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McNamara Papers

Chronological file Mr. McNamara's Miscellaneous (incoming)
Correspondence and Technical Notes, 1970 (Jan - Febr.)

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1771534
A1995-258 Other #: 1 3196765
President's papers - Robert S. McNamara Chronological files (incoming) - Chrons 04

4

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Visit of the United Kingdom Minister of Overseas Development

Record of Discussion

Mrs. Judith Hart, the United Kingdom Minister of Overseas Development, called on Mr. McNamara at 4 p.m. on Wednesday, February 25th. She was accompanied by Sir Geoffrey Wilson, Mr. Derek Mitchell, Mr. Knapp and I were also present.

The discussion turned mainly on the question of the Third Replenishment of IDA. Mrs. Hart said that the U.K. Government would support a replenishment of up to \$1 billion a year subject to the following three points: (i) the United Kingdom had, for some time past, felt that their share in IDA contributions was too high. If other governments, however, were prepared to maintain their present share, the United Kingdom would not ask for a reduction in its share. They assumed that, in any event, there was no question of their share being increased; (ii) the United Kingdom would feel some concern if there were any question of the percentage of IDA funds allocated to India falling below the present level of 40%; (iii) the United Kingdom attached importance to greater flexibility in operational policies, particularly on the question of program lending.

Commenting on these points, Mr. McNamara said that he had felt it to be too soon to study seriously the question of burden-sharing in the Third Replenishment. He would think it inconceivable that the U.K. share should be increased. The U.S. Administration felt that the chances of ratification by Congress would be improved if there were some small reduction in the U.S. share. He had urged the U.S. Administration to take a strong line with Congress on this. What would the British attitude be if there were to be some reduction in the French share?

The United Kingdom representatives thought that such a reduction could, at a pinch, be accepted if it were clearly necessary but that if the U.S. share were to be reduced, that would be another matter.

As regards the allocation of IDA funds, Mr. McNamara said that India was receiving in aid a disproportionately low share of the world's resources. He would certainly favour a larger volume of lending to India, both absolutely and as a percentage of the total if this were politically practicable. The danger was that to talk of increasing the percentage of IDA funds going to India might mean that agreement could only be reached on a lower total for the Third Replenishment and hence a lower absolute amount of IDA lending to India. He would certainly not support a share for India of less than 40% at the present level of commitments. He was not, at the present time, able to say what the Indian share might be for higher totals. If commitment authority was obtained at the rate of \$1 billion a year, he would be surprised if it proved practicable to allocate to India as much as 40% of the second \$500 million. There would certainly have to be an increase in the percentage share of the total going to Latin America, especially Brazil. The United States Administration could not get political support for a higher level of replenishment unless this were so. Similarly, the French Government would press for a higher share of the total for French-speaking Africa and the Japanese would press the claims of Indonesia. All these regions would get more absolutely. What their proportionate share should be was a matter of the effect that this might have on the prospects of securing a Third Replenishment at a high level.

In reply to a question from Sir Geoffrey Wilson, Mr. McNamara said that he did not think there was any case for continuing balance of payments safeguards for the United States in the Third Replenishment and certainly not in the form in which they had had them in the past.

Turning to the position of individual governments on the Third Replenishment, Mr. McNamara said that pressure should be brought to bear on the German, the U.S. and the Japanese Governments. He had some hope that the U.S. representative would speak affirmatively at the meeting in London on March 9th and 10th in favour of replenishment at a level of \$1 billion. There was no prospect that the German representatives would do so. The German Government must be given more time to make up its mind.

Mrs. Hart said the United Kingdom Prime Minister had it in mind to discuss this question with the German Chancellor, Herr Brandt, when he visited London in the following week. Mr. McNamara strongly welcomed this proposal. In his view it would be in the interests of Germany to put greater emphasis on multilateral aid which would be in harmony with the general direction of German foreign policy.

Mr. McNamara said that he did not know what the Japanese position would be. He had had some discussion with Prime Minister Sato about this and thought that the Japanese Government would, in any event, support a substantially higher amount though, at a level of \$1 billion annually, they would probably wish to raise the question of the terms of IDA lending. They appeared to be in favour of an intermediate category of IDA credits with an interest rate of, say, 3%.

In dealing with all these three governments, there was little prospect that they would achieve a target of .70% of GNP in official development assistance within the near future. The important point was to press them to do better than their present level.

Mrs. Hart strongly agreed with this and said that the difficulty about the .70% target was that most countries did not plan their public expenditure for more than a few years ahead. Their increases in official development assistance must be gradual.

On the question of the operational policies of IDA, Mr. McNamara said that the issue seemed to him to be a question of the schedule of disbursements. There was no particular virtue in any one technique of lending as such. What was important was to work out a desired schedule of disbursements and adjust our lending program to it. There was every prospect that commitments to India would, in fact, be slightly higher than the target level of \$236 million for the time being because of lags elsewhere in the lending program.

Sir Geoffrey Wilson urged that too much regard ought not to be paid to the requirements of the Articles of the Bank and IDA in deciding between program and project loans.

Mr. McNamara said that the provision for "exceptional cases" seemed to him to be wide enough for any reasonable requirements, particularly if advantage was

taken of the similar provision in regard to the financing of local currency expenditure. For example, the Association had just made a substantial credit for the Kadana Irrigation Project. This not only involved a substantial amount of local currency expenditure, it was also intended to finance a project which was already underway. It should, therefore, be a quick disbursing credit.

In reply to a question from Mr. Knapp about the allocation of IDA funds, Sir Geoffrey Wilson said that the United Kingdom attached more importance to maintaining the percentage for India than they did to maintaining that for Pakistan though they hoped that lending to Pakistan would be continued at a high level.

Mrs. Hart then raised the question of finance for the Caribbean Bank. Mr. McNamara said that while there could be some question whether the Caribbean Bank should be compared to the regional banks or to private development agencies, such as ADELA, he would be prepared to think about finance from World Bank funds for the Caribbean Bank.

D. H. F. Rickett
February 27, 1970

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February 16, 1970

The Honorable Robert S. McNamara
President
International Bank for
Reconstruction & Development
1818 H Street, N.W.
Washington, D.C. 20006

[Handwritten signature]
3/5

Dear Bob:

I have just received from Mr. Frank O'Brien, Jr. the Annual Report of the International Finance Corporation for 1969 which describes IFC's general policies.

I congratulate you again on the progress made and the increased activities of of the IFC - its efforts toward economic development in the less developed area.

I am delighted that we are to meet on March 6 at 5:00 P.M. In the meantime, I want to mention to you Paul Hoffman's activities in connection with the United Nations Population Trust Fund. As you know, U Thant has delegated to Paul Hoffman responsibility for operating and allocating the Trust Fund. Paul has in turn appointed Rafael Salas of the Philippines Director of the Fund and between them they have set \$15 million as the 1970 budget for the UN population activities and programs this year.

The United States has committed \$7.5 million on a matching basis. Shortly after the meetings in Geneva of the UN Population Commission in November, where I represented the United States, I visited Germany, France and England and talked by telephone with my friends in Sweden, looking toward these countries contributing in a major way to the Population Trust Fund. Mr. Erhard Eppler, Minister of Overseas Development for Germany, whom I saw in Stuttgart, has now gotten the approval of the inclusion in the German budget of \$1 million as a contribution and \$500,000 additional as an underwriting to this Population Trust Fund. Request for similar amounts have been made to the Swedish, British and Japanese Governments and it is hoped that the Canadian Government may make a similar contribution in due course. We then hope to obtain smaller, but psychologically important contributions from 40 or 50 countries, including most of the developing world.

It has occurred to me that it would be also psychologically important for the World Bank or IDA, or IFC, to contribute in whatever amount in order to show the interest of the largest financial institutions in the United Nations Family in this new and hopefully important population activity of the United Nations Family.

Perhaps you could give this question some thought before we meet.

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President has seen

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February 16, 1970

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I congratulate you again on the progress made and the increased activities of the IFC - its efforts toward economic development in the less developed areas.

I am delighted that we are to meet on March 6 at 2:00 P.M. in the meantime, I want to mention to you Paul Hoffman's activities in connection with the United Nations Population Trust Fund. As you know, U Thant has delegated to Paul Hoffman responsibility for operating and allocating the Trust Fund. Paul has in turn appointed Rafael Salas of the Philippines Director of the Fund and between them they have set \$15 million as the 1970 budget for the UN population activities and programs this year.

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Perhaps you could give this question some thought before we meet.

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The Honorable Robert S. McNamara
February 16, 1970

-2-

The other important question I would hope we could discuss, has to do with India. A tremendous potential step forward with respect to that country took place at the Stockholm Consortium meeting under Mr. I.P.M. Cargill's chairmanship. As you know, the United States offered for the first time a \$50 million grant for India's population and family planning program on the one condition that it be additional to the program already planned and budgeted by India itself. This meant a three-way change in policy by U.S./AID. First, the amount was tremendous, compared to the \$700,000 in aid last year. Second, it was all in dollars and could be used in rupees and, third, it was proposed as a grant and not as a loan.

I understand, however, that although the meeting was a couple of months ago, there has so far been no Indian response whatsoever.

The Indian population problem is the worst in the world, and I believe threatens the break-up of India if progress is not made quite soon. It seems to me that India's population problem seriously threatens repayment of all the World Bank loans to that country.

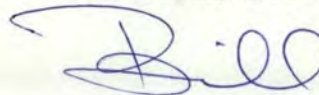
As I see it, every humanitarian and developmental hope for India, as well as the World Bank's hopes for repayment of its loans rest on a really determined and universal family planning and population program carried out aggressively throughout all of India, including its 600,000 villages.

It suggests that this could be the most important effort from the World Bank's point of view in the entire world and that a concentrated program by the Bank in the most diplomatic, but nevertheless forceful manner, might be thought about as the Bank's first priority.] ✓

I look forward with great interest to seeing you on March 6.

With kind personal regards, I am

Sincerely yours,



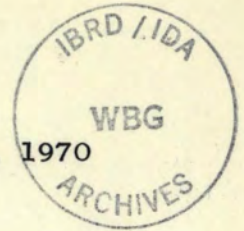
William H. Draper, Jr.

WHD:bz

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El Ministro del Tesoro



February 6, 1970

Dear Mr. McNamara,

first of all, I wish to thank you very much for the very kind expressions you have had for the treasury representative who recently attended the meeting in Paris for the third replenishment of I.D.A.

I fully agree with you about the need of increasing the resources of I.D.A., an increase that certainly will greatly contribute to the solution of the problem concerning the financing of development either by granting a trade expansion and by alleviating the external debt of the developing countries.

While assuring my complete support to your undertaking, I take a pride in conveying to you my best wishes for the New Year.

Sincerely

Emilio Colombo


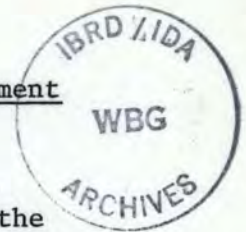
M.
Robert S. MACNAMARA
President of the
International Bank for
Reconstruction and Development
WASHINGTON D.C. 20433 U.S.A.

OFFICE MEMORANDUM

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TO: Mr. McNamara

DATE: January 29, 1970

FROM: S. Aldewereld SUBJECT: Discussion with Dr. Hankel on January 21, 1970 - IDA Replenishment

On Wednesday, January 21, I had a 2½ hour discussion with Dr. Hankel, the head of the Department of Money and Credit of the German Economics Ministry. As you know, Hankel is one of Professor Schiller's closest associates. Most of the discussion covered the present position and prospects of the German capital market. I have reported to you this morning on this subject, and therefore will not repeat what I said in this memorandum.

Thereafter, and without prodding on my part, Hankel talked to me about the question of IDA replenishment. He asked me to convey to you the following on behalf of Professor Schiller:

Prof. Schiller has received your letter to him on the subject of IDA replenishment. Hankel explained that Schiller was very much involved at present in very difficult economic and political questions such as the tight liquidity in the German banking system, demand for wage increases, and high interest rates. Consequently, Prof. Schiller was preparing an economic program designed to resolve some of these questions and, since the Government has to work in Parliament with a slim margin, his presence in the German Parliament to defend the measures that he, Schiller, proposed was more often required than would ordinarily be the case. In the circumstances, Hankel asked me for you to understand that Schiller not only could not see his way at this juncture to proceed with the matter of IDA replenishment, but also felt that it may be better to postpone taking action on IDA. Schiller hoped that by, say, April things would have calmed down sufficiently to devote attention to the IDA replenishment matter.

