TABLE 3-2.—*Rise of wholesale prices and industrial output, 1947–57*

	Wholesale prices rank order	Output rank
Iron and steel	1	5
Tires and tubes	2	7
Electrical machinery and equipment	3	1
Nonferrous metals	4	4
Motor vehicles	5	6
Paper and pulp	6	3
Coal	7	10
Chemicals	8	2
Foods	9	8
Textiles	10	9

Here the association does not seem to be too close. Indeed, food and textiles have relatively unsatisfactory rates of growth and also experience relatively low rises of prices. The explanation in foods is undoubtedly, in part, the excess supplies of agricultural products, and in textiles the loss of consumer appeal in the American economy for textiles in competition with other products and services.

In iron and steel and tires the rise of wholesale prices was more than twice as large as in output. In electrical machinery and equipment increase in output was about one-third more than in prices, in nonferrous metals roughly of equal proportion, and similarly for motor vehicles. Output in paper and pulp greatly exceeded, in fact was about twice as large relatively, as the rise in prices. In coal the wholesale prices rose by 24 percent, whereas output declined by 17 percent. Here the explanation undoubtedly in part is the unusual wage policy of the United Mine Workers Union, a policy that does not take into account the declining market for coal. Wage policy is set to achieve maximum gains for those who can still hold their jobs in an industry where rising productivity and unsatisfactory demand curtail jobs. In chemicals, despite an increase in output of 84 percent, the rise in wholesale prices was only 9 percent. Here is an industry that is clearly gaining in terms of the changing composition of demand and the great advances being made in research.

CHAPTER 4. THE INCIDENCE OF INFLATION ON GOVERNMENT

INTRODUCTORY

How inflation affects Government is of great importance since Government accounts for such a large part of the gross national product and performs such indispensable services as providing security for the Nation, underwriting education, developing our natural resources, building our highways and the like. In 1929 the Government accounted for only 8 percent of the gross national product (GNP), but by 1958, when Government purchases of goods and services were up to $91 billion, Government accounted for 21 percent of the total GNP. By calendar year 1958, Government or Government receipts were $115 billion, and expenditures $125 billion. The difference between these figures and Government purchases of goods and services is, of course, explained largely by the importance of transfer payments which are not reflected in Government purchases of goods and services.