

1953? Business Will Level Off But Payrolls Will Stay High

Babson Sees Less Controls, Keen Competition, Cut in Living Cost

(Editor's note: For many years the forecasts of Roger W. Babson, internationally known business commentator and investment adviser, have been highly respected as the best possible guide to industrial and personal planning. His full report on the prospects for 1953 are made available to The Oregon Statesman readers in the following 40-point Business and Financial Outlook.)

By Roger W. Babson

1. Business will start the year 1953 in high gear. The pace will slacken, however, as the year unfolds, with total business volume for 1953 smaller than for 1952. The powerful supports of the Great Boom—construction and automobiles—will lose strength as the year advances.

2. Barring World War III, 1953 will find business operating under less government control than any year since outbreak of the Korean War. But don't expect removal of price controls to help profit margins.

INTENSE COMPETITION PREDICTED

3. Salient economic feature is the fact that our productive capacity has now been expanded to the point where, barring World War III, output can take care of both arms and civilian needs.

4. The handwriting is on the wall against inefficient operators. Their days are numbered. The successful businessman next year will be the one who can control his costs and stay out front in his market.

5. I strongly urge my business friends to get out and sell, and sell hard next year; but hire the best cost accountants you can for the back office. "Order takers" will find fewer jobs as 1953 moves along.

WAR AND PEACE

6. My forecasts for 1953 are made on the assumption that World War III will not strike during the year. However, I want to make it clear that "all bets are off" the day Stalin dies or retires.

7. The H-bomb gives us another lease on time. Our first lease, from Hiroshima in 1945 to the Russian A-bomb explosion in 1949, was frittered away in idle bickering. This time we will have another "breather." It may be our last chance.

8. 1953 will be most important in the struggle for World Peace. We will need more than an H-bomb to win the peace. We shall need a great rise of spiritual strength, which is not now evident.

NO NEW BUSINESS BOOM

9. The long business boom following World War II was beginning to run out of steam when the Korean War gave it a new lease of life. However, the stimulus of defense spending is already fading. Barring further international troubles, defense activity in 1953 will be a floor under, and not a new stimulus to, business activity.

10. Capital expansion will move into a readjustment phase sometime in 1953. This has been an outstanding economic force behind our long period of good times. Nevertheless, I do not now anticipate any sharp break in business. If a slide starts it should be gradual, not steep.

11. Big credit expansion has been a powerful "shot in the arm" for business during the past two years. I predict that in 1953 loan repayments will become more important than new credit advances. This could handicap over-all business unless advertising expenditures are increased.

12. Under an Eisenhower Administration I do not look for expansion of our money supplies as a result of increased deficit financing. Thus, another stimulating force will be absent next year despite the better confidence following the Eisenhower landslide.

MORE CONSERVATISM IN GOVERNMENT

13. Although General Eisenhower ran far ahead of his ticket, there has been a considerable gain in the conservative complexion of Congress. The margin in favor of conservatism is not measured by the slight excess of Republicans over Democrats. It results from the fact that several Democrats can be counted in the conservative column. The emphasis will be on purifying bureaus and commissions.

14. All government departments will be at the service of the Republicans after January 20. Never before in the history of the United States has a conservative government had such a powerful bureaucracy at its finger tips. In 1953 we shall see the use of these bureaus to aid rather than handicap business.

HANG ONTO YOUR JOB

15. Unemployment will be no problem for the workers of the nation during the early months of 1953. The demand for and the supply of labor promise to hold in good balance. Later, however, unemployment will increase, reaching its highest point toward the end of the year.

16. While employment runs high during the first part of the year, strikes will continue to plague management. Unions, however, will be cautious so that they will not bring down on their heads the legislative wrath of a conservative Congress.

17. During the early months of 1953 amendments to the Taft-Hartley Act will be moderate. Great labor turmoil would surely result in severe restriction on labor being read into the Act. All in all, I forecast a decline in strike totals for 1953.

18. Looking to the year 1953, I am urging my friends and their children to work more faithfully at their jobs. They should not be fooled by present high demand for labor. Early 1953 should be used to "dig in" and work harder. Drifters will be the first to be let go.

PRICE FORECASTS

19. Barring World War III and severe droughts, the supply of most raw materials, farm products, and manufactured goods promises to be adequate during 1953. Even the so-called invisible inventories in the hands of consumers are high as a result of heavy buying since the outbreak of the Korean War. I anticipate few shortages next year.

