

MEETINGS

August 21, 1970

Dear Jack:

A Liaison Committee meeting Friday morning, 7:30 a.m., October 16, would be fine.

Regards,

Paul W. McCracken

Mr. John W. Burke, Jr.
Executive Secretary
The Business Council
888 Seventeenth Street N.W.
Washington, D.C. 20006

20 AUG 1970 PM

FRED J. BORCH
Chairman
JOHN W. BURKE, JR.
Executive Secretary

THE BUSINESS COUNCIL
888 SEVENTEENTH STREET, N.W.
WASHINGTON, D.C. 20006

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Area Code 202
298-7650

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HENRY S. WINGATE

August 19, 1970

The Honorable Paul W. McCracken, Chairman
Council of Economic Advisers
Executive Office Building, Room 312
Washington, D. C. 20506

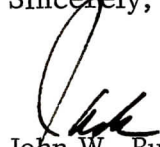
Dear Paul:

It is good news to know that you will be with us in October and you will be hearing a great deal more from us as the meeting date approaches.

I will arrange to have the Liaison Committee meet with you at breakfast at 7:30 a.m. on the morning of Friday, October 16th, but, if you would prefer Saturday, the 17th, please let me know.

With kindest personal regards,

Sincerely,


John W. Burke, Jr.
Executive Secretary

Bus. Council Mtg. Folder

November 10, 1970

Dear Mil:

Those were good comments in your letter of October 28, and I appreciated your sending them along.

I certainly agree that the CPI was never intended to be so accurate that changes of a few tenths of a percent would be headline news. No one would pretend that such an amorphous thing as "the general price level" can even be measured within that margin of accuracy. The greater emphasis on the inter-relationships between productivity, costs, prices, and real income is a sound idea. We are going to accent that a bit more in our next Inflation Alert.

Regards,

Paul W. McCracken

Mr. W. M. Batten
Chairman of the Board
J. C. Penney Company, Inc.
1301 Avenue of the Americas
New York, New York 10019

ES
PM

J. C. PENNEY COMPANY, INC.

1301 AVENUE OF THE AMERICAS, NEW YORK, N.Y. 10019

October 28, 1970

W. M. BATTEN

CHAIRMAN OF THE BOARD

Mr. Paul W. McCracken, Chairman
Council of Economic Advisers
Executive Office Building
Washington, D.C. 20506

Dear Paul:

Thank you for your letter of October 22 about the Hot Springs visit. I greatly appreciated the opportunity to talk with you.

For the record, I would like to comment again on a matter we discussed - the need for some device that would provide an educational peg for the relationship between productivity, wages and prices. Even the opponents of the previous Guideposts, I believe, were in general agreement that they had some educational value. We are a nation of economic illiterates and I am not naive enough to think that one small action is going to solve our problems, but it might be of some help.

The CPI was not devised to be used as it is today. While I am not qualified to comment on its validity, because it is a technical matter, I have listened to many people who claim we need a better index for measuring the changes in cost of living.

When the CPI is released each month, it is a big news item in the press, radio and TV. Its impact on the thinking of the general public has been growing. It tends to make everyone feel "poorer" even if their own personal situation has not been significantly affected.

Paul, none of these comments is new. Perhaps my rambling thoughts boil down to two points. One, an evaluation of the CPI as presently constituted to determine its validity

as a measure of the cost of living, and two, issuance on a regular basis of information about productivity which could then be used as an educational device.

I plan to meet with some of our key people to see what we can do internally to create a better understanding among our own associates on the relationship between productivity, prices and wages.

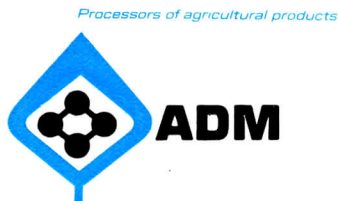
Pardon the length of this letter.

With warmest regards.

Sincerely yours,



wmb ez



PM

ARCHER DANIELS MIDLAND COMPANY DECATUR, ILLINOIS 62525 TELEPHONE 217 / 423-2571

CHAIRMAN OF THE BOARD

October 20, 1970

Dr. Paul W. McCracken
Chairman
Council of Economic Advisers
Washington, D. C.

Dear Dr. McCracken

Thank you for your thoughtful note about the meeting at The Homestead. It is extremely interesting and stimulating for me to be a part of these sessions. I look forward to our next meeting with great enthusiasm.

With all best regards

Sincerely

John H. Daniels

JHD:lm

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October 28, 1970

The Honorable Paul W. McCracken, Chairman
Council of Economic Advisers
Executive Office Building, Room 312
Washington, D. C. 20506

Dear Paul:

I am writing to thank you for quarterbacking the government panelists during our panel discussion on the economy at this month's session of The Business Council.

The format of a panel discussion was not new to the Council, but this was the first time we had the entire government first-string economic team on hand at one time. The main presentations by you and Arthur Burns certainly stood out as highlights. I especially appreciated the informativeness of your prepared remarks and the insights offered in your comments regarding the limitations on government action and the need for the business community to involve itself at an early stage in problem areas.

I hope you share with me the belief that constructive dialogues like the one which developed at the Saturday session are a useful tool in winning a better understanding on the part of all of us regarding economic problems and their solutions. Yours was certainly an effective contribution to that understanding.

Sincerely,


Fred J. Borch
Chairman

/lat

October 29, 1970

Dear Steve:

Thank you for your letter of October 19 and the enclosed notes.

The meeting at the Business Council was, I thought, an interesting one, and the "Washington Listens" format is one that undoubtedly ought to be used more. If I were to enter a modest note of dissent, it would be that Washington is quite aware of the wage-cost-price problem. The problem is to find effective ways to get at it that are politically acceptable. Your own paper is, however, constructive here.

Regards,

Paul W. McCracken

Mr. S. D. Bechtel, Jr.
President
Bechtel Corporation
Fifty Beale Street
San Francisco, California 94119

filed: MEETINGS

Stephen D. Bechtel, Jr.
President

55
pm
Bechtel Corporation

Engineers - Constructors
Fifty Beale Street
San Francisco, CA 94119

October 19, 1970

Dr. Paul McCracken, Chairman
Council of Economic Advisors
Washington, D. C.

Dear Dr. McCracken:

I sincerely hope our discussions at the Business Council meeting and at the White House last weekend led to better understanding by all concerned of the crisis situation concerning construction labor costs.

As you requested, I am attaching a copy of the paper from which I spoke. In view of the time limit and the comments of earlier speakers I did omit a few parts of it.

In light of the reports in the press referring to comments on construction at the Business Council meeting, I would like to be sure that everyone understands that I do not advocate "union busting". There are some bad imbalances in our present structure and severe abuses in labor practices on construction. Any practical solution to these problems must be done in light of the proper role for responsible labor unions in our society.

If you desire to have additional discussions with me concerning the government's role and possible future action, I would be most pleased to meet with you in Washington or elsewhere at our earliest mutual convenience.

Respectfully,



S. D. Bechtel, Jr.

SDBJr:jmh

10/16/70

OFF THE RECORD;

NOT FOR PUBLICATION

S. D. BECHTEL, JR. REMARKS TO BUSINESS COUNCIL

RE: CONSTRUCTION INDUSTRY PROBLEMS

OCTOBER 17, 1970

Introduction:

I welcome this opportunity to discuss the most important economic problem of the construction industry, and perhaps of our total economy: that is, construction-labor cost increases.

Construction, Inflation & The National Economy:

I will not take much time reiterating background, or proving the strong tie between soaring construction labor costs and inflation in the national economy.

Let me quickly give you some perspective on the magnitude and severity of the problem:

- First: Construction, including maintenance and repair, is the biggest single industry in the United States, currently accounting for about 120 billion dollars or thirteen percent of the GNP.
- Second: Labor settlements in the first six months of 1970 provided for average first-year increases, of wages and fringes, of about nineteen percent, or about 88 cents per hour. The average annual increase over the life of the agreements is fifteen percent. About half of these agreements are for three years.
- Third: You recall the great fragmentation of our industry:
- With 900,000 contractors,
 - 10,000 local unions,

- and about 30,000 different labor agreements, most of which are separately negotiated at the local level between local contractor groups and the "locals" of the unions.

Problem Areas

Now: Focusing on the specific problem areas, three factors are the primary causes for the present run-away inflation in construction:

- First: The extremely large wage-rate increases,
- Second: The substantial decline in output by building-trade workers,
- Third: The shortage of skilled construction craftsmen.

While many of you are becoming aware of the excessively large wage-rate increases, I suspect that most people do not realize the great effect in the last couple of years on construction labor costs from reduced productivity and shortages of skilled manpower. These two factors are at least equal to, and perhaps bigger than, increasing wage rates as contributors to our industry's present inflationary spiral.

Possible Solutions:

With an eye on the clock I turn now to solutions: what are the cures for this "sick situation"? Why have not we contractors already cleaned up this mess?? Gentlemen, let's face the "facts of life":

The economic and political forces dominating our industry pushed us to where we are now!!! The structure of the industry with the great strength of the unions, with the fragmentation of the contractors, with the local approach to labor negotiations, and with the present legislation, the damaging court decisions, and adverse administrative interpretations, all make it impossible, for us alone, to solve our major problems.

Corrective Efforts by Private Sector:

Some of us in the industry have been trying, however, and, I think, are starting to bring about improvements. Some results are finally being achieved to close ranks and develop an industry-wide

cooperative approach to labor matters.

The Council of Construction Employers, which has representatives from several contractor associations, is becoming more effective and now meets regularly to review construction labor problems. We anticipate further strengthening of this organization.

Two major contractor associations, the NCA and AGC, for many years bitter rivals, are starting to work together and are active participants in the Council of Construction Employers. Also, the AGC and NCA are jointly sponsoring multi-employer legislation, for area bargaining on a multi-trade basis, with common expiration dates, all of which would consolidate and strengthen employer bargaining.

Another concrete program is an effort by a major contractor association to negotiate a special agreement with the building trades unions, to improve manpower supply and productivity and to control illegal strikes. The agreement is in relatively final form and once signed by the Building Trade presidents, all contractor associations will be able to become a party to it. We are hopeful it will be concluded within the next few weeks.

On another front, last year many top business leaders recognized the effect that construction wage-increases were having on wages across many other industries. They also recognized the inability of construction alone to correct the problems. They formed the "Construction Users Anti-Inflation Roundtable". This group has already done some very good work, and results are starting to show. Many of you here are members of the Roundtable. I urge that you continue to support Roger Blough and the Roundtable.

Government's Role:

Over the last year, our Federal Government has shown concern for the problems in construction and their effect on the national economy. However, I understand, and I hope in error, that the Administration has recently said, in effect, that it cannot, or will not, do much to help solve the labor problems in construction, on the basis that the unions and management should correct the problems by the exercise of "reason", "moderation" and "self-restraint".

I strongly subscribe to the theory of non-intervention by government when the private sector is capable of resolving its own problems. However, looking at the construction industry from a practical viewpoint, the record is clear that, within its present structure, the private sector alone cannot do the job.

I refer again to the fragmented industry and the enormous, concentrated and legally-sanctioned power of the Building Trade Unions. It is essential that government provide help and leadership. As Roger Blough has stated: "The Federal Government is clearly the largest construction user and it also has a 'Governmental Obligation', a leadership role which can not be delegated or deferred".

Government Actions Needed:

Turning directly to my assignment here this morning, "suggestions for action by the government", the following are my observations:

First, I was particularly encouraged, last fall, by the Administration's efforts to reduce its own direct impact on construction-industry inflation by deferring government construction and minimizing overtime.

Cabinet Committee:

The establishment of the "Cabinet Committee on Construction" was a most important step forward; and I fervently hope that this Committee, with its top-level membership, will counsel for stronger and more effective Administration policies and programs for construction.

Collective Bargaining Commission:

I believe the concept of the Construction Industry Collective Bargaining Commission is good and I certainly endorse, in principle, the Commission's "Nine Point Program". However, many people in our industry think this Commission is strictly an informal talking group and will not result in much action. I hope this Commission will show more concrete accomplishments in the near future.

Productivity Commission:

The National Productivity Commission focuses on one of the major problems of all industry. With construction having some of the worse productivity problems of any industry, I strongly urge that this Commission give considerable attention specifically to construction-labor productivity problems and their solution.

Multi-Employer Regional Bargaining:

I am greatly encouraged by the Secretary of Labor's recent support for changing the bargaining concepts in our industry. I fully endorse the multi-employer regional bargaining proposal; and I urge that

the Administration join with the contractors' associations, who are supporting this program, and push legislation for enactment at the earliest possible date.

Shortage of Manpower:

It is a mistake to conclude from the recent unemployment figures that the entire construction industry has unemployment problems. To the contrary, today, there is an acute shortage of skilled men for heavy and industrial construction.

The proposed government programs for training armed-forces personnel and minority groups, and for improved apprentice utilization should be encouraged and expanded to include retraining of the currently unemployed and specialty training in the construction trades for all of these groups.

The barriers of the restricted hiring hall procedures must be eliminated to facilitate freer hiring. More on this subject later.

Other Government Action:

Additional Federal Government action is necessary at this time. I recommend the following:

- First: The Administration should actively and properly enforce existing labor legislation which was intended to eliminate the "Closed Shop". Make no mistake, -- "union hiring halls", as presently operated in the construction industry, result in "Closed Shop" operations.
- Second: The N. L. R. B. administrative procedures should be altered to speed relief in all cases of illegal strikes and other violations of labor contracts.
- Third: In connection with the Davis-Bacon Act, at the very least, the Administration should alter the guidelines used by the Department of Labor so that wage rates are no longer established on the basis of the highest rates in "adjacent" areas.
- Fourth: The Administration should conduct a well-organized campaign to modernize outmoded and often conflicting building codes throughout the country. I understand

that the Bureau of Standards has such an assignment; but it needs a real push. Existing archaic restrictions reduce the use of new technology and must be eliminated.

Fifth: Lastly, I suggest that the Administration aggressively sponsor labor reform legislation relating strictly to the construction industry. The size and nature of our industry and its overall effect on the national economy certainly justify a separate act; and many of the corrective features urgently needed for construction are not applicable or required for other industries. In addition to a number of my previous recommendations, such legislation should include the following provisions:

- (A) Identify and preserve management's rights, including freedom of hiring and elimination of supervision from existing collective bargaining units.
- (B) Strengthen enforcement procedures and place appropriate penalties for illegal strikes and violations of labor agreements.
- (C) Eliminate the multitude of on-site feather-bedding practices and restrictions against off-site fabrication.
- (D) Return needed authority and responsibility to the heads of the international unions to give them the power necessary to control small militant groups at the local union level who, in violation of labor agreements, seriously disrupt the orderly conduct of many construction projects.

Conclusion:

Gentlemen, we have an extremely bad situation in construction today. Some of us in the industry have been working to bring about improvements; however, without strong assistance from the balance of the private sector and substantial corrective action by the Government, the job will not get done.

You, the leaders of our country, will have to make your own judgment as to the severity of the construction labor problem and the extent of its influence on the health of our national economy.

If you agree with me that the construction labor situation is an economic crisis of major national importance, that it is intolerable, and that it must be corrected; then I hope you also agree that the Federal Government must inject itself, give strong leadership, and protect the people of our country against the most cancerous source of inflation in our national economy today.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

October 23, 1970

MEMORANDUM FOR DR. MC CRACKEN

FROM: PETER FLANIGAN

PFD

I presume that Bechtel sent you the attached. If not, it occurs to me that as the Chairman of the Cabinet Committee on Construction Costs this should be seen by you.

Stephen D. Bechtel, Jr.
President

Bechtel Corporation

Engineers - Constructors
Fifty Beale Street
San Francisco, CA 94119

October 20, 1970

Mr. Peter Flanigan
Special Assistant to the President
White House Office
Washington, D. C.

Dear Peter:

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If you have any questions or suggestions, I would be delighted to hear from you.

Sincerely,

A handwritten signature in dark ink, appearing to read 'S. D. Bechtel, Jr.', with a long horizontal line extending to the left.

S. D. Bechtel, Jr.

SDBJr:jmh

10/16/70

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- Third: In connection with the Davis-Bacon Act, at the very least, the Administration should alter the guidelines used by the Department of Labor so that wage rates are no longer established on the basis of the highest rates in "adjacent" areas.
- Fourth: The Administration should conduct a well-organized campaign to modernize outmoded and often conflicting building codes throughout the country. I understand

that the Bureau of Standards has such an assignment; but it needs a real push. Existing archaic restrictions reduce the use of new technology and must be eliminated.

Fifth: Lastly, I suggest that the Administration aggressively sponsor labor reform legislation relating strictly to the construction industry. The size and nature of our industry and its overall effect on the national economy certainly justify a separate act; and many of the corrective features urgently needed for construction are not applicable or required for other industries. In addition to a number of my previous recommendations, such legislation should include the following provisions:

- (A) Identify and preserve management's rights, including freedom of hiring and elimination of supervision from existing collective bargaining units.
- (B) Strengthen enforcement procedures and place appropriate penalties for illegal strikes and violations of labor agreements.
- (C) Eliminate the multitude of on-site feather-bedding practices and restrictions against off-site fabrication.
- (D) Return needed authority and responsibility to the heads of the international unions to give them the power necessary to control small militant groups at the local union level who, in violation of labor agreements, seriously disrupt the orderly conduct of many construction projects.

Conclusion:

Gentlemen, we have an extremely bad situation in construction today. Some of us in the industry have been working to bring about improvements; however, without strong assistance from the balance of the private sector and substantial corrective action by the Government, the job will not get done.

You, the leaders of our country, will have to make your own judgment as to the severity of the construction labor problem and the extent of its influence on the health of our national economy.

If you agree with me that the construction labor situation is an economic crisis of major national importance, that it is intolerable, and that it must be corrected; then I hope you also agree that the Federal Government must inject itself, give strong leadership, and protect the people of our country against the most cancerous source of inflation in our national economy today.

PM

THE GOODYEAR TIRE & RUBBER COMPANY
AKRON, OHIO 44316

CHAIRMAN OF THE BOARD

October 19, 1970

The Honorable Paul W McCracken
Chairman, Council of Economic Advisers
Executive Office Building, Room 312
Washington, D C 20506

Dear Paul:

We of the Business Council are indeed grateful
for the time you have taken to be with us for
our program at Hot Springs.

You always do an outstanding job, and we are
very appreciative of your efforts.

Thanks again for being with us.

Sincerely,

A handwritten signature in blue ink, appearing to read "Russ", with a stylized flourish at the end.

Russell DeYoung
j

October 22, 1970

Dear Mil:

This is just a quick note to extend to you my own personal appreciation for the chance to have that discussion last Friday at the Homestead.

It was good to see you there.

Regards,

Paul W. McCracken

Mr. William M. Batten
Chairman
J. C. Penney Company, Inc.
1301 Avenue of the Americas
New York, New York 10019

filed: Meeting Folder

MEETINGS

October 21, 1970

Dear Jack:

This is just a quick note to extend to you my own personal appreciation for the chance to have that discussion last Friday morning at the Homestead.

It was good to see you there.

Regards,

Paul W. McCracken

Mr. John T. Connor
Chairman
Allied Chemical Corporation
61 Broadway
New York, New York 10006

MEETINGS

October 21, 1970

Dear John:

This is just a quick note to extend to you my own personal appreciation for the chance to have that discussion last Friday morning at the Homestead.

It was good to see you there.

Regards,

Paul W. McCracken

Mr. John H. Daniels
Chairman
Archer Daniels Midland Company
Box 1470
Decatur, Illinois 62525

MEETINGS

October 21, 1970

Dear Amory:

This is just a quick note to extend to you my own personal appreciation for the chance to have that discussion last Friday morning at the Homestead.

It was good to see you there.

Regards,

Paul W. McCracken

Mr. Amory Houghton
Honorary Chairman
Corning Glass Works
Corning, New York 14830

MEETINGS

October 21, 1970

Dear Howard:

This is just a quick note to extend to you my own personal appreciation for the chance to have that discussion last Friday morning at the Homestead.

It was good to see you there.

Regards,

Paul W. McCracken

Mr. Howard Morgens, President
The Proctor & Gamble Company
P. O. Box 599
Cincinnati, Ohio 45201

MEETINGS

October 21, 1970

Dear Hi:

This is just a quick note to extend to you my own personal appreciation for the chance to have that discussion last Friday morning at the Homestead.

It was good to see you there.

Regards,

Paul W. McCracken

Mr. H. I. Romnes
Chairman
American Telephone &
Telegraph Company
195 Broadway
New York, New York 10007

MEETINGS

October 21, 1970

Dear Ted:

This is just a quick note to extend to you my own personal appreciation for the chance to have that discussion last Friday morning at the Homestead.

It was good to see you there.

Regards,

Paul W. McCracken

Mr. L. B. Smith
Chairman
A.O. Smith Corporation
3533 North 27th Street
Milwaukee, Wisconsin 53216

October 21, 1970

Dear Birny:

This is just a quick note to extend to you my deep appreciation for the opportunity to meet with our CEA Liaison Committee Friday morning, October 16. It was a most helpful discussion.

At the next Washington meeting I hope that it will be possible to have you visit here at the Council with all three of us.

Regards,

Paul W. McCracken

Mr. Birny Mason, Jr.
Chairman
Union Carbide Corporation
270 Park Avenue
New York, New York 10017

THE BUSINESS COUNCIL

888 SEVENTEENTH STREET, N. W.

WASHINGTON, D. C. 20006

202/298-7650

MEMORANDUM

October 15th, 1970

TO: Dr. McCracken

The following members of the CEA Liaison Committee are scheduled to meet with you at breakfast at 7:30 on Friday morning, October 16th:

↙ Birny Mason, Jr. (Chairman of Committee)
William M. Batten *W. M. B.*
John H. Daniels *J. H. D.*
John T. Connor *J. T. C.*
Amory Houghton, Jr. *A. H.*
Howard Morgens *H. M.*
H. I. Romnes *H. I. R.*
L. B. Smith *L. B. S.*

The meeting will be in the Hunt Room of The Homestead, which is on the mezzanine floor.

John W. Burke, Jr.

1. Bldg Trades vs People
Fortune 10/70
2. 3 factors -
 - a) Large wage Δ 's
 - b) Decline OPMH
 - c) Shortage of skilled craftsmen.
3. Recommendations
 - a) Cal. Union - stronger policies.
 - b) Court did Cal Bldg. Commission good.
 - c) Natl Prod. Commission.
 - d) Adm. fair with contract. To get multi employer bargaining.
 - e) Training important - shortage of skilled.
 - f)

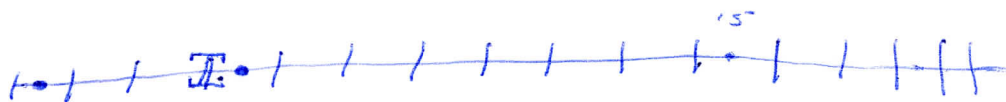
THE
HOMESTEAD
HOT SPRINGS, Virginia 24445

(6.0%) = 4
2
1
Fed. Dept Stores

Wages

Prices

1968	6.8%	5.0%
1969	5.9	5.3
1970	7.4	3.9



$$\begin{array}{r} 13 \\ 10 \\ \hline 3 \end{array}$$

14

$$C \neq I + G = Y$$

$$Y = \frac{a + I + G}{1 - b}$$

$$= \frac{1}{1 - b} (a + I + G)$$

$$C = a + bY$$

$$\frac{C}{Y} = \frac{a}{Y} + b$$

$$\frac{C}{Y} = \frac{a + bY}{Y}$$

$$\begin{array}{r} 8 \overline{) 100} \\ 13 \end{array}$$

U. S. TRADE PICTURE: BLACK OR RED?

In order to assess the United States commercial balance of trade with other nations it is necessary to recognize that different methods are used in computing trade statistics. The widely published statistics issued by the U.S. Department of Commerce are the results of methods which overstate the value of U.S. exports while understating the value of U.S. imports.

Total U.S. export values, as determined by the Commerce Department, include Government financed exports -- military and economic aid exports and Public Law 480 surplus agricultural exports. Total U.S. import values, as determined by the Commerce Department, are based on the free-on-board (f.o.b.) method. The method of valuation of imports used by most nations, and recommended by the United Nations, includes cost (or free-on-board) plus insurance plus freight (c.i.f.). Elimination of government financed exports from the export values, and the revaluation of imports to include insurance and freight can eliminate a surplus and produce a deficit as shown on the attached graphs. Thus a favorable balance in the black becomes an unfavorable balance in the red.

For the purpose of statistics, the difference in f.o.b. and c.i.f. values varies widely. A tariff commission study showed a 10 per cent increase in c.i.f. values above f.o.b. values with a notation that there are additional costs, aside from c.i.f., which could run as high as an additional 10 per cent in import values. The International Monetary Fund uses an increased value of 10 per cent for the c.i.f. method above the f.o.b. method. For this discussion, an increased value of 6.3 per cent has been used. This is the conservative estimate of the Bureau of Census -- the federal agency responsible for reporting imports -- of the difference in value between the c.i.f. method and the f.o.b. method.

For 1967, the Department of Commerce reported exports of \$31.5 billion, imports of \$26.8 billion, and a trade surplus of \$4.7 billion. The Department of Commerce identified as a part of total exports military assistance exports of \$592 million, economic aid exports of \$1.3 billion, and P.L. 480 exports of \$1.2 billion, or a total of \$3.1 billion. If this amount is removed, total exports drop to \$28.4 billion. If imports are revalued from the f.o.b. basis to a c.i.f. basis, the \$26.8 billion total becomes \$28.5 billion. Thus a 1967 trade surplus of \$4.7 billion becomes a trade deficit of \$96 million.

For 1968, the Department of Commerce reported exports of \$34.6 billion, imports of \$33.2 billion, and a trade surplus of \$1.4 billion. If government financed exports are removed and imports are restated from the f.o.b. value of imports to a c.i.f. basis, the surplus becomes a deficit of \$3.4 billion.

For 1969, the Department of Commerce reported exports of \$38 billion, imports of \$36 billion, and a surplus of \$2 billion. If government financed exports are removed and imports are restated from the f.o.b. value of imports to a c.i.f. basis, the surplus becomes a deficit of \$3 billion.

For the first eight months of 1970, January 1 to August 31, the Commerce Department reported exports of \$28.6 billion, imports of \$25.9 billion, and a surplus of \$2.7 billion.

Using the best estimates available for government financed exports included, and restating imports on a c.i.f. basis, the 1970 values show exports of \$26.9 billion, imports of \$27.6 billion, and a deficit of \$700 million.

