

Public and Private Debt in the United States

By Elwyn T. Bonnell

WITH THE END OF THE WAR in August 1945, the pattern of public and private debt began to be affected by a new set of factors. Although net public debt continued to move upward, the rate of increase was considerably reduced by the sharp curtailment in Federal war expenditures. Minor indications of a prospective return to prewar conditions occurred in the urban mortgage and consumer credit areas, as increased supplies of building materials and consumers' durable goods became available.

By the end of last year, however, the major effects of the end of hostilities were limited to a reduced rate of expansion in total debt. Not until well into 1946 were there clear indications that wartime influences had given way to peacetime factors.

It is expected that the broad trends in indebtedness evident during the war will have been substantially altered by the close of this year. The Treasury is continuing its debt reduction program begun in late February, thus bringing to a close a period of public debt expansion such as this country has never before known. The expanding peacetime economy has already increased business needs for both long- and short-term capital. As production increases, government restrictions on construction activity and consumer credit may be safely relaxed without danger of further inflation, permitting an increase in mortgage loans, and consumer debt.

Further Increase in Total Debt

Continued deficit financing by the Federal Government, revival of urban noncorporate mortgage financing, and expansion in short-term debt of both consumers and unincorporated businesses, combined to raise total net indebtedness in the United States to 400.5 billion dollars at the end of 1945. The reduced rate of expansion in net public debt (chart 1), together with a net decrease in private indebtedness, served to limit the advance in total net debt to 35

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Changes in Net Public and Private Debt, by Component Parts

[Billions of dollars]

	Out-stand- ing at end of 1945	Change from pre- vious year
Total, public and private.....	400.5	+35.4
<i>Up</i>		
Federal Government.....	247.0	+42.0
Urban mortgage, noncor- porate.....	27.3	+ .2
Short-term, commercial and financial, noncorporate.....	14.7	+2.5
Short-term, consumer.....	6.7	+ .9
<i>Down</i>		
State and local government....	13.7	— .4
Long-term, corporate.....	39.3	—1.0
Short-term, corporate.....	46.5	—8.8
Farm mortgage.....	5.1	— .2

billion dollars during 1945, compared to a rise of 62 billion dollars in 1944.

As in the previous war years, Federal debt was the fastest rising component of the total. Significant in offsetting a rise of 42 billion dollars in the Federal sector were reductions in State and local government debt, corporate obligations both long-term and short-term, and farm mortgages, in all totaling 10.4 billion dollars. As much as 8.8 billion dollars of this decline occurred in the corporate short-term category, largely because of decreased Federal income-tax liabilities.

The 4-year interval between the close of 1941 and the close of 1945, substantially spanning the recent war period, is reviewed in chart 2. Total net debt nearly doubled during this period. Federal net debt was more than five times as large at the end of 1945 as on December 31, 1941. Noncorporate short-term commercial and financial loans were nearly one and one-half times their earlier figure and corporate short-term debt was moderately higher.

Other classes of debt contracted in varying degrees during this 4-year period: urban noncorporate mortgage, 5 percent; corporate long-term, 10 percent; State and local government, 16 percent; farm mortgage, 22 percent; and

noncorporate short-term consumer, 32 percent.

Net Debt Defined

Net public and private debt outstanding is a comprehensive aggregate of the indebtedness of borrowers after elimination of certain duplicating governmental and corporate debt. This measure of indebtedness provides a more significant indication of trends in the debt structure than does gross debt, since the effects of nominal changes in financial practices and organization are largely removed.

To obtain net figures, gross or total debt is adjusted for specific types of duplications pertaining to the following sectors or subsectors of the economy: (1) the Federal Government and its corporations and agencies generally; (2) State and local governments treated as a single entity; and (3) within the corporate area, those affiliated but legally distinct corporations which operate under a single management and may be treated as a unit. In the noncorporate private area, data are gross throughout with no adjustments for duplications.

The net debt concept, then, depends upon the definitions employed in measuring gross and duplicating debt. Gross debt, as defined in this study, consists of all classes of legal indebtedness **except** the following: (1) The deposit liability of banks and the amount of bank notes in circulation; (2) the value of outstanding policies and annuities of life insurance carriers; (3) the short-term debts between individuals or unincorporated nonfinancial business firms; and (4) the nominal debt of nonrailway corporations, such as bonds which are authorized but unissued or outstanding but reacquired.

Duplicating debt may best be described with reference to the sectors mentioned above. Within the Federal Government and its corporations and agencies, duplicating debt consists principally of Federal holdings of Federal obligations. Also included in duplicating debt in the Federal sector are loans receivable by Federal credit agencies from the public,

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including State and local governments. This treatment of loans receivable from the public is the only adjustment that cuts across sector lines and in effect is a consolidation between the two major classes of debt, i. e., public and private.

Within the non-Federal Government area, State and local government securities held in sinking, trust, or investment funds by either the issuer or other entities within the sector are considered duplicating debt and eliminated. In the private corporate area, duplicating debt is defined as debt held either by the issuer or owed to other members of an affiliated system.

Thus, to arrive at net debt, each sector except the noncorporate is adjusted to a net basis by certain consolidations within the sector. A summation of the consolidated estimates for each sector yields the total for net public and private debt. Data showing adjustments for duplication involved in passing from gross to net debt are given in detail in tables 7 and 8.

Federal Government Debt

In the final year of the war the Federal Government continued to use deficit financing in meeting part of its current expenses. In consequence, net Federal debt increased 42 billion dollars, reaching 247 billion dollars at the end of December 1945. On March 31, 1946, the debt stood at 244 billion dollars, a decrease of 3 billion dollars in 3 months. The Treasury has since continued to repay portions of the debt, particularly that held by banks, with the result that as of June 30, net Federal debt had been reduced still further.

The gross debt of the Federal Government, encompassing Federal direct debt as well as all debt of Federal agencies to other agencies and the public, reached a total of 281 billion dollars at the end of 1945. This represented an increase of 39 billion dollars during the year. By the end of March 1946, however, gross Federal debt had dropped back to 279 billion dollars.

The effects of wartime financing appear mainly in the direct debt of the Federal Government. This type of debt rose by 28 billion dollars in the first half of 1945 and by more than 19 billion dollars in the second half of the year. It is significant that this upward surge was halted in the first half of 1946. After reaching its peak in February, Federal direct debt receded to 269 billion dollars on June 30, 1946. The debt retirement program was financed by reductions in the Treasury's general fund cash balance.

The volume of Federal direct debt outstanding is given in table 1, by calendar

Table 1.—Federal Government Direct Debt, 1941–46

[Millions of dollars]

Period	Outstanding at end of period	Net change during period
1941.....	58,020	+12,980
1942.....	108,170	+50,150
1943.....	165,878	+57,708
1944.....	230,630	+64,752
1945.....	278,115	+47,485
1946 (6 months).....	269,422	-8,693
January.....	278,887	+772
February.....	279,214	+327
March.....	276,012	-3,201
April.....	273,898	-2,114
May.....	272,583	-1,316
June.....	269,422	-3,161

Source: U. S. Treasury Department.

years from 1941 to 1945, and monthly through the first half of 1946.

In contrast to the movement in Federal direct debt, the corporation and agency debt of the Federal Government was reduced by 8,860 million dollars during 1945. This resulted primarily from liquidation of the securities of other Federal agencies held by affiliates of the Reconstruction Finance Corporation.

