

TABLE I.—Percentage increase in 8 measures of business activity during the 1st 16 months of cyclical expansions since World War I

Indicator	After recession ending—								
	July 1921	July 1924	November 1927	March 1933	June 1938	October 1949	August 1954	April 1958	February 1961
Number of employees in nonagricultural establishments.....	+21.6	+11.4	+7.6	+18.2	+9.4	+11.0	+6.1	+4.8	+3.6
Unemployment rate, total (inverted).....	(1)	(1)	(1)	+35.0	+29.2	+123.7	+43.0	+38.7	+26.6
Index of industrial production.....	+50.0	+27.5	+18.4	+34.5	+47.7	+30.7	+17.2	+18.9	+15.4
Gross national product in current dollars (Q) ²	(1)	+16.2	+11.8	+23.5	+12.0	+23.7	+13.0	+10.4	+10.2
Gross national product in 1954 dollars (Q) ³	(1)	(1)	(1)	(1)	(1)	+13.2	+9.8	+9.8	+7.7
Bank debits outside New York City, 343 centers.....	+11.3	+19.3	+13.0	+22.5	+13.7	+29.7	+16.2	+16.0	+16.0
Personal income.....	+21.0	+12.6	+10.2	+26.5	+10.8	+21.1	+11.5	+8.5	+9.0
Sales of retail stores.....	+4.5	+6.9	+5.4	+20.0	+18.9	+22.1	+11.3	+10.6	+6.5

¹ Not available.² 5 quarters.³ 4 quarters.

Source: Business Cycle Developments. July 1962, p. 57.

TABLE II.—Monthly changes in selected measures of business activity (seasonally adjusted)

1962	Nonagricultural employment	Industrial production	Personal income	Retail sales
(1)	(2)	(3)	(4)	(5)
January.....	-58	-1.3	-\$1.7	+\$9
February.....	+330	+1.3	+3.2	+129
March.....	+128	+9	+2.6	+302
April.....	+359	+1.1	+2.4	+338
May.....	+11	+7	+1.4	-117
June.....	+43	+3	+7	-431
February 1961-June 1962 average.....	+121	+1.0	+2.3	+80

Source: Col. 2, BLS estimates of nonagricultural workers on payrolls (in thousands); col. 3, percentage points for the FRB index of industrial production; col. 4, Department of Commerce (in billions); col. 5, Department of Commerce (in millions).

II

What is our problem? There are, broadly speaking, two possibilities. People are either disinclined to spend their purchasing power, or there is a shortage of purchasing power. In one respect there may be a lessened inclination to spend. Consumer attitudes have never regained the levels of buoyancy that were reached in 1955, and there has been some deterioration since events of April and May. And the evidence is clear from work at the University of Michigan's Survey Research Center that changes in consumer attitudes do influence the level of spending. There is also some concern about the possibility that wants have simply been saturated. This argument has taken many forms—ranging from that of the affluent society to the fear that consumers are so fully in debt that the further expansion of credit necessary to sustain vigorous prosperity cannot take place.

There are persuasive reasons, however, for believing that the problem is not primarily saturation of wants. Research evidence is fairly clear on this point. The simple fact is that as levels of living rise, levels of aspiration rise also. The achievement of one scale of living sets the stage for the desire to stage an assault on the next. Periodically during the last decade the University of Michigan's Survey Research Center has probed people about their needs and whether they would like to make special expenditures in the coming year. In their 1962 monograph the center summarizes the evidence as follows: