although the rate of increase was slower than during the earlier periods. Actual decreases were recorded in the annual totals of new obligational authority and obligations. Expenditures reached their peak during this period, although they were rising at a reduced rate.

GNP and other indicators of economic activity were declining through most of the fourth year of the Korean mobilization program. However, the annual total of GNP was approximately the same as that of the previous year, indicating that GNP fell in the fiscal year 1954 at about the same rate as it was rising during 1953. Heavy declines in new obligational authority and in obligations were recorded at this time, together with a slight reduction in Federal expenditures.

Several interesting points emerged from this examination of the Korean mobilization program:

1. The major expansion in economic activity occurred at approximately the same time as the announcement and authorization of the program, and while many of the defense orders were being placed.
2. The expansion in economic activity slowed down at about the same time that the rise in new obligational authority slowed down.
3. The declines in new obligational authority and in obligations occurred prior to the declines in economic activity and in government spending.
4. The major rise in government expenditures occurred after the major expansion in new obligational authority and after substantial defense ordering had taken place.
5. The major expansion in economic activity occurred prior to the major rise in government expenditures.

The reader should be cautioned against generalizing simply on the basis of the Korean experience. The events during the Korean mobilization period did show that the main expansive effect of this new program of purchases of privately produced goods and services occurred at the early stages of the spending process rather than at the terminal stages when the government disbursements are made.

A number of situations have occurred where the responses to a new governmental spending program are quite different than was the case during the Korean mobilization program. The Government's embarking on a new spending program could have, as during the 1930's, a negative effect on business confidence. Also, the level of economic activity might have risen instead of declining when the tempo of military spending was slowed. This was the response during the reconversion following World War II.

The unavailability of resources would have prevented the rapid translation of government contracts into business investment in expanded capacity and production on government account. Finally, different types of government spending programs—such as transfer or interest payments—may have had a more subdued effect on the economy generally.

The following special factors contributed to the exact timing and extent of the economic effects of the Korean mobilization program:

1. The American participation in the conflict and the initial defeats, which engendered the fears of a World War III.
2. The recent experience of a global war, with the attendant inflation and shortages of materials.