Recent changes in the debt position of Federal corporations and agencies may be summarized as follows: On December 31, 1944, agency bonds, debentures, and notes payable totaled 23,064 million dollars; of this, 11,494 million dollars were held by the United States

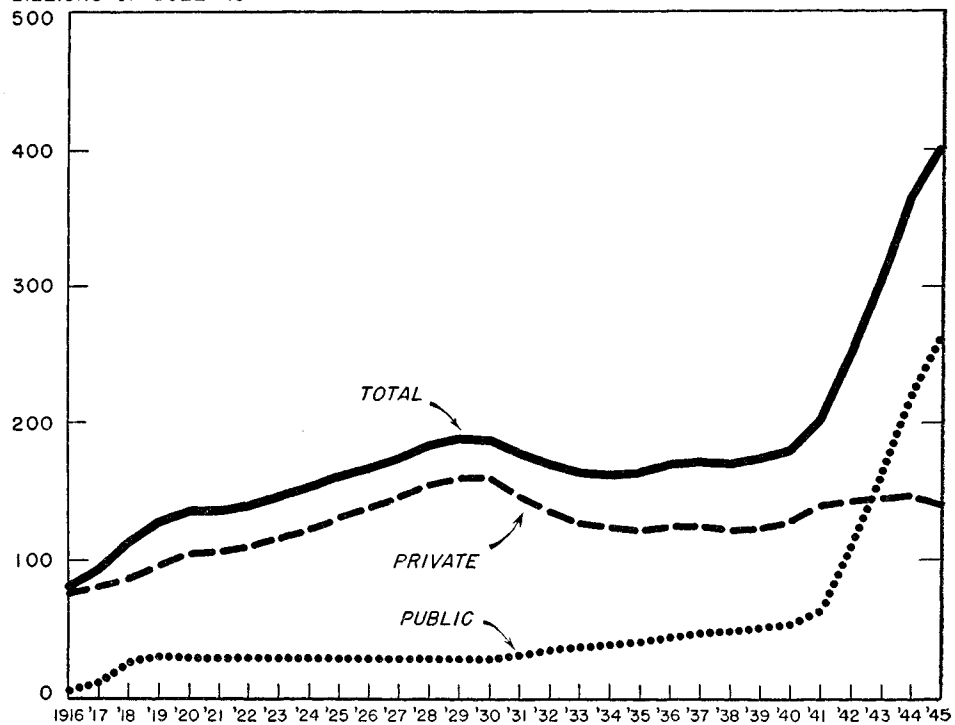
Treasury, 8,639 million dollars by other Federal agencies, and 2,931 million dollars by the public. On December 31, 1945, the total amounted to 14,486 million dollars, of which 11,775 million, 1,042 million, and 1,668 million dollars were held by the Treasury, other Federal agencies and the public, respectively. By March 31 of this year, the total had receded to 13,930 million dollars, held by the Treasury, other Federal agencies, and the public in the amounts of 11,284 million, 977 million and 1,669 million dollars, respectively.

In passing from gross to net debt, certain eliminations are made in consolidating the accounts of the Federal Government. In total, the duplicating debt of the Federal Government was reduced by 3,360 million dollars during 1945, but advanced from 33,800 million to 34,657 million dollars in the first quarter of 1946. The recent advance was due to increased holdings of Federal Government securities.

Federal agency holdings of agency bonds, debentures, and notes payable have been discussed under the debt position of Federal agencies, in a preceding paragraph. These investments, together with Federal trust account holdings of agency debt, which are no longer of significant amount, make up the second and third items under Federal duplicating debt in table 7. The fourth item,

Chart 1.—Net Public and Private Debt, End of Calendar Year

BILLIONS OF DOLLARS



Source of data: U. S. Department of Commerce, based upon data from various governmental and private agencies.

loans receivable by Federal agencies from the public, has moved in recent years from a peak of 8,487 million dollars in 1941 to 5,728 million dollars at the close of 1945, and 5,507 million dollars on March 31, 1946.

Bonds, debentures, and notes payable by Federal agencies to the Federal Treasury have been excluded from the gross public debt aggregates in table 7 in all years, on the grounds that funds so advanced are already included in Federal Government direct debt. This type of debt, consequently, is not a duplicating item in passing from gross to net indebtedness. For informational purposes, however, year-end data for this type of debt from 1931 to 1945 are presented in table 2.

State and Local Government Debt

State and local government gross debt was 883 million dollars less on June 30, 1945, than on the same date a year earlier. State government obligations accounted for 343 million dollars of the decline and local government debt for 539 million dollars. The corresponding reduction of net debt amounted to 349 million dollars, of which 38 million dollars was accounted for by the States and 311 million dollars by the local governmental bodies.

Over the war period as a whole, movements in State and local government net debt were downward, from 16.3 billion dollars in 1941 to 13.7 billion dollars in 1945. The contrast between this change and the movement in Federal debt is shown graphically in chart 2. State and local government debt was reduced by one-sixth in the 4-year period, while at the end of 1945, Federal debt was well over five times its December 31, 1941 volume.

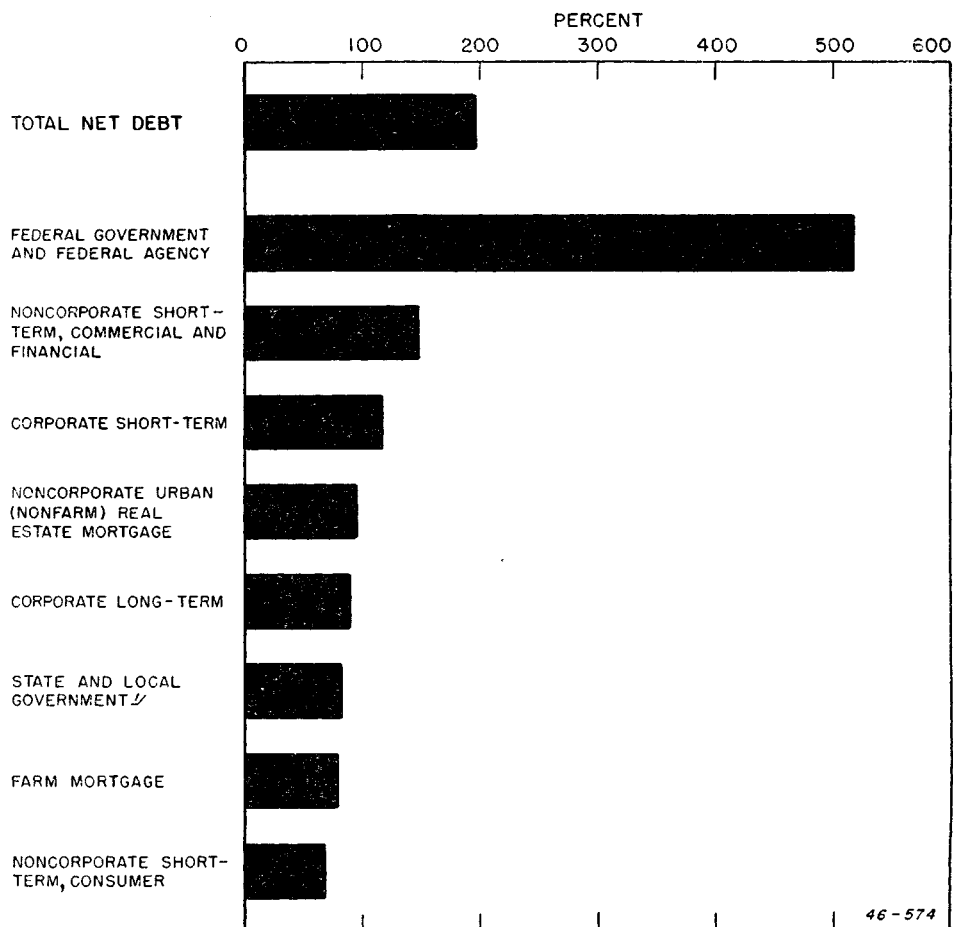
The limited opportunity for capital expenditure, reflecting wartime conditions with respect to supply of materials and labor, plus steadily rising revenues, were responsible for the continuous reductions in the outstanding debt of State and local governments during the 1941-45 period. In general, State govern-

Table 2.—Federal Government Corporation and Agency Bonds, Debentures and Notes Payable, Held by U. S. Treasury, 1931-45

[Millions of dollars]			
End of year	Amount	End of year	Amount
1931.....	0	1939.....	101
1932.....	810	1940.....	90
1933.....	2,350	1941.....	1,278
1934.....	3,585	1942.....	5,193
1935.....	4,095	1943.....	7,843
1936.....	3,685	1944.....	11,494
1937.....	3,610	1945.....	11,775
1938.....	788		

Source: U. S. Treasury Department.

Chart 2.—Net Debt December 31, 1945, as a Percentage of Net Debt December 31, 1941



¹ Percentage based upon data for June 30 of each year.

Source of data: U. S. Department of Commerce, based upon data from various governmental agencies.

ments reduced gross debt during the war at a faster rate than was possible for local governments. State revenues proved more sensitive to changes in economic activity than local revenues, the mainstay of the latter being, of course, the real property tax. Since the net debt of States was only one-tenth of total State and local obligations in 1945, the effect on the total was negligible.

The wartime reduction of outstanding debt by State and local governments was less pronounced on the net than on the gross level. This is illustrated by the following comparisons: During the 4-year period ending in 1945, total State and local net debt decreased by 16 percent, State government by 26 percent, and local government by 15 percent. The corresponding percentages on the gross level were 18, 29, and 16, respectively.

