

Missouri
Great Falls

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m. S. m.

OUTLOOK

I do not propose to deal at any great length with the prospects for the economy in 1962. All of you have heard or read more economic forecasts than you need or want to hear. Let me make just a few observations on the outlook.

Almost every forecaster now is saying that the Gross National Product should rise about 7 or 8 per cent from 1961 to 1962. A quite common guess is a GNP of \$560 billion for the year as a whole, reaching that rate about midyear and going up to about \$575 billion by year end. No one seems to anticipate a downturn in 1962, although a lot of people see the rate of gain slowing down in the second half, partly I gather because the boom will then be 1 1/2 years old and partly because they cannot tell what will happen to the steel labor situation. Most forecasters see no particular price increases during the year.

I want to emphasize just two or three points. It really is not much of a forecast to predict a \$560 billion GNP rate by midyear. Unless something extraordinary happens, that rate is almost assured. We know pretty well what Government spending will be, we have some pretty good indications of business plans for plant and equipment, and we have some fairly good ideas about consumer spending prospects. Actually a \$560 billion rate by midyear would represent a half year rate of gain not as large as the relatively slow rate of third quarter 1961. We did far better than this in both second and fourth quarters of last year.

It is also useful to recognize that we face a number of unsolved economic problems which will affect us all through this year and perhaps beyond. We have a persistent unemployment problem. The current rate is too high and even a GNP of the order forecast does not seem likely to reduce that rate below 5 per cent. We have a persistent balance of payments problem. Fourth quarter 1961 figures on this are very disheartening. We have a long way to go before we lick this problem, although lick it we must if we want to remain a great

economic power and a world banking center. We have a persistent farm problem that seems to be no nearer solution today than it was a quarter century ago.

This Federal Reserve district should track along pretty well with national developments during 1962, assuming that we have a normal agricultural year. I see nothing strongly plus or strongly minus relative to national trends in the district outlook. But the district has major problems of long term growth and development and I want to speak about them.