Thus, their importance as a factor in the net demand for United States production was considerably reduced. Their relation to gross national product in recent periods, compared with prewar and with their postwar peak, is shown in table 10.

TABLE 10.—*United States international transactions as percent of gross national product*
[Percent]

Period	Exports of goods and services ¹	Imports of goods and services ¹	Export surplus ¹
1936-38 average.....	4.8	4.2	0.6
Annual rates:			
1947, first half (postwar peak).....	8.8	3.6	5.2
1949, first half.....	6.8	3.9	2.9
1950, first half ²	4.9	3.9	1.0

¹ Includes income on investments.

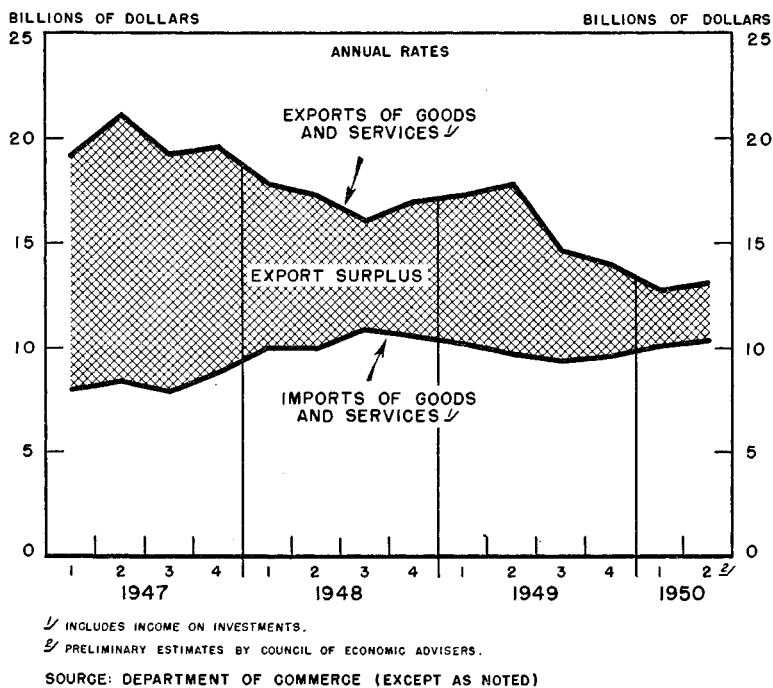
² Estimates based on incomplete data; by Council of Economic Advisers.

Source: Department of Commerce (except as noted).

CHART 16

EXPORTS AND IMPORTS OF GOODS AND SERVICES

The continued reduction in exports in the first half of 1950, together with the rise in imports, resulted in the lowest export surplus since the war.



The decline in the export surplus since the first half of 1949 resulted almost entirely from a fall in total exports; imports of goods and services rose only slightly in value. It should be noted that a considerable part of the decline in the export surplus and most of the decline in total exports had already taken place by the end of 1949. Further declines occurred in the first quarter of 1950 but in the second quarter it appears from preliminary data that the trend has been stopped. (See chart 16 and table 11.)

Although the value of imports of goods and services in the first half of 1950 was only slightly higher than in the first half of 1949, this value represented a significant increase above the second half of 1949, especially when seasonal factors in our imports of services are taken into account. The change in our export surplus since the second half of 1949 resulted about equally from a fall in our exports of goods and a rise in our imports of goods, nonseasonal changes in services having been relatively small. The

rise in merchandise imports brought their dollar value back to the pre-recession level of early 1949. (See appendix table B-35.)

TABLE 11.—*United States exports and imports of goods and services*

[Billions of dollars]

Period	Exports of goods and services ¹	Imports of goods and services ¹	Surplus of exports of goods and services ¹
1936-38 average.....	4.1	3.6	0.5
1946.....	14.7	7.0	7.8
1947.....	19.8	8.3	11.5
1948.....	17.1	10.4	6.7
1949.....	16.0	9.7	6.2
Annual rates:			
1948—First quarter.....	17.9	10.0	8.0
Second quarter.....	17.3	10.0	7.3
Third quarter.....	16.1	10.9	5.2
Fourth quarter.....	17.0	10.6	6.5
1949—First quarter.....	17.3	10.2	7.1
Second quarter.....	17.8	9.7	8.1
Third quarter.....	14.7	9.4	5.4
Fourth quarter.....	14.0	9.6	4.4
1950—First quarter.....	12.8	10.1	2.6
Second quarter ²	13.2	10.4	2.8

¹ Includes income on investments.

² 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).

This expansion in the dollar value of merchandise imports in the first part of 1950 continued a movement which had begun with the recovery of United States business activity in mid-1949, before the devaluation of foreign currencies. This is brought out by the monthly figures shown in chart 17. It has taken the form mainly of an increase in the quantity of goods purchased. Despite declining dollar prices, particularly in semi-manufactured products, which followed the devaluations abroad, sharply rising world prices for foodstuffs, mainly coffee and cocoa, and subsequent increases in certain raw materials, such as rubber, and semimanufactured materials such as copper, have given average import prices a slightly rising tendency. Upward movements were sharply accentuated by the outbreak of hostilities in Korea.

The additional dollars which the recent rise of imports made available to foreign countries were more than offset by the decline in our foreign aid, which was being provided during the first half of this year at an annual rate about 2 billion dollars lower than in the first half of 1949. (See table 12 and appendix table B-37.) Since foreign purchases from us were considerably below their 1949 levels, however, foreign gold and dollar reserves increased substantially.

The reduction of Government aid in accordance with the reduced needs of foreign countries, and the replenishment of their gold and dollar reserves, are both desirable. Foreign reserves are still below adequate levels. The reduced figure for the net outward flow of American capital in the first

quarter of this year resulted from an accelerated return of short-term capital, as foreign countries repaid commercial debts to us. This bulge in debt repayment is a desirable but temporary phenomenon.

The decrease of merchandise exports brought their value in the first five months of 1950 down 28 percent below the first five months of 1949, and brought their quantity down by 22 percent. The decline has affected nearly all important commodities except cotton, the exports of which have in fact increased. The largest absolute drop, accounting for one-third of the reduction in total exports, was in shipments of certain foodstuffs, namely, wheat and other grains. Among the other commodities most affected were machinery, iron and steel-mill products, automobiles, textiles, coal, petroleum, and tobacco.

TABLE 12.—*Financing the surplus of goods and services supplied to foreign countries*

[Billions of dollars]

Period	Surplus of exports of goods and services ¹	Means of financing			
		U. S. Government sources ² (net)	Liquidation of foreign gold and dollar assets ³ (net)	Outflow of United States private capital ⁴ (net)	Other means of financing ⁵ (net)
1936-38 average.....	0.5	-----	0.8	-0.2	-0.1
1946.....	7.8	5.0	1.9	.4	.5
1947.....	11.5	5.8	4.5	.8	.4
1948.....	6.7	5.1	.8	.9	-----
1949.....	6.2	5.9	-----	.6	- .3
Annual rates:					
1948—First quarter.....	8.0	5.4	1.3	.9	.4
Second quarter.....	7.3	3.8	2.1	1.2	.2
Third quarter.....	5.2	4.5	.6	.9	- .8
Fourth quarter.....	6.5	6.5	- .9	.5	.3
1949—First quarter.....	7.1	6.7	-----	.7	- .3
Second quarter.....	8.1	6.6	1.5	.5	- .5
Third quarter.....	5.4	5.9	.3	.6	-1.5
Fourth quarter.....	4.4	4.6	-1.8	.6	1.0
1950—First quarter.....	2.6	4.4	-1.9	.3	- .3
Second quarter ⁶	2.8	4.9	-2.8	.8	- .1

¹ Includes income on investments.

² Includes grants and loans but excludes subscription to the capital of the International Bank for Reconstruction and Development and the International Monetary Fund. For detail, see appendix table B-37.

³ 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.

⁴ Includes both long-term and short-term capital but excludes purchase of obligations of the International Bank.

⁵ Includes private gifts, net dollar disbursements by the International Bank and the International Monetary Fund, and allowance for errors and omissions.

⁶ 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).

The decline of exports appears to have ended in the first few months of the year, and the levels then reached may be maintained or perhaps exceeded in the second half of this year, even apart from any increases that may result from recent international developments.

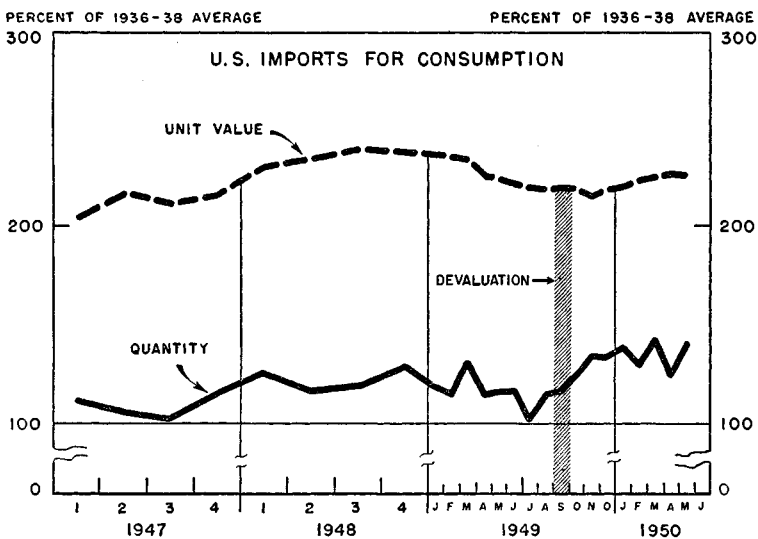
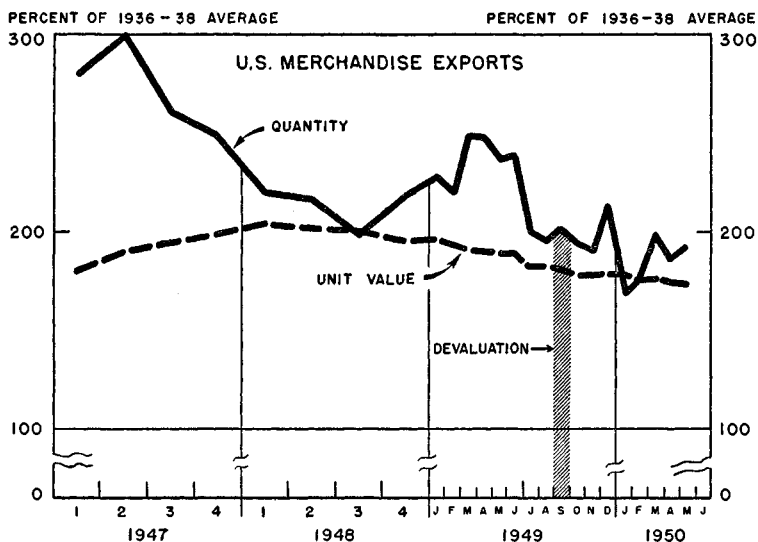
Effects of devaluation on United States foreign trade. The effect of the currency devaluations upon our imports appears so far to have been rela-

CHART 17

EXPORTS AND IMPORTS

QUANTITY AND UNIT VALUE

Both the quantity and unit value (average prices) of exports in early 1950 were below the second half of 1949. The quantity and unit value of imports were higher.



SOURCE: DEPARTMENT OF COMMERCE.

tively limited. Until recently, the average dollar price of our imports was about 5 percent less than in early 1949, though above the June–November 1949 levels. The quantities, except in the case of foodstuffs, are greater. Most of the price decline since early 1949, however, was not attributable to the devaluations, since the declines occurred to a considerable extent before devaluations took place.

The increase in the quantity of goods imported has undoubtedly been given some impetus by the lower values of foreign currencies. But part of the increase since last summer probably reflects the temporarily depressed level of purchases at that time caused by the expectation that devaluation might occur. It is also to be noted, from chart 17, that the quantity of imports, particularly of crude and semifinished materials, began to rise with the recovery in United States business activity, somewhat earlier than can be accounted for by devaluation. Moreover, the sharpest increases in the first few months after devaluation occurred in imports of crude foodstuffs; these increases appear to have resulted largely from seasonal factors, not from devaluation. (See chart 17 and appendix tables B-43 and B-44.)

So far as exports are concerned, shipments of food, semimanufactured and finished manufactured products declined somewhat after devaluation, but in recent months exports of the latter two classes of commodities appear to have recovered slightly, while exports of crude materials are substantially higher than they were in the months preceding devaluation. (See appendix tables B-40 and B-41.)

Prior to the devaluations, many foreign countries were already intensifying restrictions on imports from us in order to stop losses of gold and dollar reserves. To this extent devaluation, by making our goods more expensive abroad, may have been in large part a substitute for direct import restrictions that had been or would otherwise have been imposed, rather than a cause of additional curtailment of our exports. It seems clear, however, that devaluation has contributed to the recent improvement in the dollar positions of many countries by shifting price relationships between goods that foreign countries must pay for with dollars and goods that can be paid for with other currencies.

Changes in areas of total export surplus. The decline in our exports of goods and services to countries participating in the European Recovery Program, their dependencies, and nonparticipating countries in the sterling areas, accounted for nearly one-half of the total reduction in our export surplus of goods and services from the first quarter of 1949 to the same period of 1950. But we maintained a large surplus with Western Europe, and also with Japan. As a result of our lower exports to, and our heavier purchases from other parts of the world, particularly the Latin American Republics, our export surplus with these other major areas was reversed. (See appendix table B-36.) For the first time since the war we developed an import surplus with the Latin American countries as a group, and with the non-European countries in the sterling area. We also had an import surplus

on merchandise trade alone with Africa and Australia, and an approximately balanced merchandise position with Canada for the first time since the war. (See appendix tables B-38, B-39, and B-42.)

This development should not be interpreted as meaning that dollar payments are now purely a Western European and Japanese problem. In the first place, the developments in the first quarter of 1950 may be partly temporary. But more fundamental are two other considerations. One is that the cut in our surpluses with some areas results in part from the enforcement in these areas of more rigorous restrictions by them against imports from the United States. To this extent, the reduction in our export surplus with the world as a whole and with particular areas may mean not that their excess demand for dollars under existing world price relationships has disappeared but merely that it has been suppressed by direct controls of external trade alone, rather than by price adjustments or by excise or other taxes, which would affect both internal and external trade on a nondiscriminatory basis.

The other fundamental consideration is that the existence of a surplus with one area does not mean that dollar payment difficulties, if any exist, are necessarily caused by the trading and financial relations of that area with the United States. A United States export surplus with one area may be normal and desirable; dollar difficulties of that area may arise from inability to earn dollars in other areas. This will depend in part upon its competitive position in other areas and in part upon the volume of dollars which these other areas obtain in the United States through earnings or capital imports. Thus, it is generally believed that Western Europe will continue to import from the United States more than it exports to it after the European Recovery Program ends, and that it can be self-supporting only if it earns gold and dollars in other areas.

Government transactions

NOTE.—As has been customary in previous reports, government transactions are here measured on the so-called consolidated cash basis, rather than in terms of the conventional budget. Cash payments to and receipts from the public reflect the volume of current cash transactions between government, on the one hand, and the public, including business, foreign countries, and international institutions, on the other. All intragovernmental transactions are eliminated. Such data are more useful for assessing the immediate economic impacts of government programs than are the data in the conventional budget. A detailed description of the concepts used is given in the Budget of the United States, 1950, page 1375.

All levels of government combined—Federal, State, and local—directly employed some 10 percent of the total number of civilians employed in the United States during the first half of this year. Government purchases of goods and services represented about 15 percent of the total gross national product. In the field of new construction alone, government activity accounted for 25 percent of the total. Total cash payments by all levels of government, including such transfer payments as old-age pensions, public assistance and unemployment compensation, amounted to a figure nearly one-fourth as large as total gross national product.

These figures indicate the major role played by government in the Nation's economy. In terms of annual rates, total cash payments by all levels of government amounted to about 62.5 billion dollars during the first half of this year, of which the special dividend in repayment of past excessive premiums under the National Service Life Insurance program, computed at an annual rate, accounted for somewhat over 5 billion. Total cash receipts were at an annual rate of about 57.5 billion dollars, or about 5 billion dollars less than cash payments. Quite apart from the relationship between total payments and total receipts, the very large and relatively stable programs represented by these dollar figures exert a major impact on economic developments. (See table 13.)

TABLE 13.—*Government cash receipts from and payments to the public*
[Billions of dollars, annual rates, seasonally adjusted]

Receipt or payment	Calendar year 1949			Calendar year 1950, first half ¹
	Total	First half	Second half	
Cash receipts:				
Federal.....	41.3	41.5	41.2	40.4
State and local.....	16.3	16.0	16.5	17.1
Total cash receipts.....	57.6	57.5	57.7	57.4
Cash payments:				
Federal.....	42.6	42.5	42.9	43.3
State and local.....	17.5	17.3	17.8	19.2
Total cash payments.....	60.2	59.8	60.6	62.5
Surplus (+) or deficit (-):				
Federal.....	-1.3	-1.0	-1.6	-2.9
State and local.....	-1.3	-1.2	-1.3	-2.1
Total, surplus (+) or deficit (-).....	-2.5	-2.3	-2.9	-5.0

¹ Estimates based on incomplete data.

NOTE.—Detail will not necessarily add to totals because of rounding.
Source: See appendix A.

Cash payments by the Federal Government. Excluding the NSLI dividend, Federal cash payments to the public declined from 42.6 billion dollars in 1949 to an annual rate of 38.1 billion during the first half of this year. Including disbursement of the dividend, the annual rate of total payments during the first half was 43.3 billion.

The major explanation for the decline of 4.5 billion dollars in the annual rate of total Federal cash payments (apart from NSLI dividend) to the public lies in the area of international programs, aggregate payments for which declined by some 2.1 billion dollars. This large decline resulted partly from anticipated trends, partly from a repayment to the Treasury by the International Monetary Fund of cash previously received, and partly from a lag of expenditures behind expected schedules. The other major areas of decline were in net cash expenditures for farm price support; and in expenditures for defense, where there was also a lag behind expected schedules, as well as an intensified efficiency drive resulting in a considerable reduction in civilian payrolls.

These and other declines were more than sufficient to bring about a decline in total cash payments (excluding the NSLI dividend), despite a continued very high level of unemployment compensation and public assistance payments and a steady increase in public works. Unemployment compensation payments were at a postwar peak during the first quarter of this year, reflecting the peak unemployment prevailing during those months; and did not decline sufficiently during the second quarter to bring the rate for the half-year below the 1949 level.

TABLE 14 — *Federal cash payments to the public, by type of recipient and transaction*

[Billions of dollars, annual rates, seasonally adjusted]

Classification of payment	Calendar year 1949	Calendar year 1950, first half ¹
Direct payments for goods and services:		
To individuals.....	9.5	9.7
To business and international.....	9.1	8.1
Loans and transfer payments to individuals (excluding NSLI dividend).....	11.4	10.9
Loans, investments, subsidies, and other transfers to business and agriculture.....	6.8	6.0
Loans and transfer payments to foreign countries and international institutions.....	6.2	4.1
Clearing account and adjustment to Daily Treasury Statement.....	— .3	— .7
Subtotal.....	42.6	38.1
NSLI dividend.....		² 5.2
Total Federal cash payments.....	42.6	43.3

¹ Estimates based on incomplete data.

² Total of 2.6 billion dollars for the first half of 1950, expressed as an annual rate.

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

Source: See appendix A.

Cash payments by State and local governments. Incomplete information indicates that cash payments by State and local governments during the first half of 1950 continued their upward trend, running at an estimated annual rate of about 19.2 billion dollars, compared with 17.5 billion in 1949. (See table 14 and chart 18.)

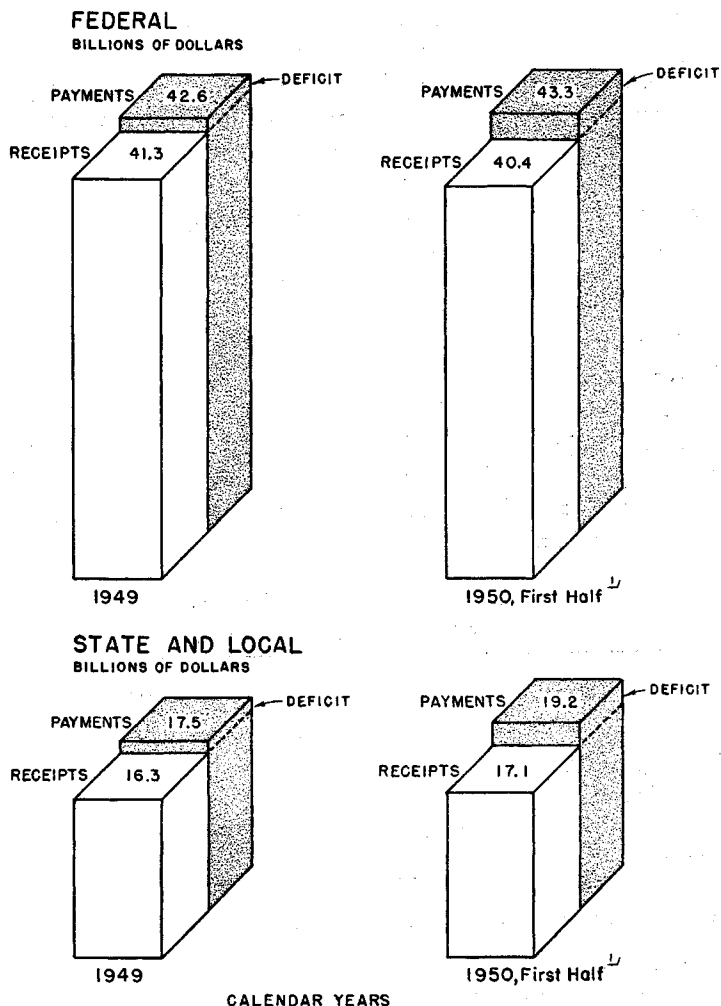
This upward trend reflects the continuing pressure of wartime backlogs, large population changes, and a lagging response to the postwar rise in the general level of prices, wages, and salaries.

Federal cash receipts, the cash deficit, and changes in the publicly held Federal debt. Federal cash receipts from the public during the first half of this year were at an annual rate of 40.4 billion dollars, or about 1 billion below the first half of 1949. (See table 15 and chart 18.) This decline occurred despite the 50 percent increase in the rate of employment tax in support of the old-age insurance system, which became effective as of January 1, 1950, and which increased the annual rate of cash receipts by about three-quarters of a billion dollars; and despite a decline of similar magnitude in tax refunds, which produced a corresponding increase in net cash receipts.

There was a sharp drop of over 2 billion dollars in the rate of receipts from the corporate profits tax. Since these taxes are collected with a lag of about one year from the period when the liability actually accrues, this

GOVERNMENT CASH RECEIPTS FROM AND PAYMENTS TO THE PUBLIC

The net cash position of the Federal Government showed a deficit of about 3 billion dollars during the first half of 1950, which was more than accounted for by the NSLI dividend. State and local governments continued to show a cash deficit.



⌋ ANNUAL RATES, SEASONALLY ADJUSTED
SOURCE: SEE APPENDIX A

drop reflected the much lower level of 1949 profits in comparison with 1948. The present high and rising level of profits, with the accompanying increase in tax liabilities accruing, will not be reflected in cash receipts until the first quarter of the calendar year 1951.

The only other category of receipts showing a considerable decline during the first half of this year was that of personal income taxes not withheld, i. e., largely taxes on the incomes of farmers, professional persons, and unincorporated businesses, and on dividends, interest, rents, and other sources of income not subject to withholding. As with corporate taxes, payments during the first half of this year were based in large part on the income levels of 1949. The present rising level of incomes and tax liabilities will not be fully reflected in receipts until next year.

Receipts from surplus property continued their steady decline, and now represent only a minor source of revenue. Other major categories of receipts—personal income taxes withheld, employment taxes, and excises—apart from the increase in the OASI tax rate, and from technical changes in reporting and deposit practices, have shown only very moderate changes over the past 18 months. There was a slight dropping off during the second half of last year, and a roughly compensating increase during the first half of this year. If business conditions continue to improve, this increase may be expected to continue and accelerate.

Excluding the NSLI dividend, Federal cash receipts from the public would have exceeded cash payments, on a seasonally adjusted basis, by about 2¼ billion dollars during the first half of this year, compared with the cash deficit of nearly 1½ billion in 1949. Taking into account the very large and rapid disbursement of the insurance dividend during this period, however, the annual rate of total payments exceeded the rate of receipts by nearly 3 billion dollars.

TABLE 15.—*Federal cash receipts from the public*

[Billions of dollars, annual rates, seasonally adjusted]

Source of cash receipts	Calendar year 1949	Calendar year 1950, first half ¹
Direct taxes on individuals.....	18.4	18.3
Direct taxes on corporations.....	12.0	9.9
Employment taxes.....	2.5	3.2
Excises and customs.....	7.9	7.9
Surplus property receipts.....	.5	.3
Deposits by States, unemployment insurance.....	1.0	1.1
Veterans' life insurance premiums.....	.4	.4
Other.....	1.4	1.4
Less: Refunds of receipts.....	-2.8	-2.1
Total Federal cash receipts from the public.....	41.3	40.4

¹ Estimates based on incomplete data.