The explanation lies in the changing composition of State and local governmental investments, and in the fact that only investments in State and local securities are counted in duplicating debt. State and local governments increased

their investments in Federal securities from 0.4 billion dollars on June 30, 1941, to 5.2 billion on June 30, 1945. During the same period, their investments in State and local governmental securities were reduced from 3.9 billion dollars to 2.9 billion.

Corporate Debt

The total net corporate debt of nearly 86 billion dollars at the end of 1945 was almost 10 billion dollars lower than in the preceding year. About four-fifths of the marked decline occurred in short-term debt other than notes and accounts payable, and reflected in large part re-

Table 3.—Accrued Federal Income Tax Liability, 1941-45

[Billions of dollars]			
End of year	Total	Railway	Nonrailway
1941.....	7.1	0.4	6.7
1942.....	12.6	1.0	11.6
1943.....	16.5	1.8	14.7
1944.....	16.5	1.8	14.7
1945.....	11.1	.8	10.3

Sources: Interstate Commerce Commission and Securities and Exchange Commission.

duced Federal income and excess profits tax liabilities. Table 3 traces the movement of these tax liabilities during the war years, separately for railway and nonrailway corporations.

From the estimates of net long-term corporate debt (table 8) it appears that corporations succeeded in reducing their long-term obligations outstanding by 4.3 billion dollars since 1941. Railway corporations account for almost three-fifths of this decline. The movement contrasts with the experience during the first World War, when outstanding long-term obligations of corporations expanded moderately.

The altered pattern of the recent war period must be attributed mainly to the assumption by the Federal Government of much of the responsibility for emergency facility financing. This tended to limit new issues by companies with war contracts and enabled corporations to reduce long-term debt out of wartime earnings. A secondary factor during recent years, but one that may become important in the postwar period, is the preference being shown for equity financing.

Short-term debt of corporations in the form of notes and accounts payable increased by 1.4 billion dollars in the 3 years after 1941, but dropped back within 300 million dollars of the 1941 level by the end of 1945. Movements in short-term debt other than notes and accounts payable were much more abrupt—up 14.1 billion dollars through 1944 and back down to a gain of 7.8 billion dollars through 1945. As indicated above, changes in accrued Federal income-tax liability were largely responsible for the latter shifts.

During this same period (1941-44), total current assets of corporations other than banks and insurance companies, as estimated by the Securities and Exchange Commission, increased at a slightly faster rate than total current liabilities, resulting in an increasingly better net working capital position each year. In 1945, the decrease in total current assets was extremely moderate com-

Table 4.—Increase in Consumer Debt, May 1945 to May 1946

[Millions of dollars]

	December 1941	May 1945	May 1946	Per-cent increase, 1945-46
Total consumer debt.....	9,899	5,541	7,513	36
Installment sale credit.....	3,744	718	1,002	40
Automobile.....	1,942	184	320	74
Other.....	1,802	534	682	28
Installment loans.....	2,180	1,243	1,777	43
Single payment loans.....	1,601	1,348	1,730	28
Charge account credit.....	1,764	1,488	2,182	47
Service credit.....	610	744	822	10

Source: Board of Governors of the Federal Reserve System.

Table 5.—Net Public and Private Debt, End of Calendar Year, 1916-45¹

[Billions of dollars]

Year	Public and private, total	Public			Private						
		Total	Federal Government and Federal agency	State and local government	Total	Long-term			Short-term		
						Total	Corporate	Farm mortgage	Urban real estate mortgage ²	Corporate	Non-corporate
1916.....	81.4	5.6	1.2	4.4	75.8	43.5	29.1	5.8	8.6		32.3
1917.....	93.7	12.0	7.3	4.7	81.7	45.7	29.7	6.5	9.5		36.0
1918.....	112.7	25.9	20.9	5.0	86.8	47.2	30.2	7.1	9.9		39.6
1919.....	127.2	30.7	25.5	5.2	96.5	49.8	31.0	8.4	10.4		46.7
1920.....	134.5	29.4	23.5	5.9	105.1	54.9	32.6	10.2	12.1		50.2
1921.....	134.7	29.4	22.9	6.5	105.3	57.7	33.8	10.7	13.2		47.6
1922.....	138.6	30.1	22.4	7.7	108.5	59.7	34.4	10.8	14.5		48.8
1923.....	145.0	29.6	21.4	8.2	115.4	63.7	36.2	10.7	16.8		51.7
1924.....	151.4	29.4	20.4	9.0	122.0	67.5	38.5	9.9	19.1		54.5
1925.....	160.7	29.5	19.5	10.0	131.2	71.3	39.7	9.7	21.9		59.9
1926.....	166.7	28.9	18.2	10.7	137.8	76.1	41.7	9.7	24.7		61.7
1927.....	174.9	28.6	17.1	11.5	146.3	81.8	44.4	9.8	27.6		64.5
1928.....	183.4	28.6	16.3	12.3	154.8	86.4	46.1	9.8	30.5		68.4
1929.....	187.7	28.3	15.1	13.2	159.4	89.0	47.3	9.6	32.1	41.6	28.8
1930.....	187.4	28.9	14.8	14.1	158.5	93.6	51.1	9.4	33.1	38.2	26.7
1931.....	177.9	32.0	16.5	15.5	145.9	91.8	50.3	9.1	32.4	33.2	20.9
1932.....	169.3	35.0	18.2	16.8	134.3	88.2	49.2	8.5	30.5	30.8	15.3
1933.....	162.7	37.4	20.5	16.9	125.3	83.4	47.9	7.7	27.8	29.1	12.8
1934.....	161.9	39.0	23.0	16.1	122.9	79.3	44.6	7.6	27.1	30.9	12.7
1935.....	164.0	42.1	26.0	16.1	121.9	77.2	43.6	7.4	26.2	31.2	13.5
1936.....	169.9	45.8	29.5	16.3	124.1	75.5	42.5	7.2	25.8	33.5	15.1
1937.....	172.2	47.5	31.4	16.1	124.7	76.3	43.5	7.0	25.8	32.3	16.1
1938.....	169.6	48.6	32.7	16.0	121.0	77.6	44.8	6.8	26.0	28.4	15.0
1939.....	173.7	51.2	34.9	16.3	122.5	77.4	44.4	6.6	26.4	29.2	15.9
1940.....	179.9	53.3	36.9	16.5	126.6	77.5	43.7	6.5	27.3	31.9	17.2
1941.....	202.4	64.1	47.8	16.3	138.3	78.7	43.6	6.5	28.6	39.8	19.8
1942.....	250.2	109.4	93.6	15.8	140.8	76.8	42.7	6.1	28.0	49.0	15.0
1943.....	305.9	161.9	147.0	14.9	144.0	74.2	41.3	5.6	27.3	55.1	14.7
1944.....	365.1	219.1	205.0	14.1	146.0	72.7	40.3	5.3	27.1	55.3	18.0
1945.....	400.5	260.8	247.0	13.7	139.7	71.7	39.3	5.1	27.3	46.5	21.5

¹ Data for State and local government debt are for June 30 of each year. Components will not necessarily add to totals because of rounding.

² Data are for noncorporate borrowers only (see table 9).

Sources: U. S. Department of Agriculture and U. S. Department of Commerce.

pared to the sharp drop in liabilities, so that corporations entered the reconversion period under the favorable circumstance of a strong net working capital position.

Noncorporate Urban Mortgages

The downward trend in urban real estate mortgages, from 28.5 billion dollars at the end of 1941 to 27.2 billion dollars at the end of 1944, was reversed during 1945. In the past year mortgages of this type increased by 162 million dollars, as compared to a reduction of 174 million dollars during 1944. The change in 1945 is the composite result of an expansion of 220 million dollars in the 1 to 4 family residential category and continuing declines in the commercial and multifamily residential areas.

The several lending groups participated in varying degrees in the net increase in urban real estate mortgages during 1945. Savings and loan association mortgage loans outstanding increased by about 4 percent, as against a 2-percent drop in mutual savings bank loans. Commercial bank holdings increased by 7 percent, individuals and other by 1 percent, while those of insurance company and Home Owners' Loan Corporation decreased by 1½ and 22 percent, respectively. The greatest ab-

solute rise (285 million dollars) occurred in the commercial bank holdings, which amounted to 4,251 million dollars in 1945, compared to 3,966 million dollars at the end of 1944. The greatest absolute drop (239 million dollars) occurred in loans of the Home Owners' Loan Corporation.

