

Babson Sees Good Year Ahead

By ROGER W. BABSON

1. Excluding defense orders, the total business volume in 1952 will be less than that for 1951. However, National Income in 1952 will be very high, as war orders take the place of peace production.

2. The outstanding features of 1952—barring all-out war—will be the Presidential election on November 4, 1952. I comment further upon this under paragraph 48.

3. The Administration and its economic advisors appear finally convinced that radical inflation is about to break out next year. But the "braintrusts" are overlooking the fact that the boom is already old and that it was breaking badly when the Korean war broke out. The date of the slide has only moved ahead.

4. Farm income will continue high in 1952.

5. As 1952 wears on, the effect of controls, increased taxes and high prices will cause a decline in legitimate business. If civilian production declines too much, the people may then cry, "This is a government-made slump; let's change the Administration."

6. If in 1952 it becomes evident that business is declining too much as a result of government curbs, the planners at Washington will rush their patient into an oxygen tent.

7. Many labor groups will be successful in getting another round of wage increases in 1952. Although there may be more important strikes in the first part of 1952, there should be a decline in work stoppages in the last half year.

8. Tightness in the labor supply will continue through 1952, particularly of highly skilled workers. Wages of such workers will be advanced voluntarily in order to hold them.

9. The Taft-Hartley Law will not be repealed during 1952, but may be amended. The administrators of the law will continue to wink at some of its clauses.

10. Wholesale prices of many commodities will suffer a mild decline in 1952 when compared with the price level for December 31, 1951. In some lines the drop may be quite steep from the high levels of 1951. Retail prices for 1952 will hold steady.

11. Commodity speculation for a rise will not pay in 1952. Furthermore, our expanding stockpiles of strategic materials present a real price threat in the event of a peace scare. Such stockpiles could then act strongly as a depressant on prices. Wise merchants will operate with only a conservative inventory.

12. The cost of living will remain high during 1952. This prediction recognizes that living costs next year may continue above the lower levels that existed during the first half of the year now closing. I also predict further rises in freight and passenger rates.

13. Congress will not take any action during 1952 to legally bolster so-called Fair Trade price maintenance. It's too risky politically when consumers are complaining about the cost of living. But, some manufacturers will tighten up on distributors, eliminating those who won't sign Fair Trade contracts.

14. Barring crop failures, the total supply of food available should be larger in 1952 than for 1951, since the government will raise planting quotas as part of its attack on inflation. If the weather is extremely favorable, the government will be asked to give away surplus crops.

15. With prospects good for a rising supply of feed grains, most meat should be more plentiful next year than in 1951. Prices for beef, however, will be held up by high wages and military needs.

16. The burden of Federal taxes, both corporate and personal, will not be increased again during 1952 above the advance late in 1951. State and Municipal taxes, however, will go higher again.

17. The above forecast is based on the assumption that unless Stalin starts World War III during the early months of 1952, he has made up his mind to forget World War III until the United States and our Allies again "Go to sleep," which may be some years hence. We give this as a definite prediction as to the outlook for World War III.

18. There are three ways of preventing inflation: (1) increased production; (2) decreased spending; and (3) as a last resort, increased taxes. I forecast that the current exploitation and accompanying fear of inflation are not yet at their peaks for this business cycle.

19. States and Municipalities will again be under pressure to find adequate sources of revenue. Further increases in sales taxes by States and Municipalities can be looked for next year.

20. There will be no increase in "luxury" taxes during 1952.

21. Credit curbs will continue to hold down the demand for automobiles and certain household equipment. Completions of fewer dwellings will also act as a damper on furniture sales.

22. Falling demand for hand goods should stimulate the public's spending for food and lower priced soft goods.

23. The above trend forecast will mean a decline in department store volume. I predict a rise in the sales of variety and drug chains.

24. I believe that armament is to become a new and permanent industry, at least for many years to come. Airplanes, tanks, artillery, guns and munitions will be constantly replaced as they become obsolete. This new activity will operate much as the automobile industry has operated. I forecast that this will be more and more recognized throughout 1952.

25. Barring new war developments, I look for continued shrinkage in our civilian exports during 1952. Imports, however, may rise further. Exports to South America will be off. Total foreign trade should not be changed much, but the exporters will be on the short end of this business with the importers gaining.

