

BEAVERTON ENTERPRISE

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Keep
It
Flying

Babson Says. . .

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pick of the lot: Detroit, Michigan, Jackson, Michigan; Knoxville, Tenn.; Phoenix, Arizona; Portland, Oregon; San Diego, Calif.; Savannah, Ga.; Springfield, Mass.; Topeka, Kansas and Wichita, Kansas. It will make a difference in 1944 business whether Germany cracks in the early or later part of the year. When this happens Washington will begin at once to cancel war orders, especially on the Atlantic seaboard. The army will accept no more recruits, may begin orderly demobilization. Navy men may be in for two or three years more. Army demobilization may start around election time in 1944. This should help retail trade.

Industries Differ
Expansion of airplane factories has been practically completed. Automotive industry during 1944 will gradually reconvert to normal. New car stockpile low. Look for relief only on trucks. Building about the same level for total new building as in 1943. Relaxing restrictions on private construction will come in near future. Gains in 1944 will show in these categories when compared with 1943. Am. optimistic on post-war home building.

The shoe and clothing industries are beset by price ceilings and increased costs. These will continue through 1944. Woolen industry will remain very active. Rayon will continue at capacity output. Cotton textiles will be fairly active, merely equal last year's level. With Germany out, consumer demand for these goods should quickly replace war orders. Dairy products will be scarce because of feed problems. Slaughter houses should do a big volume. Cereal products will do well. Canned goods will feel effects of sharply higher costs and lower output. Bituminous coal depends upon labor union policy, but I expect output to be at least 10% better in 1944 than in 1943.

Air transport will gain in equipment and efficiency. Manpower is far from solved. The trend of the industry is up for both air passengers and freight. Railroads will continue to suffer from equipment shortages. War peak of traffic is passed. Railroad needs are no acute that higher priorities for equipment will be forced. After the war, railroads will have a terrible slump. With much less to haul, they will face, as never before, competition from coastwise transportation, new pipe lines, airplanes and trucks. Eastern roads will slump as soon as Germany collapses.

Electronics and television should boom. Heavy electrical equipment orders may decline slightly in 1944. Kilowatt output may be 10% better in 1943. Lumber volume will continue to be reduced. Backlog of machine tool orders is declining sharply. Subcontracting may help. Nonferrous metals are held down by acute manpower shortage. Paper and pulp will be affected by the cut in newsprint. Paperboard output in 1944 should equal 1943. Refinery petroleum output in 1944 will run above 1943. Higher prices for crude probable. All-time peaks in steel output scheduled for 1944. Shipbuilding may not show further gains, but launchings will.

Outlook for Labor
Crux is whether sufficient skilled and unskilled workers can be channeled into critical war industries. It is estimated that 2,000,000 workers must be added to essential plants in the next few months. However, over 2,000,000 men and women reach age 18 every twelve months. Therefore, the labor situation may begin to ease. There will be many disputes but most upsets will be of short duration and small scope. Labor leaders must threaten strikes for publicity and to hold jobs. The cost-of-living situation will dictate the rise and fall of strikes. If rolling back prices is successful, pressure for higher wages will be considerably reduced. After Germany cracks, there will be no scarcity of labor. Labor's honeymoon is approaching its end. There will be no railroad strike in 1944.

Stock Market
The 1944 long-term trend of stock prices is definitely upward. A growing fear of money seeks investment. Few new stocks are available. On the bullish side the market strengthened in the face of the largest War Bond Drive in our history. Most listed companies are stronger than ever. Debts have been reduced, cash reserves increased. Companies doing well in war work may get new buildings and machinery for a song. War stocks have gradually given ground in spite of record earnings and growth in net current assets. Many peace stocks have forged

ahead in spite of declines in earnings and lower dividend payments. It is possible the "war babies" may become oversold and the peace stocks overbought, but the total industrial averages will go higher sometime during 1944 than they are at present. In case a Republican President should be elected in November a big bull market could quickly develop.

What Stocks to Buy
Some industrial groups appear more attractive than others. Building stocks should benefit from the expected boom after the war. Johns-Manville, Lone Star Cement and Eagle-Picher lead hold prospects for good postwar earnings and liberal dividends. Flexibility of merchandising companies makes their stocks favorites. I have recommended American Stores, McCrory Stores, Kroger, Jewel Tea, General Shoe, United Stores 6% Preferred and Preferred "A". The railroad and farm equipment groups ought to show better-than-average progress. Favorites include American Brake Shoe, General American Transportation, Baldwin and Harvester; although prospects convince me that selected steel and iron issues hold appeal. U. S. Pipe Line & Foundry should benefit from building. Republic Steel \$5 Pfd. "A" offers liberal income. National Steel and Allegheny-Ludlum are sound issues. Electrical equipment should experience heavy postwar demand. General Electric is the outstanding leader.

Bonds, Interest Rates and Preferred Stocks
The government forbids a corporation to manipulate the price of its securities but the government is using artificial means to force down interest payments needed by widows, orphans and others dependent upon savings or life insurance. This is unfair. Government Bonds dominate the high-grade field. Corporates are being called in increasing amounts. Institutional investors and trustees are to bid very high on the few remaining corporates or buy Government bonds. In view of the relatively greater risk in corporates, I favor confining high grade bond purchases to the E, F and G War series, preferably E's. Otherwise, hold cash. Municipals are too high.

I expect no near-term shift in interest rates. They remain low as long as government financing must be carried on in large volume, or as long as restrictions are placed upon the expansion of business to meet civilian demands and the money board continues to grow. When the readjustment comes the investor should not be tied up in long-term, low-coupon bonds. Current yields on better-grade issues have been forced down too low. Investors looking for liberal income are, therefore, buying cumulative preferreds. Such issues are also in favor with investors skeptical over the general trend of common stocks; but the field is very selective. My usual advice is to buy only first mortgage bonds or else common stocks of companies with no cumulative preferreds.