It is expected that mortgage loan financing will continue to expand and at an increasing rate as housing construction gets under way. The turning point for mutual savings banks and insurance companies appears to be approaching. The Home Owners' Loan Corporation, however, is continuing to liquidate its holdings; in April of this year the amount outstanding was 773 million dollars, a drop of 99 million dollars from the balance at the end of 1945.

Farm Mortgages

Total farm mortgage debt continued its steady decline since the early 1920's, reaching its lowest level since 1915. The balance outstanding on January 1, 1946, is estimated by the United States Department of Agriculture at 5,081 million dollars, a drop of 190 million dollars during the year. The past year's decline, however, was at a slower rate than prevailed in the past. This retardation coupled with the fact that 20 States

showed an absolute increase in 1945 as compared to 8 States in the prior year, suggests that the long-continued downward trend of farm mortgage indebtedness may be halted soon.

Movements in farm mortgage debt will soon be shaped more by the rise in the value of farm real estate and more rapid turn-over than the retirement of debt made possible by higher income during the war.

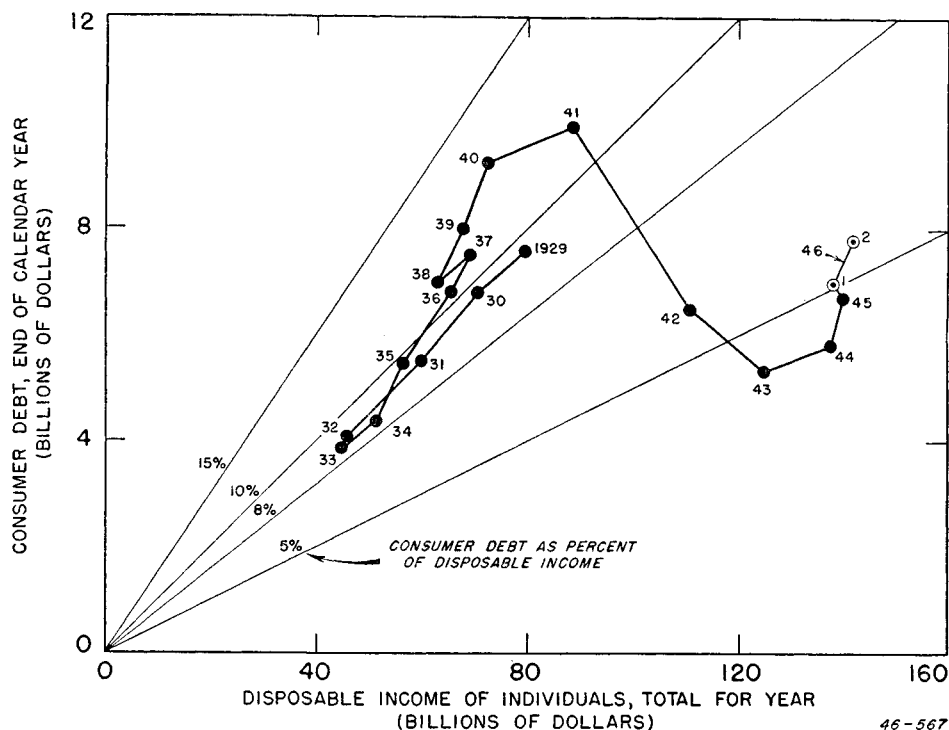
Noncorporate Short-Term, Commercial and Financial

The trend of noncorporate short-term debt for commercial and financial purposes has been upward since 1942. The most pronounced rise occurred in 1944, when the volume increased by 2.8 billion dollars. During 1945, the increase of 2.5 billion dollars fell only a little short of that in 1944.

The rise in 1945 was predominately due to the increase in short-term debt owed to banks, the most active category within this group being bank loans for purchasing or carrying securities. Total expansion in short-term bank loans amounted to 2,538 million dollars, of which 2,244 million dollars resulted from increased security loans, 718 million dollars from a rise in "other" loans, offset by a decrease of 424 million dollars in loans to farmers.

Brokers' loans to customers also increased during 1945, standing at 1,138 million dollars at the end of the year, an advance of 97 million dollars. By the end of April 1946, however, the amount of this type of debt receded to 895 million dollars.

Chart 3.—Consumer Debt Related to Disposable Income of Individuals¹



¹ Data for 1946 for consumer debt are for end of quarter and for disposable income are total for quarter, seasonally adjusted, at annual rate.

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

Loans for the purpose of carrying securities are subject to governmental control in the form of margin requirements specified by the Board of Governors of the Federal Reserve System. Effective January 21, 1946, the Board amended regulation T entitled "Extension and Maintenance of Credit by Brokers, Deal-

ers, and Members of National Securities Exchanges" and regulation U entitled "Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange," to raise margin requirements to 100 percent. These requirements relate only to purchases or sales of securities subsequent to January 21. Whenever securities held as collateral are sold, the proceeds must, however, be used to reduce or retire existing customers' indebtedness. Except to this extent, the regulations do not require reduction or liquidation of existing accounts or loans. These regulations have already shown their effectiveness in reducing security purchase loans.

For some years prior to February 5, 1945, the general rule prescribed under regulations T and U was that margin requirements be maintained at 40 percent. At that time, requirements were raised to 50 percent. In further efforts to forestall security speculation, margin requirements were raised from 50 to 75 percent on July 5, 1945, and from 75 to 100 percent effective January 21, 1946.

Loans by the Federal Government and its credit agencies to individual farmers and farmers' cooperative organizations continued to diminish in volume. The drop of 94 million dollars during 1945 proved larger than the decline of 52 million dollars in 1944. Loans to individual farmers have fallen regularly since 1940,

Table 6.—Gross Public and Private Debt, End of Calendar Year, 1929-45¹

[Billions of dollars]

Year	Public and private, total	Public			Total	Private							Short-term
		Total	Federal Government and Federal agency	State and local government		Corporate			Individual and other noncorporate				
						Total	Long-term	Short-term	Total	Mortgage			
										Total	Farm	Urban real estate	
1929	214.0	34.8	17.5	17.2	179.2	108.7	58.3	50.4	70.5	41.7	9.6	32.1	28.8
1930	213.9	35.8	17.3	18.5	178.1	108.9	62.6	46.3	69.2	42.5	9.4	33.1	28.7
1931	202.9	38.6	19.1	19.5	164.3	101.9	61.6	40.3	62.4	41.5	9.1	32.4	20.9
1932	194.2	41.8	22.0	19.8	152.4	98.1	60.7	37.3	54.3	39.0	8.5	30.5	15.3
1933	188.1	45.4	25.4	20.0	142.7	94.4	59.2	35.2	48.3	35.5	7.7	27.8	12.8
1934	193.7	53.6	34.3	19.3	140.1	92.7	55.3	37.4	47.4	34.7	7.6	27.1	12.7
1935	196.0	57.0	37.6	19.4	139.0	91.9	54.1	37.8	47.1	33.6	7.4	26.2	13.5
1936	201.9	61.1	41.4	19.7	140.8	92.7	52.3	40.4	48.1	33.0	7.2	25.8	15.1
1937	205.1	63.8	44.2	19.6	141.3	92.4	53.7	38.7	48.9	32.8	7.0	25.8	16.1
1938	202.9	66.2	46.6	19.6	136.7	88.9	55.0	33.9	47.8	32.8	6.8	26.0	15.0
1939	207.8	70.0	50.0	20.0	137.8	88.9	54.3	34.7	48.9	33.0	6.6	26.4	15.9
1940	215.7	73.7	53.5	20.2	142.0	91.0	53.3	37.7	51.0	33.8	6.5	27.3	17.2
1941	242.3	87.9	67.7	20.2	154.4	99.5	53.2	46.3	54.9	35.1	6.5	28.6	19.8
1942	295.1	137.7	118.0	19.7	157.4	108.3	52.1	56.2	49.1	34.1	6.1	28.0	15.0
1943	358.4	197.5	178.8	18.7	160.9	113.3	50.6	62.7	47.6	32.9	5.6	27.3	14.7
1944	422.7	259.7	242.2	17.5	163.0	112.6	49.6	63.0	50.4	32.4	5.3	27.1	18.0
1945	453.3	297.4	280.8	16.6	155.9	102.0	48.5	53.5	53.9	32.4	5.1	27.3	21.5

¹ Data for State and local government debt are for June 30 of each year. Components will not necessarily add to totals because of rounding.

Sources: U. S. Department of Agriculture and U. S. Department of Commerce.

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while loans to farmers' cooperative organizations have contracted during the last 3 years.