26. Except for war supplies, it will become more difficult to convince Congress that additional heavy credits should be granted abroad.

27. Many domestic manufacturers will feel increasing competition from foreign merchandise. A cry for increased tariff protection will be heard; but no radical tariff legislation will result.

28. The first quarter of 1952 may actually see a budget surplus as a result of high National Income and increased taxation. But, a Federal deficit will surely arise during the balance of the year.

29. Government loans will gradually increase during 1952 and there will be some strengthening of basic interest rates.

30. Government bonds will continue to be held tightly between the floor of Federal Reserve support purchases and the ceiling of Federal Reserve anti-inflation sales. Under such conditions, price changes should be negligible during 1952.

31. While Canada and South America have permitted "free markets" or revaluation of gold, because of increases in cost of production, the Administration is still opposed. The Gold Stock of the United States is, however, likely to be revalued upward when the nation, in the opinion of government economists, "needs another shot of inflation." This will not be in 1952.

32. Until the danger of war is past, wise people who can easily do so will move out of large bomb-vulnerable cities and avoid having investments in such areas.

33. Sometime during the year 1952 stocks will sell lower than current quotations. This applies especially to oils and certain "blue chips."

34. Stocks now in the best position for 1952 should be many of those that have not been popular as inflation hedges in the past months. I like good chain variety store stocks, certain movie stocks and possibly the air transportation issues.

35. Investment trust funds, pension funds, and insurance companies may provide an excellent backlog of demand for sound income stocks where good values can be demonstrated.

36. Successful investors of 1952 will be those who have the patience to follow a carefully planned investment program. Such a program will emphasize diversification—not only by company and industry, but also by quality and cash.

37. Highest grade taxable corporate bonds should hold in a narrow price range during 1952, but I see no reason for individual investors to buy them unless they are convertibles.

38. With present high income taxes, tax-exempt bonds should continue in good demand. Investors should see to it that their bond maturities are carefully diversified, with some part of their bond funds maturing each year. As there usually is not a good market for tax-exempts when an estate is liquidated, it is wise to hold only such bonds as will mature near the time of one's probable death.

39. Much of the recent real estate boom was the result of easy credit, — almost nothing down and small payments for years hence. Under the recent legislation there will be fewer small homes built in 1952; but some credit restrictions will be modified. Mortgage money should soon be had on more liberal terms.

40. Nonessential commercial building will be hit in 1952 — but, barring World War III, controls will be lessened rather than increased.

41. The decline in new building will continue to throw a wet blanket over speculation in vacant suburban lots during 1952.

42. The scare caused by the Korean-China War and fears of an early outbreak in other sections will adversely affect the demand for big city real estate. This fear, however, is declining and many who had put their city properties up for sale are withdrawing them.

43. Small sustenance farms should hold up well in price as these continue to be valuable inflation hedges. Demand for large commercial farms, however, should weaken as the year progresses.

44. Any swing toward rent control will act as a further damper on new apartment house building. There is as yet no incentive to build homes for rental income, although rent control is gradually lessening.

45. Tighter credit controls will make it more difficult to improve older residential properties. Hence the prices for these should weaken even though these are now the best buys.

46. Volume of money and credit in circulation will continue to increase to about the peak of a few years back. The big rise has been in credit. Much of the credit increase is "secured" by commodity and property values that can shrink greatly when defense spending ends.

47. Those who can do so should attempt to get defense orders if needed to hold up production volumes and reduce overhead. Not too much profit from such war business should be expected. These contracts will be subject to tightfisted negotiations.

48. The political outlook for 1952 will be completely dominated by jockeying for position in

the Presidential race for 1952. Barring World War III, Congress will pass very little new legislation except some sops to labor and the veterans.

49. Congress will still be dominated by a conservative coalition of Northern Republicans and Southern Democrats. This North-South coalition will still be able to curb onslaughts by New Dealers.

50. Democrats, as well as Republicans, in Congress are making every effort to avoid antagonizing farmers. Again, in 1952—as in 1948—the farmers will hold the balance of power in the Presidential and many Congressional elections. Midwest states can make or break the Presidential candidates. The labor vote is overrated.

