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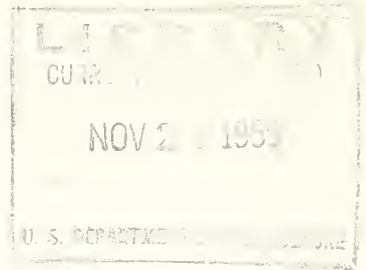
THE NATIONAL AGRICULTURAL OUTLOOK CONFERENCE
United States Department of Agriculture

Statement by

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National Planning Association

November 16, 1959



The rapid recovery from the recent low of the 2d Quarter 1958 was interrupted by the steel strike in the 3d Quarter 1959. From the 2d Quarter 1958 to the same period 1959 total production was increased by 10 percent in constant prices. However, even without the steel strike some slow-down in the expansion was to be expected because the increase in inventories of the first half of this year was likely to decline and the dynamic forces of recovery were bound to be reduced.

Assuming no further interruption of steel production total production, income and employment are likely to rise further in 1960 from the levels attained in 1959. The recent McGraw-Hill surveys show an increase in intended business outlays of \$3.4 billion (10 percent) for 1960; the Michigan Survey Center's study of consumer attitudes indicates that consumers are in a buying mood. They are attracted by the new model cars, although a considerable portion of the sales of these compact cars will be at the expense of sales of the older type cars. State and local government outlays are likely to continue to rise; exports may be a bit up due to excellent economic conditions in some of the overseas countries. When steel becomes available the depleted inventories of steel and steel products will be rebuilt. On the negative side is the likelihood of a cut in residential construction and the drop in farm incomes.

All this adds up, considering the secondary effects of additional outlays, to a rise in GNP which in terms of present prices should bring us close to the \$500 billion mark for the year 1960 as a whole.

However, the slowdown in recovery which was expected for the fall of 1959 is likely to materialize when the post steel strike inventory build-up has been completed. There is a real question as to whether the forces of economic expansion, which are indicated by present surveys of consumers, business and government intentions, will be adequate to absorb the expected large increase in the labor force and the continuing rise in productivity. It is possible that business may revise upwards its present plans for investment outlays. It is also possible that the Federal Government will increase expenditures beyond those now contemplated. Judged only by the evidence of present plans the conclusion is suggested that economic expansion will continue through 1960 but at a rate not sufficient to approximate full employment. This means that some degree of unemployment will remain a problem.

With the outlook for a rather moderate rate of expansion there seems to be little likelihood of a general inflationary pressure on prices resulting from excessive demand. There is a likelihood of a mild but continued upward push particularly on manufactured prices originating from the cost side of production.

The outlook for an inadequate rate of growth is less a problem of a cyclical than a structural nature. There are factors in the American economy which exercise a dampening effect on economic growth. There is a problem of a restrictive fiscal and monetary policy which is designed to combat inflation but is actually more effective in keeping a check on investment, particularly housing, and incomes. There is a balance of payment problem which is largely the result of the fact that American industry faces competition with the industries of other countries which in the first postwar decade were primarily concerned with their own reconstruction. These are examples of problems which must be solved in order to attain, over a period of time, the rate of growth needed to meet the rising domestic and international requirements of the American economy.