

Observers Believe Wall Street Betting on U.S. Inflation Ahead

By SAM DAWSON

New York, Dec. 20 (AP)—Many observers believe that Wall Street, Washington and Pittsburgh—and apparently Main street, too—are betting on inflation ahead.

Brokers report that the public is coming into the stock market, and that there is a noticeable shift from bonds and preferreds to the buying of common stock.

Both trends usually considered indicators of inflation-mindedness around the country.

Washington is drafting next year's budget—in a financial atmosphere ruled by deficit financing, which means the pumping of new money into the business stream. Washington also notes that installment credit is rising and that the authority to apply curbs has lapsed. And low interest rates and easy money are still prime policy at the treasury, in spite of federal reserve criticism. All these are listed as inflationary.

Pittsburgh sees steel prices going up, and figures that the steel companies wouldn't have taken that step unless they were betting on sustained steel demand in the months ahead, and on general business speed-up such as accompanies the first phase of a new inflationary spiral.

Steel being an essential raw material for about 40 per cent of American industry, a price rise there can only mean higher production costs all along the line. Even if competition forces some absorption of the hike by steel processors, there seems to be some price rise to the consuming public for a multitude of goods in daily use. And in other cases, such as autos, where price declines had been anticipated in the months just ahead, the increase of \$8 to \$10 in the steel used in making a car, may halt the planned price cuts for cars.

Already the appliance makers are talking of raising their prices to meet the increased steel charges.

More important, possibly, are the indications that labor will use the steel price hike as the springboard for asking pay hikes. The United Auto Workers (CIO) union says it will ask General Motors for a wage increase and for better pension and health insurance plans than it got from Ford. Steel workers seem sure to use the steel price hike as an excuse for starting the fifth round of wage-price boosts next year.

Until inflation gets well underway, if it does, the cost of living will show little of its effects. That is because much of it is based on farm prices, and commodities continue to slide slowly if jerkily down. Rents, however, seem likely to rise. The textile market shows some strength again, so that clothing prices may not decline as much as some once hoped.

Retail prices will still be bolstered in one way or another by Washington. Farm subsidies keep food prices from dropping much. Continued high taxes, the coming hike in the minimum wage, and the talk of imposing a new general five per cent excise tax on manufacturer's sales—all would be added in time to the over-the-counter price you would pay for goods.

The deflationary side of the picture? Well, today there are predictions that the jobless total next year may rise to five million. Farm income is expected to continue to fall. National income as a whole may be lower next year than this. Exports seem certain to slump further. And the construction industry

Open Highway Bids, Portland

Portland, Ore., Dec. 20 (AP)—The state highway commission disclosed today that cost of the right-of-way for Portland's new Sullivan Gulch highway has been going up beyond original estimates.

When the super highway project was first proposed in May, 1948, cost of the right-of-way was estimated at \$3,200,000, but today it was learned that the cost will approximate \$4,810,000.

Sullivan Gulch, a freeway project, is to connect with the Columbia River highway east of Portland.

In another action, the commission reported that three miles of right-of-way on the Coast highway north of Brookings has been donated by the Pacific Coast Borax company.

Proposals on 11 highway projects were opened by the commission. Among the low bidders: Linn county—Mountain States Power company canal bridge west of Lebanon on the Santiam highway; replace existing trestle. Snook Bros., Corvallis, \$16,808.

Bagley Named Bank Manager

Amity—The appointment of C. W. Bagley as manager of the Amity branch United States National Bank is announced here by E. C. Sammons of Portland. Bagley's appointment will become effective January 1.

The new manager succeeds H. W. Torbet, who has served as manager of the Amity branch since it was opened, following the purchase of the Bank of Amity by the U. S. National in December 1948.

Torbet, who joined the staff of the Bank of Amity in 1927, was president at the time of the consolidation. He will now enter the insurance field in Yamhill county, with a new office nearing completion on Fifth street, just west of the bank building which will be ready by January 1. Frank L. Chambers will continue as assistant manager. Bagley is a son of Mr. and Mrs. George Bagley, Amity. He plans to move his family to Amity as soon as possible.

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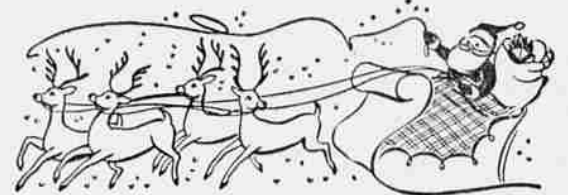
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