U. S. MERCHANDISE TRADE (Millions of Dollars)

I. <u>U.S. Dept. of Commerce</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
Exports	\$31,526.2	\$34,635.9	\$38,005.6	\$28,614.2
Imports	<u>26,812.3</u>	<u>33,226.3</u>	<u>36,042.8</u>	<u>25,954.7</u>
	+\$ 4,713.9	+\$ 1,409.6	+\$ 1,962.8	+\$ 2,659.5
II. U.S. Merchandise Trade: Imports (c.i.f.) and Exports Less Value of Government Financed Exports.				
	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
Exports - U.S.D.C.	\$31,526.2	\$34,635.9	\$38,005.6	\$28,614.2
Less: Military Aid	592	573	674	365
Economic Aid	1,300	1,056	994	665
PL 480	<u>1,229</u>	<u>1,178</u>	<u>1,018</u>	<u>680</u>
Total	\$28,405	\$31,829	\$35,320	\$26,904
	<u>3.1</u>	<u>2.8</u>	<u>2.5</u>	<u>1.7</u>
Imports (c.i.f.)	<u>28,501</u>	<u>35,319</u>	<u>38,314</u>	<u>27,600</u>
Balance	-(\$ 96)	-(\$ 3,490)	-(\$ 2,993)	-(\$ 696)

Source: U. S. Department of Commerce FT-990

U. S. MERCHANDISE TRADE
(In Billions of Dollars)

Comparing the method used by the U. S. Dept. of Commerce with the World Method as recommended by the United Nations.

Chart 1

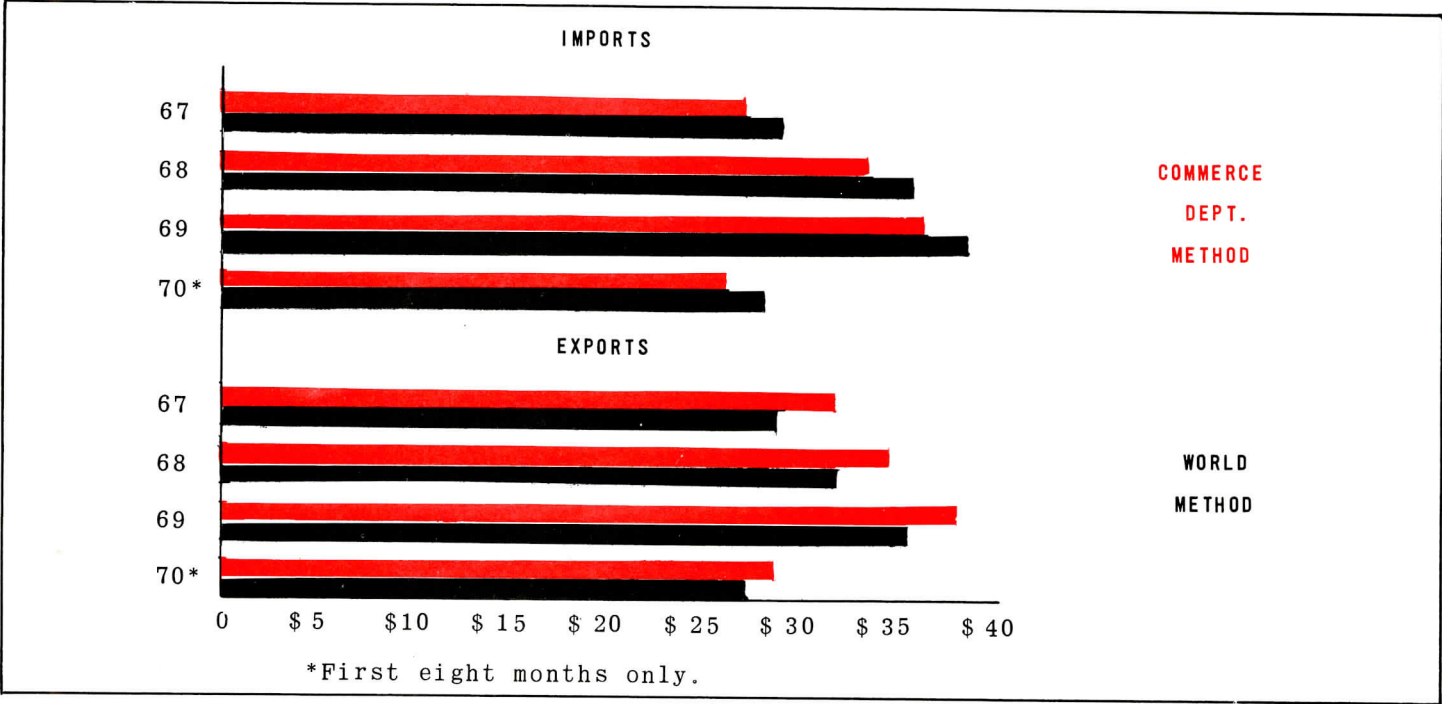


Chart 2

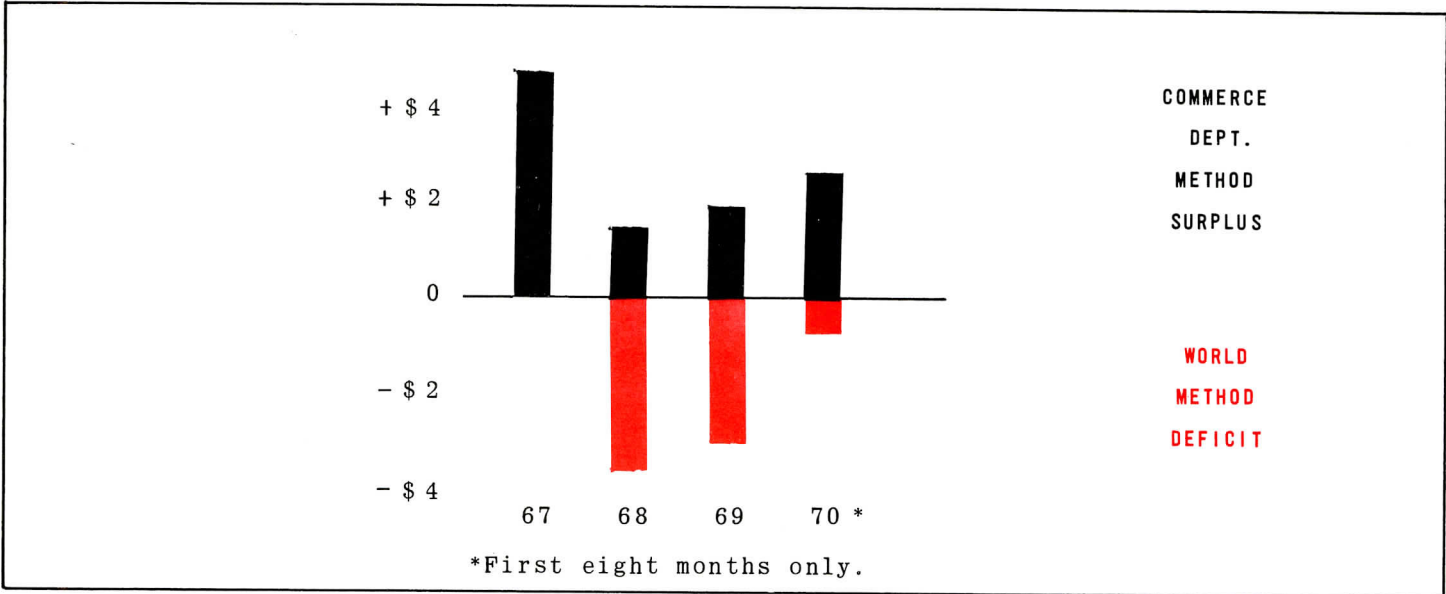
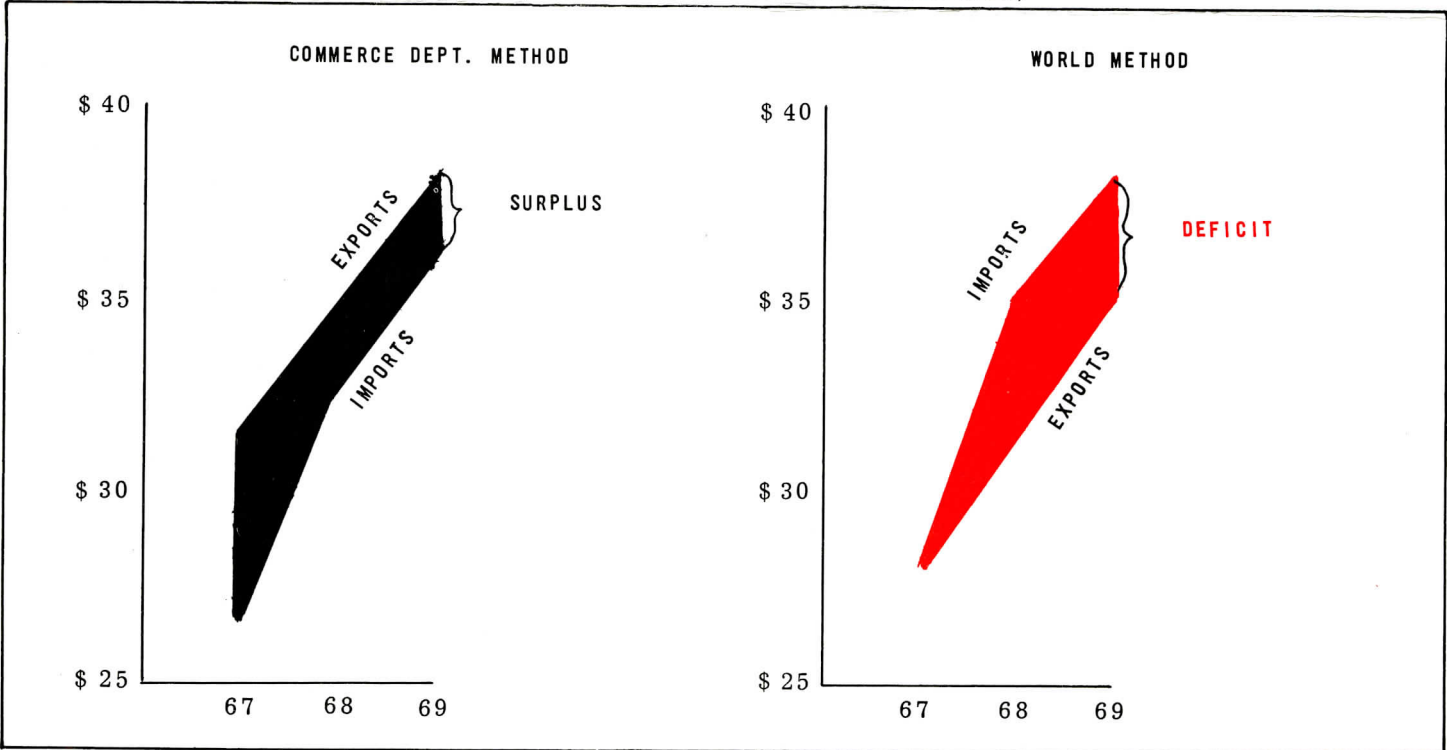


Chart 3 (1970 Annual Data not Available)



THE BUSINESS COUNCIL

The Homestead
Hot Springs, Virginia

October 16th and 17th, 1970
EASTERN DAYLIGHT TIME

Tentative Agenda

Saturday, October 17th

E. D. T.

8:30 a. m.

Convene in Commonwealth Room

Report on the Domestic Economy

Birny Mason, Jr., Chairman
CEA Liaison Committee

8:50 a. m. to
Adjournment

Panel Discussion of Economic Problems

Government Speakers --

Business Council Speakers --

The Honorable David M. Kennedy
The Secretary of the Treasury

S. D. Bechtel, Jr.
Construction

The Honorable Maurice H. Stans
The Secretary of Commerce

Donald C. Burnham
Electrical Manufacturing

The Honorable George P. Shultz
Director
Office of Management and Budget

Ellison L. Hazard
Containers

The Honorable Arthur F. Burns
Chairman
Federal Reserve System

Ralph Lazarus
Retail

The Honorable Paul W. McCracken
Chairman
Council of Economic Advisers

Roger Milliken
Textiles

James M. Roche
Automotive

There will be a break for coffee from 10:05 a. m. to 10:20 a. m.

12:30 p. m.

ADJOURN

There will be no afternoon business session.

7:00 p. m.

Reception and Dinner - Black Tie

Commonwealth Room

Speaker -- The Honorable Herbert G. Klein
Director of Communications for the Executive Branch

What are the ingredients ^{an economic} of policy
for orderly and sustained expansion? f

1. Is it very revenue-insured?
- 2.

Text Copy

THE CURRENT POSITION OF THE ECONOMY

1. The rate of inflation has declined appreciably, though cost pressures under the price level remain. (The U.S. is closer to bringing inflation under control than most of the other major industrial nations.)
2. In the near term the path for the economy will be quite disturbed by the GM strike and its repercussions, though the next major move in the economy will be upward.
3. There are some problem areas with significant implications for economic policy.
 - a. Cost-price-profit relationships continue to be the most vexing problems for economic policy. While compensation per man hour for the whole private nonfarm economy is rising less rapidly, the size of newly negotiated wage settlements is not diminishing.
 - b. The return to reasonably full employment by mid-1972 will require a vigorous pace for the economy in 1971 and 1972.

P R I C E - C O S T D E V E L O P M E N T S

PRICE-COST DEVELOPMENTS

1. The rate of inflation has decelerated appreciably.

Monthly Rise in Price Indexes, 1970
(Seasonally adjusted)

<u>Month</u>	<u>CPI</u>	<u>Industrial WPI</u>
January	.6%	.3%
February	.5	.2
March	.4	.2
April	.5	.5
May	.5	.4
June	.3	.2
July	.3	.3
August	.2	.2
September	(Available 10/21)	.3

Source: BLS

PRICE-COST DEVELOPMENTS

2. Compensation per man hour, productivity, and labor costs per unit of output in the private nonfarm economy took a turn for the better in the second quarter.

Annual Rate of Change over Preceding Quarter

<u>Year and Quarter</u>	<u>Compensation per man-hour</u>	<u>Output per man-hour</u>	<u>Unit Labor costs</u>
1969-1	5.5%	-1.5%	7.1%
2	5.8	-.4	6.3
3	7.3	.6	6.6
4	7.7	.3	7.3
1970-1	6.6	-2.9	9.8
2	5.6	3.3	2.2

Source: Bureau of Labor Statistics

N E A R - T E R M E C O N O M I C P R O S P E C T S

NEAR-TERM ECONOMIC PROSPECTS

The economy will mark time until the auto work stoppage is resolved. The next major move in the economy should then be upward. Statistics coming out in October and November will not, of course, be good reading.

1. "Leading indicators", apart from the strike, are not ebullient, but they appear to have passed their low point.

Leading Economic Indicators, 1970

<u>Month</u>	<u>Composite Index</u> <u>a/</u>	<u>Dow Jones Industrials</u>	<u>New Orders, Durable goods</u> <u>b/</u>	<u>Private Housing Starts</u> <u>c/</u>	<u>Manufacturing, Length of Work Week</u>
January	115.8	782.96	\$29.0	1,059	40.3
February	116.5	756.21	29.4	1,306	39.9
March	114.9	777.62	28.9	1,392	40.2
April	115.0	771.65	28.4	1,224	40.0
May	113.8	691.96	30.0	1,242	39.8
June	114.0	699.30	30.0	1,393	39.8
July	115.8	712.80	31.4	1,591	40.1
August	115.4	731.97	30.6	1,431	39.8
September	(Available 10/27)	759.38	(Available 10/21)	(Available 10/16)	39.4

Source: Business Conditions Digest, U.S. Dept. of Commerce. Seasonally adjusted where relevant.

a/ 1967=100

b/ In billions

c/ In thousands, annual rate.

NEAR-TERM ECONOMIC PROSPECTS

2. Monetary policies have been expansionist since February. This contrasts with the policy of restraint in 1969.

Rate of Monetary Expansion
(Seasonally adjusted annual rate)

<u>Period</u>	<u>Money Supply</u>	<u>Bank Credit</u>
12/66 - 6/68	6.8%	9.9%
6/68 - 12/68	7.1	15.5
12/68 - 6/69	4.4	4.2
6/69 - 2/70	0.2	0.9
2/70 - 9/70	5.7	9.6

Source: Federal Reserve

NEAR-TERM ECONOMIC PROSPECTS

3. Fiscal policy (the budget) has also become less restrictive than during 1969.

Federal Budget on a GNP Basis
(Billions, seasonally adjusted annual rates)

<u>Period</u>	<u>Expenditures</u>	<u>Receipts</u>	<u>Surplus</u>	<u>At full employment ^{a/}</u>	
				<u>Receipts</u>	<u>Surplus</u>
1967: First half	\$160.2	\$148.2	-\$12.0	\$149.8	-\$10.4
Second half	166.9	154.2	- 12.7	156.4	- 10.4
1968: First half	177.5	167.6	- 9.8	168.0	- 9.4
Second half	185.7	183.2	- 2.6	183.4	- 2.4
1969: First half	188.4	199.8	11.4	200.3	11.9
Second half	194.2	201.4	7.2	206.3	12.1
1970: First half	204.3	196.3	- 8.0	209.3	5.0
Second half ^{b/}	210.2	194.4	- 15.8	212.2	2.0
1971: First half ^{b/}	220.0	207.6	- 12.4	225.2	5.2

Source: Commerce, OMB, and CEA

^{a/} These data should be interpreted as general orders of magnitude

^{b/} Projections

NEAR-TERM ECONOMIC PROSPECTS

4. GNP, according to a Commerce Department projection made last month, rose \$14-1/2 billion in the third quarter.

Improvements occurred in the growth of real GNP and in the rate of inflation.

<u>Year-Quarter</u>	<u>\$ increase in GNP (billions)</u>	<u>Percent change in</u>	
		<u>Real GNP</u>	<u>GNP Deflator</u>
		<u>(annual rate)</u>	
1970-1	7.8	-2.9 %	6.4 %
2	11.6	0.6	4.3
3 (projection)	14.5	1.8	4.2

NEAR-TERM ECONOMIC PROSPECTS

5. The U.S. international trade position has responded well to measures of disinflation.

U.S. MERCHANDISE TRADE
(Monthly averages, seasonally adjusted, in millions)

<u>Yr. - Qtr.</u>	<u>Exports</u>	<u>Imports</u>	<u>Surplus</u>
1965	\$2,229	\$1,786	\$444
1966	2,458	2,135	323
1967	2,586	2,241	345
1968	2,839	2,769	70
1969	3,111	3,004	107
1970 - 1	3,437	3,240	198
2	3,640	3,306	334
3 ^a /	3,642	3,303	339

^a/ July-August average.

Source: Department of Commerce

SOME MAJOR PROBLEM AREAS FOR ECONOMIC POLICY

PROBLEM-AREAS FOR ECONOMIC POLICY

1. The cost-price profit situation and outlook, while showing some improvement overall, leave much to be desired. While compensation per man-hour for the whole private non-farm economy is rising less rapidly, no comparable deceleration is evident for newly negotiated labor contracts.

Annual Rates of Increase In Compensation Per Man-Hour and Wages

<u>Yr. - Qtr.</u>	<u>Compensation</u> <u>Per Man-Hour</u> <u>a/</u>	<u>New Bargaining Decisions</u> <u>b/</u> <u>Mfg.</u> <u>Construction</u>
1969 - 1	5.5%	5.3% 6.1%
2	5.8	6.2 13.4
3	7.3	6.5 13.9
4	7.7	6.8 11.7
1970 - 1	6.6	5.5 13.1
2	5.6	6.6 14.6

Source: BLS

a/ In the private nonfarm economy. Seasonally adjusted.

b/ Average yearly increase over life of contracts in major collective bargaining decisions during the quarter.

PROBLEM-AREAS FOR ECONOMIC POLICY

Profitability in the economy tends to be relatively low. A major concern is that our strategy, which relies on general restraint to create markets inhospitable to price increases, will squeeze profits to the point of damaging the capacity of the economy for vigorous expansion.

Corporate Profits After Taxes (Seasonally adjusted annual rates)

<u>Yr. - Qtr.</u>	<u>Amount*</u>	<u>% GNP</u>
1958	\$22.33	4.99%
1961	27.24	5.24
1966	49.94	6.66
1967	46.64	5.87
1968	48.18	5.57
1969	48.54	5.21
1969 - 1	49.50	5.45
2	49.70	5.38
3	47.90	5.08
4	47.10	4.95
1970 - 1	44.60	4.65
2	43.90	4.52

Source: Department of Commerce

* In billions

Reproduced at the Richard Nixon Presidential Library

PROBLEM-AREAS FOR ECONOMIC POLICY

2. We also face a problem of achieving an expansion sufficiently vigorous to regain reasonably full employment by, say, mid-1972.

Growth Required for Full Employment

<u>Item</u>	<u>Percent</u>
Two-years real growth in economy's capacity	8-1/2%
Plus: Present shortfall to make-up	4-1/2
Plus: Unavoidable two-year price slippage	6
Equals: Total needed two-year rise in GNP	<u>19-20%</u>

GNP would, therefore, need to rise from this year's second-quarter rate of \$971 billion to something like a \$1,110 billion rate by the fourth quarter of 1971, and to about \$1,165 billion by the second quarter of 1972.

It is doubtful if this can be attained with our present fiscal and monetary policies.

PROBLEM-AREAS FOR ECONOMIC POLICY

If the money supply continues to increase at the 6 percent rate that has prevailed since February, and the slow decline in the money supply relative to GNP continues (ignoring strike distortions), a GNP of something like \$1,085 billion might be achieved by the end of next year. This would leave unemployment at about 5 percent a year from now.

GNP, the Money Supply, and the Unemployment Rate, with a Continuation of "Present Policy"

(Dollar amounts in billions, seasonally adjusted annual rates)

<u>Year-Quarter</u>	<u>GNP</u>	<u>Money Supply</u>		<u>Unemployment Rate</u>
		<u>Amount</u>	<u>Percent GNP</u>	
1970-1	\$ 960	\$200.6	20.9%	4.2%
2	971	203.6	20.9	4.8
3	985	206.5	20.9	5.2
4	995	209.4	21.0	5.5
1971-1	1,023	212.5	20.8	5.4
2	1,045	215.6	20.6	5.2
3	1,066	218.8	20.5	5.3
4	1,086	222.0	20.4	5.3

Note: GNP starting in third quarter 1970 affected by GM strike, which is assumed to end November 15.

Source: Basic data from Departments of Commerce, Labor, and Federal Reserve. Projections by CEA.

PROBLEM-AREAS FOR ECONOMIC POLICY

Fiscal policy, with the present budget and prospective tax changes, will be less expansionary in FY 1972 than in FY 1971

Key Projected Budget Changes

(In billions, unified budget)

<u>Item</u>	<u>FY 1970 - FY 1971</u>	<u>FY 1971 -FY 1972</u>
Increase in outlays	\$16	\$14
Net reduction in revenue-producing capacity of tax system	<u>4</u>	<u>-</u>
Total	<u>20</u>	<u>14</u>

P O L I C Y Q U E S T I O N S

POLICY QUESTIONS

1. Should the basic objective of economic policy be to regain roughly a 4 percent unemployment rate by mid-1972? This rate of increase might well mean that, after a quiescent period in 1971, the rate of inflation would be rising again.

A path that would assure a more stable price level, however, will leave the unemployment rate in the 5 to 5-1/2 percent zone.

POLICY QUESTIONS

2. There is a substantial measure of agreement that present fiscal and monetary policies will not give us the economic momentum needed in 1971 and early 1972 to bring unemployment back to the 4 percent zone.

- a. Should we alter our budget guidelines for FY 1972?
- b. How should the Administration give expression to any interest it may have about monetary policy?

198
213.6 F.E.
198
-15 212
FY 1972
Depts 232
Parl 214

POLICY QUESTIONS

3. Should the Administration develop a more activist price-cost policy?
 - a. Key speeches could say more. The next "Inflation Alert" (scheduled for mid-November) could articulate more pointedly the basic logic of the relationship between wage increases, productivity, cost and price increases, changes in real wages and incomes, and employment. The next Economic Report could focus more sharply on this issue.
 - b. The Productivity Commission could be given greater scope and impact by an enlarged program and staff.
 - c. The Regulations and Purchasing Review Board could be asked for a tough and comprehensive program of recommended actions. (Almost every item would have political and social sensitivity.)
 - d. The Cabinet Committee on Construction could be reactivated and instructed to bring back comprehensive recommendations for this industry, where wage inflation has been severe. (Again the items will be sensitive.)

AP 10/16/70 Hot Springs, Virginia

There is rising concern among the Nation's industrialists that continuation of the General Motors strike may prevent an otherwise expected upturn of the U.S. economy. Except for the month-end strike by the United Auto Workers, members of the prestigious Business Council say privately that they would look for a business upswing by the end of the year.

About 100 council members, including the heads of scores of the Nation's largest corporations, are in this Virginia resort city for closed meetings with high administration officials. All the members of President Nixon's economic high command are scheduled to participate this weekend.

A widespread effect of the General Motor strike, now beginning to spread its paralysis among supplier industries, was seen as a strong key to the economy's health -- including unemployment.

Council members generally felt the September jobless rate of 5.5% is about as high as unemployment will go, unless the General Motors strike goes on for long.

"If the strike is not settled within a few weeks -- say by Thanksgiving -- I think we will be going down hill by New Years," one manufacturing company president said privately.

A settlement on the other hand, can do much to improve the economic outlook by restoring the confidence of consumers, the business leaders agreed. Buyers are sitting on their pocketbooks because of uncertainty over jobs, prices, and the general state of the economy, the head of one major retailing corporation said. This executive expects an upturn in the next 2-3 months, but the expectation is based on his belief that the present high rate of consumer savings cannot be sustained much longer. The rate averaged 7 1/2% this summer.

"If we could arrive at a situation of stability for a while, with prices holding steady and no more job layoffs, people would stop saving so much and start spending more," a businessman predicted.

A discussion of economic problems was scheduled for Saturday's closed session of the Council, with the Government represented by Cabinet Secretaries Kennedy and Stans, George Shultz, CEA head McCracken and Art Burns of the Federal Reserve Board.

