

Economy will improve

U-M prof predicts a good '83

Sluggish business conditions in the first half of 1982 will be followed by second-half recovery and business growth which will make 1983 the best year yet for the American economy, a University of Michigan economist predicts.

J. Philip Wernette, U-M professor emeritus of business administration, expects improvement in a number of economic measures in 1982, as compared to 1981 figures: real gross national product (GNP) up 1 percent, GNP price index up 8 percent, gross national expenditure (GNE) up 10 percent, employment up 1 percent, corporate profits up 3 percent.

HIS PREDICTIONS are detailed in "1982, A Pivotal Year," a monograph published by the Ohio Citizens Bank of Toledo.

Professor Wernette examines five factors which affect GNE, the total outlays of goods and services by consumers, government and business:

- "The total stock of money (mostly in the form of deposits in banks) is influenced by Federal Reserve policy, which is expected to be slightly expansionary.

- "Fiscal policy of the federal government will be moderately expansionary, thus affecting governmental and private purchases.

- "Consumer purchases of durable goods, non-durables and services amount to 63 percent of GNE. Surveys of consumer sentiment and buying intentions have displayed an irregular trend, which will be offset by people's rising disposable income, leading to somewhat increasing purchasing.

- "Surveys indicate a modest rate in business outlays on capital items.

- "A steady and continuing growth of private liquid asset holdings facilitates and foreshadows an increase in GNE."

"These strands of influence," Wernette concludes, "suggest a small growth of the American economy in 1982, characterized by sluggish business in the first and second quarters, followed by recovery in the second half, fueled by lower inflation, revived demand for cars and houses, higher after-tax incomes, and accelerated capital recovery tax provisions."

THE FACTORS that will propel business growth in the second half of 1982, he adds, "may be expected to continue in the following year, making 1983 the best year yet for the American economy."

Wernette dismisses the "gloom and doom" books of recent years which have been prophesying a great depression.

"These books," he explains, "offer grim forecasts based on mere assertions but without any recognition that the Great Depression was deepened by the

awesome collapse of the national money stock between 1929 and 1933. Such a collapse will not be permitted to occur in the future, hence there is no deep depression in sight."

Wernette points out that the standard of living of the American people (average real family income) is 10 times as high now as it was in George Washington's time because productivity (output per man-hour) is now 20 times greater while the average work year (in hours) has declined 50 percent.

The U-M economist notes that long upward trend of rising American productivity stopped increasing and actually declined in 1978-80, "thereby undermining our well-being and contribution to inflation via rising unit labor cost of production as wage rates continued to advance."

While experts ponder the problem of seek solutions, Wernette reminds his readers that "our standard of living will continue, as in the past, to depend on our productivity."

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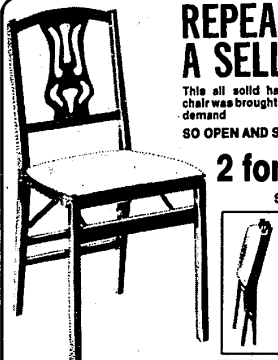
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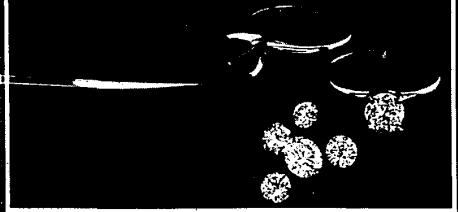
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