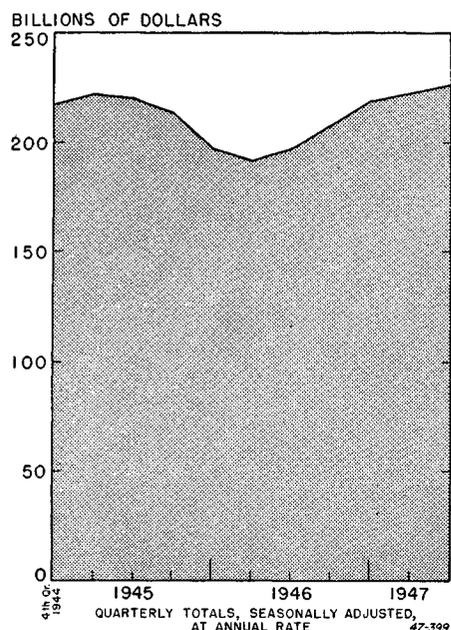


Chart 3.—Gross National Product



Source of data : Office of Business Economics.

earlier, under the influence of wartime incentives, shortages, and price controls, they had saved 34 billion dollars, or three times as much, out of a disposable income of only 153 billion. This postwar shift in consumption outlays, influenced to a considerable extent by the shortages created by war, was one of the most important factors supporting economic activity at a high level after Government demand for war output had been withdrawn.

The high volume of domestic business investment has been another. As can be seen from the table, domestic business investment, at an annual rate of 29 billion dollars, represented 13 percent of gross national product in the second quarter of the current year. In the second quarter of 1945 it amounted to only 8 billion, or 3 percent of total production. It will be recalled, of course, that at that time the capital formation privately financed measured only a fraction of total additions to capital equipment.

The increase in net sales to foreign countries, also rebuilding their peacetime economies, further added to the postwar demand for the output of American business. In the second quarter, the net demand on this score was 11 billion dollars, as contrasted with a negative of 3 billion dollars two years earlier, when the rest of the world was, on balance, a seller of goods to the United States.

The shift in the situation is also shown by the net receipts and expenditures of each sector. In the second quarter of

1947, American business and foreign countries made a net addition of more than 24 billion to the income stream. This was offset by personal savings of 11 billion and a government surplus (calculated according to national income definitions) of 13 billion. In the second quarter of 1945, a Government deficit of 48 billion dollars was the main expansionary factor. Consumers, businesses, and foreign countries had an excess of receipts over expenditures offsetting the government deficit.

Heavy postwar consumption and investment demand, bidding for a diminished labor supply in the framework of a productive organization that had not yet made a complete adjustment to postwar conditions, was sufficient in terms of dollars not only to offset the sharp reduction of government demand for war output, but, in addition, to give rise to

Table 2.—National Income and Product, First and Second Quarters of 1947

[Billions of dollars]

