THE NEAR-TERM OUTLOOK

address by KARL R. BOPP
Vice President, Federal Reserve Bank of Philadelphia
before the
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INTRODUCTION

1. Brass hat versus worker
   Some of ladies heard Bob Ferguson

2. Have no communion with burning bush

3. Text: "I have been faithful to thee, Cynara, in my fashion."
   - Ernest Dowson

   The impression you get depends on where you place the emphasis

I. Is the boom running out?

A. Trees don't grow to the sky, but how close is closer? - year 2000

B. Earlier adjustments

1. Demobilization, reconversion, reduced Government expenditures

2. Sharp break in stock prices - fall 1946
   presumed implication for business expansion

3. Weakness in non-durables first half 1947
   many inventories appeared excessive - very deep break in [illegible]
   consumer resistance said to be high

4. Break in prices of farm products in February

5. Large Treasury cash surplus first quarter of 1948

6. Bumper crops this summer

C. Interpretations of why we rode through these readjustments

1. Extraordinary strength of inflationary forces

   (a) Large backlog demands and liquid assets
   (b) Ready availability of credit at low rates
   (c) Non-resistant wage policies
   (d) Government spending
   (e) Foreign demand

2. Readjustments reflect basic weakness - we have been saved only by fortuitous shots in the arm

   (a) Strategic coal wage increase in summer of 1947
   (b) Short corn crop last fall
   (c) Exceptionally large exports in spring of 1947
   (d) Cashing veterans' leave bonds
   (e) E.R.P.
   (f) Larger defense program
   (g) Reduction in personal taxes

D. At any rate we have had inflation

1939 - October 1948

Consumer prices	↑ 75%
Wholesale "	↑ 120
Weekly factory earnings	↑ 126
Corporate profits (after tax)	↑ 300
Net income of farm propr.	↑ 320

E. Why hasn't more been done about inflation?

1. Great increase in standard of living
   Since 1939
   1944
   Since 1939 because we are fully employed
   Since 1944 because we are producing civilian goods

2. Increases widely distributed
   Not equally - some ↓ proportion of total but ↑ absolutely
   Very few, not politically powerful, have had decreases in real income

3. Fear of deflation

II. Indications of weakness - the case for early recession

A. Raymond Rodgers' "Why Slump?"

1. Record harvest

2. Retail sales have stopped climbing - "real" volume

(a) Household appliances
washing machines

(b) Men's suits

(c) Women's wear

(d) Shoes

(e) Used cars

3. Inventories can't go much higher

(a) Cotton

(b) Stainless steel

(c) Hardwood lumber

(d) Secondary brass and aluminum

(e) Some vegetable oils

4. Export boom off

5. Housing boom weakening

B. Impressive list - reason for pause
Before we are convinced, let us take a systematic look at expenditure and production prospects

III. Expenditure and production prospects

(Memo)

IV. Wherein does post-War II differ from I?

A. Public versus private debt
Availability of funds for expansion

B. Preparedness and armament
Boom superimposed upon restocking boom

C. Greater concern for full employment

V. Implications for credit men

Over-all versus shifts

DISTRIBUTION OF GROSS NATIONAL PRODUCT FOR SELECTED PERIODS

(Percentage of total by types of expenditures)

Type of expenditure	1948, third quarter	1946, first quarter	1944	1939	1929
Government purchases of goods and services	14.7	17.9	45.5	14.4	8.2
Federal	8.7	13.4	41.9	5.7	1.3
State and local	6.1	4.6	3.5	8.7	6.9
Gross private domestic investment	15.2	10.9	3.0	10.0	15.2
New construction	5.8	3.7	1.1	4.4	7.5
Producers' durable equipment	8.4	4.5	2.5	5.1	6.2
Change in farm and nonfarm inventories	1.1	2.7	- .6	.5	1.5
Net foreign investment	.3	1.5	- 1.0	1.0	.7
Personal consumption expenditures	69.8	69.8	52.5	74.6	75.9
Durable goods	9.2	6.2	3.2	7.4	9.0
Nondurable goods	40.2	42.2	31.8	39.0	36.4
Services	20.3	21.3	17.5	28.2	30.5
Gross national product, total:					
Per cent	100.0	100.0	100.0	100.0	100.0
Billions of dollars	255.9	196.1	212.2	90.4	103.8