

Economic Outlook for 1948

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The past year was only a limited success, economically; progress was slow until the last quarter of the year. Recovery was given a terrific setback by the extremely severe winter of last year which virtually paralyzed many lines of industrial activity. The second handicap was the drought of last summer and early fall which damaged food crops, curtailed the output of electric power urgently needed by industry, disrupted water transport, and added to the load of the already overburdened railroads.

Despite these severe setbacks, things are better than a year ago. The rate of recovery during the last quarter of the year has in many lines been very promising.

The general level of industrial production in the Combined Zones during October had surpassed the peak levels attained in October 1946 by 12 percent. Particularly encouraging was the marked progress made toward the end of the year in the two basic industries upon which general recovery depends, namely, coal and steel. Other important gains include the increased output of all kinds of fertilizer; sulphuric acid, essential for chemical production; textile yarn and fabrics; paper and pulp, and building materials.

The basis for a real expansion of German foreign trade was also laid. At the beginning of the year, Bizonal Germany had no organized trade relations with outside countries and no means of reestablishing commerce. During 1947, trade agreements were negotiated with 18 countries, including all those bordering on Germany. Bank accounts had been opened in these countries and the steps necessary for the reestablishment of international commerce have been taken. The Bizonal Area of Germany has been opened up to businessmen from other countries and substantial progress has been made toward breaking down the barriers to

trade and reestablishing trade relations.

Communications have been opened with the outside world. A year ago, German businessmen had no direct contact with importers abroad; today they can do business and negotiate contracts by mail, cable and telephone.

As a result, exports from the Bizonal Area, which are the source of her life-blood imports, have increased by more than 50 percent during the year, to about \$225,000,000. While this figure still falls short of the \$365,000,000 goal, export shipments since October have exceeded \$1,000,000 daily.

As to reparations, the permitted level of industry has been drastically revised and the scale of plants removals put on a realistic basis. There will remain in Bizonal Germany sufficient plant capacity to provide for sustained recovery for several years, thus enabling Germany to become self-supporting and to play a role in the restoration of a healthy economy for all Europe.

TURING TO THE FUTURE, an improvement about twice as great in 1948 as in 1947 can be anticipated throughout industry generally. This would represent a further increase of 25 percent in industrial production. Exports for 1948 should much more than double the \$225,000,000 exports in 1947.

There will be a notable increase in imports for industry. The United States and Great Britain have been paying for the food imports into Germany and the proceeds of exports are being spent to pay for imports of

industrial materials. Thus far, only about \$30,000,000 of such imports have actually arrived, which is only a fraction of the orders placed. This means that in 1948 there will be a resumption of imports of industrial materials on a scale not known since the end of the war.

In addition to the proceeds of exports which will be available to import several hundred million dollars worth of raw materials for the revival of industry, the President of the United States has recommended to the Congress an aid program for 16 European nations and the western zones of Germany, a program, which is without a precedent in history. Should this program be enacted by the Congress, it will make available to the bizonal economy an even larger flow of the materials needed for industrial revival.

The prospects for improvement in the food picture are not as good as for the improvement in industry. Military Government will attempt to maintain the increased quantities of imports but substantial improvement in the distribution of rationed foods is dependent upon greater indigenous production and the more effective collection and distribution of the food which is produced.

This review of the salient factors indicates that 1948 will probably prove to be the turning point in German recovery. In providing machinery for the restoration of a sound economy, the responsibility will be in German hands. To that end, the responsibilities and powers of the Economic Council for the Bizonal Zones will be strengthened in the not too distant future.

The outlook at the beginning of 1948 is definitely more promising than a year ago. Improvement in the basic industries has laid the background for further industrial gains and rising exports are providing the means to pay for greatly increased raw material imports.

This article is adapted from the radio address given by Dr. Humphrey in the weekly series of "Freedom versus Totalitarianism."