

## Greatly Expanded Production Required for Full Recovery

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WASHINGTON—Recovery in the United States has gone far, but it has been marked by two striking characteristics—slowness of the gains in the durable goods industries and the persistence of a great volume of unemployment. At the Brookings Institution, we have made a comprehensive analysis of the American situation which included a detailed study of the production requirements for full recovery. The production task ahead—if standards of living are to be restored even to their former level—is found to be as follows:

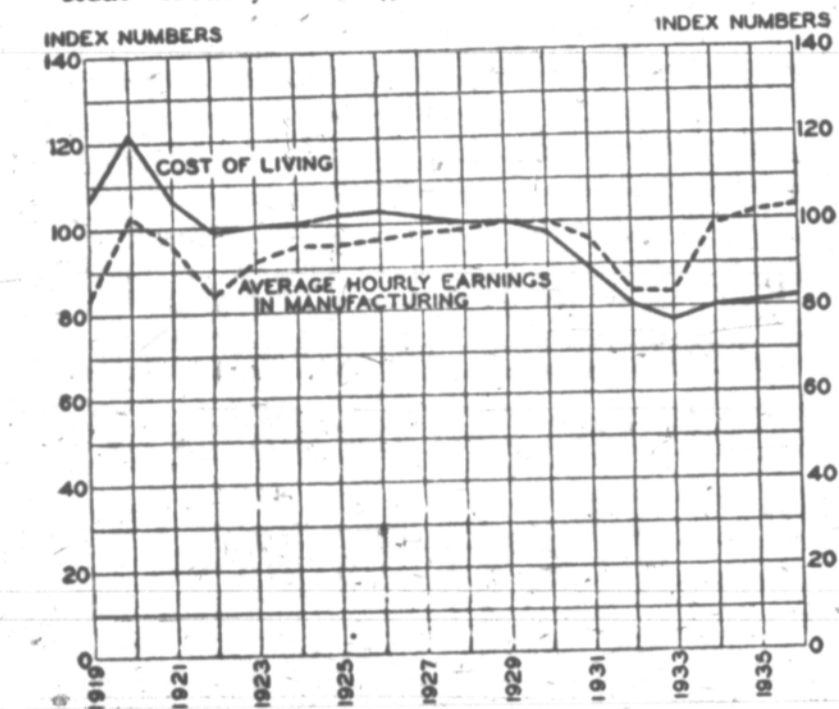
1. To make good the actual deterioration of plant and equipment sustained during the depression.
2. To increase productive capital in line with the growth of population.
3. To expand the output of consumption goods in accordance with this growth of population.

The recovery movement between 1934 and 1936 was thus soundly based. Production was steadily mounting, purchasing power was being spread broadly among the masses, speculation was not excessive, business men had not stocked up with heavy supplies of goods, and the general balance between production and consumption was satisfactory.

At the end of 1936, therefore, the stage seemed set for a period of great expansion. Production requirements were adequate to absorb all the unemployed. The recovery movement was steadily broadening; the economic system as a whole was in reasonably good balance, and at the same time the possibility of the government balancing its budget appeared somewhat brighter.

Further Expansion Threatened  
In recent months, particularly since February, the situation has changed in one vitally important respect. Rapid increases in raw material prices and in wages have laid

"Real" Hourly Earnings in Manufacturing, 1920-36



The above chart illustrates the improvements in "real" hourly earnings of manufacturing workers that took place from 1920 to 1937. Earnings moved upward, while the cost of living went down, making it possible for workers to buy more for their money. This is particularly noticeable in the recovery period since 1932. It should be kept in mind, however, that the average number of hours worked has been substantially reduced in recent years. On the other hand, the buying power of the consumer's dollar has increased somewhat more than is indicated because of improvement in the quality of goods and services used in the cost-of-living index.

how great an increase in output would be required to restore by 1941 a per capita level of production and consumption equal to that of 1929. The results of the survey of the situation in the fields of housing and other forms of durable goods, steam railroads, public utilities, industrial enterprises, etc., are striking. It would be necessary to produce such durable goods at the rate of approximately 33 billion dollars annually from 1937 through 1941, as compared with actual production of only 21 billions in 1936, and of 25 billions annually in the boom period between 1925 and 1929.