At no point in this rather long conversation was there any reference made by Hankel to the specific amount of the replenishment. I for my part, taking into account the reasons advanced by Hankel for the advisability of the delay, felt that I should not press the matter of the amount at this juncture.

I told Hankel that I would convey this message to you and that I was sure you would understand.

cc: Sir Denis Rickett
Mr. Adler

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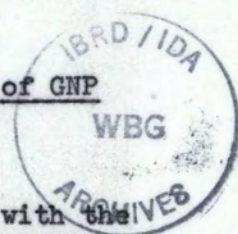
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Mr. Robert S. McNamara

January 6, 1970

Irving S. Friedman

Technical Note - Current Trend and Future Prospects in Use of GNP
in the United States



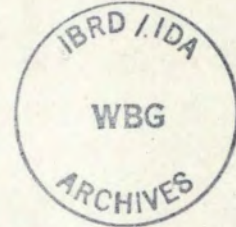
This is the promised technical note. It deals only with the United States although some of the appended tables have relevant material on other O.E.C.D. countries. However, much more would have to be done if you were to get the same kind of projections for the O.E.C.D. countries as we have for the United States.

Lee 2/16

D R A F T

January 5, 1970

CURRENT TREND AND FUTURE PROSPECTS IN USE OF GNP
IN THE UNITED STATES



Introduction: This technical note examines several aspects of the broad question of how the United States can use its future growth in gross national product to cure its domestic ills. Among the aspects considered are:

How has gross national product grown, both in respect of its quantity and of its distribution between public and private sectors of the U.S. economy?

How have the resources within these sectors been distributed and utilized? How does the fiscal system, particularly taxation, affect resource distribution and use? What, if anything, do patterns of resource use imply about national priorities?

What is the projected growth and distribution of resources in the future? Do such projections envisage surplus resources, a "fiscal dividend", available for expansion of present programs or commencement of new ones? How does the 1969 Tax Law alter these projections? Does the "fiscal dividend" provide an adequate measure of the availability of resources to cure domestic ills?

More detailed information about these and other questions addressed in the Note are contained in the attached folder giving background tables used in preparing this Note.

Summary and Conclusions:

Individual commentary and research, like numerous official government task-force and study-group reports, insistently argue the urgent need to ameliorate domestic ills. The arguments reflect the dual realization that, first, despite apparent riches, poverty, hunger, poor health and violence remain part of the American scene and, second, that partial remedy for such ills may lie in a different composition of national product, different because it reflects different needs. Hence we hear pleas and proposals for greater government activity -- in education and job training, in employment opportunities, in low income housing, community development and mass transportation -- and we see estimates of their cost totalling billions of dollars annually.

There is little doubt that the United States can produce the resources to solve these problems. Its already vast gross national product, it is projected, will grow to \$1.4 trillion by 1975 assuming a 7 percent annual rate of growth (in money terms). On the average, then about \$80 billion in additional output would be "available" each year to apply to these problems. But previous commitments and inflation may significantly reduce the funds ultimately available in real terms. And, more important, an essentially political, not economic, decision to allocate funds to those ends rather than others is required.

While talk of urgent domestic problems and "new priorities" has become part of daily life in America, resistance to massive dosages of public funds to remedy these ills is still strong. The resistance to such public-sector activity seems, moreover, to be multifaceted. It stems in part from consumers' reluctance to sacrifice their own current consumption

for what they view as the possibility of a probably indirect return at some indefinite future time; in part from the widespread sentiment, not eliminated by the 1969 Tax Law, that the tax burden is already too great; and in part from the traditional American restraint in allowing extensions in the sphere of federal government influence.

Yet underlying all aspects of this resistance may well be a basic misconception: with all its wealth, the United States is able to afford more of everything -- defense, social programs, private consumption and investment. The fundamental economic concepts of budget constraint and opportunity cost -- that to obtain more of one thing, something else must be sacrificed -- are not real unless experienced. It is, however, only recently that Americans have begun concretely to experience obvious and serious price inflation and, now, the prospect of rising unemployment and even recession coupled with that price inflation. Correction of this misconception may bring about a vitally needed and more realistic evaluation of national priorities. However explained to the public, the inherent inability to do everything is being realized and the need to choose has become an inevitable, though disagreeable task.

The 1969 Tax Law may be viewed as a for-the-moment resolution of the country's public-private choice in favor, at the margin, of the private sector. Although a similar trend has been evident in U.S. tax law changes during the postwar period, the for-the-moment characteristic does deserve emphasis. Pressure for greater public social expenditures in the coming years must increase and is likely either to result in tax increases and specific controls designed to yield revenue to finance those expenditures or, even more drastic, changes in the structure of revenues and expenditures designed to reflect social priorities.

A national debate on priorities is in its infancy, but it has begun. Until now, the development of national priorities seems to have occurred by a process of addition. Taking a simplified historical overview, time-honored priorities -- law and order, national defense -- were part of the American system from its birth. As the nation physically spread across the continent new priorities, effectively fostering physical unity -- transportation, communication -- joined the time-honored ones. The events of the twentieth century brought still more: conservation, to protect against exhaustion of natural resources; controls of the economic environment, to assure rising living standards by preventing the aggregate economic phenomena of either inflation or depression and by providing insurance systems to cushion incomes of the temporarily unemployed and the elderly. More recently, space programs and medical care for the aged have gained acceptance to this list of priorities. Other priorities -- restructuring of urban areas, control of pollution, elimination of poverty, even foreign assistance -- have attained some acceptance to the list, but on a temporary basis and with less than top priority. The newer priorities at this point in time still compete with one another for national expenditures: it remains a question of more pollution control or more foreign aid, not more pollution control or more moon flights, or defense expenditures. The debate on priorities will begin in earnest when the latter question is posed, when the newer and newest priorities are measured not against one another, but rather against all priorities, old and new. The 'seventies will largely be pre-occupied with this debate.

Economic facts mirror the ambivalence and ambiguities in Americans' view of what mixture of demands or priorities they want to satisfy and how to obtain this mixture -- whether through public or private activity. For

example, while gross national product just about doubled between 1950 and 1968, rising to \$708 billion from \$355 billion (in constant 1958 dollars) the private sector's share in it has fallen to 79 percent in 1968 from 85 percent in 1950. Further, almost half of non-defense federal expenditures are now in the broad category of major social programs. The lion's share of state and local expenditures, which are rising faster than federal ones, take place in the same sphere. Nonetheless, there has been a continuous and rapid increase in consumers' durable-goods expenditures on "luxuries," resulting largely from rising incomes, but from expansion of credit as well. Yet consumers' expenditures on services -- particularly on "necessary" services such as personal business, medical care and education and research (at the university level) -- have risen even faster. This conflicting evidence is not easily reconciled into a coherent statement of priorities.

In formal economic analysis, there is a sharp distinction between public and private activities: public sector activities directly or indirectly serve everyone, regardless of his contribution, financial or moral, to their support. Private sector activities, by contrast, serve primarily those with money votes in the market place. However, as discussions of great domestic needs effectively demonstrate, in today's world the public-private dichotomy is often blurred. Where lack of economic opportunity stems from inadequate education, training and employment possibilities, poverty remains virtually congenital. These and the accompanying poor living conditions -- housing, sanitation, nutrition, general health -- may give rise to frustrations, themselves augmented by awareness of others' relative wealth. Such conditions contribute to rising crime rates touching lives well beyond those of the poor. Or, where pollution of air and water impairs health and

depletes natural resource, a wide spectrum of people suffer its effects. Rapidly growing urban centers, meccas of commerce, industry and often entertainment, fall particular victim to these and other ills. Much, in other words, that seems on first glance to be in the private sector's province gathers characteristics of its economic analytical complement, public sector activity. This blurring of the two sectors needs to be kept in mind in evaluating the trends within gross national product summarized below:

GNP Growth Experience:^{1/}

The lack of a coherent set of national priorities is implicit in the very record of GNP growth and distribution.

On the one hand, per capita GNP and disposable personal income have risen sharply, the former climbing to 150 percent of its 1950 level by 1968, the latter by a lesser but still large amount (both measured in constant 1958 dollars).

TABLE 1

PER CAPITA INCOME AND DISPOSABLE PERSONAL INCOME:
1950, 1960 and 1968

<u>Current dollars</u>	<u>1950</u>	<u>1960</u>	<u>1968</u>
Gross national product	1,877	2,788	4,304
Disposable personal income	1,364	2,432	2,933
<u>Constant dollars</u>			
Gross national product	2,342	2,699	3,518
Disposable personal income	1,646	1,883	2,474

These imply that personal consumption has been allowed to rise. And, although that rise will be considered more fully later, it is worth noting here that it did: from \$1,520 per capita in 1950 to \$2,250 per capita by 1968 (again measured in constant 1958 dollars).

^{1/}Much of the data in this note is not as yet presented as consistently in terms of time covered as would be desirable; it has been necessary to use easily available data sources. Efforts are being continued to correct this situation. Unless otherwise noted, it is believed that trends indicated by the date have continued.

Yet, while the whole income distribution has shifted upward, median money incomes per family unit rising to \$7,974 from \$4,611 in the same period, the income distribution (by quintiles) and hence, relative positions have remained virtually unchanged. There has, in other words, been no tendency to make income distributions either more or less egalitarian.

The public-private distribution of GNP has, by contrast, changed markedly, in this case favoring public-sector consumption, not private.

TABLE 2

PERCENTAGE DISTRIBUTION OF GNP IN CONSTANT 1958 DOLLARS:
1950, 1960 and 1968

	<u>1950</u>	<u>1960</u>	<u>1968</u>
TOTAL	100.0	100.0	100.0
<u>Private</u>	<u>85.2</u>	<u>80.5</u>	<u>78.9</u>
Personal Consumption	64.9	64.8	63.9
Gross Private Domestic Investment	19.5	14.8	14.9
Foreign Trade	0.8	0.9	0.1
<u>Public Consumption and Investment</u>	<u>14.9</u>	<u>19.5</u>	<u>21.0</u>

Source: Attached, Table IIIB.2 in folder.

Note: May not sum to totals due to rounding.

The relative shares of gross private domestic investment and the public sector had switched by 1960; the further rise in the public sector's share during the 1960's, although smaller, came in about equal amounts from reductions in the shares of foreign trade and personal consumption.

Intra-sector distribution and national priorities:

Public-private resource allocation is but one aspect of the issues inherent in the broad question as to how the United States can use its resources to solve its domestic problems. It does not eliminate questions of distribution within each sector. What goods and services will each supply? By what means? And to whom?

Public Expenditures:

There can be little doubt that certain social needs have attained high priority in the United States Government. A glance at the priority formulation of the fiscal 1970 budget shows this quite specifically. Immediately following national defense in that budget are the major federal social programs: Social Insurance Trust Funds (excluding Medicare), welfare payments and services, health (including Medicare), education and manpower training, low and moderate income housing, community and regional development.

As shown in Table 3, these programs have received an increasing share of federal outlays. Those that did exist in 1950 were small, and it was only in the mid-1960's that official government publications deemed them deserving of separate report.

TABLE 3

PERCENTAGE DISTRIBUTION OF BUDGET OUTLAYS:
FY 1950, 1960, 1965-1969

	<u>1950</u>	<u>1960</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u> (est.)
Budget Outlays	100.0	100.0	100.0	100.0	100.0	100.0	100.0
National Defense (Southeast Asia)	32.8 (n.a.)	49.8 (n.a.)	41.9 (0.1)	42.2 (4.5)	44.3 (13.0)	45.0 (15.0)	44.1 (15.9)
Major Social Programs ^{1/}	5.8	22.8	25.3	28.6	29.3	30.5	31.8
Interest	14.7	9.0	8.7	8.4	7.9	7.7	8.3
Veterans	16.8	5.9	4.8	4.4	4.4	3.8	4.2
All Other	30.0	15.0	22.0	18.9	16.6	15.5	14.3
Allowances and Undistributed	(n.a.)	-2.5	-2.7	-2.5	-2.5	-2.5	-2.7

Source: 1969 Statistical Abstract, Table 540; data for 1950
1957 Statistical Abstract, Tables 439 and 440

^{1/} Major social programs defined as ordinary U.S. Budget Categories: community development and housing; education and manpower, health and welfare; see II.A in accompanying folder.

Note: May not sum to total due to rounding; efforts being made to obtain more recent data.