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

Source: See appendix A.

Apart from the broad trends in the annual rates of receipts and payments, the importance of regular seasonal changes in the relation between receipts

and payments should be recognized. In recent years, there has been a large excess of cash receipts over cash payments in the four months of December to March, and June and September have also shown surpluses. This is due to the relative concentration of tax payments in those months under the present tax laws, and it entails problems of transfer of funds from individuals and corporations to the Treasury and imposes a serious, although temporary, pressure upon the reserves of banks through which the transfers are made.

Following the usual pattern, the concentration of tax payments in the early months of 1950 carried cash receipts high enough to produce a cash surplus of about 1.5 billion dollars in the first quarter of the year, notwithstanding the effects of the business recession of the preceding year and the increase in payments over those of the first part of 1949 arising from the NSLI dividend. April and May were, as usual, deficit months, and June a month of surplus. In the first six months of the year, there was a cash deficit of less than 200 million dollars. The publicly held debt was enlarged by about 1.7 billion dollars from the December 31, 1949 level, and on June 30 was about 219.5 billion. This increase was largely absorbed by individuals and nonbank corporations and associations.

Federal budget receipts, the budget deficit, and changes in the national debt. The foregoing analysis has been in terms of the consolidated cash statement of Government transactions, rather than in terms of the so-called conventional budget. The conventional budget, however, is equally important in many respects. It is the conventional budget with which most businessmen and legislators are chiefly concerned. It is the deficit in that budget which is found disquieting by many whose own decisions about business plans are influenced by pessimistic views about the threat to national credit, and by many legislators in determining their attitude upon a wide range of national economic policies. In the recent postwar years, there has been continuous discussion of the budget, the budget surplus, and the budget deficit, and very seldom has it related to any other than the conventional budget, transmitted by the President to the Congress and reported upon daily in the statement of the Treasury as the fiscal year advances. A budget surplus means a reduction in the national debt, the objective of everyone. A budget deficit means an increase in the national debt. Even though a substantial fraction of this increase may represent a corresponding increase in the assets of Federal trust accounts, businessmen and legislators are concerned about it.

Because of seasonally high tax receipts and a lag in expenditure programs, budget receipts and expenditures for the first half of this year were in close balance, with a budget surplus of nearly 200 million dollars. The balance in the general fund of the Treasury at the close of the half year was 5.5 billion dollars, up about 800 million from the December 31 figure. The increase was more than sufficient to offset the increase of about 200 million dollars in the gross public debt during the half year.

Budget expenditures during the last half of 1950 will be determined by legislative action which has not been completed, and by international conditions which will certainly bring about a large increase in defense expenditures. There is little speculative risk in assuming that economic activity will continue to increase, however, and it is possible to observe the effect upon the trend of budget receipts.

Expanding business is creating larger tax obligations for individual income taxes, for corporation income taxes, and for excise taxes. Not all of these greater liabilities will be represented in increased tax payments this year. Throughout 1950, corporations will be paying income taxes upon profits in the recession year, 1949, and they will not pay taxes upon the higher profits of 1950 until next year. Most individuals who pay taxes upon estimates filed early in the year will not revise those estimates upward on account of the improvement in income occurring in 1950 until near the deadline, which is next January 15.

Federal revenue from excise taxes responds more quickly to improving business, and in the second quarter of the year receipts from this source began to grow. The same trend appeared in the very large item of income taxes paid by employers and withheld from wages of workers. This source of budget receipts accounted for 10.1 billion dollars of Treasury revenue in the fiscal year just closed, and in May and June these receipts were 366 million dollars larger than in the same months of 1949. This was an increase of 20 percent, and reflects the inevitable result of greater employment, higher wage rates, and longer workweeks with overtime pay. The growth of economic activity in 1950 has already been great enough to assure a substantial increase in Federal revenues, an appreciable part of which will be realized in the last half of the year, limiting the deficit which is to be expected in that period of relatively low tax receipts.

Cash receipts of State and local governments; the cash deficit. As was shown in table 13 above, incomplete information indicates that the steady upward trend in the cash receipts of State and local governments since the end of the war continued into the first half of this year. It is estimated that total cash receipts were running at an annual rate of about 17 billion dollars during this period, compared with about 16.3 billion dollars in 1949. Reports on the finances of State and local governments are neither sufficiently complete nor sufficiently prompt to permit an analysis at the present time of the effects of the 1949 decline in business activity.

The steadily rising trend in State and local receipts is a reflection not only of rising economic activity, but also of increased rates in old taxes and of widespread adoption of new taxes. Under the pressure of postwar financial needs, State legislatures have been increasingly disposed both to adopt new State taxes and to grant wider tax authority to local governments, and local governments have been prompt to take advantage of this.

As has been true throughout the postwar period, the increase in the cash receipts of State and local governments was somewhat less than the increase

in cash payments, and the cash deficit rose accordingly. It is estimated that the cash deficit during the first half of this year represented an annual rate of about 2.1 billion dollars, compared with 1.3 billion in 1949.

SUMMARY: THE NATION'S ECONOMIC BUDGET

The economy in the second quarter of 1950 was producing goods and services at a rate of 268 billion dollars per year. This is in the neighborhood of 5 percent above the rate at midyear 1949. Since prices had not changed significantly over-all, the dollar increase approximately reflects the real increase in economic activity by the second quarter. This carries us to a level of activity surpassing that of the second half of 1948. (See table 16.)

TABLE 16.—*Indexes of gross national product, current and constant prices*
[First half of 1948=100, seasonally adjusted]

Period	Current prices	Constant prices
1948—First half.....	100.0	100.0
Second half.....	105.1	101.6
1949—First half.....	101.7	100.5
Second half.....	100.6	100.6
1950—First half ¹	104.9	104.1
First quarter.....	103.9	103.5
Second quarter ¹	106.1	104.9

¹ Estimates based on incomplete data; by Council of Economic Advisers.

Source: Department of Commerce and Council of Economic Advisers.

The rate of increase in production of goods and services from the fourth quarter of 1949 to the second quarter of this year, if continued, would be sufficient to provide full employment before the end of the year.

The Nation's Economic Budget summarizes the main developments in national income and expenditures. (See table 17 and chart 19.) The largest increase in expenditures from the last half of 1949 to the first half of this year, both in absolute terms and percentagewise, was in business investment. Gross investment at an annual rate increased by 10.6 billion dollars or about 33 percent over the period, compared with a rise in consumer expenditures of about 3.6 billion dollars or about 2 percent. Table 18, which is derived from the national economic accounts presented in appendix A, shows the areas in which expansion has taken place.

Most of the increase in private domestic investment is attributable to the swing from inventory liquidation in 1949 to inventory accumulation in 1950, resulting in an increase in effective demand of over 6.5 billion dollars (annual rate). A second important contribution to the increase in private domestic investment was made by a rise of over 25 percent in residential construction over the last half of last year (seasonally adjusted).

TABLE 17.—*The Nation's Economic Budget*

[Billions of dollars, annual rates, seasonally adjusted]

Economic group	1949, second half			1950, first half ¹		
	Re- ceipts	Ex- pend- itures	Excess of receipts (+) or deficit (-)	Re- ceipts	Ex- pend- itures	Excess of receipts (+) or deficit (-)
CONSUMERS						
Disposable income relating to current production.	169.3	-----	-----	173.8	-----	-----
<i>Government transfers and net interest payments</i>	<i>16.5</i>	-----	-----	<i>122.3</i>	-----	-----
<i>Disposable personal income</i>	<i>186.0</i>	-----	-----	<i>196.2</i>	-----	-----
Expenditures for goods and services.....	-----	179.8	-----	-----	183.4	-----
<i>Personal savings (+)</i>	-----	-----	<i>+6.2</i>	-----	-----	<i>+12.7</i>
BUSINESS						
Retained business receipts from current pro- duction.....	30.8	-----	-----	28.5	-----	-----
Gross private domestic investment.....	-----	31.6	-----	-----	42.2	-----
<i>Excess of receipts (+) or investment (-)</i>	-----	-----	<i>-1.8</i>	-----	-----	<i>-13.7</i>
INTERNATIONAL						
<i>Government loan transfers abroad</i>	<i>.3</i>	-----	-----	<i>-1.3</i>	-----	-----
Net foreign investment.....	-----	-1.3	-----	-----	-2.0	-----
<i>Excess of receipts (+) or investment (-)</i>	-----	-----	<i>+1.6</i>	-----	-----	<i>+1.7</i>
GOVERNMENT (Federal, State, and local)						
Tax payments or liabilities.....	56.7	-----	-----	59.4	-----	-----
<i>Adjustment to cash basis</i>	<i>1.0</i>	-----	-----	<i>-2.0</i>	-----	-----
<i>Cash receipts from the public</i>	<i>57.7</i>	-----	-----	<i>57.4</i>	-----	-----
Purchases of goods and services.....	-----	43.0	-----	-----	41.4	-----
<i>Government transfers</i>	-----	<i>17.6</i>	-----	-----	<i>21.1</i>	-----
<i>Cash payments to the public</i>	-----	<i>60.6</i>	-----	-----	<i>62.5</i>	-----
<i>Excess of receipts (+) or payments (-)</i>	-----	-----	<i>-2.9</i>	-----	-----	<i>-5.0</i>
ADJUSTMENTS						
For receipts relating to gross national product.....	-2.8	-----	-2.8	+3.5	-----	+3.5
<i>Other adjustments</i>	<i>-1.3</i>	-----	<i>-1.3</i>	<i>+1.8</i>	-----	<i>+1.8</i>
Total: Gross national product.....	254.1	254.1	-----	265.2	265.2	-----

¹ Estimates based on incomplete data. See appendix A for first half 1949.² Includes 2.6 billion dollars (5.2 billion at an annual rate) of the nonrecurrent payments on the NSLI dividend.

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; they are not included in the gross national product. Detail will not necessarily add to totals because of rounding.

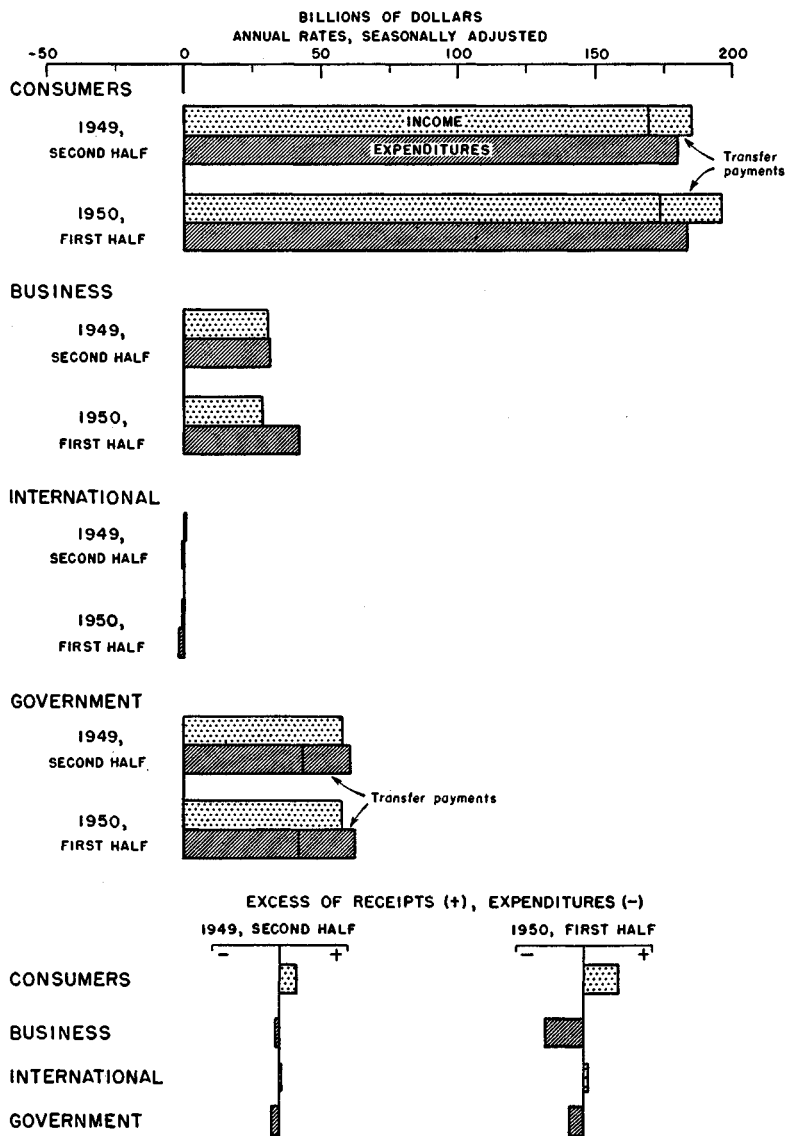
Source: Based on data from the Department of Commerce and Bureau of the Budget. (See appendix A.)

Outlays for producers' durable equipment were somewhat higher in the first half of this year and in the second quarter increased substantially, thus reversing the downward movement which had taken place since the 1948 peak.

The increase in consumer goods purchases can best be appraised in connection with a somewhat more detailed view of the receipts side of the Nation's Economic Budget. (See table 19.)

THE NATION'S ECONOMIC BUDGET

Business investment rose about 10½ billion dollars (annual rate) from the last half of 1949 to the first half of 1950. Consumer expenditures increased about 3½ billion dollars, which was much less than the increase in disposable income.



SOURCE: SEE APPENDIX A

TABLE 18.—*Change in selected expenditure items of the Nation's Economic Budget*

Expenditure items	Change from 1949, second half to 1950, first half ¹	
	Billions of dollars ²	Percent
Consumer expenditures.....	+3.6	+2.0
Durable goods.....	+2.0	+8.0
Nondurable goods.....	+2	+2
Services.....	+1.4	+2.5
Gross private domestic investment.....	+10.6	+32.5
Construction.....	+2.7	+15.4
Residential (nonfarm).....	+2.4	+27.0
Nonresidential.....	+3	+3.5
Producers' durable equipment.....	+1.4	+7.4
Change in inventories.....	+6.6	-----
Government cash payments to the public.....	+1.9	+3.1
Federal.....	+4	+9
NSLI dividend.....	+5.2	-----
Other.....	-4.8	-11.2
State and local.....	+1.4	+7.9
Total gross national expenditures.....	+11.1	+4.4

¹ Based on preliminary estimates for 1950, second half.² Annual rates, seasonally adjusted.

Source: See appendix A.

TABLE 19.—*Change in selected receipt items of the Nation's Economic Budget*

Receipt items	Change from 1949, second half, to 1950, first half ¹	
	Billions of dollars ²	Percent
Disposable personal income.....	+10.2	+5.5
Government transfer payments and net interest.....	+5.8	+35.2
NSLI dividend.....	+5.2	-----
Other.....	+6	+3.6
Income from current production.....	+4.7	+2.5
Wages and salaries.....	+3.2	+2.4
Farm income.....	-3	-2.4
Other income.....	+1.8	+4.4
Less: Personal taxes.....	+2	+1.1
Business receipts.....	-2.3	-7.5
Corporate profits before tax.....	+2.2	+7.9
Inventory valuation adjustment.....	-3.8	-----
Capital consumption allowances.....	+7	+3.6
Less: Corporate taxes and dividends.....	+1.5	+8.1
Cash receipts from the public.....	-3	-5
Federal.....	-8	-1.9
State and local.....	+6	+3.6
Total receipts relating to gross national product.....	+11.1	+4.4

¹ Based on preliminary estimates for 1950, first half.² Annual rates, seasonally adjusted.

Source: See appendix A.

In the first half of this year, disposable income of consumers exceeded the rate of the last half of 1949 by about 10.2 billion dollars or over 5 percent. About half of this increase is attributable to the payment of the veterans' dividend, computed at an annual rate. However, income derived from current production, particularly wages, business and profes-

sional incomes, dividends and rental incomes, increased by nearly 4.7 billion dollars or about 2.5 percent. Only farm incomes showed a continued decline.

The fact that disposable personal income increased by 5.5 percent, and consumer expenditures by only about 2 percent, may in part be explained by the behavior of veterans who used a considerable portion of their dividend for payment of outstanding debts, to accumulate liquid assets or to make payments on new homes. Another part of the dividend was used for the purchase of durable goods, sales of which increased by 8 percent in the first half of 1950 over the second half of 1949. The proportion of expenditures devoted to durable goods was higher than in any previous period, postwar or prewar. Expenditures for nondurable goods increased scarcely at all. The disparity between the increase in durable and nondurable expenditures may reflect in part the nonrecurring special payments to veterans during the first half of the year.

The same factors that are reflected in the expenditure and receipt sides of the Nation's Economic Budget also affect the relationship of saving and absorption of saving. (See the third and sixth columns of table 17.) The increases in personal saving and in the Government cash deficit are both inflated by the receipt or payment of the veterans' dividend during the first six months of this year, which appears to be doubled when counted at an annual rate. Excluding the veterans' dividend, the combined cash deficit of Federal, State and local governments (expressed as a seasonally adjusted annual rate) shows a substantial decline from the second half of 1949.

The large increase in the excess of business investment over retained corporate receipts reflects the increase of funds spent for residential construction and especially for inventory accumulation. While several factors were of significance in the expansion of the last six months, inventory movements were outstanding. This was true even before international events gave a new impetus to further inventory accumulation.

This analysis of the Nation's Economic Budget indicates that the expansion of the last six months has rested not only upon the shift from inventory liquidation to accumulation, and upon the payment of the extraordinary veterans' dividend, but also upon factors of more lasting duration. Prior to the Korean development, it was to be expected that the economy, during the rest of the year, would continue to move towards maximum employment and production in a steady manner. Since then, the request for additional military appropriations, and greatly accelerated consumer and business buying, have resulted in an increasing threat of shortages, price increases, and other inflationary developments. It is with these most recent developments, and the prospect of further developments initiated by the changed international situation, that public policy must now concern itself.

Appendix A

The Nation's Economic Budget

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Appendix A

The Nation's Economic Budget

Estimates of incomes, prices, and production have always been used as an aid in the study of economic trends and business cycles. The need for national accounts on a systematic and current basis has become much more widely recognized in the postwar world, however. A national economic policy, whether it be for the purpose of raising living standards, providing for national security, obtaining a balance in international payments, maintaining full employment, or a combination of objectives requires informative and reliable national accounting.

Consequently there has been a concerted effort all over the world to develop better systems of measuring the sources and disposition of the Nation's productive energies. In many countries these accounts are needed as a guide to internal development and investment policies, whether carried out with foreign aid or by other means. In the United States the need for national accounts is implied in the task prescribed by the Employment Act of 1946, which requires setting forth foreseeable trends as well as the levels of employment, production, and purchasing power needed to carry out the policy of the act.

The Nation's Economic Budget (table A-1) is a summary of the national accounts. It contains a number of the most significant magnitudes, such as (column 1) the income of consumers, the total cash revenues of the Government, and business receipts, which include corporate retained earnings and business reserves against depreciation. It also shows the gross output of the economy in current prices, and the portion of that output which is bought by consumers, business, and Government (column 2). Column 3 in the Nation's Economic Budget, "excess of receipts or deficit," includes consumer saving, the Government cash surplus or deficit, and the excess of gross investment over business receipts. The total excess of receipts must equal the total deficit, since national income and product are conceptually equal. Consumer saving, for example, which is an excess of receipts, must be matched by a deficit of receipts of business or Government, or both.

In the Nation's Economic Budget the main flows of income, those arising from productive activity, are shown in roman type in column 1, and important supplementary flows, Government interest payments, and transfers to individuals, are shown in italics. The items in roman type, income arising from current production, when added together, provide one measure of current output of the economy. This measure is matched by the sum of expenditures for current output which is shown in roman type in column 2. Government cash payments are broken into Government expenditure for goods and services (current output) and supplementary or transfer payments. The latter include transfers to individuals, Government interest, and cash loans to foreign countries or international organizations. The receipt of these items, as mentioned before, is shown in italics in column 1. Transfer payments are equal to receipts of transfers just as expenditures for current production are equal to receipts.

While the Nation's Economic Budget gives a comprehensive view of the economy, additional detail is needed for analytical purposes. Such detail is shown in the tables that follow, the "accounts," or sectors of the Nation's Economic Budget. More complete statistics on national income and product and their constituents are published currently in the Survey of Current Business, in the National Income and Product Supplements to the Survey, and in the Budget of the United States. These are the primary sources from which the Nation's Economic Budget is drawn. See also the Council's Annual Review of January 1950, appendix A, for a more extended discussion of the Nation's Economic Budget.

The tables A-2 to A-5, which follow, show the composition of the consumer, business, international, and Government accounts. Tables A-6, A-7, and A-8 deal with the cash transactions of the Federal Government, providing information on receipts and expenditures which are useful for economic analysis.

TABLE A-1.—*The Nation's Economic Budget, calendar years 1949 and 1950*

[Billions of dollars, annual rates, seasonally adjusted]

Economic group	1949, first half			1949, second half			1950, first half ¹		
	Receipts	Expenditures	Excess of receipts (+) or deficit (-)	Receipts	Expenditures	Excess of receipts (+) or deficit (-)	Receipts	Expenditures	Excess of receipts (+) or deficit (-)
CONSUMERS									
1. Disposable income relating to current production.....	172.8			169.3			173.8		
2. <i>Government transfers and net interest payments</i>	16.0			16.5			22.3		
3. <i>Disposable personal income</i>	189.0			186.0			196.2		
4. Expenditures for goods and services.....		177.9			179.8			183.4	
5. <i>Personal savings (+)</i>			+11.2			+6.2			+12.7
BUSINESS									
6. Retained business receipts from current production.....	29.7			30.8			28.5		
7. Gross private domestic investment.....		34.4			31.6			42.2	
8. <i>Excess of receipts (+) or investment (-)</i>			-4.7			-8			-13.7
INTERNATIONAL									
9. <i>Government loan transfers abroad</i>	1.7			.3			-3		
10. Net foreign investment.....		1.2			-3			-2.0	
11. <i>Excess of receipts (+) or investment (-)</i>6			.6			1.7
GOVERNMENT (Federal, State, and local)									
12. Tax payments or liabilities.....	55.8			56.7			59.4		
13. <i>Adjustment to cash basis</i>	1.7			1.0			-2.0		
14. <i>Cash receipts from the public</i>	57.5			57.7			57.4		
15. Purchases of goods and services.....		43.6			43.0			41.4	
16. <i>Government transfers</i>		16.2			17.6			21.1	
17. <i>Cash payments to the public</i>		59.8			60.6			62.5	
18. <i>Excess of receipts (+) or payments (-)</i>			-2.5			-2.9			-5.0
ADJUSTMENTS									
19. For receipts relating to gross national product.....	-1.4		-1.4	-2.8		-2.8	+3.5		+3.5
20. <i>Other adjustments</i>	-3.3		-3.3	-3		-3	+8		+8
21. Total: Gross national product.....	257.0	257.0		254.1	254.1		265.2	265.2	

See footnote on following page.

¹ Estimates based on incomplete data; second quarter by Council of Economic Advisers.

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; they 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 and on Federal cash receipts from and payments to the public estimated by the Bureau of the Budget.

TABLE A-2.—Consumer account, calendar years 1949 and 1950

[Billions of dollars, annual rates, seasonally adjusted]

Receipts or expenditures	1949			1950, first half ¹
	Total	First half	Second half	
Personal income arising from current production of goods and services.....	189.8	191.5	188.0	192.7
Wage and salary receipts and other labor income.....	134.9	135.4	134.4	137.6
Farm proprietors' income.....	13.4	14.3	12.5	12.2
Business and professional income ²	21.0	21.3	20.6	21.8
Dividends.....	7.8	7.8	7.8	8.2
Private interest and rental income.....	12.0	12.0	12.0	12.2
Business transfer payments.....	.7	.7	.7	.7
Plus: Net interest paid by Government.....	4.7	4.6	4.7	4.7
Dividend on National Service Life Insurance.....				5.2
Other Government transfers to individuals.....	11.6	11.4	11.8	12.4
Equals: Total personal income.....	206.1	207.7	204.6	215.0
Less: Personal tax and nontax payments.....	18.7	18.7	18.7	18.9
Equals: Disposable personal income.....	187.4	189.0	186.0	196.2
Less: Consumer expenditures.....	178.8	177.9	179.8	183.4
Durable goods.....	23.8	22.7	25.0	27.0
Automobiles and parts.....	9.5	8.6	10.3	11.0
Other.....	14.3	14.0	14.7	16.0
Nondurable goods.....	98.5	99.3	97.8	98.0
Food.....	58.6	58.9	58.4	58.5
Clothing and shoes.....	18.6	19.2	18.0	17.9
Other.....	21.3	21.2	21.4	21.6
Services.....	56.5	55.9	57.0	58.4
Housing.....	17.2	17.0	17.4	18.0
Other.....	39.3	39.0	39.6	40.4
Equals: Personal saving.....	8.6	11.2	6.2	12.7
ADDENDUM				
Personal income arising from current production.....	189.8	191.5	188.0	192.7
Less: Personal tax and nontax payments.....	18.7	18.7	18.7	18.9
Equals: Disposable income arising from current production.....	171.1	172.8	169.3	173.8

¹ Estimates based on incomplete data; second quarter by Council of Economic Advisers.² Includes adjustment for inventory valuation.

