

## Business Conditions To Be Better In '39, Predicts Babson

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thy gain over the January levels. The entire first half of the New Year should show a 25 per cent increase over the gloomiest months of early 1938.

The second half of 1939 should see a continuation of the gains. My forecast, however, is contrary to the expectations of many people. They look for business to taper off and even to slide backward when government pump priming ceases next May or June. Nevertheless, I am willing to predict that the second half of the year will be better 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 Babson chart 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 forecast 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 unopposed Democrats, can lick any further New Deal reforms. On the other hand, the President still retains enough "100 per centers" 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 \$16,000,000,000 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 having 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. Because 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 5 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 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 5 to 8 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 is 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 income 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 twelve 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 twelve 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 installment 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. Sharp increase—around 40 per cent—in auto assemblies will stimulate activity in many related industries. Railroad material and equipment buying 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 industrial 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 EQUIPMENT, RAIL EQUIPMENTS, BUILDING, MACHINERY, and STEELS as having good prospects. For ten years, I have never recommended a RAILROAD common stock and I do not intend to get messed up in this sick 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

## Roger W. Babson's Business Blueprint For 1939

BUSINESS—Twenty Per Cent Gain Over 1938.

TREND—Gradual Uptrend With Second Half Best.

CONGRESS—Relief from New Anti-Business Legislation.

PRICES—Moderate Increases From Current Lows.

FARMS—Produce Prices To Rise; Income Higher.

LABOR—More Jobs, Steady Wages, Increased Strikes.

RETAIL TRADE—Ten Per Cent GAIN; Price-Tags Marked Up.

LIVING COSTS—Food, Clothing To Lead Five Per Cent Rise.

BUILDING—Major Prop To 1939 Gains In All Industries.

REAL ESTATE—Rents Steady; Values, Activity Higher.

SECURITIES—Stocks and Medium-Grade Bonds To Advance.

FOREIGN—No War For U. S., England, Or France.

SUMMARY—1939 To Be Far Better Year Than 1938.

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 set-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 gov-

ernment bonds will be very sorry!

### PEACE PROSPECTS GLOOMY

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 twelve months more of peace.

Despite unsettled foreign relations, our overseas trade will be better than in 1938, but not so 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 fools paradise. Ultimately, we must get back to fundamentals.

I am convinced that we cannot have any lasting prosperity in America—nor peace throughout 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."

"Yes, the smallest things seem to upset my wife. The other day she was doing a crossword puzzle and she asked me, 'What is a female sheep?' I said, 'Ewe,' and she burst into tears."—Wall St. Journal.

## Local F.F.A. Club Declared Outstanding In N. Carolina

(Continued from page 1)

mie Boone, Ralph Boyd, Ted Chambers, Corbett Chambers, Joe Calhoun, Roger Davis, Ray Deitz.

Troy Franklin, Walter Franklin, Harold Francis, James Francis, E. Galloway, Marion Green, Hugo Hooper, Elmer Hendrix, Lester Hunter, Clyde Lyle, Dave Leatherwood.

Robert Meachey, Edgar McElroy, William McCracken, James McElroy, Spillman McClure, Ray Noland, Marion Norman, Edgar Norman, J. Rabb, Bonner Rabb, Sam Queen.

Bill Queen, Hayes Singleton, J. Underwood, Wayne Wright, Jack Carver, Raymond Coward, G. Lancaster, Wayne Hyatt, H. Queen.

## Bird Banding Is Interesting Hobby

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history can be made. Miss Boggs has banded about 1200 different birds in Waynesville and somewhere today these birds, or great many of them, are flying along the migration lanes. This summer Miss Boggs succeeded in capturing a brown thrasher that she originally banded in 1926. By this capture, the bird is proven to be not less than 12 years old and sets a new age record for this species. Such happenings help to make this work one of the most interesting of natural history hobbies.

Bird banders consider the birds they have banded as their personal friends. If anyone should find a banded bird, Miss Boggs asks that they report it either to her or to the Biological Survey in Washington, D. C. Some bird banders, somewhere, will appreciate the thoughtfulness and it will be the means of locating one of his friends.

## SMITH'S PRICES ARE THE LOWEST IN THE COUNTY

25c Size Carters Liver Pills 15c	75c Size Doans Pills 47c	50c Tek Tooth Brush 2 For 51c	35c Jar Ponds Creams 19c	\$1.10 Large Angelus Lipstick 65c	Box 500 Facial Tissues 19c
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### Cigarettes Leading Brands

15c Size  
Pkg. 20 12c

### Tobacco Prince Albert Big Ben

15c  
Tins 10c

### 59c Pint Heavy Russian Mineral Oil 19c

### 39c Pint U. S. P. Pure Milk Of Magnesia 15c

\$1.25 Bottle 100  
Genuine

### Caroid and Bile Salts 79c

### 60c Dr. Kilmers Swamp Root 34c

### \$1.00 Genuine Ironized Yeast 69c

## DRUGS WITH A REPUTATION Smith's CUT RATE DRUG STORE

(NONE SOLD TO DEALERS — QUANTITY RIGHTS RESERVED)

### Extra Specials For This Week-End

\$1.25 Tonic PERUNA 79c	75c Pint M-31 ANTISEPTIC 49c
35c Groves Laxative BROMO-QUININE 19c	75c Large Size LISTERINE 59c
\$1.50 Lydia E. PINKHAMS 84c	50c Tooth Paste IPANA 39c
\$1.00 Cod Liver Oil SQUIBB'S 79c	50c Tooth Powder DR. LYON'S 29c
60c Dr. Miles ALKA-SELTZER 49c	Pkg. 8 Blades GILLETTE 19c
\$1.00 Size MARMOLA 64c	20c French's BIRD SEED 10c
\$1.00 Wine Of CARDUI 79c	25c Milk EAGLE BRAND 18c
60c Cod Liver Oil McCOY'S TABLETS 34c	4 Tall or 8 Small Milk PET or CARNATION 25c
\$1.25 Size ABSORBINE JR. 79c	\$1.98 3-Heat Electric HEATING PAD \$1.39

## FREE 1939 Weather Chart Calendars

Seminole  
BATHROOM TISSUE  
10c Rolls, 1000 Sheets  
3 For 16c

Red Cross Paper  
Towels  
2 Rolls 15c

Alcohol  
Full Pint Rubbing  
2 For 25c

### SALE OF SOAPS

Giant Size Soap or Powder OCTAGON 4c	10c Size SUPER SUDS 3 for 25c
Toilet Soap OCTAGON 6 for 25c	25c Large Size SUPER SUDS 2 for 35c
Octagon CLEANSER 3 for 13c	Granulated Soap OCTAGON 3 for 25c
35c Value 1—25c and 1—10c Size CONC. SUPER SUDS 21c	

### 50c Size Jergens Lotion 29c

### 75c Size Noxzema Cream 49c

### 60c Size Krank's Lemon Cream 37c

### \$1.00 Size Vitalis 79c

### \$1.65 Size For Gray Hair Kolor-Bak 97c

### 60c Size Phillips Creams 34c

### 55c Size Lady Esther

### 4-Purpose Cream or Face Powder 39c

SAVE at SMITH'S Your Rexall DRUG STORE SAVE at SMITH'S