

Nation's Debt Nears Trillion Dollars; Size And Growth Raising Questions

The total of debt in the American economy, public and private combined, has grown by an average of \$41 billions a year since the beginning of the Fifties and is rapidly approaching the trillion dollar mark.

This annual average increase is more than a third again as great as that for the decade of the Forties, when aggregate debt expanded by an average of \$30 billions a year. Beyond its accelerated growth, the more recent period was distinguished by the dominance of the debt rise in the private sector of the economy, with the people at large setting the pace in their borrowing to buy homes, cars and other goods. By contrast, an almost sixfold rise in the Federal debt during the World War II period was outstanding in the debt pattern of the Forties. In fact, the rise in the debt of the U. S. Government was more than half the rise in all debt for the 1940-50 period.

Growth and Composition
Data compiled by the U. S. Department of Commerce show that all debt outstanding at the end of 1961 added up to \$937 billions after a \$53 billion increase during the year. The total was about equally divided between the public sector (Federal, State and local combined), corporate borrowings, and the classification of individual and non-corporate debt. Close to half of the last group consisted of mortgages on one-to-four-family nonfarm homes.

These figures are taken from the net debt series of the Commerce Department rather than its larger gross debt compilation. The former is the preferred concept of economists in analyzing trends in the debt structure. The major adjustment reduces the gross Federal Government and agency debt of \$330 billions at the end of 1961 by some \$80 billions for U. S. obligations held by trust funds and Federal agencies, leaving \$248 billions of Federal debt held by the public. Similarly, more than \$50 billions owed by affiliated corporations to each other are excluded in the net corporate debt figure. The individual and noncorporate debt sector is not involved in such adjustments.

Economic Relationship
Debt expansion is a traditional accompaniment of growth in our economy. Over the years, in fact, the figures show a close correlation between the trend of debt and of the nation's economic activity as measured by the gross national product.

Furthermore, as far as the average person is concerned, borrowing to increase individual and family material possessions and to raise their standard of living has become a normal part of life. Credit can of course be abused, too, but the records to date show that the typical American has not gone overboard. And while he may owe more today than ever before, never have his savings, his life insurance protection, and his other financial resources been

so high either.

A Time For Caution

Beyond that, the size and composition of the overall debt take on a new perspective in periods of national emergency and crisis, as in the case of the Cuban situation. Then the manageability and flexibility of a debt of our present size become a matter of concern, and the usual yardsticks and economic relationships by which the tolerability of the debt burden is measured appear in a different light.

In this connection, Department of Commerce figures show that the latest total of public and private net debt combined is more than double the \$448 billions outstanding at the beginning of 1950, the year of the Korean outbreak. It is close to five times the \$190 billions of aggregate net debt in the economy at the end of 1940, the year before Pearl Harbor.

The figures show at the same time that the composition of the debt has shown dramatic changes over the past two decades, especially the Federal share. In 1940, net Federal Government and agency debt outstanding was the equivalent of 23 cents of the nation's debt dollar. Five years later, by the end of 1945, the proportion had gone up more than two and one-half times to the equivalent of 62 cents of every dollar of debt in the economy. Then the expansion of private borrowing got under way, and though the Federal debt has continued to grow, its share of the nation's debt dollar has declined steadily and was down to the equivalent of 27 cents last year, or not much above the 1940 figure.

