

REAL ESTATE CREDIT CONFERENCE

Federal Reserve Bank of Philadelphia
Friday, October 20, 1950

I. CONDITIONS WHEN KOREA WAS INVADED LATE IN JUNE

- A. Employed in June 61.5 million
" a year before . 59.6 "
- B. Industrial production index . . 199
From 169 a year before
- C. Credit had been expanding
- D. Prices rising

II. EFFECTS OF KOREA

- A. No unused capacity as in 1939
- B. Rapid increase in planned Government expenditure for defense
- C. Immediate impact
 - 1. Increased expenditures of business
 - 2. Increased expenditures of consumers
(Read release of Friday)

III. NATURE OF INFLATION

- A. Excess of demand over supply
- B. Many sectors on the front
 - 1. Produce more
 - 2. Save more - spend less
 - Wage demands and offers Wage policies of unions) self-
 - Price demands and offers Pricing " " mfgs.)discipline
- ~~C. Types of public controls~~

IV. LIMITING CIVILIAN DEMAND

- A. Taxation
- B. Over-all monetary controls
 - 1. Money supply increased \$2 billion to
\$172 billion in third quarter alone
 - 2. Velocity outside New York at 21 - highest in over a decade
 - 3. System actions in making reserves more expensive

C. Selective credit controls - where expansion has been greatest

1. Consumer durables - instalment credit

- (a) Increase in third quarter \$1.2 billion
Third quarter - 1949 \$0.8 "
- (b) Amount: End of September \$13 " plus
Up about 1/3 in a year

2. Housing

- (a) Number of starts
1948 800,000
Rate this year 1,300,000
- (b) Credit
New loans - 9 months 1950 \$11 billion
Yearly - 1947-49 11 "
- (c) Outstanding - new minus repayments
(1 to 4-family houses)
Third quarter \$ 2 billion
1949 4 "

(Order L-41)

V. DIRECT CONTROLS

Long 15% defense
vs. shorter 50% war

In real terms - a war/defense must be paid for as we go.