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

TABLE A-3.—*Business account, calendar years 1949 and 1950*

[Billions of dollars, annual rates, seasonally adjusted]

Receipts or investment	1949			1950, first half ¹
	Total	First half	Second half	
Corporate profits before tax.....	27.6	27.4	27.9	30.1
Less: Corporate profits tax liabilities.....	10.6	10.4	10.7	11.8
Dividends.....	7.8	7.8	7.8	8.2
Equals: Corporate undivided profits.....	9.2	9.1	9.4	10.2
Plus: Capital consumption allowances ²	18.8	18.4	19.2	19.9
Corporate inventory valuation adjustment ³	2.2	2.2	2.2	-1.6
Equals: Retained business receipts from current production.....	30.2	29.7	30.8	28.5
Less: Gross private domestic investment.....	33.0	34.4	31.6	42.2
Construction.....	17.3	17.0	17.5	20.2
Residential (nonfarm).....	8.3	7.7	8.9	11.3
Other private construction.....	9.0	9.3	8.6	8.9
Producers' durable equipment.....	19.5	19.9	19.0	20.4
Change in inventories.....	-3.7	-2.5	-5.0	1.6
Nonfarm only.....	-3.1	-2.2	-4.0	2.4
Equals: Excess of receipts (+) or investment (-).....	-2.8	-4.7	- .8	-13.7

¹ Estimates based on incomplete data; second quarter by Council of Economic Advisers.² Includes capital consumption allowance on corporate and noncorporate capital, including residences.³ 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.

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

TABLE A-4.—*International account, calendar years 1949 and 1950*

[Billions of dollars, seasonally adjusted annual rates]

Receipts or investment	1949			1950, first half ¹
	Total	First half	Second half	
Receipts:				
Net long-term loans ²	0.9	1.6	0.1	0.2
Payments to the International Monetary Fund and International Bank ³2	.1	.2	-.5
Total Government loan transfers abroad.....	1.0	1.7	.3	-.3
Investment:				
Surplus of exports of goods and services ⁴	6.2	7.6	4.9	2.7
Less: Net unilateral transfers: ⁵				
Government ⁶	5.3	5.9	4.7	4.2
Private.....	.5	.5	.5	.4
Equals: Net foreign investment.....	.4	1.2	-.3	-2.0
Excess of receipts (+) or investment (-).....	.6	.5	.6	1.7

¹ Estimates based on incomplete data.² Includes only cash withdrawals under loan agreements. Does not include noncash transactions such as lend-lease and surplus property credits.³ Cash payments on subscriptions. In the first half of 1950 the International Monetary Fund returned over 500 million dollars of cash (annual rate) to the U. S. Treasury in exchange for United States notes.⁴ Includes a seasonal adjustment in services.⁵ Net unilateral transfers are included with Government or private expenditures for goods and services. For example, remittances (gifts) made by American citizens to relatives or charitable groups abroad are included with consumer expenditure. Government aid in the form of grants is included in Government purchases of goods and services. Thus, net unilateral transfers must be deducted from the export surplus to avoid double counting.⁶ Unilateral aid included in table A-8 is on a Daily Treasury Statement basis and is gross.

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

TABLE A-5.—Government account (Federal, State, and local), calendar years 1949 and 1950

[Billions of dollars, annual rates, seasonally adjusted]

Receipts or expenditures	1949			1950, first half ¹
	Total	First half	Second half	
Receipts:				
Tax and nontax payments or liabilities: ²				
Federal	39.2	39.0	39.4	41.6
State and local	17.0	16.8	17.3	17.8
Total	56.2	55.8	56.7	59.4
Adjustment to cash basis:				
Noncash receipts ³	-1.8	-1.8	-1.9	-1.7
Excess of cash receipts over tax liabilities or payments ⁴	+3.2	+3.5	+2.9	- .4
Cash receipts from the public	57.6	57.5	57.7	57.4
Expenditures:				
Purchases of goods and services:				
Federal	25.3	26.0	24.7	22.5
State and local	17.9	17.6	18.3	19.0
Total	43.3	43.6	43.0	41.4
Other Government payments:				
Transfers to individuals	11.6	11.4	11.8	17.6
Cash interest payments to the public ⁵	4.3	4.3	4.4	4.5
Loans to foreign governments and subscriptions to the Inter- national Bank and International Monetary Fund ⁶	1.0	1.7	.3	- .3
All other ⁷	-1.2	-1.2	+1.1	- .7
Total	16.9	16.2	17.6	21.1
Cash payments to the public	60.2	59.8	60.6	62.5
Cash surplus (+) or deficit (-)	-2.5	-2.3	-2.9	-5.0
<i>Addendum</i>				
Federal:				
Cash payments	42.6	42.5	42.9	43.3
Cash receipts	41.3	41.5	41.2	40.4
Surplus (+) or deficit (-)	-1.3	-1.0	-1.6	-2.9
State and local:				
Cash payments	17.5	17.3	17.8	19.2
Cash receipts	16.3	16.0	16.5	17.1
Surplus (+) or deficit (-)	-1.3	-1.2	-1.3	-2.1

¹ Estimates based on incomplete data.² Personal and indirect business tax payments, corporation tax liabilities, and contributions for social insurance.³ Consists of deductions from Government employees' salaries for retirement funds, and Government contributions to retirement funds, national service life insurance and Government life insurance funds.⁴ Includes excess of corporation tax receipts over liabilities and excess of personal tax receipts over payments. Cash receipts also include some items of miscellaneous receipts not included in tax and non-tax payments, such as receipts of sales from surplus property.⁵ Does not agree with net interest paid by Government (table A-2) which is on a net accrual basis and includes interest paid by Government corporations.⁶ See table A-4, International account.⁷ Includes all other cash payments less noncash 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. Noncash 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.

Explanatory note

This table reconciles cash receipts and payments to the public with estimates of Government receipts and expenditures included in the national income and product accounts. Cash receipts or payments represent the consolidated cash accounts of the Federal Government, including the trust funds, and State-local governments. All intragovernmental transactions are excluded. The receipts of Government corporations and the Post Office are offset against expenditures and the net expenditure included as a cash payment. Grants-in-aid to State and local governments are included as a cash payment of the Federal Government and not included as either a receipt or payment of the States or localities.

TABLE A-6.—Federal cash receipts from the public other than borrowing, calendar years 1949 and 1950

[Billions of dollars, annual rates, seasonally adjusted]

Cash receipts	1949			1950, first half ¹
	Total	First half	Second half	
Direct taxes on individuals ²	18.4	18.5	18.3	18.3
Direct taxes on corporations.....	12.0	12.1	11.9	9.9
Employment taxes.....	2.5	2.5	2.5	3.2
Excises and customs.....	7.9	7.9	8.0	7.9
Surplus property receipts.....	.5	.7	.3	.3
Deposits by States, unemployment insurance.....	1.0	.9	1.1	1.1
Veterans' life insurance premiums.....	.4	.4	.4	.4
Other.....	1.4	1.4	1.4	1.4
Refunds of receipts.....	-2.8	-2.8	-2.8	-2.1
Total cash receipts.....	41.3	41.5	41.2	40.4

¹ Estimates based on incomplete data.

² 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 1949 and 1950

[Billions of dollars, annual rates, seasonally adjusted]

Function	1949			1950, first half ¹
	Total	First half	Second half	
National defense.....	12.9	12.9	12.9	12.0
International affairs and finance.....	6.5	7.3	5.7	² 4.4
Veterans' services and benefits.....	7.1	7.1	7.0	11.6
Social welfare, health, and security.....	2.8	2.6	2.9	3.2
Agriculture and agricultural resources.....	3.0	2.8	3.2	2.6
Interest on the public debt.....	³ 4.2	3.9	³ 4.5	4.0
Other.....	6.9	6.4	7.3	6.6
Deduction from Federal employees' salaries for retirement.....	-.3	-.3	-.3	-.4
Clearing account for outstanding checks and telegraphic reports.....	-.3	-.2	-.3	-.7
Total Federal cash payments to the public.....	42.6	42.5	42.9	43.3

¹ Estimates based on incomplete data.

² This figure takes into account the return of excess cash of over .5 billion dollars (annual rate) to the U. S. Treasury by the International Monetary Fund for special United States notes. Without this transaction, the figure would be 4.9 billion dollars.

³ Includes over 2 billion dollars resulting from a nonrecurring change in the method of reporting interest payments, amounting to 4.6 billion dollars at an annual rate in the last half of the year.

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

TABLE A-8.—Federal cash payments to the public by type of recipient and transaction, calendar years 1949 and 1950

[Billions of dollars, annual rates, seasonally adjusted]

Payment	1949			1950, first half ¹
	Total	First half	Second half	
Direct cash payments for goods and services: ¹				
Payments to individuals for services rendered:				
Military ²	3.8	3.7	4.0	4.0
Civilian wages and salaries (excluding Post Office):				
Defense ³	2.4	2.4	2.3	2.1
Other Federal ⁴	2.5	2.4	2.5	2.7
Grants and loans in aid for performance of specified services, net ⁵	.8	.7	.9	.9
Total	9.5	9.2	9.7	9.7
Payments to business for goods and services:				
Public works:				
Defense	.2	.2	.2	.3
Other Federal	1.4	1.3	1.5	1.6
Grants-in-aid and loans for public works	.4	.3	.5	.6
Other goods and services:				
Defense	5.4	5.4	5.4	4.7
Civilian ⁶	(⁹)	.9	(⁹)	(⁹)
Payments to foreign countries and international institutions for goods and services	.8	.9	.8	.6
Total	9.1	9.0	9.2	8.1
Loans and transfer payments to individuals:				
Social insurance and public assistance:				
Federal employees' retirement benefit payments	.2	.2	.3	.3
Old-age and disability benefit payments	1.0	.9	1.0	1.1
Unemployment insurance benefit payments	1.9	1.7	2.0	2.0
Grants-in-aid for public assistance	1.1	1.0	1.1	1.2
Readjustment benefits, pensions, and other payments to veterans ⁷	5.6	5.8	5.4	10.3
Loans to home owners, net	—1.1	—1.1	—2.2	—3.3
Interest ⁸	1.3	1.2	1.4	1.3
Other	.5	.4	.6	.3
Total	11.4	11.1	11.6	16.1
Loans, investments, subsidies, and other transfers to business and agriculture:				
Farmers:				
Price support, net (including supply programs)	1.9	1.8	2.0	1.1
International wheat agreement	(⁹)	—	(⁹)	.1
Other loans and direct subsidies to farmers ¹⁰	.6	.6	.6	.8
Business:				
Home mortgage purchases from financial institutions	.7	.5	.8	.4
Loans, net	.1	.1	.2	.1
Direct subsidy payments	(⁹)	(⁹)	(⁹)	(⁹)
Subsidy arising from postal deficit	.6	.5	.6	.6
Interest ⁸	3.0	2.8	3.1	2.8
Total	6.8	6.4	7.3	6.0
Loans and transfer payments to foreign countries and international institutions:				
European recovery program loans and grants	4.2	4.8	3.6	3.4
Other loans (net withdrawals)	(⁹)	(⁹)	(⁹)	.1
Other grants ¹¹	1.8	2.0	1.6	1.1
Subscriptions to the International Bank and Monetary Fund (net cash withdrawals)	.2	.1	.2	— .5
Total	6.2	7.0	5.4	4.1
Clearing account and adjustment to Daily Treasury Statement	— .3	— .2	— .3	— .7
Total Federal cash payments to the public	42.6	42.5	42.9	43.3

Footnotes on following page.

- ¹ Estimates based on incomplete data.
- ² Differs from the national income concept of "Government purchases of goods and services" by excluding farm price support expenditures and unilateral aid to foreign countries. Grants to States and localities for public works, here included as a Federal expenditure, would be included in the national income accounts as a State and local expenditure. There are other less significant differences between the two concepts.
- ³ Excludes terminal leave pay and food and clothing allowances which are primarily paid in kind.
- ⁴ Excludes payroll deductions for Federal employees' retirement.
- ⁵ Includes all grants-in-aid and loans to public bodies for purposes other than public works and public assistance. Includes, in addition, one-third of Federal expenditures for veterans' tuition, books, and supplies.
- ⁶ This figure is obtained as a residual by deducting all other expenditures from total cash payments to the public. Owing to the fact that data are incomplete for fiscal 1950, the residual would be subject to a high margin of error and has not been computed.
- ⁷ Includes cashing of terminal-leave bonds, mustering-out pay, and national service and Government life insurance refunds and benefits in addition to veterans' pensions and readjustment benefits. Includes only one-third of payments for veterans' tuition, books, and supplies.
- ⁸ Includes a small amount of interest on tax refunds in addition to interest on the public debt. In addition, it includes payments at an annual rate of 0.3 billion dollars to business and 0.1 billion dollars to individuals in the last half of 1949 resulting from a nonrecurring change in the method of reporting interest payments. Interest paid to business includes over 100 million dollars of interest paid each year by the Federal Government to State and local governments. Interest in table A-2 is net, and is on an accrual rather than a cash basis; it includes interest paid by State and local governments and by Government corporations.
- ⁹ Less than 50 million dollars.
- ¹⁰ Includes expenditures of Rural Electrification Administration, formerly considered a grant-in-aid for public works. REA and Farmers Home expenditures are included on a gross, rather than net, basis.
- ¹¹ Includes expenditures for Mutual Defense Assistance Program except for payment of an estimated 15 million dollars in the first half of calendar 1950 to the Department of Defense for stocks transferred abroad.

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

Appendix B

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Statistical Tables Relating to Employment, Production, and Purchasing Power

TABLE B-1.—*Gross national product or expenditure, 1929-50*¹

[Billions of dollars]

Period	Gross national product	Personal consump- tion ex- penditures	Gross private domestic investment	Net foreign investment	Govern- ment pur- chases 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	9.9
1936.....	82.5	62.5	8.3	-.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.....	91.3	67.5	9.9	.9	13.1
1940.....	101.4	72.1	13.9	1.5	13.9
1941.....	126.4	82.3	18.3	1.1	24.7
1942.....	161.6	91.2	10.9	-.2	59.7
1943.....	194.3	102.2	5.7	-2.2	88.6
1944.....	213.7	111.6	7.7	-2.1	96.5
1945.....	215.2	123.1	10.7	-1.4	82.8
1946.....	211.1	146.9	28.7	4.6	30.9
1947.....	233.3	165.6	30.2	8.9	28.6
1948.....	259.1	177.4	43.1	1.9	36.6
1949.....	255.6	178.8	33.0	.4	43.3
Annual rates, seasonally adjusted					
1949—First half.....	257.0	177.9	34.4	1.2	43.6
Second half.....	254.1	179.8	31.6	-.3	43.0
1950—First half ²	265.2	183.4	42.2	-2.0	41.4
1949—First quarter.....	258.8	177.4	37.5	1.0	42.9
Second quarter.....	255.2	178.4	31.3	1.3	44.3
Third quarter.....	254.4	179.0	32.1	.1	43.2
Fourth quarter.....	253.8	180.6	31.2	-.7	42.8
1950—First quarter.....	262.5	182.4	40.5	-1.9	41.4
Second quarter ²	268.0	184.5	44.0	-2.0	41.5

¹ The figures for 1946-50 are based on the revised series of national income and product of the Department of Commerce. For detail, see the "Survey of Current Business," July 1950.

² Estimates based on incomplete data; second quarter by Council of Economic Advisers.

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

Source: Department of Commerce (except as noted).

TABLE B-2.—*Personal consumption expenditures, 1929-50*¹

[Billions of dollars]

Period	Total ex- pendi- tures	Durable goods			Nondurable goods				Services		
		Total	Auto- mobiles and parts	Other	Total	Food ²	Cloth- ing ³	Other	Total	Hous- ing ⁴	Other
1929.....	78.8	9.4	3.2	6.1	37.7	19.7	9.2	8.9	31.7	11.4	20.2
1930.....	70.8	7.3	2.2	5.1	34.1	18.1	7.9	8.1	29.5	11.0	18.5
1931.....	61.2	5.6	1.6	4.0	29.0	14.8	6.8	7.4	26.6	10.2	16.4
1932.....	49.2	3.7	.9	2.8	22.7	11.4	5.0	6.4	22.8	9.0	13.8
1933.....	46.3	3.5	1.0	2.5	22.3	11.5	4.6	6.2	20.6	7.8	12.7
1934.....	51.9	4.3	1.4	2.9	26.7	14.3	5.6	6.9	20.9	7.5	13.4
1935.....	56.2	5.2	1.9	3.3	29.4	16.3	5.9	7.2	21.7	7.6	14.1
1936.....	62.5	6.4	2.3	4.1	32.9	18.5	6.5	7.9	23.3	7.9	15.4
1937.....	67.1	7.0	2.4	4.6	35.2	20.0	6.7	8.6	24.9	8.4	16.5
1938.....	64.5	5.8	1.6	4.1	34.0	19.0	6.6	8.4	24.7	8.7	16.0
1939.....	67.5	6.7	2.1	4.6	35.3	19.3	7.0	8.9	25.5	8.9	16.5
1940.....	72.1	7.9	2.7	5.1	37.6	20.7	7.4	9.5	26.6	9.2	17.4
1941.....	82.3	9.8	3.3	6.4	44.0	24.4	8.8	10.8	28.5	9.9	18.7
1942.....	91.2	7.1	.7	6.4	52.9	30.5	11.0	11.4	31.2	10.6	20.6
1943.....	102.2	6.8	.8	6.0	61.0	35.3	13.7	11.9	34.4	11.1	23.3
1944.....	111.6	7.1	.9	6.2	67.1	38.9	15.3	12.9	37.4	11.7	25.7
1945.....	123.1	8.5	1.1	7.4	74.9	43.0	17.1	14.8	39.7	12.2	27.5
1946.....	146.9	16.6	4.2	12.4	85.8	50.3	18.6	16.9	44.4	13.0	31.4
1947.....	165.6	21.4	6.6	14.8	95.1	56.6	19.1	19.4	49.1	14.6	34.5
1948.....	177.4	22.9	7.5	15.4	100.9	59.9	20.0	21.0	53.7	16.1	37.6
1949.....	178.8	23.8	9.5	14.3	98.5	58.6	18.6	21.3	56.5	17.2	39.3
Annual rates, seasonally adjusted											
1949—First half.....	177.9	22.7	8.6	14.0	99.3	58.9	19.2	21.2	55.9	17.0	39.0
Second half.....	179.8	25.0	10.3	14.7	97.8	58.4	18.0	21.4	57.0	17.4	39.6
1950—First half ⁵	183.4	27.0	11.0	16.0	98.0	58.5	17.9	21.6	58.4	18.0	40.4
1949—First quarter.....	177.4	22.4	8.2	14.2	99.4	59.1	19.3	21.0	55.6	16.8	38.8
Second quarter.....	178.4	23.0	9.1	13.9	99.2	58.7	19.1	21.4	56.2	17.1	39.1
Third quarter.....	179.0	24.7	10.2	14.5	97.6	58.4	18.0	21.2	56.6	17.3	39.3
Fourth quarter.....	180.6	25.3	10.4	14.9	97.9	58.3	18.1	21.5	57.4	17.6	39.8
1950—First quarter.....	182.4	26.9	10.8	16.1	97.5	58.3	17.7	21.5	58.0	17.9	40.1
Second quarter ⁵	184.5	27.2	11.3	15.9	98.5	58.7	18.1	21.7	58.8	18.2	40.6

¹ The figures for 1946-50 are based on the revised series of national income and product of the Department of Commerce. For detail, see the "Survey of Current Business," July 1950.² Includes alcoholic beverages.³ Includes shoes and standard clothing issued to military personnel.⁴ Includes imputed rental value of owner-occupied dwellings.⁵ Estimates based on incomplete data; second quarter by Council of Economic Advisers.

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

Source: Department of Commerce (except as noted).

TABLE B-3.—*Gross private domestic investment, 1929-50*¹

[Billions of dollars]

Period	Total gross private domestic investment ²	Nonfarm producers' plant and equipment			Farm equipment and construction ³	Residential construction (non-farm) ^{2,6}	Other private construction ⁷	Net change in business inventories		
		Total ²	Equipment ³	Construction ^{2,4}				Total	Non-farm after revaluation adjustment	Farm
1929.....	15.8	9.8	5.6	4.2	1.1	2.8	0.5	1.6	1.8	-0.3
1930.....	10.2	7.6	4.3	3.4	.9	1.4	.5	-.3	(⁸)	-.2
1931.....	5.4	4.6	2.8	1.8	.5	1.2	.4	-1.4	-1.7	.3
1932.....	.9	2.5	1.6	1.0	.3	.5	.2	-2.6	-2.6	(⁸)
1933.....	1.3	2.3	1.6	.7	.3	.3	.1	-1.6	-1.3	-.3
1934.....	2.8	3.1	2.2	.9	.4	.4	.1	-1.1	.2	-1.3
1935.....	6.1	3.8	2.9	1.0	.6	.7	.1	.9	.4	.5
1936.....	8.3	5.2	3.9	1.3	.8	1.1	.1	1.0	2.1	-1.1
1937.....	11.4	6.6	4.7	1.9	1.0	1.4	.2	2.3	1.8	.5
1938.....	6.3	4.7	3.4	1.4	.8	1.5	.2	-1.0	-1.1	.1
1939.....	9.9	5.7	4.0	1.7	.8	2.7	.2	.4	.3	.1
1940.....	13.9	7.4	5.3	2.1	1.0	3.0	.2	2.3	2.0	.2
1941.....	18.3	9.3	6.6	2.7	1.3	3.4	.3	3.9	3.4	.5
1942.....	10.9	5.8	4.1	1.7	1.0	1.8	.1	2.1	.8	1.3
1943.....	5.7	4.6	3.5	1.1	.9	1.0	(⁸)	-.9	-.5	-.4
1944.....	7.7	6.3	4.7	1.6	1.2	.8	.1	-.8	-.3	-.5
1945.....	10.7	8.7	6.3	2.4	1.4	1.1	.2	-.7	-.6	-.1
1946.....	28.7	15.6	10.7	4.9	2.5	4.0	.5	6.1	6.3	-.2
1947.....	30.2	20.3	14.6	5.7	3.8	6.3	.6	-.8	1.4	-2.2
1948.....	43.1	23.5	16.7	6.8	4.6	8.6	1.0	5.5	4.4	1.2
1949.....	33.0	22.6	16.1	6.5	4.7	8.3	1.2	-3.7	-3.1	-.6
Annual rates, seasonally adjusted										
1949—First half.....	34.4	23.3	16.4	6.8	4.8	7.7	1.2	-2.5	-2.2	-.3
Second half.....	31.6	21.9	15.8	6.2	4.6	8.9	1.2	-5.0	-4.0	-1.0
1950—First half ⁹	42.2	23.2	16.9	6.4	4.6	11.3	1.4	1.6	2.4	-.7
1949—First quarter.....	37.5	23.5	16.6	6.9	4.8	7.8	1.2	.3	.1	.2
Second quarter.....	31.3	23.0	16.3	6.7	4.8	7.6	1.2	-5.3	-4.5	-.8
Third quarter.....	32.1	22.2	16.0	6.2	4.7	8.2	1.2	-4.2	-3.2	-1.0
Fourth quarter.....	31.2	21.6	15.5	6.1	4.4	9.5	1.3	-5.7	-4.7	-.9
1950—First quarter.....	40.5	22.3	16.0	6.3	4.5	11.0	1.4	1.3	2.1	-.8
Second quarter ⁹	44.0	24.3	17.8	6.5	4.8	11.6	1.4	2.0	2.6	-.6

¹ The figures for 1946-50 are based on the revised series of national income and product of the Department of Commerce. For detail, see the "Survey of Current Business," July 1950.

² Items for 1945 and earlier years are not comparable with those for later years, nor with figures shown in Table B-16. Revisions of construction estimates noted under Table B-16 have been incorporated in Table B-3 for 1946 and subsequent years only.

³ Total producers' durable equipment less "farm machinery and equipment" and farmers' purchases of "tractors" and "business motor vehicles." These figures assume that farmers purchase 85 and 15 percent, respectively, of all tractors and motor vehicles used for productive purposes.

⁴ Industrial buildings, public utilities, gas- and oil-well drilling, warehouses, office and loft buildings, stores, restaurants, and garages. Includes hotel construction prior to 1946 only.

⁵ Farm construction (residential and nonresidential) plus "farm machinery and equipment" and farmers' purchases of "tractors" and "business motor vehicles." (See footnote 3.)