In other words, to make up for what it did not produce in depression years, and to provide for the needs of an expanding population, the nation would have to produce annually 60 per cent more durable goods than in 1936. Three times as much housing construction would be necessary. In the field of non-durable goods, consumption goods which are such things as food, clothes, and amusements, such a large expansion would not be needed.

### A Labor Shortage Might Result

The production program required in the field of durable goods would necessitate—at present working hours—the employment of from 8 to 9 million additional laborers. Making allowance for additional workers needed to produce consumption goods, it appears certain that unless working hours were lengthened, there would be shortages of both skilled and unskilled labor.

Since standards of living cannot be restored to former levels unless productive output is restored, any further shortening of the working week will restrain the expansion of output and thus restrict the raising of standards of living. It should be borne in mind that working hours have been reduced since 1929 by approximately 20 per cent, as compared with only 15 per cent in the preceding 20 years.

The present recovery movement has been marked by steadily increasing wage rates as compared with prices, and this has increased purchasing power among the masses. The employment of more workers as production has expanded has increased the flow of money to the working population; and at the same time those already employed have been able to buy more with their wages. During the same period, profits have been greatly increased from low depression levels, as a result of the expansion of output and an increase of efficiency. This efficiency increase has been about in proportion to wage rates,

the basis for an old-time vicious spiral of inflation. While the particular labor groups who receive higher wages may stand to gain for a time, and while the industries in question may temporarily pass on higher costs to consumers, further broad expansion of business activity appears to be threatened.

The advance in the prices of such basic products as iron and steel and other metals, building materials, etc., may hamper expansion of production in certain very important lines. Only recently have the railroads gotten into a financial shape that would permit them to spend much money on new equipment and the building of better roadbed and track. Now, with the price of steel rising, and with wage increases also in prospect, it is doubtful whether the railroads will be able to carry out the extensive programs of rehabilitation which they have planned. Similarly, the building of new houses, apartments, etc., may be held back by the rising prices of building materials. If this turns out to be the case, it will check the re-employment of idle workers, and the attainment of the higher standards of living which are so greatly desired.

Large sections of the population would soon suffer as a result of a rapid rise in prices. Among them are farmers who do not work for wages, individuals on fixed salaries; and those living on incomes from investments. These constitute more than half the total population. Perhaps the most serious phase of the problem is the possibility of a new disparity between industrial and agricultural prices which may result if wages force industrial prices upward.

### Stimulation Only Temporary

The adverse effects upon production may be considerably delayed, because a rise in prices usually stimulates business for the time being. With prices going up business men and others hasten to place orders and buy extra quantities in order to be ahead of the price advance. This speeds up business activity and for a time increases the demand for labor. Such expansion of demand in turn serves to increase the demand for products and to raise prices the more rapidly. In due course, however, price relationships are so disturbed that certain groups of people lose purchasing power. This, in turn, sets in motion forces which tend to reduce prosperity.

Fortunately, the dangers inherent in this situation appear to have been recognized, and efforts are being made by both business and the government to restrain price advances,

## Charles Sisco Attends Wedding Of His Son

Charles Sisco left for Portland last week to attend the wedding services of his younger son. At eight o'clock Saturday July 10 at the Patton Episcopal church Miss Cecil Irene McGinnis, daughter of Mr. and Mrs. J. R. McGinnis was united in marriage to Teddy Sisco.

Lafe Barzee of Portland is here to work for Cecil Fields during harvest. Mrs. Claud Eaton and sons, Billy and Edwin of Hood River are staying with her father J. N. Stevenson while her mother is at Seaside.

Mrs. Helen Laidlaw, sister of Mrs. Harry VanGilder is visiting here. Mr. and Mrs. Harold Bowles and two children and Mrs. Bowles' mother of Santa Maria, Cal. are visiting at the G. C. Andrews home.

Rev. Connell and wife were hosts Friday evening at the Methodist parsonage. Invited guests included the high school girls. A Sunday school picnic was held at DeMoss park Sunday and 26 children and adults were present. Mr. and Mrs. Louis Lorangel of Klickitat visited Mr. and Mrs. E. C. Thomas and family Tuesday and Wednesday.

