

# BABSON SEES BETTER TIMES

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than the early months and will run 15 per cent above the last half of 1938. The entire year's gain should average around 20 per cent. This would put the Babsonchart at 106 to 108 by next Christmas.

### No Disturbing Legislation

The absence of disturbing new legislation may well spark this advance. Since 1933, the cues for my annual forecasts have been found on Pennsylvania avenue. This year, we face a new set-up. The marked increase in the Republican delegation on Capitol Hill, plus the unpurged Democrats, can lick any further New Deal reforms. On the other hand, the President still retains enough "100 percenters" to block any serious revision of existing laws.

The Wagner Act, for instance, may be amended, but only if the President agrees to the amendments. Many tax law changes will be proposed, but few will go through. The biggest fiscal reform may be the elimination of tax exemption on new government bonds. Moreover, it is possible that public employees will be put under the same income tax laws to which other individuals are subject. A lot of talk about "incentive" taxes to foster profit-sharing plans will be heard. Some change in farm legislation is in the wind.

### Spending To Go On

As a result of my recent poll of reader opinion on the Patman Chain Store Bill, I predict its defeat. The defense program will go ahead full blast after a strong debate in Congress, but I doubt if any special taxes will be levied to support it. There will be a drive to abolish the big Social Security reserve fund and put the program on a "pay-as-you-go" basis. The only change I see in this program, however, is the stepping-up of the benefit maximums and the applying of the Act to more people.

Because of the heavy defense program, the spending faucets at Washington will be wide open. Although the average citizen wants economy, his wishes are not heeded by Congress or state legislatures. I think that public extravagance is one of our three biggest long-term problems. History proves that, once spending starts, it is almost impossible to stop. Our experience so far bears this out. A balanced budget is not in sight. By the end of the next fiscal year—on June 30, 1940—our national debt may reach \$42,000,000,000, compared with \$10,000,000,000 in 1930!

### More Jobs and Strikes

Better business next year naturally means more jobs. There are about 9,000,000 jobless today against 7,500,000 last Christmas. This total ought to drop at least 2,000,000 during 1939. New building, railroad equipment, factory machinery, and the tool industries, plus the service businesses, should provide a good portion of these jobs. As business increases, labor troubles may likewise increase. However, I now foresee no widespread strikes such as 1937 witnessed.

Wages may edge higher in 1939, but I do not expect any general increases, such as we had two years ago. Hourly rates will be marked up only in special instances later in the year. More jobs and slowly rising wage rates should add up to the biggest payrolls and best urban buying power since the Boom. These payrolls would even exceed 1929 were it not for the new "Wage and Hour" Act which is a ball and chain on most workers.

### Farm Outlook Better

Farm income should also be better. Farm products' prices can score moderate advances led by wheat, corn, fresh vegetables, and potatoes. Butter, eggs, and milk should not sell for much more than they did in 1938. Cattle will feature the livestock picture, while bigger supplies of lambs and hogs will hold down their prices. With wool demand high, and world supplies not burdensome, higher prices are logical.

Indications now are that production of farm products, while less than last year, will again be above average. So barring drought or other abnormal weather conditions, farm income may jump 10 per cent above 1938. Farmers' profits will be somewhat better than this year even though the goods which farmers must buy will cost more. Be-

## Their Schooling Is Matter for Court



Seeking possession of his four children in order that they might be entered in British schools, Guy Maynard Liddell, head of England's civil intelligence department, has applied for a writ of habeas corpus against his wife, Mrs. Calypso Liddell, mother of the children and from whom he has been separated since 1935. All of the children are honor students in a Miami, Fla., grade school.

## Parachute Jumper Makes 30,000 Foot Leap



No celestial invader is this intrepid man. Two attendants at the Villeneuve-St. George's air field in Paris, France, carry a French parachute jumper from the field after he made a successful jump from an altitude of 30,000 feet. He is wearing the new suit that has been perfected for stratosphere flying.

cause the outlook is only moderately better, I see no reason for farm land values to change greatly.

