

Economic Experts Almost Unanimously Optimistic Over Last Half of '55 Outlook

(Eds Note: New judgments are being made by Washington economic experts as the nation heads into a new fiscal year—and they're almost unanimously optimistic. Here's a consensus of official opinion as to what can be expected of the nation's business in the second half of '55)

business opinion appear to differ sharply from the Washington appraisal. Industry fears the inflationary impact of the new auto contracts. They will add an estimated three-quarters of a billion dollars to the wage cost of Ford and GM alone.

Smaller companies quail at the prospect of similar wage boosts and guarantee layoff pay demands. They voice concern lest the auto pact start a new sequence of big annual "rounds" of wage increases followed by price increases, thus starting a pattern in which prices

chase wages up the spiral of inflation. To which some of the government economists reply: Of the 20-cent hourly package won by the United Auto Workers, only seven or eight cents represent new spending money handed out to workers. The rest

goes into welfare, layoff pay guarantee and other funds, destined for investment in government bonds and other securities which do not inflate public purchasing power. **Up Go Price Tags** But the businessman counters:

Steel and other basic industries will be called on to match the auto package in cold cash. Wage costs in the raw materials industries tend to be passed on automatically to the buyer; then up go the price tags on autos, home appliances, construction, and a mas-

sive number of other goods and services. Still, Washington declines to be badly frightened. Manufacturers will hope to offset part of the new costs by rising productivity. The industry-wide trend to automation—more nearly automatic factories

—has contributed to spectacular gains in output per worker. In today's fierce sales competition, officials believe, many companies will feel obliged to absorb much of the higher wage and materials cost, passing it along in prices.

By STERLING F. GREEN

WASHINGTON (AP) — As Washington reads the economic omens, 1955 will easily be the "biggest ever" year for business and consumers, unmarred by either severe joblessness or menacing inflation.

At mid-year, officials and economists of the Eisenhower administration report no sign of a second-half slump which, six months ago, some of them thought might occur.

Instead they find production and income at all time highs, and evidently still gaining altitude. They have virtually stopped worrying about a possible autumn sag in automobiles or housing production, figuring that by now down-drafts in some industries can be offset by up-drafts in others.

One White House adviser estimates unofficially that the total national output hit a rate equal to roughly 377 billion dollars annually in the quarter just ended. That is 7 billion dollars above the January-March quarter, which matched the peak of the best previous year, 1953.

Politicians Eye Trend

Political office holders are elated. The boom looks ample enough to last into the presidential election year, 1956. If it does, Republicans can take to the voters a story of high employment, high wages, probable tax cuts and at least the promise of a balanced budget.

Industrial developments last month erased one potential blight on the general optimism, but added another. The new wage agreements in automobiles allayed fears of a crippling wave of strikes, but made some businessmen jittery over the possibility of wage-inflation.

Government officials tend to discount the latter hazard. In fact, optimism is so widespread that Arthur F. Burns, chairman of the President's Council of Economic Advisors, uttered a warning in his address a fortnight ago at Pennsylvania State University.

Avoid Overconfidence

"It is," he said, "important to prevent the confidence that generates prosperity from passing into the overconfidence that generates speculative booms."

Burns said Americans may feel reasonably sure the country can avoid "deep and protracted depression," but recalled that no country has ever eliminated the business cycle. He said dangers lie in overbuilding of homes, bidding up of stock prices with borrowed money and deterioration in the quality of credit. He added:

"If several such developments should occur simultaneously, the ability of the government to limit an economic downturn might be severely tested."

Off-the-record guesses of economists in the executive branch, congressional staffs, and the White House, presents this prospect for the second half of an already prosperous year.

Sleepy China

1. Production will top the early-year official forecasts. Total output of goods and services exceeded the 1953 peak of nearly 365 billion dollars in the first quarter and climbed steeply in the second.

The rise may be less rapid in the second six-month period, or it may level off. But officials see small prospect of an autumn recession, despite an inevitable slow down in the automobile industry's break-neck race.

2. The personal income of Americans, which never stopped rising even during the 18-month recession that began two years ago, will exceed the 286 billion dollars of 1953 and the 286 1/2 billion record of last year.

Bound to Rise Personal income stood at a 295 1/2 billion dollar annual rate in April and, the experts said, is bound to be lifted by the newly negotiated wage increases, the resumption of overtime work in many factories and the substantial rehiring of workers in the late spring.

3. Living costs should be quite stable. Some experts forecast a rise of less than one per cent, others a fractional decline. Industrial raw materials will go up somewhat, it is believed with negligible effect on retail prices.

4. Employment could top the 1953 average of 62,213,000. There were 62,703,000 jobholders in May, but because of the growth of the labor force, unemployment was 3.8 per cent as against only 2.5 per cent in the record year.

5. Joblessness will rise in the next several weeks as students and housewives hunt summer jobs, but will decline as they find work or stop looking. The year-long unemployment average will be lower than last year, but probably not as good as 1953. In May there were fewer than 2 1/2 million unemployed, the best record since 1953.

Strikes Avoided

6. No major strikes now are considered threatening.

Officials believe the Ford and General Motors agreements with the CIO set a pattern of generous settlements peaceably arrived at.

7. A balanced budget, cherished goal of administration policy, is at last in sight. Officials hope to pare down the estimated \$2,300,000,000 deficit for the 1955 fiscal year, now beginning, and to wipe out the red ink entirely in the '57 budget, which President Eisenhower presents in January.

