uilding Revival Big Need In Business

...or's note: In this the third ...al chapter of his discussion of ... day business trends, John T. ... gives you a glimpse into the ...e future of business in Amer-

...DING at this half-way house ... the year—what can we see ...for business?

...ppraising the past we find bus... trends strongly influenced by ...rformances of the capital goods ...ies, foreign trade and govern... spending.

...ign trade we may eliminate as ...e in shaping our own economic ... the immediate future. This ... public spending and private ...goods industries to be included. ...re is no force apparent now ... would justify us in supposing ...ness would be more brisk for ...lance of the summer than it ...s. There is just one possibili...at is that many building plans ...ed last winter and a little slow ...ing under way may now be ... with energy. But there are ...ough such plans to give us ... hope in that direction. How... summer recession would be a ...y less natural thing. There is, ...r, every reason to believe that ... will resume its activity with ...ing of fall. The chief reason ... is to be found in the govern-... plans.

...rowing To Gain

...EAT deal of reliance is placed ... many business men on the ...ing reserves in the banks. ...s have now vast funds to lend. ...re certainly eager to lend them. ... bankers think the jam cannot ... forever and that presently bor... will begin to turn up. If this ...s it must come from one or all ...e sources:

...placement in industry. Fac... have been wearing out their ...es. Even machines standing ...ow old and worthless. There ... be many factories in need of ...chinery. The moment must ...hen obsolescence must be re... Has that time come yet? ...nder the NRA many industries ...t difficult for manufacturers ... new machinery. This was part ... plan to restrict production. ...s past. Perhaps it will release ...machinery-buying energy.

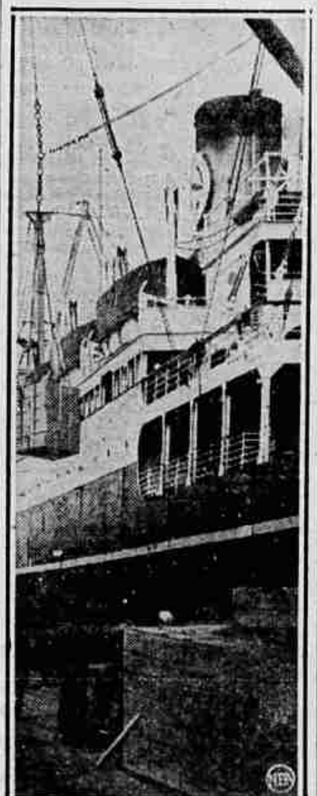
...he other source of borrowing may be on real estate. The new banking bill, so bitterly fought by Senator Glass, has a provision permitting national banks to lend up to 75 per cent of the value of property on 20 year terms amortized. This has been included at the request of the smaller banks. It may make money easier for house and store rehabilitation and new construction. I think the provision a very michievous one. But this is not the point here. Its effect may be to start a little flow of credit.

A more powerful force for credit may be seen in the construction industry, but not, I fear, for the immediate future. It is not likely to develop in any effective way until next summer and even later. I believe a housing shortage is in course of development. It has not become acute yet. But it will presently be felt.

During these last five depression years, houses have been wearing out. We knock down thousands of homes every year for one reason or another. Scores of thousands have been burned down. Thousands more have been abandoned because they were finally at the end of the trail. Meantime we have not been replacing them. In many communities we have been destroying more houses than we have been building.

All this while people have been getting born. New families have been formed by marriage—faster than old ones have been broken up. In the next ten years we will have to build 10,000,000 houses just to take care of population increase and replacement, to say nothing of enabling people to keep up with the Jones and with the scientists who keep inventing new things for houses. This housing market will develop. If left to itself, it may take some time. It will develop rapidly if some impetus can be given to business from some other quarter.

At the same time it may be that a new industry is in sight. That is the fabricated house industry. This is developing with a rapidity little observed by the general public. It may burst on us at any moment. However, these things, as already pointed out, will not make much difference in business in the next six months.



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Outlay To Jump

WHAT will make a difference will be government spending. Spending in the first half of 1935 was much less than in the first half of 1934. This situation will probably change in the coming six months and, doubtless, throughout next year.

This important fact must be kept in mind. The president recently obtained by congressional appropriation $4,400,000,000 for a great relief and public works campaign. Up to now practically none of this money has been spent. In fact the president has left from last year's appropriations and still unspent at least a billion dollars—perhaps more. He has, therefore, very nearly six billion dollars which he can spend before the end of June, 1936, if he sees fit. As this is twice as much almost as he has spent on emergency purposes in either of his two years thus far it will be seen that he is powerfully armed to give to business via the government spending route whatever shot is necessary to keep it moving.

The government has been making some effort to change over from a relief program to a works program. This has delayed an extensive outlay under the new plan. But we may assume that it will be in full working order by fall. If it is, it will be sure to fatten business somewhat.

House May Rebel

THE question of inflation is to be reckoned with. I do not believe we will have greenback inflation—or printing press money. But we will have credit inflation—inflation flowering from government borrowing. Indeed that has already begun. It can be checked only by checking government borrowing now and resorting to a program of taxation. Sentiment for taxation to meet government outlays, whatever they are, has been

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Mid-Year Bussiness Status

HERE is a brief summary of John T. Flynn's views of the business situation in mid-year 1935, as this famous journalist-economist has given them.

1. Business was declining during the last six months as against a rise in the same six months last year.
2. But its total product was larger than in the first half of 1934.
3. Business seems to have enough energy to move up and down around a point of 70 per cent of normal, but cannot seem to move for any length of time above that.
4. To make this additional lift it seems to need some new energy.
5. The lift it now enjoys comes from government spending, and—
6. The new left must come from a revival of the capital goods industry—the chief hope of which is housing and factory replacement.
7. Business in the next six months should be better than in the last six months because government spending will be resumed on a larger scale, and—
8. As a result of such spending of borrowed funds we are in the incipient stages of a mild inflation which can be checked only by a shift from borrowing to taxation, the sentiment for which is borrowing.

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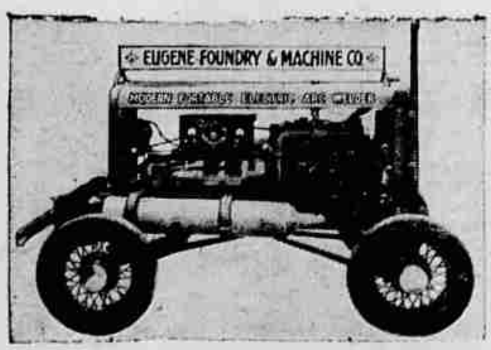

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