BUSINESS UNDER EXISTING EMERGENCY CONDITIONS

By

Chester C. Davis

President, Federal Reserve Bank of St. Louis

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It will not detract from the reputation for super-salesmanship which I am sure Mr. Marklin and Mr. Coe enjoy, if I remark that my sales resistance must have been unusually low the other morning when these two emissaries called on me. The complex and swiftly changing problems of today and tomorrow make the position of anyone who talks publicly about them generally unenviable; it becomes a particularly tough assignment when he faces for his audience a group of men who are likely to be hard hit by an imminent transformation in the character of commerce in the United States.

What I say this afternoon will not be new; all of you have heard it or read it or thought it many times. Yet I wonder how many of you have realized its full meaning in terms of your own professional lives. It is hard to believe that what has been true for a generation will not be true tomorrow. Salesmen provided an opportunity for American productive genius to unfold during the expanding twenties. Salesmen worked hard to keep goods and services moving during the thirties which were years of a buyers' market that was more or less lean. Now we are on the threshold of a period - no one can tell you how long it will be - during which the Government of the United States will be the dominant buyer of the output of our factories. This change is going to mean something to you.

I suppose if one took the time it would be possible to trace the chain of events that brought this about, clear back to the dawn of history. For our purpose it is enough to recall the morning of May 10, 1940, when Nazi bombs started raining down on the Low Countries. At that time the total amount of money authorized for new armament in the United States was only about two and a half billion dollars. The National Defense Commission, the first of the long train of new agencies to direct the course of war preparation, was called together on May 30. Since then the citizens of this country have been trying to catch up with and actually comprehend a dizzily rising goal in arms production. Counting in the second
Lend-Lease bill now pending, and including England's total orders actually placed here, that two and a half billion of 17 months ago has grown to 66 billions.

Only 12 billions of that sum have actually been spent, and yet the effect of it is visible in every state and county and town. The present rate of spending is about 1.3 billions a month, and it is rising rapidly and will continue to grow for a long time.

Last month as the European war entered its third year the level of industrial activity in the United States was 60 per cent over that of 1939 when the war began. National income was at an annual rate of about 90 billion dollars, an increase of 25 per cent in the last two years. Purchases by consumers, shown by volume of retail trade, have reached an all-time peak. Commodity prices have risen sharply since February - the general wholesale index by 14 per cent, farm products by 30 per cent. Cash farm income for 1941 will be about 10.7 billion dollars, compared with 9.1 billions in 1940. Factory wage rates and number of employed have been pushing upward.

There are other important and inflationary signs on the horizon. Bank deposits plus money in circulation have risen to nearly 75 billion dollars, almost 20 billions above the total for 1929. Money in circulation has passed 10 billions, double the 1929 mark.

These are some of the signs. They add up to a tremendous power for dangerous price inflation. If that develops, it is the great mass of working men and women and the "fixed income", "white collar" classes who will be hardest hit. We can agree, I think, that the Government isn't going to abate its defense efforts just because of this prospect of inflation. But every future move in the fields of taxation, Treasury financing, direct price controls or credit policy should seek, as one objective, to prevent it - and a balanced program to check inflation must make use of all of them.
I know that some of you, at least, must have tangled with Regulation W which has established standards of down payment and length of terms for instalment credit in certain fields. You may have thought of that regulation, which went into effect on the first of September, as the beginning of your difficulties. I have no desire to see it judged too lightly, or for other than what it is - an attempt to set the brakes on the expansion of instalment credit as part of a general movement to combat inflation. But it will be scarcity of materials and plant facilities, commandeered for defense, and not instalment terms, that limit the production of what you have to sell.

The volume of consumers' instalment debt has been ballooning right on top of swiftly rising incomes. For the first time in history it has passed the six billion dollar total. The new regulation of instalment credit is a part, and relatively not the most important part, of a broader program aimed to prevent those forces I have been talking about from driving prices out of reach. A further specific purpose is to slow down demand for articles which compete directly with defense for materials, labor and factory capacity.

Some people fear that regulation of instalment terms may take away the poor man's chance to buy the good things of life. It is not instalment terms but defense needs that will determine how many automobiles, refrigerators, and other specified articles are actually going to be produced for civilian use. Fewer people, whether rich or poor, will be able to get new cars, for example, regardless of whether instalment terms are regulated or not. What the low-income worker really needs to fear - and what instalment regulation helps to protect him from - is skyrocketing prices which dip into his pocketbook and cut his real wages.

Probably many of you are perplexed over some angles in the application of that regulation. I will not touch on any of its details today. In general, I hope you will keep in mind that the problem is new for the Reserve Board in
Washington, and for us who must administer it in the field, just as it is new to you. We have to grow along with the subject just as you and your customers must do.

There is another angle to instalment credit regulation which must have occurred to men with sales responsibilities who try to think beyond the present.

Business will not have any difficulty in selling all of the goods that it will be permitted to produce in the years immediately ahead. In the post-war period, however, it will be easier to make sales if consumers have not built up a heavy burden of debt that must be paid off before they can buy additional goods - debts that stretch on years after the fat paychecks of the defense boom have come to an end. The fact that instalment credit terms can be loosened in the difficult period that will come then will also contribute to consumer buying power.

Now I should like to examine some of the effects of this shift from peace to war economy, the actual impact of which is still largely ahead of us. We have talked a lot about total mobilization of our resources for defense, but we haven't really tried it yet, and we haven't experienced what it will mean. We are even farther away from a personal realization of the changes it will bring to our own lives and occupations.