51. The above forecast is based on the assumption that unless Stalin starts World War III during the early months of 1952, he has made up his mind to forget World War III until the United States and our Allies again "Go to sleep," which may be some years hence. We give this as a definite prediction as to the outlook for World War III.

52. There are three ways of preventing inflation: (1) increased production; (2) decreased spending; and (3) as a last resort, increased taxes. I forecast that the current exploitation and accompanying fear of inflation are not yet at their peaks for this business cycle.

53. States and Municipalities will again be under pressure to find adequate sources of revenue. Further increases in sales taxes by States and Municipalities can be looked for next year.

54. There will be no increase in "luxury" taxes during 1952.

55. Credit curbs will continue to hold down the demand for automobiles and certain household equipment. Completions of fewer dwellings will also act as a damper on furniture sales.

56. Falling demand for hand goods should stimulate the public's spending for food and lower priced soft goods.

57. The above trend forecast will mean a decline in department store volume. I predict a rise in the sales of variety and drug chains.

58. I believe that armament is to become a new and permanent industry, at least for many years to come. Airplanes, tanks, artillery, guns and munitions will be constantly replaced as they become obsolete. This new activity will operate much as the automobile industry has operated. I forecast that this will be more and more recognized throughout 1952.

59. Barring new war developments, I look for continued shrinkage in our civilian exports during 1952. Imports, however, may rise further. Exports to South America will be off. Total foreign trade should not be changed much, but the exporters will be on the short end of this business with the importers gaining.

60. Except for war supplies, it will become more difficult to convince Congress that additional heavy credits should be granted abroad.

61. Many domestic manufacturers will feel increasing competition from foreign merchandise. A cry for increased tariff protection will be heard; but no radical tariff legislation will result.

62. The first quarter of 1952 may actually see a budget surplus as a result of high National Income and increased taxation. But, a Federal deficit will surely arise during the balance of the year.

63. Government loans will gradually increase during 1952 and there will be some strengthening of basic interest rates.

64. Government bonds will continue to be held tightly between the floor of Federal Reserve support purchases and the ceiling of Federal Reserve anti-inflation sales. Under such conditions, price changes should be negligible during 1952.

65. While Canada and South America have permitted "free markets" or revaluation of gold, because of increases in cost of production, the Administration is still opposed. The Gold Stock of the United States is, however, likely to be revalued upward when the nation, in the opinion of government economists, "needs another shot of inflation." This will not be in 1952.

66. Until the danger of war is past, wise people who can easily do so will move out of large bomb-vulnerable cities and avoid having investments in such areas.

67. Sometime during the year 1952 stocks will sell lower than current quotations. This applies especially to oils and certain "blue chips."

68. Stocks now in the best position for 1952 should be many of those that have not been popular as inflation hedges in the past months. I like good chain variety store stocks, certain movie stocks and possibly the air transportation issues.

69. Investment trust funds, pension funds, and insurance companies may provide an excellent backlog of demand for sound income stocks where good values can be demonstrated.

70. Successful investors of 1952 will be those who have the patience to follow a carefully planned investment program. Such a program will emphasize diversification—not only by company and industry, but also by quality and cash.

71. Highest grade taxable corporate bonds should hold in a narrow price range during 1952, but I see no reason for individual investors to buy them unless they are convertibles.

72. With present high income taxes, tax-exempt bonds should continue in good demand. Investors should see to it that their bond maturities are carefully diversified, with some part of their bond funds maturing each year. As there usually is not a good market for tax-exempts when an estate is liquidated, it is wise to hold only such bonds as will mature near the time of one's probable death.

73. Much of the recent real estate boom was the result of easy credit, — almost nothing down and small payments for years hence. Under the recent legislation there will be fewer small homes built in 1952; but some credit restrictions will be modified. Mortgage money should soon be had on more liberal terms.

74. Nonessential commercial building will be hit in 1952 — but, barring World War III, controls will be lessened rather than increased.

75. The decline in new building will continue to throw a wet blanket over speculation in vacant suburban lots during 1952.

76. The scare caused by the Korean-China War and fears of an early outbreak in other sections will adversely affect the demand for big city real estate. This fear, however, is declining and many who had put their city properties up for sale are withdrawing them.

77. Small sustenance farms should hold up well in price as these continue to be valuable inflation hedges. Demand for large commercial farms, however, should weaken as the year progresses.

78. Any swing toward rent control will act as a further damper on new apartment house building. There is as yet no incentive to build homes for rental income, although rent control is gradually lessening.

79. Tighter credit controls will make it more difficult to improve older residential properties. Hence the prices for these should weaken even though these are now the best buys.

80. Volume of money and credit in circulation will continue to increase to about the peak of a few years back. The big rise has been in credit. Much of the credit increase is "secured" by commodity and property values that can shrink greatly when defense spending ends.

81. Those who can do so should attempt to get defense orders if needed to hold up production volumes and reduce overhead. Not too much profit from such war business should be expected. These contracts will be subject to tightfisted negotiations.

82. The political outlook for 1952 will be completely dominated by jockeying for position in

the Presidential race for 1952. Barring World War III, Congress will pass very little new legislation except some sops to labor and the veterans.

83. Congress will still be dominated by a conservative coalition of Northern Republicans and Southern Democrats. This North-South coalition will still be able to curb onslaughts by New Dealers.

84. Democrats, as well as Republicans, in Congress are making every effort to avoid antagonizing farmers. Again, in 1952—as in 1948—the farmers will hold the balance of power in the Presidential and many Congressional elections. Midwest states can make or break the Presidential candidates. The labor vote is overrated.

85. The above forecast is based on the assumption that unless Stalin starts World War III during the early months of 1952, he has made up his mind to forget World War III until the United States and our Allies again "Go to sleep," which may be some years hence. We give this as a definite prediction as to the outlook for World War III.

86. There are three ways of preventing inflation: (1) increased production; (2) decreased spending; and (3) as a last resort, increased taxes. I forecast that the current exploitation and accompanying fear of inflation are not yet at their peaks for this business cycle.

87. States and Municipalities will again be under pressure to find adequate sources of revenue. Further increases in sales taxes by States and Municipalities can be looked for next year.

88. There will be no increase in "luxury" taxes during 1952.

89. Credit curbs will continue to hold down the demand for automobiles and certain household equipment. Completions of fewer dwellings will also act as a damper on furniture sales.

90. Falling demand for hand goods should stimulate the public's spending for food and lower priced soft goods.

91. The above trend forecast will mean a decline in department store volume. I predict a rise in the sales of variety and drug chains.

92. I believe that armament is to become a new and permanent industry, at least for many years to come. Airplanes, tanks, artillery, guns and munitions will be constantly replaced as they become obsolete. This new activity will operate much as the automobile industry has operated. I forecast that this will be more and more recognized throughout 1952.

93. Barring new war developments, I look for continued shrinkage in our civilian exports during 1952. Imports, however, may rise further. Exports to South America will be off. Total foreign trade should not be changed much, but the exporters will be on the short end of this business with the importers gaining.

94. Except for war supplies, it will become more difficult to convince Congress that additional heavy credits should be granted abroad.

95. Many domestic manufacturers will feel increasing competition from foreign merchandise. A cry for increased tariff protection will be heard; but no radical tariff legislation will result.

96. The first quarter of 1952 may actually see a budget surplus as a result of high National Income and increased taxation. But, a Federal deficit will surely arise during the balance of the year.

97. Government loans will gradually increase during 1952 and there will be some strengthening of basic interest rates.

98. Government bonds will continue to be held tightly between the floor of Federal Reserve support purchases and the ceiling of Federal Reserve anti-inflation sales. Under such conditions, price changes should be negligible during 1952.

99. While Canada and South America have permitted "free markets" or revaluation of gold, because of increases in cost of production, the Administration is still opposed. The Gold Stock of the United States is, however, likely to be revalued upward when the nation, in the opinion of government economists, "needs another shot of inflation." This will not be in 1952.

100. Until the danger of war is past, wise people who can easily do so will move out of large bomb-vulnerable cities and avoid having investments in such areas.

101. Sometime during the year 1952 stocks will sell lower than current quotations. This applies especially to oils and certain "blue chips."