⁶ Includes construction of hotels, tourist cabins, motor courts, and dormitories since 1946 only.

⁷ Includes religious, educational, social and recreational, hospital and institutional, and miscellaneous nonresidential.

⁸ Less than 50 million dollars.

⁹ Estimates based on incomplete data; second quarter by Council of Economic Advisers.

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

Source: Department of Commerce (except as noted).

TABLE B-4.—National income by distributive shares, 1929-50¹

[Billions of dollars]

Period	Total national in- come ¹	Com- pen- sation of em- ploy- ees ²	Business and professional income and inventory valuation adjustment			In- come of farm pro- pri- etors	Rent- al in- come of per- sons	Corporate profits and inventory valuation adjustment			Net inter- est
			Total	In- come of un- incor- porated enter- prises	In- ven- tory valua- tion ad- just- ment			Total	Cor- po- rate profits before tax ⁴	In- ven- tory valua- tion ad- just- ment	
1929-----	87.4	50.8	8.3	8.1	0.1	5.7	5.8	10.3	9.8	0.5	6.5
1930-----	75.0	46.5	7.0	6.3	.8	3.9	4.8	6.6	3.3	3.3	6.2
1931-----	58.9	39.5	5.3	4.7	.6	2.9	3.6	1.6	-.8	2.4	5.9
1932-----	41.7	30.8	3.2	2.9	.3	1.7	2.5	-2.0	-3.0	1.0	5.4
1933-----	39.6	29.3	2.9	3.4	-.5	2.3	2.0	-2.0	.2	-2.1	5.0
1934-----	48.6	34.1	4.3	4.3	-.1	2.3	2.1	1.1	1.7	-.6	4.8
1935-----	56.8	37.1	5.0	5.0	-.1	4.9	2.3	3.0	3.2	-.2	4.5
1936-----	64.7	42.7	6.1	6.2	-.1	3.9	2.7	4.9	5.7	-.7	4.5
1937-----	73.6	47.7	6.6	6.7	(5)	5.6	3.1	6.2	6.2	(9)	4.4
1938-----	67.4	44.7	6.3	6.1	.2	4.4	3.3	4.3	3.3	1.0	4.3
1939-----	72.5	47.8	6.8	6.9	-.2	4.5	3.5	5.8	6.5	-.7	4.2
1940-----	81.3	51.8	7.7	7.8	-.1	4.9	3.6	9.2	9.3	-.1	4.1
1941-----	103.8	64.3	9.6	10.2	-.6	6.9	4.3	14.6	17.2	-2.6	4.1
1942-----	137.1	84.9	12.6	12.9	-.4	10.5	5.4	19.9	21.1	-1.2	3.9
1943-----	169.7	109.2	15.0	15.1	-.2	11.8	6.1	24.3	25.1	-.8	3.4
1944-----	183.8	121.2	17.2	17.2	-.1	11.8	6.5	24.0	24.3	-.3	3.1
1945-----	182.7	123.0	18.7	18.8	-.1	12.5	6.3	19.2	19.7	-.6	3.0
1946-----	180.3	117.1	20.6	22.4	-1.8	14.8	6.6	18.3	23.5	-5.2	2.9
1947-----	198.7	128.0	19.8	21.3	-1.5	15.6	7.1	24.7	30.5	-5.8	3.5
1948-----	223.5	140.2	22.1	22.5	-.4	17.7	7.5	31.8	33.9	-2.0	4.1
1949-----	216.8	140.6	21.0	20.3	.7	13.4	7.3	29.9	27.6	2.2	4.7
Annual rates, seasonally adjusted											
1949—First half-----	218.3	141.0	21.3	20.4	.9	14.3	7.4	29.6	27.4	2.2	4.6
Second half-----	215.4	140.1	20.6	20.1	.5	12.5	7.2	30.1	27.9	2.2	4.8
1950—First half ⁵ -----	219.1	144.4	21.8	22.6	-.8	12.2	7.2	28.4	30.1	-1.6	5.0
1949—First quarter-----	218.8	141.5	21.5	20.7	.8	14.9	7.4	28.8	28.3	.5	4.6
Second quarter-----	217.8	140.5	21.1	20.1	1.0	13.7	7.4	30.4	26.4	3.9	4.7
Third quarter-----	216.7	140.0	20.7	20.0	.7	12.2	7.2	31.8	28.2	3.7	4.8
Fourth quarter-----	214.2	140.2	20.6	20.3	.3	12.8	7.3	28.4	27.6	.8	4.8
1950—First quarter-----	217.2	142.3	21.4	21.6	-.2	12.8	7.3	28.4	29.2	-.7	5.0
Second quarter ⁶ -----	221.0	146.6	22.2	23.6	-1.4	11.6	7.2	28.4	31.0	-2.6	5.0

¹ The figures for 1946-50 are based on the revised series of national income and product of the Department of Commerce. For detail, see the "Survey of Current Business," July 1950.

² National income is the total net income earned in production by individuals and 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.

³ Includes wage and salary receipts and other labor income (see appendix table B-5), and employer and employee contributions for social insurance.

⁴ See appendix table B-29 for corporate tax liability (Federal and State income and excess profits taxes) and corporate profits after taxes.

⁵ Less than 50 million dollars.

⁶ Estimates based on incomplete data; second quarter by Council of Economic Advisers.

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

Source: Department of Commerce (except as noted).

TABLE B-5.—*Personal income, 1929-50*¹

[Billions of dollars]

Period	Total personal income	Salaries, wages, and other labor income ²	Proprietors' and rental income ³	Dividends and personal interest income ⁴	Transfer payments	Nonagricultural personal income ⁵
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.....	122.7	81.4	28.4	9.7	3.2	109.4
1943.....	150.3	104.5	32.8	10.0	3.0	135.2
1944.....	165.9	116.2	35.5	10.6	3.6	150.5
1945.....	171.9	116.9	37.5	11.4	6.2	155.7
1946.....	177.7	111.1	42.0	13.2	11.4	158.8
1947.....	191.0	122.3	42.4	14.5	11.8	170.8
1948.....	209.5	135.0	47.3	16.1	11.2	187.0
1949.....	206.1	134.9	41.7	17.2	12.3	188.2
Annual rates, seasonally adjusted						
1949—First half.....	207.7	135.4	43.0	17.1	12.1	188.8
Second half.....	204.6	134.4	40.4	17.3	12.6	187.8
1950—First half ⁶	215.0	137.6	41.2	17.8	18.3	198.6
1949—First quarter.....	208.6	135.7	43.8	17.1	11.8	189.0
Second quarter.....	206.8	135.2	42.2	17.1	12.4	188.5
Third quarter.....	203.8	134.4	40.1	16.8	12.6	187.3
Fourth quarter.....	205.4	134.5	40.7	17.8	12.5	188.2
1950—First quarter.....	216.4	135.5	41.5	17.7	21.6	199.3
Second quarter ⁶	213.7	139.8	41.0	17.9	15.0	197.9

¹ The figures for 1946-50 are based on the revised series of national income and product of the Department of Commerce. For detail, see the "Survey of Current Business," July 1950.

² Differs from "compensation of employees" in appendix table B-4, 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.

³ See appendix table B-4, for major components: business and professional income, income of farm proprietors, and rental income.

⁴ See appendix table B-6, for dividend payments and net interest paid by Government and table B-4 for other net interest payments.

⁵ 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.

⁶ Estimates based on incomplete data; second quarter by Council of Economic Advisers.

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

Source: Department of Commerce (except as noted).

TABLE B-6.—*Relation of national income and personal income, 1929-50*¹

[Billions of dollars]

Period	National income	Less:			Plus:				Equals: personal income
		Corporate profits and inventory valuation adjustment	Contributions to social insurance	Excess of wage accruals over disbursements	Government transfer payments	Net interest paid by Government	Dividends	Business transfer payments	
1929.....	87.4	10.3	0.2	-----	0.9	1.0	5.8	0.6	85.1
1930.....	75.0	6.6	.3	-----	1.0	1.0	5.5	.5	76.2
1931.....	58.9	1.6	.3	-----	2.0	1.1	4.1	.6	64.8
1932.....	41.7	-2.0	.3	-----	1.4	1.1	2.6	.7	49.3
1933.....	39.6	-2.0	.3	-----	1.5	1.2	2.1	.7	46.6
1934.....	48.6	1.1	.3	-----	1.6	1.2	2.6	.6	53.2
1935.....	56.8	3.0	.3	-----	1.8	1.1	2.9	.6	59.9
1936.....	64.7	4.9	.6	-----	2.9	1.1	4.6	.6	68.4
1937.....	73.6	6.2	1.8	-----	1.9	1.2	4.7	.6	74.0
1938.....	67.4	4.3	2.0	-----	2.4	1.2	3.2	.4	68.3
1939.....	72.5	5.8	2.1	-----	2.5	1.2	3.8	.5	72.6
1940.....	81.3	9.2	2.3	-----	2.7	1.3	4.0	.4	78.3
1941.....	103.8	14.6	2.8	-----	2.6	1.3	4.5	.5	95.3
1942.....	137.1	19.9	3.5	-----	2.7	1.5	4.3	.5	122.7
1943.....	169.7	24.3	4.5	0.2	2.5	2.1	4.5	.5	150.3
1944.....	183.8	24.0	5.2	- .2	3.1	2.8	4.7	.5	165.9
1945.....	182.7	19.2	6.1	(²)	5.6	3.7	4.7	.5	171.9
1946.....	180.3	18.3	6.0	(²)	10.9	4.4	5.8	.6	177.7
1947.....	198.7	24.7	5.7	(²)	11.1	4.4	6.6	.7	191.0
1948.....	223.5	31.8	5.2	(²)	10.6	4.5	7.5	.7	209.5
1949.....	216.8	29.9	5.7	(²)	11.6	4.7	7.8	.7	206.1
Annual rates, seasonally adjusted									
1940—First half.....	218.3	29.6	5.6	— .1	11.4	4.6	7.8	.7	207.7
Second half.....	215.4	30.1	5.6	-----	11.8	4.7	7.8	.7	204.6
1950—First half ³	219.1	28.4	6.8	-----	17.6	4.7	8.2	.7	215.0
1940—First quarter.....	218.8	28.8	5.7	.1	11.2	4.6	7.9	.7	208.6
Second quarter.....	217.8	30.4	5.6	— .3	11.7	4.6	7.7	.7	206.8
Third quarter.....	216.7	31.8	5.6	-----	11.9	4.7	7.4	.7	203.8
Fourth quarter.....	214.2	28.4	5.7	-----	11.8	4.7	8.2	.7	205.4
1950—First quarter.....	217.2	28.4	6.7	-----	20.9	4.7	8.1	.7	216.4
Second quarter ³	221.0	28.4	6.8	-----	14.3	4.7	8.2	.7	213.7

¹ The figures for 1946-50 are based on the revised series of national income and product of the Department of Commerce. For detail, see the "Survey of Current of Business," July 1950.

² Less than 50 million dollars.

³ Estimates based on incomplete data; second quarter by Council of Economic Advisers.

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

Source: Department of Commerce (except as noted).

TABLE B-7.—Disposition of personal income, 1929-50 ¹

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	1.6	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.....	122.7	6.0	116.7	91.2	25.6	21.9
1943.....	150.3	17.8	132.4	102.2	30.2	22.8
1944.....	165.9	18.9	147.0	111.6	35.4	24.1
1945.....	171.9	20.9	151.1	123.1	28.0	18.5
1946.....	177.7	18.8	158.9	146.9	12.0	7.6
1947.....	191.0	21.5	169.5	165.6	3.9	2.3
1948.....	209.5	21.2	188.4	177.4	10.9	5.8
1949.....	206.1	18.7	187.4	178.8	8.6	4.6
Annual rates, seasonally adjusted						
1949—First half.....	207.7	18.7	189.0	177.9	11.2	5.9
Second half.....	204.6	18.7	186.0	179.8	6.2	3.3
1950—First half ²	215.0	18.9	196.2	183.4	12.7	6.5
1949—First quarter.....	208.6	18.7	189.9	177.4	12.5	6.6
Second quarter.....	206.8	18.7	188.2	178.4	9.8	5.2
Third quarter.....	203.8	18.7	185.1	179.0	6.2	3.3
Fourth quarter.....	205.4	18.7	186.8	180.6	6.2	3.3
1950—First quarter.....	216.4	18.7	197.7	182.4	15.3	7.7
Second quarter ²	213.7	19.1	194.6	184.5	10.1	5.2

¹ The figures for 1946-50 are based on the revised series of national income and product of the Department of Commerce. For detail, see the "Survey of Current Business," July 1950.

² Estimates based on incomplete data; second quarter by Council of Economic Advisers.

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

Source: Department of Commerce (except as noted).

TABLE B-8.—Total and per capita disposable personal income in current and 1949 dollars, 1929–50

Period	Total disposable personal income (billions of dollars) ¹		Per capita disposable income (dollars) ¹		Consumers' price index (1949=100)	Population (thousands) ²
	Current prices	1949 prices ²	Current prices	1949 prices ²		
1929.....	82.5	114.0	678	936	72.4	121,770
1930.....	73.7	104.4	599	848	70.6	123,077
1931.....	63.0	98.0	508	790	64.3	124,040
1932.....	47.8	82.8	383	663	57.7	124,840
1933.....	45.2	82.8	360	659	54.6	125,579
1934.....	51.6	91.2	408	722	56.6	126,374
1935.....	58.0	100.0	456	786	58.0	127,250
1936.....	66.1	112.8	516	881	58.6	128,053
1937.....	71.1	117.1	552	909	60.7	128,825
1938.....	65.5	109.9	505	847	59.6	129,825
1939.....	70.2	119.4	536	912	58.8	130,880
1940.....	75.7	127.7	574	968	59.3	131,970
1941.....	92.0	147.9	691	1,110	62.2	133,203
1942.....	116.7	167.9	867	1,247	* 69.5	134,665
1943.....	132.4	177.2	970	1,298	* 74.7	136,497
1944.....	147.0	191.7	1,065	1,388	* 76.7	138,083
1945.....	151.1	191.8	1,082	1,374	* 78.8	139,586
1946.....	158.9	188.3	1,125	1,333	* 84.4	141,235
1947.....	169.5	179.7	1,177	1,248	* 94.3	144,024
1948.....	188.4	186.2	1,285	1,270	101.2	146,571
1949.....	187.4	187.4	1,256	1,256	100.0	149,215
Annual rates, seasonally adjusted						
1940—First half.....	189.0	188.4	1,272	1,268	100.3	148,639
Second half.....	186.0	186.6	1,240	1,244	99.7	149,947
1950—First half ³	196.2	197.8	1,298	1,308	99.2	151,188
1949—First quarter.....	189.9	189.1	1,280	1,275	100.4	148,338
Second quarter.....	188.2	187.8	1,264	1,261	100.2	148,918
Third quarter.....	185.1	185.3	1,237	1,239	99.9	149,578
Fourth quarter.....	186.8	187.7	1,243	1,249	99.5	150,290
1950—First quarter.....	197.7	200.5	1,310	1,329	98.6	150,903
Second quarter ⁴	194.6	195.0	1,285	1,288	99.8	151,444

¹ The figures for 1946–50 are based on the revised series of national income and product of the Department of Commerce. For detail, see the "Survey of Current Business," July 1950.

² Dollar estimates in current prices divided by the consumers' price index on the base 1949=100 to give a rough measure of changes in buying power of disposable personal income.

³ 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. Population in continental United States is currently estimated at 150,520,000 on April 1, according to preliminary counts for the 1950 Census; including armed forces overseas, it is 150,930,000. Estimates made prior to the 1950 Census results and used in this table put total population, including armed forces overseas, at 151,188,000 on April 1, which is 258,000 higher than the first official results of the 1950 Census. Intercensal estimates used here for 1941 through second quarter of 1950 will be adjusted later to take care of this small difference.

⁴ 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 B-21.

⁵ Estimates based on incomplete data; second quarter by Council of Economic Advisers.

Sources: Department of Commerce and Department of Labor (except as noted).

TABLE B-9.—*Labor force, employment, and unemployment, 1929-50*

Period	Total labor force (including armed forces) ¹	Armed forces ¹	Civilian labor force					Unemployment as percent of total civilian labor force
			Total civilian labor force	Employment ²			Unemployment	
				Total	Agri-cultural	Nonagri-cultural		
Thousands of persons, 14 years of age and over								
Monthly average:								
1929.....	49,440	260	49,180	47,630	10,450	37,180	1,550	3.2
1930.....	50,080	260	49,820	45,480	10,340	35,140	4,340	8.7
1931.....	50,680	260	50,420	42,400	10,290	32,110	8,020	15.9
1932.....	51,250	250	51,000	38,940	10,170	28,770	12,060	23.6
1933.....	51,840	250	51,590	38,760	10,090	28,670	12,830	24.9
1934.....	52,490	260	52,230	40,890	9,900	30,990	11,340	21.7
1935.....	53,140	270	52,870	42,260	10,110	32,150	10,610	20.1
1936.....	53,740	300	53,440	44,410	10,000	34,410	9,030	16.9
1937.....	54,320	320	54,000	46,300	9,820	36,480	7,700	14.3
1938.....	54,950	340	54,610	44,220	9,690	34,530	10,390	19.0
1939.....	55,600	370	55,230	45,750	9,610	36,140	9,480	17.2
1940.....	56,080	390	55,640	47,520	9,540	37,980	8,120	14.6
1941.....	57,380	1,470	55,910	50,350	9,100	41,250	5,560	9.9
1942.....	60,230	3,820	56,410	53,750	9,250	44,500	2,600	4.7
1943.....	64,410	8,870	55,540	54,470	9,080	45,390	1,070	1.9
1944.....	65,890	11,260	54,630	53,960	8,950	45,010	670	1.2
1945.....	65,140	11,280	53,860	52,820	8,580	44,240	1,040	1.9
1946.....	60,820	3,300	57,520	55,250	8,320	46,930	2,270	3.9
1947.....	61,008	1,440	60,168	58,027	8,266	49,761	2,142	3.6
1948.....	62,748	1,306	61,442	59,378	7,973	51,405	2,064	3.4
1949.....	63,571	1,466	62,105	58,710	8,026	50,684	3,395	5.5
1949—First half.....	62,732	1,483	61,249	58,060	7,940	50,120	3,189	5.2
Second half.....	64,411	1,450	62,960	59,359	8,112	51,247	3,602	5.7
1950—First half.....	63,776	1,347	62,429	58,555	7,233	51,322	3,874	6.2
1949—January.....	61,546	1,468	60,078	57,414	6,763	50,651	2,664	4.4
February.....	61,896	1,508	60,388	57,168	6,993	50,174	3,221	5.3
March.....	62,305	1,491	60,814	57,647	7,393	50,254	3,167	5.2
April.....	62,327	1,492	60,835	57,819	7,820	49,999	3,016	5.0
May.....	63,452	1,469	61,983	58,694	8,974	49,720	3,289	5.3
June.....	64,866	1,468	63,398	59,619	9,696	49,924	3,778	6.0
July.....	65,278	1,463	63,815	59,720	9,647	50,073	4,095	6.4
August.....	65,105	1,468	63,637	59,947	8,507	51,441	3,689	5.8
September.....	64,222	1,459	62,763	59,411	8,158	51,254	3,351	5.3
October.....	64,021	1,445	62,576	59,001	7,710	51,290	3,576	5.7
November.....	64,363	1,436	62,927	59,518	7,878	51,640	3,409	5.4
December.....	63,475	1,430	62,045	58,556	6,773	51,783	3,489	5.6
1950—January.....	62,835	1,408	61,427	56,947	6,198	50,749	4,480	7.3
February.....	63,003	1,366	61,637	56,953	6,223	50,730	4,684	7.6
March.....	63,021	1,346	61,675	57,551	6,675	50,877	4,123	6.7
April.....	63,513	1,330	62,183	58,668	7,195	51,473	3,515	5.7
May.....	64,108	1,320	62,788	59,731	8,062	51,669	3,057	4.9
June.....	66,177	1,311	64,866	61,482	9,046	52,436	3,384	5.2

¹ Data for 1940-50 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.

² 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.—Labor force data are based on a survey made during the week which includes the 8th of the month.

Detail will not necessarily add to totals because of rounding.

Sources: Department of Labor (1929-39) and Department of Commerce (1940-50).

TABLE B-10.—Number of wage and salary workers in nonagricultural establishments, 1929-50¹

[Thousands of employees]

Period	Total wage and salary workers	Manufacturing			Mining	Contract construction	Transportation and public utilities	Trade ⁽²⁾	Finance	Service ³	Government (Federal, State, and local)
		Total	Durable goods	Non-durable goods							
Monthly average:											
1929.....	31,041	10,534	(⁴)	(⁴)	1,078	1,497	3,907	6,401	1,431	3,127	3,066
1930.....	29,143	9,401	(⁴)	(⁴)	1,000	1,372	3,675	6,064	1,398	3,084	3,149
1931.....	26,383	8,021	(⁴)	(⁴)	864	1,214	3,243	5,531	1,333	2,913	3,264
1932.....	23,377	6,797	(⁴)	(⁴)	722	970	2,804	4,907	1,270	2,682	3,225
1933.....	23,466	7,258	(⁴)	(⁴)	735	809	2,659	4,999	1,225	2,614	3,167
1934.....	25,699	8,346	(⁴)	(⁴)	874	862	2,736	5,552	1,247	2,784	3,298
1935.....	26,792	8,907	(⁴)	(⁴)	888	912	2,771	5,692	1,262	2,883	3,477
1936.....	28,802	9,653	(⁴)	(⁴)	937	1,145	2,956	6,076	1,313	3,060	3,662
1937.....	30,718	10,696	(⁴)	(⁴)	1,006	1,112	3,114	6,543	1,355	3,233	3,749
1938.....	28,902	9,253	(⁴)	(⁴)	882	1,055	2,840	6,453	1,347	3,196	3,876
1939.....	30,287	10,078	4,683	5,394	845	1,160	2,912	6,705	1,382	3,228	3,987
1940.....	32,031	10,780	5,337	5,443	916	1,294	3,013	7,055	1,419	3,362	4,192
1941.....	36,164	12,974	6,945	6,028	947	1,790	3,248	7,567	1,462	3,554	4,622
1942.....	39,697	15,051	8,804	6,247	983	2,170	3,433	7,481	1,440	3,708	5,431
1943.....	42,042	17,381	11,077	6,304	917	1,567	3,619	7,322	1,401	3,786	6,049
1944.....	41,480	17,111	10,858	6,253	883	1,094	3,798	7,399	1,374	3,795	6,026
1945.....	40,069	15,302	9,079	6,222	826	1,132	3,872	7,685	1,394	3,891	5,967
1946.....	41,412	14,461	7,739	6,722	852	1,661	4,023	8,815	1,586	4,408	5,607
1947.....	43,371	15,247	8,373	6,874	943	1,982	4,122	9,196	1,641	4,786	5,454
1948.....	44,201	15,286	8,315	6,970	981	2,165	4,151	9,491	1,716	4,799	5,613
1949.....	43,006	14,146	7,465	6,681	932	2,156	3,977	9,438	1,763	4,781	5,813
1949—First half.....	42,993	14,307	7,712	6,595	981	2,044	4,016	9,358	1,752	4,760	5,776
Second half.....	43,019	13,986	7,218	6,768	883	2,267	3,942	9,518	1,772	4,803	5,847
1950—First half.....	42,695	14,218	7,568	6,650	869	2,064	3,900	9,279	1,797	4,747	5,823
1949—January.....	43,449	14,782	8,044	6,738	991	2,016	4,054	9,388	1,731	4,723	5,764
February.....	43,061	14,649	7,923	6,726	986	1,926	4,024	9,292	1,735	4,712	5,737
March.....	42,918	14,475	7,819	6,656	981	1,947	3,975	9,310	1,749	4,720	5,761
April.....	42,966	14,177	7,656	6,521	984	2,036	3,991	9,478	1,757	4,768	5,775
May.....	42,731	13,877	7,441	6,436	974	2,137	4,021	9,342	1,763	4,804	5,813
June.....	42,835	13,884	7,392	6,492	968	2,205	4,031	9,336	1,774	4,834	5,803
July.....	42,573	13,757	7,255	6,502	943	2,277	4,007	9,220	1,780	4,851	5,738
August.....	42,994	14,114	7,302	6,812	956	2,340	3,992	9,213	1,780	4,836	5,763
September.....	43,466	14,312	7,409	6,903	948	2,341	3,959	9,409	1,771	4,833	5,893
October.....	42,601	13,892	6,986	6,906	⁵ 593	2,313	3,871	9,505	1,767	4,794	5,866
November.....	42,784	13,807	7,050	6,757	917	2,244	3,892	9,607	1,766	4,768	5,783
December.....	43,694	14,031	7,303	6,728	940	2,088	3,930	10,156	1,770	4,738	6,041
1950—January.....	42,125	13,980	7,342	6,638	⁶ 861	1,919	3,869	9,246	1,772	4,701	5,777
February.....	41,661	13,997	7,324	6,673	⁶ 595	1,861	3,841	9,152	1,777	4,696	5,742
March.....	42,295	14,103	7,418	6,685	938	1,907	3,873	9,206	1,791	4,708	5,769
April.....	42,913	14,167	7,554	6,613	938	2,068	3,927	9,338	1,803	4,757	5,915
May.....	43,312	14,416	7,811	6,605	938	2,234	3,887	9,333	1,812	4,792	5,900
June.....	43,865	14,645	7,961	6,684	941	2,397	4,000	9,396	1,825	4,829	5,832

¹ 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 B-9) 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.

