

## RECORD

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### THE OUTLOOK FOR THE DYNAMIC ECONOMY

An Address by  
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The economies of the United States and Canada have both similar and dissimilar characteristics. In secular trends and general business fluctuations, the similarities are substantial. Therefore, an analysis based principally on the analyst's observations and studies of the economy of the United States, if accurate, will apply to Canadian business conditions also. Later on, I shall emphasize an important characteristic of the Canadian economy that will be of special significance in the future.

The economy of the United States is recovering from the sixth recession since World War II. This recession has been the longest and the deepest since the great depression of the thirties. The decline began late in 1973 and lasted through 1974 and the first quarter of 1975. Then the curve stopped going down and began an upswing which is still continuing.

Here are some clues to the near-term outlook:

1. Monetary policy is expansionary. Chairman Burns of the Federal Reserve Board has guaranteed that monetary policy will be expansionary enough to accommodate requisite economic growth, but not loose enough to stimulate further inflation.
2. Fiscal policy is stimulative. It is stimulated in the present fiscal year; it will be stimulated in what is being called the "transition quarter" which will prevail from July through August and September, until the government goes on to a new fiscal year basis, beginning on October 1, 1976. It is also going to be expansionary in the coming fiscal year 1977.
3. The statistical series of leading indicators, a business barometer, has risen steadily since February, 1975.
4. Consumer confidence, after hitting an all-time low early in 1975, has rebounded, although the University of Michigan Survey Research Center index has not yet climbed back to its 1972 peak. A recent survey by the Conference Board showed a small decline in that organization's index, which is surprising considering the news that has been available to consumers in recent months.

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5. Business profits have soared and, moreover, the quality of profits is greatly improved over earlier years.

These key factors, plus econometric analysis, indicate that general business will continue to improve in the months ahead. Inflation will also continue; but the harm done by a rising commodity price level has been grossly exaggerated.

In these troubled times, without false optimism, we may take note of some of the genuine elements of strength in the economy:

1. Our economic system (mainly private enterprise) is a good one and is functioning well.
2. The state of production technology (including farming) is high and rising.
3. We have many good business managers, people who understand production management, personnel administration, marketing management, financial management, and all of the other activities of good business managers. They are the energizers of economic progress.
4. Our people enjoy a high standard of living, a key measure of the success and performance of a nation's economic system.
5. Our government is stable. It may be inept at times but we do not have coups d'etat or military juntas.
6. We enjoy freedom, a vital condition, often undervalued or simply taken for granted.

The thoughtful observer, then, will look beyond the 1974-75 valley on the economic chart to the future heights beyond.

If historical trends continue, the average family real income in our countries will double in about 25 years. The current gloom-and-doom forecasters are wrong. Our well-being and life-style are not going to decline because of shortages of energy and materials. These gloomy forecasts fail to reckon with discoveries and scientific and technological changes. In 1876, the Centennial year of the United States, some people worried that exhaustion of whale oil threatened the standard nighttime illumination of our homes and factories and offices. At that time, an absolutely accurate forecast of future sources and types of illumination would have been ridiculed as fantastic optimism.

A hundred years before that, in 1776, farming was the chief form of production and 95 percent of the energy that went into the production process came from muscle power, human and animal. The former was fueled by bread and corn, the latter by hay and oats. Today, those sources provide only 5 percent of the power input in production. Oil, coal, gas, nuclear energy, and falling water provide 95 percent. Since 90 percent of all the scientists who have ever lived on the earth are now alive, it is not unreasonable to expect that new sources will be developed, such as thermonuclear fusion and solar and geothermal energy, plus greatly needed better methods for the stor-

age of energy.

The growth of the economy has long depended on a corresponding increase in the use of energy, and the same condition, presumably, will prevail in the future. Therefore, it is important that research and development on energy production and storage be pushed. It represents an even more important goal than that of putting a man on the moon. The massive and complicated apparatus that succeeded in that great achievement may well be a model for developing adequate, domestic, permanent, nonpolluting sources of energy.

If we cope with our serious problems satisfactorily, the outlook is for high and rising prosperity into the indefinite future. The following are some of these menacing conditions. Some are, to a large extent, unique to the United States.

1. The invasion of privacy--by bugs that broadcast conversations, by the accumulation of dossiers of various kinds by various organizations, by spying and telephone tapping. Privacy is one of the things most valued by civilized men.
2. Racial tensions. We have made considerable progress in dealing with this problem but much more progress is needed.
3. A weakening of our morality as a consequence of increasing affluence. Oliver Goldsmith put it magnificently in these lines:

Ill fares the land, to hastening ills a prey,  
where wealth accumulates and men decay.

4. Crime. A Census Bureau survey of the victims of crimes (except murders, because you cannot interview the victims) indicated that in 1974 there were 39,600,000 crimes committed, nearly four times the figure reported by the FBI. This is a desperately serious matter.
5. The worldwide proliferation of deadly weapons. The United States has, as you know, atomic weapons. The atomic club has been growing gradually. I think there are about five other nations that have these weapons, and several additional nations that possess the technological capacity to produce them if they wish. We also have some unbelievably deadly gas and bacteriological weapons. Science and engineering will probably develop even more deadly weapons in the future. Indeed, perhaps heralded by the development of laser rays, we may see the weapon so beloved of the science-fiction writers for all these years, the death ray. It is no exaggeration to say that, either mankind ends the arms race or the arms race will end mankind.

In June 1967, on the occasion of the Canadian Centennial, I had the honor of delivering the keynote address at the National Credit Conference in Montreal. Under the title, "Canadian Prosperity--The Past Century and the Next Century," I reviewed the great economic progress in the one hundred years, and offered the following forecasts:

What is the economic outlook for Canada? what may be expected in the second century?

In a world whose natural resources are being used up rapidly, Canada's immense resources in the decades ahead will become increasingly important and valuable: Land, forests, waterpower, and minerals--uranium, nickel, petroleum, natural gas, asbestos, platinum, zinc, cobalt, gold, silver, lead, copper, iron, and others that will be discovered in the future.

The foregoing analysis may be summarized thus: The future economic progress of Canada will be immense; the Canadian people will continue to enjoy an ever-rising standard of living; the Bicentennial celebration of Canada will record even more progress in its second century than in its first.

The great social goal is not riches in the usual sense. It is, rather, enrichment--improvement of the quality of life of our people, and contributions by us to the enrichment of the lives of other peoples in accordance with their, not necessarily our, value systems.

The challenge, and the opportunity, is to use our increasing material well-being as the firm foundation upon which to build the noble edifice of the good society that wise men have been talking about for centuries. The challenge, and the opportunity, is to build a better society, one characterized by less indifference and more involvement, by less hostility and more friendliness, by less fear and more confidence, by less crime and more self-discipline, by less complaining and more fortitude, by less self-interest and more altruism, by less haste and more courtesy, by less tension and more serenity, by less ugliness and more beauty, by less of the dreary aspects and more of the good and noble characteristics of the good society.