

Babson Says 1942 Is Time To Get Out Of Debt

Farm Prices Will Be 10 To 20 Per Cent Above 1941

(Continued from page 1)

lieve that cities gradually become immune to bombing as individuals become immune to almost everything which comes along slowly and lasts long enough. Of course, if the British and Americans should invade Europe, bombing planes would tremendously help the invading army by destroying the enemy's communication lines, crops, and oil. But for scaring the people of a country, bombing has not been successful. Statistics indicate that the money lost in the cost of bombers destroyed amounts to more than the property loss caused by the bombers. The Multiplication Table, as well as the Ten Commandments, is bound to be a factor in bringing this war to an end, but when? The blockade—however—is becoming an important factor, but blockading takes time whether against Germany or Japan.

Uprising May Come

All of this means that the only hope of bringing World War II to an end during 1942 is an uprising of the Germans, Japanese, and Italian, or of the people of the conquered nations, or of the people of Great Britain, or of the United States. To have the people of any of these countries quit and go on a "sit-down strike" would bring the war to an end. I can visualize this taking place sometime after 1942; but I cannot visualize it as coming about in 1942. In this connection let me remind readers of what I said last January regarding the destruction of crops and fuel supplies during 1942. Therefore, I say that there will be no peace in 1942; that many non-defense industries will be depressed throughout 1942; and that business as a whole has already seen its peak. The war may even last two or more years after 1942; but after 1942, two months before it ends no one will forecast the end.

Real Estate Will Hold Firm
Prices of farm lands should strengthen during 1942. Farmers will be more prosperous. The only

investment which farmers know is land. Many will be so foolish as to again get land poor as they did following World War I. There also will be some purchasing of small farms as inflation hedges. It looks, however, as if—other than in defense areas—the "small home" industry has about reached its peak and will begin to slump off in 1942. Ordinarily this should result in increased rents and an increased demand for houses already built. It must be remembered, however, that where a third of the workers will have more wages and want to move into better houses, two-thirds of the workers will have no wage increases. Many will have wage decreases. Some will see their expenses so increased that they will be looking for cheaper homes as well as for cheaper cars. Readers who have real estate which they would like to sell should make a strong effort to sell during 1942—at least sell enough to get out of debt.

What About Retail Trade?

Mechants in the defense areas should have a good year. I am not so hopeful for those outside defense areas. Certainly, the number of sales will be smaller although the total gross may hold up. Expanding the draft age may have a dampening effect on retail trade later in the year. The new draft call may also cut the labor supply of many industries. Blackouts are another factor in retarding consumer buying. Hence, merchants should increase advertising appropriations if they expect a good year in 1942. I advise merchants to keep down expenses; avoid wage increases; and get out of debt. If someone else offers you employes more money than you are now paying, let him have such. After the war they will come back to you glad to work for less money than you are now paying. Don't speculate in merchandise. Keep well stocked on standard goods, but avoid style goods which are hard to carry over. Inflation is with us and is gradually increasing prices at the rate of 10-15 per cent a year. Legislation can check it, but it can no more stop inflation than can legislation stop crime. Remember that when the war stops, it will stop suddenly. Therefore, merchants should keep close to shore.

Residential Building Will Decline
Residential building during 1941 increased, as a year ago I forecasted it would increase. Hence, I do not like to risk my good reputation now in giving a figure for 1942. I believe, however, that rising costs, scarcity of certain materials and the provoking way in which labor has acted is hurting residential building. Surely it will show no increase in 1942 over 1941; while I should not be surprised if it fell back to 1940 figures—possibly to the extent of 10 per cent to 15 per cent. Public works and highway construction will be less in 1942 than in 1941. The building of industrial plants will continue in good volume during the first six months. Pleasure car production will be cut 50 per cent. General export trade, except for war purposes, will also fall off. This will especially be true for residential

ADMINISTRATOR'S NOTICE TO CREDITORS

Having qualified as administrator of the estate of J. H. Rogers, deceased, late of Haywood County, North Carolina, this is to notify all persons having claims against the estate of said deceased to exhibit them to the undersigned at his office in Waynesville, N. C., on or before the 10th day of December, 1942, or this notice will be pleaded in bar of their recovery. All persons indebted to said estate will please make immediate payment. This Dec. 10, 1941.