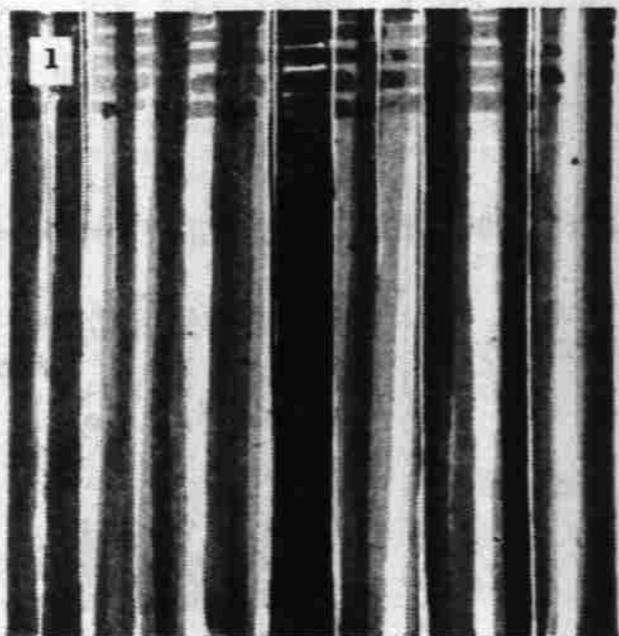
8. The budget picture makes it almost certain that Congress will approve tax cuts next session. Rising corporation profits and individual incomes have improved tax collections, markedly in recent months, and, on the political side, both parties are anxious to give the voters a tax break in a campaign year.

On just one of these points does

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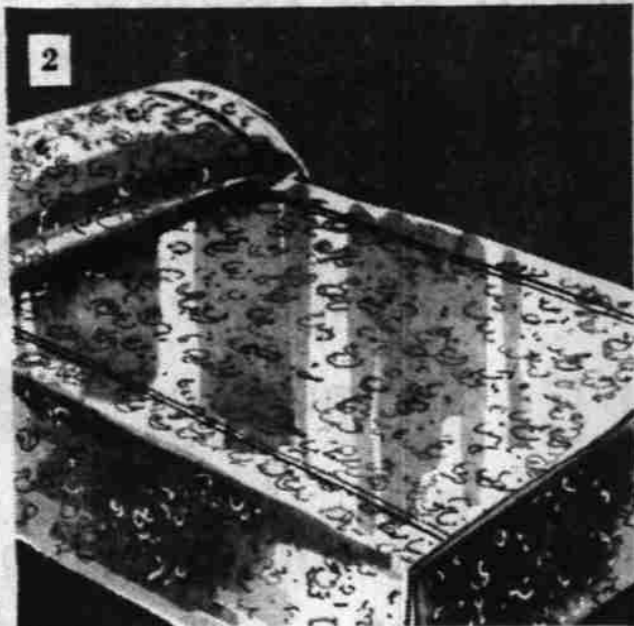


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Cosmetics, first floor



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Cosmetics, first floor



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Cosmetics, first floor

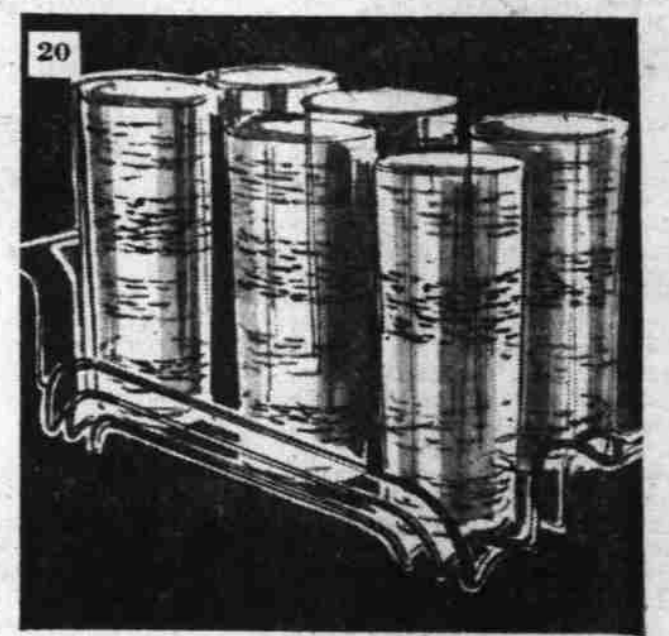


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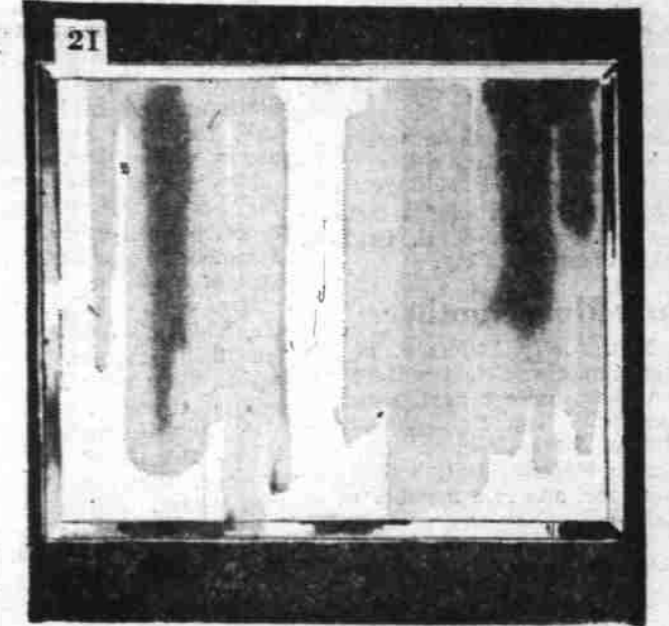


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Pictures and mirrors, lower level



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