State and local expenditures, predominantly devoted to social programs like education, have grown even faster than federal expenditures:

TABLE 4

DIRECT GENERAL EXPENDITURES OF STATE AND LOCAL GOVERNMENTS, ^{1/}
 BY FUNCTION: 1950, 1960 and 1967
 (percentage, dollars)

	<u>1950</u> (percentage of total)	<u>1960</u>	<u>1967</u>	<u>1950</u> (dollars per capita)	<u>1960</u>	<u>1967</u>
TOTAL	100.0	100.0	100.0	150	187	472
Education	31.5	36.1	40.6	47	104	192
Public Welfare	13.0	8.5	8.8	19	24	42
Health and Hospitals	7.7	7.5	7.1	12	21	34
Police Protection	3.4	3.6	4.5	5	10	21
Sanitation	3.7	3.3	2.7	6	10	13
All Other	40.7	41.2	36.2	61	118	170

Source: 1969 Statistical Abstract, Table 592

^{1/}Partially financed by Federal revenues; see attached Table IIB.

Note: May not sum to total due to rounding; efforts being made to obtain more recent data.

Although, at the Federal level, budgetary pressures (stemming from a combination of defense expenditures and the need to control inflation) have slowed the pace of its increase, the trend in social outlays by all levels of government during the 1960's has been consistently upward.

Public Revenues and Tax Burdens:

Much of the growing expenditures is financed by tax revenues, themselves growing as the economy expands.^{1/} Though tax revenues have risen continually, examination of the sources of tax revenue makes it quite clear that no consistent philosophy underlies the distribution of tax revenue between the public and private sectors. At the state and local level, for example, individual income tax revenues, though a small percentage of total tax revenues, increased six-fold between 1950 and 1967. This increase occurred at the expense of private consumption. Yet during the same period, corporate State and local tax burdens fell, thereby potentially supporting private investment.

Federal income tax payments have simultaneously exhibited a tendency favoring private consumption rather than public consumption and investment. There are two very distinct ways in which the trends of changes in the federal income tax structure favor private consumption; each operates at a different point in the income distribution. Clearly, those with very low incomes have experienced a marked reduction in tax burden. Continuing a trend begun in the 1950's, under the 1969 Tax Law a family of four earning less than the old federal poverty standard, \$3,500, will pay no tax at all. One can hardly quarrel with these consumption increasing provisions. Just as clearly, however, and more dramatic, is the reduction in tax payments by classes whose income exceed \$10,000.

One would not expect the impact of tax reduction in the higher income groups to be uniform. In the lower ranges of that group, marginal

^{1/}The flow of Federal funds to state and local governments has grown steadily, accounting for 17 percent of state and local expenditures in 1967 compared to 12 percent in 1950.

private consumption expenditure out of increased income is likely to be greater than at still higher income levels. To illustrate what this may mean, it may be sufficient to isolate one income group, those whose incomes range between \$10 and \$15 thousand: In 1950, people with adjusted gross incomes of \$10,000 or more accounted for 8.4 percent of the income earning population and paid, on average, 14.2 percent of that income in individual income taxes. By 1967, 22 percent of the population earned from \$10,000 to \$15,000. They paid only 11.8 percent of that income in taxes. This indeed leaves room for increased consumption.

The progressive 1950 tax system absorbed up to 60 percent at the highest income brackets; after modification it took less than 45 percent of those incomes by 1967. But even these averages mask what have been regarded as more blatant inequities whereby many of the very wealthy pay no tax at all on considerable incomes. Minimum income tax provisions in the new tax law do attempt to redress this situation to some extent.

Consumer Expenditures. Per capita personal consumption, as mentioned earlier, rose rapidly between 1950 and 1968. Perhaps more significant is the breakdown of these increases.

TABLE 5

PER CAPITA PERSONAL CONSUMPTION EXPENDITURES:
1950, 1960 and 1968

	<u>1950</u>	<u>1960</u>	<u>1968</u>
<u>Current dollars</u>			
Personal consumption expenditures	1,259	1,800	2,667
Durable goods	201	251	414
Nondurable goods	647	837	1,146
Services	412	712	1,107
<u>Constant dollars</u>			
Personal consumption expenditures	1,520	1,749	2,250
Durable goods	229	248	401
Nondurable goods	752	828	979
Services	539	673	870

A National Planning Association study published in 1969,^{1/} notes that in the 1960's consumers' durable expenditures rose 7 percent a year, compared with a 2.7 percent annual increment between 1955 and 1960. Much of the later increase occurred in commodities like televisions, radios, books, maps, sporting goods and other recreational items. The survey (from a different source) arrayed in Table 6 indicates that electrical appliance purchases also grew. The National Planning Association study shows that automobile expenditures, too, although they lagged in 1966-1967, had risen rapidly in 1960-1965 and the report on car ownership by income (Table 7) reiterates the same point in a more specific context. Furniture expenditures have risen steadily since 1961, though there are indications that these have been reduced by the poor conditions in the housing market.

^{1/}The data used in this study cover through 1967, but that year's data are the preliminary version.

TABLE 6

HOMES WITH SELECTED ELECTRICAL APPLIANCES: 1953 to 1968

(Wired homes in millions. As of January 1. Percentages based on total number of homes wired for electricity.)

PRODUCT	1953		1960		1968	
	Num- ber	Per- cent	Num- ber	Per- cent	Num- ber	Per- cent
Total number of wired homes	42.3	100.0	50.6	100.0	60.1	100.0
Air-conditioners, room		1.3		12.8		36.7
Bed coverings		8.6		21.3		42.3
Blenders		3.5		7.5		20.0
Can openers		(NA)		(NA)		34.5
Coffeemakers		51.0		53.4		79.6
Dishwashers		3.0		6.3		18.1
Disposers, food waste		3.3		9.5		18.0
Dryers, clothes		3.6		17.8		34.6
Freezers, home		11.5		22.1		27.2
Frypans		(NA)		40.7		51.8
Hotplates and buffet ranges		21.2		23.9		23.4
Irons, total		89.6		88.6		99.3
Steam and steam/spray		19.5		55.7		83.3
Mixers		29.7		53.4		78.5
Radios		96.2		96.1		99.5
Ranges:						
Free-standing		24.1		30.3		34.1
Built-in				5.3		12.9
Refrigerators		89.2		98.0		99.7
Television:						
Black and white		46.7		89.9		98.1
Color		(X)		(NA)		26.2
Toasters		70.9		70.4		87.6
Vacuum cleaners		59.4		72.5		92.9
Washers, clothes		76.2		83.1		94.3
Water heaters		13.8		18.6		26.1

Source: 1969 Statistical Abstract, Table 1088.

TABLE 7

HOUSEHOLD OWNERSHIP OF CARS, BY INCOME: 1960 AND 1968

(Percent of all households in each group.)

INCOME LEVEL	CARS	
	One or more	Two or more
1960		
All households	75.0	16.4
Annual income:		
Under \$1,000	24.8	1.8
\$1,000-\$1,999	42.9	3.1
\$2,000-\$2,999	61.3	6.4
\$3,000-\$3,999	75.7	9.0
\$4,000-\$4,999	82.3	12.3
*\$5,000-\$5,999	90.2	17.9
\$6,000-\$7,499	93.3	21.6
\$7,500-\$9,999	95.1	31.4
\$10,000-\$14,999	95.4	42.7
\$15,000 and over	94.2	58.8
1968		
All households	77.4	26.8
Annual income:		
Under \$1,000	30.1	3.9
\$1,000-\$1,999	38.0	3.1
\$2,000-\$2,999	58.6	5.4
\$3,000-\$3,999	70.1	12.8
\$4,000-\$4,999	75.4	13.4
\$5,000-\$5,999	83.4	22.6
\$6,000-\$7,499	88.9	26.7
*\$7,500-\$9,999	91.8	36.1
\$10,000-\$14,999	94.7	49.8
\$15,000-\$24,999	94.2	60.5
\$25,000 and over	93.9	63.2

Source: 1969 Statistical Abstract, Table 480.

*Median Income Group.

Put formally, many of these commodities exhibit a high income elasticity of demand: that is, as income rises, such purchases rise, in percentage terms, even more. Nonetheless, before rushing to criticize a picture of a profligately materialistic society, other factors lend balance to the view. First, the most rapid increases in personal expenditure have taken place in purchases from the service sector. More important, many of these -- particularly personal business, medical care, private education and research (largely at the university level) -- cannot be attributed wholly or even largely to rising incomes. Each tends to rank high in the ordering of personal budget priorities. Second, expenditures on high income elasticity goods do not pari passu imply "luxury" purchases. Many, for example, augment efficiency in the home. They substitute capital-intensive activities for labor and time-intensive ones; they may, thereby, "free" women for work outside the home. And the greater number of women employed, part-time or full-time, has contributed significantly to rising family income. Others allow economizing of income, itself: a home freezer can reduce food bills, even a seemingly extravagant electric blanket may substitute for the more costly purchase of several conventional blankets. Third, and perhaps most relevant in this context, certain purchases of consumer durables or services occur because the publicly provided substitute is inadequate. With better public transportation systems, fewer private cars might well be required and more people could afford to obtain employment at what are now relatively distant or inaccessible points. Analogous arguments might be made, particularly for private purchases of medical services and education.

Consumption expenditures are not fully financed by current income. Needless to say, some is financed by drawing down past savings, some by borrowing, and consumer credit has soared.

Prospectives:

National Planning Association projections for the 1967-80 period anticipate only slight modification in the patterns of consumer expenditure observed between 1948 and 1967. These are expected to rise at 6.77 percent a year; compared to the 5.63 percent average annual increase for 1948 to 1967.

Expenditures at all levels of government are also expected to grow -- even without adding to current programs and present Administration proposals. Several authorized federal programs have not yet been fully funded. The 1969 Report of the Council of Economic Advisors estimated that full funding of already approved programs (in January 1969) would cost an additional \$6 billion annually, more than half of this amount going to education at all levels. The Report also set out an illustrative estimate for financing new programs or major expansions of existing federal social programs, as derived from task-force and study-group proposals. In fiscal 1972 alone, these would require additional outlays of nearly \$40 billion. The estimate illustrates, incidentally, what happens to cost as knowledge of problems and their causes gathers depth. What at first may appear relatively simple becomes quite complex and with complexity, costs grow.

Three major social program proposals have been advanced by the Nixon Administration: revenue sharing with state and local governments, family assistance and urban mass transit. Available estimates indicate that, assuming quick Congressional approval and full funding, these programs would cost on the order of \$9 to \$11 billion a year by fiscal 1975:

TABLE 8

NEW PROGRAM FUNDING: FY 1975
(billions of dollars)

Family Assistance	4.0-6.0
Revenue Sharing with State and Local Government	4.2
Urban Mass Transit	0.5
TOTAL	8.7-10.7

Of course, should these take time to gain passage or should they fail completely, the estimates would be commensurately reduced.

The financing of fully funding approved programs and of any new programs would come from the "fiscal dividend": the difference between the rise in federal revenue accompanying economic growth and the unavoidable expansion of federal expenditures stemming from increasing wages and prices and from previous commitments. Most estimates place that rise in expenditures at about \$30 to \$40 billion by fiscal 1975, half of which is in Social Security and Medicare. The rather wide range derives from differing assumptions about the rate of inflation and its impact on federal commitments.

A number of projections of the fiscal dividend have been made: by the Brookings Institution, the 1969 Council of Economic Advisors and the National Planning Association as well as by academic people. We understand that the 1970 Council of Economic Advisors and the Bureau of the Budget may produce their own estimates shortly.^{1/} The available estimates of the "fiscal dividend" for fiscal 1975 range widely; from about \$15 to almost \$60 billion. Again, the assumptions invoked play a key role. In one study, one percent

^{1/}We have just received a tentative and most confidential draft of the relevant portions of this year's Economic Report of the President; they have promised a "better version" for tomorrow. The conclusions of the available draft are similar to our own.

increase in the assumed rate of growth, maintaining all other assumptions augmented the "dividend" by an average of \$12 billion a year. Differences in the assumed rates of growth and inflation and, most importantly, in the assumed pattern of post-Vietnam defense expenditures account for these variations in the size of the estimated "fiscal dividend."

Given the low real rate of GNP growth in the past year, 3 percent, and the continuing inflation, in our judgment the dividend without taking account of the projected impact of the 1969 Tax Law would have been much closer to \$15 billion. The effect of the recently signed law may reduce that figure even further. Even the \$15 billion figure is small, amounting to about one percent of the GNP projected for 1975.

