

The National Outlook
Secretary Hodges Is Optimistic
By RALPH ROBEY

Secretary Luther Hodges, whose Department of Commerce, together with the Department of Labor, collects almost all the general data on business that is gathered by government, has issued a statement indicating that he believes the economy is still on the upgrade, and will continue so for many months. Two items particularly impress the secretary:

First is an increase of corporate profits in the second quarter. The rise amounted to \$800 million, and it lifted the pre-tax total to \$50.9 billion. This is still \$200 million below the aggregate in the final three months of 1961, but it was generally expected, both within and without the government, that the total would show another decline. No details of the increase are yet available, and hence it is impossible to determine how widespread the improvement was. From the reports of individual firms, however, it is known that while some are getting along a little better from a profit viewpoint, many others are finding it impossible to make as much as they did a year earlier.

Second is another rise in personal income. The department release said it rose by \$1 billion, but the detailed figures show it was \$900 million. The difference, of course, is not too important. A breakdown of the total has been issued, and it reveals some interesting and quite significant facts. For example, transfer payments, which consist primarily of social insurance benefits and veterans' payments, in August amounted to \$34.5 billion. This is an increase of \$1.5 billion in the past twelve months. At present 7.8 percent of all personal income in the nation is in the form of these transfer payments.

Dividends, which amount to well under one-half the transfer payments, showed a decline for the second consecutive month. The total is \$15.6 billion. Over two-thirds of personal in-

come consists of wage and salary disbursements. Between July and August there was a decline in that paid out by manufacturing in the form of wages and salaries. This is probably the result of a slightly shorter work week, the increase in unemployment, and the change of models by the automobile industry.

Of especial interest in the category of wages and salaries is that paid by government—federal, state and local. The total in August was \$56.6 billion. This was an increase of \$4.5 billion over August 1961.

Now, the real question is whether these reports on profits and personal income justify optimism for the remainder of this year.

In fairness to Secretary Hodges it should be pointed out that he said merely that they indicated our economic system has "bounced back a little from what it looked like two or three months ago" and he added that the performance is not wholly satisfactory.

When these two releases are interpreted in that manner it is most difficult to find any thing with which to disagree. But the Secretary gave the impression of being highly pleased and convinced that we have better business ahead for at least well into 1963.

In our judgment this is reading far too much into these two developments. The slight increase in corporate profits does not indicate that the squeeze in this area is coming to an end. Granted, it is better to have a rise than the anticipated decline, but the improvement was not large enough to be important.

The personal-income increase is basically insignificant. That item normally rises, month after month, except when we are in a recession.

Whether we shall have a downturn of business before the end of the year is still an open question.

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