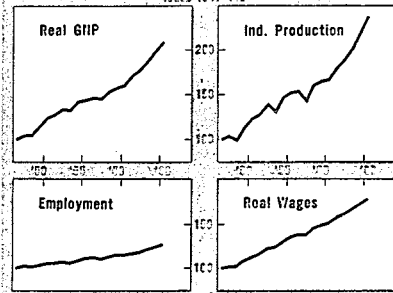


TWENTY YEARS OF PROGRESS

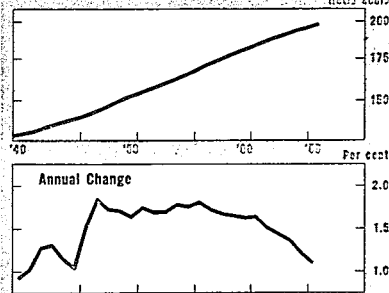
Index 1957=100



POPULATION

Billions of persons

(Not to scale)



In most respects the postwar period has been satisfying in terms of over-all economic performance. Real gross national product and industrial output have risen substantially, and the effects of growth have been reflected in the expansion of employment and real wages. These developments provided the context in which monetary decisions were made over the postwar period. It is appropriate, therefore, to begin our discussion with a more detailed review of the performance of the real economy.

NONFINANCIAL DEVELOPMENTS

One of the most pervasive stimulants to postwar growth was the expansion in population and the large increase in demands for goods and services that it generated. The impact spread from housing, to schools, and to community facilities—sectors where outlays are relatively insensitive to short-run changes in income. Some of these outlays, however, are quite responsive to variations in credit conditions. The new-born of 20 years ago are reaching marriageable age, and a large wave of family formation is now in the offing.

But with the birth rate declining, the annual percentage increase in population has slowed markedly since the middle 1950's. This slowing could have advantages, since earlier high birth rates have aggravated urban congestion, intensified pressure on educational facilities, and increased the burdens of Government. These pressures would be eased somewhat by a slower growth in population, but economic expansion would then have to depend more on invention and technical progress.

Research and development expenditures have been an important factor in technical progress and increased productivity—the basic ingredients of higher standards of liv-