Hence leeway for new priorities is narrow. Solution of the United States' domestic ills cannot be found in the "fiscal dividend" approach which essentially assumes the continuation of current trends in private consumption, unless there is a cut in defense expenditures very much beyond what any forecasters or policy makers are seemingly considering. Instead, what is required to release the resources necessary to combat domestic ills is a change in the trends of private consumption and public savings in the context of an expanding economy. Fortunately, Americans can continue to experience rising living standards and still find the resources to deal much more effectively with their domestic problems. For example: A slowing down of the rising trends in private consumption expenditures would free large resources to be allocated to these ends; at the current GNP level a one percent decline in private consumption would free over \$6 billion. Politically, however, it must be recognized that bringing about even small percentage changes in private consumption requires both strong Executive leadership and Congressional acceptance.

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NOTE

The attached tables provide background to this technical note. Some present greater data detail than the text; others provide relevant source or supplementary information.

A few prefatory comments are in order:

- (1) The supplementary characteristic applies frequently, but it relates most importantly to the tables in the first section; international comparison. No comment on these has, as yet, been incorporated in the text. It is, however, worth noting here that while the source of these data, the latest O.E.C.D. National Accounts, sets out the most internationally comparable figures available, even these fall short of any meaningful standard of international comparability. This is particularly true of Table I.A, comparing relative shares of public expenditures in GNP. The definition of the public sector varies from country to country. Where definition is less of a problem, as in the relative shares of consumer expenditures, the data are generally quite uniform. (Time has not permitted analysis of the comparative tax revenues.)
- (2) There is an obvious lack of uniformity in the periods of years surveyed. In some cases more recent data are simply not available. In others there has not been time to obtain either earlier and comparable or very recent data. Efforts to correct these omissions are being continued.
- (3) Tables II.C. 1-3 present additional information on only one projection of the fiscal dividend. These were done by Professor Otto Eckstein of Harvard University. With the imminent publication of the 1970 Report of the Council of Economic Advisors and of the 1971 Budget Message, better estimates can reasonably be expected.

ATTACHMENT TABLES (Descriptive Titles)

I. INTERNATIONAL COMPARISON: 1960, 1967

- A. Public Expenditures as a Percentage of GNP
- B. Consumer Expenditures as a Percentage of GNP
- C. Tax Revenue as a Percentage of GNP

II. U.S. PRIORITIES

- A. Structure of Budget Outlays: 1960, 1964-1968, 1969, 1970 (est.)
- B. State and Local Expenditures, by Function: 1955, 1960, 1964, 1967
- C.1 Expenditure Projections to 1975
- C.2 Revenue Projections to 1975
- C.3 Fiscal Dividend
- D. Approved Federal Programs (Jan. '69): Full Funding Cost per year
- E. Proposed Programs (Jan. '69): Estimated Cost, FY 1972
- F. Tax Relief and Reform, 1969 Tax Bill: Revenue Effect

III. U.S. RESOURCE ALLOCATION: 1950, 1955, 1960, 1965-68

- A. Rates of Growth, 1958-\$, GNP
- B.1 GNP: Current \$, 1958-\$
- B.2 GNP (1958-\$): Percentage Distribution
- C.1 Income Distribution by Quintiles
- C.2 Percentage Distribution of Money Income, by Income Groups
- D.1 Tax Revenue, by Source and Level of Government
- D.2 Per Capita Tax Revenue, by Source and Level of Government
- D.3 Tax Revenue Shares; Individual and Corporate
- D.4 Income Tax by Adjusted Gross Income Class
- D.5 Income Tax Payments as a Percentage of Adjusted Gross Income Class

IV. U.S. DISPOSABLE PERSONAL INCOME ALLOCATION

- A.1 Personal Consumption Expenditures (1958-\$): 1955, 1960, 1965-68
- A.2 Personal Consumption by Type of Product (current \$):
Percentage Distribution, 1950, 1955, 1960, 1964-67
- A.3 Average Annual Rates of Change in Personal Consumption Expenditures:
Actual (1948-67) and Projected (1967-80)
- B.1 Consumer Credit (current \$): 1950, 1955, 1960, 1965-68
- B.2 Health Expenditures: 1950, 1955, 1960, 1965-68
- B.3 Private Philanthropy, by Source and Allocation: 1955, 1960, 1965-68
- C. Savings by Individuals: 1950, 1955, 1960, 1964-1967
- D.1 Stock Market Credit (December): 1955, 1960, 1965-68
- D.2 Net Change in Corporate Securities Outstanding: 1950, 1955, 1960, 1965-68
- D.3 Stock Ownership, by Income and Residence: 1956, 1959, 1965
- E.1 Mortgage Loans Outstanding to Banks, Insurance Companies, and Savings
& Loan Associations; 1950-1968
- E.2 New Private Non-Farm One Family Houses Sold: 1965-1968

I A

Current Dollar Government Expenditures Plus Gross Public
Fixed Asset Formation, Total and Excluding Defense:
OECD Countries 1960 and 1967

	Government Expenditures Plus Gross Public Fixed Asset Formation (percentage of GNP)			Non-Defense Government Expenditures Plus Gross Public Fixed Asset Formation (percentage of non-defense GNP)		
	1960	1967	Change	1960	1967	Change
United States	20.70	23.87	3.17	12.87	16.04	3.17
Canada	18.62	19.67	1.05	14.71	17.02	2.31
Japan	13.29	n.a.	n.a.	n.a.	n.a.	n.a.
Austria	18.25	20.83	2.58	17.28	19.72	2.44
Belgium) n.a.						
Luxembourg)						
Denmark	15.89	21.43	5.56	13.69	19.23	5.54
Finland	19.41	23.94	4.53	18.23	22.31	4.08
France	15.41	16.73	1.32	10.42	13.20	2.78
Germany	16.88	20.61	3.73	14.15	17.44	3.29
Greece) n.a.						
Iceland	12.18	n.a.	n.a.	12.18	n.a.	n.a.
Ireland	14.52	16.92	2.40	13.59	16.11	2.52
Italy	15.69	16.20	0.51	13.43	14.28	0.85
Netherlands	20.06	24.04	3.98	16.83	21.09	4.26
Norway	17.78	21.21	3.43	15.09	18.38	3.29
Portugal)						
Spain)						
Sweden) n.a.						
Switzerland)						
Turkey)						
U.K.	19.65	22.90	3.25	14.38	18.11	3.73
Yugoslavia) n.a.						

Source: OECD National Accounts, 1958-1967, Country Tables.

CURRENT DOLLAR PRIVATE EXPENDITURES RELATIVE TO G.N.P.:
OECD COUNTRIES 1960 and 1967

(percentage of G.N.P., market prices)

	Private Consumption Expenditures		Private Consumption Expenditures plus Gross Domestic Private Fixed Asset Formation		Private Consumer Durables Expenditure plus Residential Construction	
	1960	1967	1960	1967	1960	1967
United States	63.85	61.49	80.65	78.08	11.86	10.43
Canada	64.88	60.90	87.41	85.31	10.45	9.88
Japan	55.70	52.47	86.71	85.36	n. a.	n. a.
Austria	59.88	59.67	83.60	85.06	10.20	11.07
Belgium	68.74	64.25	87.36	85.99	12.42	12.82
Luxembourg	56.20	60.86	78.30	90.53	n. a.	n. a.
Denmark	65.46	63.30	84.82	84.66	14.43	15.29
Finland	58.17	57.15	85.54	81.12	19.66	10.77
France	63.93	63.66	82.57	85.55	10.24	11.83
Germany	57.29	58.15	81.08	80.97	n. a.	n. a.
Greece	76.54	68.30	102.94	90.68	8.29	n. a.
Iceland	66.41	65.58	97.28	99.08	n. a.	n. a.
Ireland	75.14	70.55	88.68	89.10	7.77	9.66
Italy	63.43	63.55	85.58	82.64	8.84	9.71
Netherlands	56.56	57.18	80.13	82.69	10.48	13.41
Norway	58.60	54.44	87.35	85.47	9.91	10.50
Portugal	76.26	69.63	93.50	88.92	n. a.	n. a.
Spain	72.05	70.66	88.57	91.67	10.83	9.62
Sweden	58.23	54.78	80.62	79.18	11.68	12.27
Switzerland	61.96	58.92	85.32	84.28	n. a.	n. a.
Turkey	n. a.	n. a.	n. a.	n. a.	n. a.	n. a.
U.K.	65.86	63.84	81.87	81.87	9.08	9.37
Yugoslavia	47.23	49.84	76.21	72.08	n. a.	n. a.

Source: OECD National Accounts, 1958-1967, Country Tables.

I C

INTERNATIONAL COMPARISON TAX REVENUE AS A
PERCENTAGE OF G.N.P. 1960 and 1967

(Percent)

	<u>1960</u>	<u>1967</u>
<u>Country</u>		
U.S.	27.3	28.2
Canada	25.0	29.8
Japan	18.4	18.9
Austria	29.2	35.7
Belgium	25.1	31.4
Luxembourg	30.5	n.a.
Denmark	25.3	32.0
Finland	27.5	32.6
France	33.7	38.7
Germany	33.8	35.3
Greece	17.9	24.1
Iceland	38.8	n.a.
Ireland	21.3	n.a.
Italy	26.3	30.7
Netherlands	30.1	37.0
Norway	32.3	37.8
Portugal	n.a.	n.a.
Spain	n.a.	19.6
Sweden	30.8	40.8
Switzerland	20.2	22.1
Turkey	n.a.	n.a.
U.K.	27.0	32.7
Yugoslavia	n.a.	n.a.

II A

Structure of Federal Budget Outlays: 1960, 1964-70
(millions of dollars)

	Actual						Estimated	
	1960	1964	1965	1966	1967	1968	1969	1970
<u>BUDGET OUTLAYS</u>	92.2	118.6	118.4	134.6	158.4	178.9	183.7	195.3
National Defense	45.9	53.6	49.6	56.8	70.1	80.5	81.0	81.5
Southeast Asia	n.a.	n.a.	.1	6.1	20.6	26.8	29.1	25.7
Major Social Programs								
(a)	21.0	28.4	30.0	38.5	46.4	54.6 ^{1/}	58.3	65.6
(b)	(n.a.)	(30.4)	(n.a.)	(n.a.)	(n.a.)	(53.7)	(59.8)	(67.8)
Interest	8.3	9.8	10.4	11.3	12.6	13.7	15.2	16.0
Veterans	5.4	5.7	5.7	5.9	6.9	6.9	7.7	7.7
All other	(a) 13.9	24.0	25.9	25.5	26.4	27.8	26.5	27.0
	(b) (n.a.)	(22.1)	(n.a.)	(n.a.)	(n.a.)	(28.6)	(25.0)	(24.9)
Allowances	*	*	*	*	*	*	.1	3.2
Undistributed	-2.3	-2.9	-3.2	-3.4	-4.0	-4.6	-5.1	-5.7

Sources: 1970 Budget Message, p.27; Annual Report, 1969, Table B-61; 1969 Statistical Abstract, Table 539.

- (a) Major social programs defined as ordinary U.S. Budget Categories: Community development and housing, education and manpower, health and welfare.
- (b) Major social programs defined as in the President's Budget Message for FY 1970: Social insurance trust funds (excl. Medicare); Welfare payments and Services; Education and manpower training, health (incl. Medicare); Low and moderate income housing community and regional development.

^{1/} Community development and housing rises by \$1.5 million in 1968 and falls by \$1.7 million in the 1969 estimate.

II B

STATE AND LOCAL EXPENDITURES BY FUNCTION:
1955, 1960, 1964 and 1967
(millions of dollars)

	<u>1955</u>	<u>1960</u>	<u>1964</u>	<u>1967</u>
DIRECT EXPENDITURES				
TOTAL	40,375	60,999	80,579	105,978
<u>Social Programs</u>	<u>18,098</u>	<u>27,775</u>	<u>38,104</u>	<u>54,246</u>
Education	11,907	18,719	26,286	37,919
Public Welfare	3,168	4,404	5,766	8,218
Health	471	559	739	1,081
Hospitals	2,053	3,235	4,171	5,559
Housing and Urban Renewal	499	858	1,142	1,469
Highways	6,452	9,428	11,664	13,932
Sanitation and Sewerage	1,142	1,727	2,267	2,523
Utilities	3,023	4,066	5,067	6,006
Other	11,660	18,003	23,477	29,211

Source: 1969 Statistical Abstract, Table 590.

