

Radio Talk over
Station W-B-E-N,
Buffalo, New York.
May 21, 1950

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AMERICA'S ECONOMIC FUTURE

Today is "I am an American Day" in Buffalo and Western New York. It is a day of rejoicing and thanksgiving for all those who believe in the American way of life. It is also a day for sober reflection upon our duties and responsibilities as American citizens. We have, among others, a duty to help maintain and increase the freedom and opportunity that are ours. To do so, we must keep ourselves informed about the many political, social and economic problems with which our country is faced.

The major economic problem is that of maintaining a high level of production and employment and an equitable distribution of the products of our industry. Achievement of these economic goals requires that we avoid inflation or deflation--that we strive for the maintenance of economic stability.

There are several obstacles to the achievement of economic stability at present high levels of economic activity and prosperity. One of the greatest obstacles, which we must in some way surmount, is that of providing jobs for all those who are seeking work. At the present time almost 60,000,000 people are employed on farms, in factories, or in the armed services. At the same time, the number of unemployed is 3,500,000. Compared with February of this year, when the number of unemployed totaled nearly 4,700,000 there has been a substantial improvement in the past two months. However, the extent of the improvement is not quite as great as these figures might suggest.

Every year we find more young men and women joining the labor force than we do older people leaving it--at the present time the net addition is about 600,000 people a year. If all the people who want to work are going to have jobs next year and the year after the total number employed will have to be substantially larger than it is at the present time. That is a pretty big order, finding jobs to keep more than 60,000,000 people employed. It is going to require a great deal of effort on the part of everyone to keep our economic machine running smoothly and efficiently enough to provide all those jobs.

Furthermore, it seems clear that the country has gone a long way towards satisfying the more pressing postwar needs for plant and equipment, automobiles, and houses. This means that the backlog of demand for such goods is growing smaller. During 1949 farmers harvested bumper crops and the effect of these bumper crops was to depress the price of farm products. This is in accord with the principal of supply and demand and helps to explain why prices received by farmers declined about 13 per cent during 1949. Prospects for the coming year are that crops may be smaller, as a result of unfavorable weather and Federal acreage restrictions, and that prices will be steady, or somewhat higher.

Wholesale prices of all commodities, after declining steadily through most of 1949, have been inching upward in recent months and are

now about 2 per cent above the level of last December. Meanwhile, disparities among prices of individual commodities still exist; the price of lumber, for example, is about three times what it was ten years ago, while the average price of other building materials is somewhat less than twice what it was just before the war. Such price disparities as these necessitate adjustments to achieve a proper balance that will assure economic stability. It takes time to work out these adjustments and meanwhile business is slowed down by the process.

A great many things are bought on credit these days--automobiles, houses, furniture, television sets--to mention but a few of them. During the past twelve months, the total amount of consumer credit alone--excluding mortgage credit for the purchase of homes--has increased by 3 billion dollars, or roughly 20 per cent. That is all right as long as personal incomes remain at their present high levels. But think, for a moment, what would happen if the amount of income should suddenly decline. A great many people would be so busy paying for automobiles and television sets which they bought this year or last that they would not have much left over for the purchase of new furniture or a new washing machine. In other words, much of the demand that is currently based on credit might suddenly disappear, and in so doing cause unemployment and further curtailment of incomes. I do not mean to imply that I think such a thing is going to happen now or in the immediate future, but it is something we have to think about and be prepared to deal with.

While there are, and always will be, problems that require a solution, the economy is fundamentally sound and vigorous. The extent of the recovery from last year's moderate recession in business activity is striking. New housing starts totaled 110,000 units in March--the largest number for any single month in the postwar period, and nearly two-thirds higher than a year ago. Industrial production has increased 16 per cent since July 1949. People are buying automobiles at a greater rate than ever, and prospects are that 1950 will be a year of record automobile production.

In the longer run the development of new products and the exploitation of new resources give promise of further rise in our standard of living. Those of you who remember the first years of our present century have only to think of the changes that you have seen in your lifetimes to appreciate what the next forty or fifty years may bring.

So far, I have spoken only of conditions within the United States, but it is obvious that conditions outside the United States must also be considered. We have been exporting large quantities of goods abroad ever since the war, and those exports have been an important element in American production. If, in the near future, any great change occurs in the amount of exports we send abroad or in the amount of imports we purchase, it is inevitable, of course, that American business will be affected by the change. But the change, in the long run, should be to the good. It provides a proper balance in international payments and eliminates need for our government gifts and loans.

Up to now, the aim of European countries has been to rebuild their factories and regain their markets. Our aim has been to help them, so that they can again stand on their own feet. But an essential feature of the program of European recovery is that the United States buy a larger amount of foreign products than it has in the past. This is

simply another of the possible changes to which American business may have to become adjusted. Like most adjustments, it will involve practical difficulties, particularly with respect to those American products with which imports from abroad will directly compete; but actually the needed increase in imports is only a very small fraction of our total trade.

While these foreign problems are primarily economic, their solution may influence our political as well as our economic welfare. At the present time, we may reap indirect political benefits from economic well-being abroad. Our defenses are stronger if foreign countries are better off economically as well as politically. They are thus less likely to succumb to the lures of a totalitarian form of government and also better able to defend themselves against economic aggression.

As you can well appreciate, maintenance of economic stability at home and political stability abroad is a difficult and complex task. The accomplishment of this task depends largely upon the understanding, cooperation and assistance of each and every one of us. From time to time we may be called upon to contribute more directly to the accomplishment of this task--by serving in the armed forces in time of war or national emergency, by donating our time and services to various civic and national causes, or by investing a part of our savings in Government bonds.

Right now a savings bond drive is taking place. The slogan so aptly chosen for this drive is "Save for Your Independence: Buy U. S. Savings Bonds." Thus we are reminded that by buying United States Savings Bonds we not only supply the Government with funds to do its job at home and abroad, but help ourselves personally. In short, we are being asked to invest in America's economic future, and I, for one, am confident that the future will be bright!