² Data for the trade and service divisions, beginning with 1947, are not comparable with data shown for earlier years because of the shift of the automotive repair service industry from the trade to the service division.

³ Not available.

⁴ Estimates based on incomplete data.

⁵ Data reflect work stoppages in bituminous coal mining.

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

Adjustments have been made to levels indicated by data of unemployment insurance agencies and the Bureau of Old-Age and Survivors Insurance through 1947, and have been carried forward from 1947 benchmark levels, thereby providing consistent series.

Source: Department of Labor.

TABLE B-11.—Average gross weekly earnings in selected industries, 1929-50

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) ¹
	Total	Dura- ble goods	Non- durable goods							
Monthly average:										
1929.....	\$25.03	\$27.22	(²)	\$25.72	(²)	\$28.49	(²)	(²)	(²)	(²)
1930.....	23.25	24.77	(²)	22.21	(²)	27.76	(²)	(²)	(²)	(²)
1931.....	20.87	21.28	(²)	17.69	(²)	26.76	(²)	(²)	(²)	(²)
1932.....	17.05	16.21	(²)	13.91	(²)	23.34	(²)	(²)	(²)	(²)
1933.....	16.73	16.43	(²)	14.47	(²)	23.09	(²)	(²)	(²)	(²)
1934.....	18.40	18.87	(²)	18.10	\$22.97	24.32	(²)	(²)	(²)	(²)
1935.....	20.13	21.52	(²)	19.58	24.51	26.76	(²)	(²)	(²)	(²)
1936.....	21.78	24.04	(²)	22.71	27.01	28.01	(²)	(²)	(²)	(²)
1937.....	24.05	26.91	(²)	23.84	30.14	29.20	\$29.81	(²)	(²)	(²)
1938.....	22.30	24.01	(²)	20.80	29.19	30.26	31.53	(²)	(²)	(²)
1939.....	23.86	26.50	(²)	23.88	30.39	30.99	31.94	(²)	(²)	(²)
1940.....	25.20	28.44	(²)	24.71	31.70	31.55	32.44	(²)	(²)	(²)
1941.....	29.58	34.04	(²)	30.86	35.14	34.26	32.74	(²)	(²)	(²)
1942.....	36.65	42.73	(²)	35.02	41.80	38.65	33.97	(²)	(²)	(²)
1943.....	43.14	49.30	(²)	41.62	48.13	43.68	36.30	(²)	(²)	(²)
1944.....	46.08	52.07	(²)	51.27	52.18	46.06	38.39	(²)	(²)	(²)
1945.....	44.39	49.05	(²)	52.25	53.73	45.69	(²)	(²)	(²)	(²)
1946.....	43.82	46.49	(²)	58.03	56.24	51.22	44.04	(²)	(²)	(²)
1947.....	49.97	52.46	\$46.96	56.59	63.30	54.22	44.77	\$51.99	\$40.66	\$29.36
1948.....	54.14	57.11	50.61	72.12	68.85	59.14	48.92	55.58	43.85	31.41
1949.....	54.92	58.03	51.41	63.28	70.95	60.53	51.78	57.55	45.93	32.84
1949—First half.....	54.64	57.90	50.80	70.94	70.80	60.39	50.90	57.23	45.56	32.60
Second half.....	55.13	58.01	52.11	54.99	71.03	61.00	52.71	57.84	46.32	32.99
1950—First half ⁴	57.12	60.74	52.97	63.76	69.78	62.37	53.40	58.52	46.49	33.21
1949—January.....	55.50	58.82	51.35	76.32	70.88	60.21	49.84	57.24	45.51	32.41
February.....	55.20	58.49	51.33	73.56	70.53	61.64	50.84	56.82	45.14	32.47
March.....	54.74	57.83	51.07	70.54	69.83	60.00	50.82	56.88	44.95	32.53
April.....	53.80	57.21	49.67	72.33	70.33	62.51	50.58	57.12	45.31	32.35
May.....	54.08	57.21	50.41	72.98	71.81	60.69	51.84	57.83	45.98	32.99
June.....	54.51	57.82	50.97	75.90	71.44	57.27	51.46	57.49	46.45	32.85
July.....	54.63	57.31	51.55	74.94	71.28	60.37	51.90	58.18	46.95	32.90
August.....	54.70	57.89	51.31	74.91	71.95	62.64	51.57	57.10	46.87	32.93
September.....	55.72	58.69	52.59	75.24	70.69	60.98	52.61	57.35	46.58	32.90
October.....	55.26	58.17	52.47	76.10	71.80	58.98	53.29	58.36	46.06	32.84
November.....	54.43	56.82	52.07	68.17	70.21	61.60	54.40	57.86	45.63	33.13
December.....	56.04	59.19	52.69	74.74	70.26	61.45	52.49	58.20	45.83	33.24
1950—January.....	56.29	59.40	52.91	74.76	68.76	61.69	53.13	58.14	46.58	33.06
February.....	56.37	59.47	53.06	74.83	67.00	62.37	53.69	58.27	46.26	33.51
March.....	56.53	59.74	53.04	78.75	68.83	63.73	52.98	58.56	46.26	33.07
April ⁵	56.93	60.97	52.21	72.86	70.70	61.69	53.44	58.69	46.47	33.12
May ⁶	57.72	61.72	52.87	70.01	73.60	(²)	53.76	58.74	46.86	33.29
June ⁶	58.89	63.14	53.74	(²)	(²)	(²)	(²)	(²)	(²)	(²)

¹ Money payments only; additional value of room, board, uniforms, and tips not included.² Not available.³ Not available. 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. Beginning June 1949, data relate to nonsupervisory employees.⁴ Not strictly comparable with previous data.⁵ Preliminary average; does not include any retroactive wage payments.⁶ Estimates based on incomplete data.⁷ Data reflect work stoppages, or 3-day workweek.

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 data are used.

Adjustments have been made to levels indicated by data of unemployment insurance agencies and the Bureau of Old-Age and Survivors Insurance through 1947, and have been carried forward from 1947 benchmark levels, thereby providing consistent series.

The half-year data are straight arithmetic averages of the monthly figures and not strictly comparable with the annual averages which have been weighted by data on man-hours.

Source: Department of Labor.

TABLE B-12.—Average hourly earnings in selected industries, 1929-50

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) ¹
	Total	Dura- ble goods	Non- durable goods							
Monthly average:										
1929.....	\$0.566	(²)	(²)	\$0.681	(²)	\$0.636	(²)	(²)	(²)	(²)
1930.....	.552	(²)	(²)	.684	(²)	.644	(²)	(²)	(²)	(²)
1931.....	.515	(²)	(²)	.647	(²)	.651	(²)	(²)	(²)	(²)
1932.....	.446	\$0.497	(²)	.520	(²)	.600	(²)	(²)	(²)	(²)
1933.....	.442	.472	(²)	.501	(²)	.595	(²)	(²)	(²)	(²)
1934.....	.532	.556	(²)	.673	\$0.795	.602	(²)	(²)	(²)	(²)
1935.....	.550	.577	(²)	.745	.815	.651	(²)	(²)	(²)	(²)
1936.....	.556	.586	(²)	.794	.824	.659	(²)	(²)	(²)	(²)
1937.....	.624	.674	(²)	.856	.903	.676	\$0.774	(²)	(²)	(²)
1938.....	.627	.686	(²)	.878	.908	.712	.816	(²)	(²)	(²)
1939.....	.633	.698	(²)	.886	.932	.714	.822	(²)	(²)	(²)
1940.....	.661	.724	(²)	.883	.958	.717	.827	(²)	(²)	(²)
1941.....	.729	.808	(²)	.993	1.010	.751	.820	(²)	(²)	(²)
1942.....	.853	.947	(²)	1.059	1.148	.824	.843	(²)	(²)	(²)
1943.....	.961	1.059	(²)	1.139	1.252	.897	.870	(²)	(²)	(²)
1944.....	1.019	1.117	(²)	1.186	1.310	.938	.911	(²)	(²)	(²)
1945.....	1.023	1.111	(²)	1.240	1.379	.942	(²)	(²)	(²)	(²)
1946.....	1.086	1.156	(²)	1.401	1.478	1.116	1.124	(²)	(²)	(²)
1947.....	1.237	1.292	\$1.171	1.636	1.681	1.171	1.197	\$1.268	\$1.009	\$0.650
1948.....	1.350	1.410	1.278	1.898	1.848	1.284	1.248	1.350	1.088	.709
1949.....	1.401	1.469	1.325	1.941	1.935	1.414	1.345	1.414	1.137	.743
1949—First half.....	1.402	1.468	1.324	1.943	1.928	1.346	1.325	1.408	1.132	.736
Second half.....	1.401	1.470	1.327	1.941	1.941	1.482	1.367	1.419	1.141	.749
1950—First half ⁴	1.432	1.498	1.354	1.987	1.989	1.549	1.382	1.449	1.152	.758
1949—January.....	1.405	1.467	1.327	1.947	1.918	1.333	1.298	1.403	1.132	.735
February.....	1.401	1.466	1.323	1.941	1.930	1.343	1.317	1.403	1.123	.738
March.....	1.400	1.464	1.323	1.938	1.933	1.318	1.327	1.401	1.121	.731
April.....	1.401	1.467	1.321	1.934	1.934	1.359	1.324	1.407	1.127	.732
May.....	1.401	1.467	1.323	1.946	1.930	1.367	1.343	1.421	1.141	.738
June.....	1.405	1.475	1.324	1.951	1.924	1.354	1.340	1.416	1.147	.745
July.....	1.408	1.477	1.332	1.910	1.922	1.369	1.348	1.426	1.148	.746
August.....	1.399	1.473	1.319	1.897	1.932	1.354	1.343	1.403	1.146	.745
September.....	1.407	1.482	1.328	1.943	1.938	1.540	1.363	1.409	1.150	.746
October.....	1.392	1.458	1.325	1.978	1.944	1.537	1.377	1.427	1.140	.743
November.....	1.392	1.457	1.325	1.999	1.947	1.543	1.402	1.425	1.138	.753
December.....	1.408	1.476	1.334	1.919	1.964	1.547	1.367	1.423	1.126	.759
1950—January.....	1.418	1.485	1.343	1.933	1.976	1.550	1.390	1.432	1.153	.753
February.....	1.420	1.483	1.350	1.962	1.988	1.567	1.391	1.446	1.145	.765
March.....	1.424	1.486	1.353	2.009	1.995	1.532	1.376	1.453	1.148	.755
April ⁵	1.434	1.498	1.356	2.024	1.986	1.546	1.381	1.460	1.153	.758
May ⁶	1.443	1.509	1.359	2.006	2.000	(²)	1.382	1.454	1.160	.760
June ⁶	1.454	1.526	1.364	(²)	(²)	(²)	(²)	(²)	(²)	(²)

¹ Money payments only; additional value of room, board, uniforms, and tips not included.² Not available.³ Not available. 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. Beginning June 1949 data relate to nonsupervisory employees.⁴ Not strictly comparable with previous data.⁵ Preliminary average; does not include any retroactive wage payments.⁶ 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 payroll periods ending closest to the middle of the month except in railroads where monthly data are used.

Adjustments have been made to levels indicated by data of unemployment insurance agencies and the Bureau of Old-Age and Survivors Insurance through 1947, and have been carried forward from 1947 benchmark levels, thereby providing consistent series.

The half year data are straight arithmetic averages of the monthly figures and not strictly comparable with the annual averages which have been weighted by data on man-hours.

Source: Department of Labor.

TABLE B-13.—Average weekly hours in selected industries, 1929-50

Period	Manufacturing			Bitumi- nous coal mining	Build- ing con- struc- tion	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)	(1)	(1)
1935.....	36.6	37.3	36.1	26.4	30.1	41.1	(1)	(1)	(1)	(1)
1936.....	39.2	41.0	37.7	28.8	32.8	42.5	(1)	(1)	(1)	(1)
1937.....	38.6	40.0	37.4	27.9	33.4	43.2	38.8	(1)	(1)	(1)
1938.....	35.6	35.0	36.1	23.5	32.1	42.5	38.9	(1)	(1)	(1)
1939.....	37.7	38.0	37.4	27.1	32.6	43.4	39.1	(1)	(1)	(1)
1940.....	38.1	39.3	37.0	28.1	33.1	44.0	39.5	(1)	(1)	(1)
1941.....	40.6	42.1	38.9	31.1	34.8	45.6	40.1	(1)	(1)	(1)
1942.....	42.9	45.1	40.3	32.9	36.4	46.9	40.5	(1)	(1)	(1)
1943.....	44.9	46.6	42.5	36.6	38.4	48.7	41.9	(1)	(1)	(1)
1944.....	45.2	46.6	43.1	43.4	39.6	49.1	42.3	(1)	(1)	(1)
1945.....	43.4	44.1	42.3	42.3	39.0	48.5	(2)	(1)	(1)	(1)
1946.....	40.4	40.2	40.5	41.6	38.1	45.9	39.4	(1)	(1)	(1)
1947.....	40.4	40.6	40.1	40.7	37.6	46.3	37.4	41.0	40.3	45.2
1948.....	40.1	40.5	39.6	38.0	³ 37.3	46.1	39.2	40.9	40.3	44.3
1949.....	39.2	39.5	38.8	32.6	36.7	43.1	38.5	40.7	40.4	44.2
1949—First half.....	39.0	39.4	38.4	36.5	36.7	44.9	38.4	40.6	40.2	44.3
Second half.....	39.4	39.4	39.3	28.3	36.6	41.4	38.6	40.8	40.6	44.1
1950—First half ⁴	39.9	40.6	39.1	32.0	35.1	40.3	38.6	40.4	40.4	43.8
1949—January.....	39.5	40.1	38.7	39.2	37.0	45.2	38.4	40.8	40.2	44.1
February.....	39.4	39.9	38.8	37.9	36.5	45.9	38.6	40.5	40.2	44.0
March.....	39.1	39.5	38.6	⁵ 36.4	36.1	45.5	38.3	40.6	40.1	44.5
April.....	38.4	39.0	37.6	37.4	36.4	46.0	38.2	40.6	40.2	44.2
May.....	38.6	39.0	38.1	37.5	37.2	44.4	38.6	40.7	40.3	44.7
June.....	38.8	39.2	38.5	⁵ 30.7	37.1	42.3	38.4	40.6	40.5	44.1
July.....	38.8	38.8	38.7	⁵ 25.1	37.1	44.1	38.5	40.8	40.9	44.1
August.....	39.1	39.3	38.9	⁵ 26.1	37.2	46.4	38.4	40.7	40.9	44.2
September.....	39.6	39.6	39.6	⁵ 27.0	36.5	39.6	38.6	40.7	40.5	44.1
October.....	39.7	39.9	39.6	⁵ 31.9	36.9	38.3	38.7	40.9	40.4	44.2
November.....	39.1	39.0	39.3	34.1	36.1	40.0	38.8	40.6	40.1	44.0
December.....	39.8	40.1	39.5	⁵ 25.4	35.8	39.9	38.4	40.9	40.7	43.8
1950—January.....	39.7	40.0	39.4	⁵ 24.5	34.8	39.8	38.5	40.6	40.4	43.9
February.....	39.7	40.1	39.3	⁵ 25.4	33.7	39.8	38.6	40.3	40.4	43.8
March.....	39.7	40.2	39.2	39.2	34.5	41.6	38.5	40.3	40.3	43.8
April ⁴	39.7	40.7	38.5	36.0	35.6	39.9	38.7	40.2	40.3	43.7
May ⁴	40.0	40.9	38.9	34.9	36.8	(1)	38.9	40.4	40.4	43.8
June ⁴	40.5	41.4	39.4	(1)	(1)	(1)	(1)	(1)	(1)	(1)

¹ Not available.² Average for year not available because new series was started in April 1945. Beginning with June 1949 data relate to nonsupervisory employees only.³ Not strictly comparable with previous data.⁴ Estimates based on incomplete data.⁵ Data reflect work stoppages, or 3-day workweek.

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

Adjustments have been made to levels indicated by data of unemployment insurance agencies and the Bureau of Old-Age and Survivors Insurance through 1947, and have been carried forward from 1947 benchmark levels, thereby providing consistent series.

The half-year data are straight arithmetic averages of the monthly figures and not strictly comparable with the annual averages which have been weighted by data on man-hours.

Source: Department of bor.

TABLE B-14.—Physical production index of goods and selected services, 1929-50

[1935-39=100¹]

Period	Production of goods						Production of selected services	
	Total production of goods	Agricultural production	Nonagricultural production				Transportation	Telephone and telegraph
			Total	Industrial production	Construction	Electric and gas utilities		
Weights: ²								
Total.....	100.0	19.5	78.0	65.6	9.0	5.8		
Nonagricultural.....			100.0	81.6	11.1	7.2		
1929.....	110	97	113	110	157	88	117	110
1930.....	95	95	95	91	132	87	104	106
1931.....	84	104	79	75	109	84	89	101
1932.....	68	101	60	58	68	76	73	91
1933.....	72	93	67	69	50	77	76	84
1934.....	74	79	73	75	59	81	83	86
1935.....	87	96	85	87	70	87	88	90
1936.....	99	85	103	103	102	97	101	98
1937.....	110	108	111	113	103	104	110	102
1938.....	93	105	90	89	103	100	95	102
1939.....	109	106	110	109	121	111	106	108
1940.....	122	110	125	125	127	123	117	115
1941.....	153	114	162	162	162	141	146	126
1942.....	184	128	197	199	168	158	185	135
1943.....	206	125	225	239	95	183	220	143
1944.....	201	130	218	235	61	191	230	147
1945.....	178	129	190	203	63	187	217	158
1946.....	161	134	168	170	115	188	198	182
1947.....	174	129	185	187	133	214	208	196
1948.....	183	141	193	192	157	243	209	207
1949.....	174	140	182	176	168	248	194	212
1949—First half.....	(³)	(⁴)	186	181	162	249	199	(⁵)
Second half.....	(³)	(⁴)	179	170	173	247	188	(⁵)
1950—First half ⁴	(³)	(⁴)	198	189	190	269	194	(⁵)

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

² 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 5 industries. The agriculture weight excludes net rents paid by landlords living on farms, imputed rents, and subsidy payments. 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. Manufactures and minerals of the industrial production index were weighted into the total indexes separately but only the total industrial production index is shown here. See appendix table B-15 for the individual components of the index of industrial production.

³ Not available.

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

⁵ Estimates based on incomplete data.

NOTE.—A composite index of production of goods and services has not been compiled because of the inadequate data for measuring the production of services. The only service production data used were for transportation and for communications by telephone and telegraph. Data for measuring such services as wholesale and retail trade, finance, insurance, real estate, Government, and communication other than telephone and telegraph were inadequate for separate indexes and for an index for all services other than transportation, telephone, and telegraph.

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.

Industrial production: Federal Reserve index of industrial 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.

Electric and gas utilities: Based on the following series: Electric power produced by utilities as reported by the Federal Power Commission, and sales of manufactured and mixed 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 with electric power given a weight of 85 and gas 15, the respective percentages of the revenues of each of the utilities to the total revenues produced by both in the base period 1935-39.

Transportation: Department of Commerce index of transportation.

Telephone and telegraph: Based on Department of Labor production indexes for 1935-49 and on a series of Works Progress Administration for 1929-34. These indexes are for class A telephone carriers and the principal wire-telegraph and ocean-cable carriers which file annual reports with the Federal Communications Commission.

TABLE B-15.—*Industrial production index, 1929-50*

[1935-39=100, adjusted for seasonal variation]

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
1949.....	176	183	202	168	135
1949—First half.....	181	188	214	167	143
Second half.....	170	179	189	170	126
1950—First half ¹	189	198	219	181	138
1949—January.....	191	198	227	175	149
February.....	189	196	225	173	149
March.....	184	193	223	168	136
April.....	179	184	212	162	148
May.....	174	179	201	161	145
June.....	169	175	194	161	133
July.....	161	168	185	154	123
August.....	170	178	193	165	129
September.....	174	184	199	172	119
October.....	166	176	175	177	112
November.....	173	179	181	177	141
December.....	179	188	203	176	132
1950—January.....	183	192	209	179	130
February.....	180	192	207	180	118
March.....	187	194	211	181	144
April.....	190	199	222	180	140
May ¹	195	203	231	181	145
June ¹	199	207	236	183	151

¹ Estimates based on incomplete data.

Source: Board of Governors of the Federal Reserve System.

TABLE B-16.—*New construction activity, 1929-50*

[Value put in place, millions of dollars]

Period	Total new construction ¹	Private construction				Public construction				
		Total private	Residential building (non-farm)	Non-residential building (non-farm)	Other private ²	Total public	Military and naval	Non-residential building	Highways	Other public ³
1929.....	10,793	8,307	3,625	2,694	1,988	2,486	19	659	1,266	542
1930.....	8,741	5,883	2,075	2,003	1,805	2,858	29	660	1,516	653
1931.....	6,427	3,768	1,565	1,069	1,104	2,659	40	612	1,355	652
1932.....	3,538	1,676	630	502	544	1,862	34	415	958	455
1933.....	2,879	1,231	470	406	355	1,648	36	230	847	535
1934.....	3,720	1,509	625	456	428	2,211	47	363	1,000	801
1935.....	4,232	1,990	1,010	472	517	2,233	37	328	845	1,023
1936.....	6,497	2,981	1,565	713	703	3,516	29	701	1,362	1,424
1937.....	6,999	3,903	1,875	1,085	943	3,096	37	550	1,226	1,283
1938.....	6,980	3,560	1,990	764	806	3,420	62	672	1,421	1,265
1939.....	8,198	4,389	2,680	786	923	3,809	125	970	1,381	1,333
1940.....	8,682	5,054	2,985	1,025	1,044	3,628	385	615	1,302	1,326
1941.....	11,957	6,206	3,510	1,482	1,214	5,751	1,620	1,646	1,066	1,419
1942.....	14,075	3,415	1,715	635	1,065	10,660	5,016	3,685	734	1,225
1943.....	8,301	1,979	885	233	861	6,322	2,550	2,010	446	1,316
1944.....	5,259	2,186	815	351	1,020	3,073	837	1,361	362	513
1945.....	5,633	3,235	1,100	1,020	1,115	2,398	690	937	398	373
1946.....	12,000	9,638	4,015	3,341	2,282	2,362	188	354	895	925
1947.....	16,627	13,131	6,310	3,142	3,679	3,496	204	599	1,514	1,179
1948.....	21,572	16,665	8,580	3,621	4,464	4,907	158	1,301	1,856	1,592
1949.....	22,594	16,204	8,290	3,228	4,686	6,390	137	2,056	2,129	2,068
Annual rates, adjusted for seasonal variation										
1949—First half.....	22,104	15,912	7,712	3,418	4,782	6,192	126	1,932	2,152	1,982
Second half.....	23,084	16,496	8,868	3,038	4,590	6,588	148	2,180	2,106	2,154
1950—First half ⁴	25,852	19,102	11,306	3,366	4,430	6,750	128	2,166	2,226	2,230
1949—January.....	22,002	16,128	7,908	3,600	4,620	5,964	120	1,896	2,160	1,788
February.....	22,344	16,164	7,824	3,564	4,776	6,180	132	1,932	2,220	1,896
March.....	22,260	16,104	7,740	3,480	4,884	6,156	120	1,956	2,124	1,956
April.....	21,878	15,708	7,500	3,420	4,788	6,168	120	1,896	2,124	2,028
May.....	21,996	15,660	7,572	3,312	4,776	6,336	120	1,944	2,184	2,088
June.....	22,056	15,708	7,728	3,132	4,848	6,348	144	1,968	2,100	2,136
July.....	22,008	15,828	7,992	3,084	4,752	6,180	132	1,896	2,112	2,040
August.....	22,236	15,864	8,112	3,048	4,704	6,372	144	1,992	2,136	2,100
September.....	22,764	15,996	8,472	2,016	4,608	6,768	144	2,376	2,028	2,220
October.....	23,208	16,500	9,024	2,940	4,536	6,708	156	2,412	1,920	2,220
November.....	23,820	17,136	9,504	3,096	4,536	6,684	156	2,268	2,076	2,184
December.....	24,468	17,652	10,104	3,144	4,404	6,816	156	2,136	2,364	2,160
1950—January.....	24,816	18,072	10,356	3,240	4,476	6,744	132	2,112	2,208	2,292
February.....	25,524	19,200	11,472	3,324	4,404	6,324	144	2,196	1,836	2,148
March.....	26,004	18,948	11,256	3,288	4,404	7,056	120	2,172	2,556	2,208
April.....	26,196	19,248	11,484	3,324	4,440	6,948	120	2,136	2,448	2,244
May.....	26,100	19,440	11,532	3,492	4,416	6,720	120	2,184	2,160	2,256
June ⁴	26,412	19,704	11,736	3,528	4,440	6,708	132	2,196	2,148	2,232

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

² Includes public utility, farm and other private construction, not separately shown.

