THE STRUCTURE

OF THE

AMERICAN ECONOMY

PART I. BASIC CHARACTERISTICS

A REPORT
PREPARED BY THE INDUSTRIAL SECTION
UNDER THE DIRECTION OF
GARDINER C. MEANS

JUNE 1939

NATIONAL RESOURCES COMMITTEE

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NATIONAL RESOURCES COMMITTEE

NORTH INTERIOR BUILDING

WASHINGTON

June 9, 1939.

THE PRESIDENT,
The White House.

MY DEAR MR. PRESIDENT: We have the honor to transmit herewith a report on "The Structure of the American Economy", prepared under the direction of our Industrial Committee by Dr. Gardiner C. Means and his staff. This document is the first major attempt to show the inter-relation of the economic forces which determine the use of our national resources. It indicates some of the problems which must be faced and solved if we are to have reasonable use of our resources and full employment.

The members of the National Resources Committee wish to indicate their belief in the importance and value of this report as a stimulant to public discussion, and to further efforts for solution of the problems presented.

Sincerely yours,

HAROLD L. ICKES
Secretary of the Interior, Chairman

HARRY H. WOODRING
Secretary of War

HENRY A. WALLACE
Secretary of Agriculture

HARRY L. HOPKINS
Secretary of Commerce

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ACKNOWLEDGMENTS

This report on the Structure of the American Economy was undertaken as a result of discussions between the Advisory Committee of the National Resources Committee and its Industrial Committee wherein emphasis was given to the need for a broader understanding of the national economy as a functioning whole. Its preparation would have been impossible without the prior work of the countless individuals who have contributed to the growing body of statistical data reflecting contemporary social and economic activity. Acknowledgment and appreciation are due especially to the Bureau of Internal Revenue in the Treasury Department, the Bureaus of Agricultural Economics and of Home Economics in the Department of Agriculture, the Bureaus of the Census and of Foreign and Domestic Commerce in the Department of Commerce, the Bureau of Labor Statistics in the Department of Labor, the Division of Research and Statistics of the Federal Reserve Board, the Research and Statistics Section of the Securities and Exchange Commission, the National Research Project of the Works Progress Administration, the National Bureau of Economic Research, and the Harvard University Committee on Research in the Social Sciences for making available unpublished data and in many cases giving advice as to its significance. In addition to the acknowledgment due to the technical staff who assembled and organized the data and to the contributors to the statistical appendix who filled important statistical gaps, acknowledgment is due to Dr. A. F. Hinrichs and Mr. Louis Bean for serving as alternates to members of the Industrial Committee and for providing valuable criticism, to Dr. Hildegarde Kneeland for critcism of the chapter on the structure of wants, to William R. Muench who supervised most of the statistical computations, and to Charles Faunce, who with the assistance of Norman F. Hampton, was responsible for the drafting of charts.

PREFACE

Earlier reports of the National Resources Committee and its predecessors have examined the Nation's material resources of land, water, and minerals; the changing character of the population which seeks to utilize these resources; and the improving engineering techniques whereby resources are used to serve human wants. In each of these reports a major aspect of the national household has been sketched in with a greater or less degree of detail in order to give a background for the development of major national policies and to provide a larger frame of reference within which specific problems in specific fields could be more intensively analyzed.

In this report on the Structure of the American Economy an effort is made to bring the major aspects of the national economy into focus so as to emphasize the organic character of the process whereby the Nation's resources are employed to provide useful commodities and services. This emphasis on organization requires that the national community be treated as a single functioning whole and in such a way that every phase of human activity is covered insofar as it involves the use of resources. Only by bringing all the different aspects of the national economy into a single frame of reference can a basis be laid for developing effective policies in respect to particular aspects.

This frame of reference is so broad in scope that it has been necessary to introduce certain limitations in order to keep the report within manageable proportions. The first of these is the concentration of the report on what have been called the structural characteristics of the national economy—those characteristics which show a high degree of continuity—changing only gradually or not at all and giving to the American economy its particular character. The second limitation is introduced by seeking out only what are believed to be the main structural characteristics, especially those which appear to be of major significance for the problem of obtaining more effective use of national resources. A third limitation has developed inadvertently. Certain major structural characteristics are not covered or are only very inadequately covered in the report. On some of these such as the trend of consumer savings, data are so completely lacking that they could not be included. Others were to be included according to the original plans for the report but the investigations necessary to their inclusion were incomplete or inadequate to allow their inclusion without unwarranted delay in publication. The most serious omission of this sort is an analysis of the debt and ownership structure and the structural aspects of interest rates. Such gaps are indicated at the appropriate points in the text. In spite of its shortcomings, the report is presented in the hope that it can give added background for the development of national policies respecting the use resources.