T. L. GREEN,
Administrator of J. H. Rogers.
No. 1145—Dec. 11-18-25-Jan. 1-8-15.

ADMINISTRATRIX NOTICE

The undersigned, having qualified as administratrix of the estate of Gaither B. Ferguson, deceased, all persons having claims against said estate are hereby notified to file the same duly verified with the undersigned, Mrs. Gaither B. Ferguson, Clyde, N. C., on or before December 11, 1942, or this notice will be pleaded in bar of recovery; and all persons indebted to said estate will make settlement forthwith.

MRS. GAITHER B. FERGUSON,
Administratrix of Estate of Gaither B. Ferguson, Deceased.
No. 1143—December 11-18-25-January 1-8-15.

Roger W. Babson's Thumbnail Outlook For 1942

1. **Total Business:** Defense production will be up sharply; non-defense down sharply; average below 1941.
2. **Employment:** The above also applies to employment and to wages.
3. **Farm Income** will be up 10-20% in 1942 over 1941.
4. **Dividends and Business Earnings** have passed their peaks.
5. **Labor:** There will be far fewer strikes in 1942.
6. **Commodity Prices** will strengthen somewhat, especially the prices of imported goods.
7. **Taxes** will be severely felt, especially by the white-collar group who can expect no pay increases.
8. **Retail Trade** will be a little off in 1942 compared with 1941.
9. **High-grade Bonds** should decline, but good Stocks should sell higher.
10. **Creeping Inflation** will continue throughout 1942.

building, auto production, and non-defense foreign trade generally go in the same downward direction.

Utilities Should Improve

The utility industry is basically sound. With a few exceptions when high-finance crept in, the utilities have been conservatively and efficiently managed. They have been foremost in reducing the cost and improving the quality of their service.

Nineteen-forty-one has been the best year that the railroads have had since 1928. The total gross for 1941 will be about \$5,300,000,000, compared with \$4,300,000,000 in 1940; while the net for 1941 will be about \$925,000,000, compared with \$682,000,000 in 1940. The coming year 1942 will show higher figures both for gross and net earnings; but if so, 1942 may be a good time to get out of railroad securities. Yes, get out and stay out. After World War II the railroads are sure to get an awful licking from shipping, airplanes, pipe lines, auto trucks, motor coaches, and private cars of all kinds. Besides, the recent railroad wage award is very unfair to the railroads.

Money Rates and Bond Prices

Money rates will stiffen during 1942; perhaps not appreciably, but some. Certainly any change that does take place will be on the upside. The U. S. government cannot spend about \$30 billions a year (\$575,000 per second) "mostly for firecrackers" without an ultimate strengthening of money rates even though one-half of the sum is raised by taxation.

Cost of Living

The official government cost-of-living figures, which will be published during 1942, will show a small increase each month. The reason is that these figures must cover the same items, brands, and grades in order to have them useful for comparative statistical purposes. As a practical matter, however, a family can switch its purchases from sirloin steak to top-of-the-round without any increase in the cost-of-living. The same family can cut down on deserts and save money on both food and dental bills! Hence, there need be no increase in the cost-of-living for well-managed families during 1942. This is especially true as 15 per cent now goes into the garbage pail or is wasted in other ways.

Will Wages Be Frozen?