20. Do not forget that there is always a big IF in the supply situation with regard to farm products. Severe droughts could cause havoc. One is already long overdue. Scan closely weather reports from the nation's "bread basket."

21. The demand for goods will be stronger in the first half of the year than it will be during the last half. Disposable income will hold close to current high levels during the first half of 1953.

22. Total pay rolls will hold well, with prospects favoring a slight drop during the late months of 1953.

23. Farm gross income will strengthen along seasonal lines during the first four or five months of 1953. If we then avoid drought, I look for a lower farm income during the second half of the year.

24. The trend of wholesale commodity prices will remain in a basic long-term downswing. Look for temporary price recoveries in many groups during the early part of 1953, but do not let them fool you.

25. Unless more international troubles or drought strike hard, living costs should average some lower in 1953 than in 1952. Here again, the tapering-off will occur late, not early in the year.

RETAIL TRADE

26. Over-all trade in 1953 will be close to 1952 levels as far as physical volume is concerned, with a moderate decline in dollar totals. The most attractive merchandising investments should be: (1) Super-market groceries; (2) Variety chains; (3) Mail order stores; and (4) Department stores, excepting a few in the largest and most congested cities.

27. Demand for capital goods will hold strong during most of 1953. A definite slowing, however, will take place at some time. 1953 sales of consumer-durables should about equal 1952's total sales, which were restricted by the steel strike.

28. Movement of soft goods during 1953 should be about the same as during 1952. Some freshening of demand in the early months may be offset later by a renewed lull.

REAL ESTATE

29. Barring World War III, rent controls will be a thing of the past in most areas by the end of 1953.

30. Home building will be less in 1953. Prices may weaken during the latter part of the year. Building costs should edge lower. Only small new houses will be in demand.

31. In my opinion, the cost of mortgage money will tend somewhat higher during 1953.

32. Construction of municipal and public works should rise moderately in 1953 as compared with 1952. This may be stepped up sharply late in the year if business falters. There may be a surplus of tax-free bonds.

33. A moderate slide-off in the sale of commercial farm properties can be expected. No bad break, however, seems likely in 1953. Fear of World War III, moreover, should help farm prices.

34. Population trend is away from the big cities. Fear of possible bombing and automobile overcrowding will continue as a drag on city realty values. Continued migration from the urban centers will help suburban properties.

35. For those who plan buying new homes in 1953, I strongly urge the purchase of acreage in suitable suburban areas. Surely, the H-bomb experiments should quicken the trend toward substance farms.

36. As public housing programs are far behind schedule, the new Congress will not promote such in 1953 unless the need for pump-priming becomes much greater.

TAX EASING WILL BE SLIGHT

37. Tax relief will come mostly from expiration of present laws rather than from a new enlightened tax program. Barring further international problems, the present corporate excess-profits tax will be permitted to expire at the end of June, 1953.

38. If it need for new taxes continues high, after expiration of the excess-profits tax, the new Congress may consider additional excise or manufacturers' sales taxes. They may also serve to discourage consumer spending, if the war danger becomes acute.

39. State and local taxes may be increased moderately here and there during the year 1953. However, I do not look for total advances in such to be so great in 1953 as they were in 1952.

40. There will be no increase in capital-gains taxes during 1953; but read paragraph 46 below. Income taxes may be reduced.

FOREIGN TRADE OUTLOOK

41. Exports will fall again in 1953. The drop in imports will be much less than in exports. The new Administration will be urged to promote foreign trade instead of foreign aid. Only by buying our neighbors' goods can we get them off the relief rolls. To save ourselves, I predict, we will buy more abroad, although this will be hard on some United States manufacturers.

42. I look for no change in the official United States buying price for gold. We won't "monkey-with" the mint price of gold until the nation gets really "hard up."

PROFITS PROSPECTS, STOCKS AND BONDS

43. For the year as a whole I look for business profits to be slightly lower than in 1952. Earnings will be better during the early months, with a decline occurring later in the year. Profit margins will be cut by stiffer competition from both domestic and foreign sources.

44. Recently upped wages, plus some additional 1953 boosts, will also put heavier cost pressure on profits.

45. Some companies that have been hard hit by excess-profits taxes may show improved earnings when the excess-profits tax expires June 30.

46. There will be a cushion under falling profits provided by the current very high tax rates. If profits slide, Uncle Sam will share the heavier loss. This very fact, however, will make it difficult for Congress to reduce the rate of taxation.

47. Stocks are high historically. We are approaching the end of a long period of prosperity, much of which is based upon artificial measures. Therefore, sometime during 1953, I forecast lower stock prices than exist today.

