



Business Trends

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SOME UNFINISHED BUSINESS - - - FOR 1950

The passing year, the last of the 'Forties, is leaving a heritage of two critical long-range problems whose solution cannot be delayed much longer. Moreover, the spirit in which we come to grips with these paramount issues will be instrumental in shaping the general economic and political destiny of this nation for decades to come.

One of these items of "unfinished business" on the agenda for 1950 and beyond is focused on the vulnerable aspects of the domestic fiscal situation, and the other has its origin in the realm of foreign affairs.

Earlier in the history of this country, when the Federal government assumed only a narrow lane of responsibilities, the formulation of appropriate financial policy was a comparatively simple process, and one which carried very little social and economic significance.

Within the past twenty years the picture has changed completely. This profound change was brought about by a sequence of developments beginning with the impact of the Great Depression, the subsequent emergence of a new conception of Federal power and responsibility, and finally the financial burden of World War II. The problem of Federal finances did not become press-

ing immediately after the war, because of temporarily favorable circumstances, but in the past year or so it has been rapidly forging to the front.

The discrepancy between income and outgo during recent months has been becoming wider and wider and there is no assurance that existing savings can continue to fill the gap, or that they will be available for this purpose. Before many more months elapse it should become clear either that the Federal deficit can be reduced at least to manageable proportions, through an increase in taxes or a reduction in expenditures or by some combination of the two, or that the nation is caught in an accelerating upward spiral of fiscal and credit inflation from which there is no visible escape.

Even the most liberal interpretation of the compensatory spending doctrine, or the so-called pump-priming principle, requires that during intervals of nearly full employment of both human and natural resources, some water should be put back into the well. The time is not far off when the American people must make a choice either to accept with open eyes the long-term risks of chronic Federal deficits, or to undertake vigorously the unpopular task of restoring a better

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balance in the government's accounts. This is one of the most pressing items of "unfinished business" on the docket for 1950, and one which the course of events in the coming months can hardly fail to answer in one way or the other.

The other unavoidable national problem that will command thoughtful consideration throughout 1950 and probably much longer is that of developing an appropriate international attitude on a broad scale within this country—a state of mind or understanding that is consistent with the position of world leadership that has been thrust upon this nation.

Within the range of scarcely more than 30 years—a short time in the life of any people—the march of events has lifted the United States from relative seclusion into the role of being the unofficial but influential supporter of the entire non-Communist world, not only with respect to physical needs but also in terms of intellectual leadership.

Within the early memory of many living adult citizens, this country was content to leave world affairs in the hands of the established European powers, provided there was no meddling in the affairs of this hemisphere. The status of America was changing gradually as Victorian Age investments of Europeans in this country were being paid off out of a growing surplus of American exports of both agricultural and manufactured products. But the period of transition, or apprenticeship, was greatly foreshortened by the two World Wars, which telescoped the conversion from debtor into creditor status into the space of a very few years. Such world powers as ancient Greece and Rome, or the more modern British Commonwealth, did not reach maturity in a single generation. It is only natural, therefore, that America's comparatively swift elevation should be characterized by some degree of awkwardness, indecision, and widespread apprehensions, on the part of the people as a whole, in the face of these new and tremendous responsibilities.

This broad problem embraces not only the establishment and maintenance of adequate physical defenses against modern weapons of aggression but a vast reorientation of national perspective as well. This is especially true with respect to the terms under which goods and services will be supplied to, or exchanged with, other and less favorably situated nations and areas. Thus far in the postwar period it has been this country's policy to provide immense quantities of commodities and manufactured articles to friendly countries or under-developed areas in every continent.

This prodigious volume of exports, however, has deferred a more fundamental solution. If our foreign aid program is essentially accomplishing its objectives, the general character of this country's foreign trade will inevitably change. The demand for American products will diminish, and the pressure of imports will become more noticeable. In this event, the current sizable export balance will shrink, and at that point this country must adapt itself to these new conditions. On the other hand, if the aids and grants of recent years are not accompanied by satisfactory economic growth abroad, a new series of critical decisions will confront us in the sphere of international affairs.

The widespread currency devaluations of the past year indicate very clearly that the worldwide readjustment of postwar conditions will not be accomplished in a few short years, that the settling-down process is bound to be somewhat painful, and that this nation's economic strength is the benchmark around which a new level eventually can be established.

To the extent that constructive steps are taken during 1950 to solve this second basic problem, with which Federal fiscal policy is closely integrated, it will be comparatively irrelevant whether business next year will be a little worse, or a little better than in 1949. Decisions with respect to these matters will go far in determining the general welfare throughout all of the 'Fifties whose frontier is now upon us.

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