³ Includes residential, sewer and water, miscellaneous public service enterprises, conservation and development, and all other public construction not separately shown.

⁴ Estimates based on incomplete data.

NOTE.—Series revised to include architectural and engineering fees, land development costs and profits on land development, operative builders' margins, additions and alterations, dormitories and other shelter in "private residential building"; privately-owned sewage disposal and water supply facilities, and privately-owned toll bridges and roads, parks, playgrounds, race tracks, stadiums, swimming pools, and similar recreational facilities, in "other private construction"; and construction of atomic energy facilities in "public construction." For detail see *Construction and Construction Materials, Statistical Supplement, May 1950*.

Sources: Department of Commerce and Department of Labor.

TABLE B-17.—Business expenditures for new plant and equipment, 1929-50

[Millions of dollars]

Period	Total ¹	Manufacturing and mining			Transportation		Electric and gas utilities	Commercial and miscellaneous ²
		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	930	(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	2,800	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
1949.....	18,120	7,990	7,250	740	1,350	520	3,140	5,120
Annual rates, not adjusted for seasonal variation								
1949—First half.....	18,240	8,220	7,460	760	1,480	540	2,920	5,100
Second half.....	18,000	7,760	7,040	720	1,220	520	3,360	5,160
1950—First half ³	16,460	7,600	6,980	620	1,060	340	3,000	4,460
1949—First quarter.....	17,840	8,160	7,400	760	1,440	520	2,720	5,040
Second quarter.....	18,640	8,280	7,520	760	1,520	560	3,120	5,160
Third quarter.....	17,480	7,480	6,760	720	1,240	560	3,160	5,040
Fourth quarter.....	18,520	8,040	7,320	720	1,200	480	3,560	5,280
1950—First quarter.....	14,800	6,680	6,080	600	920	320	2,600	4,240
Second quarter ⁴	18,120	8,520	7,880	640	1,200	360	3,400	4,680
Third quarter ⁵	17,920	8,360	7,680	680	1,160	400	3,280	4,720

¹ Excludes agriculture.² Commercial and miscellaneous include 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.³ Not available separately for years prior to 1939.⁴ Included in commercial and miscellaneous prior to 1939.⁵ Estimates for second and third quarters of 1950 are based on anticipated capital expenditures of business.

NOTE.—These figures do not agree with those shown in column 2 of table B-3 and included in the gross national product estimates of the Department of Commerce, principally because the latter cover 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 million dollars.

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

TABLE B-18.—*Inventories and sales in manufacturing and trade, 1939-50*

[Adjusted for seasonal variation]

Period	Total manufacturing and trade			Manufacturing			Wholesale trade			Retail trade		
	Millions of dollars			Millions of dollars			Millions of dollars			Millions of dollars		
	Inventories ¹	Sales ²	Ratio of average inventories to monthly sales ³	Inventories ¹	Sales ²	Ratio of average inventories to monthly sales ³	Inventories ¹	Sales ²	Ratio of average inventories to monthly sales ³	Inventories ¹	Sales ²	Ratio of average inventories to monthly sales ³
1939.....	20,172	11,109	1.73	11,465	5,100	2.11	3,175	2,505	1.21	5,532	3,504	1.53
1940.....	22,184	12,520	1.68	12,819	5,852	2.06	3,325	2,802	1.16	6,040	3,866	1.47
1941.....	28,772	16,412	1.53	16,960	8,168	1.78	4,182	3,620	1.03	7,630	4,624	1.46
1942.....	31,013	19,240	1.60	19,287	10,425	1.77	3,858	4,012	1.02	7,868	4,803	1.71
1943.....	31,143	22,372	1.36	20,098	12,822	1.51	3,684	4,273	.86	7,361	5,277	1.38
1944.....	30,887	24,084	1.30	19,507	13,788	1.45	3,980	4,561	.86	7,400	5,735	1.31
1945.....	30,571	24,181	1.27	18,390	12,883	1.48	4,638	4,983	.82	7,543	6,315	1.20
1946.....	42,709	27,800	1.29	24,818	12,841	1.65	6,665	6,601	.82	11,226	8,358	1.11
1947.....	51,692	34,739	1.38	29,818	17,076	1.64	8,653	7,754	1.03	13,221	9,909	1.22
1948.....	58,546	38,190	1.45	34,066	18,998	1.68	9,511	8,355	1.09	14,969	10,837	1.32
1949.....	53,628	35,997	1.56	30,899	17,815	1.84	9,031	7,500	1.23	13,698	10,682	1.34
1949—First half.....	56,435	30,358	1.59	33,251	17,980	1.89	9,002	7,662	1.22	14,182	10,716	1.35
Second half.....	53,628	35,658	1.53	30,899	17,650	1.78	9,031	7,360	1.24	13,698	10,648	1.33
1949—January.....	58,532	36,215	1.62	34,409	17,881	1.91	9,464	7,723	1.23	14,659	10,611	1.40
February.....	58,367	36,561	1.60	34,409	18,175	1.89	9,479	7,680	1.23	14,479	10,706	1.36
March.....	58,216	37,065	1.57	34,223	18,451	1.86	9,293	7,890	1.19	14,700	10,724	1.36
April.....	57,806	35,879	1.62	34,018	17,643	1.93	9,330	7,422	1.25	14,458	10,814	1.35
May.....	56,858	36,039	1.59	33,566	17,741	1.90	9,153	7,539	1.23	14,139	10,759	1.33
June.....	56,435	36,391	1.56	33,251	17,989	1.86	9,002	7,718	1.18	14,182	10,684	1.33
July.....	55,320	34,820	1.60	32,367	17,114	1.92	9,091	7,157	1.26	13,862	10,549	1.33
August.....	54,631	37,137	1.48	31,638	18,946	1.69	9,061	7,522	1.21	13,932	10,669	1.30
September.....	54,617	37,239	1.47	31,076	18,865	1.66	9,186	7,518	1.21	14,355	10,856	1.30
October.....	54,356	34,603	1.57	30,744	16,805	1.84	9,137	7,120	1.29	14,475	10,678	1.35
November.....	53,996	35,496	1.53	30,547	17,313	1.77	9,113	7,553	1.21	14,336	10,630	1.36
December.....	53,628	34,651	1.55	30,899	16,857	1.82	9,031	7,291	1.24	13,698	10,503	1.33
1950—January.....	54,125	35,678	1.51	31,136	17,650	1.76	8,991	7,173	1.26	13,998	10,855	1.28
February.....	53,932	36,463	1.48	31,098	18,035	1.73	9,034	7,327	1.23	13,800	11,101	1.25
March.....	54,513	37,946	1.43	31,103	19,144	1.62	9,128	7,677	1.18	14,282	11,125	1.26
April.....	54,748	36,822	1.48	31,214	18,456	1.69	9,396	7,294	1.27	14,138	11,072	1.28
May ⁴	55,228	39,283	1.40	31,500	20,100	1.56	9,455	7,938	1.19	14,273	11,245	1.26

¹ Book value, end of period.² Monthly average shown for year and half year and total for month.³ Average inventories based on centered averages of end-of-period figures.⁴ 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.

Source: Department of Commerce.

TABLE B-19.—*Manufacturers' inventories by stage of fabrication and as ratios to sales, 1946-50*

[Not adjusted for seasonal variation]

Period	Total manufacturing		Durable goods industries				Nondurable goods industries			
	Book value of inventories at end of period (billions of dollars)		Book value of inventories at end of period (billions of dollars)		Ratio of average inventories to monthly sales ¹		Book value of inventories at end of period (billions of dollars)		Ratio of average inventories to monthly sales ¹	
	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	Materials and goods in process	Finished goods
1946.....	17.8	7.3	9.0	2.7	1.58	0.50	8.8	4.5	0.92	0.47
1947.....	20.7	9.4	10.3	3.8	1.45	.50	10.3	5.6	.92	.51
1948.....	22.2	12.0	11.4	4.7	1.37	.53	10.8	7.3	.95	.58
1949.....	19.2	11.9	9.2	4.6	1.40	.66	10.0	7.3	.97	.70
1949—First half.....	20.5	12.4	10.5	5.2	1.48	.67	10.0	7.2	1.03	.72
Second half.....	19.2	11.9	9.2	4.6	1.32	.66	10.0	7.3	.94	.68
1949—January.....	22.3	12.3	11.6	4.9	1.56	.65	10.7	7.4	1.05	.72
February.....	22.1	12.3	11.5	5.0	1.56	.67	10.6	7.3	1.06	.73
March.....	21.8	12.5	11.4	5.2	1.40	.62	10.4	7.3	.96	.67
April.....	21.5	12.4	11.3	5.2	1.49	.68	10.2	7.2	1.03	.72
May.....	21.0	12.4	10.8	5.3	1.51	.72	10.2	7.1	1.04	.73
June.....	20.5	12.4	10.5	5.2	1.37	.68	10.0	7.2	1.02	.73
July.....	20.1	12.2	10.1	5.1	1.54	.78	10.0	7.1	1.09	.78
August.....	19.8	12.0	9.9	4.9	1.27	.64	9.9	7.1	.90	.64
September.....	19.2	11.7	9.5	4.7	1.19	.59	9.7	7.0	.87	.62
October.....	19.1	11.6	9.3	4.5	1.34	.66	9.8	7.1	.87	.63
November.....	18.9	11.7	9.1	4.5	1.32	.65	9.8	7.2	.92	.68
December.....	19.2	11.9	9.2	4.6	1.27	.64	10.0	7.3	.99	.72
1950—January.....	19.4	11.0	9.2	4.7	1.25	.64	10.3	7.2	1.00	.72
February.....	19.4	11.7	9.2	4.7	1.29	.66	10.2	7.0	1.00	.70
March.....	19.4	11.7	9.2	4.7	1.07	.55	10.2	7.0	.90	.62
April.....	19.3	11.7	9.3	4.8	1.14	.58	10.0	7.0	.98	.68
May ²	19.4	11.9	9.5	4.8	1.09	.56	10.0	7.0	.93	.65

¹ Average inventories based on centered averages of end-of-period figures.² Estimates based on incomplete data.

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

Source: Department of Commerce.

TABLE B-20.—*Sales, stocks, and outstanding orders at 296 department stores, 1939-50*

Period	Millions of dollars ¹			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)	2.69	(²)	(²)
1940.....	136	353	108	2.60	0.79	0.31
1941.....	156	419	194	2.69	1.24	.46
1942.....	179	599	284	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.....	352	912	465	2.59	1.32	.51
1949.....	333	860	350	2.58	1.05	.41
1949—First half.....	304	862	302	2.84	.99	.35
Second half.....	362	858	398	2.37	1.10	.46
1950—First half ³	296	881	327	2.98	1.10	.37
1949: January.....	267	797	389	2.98	1.46	.49
February.....	256	856	381	3.34	1.49	.44
March.....	321	924	313	2.88	.98	.34
April.....	348	913	239	2.62	.69	.26
May.....	322	874	207	2.71	.64	.24
June.....	313	806	283	2.58	.90	.35
July.....	234	756	390	3.23	1.67	.52
August.....	283	799	410	2.82	1.45	.51
September.....	334	861	501	2.58	1.50	.58
October.....	343	952	444	2.78	1.29	.47
November.....	397	990	350	2.49	.88	.25
December.....	583	788	296	1.35	.51	.38
1950: January.....	256	787	390	3.07	1.52	.50
February.....	247	853	393	3.45	1.59	.46
March.....	320	920	326	2.88	1.02	.35
April.....	326	947	277	2.90	.85	.29
May ³	329	897	218	2.73	.75	.28

¹ Not adjusted for seasonal variation.² Not available.³ 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.

Source: Board of Governors of the Federal Reserve System.

TABLE B-21.—*Consumers' price index, 1929-50*

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
1949.....	169.1	201.9	190.1	120.8	137.5	189.0	154.6
1949—First half.....	169.6	202.6	193.3	120.2	137.4	192.4	154.3
Second half.....	168.6	201.2	187.0	121.4	137.6	185.5	155.0
1950—First half.....	167.8	198.0	185.0	123.1	140.0	185.3	155.1
1949—January 15.....	170.9	204.8	196.5	119.7	138.2	196.5	154.1
February 15.....	169.0	199.7	195.1	119.9	138.8	195.6	154.1
March 15.....	169.5	201.6	193.9	120.1	138.9	193.8	154.4
April 15.....	169.7	202.8	192.5	120.3	137.4	191.9	154.6
May 15.....	169.2	202.4	191.3	120.4	135.4	189.5	154.5
June 15.....	169.6	204.3	190.3	120.6	135.6	187.3	154.2
July 15.....	168.5	201.7	188.5	120.7	135.6	186.8	154.3
August 15.....	168.8	202.6	187.4	120.8	135.8	184.8	154.8
September 15.....	169.6	204.2	187.2	121.2	137.0	185.6	155.2
October 15.....	168.5	200.6	186.8	121.5	138.4	185.2	155.2
November 15.....	168.6	200.8	186.3	122.0	139.1	185.4	154.9
December 15.....	167.5	197.3	185.8	122.2	139.7	185.4	155.5
1950—January 15.....	166.9	196.0	185.0	122.6	140.0	184.7	155.1
February 15.....	166.5	194.8	184.8	122.8	140.3	185.3	155.1
March 15.....	167.0	196.0	185.0	122.9	140.9	185.4	155.0
April 15.....	167.3	196.6	185.1	123.1	141.4	185.6	154.8
May 15.....	168.6	200.3	185.1	123.5	138.8	185.4	155.3
June 15.....	170.2	204.6	185.0	123.9	138.9	185.2	155.3

Source: Department of Labor.

TABLE B-22.—Wholesale price index, 1929-50

[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
Monthly average:												
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
1949.....	155.0	165.5	161.4	147.3	180.4	140.4	131.7	170.2	193.4	118.6	145.3	112.3
1949—First half.....	157.5	170.8	163.2	149.6	180.9	142.8	133.3	172.6	197.6	120.4	147.3	114.7
Second half.....	152.5	160.5	159.7	145.1	180.0	138.2	130.1	167.8	189.3	117.0	143.2	109.8
1950—First half.....	153.8	160.5	157.4	146.8	180.2	137.2	131.7	169.3	195.6	115.9	145.8	112.1
1949—January.....	160.7	173.0	165.8	152.9	184.8	146.1	137.0	175.4	202.3	126.3	148.2	117.3
February.....	158.4	168.9	161.6	152.1	182.3	145.2	136.2	176.3	201.5	122.8	148.5	115.3
March.....	158.6	171.8	162.9	151.0	180.4	143.8	134.4	175.4	200.0	121.1	148.2	115.7
April.....	157.1	170.8	162.9	149.0	179.9	142.1	131.9	172.4	196.5	117.7	147.1	115.6
May.....	155.8	171.5	163.8	146.9	179.2	140.4	130.1	168.9	193.9	118.1	146.3	113.5
June.....	154.5	168.8	162.4	145.5	178.8	139.1	130.0	167.1	191.4	116.7	145.3	111.0
July.....	153.6	166.2	161.3	145.1	177.8	138.0	130.1	167.9	189.0	118.0	143.0	110.3
August.....	152.9	162.3	160.6	145.0	178.9	138.1	129.6	168.2	188.3	119.6	142.9	109.8
September.....	153.5	163.1	162.0	145.3	181.1	139.0	129.9	168.2	189.4	117.6	142.9	109.6
October.....	152.2	159.6	159.6	145.0	181.3	138.0	130.6	167.3	189.3	115.9	143.0	109.0
November.....	151.6	156.8	158.9	145.0	180.8	138.0	130.2	167.3	189.6	115.8	143.4	109.7
December.....	151.2	154.9	155.7	145.4	179.9	138.4	130.4	167.8	190.4	115.2	144.2	110.7
1950—January.....	151.5	154.7	154.8	145.8	179.3	138.5	131.4	168.4	191.6	115.7	144.7	110.0
February.....	152.7	159.1	156.7	145.9	179.0	138.2	131.3	168.6	192.8	115.2	145.2	110.0
March.....	152.7	159.4	155.5	146.1	179.6	137.3	131.5	168.5	194.2	116.3	145.5	110.7
April.....	152.9	159.3	155.3	146.4	179.4	136.4	131.2	168.7	194.8	117.1	145.8	112.6
May.....	155.9	164.7	159.9	147.6	181.0	136.1	132.1	169.7	198.1	116.4	146.6	114.7
June.....	157.3	165.9	162.1	148.8	182.6	136.8	132.7	171.8	202.2	114.5	147.0	114.8

Source: Department of Labor.

TABLE B-23.—*Indexes of prices received and prices paid by farmers, and parity ratio, 1929-50*¹

[1910-14=100]

Period	Prices received	Prices paid (including interest, taxes, and wage rates)	Parity ratio ²
Monthly average:			
1929.....	148	160	92
1930.....	125	151	83
1931.....	87	130	67
1932.....	68	112	58
1933.....	70	109	64
1934.....	90	120	75
1935.....	109	124	88
1936.....	114	124	92
1937.....	122	131	93
1938.....	97	124	78
1939.....	95	123	77
1940.....	100	124	81
1941.....	123	132	93
1942.....	158	152	104
1943.....	³ 192	170	113
1944.....	³ 196	182	108
1945.....	³ 206	189	109
1946.....	³ 234	207	113
1947.....	275	240	115
1948.....	285	259	110
1949.....	249	250	100
1949—First half.....	256	254	101
Second half.....	242	247	98
1950—First half.....	241	251	96
1949—January 15.....	265	256	104
February 15.....	255	252	101
March 15.....	258	255	101
April 15.....	256	254	101
May 15.....	253	253	100
June 15.....	249	252	99
July 15.....	246	250	98
August 15.....	244	249	98
September 15.....	247	248	100
October 15.....	242	246	98
November 15.....	237	245	97
December 15.....	233	246	95
1950—January 15.....	235	249	94
February 15.....	237	248	96
March 15.....	237	250	95
April 15.....	241	251	96
May 15.....	247	254	97
June 15.....	247	255	97

¹ Revised series; see *Agricultural Prices, Supplement No. 1, January 1950*, for details.² Ratio of prices received to prices paid (including interest, taxes, and wage rates).³ Includes subsidy payments between October 1943 and June 1946.

Source: Department of Agriculture.

TABLE B-24.—*Consumer credit outstanding, 1929-50*

[Millions of dollars]

End of period	Total consumer credit	Instalment credit			Charge accounts	Other consumer credit ²
		Total	Automobile sale credit	Other ¹		
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, 800	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
1949.....	18, 779	10, 800	3, 144	7, 746	3, 909	3, 980
1949—January.....	15, 748	8, 424	1, 965	6, 459	3, 457	3, 867
February.....	15, 325	8, 339	1, 996	6, 343	3, 169	3, 817
March.....	15, 335	8, 420	2, 105	6, 324	3, 121	3, 785
April.....	15, 595	8, 630	2, 241	6, 389	3, 232	3, 733
May.....	15, 843	8, 888	2, 386	6, 502	3, 235	3, 720
June.....	16, 124	9, 123	2, 499	6, 624	3, 274	3, 727
July.....	16, 198	9, 335	2, 610	6, 725	3, 123	3, 740
August.....	16, 453	9, 622	2, 761	6, 861	3, 064	3, 767
September.....	16, 803	9, 899	2, 876	7, 023	3, 123	3, 781
October.....	17, 223	10, 166	2, 986	7, 180	3, 197	3, 860
November.....	17, 815	10, 441	3, 085	7, 356	3, 454	3, 920
December.....	18, 779	10, 800	3, 144	7, 746	3, 909	3, 980
1950—January.....	18, 344	10, 836	3, 179	7, 657	3, 506	4, 002
February.....	18, 126	10, 884	3, 256	7, 628	3, 233	4, 009
March.....	18, 302	11, 077	3, 355	7, 722	3, 211	4, 014
April ³	18, 610	11, 315	3, 470	7, 845	3, 241	4, 054
May ³	19, 091	11, 667	3, 615	8, 052	3, 296	4, 128
June ³	19, 600	12, 000	3, 800	8, 200	3, 400	4, 200

¹ Includes other sale credit and loans including repair and modernization loans insured by Federal Housing Administration.² Includes single-payment loans of commercial banks and pawnbrokers, and service credit.³ Estimates based on incomplete data; June by Council of Economic Advisers.

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

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

TABLE B-25.—*Loans and investments of all commercial banks and weekly reporting member banks, 1929-50*

[Billions of dollars]

End of period ¹	All commercial banks					Weekly reporting member banks	
	Total loans and investments	Loans	Investments			Total loans	Commercial, industrial, and agricultural loans
			Total	U. S. Government obligations	Other securities		
1929—June ²	49.4	35.7	13.7	4.9	8.7	16.7	(³)
1930—June ²	48.9	34.5	14.4	5.0	9.4	17.0	(³)
1931—June ²	44.9	29.2	15.7	6.0	9.7	14.7	(³)
1932—June ²	36.1	21.8	14.3	6.2	8.1	11.3	(³)
1933—June ²	30.4	16.3	14.0	7.5	6.5	8.9	(³)
1934—June ²	32.7	15.7	17.0	10.3	6.7	8.5	(³)
1935—June ²	34.6	14.9	19.7	12.7	7.0	8.0	(³)
1936	39.5	16.4	23.1	15.3	7.8	9.2	(³)
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	19.4	11.3
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
1949	120.2	43.0	77.2	67.0	10.2	24.9	13.9
1949—January	114.6	42.5	72.1	63.0	9.1	25.3	15.4
February	113.3	42.0	71.3	62.2	9.1	24.9	15.2
March	112.6	42.4	70.2	60.9	9.3	25.0	14.9
April	112.5	41.3	71.2	62.0	9.2	24.0	14.2
May	113.4	40.9	72.5	63.2	9.3	23.7	13.6
June	113.8	41.0	72.7	63.2	9.5	23.9	13.2
July	114.7	40.5	74.3	64.4	9.8	23.0	12.9
August	117.9	41.2	76.7	66.7	10.0	23.5	13.0
September	118.5	41.7	76.8	66.7	10.2	24.0	13.4
October	119.5	41.8	77.7	67.6	10.1	23.9	13.7
November	119.7	42.7	77.0	66.9	10.1	24.6	13.8
December	120.2	43.0	77.2	67.0	10.2	24.9	13.9
1950—January ⁴	121.2	42.9	78.3	68.0	10.3	24.6	13.9
February ⁴	120.6	43.1	77.5	67.1	10.4	24.6	13.9
March ⁴	120.3	43.7	76.7	65.8	10.9	24.9	13.8
April ⁴	120.4	43.8	76.6	65.6	11.0	24.9	13.5
May ⁴	121.2	44.1	77.1	66.1	11.0	25.0	13.4
June ⁴	122.4	44.8	77.6	66.4	11.2	25.6	13.6

¹ Reporting date nearest end of period.

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

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

⁴ Estimates for all commercial banks based on incomplete data; June by Council of Economic Advisers.