NATIONAL RESOURCES COMMITTEE

NORTH INTERIOR BUILDING

WASHINGTON

May 18, 1939.

MR. FREDERIC A. DELANO,
Chairman, Advisory Committee,
National Resources Committee,
Washington, D. C.

DEAR MR. DELANO:

We have the honor to transmit herewith the report on the Structure of the American Economy requested by the Advisory Committee as background to an understanding of the basic national problem of unemployed resources.

The report has been prepared by a staff under the direction of Dr. Gardiner C. Means, who takes primary responsibility for the material presented and its detailed organization.

We wish to emphasize the central importance of insuring reasonably full use of resources. We believe that this report should help to clarify the character of this basic national problem.

Sincerely yours,

THOMAS C. BLAISDELL, JR., *Chairman*

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THE STRUCTURE OF THE AMERICAN ECONOMY

CONTENTS

	Page
Chapter I.—Introduction	1
The Essentials to Economic Activity	
Chapter II.—The Structure of Wants	6
Chapter III.—The Structure of Resources	22
The Process of Economic Activity	
Chapter IV.—The Structure of Production—Geographical Structure	33
Chapter V.—The Structure of Production—Functional	60
Chapter VI.—The Structure of Production—Financial Overlay	79
The Organization of Economic Activity	
Chapter VII.—The Organizational Structure	96
Chapter VIII.—The Price Structure	122
Chapter IX.—The Structure of Controls	153
Chapter X.—Conclusion	171
Appendices	
Appendix 1.—A Consideration of the Validity of the Bureau of Labor Statistics Price Indexes	173
Appendix 2.—Wholesale Price Data	186
Appendix 3.—Effect of Differentiation Upon Rigidity and Amplitude of Price Movement	205
Appendix 4.—Public Utility Prices	207
Appendix 5.—The Relation of Tariffs to the Price Structure	214
Appendix 6.—Changes in Hourly Earnings, Weekly Hours, and Employment, 1929, 1932–36	231
Appendix 7.—Data on Largest Four and Largest Eight Producers in Each Manufacturing Industry, 1935	239
Appendix 8.—Summary of Concentration Data, Classification, and Price Data for Manufacturing Industries, 1935	264
Appendix 9.—Data on 200 Largest Manufacturing Enterprises, 1935	270
Appendix 10.—The 200 Largest Nonfinancial Corporations in 1935 and Their Assets 1929–36	273
Appendix 11.—Assets and Income of 200 Largest Nonfinancial and 50 Largest Financial Corporations	277
Appendix 12.—Interlocking Directorates Among the Largest American Corporations, 1935	298
Appendix 13.—Interest Groupings in the American Economy	306
Appendix 14.—The Role of Labor Organization	318
Appendix 15.—Productive Activity of Government	331
Appendix 16.—Maps of Industrial Location, 1935	336
Appendix 17.—Quantitative Input and Output Relations in 1929	363
Appendix 18.—Supporting Statistics and Methods of Deriving Certain Tables and Charts in the Report	370

INDEX

Action on unproved hypotheses, 21–22
Adjustment mechanisms:
  Effectiveness of, 14–15
  Employment, balance in trade, balance between savings and investment, 13–14
Administered prices, 8
Antitrust suits, 41
Automobile steel, elasticity in demand, 35

Balanced cost price structure, 28
Balanced use and fiscal implications, 21
Business fluctuations and full use of resources, 23
Business fluctuations:
  In terms of fluctuations in rate of investment, 28
  In terms of price movements, 28
Business psychology, 25

Capital banking system, establishment of, 40
Capital facilities, production of, 17
Changes in economic structure, 10–11
Characteristics:
  Operating vs. structural, 3
  Operating, problems to be considered in analyses of, 4
Chronic underutilization, 23–24
  policies bearing on problem of, 24–25
  Possible tendencies to, 24–26
Competition:
  Between concerns, 36
  Restricted, 37
  Restoration of, 41
Concerted expansion, 42–43
  elements covered in programs of, 43
Concerted program for full use of resources and full employment, 45
Consent decrees in large-scale industries, 41
Consumer Income, 37
Consumption goods, income elasticity of demand for, 32–33
Consumer wants, 7
Corporate price policies, 35–36

Dangers to be avoided in full utilization of resources, 20–21
Deficit financing, 38, 40
Depression:
  Causes of, 27–28
  Limits on existing general mechanism of immediate recovery from, 24

