

Babson Does Not Believe Business Will Fall Off 10 Percent In 1954

By ROGER W. BABSON

I do not now believe in the theory of most economists—that business will fall off 10% in 1954, with a greater decline in net earnings. My feeling is that everyone will unite forces to hold up business, at least during the first half, to its approximate 1953 average. This can be done by expanding research, increasing advertising appropriations, extending further credits, and obtaining labor's co-operation.

But, I say something much more important than the above, namely, if business should slump 10%, the decline would probably not stop at 10%. Too many business concerns and individuals are working on a very narrow and slim margin. The decline in employment, with resulting business losses which a 10% decline in gross would cause, could result in millions of families being unable to pay their bills and installment obligations. This could set off a chain reaction, which could send business down 10% to 30% more, with a corresponding decline in the stock market, commodity prices, and real estate. In this latter case, the Eisenhower Administration would suffer as did the Hoover Administration.

In view of this possible serious alternative, I have contacted the leading newspaper publishers as to the attitude of their respective communities. Of these, over 970 have replied as follows: The people of 30 communities are discouraged and want to liquidate; 297 communities are optimistic and want to buy and invest more; 643 are now content and in a strong position, but are waiting until they see how 1954 develops. Due to the results of this survey, I believe the chances are ten to one that at least the first half of 1954 will be fairly good.

Below are 25 definite forecasts which, in any case, should prove correct for the first six months of 1954. My forecast for the second six months will appear in this paper next June.

1. There will be no World War in the first half of 1954.

2. The Dow-Jones Industrial Stock Average will be less on June 30, 1954, than on January 1, 1954.

3. Taxes will be lowered by expiring laws.

4. The price of most commodities will be lower on June 30, 1954.

5. The Eisenhower "Honeymoon" is fast ending and he will have a hard time controlling Congress during the next six months.

6. Retail sales can be kept up by manufacturers and merchants spending more money on advertising, selling, and developing new products.

7. The U. S. population will continue its present growth and the best prospects for sales in 1954 will be the "teen-agers."

8. Interest rates during the first six months of 1954 should average about as at present, except on the renewal of low-rate loans.

9. Farm lands, except near cities, will sell for less during the first half of 1954, when farmers' profits will begin to decline.

10. The Central and Southwest will not suffer drought as in 1953.

11. There will be more fear of World War III as years go on. People will gradually move out of certain large cities. Nearby farm land will be split up. A rise in the price of such fringe farm land is certain.

12. The U. S. Government will give less money to the European and other nations direct; but will help them through the United Nations.

13. There will be fewer employed next June—the total take-home-pay will be less—than last June. This, however, may be a good thing for the morale of the nation.

14. The present administration will suffer much opposition to attempts to reduce tariffs if profits decline or unemployment increases.

15. The Administration and the Labor Leaders will try to revamp the Taft-Hartley Bill during 1954; but bad strikes are coming.

16. I am no weather prophet, but experts expect a warmer winter for the eastern portion of the U. S. and a colder Florida.

17. Canada will continue to boom during the first half of 1954, but this may be a good time to take profits on Canadian investments.

18. The above may also apply to Southern California and its airplane and movie industries. Both may have reached their peaks for the present.

19. Automobiles will be harder to sell and easier to buy during the first half of 1954. Both the automobile stocks and the cars will be in less demand. There will be more bargains in used cars, discounts on new cars, especially cars of the "independent" manufacturers.

20. Florida may have killing frosts during the next few months. This will cheer up California, Arizona, and Texas.

21. The Korean situation will remain about as is—as the Chinaman says, "much talkie, no shootie."

22. There will be one or two resignations from the Eisenhower "businessmen's Cabinet," replaced by "politicians." All is not going too well. The President is not used to being pressured by lobbies.

23. The first half of 1954 should be your best time to get out of debt or at least reduce your debt. Remember that most bankers are in

when the sun is shining, and calling them in when it rains." Moreover, you cannot blame them because the umbrellas really belong to the depositors, who also will want them on rainy days! Operate so you can clean up bank loans once during 1954.

24. The companies which will prosper most are those which have inaugurated effective labor-saving programs. Most manufacturers are learning that they cannot beat labor through mere strikes. They are

winning only as they purchase new labor-saving machinery, spend more money on research and on well-directed advertising.

25. There may be some further inflation in 1954; but percentage-wise to the total national output it should not help the stock market.

What Will Eisenhower Do?

I have promised to answer the following four questions:

1. Is Eisenhower to take the advice of Assistant President Adams, representing certain Republican

leaders, and turn to the left? Or, will he stick to his conservative election platform?

Answer: He will stick to his election platform.

2. To put the question in a more practical way: Will 1954 be a year of reform and economic adjustment as promised by President Eisenhower, or will he give the country more inflation, and further play Santa Claus to labor, farm, high tariff and other groups?

Answer: He is learning that "eco-

nomie reforms" must be gradual.

3. Will he run the risk of losing Congress in 1954 and the election in 1956 for a matter of principle, as did Hoover in 1932? Or, will he succumb to the temptation of changing his policy with an attempt to "save his party?"

Answer: He will run the risk of losing Congress in 1954, and the chance to run again in 1956.

4. Is a "middle-of-the-road" policy practical? Will it serve both groups, or no group.

Donna Lynn Roberts

Mr. and Mrs. Robert G. Roberts, Woodlawn Street, Dallas, announce the birth of a six pound, three ounce baby girl, Donna Lynn, at Nesbitt Hospital, January 7. This is their first child. Mrs. Roberts is the former Rose Ann Sherinski.

Answer: Yes, it is practical for working a gradual change, and it should serve both groups.



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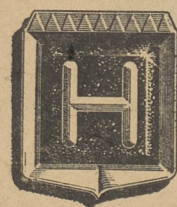
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