Most Economists Predict a Modest 1961 Advance Over 1960 Business Operations

Washington – (UPI) – Business prospects for 1961 are the least bullish in three years.

With a further decline in manufacturing forecast for the first part of the New Year, no general upward trend in business is likely before summer.

Most government and private economists think 1961 will see an advance over 1960. But it will be a modest one and probably bunched in the last four or five months of the year.

That would mean a further rise in unemployment, which has been creeping up for six months and now is fairly high. By the end of winter a jobless total approaching 6 million is possible. Well above 5 million is a certainty.

A happier consequence of the mild business downturn – which actually began last summer – might be moderate price shading on manufactured consumer goods. But steel industry sources are talking about the inevitability of a hike in selected steel prices. In services – where more and more consumer dollars are spent – economists see no break in the upward price trend.

Similar Situation

In its gross outlines the current business situation is similar to that of three years ago: A downturn which began in the summer is likely to persist into the spring. That was the pattern of the 1957-58 recession.

There is however one very important difference this year: The slump is milder – much. Even if you don't study the figures you can tell that from the fact that economists are divided about whether the present decline is deep enough to merit the term "recession."

The most comprehensive measure of how business is doing is Gross National Product (GNP for short). It includes spending for all goods and services by everybody – consumers, business, government, foreigners.

Latest available GNP figures are:

	(Billion, at yearly rate)
1st quarter 1960	$501.3
2nd quarter 1960	$505.0 (all-time high)
3rd quarter 1960	$503.5

Government economists don't know whether the final three months of 1960 will show an improvement or a dip in GNP. Either way, they say, it will be only a small change from the third quarter.

As for the first half of 1961, the experts are betting on a decline – but a small one. A pessimist suggests GNP may hit a low of $490 billion – a drop of about 2½ per cent. A more cautiously optimistic Federal Reserve expert thinks "it won't go much below $500 billion."

Inventories are the biggest single thing holding business down. In steel and other factory goods stockpiles are being worked off. Economists expect inventory liquidation will continue for some months.

The firm "living off the shelf" is buying less from its suppliers. So production is crimped and workers are laid off.

Economists expect that by summer businessmen will find they have trimmed stocks of goods to a bare minimum and must step up new factory orders.

Prevailing expert sentiment is that the narrow dip in consumer expenditures of last summer was temporary and that the long-term uptrend will continue.

"If the seasonal slowdown in January and February doesn't shake people too much we may come through fine in the spring," commented a Commerce Department economist. "So far," he added, "it's been a very mild recession."

High Jobless Levels

What disturbs government officials most in that the high jobless levels anticipated for January and February may have spillover effects psychologically and dollar-wise. Labor Department experts say that the usual winter rise in unemployment will boost the number out of work above 5 million – and possibly close to 6 million.

With that many people unemployed, retail sales may slip. Other people with jobs may start to worry. If their concern translates into more thrift and less spending, the slump may be self-aggravating. Hopefully, the reopening of outdoor jobs in March and April and a brisk start to the home building season will dispell some of the winter gloom, re-employ some of the laid off and create jobs for some of the 1.25 million new job-seekers coming into the 1961 labor market.

Home building sagged this year to about 1,300,000 starts, probably because 1959's 1,531,000 non-farm starts was artificially stimulated by government anti-recession actions in 1958. For 1961 optimists see 1,325,000 housing starts. More restrained forecasts are for an even 1,300,000.

There is widespread agreement that home buyers will have less difficulty getting mortgage loans, and may even enjoy some small decline in borrowing costs. The Federal Reserve has supplied banks with a generous amount of loan reserves. Under the administration of President-elect John Kennedy is may not be so quick to tighten up once business starts to expand.

Highway and school building construction volume is expected to rise next year. Reversing the narrow decline of 1960, total construction outlays may hit a record $57 billion or more.

In steel, the "bust" of 1960, no improvement is seen for 1961. An industry spokesman, lamely calling 1960 the industry's sixth best year on record, estimated output at 99.3 million net tons and forecast 1961 production at 95-100 million net tons.

Second Best Year

Auto men say 1960 was their second best year ever with sales of 6.7 million domestic and foreign cars – a bit under the bullish 7 million forecast a year ago. In 1961 they see sales of 6.5 million units, a decline of about 200,000, half of it in imports. It might be remembered that auto industry forecasts usually are too optimistic.