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

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

TABLE B-26.—*Deposits and currency, 1929-50*

[Millions of dollars]

End of period ¹	Total deposits and currency	Foreign bank deposits (net)	United States Government balances ²	Deposits adjusted and currency (privately held money supply)			
				Total	Demand deposits adjusted ³	Time deposits ⁴	Currency outside banks
1929.....	55,521	563	403	54,555	22,809	28,189	3,557
1930.....	54,439	656	535	53,248	20,967	28,676	3,605
1931.....	49,004	403	740	47,861	17,412	25,979	4,470
1932.....	45,811	169	788	44,854	15,728	24,457	4,669
1933.....	42,813	-22	1,303	41,532	15,035	21,715	4,782
1934.....	51,122	-13	4,865	46,270	18,459	23,156	4,655
1935.....	55,718	426	4,019	51,273	22,115	24,241	4,917
1936.....	60,450	479	3,611	56,360	25,483	25,361	5,516
1937.....	60,964	564	4,585	58,815	23,959	26,218	5,638
1938.....	63,191	607	4,518	58,066	25,986	26,305	5,775
1939.....	68,359	1,217	3,889	63,253	29,793	27,059	6,401
1940.....	75,238	1,896	3,334	70,008	34,945	27,738	7,325
1941.....	82,811	1,498	4,977	76,336	38,992	27,729	9,615
1942.....	104,306	1,615	11,392	91,299	48,922	28,431	13,946
1943.....	127,959	2,265	13,306	112,388	60,803	32,748	18,837
1944.....	155,960	2,157	23,578	130,225	66,930	39,790	23,505
1945.....	180,806	2,141	27,872	150,793	75,851	48,452	26,490
1946.....	171,657	1,885	5,768	164,004	83,314	53,960	26,730
1947.....	175,348	1,682	3,658	170,008	87,121	56,411	26,476
1948.....	176,121	2,103	4,899	169,119	85,520	57,520	26,079
1949.....	177,313	2,150	5,382	169,781	85,750	58,616	25,415
1949-January.....	174,900	2,200	4,400	168,200	85,400	57,600	25,200
February.....	174,400	2,200	5,900	166,300	83,400	57,800	25,100
March.....	172,600	2,100	6,400	164,200	81,100	58,000	25,100
April.....	172,000	2,000	4,500	165,500	82,400	58,100	24,900
May.....	171,300	1,800	3,900	165,600	82,500	58,200	25,000
June.....	171,602	1,927	4,049	165,626	81,877	58,483	25,266
July.....	171,500	1,900	3,200	166,300	83,100	58,400	24,900
August.....	173,800	1,900	5,000	166,900	83,400	58,400	25,100
September.....	174,400	1,900	6,200	166,300	83,100	58,400	24,900
October.....	174,900	2,000	5,300	167,700	84,300	58,400	24,900
November.....	175,300	2,100	5,000	168,100	85,000	58,000	25,100
December.....	177,313	2,150	5,382	169,781	85,750	58,616	25,415
1950-January ⁵	177,100	2,200	5,100	169,700	86,400	58,700	24,500
February ⁵	176,200	2,200	5,900	168,200	84,500	59,000	24,700
March ⁵	176,000	2,300	6,600	167,100	83,300	59,300	24,600
April ⁵	176,300	2,400	5,300	168,500	84,500	59,500	24,600
May ⁵	177,000	2,400	5,100	169,500	85,300	59,500	24,700
June ⁵	178,800	2,500	6,000	170,300	86,000	59,700	24,600

¹ Reporting date nearest end of period.² Includes Treasury cash and balances at commercial, savings, and Federal Reserve banks.³ Includes demand deposits, other than interbank and U. S. Government, less cash items in process of collection.⁴ Includes deposits in commercial banks, mutual savings banks, and Postal Savings System.⁵ Estimates based on incomplete data; June by Council of Economic Advisers.

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

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

TABLE B-27.—*Estimated ownership of Federal securities, 1939-50*[Billions of dollars—par values ¹]

End of period	Gross debt and guaranteed obligations outstanding							
	Total ²	Held by U. S. Government agencies and trust funds	Held by public					
			Total held by public	State and local governments ³	Commercial banks ⁴	Federal Reserve banks	Nonbank private corporations and associations ⁵	Individuals ⁶
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	16.0	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	215.6	7.9	62.5	23.3	54.4	67.6
1949	257.2	39.3	217.8	8.1	66.8	18.9	54.3	69.5
1949—January	252.7	37.4	215.3	7.8	62.7	22.1	54.8	67.9
February	252.7	37.5	215.2	7.9	62.1	22.3	54.6	68.3
March	251.7	37.7	214.0	7.9	60.5	21.7	55.3	68.6
April	251.6	37.5	214.1	7.9	61.8	21.1	54.7	68.5
May	251.9	37.5	214.4	8.0	62.7	19.7	55.2	68.8
June	252.8	38.3	214.5	8.0	63.0	19.3	55.2	68.9
July	253.9	38.5	215.4	8.0	64.6	18.5	55.1	69.1
August	255.9	38.8	217.0	8.1	66.4	17.5	55.8	69.2
September	256.7	39.4	217.3	8.1	66.5	18.0	55.5	69.2
October	256.8	39.3	217.5	8.1	67.3	17.3	55.5	69.3
November	257.0	39.3	217.7	8.1	66.8	17.7	55.8	69.3
December	257.2	39.3	217.8	8.1	66.8	18.9	54.3	69.5
1950—January	256.9	39.0	217.9	8.1	67.4	17.8	54.8	69.7
February	256.4	38.4	218.0	8.2	66.4	17.7	55.6	70.0
March	255.7	37.6	218.1	8.7	64.9	17.6	56.7	70.2
April	255.7	37.3	218.4	8.7	65.3	17.8	56.2	70.3
May	256.4	37.4	219.0	8.6	65.9	17.4	56.6	70.5
June ⁷	257.4	37.9	219.5	8.5	66.0	18.3	56.2	70.5

¹ United States saving bonds, series A-D, E, and F, are included at current redemption values.² Securities issued or guaranteed by the U. S. Government, excluding guaranteed securities held by the Treasury.³ Includes trust, sinking, and investment funds of State and local governments and their agencies, and Territories and insular possessions.⁴ Includes commercial banks, trust companies, and stock savings banks in the United States and in Territories and insular possessions; excludes securities held in trust departments.⁵ 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 non-interest-bearing notes issued by the U. S. Government; beginning with June 30, 1947, they include holdings of Federal land banks.⁶ Includes partnerships and personal trust accounts.⁷ Estimates based on incomplete data; by Council of Economic Advisers.

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

Source: Treasury Department (except as noted).

TABLE B-28.—*Bond yields and interest rates, selected years, 1929-50*

[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	Long-term bonds		Aaa bonds	Baa bonds			
		Partially tax-exempt ²	15 years and over, taxable					
1929 average.....	(1)	3.60	-----	4.73	5.90	(3)	5.03	5.16
1933 average.....	(1)	3.31	-----	4.49	7.76	(3)	.63	2.56
1935 average.....	(1)	2.79	-----	3.60	5.75	(3)	.13	1.50
1937 average.....	(1)	2.74	-----	3.26	5.03	(3)	.43	1.33
1939 average.....	(1)	2.41	-----	3.01	4.96	2.1	.44	1.00
1941 average.....	(1)	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	⁴ 1.00
1945 average.....	.81	1.66	2.37	2.62	3.29	2.2	.44	⁴ 1.00
1946 average.....	.82	(5)	2.19	2.53	3.05	2.1	.61	⁴ 1.00
1947 average.....	.88	(5)	2.25	2.61	3.24	2.1	.87	1.00
1948 average.....	1.14	(5)	2.44	2.82	3.47	2.5	1.11	1.34
1949 average.....	1.14	(5)	2.31	2.66	3.42	2.7	1.12	1.50
1949—First quarter.....	1.22	(5)	2.40	2.71	3.46	2.70	1.19	1.50
Second quarter.....	1.20	(5)	2.38	2.71	3.46	2.74	1.19	1.50
Third quarter.....	1.06	(5)	2.24	2.63	3.41	2.63	1.06	1.50
Fourth quarter.....	1.09	(5)	2.20	2.60	3.34	2.65	1.06	1.50
1950—First quarter.....	1.14	(5)	2.24	2.58	3.24	2.60	1.06	1.50
Second quarter.....	⁶ 1.19	(5)	2.31	2.61	3.25	2.68	1.06	1.50

¹ Tax exempt prior to March 1, 1941; taxable thereafter.² A average of yields on all outstanding partially tax-exempt Government bonds due or callable after 12 years, in 1929 and 1933; and after 15 years, from 1935.³ Not available.⁴ 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.

No partially tax-exempt bonds due or callable in 15 years and over.

⁶ Beginning June 1, 1950, series is based on three note issues maturing July 1, 1951.

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

TABLE B-29.—*Profits before and after tax, all private corporations, 1929-50*¹

[Billions of dollars]

Period	Corporate profits before tax	Corporate tax liability ²	Corporate profits after tax		
			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	(3)
1938.....	3.3	1.0	2.3	3.2	-0.9
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.....	25.1	14.4	10.6	4.5	6.2
1944.....	24.3	13.5	10.8	4.7	6.1
1945.....	19.7	11.2	8.5	4.7	3.8
1946.....	23.5	9.6	13.9	5.8	8.1
1947.....	30.5	11.9	18.5	6.6	12.0
1948.....	33.9	13.0	20.9	7.5	13.4
1949.....	27.6	10.6	17.0	7.8	9.2
Annual rates, seasonally adjusted					
1949—First half.....	27.4	10.4	16.9	7.8	9.1
Second half.....	27.9	10.7	17.1	7.8	9.4
1950—First half ⁴	30.1	11.8	18.4	8.2	10.2
1949—First quarter.....	28.3	10.9	17.4	7.9	9.5
Second quarter.....	26.4	10.0	16.4	7.7	8.7
Third quarter.....	28.2	10.8	17.3	7.4	10.0
Fourth quarter.....	27.6	10.6	16.9	8.2	8.7
1950—First quarter.....	29.2	11.4	17.8	8.1	9.7
Second quarter ⁴	31.0	12.1	18.9	8.2	10.7

¹ The figures for 1946-50 are based on the revised series of national income and product of the Department of Commerce. For detail, see the "Survey of Current Business," July 1950.² Federal and State corporate income and excess profits taxes.³ Minus 8 million dollars.⁴ Estimates based on incomplete data; second quarter by Council of Economic Advisers.

NOTE.—No allowance has been made for inventory valuation adjustment. See appendix table B-4 for profits before tax and inventory valuation adjustment.

Detail will not necessarily add to totals because of rounding.

Source: Department of Commerce (except as noted).

TABLE B-30.—Sales and profits of large manufacturing corporations, 1939-50

[Millions of dollars]

Period	Durable goods industries (106 corporations) ¹			Nondurable goods industries (94 corporations) ¹		
	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.....	19,831	2,312	1,355	11,313	1,787	1,167
1948.....	23,818	3,107	1,836	13,364	2,208	1,474
1949.....	24,152	3,192	1,888	12,790	1,843	1,211
Totals for period, not adjusted for seasonal variation						
1949—First half.....	12,546	1,629	957	6,294	893	577
Second half.....	11,606	1,563	932	6,496	949	634
1949—First quarter.....	6,149	830	487	3,243	496	321
Second quarter.....	6,397	799	470	3,051	397	256
Third quarter.....	6,322	866	508	3,163	446	292
Fourth quarter.....	5,284	697	424	3,333	503	342
1950—First quarter.....	5,969	898	529	3,251	505	323

¹ See *Federal Reserve Bulletin*, June 1949, and subsequent issues, 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.

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

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

TABLE B-31.—*Relation of profits before and after taxes to stockholders' equity, private manufacturing corporations, by industry group, 1948-50*

Industry group	Percentage ratio of profits (annual rate) to stockholders' equity						
	1948 total	1949					1950, first quarter
		Total	First quarter	Second quarter	Thlrd quarter	Fourth quarter	
Before Federal taxes							
All private manufacturing corporations.....	25.6	18.5	20.4	16.8	18.8	18.0	19.6
Food.....	21.3	19.5	16.8	20.0	23.2	18.0	15.6
Tobacco manufactures.....	21.9	20.2	18.4	20.8	22.0	19.6	16.4
Textile mill products.....	30.9	13.0	16.8	8.4	10.8	16.0	18.0
Apparel and finished textiles.....	20.5	13.3	17.6	10.0	16.0	9.6	11.6
Lumber and wood products.....	30.4	14.2	14.8	14.4	12.8	14.8	16.8
Furniture and fixtures.....	26.8	14.6	16.0	12.4	13.2	16.8	15.6
Paper and allied products.....	26.7	17.3	19.6	14.0	14.8	20.8	20.8
Printing and publishing (except newspapers).....	24.0	19.0	23.2	19.6	21.2	12.0	20.4
Chemicals and allied products.....	25.0	21.2	22.8	16.8	22.4	22.8	25.2
Products of petroleum and coal.....	26.7	15.2	18.0	14.8	14.0	14.0	12.8
Rubber products.....	21.5	13.6	13.6	11.6	10.8	18.4	14.8
Leather and leather products.....	17.8	11.1	11.6	7.6	12.8	12.4	10.8
Stone, clay, and glass products.....	24.3	21.2	18.8	21.2	24.4	20.4	20.4
Primary nonferrous metal industries.....	22.3	13.0	21.6	8.0	9.2	13.2	16.0
Primary iron and steel industries.....	23.8	17.0	25.6	17.6	14.4	10.4	20.0
Fabricated metal products.....	27.5	17.8	20.0	14.0	20.4	16.8	18.4
Machinery (except electrical and transportation).....	27.3	19.3	23.6	20.4	17.2	16.0	18.4
Electrical machinery.....	27.6	22.2	22.0	16.4	17.6	32.8	29.2
Transportation equipment (except motor vehicles).....	14.2	12.5	15.2	11.2	11.6	12.0	12.0
Motor vehicles and parts.....	34.7	37.6	33.6	36.0	46.8	34.0	39.2
Instruments; photographic and optical goods; watches and clocks.....	22.6	20.0	20.8	19.2	19.2	20.8	20.8
Miscellaneous manufacturing (including ordnance).....	20.7	12.4	16.0	5.2	13.6	14.8	10.0
After Federal taxes							
All private manufacturing corporations.....	16.1	11.7	12.8	10.4	12.0	11.6	12.0
Food.....	12.9	11.8	9.6	12.4	14.4	10.8	9.2
Tobacco manufactures.....	13.7	12.6	11.6	12.8	13.6	12.4	10.0
Textile mill products.....	18.8	7.6	10.0	4.4	6.4	9.6	10.8
Apparel and finished textiles.....	12.2	7.6	10.4	5.2	9.6	5.2	6.4
Lumber and wood products.....	19.3	9.0	8.8	9.2	8.0	10.0	10.4
Furniture and fixtures.....	16.0	8.1	9.2	6.4	7.2	9.6	8.4
Paper and allied products.....	16.4	10.7	12.0	8.4	9.2	13.2	12.8
Printing and publishing (except newspapers).....	14.6	11.4	14.4	11.6	13.2	6.4	12.8
Chemicals and allied products.....	15.8	13.2	14.0	10.0	14.0	14.8	15.6
Products of petroleum and coal.....	19.8	11.9	13.2	11.6	11.2	11.6	10.0
Rubber products.....	12.4	8.6	8.0	7.2	6.8	12.4	9.6
Leather and leather products.....	10.4	6.2	6.4	3.6	7.2	7.6	6.4
Stone, clay, and glass products.....	15.0	13.2	11.2	13.2	15.2	13.2	12.4
Primary nonferrous metal industries.....	14.1	8.0	13.6	4.0	5.6	8.8	10.4
Primary iron and steel industries.....	14.7	9.9	14.8	10.0	8.4	6.4	11.6
Fabricated metal products.....	17.0	10.4	12.0	7.6	12.0	10.0	11.2
Machinery (except electrical and transportation).....	16.6	11.6	14.0	12.4	10.4	9.6	10.8
Electrical machinery.....	16.1	13.5	12.4	10.0	10.8	20.8	17.2
Transportation equipment (except motor vehicles).....	8.2	7.8	9.6	6.8	7.2	7.6	7.2
Motor vehicles and parts.....	19.8	21.9	19.6	20.8	27.2	20.0	22.8
Instruments; photographic and optical goods; watches and clocks.....	14.0	12.1	12.4	11.6	11.2	13.2	12.8
Miscellaneous manufacturing (including ordnance).....	12.2	7.1	10.0	2.0	7.6	8.8	5.2

Source: Federal Trade Commission and Securities and Exchange Commission.

TABLE B-32.—*Relation of profits before and after taxes to sales, private manufacturing corporations, by industry group, 1948-50*

Industry group	Profits in cents per dollar of sales						
	1948 total	1949					1950, first quarter
		Total	First quarter	Second quarter	Third quarter	Fourth quarter	
Before Federal taxes							
All private manufacturing corporations.....	11.1	9.3	9.9	8.5	9.5	9.3	10.1
Food.....	5.6	5.5	4.6	5.6	6.5	5.3	4.8
Tobacco manufactures.....	8.3	8.2	7.7	8.2	8.5	8.2	7.4
Textile mill products.....	13.5	6.9	8.9	4.9	5.9	7.8	9.0
Apparel and finished textiles.....	5.1	3.7	4.8	3.1	4.3	2.6	3.5
Lumber and wood products.....	15.4	9.3	10.4	9.2	8.1	9.4	11.2
Furniture and fixtures.....	9.2	5.9	6.5	5.2	5.7	6.1	5.9
Paper and allied products.....	13.8	10.5	11.5	9.1	9.5	12.0	12.3
Printing and publishing (except newspapers).....	8.5	7.4	9.1	7.7	8.6	4.3	8.5
Chemicals and allied products.....	13.9	13.2	13.2	10.8	14.5	14.4	15.6
Products of petroleum and coal.....	17.4	12.0	13.8	11.8	11.6	10.9	10.7
Rubber products.....	8.2	6.0	6.2	5.0	4.5	8.2	6.6
Leather and leather products.....	5.6	3.9	4.1	2.9	4.3	4.3	4.2
Stone, clay, and glass products.....	13.9	13.9	12.3	14.0	15.7	13.6	14.1
Primary nonferrous metal industries.....	14.2	10.7	15.2	7.5	8.8	11.3	13.5
Primary iron and steel industries.....	12.2	10.9	13.4	10.8	9.9	9.3	12.7
Fabricated metal products.....	11.5	8.7	9.8	7.1	9.5	8.4	9.7
Machinery (except electrical and transportation).....	12.0	10.6	11.8	10.7	10.2	9.7	10.7
Electrical machinery.....	10.1	9.1	9.0	7.1	7.9	12.5	11.3
Transportation equipment (except motor vehicles).....	7.0	6.3	7.2	5.5	6.1	6.2	6.2
Motor vehicles and parts.....	12.0	13.5	12.0	12.1	15.4	14.3	15.3
Instruments; photographic and optical goods; watches and clocks.....	12.5	11.6	12.0	11.3	11.5	11.7	12.6
Miscellaneous manufacturing (including ordnance).....	9.5	6.2	8.4	2.7	6.9	6.7	5.5
After Federal taxes							
All private manufacturing corporations.....	7.0	5.8	6.1	5.2	6.0	6.0	6.2
Food.....	3.3	3.3	2.7	3.4	4.0	3.2	2.8
Tobacco manufactures.....	5.1	5.1	4.8	5.0	5.3	5.2	4.6
Textile mill products.....	8.2	4.1	5.3	2.7	3.5	4.7	5.4
Apparel and finished textiles.....	3.0	2.1	2.9	1.6	2.5	1.4	1.9
Lumber and wood products.....	9.8	6.0	6.4	5.8	5.2	6.4	7.1
Furniture and fixtures.....	5.5	3.3	3.7	2.7	3.1	3.5	3.2
Paper and allied products.....	8.4	6.5	7.0	5.5	5.7	7.7	7.5
Printing and publishing (except newspapers).....	5.2	4.5	5.7	4.6	5.4	2.3	5.4
Chemicals and allied products.....	8.8	8.2	8.1	6.5	9.1	9.2	9.6
Products of petroleum and coal.....	12.9	9.4	10.3	9.2	9.1	9.0	8.2
Rubber products.....	4.7	3.8	3.7	3.1	2.9	5.5	4.2
Leather and leather products.....	3.3	2.2	2.2	1.4	2.5	2.7	2.5
Stone, clay, and glass products.....	8.6	8.6	7.2	8.6	9.7	8.7	8.6
Primary nonferrous metal industries.....	9.0	6.7	9.5	3.9	5.6	7.7	8.5
Primary iron and steel industries.....	7.5	6.4	7.9	6.2	5.7	5.7	7.5
Fabricated metal products.....	7.1	5.1	5.8	3.8	5.7	5.1	5.9
Machinery (except electrical and transportation).....	7.3	6.4	7.1	6.4	6.2	5.7	6.4
Electrical machinery.....	5.9	5.6	5.1	4.5	4.8	7.9	6.7
Transportation equipment (except motor vehicles).....	4.0	3.9	4.5	3.3	3.7	3.9	3.7
Motor vehicles and parts.....	6.9	7.9	7.1	7.1	9.0	8.4	8.9
Instruments; photographic and optical goods; watches and clocks.....	7.8	7.1	7.2	6.9	6.7	7.4	7.7
Miscellaneous manufacturing (including ordnance).....	5.6	3.6	5.2	1.1	3.9	4.1	2.9

Sources: Federal Trade Commission and Securities and Exchange Commission.

TABLE B-33.—*Relation of profits before and after taxes to stockholders' equity and to sales, all private manufacturing corporations, by size class, 1948-50*

Assets class (thousands of dollars)	1948 total	1949					1950, first quarter
		Total	First quarter	Second quarter	Third quarter	Fourth quarter	
Ratio of profits before Federal taxes (annual rate) to stockholders' equity							
All sizes.....	25.6	18.5	20.4	16.8	18.8	18.0	19.6
1 to 249.....	15.5	9.8	14.4	10.4	14.0	0.4	8.8
250 to 999.....	23.8	14.1	17.2	12.8	16.0	10.4	13.2
1,000 to 4,999.....	24.8	15.5	17.2	15.2	16.0	13.6	17.2
5,000 to 99,999.....	26.4	17.7	20.0	16.0	17.2	17.6	18.4
100,000 and over.....	26.1	23.2	22.4	18.8	30.8	20.8	21.6
Profits before Federal taxes in cents per dollar of sales							
All sizes.....	11.1	9.3	9.9	8.5	9.5	9.3	10.1
1 to 249.....	4.0	2.7	4.0	2.8	3.8	0.1	2.5
250 to 999.....	7.4	5.2	6.2	4.8	6.0	3.9	5.1
1,000 to 4,999.....	9.0	6.5	7.0	6.5	6.9	5.7	7.3
5,000 to 99,999.....	11.3	9.0	9.7	8.2	8.9	9.1	9.5
100,000 and over.....	13.2	11.8	12.2	10.5	11.9	12.6	12.8
Ratio of profits after Federal taxes (annual rate) to stockholders' equity							
All sizes.....	16.1	11.7	12.8	10.4	12.0	11.6	12.0
1 to 249.....	8.8	4.9	8.4	4.8	8.4	-2.0	4.0
250 to 999.....	14.2	7.8	9.6	6.8	9.2	5.6	7.2
1,000 to 4,999.....	14.8	9.0	10.0	8.8	9.2	8.0	10.0
5,000 to 99,999.....	16.1	10.8	12.0	9.6	10.4	11.2	11.2
100,000 and over.....	16.9	13.5	14.4	12.0	13.6	14.0	13.6
Profits after Federal taxes in cents per dollar of sales							
All sizes.....	7.0	5.8	6.1	5.2	6.0	6.0	6.2
1 to 249.....	2.3	1.4	2.4	1.3	2.3	-0.6	1.1
250 to 999.....	4.4	2.9	3.5	2.5	3.4	2.0	2.7
1,000 to 4,999.....	5.4	3.8	4.0	3.7	4.0	3.3	4.2
5,000 to 99,999.....	7.0	5.6	5.9	5.0	5.5	5.8	5.8
100,000 and over.....	8.6	7.6	7.8	6.7	7.6	8.4	8.1

Sources: Federal Trade Commission and Securities and Exchange Commission.

TABLE B-34.—*Sources and uses of corporate funds, 1946-50*¹

[Billions of dollars]

Source or use of funds	Annual totals				Half year totals ²	
	1946	1947	1948	1949	1949, first half	1950, first half ³
Uses:						
Plant and equipment outlays.....	11.6	15.0	17.5	16.1	8.2	7.6
Inventories (change in book value).....	11.2	7.1	5.0	-4.6	-2.5	.9
Change in customer receivables.....	4.8	7.5	2.4	-4	-1.6	.1
Cash and U. S. Government securities.....	-4.7	1.0	-----	2.7	1.2	1.3
Other current assets.....	-7	-1	.5	-2	-2	(⁴)
Total uses.....	22.2	30.5	25.4	13.6	5.1	9.9
Sources:						
Internal:						
Retained profits and depletion allowances.....	7.6	11.6	12.8	8.6	4.4	5.1
Depreciation allowances.....	4.3	5.2	6.0	6.7	3.2	3.5
Total internal sources.....	11.9	16.8	18.8	15.3	7.6	8.6
External:						
Change in trade debt.....	4.0	4.4	.9	-2.2	-2.6	-1.0
Change in Federal income tax liability.....	-1.6	2.3	.8	-2.4	-1.2	.6
Other current liabilities.....	1.8	.4	(⁴)	(⁴)	.1	(⁴)
Change in bank loans.....	3.3	2.6	1.1	-1.6	-2.1	-5
Change in mortgages.....	.6	.8	.6	.5	.2	.1
Net new issues.....	2.3	4.4	5.9	5.4	3.4	2.5
Total external sources.....	10.4	14.9	9.3	-3	-2.2	1.7
Total sources.....	22.3	31.7	28.1	15.0	5.4	10.3
Discrepancy (uses less sources).....	-1	-1.2	-2.7	-1.4	-3	-4

¹ Excludes banks and insurance companies.² Not adjusted for seasonal variation.³ Estimates based on incomplete data; retained profits and depletion allowances by Council of Economic Advisers.⁴ Less than 50 million dollars.

Sources: Department of Commerce estimates based on Securities and Exchange Commission and other financial data (except as noted).