102. Stocks now in the best position for 1952 should be many of those that have not been popular as inflation hedges in the past months. I like good chain variety store stocks, certain movie stocks and possibly the air transportation issues.

103. Investment trust funds, pension funds, and insurance companies may provide an excellent backlog of demand for sound income stocks where good values can be demonstrated.

104. Successful investors of 1952 will be those who have the patience to follow a carefully planned investment program. Such a program will emphasize diversification—not only by company and industry, but also by quality and cash.

105. Highest grade taxable corporate bonds should hold in a narrow price range during 1952, but I see no reason for individual investors to buy them unless they are convertibles.

106. With present high income taxes, tax-exempt bonds should continue in good demand. Investors should see to it that their bond maturities are carefully diversified, with some part of their bond funds maturing each year. As there usually is not a good market for tax-exempts when an estate is liquidated, it is wise to hold only such bonds as will mature near the time of one's probable death.

107. Much of the recent real estate boom was the result of easy credit, — almost nothing down and small payments for years hence. Under the recent legislation there will be fewer small homes built in 1952; but some credit restrictions will be modified. Mortgage money should soon be had on more liberal terms.

108. Nonessential commercial building will be hit in 1952 — but, barring World War III, controls will be lessened rather than increased.

109. The decline in new building will continue to throw a wet blanket over speculation in vacant suburban lots during 1952.

110. The scare caused by the Korean-China War and fears of an early outbreak in other sections will adversely affect the demand for big city real estate. This fear, however, is declining and many who had put their city properties up for sale are withdrawing them.

111. Small sustenance farms should hold up well in price as these continue to be valuable inflation hedges. Demand for large commercial farms, however, should weaken as the year progresses.

112. Any swing toward rent control will act as a further damper on new apartment house building. There is as yet no incentive to build homes for rental income, although rent control is gradually lessening.

113. Tighter credit controls will make it more difficult to improve older residential properties. Hence the prices for these should weaken even though these are now the best buys.

114. Volume of money and credit in circulation will continue to increase to about the peak of a few years back. The big rise has been in credit. Much of the credit increase is "secured" by commodity and property values that can shrink greatly when defense spending ends.

115. Those who can do so should attempt to get defense orders if needed to hold up production volumes and reduce overhead. Not too much profit from such war business should be expected. These contracts will be subject to tightfisted negotiations.

116. The political outlook for 1952 will be completely dominated by jockeying for position in

the Presidential race for 1952. Barring World War III, Congress will pass very little new legislation except some sops to labor and the veterans.

117. Congress will still be dominated by a conservative coalition of Northern Republicans and Southern Democrats. This North-South coalition will still be able to curb onslaughts by New Dealers.

118. Democrats, as well as Republicans, in Congress are making every effort to avoid antagonizing farmers. Again, in 1952—as in 1948—the farmers will hold the balance of power in the Presidential and many Congressional elections. Midwest states can make or break the Presidential candidates. The labor vote is overrated.

119. The above forecast is based on the assumption that unless Stalin starts World War III during the early months of 1952, he has made up his mind to forget World War III until the United States and our Allies again "Go to sleep," which may be some years hence. We give this as a definite prediction as to the outlook for World War III.

120. There are three ways of preventing inflation: (1) increased production; (2) decreased spending; and (3) as a last resort, increased taxes. I forecast that the current exploitation and accompanying fear of inflation are not yet at their peaks for this business cycle.

121. States and Municipalities will again be under pressure to find adequate sources of revenue. Further increases in sales taxes by States and Municipalities can be looked for next year.

122. There will be no increase in "luxury" taxes during 1952.

123. Credit curbs will continue to hold down the demand for automobiles and certain household equipment. Completions of fewer dwellings will also act as a damper on furniture sales.

124. Falling demand for hand goods should stimulate the public's spending for food and lower priced soft goods.

125. The above trend forecast will mean a decline in department store volume. I predict a rise in the sales of variety and drug chains.

126. I believe that armament is to become a new and permanent industry, at least for many years to come. Airplanes, tanks, artillery, guns and munitions will be constantly replaced as they become obsolete. This new activity will operate much as the automobile industry has operated. I forecast that this will be more and more recognized throughout 1952.