Note: REVENUE FROM FEDERAL GOVERNMENT

Public Welfare	1,432	2,070	2,973	4,234
Education	512	950	1,371	3,920
Social insurance administration	209	325	415	564
Highways	596	2,905	3,628	4,059
Other and unallocable	382	724	1,615	2,593
TOTAL	3,131	6,974	10,002	15,370

Expenditure Projections

(Billions of Dollars)

Agency	1970	1971		1972		1973		1974		1975	
		Medium	Low	Medium	Low	Medium	Low	Medium	Low	Medium	Low
Agriculture	7.6	8.0	7.5	8.1	7.5	8.2	7.5	8.3	7.5	8.4	7.5
HEW	51.1	57.0	56.2	60.4	58.8	67.8	65.2	71.8	68.4	80.1	75.8
OASDI	28.6	32.7	32.7	34.1	34.1	39.3	39.3	41.1	41.1	47.2	47.2
Medicare	7.1	7.7	7.7	8.4	8.4	9.2	9.2	10.0	10.0	10.9	10.9
Medicaid	3.4	3.9	3.6	4.4	3.8	5.0	4.0	5.6	4.3	6.0	4.5
Other (education, welfare, health, etc).	12.0	12.7	12.2	13.5	12.5	14.3	12.7	15.1	13.0	16.0	13
HUD	2.7	2.7	2.7	2.9	2.8	3.0	2.8	3.1	2.9	3.2	2.9
Labor, OEO	5.5	6.7	6.2	7.0	6.4	7.4	6.7	7.9	6.8	8.2	7.0
Unemployment insurance		4.0	3.6	4.2	3.7	4.5	3.9	4.8	4.0	5.0	4.1
Transportation	6.5	6.5	5.9	6.9	6.1	7.4	6.4	7.7	6.5	8.2	6.7
Veterans Administration	7.9	8.1	8.0	8.6	8.3	9.1	8.6	9.5	8.9	9.8	9.2
Interest--net to public	14.6	15.0	15.0	15.1	15.1	15.2	15.2	15.4	15.4	15.6	15.6
Post Office	.8	1.4	.9	1.4	.9	1.4	.9	1.4	.9	1.4	.9
All other civilian	16.4	17.8	17.6	18.4	17.8	18.9	18.1	19.5	18.4	20.1	18.6
Military	79.8	79.1	76.3	78.6	74.4	80.1	72.0	81.8	72.3	85.3	74.
	192.9	202.3	196.3	207.4	198.1	218.5	203.4	226.4	208.0	240.3	218.5
New programs											
Revenue sharing		0.5	0	1.5	0	2.2	0	3.2	0	4.2	0
Welfare reform		1.7	1.7	3.8	3.6	4.0	3.7	5.0	3.8	6.0	4.0
New urban mass transit		.1	0	.2	0	.3	0	.4	0	.5	0
Total	192.9	204.6	198.0	212.9	201.7	225.0	207.1	235.0	211.8	251.0	222.5

Source: O. Eckstein "The outlook for the Federal Budget in 1975" September, 1969 (paper given at 11th Annual Meeting of the National Association of Business Economists.)

FEDERAL BUDGET REVENUE PROJECTIONS
1970-75

(Billions of Dollars)	1970	1971	1972	1973	1974	1975
<u>MEDIUM</u>						
Individual income taxes	91.1	91.5	98.9	108.2	118.4	129.5
Corporation income taxes	38.5	41.1	44.2	47.0	49.1	53.5
Payroll taxes	42.1	45.1	48.1	52.2	56.0	63.0
Excise taxes and customs	18.1	18.9	20.0	21.1	22.4	23.7
All other	9.0	9.6	10.3	11.0	11.8	12.6
Total	198.8	206.2	221.5	239.5	257.7	282.3
<u>LOW</u>						
Individual income taxes	91.1	90.4	96.5	104.3	112.8	121.8
Corporation income taxes	38.5	41.1	43.0	44.8	46.1	48.2
Payroll taxes	42.1	45.1	47.7	51.8	54.9	63.0
Excise taxes and customs	18.1	18.9	20.0	21.0	22.5	23.5
All other	9.0	9.6	10.3	11.0	11.8	12.6
Total	198.8	205.1	217.5	232.9	248.1	269.1

Source: Same as Table II C-1

II C-3

SUMMARY OF PROJECTIONS
FEDERAL BUDGET, 1970-1975

	1970	1971	1972	1973	1974	1975
<u>SOLUTION I (probable)</u>						
Medium expenditures						
Military	79.8	79.1	78.6	80.1	81.8	85.3
Civilian	113.1	125.5	134.3	144.9	153.2	165.7
Total	192.9	204.6	212.9	225.0	235.0	251.0
Low revenues	198.8	205.1	217.5	232.9	248.1	269.1
Probable Surplus or Deficit	+5.9	+0.5	+4.6	+7.9	+13.1	+18.1
<u>SOLUTION II</u>						
Medium expenditures	192.9	204.6	212.9	225.0	235.0	251.0
Medium revenues	198.8	206.2	221.5	239.5	257.7	282.3
Surplus or Deficit	+5.9	+1.6	+8.6	+14.5	+22.7	+31.3
<u>SOLUTION III</u>						
Low expenditures	192.9	198.0	201.7	207.1	211.8	222.5
Low revenues	198.8	205.1	217.5	232.9	248.1	269.1
Surplus or Deficit	+5.9	+7.1	+15.8	+25.8	+36.3	+46.6
<u>SOLUTION IV (improbable)</u>						
Low expenditures						
Military	79.8	76.3	74.4	72.0	72.3	74.3
Civilian	113.1	121.7	127.3	135.1	139.5	148.2
Total	192.9	198.0	201.7	207.1	211.8	222.5
Medium revenues	198.8	206.2	221.5	239.5	257.7	281.3
Surplus or Deficit	+5.9	+8.2	+19.8	+32.4	+45.9	+58.8

Source: Same as Table II C-1.

II D

FULL FUNDING COST: APPROVED FEDERAL PROGRAMS
(JANUARY 1969)

Estimated gap between amounts currently authorized and funded

Program	Billions of dollars per year
Total full cost.....	8.0
Elementary and secondary education.....	2.0
Higher education.....	1.3
Housing and community development.....	.6
Water and air pollution control.....	.5
Crime control and prevention.....	.2
Area redevelopment.....	.5
Health training and research, etc.....	.4
Agricultural conservation and adjustment.....	.5

Source: Economic Report of the President, 1969, p.202.

II E

Illustrative new programs or major expansions of existing Federal civilian programs, fiscal year 1972 (derived from proposals of task forces and study groups (January 1969))

Program	Hypothetical expenditures (billions of dollars)
Total expenditures.....	33.7
Education.....	7.0
Preschool.....	1.0
Elementary and secondary.....	2.5
Higher.....	3.0
Vocational.....	.5
Health.....	3.8
Nursing care.....	1.8
Medicare for disabled.....	1.8
Comprehensive health centers.....	1.0
Hospital construction and modernization.....	.5
Nutrition.....	1.0
Community service programs.....	.6
Jobs and manpower.....	2.5
Public jobs.....	1.8
Manpower Development Training Act.....	.5
Employment service.....	.2
Social security and income support.....	9.5
Unemployment insurance.....	2.0
Public assistance.....	4.0
Social security improvements.....	3.5
Veterans.....	.3
Economic, area, and other special development programs.....	2.2
Entrepreneurial aid.....	.5
Area redevelopment.....	.5
Rural development.....	1.0
Indian assistance.....	.2
Crime, delinquency, and riots.....	1.0
Violence and riot prevention.....	.1
Safe streets programs.....	.3
Rehabilitation of offenders and delinquents.....	.3
Prevention of delinquency and crime by special measures for delinquency-prone youth.....	.3
Quality of environment.....	1.7
Air pollution prevention and control.....	.1
Public water supply construction programs.....	.3
Water pollution control and sewage treatment.....	1.0
Solid waste disposal.....	.1
Natural beautification, environmental protection, and recreational development.....	.2
Natural resource development and utilization.....	1.4
Land and forest conservation.....	.2
Water resources and related programs.....	.5
Mineral and energy (excluding hydroelectric) development.....	.2
Natural environmental development.....	.5
Urban development.....	5.5
New cities.....	.5
Land acquisition and financial planning (suburban).....	.5
Urban mass transportation.....	.5
Model cities.....	2.0
Other urban facilities and renewal.....	2.0
Transportation.....	1.0
Airway and airport modernization.....	.4
Rapid interurban ground transit.....	.1
Modernization of merchant marine.....	.2
Motor vehicle and transportation safety research and safety grants.....	.3
Science and space exploration.....	1.0
Post-Apollo space program.....	.5
Scientific research in oceanography, communications, social and behavioral sciences, and natural sciences.....	.5
Foreign economic aid.....	1.6

II E (Cont'd)

Table 9.—Illustrative new programs or major expansions of existing Federal civilian programs, fiscal year 1972 (derived from proposals of task forces and study groups)—Continued

NOTES

Education. The preschool program, an extension of Head Start, would provide full-time preschool education for about 500,000 children. The elementary and secondary education funds would about double the Federal support in that area. The funds proposed for higher education would more than double current Federal support. The vocational education funds would raise Federal support about halfway toward the recommendation of the 1968 Advisory Council on Vocational Education.

Health. The "kiddie-care" proposal would provide health care for needy mothers and infants. Medicare offered to beneficiaries of social security disability insurance on a contributory basis would potentially reach 2.2 million persons in 1972. About 350 additional comprehensive neighborhood health care centers a year could be established for the amount shown. The added funds for health facilities would enable the Federal Government to double the rate of output of such facilities, in line with estimates of national needs.

Nutrition. Nutritional supplements for needy pregnant women, nursing mothers, and small infants account for about \$200 million, while the remainder would allow a doubling of existing food assistance programs.

Community service programs. This would provide for expanded daycare centers for children of needy working mothers and for expansion of coordinated services through neighborhood centers.

Jobs and manpower. The funds for jobs in the public sector would permit expansion of about 500,000 jobs to provide public service employment for the chronically disadvantaged; this program would reinforce expansion in education, health services, and urban and area redevelopment. The increase in MDTA training would support expansion of the JOBS program and would reinforce efforts to lower unemployment while improving the Nation's price performance. It would also provide trained manpower for construction. The growth in employment service operations envisions strengthening, decentralizing, and computerizing manpower activities; developing a rural manpower service; and enlarging services to the disadvantaged.

Social security and income support. The unemployment insurance funds would provide for higher benefits, extended benefits during recessions, and aid to the unemployed through retraining and mobility assistance. The public assistance funds could permit revision of benefit standards and extended coverage, or the adoption of a modest new program of income aid with objective standards. The added expenditure could fill as much as 40 percent of the current poverty income gap. Expansion of the WIN program would provide more job and training opportunities for welfare recipients. The social security expenditure could provide a higher minimum benefit for those dependent on social insurance benefits as the main source of income, and liberalization of eligibility requirements for disability insurance, as well as some general improvement in benefit levels.

Veterans. The higher priority recommendations made by the Veterans' Advisory Commission in March 1963 could be instituted with these funds.

Economic, area, and other special development programs. The entrepreneurial assistance program could help minority groups—so-called "black capitalism." Area redevelopment programs would assist growth centers in less populated areas, while rural redevelopment programs would concentrate on small communities, providing community facility development, special housing, and family farm assistance.

Crime, delinquency, and riots. Federal aid to State and local governments could be provided to help prevent violence and riots and permit a higher degree of Federal readiness to cope with such emergencies. The safe streets program funds would be used to work towards the objectives of the National Crime Commission with respect to strengthening the police and courts. Rehabilitation of offenders and delinquents would be pursued by intensive retraining and other services.

Quality of environment. Federal funds for pollution abatement may be required to enforce standards, investigate claims, and abate pollution caused by government or not readily attributable to particular private individuals. Assistance in expanding the Nation's water supply system would provide a small fraction of the \$2.5 billion annual requirement over the next 10 years. Provision of more recreational areas near population centers would be made possible.

Natural resource development and utilization. Department of the Interior, Corps of Engineers, and Department of Agriculture programs relating to land, mineral, energy, forest, recreational, and other fields have large backlogs of useful projects, many already planned and authorized but held back for budgetary reasons.

Urban development. Metropolitan development assistance would support improved planning and coordinated advance land acquisition. Each of these programs emphasizes these requirements, whether in new communities, suburbs, or older central cities. The allowances represent only a fractional contribution to the reconstruction and development of the cities.

Transportation. Such expanded investments in the improvement of the principal elements of the Nation's transportation system would serve the objectives of economic development, safety, and national defense.