Some engaged in the defense in-

NOTICE OF SALE
On Monday, January 12th, 1942, at 11:00 o'clock a. m. at the Court House door in Waynesville, Haywood County, N. C., I will offer for sale at public outcry to the highest bidder for cash, the following described real estate, situate in said Town and County, to-wit:

BEGINNING on a stake in the Southern margin of East Street, which stake is six feet from the pavement and S. 59° W. 140 feet from Western intersection of East Street with the street or driveway leading to J. E. Massie residence, and runs S. 6° 30' E. 265 feet to post; thence S. 82° 45' W. 54 feet to a post; thence N. 17° 05' E. 220 feet to a post; thence N. 15° 30' W. 275 feet to a post; thence N. 11° W. 216 feet to a stake in the Southern margin of East Street and at intersection of the aforesaid street or driveway; thence with East Street, S. 59° W. 140 feet to the BEGINNING, containing 1.86 acres, more or less, as per survey and plat of N. Rogers, surveyor, made December 16th, 1936.

Sale made pursuant to the power, and authority vested in me by virtue of that certain Deed of Trust, dated March 4th, 1937, executed by Olive Boone Green and recorded in Book of Deeds of Trust, No. 31, at page 216 Haywood County Registry, to which instrument and record reference hereby made for all the terms and conditions thereof, default having been made in the payment of the indebtedness there-by secured.

This December 10th, 1941.
A. T. WARD,
Trustee.
No. 1144—Dec. 18-25-Jan. 1-8.

ustries may get wage increases during 1942; but not more than enough to offset the rise in the government's cost-of-living indices. Certain concerns engaged in the non-defense industries will be obliged to pay key people a little more to hold them. The great majority of workers in the non-defense industries will get no increases in 1942, while some will get their wages reduced. The year 1941 saw the peak of strike, and wage increases.

What Will Congress Do?

My forecast a year ago as to what Congress would do in 1941 was 100 per cent correct. Now, I am even surer of my ground. When Congress declared war it performed its most important single act until peace comes. From here out it will become of necessity somewhat of a rubber stamp. War emergency powers of the President will require but little action on the part of Congress.

Price Control and Rationing
If price control legislation is enacted in 1942, it will not be very successful. Price control, without rationing, is usually a failure. Of course, the entire set-up appears cock-eyed to me. For instance, the purpose of price control is to prevent inflation and to discourage the purchase of non-essentials. But, does keeping prices down discourage purchasing? No! The way to discourage purchasing is to let prices rise. But, you ask: How about the prices of essentials such as food? Well, strange to say, the prices of

farm products are not being controlled! Even wages are omitted "because we cannot force people to work" and yet wages are the most important factor in setting prices. Bernard Baruch is correct when demanding the freezing of everything on a given day,—commodities, farm products, wages, rents, interest, and profits. Fine! But how can such a law be enforced? Remember the boot-legging during prohibition days and apply this to 100,000 articles! The answer is in having price control apply to a few essentials and then ration these essentials.

Social Security Legislation

There will be a new tax bill in 1942. It will somewhat increase corporation and personal income taxes, but not seriously. Let me again remind readers that all the Congressmen and one-third of the Senators will be up for re-election on November 3, 1942! There will be a serious attempt by the anti-inflation group to further tax luxuries and unnecessary non-defense products as the easiest way to raise money.

Rents and Strikes

Rents will not decline during 1942; but whether to make long or short leases is debatable. Those owning large, old style houses should sell them during 1942 for any price they can get. I say this because of the action of carpenters, brick layers, plumbers, and painters who are fast killing the geese which lay their golden eggs. You can no longer afford to make over a large, old house into apartments as you once could. Again I say—try to get out of debt during 1942.

There will be fewer strikes in 1942. The strike business has its "ups and downs" like the stock market. Labor leaders, like Wall Street bankers, strike while the iron is hot; they speed up while the going is good. With both labor leaders and bankers, their jobs are purely a "business" of the average labor leader will not be so good in 1942 as in 1941.

Farm Prices Will Be Better

I estimate that if farm prices are controlled, the farmers in 1942 may receive an increase of 20 per cent over 1941. This could increase the national income 10 per cent and raise farm consumer purchasing power to nearly double what it was a few years previous. Cash farm income in 1942 should reach about \$13,000,000,000—the highest since 1920.