No Comment

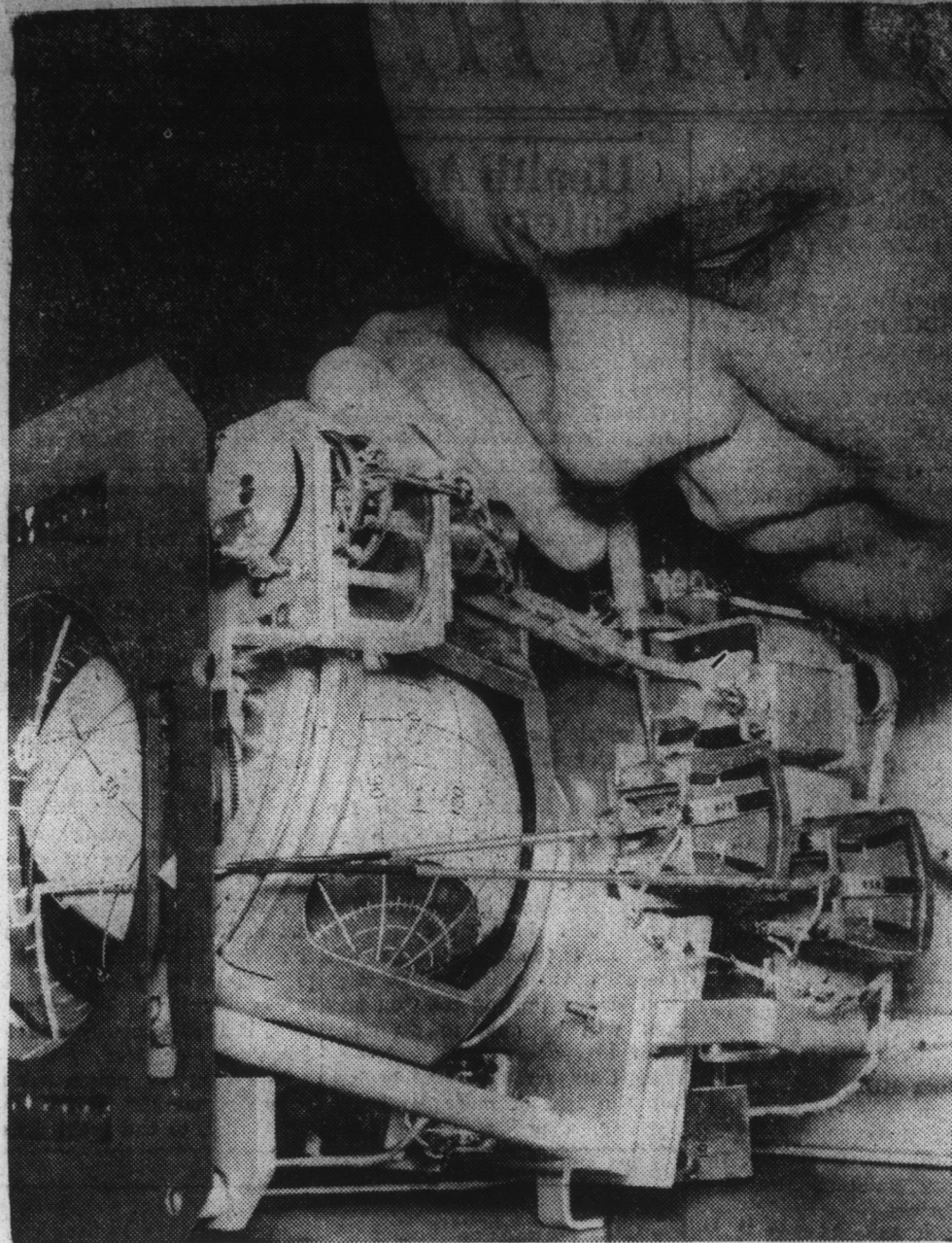
By JAMES W. DOUTHAT
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NO COMMENT is a report of incidents on the national scale, and does not necessarily reflect NAM policy or position.

Washington—The administration seems to expect great things from Esther Peterson, recently appointed special assistant to the President for consumer affairs. She's a capable woman, all right, but it is just beginning to dawn on some old Washington hands just what a hot potato she has.

While her office is new, the government—ever since it was founded—has been building up a number of agencies to guide and protect the consumer. They are scattered through the cabinet departments and the independent agencies often are involved in other closely-related activities and will resist coordination by their very nature.

In fact, everything the government does affects the consumer. When it simply buys in its usual elephantine quantities to satisfy its own needs, it contributes to demand and diminishes supply; thus, it tends



SPACE DETAIL—This globe will help guide Apollo astronauts to the moon and back. Bill Coleman gives it a final check in Minneapolis, Minn. The instrument will allow astronauts to check in which directions they are going and how fast they are moving.

to keep prices up

Unending Regulations

Even a partial list of the agencies dealing directly with consumer affairs is lengthy. It's hard to think of one that does not. Even the State Department is involved through its international trade arrangements, including price-setting deals on sugar, coffee, cotton, wheat and other truly basic commodities.

The Treasury controls what the consumer's dollar is worth, of course, but its activities extend far beyond that in the consumer field. It has control over all drugs with narcotics in them and it even has regulations which say how much gin and how much vermouth should go into a bottled martini.