Short-Term Consumer Debt

In peacetime, consumer debt has been closely related to disposable income of individuals, falling more rapidly than disposable income during periods of recession and rising more rapidly during periods of increasing economic activity. During the war years this relationship was drastically altered. Despite the marked expansion of disposable income, consumer credit had fallen to the lowest level since 1935 by early 1944. In that year, this debt component gave evidence of stabilizing at a low level and since then has expanded at an increasing rate. In comparison with disposable income, however, consumer debt at the end of 1945 was still at not more than half its peacetime level.

Wartime credit controls, the short supply of consumers' durable goods, and a larger relative volume of cash purchases, contributed to the unusual inverse relationship between movements in consumer debt and disposable income

after 1941. The Federal Reserve Board's regulation W, relating to consumer credit, was adopted in the autumn of 1941, expanded and strengthened in the spring of 1942, and continued in the latter form until October 15, 1945. By limiting consumer credit, this regulation was intended to restrain demand for consumers' goods and services and thus to reduce the inflationary pressure on goods and services in general. The effectiveness of the consumer credit controls may be seen at a glance in chart 3. In December 1941 consumer short-term debt stood at 11 percent of disposable income; at the end of 1943, it had dropped to 4 percent.

The basic requirements of the consumer credit control adopted during the war included the following: Charge-account credits should be paid up within 60 days from their date of origin or the account would be frozen; installment credits should have a maturity of not more than 12 months; and a down payment of at least one-third should be obtained on installment purchases of consumers' goods (and loans to make such purchases).

Postwar Relaxation of Credit Controls

In October 1945, the Board of Governors relaxed the regulation in two respects. Restrictions were removed on loans for home-repair and home-improvement purposes and the maturity period on loans for the purchase of other than durable consumers' goods was lengthened from 12 to 18 months. The first of these decontrols has thus far had little effect on the volume of consumer borrowing. During the 7 months following the relaxation of regulations—a period of shortages in construction materials and labor—the gain in insured repair and modernization loans accounted for less than 4 percent of the increase in total consumer credit. This type of credit represents about 3 percent of the total. The other change, however, making it easier for consumers to finance the purchase of many classes of commodities and services at a time when these were becoming available, may have been a significant factor in the recent expansion of consumer credit.

Table 4 reviews changes in the major categories of consumer credit from May

Table 7.—Gross and Net Public Debt, End of Calendar Year, 1929–45¹

[Millions of dollars]

Item	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945
Gross public debt.....	34,761	35,762	38,607	41,827	45,351	53,560	56,988	61,067	63,828	66,225	70,008	73,725	87,938	137,709	197,515	259,671	297,414
Federal Government and Federal agency.....	17,527	17,303	19,073	22,023	25,366	34,274	37,559	41,405	44,234	46,649	50,012	53,479	67,712	118,019	178,823	242,200	289,825
Federal Government direct.....	16,301	16,026	17,826	20,805	23,815	28,450	30,557	34,406	37,286	39,439	41,961	45,040	58,020	108,170	165,878	230,630	278,115
Interest-bearing.....	16,029	15,774	17,528	20,448	23,450	27,944	29,596	33,699	36,715	38,911	41,465	44,472	57,533	107,308	164,508	228,891	273,694
Public issues (bonds, notes, certificates of indebtedness and Treasury bills).....	15,401	14,993	17,135	20,097	23,079	27,386	28,868	33,067	34,488	35,755	37,234	39,102	50,551	98,276	151,805	212,565	255,693
Special issues to Government agencies and trust funds.....	628	781	393	351	371	558	728	632	2,227	3,156	4,231	5,370	6,982	9,032	12,703	16,326	20,000
Noninterest-bearing (including matured debt on which interest has ceased).....	272	252	298	357	365	536	961	707	571	528	496	568	487	862	1,370	1,739	2,421
Federal agency, excluding U. S. Treasury holdings.....	1,226	1,277	1,247	1,218	1,551	5,794	7,002	6,999	6,948	7,210	8,051	8,439	9,602	9,849	12,945	11,570	2,710
Federal agency holdings.....	7	6	1	2	57	939	1,314	1,128	1,132	1,082	1,170	1,276	2,136	4,352	7,835	8,639	1,042
Other holdings.....	1,219	1,271	1,246	1,216	1,494	4,855	5,688	5,871	5,796	6,128	6,881	7,163	7,556	5,497	5,110	2,931	1,668
State and local government ²	17,234	18,459	19,534	19,804	19,985	19,286	19,429	19,662	19,594	19,576	19,996	20,246	20,226	19,690	18,692	17,471	16,589
State.....	2,300	2,444	2,666	2,896	3,018	3,201	3,331	3,318	3,276	3,309	3,343	3,526	3,418	3,211	2,909	2,768	2,425
Local government.....	14,934	16,015	16,868	16,908	16,967	16,085	16,098	16,344	16,318	16,267	16,653	16,720	16,813	16,479	15,783	14,703	14,164
County.....	2,270	2,434	2,564	2,565	2,521	2,477	2,433	2,339	2,345	2,282	2,219	2,156	2,046	1,846	1,634	1,694	1,545
Municipal.....	9,259	9,929	10,458	10,483	10,577	9,730	9,778	10,058	10,067	9,923	10,215	10,189	10,210	10,079	9,784	8,844	8,539
School district.....	1,956	2,098	2,210	2,207	2,142	2,078	2,013	1,949	1,834	1,860	1,837	1,813	1,787	1,701	1,573	1,465	1,363
Special district.....	1,449	1,554	1,636	1,653	1,727	1,800	1,874	1,948	2,022	2,202	2,382	2,566	2,770	2,853	2,792	2,700	2,667
Duplicating debt.....	6,531	6,859	6,560	6,787	7,944	14,514	14,883	15,261	16,330	17,582	18,812	20,397	23,804	28,297	35,635	40,557	36,664
Federal Government and Federal agency.....	2,467	2,519	2,552	3,826	4,866	11,299	11,586	11,873	12,847	13,981	15,130	16,612	19,915	24,450	31,825	37,160	33,800
Federal Government and Federal agency holdings of Federal Government securities.....	928	704	503	611	953	2,840	1,731	2,528	3,800	4,990	6,166	7,346	9,249	11,928	16,503	21,672	27,031
Federal Government (trust account) and Federal agency holdings of agency debt.....	111	110	106	107	105	933	1,102	1,042	1,019	986	976	954	964	852	951	145	10
Loans receivable by Federal agency from other Federal agencies.....					57	112	317	141	179	141	238	366	1,215	3,543	6,927	8,508	1,031
Loans receivable by Federal agencies from public.....	1,428	1,705	1,943	3,108	3,751	7,414	8,436	8,162	7,849	7,864	7,750	7,946	8,487	8,127	7,444	6,835	5,728
State and local government holdings of State and local debt.....	4,064	4,340	4,008	2,961	3,078	3,215	3,297	3,388	3,483	3,601	3,682	3,785	3,889	3,847	3,810	3,397	2,864
State.....	714	752	806	876	952	1,037	1,097	1,165	1,234	1,313	1,369	1,433	1,553	1,541	1,576	1,351	1,046
Sinking funds.....	258	265	287	303	319	335	351	367	383	412	396	363	300	276	306	247	175
Investment and trust funds.....	456	487	519	573	633	702	748	798	851	901	973	1,070	1,253	1,265	1,270	1,104	871
Local government.....	3,350	3,588	3,202	2,085	2,126	2,178	2,198	2,223	2,249	2,288	2,313	2,352	2,336	2,306	2,234	2,046	1,818
Sinking funds.....	2,856	3,049	2,576	1,411	1,400	1,391	1,380	1,371	1,360	1,365	1,372	1,350	1,358	1,344	1,302	1,142	960
Investment and trust funds.....	494	539	626	674	726	787	818	852	889	923	941	1,002	978	962	932	904	858
Net public debt.....	28,230	28,903	32,047	35,040	37,407	39,046	42,105	45,806	47,498	48,643	51,196	53,328	64,134	109,412	161,880	219,114	260,750
Federal Government and Federal Agency.....	15,060	14,784	16,521	18,197	20,500	22,975	25,973	29,532	31,387	32,668	34,882	36,867	47,797	93,569	146,998	205,040	247,025
State and local government.....	13,170	14,119	15,526	16,843	16,907	16,071	16,132	16,274	16,111	15,975	16,314	16,461	16,337	15,843	14,882	14,074	13,725
State.....	1,586	1,692	1,860	2,020	2,066	2,164	2,232	2,153	2,042	1,996	1,974	2,093	1,860	1,670	1,333	1,147	1,379
Local government.....	11,584	12,427	13,666	14,823	14,841	13,907	13,900	14,121	14,069	13,979	14,340	14,368	14,477	14,173	13,549	12,657	12,346

¹ Data for State and local government debt are for June 30 of each year.

