

'President Truman wants to lead the United States along the road to "controlled prosperity"' from Le Monde (26 January 1949)

Caption: On 26 January 1949, the French daily newspaper Le Monde reports that the United States has set out along the road towards economic prosperity.

Source: Le Monde. dir. de publ. Beuve-Mery, Hubert. 26.01.1949, n° 1 244. Paris: Le Monde. "Le président Truman veut engager les Etats-Unis sur la voie de la prospérité dirigée", auteur: Pierre, Henri, p. 1; 2.

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Last updated: 06/07/2016

The beginnings of the 'Fair Deal'

President Truman wants to lead the United States along the road to 'controlled prosperity'

From our special correspondent Henri Pierre

Washington, January. — Nobody in America disputes the fact that Mr Truman's election victory marks an important stage in the history of the United States. It is readily admitted that free enterprise in the 19th century meaning is little more than a great principle, a great tradition or even a state of mind. The government's growing role in the country's economic life has indeed largely modified the traditional face of American capitalism. A new economy is being introduced, one that has to create a closer association between the Administration and businessmen who will have to understand, whether they like it or not, that the time has come to exercise some discipline and tame the excesses of uncontrolled capitalism. It is generally believed that a new 'Depression' may be avoided through an appropriate policy. 'Varga was right', one often hears with reference to the Soviet economist who fell into disgrace for warning his colleagues against the official doctrine of an 'imminent crisis in the United States'.

Nor do any of the groups involved, including the trade unions, show any concern at the few signs of 'recession' that crop up here and there, such as certain falls in prices or partial unemployment limited to seasonal industries. All this is seen as a necessary adjustment to an economy in which the seller no longer lays down the law and easy times for the manufacturers have come to an end.

What will the government's policy be? It is clearly outlined in a crucial document: the report of the President's economic advisers, signed by Mr Nourse, Mr Keyserling and Mr Clark. They are the men behind what is called here 'controlled prosperity', whose main objective is the transition from instability to stability. To attain this goal, in the Administration's opinion, this does not mean despising private enterprise, which will continue to drive the economy. The manufacturers will, however, receive additional advice from Washington on subjects such as investment policy, prices and salaries. The government only intends to intervene directly if the businessmen were to give clear evidence of not wanting to toe the line.

In this regard, President Truman's declarations on the increase in steel production are significant. The first point of study will be whether the forecast production capacity is sufficient to maintain a 'full-employment' economy. If this is not the case, the government will advance funds to the companies so that they may expand their means of production. If they refuse, the government will have its own steel works constructed.

President Truman has thus adopted the conclusions of the liberal 'New Dealists' and the unions. But it is already well known that the steel magnates have reacted sharply against what they call 'a first step towards the socialisation of steel'. They emphasise that they have pushed production up to a record 98 million tonnes, and this without government intervention. The current demand is, in their opinion, both exceptional and temporary. The prospects of an accelerated recovery of European steel production and the imminent saturation of the domestic market will lead to a decrease in demand within a few years, if not sooner. Accordingly, they do not intend to jeopardise costly investments and thus openly oppose the Administration's plans of 'pushing' production up to a minimum of 110 million tonnes.

This seems to indicate that cooperation between the executive and industry will not go smoothly. Mr Truman appears firmly determined to have the bill for his vast programme picked up by the 'tycoons'. By asking for billions of dollars in new taxes to be paid mainly by the corporations, the President undoubtedly wants to fight inflation. But, at the same time, he is acting in accordance with his advisers' directives concerning the establishment of a social security programme that fits within the framework of this new economy and is based on increased consumption.

The President's advisers have very clear ideas on this point. Consumer expenditure in 1939 amounted to 70 % of national revenue, with investment running at 15 %. For 1949, the economic advisers want to push consumer expenditure to 75 % while reducing investment to 11 %. Moreover, they intend to control the

investment plan, thus ensuring that the electricity, steel and railway industries remain unaffected by the intended cuts. But as to how these adjustments may be attained, even the advisers express a certain scepticism: ‘... The danger lies in the fact that the forces likely to increase consumption are uncertain and insufficient to bring about the necessary changes ...’

We may conclude from this that the government is preparing controls under one form or another, that it does not intend to remain inactive and that it will continue to encourage the country’s organised forces — the manufacturers, ‘labor’ and the farmers — to seek together a means of stabilising the economy by limiting salary increases on the one hand and profits on the other.

It remains to be seen whether Congress will unquestioningly endorse the conclusions of the President and his advisers despite whose report reflects obvious uncertainty as to the country’s economic development. The deflationary and inflationary trends are in balance, and it is too early to foresee which way the pendulum will swing. External events likely to modify the situation will also have to be taken into account. The President has therefore asked for powers that would allow a flexible response from the Administration, acting either as a brake or an accelerator. This determination to intervene is the most stable element in an otherwise essentially fluid economic situation ...

Henri Pierre