127. Barring new war developments, I look for continued shrinkage in our civilian exports during 1952. Imports, however, may rise further. Exports to South America will be off. Total foreign trade should not be changed much, but the exporters will be on the short end of this business with the importers gaining.

128. Except for war supplies, it will become more difficult to convince Congress that additional heavy credits should be granted abroad.

129. Many domestic manufacturers will feel increasing competition from foreign merchandise. A cry for increased tariff protection will be heard; but no radical tariff legislation will result.

130. The first quarter of 1952 may actually see a budget surplus as a result of high National Income and increased taxation. But, a Federal deficit will surely arise during the balance of the year.

131. Government loans will gradually increase during 1952 and there will be some strengthening of basic interest rates.

132. Government bonds will continue to be held tightly between the floor of Federal Reserve support purchases and the ceiling of Federal Reserve anti-inflation sales. Under such conditions, price changes should be negligible during 1952.

133. While Canada and South America have permitted "free markets" or revaluation of gold, because of increases in cost of production, the Administration is still opposed. The Gold Stock of the United States is, however, likely to be revalued upward when the nation, in the opinion of government economists, "needs another shot of inflation." This will not be in 1952.

134. Until the danger of war is past, wise people who can easily do so will move out of large bomb-vulnerable cities and avoid having investments in such areas.

135. Sometime during the year 1952 stocks will sell lower than current quotations. This applies especially to oils and certain "blue chips."

136. Stocks now in the best position for 1952 should be many of those that have not been popular as inflation hedges in the past months. I like good chain variety store stocks, certain movie stocks and possibly the air transportation issues.

137. Investment trust funds, pension funds, and insurance companies may provide an excellent backlog of demand for sound income stocks where good values can be demonstrated.

138. Successful investors of 1952 will be those who have the patience to follow a carefully planned investment program. Such a program will emphasize diversification—not only by company and industry, but also by quality and cash.

139. Highest grade taxable corporate bonds should hold in a narrow price range during 1952, but I see no reason for individual investors to buy them unless they are convertibles.

140. With present high income taxes, tax-exempt bonds should continue in good demand. Investors should see to it that their bond maturities are carefully diversified, with some part of their bond funds maturing each year. As there usually is not a good market for tax-exempts when an estate is liquidated, it is wise to hold only such bonds as will mature near the time of one's probable death.

141. Much of the recent real estate boom was the result of easy credit, — almost nothing down and small payments for years hence. Under the recent legislation there will be fewer small homes built in 1952; but some credit restrictions will be modified. Mortgage money should soon be had on more liberal terms.

142. Nonessential commercial building will be hit in 1952 — but, barring World War III, controls will be lessened rather than increased.

143. The decline in new building will continue to throw a wet blanket over speculation in vacant suburban lots during 1952.

144. The scare caused by the Korean-China War and fears of an early outbreak in other sections will adversely affect the demand for big city real estate. This fear, however, is declining and many who had put their city properties up for sale are withdrawing them.

145. Small sustenance farms should hold up well in price as these continue to be valuable inflation hedges. Demand for large commercial farms, however, should weaken as the year progresses.

146. Any swing toward rent control will act as a further damper on new apartment house building. There is as yet no incentive to build homes for rental income, although rent control is gradually lessening.

147. Tighter credit controls will make it more difficult to improve older residential properties. Hence the prices for these should weaken even though these are now the best buys.

148. Volume of money and credit in circulation will continue to increase to about the peak of a few years back. The big rise has been in credit. Much of the credit increase is "secured" by commodity and property values that can shrink greatly when defense spending ends.

149. Those who can do so should attempt to get defense orders if needed to hold up production volumes and reduce overhead. Not too much profit from such war business should be expected. These contracts will be subject to tightfisted negotiations.

150. The political outlook for 1952 will be completely dominated by jockeying for position in

the Presidential race for 1952. Barring World War III, Congress will pass very little new legislation except some sops to labor and the veterans.

151. Congress will still be dominated by a conservative coalition of Northern Republicans and Southern Democrats. This North-South coalition will still be able to curb onslaughts by New Dealers.

152. Democrats, as well as Republicans, in Congress are making every effort to avoid antagonizing farmers. Again, in 1952—as in