#####

I. My remarks will be confined to two questions.

A. What does the current evidence indicate about the future course of the economy?

B. What are the key areas of concern for economic policy?

II. Evidence available about the outlook.

A. Certainly there are weak aspects of the picture.

1. Unemp. F.R.B.

2. ~~Unemp.~~

2. Leading indicators are far from brilliant.

3. With GM strike, large inflation momentum.

B. GNP data to show a slow improvement.

1. GNP Δ 's, 1970

<u>Qtr</u>	<u>Curr Δ</u>	<u>4Δ</u>	<u>Deflator</u>
1	#7.8	-2.970	6.4
2	10.6	0.6	4.3
3	14.1	1.4	4.4
(x strike) 3x	14-17	2.5	4.1

2. In spite of 2 drags.

a. $V \Delta$ +4.0 Bn

b. Sav. ratio, 7.670, was

Aug 1960's 6.500

C. Economic policies have been more expansionist for some months.

1. Δ M SS

<u>Period</u>	<u>Percent</u>
6/69 - 2/70	0.270
2/70 - 7/70	5.7

2. Fiscal policy also more expansionist.

3. Not quite in the zone where most of these effects would be visible.

III. Key issues for policy.

A. How rapid should these expansions be?

Short-force $4\frac{1}{2}$ %
> Capacity/yr. 4

B. What is a proper strategy to guide fiscal policy?

C. We must get from where we are to a more stable cost-price level.

1. There are some accomplishments.

a. The CPI has decelerated.

b. Cong./M.H. pub. non-farm economy, has been declining.

2. No comparable deceleration in newly negotiated wage settlements.

a. Ligon top side.

b. Hard to make the break a lower par.

UNITED STATES GOVERNMENT

Memorandum

TO : Paul McCracken

DATE: October 16, 1970

FROM : Marvin Kusters *MK*

SUBJECT: Seasonally adjusted State Insured Unemployment Rates

State insured weekly unemployment rates are presented below for the past 10 weeks. The most recent available data are for the week ending October 3.

State Increased Unemployment Rates

<u>Week ending</u>	<u>Not seasonally adjusted</u>	<u>Seasonally adjusted</u>
Aug. 1	3.4	3.9
8	3.3	3.8
15	3.3	3.9
22	3.2	3.9
29	3.1	3.9
Sept. 5	2.9	3.8
12	3.1	4.2
19	2.9	4.0
26	3.0	4.2
Oct. 3	3.1	4.4

Seasonally adjusted rates were computed using unofficial seasonal adjustment factors provided by BLS.



5010-108

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan



FOR RELEASE: A.M. Editions
Tuesday, August 4, 1970

USDL - 11-368
Bureau of Labor Statistics
961-2158

PRODUCTIVITY, WAGES, AND PRICES Second Quarter, 1970

Productivity, as measured by output per man-hour in the private economy, improved markedly in the second quarter, after five quarters of little gain or actual declines, the Labor Department's Bureau of Labor Statistics reported today.

The BLS report--Review of Productivity, Wages, and Prices--shows that output per man-hour increased at an annual rate of 3 percent during the second quarter. Productivity rose because man-hours of work continued to drop sharply, while output leveled off after a decline.

The gain in productivity meant a lessening of the pressure of rising wages on costs. The increase in unit labor costs was about 2 percent at an annual rate, or less than one-third of the average rise last year. The uptrend in hourly compensation also slowed somewhat, reflecting such factors as reduced overtime.

The average size of union contract settlements increased markedly in the second quarter in nonmanufacturing industries, but in manufacturing there was little change from recent quarters.

The rate of rise in prices slowed somewhat in the second quarter, chiefly in agricultural items and industrial crude materials.

U.S. DEPARTMENT OF LABOR
Bureau of Labor Statistics
Washington, D.C. 20212

August 3, 1970

REVIEW OF PRODUCTIVITY, WAGES, AND PRICES

Second Quarter, 1970

Summary

Productivity growth improved markedly in the second quarter, thereby tending to lessen the pressure of rising wages on costs; the increase in unit labor costs was substantially less than in recent quarters. Increases in prices slowed somewhat in the second quarter, although the slackening was much more in agricultural items and industrial crude materials than in manufactured products.

The gain in output per man-hour in the private economy was 3.1 percent at an annual rate in the second quarter--about equal to the postwar average--after five quarters of little change or actual declines. It reflected a leveling off in output while cutbacks in man-hours of work continued sharp. The rate of advance in unit labor costs was 2 percent, or less than one-third of the average increase last year.

Average hourly compensation of persons in the private economy gained by 5.1 percent in the second quarter, somewhat less than in any of the previous five quarters. Rising basic pay scales were offset to a degree by such factors as cutbacks in overtime work and disproportionately heavy layoffs of workers in higher-paid industries. Partly as a result, weekly earnings in the private sector declined rather sharply in terms of real purchasing power in the first two quarters of this year.

The size of union contract settlements increased markedly in the second quarter, but these settlements, of course, affect only a fraction of the work force.

Price rises slackened somewhat in the second quarter. The increase in wholesale prices, seasonally-adjusted, was at an annual rate of only 1 percent, for the smallest advance in two years. Slackening was chiefly in livestock and meats and in industrial crude materials. However, industrial commodities as a whole rose more than in the first quarter because of sharper advances in intermediate materials, particularly steel mill products. The consumer price rise was a little slower than in three of the previous four quarters, mostly in food. The increase in the GNP implicit price deflator was also somewhat smaller than for several quarters past.

Productivity and Unit Labor Costs

Private economy

Output per man-hour in the private economy increased at an annual rate of 3.1 percent in the second quarter--about in line with the postwar average--after five quarters of very small gains or actual declines. (Table 1.) The sharp recovery resulted from a leveling off in output after two quarters of declines, and an unusually large reduction in man-hours of work, at an annual rate of 2.9 percent. This cutback was primarily in employment rather than hours of work.

The rise in unit labor costs slackened in the second quarter to an annual rate of 1.9 percent, compared with increases of 6 to 10 percent for several quarters past. The slowing mostly reflected the marked improvement in productivity; in addition, there was some moderation in the strong uptrend in hourly compensation.

Two additional statistical series related to cost and price movements are presented in this report--the GNP implicit price deflator of the Department of Commerce and unit non-labor payments. (Non-labor payments include profits, depreciation, interest, and indirect taxes--those elements of the price deflator other than labor costs). In the second quarter, the rate of rise in the price deflator slackened only slightly, while the increase in unit labor costs lessened markedly, so that a sizeable rise occurred in unit nonlabor payments, after two quarters of decline. (Tables 1 and 2.)

Manufacturing

Output per man-hour in manufacturing increased at an annual rate of 5.2 percent in the second quarter--the largest gain in more than a year. (Table 3.) Although output again declined at a 4 percent rate, the cutback in man-hours of work was more than 8 percent. Most of the reduction of man-hours in the private economy took place in manufacturing.

With productivity improving sharply and hourly compensation rising at about the same rate as in recent quarters, the increase in unit labor costs in manufacturing slowed sharply to 1.7 percent in the second quarter. This was the smallest advance in several years.

Wages, Salaries, and Benefits

Both average hourly compensation including fringe benefits of persons in the private economy and average hourly earnings of employees in the private nonfarm sector increased somewhat less in the second quarter

than in any quarter of last year. (Table 4.) Two factors were important in this slowing down: The cutbacks in overtime work at premium rates of pay; and the relatively heavier layoffs of workers and cutbacks in working hours in high-paying durable goods lines, thereby reducing the proportion of high-wage hours of work and employment in the total.

Weekly earnings in the private nonfarm economy rose 3.1 percent in the second quarter--about the same as in the first quarter, but less than half the average quarterly rise last year. The slackening reflected both a reduction in hours of work and the slower gain in hourly pay. Weekly earnings in real' terms--adjusted for price increases--have declined for the past three quarters.

Major union collective bargaining settlements were markedly higher in the second quarter. For wages and benefits combined, they averaged 10.9 percent annually over the life of the contract and 17.1 percent in the first year. The increase in size of settlements was mostly in the nonmanufacturing sector. In manufacturing, on the other hand, the size of wage settlements did not increase much from recent quarters. (Table 6.) Current wage agreements, of course, cover only a small proportion of all working people.

Prices

Prices, on a seasonally-adjusted basis, rose a little less on the average in the second quarter this year than in the first, particularly in farm products and foods. The wholesale price rise slowed from an annual rate of 4 percent in the first quarter to 1 percent in the second, the smallest rise in two years. The consumer price rise slackened to a 5.7 percent annual rate in the second quarter, from 6.3 percent in the preceding two quarters. (In July, wholesale price increases of farm products and foods accelerated, but industrial commodity prices rose at about the same rate as in June.)

The slackening in the wholesale rise came largely in crude industrial materials, in addition to farm products and foods. (Table 9.) Some slowing also occurred in producer finished goods and consumer durables. Industrial commodity prices as a whole, however, rose somewhat more in the second quarter than in the first, because of a sharper advance in intermediate materials.

Farm product and food prices actually declined in the second quarter, after seasonal adjustment, mainly in livestock, meats, and poultry and eggs. The drop reflected an increase of supplies, combined with rather slack demand because of a slow growth of wage income. The trend in meat prices this year contrasts sharply with the second quarter a year ago, when a steep rise occurred.

The slowing in crude materials was largely in metals, where supplies have been growing and demand from industry lessening. Rapidly advancing metal prices were a major factor in the industrial price rise last fall and winter. In June, nonferrous metal prices declined for the first time in two years.

In prices of intermediate materials, the acceleration in the second quarter chiefly reflected a significant rise in steel mill products. Other factors included an upturn in industrial chemicals, leather, and plywood, which had declined through most of last year; and a smaller decrease for lumber than in the four preceding quarters. At the end of the second quarter, the industrial price rise appeared to be slackening again.

In consumer prices, the slowing was chiefly in meats, poultry, and eggs. (Table 8) Services also rose significantly less sharply than in the first quarter, largely in public transportation charges and mortgage interest rates. On the other hand, commodities other than food rose more on the average than in the first quarter, mainly in used cars, gasoline, and cigarettes. Used car prices often rise sharply in a period of economic slack, when many buyers purchase used cars instead of new ones.

Table 1. Output per Man-hour, Hourly Compensation, Unit Costs, and Prices
in the Private Economy, Seasonally Adjusted
(Indexes 1957-59=100)

Year and quarter	Output	Man-hours	Output per man-hour	Compensation per man-hour <u>1/</u>	Real compensation per man-hour <u>2/</u>	Unit labor costs	Unit non-labor payments <u>3/</u>	Implicit price deflator <u>4/</u>
1969								
1st . . .	159.0	114.2	139.3	170.0	136.3	122.1	122.8	122.4
2nd . . .	159.8	115.1	138.9	172.4	136.0	124.2	123.2	123.8
3rd . . .	160.9	115.3	139.5	175.9	136.8	126.1	123.6	125.2
4th . . .	160.4	114.8	139.7	179.6	137.8	128.6	123.3	126.6
Annual Ave.	160.0	114.9	139.3	174.5	136.8	125.3	123.2	124.5
1970								
1st . . .	159.2	114.7	138.9	182.6	138.0	131.5	122.7	128.3
2nd . . .	159.3	113.8	139.9	184.9	137.5	132.2	125.2	129.5
<u>Percent Change Over Previous Quarter at Annual Rate ^{5/}</u>								
1969								
1st . . .	2.8	3.4	- 0.5	6.2	1.2	6.7	1.4	4.7
2nd . . .	2.1	3.3	- 1.1	5.9	- 1.0	7.1	1.5	4.9
3rd . . .	2.5	0.9	1.6	8.2	2.3	6.5	1.1	4.5
4th . . .	- 1.0	- 1.8	0.8	8.8	3.0	7.9	- 0.8	4.7
Ann. Ave. ^{6/}	2.9	2.2	0.7	7.2	1.8	6.5	1.2	4.5
1970								
1st . . .	- 3.0	- 0.5	- 2.5	6.8	0.5	9.6	- 2.0	5.3
2nd . . .	0.1	- 2.9	3.1	5.1	- 1.3	1.9	8.2	4.1
<u>Percent Change Over Previous Year</u>								
1970								
2nd quarter <u>7/</u>	- 0.3	- 1.1	0.8	7.2	1.1	6.4	1.6	4.6

See footnotes at end of table 3.

NOTE: Data have been revised to reflect new benchmarks. Revisions of earlier data are shown on appendix table 10.

Table 2. Output per Man-hour, Hourly Compensation, Unit Costs, and Prices
in the Private Nonfarm Sector, Seasonally Adjusted
(Indexes 1957-59=100)

Year and quarter	Output	Man-hours	Output per man-hour	Compensation per man-hour <u>1/</u>	Real compensation per man-hour <u>2/</u>	Unit labor costs	Unit non-labor payments <u>3/</u>	Implicit price deflator <u>4/</u>
1969								
1st . . .	161.1	120.1	134.1	163.9	131.5	122.2	123.0	122.5
2nd . . .	162.4	121.2	134.0	166.2	131.1	124.1	123.0	123.7
3rd . . .	163.4	121.7	134.2	169.2	131.6	126.1	123.5	125.1
4th . . .	163.1	121.4	134.3	172.4	132.2	128.4	123.2	126.4
Annual Ave.	162.5	121.1	134.2	167.9	131.6	125.2	123.2	124.5
1970								
1st . . .	161.9	121.4	133.3	175.1	132.3	131.4	122.0	127.9
2nd . . .	161.9	120.4	134.4	177.5	132.0	132.1	124.7	129.4
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></u>								
1969								
1st . . .	2.6	4.2	- 1.5	5.5	0.5	7.1	1.1	4.8
2nd . . .	3.1	3.6	- 0.4	5.8	- 1.0	6.3	0.0	3.9
3rd . . .	2.5	1.9	0.6	7.3	1.4	6.6	1.5	4.7
4th . . .	- 0.6	- 1.0	0.3	7.7	1.9	7.3	- 1.0	4.3
Ann. Ave. <u>6/</u>	3.0	2.7	0.3	6.7	1.3	6.4	0.8	4.3
1970								
1st . . .	- 2.9	- 0.1	- 2.9	6.6	0.3	9.8	- 3.8	4.8
2nd . . .	- 0.1	- 3.3	3.3	5.6	- 0.9	2.2	9.3	4.6
<u>Percent Change Over Previous Year</u>								
1970								
2nd quarter <u>7/</u>	- 0.3	- 0.6	0.3	6.8	0.7	6.5	1.4	4.6

See footnotes at end of table 3.

NOTE: Data have been revised to reflect new benchmarks.
Revisions of earlier data are shown on appendix
table 10.

Table 3. Output per Man-hour, Hourly Compensation and Unit Labor Costs in the Manufacturing Sector, Seasonally Adjusted, (Indexes 1957-59=100)

Year and quarter	Output <u>8/</u>	Man-hours <u>9/</u>	Output per man-hour <u>9/</u>	Compensation per man-hour <u>9/</u>	Real compensation per man-hour <u>2/</u> , <u>9/</u>	Unit labor costs
1969						
1st . . .	170.8	122.2	139.8	157.8	126.5	112.9
2nd . . .	172.8	123.4	140.0	159.5	125.8	113.9
3rd . . .	173.9	123.4	140.9	162.8	126.6	115.6
4th . . .	170.8	122.5	139.4	165.2	126.7	118.5
Annual Ave.	172.1	122.9	140.0	161.4	126.5	115.2
1970						
1st . . .	168.9	120.6	140.0	167.9	126.8	119.9
2nd . . .	167.2	117.9	141.8	170.7	126.9	120.4
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></u>						
1969						
1st . . .	1.9	0.9	1.4	6.2	1.2	4.7
2nd . . .	4.8	3.8	0.6	4.6	- 2.2	3.6
3rd . . .	2.6	0.1	2.6	8.5	2.5	6.1
4th . . .	- 6.9	- 2.8	- 4.2	5.8	0.1	10.4
Ann. Ave. <u>6/</u>	3.9	1.8	2.1	6.4	0.9	4.2
1970						
1st . . .	- 4.4	- 6.1	1.7	6.7	0.4	4.8
2nd . . .	- 4.0	- 8.7	5.2	7.0	0.4	1.7
<u>Percent Change Over Previous Year</u>						
1970						
2nd quarter <u>7/</u>	- 3.2	- 4.4	1.3	7.0	0.9	5.7

See footnotes at end of table.

NOTE: Data have been revised to reflect new benchmarks. Revisions of earlier data are shown on appendix table 10.

FOOTNOTES, TABLES 1 TO 3

Source: Output data from the Office of Business Economics, U.S. Department of Commerce and the Federal Reserve Board. Compensation and man-hours data from the Bureau of Labor Statistics, U.S. Department of Labor and the Office of Business Economics.

1/ Wages and salaries of employees plus employers' contributions for social insurance and private benefits plans. Also includes an estimate of wages, salaries, and supplemental payments for the self-employed.

2/ Compensation per man-hour adjusted for changes in the Consumer Price Index.

3/ Nonlabor payments include profits, depreciation, interest, rental income and indirect taxes.

4/ Current dollar gross product divided by constant dollar gross product.

5/ Percent change compounded at annual rate from original data.

6/ Percentage change of annual average.

7/ Current quarter divided by comparable quarter a year ago.

8/ Quarterly measures adjusted to annual estimates of output (gross product originating) from the Office of Business Economics, U.S. Department of Commerce.

9/ Employees only.

Table 4. Quarterly trends in compensation, 1968-70
(Computed from seasonally adjusted quarterly data)

Measure	Percent change over previous quarter at annual rate								
	1968				1969			1970	
	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June
Average hourly compensation:									
All persons, total private economy -----	5.9	8.5	8.5	6.1	5.8	8.4	8.7	6.9	5.1
All employees, private nonfarm economy -----	5.7	7.0	8.7	5.5	5.8	7.3	7.7	6.6	5.6
Average hourly earnings, private nonfarm economy <u>1/2/</u> -----	6.9	6.2	6.7	6.5	7.9	6.8	7.1	3.9	6.1
Mining -----	4.1	6.2	6.9	11.3	5.4	7.3	7.6	7.3	4.3
Contract construction -----	5.1	7.2	7.8	6.3	12.8	9.0	10.9	8.0	7.7
Manufacturing -----	6.5	5.5	7.2	4.9	6.0	7.8	5.1	3.4	6.2
Excluding effects of overtime and interindustry employment shifts ---	6.0	5.6	6.4	5.4	5.7	6.7	6.0	5.7	NA
Wholesale and retail trade -----	7.6	6.9	6.2	5.5	5.6	8.2	7.3	5.3	4.6
Finance, insurance, and real estate -----	8.8	9.1	6.9	7.7	1.8	5.2	7.0	5.9	<u>3/</u>
Average hourly earnings, all Federal executive branch employees <u>4/</u> -----	.4	2.0	4.5	1.0	2.6	4.7	3.8	1.9	NA
Average union scales, building construction:									
Wages and selected benefits -----	10.7	12.0	10.9	7.0	14.8	10.0	5.8	5.7	25.6
Hourly wage rates -----	7.4	9.8	10.4	7.0	12.4	8.9	5.8	5.7	22.8
Wage rates, hired farm labor -----	11.8	20.8	2.7	5.3	8.0	10.5	2.5	-2.5	10.2
Average weekly earnings, private nonfarm economy: <u>1/</u>									
Current dollars -----	6.1	7.4	4.7	6.4	8.3	6.1	5.4	2.9	3.1
1957-59 dollars -----	2.2	2.8	-.6	1.0	1.5	.8	-.5	-4.1	-2.6
Real spendable earnings (worker and 3 dependents 1957-59 dollars) -----	.5	2.0	-1.7	-1.4	-.6	<u>3/</u>	-1.3	-1.0	-2.7

1/ Production and nonsupervisory workers.

2/ Includes industries not shown separately.

3/ Less than 0.05 percent.

4/ Computed from data that are not seasonally adjusted. Actual percent change rather than annual rate of change is shown where change is affected by a general salary adjustment.

TE: Data for most recent quarter are preliminary. NA indicates data are not available.

Table 5. Annual trends in compensation, 1968-70
(Computed from seasonally adjusted quarterly data)

Measure	Percent change over 4-quarter period 1/ ending in --								
	1968				1969			1970	
	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June
Average hourly compensation:									
All persons, total private economy -----	6.9	7.7	8.6	7.3	7.2	7.2	7.2	7.4	7.3
All employees, private nonfarm economy -----	7.0	7.2	8.0	6.7	6.7	6.8	6.6	6.8	6.8
Average hourly earnings, private nonfarm economy <u>2/3/</u> -----	6.4	6.4	7.0	6.6	6.8	7.0	7.1	6.4	6.0
Mining -----	4.6	4.8	6.4	7.1	7.4	7.7	7.9	6.9	6.6
Contract construction -----	7.3	6.9	7.1	6.6	8.5	9.0	9.7	10.2	8.9
Manufacturing -----	6.4	6.5	7.1	6.0	5.9	6.5	5.9	5.6	5.6
Excluding effects of overtime and interindustry employment shifts -----	6.0	6.2	6.5	5.9	5.8	6.1	6.0	6.0	NA
Wholesale and retail trade -----	6.9	7.2	7.4	6.5	6.0	6.4	6.6	6.6	6.3
Finance, insurance, and real estate -----	6.0	6.9	7.2	8.1	6.4	5.4	5.4	5.0	4.5
Average hourly earnings, all Federal executive branch employees <u>4/</u> -----	6.3	9.1	6.2	6.9	7.5	10.4	9.6	9.9	NA
Average union scales building construction:									
Wages and selected benefits -----	5.9	7.5	9.7	10.1	11.1	10.6	9.3	9.0	11.8
Hourly wage rates -----	4.8	6.1	7.9	8.7	9.9	9.7	8.5	8.1	10.8
Wage rates, hired farm labor -----	6.6	9.4	10.9	9.9	9.0	6.6	6.5	4.5	5.1
Average weekly earnings, private nonfarm economy: <u>2/</u>									
Current dollars -----	6.1	6.1	6.3	6.2	6.7	6.4	6.6	5.7	4.4
1957-59 dollars -----	1.8	1.7	1.6	1.3	1.2	.7	.7	-.6	-1.6
Real spendable earnings (worker and 3 dependents 1957-59 dollars) -----	.9	.7	.4	-.2	-.2	-.7	-.6	-.4	-1.3

1/ Current quarter divided by comparable quarter a year earlier.

2/ Production and nonsupervisory workers.

3/ Includes industries not shown separately.

4/ Computed from data that are not seasonally adjusted.

NOTE: Data for June 1970 are preliminary. NA indicates data are not available.

Table 6. Wage and benefit decisions, individual quarters, 1968-70 1/
(mean adjustments)

Measure	Average percent change at annual rate in decisions during quarter ending in--									
	1968				1969				1970	
	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June
Major collective bargaining situations <u>2/--</u>										
Wage and benefit changes:										
Over life of contract -----	6.1	6.8	6.5	6.4	6.7	10.3	7.8	9.0	8.0	10.9
First-year adjustment -----	9.0	8.5	8.5	9.0	8.9	12.9	11.6	13.3	10.9	17.1
Wage-rate changes in--										
All industries:										
Over life of contract -----	5.6	6.0	5.8	6.1	6.1	8.7	7.8	7.5	7.7	10.6
First-year adjustment -----	7.1	7.4	7.4	7.5	7.6	9.8	9.9	10.3	10.2	15.4
Manufacturing:										
Over life of contract -----	5.1	5.7	5.0	5.4	5.3	6.2	6.5	6.8	5.5	6.6
First-year adjustment -----	6.7	7.6	7.0	6.7	6.4	8.4	8.7	8.2	8.2	8.4
Nonmanufacturing:										
Over life of contract -----	6.3	6.2	6.9	7.1	7.1	10.6	9.8	8.5	10.7	11.8
First-year adjustment -----	7.6	7.3	8.1	8.9	9.2	10.7	11.8	12.8	12.8	17.4
Construction:										
Over life of contract -----	7.3	8.1	10.2	9.0	6.1	13.4	13.9	11.7	13.1	14.6
First-year adjustment -----	8.6	8.2	10.0	9.3	7.6	12.8	14.8	13.2	15.5	18.2
Wage increases in manufacturing <u>3/</u> :										
All establishments -----	NA	NA	NA	NA	6.2	6.9	7.1	7.4	6.6	NA
Union establishments -----	NA	NA	NA	NA	6.7	7.6	7.9	7.5	7.6	NA
Nonunion establishments -----	NA	NA	NA	NA	5.5	5.8	6.2	7.2	5.2	NA

1/ Data exclude possible adjustments in wages under cost-of-living escalator clauses (except increases guaranteed by the contract).

2/ Limited to private industry settlements affecting 1,000 workers or more (5,000 for wages and benefits combined).

3/ Averages are limited to establishments in which there were decisions to make general wage rate increases. Averages for major collective bargaining situations include, in addition to units deciding on general wage increases, units agreeing to reduce wages or to leave wages unchanged.

NOTE: Data for 1970 are preliminary. NA indicates data are not available.

Table 7. Wage and benefit decisions, annual periods, 1968-70 1/
(mean adjustments)

Measure	Average percent change at annual rate in decisions during 4 quarters ending in--									
	1968				1969				1970	
	March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June
Major collective bargaining situations <u>2/--</u>										
Wage and benefit changes:										
Over life of contract -----	5.3	6.0	6.2	6.5	6.6	7.2	7.8	8.2	8.8	9.4
First-year adjustment -----	8.0	8.7	8.7	8.7	8.6	9.5	10.4	10.9	11.8	14.0
Wage-rate changes in--										
All industries:										
Over life of contract -----	NA	NA	NA	5.9	6.0	6.6	7.3	7.6	8.1	8.9
First-year adjustment -----	NA	NA	NA	7.4	7.5	8.1	8.8	9.2	10.0	12.3
Manufacturing:										
Over life of contract -----	NA	NA	NA	5.2	5.3	5.4	5.8	6.0	6.2	6.3
First-year adjustment -----	NA	NA	NA	7.0	7.0	7.1	7.5	7.9	8.4	8.4
Nonmanufacturing:										
Over life of contract -----	NA	NA	NA	6.5	6.6	8.2	9.0	9.3	10.2	11.0
First-year adjustment -----	NA	NA	NA	7.8	8.0	9.3	10.2	10.8	11.6	15.2
Construction:										
Over life of contract -----	NA	NA	NA	8.6	8.6	12.1	13.1	13.1	13.4	13.9
First-year adjustment -----	NA	NA	NA	8.7	8.7	11.8	12.9	13.1	13.8	16.5
Wage increases in manufacturing <u>3/:</u>										
All establishments -----	NA	NA	NA	6.2	NA	NA	NA	6.8	7.0	NA
Union establishments -----	NA	NA	NA	6.5	NA	NA	NA	7.4	7.7	NA
Nonunion establishments -----	NA	NA	NA	5.8	NA	NA	NA	6.1	6.3	NA

1/ Data exclude possible adjustments in wages under cost-of-living escalator clauses (except increases guaranteed by the contract).

