

April 20, 1939

What are the prospects for continued recovery in 1939 and 1940? How soon may we expect the national income to reach a level of \$80 billion a year? What are the threats to continued recovery?

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Summary of Answers

1. The outlook for 1939 is for moderately improving business.

2. Two views were expressed on the outlook for 1940.

(a) A majority expressed the view that a business decline would develop in the second or third quarter of 1940.

(b) A minority expressed the view that there would be continued business improvement in 1940.

3. In the opinion of the majority the inadequacy of the 1939 recovery and the probability of a decline in 1940 justify a program of action by the Government.

4. The more optimistic minority opinion did not envisage enough improvement during 1940 to reach a national income of more than \$72-73 billion.

The majority expressed the view that the rate of national income in 1940 would not reach the 1937 level which was \$70 billion.

5. The national income will not reach a level of \$80 billion a year in 1940 and there is very little prospect that it will reach such a level in 1941 even assuming a moderate price rise. The earliest year in which there is a real possibility of attaining a \$80 billion national income, assuming a continued recovery, is 1942-43.

6. Factors which will promote recovery during ensuing months of 1939 include: (a) the current high level of consumption relative to production, (b) continued expansion of the building industry, (c) the Government's increasing contribution to general purchasing power, and (d) the expansion of installment credit.

7. In the majority view, threats to continued recovery in 1940 include: (a) sharp curtailment of the Government contribution to general purchasing power, (b) too rapid price advances especially in building material and labor, (c) a sharp increase in private savings as compared with consumption expenditures, and, as a result, (d) an inadequate volume of private capital expenditures.

In the minority view, the present high level of consumption will pull production and employment up to comparable levels, and fresh impetus will be given the recovery movement in 1940 by capital goods expansion and by replenishment of inventories.