SHOULD BUILD UP RESERVES

48. Yet, do not forget that the stock market was at about the same price point when President Hoover won by a landslide in 1928. With business prospects good for early 1953, confidence might again cause a temporary boom. If an "Eisenhower bull market" develops, I strongly urge readers to take profits and build up reserves. Within 12 months after Hoover entered the White House the Industrial Averages fell 100 points.

49. New administration will not favor "soft money" policy. Therefore, some further rise in interest rates seems probable. For this reason, I favor high-grade, short-term bonds, rather than long-term.

50. Finally: Wise investors are taking no action unless prepared to follow a carefully planned and supervised investment program. The keystone of this program will, in 1953 as in 1952, prove to be a policy of diversification and selectivity. Among those groups which offer safety and good yield are certain fire insurance stocks, bank stocks, variety chain store stocks, food processing companies, and telephone companies. Even these may fall as unless our nation has a real spiritual awakening. This must include both you and me.

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Courthouse, High School Help Set Salem Building Record

Beginning construction on a new Marion County courthouse, a new high school and numerous business, hospital, church and private building helped make 1952 the heaviest construction year in Salem's history.

When this month's figures are released by the city engineer's office the total amount of building permits issued this year will approximate \$10,500,000. This shades considerably the previous all-time high of \$7,913,963, reached in 1948.

Salem building during 1951 fell more than \$2,000,000 below the \$7,655,942 volume of 1950. The largest building permit

ever issued in Salem came in November, 1952, when a permit for the \$3,067,000 new South Salem High School was granted.

November's \$3,684,624 total was the highest monthly figure ever attained in this city.

Other large scale projects in 1952 included permits for the courthouse, \$1,672,156; new wing for the Salem General Hospital, \$500,000; new YWCA building, \$375,000; Oregon Statesman plant, \$300,000; St. Joseph's Catholic Church, \$326,000, and new Salem Memorial Hospital, \$300,000, and repairs on First Methodist Church, \$160,000.

Queen Elizabeth Time Magazine's 'Woman of Year'

NEW YORK (AP) — Queen Elizabeth II of England is "woman of the year 1952" on the cover of Time magazine this week. The third woman to be so selected. Time, which appears Wednesday with a cover portrait of Elizabeth, selects each year the person considered most newsworthy — "for good or ill."

The only other woman to appear on the year-end cover since the selection began in 1927 have been the Duchess of Windsor in 1936, the year King Edward gave up his throne for her, and Madame Chiang Kai-Shek, who appeared with the generalissimo on the 1937 cover for their leadership after China was invaded.

Natural Dock for Icebreaker

BAFFIN BAY—The Coast Guard's icebreaker Eastwind rests in a natural dock of ice in Baffin Bay while crew members attempt to satisfy an urge to build an Eskimo igloo from blocks of ice. The Eastwind waited in the ice while dog teams carried members of a hydrographic mission to the ice-bound Baffin Island in the Canadian Northwest territories last summer. The Eastwind was blocked by ice too heavy for it to break through 25 miles from the Baffin Island shoreline. (AP Wirephoto to The Statesman.)

Bidault Fails in Cabinet Try



PARIS—Veteran politician Georges Bidault, twice before premier of France, gives his views to newsmen on the steps of the French Parliament, Paris, after seeing President Auriol who asked him to try to form a new government. Auriol called on Bidault, after Jacques Soustelle, DeGaulle spokesman, failed in his attempt to piece together a cabinet to succeed that of resigned Rene Pinay. Tuesday Bidault said he could not form a cabinet. (AP Wirephoto via radio from Paris.)

B-29s Brave Jets, Ack-Ack To Pound Plant

SEOUL (AP) — B-29 Superforts smashed a big Communist ore processing plant and a sprawling munitions dump deep in North Korea Tuesday night in the face of heavy anti-aircraft fire and Red jet night fighters.

Twenty-one big bombers dumped more than 200 tons of explosives on the huge Chook-Tong ore processing plant 25 miles south of the Yalu River and an 85-acre munitions dump northwest of Sinanju, the Fifth Air Force said.

Returning crews reported their bomb runs were "good to excellent."

Anti-aircraft fire ranged from meager to heavy. Communist jet night fighters made firing passes at the bombers over both targets. It was not announced whether any Allied bombers were hit.

The Chook-Tong ore processing plant, 25 miles southwest of Uju, had 35 buildings scattered over 105 acres. Troop billets and supply stockpiles also were bombed.