2/ Limited to private industry settlements affecting 1,000 workers or more (5,000 for wages and benefits combined).

3/ Averages are limited to establishments in which there were decisions to make general wage rate increases. Averages for major collective bargaining situations include, in addition to units deciding on general wage increases, units agreeing to reduce wages or to leave wages unchanged.

NOTE: Data for 1970 are preliminary. NA indicates data are not available.

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Table 8. Consumer Price Indexes for Selected Commodities and Services
Quarterly Percent Changes

Consumer Price Indexes	Quarter ending--					June '69 to June '70
	1969			1970		
	June	Sept.	Dec.	Mar.	June	
<u>Seasonally adjusted</u>						
All items	1.5	1.3	1.5	1.5	1.4	6.0
All commodities	1.4	1.0	1.5	0.9	1.3	8.2
Food	2.0	1.5	2.5	1.3	0.3	4.7
Nondurables less food	1.2	0.9	1.0	0.6	1.2	5.7
Durables	0.2	0.5	1.2	0.7	2.0	8.1
<u>Not seasonally adjusted</u>						
All items	1.6	1.3	1.5	1.4	1.5	6.0
Services	1.7	1.9	1.6	2.7	1.8	8.2
All commodities	1.5	1.0	1.6	0.7	1.4	4.7
Food	2.5	1.6	1.9	1.3	0.8	5.7
Food away from home	1.7	2.1	2.2	1.7	1.9	8.1
Food at home	2.8	1.5	1.8	1.3	0.5	5.1
Meats	8.7	2.8	-1.4	2.6	-0.2	3.9
Beef and veal	10.9	0.3	-3.3	2.3	1.3	0.5
Pork	8.3	6.0	-0.3	3.5	-2.5	6.6
Chicken, frying	3.8	4.6	-5.7	-1.2	-0.8	-3.3
All dairy products	0.8	1.2	1.7	1.4	0.6	5.0
Milk, grocery	0.5	1.2	1.8	1.4	-0.4	4.1
Cheese	2.9	1.6	2.4	2.6	0.6	7.4
Fruits and vegetables	2.5	-3.1	4.2	0.8	4.7	6.6
Fresh fruits and vegetables	3.8	-5.3	6.8	1.1	7.0	9.5
Processed fruits and vegetables	0.4	0.5	0.2	0.2	1.1	2.0
Cereals and bakery products	0.7	0.8	1.5	1.7	0.9	5.1
Bread, white	-0.2	1.3	1.8	1.8	0	4.9
Eggs	-14.7	23.0	23.6	-12.8	-25.0	-0.6
Nonalcoholic beverages	0.9	0.3	3.6	4.6	3.6	12.7
<u>Durable Commodities</u>						
New cars	-0.6	-2.3	5.4	-0.5	-0.6	2.0
Household durables	1.3	0.4	0.3	0.8	0.7	2.3
<u>Nondurables less food</u>						
Apparel less footwear	1.3	1.1	1.0	0.3	1.3	3.8
Women's and girls'	1.7	1.3	1.8	-0.6	1.3	3.7
Men's and boys'	1.7	1.5	2.1	-1.5	1.2	3.3
Footwear	1.7	1.2	1.5	0.2	1.4	4.4
Fuel oil and coal	1.8	1.6	1.5	1.3	1.0	5.4
	0.3	0.5	0.9	1.3	0.3	3.1
<u>Services</u>						
Rent	1.7	1.9	1.6	2.7	1.8	8.2
Insurance and finance	0.9	1.0	1.1	1.1	0.9	4.1
Utilities and public transportation	2.6	2.9	3.0	5.1	2.4	13.9
Housekeeping and home maintenance	0.7	0.6	1.3	2.7	0.8	5.5
Medical care	2.3	2.7	2.0	1.7	1.7	8.4
	2.0	1.8	0.3	2.4	2.0	6.8

Table 9. Wholesale Price Indexes for Selected Industrial Commodities
Quarterly Percent Changes

Wholesale Price Indexes	Quarter ending--			
	1970		1969	
	Mar. June		June Sept. Dec.	
	June '69 to June '70			
Seasonally adjusted WPI, All Commodities	3.4	0.2	1.5	0.6
Farm products	0.1	-4.0	3.2	-0.3
Processed food and feeds	2.8	-1.6	2.1	0.2
Industrial commodities	4.0	1.1	1.0	0.5
Crude materials except food	8.4	1.5	3.2	3.6
Intermediate materials except food	4.2	1.6	1.1	0.9
Finished goods:				
Consumer nondurables except food	3.1	0.7	0.5	1.1
Consumer durables	2.4	0.6	0.8	0.3
Producers' goods	4.7	0.8	1.4	1.3
Not seasonally adjusted WPI, all commodities	1.3	1.3	0.4	1.3
Textile products and apparel	0.1	0.3	0.2	0.1
Cotton products	-0.1	-0.3	0.2	1.3
Wool products	0.8	0.1	-0.6	0
Manmade fiber products	0.7	-0.8	-0.1	-0.7
Apparel	0.4	0.9	0.6	2.6
Hides, skins, leather, and products	1.9	0.2	-1.4	2.0
Hides and skins	7.6	-5.5	-8.7	9.6
Leather	4.4	-1.3	-1.7	0.2
Footwear	0.6	0.7	0.1	2.0
Fuels, related products, and power	0.8	0.2	1.4	-0.3
Crude petroleum	0.8	0	0	0
Refined petroleum	1.6	-1.4	0.4	-1.5
Chemicals and allied products	0.2	0.5	-0.1	0.6
Industrial chemicals	-0.9	-0.5	-0.4	1.2
Agricultural chemicals and products	-0.3	-0.2	-0.8	-5.1
Rubber and rubber products	0.3	-0.1	1.7	1.5
Crude rubber	0.9	-0.9	-2.8	1.0
Tires and tubes	2.5	0	3.0	2.5
Lumber and wood products	-13.2	-2.4	-0.6	-5.1
Lumber	-13.5	-0.3	-1.0	-9.0
Millwork	5.6	0.3	-2.0	-1.2
Plywood	-35.9	4.2	2.6	0.2
Pulp, paper, and products	0.8	0.1	0.6	0.5
Paper	0.8	0.1	0.8	-0.4
Converted paper and paperboard	1.0	0.6	1.0	1.0
Metal and metal products	1.8	1.7	3.2	1.8
Iron and steel	1.4	2.1	0.7	2.6
Nonferrous metals	4.3	2.2	4.6	5.9
Machinery and equipment	0.7	1.0	1.7	1.1
Non-electrical machinery	0.9	0.8	2.2	1.2
Electrical machinery	0.5	0.9	0.8	0.7
Furniture and household durables	0.2	0.5	0.8	0.5
Household furniture	0.8	0.6	0.5	0.6
Floor covering	-1.8	-0.9	-0.1	-0.6
Household appliances	0.1	0.2	0.6	0.1
Nonmetallic mineral products	0.8	0.5	0.9	0.6
Concrete ingredients	0.3	1.2	0.2	0.5
Concrete products	0.4	1.0	0.9	1.4
Transportation equipment	0.3	0.1	2.7	-0.3
Passenger cars, new	0	0.5	3.2	-1.0
Railroad equipment	1.5	0.5	1.1	2.3
Miscellaneous products	2.3	2.8	0.5	1.1
Tobacco products	5.6	6.6	0.2	0.5

Appendix Table 10.
Revised Indexes of Output per Man-hour, Hourly Compensation
and Unit Labor Costs, 1969 (Indexes 1957-59=100)

Seasonally Adjusted						
Year and quarter	Output	Man-hours	Output per man-hour	Compensation per man-hour <u>1/</u>	Real compensation per man-hour <u>2/</u>	Unit labor costs
<u>Total Private</u>						
1968						
1st . . .	152.4	111.3	136.9	158.5	133.3	115.8
2nd . . .	155.1	112.3	138.1	160.8	133.7	116.5
3rd . . .	156.7	112.9	138.8	164.1	134.7	118.2
4th . . .	157.9	113.2	139.5	167.5	135.9	120.1
Annual Ave.	155.5	112.4	138.3	162.8	134.4	117.7
1969						
1st . . .	159.0	114.2	139.3	170.0	136.3	122.1
2nd . . .	159.8	115.1	138.9	172.4	136.0	124.2
3rd . . .	160.9	115.3	139.5	175.9	136.8	126.1
4th . . .	160.4	114.8	139.7	179.6	137.8	128.6
Annual Ave.	160.0	114.9	139.3	174.5	136.8	125.3
<u>Private Nonfarm</u>						
1968						
1st . . .	154.3	116.5	132.4	153.6	129.2	116.0
2nd . . .	157.4	117.7	133.7	155.7	129.5	116.5
3rd . . .	159.0	118.5	134.2	158.4	130.1	118.1
4th . . .	160.1	118.9	134.6	161.7	131.3	120.2
Annual Ave.	157.7	117.9	133.7	157.4	130.0	117.7
1969						
1st . . .	161.1	120.1	134.1	163.9	131.5	122.2
2nd . . .	162.4	121.2	134.0	166.2	131.1	124.1
3rd . . .	163.4	121.7	134.2	169.2	131.6	126.1
4th . . .	163.1	121.4	134.3	172.4	132.2	128.4
Annual Ave.	162.5	121.1	134.2	167.9	131.6	125.2
<u>Manufacturing 8/, 9/</u>						
1968						
1st . . .	161.2	119.4	135.0	148.3	124.8	109.9
2nd . . .	164.5	120.4	136.6	150.3	125.0	110.0
3rd . . .	166.6	121.2	137.5	152.7	125.4	111.1
4th . . .	170.0	122.0	139.3	155.4	126.2	111.6
Annual Ave.	165.6	120.7	137.1	151.7	125.3	110.6
1969						
1st . . .	170.8	122.2	139.8	157.8	126.5	112.9
2nd . . .	172.8	123.4	140.0	159.5	125.8	113.9
3rd . . .	173.9	123.4	140.9	162.8	126.6	115.6
4th . . .	170.8	122.5	139.4	165.2	126.7	118.5
Annual Ave.	172.1	122.9	140.0	161.4	126.5	115.2

See footnotes at end of table 3.

STATISTICS UNIT
BUREAU OF ECONOMIC ANALYSIS

MONETARY TRENDS

18 SEP 1970

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

MONTH ENDING: August 31, 1970

RELEASED: September 16, 1970

The money stock increased at a 7 per cent annual rate from February to August. From the first quarter to the three months ending in August this magnitude rose at a 5 per cent rate. In contrast, growth was at a 1.6 per cent rate from January 1969 to February 1970.

Other monetary aggregates increased rapidly from February to August. Federal Reserve credit increased at a 7 per cent rate, total member bank reserves at a 6.4 per cent rate, and the monetary base at a 7.2 per cent rate. Growth rates of several monetary aggregates are compared for three recent periods in the table at the bottom of this page.

Time deposits at commercial banks have grown rapidly since February reflecting two relaxations of Regulation Q ceilings, and falling short-term market interest rates. These deposits increased at a 15 per cent annual rate from February to June and even more rapidly at a 37 per cent rate from June to August. This latter period of rapid growth followed the second change in Regulation Q, effective June 24, which suspended ceilings on some large CD's.

Short-term market interest rates fell in August continuing the over-all decline since January. Yields on 4- to 6-month commercial paper have declined from 9 per cent for the week ending January 2 to 7.4 per cent for the week ending September 11. Over the same period, bankers' acceptances declined from 8.75 per cent to 7.13 per cent and the three-month Treasury bill rate from 8 per cent to 6.40 per cent. Most of the decline of these bill rates occurred in the first quarter and have changed little on balance over the past 5 months.

Yields on the highest-grade corporate bonds for the week ending September 11 were 8.13 per cent and were generally steady during August after falling about 1/2 percentage point in July. On balance, yields on these bonds are still slightly higher than at the beginning of the year.

Growth of Selected Monetary Aggregates (Annual Rates of Change)

	Jan. 1967 to Jan. 1969	Jan. 1969 to Feb. 1970	Feb. 1970 to Aug. 1970
Federal Reserve Credit	10.3	2.7	7.0
Total Member Bank Reserves	8.8	-1.4*	6.4
Monetary Base	6.4	2.8	7.2
Money Stock	7.3	1.6	7.0
Demand Deposit Component	7.5	0.4	6.6
Currency Component	6.3	6.1	7.9
Time Deposits	12.3	-5.1	21.6
Bank Credit	10.9	1.5	9.8

* Data are not completely comparable due to changes in Regulations M and D effective October 16, 1969.

MONEY STOCK
COMPOUNDED ANNUAL RATES OF CHANGE

TERMINAL MONTH	INITIAL MONTH																			BILLIONS OF DOLLARS
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70	7-70	
2-69	3.1																			196.3
3-69	3.1	3.1																		196.8
4-69	4.8	5.6	8.2																	198.1
5-69	3.9	4.1	4.7	1.2																198.3
6-69	4.0	4.2	4.5	2.8	4.3															199.0
7-69	3.6	3.7	3.9	2.4	3.1	1.8														199.3
8-69	2.8	2.8	2.7	1.4	1.4	0.0	-1.8													199.0
9-69	2.5	2.4	2.2	1.1	1.1	0.0	-0.9	0.0												199.0
10-69	2.3	2.1	2.0	1.0	1.0	0.2	-0.4	0.3	0.6											199.1
11-69	2.1	2.0	1.9	1.0	1.0	0.4	0.0	0.6	0.9	1.2										199.3
12-69	2.1	2.0	1.9	1.1	1.1	0.6	0.4	0.9	1.2	1.5	1.8									199.6
1-70	2.7	2.7	2.6	2.0	2.1	1.8	1.8	2.6	3.2	4.1	5.5	9.4								201.1
2-70	1.6	1.5	1.4	0.7	0.7	0.2	0.0	0.3	0.4	0.3	0.0	-0.9	-10.2							199.3
3-70	2.5	2.4	2.4	1.9	1.9	1.7	1.7	2.2	2.5	2.9	3.3	3.9	1.2	14.1						201.5
4-70	3.1	3.0	3.0	2.6	2.8	2.6	2.7	3.3	3.7	4.3	4.9	5.7	4.4	12.7	11.3					203.3
5-70	3.1	3.1	3.1	2.7	2.8	2.7	2.8	3.3	3.7	4.2	4.7	5.2	4.2	9.6	7.4	3.6				203.9
6-70	2.8	2.8	2.8	2.4	2.5	2.3	2.4	2.8	3.1	3.4	3.7	4.0	3.0	6.6	4.2	0.9	-1.8			203.6
7-70	2.9	2.9	2.8	2.5	2.6	2.5	2.5	2.9	3.2	3.5	3.8	4.1	3.2	6.1	4.2	2.0	1.2	4.2		204.3
8-70	3.3	3.3	3.3	3.1	3.2	3.1	3.2	3.6	4.0	4.3	4.6	5.0	4.4	7.0	5.7	4.3	4.6	7.9	11.7	206.2
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70	7-70	
	INITIAL MONTH																			

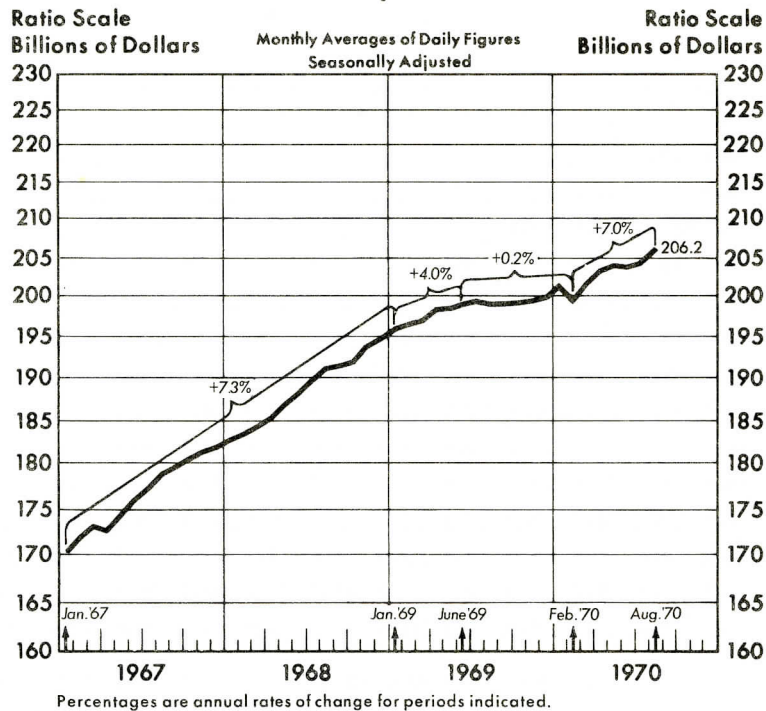
PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS
SEPTEMBER 11, 1970

DEMAND DEPOSIT COMPONENT OF MONEY
COMPOUNDED ANNUAL RATES OF CHANGE

TERMINAL MONTH	INITIAL MONTH																		BILLIONS OF DOLLARS	
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70		7-70
2-69	1.6																			152.5
3-69	1.2	0.8																		152.6
4-69	4.5	6.0	11.6																	154.0
5-69	3.0	3.5	4.8	-1.5																153.8
6-69	3.0	3.4	4.3	0.8	3.2															154.2
7-69	2.8	3.0	3.6	1.0	2.4	1.6														154.4
8-69	1.7	1.7	1.9	-0.4	0.0	-1.5	-4.6													153.8
9-69	1.4	1.4	1.4	-0.5	-0.2	-1.3	-2.7	-0.8												153.7
10-69	1.1	1.1	1.1	-0.5	-0.3	-1.2	-2.1	-0.8	-0.8											153.6
11-69	0.9	0.8	0.8	-0.7	-0.5	-1.2	-1.9	-1.0	-1.2	-1.6										153.4
12-69	1.0	0.9	1.0	-0.3	-0.1	-0.6	-1.1	-0.2	0.0	0.4	2.4									153.7
1-70	1.8	1.8	1.9	0.9	1.2	0.9	0.8	1.9	2.6	3.7	6.4	10.6								155.0
2-70	0.4	0.3	0.3	-0.8	-0.7	-1.2	-1.5	-1.0	-1.1	-1.2	-1.0	-2.7	-14.4							153.0
3-70	1.4	1.4	1.4	0.6	0.8	0.5	0.4	1.1	1.4	1.9	2.8	2.9	-0.8	15.1						154.8
4-70	2.0	2.1	2.2	1.4	1.7	1.6	1.6	2.3	2.8	3.4	4.4	5.0	3.1	13.2	11.4					156.2
5-70	1.9	1.9	2.0	1.3	1.6	1.4	1.4	2.1	2.4	2.9	3.7	3.9	2.3	8.6	5.6	0.0				156.2
6-70	1.7	1.7	1.7	1.1	1.3	1.1	1.1	1.6	1.9	2.3	2.8	2.9	1.4	5.8	2.9	-1.1	-2.3			155.9
7-70	1.7	1.7	1.8	1.1	1.3	1.2	1.2	1.7	2.0	2.3	2.8	2.8	1.6	5.1	2.7	0.0	0.0	2.3		156.2
8-70	2.3	2.4	2.5	1.9	2.2	2.1	2.2	2.7	3.1	3.4	4.0	4.2	3.3	6.6	5.0	3.5	4.7	8.4	14.7	158.0
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70	7-70	
	INITIAL MONTH																			

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SEPTEMBER 11, 1970

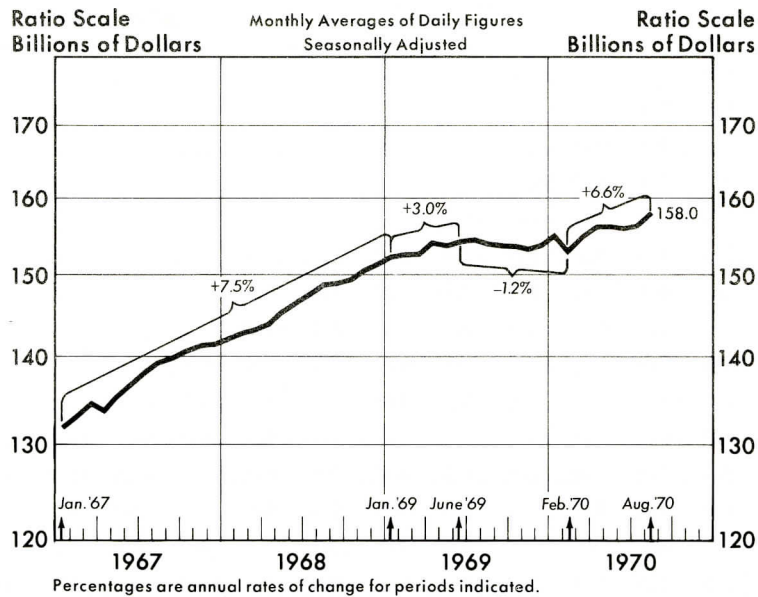
Money Stock



Latest data plotted: August

Prepared by Federal Reserve Bank of St. Louis

Demand Deposit Component of Money Stock



Latest data plotted: August

Prepared by Federal Reserve Bank of St. Louis

4
TIME DEPOSITS
COMPOUNDED ANNUAL RATES OF CHANGE

TERMINAL MONTH	INITIAL MONTH																			BILLIONS OF DOLLARS
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70	7-70	
2-69	-4.6																			202.4
3-69	-2.6	-0.6																		202.3
4-69	-1.8	-0.3	0.0																	202.3
5-69	-2.2	-1.4	-1.8	-3.5																201.7
6-69	-2.8	-2.4	-2.9	-4.4	-5.2															200.8
7-69	-5.3	-5.5	-6.7	-8.8	-11.3	-17.0														197.7
8-69	-7.2	-7.7	-9.0	-11.1	-13.5	-17.4	-17.8													194.5
9-69	-6.6	-6.9	-7.9	-9.5	-10.9	-12.7	-10.4	-2.4												194.1
10-69	-6.3	-6.5	-7.3	-8.5	-9.5	-10.5	-8.2	-3.0	-3.6											193.5
11-69	-5.8	-5.9	-6.5	-7.4	-8.1	-8.6	-6.4	-2.2	-2.1	-0.6										193.4
12-69	-4.9	-4.9	-5.4	-6.0	-6.4	-6.6	-4.3	-0.6	0.0	1.9	4.4									194.1
1-70	-5.5	-5.5	-6.0	-6.7	-7.1	-7.3	-5.6	-2.9	-3.1	-2.9	-4.0	-11.7								192.1
2-70	-5.1	-5.1	-5.5	-6.1	-6.4	-6.5	-4.9	-2.6	-2.6	-2.3	-2.9	-6.3	-0.6							192.0
3-70	-3.8	-3.7	-4.0	-4.3	-4.4	-4.3	-2.6	-0.2	0.2	1.0	1.4	0.4	7.1	15.4						194.3
4-70	-2.1	-1.9	-2.0	-2.2	-2.1	-1.7	0.1	2.6	3.4	4.6	5.7	6.0	12.6	19.9	24.6					197.9
5-70	-1.3	-1.1	-1.1	-1.2	-1.0	-0.7	1.2	3.5	4.3	5.5	6.5	6.9	12.2	16.8	17.5	10.8				199.6
6-70	-0.8	-0.5	-0.5	-0.6	-0.3	0.1	1.8	4.0	4.8	5.9	6.8	7.2	11.5	14.7	14.5	9.8	8.7			201.0
7-70	1.2	1.6	1.7	1.8	2.2	2.8	4.7	7.0	8.0	9.3	10.7	11.6	16.0	19.6	20.7	19.5	24.1	41.5		206.9
8-70	2.6	3.0	3.3	3.5	3.9	4.6	6.5	8.8	9.9	11.4	12.8	13.9	18.1	21.6	22.9	22.4	26.5	36.5	31.7	211.7
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70	7-70	
	INITIAL MONTH																			

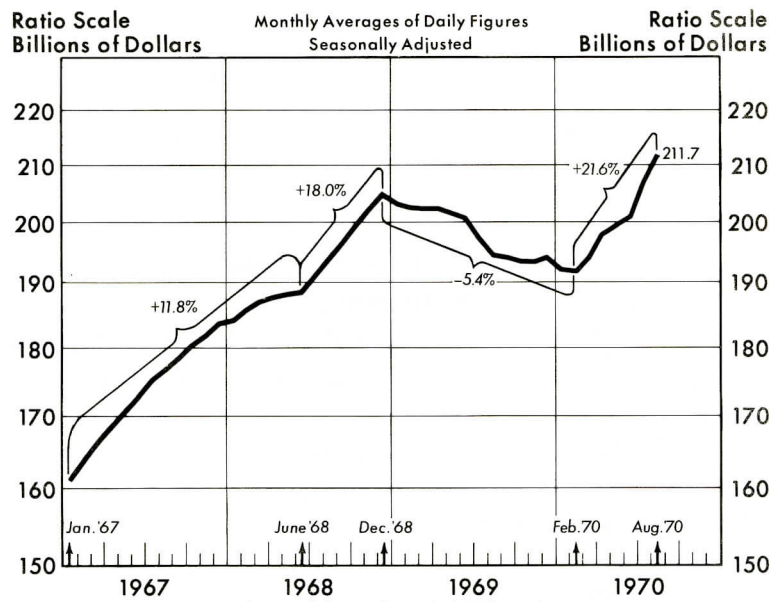
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SEPTEMBER 11, 1970