² Includes State loans to local units.

Sources: U. S. Treasury Department and U. S. Department of Commerce.

1945 to May 1946; it includes outstanding amounts at the end of 1941 in order that the reductions since 1941 can be taken into account in evaluating recent credit totals. At the end of May 1946, for example, automobile sale credit was only about one-sixth of what it had been at the peak in 1941, even though a 74-percent increase was scored during the year ending in May 1946.

In review of the recent position of consumer credit items against 1941 positions, allowance should be made for the size of disposable income of the past months in comparison with its 1941 level. It is significant that for some time, disposable income has maintained a rate about 50 percent above that of 1941.¹

¹For a more detailed account of recent changes in consumer credit, refer to the June 1946 issue of the Federal Reserve Bulletin.

Sources and Methods

The statistical sources and methods employed in preparing the debt estimates presented in this article are generally similar to those used by the Department of Commerce in developing earlier estimates. Basic procedures are explained in detail in articles in the September 1945 and July 1944 issues of the SURVEY OF CURRENT BUSINESS and in the special bulletin entitled "Indebtedness in the United States, 1929-1941" (Department of Commerce, Economic Series No. 21, U. S. Government Printing Office, 1942). The discussion herein is limited to modifications in procedures that have been newly introduced, either in an attempt to improve prior techniques, or to take account of additional material that has become available since previous publications. It will be noted that revisions of data for 1942-44 are not discussed; such revisions may be assumed to reflect the use of information not available at earlier times.

State and local government net debt, 1929-44, has been modified by reason of revised figures now available for duplicating debt. Estimates for State and local government securities held in State and local gov-

ernment sinking, trust, and investment funds have been reworked by the Bureau of the Census, Governments Division, for fiscal years from 1937 to 1945. Component series for prior years were revised by adjusting to the new 1937 levels.

Corporate long- and short-term debt series, both gross and net, have been revised in their entirety. New ratios have been introduced in raising the debt of nonrailway corporations reporting balance sheets to the level of all nonrailway corporations filing returns. The estimates presented in the September 1945 SURVEY employed a yearly ratio of the interest paid by all corporations (reporting to the Bureau of Internal Revenue) to the interest paid by corporations submitting balance sheets. In this article, the estimates of debt owed by corporations submitting balance sheets are raised by ratios of interest paid by all corporations except those in the transportation industry (largely railroads) to the interest paid by corporations reporting balance sheets, again excluding the transportation industry. The effect of the revision is to raise the estimates for all years, since a larger proportion of corporations classified under transportation have submitted balance sheets than has been true of corporations in other industries.

Table 8.—Gross and Net Corporate Debt, End of Calendar Year, 1929-45

[Millions of dollars]

Item	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945
GROSS CORPORATE DEBT																	
Total, all corporations	108,679	108,933	101,894	98,079	94,403	92,723	91,884	92,679	92,372	88,933	88,946	91,015	99,501	108,290	113,201	112,572	102,034
Long-term	58,261	62,594	61,632	60,731	59,191	55,301	54,053	52,272	53,662	55,000	54,252	53,282	53,203	52,124	50,585	48,496	48,496
Short-term	50,418	46,339	40,262	37,348	35,212	37,422	37,831	40,407	38,710	33,933	34,694	37,733	46,298	56,166	62,706	63,020	53,538
Notes and accounts payable	35,436	32,279	28,754	25,289	23,827	25,809	25,952	27,088	25,573	21,627	22,167	22,717	26,156	26,032	26,927	27,788	26,540
Other, including tax liability	14,982	14,060	11,508	12,059	11,385	11,613	11,879	13,319	13,137	12,306	12,527	15,016	20,126	30,134	35,779	35,232	26,998
Railway corporations	17,713	17,858	17,916	18,388	18,487	18,520	18,496	18,475	18,791	18,931	19,103	19,219	19,266	19,643	20,048	19,191	17,427
Long-term	16,016	16,224	16,340	16,821	16,828	16,792	16,639	16,398	16,664	16,649	16,614	16,593	16,346	15,942	15,308	14,595	13,883
Short-term	1,697	1,634	1,576	1,567	1,659	1,728	1,857	2,077	2,127	2,282	2,489	2,626	2,920	3,701	4,740	4,596	3,544
Notes and accounts payable	725	655	706	686	690	685	692	683	632	629	633	500	529	584	868	739	888
Other, including tax liability	972	979	870	881	969	1,043	1,165	1,394	1,495	1,653	1,856	2,126	2,391	3,117	3,872	3,757	2,656
Nonrailway corporations	90,966	91,075	83,978	79,691	75,916	74,203	73,388	74,204	73,581	70,002	69,843	71,796	80,235	88,647	93,242	93,381	84,607
Long-term	42,245	46,370	45,292	43,910	42,363	38,509	37,414	35,874	36,998	38,351	37,638	36,689	36,857	36,182	35,272	34,957	34,613
Short-term	48,721	44,705	38,686	35,781	33,553	35,694	35,974	38,330	36,583	31,651	32,205	35,107	43,378	52,465	57,966	58,424	49,994
Notes and accounts payable	34,711	31,624	28,048	25,603	23,137	25,124	25,260	26,405	24,941	20,998	21,534	22,217	25,627	25,448	26,059	26,949	25,652
Other, including tax liability	14,010	13,081	10,638	11,178	10,416	10,570	10,714	11,925	11,642	10,653	10,671	12,890	17,751	27,017	31,907	31,475	24,342
INTERCORPORATE DEBT																	
Total, all corporations	10,778	10,576	18,396	18,064	17,466	17,219	17,091	16,616	16,569	15,642	15,401	15,439	16,058	16,641	16,910	16,935	16,152
Long-term	10,914	11,624	11,329	11,540	11,322	10,690	10,491	9,753	10,149	10,158	9,886	9,629	9,457	9,287	9,255	9,149	9,149
Short-term	8,864	8,152	7,067	6,524	6,144	6,529	6,600	6,863	6,420	5,484	5,515	5,810	6,489	7,184	7,623	7,680	7,003
Notes and accounts payable	6,275	5,721	5,083	4,449	4,190	4,538	4,566	4,648	4,283	3,534	3,676	3,780	4,346	4,323	4,464	4,608	4,400
Other, including tax liability	2,589	2,431	1,984	2,075	1,954	1,991	2,034	2,215	2,137	1,950	1,839	2,030	2,123	2,861	3,159	3,072	2,603
Railway corporations	2,708	2,533	2,571	3,040	3,138	3,237	3,267	3,031	3,468	3,499	3,517	3,492	3,442	3,446	3,475	3,480	3,429
Long-term	2,511	2,338	2,379	2,846	2,930	3,019	3,031	2,776	3,201	3,209	3,201	3,161	3,087	3,074	3,063	3,089	3,043
Short-term	197	195	192	194	208	218	236	255	267	290	316	331	355	372	411	391	386
Notes and accounts payable	101	92	99	96	97	96	97	96	88	88	88	70	74	81	120	116	124
Other, including tax liability	96	103	93	98	111	122	139	159	179	202	228	261	281	291	291	275	262
Nonrailway corporations	17,070	17,143	15,825	15,024	14,328	13,982	13,824	13,585	13,101	12,143	11,884	11,947	12,166	13,195	13,435	13,455	12,723
Long-term	8,403	9,186	8,950	8,694	8,392	7,671	7,460	6,977	6,948	6,949	6,685	6,468	6,502	6,383	6,223	6,166	6,106
Short-term	8,667	7,957	6,875	6,330	5,936	6,311	6,364	6,608	6,153	5,194	5,199	5,479	6,114	6,812	7,212	7,289	6,617
Notes and accounts payable	6,174	5,629	4,984	4,353	4,093	4,442	4,469	4,552	4,195	3,446	3,588	3,710	4,272	4,242	4,344	4,492	4,276
Other, including tax liability	2,493	2,328	1,891	1,977	1,843	1,869	1,895	2,056	1,958	1,748	1,611	1,769	1,842	2,570	2,868	2,797	2,341
NET CORPORATE DEBT																	
Total, all corporations	88,901	89,257	83,498	80,015	76,937	75,504	74,793	76,063	75,803	73,291	73,545	75,576	83,443	91,649	96,381	95,637	85,882
Long-term	47,347	51,070	50,303	49,191	47,869	44,611	43,562	42,519	43,513	44,842	44,366	43,653	43,614	42,987	41,298	40,297	39,347
Short-term	41,554	38,187	33,195	30,824	29,068	30,893	31,231	33,544	32,290	28,449	29,179	31,923	39,829	48,662	55,083	55,340	46,535
Notes and accounts payable	29,161	26,558	23,671	20,840	19,637	21,271	21,386	22,440	21,290	18,093	18,491	18,937	21,810	21,709	22,643	23,150	22,140
Other, including tax liability	12,393	11,629	9,524	9,984	9,431	9,622	9,845	11,104	11,000	10,356	10,688	12,986	18,019	27,273	32,620	32,160	24,395
Railway corporations	15,005	15,325	15,345	15,348	15,349	15,283	15,229	15,444	15,323	15,432	15,586	15,727	15,824	16,197	16,573	15,711	13,998
Long-term	13,505	13,836	13,961	13,975	13,898	13,773	13,608	13,622	13,463	13,440	13,413	13,432	13,259	12,868	12,244	11,506	10,840
Short-term	1,500	1,489	1,384	1,373	1,451	1,510	1,621	1,822	1,860	1,992	2,173	2,295	2,565	3,320	4,320	4,205	3,158
Notes and accounts payable	624	563	607	590	593	589	595	587	544	541	545	430	465	503	748	723	764
Other, including tax liability	876	876	777	783	858	921	1,026	1,235	1,316	1,451	1,628	1,865	2,110	2,826	3,581	3,452	2,394
Nonrailway corporations	73,896	73,932	68,153	64,667	61,588	60,221	59,564	60,619	60,480	57,859	57,959	59,849	67,619	75,452	79,808	79,926	71,884
Long-term	33,842	37,134	36,342	35,216	33,971	30,838	29,954	28,897	30,050	31,402	30,953	30,221	30,355	29,799	29,054	28,791	28,507
Short-term	39,054	36,798	31,811	29,451	27,617	29,383	29,610	31,722	30,430	26,457	27,006	29,628	37,264	45,653	50,754	51,135	43,377
Notes and accounts payable	28,537	25,995	23,064	20,250	19,044	20,682	20,791	21,853	20,746	17,552	17,946	18,507	21,355	21,206	21,715	22,457	21,776
Other, including tax liability	11,517	10,753	8,747	9,201	8,573	8,701	8,819	9,869	9,684	8,905	9,060	11,121	15,909	24,447	29,039	28,678	22,001