Economic fluctuations and chronic underutilization, 21–22
Economic planning with government control or regulation, 41–43
Economic policy and structure of American economy, 35–45
Economic structure, inconsistency with inherited policies, 11–12
Employable factors, 24
Employment:
  Full, 5
  Means of increasing, 43–44
  Unbalanced condition, 5
Equipment in structural characteristics, 19
Establishment of capital banking system, 40
Expansion and maintenances of operating production, 17
Expansion programs, range of industries to be covered in, 43

Financial overlay, 17
Fluctuations, causes of, 23
  Cyclical, noncyclical, 23–24
  Remedies for, 23
Full employment:
  Basic lines of disagreement, 11–12
  Basic points of agreement, 9–11
  Controversy over problem of, 9–17
  Definition of, 4–5
  Dominant national problem in economic field, 6
  Inherited system of policies, 9–10
  Market mechanism expected, 13
  Structural characteristics important for problem of, 6–9
    Production, 7
    No significant lack of wants, 6–7
Full utilization, 34

Government accounts, separation of current expenditures and capital investment, 40
Governmental attitudes toward problem of full use of resources, 20
Governmental supervision, 20
Grants of Federal government to stimulate construction, 40

House construction, concerted action by all elements contributing to, 42

Inadequate utilization, 21
Incomes:
  Distribution of, 25
  Percentage saved, 32
Income and effective demand, 28–30

Income elasticity of demand for consumption goods, 32–33
Difference between price elasticity of demand for, 32
Increased per capita income, 25
Industry, proposals for control of, 43–44
Industrial coordination, interim steps toward, 44–46
Industrial production:
Characteristics of, 7
Geographical concentration of, 7
Inherited system of policies, 9–10
Compatibility with modern economic structure, 11–12
Departure from, 10
Interest Rates, 25, 33
Interim steps toward industrial coordination, 44–46
Investment, causes operating on side of, 25

Levels of possible action, 17
Limits of structural characteristics in analyzing the American economy, 18–19
Longer-run or secular sensitivity, 14–15

Marginal productivity, 23
Market mechanism adjustment, 13–14
Market mechanism tendencies, 22–23
Monetary and fiscal proposals, 38–41

National debt, 38
National Resources Planning Board, studies made by, 1–2
Net investment, functions of, 32

Operating policy of producing units, 17
Organizational structure:
Basic characteristics of, 7–9
Administered prices, 8
Administrative coordination, 8
Canalizing rules and accepted goals, 8
Insensitive wage rates, 8
Nonmarket controls, 8
Price sensitivity, 8

Personal needs, customary *mores* of providing for, 25
Present system, definition of, 20
Price behavior, 8
Price dispersion, 28–29, 34
Price establishment by U. S. Steel Corporation, 35
Price flexibility, 14–15
Definition of terms, 27
Cyclical vs. structural, 27–32
Price policy, 29, 33–34
Corporate, 35–36
Price reduction, 28–29, 31
Price sensitivity, 14–15

Problem of full use, basic governmental attitudes toward, 20
Problems, scope of, 5–6
Programs of concerted expansion, 43
Proposals for controlling large-scale industry, 43–44
Public regulation of utilities, 42
Purchasing power, inadequacy of flow of, 24
Relief expenditures, 38
Resources, ample supply of, 7
Balanced use of, 5
Efficient use of, 5
Full use of, 4–5
Scope of problems, 5–6
Ineffective use of, 3
Interrelated problem of full, balanced and efficient use of, 4–6
Restoration of competition, 41
Restricted competition:
Retardation of economic progress, 37
Contribution to hoarding and unemployment, 37
Restriction in output by industries, 36

Savings, 32
Sensitivity of goods prices, wage rates, unit profits and interest rates, 14–15
Short-run or depression sensitivity, 14–15
Short-run insensitivities inherent in existing economic structure, 15–16
Social security, 38–39
Structural changes, 10–11
Structural vs. policy change, 16–17
Structural characteristics, existing equipment, 19

Taxes and expenditures to redistribute the national income, 39–40
Tax reorganization, 39–40
Tendencies of market mechanisms, 22–23

Unemployables, existence of, 24
Unemployment, 4
Adjustment mechanisms, 13–14
Causes of, 27–28
Lack of agreement as to policies, 9
Persistence of, 11
Underutilization:
Causes of, 27–28
Government's part in assuming a leading part in dealing with problem of, 26
U. S. Steel Corporation, price establishment, 35

Wage rates, 8, 30–31

Yardstick competition, 41

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