The supply center eight miles northwest of Sinanju contained 50 one-story buildings, four big barracks and an administration building.

Elsewhere, B-26 light bombers shot up five Communist locomotives and bagged 53 supply trucks and 16 boxcars in night forays, the Air Force said.

On the battlesfront, small Communist units probed lonely Allied outposts on the West and Central fronts Tuesday.

Two unidentified planes flew over Seoul Tuesday night. The South Korean capital was blacked out for 40 minutes and Allied anti-aircraft batteries went into action. No bombs were dropped.

70 Youths Start 2-State Church Meet

About 70 young men and women of Pilgrim Holiness Churches in western Oregon are in Washington Tuesday evening at Salem's Pilgrim Holiness Church on Carleton Way.

They sang under the direction of John Larson, Arlington, Wash., and heard the opening sermon by the Rev. Roy Dworschak, Molalla, executive secretary for youth of the church's Northwest District.

Many communities of the Salem, Eugene, Medford areas and of Washington were represented by the opening day attendance. There were several visitors from Idaho.

After a full day of panel discussions and other get-togethers Wednesday, the convention group will open Watchnight services at 7:30 p. m. Features will include a sermon by the Rev. E. W. Burton, pastor of Portland's First Pilgrim Holiness Church; a musical program; talks by Ruth Sutter, Salem, a Seattle Pacific College student, and Nancy Fendall, Raymond, Wash., University of Washington student; special performance by the Gospel Light instrumental trio led by Lyle Leach, Salem, and a midnight prayer service.

The convention will end Thursday with a 7:30 p. m. worship service including sermon by the Rev. William S. Deal, Salem, district superintendent who is in charge of the convention program.

E. L. Trullinger, 92, of Pioneer Family, Succumbs

PORTLAND (AP) — Edward Lane Trullinger, 92, member of a pioneer Oregon family, died here Monday.

His grandfather, Daniel, came to Oregon in 1848, settling in the Waldo Hills section near Salem.

Trullinger at one time was a leading hop grower near Eagle Creek. He also took part in the operation of a lumber mill and flour mill in the area.

Two sons and a daughter survive. Funeral services will be held Friday at Estacada.

PONY RETIRES TOO

DRUMHELLER, Canada (AP) — When miner Charles Dunn retired from his pit, he brought his 14-year-old pony out too. The pony proves she is still a willing worker by occasionally pulling a harrow over the acre of garden her master is cultivating.

Farm Prices Drop 12 Per Cent in '52

WASHINGTON (AP) — Farm prices declined three per cent in December, ending the year 12 per cent below December, 1951 levels and raising the possibility that the incoming Eisenhower administration will have a farm problem on its hands.

In its regular monthly price report, the Agriculture Department said Tuesday that prices received by farmers had dipped for four consecutive months to put them at the lowest level in over two years.

The prices also were 15 per cent below the peak reached in February, 1951, and considerably below the parity price goal of farm programs instituted by the Roosevelt and Truman administrations.

The department itself gave no explanation in its report for the price setbacks. But previous statements have attributed them to this year's record production of farm commodities, losses in export markets, and increased costs of processing and marketing farm commodities.

This year's decline in prices has been accompanied by a slight decrease in farm income as well as official forecasts of further income losses in 1953 — losses which the new Republican administration undoubtedly will seek to hold to a minimum.

The price declines also have been accompanied by the movement of large quantities of farm products into government price support stocks.

Losses in overseas markets have largely reflected the fact that farm production in other parts of the world is larger than last year, and countries which heretofore have been good customers for U.S. grain, cotton, tobacco and other products are short of dollars.

Other Prices Stable
The farm price situation is aggravated by the further fact that prices paid by producers for goods, materials and services used in production and in living have not dropped correspondingly with farm prices. In fact, these prices did not change during the past month and are only about 3 per cent down from a year ago.

Farm prices as a whole averaged 96 per cent of parity in mid-December, compared with 99 per cent in mid-November, a drop of 122 per cent in October, 1946. Parity is a standard for measuring farm prices, declared by law to be equally fair to farmers and those who buy their products.

The department's recent annual prices closed the year down 26 per cent from the 1952 peak reached in May and 32 per cent down from the record reached in 1951.

The only commodities which brought an average parity or more in December were rice, potatoes, rye, grain sorghums, sweet potatoes and apples.

Hogs were down to 76 per cent of parity — a level which is causing farmers to reduce production. An official survey recently indicated that pig production next spring would be down 15 per cent.

Such products as wheat, corn and peanuts were below government price support levels.

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