

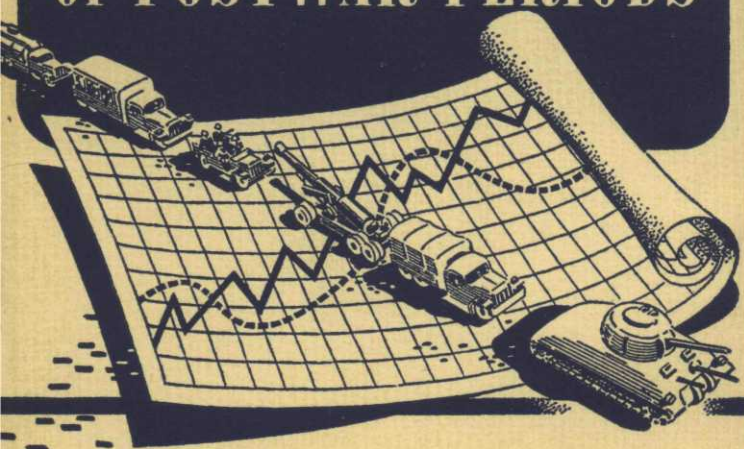
Depressions (195-?)

BUSINESS BOOMS and DEPRESSIONS since 1775

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AN ACCURATE CHARTING
OF THE PAST AND PRESENT TREND
OF PRICE INFLATION, FEDERAL DEBT,
BUSINESS, NATIONAL INCOME,
STOCKS AND BOND YIELDS

with
A SPECIAL STUDY
of POSTWAR PERIODS

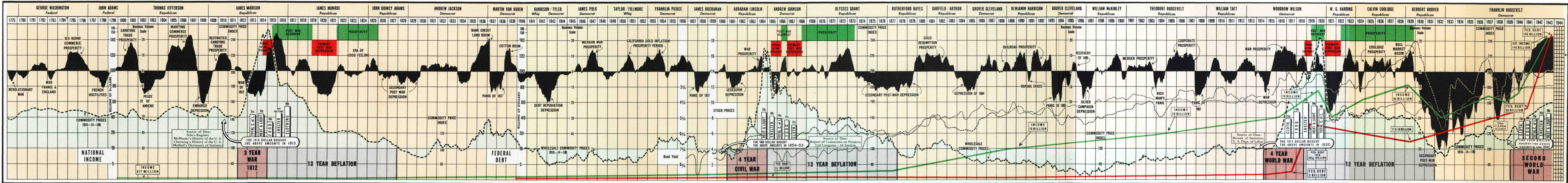


TENSION ENVELOPE CORP.



BUSINESS BOOMS & DEPRESSIONS

SINCE 1775



POSTWAR PERIODS

A study of the reaction of business activity immediately following previous wars can, in a measure, act as a partial guide to the future—at least, avoid a hasty step into the unknown. The general pattern of these reactions is outlined in this chart by the Red and Green squares which block out and high light the trends that have followed our previous major wars.

These diagrams indicate a more or less definite pattern of reaction that points up as follows: first, a brief period of uncertainty; then a year or more of business recovery followed by a short period of depression; then a period of prosperity extending over several years.

Summing up a comparison of these postwar years we find that they cover a space of from eight to ten years each, showing less than three years of business recessions and an average of seven years of prosperity.

By taking these reactions as outlined in this chart we may sketch a picture of the probable structure of the postwar economy. We may apply these findings to industry as a whole or to individual concerns and we will experience the following stages:

First, the switch-back period—(Period of Uncertainty). This will involve some turmoil and confusion caused by reconversion and demobilization; stopping production for war and preparing to produce and sell for peace.

The second phase, or go-ahead period—(Postwar Recovery). Here we begin to produce for peace-time—producing perhaps a 1942 model or a stop-gap product; building up the new selling

and distributing organizations; preparing, producing, and introducing new products; meeting the urgent postwar demands.

Third, the period of relapse—(Primary Postwar Depression). The immediate postwar buying slacks. A slight period of unemployment and depression may follow (as in 1921). This will be emphasized if speculative and inflationary forces lead to business excesses (as in 1919-20).

Fourth, the convalescent period—(Prosperity). Smooth sailing and strong business activity period. This period begins when a majority of businesses have completed reconversion and are headed for their typical peace-time activities. The possibilities of this period, its duration and quality will be determined by business management policies, labor management policies, and the wisdom of Government action in the preceding periods.

Whether history will again repeat itself at the end of this war and throughout the ensuing years remains to be seen. Many factors involved in the present situation did not exist at the end of former wars. This war is conducted on a much broader scale with more intense and concentrated utilization of economic resources. The cost involved is much greater.

