

WHAT'S AHEAD IN BUSINESS?

(B)

Introduction

1. Industry and finance in time of war
2. Immediate post-war prospects
3. The economic possibilities of our grandchildren

I. Industry and Finance in Time of War

1. In physical terms

*Armed
forces*

*last War
4.8 mil
21.*

*this War
11 mil
625*

Post war / this war comparison

Industrial production for war and for civilians

Year	Total	Civilian	War
1932	58	58	0
1935-1939	100	100	0
July 1939	106	—	—
July 1940	123	—	—
July 1943	239	72	167
<i>Dec 1943</i>	<i>245</i>	<i>76</i>	<i>169</i>

Under → Despite 245 million in the armed forces.

In monetary terms

**National income and Government finance
in billions of dollars**

Year	<u>National Income</u>		<u>Federal Expenditures</u>
	<u>Current \$</u>	<u>1929 \$</u>	
1932	40.0	51.3	5.4
1939	70.8	87.3	9.5
1942	117.0	129.0	56.0
1943	144.0	144.0	86.
Est 1944			104.

3. The achievement of balance

A. Physical factors are basic.
Finance must adjust itself.

a. Taxes and loans out of current income

b. Bank purchases

B. The decision is up to us - our actions

Results to date

	Total Debt. bear debt	Comm Banks	F.R.B.	others
June 1940	48.	17	2 1/2	28 1/2
by 1943	147	56	9	82
Diff	99	39	6 1/2	53 1/2
now	165		9 1/2	
3 years loan drain				

40 - 45% banks

60 - 55 more banks

II. Immediate Post-war Prospects

1. Some prospects that are reasonably certain

A. Taxation

Permanently higher level

Pre-war expenditures \$4-6 billion

Post-war interest charge alone \$4-6 bil.

Armed forces - 2 million men

not to the venture capitalists

B. Prices

Probably higher than in the 1930's

Deposit structure

C. Post-war demand

Deferred demand will be large.

Currency in circulation up from

\$5 to \$19 billion

Deposits

War bonds

2 Some important unknowns

Contract Termination

Last year 24,000 - \$3.8 bill
This " 150,000 - \$55.0

Govt Stockpiles

\$60 bill. ranging from clothing to tanks

Govt plant

1/5 of all capacity
1,500 plants in 43 - \$20 bill

Business Environment

2. Post-war goal

A. In general a high level of productive employment

B. In quantitative terms

<u>Year</u>	<u>Civilian labor force</u>	<u>Employed</u>	<u>Armed forces</u>	<u>Unemployed</u>
1932	50.9	37.3	.3	13.6
1939	54.6	44.2	.4	10.4
1942	54.5	51.9	4.2	2.6
1946?	57.5	55.5	1.9	2.0

3. A war versus a peace economy

A question of markets

In war: Government buys

In peace: Who will buy what?

4. Production creates markets

A. General analysis

B. The "hitch": the individual employer
versus all employers

5. The challenge

III. The Economic Possibilities of our Grandchildren

1. Why discuss

A. What are we fighting for?

2. Invention and output per man-hour

A. The facts

Output per man-hour (in 1939 \$)
\$2 in 1923 and almost \$4 in 1943
3% compounded in industry
1.2% compounded in agriculture

B. The explanation

a. Invention is a one-way movement

Variations among industries

b. A new invention: the discovery of
latent abilities

3. Our grandchildren in 1983

**A. If output per man-hour doubles
every 20 years, our grandchildren's
options will be**

a. Real incomes 4 times ours

b. Real incomes 2 times ours plus
a 20-hour week

c. Same real income as ours on a
10-hour week

B. Will there be any problems?

a. What to do with leisure

IV. The part of the Federal Reserve System