¹ Long-term debt is defined as having an original maturity of 1 year or more from date of issue; short-term debt as having an original maturity of less than 1 year.
² The amount of Federal income tax liability, separately for railway and nonrailway corporations, as of the end of each year, 1941-45, is shown in table 3.

Sources: U. S. Treasury Department, Interstate Commerce Commission, and U. S. Department of Commerce.

SURVEY OF CURRENT BUSINESS

A further revision was made in nonrailway corporation short-term debt, other than notes and accounts payable, in both the gross and net series. This revision represents an improvement in the method of estimating "other liabilities" of banks. As reported to the Bureau of Internal Revenue, the "other liabilities" of banks includes deposits. Consequently, bank deposits were estimated on the basis of data for all active banks, obtained from annual reports of the Comptroller of the Currency, and deducted from the "other liabilities" series.

Urban (nonfarm) real estate mortgages were revised slightly in total and in the mul-

tifamily and commercial categories. These revisions were occasioned by changes in the method of estimating total urban mortgage holdings of insurance companies. Mortgage loans by insurance companies were obtained from "Insurance Yearbooks," published by The Spectator Co. Insurance company holdings of farm mortgage debt were deducted from the total of mortgage loans in each year. Data for life insurance company holdings of farm mortgage debt were supplied by the Bureau of Agricultural Economics, and non-life-insurance company holdings were estimated on the basis of ratios of farm mortgage to total mortgage loans of life-

insurance companies. These calculations were carried back to 1938, and the series for prior years adjusted to the revised 1938 levels.

Noncorporate short-term debt for commercial and financial purposes was revised within the category "owed to banks." Loans for purchasing or carrying securities and loans to farmers for all active banks were taken from Annual Reports of the Comptroller of the Currency for the United States, exclusive of possessions. Commercial and industrial loans to unincorporated businesses were estimated on the basis of total com-

(Continued on p. 24)

Table 9.—Urban (Nonfarm) Residential and Commercial Real Estate Mortgages of Corporate and Noncorporate Mortgagors, End of Calendar Year, 1929-45¹

[Millions of dollars]

Year	Residential and commercial			Residential									Commercial		
	Total	Corpor- ate ²	Noncor- porate	All residential			Multifamily			1-4 family			Total	Corpor- ate	Noncor- porate
				Total	Corpor- ate	Noncor- porate	Total	Corpor- ate	Noncor- porate	Total	Corpor- ate	Noncor- porate			
1929	37,426	5,345	32,081	29,147	2,734	26,413	8,089	1,681	6,408	21,058	1,053	20,005	8,279	2,611	5,668
1930	38,574	5,439	33,135	30,017	2,779	27,238	8,758	1,716	7,042	21,259	1,063	20,196	8,557	2,660	5,897
1931	37,783	5,409	32,374	29,254	2,702	26,552	8,569	1,668	6,901	20,685	1,034	19,651	8,529	2,707	5,822
1932	35,640	5,136	30,504	27,505	2,560	24,945	8,263	1,598	6,665	19,242	962	18,280	8,135	2,576	5,559
1933	31,807	4,030	27,777	25,609	2,409	23,200	7,731	1,515	6,216	17,878	894	16,984	6,198	1,621	4,577
1934	30,965	3,910	27,055	25,038	2,278	22,760	7,181	1,385	5,796	17,857	893	16,964	5,927	1,632	4,295
1935	29,899	3,659	26,240	24,284	2,130	22,154	6,774	1,254	5,520	17,510	876	16,634	5,615	1,529	4,086
1936	29,493	3,661	25,832	23,755	2,068	21,687	6,530	1,207	5,323	17,225	861	16,364	5,738	1,593	4,145
1937	29,488	3,678	25,810	23,750	2,051	21,699	6,406	1,184	5,222	17,344	867	16,477	5,738	1,627	4,111
1938	29,733	3,763	25,970	23,927	2,054	21,873	6,281	1,172	5,109	17,646	882	16,764	5,806	1,709	4,097
1939	30,314	3,871	26,443	24,619	2,134	22,485	6,403	1,223	5,180	18,216	911	17,305	5,695	1,737	3,958
1940	31,255	3,924	27,331	25,567	2,193	23,374	6,464	1,238	5,226	19,103	955	18,148	5,688	1,731	3,957
1941	32,407	3,845	28,562	26,612	2,253	24,359	6,517	1,248	5,269	20,095	1,005	19,090	5,795	1,592	4,203
1942	31,907	3,903	28,004	26,349	2,226	24,123	6,441	1,231	5,210	19,908	995	18,913	5,568	1,677	3,881
1943	30,994	3,686	27,308	25,763	2,155	23,608	6,221	1,178	5,043	19,542	977	18,565	5,231	1,531	3,700
1944	30,780	3,646	27,134	25,569	2,105	23,464	6,041	1,129	4,912	19,528	976	18,552	5,211	1,541	3,670
1945	30,936	3,640	27,296	25,760	2,109	23,651	6,000	1,121	4,879	19,760	988	18,772	5,176	1,531	3,645

¹ The data represent mortgage loans on commercial and residential property, and exclude real estate mortgage bonds. Multifamily and commercial property mortgages owed by corporations and held by other nonfinancial corporations are also excluded.

² The corporate mortgage debt total is included in the total corporate long-term debt outstanding in table 9.

Sources: Federal Home Loan Bank Administration and U. S. Department of Commerce.

