

Income, Savings Gains to Spur Area Trade

By Philip S. Brown

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BUSINESS is likely to improve in the Washington area, even though conditions elsewhere in the country get progressively worse.

Many local businesses are doing better than ever before and a smaller percentage of the labor force is unemployed than in most other large cities. There is, however, some slack. Employment has increased

less over the past year than the growth in the labor force.

The rise in unemployment has resulted because consumer spending has not kept pace with the increase in personal income. Retail sales in recent months were probably very little ahead of last year. (Department-store sales were less.) The Federal civilian payroll, on the other hand, has been running 10 per cent higher

and private payrolls, perhaps 5 per cent higher.

THE increase in unemployment is attributable also to the decline in construction activity, which occurred in spite of an increase in government building and more favorable weather—until December. The backlog of private work, both residential and commercial, has continued to decline.

Unlike most other large cities, where factory employment has declined for some months and thousands of workers have used up their savings and credit—and, in some cases, exhausted their rights to unemployment compensation—the personal savings of most area residents have increased.

In recent months, the Federal civilian payroll averaged \$13 million a month greater

than in the same months of 1959, partly because there were 5,000 more Federal employees in this area. In December, some 20,000 Federal "blue collar" workers received pay raises that averaged 7½ per cent. Moreover, the number of District and other local-government employees is increasing and those whose pay is subject to wage-board determination will get raises in the next few months.

THIS increase in personal income and accumulated savings of area residents is likely to be reflected before long in greater trade activity and residential construction.

The Inauguration and convening of Congress will bring a great many persons to Washington. Also, new study groups and legislative proposals in the field of urban affairs, education, health insurance, con-

servation, labor-management affairs and regulation of industry will cause an expansion in the Washington staffs of many national organizations and bring many people to Washington temporarily.

The greater influx of people from out of town and the replacement of several thousand Federal employees should increase the business of hotels, restaurants, real-estate firms and other "service industries."

BY the end of 1961, the business climate of Washington may be very different. The Federal budget for 1961-62 may be substantially greater than that initially proposed. The staffing of new Federal agencies and the enlargement of others may be underway.

Completion or near-completion of the Dulles Airport and three bridges should stimulate development in Virginia.

In Maryland, the big Levitt development at Bel Air will be accelerating. In Southwest Washington where huge new Federal office buildings will be in use, the pace of private enterprise will be quickened.

Looking further ahead, a very marked expansion in employment is likely in the next few years, though perhaps at a slower rate than the 20,000-a-year gain of the past decade.

Unlike the past decade, I should expect government and business expansion in the decade that follows to keep more or less in step. In the 1940s, the expansion was predominantly in Federal Government employment. Then from 1950 to 1960, there was no net change in Federal civilian employment, but a 30 per cent gain in the private sector by about 100,000 and a virtual doubling of local-government employees.