Investment plans of business indicate the economy will get no help from that sector. A McGraw-Hill survey projects a 3 per cent decline in outlays for expansion and modernization dropping expenditures down to $35 billion. Federal economists will be reliever if the cut is that shallow.

McGraw-Hill called the projected 1961 outlays "unexpectedly strong" and explained them in this way: "Capacity may be in excess and sales expectations modest, but companies are evidently spurred to continued investment in plant and equipment by (1) the need to cut costs in order to meet the competition both at home and abroad and (2) the marketing opportunities opened up by the high level of spending on research and product development.

Exports, up smartly in 1960, ran about $4 billion ahead of imports. It seems unlikely that this favorable trade surplus can be fattened in 1961. Indeed, government officials are concerned lest it shrink, thereby adding to the deficit in the country's balance of international payments.

Government spending will be up at all levels in 1961, probably the most clear-cut upward factor in the entire economic picture. For the calendar year, Business Week magazine foresees a gain of $6.5 billion to a new peak level of $144 billion. But, the magazine added, "the amount of economic stimulation that will be realized from this increase is open to question." Similar rises occurred in 1959 and 1960. Hence the 1961 increase should not be seen as a new economic force.

It is a truism to say that ultimately, how business does depends on the consumer. Personal consumption expenditures account for nearly two-thirds of total spending and influence heavily business inventory and investment decisions.

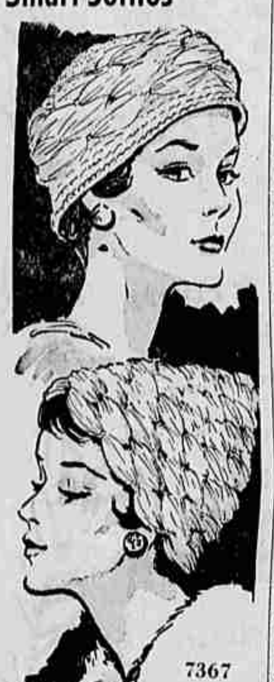
Barring a sizable economic depression, consumer spending will be higher in 1961. Statistics show that even in recessions people continue to buy more non-durable goods, especially food, and to spend more for services (partially a result of inflation).

What really counts for industrial activity and unemployment is the retail sales of hard goods – autos, refrigerators, washing machines, dryers and furniture. These are the "big ticket" items which can often be "made to do" for another year if consumers are uneasy. These are the items which mean production of steel, machinery, rubber, glass, electronic equipment – industries in which the unemployed are family breadwinners who, whey they work, earn high wages.

It has been in hard goods – consumers' and producers' – that the post-war recessions have been centered. That is the sector to watch in 1961.

TREE INSPECTED — Pine needles on a Christmas tree decorating the monkey house at Chicago's Lincoln Park zoo throw this chimpanzee, Keo, for a loss. Keo's curiosity got the best of him, so he had to inspect the tree. The prickly needles were not to his liking. (UPI Telephoto)

Smart Softies



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Shakespeare wrote "Romeo and Juliet" in 1595.

Air Line Pilots Head Joins in Queseda Attack

Washington – (UPI) – The head of the Air Line Pilots association joined a mounting attack on federal aviation chief Elwood R. Quesada Wednesday for announcing that one of the planes in the airliner collision over New York was 11 miles off course.

The latest anti-Quesada blast came from ALPA President Clarence N. Sayen, who called the FAA chief's preliminary statements on the crash "an irresponsible abuse of public office."

"Certain tentative facts have emerged but have not been verified in relation to other facts and the over-all problem," Sayen said in a statement. "To issue statements at this time which even infer that certain events led to this accident is sheer speculation."

Indicts Innocents

Sayen said any group having "a statutory responsibility" must refrain from speculation and "to do otherwise is to mislead the public and induct innocent parties." He added that the Federal Aviation Agency itself "is one of the parties involved in this accident" because FAA is responsible for the nation's air traffic control system.

Quesada also was criticized by United Air Lines President W. A. Patterson, Capt. John McDonald, veteran accident investigator for ALPA, the pilots' union, and in effect by Civil Aeronautics Board member G. Joseph Minetti who will direct the government inquiry into the disaster.

LONGEST RIVER

The Loire is the longest river in France.