### Food To Boost Living Costs

Food eats up practically 40 per cent of the average family's budget. Hence, the strengthening of farm products prices is the biggest factor in the living cost outlook. In addition to bigger food bills, clothing will also cost more in 1939—perhaps five per cent. An advance in fuel oil prices from current low figures by Spring is a distinct possibility. Soft coal prices may rise slightly. The demand for coal may increase as people find that a fully automatic stoker gives certain sections cheaper heat than does oil.

Rents should not move much in either direction except in the case of especially desirable urban properties. Taxes, of course, will be no lower. Electric light and gas rates will continue their long-term downward trend. Home furnishings, in general, will cost more. Adding up all these various items, my estimate is that by next Christmas we may find total living costs five to eight per cent above present figures.

### Higher Wholesale Prices

Before leaving living costs, industrial commodity prices should be mentioned. They have been trailing recovery to date. In fact, they are actually lower on the average than they were when business started to skyrocket last June. So an advance in the cards for prices of such raw materials as hides, leather, rubber, gray goods, zinc, lead, lumber, and the like. These gains mean that

retail prices during 1939 will reverse their long down-trend. That is why I predict that home furnishings and clothing will cost more next year.

A jump in retail price-tags and in household bills ordinarily means cutting into consumer purchases—but the 1939 increase in payrolls and farm incomes should offset them. Consequently, I expect merchants, wholesalers, and jobbers to have a better year than in 1938. Dollar retail sales ought to average 8 to 10 per cent above the last 12 months with the best comparisons coming in June and October. Unit sales will not rise quite so much because of the higher prices.

Store profits should increase even more than dollar volume of trade because there need be no stock write-downs in 1939 as there have been during the past 12 months. A heavy demand for luxury and semi-luxury merchandise is logical. Charge account business will expand and, while I do not like to forecast it, I think that instalment sales will probably increase faster than cash business. With the outlook for higher retail prices, wise shoppers will stock up during early '39 "clearance" sales.

### Good Year For Salesmen

While 1939 looks like a good year for merchants, it can be a BOOM year for salesmen. As one prominent business man recently put it, "1939 is going to be a salesman's year if it is going to be anybody's." Big things are ahead for salesmen who have been patiently doing their spade work through the last four or five years. Many jobs and orders

that were killed by the Recession should "break" in 1939. Salesmen in the automobile, machinery, building materials, air-conditioning, advertising, real estate, household equipment, and other lines can look forward to a real year.

Best sales areas should be the industrial sections, cities like Detroit, Cleveland, Pittsburgh, Chicago, Birmingham, Toledo, and Buffalo may show the biggest percentage gains, but trade in the agricultural sections should also be brisk. The Southeastern and Southwestern farm areas look particularly favorable. I advise stepping up advertising budgets and sales quotas by at least .15 per cent. In reaching 1939's good markets, advertising managers should not forget that newspaper coverage is still the best and cheapest medium.

### Building To Pace Industries

Nearly all industries can look ahead to better business in 1939. A possible 25 per cent gain in building (with costs creeping slowly upward) will be the most important. A sharp increase—around 40 per cent—in auto assemblies will stimulate activity in many related industries. Railroad material and equipment should improve as the current upturn in carloadings continues.

Gasoline consumption, electric power output, and aviation manufacturing will hit all-time record highs. Steel operations should average around 60 per cent of capacity for the year. Textile mills, mines, shipyards, office equipment plants, building supply houses, rubber goods and tire factories should all be from 15 to 25 per cent busier than in 1938.

### Stocks To Rise

With industries activity rising, it is only logical to expect higher stock prices. Increased business, better earnings, pressure of idle cash, healthier trends at Washington should all help to strengthen the market. How far the advance will go, I am not prepared to say. There is an outside chance, however, that the March, 1937 Recovery highs can be broken during the coming year. Naturally, transactions on the various exchanges should be much more active than in 1938.