Transportation costs are affected by the Interstate Commerce Commission, the Civil Aeronautics Board, the Federal Aviation Agency, the Highway Trust Fund will be affected by the Appalachian poverty program. Unlikely as it seems, the Housing and Home Finance Agency is helping to support an experimental shoppers bus line. Housing, a major consumer

need and expense, responds to the activities of the Federal Housing Administration, the Housing and Home Finance Agency, Urban Renewal, the Veterans Administration and the Federal National Mortgage Administration.

Drugs are controlled by the Food and Drug Administration.

But Nothing New

Food costs and values are affected by the myriad programs of the Department of Agriculture, some of which force prices up, and others of which tend to bring prices down.

The Justice Department and the Federal Trade Commission

deal with anti-trust cases, intended to preserve a market with free competition.

Credit, a major consumer pre-occupation, is offered or policed by the Federal Reserve Banks, Federal Deposit Insurance Corporation, Farm Security Administration, Securities and Exchange Commission and others.

The price of everything men work on is affected by the decisions of the National Labor Relations Board. The Post Office guards against mail fraud and obscenity.

It's hard to think of an area of consumer affairs or consumer protection that isn't already



DISMAL LOOK—Duncan Sandys, British Commonwealth and Colonial Secretary, passes through the dismal hall of Whitehall in London.

under the wing of some existing agency. Most of these activities, because of their natures and relationships to other governmental work seem to belong where they are.

So Mrs. Peterson has been given a big job of coordinating, but nothing much new to do really.

CITY BUILDING PERMITS SHOW INCREASE IN 1964

Building permits totaling \$24,541,278 were issued in 36 Tar Heel cities of more than 10,000 population during April, the State Department of Labor has reported.

State Labor Commissioner Frank Crane said the April figure was 16.6 per cent higher than the \$21,047,824 reported by the cities for April, 1963.

Crane said permits for the first four months of 1964 were up 21 per cent, rising from \$81,121,324 in the first four months of 1963 to \$98,083,536 in the same period this year.

Seven cities reported April building permits exceeding one million dollars. Charlotte led with \$3,526,302, followed by Greensboro with \$3,430,382, Burlington with \$3,156,780, Raleigh with \$2,470,281, Durham with

\$1,526,428, Fayetteville with \$1,133,385 and Gastonia with \$1,090,850.

And like a soul belated, In Hell and Heaven unmated By cloud and mist abated Comes out of darkness born. —A. C. Swinburne

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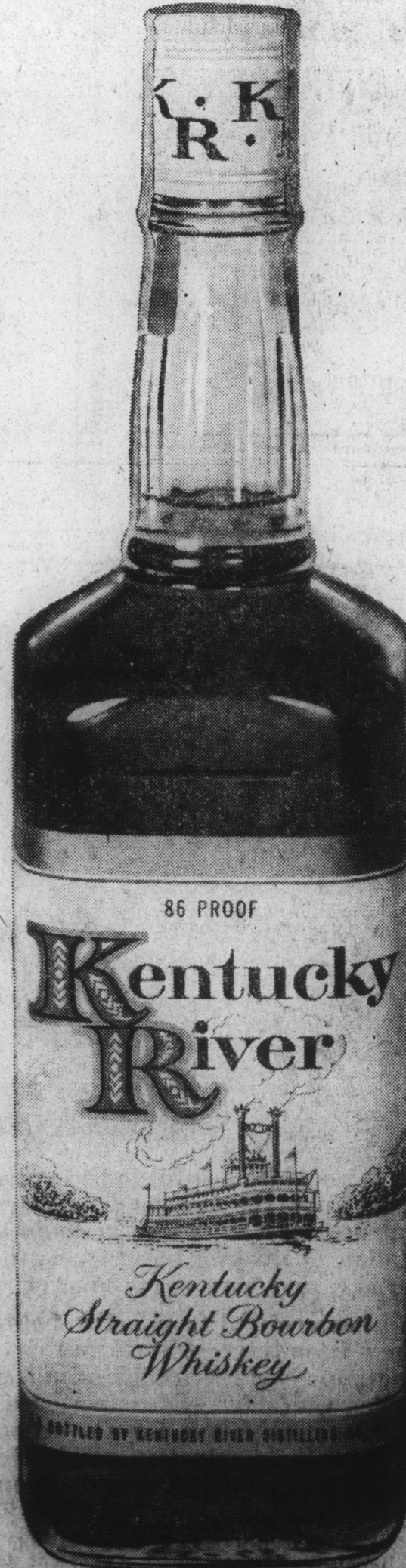
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