first half of the year, the wholesale price index was fairly constant in the last 6 months of 1953, fluctuating within a range of six-tenths of a point.[100]

In transmitting the budget for the fiscal year 1953, President Truman pointed out that "the smaller amount of new obligational authority which I am recommending indicates the substantial portion of the financial requirements of our military buildup that has been met in the appropriations already made by the Congress." [101]

The 1953 total of $80 billion in new obligational authority was $11 billion or 12 percent less than the peak year of 1952. Similarly, the total amount of obligations incurred by Federal agencies was $86 billion, a 6 percent decline from the previous year. Budget expenditures for the year, on the other hand, reached their Korean peak at $74 billion—the largest total annual outlay by the U.S. Government since 1945.

The rise in military production and deliveries and, hence, expenditures leveled off during the year. Budget expenditures increased $7 billion over the previous year compared with the rise from $20 billion to $40 billion from the 1951 to 1952 fiscal years. In his October 1952 report, the Director of the Defense Mobilization pointed out the causes for this trend:

> The rise in total production will be gradual because it will be selective. Each item in the military program has its own productive curve—a period of acceleration, a period of level sustained production, and a period of decline prior to terminating production. * * * or a large proportion of the items in the program, the sustaining rate has been reached.[102]

Revenues reached a high of $64.8 billion in the fiscal year 1953, reflecting the full impact of the higher Korean rates. Nevertheless, the Federal Government had a cash deficit for the first time since the beginning of the Korean fighting. This resulted from the fact that the primary impact of the Korean program on government expenditures was being experienced at the time.

DECLINE IN ECONOMIC ACTIVITY: FISCAL YEAR 1954

Reductions in inventory accumulation and in defense outlays in the fiscal year 1954 resulted in the first significant quarterly declines in GNP since 1949. The reductions in new obligational authority and obligations that occurred in 1953 were translated into reduced Federal expenditures in 1954.

The slackening rate of military production was apparent in the decline of deliveries for security programs and, hence, expenditures, in every quarter of the fiscal year 1954. Total deliveries declined by approximately $7 billion at annual rates from the last quarter of fiscal 1953 to the last quarter of the 1954 fiscal year.[103]

The decline in obligations incurred by the Defense Department, which began in the previous fiscal year, continued through the first half of fiscal 1954. The obligation rate stayed at a low level for the rest of the year. Some military contracts were canceled after the Korean truce, which was signed in July, 1953, the beginning of the

[100] "1953 Statisaticl Supplement," *op. cit.*, pp. 26–27.
[101] *Budget of the United States Government for the Fiscal Year Ending June 30, 1953*, Washington, Government Printing Office, 1952, p. M6.
[102] U.S. Director of Defense Mobilization, *Eighth Quarterly Report to the President*, Washington, Government Printing Office, January 1, 1953, p. 10.
[103] "Treasury Financing in Fiscal 1954," *Monthly Review of the Federal Reserve Bank of New York*, August 1954, p. 108.