MONEY STOCK PLUS TIME DEPOSITS
COMPOUNDED ANNUAL RATES OF CHANGE

TERMINAL MONTH	INITIAL MONTH																		BILLIONS OF DOLLARS	
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70		7-70
2-69	-0.9																			398.7
3-69	0.2	1.2																		399.1
4-69	1.4	2.6	4.0																	400.4
5-69	0.8	1.3	1.4	-1.2																400.0
6-69	0.5	0.8	0.7	-0.9	-0.6															399.8
7-69	-1.0	-1.0	-1.6	-3.4	-4.4	-8.1														397.0
8-69	-2.4	-2.6	-3.3	-5.1	-6.3	-9.1	-10.1													393.5
9-69	-2.2	-2.4	-3.0	-4.3	-5.1	-6.5	-5.8	-1.2												393.1
10-69	-2.1	-2.3	-2.8	-3.9	-4.4	-5.3	-4.4	-1.4	-1.5											392.6
11-69	-1.9	-2.0	-2.4	-3.3	-3.6	-4.2	-3.2	-0.8	-0.6	0.3										392.7
12-69	-1.4	-1.5	-1.8	-2.5	-2.7	-3.0	-2.0	0.2	0.6	1.7	3.1									393.7
1-70	-1.5	-1.5	-1.8	-2.4	-2.5	-2.8	-1.9	-0.2	0.1	0.6	0.8	-1.5								393.2
2-70	-1.8	-1.9	-2.1	-2.7	-2.9	-3.2	-2.4	-1.1	-1.1	-1.0	-1.4	-3.6	-5.6							391.3
3-70	-0.7	-0.7	-0.8	-1.3	-1.3	-1.3	-0.5	1.0	1.4	2.0	2.4	2.2	4.0	14.7						395.8
4-70	0.4	0.5	0.5	0.2	0.3	0.4	1.4	2.9	3.6	4.4	5.3	5.8	8.4	16.2	17.7					401.2
5-70	0.8	1.0	0.9	0.7	0.9	1.0	2.0	3.4	4.0	4.8	5.6	6.1	8.1	13.1	12.3	7.1				403.5
6-70	1.0	1.1	1.1	0.9	1.1	1.2	2.1	3.4	3.9	4.6	5.3	5.6	7.1	10.5	9.2	5.2	3.3			404.6
7-70	2.0	2.2	2.3	2.2	2.4	2.6	3.6	4.9	5.6	6.4	7.1	7.7	9.4	12.6	12.1	10.3	12.0	21.4		411.2
8-70	3.0	3.2	3.3	3.3	3.6	3.9	4.8	6.2	6.9	7.8	8.6	9.4	11.0	14.1	13.9	13.0	15.1	21.4	21.4	417.9
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70	7-70	
	INITIAL MONTH																			

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS
SEPTEMBER 11, 1970

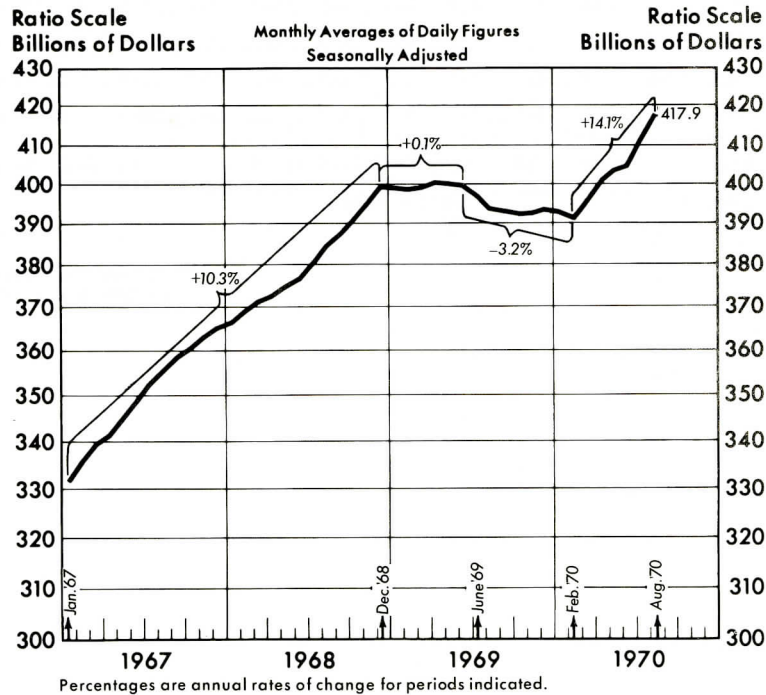
Time Deposits



Latest data plotted: August

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Money Stock Plus Time Deposits



Latest data plotted: August

Prepared by Federal Reserve Bank of St. Louis

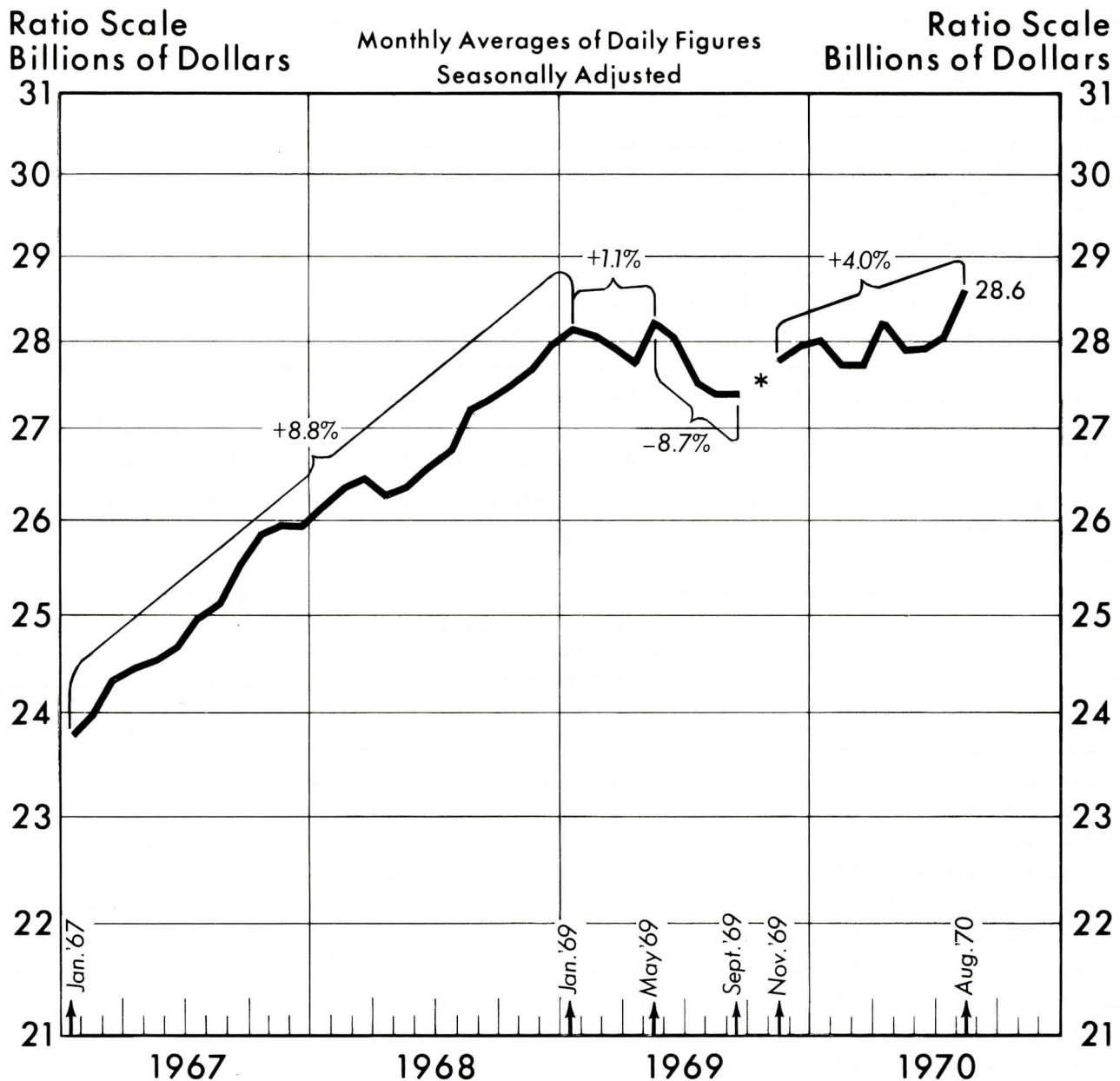
TOTAL RESERVES
COMPOUNDED ANNUAL RATES OF CHANGE

TERMINAL MONTH	INITIAL MONTH																			BILLIONS OF DOLLARS
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70	7-70	
2-69	-3.4																			28.06
3-69	-3.6	-3.8																		27.97
4-69	-5.0	-5.8	-7.9																	27.78
5-69	1.1	2.6	5.9	21.8																28.24
6-69	-0.7	0.0	1.3	6.2	-7.4															28.06
7-69	-4.3	-4.5	-4.6	-3.6	-14.2	-20.5														27.53
8-69	-4.5	-4.6	-4.8	-4.0	-11.4	-13.3	-5.5													27.40
9-69	-3.9	-4.0	-4.0	-3.3	-8.7	-9.1	-2.8	0.0												27.40
10-69	-3.7	-3.8	-3.8	-3.1	-7.4	-7.4	-2.6	-1.1	-2.2	*										27.35
11-69	-1.5	-1.3	-1.0	0.0	-3.2	-2.4	2.7	5.7	8.6	20.6										27.78
12-69	-0.8	-0.6	-0.2	0.8	-1.9	-0.9	3.5	5.9	8.0	13.4	6.7									27.93
1-70	-0.5	-0.2	0.1	1.1	-1.3	-0.4	3.4	5.3	6.7	9.9	4.8	3.0								28.00
2-70	-1.4	-1.2	-1.0	-0.3	-2.4	-1.8	1.2	2.3	2.8	4.1	-0.9	-4.4	-11.4							27.72
3-70	-1.3	-1.1	-0.9	-0.2	-2.2	-1.6	1.0	2.0	2.3	3.3	-0.6	-3.0	-5.9	0.0						27.72
4-70	0.2	0.5	0.8	1.6	-0.1	0.7	3.4	4.5	5.2	6.5	3.8	3.1	3.2	11.3	23.9					28.22
5-70	-0.7	-0.5	-0.2	0.4	-1.2	-0.7	1.6	2.4	2.7	3.4	0.8	-0.3	-1.2	2.5	3.7	-13.2				27.89
6-70	-0.6	-0.4	-0.2	0.4	-1.1	-0.6	1.5	2.2	2.4	3.0	0.7	-0.2	-0.9	2.0	2.6	-6.6	0.4			27.90
7-70	-0.2	-0.1	0.2	0.7	-0.6	-0.1	1.9	2.6	2.8	3.4	1.4	0.7	0.3	2.8	3.5	-2.5	3.3	6.2		28.04
8-70	1.0	1.3	1.6	2.2	1.0	1.6	3.6	4.4	4.8	5.5	4.0	3.6	3.7	6.4	7.8	4.1	10.6	16.0	26.8	28.60
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70	7-70	

* Data encompassing changes for October, 1969
are not completely comparable because of changes
in Regulations M and D effective October 16, 1969.

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS
SEPTEMBER 11, 1970

Reserves of Member Banks ¹



¹ Data before May 1969 have been adjusted for estimated effect of reserve requirement changes.

*Break in series due to changes in Regulations M and D effective October 16, 1969.

Percentages are annual rates of change for periods indicated.

Latest data plotted: August

Prepared by Federal Reserve Bank of St. Louis

8
MONETARY BASE
COMPOUNDED ANNUAL RATES OF CHANGE

COMBINED ANNUAL RATES OF CHANGE																				
TERMINAL MONTH	INITIAL MONTH																			MILLIONS OF DOLLARS
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70	7-70	
2-69	2.0																			76,609
3-69	2.5	3.0																		76,795
4-69	2.6	2.8	2.7																	76,967
5-69	5.0	6.0	7.5	12.6																77,729
6-69	3.3	3.6	3.8	4.3	-3.3															77,515
7-69	2.1	2.1	1.8	1.5	-3.5	-3.8														77,263
8-69	2.5	2.5	2.4	2.4	-0.8	0.4	4.9													77,572
9-69	2.1	2.1	2.0	1.8	-0.7	0.1	2.2	-0.5												77,541
10-69	2.1	2.2	2.1	1.9	-0.1	0.8	2.3	1.1	2.6											77,710
11-69	2.8	2.9	2.9	2.9	1.4	2.3	3.9	3.6	5.7	8.8										78,257
12-69	2.7	2.8	2.7	2.7	1.4	2.2	3.5	3.1	4.3	5.2	1.7									78,365
1-70	3.0	3.1	3.1	3.2	2.1	2.8	4.0	3.8	4.9	5.7	4.2	6.8								78,793
2-70	2.8	2.9	2.9	2.9	1.9	2.5	3.5	3.2	4.0	4.3	2.9	3.4	0.2							78,809
3-70	3.0	3.1	3.1	3.2	2.3	2.9	3.8	3.6	4.3	4.6	3.6	4.3	3.0	5.9						79,188
4-70	3.6	3.8	3.8	3.9	3.2	3.8	4.7	4.7	5.5	5.9	5.4	6.3	6.2	9.3	12.7					79,983
5-70	4.0	4.1	4.2	4.3	3.7	4.3	5.2	5.2	6.0	6.4	6.1	7.0	7.0	9.4	11.1	9.5				80,592
6-70	3.6	3.7	3.7	3.8	3.2	3.7	4.4	4.4	4.9	5.2	4.7	5.2	4.9	6.1	6.2	3.1	-3.0			80,391
7-70	3.9	4.0	4.0	4.1	3.6	4.1	4.8	4.8	5.3	5.6	5.2	5.8	5.6	6.7	6.9	5.0	2.8	9.0		80,968
8-70	4.2	4.3	4.4	4.5	3.9	4.5	5.2	5.2	5.7	6.0	5.7	6.2	6.2	7.2	7.4	6.1	5.0	9.2	9.5	81,585
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70	7-70	
	INITIAL MONTH																			

INITIAL MONTH

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS
SEPTEMBER 11, 1970

TOTAL FEDERAL RESERVE CREDIT
COMPOUNDED ANNUAL RATES OF CHANGE

TERMINAL MONTH	INITIAL MONTH																			MILLIONS OF DOLLARS
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70	7-70	
2-69	2.7																			63,330
3-69	3.3	3.9																		63,533
4-69	1.5	0.9	-2.1																	63,423
5-69	4.6	5.3	6.0	14.7																64,151
6-69	5.4	6.1	6.8	11.5	8.5															64,587
7-69	3.2	3.3	3.2	5.0	0.4	-7.0														64,196
8-69	3.4	3.5	3.4	4.8	1.7	-1.5	4.4													64,428
9-69	3.4	3.5	3.4	4.5	2.2	0.1	3.9	3.4												64,608
10-69	3.6	3.8	3.7	4.7	2.9	1.5	4.5	4.6	5.7											64,909
11-69	4.8	5.0	5.1	6.2	4.9	4.2	7.2	8.1	10.5	15.5										65,692
12-69	5.0	5.3	5.4	6.4	5.3	4.8	7.3	8.0	9.6	11.6	7.9									66,111
1-70	3.4	3.5	3.5	4.1	2.8	2.0	3.6	3.5	3.5	2.8	-3.0	-12.9								65,355
2-70	2.7	2.7	2.6	3.1	1.9	1.1	2.3	1.9	1.6	0.6	-3.9	-9.3	-5.5							65,045
3-70	3.1	3.1	3.0	3.5	2.4	1.8	3.0	2.8	2.6	2.0	-1.1	-3.9	0.9	7.9						65,457
4-70	3.7	3.7	3.7	4.2	3.3	2.8	4.0	3.9	4.0	3.7	1.5	-0.0	4.7	10.2	12.6					66,106
5-70	4.2	4.3	4.4	4.9	4.1	3.7	4.8	4.9	5.1	5.0	3.3	2.4	6.6	11.0	12.6	12.7				66,769
6-70	3.5	3.6	3.5	4.0	3.2	2.8	3.7	3.6	3.6	3.4	1.8	0.8	3.7	6.2	5.7	2.4	-7.0			66,364
7-70	3.6	3.6	3.6	4.0	3.3	2.9	3.7	3.7	3.7	3.5	2.1	1.3	3.8	5.8	5.3	3.0	-1.5	4.3		66,596
8-70	4.0	4.1	4.1	4.5	3.9	3.6	4.4	4.4	4.5	4.4	3.2	2.7	5.1	7.0	6.8	5.4	3.1	8.6	13.1	67,282
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70	7-70	
	INITIAL MONTH																			

INITIAL MONTH

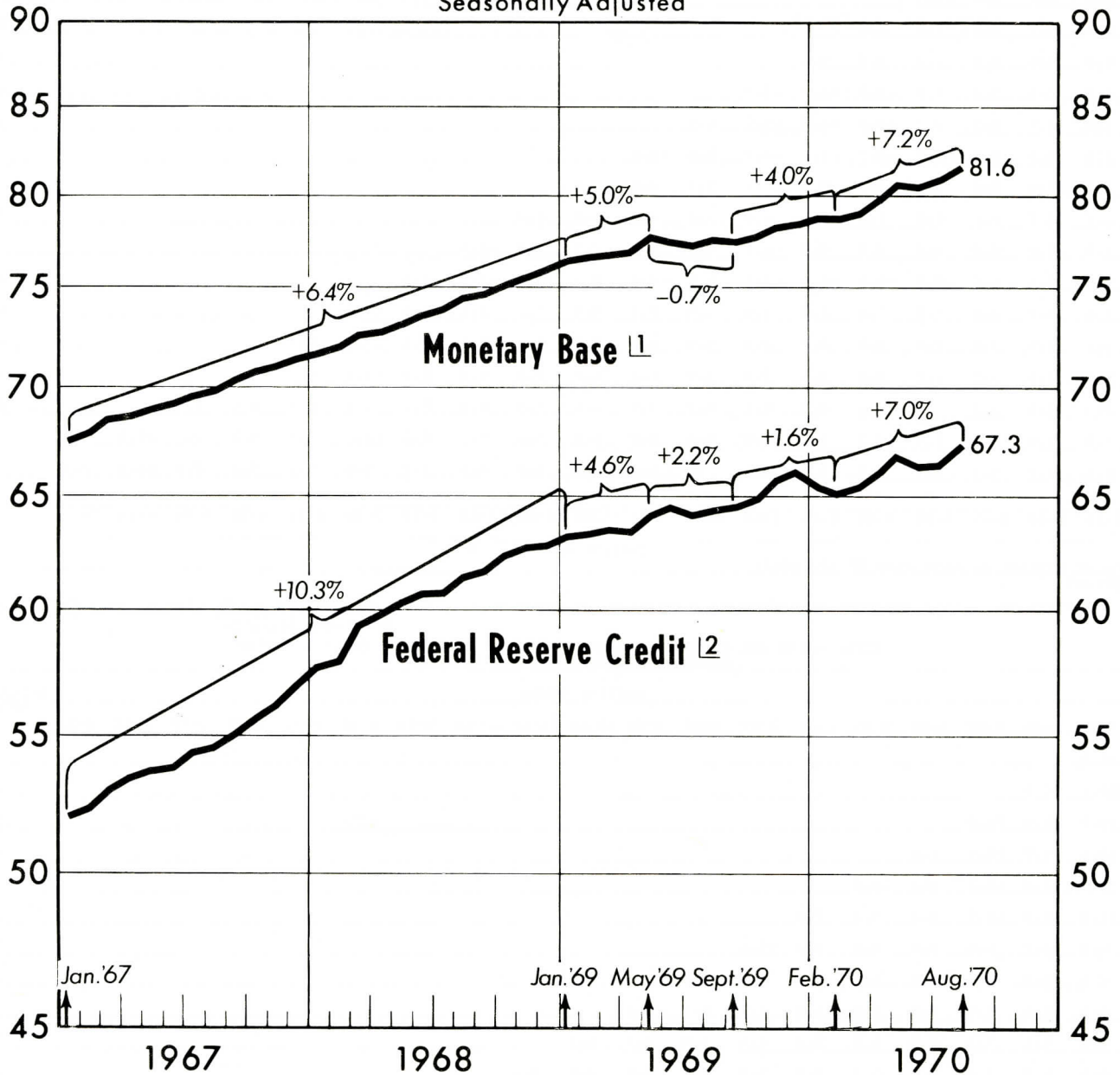
PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS
SEPTEMBER 11, 1970

Monetary Base and Federal Reserve Credit

Ratio Scale
Billions of Dollars

Monthly Averages of Daily Figures
Seasonally Adjusted

Ratio Scale
Billions of Dollars



^[1] Uses of the monetary base are member bank reserves and currency held by the public and nonmember banks. Adjustments are made for reserve requirement changes and shifts in deposits among classes of banks. Data are computed by this bank.

^[2] Total Federal Reserve credit outstanding includes holdings of securities, loans, float, and "other" assets. Adjustments are made for reserve requirement changes and shifts in deposits among classes of banks. Data are computed by this bank.

Percentages are annual rates of change for periods indicated.

Latest data plotted: August

Prepared by Federal Reserve Bank of St. Louis

TOTAL BANK CREDIT ALL COMMERCIAL BANKS - MONTHLY AVERAGE OF DAILY FIGURES*
COMPOUNDED ANNUAL RATES OF CHANGE

TERMINAL MONTH	INITIAL MONTH																			BILLIONS OF DOLLARS
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70	7-70	
2-69	1.6																			389.9
3-69	4.1	6.7																		392.0
4-69	8.6	12.3	18.2																	397.5
5-69	5.3	6.6	6.6	-3.9																396.2
6-69	5.6	6.7	6.7	1.4	6.9															398.4
7-69	4.8	5.4	5.1	1.1	3.7	0.6														398.6
8-69	2.7	2.9	2.2	-1.5	-0.7	-4.3	-8.9													395.5
9-69	2.6	2.7	2.1	-0.9	-0.2	-2.4	-3.9	1.5												396.0
10-69	2.2	2.3	1.7	-0.8	-0.2	-1.9	-2.7	0.6	-0.3											395.9
11-69	2.5	2.6	2.2	0.0	0.7	-0.5	-0.8	2.1	2.4	5.3										397.6
12-69	2.7	2.9	2.5	0.6	1.3	0.4	0.4	2.8	3.3	5.1	4.9									399.2
1-70	2.3	2.4	2.0	0.3	0.8	0.0	-0.1	1.8	1.8	2.5	1.2	-2.4								398.4
2-70	1.5	1.5	1.1	-0.5	-0.1	-0.9	-1.2	0.2	-0.1	0.0	-1.7	-4.9	-7.3							395.9
3-70	2.6	2.7	2.4	1.0	1.5	1.0	1.0	2.5	2.7	3.3	2.8	2.1	4.4	17.7						401.3
4-70	3.6	3.8	3.6	2.4	3.0	2.7	2.9	4.5	4.9	5.8	5.9	6.1	9.1	18.4	19.1					407.2
5-70	3.4	3.5	3.3	2.2	2.7	2.4	2.5	3.9	4.2	4.9	4.8	4.8	6.6	11.7	8.8	-0.6				407.0
6-70	3.3	3.4	3.2	2.2	2.6	2.3	2.4	3.7	3.9	4.4	4.3	4.2	5.6	9.1	6.3	0.4	1.5			407.5
7-70	3.9	4.0	3.8	2.9	3.5	3.2	3.4	4.6	4.9	5.5	5.6	5.6	7.0	10.2	8.4	5.0	7.9	14.8		412.2P
8-70	4.1	4.2	4.1	3.3	3.8	3.5	3.8	4.9	5.2	5.8	5.8	6.0	7.2	9.8	8.3	5.8	8.0	11.4	8.1	414.9P
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70	7-70	

*ESTIMATED BY FEDERAL RESERVE BANK OF ST. LOUIS
P- PRELIMINARY

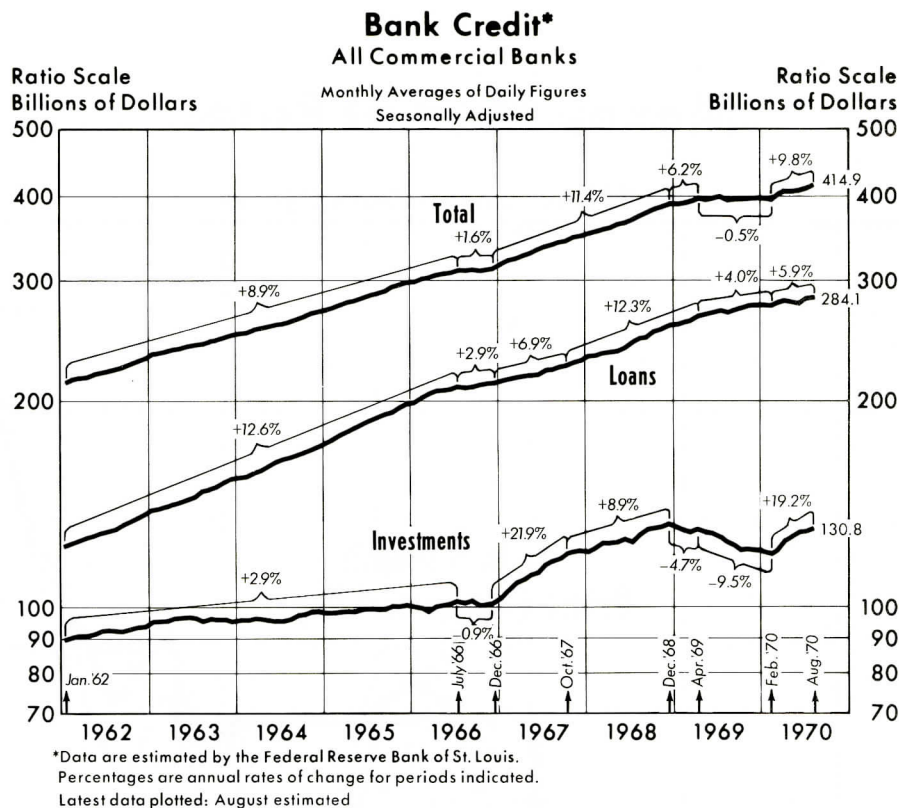
PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS
SEPTEMBER 11, 1970

TOTAL LOANS ALL COMMERCIAL BANKS - MONTHLY AVERAGE OF DAILY FIGURES*
COMPOUNDED ANNUAL RATES OF CHANGE

TERMINAL MONTH	INITIAL MONTH																		BILLIONS OF DOLLARS	
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70		7-70
2-69	10.2																			259.8
3-69	12.7	15.3																		262.9
4-69	15.8	18.6	22.0																	267.3
5-69	12.1	12.7	11.5	1.8																267.7
6-69	11.8	12.2	11.2	6.2	10.8															270.0
7-69	11.1	11.2	10.3	6.6	9.1	7.3														271.6
8-69	8.5	8.2	6.9	3.4	3.9	0.7	-5.6													270.3
9-69	8.5	8.3	7.1	4.4	5.0	3.1	1.1	8.3												272.1
10-69	8.6	8.4	7.4	5.2	5.8	4.6	3.7	8.7	9.2											274.1
11-69	8.3	8.1	7.3	5.3	5.9	5.0	4.4	7.9	7.7	6.3										275.5
12-69	8.4	8.2	7.4	5.7	6.3	5.6	5.2	8.1	8.0	7.4	8.6									277.4
1-70	7.5	7.3	6.5	4.9	5.3	4.6	4.1	6.1	5.6	4.5	3.5	-1.3								277.1
2-70	6.6	6.3	5.5	4.0	4.2	3.4	2.9	4.3	3.6	2.2	0.9	-2.8	-4.2							276.1
3-70	7.2	6.9	6.3	4.9	5.3	4.7	4.3	5.8	5.4	4.7	4.3	2.9	5.1	15.3						279.4
4-70	7.3	7.1	6.5	5.3	5.6	5.1	4.9	6.3	6.0	5.5	5.3	4.5	6.5	12.3	9.4					281.5
5-70	6.4	6.1	5.5	4.3	4.6	4.0	3.7	4.8	4.3	3.7	3.2	2.2	3.1	5.6	1.1	-6.6				279.9
6-70	5.8	5.5	4.9	3.8	4.0	3.4	3.1	4.0	3.5	2.8	2.3	1.3	1.8	3.4	-0.3	-4.8	-3.0			279.2
7-70	6.5	6.3	5.7	4.7	4.9	4.5	4.3	5.2	4.9	4.5	4.2	3.6	4.5	6.3	4.1	2.4	7.3	18.6		283.2P
8-70	6.4	6.1	5.6	4.7	4.9	4.5	4.2	5.1	4.8	4.4	4.2	3.6	4.4	5.9	4.1	2.8	6.1	11.0	3.9	284.1P
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70	7-70	

*ESTIMATED BY FEDERAL RESERVE BANK OF ST. LOUIS
P- PRELIMINARY

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS
SEPTEMBER 11, 1970



TOTAL INVESTMENTS ALL COMMERCIAL BANKS - MONTHLY AVERAGE OF DAILY FIGURES*
COMPOUNDED ANNUAL RATES OF CHANGE

COMPOUNDED ANNUAL RATES OF CHANGE																				
TERMINAL MONTH	INITIAL MONTH																			BILLIONS OF DOLLARS
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70	7-70	
2-69	-13.6																			130.1
3-69	-11.3	-8.8																		129.1
4-69	-4.5	0.5	10.7																	130.2
5-69	-7.1	-4.8	-2.8	-14.6																128.5
6-69	-5.9	-3.9	-2.2	-8.0	-0.9															128.4
7-69	-7.0	-5.6	-4.8	-9.5	-6.8	-12.3														127.0
8-69	-8.3	-7.4	-7.1	-11.1	-9.9	-14.1	-15.7													125.2
9-69	-8.8	-8.0	-7.9	-11.2	-10.4	-13.3	-13.8	-11.8												123.9
10-69	-9.9	-9.4	-9.5	-12.5	-12.1	-14.6	-15.4	-15.2	-18.5											121.8
11-69	-8.7	-8.1	-8.0	-10.4	-9.7	-11.4	-11.1	-9.5	-8.4	3.0										122.1
12-69	-8.2	-7.6	-7.5	-9.5	-8.8	-10.0	-9.5	-7.9	-6.6	0.0	-2.9									121.8
1-70	-7.9	-7.4	-7.2	-9.0	-8.3	-9.3	-8.8	-7.3	-6.2	-1.6	-3.9	-4.8								121.3
2-70	-8.4	-7.9	-7.8	-9.5	-8.9	-9.9	-9.5	-8.4	-7.8	-4.8	-7.3	-9.5	-13.9							119.8
3-70	-6.4	-5.8	-5.6	-6.9	-6.1	-6.7	-6.0	-4.5	-3.2	0.2	-0.5	0.3	3.0	23.2						121.9
4-70	-3.7	-2.9	-2.4	-3.5	-2.4	-2.5	-1.4	0.6	2.5	6.5	7.2	9.9	15.3	33.4	44.5					125.7
5-70	-2.6	-1.8	-1.3	-2.2	-1.1	-1.1	0.1	2.0	3.9	7.6	8.4	10.8	15.0	26.7	28.5	14.2				127.1
6-70	-1.8	-1.0	-0.5	-1.3	-0.1	-0.1	1.1	3.0	4.8	8.1	8.9	11.0	14.4	22.8	22.7	13.1	11.9			128.3
7-70	-1.4	-0.6	-0.1	-0.7	0.3	0.4	1.6	3.3	5.0	8.0	8.6	10.3	13.1	19.4	18.5	10.9	9.3	6.7		129.0P
8-70	-0.4	0.4	0.9	0.3	1.4	1.6	2.8	4.5	6.1	8.9	9.6	11.3	13.8	19.2	18.4	12.7	12.2	12.3	18.1	130.8P
	1-69	2-69	3-69	4-69	5-69	6-69	7-69	8-69	9-69	10-69	11-69	12-69	1-70	2-70	3-70	4-70	5-70	6-70	7-70	

*ESTIMATED BY FEDERAL RESERVE BANK OF ST. LOUIS
P- PRELIMINARY

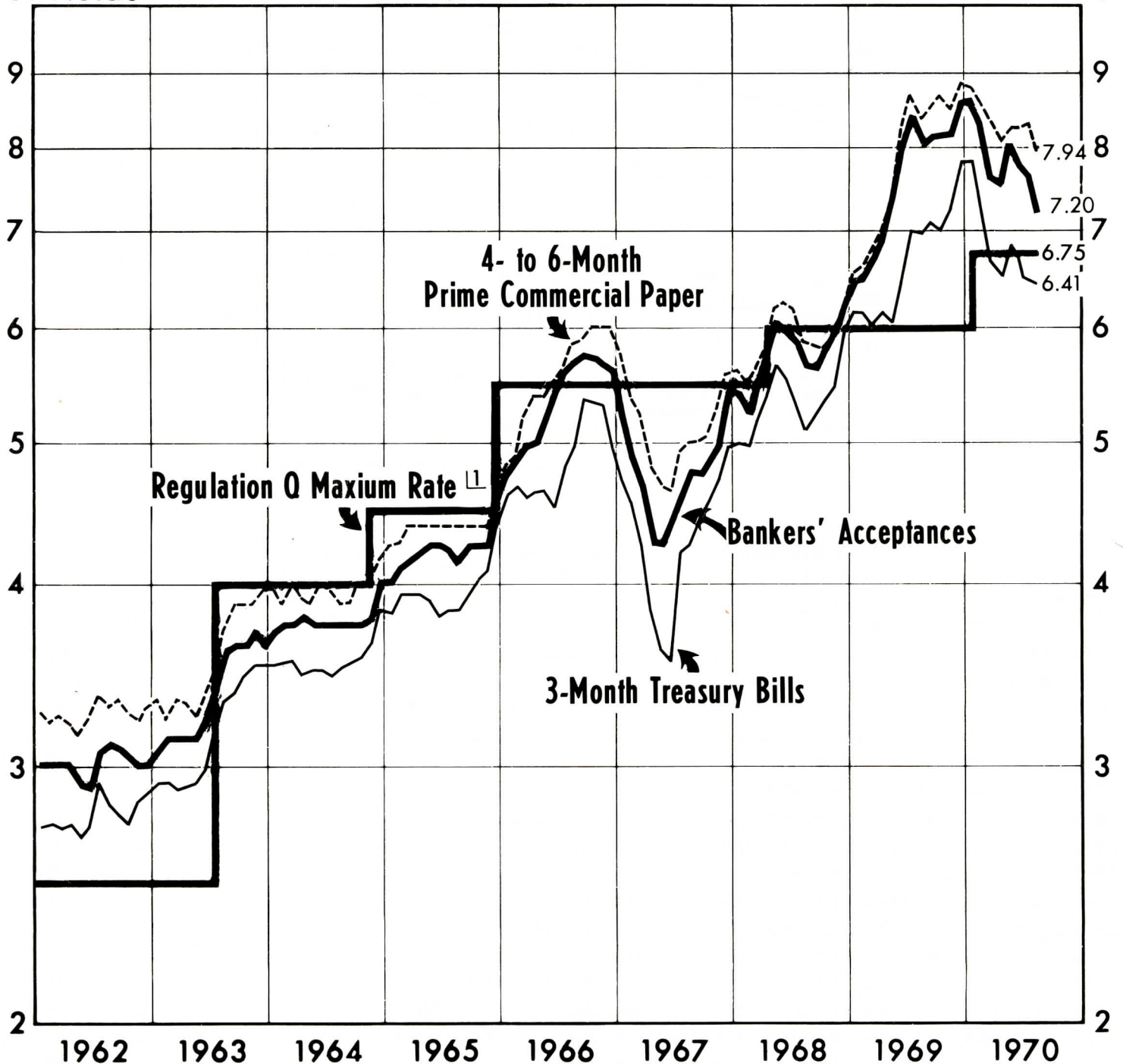
PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS
SEPTEMBER 11, 1970

Money Market Rates

Ratio Scale
of Yields

Monthly Averages of Daily Figures

Ratio Scale
of Yields

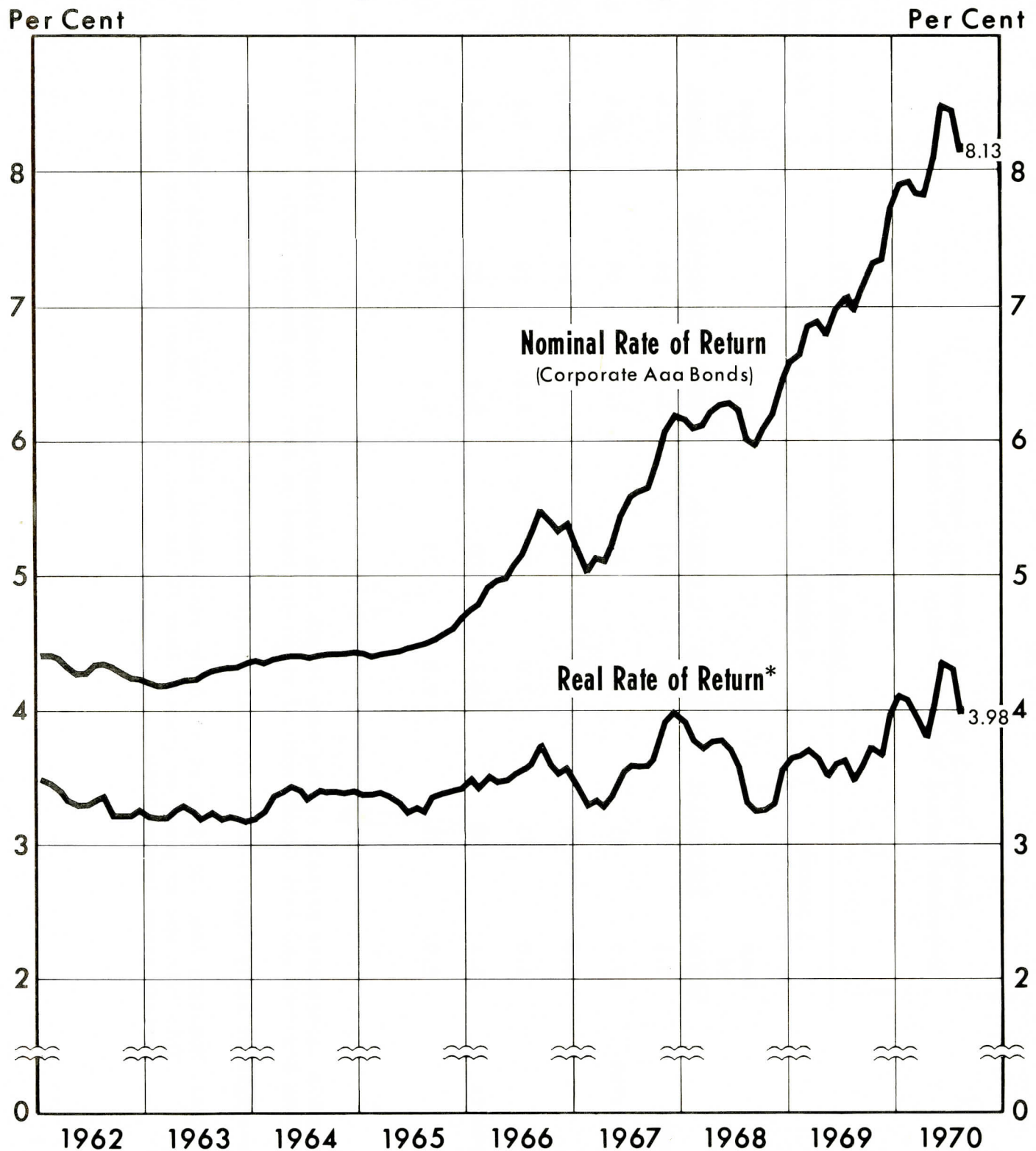


¹ Rate on deposits in amounts of \$100,000 or more maturing in 90-179 days.

Latest data plotted: August

Prepared by Federal Reserve Bank of St. Louis

Yields on Highest-Grade Corporate Bonds



*Estimates of "real" interest rates were obtained from statistical regressions of nominal interest rates on current and lagged price changes and on variables thought to influence "real" interest rates (i.e., the level of and changes in output and changes in the deflated money stock). See William P. Yohe and Denis S. Karnosky, "Interest Rates and Price Level Changes, 1952-69," Review, Federal Reserve Bank of St. Louis, December 1969.

Latest data plotted: August

Prepared by Federal Reserve Bank of St. Louis

Recent Growth Rates in Monetary Aggregates ^{1/}
Compounded Annual Rates of Change and Percentile Rank

Variable	Length of Period Ending August 1970							
	3 months		6 months		9 months		12 months	
	Rate of Change	Percentile	Rate of Change	Percentile	Rate of Change	Percentile	Rate of Change	Percentile
Federal Reserve Credit	3.1	29	7.0	47	3.2	24	4.4	33
Total Member Bank Reserves	10.6	93	6.4	81	4.0	48	4.4	63
Monetary Base	5.0	74	7.2	100	5.7	90	5.2	85
Money Supply	4.6	73	7.0	94	4.6	79	3.6	59
Money Plus Time Deposits	15.1	100	14.1	100	8.6	85	6.2	63
^{2/} Bank Credit	8.0	52	9.8	73	5.8	25	4.9	19

^{1/} Based on all possible consecutive periods of the same length from January 1950 through August 1970 with the exception of Total Member Bank Reserves and Bank Credit both of which are based on data from January 1959.

^{2/} Data used are averages of daily figures as on the bank credit "Triangle".

Illustration of Use: Monetary Base has risen at a 5.0 per cent annual rate in the three months ending August 1970. This rate was as great or greater than 74 per cent of all other consecutive three-month periods since January 1950.

Oct. 13
August 12, 1970

(Billions of dollars; seasonally adjusted annual rates)																		
Item	1967	1968	1969	1961	1965	1967		1968				1969				1970		
				I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III
Gross national product or expenditure	793.9	865.0	931.4	503.6	675.7	800.9	815.9	834.9	858.1	875.8	891.4	907.6	923.7	942.6	951.7	959.5	971.1	985.2
Personal consumption expenditures..	492.1	535.8	577.5	328.4	427.9	495.5	502.5	519.7	529.1	543.8	550.8	561.8	573.3	582.1	592.6	603.1	614.4	622.4
Durable goods	73.1	84.0	90.0	41.9	64.4	73.7	75.3	79.9	82.6	86.7	86.9	89.1	90.6	89.5	90.8	89.1	91.9	91.4
Nondurable goods	215.0	230.2	245.8	154.1	189.7	215.5	217.1	225.6	227.6	232.6	234.8	239.2	244.0	248.1	252.0	258.8	262.6	265.5
Services	204.0	221.6	241.6	132.4	173.8	206.3	210.1	214.2	218.9	224.5	229.0	233.5	238.7	244.5	249.8	255.2	259.9	265.4
Gross private domestic investment..	116.6	126.5	139.8	64.3	105.3	118.6	123.0	119.8	127.3	126.5	132.6	136.0	139.3	143.8	140.2	133.2	134.3	136.8
Fixed investment	108.4	118.9	131.4	67.7	96.5	109.9	113.0	117.2	117.0	118.3	123.3	128.7	131.4	132.4	133.0	131.6	131.2	132.8
Nonresidential	83.3	88.7	99.3	46.0	69.5	83.3	84.1	88.3	86.4	88.3	91.6	95.7	97.5	101.5	102.6	102.6	102.8	103.7
Structures	28.0	29.6	33.8	18.4	25.1	27.9	28.0	29.8	28.9	29.4	30.3	32.6	32.3	35.2	35.1	35.7	35.3	35.4
Producers' durable equipment.	55.3	59.1	65.5	27.6	44.4	55.4	56.2	58.5	57.5	59.0	61.3	63.1	65.2	66.3	67.5	66.9	67.5	68.4
Residential structures	25.1	30.3	32.0	21.7	27.0	26.6	28.8	28.8	30.6	29.9	31.7	33.0	33.9	31.0	30.4	29.1	28.4	29.1
Nonfarm	24.5	29.7	31.5	21.1	26.4	26.0	28.3	28.3	30.1	29.4	31.1	32.4	33.3	30.4	29.8	28.4	27.8	29.5
Farm	.6	.5	.6	.6	.5	.6	.6	.6	.6	.5	.5	.5	.6	.6	.6	.6	.6	.6
Change in business inventories ..	8.2	7.6	8.5	-3.5	8.9	8.7	10.0	2.6	10.4	8.2	9.3	7.4	7.9	11.3	7.2	1.6	3.1	4.0
Nonfarm	7.5	7.5	8.0	-3.7	8.1	7.8	8.5	2.5	10.3	8.1	9.3	7.3	7.6	10.8	6.5	.9	2.6	3.5
Farm	.7	.1	.4	.3	.8	.9	1.4	.2	.1	.1	.0	.1	.3	.5	.7	.7	.5	.5
Net exports of goods and services..	5.2	2.5	1.9	6.6	8.1	5.6	4.0	1.8	3.4	3.4	1.4	1.3	1.3	2.6	2.6	3.5	4.1	4.7
Exports	46.2	50.6	55.5	28.6	40.8	46.3	46.8	47.7	50.7	53.2	50.9	47.8	57.2	58.3	58.8	61.1	62.8	63.5
Imports	41.0	48.1	53.6	22.0	32.7	40.7	42.8	45.9	47.3	49.8	49.5	46.5	55.9	55.6	56.2	57.6	58.7	58.8
Government purchases of goods and services	180.1	200.2	212.2	104.3	134.4	181.3	186.5	193.6	198.3	202.1	206.7	208.5	209.9	214.1	216.3	219.6	218.4	221.3
Federal	90.7	99.5	101.3	55.4	65.5	91.4	93.6	96.4	98.9	100.7	101.9	100.9	99.8	102.5	102.1	102.3	99.7	99.0
National defense	72.4	78.0	78.8	46.9	49.2	73.0	74.7	76.3	77.8	78.6	79.2	78.6	77.9	79.8	78.8	79.3	76.8	75.2
Other	18.4	21.5	22.6	8.4	16.2	18.3	18.9	20.1	21.1	22.1	22.7	22.4	21.9	22.7	23.3	23.0	22.9	23.8
State and local	89.4	100.7	110.8	49.0	68.9	89.9	92.9	97.2	99.4	101.4	104.7	107.5	110.1	111.6	114.2	117.4	118.7	122.4
Addendum:																		
Final sales	785.7	857.4	922.9	507.0	666.8	792.2	805.9	832.3	847.8	867.6	882.1	900.2	915.9	931.2	944.5	957.9	968.1	981.2
																		15.2 15.3 13.3 13.4 10.2 13.1

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

Source: Department of Commerce.

Relation of Gross National Product to National Income, Selected Periods, 1961-70

Oct. 13
August 12, 1970

(Billions of dollars; seasonally adjusted annual rates)

Item	1967	1968	1969	1961	1965	1967		1968				1969				1970			
				I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	
Gross national product	793.9	865.0	931.4	503.6	675.7	800.9	815.9	834.9	858.1	875.8	891.4	907.6	923.7	942.6	951.7	959.5	971.1	985.2	
Less: Capital consumption allowances	68.9	74.0	78.9	44.1	59.2	69.5	71.0	72.3	73.7	74.6	75.5	77.0	78.2	79.4	80.7	82.1	83.6	85.0	
Equals: Net national product	725.0	791.1	852.5	459.5	616.5	731.4	744.9	762.6	784.4	801.2	816.0	830.6	845.5	863.1	871.0	877.4	887.5	900.1	
Less: Indirect business tax and nontax liability	70.4	78.1	85.2	46.1	62.1	71.3	72.9	75.5	77.4	79.2	80.4	82.1	84.3	86.6	87.7	89.3	91.1	93.0	
Business transfer payments..	3.1	3.3	3.5	2.0	2.7	3.1	3.2	3.2	3.3	3.4	3.5	3.5	3.5	3.5	3.5	3.6	3.6	3.6	
Statistical discrepancy	-.7	-2.4	-4.7	.3	-3.9	.0	-1.4	-2.5	-1.6	-2.9	-2.6	-3.6	-5.3	-5.5	-4.3	-5.4	-3.4		
Plus: Subsidies less current surplus of government enterprises	1.4	.7	1.0	1.2	1.2	1.3	1.3	.8	.7	.7	.5	.8	1.1	1.0	1.2	1.6	1.5	1.9	
Equals: National income	653.6	712.7	769.5	412.2	556.7	658.3	671.6	687.2	706.1	722.2	735.2	749.3	764.0	779.5	785.2	791.5	797.7		

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

Source: Department of Commerce.

Oct 13
August 12, 1970

(Billions of dollars; seasonally adjusted annual rates)

Item	1967	1968	1969	1961	1965	1967		1968				1969				1970		
				I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III
National income	653.6	712.7	769.5	412.2	556.7	658.3	671.6	687.2	706.1	722.2	735.2	749.3	764.0	779.5	785.2	791.5	797.7	
Compensation of employees.....	467.2	514.1	564.2	294.8	388.6	470.9	481.8	495.3	507.6	520.9	532.5	544.9	557.5	572.2	582.1	592.2	596.4	603.8
Wages and salaries	423.1	464.8	509.0	270.9	354.0	426.4	436.2	447.9	458.9	471.0	481.4	491.6	502.9	516.4	525.3	534.4	537.4	543.4
Private	337.3	369.1	404.9	220.1	286.1	340.1	346.5	356.0	364.7	373.4	382.5	391.5	401.2	409.9	417.2	422.6	424.0	428.9
Government	85.8	95.7	104.1	50.8	67.9	86.3	89.7	92.0	94.3	97.6	98.9	100.0	101.7	106.5	108.1	111.8	113.4	114.5
Military	16.2	17.9	19.0	10.0	11.7	16.1	17.0	17.3	17.6	18.6	18.2	18.1	18.4	19.9	19.6	20.1	19.5	
Civilian	69.5	77.8	85.1	40.8	56.3	70.3	72.7	74.7	76.6	79.0	80.7	81.9	83.4	86.6	88.5	91.7	93.9	
Supplements to wages and salaries	44.2	49.3	55.1	23.9	34.6	44.5	45.6	47.4	48.7	49.9	51.1	53.3	54.6	55.8	56.8	57.9	59.0	60.4
Proprietors' income	62.1	64.1	66.8	47.4	56.9	62.9	62.9	62.9	63.8	64.4	65.2	66.0	66.7	67.5	67.2	67.6	67.8	67.8
Business and professional	47.3	49.1	50.5	34.6	41.8	47.9	47.7	48.5	49.2	49.2	49.4	49.9	50.5	50.9	50.6	50.6	51.2	51.7
Farm	14.8	15.0	16.4	12.8	15.1	14.9	15.2	14.4	14.6	15.3	15.8	16.2	16.2	16.6	16.6	17.0	16.5	16.1
Rental income of persons	21.1	21.3	22.0	15.9	18.9	21.3	21.3	21.3	21.3	21.3	21.3	21.6	22.0	22.1	22.3	22.5	22.6	22.7
Corporate profits and inventory valuation adjustment.....	78.7	85.4	85.8	45.0	74.4	78.4	80.0	81.3	86.0	87.4	87.1	87.1	87.4	86.8	82.0	76.7	77.8	
Corporate profits before taxes ..	79.8	88.7	91.2	45.0	76.5	78.8	83.3	86.7	88.6	88.4	91.3	93.0	93.4	89.9	88.5	82.6	82.3	
Corporate profits tax liability	33.2	40.6	42.7	20.7	30.8	32.6	34.5	39.8	40.4	40.4	41.7	43.5	43.8	42.1	41.4	38.0	38.0	
Corporate profits after taxes..	46.6	48.2	48.5	24.4	45.7	46.2	48.9	46.9	48.3	48.0	49.6	49.5	49.7	47.9	47.1	44.6	44.3	
Dividends	21.4	23.3	24.7	13.5	19.4	21.9	21.0	22.3	23.1	23.8	24.1	24.1	24.4	25.0	25.2	25.2	25.1	
Undistributed profits	25.3	24.9	23.9	10.9	26.3	24.3	27.8	24.7	25.2	24.2	25.5	25.5	25.2	22.9	21.9	19.4	19.2	
Inventory valuation adjustment...	-1.1	-3.3	-5.4	-.1	-2.1	-.4	-3.3	-5.4	-2.6	-.9	-4.2	-5.9	-6.0	-3.2	-6.5	-5.8	-4.5	-5.8
Net interest	24.4	27.8	30.7	9.2	17.9	24.8	25.6	26.4	27.3	28.2	29.1	29.7	30.4	31.0	31.7	32.4	33.1	33.8
Addendum:																		
Compensation of general government employees	85.1	94.9	103.6	49.5	66.5	85.8	88.9	91.1	93.7	96.9	98.0	99.4	101.4	106.0	107.7	111.0	112.8	113.9

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

Source: Department of Commerce.