General fear of an immediate postwar depression has no sound basis. The principal thing to fear as the possible cause of such a depression is that fear itself. This war has shown men how to accomplish the impossible, by the release of powerful new reserves in the human spirit and imagination, and if properly directed and intelligently applied, could lead this nation on to greater heights of progress and accomplishment than ever achieved before, placing American products and standards of living on a world-wide basis.

Source: Excerpts from "Business Planning Now for V Day" by The Committee for Economic Development, Washington, D. C.

NATIONAL INCOME

We can, in a measure, visualize the magnitude of this war by comparing our National Income during World War I in the years of '17, '18 and '19 with that of our 1942 income and our anticipated income for 1943 (See Green line on the chart).

In 1919 our National Income totaled 70 billion dollars. In 1942, it was approximately 120 billion dollars, and the estimated income for 1943 is 146 billion dollars.

The impact of these vast amounts of money staggers the imagination. Our National Income rose from 77 billion in 1940 to 120 billion in 1942, an increase of 43 billion. The 1943 estimate of 146 billion will show an increase of 69 billion dollars over 1940.

Of the 120 billion National Income for 1942, the total compensation or share to employees represented 83 billion dollars. Of this sum 13 billion dollars was paid in salaries and wages to Government agencies, which included our Armed Forces.

The 1942 income was derived from the following principle sources and in the order named: Manufacturing, Trade, Government, and Agriculture.

The spectacular rise in individual savings in 1942 is in keeping with our National Income. They rose from 13.7 billion dollars in 1941 to 35.2 billion dollars in the fourth quarter of 1942.

Source: Survey of Current Business.

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PRICE INFLATION

The buying power of the cost-of-living dollar has been brought up to June 30, 1943 (See the White pillars in the green shaded Commodity Price area bounded by the dashed line from 1939-1943).

The past year has seen the buying power of the dollar shrink from 85c to 73c as compared to the 100-cent dollar of 1939. The slow steady rise in living costs will continue to clip its value. The rise in food prices is especially sharp. The ever-growing scope of scarcity, rationing, and black markets are manifestations of the widening rift between diminishing supplies and growing demand.

The demand for food has been increased by several factors: 1—Peak production work requires more food energy; 2—The needs of our Armed Forces have increased from 4% in 1941 to over 25% in 1943; 3—A surplus of money to spend for food.

One of the weakest links in our stabilization program is that of price control and its principal problems are: First, to keep prices down in the face of supply and demand which would ordinarily result in sharp increases without control. Second, to distribute scarce food equally through rationing. Third, to keep prices at levels sufficient to maintain

FEDERAL DEBT

The Federal Debt (see red line on the chart) is now around the 150 billion dollar mark and will continue to increase each day, with a possible prospect of its reaching 300 billion dollars when the war is over. Congress has so far appropriated 338 billion dollars for war purposes.

The all-time record in the increase of the Federal Debt occurred when it jumped from 50 billion dollars in 1941 to 150 billion in 1943. Such fabulous amounts in dollars have in a measure become meaningless. We can best realize how vast these amounts of money are by the following comparison:

The total assessed value of all the property in this country, all the homes, factories, farms, lands, and personal belongings against which taxes are levied, amount to approximately 150 billion dollars. This sum is equal to our present debt, or in other words, the debt has reached, and in some areas passed, the first mortgage value of the property of our nation's property.

The necessary cost of this war is not important. Victory is worth the price. Whatever the cost to the future citizens is, they will get their money's worth in benefits derived. This does not and cannot mean, however, that the peace and the future be jeopardized by excessive costs and unnecessary spending now.

Source of Data: U. S. Treasury Reports, Estimates National Property Values by Representative Albert J. Engel of Michigan.

BUSINESS ACTIVITY

Industrial Production continues at near capacity with increases in war production that offset declining civilian manufacture. This high rate is being accomplished in the face of the accumulated strain of three years of intensive effort. Airplane and ship construction continue to expand. Steel production has been temporarily hampered by coal strikes. Electric output continues to increase.

Vast consumer buying and higher prices hold the dollar volume of retail sales at a high level.

The business volume scale still points up. When this peak will be reached, will be determined by the over-all future developments of the war.

Stocks: Stock market prices reached their best levels since 1940. Future war news and the inflation outlook will have an important bearing on the stock market. (See CHAIN LINE 1-1-1-1).

Bonds: Low interest rates continue to prevail. Average corporate bond yields at 3.2%, Municipals 2.2% and Governments around 2%. War Bonds dominate the consumer saving market. (See DOTTED LINE 1-1-1-1).

Interpretations as shown are based upon the original chart of the National Association of Purchasing Agents and other statistical history. © 1943. Published by The Century Press, New York, N. Y.