Science and space exploration. The allowances would permit the science and space agencies to fund some of the research opportunities not covered in the stringent budgets of recent years.

Foreign economic aid. This additional amount would help to meet growth targets in Southeast Asia and under the Alliance for Progress as well as to cover other aid requirements. Even this increase would leave our foreign assistance program below levels of a few years back.

Source: Economic Report of the President, 1969, pp. 204-205.

II F

REVERSE EFFECT: 1969 TAX BILL

(In millions of dollars)
Calendar Years

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>Long run</u>
Tax Relief (revenue lost)	-1,441	-4,900	-7,250	-9,100	-9,100	-9,100
Tax Reform (revenue gained)	+3,645	+4,415	+4,650	+4,950	+5,285	+6,620
Net Revenue Effect	+2,204	- 485	-2,600	-4,150	-3,815	-2,480
Surcharge and Excise Extension	+4,270	+ 800	+ 800	+ 400	.....	.....
Total Revenue Effect	+6,474	+ 315	-1,800	-3,750	-3,815	-2,180

Source: Washington Post, 20 December 1969.

III A
 RATES OF ECONOMIC GROWTH
 1950-1968

Percent. Figures represent average annual compounded rates of change in national product, based on estimates by Department of Commerce of real gross national product expressed in 1958 dollars.

	Initial Year				
	<u>1950</u>	<u>1955</u>	<u>1960</u>	<u>1965</u>	<u>1967</u>
1951	7.9	(X)	(X)	(X)	(X)
1956	3.9	1.8	(X)	(X)	(X)
1961	3.1	2.1	1.9	(X)	(X)
1966	3.9	3.8	5.1	6.4	(X)
1967	3.8	3.6	4.7	4.4	(X)
1968	3.9	3.8	4.7	4.6	5.0

Source: 1969 Statistical Abstract, Table 460.

III B.1

GROSS NATIONAL PRODUCT IN CURRENT AND CONSTANT (1958) DOLLARS:
1950 TO 1968

(In billions of dollars)

Item	1950	1955	1960	1965	1966	1967	1968
<u>Current Dollars</u>							
Gross national product	<u>284.8</u>	<u>398.0</u>	<u>503.7</u>	<u>684.9</u>	<u>747.6</u>	<u>793.5</u>	<u>865.7</u>
Personal consumption expenditures	191.0	254.4	325.2	432.8	465.5	492.3	536.6
Durable goods	30.5	39.6	45.3	66.3	70.5	73.0	83.3
Nondurable goods	98.1	123.3	151.3	191.1	206.7	215.1	230.6
Services	62.4	91.4	128.7	175.5	188.3	204.2	222.8
Gross private domestic investment	54.1	67.4	74.8	108.1	120.8	116.0	126.3
Fixed investment	47.3	61.4	71.3	98.5	106.1	108.6	119.0
Nonresidential	27.9	38.1	48.4	71.3	81.3	83.7	88.8
Residential structures	19.4	23.3	22.8	27.2	24.8	25.0	30.2
Change in business inventories	6.8	6.0	3.6	9.6	14.7	7.4	7.3
Net exports of goods and services	1.8	2.0	4.0	6.9	5.1	5.2	2.5
Exports	13.8	19.8	27.2	39.2	43.1	46.2	50.6
Imports	12.0	17.8	23.2	32.3	38.1	41.0	48.1
Government purchases of goods and services	37.9	74.2	99.6	137.0	156.2	180.1	200.3
Federal	18.4	44.1	53.5	66.9	77.4	90.7	99.5
National defense	14.1	38.6	44.9	50.1	60.6	72.4	78.0
State and local	19.5	30.1	46.1	70.1	78.8	89.3	100.7
<u>Constant (1958) Dollars</u>							
Gross national product	<u>355.3</u>	<u>438.0</u>	<u>487.7</u>	<u>617.8</u>	<u>657.1</u>	<u>674.6</u>	<u>707.6</u>
Personal consumption expenditures	230.5	274.2	316.2	397.7	417.8	430.3	452.6
Durable goods	34.7	43.2	44.9	66.6	71.3	72.8	80.7
Nondurable goods	114.0	131.7	149.7	178.6	186.9	190.3	196.9
Services	81.8	99.3	121.6	152.5	159.5	167.2	175.0
Gross private domestic investment	69.3	75.4	72.4	99.2	108.8	100.8	105.7
Fixed investment	61.0	69.0	68.9	90.1	94.9	93.9	99.1
Nonresidential	37.5	43.9	47.1	66.3	73.8	73.6	75.8
Residential structures	23.5	25.1	21.9	23.8	21.1	20.3	23.3
Change in business inventories	8.3	6.4	3.5	9.0	13.9	6.9	6.6
Net exports of goods and services	2.7	3.2	4.3	6.2	4.0	3.6	.9
Exports	16.3	20.9	27.3	37.4	40.1	42.1	45.6
Imports	13.6	17.7	23.0	31.2	36.1	38.5	44.7
Government purchases of goods and services	52.8	85.2	94.9	114.7	126.5	140.0	148.4
Federal	25.3	50.7	51.4	57.9	65.2	74.8	78.9
State and local	27.5	34.4	43.5	56.8	61.3	65.2	69.5

III B-2

PERCENTAGE DISTRIBUTION OF G.N.P. IN CONSTANT (1958) DOLLARS
1950 - 1968

	<u>1950</u>	<u>1955</u>	<u>1958</u>	<u>1960</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Gross National Product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Personal consumption expenditure	<u>64.7</u>	<u>62.6</u>	<u>64.9</u>	<u>64.8</u>	<u>64.3</u>	<u>65.5</u>	<u>63.8</u>	<u>63.0</u>
Durable goods	<u>9.8</u>	<u>9.9</u>	<u>8.5</u>	<u>9.2</u>	<u>10.8</u>	<u>11.0</u>	<u>10.8</u>	<u>11.4</u>
Nondurable goods	32.1	30.0	31.3	30.7	28.9	29.1	28.2	27.8
Services	23.0	22.7	25.0	24.9	24.7	25.4	24.8	24.7
Gross private domestic investment	<u>19.5</u>	<u>17.2</u>	<u>13.6</u>	<u>14.8</u>	<u>16.1</u>	<u>15.1</u>	<u>14.9</u>	<u>14.9</u>
Fixed investment	<u>17.2</u>	<u>15.8</u>	<u>14.0</u>	<u>14.1</u>	<u>14.6</u>	<u>14.2</u>	<u>13.9</u>	<u>14.0</u>
Residential structures	10.6	10.0	9.3	9.7	10.7	11.2	10.9	10.7
Change in business inventories	6.6	5.7	4.7	4.5	3.9	3.0	3.0	3.3
Change in business inventories	2.3	1.5	-0.3	0.7	1.5	0.9	1.0	0.9
Net export of goods and services	<u>0.8</u>	<u>0.7</u>	<u>0.5</u>	<u>0.9</u>	<u>1.0</u>	<u>0.4</u>	<u>0.5</u>	<u>0.1</u>
Exports	<u>4.6</u>	<u>4.8</u>	<u>5.2</u>	<u>5.6</u>	<u>6.1</u>	<u>6.4</u>	<u>6.2</u>	<u>6.4</u>
Imports	3.8	4.0	4.7	4.7	5.1	6.0	5.7	6.3
Government purchases of goods & Ser.	<u>14.9</u>	<u>19.5</u>	<u>21.1</u>	<u>19.5</u>	<u>18.6</u>	<u>21.4</u>	<u>20.7</u>	<u>21.0</u>
Federal	<u>7.1</u>	<u>11.6</u>	<u>12.0</u>	<u>10.5</u>	<u>9.4</u>	<u>11.4</u>	<u>11.1</u>	<u>11.2</u>
State and local	7.7	7.9	9.1	8.9	9.2	10.0	9.6	9.8

Source: Data as in Table III B-1.

PERCENT DISTRIBUTION OF AGGREGATE INCOME RECEIVED BY
EACH QUINTILE AND TOP 5 PERCENT OF FAMILIES:
1950 to 1967

	<u>1950</u>	<u>1955</u>	<u>1960</u>	<u>1964</u>	<u>1965</u>	<u>1967</u>
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
Lowest Quintile	4.5	4.8	4.9	5.2	5.3	5.4
Second Quintile	12.0	12.2	12.0	12.0	12.2	12.2
Third Quintile	17.4	17.7	17.6	17.7	17.6	17.5
Fourth Quintile	23.5	23.7	23.6	24.0	24.0	23.7
Highest Quintile	42.6	41.6	42.0	41.1	40.9	41.2
Top 5 percent	17.0	16.8	16.8	15.7	15.2	15.3

Source: 1969 Statistical Abstract, Table 472

III C.2

MONEY INCOME - PERCENT DISTRIBUTION OF
FAMILIES BY INCOME LEVEL IN CONSTANT (1967) DOLLARS:
1950 to 1967

	1950	1955	1960	1965	1966	1967
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
Under \$3,000	27.8	22.0	18.9	14.8	13.7	12.5
\$3,000 - 4,999	28.4	21.3	17.2	14.6	13.6	12.8
\$5,000 - 6,999	21.1	23.2	21.1	17.2	16.8	16.1
\$7,000 - 9,999	14.4	20.9	23.0	24.4	24.3	24.3
\$10,000 - 14,999)	8.4	(9.4	14.1	19.7	21.5	22.4
\$15,000 and over)		(3.2	5.8	9.2	10.1	12.0
Median income	\$4,611	\$5,531	\$6,350	\$7,357	\$7,651	\$7,974

Source: 1969 Statistical Abstract, Table 474

TAX REVENUE, BY SOURCE AND LEVEL OF GOVERNMENT:

1950 to 1967
(In millions of dollars)

Source and Year	Total	Federal	State and Local		
			Total	State	Local
Individual Income:					
1950	16,533	15,745	788	724	64
1955	29,984	28,747	1,237	1,094	143
1960	43,178	40,715	2,463	2,209	254 ^{2/}
1965	52,882	48,792	4,090	3,657	433 ^{2/}
1966	60,206	55,446	4,760	4,288	472 ^{2/}
1967	67,352	61,526	5,826	4,909	916 ^{2/}
Sales, gross receipts, and customs:					
1950	12,997	7,843	5,154	4,670	484
1955	17,221	9,578	7,643	6,864	779
1960	24,452	12,603	11,849	10,510	1,339
1965	32,904	15,786	17,118	15,059	2,059
1966	33,726	14,641	19,085	17,044	2,041
1967	36,336	15,806	20,530	18,575	1,956
Property:					
1950	7,349	(n.a.)	7,349	307	7,042
1955	10,735	(n.a.)	10,735	412	10,323
1960	16,405	(n.a.)	16,405	607	15,798
1965	22,583	(n.a.)	22,583	766	21,817
1966	24,670	(n.a.)	24,670	834	23,836
1967	26,047	(n.a.)	26,047	862	25,186
Other taxes, including licenses:					
1950	3,140	1,110	2,030	1,643	387
1955	4,527	1,402	3,125	2,490	634
1960	6,411	2,191	4,220	3,530	692
1965	9,191	3,670	5,521	4,715	807
1966	10,123	3,935	6,188	5,177	1,011
1967	10,188	3,818	6,370	5,354	1,016
Corporation income: ^{1/}					
1950	11,081	10,488	593	586	7
1955	18,604	17,861	744	737	7
1960	22,674	21,494	1,180	1,180	^{2/}
1965	27,390	25,461	1,929	1,929	^{2/}
1966	32,111	30,073	2,038	2,038	^{2/}
1967	36,198	33,971	2,227	2,227	^{2/}
Total: ^{1/}					
1950	51,100	35,186	15,914	7,930	7,984
1955	81,072	57,589	23,483	11,597	11,886
1960	113,120	77,003	36,117	18,036	18,081
1965	144,953	93,710	51,243	26,126	25,116
1966	160,836	104,095	56,741	29,380	27,361
1967	176,121	115,121	61,000	31,926	29,074

^{1/} Federal amounts include excess profits tax, normal tax, surtax.

^{2/} Corporation included with individual income tax collections.
Source: 1969 Statistical Abstract, Table 584.