Table 10.—Short-Term Debt of Individual and Other Noncorporate Borrowers, End of Calendar Year, 1929-45

[Millions of dollars]

Item	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945
Total	28,845	26,096	20,861	15,291	12,776	12,711	13,528	15,087	16,056	15,026	15,851	17,165	19,823	15,049	14,707	17,959	21,457
Commercial and financial purposes	21,208	19,857	15,333	11,209	8,871	8,333	8,109	8,316	8,589	7,996	7,870	8,012	9,924	8,564	9,369	12,182	14,723
Owed to banks	16,112	16,785	13,710	10,045	7,113	6,690	6,063	6,110	6,738	5,876	5,812	6,025	7,982	6,643	7,131	9,743	12,281
For purchasing or carrying securities											1,651	1,293	1,317	1,576	2,371	4,579	6,823
By farmers											1,133	1,215	1,498	1,697	1,545	1,769	1,345
Other											3,028	3,517	5,167	3,370	3,213	3,395	4,113
Owed to brokers	5,000	2,800	1,300	800	1,270	1,170	1,258	1,395	985	991	906	677	600	543	788	1,041	1,138
Owed to Government	96	272	323	364	488	473	788	811	866	1,129	1,152	1,310	1,342	1,378	1,450	1,398	1,304
By individual farmers	55	71	122	195	296	356	689	672	701	881	845	943	866	846	841	809	733
Emergency crop and feed loans	8	9	50	90	91	111	172	165	172	171	168	168	164	155	146	138	129
Federal intermediate credit banks	47	62	72	80	60	55	47	41	40	33	32	33	38	38	34	29	26
Regional agricultural credit corporations				24	145	87	43	25	16	11	8	6	6	4	32	12	6
Production credit associations					(¹)	60	93	104	137	147	153	171	186	183	197	188	195
Commodity Credit Corporation (direct loans)						37	271	205	173	309	208	252	133	104	93	140	99
Farm Security Administration						6	63	132	163	210	276	313	339	362	339	302	278
By farmers' cooperative organizations	41	201	201	169	192	117	99	139	165	248	307	367	476	532	609	589	571
Federal intermediate credit banks	26	64	45	10	15	34	3	2	2	1	2	1	2	2	2	1	2
Banks for cooperatives					19	28	50	70	88	87	76	75	113	145	235	213	157
Agricultural Marketing Act revolving fund	15	137	156	159	158	55	44	54	31	24	21	16	17	13	7	3	3
Rural Electrification Administration							(¹)	2	30	79	169	232	305	328	331	346	391
Farm Security Administration								3	4	8	12	15	25	34	30	25	17
Commodity Credit Corporation							(¹)	8	10	49	27	28	14	10	4	1	1
Consumer purposes	7,637	6,839	5,523	4,082	3,905	4,378	5,419	6,771	7,467	7,030	7,981	9,153	9,899	6,485	5,338	5,777	6,734
Installment sale credit	2,515	2,032	1,595	999	1,122	1,317	1,805	2,436	2,752	2,313	2,792	3,450	3,744	1,491	814	835	903
Automobile	1,318	928	637	322	459	576	940	1,289	1,384	970	1,267	1,729	1,942	482	175	200	227
Other	1,197	1,104	958	677	663	741	865	1,147	1,368	1,343	1,525	1,721	1,802	1,009	639	635	676
Installment loans	652	674	619	516	459	532	802	1,065	1,195	1,265	1,644	2,005	2,180	1,464	1,147	1,204	1,462
Single-payment loans	2,125	1,949	1,402	962	776	875	1,048	1,331	1,504	1,442	1,468	1,488	1,601	1,369	1,192	1,251	1,616
Charge account credit	1,749	1,611	1,381	1,114	1,081	1,203	1,292	1,419	1,459	1,487	1,544	1,650	1,764	1,513	1,498	1,758	1,981
Service credit	596	573	531	491	467	451	472	520	557	523	533	560	610	648	687	729	772

¹ Less than \$500,000.

Sources: U. S. Treasury Department, U. S. Department of Agriculture, Board of Governors of the Federal Reserve System, and U. S. Department of Commerce.

incomes and expenditures remain at relatively high levels, at least some of the economies achieved under the abnormal conditions of wartime may be carried over into the postwar years.

Thus, while the basic factors responsible for the general upward trend of retail expense ratios will probably continue to operate in the postwar years, changes in retail service policies may lower the level at which the trend appears. Faced with a shortage of experienced salespeople during the war, many department and specialty stores adopted limited clerk-service policies. Should self-selection and self-service policies be retained in those stores that adopted them during the war, and spread to other stores and departments now offering full service, the long-run tendencies toward higher expense ratios may be retarded. But innovations of this type are not likely to make expenses more flexible; nor, if past records of retail innovations are a guide, will they remove in their entirety the forces which tend to push expenses upward.

At the same time a force for higher expense ratios is beginning to be felt. During the war, comparatively few new stores of the types studied were established. Consequently, few buildings were erected or modernized at the high levels of construction costs. But the expansion of existing store facilities and the construction of new ones at present levels of building costs are introducing high fixed costs which, in subsequent years of possibly lower sales volume, could result in extremely high rates of occupancy expense.

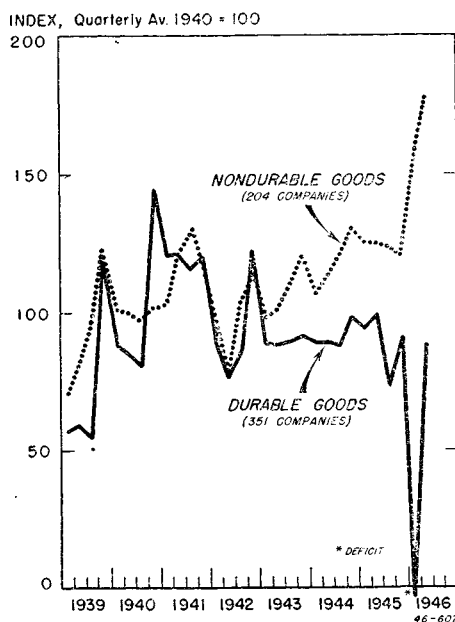
The Business Situation

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including 3 industries reporting deficits. Of the industries registering gains, 7 reported increases of well over 50 percent, ranging up to the very large increase reported for retail and wholesale trade. The increase in the latter is a reflection of the effects of sharply increased sales volumes upon a relatively fixed plant structure.

Among the nonmanufacturing industries, a very large gain was reported also for the entertainment group, due both to

Chart 7.—Net Profits of Manufacturing Corporations by Quarters¹



¹ Net profits refer to income after all charges and taxes, but before dividends.

Sources: Basic data, Board of Governors of the Federal Reserve System; indexes computed by U. S. Department of Commerce.

the favorable trend of receipts and to the removal of the excess profits tax. In this group and in the trade classification, the majority of the reporting companies showed increases of over 100 percent and there were no cases of earnings lower than in the first 6 months of 1945.

Deficits in Transportation Industries

Both air and railroad transportation incurred operating losses for the first half year. In the case of air-transportation companies the loss reflected exceptionally heavy expenses associated with a rapid expansion of their operations.

The 6-month deficit for class I railroads amounted to approximately 30 million dollars. This is in striking contrast with the comparable period of last year when profits after taxes totaled 326 million dollars. The drastic decline was due chiefly to lower freight and passenger revenues and to higher wage and other operating costs. Railroad earnings are likely to improve in the second

half of this year as carloadings normally reach their peak in the fall months. Revenues will be bolstered by a 6½-percent increase in freight rates which went into effect on July 1. The Interstate Commerce Commission has under consideration the request of the railroads for a further increase in freight rates.

Large Declines in Reconversion Area

Although a large number of companies in durable goods manufacturing showed decreases in net income for the first half of this year as compared with 1945, the bulk of the declines was due to the greatly reduced profits or deficits incurred when output was very low during the first quarter of the year. With expanding operations earnings rebounded sharply and most companies were able to add to their earnings or to reduce or eliminate their first quarter losses entirely. In varying degree, the earnings position of many companies was improved by the utilization of tax credits, representing partial refunds of the heavy taxes paid during the war, to offset operating losses.

In contrast to the heavy goods producers, more than three-fourths of the companies producing soft goods reported gains for the 6-month period. On the whole, profits, production, and sales in these industries have been at record volume this year.

Public and Private Debt in the United States

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mercial and industrial loans (Comptroller of the Currency) and percentages in each year for the proportion of noncorporate to total loans. The proportion was set at 26.3 percent as of June 30, 1939 (see article in the September 1945 SURVEY). Annual variations since 1939 were determined by movements in the ratios of noncorporate to total demand deposits from estimates published in the February 1946 *Federal Reserve Bulletin*, "Distribution of Liquid Assets." The revisions explained above were carried back to 1939, and the former series, 1916-38, for "owed to banks" was adjusted to the new 1939 level.

Short-term consumer loans are estimated currently by the Board of Governors of the Federal Reserve System and reported in the *Federal Reserve Bulletin*. Several components of the consumer credit series have been revised recently, as explained in the April 1946 *Bulletin*. Data for 1929-37 were not affected.