(Billions of dollars; seasonally adjusted annual rates)

Item	1967	1968	1969	1961	1965	1967		1968				1969				1970			
				I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
National income	653.6	712.7	769.5	412.2	556.7	658.3	671.6	687.2	706.1	722.2	735.2	749.3	764.0	779.5	785.2	791.5	797.7		
Less: Corporate profits and inventory valuation adjustment...	78.7	85.4	85.8	45.0	74.4	78.4	80.0	81.3	86.0	87.4	87.1	87.1	87.4	86.8	82.0	76.7	77.8		
Contributions for social insurance	42.4	47.1	53.6	20.9	29.3	42.7	43.7	45.5	46.7	47.7	48.7	51.9	53.1	54.2	55.1	56.0	56.7	57.6	
Wage accruals less disbursements	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	2.5	-2.1	-4	
Plus: Government transfer payments to persons	48.7	55.7	61.6	29.8	35.3	48.9	49.9	52.9	55.3	56.6	58.0	59.8	61.0	62.0	63.4	66.3	75.8	75.0	
Interest paid by government (net) and by consumers.....	23.6	26.3	29.0	15.0	20.4	23.7	24.2	25.1	25.9	26.7	27.5	28.0	28.6	29.1	30.2	31.0	31.4	32.2	
Dividends	21.4	23.3	24.7	13.5	19.4	21.9	21.0	22.3	23.1	23.8	24.1	24.1	24.4	25.0	25.2	25.2	25.1	25.4	
Business transfer payments...	3.1	3.3	3.5	2.0	2.7	3.1	3.2	3.2	3.3	3.4	3.5	3.5	3.5	3.5	3.5	3.6	3.6	3.6	
Equals: Personal income	629.3	688.7	748.9	406.6	530.8	634.7	646.3	664.0	680.9	697.6	712.5	725.8	741.1	758.1	770.5	782.3	801.3	807.1	
Less: Personal tax and nontax payments	83.0	97.5	117.3	51.8	66.1	84.0	86.3	89.1	92.6	102.1	106.5	113.8	118.1	117.5	119.9	117.0	117.7	114.1	
Equals: Disposable personal income...	546.3	591.2	631.6	354.8	464.7	550.7	559.9	574.9	588.4	595.6	606.0	612.0	623.0	640.6	650.6	665.3	683.6	693.0	
Less: Personal outlays	506.0	550.8	593.9	336.4	439.7	509.4	516.6	534.1	543.8	559.1	566.4	577.7	589.7	598.7	609.6	620.5	632.1	640.5	
Personal consumption expenditures	492.1	535.8	577.5	328.4	427.9	495.5	502.5	519.7	529.1	543.8	550.8	561.8	573.3	582.1	592.6	603.1	614.4	622.4	
Interest paid by consumers.	13.2	14.3	15.7	7.6	11.2	13.2	13.5	13.8	14.1	14.5	14.9	15.3	15.6	15.8	16.1	16.4	16.8	17.2	
Personal transfer payments to foreigners	.7	.7	.8	.5	.7	.7	.6	.7	.7	.8	.7	.7	.8	.9	.8	.9	1.0	1.0	
Equals: Personal saving	40.4	40.4	37.6	18.4	24.9	41.3	43.3	40.8	44.6	36.5	39.6	34.3	33.3	42.0	41.1	44.8	51.5	52.5	
Addendum:																			
Personal saving as percent of disposable personal income.....	7.4	6.8	6.0	5.2	5.4	7.5	7.7	7.1	7.6	6.1	6.5	5.6	5.3	6.5	6.3	6.7	7.5	7.6	
Disposable personal income in 1958 prices (\$ billions)	477.5	499.0	511.5	341.8	427.1	479.7	483.9	492.3	498.6	501.2	504.0	504.7	507.5	515.9	517.8	522.9	532.0	534.7	

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

Source: Department of Commerce.

Federal Government Receipts and Expenditures in the National Income and
Product Accounts, Selected Periods, 1961-70

0-13
August 12, 1970

(Billions of dollars; seasonally adjusted annual rates)

Item	1967	1968	1969	1961	1965	1967		1968				1969				1970		
				I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III
Federal Government receipts	151.2	175.4	200.6	94.4	124.8	151.9	156.5	165.3	170.0	180.1	186.2	197.2	202.5	200.8	202.0	195.9	196.6	
Personal tax and nontax receipts..	67.5	79.3	95.9	44.2	54.4	68.4	70.1	71.9	74.6	83.4	87.2	93.7	97.3	95.6	96.9	93.4	93.5	89.4
Corporate profits tax accruals....	30.7	37.5	39.2	19.5	28.8	30.2	31.9	36.7	37.3	37.3	38.5	39.9	40.2	38.6	38.1	34.8	34.8	
Indirect business tax and nontax accruals	16.3	18.0	19.1	12.9	16.8	16.4	16.8	17.4	17.8	18.2	18.4	18.5	19.0	19.5	19.3	19.3	19.4	20.0
Contributions for social insurance	36.7	40.7	46.5	17.8	24.9	36.9	37.7	39.3	40.3	41.2	42.0	45.1	46.0	47.0	47.7	48.4	48.9	49.7
Federal Government expenditures	163.6	181.6	191.3	99.3	120.2	165.0	168.8	174.5	180.5	184.2	187.2	187.7	189.1	192.5	195.9	197.7	210.9	207.7
Purchases of goods and services...	90.7	99.5	101.3	55.4	65.5	91.4	93.6	96.4	98.9	100.7	101.9	100.9	99.8	102.5	102.1	102.3	99.7	99.0
Transfer payments	42.2	47.8	52.1	26.6	30.9	42.7	42.7	45.1	47.6	48.7	49.9	50.6	52.2	52.2	53.3	55.3	64.4	62.9
To persons	40.0	45.7	50.0	24.4	28.5	40.1	40.7	43.3	45.5	46.5	47.5	48.9	49.8	50.3	51.2	53.4	62.4	60.9
To foreigners (net)	2.2	2.1	2.1	2.1	2.4	2.6	2.0	1.8	2.0	2.2	2.4	1.8	2.5	1.9	2.1	1.9	2.0	1.9
Grants-in-aid to State and local governments	15.8	18.4	20.2	7.2	10.9	16.2	17.4	17.7	18.3	18.6	19.0	19.3	19.6	20.0	21.8	23.0	25.1	25.1
Net interest paid	10.2	11.8	13.1	6.7	8.7	10.2	10.5	11.2	11.7	12.1	12.5	12.6	12.9	13.2	13.9	14.3	14.3	14.8
Subsidies less current surplus of government enterprises	4.6	4.1	4.6	3.5	4.2	4.6	4.6	4.1	4.1	4.1	4.0	4.3	4.6	4.6	4.9	5.3	5.3	5.7
Less: Wage accruals less disbursements	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	2.5	-2.1	-4
Surplus or deficit (-), national income and product accounts	-12.4	-6.2	9.3	-4.9	4.7	-13.1	-12.3	-9.2	-10.5	-4.1	-1.1	9.5	13.4	8.3	6.1	-1.7	-14.3	

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

Source: Department of Commerce.

State and Local Government Receipts and Expenditures in the National Income and
Product Accounts, Selected Periods, 1961-70

Oct. 13,
~~August 12,~~ 1970

(Billions of dollars; seasonally adjusted annual rates)

Item	1967	1968	1969	1961	1965	1967		1968				1969				1970			
				I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	
State and local government receipts..	93.5	106.3	118.3	52.2	74.5	94.9	98.3	102.1	105.3	107.9	110.0	113.3	116.3	119.6	123.9	127.3	132.0		
Personal tax and nontax receipts..	15.5	18.3	21.4	7.5	11.7	15.6	16.3	17.2	18.0	18.6	19.3	20.0	20.8	21.9	23.0	23.6	24.2	24.7	
Corporate profits tax accruals....	2.4	3.1	3.5	1.2	2.0	2.4	2.5	3.1	3.1	3.1	3.2	3.6	3.6	3.4	3.3	3.2	3.2		
Indirect business tax and nontax accruals.....	54.1	60.1	66.1	33.1	45.4	54.9	56.1	58.0	59.5	61.0	61.9	63.6	65.3	67.1	68.4	70.0	71.7	73.0	
Contributions for social insurance	5.7	6.4	7.1	3.1	4.4	5.8	6.0	6.2	6.3	6.5	6.7	6.8	7.0	7.2	7.4	7.5	7.7	7.9	
Federal grants-in-aid	15.8	18.4	20.2	7.2	10.9	16.2	17.4	17.7	18.3	18.6	19.0	19.3	19.6	20.0	21.8	23.0	25.1	25.1	
State and local government expend- itures	95.1	107.4	118.9	52.7	73.3	95.7	99.0	103.7	106.0	108.3	111.9	115.1	117.9	119.8	122.9	126.8	128.7	132.9	
Purchases of goods and services..	89.4	100.7	110.8	49.0	68.9	89.9	92.9	97.2	99.4	101.4	104.7	107.5	110.1	111.6	114.2	117.4	118.7	122.4	
Transfer payments to persons.....	8.7	10.0	11.5	5.3	6.8	8.8	9.2	9.6	9.8	10.2	10.5	11.0	11.2	11.7	12.2	12.9	13.5	14.1	
Net interest paid	.2	.2	.1	.7	.5	.2	.2	.2	.2	.1	.1	.1	.1	.2	.2	.2	.3	.2	
Less: Current surplus of govern- ment enterprises	3.2	3.4	3.6	2.3	3.0	3.2	3.3	3.3	3.4	3.4	3.5	3.5	3.6	3.6	3.7	3.7	3.8	3.8	
Surplus or deficit (-), national income and product accounts	-1.6	-1.1	-.6	-.5	1.2	-.8	-.7	-1.6	-.7	-.4	-1.9	-1.8	-1.5	-.3	1.0	.5	3.3		

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

Source: Department of Commerce.

Gross National Product or Expenditure in Constant Prices, Selected Periods, 1961-70

7
August 12, 1970

(Billions of dollars, 1958 prices, seasonally adjusted annual rates)

Item	1967	1968	1969	1961	1965	1967		1968				1969				1970		
				I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III
Gross national product or expenditure	675.2	707.2	727.1	482.6	610.4	678.9	683.6	693.5	705.4	712.6	717.5	722.1	726.1	730.9	729.2	723.8	724.9	727.5
Personal consumption expenditure...	430.1	452.3	467.7	316.2	393.4	431.6	434.3	445.0	448.4	457.7	458.1	463.3	467.1	468.7	471.7	474.0	478.1	480.2
Durable goods	72.9	81.4	84.9	41.7	64.3	73.3	74.0	78.1	80.2	83.9	83.2	84.9	85.7	84.1	84.9	82.7	84.9	83.9
Nondurable goods	190.2	196.5	201.2	150.8	177.8	190.0	190.3	195.5	194.9	197.9	197.6	199.7	200.9	201.9	202.4	205.6	206.6	208.2
Services	167.0	174.4	181.6	123.7	151.3	168.3	169.9	171.3	173.2	175.9	177.4	178.7	180.5	182.7	184.4	185.8	186.6	188.1
Gross private domestic investment..	101.2	105.7	111.3	62.4	96.8	102.4	105.1	101.3	107.1	105.1	109.5	109.7	111.5	114.1	110.0	102.9	103.1	102.6
Fixed investment	93.5	98.8	104.1	65.8	88.5	94.2	95.9	98.9	97.6	97.7	101.0	103.6	104.8	104.2	103.9	101.5	100.1	99.5
Nonresidential	73.2	75.5	80.8	44.9	64.8	72.9	72.9	76.1	73.8	74.9	77.1	79.3	80.2	81.9	82.1	80.9	80.2	79.6
Structures	22.6	22.7	24.0	17.6	22.1	22.3	22.1	23.4	22.3	22.3	22.9	23.8	23.1	24.6	24.3	24.4	23.5	22.8
Producers' durable equipment..	50.6	52.7	56.9	27.3	42.7	50.6	50.8	52.7	51.5	52.6	54.3	55.4	57.0	57.3	57.8	56.5	56.7	56.8
Residential structures	20.4	23.3	23.3	20.9	23.7	21.3	23.0	22.9	23.8	22.8	23.9	24.3	24.7	22.3	21.8	20.7	20.0	19.9
Nonfarm	19.9	22.9	22.8	20.3	23.2	20.8	22.5	22.4	23.4	22.3	23.5	23.9	24.2	21.8	21.4	20.2	19.5	19.5
Farm	.5	.4	.4	.6	.5	.5	.5	.5	.4	.4	.4	.4	.4	.4	.4	.4	.4	.4
Change in business inventories ..	7.7	6.9	7.2	-3.4	8.3	8.3	9.2	2.4	9.5	7.4	8.5	6.1	6.6	9.9	6.1	1.3	2.9	3.2
Nonfarm	7.0	6.8	6.8	-3.6	7.5	7.4	7.8	2.2	9.4	7.3	8.4	5.9	6.3	9.3	5.4	.8	2.5	2.7
Farm	.7	.1	.4	.2	.8	.9	1.4	.2	.1	.1	.1	.1	.3	.6	.8	.6	.4	.4
Net exports of goods and services..	3.6	.9	.2	6.4	7.0	4.2	2.1	.8	1.5	1.5	-.2	-.4	-.3	.8	.9	1.9	2.4	2.9
Exports	42.1	45.7	48.5	28.3	39.0	42.2	42.6	43.8	45.4	47.8	45.6	42.3	50.7	50.8	50.0	52.0	52.9	53.4
Imports	38.5	44.8	48.2	21.9	32.0	38.0	40.4	43.1	43.9	46.3	45.8	42.6	51.1	50.0	49.1	50.1	50.5	50.6
Government purchases of goods and services	140.2	148.3	147.8	97.6	113.1	140.7	142.2	146.4	148.5	148.3	150.0	149.5	147.9	147.3	146.6	145.0	141.3	141.7
Federal	74.7	78.7	75.7	52.2	57.2	75.4	75.5	77.5	79.1	78.9	79.4	78.0	75.8	75.2	73.8	71.1	67.8	67.2
State and local	65.5	69.6	72.1	45.4	56.0	65.3	66.7	68.9	69.4	69.4	70.6	71.5	72.1	72.1	72.9	73.8	73.5	74.5
Addendum:																		
Final sales	667.5	700.3	719.9	486.0	602.1	670.6	674.4	691.1	695.9	705.2	709.0	716.1	719.4	720.9	723.0	722.4	721.9	724.3
Per capita disposable personal income (dollars:																		
Current prices	2,744	2,939	3,108	1,942	2,392	2,761	2,800	2,868	2,928	2,956	2,999	3,023	3,070	3,148	3,188	3,252	3,333	3,369
1958 prices	2,398	2,480	2,517	1,871	2,198	2,405	2,419	2,456	2,482	2,488	2,495	2,493	2,501	2,535	2,537	2,556	2,594	2,599

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

Source: Department of Commerce.

(Index numbers 1958=100; seasonally adjusted)

Item	1967	1968	1969	1961	1965	1967		1968				1969				1970		
				I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III
Gross national product	117.59	122.31	128.11	104.34	110.70	117.98	119.35	120.39	121.65	122.90	124.25	125.68	127.22	128.97	130.52	132.57	133.98	135.43
Personal consumption expenditures	114.4	118.5	123.5	103.8	108.8	114.8	115.7	116.8	118.0	118.8	120.2	121.3	122.8	124.2	125.6	127.2	128.5	129.7
Durable goods	100.3	103.3	106.0	100.4	100.1	100.6	101.7	102.3	102.9	103.4	104.6	105.0	105.7	106.4	107.0	107.8	108.2	109.0
Nondurable goods..	113.0	117.1	122.2	102.2	106.6	113.4	114.1	115.4	116.8	117.5	118.8	119.8	121.5	122.9	124.5	125.9	127.1	127.5
Services	122.2	127.1	133.1	107.1	114.9	122.6	123.7	125.0	126.4	127.6	129.1	130.6	132.3	133.8	135.5	137.3	139.3	141.1
Gross private domestic investment.....	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Fixed investment..	115.9	120.4	126.2	102.9	109.0	116.7	117.9	118.4	119.9	121.1	122.1	124.2	125.4	127.1	128.0	129.6	131.0	133.5
Nonresidential..	113.8	117.5	122.8	102.4	107.3	114.3	115.4	116.1	117.0	117.9	118.8	120.7	121.6	123.9	125.1	126.8	128.2	130.3
Structures.....	124.0	130.3	141.1	104.8	113.8	125.1	126.4	127.5	129.6	131.7	132.6	136.8	139.5	143.3	144.7	146.4	150.0	155.1
Producers' durable equipment....	109.3	111.9	115.1	100.9	103.9	109.6	110.6	111.1	111.6	112.1	113.0	113.7	114.4	115.6	116.8	118.4	119.2	120.4
Residential structures.....	123.1	129.7	137.7	104.1	113.7	124.8	125.6	126.0	128.6	131.5	132.5	135.5	137.4	138.9	139.3	140.6	142.4	146.1
Nonfarm.....	123.1	129.8	137.8	104.0	113.7	124.8	125.6	126.1	128.7	131.6	132.6	135.6	137.5	139.0	139.4	140.7	142.5	146.2
Farm	122.6	125.9	132.3	104.9	109.3	123.9	123.5	125.1	124.9	126.5	127.3	128.9	131.1	133.6	135.1	136.7	137.9	141.8
Change in business inventories	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Net exports of goods and services	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Exports	109.7	110.9	114.6	100.7	104.6	109.6	109.9	108.9	111.8	111.2	111.5	113.0	112.7	114.6	117.7	117.5	118.8	118.8
Imports	106.5	107.5	111.1	100.1	102.2	106.9	105.9	106.6	107.8	107.5	108.1	109.0	109.5	111.2	114.5	114.9	116.2	116.2
Government purchases of goods & services	128.5	135.0	143.5	106.9	118.9	128.9	131.2	132.2	133.5	136.3	137.8	139.5	141.9	145.4	147.5	151.5	154.6	156.2
Federal	121.5	126.4	133.9	106.2	114.5	121.2	123.9	124.4	125.0	127.6	128.4	129.5	131.7	136.3	138.4	143.8	147.0	147.3
State and local ..	136.4	144.7	153.7	107.8	123.1	137.7	139.3	141.1	143.3	146.1	148.3	150.4	152.6	154.9	156.7	158.9	161.5	164.2
By major sector:																		
Private	114.79	118.92	124.22	103.6	108.8	115.20	116.28	117.22	118.38	119.37	120.66	122.08	123.55	124.90	126.32	127.96	129.24	130.66
General government..	147.7	159.1	170.8	112.1	132.3	147.7	152.3	154.5	157.1	161.1	163.6	165.4	167.6	173.6	176.5	182.9	185.9	187.8

Source: Department of Commerce.

TABLE A.

PROJECTED GROSS NATIONAL PRODUCT CONSISTENT WITH A 6% GROWTH
IN THE MONEY SUPPLY (M1).

DATE	PROJGNPS#	MONEY1#	MONEYTOGNP#
68: 1	834.900	183.367	0.219627
68: 2	858.100	186.700	0.217574
68: 3	875.800	190.667	0.217706
68: 4	891.400	193.400	0.216962
69: 1	907.600	196.300	0.216285
69: 2	923.700	198.467	0.214861
69: 3	942.600	199.100	0.211224
69: 4	951.700	199.333	0.209450
70: 1	959.500	200.633	0.209102
70: 2	971.100	203.600	0.209659
70: 3	985.570	206.472	0.209495
70: 4	1003.46	209.429	0.208707
71: 1	1026.38	212.464	0.207004
71: 2	1050.16	215.572	0.205275
71: 3	1068.11	218.750	0.204800
71: 4	1083.97	221.994	0.204797
72: 1	1099.51	225.302	0.204912
72: 2	1111.98	228.672	0.205643

?

TABLE B.

RATIO OF MONEY SUPPLY (M1) TO THE OPTIMAL FEASIBLE PATH FOR
GNP. MONEY SUPPLY GROWS AT A 6% RATE PER ANNUM.

DATE	OFPGNPS#	MONEY1#	MONEYTOGNP#
68: 1	834.900	183.367	0.219627
68: 2	858.100	186.700	0.217574
68: 3	875.800	190.667	0.217706
68: 4	891.400	193.400	0.216962
69: 1	907.600	196.300	0.216285
69: 2	923.700	198.467	0.214861
69: 3	942.600	199.100	0.211224
69: 4	951.700	199.333	0.209450
70: 1	959.500	200.633	0.209102
70: 2	971.100	203.600	0.209659
70: 3	989.000	206.472	0.208769
70: 4	1007.00	209.429	0.207973
71: 1	1035.00	212.464	0.205279
71: 2	1063.00	215.572	0.202796
71: 3	1089.00	218.750	0.200872
71: 4	1115.00	221.994	0.199098
72: 1	1141.00	225.302	0.197460
72: 2	1167.00	228.672	0.195949

203
51

?

TABLE C.

REQUIRED MONEY SUPPLY (M1) TO ACHIEVE OPTIMAL FEASIBLE PATH
BY 1972-2.

DATE	PROJGNPS#	MONEY1#	MONEY1TOGNP#
68: 1	834.900	183.367	0.219627
68: 2	858.100	186.700	0.217574
68: 3	875.800	190.667	0.217706
68: 4	891.400	193.400	0.216962
69: 1	907.600	196.300	0.216285
69: 2	923.700	198.467	0.214861
69: 3	942.600	199.100	0.211224
69: 4	951.700	199.333	0.209450
70: 1	959.500	200.633	0.209102
70: 2	971.100	203.600	0.209659
70: 3	987.134	206.579	0.209271
70: 4	1008.08	209.732	0.208051
71: 1	1035.24	213.038	0.205786
71: 2	1063.88	216.483	0.203484
71: 3	1089.58	220.259	0.202151
71: 4	1115.33	224.324	0.201128
72: 1	1142.28	228.646	0.200167
72: 2	1167.51	233.198	0.199740

?

TABLE C (CON'T).

REQUIRED MONEY SUPPLY (M2) TO ACHIEVE OPTIMAL FEASIBLE PATH
BY 1972-2

DATE	PROJGNPS#	MONEY2#	MONEY2TOGNP#
68: 1	834.900	369.067	0.442049
68: 2	858.100	374.867	0.436857
68: 3	875.800	384.433	0.438951
68: 4	891.400	395.533	0.443721
69: 1	907.600	398.933	0.439548
69: 2	923.700	400.067	0.433113
69: 3	942.600	394.533	0.418559
69: 4	951.700	393.000	0.412945
70: 1	959.500	393.433	0.410040
70: 2	971.100	403.100	0.415096
70: 3	987.134	424.238	0.429767
70: 4	1008.08	442.391	0.438846
71: 1	1035.24	458.678	0.443064
71: 2	1063.88	473.830	0.445380
71: 3	1089.58	489.515	0.449271
71: 4	1115.33	505.679	0.453390
72: 1	1142.28	522.293	0.457238
72: 2	1167.51	539.340	0.461959

?

TABLE D.

MONEY SUPPLY (M1) CONSISTENT WITH OPTIMAL FEASIBLE PATH GNP
 ASSUMING A CONSTANT M1/GNP RATIO = .210

DATE	OFPGNPS#	M1#	MONEY1TOGNP#
68: 1	834.900	183.367	0.219627
68: 2	858.100	186.700	0.217574
68: 3	875.800	190.667	0.217706
68: 4	891.400	193.400	0.216962
69: 1	907.600	196.300	0.216285
69: 2	923.700	198.467	0.214861
69: 3	942.600	199.100	0.211224
69: 4	951.700	199.333	0.209450
70: 1	959.500	200.633	0.209102
70: 2	971.100	203.600	0.209659
70: 3	989.000	207.690	0.210000
70: 4	1007.00	211.470	0.210000
71: 1	1035.00	217.350	0.210000
71: 2	1063.00	223.230	0.210000
71: 3	1089.00	228.690	0.210000
71: 4	1115.00	234.150	0.210000
72: 1	1141.00	239.610	0.210000
72: 2	1167.00	245.070	0.210000

?

TABLE E.

MONEY SUPPLY (M2) CONSISTENT WITH OPTIMAL FEASIBLE PATH GNP
ASSUMING A CONSTANT M2/GNP RATIO = .415

DATE	OFFGNPS#	M2#	MONEY2TOGNP#
68: 1	834.900	369.067	0.442049
68: 2	858.100	374.867	0.436857
68: 3	875.800	384.433	0.438951
68: 4	891.400	395.533	0.443721
69: 1	907.600	398.933	0.439548
69: 2	923.700	400.067	0.433113
69: 3	942.600	394.533	0.418559
69: 4	951.700	393.000	0.412945
70: 1	959.500	393.433	0.410040
70: 2	971.100	403.100	0.415096
70: 3	989.000	410.435	0.415000
70: 4	1007.00	417.905	0.415000
71: 1	1035.00	429.525	0.415000
71: 2	1063.00	441.145	0.415000
71: 3	1089.00	451.935	0.415000
71: 4	1115.00	462.725	0.415000
72: 1	1141.00	473.515	0.415000
72: 2	1167.00	484.305	0.415000 .

?

TABLE F.

MONEY SUPPLY (M1) CONSISTENT WITH OPTIMAL FEASIBLE PATH GNP
 ASSUMING A DOWNWARD TREND IN THE M1/GNP RATIO. (TREND IS A
 PROJECTION OF THE TREND OF THE LAST 10 QUARTERS.)

DATE	OFFPGNPS#	M1#	MONEY1TOGNP#
68: 1	834.900	183.367	0.219627
68: 2	858.100	186.700	0.217574
68: 3	875.800	190.667	0.217706
68: 4	891.400	193.400	0.216962
69: 1	907.600	196.300	0.216285
69: 2	923.700	198.467	0.214861
69: 3	942.600	199.100	0.211224
69: 4	951.700	199.333	0.209450
70: 1	959.500	200.633	0.209102
70: 2	971.100	203.600	0.209659
70: 3	989.000	206.701	0.209000
70: 4	1007.00	209.456	0.208000
71: 1	1035.00	214.245	0.207000
71: 2	1063.00	218.978	0.206000
71: 3	1089.00	223.245	0.205000
71: 4	1115.00	227.460	0.204000
72: 1	1141.00	231.623	0.203000
72: 2	1167.00	235.734	0.202000

?

TABLE G.

MONEY SUPPLY (M2) CONSISTENT WITH OPTIMAL FEASIBLE PATH GNP
 ASSUMING A DOWNWARD TREND IN THE M2/GNP RATIO. (TREND IS A
 PROJECTION OF THE TREND OF THE LAST 10 QUARTERS.)

DATE	OFFPGNPS#	M2#	MONEY2TOGNP#
68: 1	834.900	369.067	0.442049
68: 2	858.100	374.867	0.436857
68: 3	875.800	384.433	0.438951
68: 4	891.400	395.533	0.443721
69: 1	907.600	398.933	0.439548
69: 2	923.700	400.067	0.433113
69: 3	942.600	394.533	0.418559
69: 4	951.700	393.000	0.412945
70: 1	959.500	393.433	0.410040
70: 2	971.100	403.100	0.415096
70: 3	989.000	407.468	0.412000
70: 4	1007.00	411.863	0.409000
71: 1	1035.00	420.210	0.406000
71: 2	1063.00	428.389	0.403000
71: 3	1089.00	435.600	0.400000
71: 4	1115.00	442.655	0.397000
72: 1	1141.00	449.554	0.394000
72: 2	1167.00	456.297	0.391000

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M. C. C. C.