III D-2

DISTRIBUTION OF TAX REVENUE: 1950-1967
(percent)

	<u>Total</u>	<u>Federal</u>	<u>State and Local (total)</u>
<u>Individual income</u>			
<u>Total Tax Revenue</u>			
1950	32.3	44.7	5.0
1955	37.0	49.9	5.3
1960	38.2	52.8	6.8
1965	36.5	52.0	8.0
1966	37.4	53.2	8.4
1967	38.2	53.4	9.6
<u>Corporate income</u>			
<u>Total Tax Revenue</u>			
1950	23.0	29.8	3.7
1955	22.9	31.0	3.2
1960	20.0	27.9	3.3
1965	18.9	27.2	3.8
1966	20.0	28.9	3.6
1967	20.6	29.5	3.7

Source: Table III. D-1

III D 3

PER CAPITA TAX REVENUE, BY SOURCE
AND LEVEL OF GOVERNMENTS: 1950
1960 and 1967

(Dollars)	1950	<u>Total</u>		<u>Federal</u>			<u>State and Local</u>		
		1960	1967	1950	1960	1967	1950	1960	1967
Total	<u>337</u>	<u>628</u>	<u>890</u>	<u>232</u>	<u>428</u>	<u>582</u>	<u>105</u>	<u>201</u>	<u>308</u>
Individual Income	109	240	340	104	226	311	5	16	29
Corporation Income	73	126	183	69	119	172	4	7	11
Sales, gross receipts, customs	86	136	184	52	70	80	34	66	104
Property	48	91	132	-	-	-	48	91	132
Other	21	36	51	7	12	19	13	23	32

Source: 1969 Statistical Abstract, Table 584

INDIVIDUAL INCOME TAX RETURNS BY ADJUSTED GROSS
INCOME CLASSES: 1950, 1960 AND 1967 ^{1/}

	1950			1960			1967 ^{1/}		
	Number of Returns (000's)	Adj. Gross Income (millions of dollars)	Tax after Credits (millions of dollars)	Number of Returns (000's)	Adj. Gross Income (millions of dollars)	Tax after Credits (millions of dollars)	Number of Returns (000's)	Adj. Gross Income (millions of dollars)	Tax after Credits (millions of dollars)
TOTAL	52,656	179,874	18,375	60,593	316,558	39,464	71,317	506,605	62,854
Under \$1,000	1,570	1,311	40	1,353	1,123	39	623	586	5
\$1,000 - 1,999	5,997	9,200	610	4,170	6,222	490	4,997	7,445	373
2,000 - 2,999	8,718	21,943	1,539	5,034	12,677	1,096	4,350	10,901	792
3,000 - 3,999	8,669	30,155	2,177	5,794	20,307	1,886	4,904	17,168	1,384
4,000 - 4,999	5,740	25,558	2,044	6,401	28,812	2,764	4,972	22,396	1,917
5,000 - 9,999	6,115	39,046	3,984	19,998	138,455	15,362	23,469	172,957	16,632
10,000 - 14,999	679	8,149	1,157	3,637	42,752	6,159	10,384	124,423	14,657
15,000 - 49,999	616	14,933	3,261	1,549	35,278	7,283	4,696	101,358	16,791
50,000 - 99,999	63	4,193	1,517	101	6,648	2,273	259	17,073	5,032
100,000 - 499,999	20	3,205	1,545	23	3,808	1,607	63	10,279	3,988
500,000 - 999,999	1	419	240	1	486	226	2	1,345	590
1,000,000 and over	2/	433	261	2/	584	281	1	1,550	692
Non-Taxable	14,469	21,329	-	12,532	19,405	-	12,597	19,123	-

Source: 1969 Statistical Abstract, Table 557.

^{1/} Preliminary.
^{2/} Less than 500.

III D 5

INCOME TAX AFTER CREDITS AS A PERCENTAGE OF
ADJUSTED GROSS INCOME 1950, 1960 and 1967

	<u>1950</u>	<u>1960</u>	<u>1967</u> ^{1/}
Under \$1,000	3.0	3.5	0.8
\$1,000-1,999	6.6	7.9	5.0
2,000-2,999	7.0	8.6	7.3
3,000-3,999	7.2	9.3	8.0
4,000-4,999	8.0	9.6	8.6
5,000-9,999	10.2	11.1	9.6
10,000-14,999	14.2	14.4	11.8
15,000-49,999	21.8	20.6	16.6
50,000-99,999	36.2	34.2	29.5
100,000-499,999	48.2	42.2	38.8
500,000-999,999	57.4	46.6	43.9
1,000,000 and over	60.4	48.2	44.7

Source: Attachment Table III D.3.

1/ Preliminary

IV A-1

PERSONAL CONSUMPTION EXPENDITURE
BY MAJOR TYPE OF PRODUCT:
1955, 1960, 1965 - 1968

(Billions of Dollars)

	1955	1960	1965	1966	1967	1968
	Current Dollars					
TOTAL	254.4	325.2	432.8	466.3	492.3	536.6
Non-Durables	123.3	151.3	191.1	206.9	215.1	230.6
Food, exc. alco- holic bvg.	58.1	70.1	98.8	105.8	108.1	115.0
Clothing & shoes	23.1	27.3	35.9	40.3	42.5	46.3
Gas and oil	9.0	12.3	15.3	16.6	17.7	19.1
Other	33.1	41.6	41.1	44.4	46.8	50.1
Durables	39.6	45.3	66.3	70.8	73.0	83.3
Autos & parts	18.4	20.1	30.3	30.3	30.5	37.0
Furniture & household eqt.	16.6	18.9	26.9	29.9	31.3	34.2
Other	4.6	6.3	9.1	10.5	11.2	12.1
Services	91.4	128.7	175.7	188.6	204.2	222.8
Housing	33.7	46.3	63.5	67.5	71.8	77.4
Household operation	14.0	20.0	25.6	27.1	29.1	31.2
Transportation	8.2	10.8	12.6	13.6	14.7	16.1
Other	35.5	51.6	73.8	80.4	88.6	98.1
	Constant Dollars, 1958 = 100					
TOTAL	271.8	317.0	397.8	418.2	430.3	452.4
Non-Durables	131.6	149.7	178.8	186.9	190.4	197.0
Food, exc. alco- holic bvg.	)	70.5	92.2	94.2	95.4	98.4
Clothing & shoes	) n.a.	26.5	33.4	36.4	36.8	37.9
Gas and oil	)	11.8	14.4	15.3	15.8	16.8
Other	)	40.5	38.7	41.2	42.4	43.8
Durables	41.5	44.6	66.6	71.7	72.8	80.6
Autos & parts	)	19.7	30.4	30.9	30.6	36.1
Furniture & household eqt.	) n.a.	25.1	27.3	30.4	31.4	33.3
Other	)	)	8.8	10.3	10.7	11.3
Services	98.4	122.7	152.6	159.4	167.2	175.0
Housing	)	45.0	58.0	60.8	63.5	66.7
Household operation	) n.a.)))))
Transportation	)	19.3	23.2	24.5	25.7	27.0
Other	)	48.5	60.2	62.7	66.0	68.7

IV A-2

PERSONAL CONSUMPTION EXPENDITURES, BY TYPE OF PRODUCT: 1950 to 1967

	1950	1955	1960	1964	1965	1966	1967	CHANGE		
								1950-1967	1960-1967	1964-1967
TOTAL										
Billions of dollars	191.0	254.4	325.2	401.2	432.8	465.5	492.2	301.2	167.0	91.0
Percent ^{1/}	100.0	100.0	100.0	100.0	100.0	100.0	100.0	-	-	-
Food	24.1	23.0	21.7	20.2	19.9	20.0	19.4	-4.7	-2.3	-0.8
Clothing	11.8	10.4	9.6	9.5	9.4	9.7	9.7	-2.1	0.1	0.2
Housing and House- hold Operations	25.2	26.8	27.5	28.4	28.1	28.0	27.8	2.6	0.3	-0.6
Personal Business	3.6	4.0	4.6	5.0	5.1	5.2	5.4	1.8	0.8	0.4
Transportation	12.9	14.0	13.3	12.8	13.4	13.0	12.9	0	-0.4	0.1
	<u>6.6</u>	<u>7.2</u>	<u>8.5</u>	<u>9.1</u>	<u>9.3</u>	<u>9.4</u>	<u>9.9</u>	<u>3.3</u>	<u>1.4</u>	<u>0.8</u>
Medical Exp.	4.6	5.0	5.9	6.4	6.5	6.6	6.9	2.3	1.0	0.5
Education Exp.	0.8	0.9	1.1	1.3	1.4	1.4	1.6	0.8	0.5	0.3
Religious and Welfare	1.2	1.3	1.5	1.4	1.4	1.4	1.4	0.2	-0.1	0
	<u>15.6</u>	<u>14.7</u>	<u>14.8</u>	<u>15.0</u>	<u>15.0</u>	<u>14.6</u>	<u>14.8</u>	<u>-0.8</u>	<u>0</u>	<u>-0.2</u>
Alcoholic Bvg.	4.1	3.5	3.1	3.0	3.0	2.9	2.9	-1.2	-0.2	-0.1
Tobacco	2.2	1.9	2.1	1.9	1.9	1.8	1.8	-0.4	-0.3	-0.1
Jewelry, Watches	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0	0	0
Personal Care	1.3	1.4	1.6	1.8	1.8	1.7	1.7	0.4	0.1	-0.1
Domestic Service	1.3	1.2	1.1	0.9	0.9	0.8	0.8	-0.5	-0.3	-0.1
Recreation	5.8	5.5	5.6	6.1	6.1	6.1	6.2	0.4	0.6	0.1
Foreign Travel	0.3	0.6	0.7	0.7	0.7	0.7	0.8	0.5	0.1	0.1

Source: 1969 Statistical Abstract, Table 462

^{1/} Figures may not add to totals due to rounding.

IV A-3

CHANGES IN PERSONAL CONSUMPTION EXPENDITURES 1948-1967 AND
JUDGEMENT PREDICTIONS, 1967 - 1980 (BASED ON CURRENT PRICES)

	Average Annual Rate of Change	
	1948 - 1967 ^{1/}	1967 - 1980 ^{2/}
Total	5.63	6.77
<u>Non-Durable Commodities</u>	<u>4.34</u>	<u>5.67</u>
Food, Tobacco, Alcoholic Beverages	3.81	5.12
Clothing and Shoes	3.96	6.29
Gasoline, Oil	7.67	6.72
Household Operations	4.12	5.96
Other	6.93	6.18
<u>Durable Commodities</u>	<u>6.30</u>	<u>7.04</u>
Automobiles and Parts	7.67	7.41
Furniture and Household Equipment	4.44	5.80
Radio, TV, Sport goods, etc.	8.16	8.40
Other	5.49	6.27
<u>Services</u>	<u>7.17</u>	<u>7.71</u>
Housing	7.63	7.38
Utilities	6.95	6.83
Personal Business	8.21	9.10
Medical	8.33	8.53
Transportation	5.18	7.70
Private Education, Research	9.55	8.95
Other	5.40	6.71

Source: National Economic Projections to 1978/79. Figure 1

^{1/} National Planning Association data for 1967 are preliminary; revised appear in Table III B-1, IV A-1.

^{2/} Judgment predictions invoke the N.P.A.'s moderate, rather than target assumptions, for specification see source.

IV B-1
 CONSUMER CREDIT:
 1950-1968

- Millions of dollars -

TYPE OF CREDIT	1950	1955	1960	1965	1967	1968
Credit outstanding.....	21,471	33,830	56,141	90,314	102,132	113,191
Installment.....	14,703	23,906	42,968	71,324	80,926	89,890
Automobile paper.....	6,074	13,460	17,658	23,619	30,724	34,130
Other consumer goods paper.....	4,799	7,641	11,545	18,565	22,395	2,699
Repair and modernization loans ¹	1,016	1,693	3,148	3,728	3,789	3,925
Personal loans.....	2,814	6,112	10,617	20,412	24,018	26,036
Noninstallment.....	6,768	9,924	13,173	18,990	21,206	23,301
Single-payment loans.....	1,821	3,002	4,507	7,671	8,428	9,138
Charge accounts.....	3,367	4,795	5,329	6,430	6,965	7,755
Service credit.....	1,580	2,127	3,337	4,889	5,810	6,408
Installment credit:						
Extended.....	21,558	33,972	49,793	78,586	84,693	97,053
Repaid.....	18,445	33,634	46,073	69,957	81,306	88,089
Net change.....	3,113	5,338	3,720	8,629	3,387	8,964
Policy loans by life insurance companies ¹	2,413	3,290	5,231	7,678	10,059	11,306

Source: 1969 Statistical Abstract, Table 664.