Firmer Commodity Prices

Wholesale prices will average

during 1942 about 10 per cent over the "1941 average." But do not get excited! These prices are now about 10 per cent below the 1926 level which the U. S. Bureau of Labor Statistics considers "normal." Those who expect a less-than-10 per cent increase point to (1) the large stocks of food supplies, raw materials, and merchandise now on hand; (2) the heavy advance purchases which consumers made during 1941 which could keep them going for some time; (3) the high taxes of various kinds which 1942 is to witness, together with the curtailment of installment credit; and (4) a gradual increase of unemployment in the non-defense industries.

Stocks to Go Up

The stock market was a "selective market" during 1941 and will probably continue to be such during 1942. While the market as a whole was declining, certain stocks were moving upward. Among these were war stocks, movie stocks, motor coach stocks, chewing gum stocks, soft drink stocks, and certain chain-store stocks. On the contrary, the stocks of companies making mostly refrigerators, oil burners, auto parts, and the like have declined much more than the average market.

Defense Costs For 1942

During the calendar year 1941 our government spent about \$16,000,000,000 with revenue of over one-half this sum. It is estimated that this will be nearly double in 1942. I estimate that on December 31, 1942 the government debt increased during 1941 about \$12,000,000,000. Bankers recently estimated that on December 31, 1942 the government debt will be about \$65,000,000,000 compared with only \$20,000,000,000 in 1922 and less than \$2,000,000,000 in 1917. As a result we are slowly approaching state capitalism. The Federal Government may some day control banking, transportation, and farming. I am bearish on long-term government bonds.

Closing Warning

Just a word to various groups who read this forecast: (1) To manufacturers and investors:—Get out of the objective case. Stop kicking, but help more to row the boat. If you believe in "private enterprise" show more of this enterprise in your own plans and policies. If you love personal liberty, be willing to fight for it, to be taxed for it, and accept the risks that go with it. If you wish to avoid having the government make employment, make it yourselves. There never

was any cyclone cellar for private property or for private enterprise.—Smash the racketeers and labor circles or governments alike. Insist that workers vote by secret ballot as to whether or not they shall strike. Hearing arguments from both labor leaders and from employers (I am willing to agree that corporation be allowed to pay "lock out" without a similar by its stockholders.) I believe in 1942 to encourage the Department of Justice in eliminating racketeers.

(3) Babsonchart shows that S. business today at an all-time high. Production and consumption records are being made along and at higher wages than before. But if 1942 is as good as 1941 we will be lucky.

We should work, study, and operate as never before! Our shoulders rest a great responsibility. This is no time for pettiness in any form. Stakes are too high. The life of our country and our living hang in the balance. I join wholeheartedly in giving all to serving humanity in its hour of need. Only real rice, effectively co-ordinated, tip the scales for righteousness and insure security. The calls for all we Americans give of time, money, and Most of all it means that we ask of God forgiveness for past selfishness and wastefulness. Let's begin the new year with honest prayer that each of us individuals shall be better men and women.

The sale of whole milk brought an income of \$48.10 to Mitchell county farmers of the past year, reports F. L. Ward, farm agent of the N. C. College Extension Service.

NOTICE

Having qualified as Executor of the Estate of Gover Smith, deceased, late of Haywood County, North Carolina, this is to notify the persons having claims against the Estate of said deceased, to exhibit them to the undersigned, Bryant Smith, at his office in Waynesville, N. C., on or before the 4th day of December, 1941, or this notice will be pleaded in bar of their recovery. All persons indebted to said Estate, will please make immediate payment. This December 1st, 1941.

BRYANT SMITH,
Executor.

No. 1139—Dec. 4-11-18-25-1-8.



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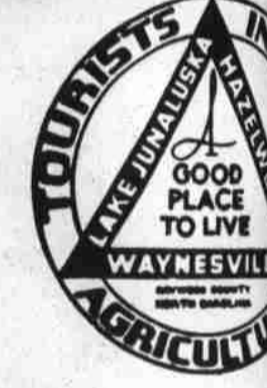
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