Readers ask that I name those stock market groups which I feel have the best outlook. I do not like to do so, but will mention the chemicals, oils, electrical equipments, rail equipments, building, machinery, and steels as having good prospects. For 10 years, I have never recommended a railroad common stock and I do not intend to get messed up in this stock industry now. However, I believe that the rails may have the best chance of all groups in 1939 for percentage gains. This especially applies to certain defaulted bonds.

### Sharp Profit and Dividend Gains

During early 1939, I would prefer to buy securities of companies in strong financial condition, without funded debt if possible. But no security can be put away in a safe-deposit box and forgotten. Sharper control over operating costs, brought about by the Recession, should produce the best profits since 1929, excepting only late 1936 and early 1937. Only higher taxes and labor costs will prevent earnings from being the best since the Boom. With a big step-up in profits, investors can expect many pleasant dividend surprises as the year progresses.

The same factors which will help stock prices will also rule bonds. Second-grade issues may be the sensation of the market. Force of capital seeking investment can keep high-grade bonds steady—but by year-end the pressure will be on the downside. I forecast no material change in 1939 in our abnormally low money rates. We are one year nearer the time, however, when those investors who have over-concentrated in low-coupon, high-grade, long-term corporate and government bonds will be very sorry!

### Peace Prospects Glimmy

I urge investors to leave foreign bonds alone because international relations will continue in a turmoil. The Munich Pact merely postponed war—for how long, no one knows. I am more optimistic than most observers, but I am not willing to predict—as I did a year ago—that there will be no war in Europe during the New Year. I feel, however, that Great Britain, France, and the United States will get 12 months more of peace.

Despite unsettled foreign relations, our overseas trade will be better than in 1938, but not as

good as in 1937. The biggest gains will be with Great Britain and the Dominions. The improvement in South American commerce will also be considerable. Secretary Hull's reciprocal trade agreements and the recent Latin-American talks at Lima, Peru, should further these trade gains. Germany and Italy will remain poor markets and our trade with Japan will suffer.

### Long-Term Outlook Uncertain

The above is a good outline of what I figure the New Year has in store for us. While 1939—and perhaps 1940—should be better, readers must not think that I believe we are out of the woods. Our standards of living must sooner or later be readjusted to actual conditions. Subsidies and other forms of government relief must some day cease. Many communities are now living in a fool's paradise. Ultimately, we must get back to fundamentals.

I am convinced that we cannot have any lasting prosperity in America—nor peace through the world—until we have a rebirth of character. A revival of unselfishness, and a renewal of our love for our fellowmen. When this takes place we will have truly "Happy New Years."

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## Controlled Breeding Of Cattle Important

Controlled breeding of beef cattle is important in the production of an economical, well-developed herd, says L. I. Case, beef cattle specialist of the State college extension service.

On the well managed farm, beef cows are generally bred in the late spring or early summer in order that they may calve at the proper time. In Eastern North Carolina, under average conditions, the bull is allowed to run with the cow herd during May, June and July, and the calves arrive in February, March and April the following year.

During the remainder of the year the bull is kept in a small, strongly-fenced pasture, or lot, either by himself or with a bred cow for company. This same procedure, with perhaps some variations to suit local conditions, is followed in Piedmont and Western North Carolina.

There are several advantages in having the calves come at the same time of the year. Dry cows can be wintered more easily and cheaply than cows nursing calves. Winter and early spring cows usually grow off faster and make better animals than calves dropped in the summer or fall. Calves dropped at the same time, close together in the spring of the year, can all be weaned at the same time. Their uniform ages makes it possible to pasture, house and feed them together.

Steers of about the same weight and age also can be marketed easier since buyers will make offers for lots when they don't have to guess at the age of the individual steers.

Of course, if a small herd is kept and beef is slaughtered for home use the year round, it would be more practical to have the calves dropped at different times. However, controlled breeding will aid commercial production.

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