IV B-2

NATIONAL HEALTH EXPENDITURES: 1950 TO 1968

[In millions of dollars, except percent. For years ending June 30. Prior to 1960, private expenditures exclude Alaska and Hawaii]

TYPE OF EXPENDITURE	1950	1955	1960	1965	1966	1967	1968 (prel.)
Total	12,130	17,924	26,367	38,901	42,268	47,910	53,122
Percent of gross national product.....	4.6	4.7	6.3	5.9	5.7	6.2	6.6
Private expenditures	9,064	13,503	19,972	29,366	31,464	32,182	33,683
Health and medical services.....	8,849	13,178	19,448	28,198	30,306	31,056	32,356
Direct payments.....	7,146	9,448	13,087	17,590	18,856	19,006	19,666
Insurance benefits.....	879	2,344	4,698	8,280	8,935	9,343	9,760
Expenses for prepayment.....	274	595	792	1,212	1,348	1,492	1,633
Industrial in-plant services.....	150	210	265	330	345	350	350
Philanthropy.....	400	580	606	786	822	854	897
Medical-facilities construction.....	215	325	524	1,168	1,159	1,127	1,327
Public expenditures	3,065	4,421	6,395	9,535	10,803	15,727	19,439
Percent of total.....	25.3	24.7	24.3	24.5	25.6	32.8	36.6
Health and medical services.....	2,470	3,862	5,346	7,630	8,684	13,493	16,905
Health insurance for the aged (OASDHI) ¹	(X)	(X)	(X)	(X)	64	3,395	5,347
Temporary disability insurance (medical benefits) ²	2	20	40	51	54	54	53
Workmen's compensation (medical benefits) ³	193	315	420	580	630	700	770
Public assistance (vendor medical payments).....	51	212	463	1,367	1,714	2,408	3,511
General hospital and medical care.....	886	1,208	1,973	2,515	2,720	2,702	2,551
Defense Dept. hospital and medical care.....	336	745	820	858	1,030	1,322	1,432
Military dependents' medical care.....	(X)	(X)	60	78	76	110	160
Maternal and child health services.....	30	93	141	224	262	312	344
School health (educational agencies).....	31	66	101	132	135	140	146
Other public health activities.....	351	394	401	670	727	832	1,000
Veterans' hospital and medical care.....	583	722	879	1,121	1,175	1,259	1,382
Medical vocational rehabilitation.....	7	9	18	34	48	67	100
OEO ⁴ health and medical care.....	(X)	(X)	(X)	6	48	103	111
Medical research.....	73	139	471	1,229	1,376	1,521	1,664
Medical-facilities construction.....	522	419	578	670	744	804	870
Defense Department.....	1	33	40	31	41	50	26
Veterans Administration.....	162	34	60	81	86	61	50
Other.....	360	352	478	557	616	703	785
Personal health care expenditures: ⁴							
Total amount.....	10,578	15,906	23,357	33,402	36,380	41,411	45,872
Percent from:							
Private expenditures.....	80.1	78.2	78.9	79.3	78.4	70.2	65.9
Public expenditures.....	19.9	21.8	21.1	20.7	21.6	29.8	34.1

Source: 1969 Statistical Abstract, Table 79.

IV B-3

PRIVATE PHILANTHROPY-ESTIMATED FUNDS, BY SOURCE AND ALLOCATION:
1955 to 1968

(In millions of dollars). Estimates for sources of funds based largely on reports of the Internal Revenue Service for itemized deductions, corporate profits, and bequests. Data adjusted for non-itemized IRS deductions and after comparison with levels of gross national product, personal income, population, and publicly reported large bequests. (For bases of allocation of funds, see source)

ITEM	1955	1960	1965	1966	1967	1968
TOTAL.....	6,202	8,912	12,210	13,894	14,522	15,825
SOURCE						
Individuals.....	5,100	7,150	9,276	10,530	11,144	12,100
Foundations.....	450	710	1,125	1,250	1,250	1,500
Business Corporations.....	415	482	785	805	865	925
Charitable bequests.....	237	570	1,024	1,309	1,263	1,300
ALLOCATION						
Religion.....	3,102	4,545	5,983	6,690	6,839	7,400
Education	682	1,426	2,076	2,370	2,500	2,650
Welfare.....	1,426	1,337	855	808	931	1,100
Health	558	1,070	2,076	2,509	2,610	2,740
Foundations.....	186	356	(2)	(2)	(2)	(2)
Civic and Cultural Activities.....	(2)	(2)	488	558	621	710
Other.....	248	178	732	959	1,021	1,225

Source: 1969 Statistical Abstract. Table 449

IV C

SAVINGS BY INDIVIDUALS: 1950, 1955, 1960, 1964-67

Year	Increase in Financial Assets								Net Investment in				Less: Increase in Debt in	
	Total	Total	Currency and Demand Deposits	Savings Accounts	Gov't Bonds	Securities Corp. and Foreign Bonds	Corporate Stock	Insurance and Pension Reserves	Nonfarm Homes	Cons. Durables	Other Tangible Assets	Mortgage Debt	Cons. Debt	Other Debt
1950	26.8	12.9	1.8	2.5	.1	-.9	.7	6.9	15.2	10.2	4.9	7.5	4.1	4.9
1955	30.1	25.0	.8	8.8	4.2	.9	1.1	8.1	18.4	9.9	2.7	12.3	6.4	7.2
1960	23.9	24.6	-1.6	12.4	1.2	-.4	-.3	11.3	15.7	5.1	.8	10.9	4.5	7.0
1964	41.9	51.1	6.6	23.9	4.1	-.8	.1	15.5	16.2	11.2	1.0	15.8	8.0	13.7
1965	47.4	55.0	7.2	26.5	5.0	-.3	-1.7	16.5	15.8	14.8	3.1	16.1	9.4	15.7
1966	48.6	51.6	1.9	19.2	10.2	1.2	-.5	17.9	14.1	14.9	1.3	11.4	6.9	15.0
1967	54.9	63.5	12.5	32.4	-.8	1.6	-4.1	19.0	12.5	12.1	.8	10.9	4.4	18.6

Source: Economic Report of the President, 1969, Table B-19

IV D-1

STOCK MARKET CREDIT
1955 to 1968:

(Millions of Dollars; end Dec. data)

	<u>Customers net debt balances</u>	<u>Customers net free credit balances</u>	<u>Net credit extended by brokers</u>
1955	2,825	894	1,931
1960	3,317	1,135	2,182
1965	5,543	1,666	3,877
1966	5,387	1,637	4,750
1967	7,948	2,763	5,185
1968	9,790	3,717	6,073

Source: Federal Reserve Bulletin, various issues.

IV.D-2

SECURITIES - NET CHANGE IN CORPORATE SECURITIES OUTSTANDING:
1950 to 1968

In millions of dollars. Covers estimated cash transactions only. New issues exclude foreign and investment companies, and include sales of securities held by affiliated companies, special offerings to employees, and also new stock issues and cash proceeds connected with conversions of bonds into stocks. Retirements include the same types of issues, and also securities retired with internal funds or with proceeds of issues for that purpose.

YEAR	ALL TYPES			BONDS AND NOTES			STOCKS		
	New issues	Retire-ments	Net change	New issues	Retire-ments	Net change	New issues	Retire-ments	Net change
1950.....	6,692	3,223	3,469	4,804	2,800	2,004	1,888	423	1,465
1955.....	11,190	5,108	6,081	7,571	3,383	4,188	3,619	1,725	1,893
1960.....	10,797	4,107	6,690	8,072	3,078	4,994	2,725	1,029	1,696
1965.....	15,952	7,891	8,061	12,747	4,649	8,098	3,205	3,242	-37
1966.....	19,799	7,541	12,258	15,629	4,542	11,088	4,169	3,000	1,169
1967.....	25,964	7,735	18,229	21,299	5,340	15,960	4,664	2,397	2,267
1968	25,439	12,377	13,062	19,381	5,418	13,962	6,057	6,959	-900

Source: 1969 Statistical Abstract, Table No. 661

IV. D-3

STOCK OWNERSHIP - INCOME AND RESIDENCE CHARACTERISTICS OF
SHAREOWNERS^{1/}: 1956 - 1965

(Thousands)				
SUBJECT	1956	1959	1962	1965
Total	8,630	12,490	17,010	20,120
Income:				
Under \$3,000.....	983	1,106	1,002	1,087
\$3,000 - \$5,000.....	2,212	2,469	2,072	2,096
\$5,000 - \$7,500.....	2,243	3,145	3,592	3,223
\$7,500-\$10,000.....	)	( 2,776	3,959	4,369
\$10,000-\$15,000.....	)3,042	(1,769	3,258	5,199
\$15,000-\$25,000.....	)	( 700	2,021	2,649
\$25,000 and over.....	)	( 319	802	1,147
Residence by city size:				
500,000 and over....	1,688	3,370	3,728	3,953
100,000-500,000.....	1,357	2,063	2,935	3,374
25,000-100,000.....	1,187	2,357	3,660	4,531
2,500-25,000.....	2,654	2,429	4,351	5,949
Rural areas (farm and nonfarm).....	1,594	2,172	2,193	2,156

^{1/} Excludes small number not classified.

Source: 1969 Statistical Abstract, Table No. 662

MORTGAGE LOANS OUTSTANDING OF BANKS, INSURANCE COMPANIES, AND SAVINGS
AND LOAN ASSOCIATIONS: 1950 to 1968

Millions of Dollars

ITEM	1950	1955	1960	1965	1966	1967	1968 (prel.)
Commercial banks:							
Nonfarm residential.....	10,431	15,888	20,362	32,387	34,876	37,642	41,433
FHA-insured	(NA)	4,560	5,851	7,702	7,544	7,709	7,926
VA-guaranteed.....	(NA)	3,711	2,859	2,688	2,599	2,696	2,708
Conventional.....	(NA)	7,617	11,652	21,997	24,733	27,237	30,800
Mutual Savings Banks:							
Nonfarm residential.....	7,053	15,568	24,306	40,096	42,242	44,641	46,748
FHA-insured.....	1,615	4,150	7,074	13,791	14,500	15,074	15,569
VA-guaranteed.....	1,457	5,773	8,986	11,408	11,471	11,795	12,033
Conventional.....	3,982	5,645	8,246	14,897	16,272	17,772	19,146
Life Insurance Companies:							
Nonfarm.....	14,775	27,172	38,789	55,190	59,369	61,947	64,177
FHA-insured.....	4,573	6,395	9,032	12,068	12,351	12,161	11,984
VA-guaranteed.....	2,026	6,074	6,901	6,286	6,201	6,122	6,000
Other.....	8,176	14,703	22,856	36,836	40,817	43,664	46,193
Savings and Loan Association:							
Loans outstanding (end of year).....	13,657	31,408	60,070	110,306	114,427	121,805	130,782
FHA-insured.....	848	1,404	3,524	5,145	5,269	5,791	6,658
VA-guaranteed.....	2,973	5,883	7,222	6,398	6,157	6,351	7,012
Conventional.....	9,836	24,121	49,324	98,763	103,001	109,663	117,112

Source: 1969 Statistical Abstract, Table 643

NEW PRIVATE NONFARM ONE-FAMILY HOUSES SOLD
1965 to 1968

(Based on monthly interviews with builders or owners of a national probability sample of 1-family homes to which building permits have been issued or, in nonpermit areas, on which construction has started. For detail see source. For definition of median, see preface)

TYPE OF FINANCING AND PERIOD	Number of Homes (1,000)						Median sales price (dollars)
	Total	Sales price					
		Under \$15,000	\$15,000-\$19,999	\$20,000-\$24,999	\$25,000-\$29,999	\$30,000 and over	
Homes sold, total: ²							
1965.....	475	115	160	121	81	75	20,000
1966.....	461	62	127	90	68	82	21,400
1967.....	487	52	122	98	81	105	22,700
1968.....	490	37	101	101	85	142	24,700
FHA-Insured:							
1965.....	134	47	56	22	6	2	16,500
1966.....	88	23	37	15	6	3	17,500
1967.....	99	20	45	20	8	4	17,800
1968.....	93	15	37	26	10	4	19,200
VA guaranteed:							
1965.....	40	10	16	9	4	1	17,900
1966.....	51	10	22	12	4	1	18,000
1967.....	71	12	30	16	7	4	18,700
1968.....	63	6	26	17	8	4	19,800
Conventional mortgage:							
1965.....	339	48	76	80	63	65	22,700
1966.....	273	24	56	55	51	71	24,400
1967.....	265	15	40	53	58	86	26,000
1968.....	290	13	31	52	60	121	28,500