UNITED STATES DEPARTMENT OF
COMMERCE
NEWS

WASHINGTON, D.C. 20230

OFFICE OF
BUSINESS
ECONOMICS

FOR IMMEDIATE RELEASE THURSDAY, OCTOBER 15, 1970

Leo Bernstein: 967-3040

OBE 70-57

GROSS NATIONAL PRODUCT
PRELIMINARY REPORT FOR THE THIRD QUARTER 1970

Gross national product -- the market value of the Nation's output of goods and services -- rose to a seasonally adjusted annual rate of \$985-1/4 billion in the third quarter, an increase of \$14 billion from the second quarter, according to preliminary figures released today by the Commerce Department's Office of Business Economics.

The advance amounted to 6 percent at an annual rate, and reflected increases of about 1-1/2 percent in the physical volume of production and almost 4-1/2 percent in prices. The GNP gain in the third quarter was curtailed by the auto production loss resulting from the strike that began in mid-September.

The Office of Business Economics emphasized that the July-September quarter figures are based on preliminary and incomplete source data. The estimate of inventory investment -- a volatile element of GNP -- is derived from information for only the first 2 months of the quarter, and the data on domestic and foreign trade and consumer prices are also incomplete at this time. Revised estimates of GNP and its components based on more comprehensive data are scheduled for release in mid-November.

/More/

The average rise in prices of all goods and services -- as measured by the GNP implicit price deflator -- was about the same as in the prior quarter.

Final sales higher across the board

Final sales increased by \$13 billion to account for virtually all the third quarter GNP gain. This was an acceleration from the second quarter, when final sales increased by \$10-1/4 billion. Inventory investment increased moderately for the second quarter in a row, rising by \$1 billion compared with \$1-1/2 billion in the second quarter. Stock accumulation had declined substantially in the two earlier quarters.

The advance in final sales was broadly based. Increases were registered in consumer spending on nondurable goods and services, business fixed investment, residential construction, net exports, and State and local government purchases. Small reductions occurred in consumer purchases of durable goods and Federal Government spending.

Consumer spending and income up moderately

Personal consumption expenditures rose by \$8 billion in the third quarter, considerably less than the \$11-1/4 billion increase recorded in the second quarter. It was the smallest increase since the fourth quarter of 1968. Contributing to slower growth were a reduction of \$1/2 billion in outlays for durable goods and a deceleration in the growth of nondurables spending, which rose \$3 billion in contrast to \$4 billion in the spring. The smaller increase in consumer nondurable outlays occurred in food, which increased by only about \$1 billion, compared with an average increase of \$2-1/2 billion in recent quarters.

Consumer spending on services rose \$5-1/2 billion, somewhat more than the rise in the second quarter.

The fractional dip in consumer spending on durable goods contrasted with a \$3 billion rise in the second quarter. Since the second quarter of 1969, there has been an alternating pattern of increases and decreases in consumer durable goods purchases. The dip in the third quarter centered in purchases of furniture and household equipment, with auto buying about unchanged.

Disposable personal income rose by \$9-1/2 billion, the smallest gain since the first quarter of 1969. With incomes rising a little more than consumer spending, the personal saving rate edged to 7.6 percent from 7.5 percent in the second quarter.

/More/

Investment up

Fixed investment rose by \$1-1/2 billion in the third quarter following two quarters of decline. Business fixed investment, which showed little change in the two preceding quarters, moved up \$1 billion. The increase occurred mainly in machinery and equipment. Residential construction output turned around with an increase of \$3/4 billion after falling four consecutive quarters.

Business firms added inventories at an annual rate of \$4 billion, compared with \$3 billion in the second quarter. The increase in accumulation occurred chiefly in retail trade. The rate of accumulation in wholesale trade and manufacturing appeared little changed.

Net exports rose by \$1/2 billion, the same as in the second quarter, as exports gained while imports showed little change. This marked the third consecutive quarter that net exports have gained.

Government purchases: Federal lower, State and local higher

Federal Government purchases of goods and services continued to trend downward with a \$3/4 billion reduction in the third quarter. Military spending fell by almost \$1-1/2 billion, but this was partly offset by a \$1 billion increase in nondefense spending, chiefly agricultural outlays.

State and local government purchases advanced by \$3-3/4 billion after a relatively small \$1-1/4 billion rise in the second quarter. A sharp pickup in State and local government construction activity accounted for the acceleration.

GNP and personal income statistics for the third quarter are shown in the accompanying table, together with comparative data for recent periods. Additional national income and product statistics will appear in the October issue of the Survey of Current Business, monthly magazine of the Office of Business Economics.

The Survey is available from Field Offices of the Department of Commerce or from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, at an annual subscription price of \$9, including weekly supplements; single copy, \$1.

/More/

GROSS NATIONAL PRODUCT AND DISPOSITION OF PERSONAL INCOME

U.S. DEPARTMENT OF COMMERCE
OFFICE OF BUSINESS ECONOMICS

GROSS NATIONAL PRODUCT	1967	1968	1969	1969		1970			1967	1968	1969	1969		1970					
				III	IV	I	II	III ^P				III	IV	I	II	III ^P			
				Seasonally adjusted at annual rates								Seasonally adjusted at annual rates							
				Billions of current dollars								Billions of 1958 dollars							
Gross national product (GNP).....	793.9	865.0	931.4	942.6	951.7	959.5	971.1	985.2	675.2	707.2	727.1	730.9	729.2	723.8	724.9	727.5			
Personal consumption expenditures.....	492.1	535.8	577.5	582.1	592.6	603.1	614.4	622.4	430.1	452.3	467.7	468.7	471.7	474.0	478.1	480.2			
Durable goods.....	73.1	84.0	90.0	89.5	90.8	89.1	91.9	91.4	72.9	81.4	84.9	84.1	84.9	82.7	84.9	83.9			
Nondurable goods.....	215.0	230.2	245.8	248.1	252.0	258.8	262.6	265.5	109.2	196.5	201.2	201.9	202.4	205.6	206.6	208.2			
Services.....	204.0	221.6	241.6	244.5	249.8	255.2	259.9	265.4	167.0	174.4	181.6	182.7	184.4	185.8	186.6	188.1			
Gross private domestic investment.....	116.6	126.5	139.8	143.8	140.2	133.2	134.3	136.8	101.2	105.7	111.3	114.1	110.0	102.9	103.1	102.6			
Fixed investment.....	108.4	118.9	131.4	132.4	133.0	131.6	131.2	132.8	93.5	98.8	104.1	104.2	103.9	101.5	100.1	99.5			
Nonresidential.....	83.3	88.7	99.3	101.5	102.6	102.6	102.8	103.7	73.2	75.5	80.8	81.9	82.1	80.9	80.2	79.6			
Structures.....	28.0	29.6	33.8	35.2	35.1	35.7	35.3	35.4	22.6	22.7	24.0	24.6	24.3	24.4	23.5	22.8			
Producers' durable equipment.....	55.3	59.1	65.5	66.3	67.5	66.9	67.5	68.4	50.6	52.7	56.9	57.3	57.8	56.5	56.7	56.8			
Residential structures.....	25.1	30.3	32.0	31.0	30.4	29.1	28.4	29.1	20.4	23.3	23.3	22.3	21.8	20.7	20.0	19.9			
Nonfarm.....	24.5	29.7	31.5	30.4	29.8	28.4	27.8	28.5	19.9	22.9	22.8	21.8	21.4	20.2	19.5	19.5			
Farm.....	.6	.5	.6	.6	.6	.6	.6	.6	.5	.4	.4	.4	.4	.4	.4	.4			
Change in business inventories.....	8.2	7.6	8.5	11.3	7.2	1.6	3.1	4.0	7.7	6.9	7.2	9.9	6.1	1.3	2.9	3.2			
Nonfarm.....	7.5	7.5	8.0	10.8	6.5	.9	2.6	3.5	7.0	6.8	6.8	9.3	5.4	.8	2.5	2.7			
Farm.....	.7	.1	.4	.5	.7	.7	.5	.5	.7	.1	.4	.6	.8	.6	.4	.4			
Net exports of goods and services.....	5.2	2.5	1.9	2.6	2.6	3.5	4.1	4.7	3.6	.9	.2	.8	.9	1.9	2.4	2.9			
Exports.....	46.2	50.6	55.5	58.3	58.8	61.1	62.8	63.5	42.1	45.7	48.5	50.8	50.0	52.0	52.9	53.4			
Imports.....	41.0	48.1	53.6	55.6	56.2	57.6	58.7	58.8	38.5	44.8	48.2	50.0	49.1	50.1	50.5	50.6			
Government purchases of goods and services.....	180.1	200.2	212.2	214.1	216.3	219.6	218.4	221.3	140.2	148.3	147.8	147.3	146.6	145.0	141.3	141.7			
Federal.....	90.7	99.5	101.3	102.5	102.1	102.3	99.7	99.0	74.7	78.7	75.7	75.2	73.8	71.1	67.8	67.2			
National defense.....	72.4	78.0	78.8	79.8	78.8	79.3	76.8	75.2	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx			
Other.....	18.4	21.5	22.6	22.7	23.3	23.0	22.9	23.8	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx			
State and local.....	89.4	100.7	110.8	111.6	114.2	117.4	118.7	122.4	65.5	69.6	72.1	72.1	72.9	73.8	73.5	74.5			
Addenda:																			
Final sales (GNP less change in business inventories).....	785.7	857.4	922.9	931.2	944.5	957.9	968.1	981.2	667.5	700.3	719.9	720.9	723.0	722.4	721.9	724.3			
Implicit price deflator, index numbers, 1958 = 100:																			
GNP.....	117.59	122.31	128.11	128.97	130.52	132.57	133.98	135.43	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx			
Private GNP (GNP less general government employee comp.)	114.79	118.92	124.22	124.90	126.32	127.96	129.24	130.66	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx			
Change from preceding period, percent at annual rate:																			
GNP.....	5.9	9.0	7.7	8.4	3.9	3.3	4.9	6.0	2.6	4.8	2.8	2.7	-9.9	-2.9	.6	1.4			
GNP implicit price deflator.....	3.2	4.0	4.7	5.6	4.9	6.4	4.3	4.4	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx			
Private GNP implicit price deflator.....	2.9	3.6	4.5	4.4	4.6	5.3	4.1	4.5	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx			
DISPOSITION OF PERSONAL INCOME																			
Personal income.....	629.3	688.7	748.9	758.1	770.5	782.3	801.3	807.1	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx			
Less: Personal tax and nontax payments.....	83.0	97.5	117.3	117.5	119.9	117.0	117.7	114.1	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx			
Equals: Disposable personal income.....	546.3	591.2	631.6	640.6	650.6	665.3	683.6	693.0	477.5	499.0	511.5	515.9	517.8	522.9	532.0	534.7			
Less: Personal outlays.....	506.0	550.8	593.9	598.7	609.6	620.5	632.1	640.5	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx			
Equals: Personal saving.....	40.4	40.4	37.6	42.0	41.1	44.8	51.5	52.5	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx			
Personal saving as a percentage of disposable personal income.....	7.4	6.8	6.0	6.5	6.3	6.7	7.5	7.6	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx			
Per capita disposable personal income, dollars.....	2,744	2,939	3,108	3,148	3,188	3,252	3,333	3,369	2,398	2,480	2,517	2,535	2,537	2,556	2,594	2,599			

Source: U.S. Department of Commerce, Office of Business Economics.

Preliminary.

USCOMM-DC 2230-P71

THE WHITE HOUSE

WASHINGTON

October 15, 1970

MEMORANDUM FOR SECRETARY SHULTZ
SECRETARY KENNEDY
✓ CHAIRMAN MC CRACKEN
SECRETARY STANS

In light of the subject that will be most on the minds of the Business Council on Saturday, the attached from Wednesday's "Wall Street Journal" may be of interest to you.

Peter M. Flanigan
Assistant to the
President

Dr. McCracken: Would it be too high a degree of propagandizing to pass out a copy of this along with your most scholarly packet?

Pay in Perspective

Labor Costs Increase More Slowly Despite Fatter Union Pacts

Overtime Cutback, Hold-down
Of Nonunion Wages, Gain
In Productivity Stem Rise

Interpublic Slashes Salaries

By ALFRED L. MALABRE JR.

Staff Reporter of THE WALL STREET JOURNAL

Labor costs aren't the Frankenstein monster they're often cracked up to be.

Speechmakers from the executive suite frequently portray the cost of labor as climbing utterly out of control, with ever-larger wage settlements dooming the economy to ever-worse inflation. Typically, R. Heath Larry, board vice president of U.S. Steel Corp., recently complained to a group of Bridgeport, Conn., businessmen about the "fantastic rise" in U.S. labor costs and worried gloomily whether this inflation-breeding "habit" could ever be kicked.

Not mentioned in the speech: Labor costs, far from soaring, are only inching upward nowadays. Some analysts, in fact, predict labor costs may soon begin to decline.

Admittedly, well-publicized developments in collective bargaining suggest a very different situation. In the first nine months of 1970, the median first-year increase in hourly wage rates amounted to a record 27.9 cents, according to preliminary results of a survey by the Bureau of National Affairs, a Washington-based research organization. The survey covered more than 1,700 bargaining agreements, each involving at least 50 workers. The comparable wage increase in 1969 was 22.2 cents and the rise in the 1968 period was 18.2 cents.

Wage Rates Aren't Pay

Such figures, however, do not give a true picture of the trend of labor costs. They show only what has been happening to wage rates—and then only to wage rates of unionized employees.

While wage-rate increases have been getting bigger, labor-cost increases have been getting smaller. The Government's index of manufacturing labor costs per unit of output has risen only 1% since the start of this year. In the first nine months of 1969, the index climbed 2.3%, and in the comparable 1968 period the increase amounted to 4.1%. In the last three months, the index has barely budged, rising a minuscule one-fifth of one percent.

The index does not cover labor costs in service industries, where such measurements are difficult to make. Other Government statistics, however, suggest that service labor costs are also rising more slowly. One index measures overall labor costs per unit of gross national product, adjusted for price changes. This index, which encompasses all segments of the economy, rose only three-tenths of one percent in the second quarter, the latest period available. This was by far the smallest quarterly increase in two years. In the second quarter of 1969, the rise was four times as rapid.

Some economists forecast that these indexes may soon begin to drop. "I think we could very well see a decline in unit labor costs" in coming months, declares Nat Goldfinger, director of economic research for the AFL-CIO. Mr. Goldfinger's view is shared by John Myers, director of economic research for the Conference Board, a management-oriented group whose members include most big U.S. corporations. "Unit labor costs are not actually dropping yet," says Mr. Myers, "but it could happen."

Pickup in Productivity

The recent slowing in the rise of labor costs, despite ever larger wage-rate increases, reflects a variety of factors. For one thing, the productivity of most workers has recently begun to rise, after a long period of no gain. In the second quarter, the latest period available, output per man-hour of persons in private, non-farm jobs rose at an annual rate of 3.2%, and many economists estimate that a further increase occurred in the third quarter. This represents a marked change. The productivity level actually declined between the first quarters of 1969 and 1970.

Productivity gains, of course, tend to offset pay increases. If a worker doubles his hourly pay but also doubles his hourly production of washing machines, the cost of his labor per washing machine does not increase.

The hourly pay of most workers has continued to increase faster than their productivity, so that unit labor costs have kept rising. But the disparity is much smaller than a glance at wage rates might suggest. While increases in hourly wage rates negotiated in collective bargaining have become larger, increases in actual hourly pay of workers generally have become smaller. Average hourly earnings of non-farm workers rose at an annual rate of 5% in the first half of this year, Government figures show, down from an increase of 7.2% in the comparable 1969 period.

Decline in Overtime Work

This decline in hourly pay gains partly reflects reduced premium-pay overtime work in many industries, many analysts say. Another factor in the pay slowdown, some economists claim, is the disappearance of many high-skill jobs in defense industries. "The jobs drying up in defense tend to be better paying than new ones that may open up in consumer industries," says a senior Labor Department economist.

Ever larger wage-rate increases in collective bargaining agreements have also obscured the fact that wage increases of nonunion employees—more than three-quarters of the job force—have been getting smaller. In the first quarter, according to a recent Government survey, wage rates in nonunion businesses rose at an annual rate of 5.2%, down from 7.2% in the previous quarter. The same survey shows that wage rates in unionized businesses rose at 7.6% annually during the period, up from 7.5% in the prior quarter.

The Wall Street area provides an extreme example of what's been happening to the pay of many nonunion personnel in recent months.

"There have been plenty of pay cuts on Wall Street," declares John Kret, an employee of the

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New York Stock Exchange who has been trying to organize employees in Wall Street-area securities firms. Mr. Kret notes, for instance, that Weis, Voisin, Cannon Inc., a sizable Big Board firm slashed salaries 10% in July. Weis-Voisin's action is by no means unique. Many Wall Street firms—none of them yet unionized—have either reduced pay levels or ruled out pay increases this year.

"While union workers are winning big pay hikes this year," says Sam Nakagama, chief economist of Argus Research Corp., an investment advisory firm in the Wall Street area, "the rest of the workers are generally getting much smaller boosts or no increases at all."

The securities business isn't the only non-union field where pay is being cut. Interpublic, a New York-based advertising concern, this month slashed salaries of all personnel earning more than \$20,000 yearly. Those making from \$20,000 to \$25,000 got 10% cuts, those from \$25,000 to \$40,000 got 15% reductions, and everyone above \$40,000 had pay reduced 20%.

There are scattered signs that some members of relatively small unions in troubled in-

dustries are beginning to settle for smaller pay boosts. An official of the Staff Officers Association of America, which represents pursers and pharmacist mates on U.S. steamships, reports his union settled for a pay increase of only 3% this year, half as much as in the union's previous contract. "We felt the U.S. steamship industry couldn't afford to go overboard," the official explains. "It was a case of hanging onto our jobs."

At least twice in recent months, union workers have actually passed up negotiated pay increases in order to keep their jobs.

About 450 production workers at the Chilli-cothe, Ohio, factory of Wear-Ever Aluminum Inc., a subsidiary of Aluminum Co. of America, voted to forgo a third-year wage-and-benefit increase due them. By so doing, they headed off a move by Alcoa to close down the facility. About the same time, some 4,000 employees at a Naugatuck, Conn., plant of Uniroyal Inc. agreed to forgo wage increases for three years. In return, Uniroyal promised to keep the factory running for at least four years. Wage boosts were granted under a master labor contract between the company and some 18,000 Uniroyal workers in 19 other plants.

For typing help contact:

Jean Clancy or Carol Segal

The following is the schedule for Sunday, October 18:

11:15 Worship services in East Room of White House
 Mr. and Mrs. McCracken

 Immediately after services the ladies will go to the
 reception; the men will go to the conference dining
 room.

12 noon lunch in Conference Dining Room -- for men only (the
 wives will be on their own after the reception)

1:15 pm Meeting with the President and the Business Council people

THE WHITE HOUSE

WASHINGTON

October 12, 1970

MEMORANDUM FOR SECRETARY KENNEDY
SECRETARY STANS
DR. BURNS
GEORGE SHULTZ
✓ PAUL McCracken

Herewith a letter from Jack Burke giving the Business Council's conclusions of last Thursday's meeting regarding the Business Council meeting on October 17.

It has been agreed that the Administration's half-hour introduction will be allocated to Paul McCracken who will set forth the Administration's view on the economy. The last third of the Administration's time, however, will be given over to an independent exposition of the Fed's view by Dr. Burns. It is expected that the two hours of discussion, the first hour solely among the panelists and the second hour thrown open to the floor, will be distributed evenly among all the panelists.

I presume all of you have made the necessary arrangements for transportation to and from Hot Springs. If not, and if I can be of help, I would be happy to do so.


Peter M. Flanigan
Assistant to the
President

FRED J. BORCH
Chairman

JOHN W. BURKE, JR.
Executive Secretary

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October 9, 1970

The Honorable Peter M. Flanigan
Assistant to The President
The White House
Washington, D.C. 20500

Dear Peter:

After the meeting yesterday, The Business Council group met for dinner and, for your planning purposes, here is the way we believe Saturday morning should run.

We will convene at 8:30 and presently are scheduled to have as our first speaker Mr. Birny Mason, Jr., who normally makes a very short report based on the opinion of The Business Council's economists as to the overall condition of the economy. This is a ten-minute item, or less, and we are trying to change this to the Friday program, if possible.

Following this, the Government speaker, or speakers, would take half-an-hour for their own presentation and at the conclusion the six Business Council members will speak for approximately ten minutes each in the following order and on the following subjects:

1. Roger Milliken will discuss the necessity for realistic government data on trade balances and he will also comment on the Mills Bill.
2. Ralph Lazarus will discuss productivity and prices in the service industry and the necessity for the continuation of current fiscal and monetary policies.

PRESERVATION COPY

3. Ellison L. Hazard will discuss the spillover effect on other industries of high construction wages and also the inflationary labor costs causing United States management to produce overseas in order to compete.

4. Donald C. Burnham will discuss the effect of inflation on the balance of trade and the need for a massive approach to productivity improvement in the service industries.

5. S. D. Bechtel, Jr. will discuss the construction industry's inflationary labor cost crisis.

6. James M. Roche will discuss the necessity for the Administration to take a public position in controlling inflation and achieving a better balance between wages and productivity.

While these subjects do seem somewhat overlapping, it is felt that this will be no problem as it will be minor.

At the conclusion of their remarks, there will be a mid-morning coffee break and upon reconvening the panel members will discuss the earlier remarks among themselves for approximately an hour. As this portion is concluded, the entire subject will be open to questions and answers from the floor. This will leave about an hour for this part of the program and we would hope to conclude around 12:30 p.m. but will have to play the duration of the meeting by ear.

It was also agreed that Paul McCracken and Don Burnham would be the two panel attendees at the press conference which is held immediately following the morning session. This will eliminate the necessity for the other government and Business Council members having to be present.

I am enclosing five copies of this which might be useful for your own internal purposes.

I look forward to seeing you and your wife at Hot Springs.

Sincerely,


John W. Burke, Jr.
Executive Secretary

PRESERVATION COPY

September 30, 1970

Dear Jack:

This is in response to your letter of September 24 in regard to the change in plans for those October meetings. Since I had participated in those San Clemente discussions I was not surprised in this change in the game plan.

As for transportation, I am still hopeful that we can drive. If there is any change in those plans I shall let you know immediately.

Regards,

Paul W. McCracken

Mr. John W. Burke, Jr.
Executive Secretary
The Business Council
888 Seventeenth Street, N.W.
Washington, D. C. 20006

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September 24, 1970

The Honorable Paul W. McCracken, Chairman
Council of Economic Advisers
Executive Office Building, Room 312
Washington, D. C. 20506

Dear Paul:

You were nice enough to agree to speak on our Friday morning program on October 16th at Hot Springs, but we now find that we are making some shifts in the schedule in order to devote one morning to the Economic Seminar requested by the White House.

As you will recall, from the discussions at San Clemente, the President wishes to have Business Council thinking in specific areas and our White House Liaison Committee will be meeting with him on Sunday, October 18th, to report on the results of our deliberations at Hot Springs. It was suggested that a seminar on the economy be held at Hot Springs on Saturday morning, October 17th, and we have been advised that Secretary Kennedy, Secretary Stans, Mr. Shultz, Dr. Burns and yourself will be the Government participants. We will have the following Council members to give reports in the industries as listed:

Donald C. Burnham	Electrical Mfg.
Ralph Lazarus	Retail
James M. Roche	Automotive
Roger Milliken	Textiles
S. D. Bechtel, Jr.	Construction
Ellison L. Hazard	Containers

It is my understanding that the Government representatives will not have to prepare any speeches and that this seminar will be more of a round-table discussion. We do plan to hear first from our Government guests, then follow this with the Council members, and then devote the balance of the morning to questions from the floor.

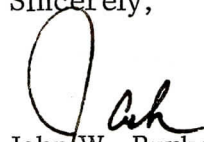
From all of this, then, you will see that we will not ask you to make any separate remarks on the Friday morning program and I hope you have not already spent time and effort in this direction.

We understand that there will be a preliminary meeting of all seminar participants at 4:30 p. m. in the Roosevelt Room of the White House on October 8th, and that we will be receiving from you some work papers which are to be distributed to our members in ample time for their study prior to this meeting. I realize that you are now in Europe, but if we could receive these papers at the very earliest moment after your return, we will send them out special delivery to our men. Although I realize that you will have only just returned from Europe, I plan on calling you on Monday morning about this.

We will, of course, keep in close touch with you as things progress. Meantime, perhaps your secretary could call and let me know how and when you and Mrs. McCracken wish to go down to Hot Springs. We will, as usual, have airplanes flying out on Thursday afternoon, October 15th, and I would suggest that you both go down on one of these so as to arrive in plenty of time for the evening reception, and also to insure that you are there for your 7:30 a. m. breakfast meeting on Friday, October 16th.

Just pick up the phone and call me if there are any questions.

Sincerely,



John W. Burke, Jr.
Executive Secretary

August 14, 1970

Dear Jack:

Thank you for your good letter of August 12 outlining plans for the October meeting. Friday, October 16 is free on my calendar, and I shall be glad to prepare something for the meeting.

Incidentally, I would also like very much to arrange a breakfast meeting of our Liaison Committee. Do I arrange this or is that taken care of through your office?

Regards,

Paul W. McCracken

Mr. John W. Burke, Jr.
Executive Secretary
The Business Council
888 Seventeenth Street, NW
Washington, D. C. 20006

Meeting Folder

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August 12, 1970

The Honorable Paul W. McCracken, Chairman
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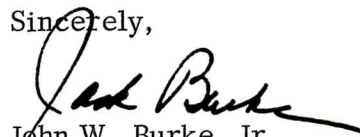
Dear Paul:

It seems hard to believe that The Business Council is looking forward to its meeting at Hot Springs October 15th to 18th and we are all so hopeful that you and your nice wife will once again be our guests over this weekend.

We are all hoping that you would be willing to take 20 minutes or so on the program of Friday morning, October 16th, to bring us up to date as to where we are and where we are going. By this time, the results of the third quarter will have begun to drift in and we may have a better look at the "bottoming out" process. I am not giving your remarks any title and, if you can be with us, whatever title you might want to use would look fine on our program. Please let me know at your convenience whether or not you are free so that we can start to make the necessary arrangements to button up our program.

Kindest personal regards,

Sincerely,


John W. Burke, Jr.
Executive Secretary