Taxes
There may be small increase in 1944 taxes. This increase will hurt only a few industries through increased excise taxes. Income taxes, inheritance taxes, gift taxes, and probably corporation taxes will remain about where they are lowered. Furthermore, 1944 may be the last year of tax misery. Taxes should begin to decline in 1945. Investors should especially keep in mind that—when excess profit taxes are eliminated—many corporations can make more money and pay more dividends with much smaller gross earnings.

Postwar Jobs
Men and women who left jobs to enter the armed forces should have no trouble getting jobs when they return. Those who entered the "arm-chair" forces at Washington or elsewhere may have real trouble with getting postwar jobs. Men who were unemployed when they entered the armed forces will get postwar jobs based on their war records and behavior. Character and habits will be an important consideration. Men and women who left employers in the lurch to get more money or thrills may be left "high and dry" when the war is over. There will not be a good job for everyone after Germany cracks. In fact, there will begin to be unemployment when Roumania, Bulgaria or Hungary give up, which I expect fairly soon.

Politics and Inflation
Unless Germany collapses before August, Roosevelt will be re-nominated and probably re-elected. It looks now as if Wilkie would be nominated if the Republican leaders believe Roosevelt has the election in the bag. This would be a good way of getting rid of Wilkie forever. Another possibility is that Wilkie may accept second place on the Democratic ticket. The Republicans will put their efforts upon Congress. In November, 1944, they should secure a good majority of the House and six more Senators. When I look further ahead, 1948 seems now like a good Republican year with Gov. Dewey the victor, in case Wilkie is not already President. During the 1948-52 term will come the next depression followed by a return of the Democrats in 1952. Then there will be more Socialist experiments and the real inflationary period. In the mean time, we will have slowly creeping inflation until 1948; but nothing radical. After Roosevelt is re-elected with a Vice-President satisfactory to him, I should not be surprised to

see him resign to accept the head of the new World Organization whatever this may be. This could take place as soon as Japan is whipped, possibly in 1945.

How Long Will War II Last?
Intelligent forecasts of 1944 business should be based upon some assumption as to the length of the war. If Germany is to crack within a short time, 1944 may be a very different year than if Germany should hold out until after our Presidential Elections in November, 1944. Germany may collapse early in the year, but consider the following:—

(1) Churchill is very close to Roosevelt. He desperately wants him to be re-elected. Knowing that only a continuation of the European conflict through October, 1944, will assure this, he is not hurrying his Second Front.

(2) As the Republicans have not yet insisted upon "unconditional surrender" the German and Japanese people think their chances might be better with a Republican President, which is a temptation for them to hold out.

(3) Stalin is definitely waiting until after November 6, 1944, before making certain decisions, and this will delay Germany's collapse.

(4) Although the Washington New Deal group might do things to prolong the war merely to insure themselves another four years of power, yet they surely would not be adverse to others doing so.

(5) Generally good war news should feature 1944. The battle-hardened Russians should continue to drive the German hordes back. As we enter 1944 the war has rounded second base and is on the way home. As, however, I stated in my 1942 and 1943 Annual Forecasts, we should not expect an ending of the War until gas, chemicals or bacteria bombs are used.

All of the above may be upset by the death or serious illness of Roosevelt, Churchill, Stalin, Chiang or perhaps even Hitler in 1944.

Needed: More Research

Business men are faced with three vitally important questions: (1) Is it time now to give up seeking war contracts and prepare plans for civilian goods output? (2) Should subcontracting be reduced by approximately 50% so as to be ready for civilian goods production? (3) Is all-out war production to utmost capacity the best course to pursue? My advice is: Continue to take all war subcontracting you can get provided it will not tie you up plant beyond Election Day next year. Stop further expansion plans now. Work research and postwar planning departments overtime. Give orders now for reconversion equipment.

Finally, 1944 will see a continuation of the conflict between those two philosophical theories which are splitting civilization today. These may be expressed by the eternal question of whether man (1) is a spiritual being to be guided by the Ten Commandments; or (2) is an evolutionary animal permitted to follow the rules of the jungle even when possessing a college diploma and dressed in a tuxedo. If our first assumption, the one for which our churches stand, is adopted as a goal, the coming year can be the beginning of a glorious future. If the second, which too many educators are teaching, is allowed to grow, then World War II may have been in vain. In the end, spiritual forces must overcome the material forces or civilization is sunk. The hope of a better postwar world lies with greater research and more religion.

News items must be in our office by Wednesday midnight. Due to labor shortage, we cannot accept copy Thursday unless for next week's issue. Would appreciate your cooperation.

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THE OLD JUDGE SAYS...



"The men overseas don't mince any words about the way they want to find this country when they come marching home... do they, Judge?"

"They certainly don't, Herb...and they shouldn't. They're doing a masterful job fighting over there to protect our rights and they have good license to expect us to protect theirs back here at home. One thing they're mighty clear on—is their stand on prohibition."

"I saw in the paper just the other day the results of a poll taken among American

service men in England by the British Institute of Public Opinion. They asked hundreds of men point blank how they would vote on prohibition. 83% of them stated, in unmistakable terms, that they would vote against it. There's no doubt about it, Herb...the men overseas don't want any action taken on that subject while they're away."

"And they're 100% right, Judge, because I know how I felt when I came home after the last war—only to learn that we had been over there fighting for so impractical a thing as Prohibition."