

Our Changing Economy

'Talking Prosperity' Doesn't Seem Enough

By Philip Stoddard Brown

Optimist International, one of the great business and professional men's organizations, requires its members: "to talk health, happiness and prosperity to every person you meet" and "to wear a cheerful countenance at all times and give every living creature you meet a smile."

Many businessmen and economists are not formal members of this organization but, with few exceptions, they are fellow travelers. The record of the past year, I submit, is proof of this.



Brown

A year ago, industry officials predicted that steel mills would have to operate at capacity until at least June to satisfy the backlog of demand for steel products. In the second quarter, the average operating rate was only 70 per cent of capacity, but Roger Blough, chairman of United States Steel, and other "leaders" predicted an upturn in July. When this did not occur, it was looked for in August and then in early fall. Currently, the rate is less than 50 per cent, at the low point of the year, but still there is no dismay. Mr. Blough now assures stockholders the upturn will come in January.

My economist friends also have worn "a cheerful countenance at all times" and "given every living creature a smile." I know, because last March I said I thought the next recession had begun and that the cyclical peak of industrial production had been passed. Since then I have been smiled at benignly as though I were "a living creature" and this has been hard to take. Last week I began to feel a bit less lonely—but only a bit.

Testimony by Reputable Economists

On Wednesday, some very reputable economists testified before the Joint Economic Committee of Congress:

- Louis J. Paradiso, assistant director and chief statistician of the Office of Business Economics, Department of Commerce, said: "No major forces are in sight to provide the upward thrust needed for resumption of economic growth." He refused, however, to characterize the present situation as one of "recession" or even "contraction"—only as one of "high level stagnation."

- Seymour L. Wolfbein, Deputy Assistant Secretary of Labor, also testified that we are not in a period of "recession" or "contraction." He said there had been "a real big increase" in the number of persons drawing unemployment compensation, that there would be some 5½ million persons unemployed in January if the only change between now and then is seasonal, and that there would be an increase of 1¼ million in the labor force in 1961. In view of all this, Senator Douglas, after persistent questioning, did get him to concede that there had been some "downturn."

- Charles L. Shultze, associate professor of economics at Indiana University, described the present situation as one of "high level creeping stagnation" that "could be corrected with relatively modest changes in public policy."

- Geoffrey H. Moore, associate director of the National Bureau of Economic Research, said he thought the peak of business activity had been reached last spring and that a "contraction" had been under way since. He added that he expects the current "contraction" to be relatively mild but that developments to date are "not yet decisive enough to suggest that the upturn is in sight."

- Joseph Peckman, Brookings Institution, bluntly admitted that we have been in a "recession" for six months—but a mild one. He indicated that if the monetary and fiscal restraints of the past five years were relaxed, "the economy would grow faster and that this growth would be interrupted less frequently by periodic recessions."

More Than Optimism Is Needed

At the end of the week, Rep. Thomas B. Curtis, ranking Republican member of the Joint Committee reported to the President on these hearings and came away saying that he and the President agree that the economy is "quite solid." This didn't surprise me because some months ago, when asked to assess the business outlook, the President had said, "I think it's very healthy and very fine."

Well, there have been times in American history when to smile and talk of things being "quite solid" wasn't enough. To be sure, this doesn't gainsay the validity of the creed of Optimist International, which contains the further injunction: "To look at the sunny side of everything and make your optimism come true." A beautiful rule of life! But it leaves unanswered what Henry James called "that deadly little word How."

That's for the new Administration to answer. How can it ensure employment for an added 1¼ million members of the labor force and the reemployment of several million present members? How can it do this and at the same time increase foreign aid and correct the current very great imbalance of payments on international account?

Somewhat, "talking prosperity" doesn't seem to me enough to resolve these problems. Neither do the "modest measures of public policy" recommended by economists. . . . Forgive me, fellow economists and members of Optimist International, but sometimes I think the world would be better off without optimists.