

PRESS REPORTS

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EARLY U.S. ANTI-DEFLATION MOVES UNLIKELY

From
Our U.S. Correspondent

NEW YORK, Oct. 16. Dr. Per Jacobsson's call for quick and united action among the Western nations to counter the threat of deflation comes at an awkward time for the U.S. economic managers.

For despite clear evidence of stagnation, perhaps temporary, in the U.S. economy, there is a strong body of opinion both within the Administration and outside it which is opposed to any immediate expansionary move on the ground that this might conflict with balance-of payments considerations and nullify much of the progress that has already been made towards curing the deficit.

Pressures on \$

The dilemma was stated succinctly last week by Dr. Roy Reiersen, chief economist of the Bankers Trust. "In the past," he said, "especially in 1958 and 1960, deterioration in the American business climate quickly brought on intensified pressures against the dollar and a large drain on the gold stock."

There has, in fact, been some evidence of a slight shift towards easier credit by the Federal Reserve Board, but since credit is already plentiful and interest rates unusually low any further relaxation is unlikely to have a dramatic impact.

Thus, as far as the U.S. is concerned anti-deflation moves will have to wait until next year's promised tax cut.

This, however, raises the further problem of a large Budget deficit in the 1963 fiscal year. Even without a tax cut the 1963 deficit may well be as high as the 1962 \$6,500m. deficit and the prospect of an even bigger shortfall in the current fiscal year is raising some alarm, especially among New York banks.

Faced with these dilemmas, the Kennedy Administration is likely to welcome Dr. Jacobsson's proposal for co-ordinated action among Western Powers to ensure that business conditions remain buoyant.

Note of Urgency

Dr. Jacobsson's suggestions, contained in a speech yesterday to the Women's National Democratic Club in Washington, lent a note of urgency to current discussion of world financial problems, which was notably absent from the statements of the Finance Ministers at the recent meeting of the International Monetary Fund.

The threat of a recession in world trade next year may well be the chief topic of discussion among central bankers and Finance Ministers in the coming months.