TABLE B-35.—*The international transactions of the United States, 1947-50*

[Millions of dollars]

Type of transaction	1947 total	1948 total	1949					1950	
			Total	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter ¹
Exports of goods and services:									
Recorded goods ²	15,253	12,653	12,000	3,325	3,362	2,684	2,629	2,381	2,500
Other goods ³	724	774	337	123	93	86	35	43	(⁴)
Total goods.....	15,977	13,427	12,337	3,448	3,455	2,770	2,664	2,424	(⁴)
Services.....	2,673	2,290	2,296	577	636	600	483	482	(⁴)
Income on investments.....	1,146	1,375	1,323	298	351	315	359	284	(⁴)
Total exports.....	19,796	17,092	15,956	4,323	4,442	3,685	3,506	3,190	3,300
Imports of goods and services:									
Recorded goods.....	5,756	7,124	6,627	1,790	1,601	1,478	1,758	1,885	1,900
Other goods ³	344	709	517	170	160	115	72	83	(⁴)
Total goods.....	6,100	7,833	7,144	1,960	1,761	1,593	1,830	1,968	(⁴)
Services.....	1,940	2,239	2,242	492	586	685	479	487	(⁴)
Income on investments.....	249	284	329	98	71	68	92	82	(⁴)
Total imports.....	8,289	10,356	9,715	2,550	2,418	2,346	2,401	2,537	2,600
Surplus of export of goods and services:									
Recorded goods.....	9,497	5,529	5,373	1,535	1,761	1,206	871	496	600
Other goods.....	380	65	-180	-47	-67	-29	-37	-40	(⁴)
Total goods.....	9,877	5,594	5,193	1,488	1,694	1,177	834	456	(⁴)
Services.....	733	51	54	85	50	-85	4	-5	(⁴)
Income on investments.....	897	1,091	994	200	280	247	267	202	(⁴)
Total surplus of exports.....	11,507	6,736	6,241	1,773	2,024	1,339	1,105	653	700
Means of financing surplus of exports of goods and services: ⁵									
Liquidation of gold and dollar assets by foreign countries.....	4,462	780	2	-8	372	86	-448	-471	-700
Dollar disbursements by:									
International Monetary Fund.....	462	203	99	32	17	3	47	-12	
International Bank.....	300	176	38	8	8	11	11	22	1,008
United States Government sources: ⁶									
Unilateral transfers.....	1,947	4,161	5,304	1,382	1,557	1,291	1,074	1,008	100
Long- and short-term loans.....	3,895	907	643	294	104	178	67	99	
United States private sources:									
Remittances.....	665	652	515	139	126	112	138	112	200
Long- and short-term capital.....	756	7869	616	185	120	154	157	83	
Total means of financing.....	12,487	7,748	7,217	2,032	2,304	1,835	1,046	841	800
Errors and omissions.....	-980	-1,012	-976	-259	-280	-496	50	-188	-100

¹ Estimates based on incomplete data; by Council of Economic Advisers.² Figures for recorded exports of goods in 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 subsequent years. Such shipments are included in exports as recorded by the Bureau of the Census beginning in 1948 but were not so included in prior years.³ 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.⁴ Not available.⁵ All figures for means of financing are on a net basis.⁶ Excludes subscription to the capital of the International Bank for Reconstruction and Development and the International Monetary Fund. For detail see table B-37.⁷ Excludes 7 million dollars of long-term and 1 million dollars of short-term notes guaranteed by the International Bank.

Source: Department of Commerce (except as noted).

TABLE B-36.—United States exports and imports of goods and services, by area, 1937 and 1947–50

[Billions¹ of dollars]

Area	1937	1947	1948	Annual rates					
				1949				1950	
				First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter ¹
Export surplus of goods and services: ²									
Total.....	0.28	11.51	6.74	7.09	8.10	5.36	4.42	2.61	2.80
ERP countries.....	.28	5.43	3.65	3.62	3.86	2.64	2.42	2.13	(³)
ERP dependencies.....	-.31	.34	.10	.14	.26	.31	.09	-.18	(³)
Europe, except ERP countries.....	-.03	.33	.03	.03	.05	.02	.02	-.02	(³)
Canada and Newfoundland.....		1.17	.44	.59	1.09	.30	.22	.22	(³)
Latin-American Republics.....	.34	2.08	1.17	.78	.81	.58	.46	-.19	(³)
Other ⁴		2.15	1.34	1.93	2.03	1.50	1.22	.66	(³)
Exports of goods and services: ²									
Total.....	4.55	19.80	17.09	17.29	17.77	14.74	14.02	12.76	13.20
ERP countries.....	1.60	7.22	5.92	6.11	6.17	4.79	4.52	4.30	(³)
ERP dependencies.....	.18	.93	.86	1.00	.98	.91	.81	.68	(³)
Europe, except ERP countries.....	.13	.56	.27	.22	.23	.20	.20	.18	(³)
Canada and Newfoundland.....		2.69	2.49	2.41	3.05	2.48	2.34	2.12	(³)
Latin-American Republics.....	2.64	4.82	4.27	3.96	3.68	3.35	3.44	3.18	(³)
Other ⁴		3.58	3.28	3.59	3.65	3.02	2.70	2.30	(³)
Imports of goods and services: ²									
Total.....	4.27	8.29	10.36	10.20	9.67	9.38	9.60	10.15	10.40
ERP countries.....	1.33	1.79	2.27	2.49	2.31	2.15	2.10	2.16	(³)
ERP dependencies.....	.50	.59	.76	.86	.73	.60	.72	.86	(³)
Europe, except ERP countries.....	.15	.23	.24	.18	.18	.17	.18	.20	(³)
Canada and Newfoundland.....		1.52	2.05	1.82	1.96	2.18	2.13	1.91	(³)
Latin-American Republics.....	2.29	2.73	3.10	3.18	2.87	2.78	2.98	3.36	(³)
Other ⁴		1.43	1.94	1.66	1.62	1.51	1.48	1.64	(³)

¹ Estimates based on incomplete data; by Council of Economic Advisers.² Includes income on investments.³ Not available.⁴ Includes international institutions.

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

Source: Department of Commerce (except as noted).

TABLE B-37.—U. S. Government grants, loans, and other transfers to foreign countries, 1947-50

[Millions of dollars]

Type of aid	1947 total	1948 total	1949					1950	
			Total	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter ¹
A. Unilateral payments:									
UNRRA and post-UNRRA	761	84	2	2					
Civilian supplies distributed by the armed forces.....	1,009	1,448	1,059	287	253	334	185	109	(?)
Transfers to Philippines.....	91	130	203	53	44	59	47	40	(?)
Chinese aid.....		168	109	49	43	12	5	16	(?)
Korean aid program.....			30	3	11	4	12	22	(?)
Greek-Turkish aid.....	74	348	171	52	43	41	35	34	(?)
International Refugee Organ- ization.....	15	89	71	18	17	18	18	17	(?)
Interim aid.....	12	546							
European recovery program.....		1,398	3,732	906	1,119	940	767	771	(?)
Other.....	288	133	182	39	46	39	58	40	(?)
Total unilateral payments.....	2,250	4,344	5,559	1,409	1,576	1,447	1,127	1,049	(?)
Less unilateral receipts.....	303	183	255	27	19	156	53	41	(?)
Equals: Net unilateral pay- ments.....	1,947	4,161	5,304	1,382	1,557	1,291	1,074	1,008	1,109
B. Long-term loans and invest- ments:									
Lend-lease credits.....		2	4	1	1	2		1	(?)
Surplus property including ship sales.....	273	192	24	16	8				(?)
Export-Import Bank loans.....	797	454	163	50	42	35	36	51	(?)
United Kingdom loan.....	2,850	300							
Subscriptions to— International Bank.....	317								
International Monetary Fund.....	2,745								
European Recovery Program.....		476	425	281	98	16	30	54	(?)
Other.....	161	18	59	11	12	22	14	15	(?)
Total long-term loans and investments.....	7,143	1,442	675	359	161	75	80	121	(?)
Less repayments.....	294	443	205	64	55	41	45	49	(?)
Equals net long-term loans and investments, including International Bank and In- ternational Monetary Fund.....	6,849	999	470	295	106	34	35	72	100
Less subscriptions to In- ternational Bank and In- ternational Monetary Fund.....	3,062								
Equals net long-term loans and investments excluding International Bank and International Monetary Fund.....	3,787	999	470	295	106	34	35	72	100
C. Outflow of short-term capital (net).....	103	-92	173	-1	-2	144	32	27	-----
Total net unilateral payments, loans and investments, exclud- ing International Bank and In- ternational Monetary Fund (A+B+C).....	5,842	5,068	5,947	1,676	1,661	1,469	1,141	1,107	1,200

¹ Estimates based on incomplete data; by Council of Economic Advisers.² Not available.

Source: Department of Commerce (except as noted).

TABLE B-38.—United States merchandise export surplus, by area, 1936-38 quarterly average and 1947-50

Period	Total merchandise export surplus	Canada ¹	Other Western Hemisphere	ERP countries ²	Other Europe	Asia ³	Australia and Oceania	Africa
Millions of dollars								
Quarterly average:								
1936-38.....	120	27	-7	130	1	-61	13	15
1947.....	2,396	246	448	1,150	73	313	41	123
1948.....	1,382	88	214	802	-----	183	-3	98
1949.....	1,343	101	114	807	6	228	18	70
1949—First quarter.....	1,535	94	174	910	8	271	20	60
Second quarter.....	1,761	188	168	999	13	279	11	112
Third quarter.....	1,206	125	107	668	2	209	25	69
Fourth quarter.....	871	1	14	652	1	153	13	35
1950—First quarter.....	496	-7	-85	546	-9	101	-13	-38
Second quarter ⁴	600	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)
Percentage of total								
Quarterly average:								
1936-38.....	100	22.5	-5.8	108.3	.8	-50.8	10.8	12.5
1947.....	100	10.3	18.7	48.0	3.0	13.1	1.7	5.1
1948.....	100	6.4	15.5	58.0	-----	13.2	-.2	7.1
1949.....	100	7.5	8.5	60.1	.4	17.0	1.3	5.2
1949—First quarter.....	100	6.1	11.3	59.3	.5	17.7	1.3	3.9
Second quarter.....	100	10.7	9.0	56.7	.7	15.8	.6	6.4
Third quarter.....	100	10.4	8.9	55.4	.2	17.3	2.1	5.7
Fourth quarter.....	100	.1	1.6	74.9	.1	17.6	1.5	4.0
1950—First quarter.....	100	-1.4	-17.1	110.1	-1.8	20.4	-2.6	-7.7

¹ Includes Newfoundland and Labrador.

² Turkey is included with ERP countries and excluded from Asia. Exports to and imports from Germany in the postwar period relate almost wholly to trade with the three western zones.

³ Estimates based on incomplete data; by Council of Economic Advisers.

⁴ Not available.

NOTE.—Detail will not necessarily add to totals because of rounding in this table and in tables B-39 and B-42.

Source: Department of Commerce (except as noted).

TABLE B-39.—United States merchandise exports, including reexports, by area, 1936-38 quarterly average and 1947-50

Period	Total exports including reexports	Canada ¹	Other Western Hemisphere	ERP countries ²	Other Europe	Asia ³	Australia and Oceania	Africa
Millions of dollars								
Quarterly average:								
1936-38.....	742	115	136	282	31	122	23	32
1947.....	3,835	528	1,017	1,324	118	562	80	205
1948.....	3,163	486	841	1,046	49	507	38	196
1949.....	3,000	489	725	1,018	41	524	49	154
1949—First quarter.....	3,325	472	836	1,160	42	599	54	163
Second quarter.....	3,362	571	738	1,139	46	582	50	186
Third quarter.....	2,684	473	669	843	35	474	47	142
Fourth quarter.....	2,629	442	656	880	39	443	44	124
1950—First quarter.....	2,381	397	640	785	36	403	36	84
Second quarter ⁴	2,500	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)
Percentage of total								
Quarterly average:								
1936-38.....	100	15.5	18.3	38.0	4.2	16.4	3.1	4.3
1947.....	100	13.8	26.5	34.5	3.1	14.7	2.1	5.3
1948.....	100	15.4	26.6	33.1	1.5	16.0	1.2	6.2
1949.....	100	16.3	24.2	33.9	1.4	17.5	1.6	5.1
1949—First quarter.....	100	14.2	25.1	34.9	1.3	18.0	1.6	4.9
Second quarter.....	100	17.0	22.0	35.4	1.4	17.3	1.5	5.5
Third quarter.....	100	17.6	24.9	31.4	1.3	17.7	1.8	5.3
Fourth quarter.....	100	16.8	25.0	33.5	1.5	16.9	1.7	4.7
1950—First quarter.....	100	16.7	26.9	33.0	1.5	16.9	1.5	3.5

¹ Includes Newfoundland and Labrador.

² 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.

³ Estimates based on incomplete data; by Council of Economic Advisers.

⁴ 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 1950, 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 (except as noted).

TABLE B-40.—United States domestic merchandise exports, by economic class, 1936-38 quarterly average and 1947-50

Period	Total domestic exports	Crude materials	Crude foodstuffs	Manufactured foodstuffs	Semi-manufactures	Finished manufactures
Millions of dollars						
Quarterly average:						
1936-38.....	731	167	34	42	130	358
1947.....	3,791	400	337	439	446	2,168
1948.....	3,133	372	316	328	343	1,773
1949.....	2,971	445	335	221	339	1,631
1949—First quarter.....	3,289	466	396	256	386	1,786
Second quarter.....	3,332	549	349	270	387	1,776
Third quarter.....	2,658	329	325	174	310	1,520
Fourth quarter.....	2,607	436	270	187	272	1,442
1950—First quarter.....	2,354	429	200	141	256	1,328
Second quarter ¹	2,475	(²)	(²)	(²)	(²)	(²)
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	56.6
1949.....	100	15.0	11.3	7.4	11.4	54.9
1949—First quarter.....	100	14.2	12.0	7.8	11.7	54.3
Second quarter.....	100	16.5	10.5	8.1	11.6	53.3
Third quarter.....	100	12.4	12.2	6.5	11.7	57.2
Fourth quarter.....	100	16.7	10.4	7.2	10.4	55.3
1950—First quarter.....	100	18.2	8.5	6.0	10.9	56.4

¹ Estimates based on incomplete data; by Council of Economic Advisors.

² Not available.

NOTE.—Data in this table cover all domestic merchandise shipped from the United States customs area to foreign countries including, in 1947 to 1950, 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 (except as noted).

TABLE B-41.—*Indexes of quantity and unit value of United States domestic merchandise exports, by economic class, 1936-38 quarterly average and 1947-50*

[1936-38=100]

Period	Total domestic exports	Crude materials	Crude foodstuffs	Manufactured foodstuffs	Semi-manufactures	Finished manufactures
Quantity indexes						
Quarterly average:						
1936-38.....	100	100	100	100	100	100
1947.....	275	123	397	478	203	332
1948.....	214	100	362	350	144	257
1949.....	220	126	435	297	150	252
1949—First quarter.....	232	129	495	317	162	262
Second quarter.....	242	155	438	365	167	267
Third quarter.....	199	93	439	235	144	235
Fourth quarter.....	200	126	368	271	128	227
1950—First quarter.....	181	125	287	210	120	209
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
1949.....	185	212	225	177	174	181
1949—First quarter.....	193	216	233	191	184	190
Second quarter.....	188	212	233	175	179	186
Third quarter.....	182	212	216	175	165	181
Fourth quarter.....	179	208	214	163	164	177
1950—First quarter.....	177	205	202	160	164	178

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 1950 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 B-42.—United States general merchandise imports, by area, 1936-38 quarterly average and 1947-50

Period	Total general imports	Canada ¹	Other Western Hemisphere	ERP countries ²	Other Europe	Asia ³	Australia and Oceania	Africa
Millions of dollars								
Quarterly average:								
1936-38	622	88	143	152	30	183	10	17
1947	1,439	282	569	174	45	249	39	82
1948	1,781	398	627	244	49	324	41	98
1949	1,657	388	611	211	35	296	31	84
1949—First quarter	1,790	378	662	250	34	328	34	103
Second quarter	1,601	353	580	190	33	303	39	74
Third quarter	1,478	348	562	175	33	265	22	73
Fourth quarter	1,758	441	642	228	38	290	31	89
1950—First quarter	1,885	404	725	239	45	302	49	122
Second quarter ⁴	1,900	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)
Percentage of total								
Quarterly average:								
1936-38	100	14.1	23.0	24.4	4.8	29.4	1.6	2.7
1947	100	19.6	39.5	12.1	3.1	17.3	2.7	5.7
1948	100	22.3	35.2	13.7	2.8	18.2	2.3	5.5
1949	100	23.4	36.9	12.7	2.1	17.9	1.9	5.1
1949—First quarter	100	21.1	37.0	14.0	1.9	18.3	1.0	5.8
Second quarter	100	23.9	36.2	11.9	2.1	18.9	2.4	4.6
Third quarter	100	23.5	38.0	11.8	2.2	17.9	1.5	4.9
Fourth quarter	100	25.1	36.5	13.0	2.2	16.5	1.8	5.1
1950—First quarter	100	21.4	38.5	12.7	2.4	16.0	2.6	6.5

¹ Includes Newfoundland and Labrador.

² 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.

³ Estimates based on incomplete data; by Council of Economic Advisers.

⁴ 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 (except as noted).

TABLE B-43.—United States merchandise imports for consumption, by economic class, 1936-38 quarterly average and 1947-50

Period	Total imports for consumption	Crude materials	Crude foodstuffs	Manu- factured foodstuffs	Semi-manu- factures	Finished manu- factures
Millions of dollars						
Quarterly average:						
1936-38.....	615	190	85	95	126	120
1947.....	1,416	441	254	164	311	246
1948.....	1,773	537	318	183	408	327
1949.....	1,650	464	333	185	356	312
1949—First quarter.....	1,758	504	340	182	396	336
Second quarter.....	1,500	449	302	198	336	305
Third quarter.....	1,501	424	287	194	306	290
Fourth quarter.....	1,750	478	403	168	385	315
1950—First quarter.....	1,869	537	422	185	413	312
Second quarter ¹	1,885	(2)	(2)	(2)	(2)	(2)
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	17.9	10.3	23.0	18.4
1949.....	100	28.1	20.2	11.2	21.6	18.9
1949—First quarter.....	100	28.7	19.3	10.4	22.5	19.1
Second quarter.....	100	28.2	19.0	12.5	21.1	19.2
Third quarter.....	100	28.2	19.1	12.9	20.4	19.3
Fourth quarter.....	100	27.3	23.0	9.6	22.0	18.0
1950—First quarter.....	100	28.7	22.6	9.9	22.1	16.7

¹ Estimates based on incomplete data; by Council of Economic Advisers.

² Not available.

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 (except as noted).

TABLE B-44.—*Indexes of quantity and unit value of United States merchandise imports for consumption, by economic class, 1936-38 quarterly average and 1947-50*

[1936-38=100]

Period	Total im- ports for consump- tion	Crude materials	Crude foodstuffs	Manufac- tured foodstuffs	Semimanu- factures	Finished manufac- tures
Quantity indexes						
Quarterly average:						
1936-38.....	100	100	100	100	100	100
1947.....	108	129	98	83	130	84
1948.....	123	139	109	91	149	103
1949.....	120	125	119	97	142	101
1949—First quarter.....	121	129	121	93	140	105
Second quarter.....	116	118	116	105	129	98
Third quarter.....	111	116	104	100	130	94
Fourth quarter.....	131	136	135	88	169	106
1950—First quarter.....	136	153	121	99	186	107
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
1949.....	224	195	330	202	199	258
1949—First quarter.....	235	206	330	205	225	267
Second quarter.....	224	200	306	199	208	261
Third quarter.....	220	193	324	205	187	258
Fourth quarter.....	217	185	352	203	182	249
1950—First quarter.....	223	185	410	197	176	245

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 B-45.—Changes in selected economic series since 1939 and 1949

Source: Appendix table No.	Economic series	1939=100				Percentage change to 1950, first half ¹	
		1949			1950, ¹ first half	From 1949, first half ²	From 1949, second half ²
		Total	First half	Second half			
B-1....	Gross national product.....	280	281	278	290	+3.2	+4.4
	Personal consumption expenditures.....	265	264	266	272	+3.1	+2.0
	Gross private domestic investment.....	333	347	319	426	+22.7	+33.5
	Net foreign investment.....	44	133	(³)	(³)	-266.7	-566.7
	Government purchases of goods and services.....	331	333	328	316	-5.0	-3.7
B-4....	National income.....	299	301	297	302	+1.4	+1.7
	Compensation of employees.....	294	295	293	302	+2.4	+3.1
B-7....	Personal income.....	284	286	282	296	+3.5	+5.1
	Disposable personal income.....	287	289	285	279	+3.8	+5.5
	Personal net saving.....	319	415	230	470	+13.4	+104.8
B-8....	Per capita disposable personal income:						
	Current dollars.....	234	237	231	242	+2.0	+4.7
	1949 dollars.....	138	139	136	143	+3.2	+5.1
B-9....	Labor force, including armed forces.....	114	113	116	115	+1.7	-1.0
	Civilian labor force.....	112	111	114	113	+1.9	-.8
	Employment.....	128	127	130	128	+1.9	-1.4
	Nonagricultural.....	140	139	142	142	+2.4	+1.1
	Agricultural.....	84	83	84	75	-8.9	-10.8
	Unemployment.....	36	34	38	41	+21.5	+7.6
B-11....	Average gross weekly earnings:						
	Manufacturing.....	230	229	231	239	+4.5	+3.6
	Bituminous coal mining.....	265	297	230	267	-10.1	+15.9
	Building construction.....	233	233	234	230	-1.4	-1.8
B-14....	Physical production index of goods and selected services: Total.....	160	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)
	Agricultural.....	132	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)
	Nonagricultural.....	165	169	163	180	+6.5	+10.6
B-15....	Industrial production: Total.....	161	166	156	173	+4.4	+11.2
	Durable manufactures.....	185	196	173	201	+2.3	+15.9
	Nondurable manufactures.....	154	153	156	166	+8.4	+6.5
	Minerals.....	127	135	119	130	-3.5	+9.5
B-16....	New construction: Total.....	276	270	282	315	+17.6	+12.0
	Private.....	369	363	376	435	+20.0	+15.8
	Residential.....	309	288	331	422	+46.6	+27.5
	Nonresidential.....	411	435	387	428	-1.5	+10.8
	Other private.....	608	518	497	480	-7.4	-3.5
	Public.....	168	163	173	177	+9.0	+2.5
B-17....	Business expenditures for new plant and equipment.....	348	351	346	317	-9.8	-8.6
B-18....	Inventories: Total.....	266	280	266	274	-2.1	+3.0
	Manufacturing.....	270	290	270	275	-5.3	+1.9
	Wholesale trade.....	284	284	284	298	+5.0	+4.7
	Retail.....	248	256	248	258	+6	+4.2
	Sales: Total.....	324	327	321	335	+2.4	+4.4
	Manufacturing.....	349	353	346	366	+3.9	+5.8
	Wholesale trade.....	299	306	294	299	-2.3	+1.7
	Retail.....	305	306	304	316	+3.4	+4.1
B-21....	Consumers' price index: All items.....	170	171	170	169	-1.1	-.5
	Food.....	212	213	211	208	-2.3	-1.6
	Apparel.....	189	192	186	184	-4.3	-1.1
	Rent.....	116	115	116	118	+2.4	+1.4

See footnotes at end of table, p. 160.

TABLE B-45.—Changes in selected economic series since 1939 and 1949—Continued

Source: Appendix table No.	Economic series	1939=100				Percentage change to 1950, first half ¹	
		1949			1950, ¹ first half	From 1949, first half ²	From 1949, second half ²
		Total	First half	Second half			
B-22...	Wholesale price index: All commodities.....	201	204	198	199	-2.3	+ .9
	Farm products.....	253	262	246	246	-6.0	-----
	Foods.....	229	232	227	224	-3.6	-1.4
	Other than farm products and foods.....	181	184	178	181	-1.9	+1.2
B-23...	Prices received by farmers.....	262	269	255	254	-5.9	-.4
	Prices paid by farmers (including in- terest, taxes, and wage rates).....	203	207	201	204	-1.2	+1.6
B-24...	Consumer credit outstanding, end of period.....	236	202	236	246	+21.6	+4.4
B-29...	Corporate profits:						
	Profits before taxes.....	425	422	429	463	+9.9	+7.9
	Profits after taxes.....	340	338	342	368	+8.9	+7.6
	Dividend payments.....	205	205	205	216	+5.1	+6.1
	Undistributed profits.....	767	758	783	850	+12.1	+8.5
B-39...	Merchandise exports, including reex- ports.....	³ 404	³ 451	³ 358	³ 329	-27.0	-8.1
B-42...	General merchandise imports.....	³ 266	³ 273	³ 260	³ 304	+11.6	+16.9

¹ Estimates based on incomplete data.² Changes are computed from data as reported and therefore may differ slightly from changes computed from the indexes shown here.³ Indexes not computed because of negative values.⁴ Not available.⁵ 1936-38 average=100.