	Unadjusted		Seasonally adjusted, at annual rates	
	I	II	I	II
NATIONAL INCOME BY DISTRIBUTIVE SHARES				
National income.....	48.9	(1)	197.6	(1)
Compensation of employees.....	30.9	31.6	124.9	125.8
Wages and salaries.....	29.5	30.1	119.4	120.3
Private.....	24.9	25.7	101.5	103.0
Military.....	1.2	1.0	4.6	4.1
Government, civilian.....	3.4	3.4	13.3	13.1
Supplements to wages and salaries.....	1.4	1.4	5.4	5.5
Proprietors' and rental income ²	11.8	11.8	47.0	47.0
Business and professional.....	5.6	5.5	22.4	21.8
Farm.....	4.4	4.5	17.6	18.0
Rental income of persons.....	1.8	1.8	7.0	7.2
Corporate profits and inventory valuation adjustment.....	5.5	(1)	22.4	(1)
Corporate profits before tax.....	7.1	(1)	29.0	(1)
Corporate profits tax liability.....	2.9	(1)	11.6	(1)
Corporate profits after tax.....	4.3	(1)	17.4	(1)
Inventory valuation adjustment.....	-1.7	-1.0	-6.6	-4.1
Net interest.....	.8	.8	3.3	3.3
Addendum: Compensation of general Government employees.....	4.5	4.3	17.5	16.7
GROSS NATIONAL PRODUCT OR EXPENDITURE				
Gross national product.....	53.5	55.5	222.2	226.0
Personal consumption expenditures.....	36.5	39.2	156.8	159.0
Durable goods.....	4.1	4.8	19.0	20.0
Nondurable goods.....	21.5	23.4	94.0	95.0
Services.....	11.0	11.0	43.8	44.0
Gross private domestic investment.....	8.0	6.5	29.6	28.8
New construction.....	2.1	2.4	10.3	9.5
Residential nonfarm.....	.9	1.0	4.4	4.1
Other.....	1.3	1.3	5.8	5.4
Producers' durable equipment.....	4.2	4.5	16.6	17.8
Change in business inventories.....	1.7	-.3	2.7	1.5
Net foreign investment.....	2.3	2.7	9.2	10.6
Government purchases of goods and services.....	6.7	7.1	26.6	27.6
Federal.....	4.4	4.4	17.7	17.7
Less: Government sales.....	.6	.5	2.2	1.8
State and local.....	2.8	3.1	11.2	11.7

Table 2.—National Income and Product, First and Second Quarters of 1947—Continued

[Billions of dollars]

	Unadjusted		Seasonally adjusted, at annual rates	
	I	II	I	II
DISPOSITION OF PERSONAL INCOME				
Personal income.....	47.1	48.0	190.9	191.6
Less: Personal tax and non-tax payments.....	8.6	3.8	21.4	21.6
Federal.....	8.1	3.3	19.8	20.0
State and local.....	.5	.4	1.6	1.6
Equals: Disposable personal income.....	38.5	44.3	169.4	170.0
Less: Personal consumption expenditures.....	36.5	39.2	156.8	159.0
Equals: Personal saving.....	2.0	5.0	12.6	11.0
RELATION OF GROSS NATIONAL PRODUCT, NATIONAL INCOME, AND PERSONAL INCOME				
Gross national product.....	53.5	55.5	222.2	226.0
Less: Capital consumption allowances.....	2.9	3.0	11.7	11.8
Indirect business tax and non-tax liability.....	4.1	4.1	16.8	16.6
Business transfer payments.....	.1	.1	.5	.5
Statistical discrepancy.....	-2.6	(1)	-4.5	(1)
Plus: Subsidies less current surplus of government enterprises.....	.0	.0	-.2	.1
Equals: National income.....	48.9	(1)	197.6	(1)
Less: Corporate profits and inventory valuation adjustment.....	5.5	(1)	22.4	(1)
Contributions for social insurance.....	1.5	1.5	5.9	5.9
Excess of wage accruals over disbursements.....	.0	.0	.0	.0
Plus: Government transfer payments.....	2.6	2.5	10.4	10.1
Net interest paid by Government.....	1.1	1.3	4.5	4.5
Dividends.....	1.4	1.5	6.2	6.2
Business transfer payments.....	.1	.1	.5	.5
Equals: personal income.....	47.1	48.0	190.9	191.6

¹ Not available.

² Includes noncorporate inventory valuation adjustment.

NOTE.—Amounts of less than 50 million dollars shown as .0 in the table.

heavy inflationary pressures which after the abolition of price controls pushed prices up to the extent shown in chart 4. As can be seen from this chart, the rise in prices had levelled off in the few months prior to June. Further price increases, however, have occurred recently both in farm and industrial markets. They have been called forth less by general demand factors than by particular supply shortages and by increases in costs.

In conjunction with the movement of prices, the progressive slackening in those types of demand which have propelled national output to its present levels is of particular significance. This slackening is revealed by a study of the main branches of the expenditure stream summarized in the chart on the introductory page of this issue.

Inventory Rise Slackens

The behavior of business inventories constituted one of the main contrasts