Despite public pronouncements and individual talk of sacrifice, there has been little serious interruption to the normal course of business activity thus far. Although we have built many new plants to produce armaments and many more are now in process of construction, we have also had a large general expansion of non-defense production. In fact, during the first nine months of this year, we have seen record high production in many types of durable consumers' goods. Factory sales of automobiles amounted to about 3,900,000 units in the first nine months of 1941, which compares with 3,000,000 units sold in the corresponding
period last year, and were the highest in our history except for the peak year of 1929. Washing machines, radios, oil burners, air conditioning equipment and various other types of durable consumers' goods reached new all-time peaks.

This record rate of civilian production cannot be maintained alongside all-out production for war. Since President Roosevelt and Prime Minister Churchill met on the Atlantic, there has been a change in tempo; our defense effort is feeling some spurs.

A rapid shift from civilian production to defense production cannot be accomplished without bringing hardships to many groups. Up to now the boys who left their jobs for training camps have been about the only ones to make real personal sacrifices for the defense program. But other groups besides the soldiers will begin to feel the load as the defense effort approaches the production goal to which this nation has pledged itself. The transition will hit hardest those men who are now engaged in the production and distribution of types of goods which compete most directly with the defense program for men, plants and materials. The salesmen who are engaged in selling such goods will suffer along with the other employees engaged in their production.

In fact, salesmen in many lines may expect to be affected even more than some other types of employees. Employees in the production line, after a temporary period of lay-off, will largely be absorbed in the making of defense items. This re-employment may occur either in the plants where they are now working, if those plants acquire defense contracts which will assure a continuous flow of materials, or the men may be absorbed in other factories which will be getting into production on defense work in the near future.

During recent years, salesmen have been high-priced men in our business economy. Selling has been the biggest problem which confronted the average business firm, and good salesmen have been at a premium. During the greater part of the
last twelve years, we have been in a buyer’s market; in fact, this has been true since 1929, except for a brief period in the short boom of 1936-37. When it was difficult to get orders and to obtain and hold important accounts, the man who was capable of doing a real selling job and was not just an “order taker”, had the boss pretty much where he wanted him. Maybe he couldn’t always write his own salary ticket, but he had a right to feel he was a most essential wheel in the business machine.

But the picture is changing.

The problem ahead of us is not so much one of selling goods as it is of getting materials and supplies with which to produce goods. Defense priorities are reducing the output available to meet the rising demands of consumers whose incomes are swelled by the tremendous volume of defense spending. We are in a transition from an economy of salesmanship in which goods were abundant, to an economy of defense in which civilian goods will be scarce.

Salesmanship in such a new economy may consist largely in convincing the Supply Priorities and Allocations Board, the Office of Production Management and the Office of Price Administration, that what your business produces deserves a priority rating. This kind of selling job may not require the size of sales force or the type of approach that is necessary to sell goods to the 130,000,000 people who make up the normal market for the goods and services produced by American industry.

The Government has become the biggest buyer in the country; its demands will take the bulk of the production of those very industries that have in the past required the highest development of selling effort. No great selling will be required to move the output of these industries left over after filling the Government’s orders. Instead, the problem is more likely to be how to allocate the supplies among the many civilian buyers who are clamoring to have their orders filled,
If these things I have said are true, then many a company will not require a sales force as large or as competent as has been necessary to meet normal conditions. This poses a problem to sales executives and salesmen; it also presents a hard nut for business management to crack. For the one, it is to find how individual experience and talent can best serve during this national emergency. For the other, it is where and how to use the sales force so as to keep it on hand and in condition for the big job that lies ahead when the emergency has passed, and when a high-grade sales organization will be a prime necessity in every successful business enterprise.

A good salesman is an optimist. He realizes that the world has rolled through critical times before this. On the whole he is probably way ahead of me in figuring out the many avenues of adjustment that can be opened up to him. In the first place he recognizes that not all lines will be affected as adversely as those that compete with defense needs. Then, too, he knows that the qualities that have enabled a man to succeed in selling goods or services will be badly needed in the days ahead while defense dominates the scene.

Many schemes have been adopted by forward-looking companies to achieve this purpose. For example, in some companies the salesmen are becoming experts in the field of priorities. Their knowledge helps to maintain the goodwill of customers whose orders cannot be filled. It also enables the salesmen to be of positive assistance to those customers who do not have specialists to supply them with answers to many technical priorities questions which arise in their business.

Purchasing agents will also be interested in continuing to see salesman even though they may have nothing to sell, in order to keep informed as to production of goods already ordered and as to the delivery outlook.

Other companies are using their salesmen as contacts with Government defense agencies to try to develop new kinds of business, either as prime contractor or sub-contractor. The amount of work necessary to follow these through is enormous.
These meager suggestions only scratch the surface of possible emergency adjustments. American business concerns are not likely to behave as though the world is coming to an end; they know their sales force is their link to the market essential to them when defense work slackens. They will keep their representatives in the field as long and as often as possible, fitting them into other types of service in the organization wherever they can.

Now in conclusion: I never was much of a hand at beating the tom-tom and burning red fire. We will have plenty of that before we are through. I only know that the years ahead of us will test our individual and national fiber as it has never been tried before. Those years will call for real sacrifice, not the lip sacrifice of the last year and a half. It is a mistake to over-simplify the job ahead. Helping to defeat one dictator, or set of dictators, won't end it. We left unfinished, perhaps even uncharted, the job of domestic recovery and rehabilitation to undertake vast responsibilities in a world-wide war. It would be supreme folly to engage in that war only once again to turn our backs on the peace. If the sacrifices we make are to mean anything they must have a purpose; and that purpose, to have meaning, must seek to avert from the next generation the horror that threatens to engulf this one.

These are real issues; more real, perhaps, than some of your immediate concerns which I have attempted to discuss. The outlook is dark if we cannot hope to meet them better in the future than we have met them in the past. This is a time for understanding, not discouragement; for cooperation, not disunity, and for the kind of optimistic courage this group stands for.