Mrs. Ed Moon and George were in Portland Monday and Margaret returned home with them.

Mrs. Gertrude Pepper who left

for Klamath Falls recently to remain during the summer has returned to this lower altitude. Clinton Brock arrived from Twin Falls, Ida. for a two weeks visit with relatives.

Delbert Bales is home from Portland where he had been with his parents while recovering from the broken arm he received when he fell from his motorcycle.

Prof. and Mrs. Blakely (Dorothy Barrett) and family moved into the Pat McDonald house and will spend the summer here. They are from Oregon City.

Chester Venable is visiting at the Everett Watkins home. Helen Thompson is working at the Sid Johnson home.

Mr. and Mrs. Ed Thomas came home from Portland Saturday after visiting their daughter, Mabel. Orville Yocum and wife drove to Dayville Sunday to bring her brother, Harley Meier home with them for a visit.

Mr. and Mrs. Wm. Barzee of Portland are here for a visit with their son, Art. Hazel and Donald Sanford of Rainier arrived Sunday to visit.

A large crowd assembled Sunday at the Wilson park grounds when the Biglow and Emigrant schools gave a picnic.

Darrel McQuillen, James O'Meara and Harold White left Saturday for a fishing trip to East Lake

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returning Sunday. Walter Hilderbrand of Sunnyside visited here Saturday. The family is moving to The Dalles.

Norma Feldman returned to Wasco last week end with her sister and husband or Portland. Mayme Morhouse of The Dalles visited the latter part of last week at the home of her son and wife, Jerrold Morhouse.

Mrs. Ida King is home. She attended a family reunion at Newport and visited two weeks with relatives.

Mr. and Mrs. H. H. White accompanied by Mrs. Hudson White motored to Portland Wednesday and Mrs. Hudson White brought her son, Kemp home from the Doernbecker hospital.

Mrs. Orville Downie and daughter arrived from California Saturday to visit relatives here for a month.

Mr. and Mrs. Pearl Everett of Klamath Falls were here Sunday. Mr. and Mrs. K. J. Kistner and children of Portland visited from Saturday until Tuesday of this week with his brother T. K. Kistner. The two families spent Sunday at Dufur where they attended the Standard Oil picnic.

Mr. and Mrs. L. Robinson of The Dalles were guests Sunday at the

John McClure home. Mr. and Mrs. George Lamborn left Wednesday for Emporia, Kan. Mrs. Ethel Price, a niece of Mrs. Lamborn's who was visiting here accompanied them.

Mr. and Mrs. Howard Spencer visited friends in The Dalles Monday.

Mr. and Mrs. Jeff Wilson of The Dalles were receiving the sympathy of friends this week following the death of their 10 year old son Jerrold. He had been ill for a number of months with a heart ailment.

Funeral services were held Wednesday afternoon at the Crandall-Bird Chapel with the Rev. Frank Cunningham officiating. Interment in the Wasco cemetery followed.

Surviving the boy besides his parents are one brother, Donald, two grandparents, Roy Belshee, Wasco, Mrs. Maude Fuhrman, of Burns and an uncle, Leroy Belshee Mrs. Wilson formerly lived here.

Drouth and high temperatures caused further deterioration in Canadian spring wheat prospects with the greater part of Saskatchewan and northern Alberta most seriously affected. The condition of spring wheat in the prairie provinces at first of July was off year

ly estimates at only 51% of the long time average. The condition of winter wheat was placed at 101%. This indicated the smallest crop since 1919, probably less than 200,000,000 bushels.

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### JULY 1 CROP REPORT

The July 1 official estimate placed winter wheat production this season at 653,641,000 bushels, a gain of about 150,000,000 bushels over last season's harvest and about 40,000,000 bushels above the 1928-1932 average. Prospects for spring wheat, while much better than last season, were not up to

average at the first of July, with conditions on that date indicating an outturn of 218,546,000 bushels of which 29,766,000 bushels is Durum. Farm stocks of old wheat on July 1 were the smallest since 1928 and totaled only 1,880,000 bushels. Market stocks were the smallest since 1926 and totaled only 16,197,000 bushels.

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